

*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitute a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.*

## PROSPECTUS

INITIAL PUBLIC OFFERING

February 22, 2007

# MIDLAND EXPLORATION INC.

**Minimum of \$2,000,000 or 4,000,000 Common Shares**  
**Maximum of \$4,500,000 or 9,000,000 Common Shares**  
**Price: \$0.50 per Common Share**

This prospectus qualifies the distribution, through Desjardins Securities Inc. (the “**Agent**”) of a minimum (the “**Minimum Offering**”) of 4,000,000 common shares (the “**Common Shares**”) and a maximum (the “**Maximum Offering**”) of 9,000,000 Common Shares of Midland Exploration Inc. (“**Midland**” or the “**Company**”) at a price of \$0.50 per Common Share (the “**Offering**”). The price of the Common Shares offered pursuant to the Offering was determined upon arm’s length negotiation between the Company and the Agent. See “**Plan of Distribution**”.

	Number of Common Shares	Issue Price	Agent’s Commission <sup>(1)</sup>	Net Proceeds to the Company <sup>(2)</sup>
Per common share	1	\$0.50	\$0.0375	\$0.4625
Minimum Offering	4,000,000	\$2,000,000	\$75,000	\$1,925,000
Maximum Offering	9,000,000	\$4,500,000	\$262,500	\$4,237,500

### Notes:

- (1) Pursuant to an agency agreement dated February 22, 2007 (the “**Agency Agreement**”), the Agent will be paid a corporate finance fee of \$5,000 (plus applicable taxes) as well as a cash commission equal to 7.5% of the gross proceeds of the Offering. In calculating such commission, the proceeds from the subscriptions of certain institutional investors, totalling an aggregate of \$1,000,000, will be excluded. The Agent will also be granted a non-transferable option (the “**Agent’s Option**”) to purchase such number of Common Shares equal to 6% of the aggregate number of Common Shares sold under the Offering at a price of \$0.50 per Common Share, for a period of 24 months from the date of Closing. In calculating the number of Common Shares underlying the Agent’s Option, a total of 2,000,000 Common Shares subscribed by such institutional investors will be excluded. The Agent’s Option is qualified for distribution by this prospectus. The Company will reimburse the Agent for all fees and out-of-pocket costs incurred by it in connection with the Offering, including legal fees, estimated at \$15,000, plus out-of-pocket costs and applicable taxes. See “**Plan of Distribution**”.
- (2) Before deducting the expenses of the Offering estimated to be \$150,000 in the case of the Minimum Offering and \$200,000 in the case of the Maximum Offering. See “**Use of Proceeds**”.

The TSX Venture Exchange (the “**Exchange**”) has conditionally approved the listing of these securities. Listing is subject to the Company fulfilling all of the requirements of the Exchange, including distribution of these securities to a minimum number of public securityholders.

**Investment in the Common Shares offered by this prospectus is highly speculative due to the nature of the Company’s business and its present stage of development. The Offering is suitable only to those investors who are prepared to risk the loss of their entire investment. See “Risk Factors”.**

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the Closing of the Offering will take place on or about February 28, 2007, and in any event not later than 90 days after the date of receipt of this prospectus (the “**Closing**”). Should Closing occur in respect of the Minimum Offering, one or more additional Closings, if necessary, may occur until the earlier of the Maximum Offering being fully subscribed for and December 31, 2007 subject to the requirements of the Exchange.

Subscriptions for Common Shares qualified hereby will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The Offering will be conducted under the book-based system. A subscriber who purchases Common Shares will receive customer confirmation from the registered dealer from or through whom Common Shares are purchased and who is a Canadian Depository for Securities Limited (“**CDS**”) depository service participant. CDS will record the CDS participants who hold Common Shares on behalf of owners who have purchased Common Shares in accordance with the book-based system. No Common Shares certificates will be issued unless specifically requested.

The Offering is also subject to approval of certain legal matters by Lavery, de Billy L.L.P., on behalf of the Company, and by Pothier Valiquette Inc., on behalf of the Agent. All funds derived from subscriptions for Common Shares will be held in trust by the Agent pursuant to the terms of the Agency Agreement. If the Minimum Offering is not raised within 90 days of the issuance of a receipt for the final prospectus or such other time as may be consented to by subscribers within the given period, subject to obtaining an authorization to extend the delay from the *Autorité des marchés financiers*, all subscription monies will be returned to the subscribers without interest or deduction, unless the subscribers instruct the Agent otherwise. See “**Plan of Distribution**”.

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**Germain Carrière, President of Desjardins Securities Inc., is a director of the Company. As a result, the Company may be considered a “connected issuer” of Desjardins Securities Inc. for the purposes of Regulation 33-105 respecting Underwriting conflicts (“Regulation 33-105”). See “Relationship between the Company and the Agent”.**

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## **FORWARD-LOOKING STATEMENTS**

Certain statements contained in this prospectus may constitute “forward-looking statements” that involve known and unknown risks, uncertainties and other factors which may cause the Company’s actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievement expressed or implied by such forward-looking statements. When used in this prospectus, forward-looking statements are identified by future or conditional verbs and words such as “expect”, “believe”, “anticipate” and other similar expressions. These statements reflect current expectations regarding future events and operating performance and speak only as of the date of this prospectus. These forward-looking statements involve a number of risks and uncertainties.

There are a number of factors that could cause the Company’s actual results to differ materially from those expressed or implied by such forward-looking statements, including, among others, those which are discussed under the heading “**Risk Factors**” and in other sections of this prospectus. Midland and the Agent do not intend, and do not assume any obligation, to update or revise these forward-looking statements to reflect new information, future events or otherwise, except as may be required pursuant to applicable laws.

## **ELIGIBILITY FOR INVESTMENT**

In the opinion of Lavery, de Billy, L.L.P., counsel to the Company and Pothier Valiquette Inc., counsel to the Agent, provided the Common Shares are listed on a prescribed stock exchange as defined in the regulations to the *Income Tax Act* (Canada) (the “**Tax Act**”), which includes the Exchange, the Common Shares offered hereunder are qualified investments under the Tax Act and the regulations thereunder for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans.

## SUMMARY OF PROSPECTUS

*The following is a summary of the principal features of the Offering and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus.*

- ISSUER:** Midland Exploration Inc.
- OFFERING:** A minimum (the “**Minimum Offering**”) of 4,000,000 Common Shares and a maximum (the “**Maximum Offering**”) of 9,000,000 Common Shares in the share capital of Company are being offered under this prospectus at a price of \$0.50 per Common Share for minimum gross proceeds of \$2,000,000 and maximum gross proceeds of \$4,500,000, respectively (the “**Offering**”). The Offering is made on a best efforts basis by Desjardins Securities Inc. (the “**Agent**”). In consideration for the services performed by the Agent in connection with the Offering, the Company will pay a corporate finance fee of \$5,000 plus applicable taxes, as well as a cash commission equal to 7.5% of the gross proceeds of Offering (excluding subscriptions arising from institutional investors). The Company will grant an option to the Agent to purchase such number of Common Shares equal to 6% of the aggregate number of Common Shares sold under the Offering (excluding the Common Shares sold to certain institutional investors), being a maximum of 240,000 Common Shares if the Minimum Offering is subscribed for and a maximum of 540,000 Common Shares if the Maximum Offering is subscribed for, at a price of \$0.50 per Common Share, which option can be exercised during the period of 24 months from the Closing of the Offering and is qualified for distribution by this prospectus (the “**Agent’s Option**”). The Company will reimburse the agent for legal fees estimated at \$15,000 plus out-of-pocket costs and applicable taxes. See “**Use of Proceeds**”.
- OUTSTANDING SHARES:** At the date hereof, 11,178,879 Common Shares are outstanding. See “**Capitalization**”.
- PRICE:** \$0.50 per Common Share.
- BUSINESS OF THE COMPANY:** After the Closing of the Offering, the business of the Company will essentially pertain to the exploration of mining properties with potential for the discovery of gold and base metal deposits, with a view to commercial production. The Company will not have any property in production but will own an interest in the two properties described hereinafter under “**Properties of the Company**”. See “**Business of the Company**”.
- USE OF PROCEEDS:** Assuming completion of the Offering, the net proceeds to the Company will be \$1,775,000 if the Minimum Offering is subscribed and \$4,037,500 if the Maximum Offering is subscribed (after deduction of the Agent’s commission and the expenses of the Offering). The net proceeds of the Offering will provide the Company with working capital and minimum funds needed to fund its exploration activities on its mining properties. See “**Use of Proceeds**”.

The Company intends to spend the funds available to it as stated in this prospectus. There may be circumstances, however, where for sound business reasons, a reallocation of funds may be necessary,

**DIRECTORS AND OFFICERS:**

Gino Roger	President, Chief Executive Officer and Director
Jean-Pierre Janson	Chairman of the Board of Directors and Director
Germain Carrière	Director
Robert I. Valliant	Director
Jacques Bonneau	Director
René Branchaud	Secretary and Director
Ingrid Martin	Chief Financial Officer

See “**Directors and Officers**”.

**SUMMARY OF FINANCIAL DATA:**

	Year Ended September 30, 2006	Year Ended September 30, 2005	Year Ended September 30, 2004
<b>Revenues</b>			
Gain on settlement of accounts payable and due to commonly controlled companies	\$-	\$-	\$239,718
<b>Expenses</b>			
Administrative expenses and other	\$8,251	\$27,535	\$-
Investors relations	\$15,782	\$16,196	\$-
Professional fees	\$69,358	\$68,393	\$19,512
General exploration	\$29,335	\$-	\$-
Interest	\$-	\$1,836	\$-
<b>Total expenses</b>	<b>\$122,726</b>	<b>\$113,960</b>	<b>\$19,512</b>
<b>Earnings (loss) before income taxes</b>	<b>\$(122,726)</b>	<b>\$(113,960)</b>	<b>\$220,206</b>
Recovery of future income taxes	\$49,000	\$43,600	\$-
<b>Net earnings (loss) for the year</b>	<b>\$(73,726)</b>	<b>\$(70,360)</b>	<b>\$220,206</b>

**ESCROWED SHARES:**

2,531,370 currently issued Common Shares of the Company will be deposited in escrow pursuant to the terms of an escrow agreement (the “**Escrow Agreement**”) and will be released from escrow in stages over a period of up to three years from the date the Company’s securities are listed on the Exchange. See “**Escrowed Securities**”.

**RISK FACTORS:**

The acquisition of the Common Shares offered under the terms of the prospectus involves several risks, notably (i) the risks related to exploration and mining; (ii) environmental and other regulation; (iii) Permits and Licences; (iv) title to property; (v) the risks related to financing and development; (vi) stage of exploration; (vii) commodities prices; (viii) competition; (ix) dependence on key employees; (x) uninsured risks; (xi) conflicts of interest; (xii) speculative nature of the common shares of the Company; (xiii) decline of the stock price after the offering; (xiv) stock price volatility; (xv) no cash dividend; (xvi) dilution of the Common Shares; and (xvii) the broad discretion of the net proceeds of the offering. See “**Risk Factors**”.

**Investment in the Common Shares offered under this prospectus is highly speculative due to the nature of the Company's business and its present stage of development. The Offering is suitable only to those investors who are prepared to risk the loss of their entire investment.**

## CORPORATE STRUCTURE

### Corporate Name and Incorporation

Midland was incorporated under the name Oxford Resources Inc. pursuant to Part 1A of the *Companies Act* (Québec) by Certificate and Articles of incorporation issued on October 2, 1995. The Company changed its name to Midland Exploration Inc. on May 3, 2005. The head office of the Company is located at 1 Place Ville Marie, Suite 4000, Montréal, Québec H3B 4M4.

## BUSINESS OF THE COMPANY

### History

In June 2000, the Company decided to abandon its mining properties and cease its operations, and stayed inactive until November 2004. During the financial year ended September 30, 2005, new directors restarted operations by obtaining additional capital and by investing in new mining properties located in Canada. On November 1, 2006, a new President, Gino Roger, was appointed.

On January 6, 2005, the Company entered into an agreement for the acquisition of a mining exploration property in Abitibi, Québec, owned by non related third parties and in part by Jean-Pierre Janson, a director and officer of the Company and known as the Maritime Cadillac Property. On June 1, 2006, the Company entered into an option agreement with Agnico-Eagle Mines Limited (“**Agnico-Eagle**”) whereby Agnico-Eagle was granted the right to earn a 50% undivided interest in the Maritime Cadillac Property and, after having earned such interest, to participate with Midland in a joint operation to further explore and develop the property. On June 30, 2006, the Company entered into an option agreement with Soquem Inc. (“**Soquem**”) whereby it acquired a right to earn a 50% undivided interest in the Vermillon Property.

After the Closing of the Offering, the business of the Company will essentially pertain to the exploration of mining properties with potential for the discovery of gold and base metal deposits, with a view to commercial production. The Company will not have any properties in production but will own interest in the two properties described hereinafter under “**Properties of the Company**”.

Mineral exploration and development of mining properties with potential for the discovery of gold and base metal deposits will constitute the principal business of the Company for the coming years. Moreover, in the course of realizing its objective, the Company will be called upon to enter into various agreements specific to the mining industry, such as purchase or option agreements to purchase mining claims and joint venture agreements.

## PROPERTIES OF THE COMPANY

The Company owns interests in two mining exploration properties in Québec, Canada, that together comprise 266 mining claims for a total surface area of 15,319.63 hectares. The Maritime Cadillac and the Vermillon properties are located, respectively, in the Abitibi and Mauricie regions in the Province of Québec.

Detailed information for these properties is as follows:

Property	Mining Claims	Area (hectares)	Interest	Mineralization
Maritime Cadillac	7	180.53	100% (Subject to the option of Agnico-Eagle)	Au
Vermillon	259	15,139.10	Option to earn 50%	Au-Cu-Ag

### Maritime Cadillac Property

The information contained under the heading “Maritime Cadillac Property” consists primarily of a summary of the technical report dated December 15, 2006, prepared by Jacques Marchand, Eng. Readers are encouraged to review the complete copy of such report, which may be found on SEDAR or at the offices of the Company during normal business hours. Jacques Marchand visited the Maritime Cadillac Property in October of 2005.

On January 6, 2005, the Company entered into an agreement for the acquisition of the Maritime Cadillac Property, owned in part by Jean-Pierre Janson, a director of the Company, residing in Montréal, Québec, for the following considerations:

- five annual payments of \$30,000 each, for a total of \$150,000; the Company has the option to pay half of this amount by issuing common shares of its; capital stock at a price per share equal to the average of the closing prices of the shares for a period of 20 business days preceding the issuance.
- the issuance of 2,400,000 Common Shares recorded at a price of \$0.10 per share, of which 500,000 Common Shares were issued to Jean-Pierre Janson;
- a commitment to carry out exploration work in the amount of \$400,000 before December 31, 2008, unless the market value of the Common Shares reaches \$1.00 per share at the close of business of any day on which the shares will be listed; and
- the payment of a 2% net smelter return royalty; the Company can buy back half of the royalty for a payment of \$1,000,000.

Jean-Pierre Janson was elected director of the Company on January 4, 2005. Negotiations with respect to the consideration paid by the Company were held at arm's length. Mr. Janson was not a related party of the Company at such time.

The agreement was amended on March 7, 2006, to provide that the Company will not have the obligation to retrocede the property to the sellers if the Company ceases to carry out exploration work on the property.

On June 1, 2006, the Company entered into an option agreement with Agnico-Eagle, whereby Agnico-Eagle was offered the right to earn a 50% undivided interest in the Maritime Cadillac Property and, after having earned such interest, to participate with Midland in a joint operation to further explore and develop the Property. The consideration is:

- \$25,000 upon signature and three annual payments of \$25,000 each, for a total of \$100,000;
- a commitment to carry out exploration work in the amount of \$300,000 the first year, \$300,000 the second year and \$400,000 for the third year, for a total of \$1,000,000; and
- subject to approval by the relevant regulatory authorities, Agnico-Eagle will contribute 9.9% of Midland’s initial public offering (up to a maximum of \$200,000), if it is completed before December 31, 2007.

Following the acquisition of a 50% undivided interest upon exercising its option, Agnico-Eagle will have the option to increase its undivided interest in the Property from 50% to 65% during a period of 3 years, by solely financing a bankable feasibility study in respect of the Maritime Cadillac Property or by solely assuming all mining operations on the Maritime Cadillac Property and will earn 1% additional interest for every \$1,000,000 spent on the Maritime Cadillac Property (up to 15% by spending \$15 million).

Agnico-Eagle is the operator of the project.

## Property Description and Location

The property is located in the Abitibi area, in the Province of Quebec, some 8 km E-N-E of the village of Cadillac, that is, approximately 45 km west of Val-d'Or and 650 km N-N-W of Montreal.

The Maritime Cadillac Property is comprised of 7 adjoining claims that cover a 180.53 ha area in Ranges V and VI of the Township of Cadillac. These claims are all registered with the *ministère des Ressources naturelles et de la Faune du Québec* in the name of Midland.

## Mining Claims

**Table of Coordinates**

Type	Number	Range	Lot	Area	Registered	Expiry	Fees	Work	Surplus
CL	3508771	6	50	20.00	75/06/07	09/06/06	23	1,000	75,753.00
CL	3508772	5	45	19.60	75/06/07	09/06/06	23	1,000	73,253.40
CL	3552121	5	46	19.60	76/05/17	09/05/16	23	1,000	93,511.90
CL	3552122	5	47	19.60	76/05/17	09/05/16	23	1,000	22,754.80
CL	3552123	5	48	39.60	76/05/17	09/05/16	23	2,500	0.00
CL	3552124	5	49	39.00	76/05/17	09/05/16	23	2,500	0.00
CL	3655161	21	31	23.13	77/05/14	09/05/13	23	1,000	63,585.60
<b>TOTAL</b>	<b>7</b>			<b>181 ha</b>	<b>75/06/07</b>	<b>09/05/13</b>	<b>\$161</b>	<b>\$10,000</b>	<b>\$328,859</b>

## Accessibility, Climate, Local Resources, Infrastructure and Physiography

Direct access to the Maritime Cadillac Property is provided from highway 117 between the River Héva and Cadillac municipalities. Near the Lapa mine infrastructures, the Beaupré road, which runs perpendicular to highway 117, leads south. A series of trails and old access roads from previous drilling campaigns of two power lines provide easy access all along the Maritime Cadillac Property. There is no major infrastructure. The area is in the forest zone at the border between the southern deciduous zone and the northern mixed zone. The town of Rouyn-Noranda is the regional centre where government services are located. Qualified personnel as well as mining equipment and specialized transportation are easy to find in the area, more specifically, in Rouyn-Noranda and Val-d'Or. There is mining activity in the area and several underground and aboveground mining operations are underway. There are a few operating plants in the immediate vicinity as well as a smelter in Rouyn-Noranda. A railroad crosses the southern part of the project. Two high voltage power transmission networks run along the northern and southern boundaries of the project.

## History

1923: Prospecting and discovery of gold showings by Joe Lewis.

Early 1930s: The Maritime Cadillac Syndicate carries out stripping work on various quartz veins.

From 1936 to 1938: Maritime Cadillac Gold Mines Ltd. completes 21 drill holes, 10 of which are near the shaft and 6 of which provide a cross section of the Piché Group; the log books were not located. Mention is made of a gold mineralization associated with arsenopyrite and pyrite present in small quartz veins. A shaft was sunk to a depth of 50 m and lateral exploratory works were carried out over short distances. Those distances are not specified but mention is made that the mineralized zone was not reached.

1936: Dunlop Consolidated Mine Ltd. completes 8 drill holes on 2 gold bearing zones similar to the previous zone in the northern part of the Maritime Cadillac Property.

1961: Canadian Malartic Gold Mines Ltd. produces a geological and magnetic survey, supplemented by 2 drill holes.

1965: Falconbridge Nickel Mines Ltd. completes one drill hole near the shaft. Its location is only approximate and there is no mention of any analysis having been carried out.

1978-79: Henri Bélanger, a prospector, uncovers gold bearing quartz veins in the Cadillac greywackes. Detailed magnetic, VLF and geological surveys are subsequently conducted. Mention is made of erratic grades ranging from 10.9 g/t to 36.35g/t Au.

1981-82: Soquem conducts magnetic, VLF and induced polarization surveys along with detailed mapping. Seven drill holes are completed on Maritime Cadillac the Property and they do not intersect any economic mineralization.

1984: Exploration Kerr Addison Ltée conducts magnetic, VLF and base till surveys as well as a detailed geological analysis of known veins. A drilling campaign totaling 9 drill holes is carried out on various geophysical anomalies.

1986-88: Ressources Veinor inc. (“Veinor”) conducts detailed magnetic and VLF surveys on different areas of the Maritime Cadillac Property prior to completing 5 drill holes on geophysical anomalies. Two years later, line cutting, surveying, refraction shooting, 33 drill holes (6,902 m) and a magnetic survey, as well as a VLF survey, were completed.

2005: Two phases of exploration work were carried out from January to April on the Maritime Cadillac Property, under the supervision of Jacques Marchand, consulting geological engineer. The first phase consisted of a compilation of previous drilling and geophysical surveys, and integration of the results into a database. During the second phase, detailed ground geophysical surveys were conducted to define new gold exploration targets.

2006: a drilling program was carried out by Agnico-Eagle in the fall.

2006: On January 6 2005, the Company entered into a purchase agreement for the Maritime Cadillac Property owned by Claude Cossette, Daniel Cossette, Jacques Cossette, Lyne Cossette, Nathalie Cossette, Pierre Cossette, Suzanne Cossette, Sylvie Cossette, residing at 2641 Liégeois blvd., Sainte-Foy, Québec, G1W 1Z5, and Jean-Pierre Janson a director and officer of the Company. The consideration paid for the acquisition of the Maritime Cadillac Property was negotiated at arm’s length. See “**Properties of the company – Maritime Cadillac Property**”.

## **Geological Setting**

The Maritime Cadillac Property covers part of the Piché Group in a general north-south orientation as well as its western contact zone with the Pontiac Group (sedimentary rocks) and its eastern contact zone with the Cadillac Group. The eastern and southeastern parts of the Maritime Cadillac Property cover the sedimentary rocks of the Cadillac Group characterized by an alternation of graywackes, sandstone, mudstone-siltstone and conglomerates of varying thicknesses. The central part of the Maritime Cadillac Property covers the volcanic rocks of the Piché Group characterized by outliers of mafic lavas, andesites and ultramafic lavas of varying thicknesses intersected by lenticular dioritic/gabbroic bodies (sills) as well as, here and there, by dykes of an intermediary to felsic composition (aplitic and other composition), and also covers the sedimentary rocks of the Pontiac Group. The volcanic rocks of the Piché Group are affected by a locally intense deformation associated to the deformation corridor of the Cadillac-Larder Lake Break.

## **Mineralization**

The Maritime Cadillac Property is located in the eastern part of the Cadillac mining camp, south of the Lapa mine held by Agnico-Eagle. The presence of significant lithologic contacts (Pontiac-Piché-Cadillac) along with the presence of the deformation corridor of the Cadillac-Larder Lake Break present significant potential for the development of vein-type or disseminated gold mineralization. Previous work carried out from 1986-88 by Veinor in the central part of the Maritime Cadillac Property has led to the discovery of interesting gold values. During that period, more than 38 drill holes were completed for a total of 7,462.4 m. The vast majority of these holes were located near the Maritime Cadillac shaft. Several gold mineralized intersections were localized during the campaign and it is apparent from them that the mineralization was essentially associated with intermediate to felsic dykes, with isolated quartz-carbonate veinlets or groups of veinlets located in talc-chlorite-carbonate +/- BO and Si schist and finally with the walls (eastern contact zone and, to a lesser degree, the western contact zone) of the deformation corridor (Cadillac Break).

## **Drilling**

In the fall of 2006, a drilling campaign was carried out by Agnico-Eagle on the Maritime Cadillac Property. Based on the results of a compilation of previous work conducted in the fall 2006, two phases of drilling were planned. The first phase took place between October 25, 2006 and November 6, 2006. The campaign consisted of 2 drill holes totaling 729 m. The two holes were drilled to delineate the stratigraphic contacts between the Pontiac, Piché and Cadillac groups, and to determine the location of talc-chlorite-carbonate schist zones associated with the Cadillac-Larder Lake Break, which represents a major regional gold indicator and which also hosts the Lapa deposit. Results were very encouraging in that the entire lithological package was intersected. Despite the lack of significant economic assay results in one drill hole, another drill hole intersected two zones of interest, one of which should be followed up in a subsequent phase. Preliminary results for the two zones are: 0.37 g/t Au over 6.00 m from 112 to 118 m (associated with a chlorite-talc-carbonate schist horizon), and 3.45 g/t Au over 4.90 m, from 265 to 269.9 m. Note that the latter intersection included a 1.50 m interval grading 8.38 g/t Au. This intersection is particularly interesting since it is associated with the southwestern Contact Zone of the main chlorite-talc-carbonate schist zone of the CLFZ.

## **Sampling and Analysis**

Drill core sampling was performed by Veinor using a conventional method, that is, splitting the cores into two sections along the drilling axis, one of which was packaged and sent for analysis at Chimitec in Val-

d'Or. Agnico-Eagle's drill cores were sawn into two parts, one of which was crushed and sent after quartering to Laboratoire Expert and to ALS.

## Recommendations

Following this 2006 drilling campaign, Agnico-Eagle intends to pursue exploration work on the Maritime Cadillac Property, in order to meet its \$300,000 commitment for the first year of the agreement entered into in June 2006. A second phase of drilling which will include 5 holes for 2,400 m is planned in the winter 2007, to follow up on the new gold zones intersected in one drill hole.

Midland and Agnico-Eagle are recommending the following program:

Drilling Item	Unit	Cost	Total
<b>Personnel</b>			
Geologist	40	\$350.00	\$14,000.00
Technician 2	40	\$275.00	\$11,000.00
T/s Personnel			\$25,000.00
Admin. 10%			\$2,500.00
<b>T/s Personnel Drilling</b>			<b>\$27,500.00</b>
<b>Material</b>			
Vehicle	8	\$150.00	\$1,200.00
T/s Material			\$1,200.00
Admin. 10%			\$120.00
<b>T/s Material Drilling</b>			<b>\$1,320.00</b>
<b>Sub-contractors</b>			
Drilling	2,400	\$70.00	\$168,000.00
Au-Ag analysis	600	\$13.00	\$7,800.00
T/s Sub-contractor			\$175,800.00
Admin. 5%			\$8,790.00
<b>T/s Sub-contractor</b>			<b>\$184,590.00</b>
<b>Total Drilling</b>			<b>\$213,410.00</b>
<b>Report</b>			
Geologist	10	\$350.00	\$3,500.00
Draftsman	5	\$275.00	\$1,375.00
T/s Compilation			\$4,875.00
Admin. 10%			\$487.50
<b>Total Compilation</b>			<b>\$5,362.50</b>
<b>Grand Total for the Campaign</b>			<b>\$218,772.50</b>

This exploration work program recommended by Agnico-Eagle and the Company deemed adequate and acceptable to Jacques Marchand, eng.

## Vermillon Property

The information contained under the heading "Vermillon Property" consists primarily of a summary of the technical report dated October 15, 2006, prepared by Jacques Marchand, eng. Readers are encouraged to review the complete copies of such report, which may be found on SEDAR or at the offices of the Company during normal business hours.

Jacques Marchand visited the Vermillon Property on October 5, 2006.

On June 30, 2006, the Company entered into an option and joint venture agreement with Soquem whereby Midland was offered the right to earn a 50% undivided interest in the Vermillon Property subject to the following conditions:

- a commitment to carry out a maximum of \$210,000 of work:
  - \$100,000 on or before December 31, 2006; and
  - a maximum of \$110,000 to match Soquem investments on or before December 31, 2007;
- a 1% NSR royalty payable with respect to 73 claims of the Vermillon Property, which can be purchased back for \$500,000 per each 0.5%, to an individual from which Soquem bought the claims on June 26, 2006.

Soquem is the operator of the project. If the option is exercised, Soquem and Midland will form a joint venture.

### **Property, Description and Location**

The property is located in the Mauricie area, in the Province of Quebec, some 90 km S-W of the town of La Tuque.

The Vermillon Property is comprised of 259 adjoining claims that cover a 15,139.10 ha area and are split in 3 abutting blocks. 236 of these 259 claims are registered with the Québec's *ministère des Ressources naturelles et de la Faune du Québec* in the name of Soquem and 23 of these 259 claims are registered in the name of Claude Bronsard.

### **Accessibility, Climate, Local Resources, Infrastructure and Physiography**

The Vermillon Property can be accessed by gravel roads from La Tuque, 90 km away, or from Saint-Michel-des-Saints, 65 km away. There are several lakes and rivers in the area which allow for water landings. There is no major infrastructure. The area is in the forest zone at the border between the southern deciduous zone and the northern mixed zone. The relief ranges from faint to moderate, with the altitude ranging from 100 to 200 m above sea level. The relief of certain valleys and rivers can reach 50 m. The drainage basin is mainly N-N-W and N-E oriented and runs northeasterly to reach the Saint-Maurice River, and from there, southerly to the Saint Lawrence River.

The lands are located on the eastern boundary of the Matawinie territory. There is a very small geographically stable population; trappers, hunters, pedestrian and motorized hikers, sports and tourist activity outfitters as well logging companies use this area. There is a small native population concentration (Atikamekw) in Manawan. Specialized services of all kinds are available in the towns located along the Saint-Maurice River as well as in the Montreal area.

### **History**

2005: Prospecting along forest roads by Mr. Claude Bronsard.

A visit by Soquem's team and Mr. Claude Bronsard, discovery of a chalcopryite mineralized block using a BeepMat and discovery of other copper mineralized blocks at the same location during a second visit. Litho-geochemical analyses reveal the presence of gold in two of the blocks related to a skarn (0.2 and 2.25 g/t Au). Completion of an airborne EM-MAG survey (winter 2005-2006).

2006: Soquem acquired 73 claims from Mr. Claude Bronsard further to a mining claim purchase agreement dated June 26, 2006.

Soquem in collaboration with Midland: Reconnaissance mapping and follow-up on the heliborne EM-MAG survey, prospecting of electromagnetic anomalies using the BeepMat completed in June. Sampling of mineralized outcrops, the analysis only yielded low grades.

In November, Les Consultants Inlandsis conducted a ground survey (horizon B) and an ice flow survey in the mineralized blocks sector. In December, GL Geoservices commenced line cutting work and a MaxMin survey.

### **Geological Setting**

The rock formations in this area are hosted in the monocyclic allochthon sequence of the Grenville Province. More specifically, they are hosted in the Frontenac-Adirondack-Morin belt referred to previously as the Morin land and the Grenville Group. In the area, this sequence is characterized by a paragneiss complex which includes calcosilicate gneisses (impure marbles, diopsidites, scapolite and diopside rocks), garnet and sillimanite gneisses and charnockitic gneisses. Migmatite along with metagabbro and diorite intrusions and a granite body covering over 150 km<sup>2</sup> comprised of satellite charnockitic bodies have been reported. The evolutionary process currently at play in the development of the Grenville Province's structure is based on the Andean orogenic model which has evolved from juvenile arcs of the Late Achaean (parautochthonous indirect genesis) to a Paleo- and Mesoproterozoic subduction. The paragneisses are probably derivatives of marine deposits (limestone, dolomites, siltstones and shales) which deposited themselves on a gneissic bottom. They were subsequently intersected by charnockitic granite intrusions, then deformed and metamorphosed during the Grenvillian Orogeny.

The area's geological units are severely deformed. The dominant structural grain in the area is oriented S-E with E-W and E-N-E sections, intersected by late ductile-fragile structures. The most tectonized sectors exhibit a metamorphism gradient ranging from a green schist facies to amphibolite and granulite facies.

### **Exploration Work**

In 2006, an exploration campaign was carried out in June on the Vermillon Property, consisting of Beep-Mat prospecting and regional mapping. During the winter 2005-2006, prior to the agreement with Midland, a heliborne electromagnetic (EM-Mag) survey was carried out on the claim block by Soquem. The heliborne EM survey defined a multitude of electromagnetic anomalies. Only a small proportion of the latter were explained during the summer 2006 by the presence of paragneiss layers with disseminated sulphides and/or graphite.

### **Mineralization**

The Grenville Province is best known for its deposits of industrial minerals (walastonite etc.), architectural stone (anorthosite, granite), iron and titanium. In the area of the Vermillon project, the rocks are similar to the supracrustal units of the central belt of metasediments of the Mont Laurier basin and the rocks of the Montauban Group. These areas of the Grenville Province are known for their following types of mineralization:

- Gold bearing massive sulphide like that of the Montauban and Calumet mines;
- SEDEX (sedimentary-exhalative sulphide mineralization) like that of the Balmat-Edwards district;

- Skarn (Lachabel and Cran Bornite projects).

Also of note in the area, are the Dussault deposit (polymetallic sulphide, Zn-Pb-Cu-Ag-Au encased in a calcosilicate rock) as well as the Edward Lake deposit (Ni-Cu).

These claims are characterized by the presence, in the northern part of the Property, of decimetre-scale oxidized boulders with Cu-Au mineralization, discovered in 2005 by a local prospector, Claude Bronsard. These gold-copper-bearing floats yielded assays up to 2.1 g/t Au, 1.13% Cu, and 12.6 g/t Ag.

## Recommendations

Midland and Soquem recommend an exploration program totaling \$460,000, to locate the source of Au-Cu-bearing float, and to discover new showings associated or not with geophysical anomalies. The proposed exploration program has been deemed adequate and acceptable to Jacques Marchand, eng. Exploration in this part of the Grenville is in the preliminary stages, and the exploration model remains poorly defined. The project has potential for gold-bearing and copper-gold-bearing skarns, as well as for gold-rich massive sulphide deposits.

## Budget

Type of work	Unit	Unit Cost	Value
<b>Phase Ia</b>			
Compilation and preparation	4 days	\$400	\$1,600
Material and permits			\$2,000
Mob. – Demob. and support			\$15,000
Line cutting	100 km	\$500	\$50,000
MAXMIN survey	100 km	\$300	\$30,000
Trenching	12 days	\$1,500	\$18,000
Geology	40 days	\$1,000	\$40,000
Analysis	200 each	\$100	\$20,000
Supervision and reporting	~10%		\$15,660
Contingencies	~10%		\$16,831
Administration & Management	10%	\$209,091	\$20,909
<b>Total – Phase I</b>			<b>\$230,000</b>
<b>Phase Ib</b>			
Surveys	1,200 m	\$150	\$180,000
Supervision and reporting	5%	\$180,000	\$9,000
Contingencies	~11%	\$189,000	\$20,091
Administration & Management	10%	\$209,091	\$20,909
<b>Total - Phase I</b>			<b>\$230,000</b>
<b>TOTAL – PHASE I AND II</b>			<b>\$460,000</b>

## Other Activities

In 2007, following its public offering, Midland intends to be pro-active in the acquisition of new mineral exploration properties in Québec. Potential acquisition opportunities outside of Québec will also be considered. Midland prefers to work in partnership and fully intends to quickly secure new partnerships for its new properties to be acquired in 2007.

## USE OF PROCEEDS

### Proceeds and Principal Purposes

The gross proceeds to be received by the Company from the sale of the Common Shares distributed under this prospectus will amount to \$2,000,000 if the Minimum Offering is subscribed for and to \$4,500,000 if the Maximum Offering is subscribed for.

The expenses and costs, including the Agent's commission, related to the Offering, incurred to date and expected to be incurred, will amount to a maximum of \$225,000 if the Minimum Offering is subscribed and to a maximum \$462,500 if the Maximum Offering is subscribed.

<b>Proceeds to the Company</b>	<b>Minimum Offering</b>	<b>Maximum Offering</b>
Gross proceeds from the Offering	\$2,000,000	\$4,500,000
Expenses and costs relating to the Offering	\$150,000	\$200,000
Agent's Commission	\$75,000	\$262,500
<b>Net Proceeds to the Company</b>	<b><u>\$1,775,000</u></b>	<b><u>\$4,037,500</u></b>
Estimated net working capital as at January 31, 2007 (unaudited)	\$80,000	\$80,000
<b>Total</b>	<b><u>\$1,855,000</u></b>	<b><u>\$ 4,117,500</u></b>

The following table indicates the principal uses to which the Company proposes to allocate the total funds available to it upon the completion of the Offering. However, certain circumstances could warrant the reallocation of these funds based on nature of the mining exploration and results that may be obtained.

<b>Use of Proceeds</b>	<b>Minimum Offering</b>	<b>Maximum Offering</b>
Exploration work on the Vermillon property	\$460,000	\$460,000
Annual payment of \$30,000 on the Maritime-Cadillac Property	\$30,000	\$30,000
Working capital <sup>(1)</sup>	\$1,365,000	\$3,627,500
<b>Total</b>	<b><u>\$1,855,000</u></b>	<b><u>\$4,117,500</u></b>

(1) The Corporation will use such funds to pay its overhead, mitigate various unforeseen expenses related to the Offering and reserve certain amounts for future acquisition of other mining properties and related exploration work.

## SELECTED FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis (the "MD&A") of the financial condition and results of the operations of Midland constitutes management's review, as of February 22, 2007, of the factors that affected the Company's financial and operating performance for the year ended September 30, 2006. This MD&A should be read in conjunction with the Company's financial statements and related notes as at September 30, 2006. All figures are in Canadian dollars unless otherwise noted. The Company's financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles.

### *Forward looking information*

This management's discussion and analysis contains forward looking statements reflecting Midland's objectives, estimates and expectations. These statements are identified by the use of verbs such as "believe", "anticipate", "estimate", and "expect". As well as the use of the future or conditional tense. By their very nature, these types of statements involve risk and uncertainty. Consequently, results could differ materially from the Company's projections or expectations.

### **Nature of activities**

The Company, incorporated on October 2, 1995 under Part IA of the *Companies Act* (Quebec), is a company in the mining exploration business. The Company's operations include the acquisition, exploration, production, development and, where possible, operating of mining properties.

In June 2000, the Company decided to abandon its mining properties and cease its operations, and stayed inactive until November 2004. During the year ended September 30, 2005, new directors restarted operations by obtaining additional capital and by investing in new mining properties located in Canada. On May 3, 2005, the Company changed its corporate name from Oxford Resources Inc. to Midland Exploration Inc. On November 1, 2006, a new president, Gino Roger, was appointed.

### **Overall performance**

The Company reported a loss of \$73,726 for the year ended September 30, 2006 ("**Fiscal 2006**") compared to a loss of \$70,360 for the year ended September 30, 2005 ("**Fiscal 2005**").

The Company issued \$337,449 of share capital for cash, \$90,000 through a private placement and \$68,750 following the exercise of flow-through warrants and \$178,749 following the exercise of warrants.

The Company expensed \$156,922 in exploration in Fiscal 2006 (\$91,582 in Fiscal 2005), on its Maritime Cadillac and Vermillon (option) properties.

A favourable net change in cash and cash equivalents of \$233,528 was generated in Fiscal 2006 (\$85,623 in Fiscal 2005). The Company expects to complete its initial public offering during the year that will end in September 30, 2007 ("**Fiscal 2007**").

### **Selected annual information**

	<b>Fiscal year ended September 30</b>		
	<b>2006</b>	<b>2005</b>	<b>2004</b>
Net earnings (loss)	\$ (73,726)	\$ (70,360)	\$ 220,206
Net earnings (loss) per share, basic and diluted	\$ (0.01)	\$ (0.01)	\$ 0.04
	<b>As at September 30</b>		
	<b>2006</b>	<b>2005</b>	<b>2004</b>
Total assets	\$ 850,810	\$ 447,205	\$ 2,932

## **Results of operations**

Total expenses went from \$113,960 in Fiscal 2005 to \$122,726 in Fiscal 2006 mainly due to prospecting work done for \$29,335 to identify potential properties. Administrative expenses and other were minimal considering the limited activities of the Company.

During the year ended September 30, 2004 (“**Fiscal 2004**”), the Company realized a \$239,718 gain on settlement of accounts payable and due to commonly controlled companies, before becoming active again during Fiscal 2005.

## **Investing activities**

The Company spent \$156,922 in Fiscal 2006 (\$91,582 in Fiscal 2005) in deferred exploration expenses. The mining assets of the Company are Maritime Cadillac and Vermillon (option).

### *Maritime Cadillac*

The Company spent \$57,788 (\$91,582 in Fiscal 2005) on the Maritime Cadillac property in Fiscal 2006.

On January 6, 2005, the Company entered into an agreement for the acquisition of a mining exploration property in Abitibi, Quebec, owned in part by an officer of the Company and known as Maritime-Cadillac. See “**Properties of the Company**”.

On June 1, 2006, the Company entered into an option agreement with Agnico-Eagle, whereby Agnico-Eagle was offered the right to earn a 50% undivided interest in the Maritime Cadillac Property and, after having earned such interest, to participate with Midland in a joint operation to further explore and develop the Property. See “**Properties of the Company**”.

### *Vermillon (option)*

The Company spent \$99,134 (nil in Fiscal 2005) on the Vermillon property in Fiscal 2006.

On June 30, 2006, the Company entered into an option agreement with Soquem whereby Midland was offered the right to earn a 50% interest in the Vermillon Property. See “**Properties of the Company**”.

### *Other activities*

For Fiscal 2007, following its public offering, Midland intends to be pro-active in the acquisition of new mineral exploration properties in Québec. Potential acquisition opportunities outside of Québec will also be considered. Midland prefers to work in partnership and fully intends to quickly secure new partnerships for its new properties to be acquired in Fiscal 2007.

<b>Deferred exploration expenses Fiscal 2006</b>	<b>Maritime Cadillac</b>	<b>Vermillon (option)</b>	<b>Total</b>
	\$	\$	\$
<b>Balance – Beginning of year</b>	91,582	-	91,582
Geophysics	12,511	6,241	18,752
Geology	4,026	80,042	84,068
Geochemistry	-	104	104
Prospecting	2,876	-	2,876
Line cutting	23,143	-	23,143
Compilation analysis	14,082	-	14,082
Management fees	-	12,747	12,747
Travelling	1,150	-	1,150
	<u>57,788</u>	<u>99,134</u>	<u>156,922</u>
<b>Balance – End of year</b>	<u>149,370</u>	<u>99,134</u>	<u>248,504</u>

### **Financing activities**

The Company finance itself mainly through share issuance.

In Fiscal 2006, 275,000 flow-through warrants were exercised for a net proceed of \$68,750 and 714,997 warrants were exercised for a net proceed of \$178,749.

On December 30, 2005, the Company completed a private placement of 360,000 flow-through common shares for a total cash consideration of \$90,000, under which the Company issued 360,000 flow-through common shares priced at \$0.25 each. The entire proceeds was used to finance exploration work on Canadian properties.

On December 31, 2004, the Company completed a private placement for a total cash consideration of \$300,000, under which the Company issued 1,066,660 A units and 700,000 B units.

### **Working capital**

The Company has a working capital of \$53,234 of at September 30, 2006, including an amount of \$30,781 reserved for new exploration activities, (working capital is approximately \$80,000 as of January 31, 2007) as compared to a deficit of \$32,646 as of September 30, 2005. Management is of the opinion that, combined with an initial public offering in the process of being completed for Fiscal 2007, it will be able to maintain the status of its current exploration obligations and to keep its properties in good standing. A portion of the IPO, a minimum of \$1,365,000, will be allocated to the annual operating budget of the Company. The remaining portion of the IPO will be mainly allocated to finance the new exploration programs on the Vermillon property, to make the annual payment on the Maritime Cadillac property and to acquire and explore new mining properties in Quebec and outside Quebec. Advanced exploration of some of the mineral properties would require substantially more financial resources. In the past, the Company has been able to rely on its ability to raise financing in privately negotiated equity offerings. There is no assurance that such financing will be available when required, or under terms that are favourable to the Company. The Company may also elect to advance the exploration and development of mineral properties through joint-venture participation.

## Summary of results per six-month period

For the four most recent six-month periods ended:

	<b>September 30, 2006</b>	<b>March 31, 2006</b>	<b>September 30, 2005</b>	<b>March 31, 2005</b>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Net earnings (loss)	(77,105)	3,379	(53,896)	(16,464)
Net earnings (loss) per share basic and diluted	(0.01)	-	(0.01)	-
Total assets	850,810	633,986	447,205	551,873

The recovery of future income taxes would explain the variation between the six-month periods (see note 6 of the Financial Statements).

## Related party transactions

*In the normal course of operations:*

- a) In Fiscal 2006 a firm in which an officer is a partner charged professional fees for legal services amounting to \$22,769 (\$56,734 for the Fiscal 2005 – nil for the Fiscal 2004);
- b) As at September 30, 2006, the balance due to the related parties amounted to \$14,530 (September 30, 2005 – \$14,954).

*Not in the normal course of business:*

- c) In Fiscal 2006, directors and officers of the Company participated in private placements of flow-through shares for a total consideration of \$10,000 (\$30,000 for the Fiscal 2005) (nil for Fiscal 2004);
- d) An officer of the Company owned an undivided interest in the mining property Maritime Cadillac which was sold to the Company on January 6, 2005. In exchange for his interest in the mining property, the total proceeds to be received by the officer was 500,000 shares. No cash amount or royalty will be paid to him.

These related party transactions were recorded at the exchange value, which is the consideration determined and agreed to by the related parties.

## Subsequent events

- a) On November 1, 2006, the Company nominated a new president with the following conditions:
  - i) The Company has granted 250,000 options exercisable at its initial public offering price, valid for 5 years.
  - ii) Two shareholders of the Company have granted 250,000 options to the new president at 50% of the initial public offering price, valid for 2 years. One of these shareholders is considered to be a principal shareholder of the Company.
  - iii) A shareholder of the Company has transferred to the new president 250,000 shares, which are currently held in escrow.

- b) On December 31, 2006, the Company completed a private placement of 282,222 flow-through Common Shares for a total cash consideration of \$127,000.
- c) On January 11, 2007, the Company granted a total of 1,000,000 options to its directors and officers exercisable at a price of \$0.50 per share for a five year period.
- d) Initial Public Offering of Common Shares

Pursuant to an agency agreement dated February 22, 2007, the Company agreed to issue a minimum of 4,000,000 and a maximum of 9,000,000 of Common Shares at a price of \$0.50 for total gross proceeds between \$2,000,000 to \$4,500,000. The Company's share of issue expenses and agents' fees are estimated between \$ 225,000 to 462,500 plus the reimbursement of the legal and out of pocket expenses of the Agents. In addition, the Company granted the agents a non-transferable option to purchase a number of common shares which shall be equal to 6% of the aggregate number of Common Shares sold at a price of \$0.50, exercisable for 24 months following the date of the closing of this offering. In calculating the number of Common Shares underlying the Agent's Option a total of 2,000,000 Common Shares subscribed by certain institutional investors must be excluded.

### **Outstanding share data**

	<u>As of February 22, 2007</u> Number
Common Shares	11,178,879
Options	1,250,000
Warrants	0
	<u>12,428,879</u>

### **Off-balance sheet arrangements**

During Fiscal 2006, the Company did not set up any off-balance sheet arrangements.

### **Critical accounting estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas where management judgement is applied are asset valuations and future income taxes. Actual results could differ from those estimates and such differences could be material.

### *Mining assets*

Exploration properties include rights in mining properties and deferred exploration expenses. Expenditure incurred on non-producing properties identified as having development potential are deferred until the economic viability of the project has been established, at which time these costs are added to mining properties. Costs are written off when properties are abandoned or when cost recovery is uncertain. Management has defined uncertainty as either there being no financial resources available for development over a three-year period or results from exploration work not warranting further investment.

Expenditure not related to specific properties are accounted for in the statements of operations. Proceeds on the sale of exploration properties are applied in reduction of related carrying costs and any excess is recorded as a gain in the statement of operations. In the case of a partial sale, if carrying costs exceed the proceeds, only the losses are recorded.

### **Changes in accounting policies including initial adoption**

*Taking effect subsequent to Fiscal 2006*

The CICA issued three new sections for financial instruments:

1. Section 3855, “Financial Instruments – Recognition and Measurement”, provides guidance on when a financial instrument must be recognized on the balance sheet and how it must be measured. It also provides guidance on the presentation of gains and losses on financial instruments.
2. Section 3865, “Hedges”, provides guidance on the application of hedge accounting and related disclosures.
3. Section 1530, “Comprehensive Income”, requires an entity to recognize certain gains and losses in a separate statement, until such gains and losses are recognized in the statement of income.

The Company has evaluated that these new sections, which come into effect for annual and interim periods relating to fiscal years beginning on or after October 1, 2006, have no significant impact on the Financial Statements.

### **Financial instruments and other instruments**

*Fair value*

The Company has determined the estimated fair value of its financial instruments based on estimates and assumptions. The actual results may differ from those estimates and the use of different assumptions or methodologies may have material effect on the estimated fair value amounts.

The fair value of cash and cash equivalents, sales tax receivable and accounts payable and accrued liabilities are comparable to their carrying value due to the relatively short period to maturity of the instruments.

*Interest rate risk*

The Company’s cash and cash equivalents, sales tax receivable and accounts payable and accrued liabilities are non-interest bearing.

*Risk factors*

Please refer to the “**Risk Factors**”.

## **PLAN OF DISTRIBUTION**

Pursuant to an agency agreement (the “**Agency Agreement**”) dated February 22, 2007 between the Company and the Agent, the Company has appointed the Agent as its agent to offer for sale to the public, on a best effort basis, a minimum of 4,000,000 and a maximum of 9,000,000 Common Shares as provided

in this prospectus, at a price of \$0.50 per Common Share, for gross proceeds of \$2,000,000 if the Minimum Offering is subscribed for and gross proceeds of \$4,500,000 if the Maximum Offering is subscribed for. The Agent will receive a cash commission of 7.5% of the aggregate gross proceeds from the sale of the Common Shares. In calculating such commission, the proceeds from the subscriptions of certain institutional investors, totalling an aggregate of \$1,000,000, will be excluded. In addition, the Company will pay the Agent a corporate finance fee of \$5,000 plus applicable taxes and will pay the Agent's legal expenses estimated at \$15,000, plus out of pocket costs and applicable taxes.

The Company has also agreed to grant to the Agent a non-transferable option (the "**Agent's Option**") to purchase such number of Common Shares under equal to 6% of the aggregate number of Common Shares sold under the Offering at a price of \$0.50 per Common Share, for a period of 24 months from the date of Closing. In calculating the number of Common Shares underlying the Agent's Option, the number of Common Shares subscribed by certain institutional investors will be excluded. The Agent's Option is qualified for distribution under this prospectus. The Agent has agreed to offer the Common Shares offered hereunder on behalf of the Company and may make brokerage arrangements with other investment dealers at no additional cost to the Company. The obligations of the Agent under the Agency Agreement may be terminated at its discretion on the basis of its assessment of the state of financial markets and also may be terminated on the occurrence of certain events as stated in the Agency Agreement.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The Offering will be conducted under the book-based system. A subscriber who purchases Common Shares will receive customer confirmation from the registered dealer from or through whom Common Shares are purchased and who is a Canadian Depository for Securities Limited ("**CDS**") depository service participant. CDS will record the CDS participants who hold Common Shares on behalf of owners who have purchased Common Shares in accordance with the book-based system. No Common Shares certificates will be issued unless specifically requested.

It is expected that closing of the Offering should occur on February 28, 2007 and in any event not later than 90 days after the date of receipt of this prospectus (the "**Closing**"). Funds received during such 90 day period will be held by the Agent. If the minimum subscription is not raised within 90 days of the issuance of a receipt for the final prospectus or such other time as may be consented to by the persons who subscribed for Common Shares within the given period, all subscription monies will be returned to the subscribers without interest or deduction, unless the subscribers instruct the Agent otherwise. Should Closing occur in respect of the Minimum Offering, one or more additional Closings, if necessary, may occur until the earlier of the Maximum Offering being fully subscribed for and December 31, 2007, subject to the requirement of the Exchange.

### **Rights Conferred on the Agent**

In addition, under the Agency Agreement, the Company grants the Agent a right of first refusal allowing it to act as agent in connection with any financing, public or private, of the Company through the issuance of treasury shares or other rights, for a period of 24 months following closing of the Offering.

### **Determination of Price**

The Offering price has been determined upon arm's length negotiation between the Company and the Agent.

## Listing Application

The TSX Venture Exchange (the “**Exchange**”) has conditionally approved the listing of these securities. Listing is subject to the Company fulfilling all of the requirements of the Exchange, including distribution of these securities to a minimum number of public securityholders.

### DESCRIPTION OF THE SECURITIES DISTRIBUTED

The Company is authorized to issue an unlimited number of Common Shares, of which 11,178,879 are issued and outstanding as fully paid and non-assessable as of the date hereof. In addition, a maximum of 9,480,000 Common Shares are reserved for issuance under the Offering, out of which a maximum of 480,000 Common Shares are reserved for issuance upon the exercise of the Agent’s Option should the Maximum Offering be subscribed. The holders of Common Shares are entitled to vote at meetings of the shareholders of the Company, to receive dividends that are declared by the Board of Directors of the Company and to receive such assets of the Company as may be distributable to the holders of Common Shares. See “**Prior Sales**” and “**Plan of Distribution**”.

### CAPITALIZATION

The following table and the accompanying notes set forth the capitalization of the Company on an actual and as adjusted basis, after giving effect to the Offering, but excluding the Agent’s Option and other options.

	As at September 30, 2006 (in thousands of dollars)	As Adjusted (unaudited) (in thousands of dollars)	
		Minimum Offering (1)(2)(3)	Maximum Offering (1)(2)(3)
Shareholders’ equity			
Common Shares			
Authorized: unlimited			
Issued and outstanding: 10,896,657 (actual), 15,178,879 (Minimum Offering) and 20,178,879 (Maximum Offering)	\$ 2,306	\$ 4,433	\$ 6,933
Contributed Surplus	12	12	12
Deficit	(1,710)	(1,935)	(2,173)
Total shareholders’ equity	<u>608</u>	<u>2,510</u>	<u>4,772</u>
Total capitalization	\$ 608	\$ 2,510	\$ 4,772

(1) On December 31, 2006, the Company completed a private placement pursuant to which the Company issued 282,222 flow-through Common Shares, at \$0.45 per share, for a cash consideration of \$127,000.

(2) In November 2006, the Company granted to its new president 250,000 options exercisable at the Common Shares’ initial public offering price. On January 11, 2007, the Company granted 1,000,000 options to its directors and officers exercisable at the Common Shares’ initial public offering price. The options are valid for five years. These options have not been reflected in the above capitalization table.

(3) The Company granted the Agent a non-transferable option to purchase a number of Common Shares which shall be equal to 6% of the aggregate number of Common Shares exercisable at a price of \$0.50, for 24 months following the date of the closing of this offering. In calculating the number of common shares for the agent’s option, a total of 2,000,000 common shares subscribed by certain institutional investors must be excluded. These options have not been reflected in the above capitalization table.

## Stock Option Plan

On January 5, 2005, the Board of Directors of Midland has adopted a stock option plan (the “Plan”) for its directors, officers, employees and suppliers of services, so as to attract, retain and motivate these individuals to continue in their collaboration and strive for the Company’s success. The adoption of the Plan has been ratified by the shareholders of Midland on May 3, 2005.

Options granted under the Plan may be exercised within a maximum of five years from the date of grant. The Board of Directors shall designate those individuals to whom options are to be granted, the number of options to be granted, their exercise price and their expiry date, and decide any other issue in connection therewith, in each case, in accordance with the relevant legislation and requirements of the securities regulatory authorities. The exercise price of options granted under the Plan is set by the Board of Directors at the time the options are granted but after the Common Shares of the Company shall have been listed on a stock exchange, the exercise price may not be less than the closing price on the day preceding the grant. If there are no transactions on such day, the closing price will be replaced by the average between the bid price and the ask price.

The options are non-transferable. The maximum number of Common Shares issuable under the Plan shall not exceed 1,400,000 Common Shares.

On November 1, 2006, the Company granted to 250 000 options to purchase common shares of the Company to its President and Chief Executive Officer, exercisable at a price of \$0.50 per share over a five-year period following the closing. On January 11, 2007, the Company issued a total of 1,000,000 options to its directors and officers exercisable at a price of \$0.50 per Common Share over a five-year period. No other stock option is or will be issued until completion of the Offering.

Beneficiaries	Securities under Options Granted (#)	Date of the grant	Exercise or Base Price (\$) / Common Share	Market Value of Securities Underlying Options on the Date of Grant (\$)/ Common Share	Expiration Date
Directors: 6	900,000	January 11, 2007	\$0.50	N/A	January 11, 2012
	250,000	November 1, 2006	\$0.50	N/A	November 1, 2011
Officers: 1	100,000	January 11, 2007	\$0.50	N/A	January 11, 2012

## DIVIDENDS

The Company has not declared or paid any cash dividends on any of its issued shares since its inception. The Company’s dividend policy will be reviewed from time to time by the board of directors of the Company in the context of the Company’s earnings, financial condition, capital requirements and other relevant factors. The Company currently intends to retain all available funds and any future earnings to fund the development and growth of its business and the Company does not anticipate pay any cash dividends in the foreseeable future.

## PRIOR SALES

In 2006, the Company has issued the following Common Shares from its share capital:

<b>Date</b>	<b>Number of Common Shares</b>	<b>Issue Price/Deemed Price per Common Share</b>	<b>Aggregate Issue Price/Deemed Price</b>	<b>Nature of Consideration Received</b>
September 30, 2006	714,997	\$0.25	\$178,749	Cash
December 31, 2006	282,222	\$0.45	\$127,000	Cash

## ESCROWED SECURITIES

The following table sets out the number of Common Shares of the Company which will be held in escrow as well as the name of their holders and the date of their release:

<b>Name of Shareholder</b>	<b>Number of Shares Held in Escrow</b>	<b>Percentage of Shares Prior to Giving Effect to the Offering</b>	<b>Percentage of Shares if the Minimum Offering is Subscribed</b>	<b>Percentage of Shares if the Maximum Offering is Subscribed</b>
Gino Roger	272,222 <sup>(2)</sup>	2.44%	1.79%	1.35%
Jean-Pierre Janson	1,194,148 <sup>(2)</sup>	10.68%	7.87%	5.92%
Jacques Bonneau <sup>(1)</sup>	1,042,778	9.33 %	6.87 %	5.17 %
René Branchaud	22,222	0.20%	0.15%	0.11%
<b>TOTAL</b>	<b>2,531,370</b>	<b>22.65 %</b>	<b>16.68 %</b>	<b>12.55 %</b>

(1) Of this number, 345,556 Common Shares are held by Carmen Trudel, the spouse of Jacques Bonneau.

(2) Of this number, 750,000 Common Shares were escrowed on pursuant to an Escrow Agreement dated February 20, 1996 and 250,000 and 500,000 shares were subsequently transferred on February 22, 2007 to Gino Roger and Jacques Bonneau, respectively.

These shares will be escrowed pursuant to an escrow agreement to be entered into between the Company, the shareholders named in the above table and Computershare Investor Services Inc. on the date of closing and will be released from escrow in accordance with the release schedule set forth below:

- (a) 10% of the escrowed securities will be released on the date the Company's securities are listed on the Exchange; and
- (b) 15% of the escrowed securities will be released at 6 month intervals, i.e., 6, 12, 18, 24, 30 and 36 months following the listing of the Company's securities on the Exchange.

## PRINCIPAL SHAREHOLDERS

The following table lists those persons who own 10% or more of the issued and outstanding Common Shares of the Company as at the date hereof:

Name	Type of Ownership	Number of Common Shares Before the Offering	Percentage of Shares Before Offering	Percentage of Shares if the Minimum Offering is Subscribed	Number of Common Shares Held After the Offering	Percentage of Shares if the Maximum Offering is subscribed
Jean-Pierre Janson	direct	1,194,148	10.68%	7.87%	1,194,148	5.92%

## DIRECTORS AND OFFICERS

The following table sets out the names, ages and municipalities of residence of the directors and officers of the Company, their positions and offices within the Company, their current principal occupations, the number of Common Shares they beneficially own, or over which they exercise, directly or indirectly, control or direction, and the percentage of Common Shares that they each held prior to and after giving effect to the Offering.

Name, age and Municipality of Residence	Positions and Offices Held within the Company	Current Principal Occupation	Number of Common Shares Held and Percentage Prior to Giving Effect to the Offering)	Percentage and Number of Common Shares if the Minimum Offering is subscribed	Percentage and Number of Common Shares if the Maximum Offering is subscribed
Gino Roger, 40, Blainville, Québec	President, Chief Executive Officer and Director (since December , 2006)	President and Chief Executive Officer of the Company	272,222 (2.44%)	272,222 (1.79%)	272,222 (1.35%)
Jean-Pierre Janson <sup>(1)</sup> , 55, Outremont, Québec	Chairman of the Board, Director (since January 4, 2005)	Executive Vice-president of Richardson Financial Partners Limited	1,194,148 (10.68%)	1,194,148 (7.87%)	1,194,148 (5.92%)
Germain Carrière <sup>(1)</sup> , 57, Ville Mont-Royal, Québec	Director (since January 4, 2005)	President of Desjardins Securities Inc.	0 (0%)	0 (0%)	0 (0%)
Robert I. Valliant, 53, Uxbridge, Ontario	Director (since May 3, 2005)	President, Secretary and Director of TRI Origin Exploration Ltd.	0 (0%)	0 (0%)	0 (0%)
Jacques Bonneau <sup>(1)</sup> 56, Québec, Québec	Director (since January 11, 2007)	Consultant	1,042,778 (9.33%)	1,042,778 (6.87%)	1,042,778 (5.17%)

Name, age and Municipality of Residence	Positions and Offices Held within the Company	Current Principal Occupation	Number of Common Shares Held and Percentage Prior to Giving Effect to the Offering)	Percentage and Number of Common Shares if the Minimum Offering is subscribed	Percentage and Number of Common Shares if the Maximum Offering is subscribed
René Branchaud, 46, Montréal, Québec	Secretary and Director (since January 11, 2007)	Lawyer	22,222 (0.2%)	22,222 (0.15%)	22,222 (0.11%)
Ingrid Martin, 41 Montréal, Québec	Chief Financial Officer (since January 11, 2007)	Consultant with Ingrid Martin CA Inc.	0 (0%)	0 (0%)	0 (0%)

(1) Member of the Audit Committee

The directors and officers of the Company will devote the time required to ensure that the goals of the Company are achieved. The directors will hold their office until the next annual meeting of the shareholders of the Company.

The directors and officers hold, directly or indirectly, 2,531,370 Common Shares representing 22.65% of all the issued and outstanding shares of the Company.

### **Gino Roger**

Gino Roger has been President and Chief Executive Officer of the Company since November 1, 2006. Mr. Roger has graduated as a geological engineer from Laval University in 1990. From May 1990 to October 2006, Mr. Roger was the Regional Geologist of Xstrata, Falconbridge and Noranda. During those years he was actively involved in the generation, acquisition and negotiation of many significant projects and discovery of mineral deposits. He is a member of the Ordre des ingénieurs du Québec and of the Canadian Institute of Mining, Metallurgy and Petroleum.

### **Jean-Pierre Janson**

Jean-Pierre Janson has been National Sales Manager of Richardson Partners Financial Limited since January 2005. Over the past 17 years, Mr. Janson has acted as Managing Director of CIBC Wood Gundy Financial Services (Québec) Inc. (Eastern Canada) and held senior management positions with Merrill Lynch Canada Inc. and Midland Walwyn Inc. He is very involved in the financial community and has acted as trustee of Opensky Capital Managed Protection Income Trust Fund since February 2005 and as director of TRI Origin Exploration Ltd., since May 2004.

### **Germain Carrière**

Germain Carrière holds a law degree from the Université de Sherbrooke and a Masters Degree in Business Management from the University of Western Ontario. Mr. Carrière has been a member of the Barreau du Québec since 1975 and is a member of the Investment Dealers Association of Canada. Mr. Carrière joined the Corporate Finance division of Lévesque Beaubien Geoffrion in 1979 and held various executive positions until 2005. Mr. Carrière is currently President and Chief Operating Officer of

Desjardins Securities Inc. He is a director of several public and private companies and is Chairman of the Board of TSO<sub>3</sub> Inc.

### **Robert I. Valliant**

Robert I. Valliant obtained a Bachelor in Science from University of Waterloo and a PhD in Economic Geology from the University of Western Ontario, in London, Ontario. Mr. Valliant is President and Secretary of TRI Origin Exploration Ltd., an issuer listed on the Exchange since January 21, 1992 and on the Australian Stock Exchange since January 9, 2004. He has been managing director of TRI Origin since its inception and has been acting as President and managing director since 1992. Prior to that, Mr. Valliant was Vice-President Exploration, LAC Minerals Ltd. Mr. Valliant is a fellow of the Geological Association of Canada and a member of the Australian Institute of Geoscientists, the Society for Economic Geologist and the Canadian Institute of Mining and Metallurgy. He is a director of the Prospectors and Developers Association of Canada.

### **Jacques Bonneau**

Jacques Bonneau has graduated as a geological engineer from Laval University, and holds an MSc degree from the same institution. He has more than thirty years of experience in the mining industry and has been an employee of Soquem, Falconbridge Copper Corporation, Groupe Vior-Mazarin and more recently as president and Chief Executive Officer of Minéraux Sequoia inc. During those years he was actively involved in the acquisition, discovery or reactivation of many projects and mineral deposits. From 1994 to 2003, he was the president of Mazarin Inc. and in 2004, he was President of Minéraux Sequoia inc., until it was amalgamated with Cambior inc. on July 1st, 2004. He is also Chairman of the Board of Directors of Exploration Azimut inc., director of Metco Resources Inc., both exploration companies, as well as a consultant for CGE Resources, a Québec Flow-Through Share Fund.

### **René Branchaud**

René Branchaud holds an LLB from Université Laval obtained in 1982. He has been a lawyer since 1983 and is a partner of the law firm Lavery, de Billy, L.L.P. He is currently director of Mines Dynacor inc. and Dacha Capital Inc. and secretary of C2C Inc.

### **Ingrid Martin**

Ingrid Martin holds a Bachelor in Business Management from *the École des hautes études commerciales (HEC)*, in Montréal, Québec. Mrs. Martin acts as Chief Financial Officer of Melkior Resources Inc. and Hinterland Minerals Inc. She is a member of the Ordre des comptables agréés du Québec since 1990 and has possessed a vast experience as consultant for public companies. Mrs. Martin is devoting 25% of her time to the Company.

### **Other Reporting Issuers Experience**

The following table sets out the directors, officers and promoters of the Company who are, or have been within the last five years, directors, officers or promoters of other issuers that are or were reporting issuers in any Canadian jurisdiction.

<b>Name</b>	<b>Name of Reporting Issuer</b>	<b>Name of Exchange or Market</b>	<b>Position</b>	<b>From</b>	<b>To</b>
Jean-Pierre Janson	Opensky Capital Managed Protection Income Trust	TSX	Director	01-24-2005	Present
	Capital ABTB Inc.	TSX-V	Director	01-18-2006	03-10-2006
	BTB Real Estate Investment Trust	TSX-V	Director	09-27-2006	Present
	TRI Origin Exploration Ltd.	TSX-V	Director	11-05-2004	Present
Germain Carrière	Advitech Inc.	TSX-V	Director	07-13-2004	Present
	TSO <sub>3</sub> Inc.	TSX	Director	06-30-1998	Present
	SQLiaison Inc.	n/a	Director	09-18-2000	09-19-2006
	Conporec Inc.	TSX-V	Director	06-23-2005	Present
Robert I. Valliant	TRI Origin Exploration Ltd.	TSX-V	Director	03-19-2003	Present
Jacques Bonneau	Sequoia Minerals Inc.	TSX until July 2004	Director	12-29-2003	07-2004
	Azimut Exploration Inc.	TSX-V	Director	01-04-1995	Present
	Metco Resources Inc.	TSX-V	Director	10-27-2004	Present
	Mazarin Inc.	TSX-V	Director	01-06-2003	12-29-2003
	Asbestos Corporation Limited	TSX	Director	09-06-2002	12-29-2003
René Branchaud	Dacha Capital Inc.	TSX-V	Director	04-17-1997	Present
	Dynacor Mines Inc.	TSX-V	Director	06-28-2002	Present
	C2C Inc.	TSX-V	Secretary	06-30-1999	Present
Ingrid Martin	Melkior Resources Inc.	TSX-V	CFO	02-09-2006	Present
	Hinterland Minerals Inc.	TSX-V	CFO	04-16-2006	Present

### **Corporate Cease Trade Orders or Bankruptcies**

During the past 10 years, none of the directors, officers and promoters of the Company was a director, officer and promoter of any other issuer that, while that person was acting in that capacity, was the subject of a cease trade or similar order, or an order that denied the other issuer access to any exemptions under applicable securities legislation for a period of more than 30 consecutive days, or became bankrupt, made a proposal under any legislation related to bankruptcy or insolvency or was subject to or instituted any

proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

### **Penalties or Sanctions**

No director, officer or shareholder exercising control over securities of the Company has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by any Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority.

No director, officer or shareholder exercising control over securities of the Company has been subject to any penalties or sanctions imposed by a court or regulatory body or self-regulatory authority that would be likely to be considered important to a reasonable investor making an investment decision.

### **Individual Bankruptcies**

No director, officer or shareholder exercising control over securities of the Company, or personal holding company of any such person, has, during the past 10 years become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or has been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his assets.

## **EXECUTIVE COMPENSATION**

For the years ended September 30, 2006, 2005 and 2004, no form of remuneration was paid to the directors and executive officers of the Company.

With the exception of Gino Roger, President and Chief Executive Officer of the Company, none of the directors or officers of the Company are “named executive officers” for the purposes of *Regulation 51-102 respecting continuous disclosure obligations*.

Since November 1, 2006, the Company has entered into an employment agreement with Mr. Gino Roger, the President and Chief Executive Officer of the Company providing for the payment of an annual salary of \$120,000 reviewable annually. The Company will also pay a monthly personal allowance of \$1,650 to Mr. Roger. On November 1, 2006, pursuant to the terms of the employment agreement, the Company granted 250,000 options to Mr. Roger, exercisable at a price of \$0.50 per share for a five-year period.

On January 11, 2007, the Company has granted 250,000 options to Mr. Roger, exercisable at a price of \$0.50 per share for a five year period.

## **RISK FACTORS**

Given the nature of the Company’s business, the securities of the Company should be considered as highly speculative as they involve a high degree of risk. More specifically, the following risk factors apply.

### *Exploration and Mining*

Exploration and mining activities are subject to a high level of risk. Few exploration properties reach the production stage. Unusual or unexpected formations, structural forces, fires, power failures, labour disputes, floods, rockbursts, subsidence, landslides and the inability to locate the appropriate or adequate

manpower, machinery or equipment are all risks associated with mining activities and the execution of exploration programs.

The development of resource properties is subject to many factors, including the cost of mining, variations in the material mined, fluctuations in the commodities and exchange markets, the cost of processing equipment and other factors such as aboriginal claims, government regulations including in particular regulations on royalties, authorized production, importation and exportation of natural resources and environmental protection. Depending on the price of the natural resources produced, the Company may decide not to undertake or continue commercial production. There can be no assurance that the exploration expenses incurred by the Company will result in the discovery of commercial quantities of ore. Most exploration projects do not result in the discovery of ore.

#### *Environmental and Other Regulations*

Current, possible or future environmental legislation, regulations and measures may entail unforeseeable additional costs, capital expenditures, restrictions or delays in the Company's activities. The requirements of the environmental regulations and standards are constantly re-evaluated and may be considerably increased, which could seriously hamper the Company or its ability to develop its properties economically. Before a property can enter into production, the Company must obtain regulatory and environmental approvals. There can be no assurance that such approvals will be obtained, nor that they will be obtained in a timely manner. The cost related to complying with changes in government regulations may reduce the profitability of the operation or altogether prevent a property from being developed. The Company intends to fully comply with all environmental regulations.

#### *Permits and Licenses*

The Company's operations may require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

#### *Title to Property*

The Company has taken precautions to ensure that legal title to its property interests is properly recorded. There can be no assurance that the Company will be able to secure the grant or the renewal of exploration permits or other tenures on terms satisfactory to it, or that governments in the jurisdictions in which the properties are situated will not revoke or significantly alter such permits or other tenures or that such permits and tenures will not be challenged or impugned. Third parties may have valid claims underlying portions of the Company's interests and the permits or tenures may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects. If a title defect exists, it is possible that the Company may lose all or part of its interest in the properties to which such defects relate.

#### *Financing and Development*

The Company has incurred losses to date and does not presently have the financial resources required to finance its planned exploration and development programs. Development of the Company's properties therefore depends on its ability to obtain the additional financing required. There can be no assurance that the Company will succeed in obtaining the required funding. Failure to do so may lead to substantial dilution of its interests (existing or proposed) in its properties.

### *Stage of Exploration*

The Company's properties are in the exploration stage and to date none of them have a proven ore body. The Company does not have a history of earnings or the provision of return on investment, and in future there is no assurance that it will produce revenue, operate profitably or provide a return on investment.

### *Commodities Prices*

The mineral exploration and development industry in general is intensely competitive. There can be no assurance that, even if commercial quantities of proven and probable reserves are discovered, a profitable market will exist for the sale of the commodity in question. Factors beyond the Company's control may affect the marketability of any substance discovered. Commodities prices have fluctuated widely, particularly in recent years. The commodities market is also affected by numerous other factors beyond the Company's control, including government regulations relating to price, government sales of commodities, royalties, allowable production and the import and export of minerals, the impact of which cannot accurately be predicted.

### *Competition*

The Company competes with many companies that have greater financial and technical resources than the Company for the acquisition of mineral titles as well as for the recruitment and retention of qualified employees.

### *Key Employees*

Management of the Company rests on a few key officers, the loss of any of whom could have a detrimental effect on its operations.

### *Uninsured Risks*

The Company could become liable for subsidence, pollution and other risks against which it cannot insure itself or chooses not to insure itself due to the high cost of premiums or for some other reason.

Payment of such liabilities could decrease or even eliminate the funds available for exploration or mining activities.

### *Conflicts of Interest*

Officers of the Company may act as officers of other public resource companies or hold material equity in other public resource companies. To the extent that these other companies can participate in ventures in which the Company may be involved, the Company's directors may be in a conflict of interest in the negotiation or setting of conditions relating to the extent of this participation. If such a conflict of interest arises at a meeting of the directors of the Company, any director who is in such a conflict will abstain from voting on the question.

More than one company may participate, from time to time, in the acquisition, exploration and development of natural resource properties, which allows them to take part in larger-scale programs, participate in a greater number of programs and reduce the financial risks related to the same program. It may also happen that a specific company assigns all or part of its interest in a given program to another of these companies due to financial restrictions. In accordance with the legislation governing companies, the directors of the Company are bound to act honestly, in good faith and in the fundamental interests of the

Company. In determining whether or not the Company will participate in a specific program and the interest it should acquire in such a program, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at the time.

#### *Speculative Nature of the Common Shares of the Company*

The Common Shares are speculative in nature due to the Company's activities. Mineral exploration is highly speculative and involves material risks. The Common Shares are more suited to persons who can accept the risks inherent in holding shares of a mineral exploration company. No guarantee can be given that an economical viable deposit will be discovered.

#### *Decline of the Share Price After the Offering*

Certain factors, such as the sale of Common Shares into the market by existing shareholders, fluctuations in the Company's operating results or those of the Company's competitors, market conditions for similar securities and market conditions for other companies in the security industry could cause the market price of the Company's Common Shares to fluctuate substantially.

#### *Stock Price Volatility*

The trading price of the Company's Common Shares is subject to change and could fluctuate significantly in the future. The fluctuations could be in response to numerous factors beyond the Company's control, including quarterly variations in operating results; announcements of technological innovations or new products by us, the Company's customers or the Company's competitors; changes in securities analysts' recommendations; announcements of acquisitions; changes in earnings estimates made by independent analysts; general fluctuations in the stock markets; or revenues and operating results below the expectations of public market securities analysts or investors. Any of these factors could result in a sharp decline in the market price of the Company's Common Shares.

With the advent of the Internet, new avenues have been created for the communication of information. Midland has no control over the information that is distributed and discussed on electronic bulletin boards and investment chat rooms. The people and organizations that distribute such information may not necessarily act in the Company's best interests and the best interests of the Company's shareholders. Such information, in addition to other forms of investment information, including newsletters and research publications, could result in a sharp decline in the market price of the Company's Common Shares.

In addition, stock markets have occasionally experienced extreme price and volume fluctuations. The market prices for securities issued by high-technology companies have been particularly affected by these market fluctuations, and such effects have often been unrelated to the operating performance of such companies. These broad market fluctuations may cause a decline in the market price the Company's Common Shares.

#### *No Cash Dividends*

The Company's current policy is to retain earnings to reinvest them in the Company. Therefore, Midland does not anticipate paying cash dividends in the foreseeable future. The Company's dividend policy will be reviewed from time to time by the Company's Board of Directors in the context of the Company's earnings, financial condition and other relevant factors. Until Midland pay dividends, which Midland may never do, the Company's shareholders will not be able to receive a return on the Company's Common Shares unless they sell them.

### *Dilution*

The Offering price of the Company's Common Shares in this initial public offering will significantly exceed the net tangible book value per share of the Company's Common Shares. Accordingly, if you purchase Common Shares under the Offering, you will incur immediate and substantial dilution of your investment. If outstanding options to purchase the Company's Common Shares are exercised, you will incur additional dilution.

### *Broad Discretion Over the Use of the Net Proceeds*

The Company's management will have a broad discretion in how it will use the net proceeds received from the Offering. Midland may spend these proceeds in ways that do not increase the Company's operating results or market value, which would adversely affect the Company's business, operating results and financial condition.

While Midland currently anticipate that it will use the net proceeds of the Offering as described under "**Use of Proceeds**", the Company's management may re-allocate the net proceeds as it determines necessary.

**As the result of these factors, which are not limitative, the Offering is only suitable to investors who are willing to rely solely on management of the Company and who can afford to lose their entire investment. Other investors should not invest in the Common Shares.**

## **PROMOTER**

Gino Roger may be considered as promoter of the Company. He directly or indirectly holds 272,222 Common Shares of the Company representing 2.44% of the issued and outstanding shares as of the date hereof. A total of 500,000 options have been granted by the Company to Gino Roger, exercisable at a price of \$0.50 per share for a five-year period.

## **LEGAL PROCEEDINGS**

The Company is not party to any legal proceedings and is not aware of any imminent legal proceedings.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Except as disclosed in this prospectus, no director, executive officer or principal shareholder of the Company, or associate or affiliate of any of the foregoing, has had any material interest, direct or indirect, in any transaction within the preceding three years or in any proposed transaction that has materially affected or will materially affect the Company or any subsidiary of the Company. See "**Properties of the Company – Maritime Cadillac Property**", "**Capitalization – Stock Option Plan**" and "**Executive Compensation**".

## **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

There is no indebtedness owing to the Company from any of the Company's officers, directors, employees or former officers, directors and employees, including in respect of indebtedness to others where the indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement provided by the Company or any of its subsidiaries.

## **LEGAL MATTERS**

Certain legal matters in connection with the distribution of the Common Shares in the context of Canadian law will be passed upon on behalf of the Company by Lavery, de Billy, L.L.P., and on behalf of the Agent by Pothier Valiquette Inc.

Mr. René Branchaud, a Director of the Company, is a partner of Lavery, de Billy, L.L.P.

## **RELATIONSHIP BETWEEN THE COMPANY AND THE AGENT**

Germain Carrière, President of Desjardins Securities Inc. is a director of the Company. Consequently, the Company may be considered a "connected issuer" of Desjardins Securities Inc. for the purposes of Regulation 33-105. The decision to distribute Common Shares hereunder and the determination of the terms of distribution were made through negotiations among the Company and the Agent. Germain Carrière did not have any involvement in such decision or determination. As a result of this issuance, the Agents will receive a cash commission, the Agent's Option and a reimbursement for legal and out of pocket expenses.

## **AUDITORS, TRANSFER AGENT AND REGISTRAR**

The auditors of the Company are PricewaterhouseCoopers LLP, chartered accountants, 1250 René-Lévesque Boulevard West, Suite 2800, Montréal, Québec H3B 2G4.

The transfer agent and registrar of the Company is Computershare Investor Services Inc., in Montréal, Québec.

## **INTERESTS OF EXPERTS**

None of Lavery, de Billy, L.L.P., Pothier Valiquette Inc. or any partner or associate thereof has or will have a direct or indirect interest in the property of the Company or of any person connected with it or affiliate of it. Lavery, de Billy, L.L.P. and the partners and associates thereof, and Pothier Valiquette Inc. and the partners and associates thereof, collectively, in each case, beneficially own, directly or indirectly, less than one percent of the securities of the Company. None of the aforementioned individuals or legal persons, nor any of their directors, officers or employees, has been, or is expected to be elected, appointed or employed as a director, officer or employee of the Company or of any person connected with it or affiliate of it, except René Branchaud, a lawyer with Lavery, de Billy, L.L.P., who also acts as Secretary of the Company.

## **MATERIAL CONTRACTS**

The Company has not entered into any material contract nor will it enter into any such contract, other than in the ordinary course of business, prior to closing of the Offering, except:

- (i) the Agency Agreement dated February 22, 2007, between the Company and the Agent; and
- (ii) the Escrow Agreement to be entered into as of Closing, between the Company, certain shareholders and Computershare Investor Services Inc.

A copy of these agreements may be examined during normal business hours at the Company's registered office, located at 1, Place Ville Marie, Suite 4000, Montréal, Québec H3B 4M4.

## **PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION**

Securities legislation in certain of the provinces provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. The securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

## AUDITORS' CONSENT

We have read the prospectus of **Midland Exploration Inc.** (the "Company") dated February 22, 2007, relating to the initial public offering of common shares of the Company. We have complied with Canadian generally accepted standards for an auditor involvement with offering documents.

We consent to the use in the above-mentioned prospectus of our report to the Directors of the Company on the balance sheets of the Company as at September 30, 2006 and 2005, and the statements of operations and deficit and cash flows for the years then ended. Our report is dated December 11, 2006 (except as to notes 8 b), c) and d) which is as of February 22, 2007).

[Signed PricewaterhouseCoopers LLP]

Chartered Accountants

Montréal, Québec  
February 22, 2007

## AUDITORS' CONSENT

We have read the prospectus of **Midland Exploration Inc.** (previously Oxford Resources Inc.) dated February 22, 2007 relating to the issue and sale of Common Shares of Midland Exploration Inc. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned prospectus of our report to the shareholders of Oxford Resources Inc. on the balance sheet of Oxford Resources Inc. as at September 30, 2004, and the statements of operations and deficit and cash flows for the year then ended. Our report is dated January 18, 2005.

Montréal, Canada,  
February 22, 2007

(s) Ernst & Young LLP  
Chartered Accountants

December 11, 2006, except as to note 8 b), c) and d) which is as of February 22, 2007

## **Auditors' report**

### **To the Directors of Midland Exploration Inc.**

We have audited the balance sheets of **Midland Exploration Inc.** as at September 30, 2006 and 2005 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

[signed PricewaterhouseCoopers LLP]

**Chartered Accountants**

## RAPPORT DES VÉRIFICATEURS

## AUDITORS' REPORT

Aux actionnaires de  
**Ressources Oxford Inc.**

To the Shareholders of  
**Oxford Resources Inc.**

Nous avons vérifié le bilan de **Ressources Oxford Inc.** au 30 septembre 2004 ainsi que les états des résultats et du déficit et des flux de trésorerie de l'exercice terminé à cette date. La responsabilité de ces états financiers incombe à la direction de la compagnie. Notre responsabilité consiste à exprimer une opinion sur ces états financiers en nous fondant sur notre vérification.

We have audited the balance sheet of **Oxford Resources Inc.** as at September 30, 2004 and the statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Notre vérification a été effectuée conformément aux normes de vérification généralement reconnues du Canada. Ces normes exigent que la vérification soit planifiée et exécutée de manière à fournir l'assurance raisonnable que les états financiers soient exempts d'inexactitudes importantes. La vérification comprend le contrôle par sondages des éléments probants à l'appui des montants et des autres éléments d'information fournis dans les états financiers. Elle comprend également l'évaluation des principes comptables suivis et des estimations importantes faites par la direction, ainsi qu'une appréciation de la présentation d'ensemble des états financiers.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

À notre avis, ces états financiers donnent à tous les égards importants une image fidèle de la situation financière de la compagnie au 30 septembre 2004 ainsi que des résultats de son exploitation et de ses flux de trésorerie pour l'exercice terminé à cette date selon les principes comptables généralement reconnus du Canada.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

[signé Ernst&Young s.r.l.]

[signed Ernst&Young LLP]

Comptables agréés

Chartered Accountants

Montréal, Canada  
le 18 janvier 2005

Montréal, Canada,  
January 18, 2005

# Midland Exploration Inc.

(An exploration stage company)

## Balance Sheets

As at September 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 3)	319,151	85,623
Sales tax receivable	7,298	-
	<u>326,449</u>	<u>85,623</u>
<b>Mining assets</b> (note 4)		
Mining properties	275,857	270,000
Deferred exploration expenses	248,504	91,582
	<u>524,361</u>	<u>361,582</u>
	<u>850,810</u>	<u>447,205</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	242,434	52,977
<b>Shareholders' equity</b>		
<b>Capital stock</b> (note 5)	2,306,234	1,981,100
<b>Contributed surplus</b> (note 5b)	12,365	-
<b>Deficit</b>	<u>(1,710,223)</u>	<u>(1,586,872)</u>
	<u>608,376</u>	<u>394,228</u>
	<u>850,810</u>	<u>447,205</u>

Going concern assumption (note 1)

See accompanying notes.

### On behalf of the Board

(s) Jean-Pierre Janson

\_\_\_\_\_  
Jean-Pierre Janson  
Director

(s) Gino Roger

\_\_\_\_\_  
Gino Roger  
Director

# Midland Exploration Inc.

(An exploration stage company)

## Statement of Operations and Deficit

For the years ended September 30, 2006, 2005 and 2004

	<u>2006</u>	<u>2005</u>	<u>2004</u>
	\$	\$	\$
<b>Revenue</b>			
Gain on settlement of accounts payable and due to commonly controlled companies	-	-	239,718
<b>Expenses</b>			
Administrative expenses and other	8,251	27,535	-
Investors relations	15,782	16,196	-
Professional fees	69,358	68,393	19,512
General exploration	29,335	-	-
Interest	-	1,836	-
<b>Earnings (loss) before income taxes</b>	(122,726)	(113,960)	220,206
Recovery of future income taxes (note 6)	49,000	43,600	-
<b>Net earnings (loss) for the year</b>	(73,726)	(70,360)	220,206
<b>Deficit – Beginning of year</b>	(1,586,872)	(1,465,612)	(1,685,818)
Share and warrant issue expenses (note 6)	(49,625)	(50,900)	-
<b>Deficit – End of year</b>	(1,710,223)	(1,586,872)	(1,465,612)
<b>Basic and diluted net earnings (loss) per share</b>	(0.01)	(0.01)	0.04
<b>Weighted average number of basic and diluted outstanding shares</b>	10,022,592	6,701,371	5,380,001

Going concern assumption (note 1)

See accompanying notes.

# Midland Exploration Inc.

(An exploration stage company)

## Statement of Cash Flows

For the years ended September 30, 2006, 2005 and 2004

	<u>2006</u>	<u>2005</u>	<u>2004</u>
	\$	\$	\$
<b>Cash flows from</b>			
<b>Operating activities</b>			
Net earnings (loss) for the year	(73,726)	(70,360)	220,206
Adjustment for			
Recovery of future income taxes	(49,000)	(43,600)	-
Gain on settlement of accounts payable and due to commonly controlled companies	-	-	(239,718)
	<u>(122,726)</u>	<u>(113,960)</u>	<u>(19,512)</u>
Changes in non-cash working capital items			
Sales tax receivable	(7,298)	2,932	-
Accounts payable and accrued liabilities	5,795	25,533	19,512
	<u>(1,503)</u>	<u>28,465</u>	<u>19,512</u>
	<u>(124,229)</u>	<u>(85,495)</u>	<u>-</u>
<b>Financing activities</b>			
Capital stock issued	337,499	300,000	-
Share and warrant issue expenses	(625)	(7,300)	-
	<u>336,874</u>	<u>292,700</u>	<u>-</u>
<b>Investing activities</b>			
Additions to mining properties	(857)	(30,000)	-
Disposal of mining properties (note 4a)	25,000	-	-
Additions to deferred exploration expenses	(3,260)	(91,582)	-
	<u>20,883</u>	<u>(121,582)</u>	<u>-</u>
<b>Net change in cash and cash equivalents during the year</b>			
	233,528	85,623	-
<b>Cash and cash equivalents – beginning of year</b>	85,623	-	-
<b>Cash and cash equivalents – end of year</b>	<u>319,151</u>	<u>85,623</u>	<u>-</u>
<b>Additional information</b>			
Issuance of shares for acquisition of mining properties	-	240,000	-
Value of expired warrants transferred to contributed surplus	12,365	-	-
Additions of mining properties and deferred exploration expenses included in accounts payable and accrued liabilities	183,662	-	-

Going concern assumption (note 1)

See accompanying notes.

# Midland Exploration Inc.

(An exploration stage company)

## Notes to Financial Statements

September 30, 2006, 2005 and 2004

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### 1. Statute of incorporation, nature of activities and going concern assumption

The Company, incorporated on October 2, 1995 under Part IA of the Quebec Companies Act, is a company in the mining exploration business.

The Company's operations include the acquisition, exploration, production, development and, where possible, operating of mining properties.

In June 2000, the Company decided to abandon its mining properties and cease its operations, and stayed inactive until November 2004.

During the year ended September 30, 2005, new directors restarted operations by obtaining additional capital and by investing in new mining properties located in Canada. On May 3, 2005, the Company changed its corporate name from Oxford Resources Inc. to Midland Exploration Inc.

Until it is determined that properties contain mineral reserves or resources that can be economically mined, they are classified as exploration properties. The recoverability of deferred expenditures is dependent upon: the discovery of economically recoverable reserves and resources; securing and maintaining title and beneficial interest in the properties; the ability to obtain the necessary financing to complete exploration, development and construction of processing facilities; obtaining certain government approvals; and attaining profitable production.

For the year ended September 30, 2006, the Company incurred a loss of \$73,726. Cash and cash equivalents at that date amount to \$319,151 of which only \$288,370 is for working capital purposes. In addition to ongoing working capital requirements, the Company must secure sufficient funding for its existing commitments for exploration and development programs and general and administration costs. While there is some doubt as to the Company's ability to meet its commitments, management has made some progress addressing these concerns during 2006. During the year ended September 30, 2006, the Company closed private placements of flow-through units in the amount of \$90,000 and obtained \$247,499 through the exercise of warrants.

The above undertakings are not sufficient in and of themselves to enable the Company to fund all aspects of its operations and, accordingly, with the above activities now completed, management is pursuing other financing alternatives to fund its operations and to continue the Company's activities as a going concern. Although there is no assurance that the Company will be successful in these actions, management is confident that it will be able to secure the necessary financing through the issuance of new equity instruments. The Company is currently in the process of an initial public offering ("IPO"). Management is confident to close this IPO in the next two months.

These financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern, and do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenues and expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material.

# Midland Exploration Inc.

(An exploration stage company)

## Notes to Financial Statements (Cont'd)

September 30, 2006, 2005 and 2004

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### 2. Accounting policies

#### Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas where management judgement is applied are asset valuations and future income taxes. Actual results could differ from those estimates and such differences could be material.

#### Cash and cash equivalents

Cash and cash equivalents consists of cash on hand, bank balances and short-term liquid investments with original maturities of three months or less.

#### Mining assets

Exploration properties include rights in mining properties and deferred exploration expenses.

Expenditure incurred on non-producing properties identified as having development potential are deferred until the economic viability of the project has been established, at which time these costs are added to mining properties. Costs are written off when properties are abandoned or when cost recovery is uncertain. Management has defined uncertainty as either there being no financial resources available for development over a three-year period or results from exploration work not warranting further investment.

Expenditure not related to specific properties are accounted for in the statements of operations.

Proceeds on the sale of exploration properties are applied in reduction of related carrying costs and any excess is recorded as a gain in the statement of operations. In the case of a partial sale, if carrying costs exceed the proceeds, only the losses are recorded.

#### Flow-through instruments

When the Company commits the proceeds from the issuance of flow-through shares to exploration expenses recognized as mining assets, the future income tax cost related to the resulting temporary difference is recorded as a share issue expense in favour of investors when the renunciation with the tax authorities is filed.

#### Income taxes

The Company follows the liability method of accounting for income taxes whereby future income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using substantively enacted tax rates that are expected to be in effect in the periods in which assets or liabilities will be realized or settled. A valuation allowance is provided to the extent that it is not more likely than not that future income tax assets will be realized.

# Midland Exploration Inc.

(An exploration stage company)

## Notes to Financial Statements (Cont'd)

September 30, 2006, 2005 and 2004

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### 2. Accounting policies(Cont'd)

#### **Stock-based compensation and other stock-based payments**

The Company applies the fair value method to account for options granted to its employees, officers, directors and consultants.

Any consideration paid on exercise of stock options or purchase of stock is credited to capital stock. If stock or stock options are repurchased, the excess of the consideration paid over the carrying amount of the stock or stock options cancelled is charged to deficit.

#### **Share and warrant issue expenses**

Share and warrant issue expenses are accounted for in the year in which they are incurred and are recorded as an increase in deficit in the year in which the shares are issued.

#### **Earning (loss) per share**

Earning (loss) per share is calculated using the weighted average number of shares outstanding during the year. Diluted net earning (loss) per share is calculated using the weighted average number of shares outstanding during the year based on the application of the treasury stock method for the calculation of the dilutive effect of warrants.

The diluted loss per share is equal to the basic loss per share due to the anti-dilutive effect of warrants.

#### **Financial instruments**

##### *Fair value*

The Company has determined the estimated fair value of its financial instruments based on estimates and assumptions. The actual results may differ from those estimates and the use of different assumptions or methodologies may have material effect on the estimated fair value amounts.

The fair value of cash and cash equivalents, sales tax receivable and accounts payable and accrued liabilities are comparable to their carrying value due to the relatively short period to maturity of the instruments.

##### *Interest rate risk*

The Company's cash and cash equivalents, sales tax receivable and accounts payable and accrued liabilities are non-interest bearing.

### 3. Cash and cash equivalents

As at September 30, 2006, cash and cash equivalents includes an amount of \$153,662 reserved for the payment of accounts payables related to explorations activities (September 30, 2005 – nil) and an amount of \$30,781 reserved for new exploration activities to be carried out in Canada before December 31, 2006 (September 30, 2005 - \$52,444).

# Midland Exploration Inc.

(An exploration stage company)

Notes to Financial Statements (Cont'd)

September 30, 2006, 2005 and 2004

## 4. Mining assets

Mining properties	As at September 30, 2005	Additions	Disposals and write-offs	As at September 30, 2006
	\$	\$	\$	\$
<b>Quebec</b>				
Maritime-Cadillac	270,000	30,091	(25,000)	275,091
Vermillon (option)	-	766	-	766
	270,000	30,857	(25,000)	275,857

Mining properties	As at September 30, 2004	Additions	Disposals and write-offs	As at September 30, 2005
	\$	\$	\$	\$
<b>Quebec</b>				
Maritime-Cadillac	-	270,000	-	270,000
	-	270,000	-	270,000

Deferred exploration expenses	As at September 30, 2005	Additions	Disposals and write-offs	As at September 30, 2006
	\$	\$	\$	\$
<b>Quebec</b>				
Maritime-Cadillac	91,582	57,788	-	149,370
Vermillon (option)	-	99,134	-	99,134
	91,582	156,922	-	248,504

Deferred exploration expenses	As at September 30, 2004	Additions	Disposals and write-offs	As at September 30, 2005
	\$	\$	\$	\$
<b>Québec</b>				
Maritime-Cadillac	-	91,582	-	91,582
	-	91,582	-	91,582

# Midland Exploration Inc.

(An exploration stage company)

## Notes to Financial Statements (Cont'd)

September 30, 2006, 2005 and 2004

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### 4. Mining assets (Cont'd)

Deferred exploration expenses	2006	2005
	\$	\$
<b>Balance – Beginning of year</b>	91,582	-
Geophysics	18,752	57,796
Geology	84,068	1,215
Geochemistry	104	-
Prospecting	2,876	-
Line cutting	23,143	17,997
Compilation analysis	14,082	4,694
Consultants	-	9,880
Management fees	12,747	-
Travelling	1,150	-
	<u>156,922</u>	<u>91,582</u>
<b>Balance – End of year</b>	<u>248,504</u>	<u>91,582</u>

#### a) Maritime Cadillac

On January 6, 2005, the Company entered into an agreement for the acquisition of a mining exploration property in Abitibi, Quebec, owned in part by a non related party and in part by a director and officer of the Company (note 7d) and known as "Maritime-Cadillac", for the following consideration:

- Five annual payments of \$30,000 each for a total of \$150,000; the Company has the option to pay half of this amount by the issuance of common shares of its capital stock; at a price per share equal to the average of the closing prices of the shares for a period of twenty business days preceding the issuance.
- Issuance of 2,400,000 common shares recorded at a price of \$0.10 per share; the transaction has been recorded at the fair value of the common shares given up at the date of the transaction. The fair value of the common shares has been determined based on the last issuance of shares;
- Payment of a 2% net smelter return royalty; the Company can buy back half of the royalty for a payment of \$1,000,000; and
- A commitment to carry out exploration work in the amount of \$400,000 before December 31, 2008, unless the market value of the Common Shares reaches \$1.00 per share at the close of business of any day on which the shares will be listed.

On March 7, 2006, an amendment to the agreement acknowledges that the Company will not have to retrocede the property if the Company ceases to carry out exploration work on it.

On June 1, 2006, the Company entered into an option agreement with Agnico-Eagle Mines Limited ("Agnico-Eagle") whereby Agnico-Eagle was offered the right to earn a 50% undivided interest in the Maritime-Cadillac Property and, after having earned such interest, to participate with the Company in a joint operation to further explore and develop the Property. The consideration is:

# Midland Exploration Inc.

(An exploration stage company)

## Notes to Financial Statements (Cont'd)

September 30, 2006, 2005 and 2004

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### 4. Mining assets (Cont'd)

#### a) Maritime Cadillac (Cont'd)

- Four annual payments of \$25,000 each for a total of \$100,000;
- A commitment to carry out work in the amount of \$300,000 the first year, \$300,000 the second year and \$400,000 for the third year for a total of \$1,000,000; and
- Subject to approval by the relevant regulatory authorities, AgnicoEagle will contribute 9.9% up to a maximum of \$200,000 of the Company's initial public offering if it's completed before December 31, 2007.

Following the acquisition of a 50% undivided interest upon exercising its option, AgnicoEagle will have the option to increase its undivided interest in the Property from 50% to 65% during a period of 3 years, by solely financing a bankable feasibility study in respect of the Maritime Cadillac Property or by solely assuming all mining operations on the Maritime Cadillac Property and will earn 1% additional interest for every \$1,000,000 spent on the Maritime Cadillac Property (up to 15% by spending \$15 million).

#### b) Vermillon (option)

On June 30, 2006, the Company entered into an option agreement with Soquem Inc. ("Soquem") whereby the Company was offered the right to earn a 50% undivided interest in the Vermillon Property subject to the following conditions:

- A commitment to carry out a maximum of \$210,000 of work:
  - \$100,000 before December 31, 2006; and
  - a maximum of \$110,000 to match Soquem's investments on or before December 31, 2007;
- A 1% NSR royalty on specific claims of the property was granted, which can be purchased back for 500 000 \$ per each 0.5%, to an individual from which Soquem bought the claims on June 26, 2006.

If the option is exercised, Soquem and the Company will form a joint venture.

### 5. Capital stock

A summary of the Company's share capital is as follows:

	2006		2005	
	Number	Amount	Number	Amount
Common shares (note 5a)	10,896,657	\$ 2,306,234	9,546,660	\$ 1,938,100
Warrants (note 5b)	-	-	1,416,660	43,000
		<u>2,306,234</u>		<u>1,981,100</u>

#### a) Common shares

*Authorized*

Unlimited number of common shares without par value, voting and participating.

# Midland Exploration Inc.

(An exploration stage company)

## Notes to Financial Statements (Cont'd)

September 30, 2006, 2005 and 2004

### 5. Capital stock (Cont'd)

#### a) Common shares (Cont'd)

*Issued and to be issued*

Changes in the Company's common shares were as follows:

	2006		2005	
	Number	Amount \$	Number	Amount \$
<b>Balance – Beginning of year</b>	7,146,660	1,698,100	5,380,000	1,441,100
<b>Issued following</b>				
Acquisition of mining properties (i)	2 400 000	240 000	-	-
Flow-through private placement (ii)	360,000	90,000	-	-
Exercise of flow-through warrants (iii)	275,000	68,750	-	-
<i>Plus: Value of warrants exercised</i>	-	13,475	-	-
Issuance of A units (iv)	-	-	1,066,660	160,000
<i>Less: Value of warrants</i>	-	-	-	(25,700)
Issuance of B flow-through units (iv)	-	-	700,000	140,000
<i>Less: Value of warrants</i>	-	-	-	(17,300)
	<u>10,181,660</u>	<u>2,110,325</u>	<u>7,146,660</u>	<u>1,698,100</u>
<b>To be issued</b>				
For mining assets (i)	-	-	2,400,000	240,000
Exercise of warrants (v)	714,997	178,749	-	-
<i>Plus: Value of warrants exercised</i>	-	17,160	-	-
<b>Balance – End of year</b>	<u>10,896,657</u>	<u>2,306,234</u>	<u>9,546,660</u>	<u>1,938,100</u>

- i) On October 4, 2005, the Company issued the 2,400,000 common shares, including the 500,000 common shares issued to an officer (note 7d) as described in note 4a to the financial statements.
- ii) On December 30, 2005, the Company completed a private placement of 360,000 flow-through common shares for a total cash consideration of \$90,000, under which the Company will issue 360,000 flow-through common shares priced at \$0.25 each. The entire proceeds will be used to finance exploration work on Canadian properties.
- iii) During December 2005, the Company issued 275,000 flow-through common shares on the exercise of warrants attached to B units for an amount of \$68,750. The entire proceeds will be used to finance exploration work on Canadian properties.

# Midland Exploration Inc.

(An exploration stage company)

## Notes to Financial Statements (Cont'd)

September 30, 2006, 2005 and 2004

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### 5. Capital stock (Cont'd)

#### a) Common shares (Cont'd)

- iv) On December 31, 2004, the Company completed a private placement for a total cash consideration of \$300,000, under which the Company issued 1,066,660 A units and 700,000 B units.

Each A unit, priced at \$0.15, is made up of:

- One common share; and
- One purchase warrant, which entitles the holder to purchase one common share at a price of \$0.25 at any time until September 30, 2006.

From the total compensation received, \$25,700 has been allocated to warrants and \$134,300 to common shares, according to a pro rata allocation of the estimated fair value of each of the two components making up the A units.

Each B unit, priced at \$0.20, is made up of:

- One common flow-through share; and
- One half warrant, for which one warrant entitles the holder to purchase one flow-through share at a price of \$0.25 at any time until December 31, 2005.

From the total compensation received, \$17,300 has been allocated to warrants and \$122,700 to common shares, according to a pro rata allocation of the estimated fair value of each of the two components making up the B units.

The estimated fair value of the warrants included in the A and B units was determined using the Black-Scholes pricing model based on the following assumptions: average dividend per share nil, estimated volatility 100, risk-free interest rate 2.63% and expected life of warrants 1 year.

- v) On September 30, 2006, the Company issued 714,997 common shares on the exercise of warrants attached to A units for an amount of \$178,749.
- vi) There are 750,000 shares held in escrow as at September 30, 2006 and 2005.

#### b) Warrants

Changes in the Company's outstanding warrants were as follow:

	2006		2005	
	Number	Amount	Number	Amount
Balance – Beginning of year	1,416,660	\$ 43,000	-	-
Issued	-	-	1,416,660	43,000
Exercised (note 5a)	(989,997)	(30,635)	-	-
Expired	(426,663)	(12,365)	-	-
Balance – End of year	-	-	1,416,660	43,000

# Midland Exploration Inc.

(An exploration stage company)

## Notes to Financial Statements (Cont'd)

September 30, 2006, 2005 and 2004

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### 5. Capital stock (Cont'd)

#### c) Stock-based compensation and other stock-based payments

The Company has adopted a stock option plan for its officers, directors, employees and consultants. The maximum number of common shares issuable under the plan will be limited to 1,400,000. The plan provides that no single person may hold options representing more than 5% of the outstanding common shares. The number of common shares granted to a beneficiary and the vesting period will be determined by the Board of Directors.

The exercise price of any option granted under the plan shall be fixed by the Board of Directors at the time of grant and shall not be lower than the closing price on the day preceding the grant. If there are no transactions on such day the closing price will be replaced by the average between the bid price and ask price. The term of the option will not exceed five years from the date of grant. Options are not transferable and can only be exercised while the beneficiary remains a director, an officer, an employee or a consultant of the Company.

As at September 30, 2006, there are no stock options outstanding.

### 6. Income taxes

- a) In December 2005, the Company issued flow-through shares for gross proceeds of \$158,750 (\$140,000 in December 2004). Under the flow-through share agreements, the Company agreed to renounce \$158,750 of qualifying expenditures to the investors effective December 31, 2005 (\$140,000 in December 2004), although under the Canadian Income Tax Act, the expenditures may actually be incurred up to December 31, 2006.

The Company is required to record a provision at the time the renunciation is filed with the tax authorities by an increase in the share and warrant issue expenses relating to the flow-through shares for the future income taxes related to the tax deductions the Company had forgone. The Company has estimated that the future income taxes recorded at the time of renunciation would be approximately \$49,000 (\$43,600 in December 2004). Consequently, the Company has recognized share and warrant issue expenses and an increase in future income tax liability of \$49,000 respectively as at December 31, 2005 (\$43,600 as at December 31, 2004).

The Company has future income tax assets of loss carryforwards and deductible temporary differences that it had not recognized in previous years as a result of applying the "more likely than not" test. The taxable temporary differences, which arose through the issuance of the flow-through shares in December 2005, are expected to reverse, so that part of the unrecognized future income tax assets can be applied against the full taxable temporary differences. Accordingly, the Company has recognized that portion of its unrecognized future income tax assets by reversing a valuation allowance of \$49,000 (\$43,600 for the year ended September 30, 2005) (nil for the year ended September 30, 2004).

# Midland Exploration Inc.

(An exploration stage company)

## Notes to Financial Statements (Cont'd)

September 30, 2006, 2005 and 2004

### 6. Income taxes (Cont'd)

- b) The provision for income taxes presented in the financial statements is different from what would have resulted from applying the combined Canadian Statutory tax rate as a result of the following:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
	\$	\$	\$
Earnings (loss) before income taxes	(122,726)	(113,960)	220,206
Combined federal and provincial income tax at 32% (31% in 2005) (37% in 2004)	(39,297)	(35,464)	82,070
Other elements non deductible	461	2,203	-
Valuation allowance	(10,164)	(10,339)	(82,070)
Recovery of future income taxes	(49,000)	(43,600)	-

- c) The future income tax balances are summarized as follows:

	<u>2006</u>	<u>2005</u>
	\$	\$
Future income tax assets		
Mining assets	10,000	56,753
Non-capital losses	83,000	87,900
Prospectus costs	72,000	70,000
Share and warrant issue expenses	2,000	1,000
Total future income tax assets	<u>167,000</u>	<u>215,653</u>
Valuation allowance	(157,000)	(199,300)
Total net future income tax assets	10,000	16,353
Future income tax liabilities		
Flow-through shares	10,000	16,353
Total future income tax liabilities	<u>10,000</u>	<u>16,353</u>
Total net future income tax liabilities	<u>-</u>	<u>-</u>

- d) The Company has accumulated non-capital losses of approximately \$264,893. These losses will expire from 2007 to 2026 as follows:

Years ending September 30,	2007	\$35,968
	2008	\$4,145
	2009	\$4,110
	2010	\$1,423
	2014	\$19,512
	2015	\$106,199
	2026	\$93,536

# Midland Exploration Inc.

(An exploration stage company)

## Notes to Financial Statements (Cont'd)

September 30, 2006, 2005 and 2004

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### 6. Income taxes (Cont'd)

- e) As at September 30, 2006, the cost for income tax purposes of mining assets, prospectus costs and share and warrants issue expenses totalled approximately \$545,000. The difference between the fiscal cost and the amount capitalized in the financial statements arises from the write-off of certain capital assets for accounting purposes and the tax benefits related to some exploration expenses being renounced in favour of subscribers.
- f) These tax values of assets and liabilities have not been agreed with the relevant tax authorities nor have they been disputed.

### 7. Related party transactions

*In the normal course of operations:*

- a) During the year ended September 30, 2006 a firm in which an officer is a partner charged professional fees amounting to \$22,769 (\$56,734 for the year ended September 30, 2005 – nil for the year ended September 30, 2004);
- b) As at September 30, 2006, the balance due to the related parties amounted to \$14,530 (September 30, 2005 – \$14,954).

*Not in the normal course of business:*

- c) In December 2005, directors and officers of the Company participated in private placements of flow-through shares (note 5a) for a total consideration of \$10,000 (\$30,000 for the year ended September 30, 2005) (nil for the year ended September 30, 2004).
- d) An officer of the Company owned an undivided interest in the mining property Maritime-Cadillac which was sold to the Company on January 6, 2005 (note 4 and 5). In exchange for his interest in the mining property, the total proceeds to be received by the officer was 500,000 shares. No cash amount or royalty will be paid to him.

These related party transactions were recorded at the exchange value, which is the consideration determined and agreed to by the related parties.

### 8. Subsequent events

- a) On November 1, 2006, the Company nominated a new president with the following conditions:
  - i) The Company has granted 250,000 options exercisable at its initial public offering price, valid for 5 years.
  - ii) Two shareholders of the Company have granted 250,000 options to the new president at 50% of the initial public offering price, valid for 2 years. One of these shareholders is considered to be a principal shareholder of the Company.
  - iii) A shareholder of the Company has transferred to the new president 250,000 shares, which are currently held in escrow.

# Midland Exploration Inc.

(An exploration stage company)

## Notes to Financial Statements (Cont'd)

September 30, 2006, 2005 and 2004

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### 8. Subsequent events (Cont'd)

- b) On December 31, 2006, the Company completed a private placement of 282,222 flow through common shares for a total cash consideration of \$127,000.
- c) On January 11, 2007, the Company granted a total of 1,000,000 options to its directors and officers exercisable at a price of \$0.50 per share for a five year period.
- d) Initial Public Offering of Common Shares

Pursuant to an agency agreement dated February 22, 2007, the Company agreed to issue a minimum of 4,000,000 and a maximum of 9,000,000 of Common Shares at a price of \$0.50 for total gross proceeds between \$2,000,000 and \$4,500,000. The Company's share of issue expenses and agents' fees are estimated between \$225,000 to \$462,000 plus the reimbursement of the legal and out of pocket expenses of the Agents. In addition, the Company granted the agents a non-transferable option to purchase a number of common shares which shall be equal to 6% of the aggregate number of Common Shares sold at a price of \$0.50, exercisable for 24 months following the date of the closing of this offering. In calculating the number of Common Shares for the Agent's Option the number of Common Shares subscribed by certain institutional investors totalling 2,000,000 must be excluded.

### 9. Comparative figures

Certain comparative figures have been reclassified to conform with the presentation adopted for the current year.

## **CERTIFICATE OF MIDLAND EXPLORATION INC.**

February 22, 2007

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces of Alberta, British Columbia, Ontario and Québec. This prospectus, as required by the *Securities Act* (Québec) and the regulations under that act, does not contain any misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

### **MIDLAND EXPLORATION INC.**

*(s) Gino Roger*

Gino Roger  
President and Chief Executive Officer

*(s) Ingrid Martin*

Ingrid Martin  
Chief Financial Officer

### **ON BEHALF OF THE BOARD OF DIRECTORS**

*(s) Jacques Bonneau*

Jacques Bonneau  
Director

*(s) Jean-Pierre Janson*

Jean-Pierre Janson  
Director

### **CERTIFICATE OF THE PROMOTER**

February 22, 2007

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces of Alberta, British Columbia, Ontario and Québec. This prospectus, as required by the *Securities Act* (Québec) and the regulations under that act, does not contain any misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

*(s) Gino Roger*

Gino Roger

## CERTIFICATE OF THE AGENT

February 22, 2007

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces of Alberta, British Columbia, Ontario and Québec. To the best of our knowledge, this prospectus, as required by the *Securities Act* (Québec) and the regulations under that act, does not contain any misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

### DESJARDINS SECURITIES INC.

By: *(s) Pierre Colas*  
Pierre Colas  
Senior Vice President, Strategic Capital