

Midland Exploration Inc.

(An exploration stage company)

Interim Financial Statements

For the six-month period ended March 31, 2007

*The attached financial statements have been prepared by Management of
Midland Exploration Inc. and have not been reviewed by an auditor*

Midland Exploration Inc.

(An exploration stage company)

Management's Discussion and Analysis

March 31, 2007

The following discussion and analysis (the "MD&A") of the financial condition and results of the operations of Midland Exploration Inc. ("Midland" or "the Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the six-month period ended March 31, 2007. This MD&A should be read in conjunction with the Company's financial statements and related notes as at March 31, 2007. 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.

Further information regarding the Company and its operations are filed electronically on the System for Electronic Document Analysis and Retrieval (SEDAR) in Canada and can be obtained from www.sedar.com.

Nature of activities

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. On November 1, 2006, a new President, Gino Roger, was nominated.

Overall performance

The Company reported a net loss of \$152,690 for the six-month period ended March 31, 2007 ("Q2-07") compared to a net earnings of \$3,379 for the six-month period ended March 31, 2006 ("Q2-06").

On March 2, 2007, Midland closed its initial public offering (IPO) and the trading of its common shares commenced on the TSX Venture Exchange under the symbol MD. Midland issued 9,000,000 common shares at a price of \$0.50 per share, for gross proceeds of \$4.5 million. Shares issue expense of \$644,876 was recorded of which \$262,500 was paid cash to the broker and \$79,800 represents the fair value of the 420 000 broker warrants granted.

In December 2006, the company issued \$127,000 flow-through shares following a private placement and included in the share issue expenses is the \$41,000 impact of the future income taxes of this private placement.

The Company expensed \$70,676 in exploration in Q2-07 on its Maritime-Cadillac, Vermillon (option), the newly acquired Weedon property and other new gold and base metal properties. A total of \$111,138 was invested in mining properties acquisition in Q2-07.

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Results of operations

Total expenses went from \$45,621 in Q2-06 to \$205,515 in Q2-07 now that the Company has resumed its exploration, professional and administrative activities and hired a full time president to whom it granted options.

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.

Due to enhanced financial position, Midland earned interest income of \$11,825 in Q2-07, consisting of interest on guaranteed investments certificates.

The Company is committed to annual rental of \$19,046 under an operating lease of three years expiring in February 2010.

Investing activities

The Company spent \$70,676 in Q2-07 (\$57,788 in Q2-06) in deferred exploration expenses.

Maritime-Cadillac

The Company spent \$3,259 (\$57,788 in Q2-06) on the Maritime-Cadillac property in Q2-07.

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, 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;
- 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;
- 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 Midland in a joint operation to further explore and develop the Property. The consideration is:

- 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;
- Agnico-Eagle is the operator of the project; and
- Subject to approval by the relevant regulatory authorities, Agnico-Eagle will contribute 9.9% up to a maximum of \$200,000 of Midland's initial public offering if it's completed before December 31, 2007. Agnico-Eagle did effectively contribute \$200,000 at the March 2, 2007 IPO.

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Investing activities (Cont'd)

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).

A first diamond drilling program in 2007 was completed recently with drill holes 141-07-03 to 07 (1,832 metres) in the immediate area surrounding the discovery hole 141-06-02 that returned 3.5 g/t Au over 4.9 m (including 8.38 g/t Au over 1.50 m) last fall in the southern portion of the property in a Lapa type mineralized horizon.

Drill holes 141-07-04 and 05 located to the south of drill hole 141-06-02 were the most interesting. Drill hole 141-07-04 intersected good results close to surface with some interesting mineralization similar to hole 141-06-02. This new intersection is located along the western contact of the Piché Group near the Pontiac Group and returned 2.3 g/t Au over 7.5 m (5.3 m true thickness) from 102.0 to 109.5 metres including 9.4 g/t Au over 1.5 m (1.1 m true thickness) from 103.5 to 105.0 metres. Drill hole 141-07-05 intersected narrow silicified and chloritized bands mineralized with pyrite-arsenopyrite similar to and in the same horizon as drill hole 141-06-02 but without significant values. Anomalous gold values including 2.27 g/t Au over 0.80 m were also intersected in hole 141-07-07 along the same gold structure intersected by hole 141-06-02.

Agnico Eagle obtained sufficiently encouraging results to warrant more drilling. Agnico Eagle is planning 2 new holes for a total of 1,100 meters. These holes will test the down plunge extension of the north and south gold-bearing talc-chlorite schistose zones which host the Lapa deposit.

Vermillon (option)

The Company spent \$29,137 (\$nil in Q2-06) on the Vermillon property in Q2-07

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

- A commitment to carry out work a maximum of \$210,000 of work:
 - \$100,000 on or 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;
- Soquem is the operator of the project; and

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

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Investing activities (Cont'd)

In Fiscal 2007, Midland and Soquem recommend an exploration program totalling \$220,000, to locate the source of Au-Cu-bearing floats, and to discover new showings associated or not with geophysical anomalies. The gold-copper-bearing floats yielded assays up to 2.1 g/t Au, 1.13% Cu, and 12.6 g/t Ag. 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.

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.

The recommended work for this phase 1 program includes the following:

- Continue the line cutting in target areas where mineralized Au-Cu floats were found and over the best untested and unexplained heliborne electromagnetic conductors. Continuation of the works has been initiated in May 2007.
- Continue ground geophysics, namely magnetometer and Maxmin surveys initiated in December 2006;
- Stripping to expose the bedrock in float-bearing areas and on geophysical anomalies;

A drilling campaign to test areas with significant mineralization or unexplained geophysical anomalies where the bedrock does not outcrop is expected late in the Fiscal 2007.

Weedon

The Company spent \$4,279 in exploration expenses on the new Weedon property in Q2-07

Midland acquired a 100% interest in the Weedon property, formerly held by a privately owned company Les Ressources Tectonic Inc. ("Ressources Tectonic") as well as the acquisition of 188 claims, whereby Midland now covers and controls more than 30 kilometres in the volcano-sedimentary belt of Ascot-Weedon.

On March 6, 2007, the company acquired a 100% interest in the claim block held by Ressources Tectonic, in exchange for 3 payments totalling \$60,000, including \$15,000 upon signing the agreement. Midland has also agreed to pay a net smelter return (NSR) royalty of 1% to Ressources Tectonic in the event the property reaches commercial production. Midland can buyback the royalty interest, in total or in two parts of 0.5% each, upon payment to Ressources Tectonic of \$500,000 per 0.5%, for a total amount of \$1,000,000.

This belt hosts several volcanogenic massive sulphide (VMS) deposits including the former Cupra-d'Etrie mine (2.43 Mt at 2.74% Cu, 3.28% Zn, 38 g/t Ag, and 0.5 g/t Au), the Solbec mine (2.06 Mt at 1.57% Cu, 4.57% Zn, 0.68% Pb, 48.6 g/t Ag, and 0.61 g/t Au) and the Weedon mine (1.6 Mt at 2.33% Cu, 0.86% Zn, and 0.56 g/t Au). The Ascot-Weedon belt shows many similarities with other prolific VMS mining camps, namely Bathurst in New Brunswick and Buchans in Newfoundland. This acquisition is located in the Eastern Townships, about 120 kilometres south of Quebec City.

The new acquisition contains part of the Lingwick showing is located in the south part of the Weedon property. Many other Cu-Zn-Pb-Au-Ag showings are also known along the strike extensions of the Lingwick showing. A new surface showing was recently discovered in the fall 2006 by Ressources Tectonic. The semi-massive sulphide lens was stripped and sampled. Grab samples from the lens, located 500 metres south of the Lingwick showing, yielded grades reaching 2.23% Cu, 23.7% Zn, 5.95% Pb, 263 g/t Ag, and 9.22 g/t Au. No previous work is reported on this showing.

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Investing activities (Cont'd)

Historically, exploration work on the Weedon property and adjacent claims largely dates back to the 1970s and beyond. Midland believes the area has great potential for the discovery of economic VMS deposits given its favourable geological setting spanning more than 30 kilometres and tested at very shallow depths over most of this extent. Moreover, the Weedon property provides an excellent opportunity to apply new exploration techniques specific to VMS deposits in an area with proven potential.

Project Generation

The Company spent \$61,060 on compilation and property acquisition in Q2-07 as well as \$34,001 in exploration expenses. Midland initiated some geological compilation programs in Quebec for the acquisition of new strategic gold and base metal properties. A total of 1495 new claims were acquired and staked during that period.

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. 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.

Deferred exploration expenses Q2-07	Maritime Cadillac	Vermillon (option)	Weedon	Project Generation	Total
	\$	\$	\$	\$	\$
Balance – Beginning of period	149,370	99,134	-	-	248,504
Geophysics	-	22,802	-	770	23,572
Geology	3,259	1,708	4,279	21,390	30,636
Geochemistry	-	5,919	-	11,841	17,760
Management fees	-	(1,292)	-	-	(1,292)
	<u>3,259</u>	<u>29,137</u>	<u>4,279</u>	<u>34,001</u>	<u>70,676</u>
Balance – End of period	<u>152,629</u>	<u>128,271</u>	<u>4,279</u>	<u>34,001</u>	<u>319,180</u>

Deferred exploration expenses Q2-06	Maritime Cadillac	Vermillon (option)	Weedon	Project Generation	Total
	\$	\$	\$	\$	\$
Balance – Beginning of period	91,582	-	-	-	91,582
Geophysics	12,511	-	-	-	12,511
Geology	4,026	-	-	-	4,026
Prospecting	2,876	-	-	-	2,876
Line cutting	23,143	-	-	-	23,143
Compilation analysis	14,082	-	-	-	14,082
Travelling	1,150	-	-	-	1,150
	<u>57,788</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,788</u>
Balance – End of period	<u>149,370</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>149,370</u>

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Financing activities

The Company finance itself mainly through share issuance.

On March 2, 2007, Midland closed its initial public offering (IPO) and the trading of its common shares commenced on the TSX Venture Exchange under the symbol MD. Midland issued 9,000,000 common shares at a price of \$0.50 per share, for gross proceeds of \$4.5 million.

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.

Working capital

The Company has a working capital of \$3,746,832 as at March 31, 2007 (including an amount of \$98,369 reserved for new exploration activities) as compared to a deficit of \$53,234 as of September 30, 2006. Management is of the opinion that 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 \$350,000, 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 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 semesters

For the six most recent quarters:

	March 31 2007	December 31 2006	September 30 2006	June 30 2006
	\$	\$	\$	\$
Net earnings (loss)	(21,484)	(131,206)	(63,136)	(13,969)
Net earnings (loss) per share basic and diluted	(0.01)	(0.01)	(0.01)	-
Total assets	4,601,931	858,210	850,810	619,569
	March 31 2006	December 31 2005		
	\$	\$		
Net earnings (loss)	6,428	(3,049)		
Net earnings (loss) per share basic and diluted	-	-		
Total assets	633,986	635,360		

The recovery of future income taxes are generally recorded in February which would explain the variation between the semesters (see note 6 of the Financial Statements).

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Related party transactions

In the normal course of operations:

- a) During the six month period ended March 31, 2007:
 - i) a firm in which an officer is a partner charged professional fees amounting to \$145,358 of which \$140,285 was recorded as share issue expenses;
 - ii) a company controlled by an officer charged professional fees of \$11,963.
- b) As at March 31, 2007, the balance due to the related parties amounted to \$6,120.

Not in the normal course of business:

- c) In December 2006, directors and officers of the Company participated in private placements of flow-through shares (note 4a) for a total consideration of \$47,000.

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

Subsequent events

On May 1, the Company granted 100,000 options exercisable at \$0.64, valid for 5 years.

Outstanding share data

	As of May 18, 2007
	<u>Number</u>
Common shares	20,178,879
Options	1,350,000
Warrants	420,000
	<u>21,848,879</u>

Off-balance sheet arrangements

During Q2-07, 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.

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Critical accounting estimates (Cont'd)

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 in to Fiscal 2007

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 have no significant impact on the Financial Statements. Cash and cash equivalents will be classified as held for trading and recorded at their fair value and their change in fair value are included in the statement of operations. Accounts payable and accrued liabilities will be classified as other liabilities and recorded at their amortized cost.

Internal control over financial reporting

The Company has established and maintains internal control over financial reporting ("ICFR"). The ICFR is designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and preparation of financial statements in accordance with generally accepted accounting principles ("GAAP"). The certifying officers have evaluated whether there were changes to its ICFR during Q2-07 that have materially affected, or that are reasonably likely to materially affect its ICFR. No such changes were identified through their evaluation.

Management's responsibility for financial information

Midland's financial statements are the responsibility of the Corporation's management. The financial statements were prepared by the Company's management in accordance with Canadian generally accepted accounting principles. The financial statements include certain amounts based on the use of estimates and assumptions. Management has established these amounts in a reasonable manner, in order to ensure that the financial statements are presented fairly in all material respects.

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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.

May 18, 2007

(S) Gino Roger

Gino Roger

President and Chief Executive Officer

(S) Ingrid Martin

Ingrid Martin

Chief Financial Officer

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Balance Sheets

	As at March 31 2007 (Unaudited)	As at September 31 2006 (Audited)
	<u>\$</u>	<u>\$</u>
Assets		
Current assets		
Cash and cash equivalents (note 3)	3,828,867	319,151
Sales tax receivable	53,155	7,298
Prepays	13,734	-
	<u>3,895,756</u>	<u>326,449</u>
Mining assets (note 4)		
Mining properties	386,995	275,857
Deferred exploration expenses	319,180	248,504
	<u>706,175</u>	<u>524,361</u>
	<u>4,601,931</u>	<u>850,810</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	36,821	242,434
Shareholders' equity		
Capital stock (note 5)	6,933,234	2,306,234
Contributed surplus (note 5d)	139,665	12,365
Deficit	<u>(2,507,789)</u>	<u>(1,710,223)</u>
	<u>4,565,110</u>	<u>608,376</u>
	<u>4,601,931</u>	<u>850,810</u>

Going concern assumption (note 1)

See accompanying notes.

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Statement of Operations and Deficit (Unaudited)

	For the three-month period ended March 31,		For the six-month period ended March 31,	
	2007	2006	2007	2006
	\$	\$	\$	\$
Revenue				
Interest income	11,825	-	11,825	-
Expenses				
Stock-based compensation	4,584	-	47,500	-
Administrative expenses and other	49,813	5,284	85,629	5,284
Investors relations	19,298	7,972	24,220	10,216
Professional fees	14,206	20,171	48,166	20,401
General exploration	(13,592)	9,145	-	9,720
	<u>74,309</u>	<u>42,572</u>	<u>205,515</u>	<u>45,621</u>
Loss before income taxes	(62,484)	(42,572)	(193,690)	(45,621)
Recovery of future income taxes	41,000	49,000	41,000	49,000
Net Earnings (loss)	(21,484)	6,428	(152,690)	3,379
Deficit – Beginning of the period	(1,841,429)	(1,590,134)	(1,710,223)	(1,586,872)
Share and warrant issue expenses	<u>(644,876)</u>	<u>(49,412)</u>	<u>(644,876)</u>	<u>(49,625)</u>
Deficit – End of the period	<u>(2,507,789)</u>	<u>(1,633,118)</u>	<u>(2,507,789)</u>	<u>(1,633,118)</u>
Basic and diluted net loss per share	<u>-</u>	<u>-</u>	<u>(0.01)</u>	<u>-</u>
Weighted average number of basic and diluted outstanding shares	<u>14,078,879</u>	<u>10,181,660</u>	<u>12,470,283</u>	<u>9,862,649</u>

Going concern assumption (note 1)

See accompanying notes.

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Statement of Cash Flows

(Unaudited)

	For the three-month period ended March 31,		For the six-month period ended March 31,	
	2007	2006	2007	2006
	\$	\$	\$	\$
Cash flows from				
Operating activities				
Net earnings (loss)	(21,484)	6,428	(152,690)	3,379
Adjustment for				
Stock-based compensation	4,584	-	47,500	-
Recovery of future income taxes	(41,000)	(49,000)	(41,000)	(49,000)
	<u>(57,900)</u>	<u>(42,572)</u>	<u>(146,190)</u>	<u>(45,621)</u>
Changes in non-cash working capital items				
Sales tax receivable	(35,081)	(648)	(45,857)	(648)
Prepays	(1,479)	-	(13,734)	-
Accounts payable and accrued liabilities	(174,303)	11,610	(205,613)	(9,485)
	<u>(210,863)</u>	<u>10,962</u>	<u>(265,204)</u>	<u>(10,133)</u>
	<u>(268,763)</u>	<u>(31,610)</u>	<u>(411,394)</u>	<u>(55,754)</u>
Financing activities				
Capital stock issued	4,500,000	-	4,627,000	158,750
Share and warrant issue expenses	(524,076)	(412)	(524,076)	(625)
Deferred share issue expenses	45,453	-	-	-
	<u>4,021,377</u>	<u>(412)</u>	<u>4,102,924</u>	<u>158,125</u>
Investing activities				
Additions to mining properties	(111,233)	(91)	(111,138)	(91)
Additions to deferred exploration expenses	(42,222)	-	(70,676)	(4,026)
	<u>(153,455)</u>	<u>(91)</u>	<u>(181,814)</u>	<u>(4,117)</u>
Net change in cash and cash equivalents during the period				
	3,599,159	(32,113)	3,509,716	98,254
Cash and cash equivalents – beginning	<u>229,708</u>	<u>215,990</u>	<u>319,151</u>	<u>85,623</u>
Cash and cash equivalents – end	<u>3,828,867</u>	<u>183,877</u>	<u>3,828,867</u>	<u>183,877</u>
Additional information				
Additions of mining properties and deferred exploration expenses included in accounts payable and accrued liabilities	-	30,000	-	83,762
Value of expired warrants transferred to contributed surplus	-	-	-	3,875
Broker warrants granted for capital raising	79,800	-	79,800	-
Future income taxes accounted for in share issue expenses	41,000	-	41,000	-

Going concern assumption (note 1)

See accompanying notes.

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Notes to Financial Statements

(Unaudited)

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.

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.

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.

Although the Company has taken steps to verify title to the mining assets in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

2. Change in accounting policies

Taking effect in to Fiscal 2007

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 have no significant impact on the Financial Statements. Cash and cash equivalents will be classified as held for trading and recorded at their fair value and their change in fair value are included in the statement of operations. Accounts payable and accrued liabilities will be classified as other liabilities and recorded at their amortized cost.

3. Cash and cash equivalents

As at March 31, 2007, cash and cash equivalents includes an amount of \$98,369 reserved for new exploration activities to be carried out in Canada before December 31, 2007 (September 30, 2006 - \$30,781). As of March 31, 2007, cash and cash equivalents are comprised of cash and a \$3,775,000 term deposit bearing interest of 4.05% and maturing on March 3, 2008.

Midland Exploration Inc.

(An exploration stage company)

Notes to Financial Statements

(Unaudited)

4. Mining assets

Mining properties	As at September 30, 2006	Additions	Disposals and write-offs	As at March 31, 2007
	\$	\$	\$	\$
Quebec				
Maritime-Cadillac	275,091	30,000	-	305,091
Vermillon (option)	766	(95)	-	671
Weedon	-	20,173	-	20,173
Project generation	-	61,060	-	61,060
	275,857	111,138	-	386,995

Deferred exploration expenses	As at September 30, 2006	Additions	Disposals and write-offs	As at March 31, 2007
	\$	\$	\$	\$
Quebec				
Maritime-Cadillac	149,370	3,259	-	152,629
Vermillon (option)	99,134	29,137	-	128,271
Weedon	-	4,279	-	4,279
Project generation	-	34,001	-	34,001
	248,504	70,676	-	319,180

a) Maritime-Cadillac

During the quarter ended March 31, 2007, the Company paid the third annual payment for \$30,000 pursuant to the January 6, 2005 agreement.

b) Weedon

On March 6, 2007, the Company acquired a 100% interest in the Weedon claim block in exchange for 3 payments totalling \$60,000, including \$15,000 upon signing the agreement. These claims are subject to a net smelter return (NSR) royalty of 1% to the vendors. Midland can buyback the royalty, in total or in two parts of 0.5% each, upon payment to the vendors of \$500,000 per 0.5%, for a total amount of \$1,000,000. This property is located in the Eastern Townships, about 120 kilometres south of Quebec City. Additional adjoining claims were staked.

c) Project generation

Midland initiated some geological compilation programs in Quebec for the acquisition of new strategic gold and base metal properties. A total of 1495 new claims were acquired and staked during the quarter ended March 31, 2007.

Midland Exploration Inc.

(An exploration stage company)

Notes to Financial Statements

(Unaudited)

5. Capital stock

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

	Six-month period ended March 31, 2007	
	Number	Amount
Common shares (note 4a)	20,178,879	\$ 6,933,234
Warrants	420,000	-
		<u>6,933,234</u>

a) Common shares

Authorized

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

Issued and to be issued

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

	Six-month ended period March 31, 2007	
	Number	Amount
Balance – Beginning of period	10,181,660	\$ 2,110,325
Issued following		
Initial public offering i)	9,000,000	4,500,000
Flow-through private placement ii)	282,222	127,000
Exercise of warrants iii)	714,997	178,749
<i>Plus: Value of warrants exercised</i>	-	17,160
Balance – End of period	<u>20,178,879</u>	<u>6,933,234</u>

- i) On March 2, 2007. Midland closed its initial public offering (IPO) and the trading of its common shares commenced on the TSX Venture Exchange under the symbol MD. Midland issued 9,000,000 common shares at a price of \$0.50 per share, for gross proceeds of \$4.5 million. Desjardins Securities Inc. acted as agent for the distribution and received a cash commission of \$262,500 and 420,000 broker warrants, each warrant entitling its owner to acquire one common share at a price of \$0.50 for a 24-month period.

The total broker warrants cost amount to \$79,800 and was recorded as share issue cost with the offset in contributed surplus. This \$79,800 fair value was estimated using the Black-Scholes model with no expected dividend yield, an expected volatility of 65%, a risk free interest rate of 4.25% and an expected life of the broker warrants of 24 months.

- ii) 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.
- iii) On September 30, 2006, the Company issued 714,997 commons shares on the exercise of warrants attached to A units for an amount of \$178,749.

Midland Exploration Inc.

(An exploration stage company)

Notes to Financial Statements

(Unaudited)

5. Capital stock (Cont'd)

b) 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.

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 of \$0.50, valid for 5 years. Total stock-based compensation costs amount to \$82,500 for an estimated fair value of \$0.33 per option. As of March 31, 2007, \$13,750 was recorded and the remaining cost will be recorded over the vesting period. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, an expected volatility of 96%, a risk-free interest rate of 4.25% and an expected life of options of 5 years.
- ii) Two shareholders of the Company have granted 250,000 options to the new president at \$0.25 which is 50% of the initial public offering price, valid for 2 years. One of these shareholders who granted 125,000 options is considered to be a principal shareholder of the Company. Total stock-based compensation costs for these 125,000 options amount to \$33,750 for an estimated fair value of \$0.27 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, an expected volatility of 76%, a risk-free interest rate of 4.25% and an expected life of options of 2 years.
- iii) A shareholder of the Company has transferred to the new president 250,000 shares, which are currently held in escrow.

On January 11, 2007, the Company granted 1,000,000 options exercisable at its initial public offering price of \$0.50, valid for 5 years. Total stock-based compensation costs amount to \$290,000 for an estimated fair value of \$0.29 per option. The cost will be recorded over the vesting period. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, an expected volatility of 79%, a risk-free interest rate of 4.25% and an expected life of options of 5 years.

Midland Exploration Inc.

(An exploration stage company)

Notes to Financial Statements

(Unaudited)

5. Capital stock (Cont'd)

b) Stock-based compensation and other stock-based payments (Cont'd)

A summary of changes of the Company's common share purchase options is presented below:

	Six-month period ended March 31, 2007	
	Number of options	Weighted average exercise price
		\$
Balance - Beginning of period	-	-
Granted	1,250,000	0.50
Balance - End of period	<u>1,250,000</u>	

The following table summarizes information about common share purchase options outstanding and exercisable as at March 31, 2007:

Number of options outstanding	Number of options exercisable	Exercise price	Expiry date
		\$	
250,000	41,666	0.50	November 1, 2011
1,000,000	-	0.50	January 11, 2012
<u>1,250,000</u>	<u>41,666</u>		

c) Warrants

A summary of changes of the Company's warrants is presented below:

	Six-month period ended March 31, 2007	
	Number of warrants	Amount
		\$
Balance - Beginning of period	-	-
Issued	420,000	-
Balance - End of period	<u>420,000</u>	<u>-</u>

Midland Exploration Inc.

(An exploration stage company)

Notes to Financial Statements

(Unaudited)

5. Capital stock (Cont'd)

c) Warrants (Cont'd)

Warrants outstanding as at March 31, 2007 are as follows:

<u>Number of warrants</u>	<u>Exercise price</u> \$	<u>Expiry date</u>
420,000	0.50	March 2, 2009
<u>420,000</u>		

d) Contributed surplus

A summary of changes of the Company's contributed surplus is presented below:

	<u>Six-month period ended March 31, 2007</u>
	\$
Balance - Beginning of the period	12,365
Stock-based compensation	47,500
Brokers warrants	79,800
Balance - End of period	<u>139,665</u>

6. Related party transactions

In the normal course of operations:

- a) During the six month period ended March 31, 2007:
 - i) a firm in which an officer is a partner charged professional fees amounting to \$145,358 of which \$140,285 was recorded as share issue expenses;
 - ii) a company controlled by an officer charged professional fees of \$11,963.
- b) As at March 31, 2007, the balance due to the related parties amounted to \$6,120.

Not in the normal course of business:

- c) In December 2006, directors and officers of the Company participated in private placements of flow-through shares (note 5a) for a total consideration of \$47,000.

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

7. Commitment

The Company is committed to annual rental of \$19,046 under an operating lease of three years expiring in February 2010.

8. Subsequent event

On May 1, the Company granted 100,000 options exercisable at \$0.64, valid for 5 years.