

# **Midland Exploration Inc.**

(An exploration stage company)

## **Management's Discussion and Analysis**

December 31, 2007

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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 three month period ended December 31, 2007. This MD&A should be read in conjunction with the Company's financial statements and related notes as at December 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](http://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.

### **Overall performance**

The Company reported a loss of \$99,720 for the three month period ended December 31, 2007 ("Q1-08") compared to a loss of \$131,206 for the three month period ended December 31, 2006 ("Q1-07").

In December 2007, the Company issued \$124,600 of flow-through shares following a private placement.

The Company expensed \$51,086 (including \$19,057 of stock-based compensation) in exploration in Q1-08 (\$28,454 in Q1-07), on its properties. In addition, the Company invested \$68,935 in Q1-08 ((\$95) in Q1-07) in property several acquisitions in Quebec.

The Company signed two agreements to option out to Agnico-Eagle Mines Limited and a partner the James Bay Au and James Bay U properties respectively.

An unfavourable net change in cash and cash equivalents of \$400,261 was generated in Q1-08 (\$89,443 for Q1-07).

### **Results of operations**

Expenses have increased from \$131,206 in Q1-07 to \$192,897 in Q1-08. This increase is mainly due to the conferences Midland participated which contributed to increase investors relations expenses from \$4,922 in Q1-07 to \$41,662 in Q1-08. In addition, the administrative expenses and other have increased from \$35,816 in Q1-07 to \$52,019 in Q1-08 since Midland pays a monthly rent of \$1,587 since March 2007 and has incurred some expenses to organise its office.

Due to enhanced financial position following the initial public offering of March 2007, Midland earned interest income of \$37,748 in Q1-08 consisting of interest on guaranteed investment certificates and bankers acceptances. As operator of the Gatineau, Weedon and James-Bay Au projects, Midland has earned management fees in Q1-08 for \$39,843.

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### Investing activities

#### **Maritime-Cadillac**

On the Maritime-Cadillac property, the Company spent \$164 during Q1-08 (\$3,259 in Q1-07) on exploration expenses and invested \$106 for its acquisitions in Q1-08 (\$nil in Q1-07). The property is located in Abitibi along the Cadillac break and is composed of 7 claims.

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;

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
- Undertaking from Agnico-Eagle to contribute 9.9% up to a maximum of \$200,000 of Midland's initial public offering if it was completed before December 31, 2007. Agnico-Eagle did effectively contribute \$200,000 at the March 2, 2007 IPO.

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 millions).

Geological compilation works are presently in progress by Agnico-Eagle in order to prepare the next drill program. Drilling should resume at the end of February 2008.

The exploration budget for the year ending September 30, 2008 ("Fiscal 2008") for Maritime-Cadillac is \$300,000 for Agnico-Eagle.

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### Investing activities (Cont'd)

#### **Vermillon**

On the Vermillon property, the Company spent \$11,434 during Q1-08 (\$25,195 in Q1-07) on exploration expenses and invested \$4,430 for its acquisitions in Q1-08 ((\$95) in Q1-07). The Vermillon property is located some 90 km southwest of the town of La Tuque, Quebec and consists of 259 contiguous claims covering a total surface area of 151 km<sup>2</sup>.

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 who 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.

On July 9, 2007, Midland has fulfilled its commitments to Soquem, exercised its option and thus acquired 50% undivided interest in the Vermillon property and formed a joint venture with Soquem.

Midland and Soquem completed is phase II exploration program aimed at discovering the source of massive to semi-massive sulphide float discovered by Soquem in 2005. Samples from the copper-gold-bearing float yielded grades reaching 2.1 g/t Au, 1.13% Cu and 12.6 g/t Ag.

Outcrop stripping was completed in September 2007 to uncover the bedrock on defined geophysical anomalies. Assays from the trenches returned no significant Cu-Au values. Best assays returned 0.3% Cu from grabs samples. A possible drilling program will be discussed with Soquem in the following weeks to test the remaining best untested MaxMin anomalies..

The exploration budget in Fiscal 2008 for Vermillon is \$75,000 for Midland.

#### **Weedon**

On the Weedon property, the Company spent \$6,493 during Q1-08 on exploration expenses (nil for Q1-07). This property is located in the Eastern Townships, about 120km south of Quebec City and is comprised of 242 claims.

Midland acquired a 100% interest in the Weedon property, formerly held by the privately owned company Les Ressources Tectonic Inc. ("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 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 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 Tectonic of \$500,000 per 0.5%, for a total amount of \$1,000,000. In addition, 84 adjoining claims were staked for which, a 0.5% royalty is payable and Midland can buy back this royalty for \$500,000.

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### Investing activities (Cont'd)

On August 24, 2007, Midland signed a letter of agreement with Breakwater Resources Ltd. ("Breakwater") whereby Breakwater can acquire 50% of the Weedon property subject to the following conditions:

	<u>Payments in cash</u>	<u>Works</u>
	<u>\$</u>	<u>\$</u>
Upon signing	40,000	-
August 24, 2008	50,000	500,000
August 24, 2009	50,000	1,000,000
August 24, 2010	60,000	1,500,000
<b>Total</b>	<u>200,000</u>	<u>3,000,000</u>

- Only the \$40,000 cash payment upon signing and the first year work commitment for \$500,000 are firm commitments.
- The Company is the operator and therefore charges project management fees and received from time to time advances for exploration work.
- Upon acquiring a 50% interest, a joint venture will be formed. In addition, Breakwater will have the option to acquire an additional 15% interest by delivering a bankable feasibility study under the following conditions:
  - Cash payment of \$40,000 per year and a minimum of \$200,000 worth of exploration work per year until the delivery of a bankable feasibility study within a 4-year period.

During Q1-08, an important magnetic and electromagnetic helicopter-borne survey (VTEM) was completed on the Weedon property. This survey covered the whole favourable stratigraphy for an approximate total of 1600 kilometres linear. The final interpretation of the anomalies was supplemented and the evaluation of several new targets never detected before with the old methods is underway. The targets selected by the geophysical and geological team will be follow-up on the ground with geophysics and drilling during the first and of the second quarters of 2008.

Compilation of historical data on the property continued in Q1-08. Moreover, work of trenching was completed in order to verify the possible extensions of the new showing discovered in 2006 to the south of the Lingwick deposit. Assay results have been received for the channel sampling completed during November 2007 within the alteration zone adjacent to the 2006 showing. The best intersections were obtained from four different channels. This confirms the continuity of the anomalous content in base and precious metals within the alteration zone over approximately 12 meters to the southwest of the main sulfide showing, after what the alteration pinches out.

#### Channel Sampling 2007 (Best Results):

- 1.20% Cu, 1.41% Pb, 0.50% Zn, 88.0 g/t Ag and 0.45 g/t Au over 1.0 m
- 0.69% Cu, 2.47% Pb, 0.39% Zn, 98.0 g/t Ag and 0.20 g/t Au over 0.50 m
- 0.20% Cu, 1.29% Pb, 2.37% Zn, 46.0 g/t Ag and 0.28 g/t Au over 0.50 m
- 0.13% Cu, 0.42% Pb, 0.42% Zn, 47.9 g/t Ag and 1.05 g/t Au over 0.50 m

The exploration budget in Fiscal 2008 for Weedon is \$450,000 for Breakwater.

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### Investing activities (Cont'd)

#### **James Bay Gold (Au)**

On the James Bay Gold property, the Company spent \$4,905 during Q1-08 on exploration expenses and invested \$18,862 for its acquisitions (nil for Q1-07). The property is located in the James Bay region and is composed of 1174 claims.

Midland acquired a 100% interest on 1174 claims in the James Bay Area, an area that has the potential to become soon a significant new gold producer in Quebec after the Abitibi Belt. These new claims totalling 589 km<sup>2</sup> are solely own by Midland.

On October 10, 2007, Midland signed a letter of agreement with Agnico-Eagle whereby Agnico-Eagle can acquire 50% of the James Bay Gold property subject to the following conditions:

	<u>Payments in cash</u>	<u>Works</u>
	\$	\$
Upon signing of a formal agreement (signed on February 1, 2008)	50,000	-
October 10, 2008	60,000	600,000
October 10, 2009	60,000	900,000
October 10, 2010	60,000	1,300,000
October 10, 2011	70,000	1,700,000
<b>Total</b>	<u>300,000</u>	<u>4,500,000</u>

- Only the \$40,000 cash payment upon signing and the first year work commitment for \$600,000 are firm commitments.
- The Company is the operator and therefore charges project management fees and received from time to time advances for exploration work.
- Upon acquiring a 50% interest, Agnico-Eagle will have the option to increase its undivided interest in the project from 50% to 65% over a period of three years, by solely financing a bankable feasibility study on the James Bay Gold project or by solely assuming all mining operations on the project, earning 1% additional interest for every \$1,000,000 spent on the property (up to 15% by spending \$15 millions).

The gold target selection was made following a comprehensive geological and geochemical compilation. The properties selection, named by increasing size Lasalle, Galinée, Boisbrian, Daran, Artigny, Guyer, Salomom et Agramonte, were oriented towards similar geological and geochemical features observed in the vicinity of the Eleonore Virginia major gold discovery made in 2004-05. They are located close to the contact between the volcanogenic-plutonic units of the La Grande Sub-province and the meta-sedimentary units of the Opinaca Sub-province. This contact is recognized to be a favourable criterion for gold mineralization in the northeast Superior Province. The Eleonore gold deposit, recently acquired by Goldcorp, is located as well along this favourable contact.

The Midland properties are associated with first order, isolated or combined, gold, arsenic and antimony lake-bottom sediment anomalies. Historically, followed up by prospecting these types of geochemical anomalies lead to the discovery of several new attractive gold showings in the James Bay Area.

The exploration budget in Fiscal 2008 for James Bay Gold is \$600,000 pour Agnico-Eagle.

Currently, Midland is elaborating its summer 2008 exploration program. Midland plans first to carry out an airborne geophysical survey that will be follow up by tills sampling, prospecting and reconnaissance geological mapping in order to explain the lake bottom sediment anomalies and identify new prospective targets for detail follow-up.

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### Investing activities (Cont'd)

#### **James Bay Molybdenum (Mo)**

On the James Bay Molybdenum property, the Company spent \$1,357 on exploration expenses and invested \$2,218 for its acquisitions in Q1-08 (nil for Q1-07). Overall Midland hold 100% interest on 265 claims located 35 km west of LG-4 hydroelectric complex in the James Bay region. These claim blocks cover a total surface area of 134.1 km<sup>2</sup> and are owned 100% by Midland.

The claim blocks cover significant molybdenum and copper anomalies in lake bottom sediments. They lie immediately to the west and peripheral to an important polymetallic (Mo-Cu-Au) hydrothermal breccia system discovered in 1997 by another exploration company following up on the same type of anomaly. In 1998, channel samples collected by this exploration company in these altered tonalitic breccias yielded grades reaching 0.14% Mo over 89 metres, with grab samples ranging from 0.8 to 4.0% Mo and another grab sample grading 0.13% Cu, 1.97 g/t Au, 0.053% Mo and 12.3 g/t Ag.

The selected properties are within a broad km-scale halo with anomalous molybdenum and copper values in lake bottom sediments. Properties acquired by Midland cover strong anomalies ranging up to 426 ppm Mo and 90 ppm Cu, which remain unexplained. These strong yet unexplained anomalies are among the most significant in northern Quebec. Midland is planning some soil sampling, prospecting and geological reconnaissance work next summer, in order to source the anomalies and better define the geological setting. Midland is presently looking for a partner for this project.

The exploration budget in Fiscal 2008 for James Bay Molybdenum is \$50,000 for Midland.

#### **Gatineau Zinc (Zn)**

On the Gatineau Zinc property, the Company spent \$4,774 during Q1-08 on exploration expenses and invested \$1,445 for its acquisitions in Q1-08 (nil for Q1-07). Midland acquired a 100% interest of a large land position for zinc including 19 new properties covering 347.6 km<sup>2</sup> distributed in the Gatineau Area, approximately 200 kilometres northwest of the city of Montreal.

On August 24, 2007, Midland signed a letter of agreement with Breakwater Resources Ltd. ("Breakwater") whereby Breakwater can acquire 50% of the Gatineau Zn property subject to the following conditions:

	<b>Payments in cash</b>	<b>Works</b>
	<b>\$</b>	<b>\$</b>
Upon signing	40,000	-
August 24, 2008	50,000	500,000
August 24, 2009	50,000	1,000,000
August 24, 2010	50,000	1,500,000
August 24, 2011	60,000	1,500,000
<b>Total</b>	<b>250,000</b>	<b>4,500,000</b>

- Only the \$40,000 cash payment upon signing and the first year work commitment for \$500,000 are firm commitments.
- The Company is the operator and therefore charges project management fees and received from time to time advances for exploration work.
- Upon acquiring a 50% interest, a joint venture will be formed. In addition, Breakwater will have the option to acquire an additional 15% interest by delivering a bankable feasibility study under the following conditions:  
Cash payment of \$40,000 per year and a minimum of \$200,000 worth of exploration work per year until the delivery of a bankable feasibility study within a 4-year period.

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### Investing activities (Cont'd)

During Q1-08, an important program of soil, stream sediments and rock sampling has been completed for a total of 1785 samples. The data treatment and the interpretation are in progress. Grab samples taken from marble units returned values up to 8.7% Zn and 16.7% Zn in the Kilmar area last fall.

Two mag-EM helicopter-borne (VTEM) pilot tests have been conducted in the Leetch and the Bouchette areas. The final geophysical interpretation is pending but preliminary results indicate encouraging results. Compilation works have been initiated and follow-up fieldworks will commence during spring. The best geochemical and geophysical targets will be prioritized for trenching and drilling during the summer of 2008.

Midland is confident that the Gatineau Area has an excellent potential to host new high grade, large tonnage Zn-Pb Sedex deposits as in the Balmat-Edwards District.

The exploration budget in Fiscal 2008 for Gatineau Zinc is \$435,000 for Breakwater.

### James Bay Uranium (U)

On the James Bay Uranium property, the Company spent \$6,358 on exploration expenses and invested (\$1,610) for its acquisitions in Q1-08 (nil in Q1-07). The property is located in the James Bay region and is composed of 130 claims.

On November 12, 2007, Midland signed a letter of agreement with a partner whereby the partner can acquire 50% of the James Bay U property subject to the following conditions:

	<b>Payments in cash</b>	<b>Works</b>
	<b>\$</b>	<b>\$</b>
Upon signing (still to be received as of February 26, 2008)	40,000	-
November 12, 2008	40,000	400,000
November 12, 2009	40,000	600,000
November 12, 2010	40,000	800,000
November 12, 2011	40,000	1,000,000
<b>Total</b>	<b>200,000</b>	<b>2,800,000</b>

Only the \$40,000 cash payment upon signing and the first year work commitment for \$400,000 are firm commitments.

The partner is the project operator. Geological compilation works are presently in progress by the partner in order to prepare the 2008 exploration program.

The exploration budget in Fiscal 2008 for James Bay Uranium is \$400,000 for the partner.

### Project Generation

On project generation, the Company spent \$15,601 during Q1-08 on exploration expenses and invested \$43,484 for its acquisitions (nil in Q1-07). Midland initiated some geological compilation programs in Quebec for the acquisition of new strategic gold, uranium and base metal properties. In addition, the Company spent \$2,085 in Q1-08 in general exploration on geological ground where it did not have property titles or option to acquire them (\$13,592 in Q1-07).

The exploration budget in Fiscal 2008 for the project generation is \$130,000 for Midland.

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### Investing activities (Cont'd)

#### Other activities

For Fiscal 2008, Midland intends to be pro-active in the acquisition of new mineral exploration properties in Québec. Management is currently reviewing other opportunities and other projects to enhance the portfolio of the Company.

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 2008.

Deferred exploration expenses Fiscal 2007	Maritime Cadillac	Vermil- lon	Weedon	James Bay Au	James Bay Mo	James Bay U	Gatineau Zn	Project genera- tion	Total
	\$	\$	\$	\$					\$
<b>Balance Beginning</b>	153,349	286,835	48,922	37,931	10,491	7,222	42,363	16,041	603,154
Geophysics	-	275	90,416	-	-	-	-	-	90,691
Geology	-	2,870	40,008	4,830	863	6,543	25,128	14,996	95,238
Geochemistry	-	1,276	-	-	-	-	75,160	-	76,436
Logistic	-	-	1,500	-	-	-	-	-	1,500
Analysis	-	-	-	-	-	-	-	111	111
Travelling	-	-	841	-	-	348	6,752	-	7,941
Management fees	-	752	-	-	-	-	-	-	752
	-	5,173	132,765	4,830	863	6,891	107,040	15,107	272,669
Stock-based compensation	164	6,261	6,493	1,647	494	330	3,174	494	19,057
Recharge	-	-	(132,765)	(1,572)	-	(863)	(105,440)	-	(240,640)
Net addition	164	11,434	6,493	4,905	1,357	6,358	4,774	15,601	51,086
Tax credits	-	(2,214)	-	(1,502)	(398)	(2,779)	(685)	(6,466)	(14,044)
Disposal	-	-	-	-	-	(10,801)	-	-	(10,801)
Net change	164	9,220	6,493	3,403	959	(7,222)	4,089	9,135	26,241
<b>Balance end</b>	153,513	296,055	55,415	41,334	11,450	-	46,452	25,176	629,395

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#### Investing activities (Cont'd)

##### Deferred exploration expenses Fiscal 2006

	Maritime Cadillac	Vermillon	Total
	\$	\$	\$
<b>Balance beginning</b>	149,370	99,134	248,504
Geophysics	-	22,802	22,802
Geology	3,259	4,056	7,315
Geochemistry	-	(18)	(18)
Prospecting	-	-	-
Line cutting	-	-	-
Analysis	-	-	-
	-	-	-
Travelling	-	(1,645)	(1,645)
Management fees			
Net change	3,259	25,195	28,454
<b>Balance end</b>	152,629	124,329	276,958

#### Financing activities

The Company finances itself mainly through share issuance.

On December 31, 2007, the Company completed a private placement of 207,667 flow-through common shares for a total cash consideration of \$124,600 (282,222 flow-through common shares for \$127,000 in Q1-07).

#### Working capital

The Company has a working capital of \$3,500,160 as at December 31, 2007 as compared to a working capital of \$3,608,947 as of September 30, 2007. 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. 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.

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### Summary of results per quarters

For the eight most recent quarters:

	<u>December 31</u> <u>2007</u>	<u>September 30</u> <u>2007</u>	<u>June 30</u> <u>2007</u>	<u>March 31</u> <u>2007</u>
	\$	\$	\$	\$
Revenues	93,177	56,904	36,768	11,825
Net loss	(99,720)	(100,980)	(187,316)	(21,484)
Loss per share	(0.01)	(0.01)	-	(0.01)
Total assets	4,780,495	5,043,245	4,524,399	4,601,931

	<u>December 31</u> <u>2006</u>	<u>September 30</u> <u>2006</u>	<u>June 30</u> <u>2006</u>	<u>March 31</u> <u>2006</u>
	\$	\$	\$	\$
Revenues	-	-	-	-
Net earnings (loss)	(131,206)	(63,135)	(13,970)	6,428
Loss per share	(0.01)	(0.01)	-	-
Total assets	858,210	850,810	619,569	633,986

The recovery of future income taxes are generally recorded in February which would explain the variation between the quarters.

### Related party transactions

*In the normal course of operations:*

- During the period ended December 31, 2007, a firm in which an officer is a partner charged professional fees amounting to \$8,400 (\$22,206 for the period ended December 31, 2006);
- During the period ended December 31, 2007, a company controlled by an officer charged professional fees of \$16,000;
- As at December 31, 2007, the balance due to the related parties amounted to \$5,996 (December 31, 2006 – \$23,507).

*Not in the normal course of business:*

- In December 2007, directors and officers of the Company participated in private placements of flow-through shares (note 4ai) for a total consideration of \$104,600 (\$47,000 for the period ended December 31, 2006).

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

### Subsequent events

The Company has no subsequent events to report.

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### Outstanding share data

	<b>As of February 26, 2008</b>
	<u>Number</u>
Common shares	20,386,546
Options	1,400,000
Warrants	420,000
	<u>22,206,546</u>

### Off-balance sheet arrangements

During Q1-08, 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, stock-based compensation 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 by property in reduction of the mining properties, then in reduction of the deferred exploration expenses and any residual is recorded in the statement of operations. Governmental assistance, mining duties credits and other credits related to exploration work are applied against the deferred exploration expenses.

Funds received from partners on certain properties where the Company is the operator in order to perform exploration work as per agreements, are accounted for in the balance sheet as advances for exploration work. These advances are reduced gradually when the exploration work are performed.

### Changes in accounting policies including initial adoption

The Company has no changes in accounting policies to report for Q1-08.

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### 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. As at September 30, 2007, all financial instruments (accounts receivable, accounts payable and accrued liabilities and advance for exploration work) have fair values which approximate their carrying values due to the relatively short period to maturity of the instruments.

#### *Interest rate risk*

Accounts receivable, accounts payable and accrued liabilities and advance for exploration work are non-interest bearing. See note 4 for details of interest rates for cash and cash equivalents.

#### *Credit Risk*

The Company is subject to concentrations of credit risk through cash and cash equivalents and the interest receivable classified in the accounts receivables. The Company maintains substantially all of its cash and cash equivalents in financial instruments guaranteed by major financial institutions in Canada.

### 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.

### 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.

February 26, 2008

(S) Gino Roger

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Gino Roger

President Chief Executif Officer

(S) Ingrid Martin

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Ingrid Martin

Chief Financial Officer