

Midland Exploration Inc.

Interim Financial Statements

For the six-month period ended March 31, 2009

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

Midland Exploration Inc.

Balance Sheets

	As at March 31 2008 (Unaudited)	As at September 30 2008 (Audited)
	\$	\$
Assets		
Current assets		
Cash and cash equivalents (note 2)	3,051,658	3,320,571
Accounts receivable	89,332	303,131
Sales tax receivable	16,061	348
Taxes credits and mining rights receivable	75,411	44,026
Prepaid expenses	16,786	16,844
	<u>3,249,248</u>	<u>3,684,920</u>
Exploration funds	345,905	-
		-
Mining assets (note 3)		
Mining properties	536,692	512,956
Deferred exploration expenses	821,772	723,983
	<u>1,358,464</u>	<u>1,236,939</u>
	<u>4,953,617</u>	<u>4,921,859</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	58,902	391,805
Advance for exploration work	49,299	4,772
	<u>108,201</u>	<u>396,577</u>
Shareholders' equity		
Capital stock (note 4)	7,775,234	7,150,234
Contributed surplus (note 4d)	674,721	638,499
Deficit	<u>(3,604,539)</u>	<u>(3,263,451)</u>
	<u>4,845,416</u>	<u>4,525,282</u>
	<u>4,953,617</u>	<u>4,921,859</u>

See accompanying notes.

Midland Exploration Inc.

Statement of Operations, Comprehensive Income and Deficit (Unaudited)

	For the three-month period ended March 31,		For the six-month period ended March 31,	
	2009	2008	2009	2008
	\$	\$	\$	\$
Revenues				
Interest	11,598	32,340	33,277	70,088
Project management fees	16,612	32,177	19,590	72,020
Gain on option payments on mining assets	-	-	-	15,586
	<u>28,210</u>	<u>64,517</u>	<u>52,867</u>	<u>157,694</u>
Expenses				
Stock-based compensation	24,159	56,358	29,159	112,715
Administrative expenses and other	101,273	127,454	152,567	179,473
Investors relations	60,264	38,738	110,043	80,400
Professional fees	33,937	43,414	80,101	85,353
General exploration	4,083	7,487	18,985	9,572
Fair value variation for financial instruments held for trading	(9,269)	(471)	(16,925)	(1,636)
	<u>214,447</u>	<u>272,980</u>	<u>373,930</u>	<u>465,877</u>
Loss before income taxes	(186,237)	(208,463)	(321,063)	(308,183)
Recovery of future income taxes	<u>112,000</u>	<u>34,000</u>	<u>112,000</u>	<u>34,000</u>
Loss and comprehensive loss	(74,237)	(174,463)	(209,063)	(274,183)
Deficit – Beginning of period	(3,418,302)	(2,911,110)	(3,263,451)	(2,808,472)
Share and warrant issue expenses	(112,000)	(34,000)	(132,025)	(36,918)
	<u>(3,604,539)</u>	<u>(3,119,573)</u>	<u>(3,604,539)</u>	<u>(3,119,573)</u>
Deficit – End of period				
Basic and diluted net loss per share	<u>-</u>	<u>(0.01)</u>	<u>(0.01)</u>	<u>(0.01)</u>
Weighted average number of basic and diluted outstanding shares	<u>21,436,213</u>	<u>20,386,546</u>	<u>20,937,535</u>	<u>20,282,145</u>

See accompanying notes.

Midland Exploration Inc.

Statement of Cash Flows

(Unaudited)

	For the three-month period ended March 31,		For the six-month period ended March 31,	
	2009	2008	2009	2008
	\$	\$	\$	\$
Cash flows from Operating activities				
Net loss	(74,237)	(174,463)	(209,063)	(274,183)
Adjustment for:				
Stock-based compensation	24,159	56,358	29,159	112,715
Recovery of future income taxes	(112,000)	(34,000)	(112,000)	(34,000)
	(162,078)	(152,105)	(291,904)	(195,468)
Changes in non-cash working capital items				
Accounts receivable	(6,157)	(14,581)	(10,335)	(39,512)
Sales tax receivable	5,153	19,672	(15,713)	45,592
Taxes credits and mining rights receivable	(6,464)	-	(6,464)	-
Prepaid	(9,131)	1,059	58	10,383
Accounts payable and accrued liabilities	(37,429)	(5,309)	(73,473)	(4,335)
Advance for exploration work	17,524	(21,602)	(267,048)	(83,197)
	(36,504)	(20,761)	(372,975)	(71,069)
	(198,582)	(172,866)	(664,879)	(266,537)
Financing activities				
Capital stock issued	210,000	-	625,000	124,600
Share and warrant issue expenses	-	-	(20,025)	(2,918)
	210,000	-	604,975	121,682
Investing activities				
Additions to mining properties	(147,263)	(87,441)	(164,129)	(218,373)
Disposal of mining properties	60,000	50,000	60,000	50,000
Additions to deferred exploration expenses	(176,844)	(299,824)	(318,175)	(597,164)
Advance and payments received for exploration work	232,420	260,000	559,200	260,000
	(31,687)	(77,265)	136,896	(505,537)
Net change in cash and cash equivalents during the period	(20,269)	(250,131)	76,992	(650,392)
Cash and cash equivalents – beginning	3,417,832	3,464,751	3,320,571	3,865,012
Cash and cash equivalents – end	3,397,563	3,214,620	3,397,563	3,214,620
Less: Exploration funds	(345,905)	(107,924)	(345,905)	(107,924)
Cash and cash equivalents presented on the balance sheets	3,051,658	3,106,696	3,051,658	3,106,696
Additional information				
Stock-based compensation included in deferred exploration expenses	5,374	23,176	7,063	42,233
Additions of mining properties and deferred exploration expenses included in accounts payable and accrued liabilities	43,116	-	43,116	-
Additions of mining properties and deferred exploration expenses applied against the advance received for exploration work	-	-	-	97,131
Accounts receivable applied against mining properties and deferred exploration expenses	63,197	97,131	63,197	14,044
Tax credits receivable applied against deferred exploration expenses	(21,918)	-	24,921	-
Future income taxes accounted for in share issue expenses	112,000	34,000	112,000	34,000
Interest cashed	19,276	28,828	19,276	60,903

See accompanying notes.

Midland Exploration Inc.

Notes to Financial Statements

March 31, 2009

(Unaudited)

1. Statute of incorporation and nature of activities

Midland Exploration Inc. ("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. The Company will periodically have to raise additional funds to continue operations, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

Although the Company has taken steps to verify title to mineral properties 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. Cash and cash equivalents

As of March 31, 2009, cash and cash equivalents include \$2,505,554 of guaranteed investment certificates bearing interest between 1.00% and 2.30%, maturing between September 2, 2009 and February 18, 2010 and these instruments are cashable any time without any penalties.

	As at March 31 2009
	\$
Cash	892,009
Guaranteed investment certificates	2,505,554
Less: Exploration funds	(345,905)
Cash and cash equivalents	3,051,658

Midland Exploration Inc.

Notes to Financial Statements

March 31, 2009

(Unaudited)

3. Mining assets

Mining properties	Undivided interest	As at	Additions	Option	As at
		September 30, 2008		payments	March 31, 2009
	%	\$	\$	\$	\$
Quebec					
Maritime-Cadillac	100	285,303	30,008	-	315,311
Vermillon	50	7,251	233	-	7,484
Weedon	100	-	25,705	-	25,705
Gatineau	100	-	-	-	-
James Bay Au	100	67,999	-	(60,000)	7,999
James Bay Mo	100	15,126	2,719	-	17,845
James Bay U	100	29,600	400	-	30,000
Abitibi Au	100	300	1,326	-	1,626
Dunn	100	-	3,070	-	3,070
Laflamme	100	-	14,144	-	14,144
Project Generation	100	107,377	6,131	-	113,508
		<u>512,956</u>	<u>83,736</u>	<u>(60,000)</u>	<u>536,692</u>

Deferred exploration expenses	Undivided interest	As at	Additions	Tax credits	As at
		September 30, 2008			March 31, 2009
	%	\$	\$	\$	\$
Quebec					
Maritime-Cadillac	100	156,269	1,540	(214)	157,595
Vermillon	50	306,008	(92)	-	305,916
Weedon	100	57,770	26,630	(5,922)	78,478
Gatineau	100	22,297	3,673	(770)	25,200
James Bay Au	100	65,652	7,097	(2,262)	70,487
James Bay Mo	100	47,839	1,240	-	49,079
James Bay U	100	7,464	7,061	(2,642)	11,883
Abitibi Au	100	1,075	31,224	(3,334)	28,965
Dunn	100	-	7,575	(642)	6,933
Laflamme	100	-	9,187	(856)	8,331
Project Generation	100	59,609	27,575	(8,279)	78,905
		<u>723,983</u>	<u>122,710</u>	<u>(24,921)</u>	<u>821,772</u>

a) Dunn

The Company staked the Dunn property which is located along the Porcupine-Destor fault about 35 km northeast of the town of Rouyn-Noranda, Québec.

b) Laflamme

The Company staked the Laflamme property which is located west of the town of Lebel Sur Quevillon, Québec.

Midland Exploration Inc.

Notes to Financial Statements

March 31, 2009

(Unaudited)

4. Capital stock

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

	Six-month period ended March 31, 2009	
	Number	Amount
		\$
Common shares (note 4a)	21,636,546	7,775,234
Warrants (note 4b)	-	-
		<u>7,775,234</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 period ended March 31, 2009	
	Number	Amount
		\$
Balance, beginning of period	20,386,546	7,057,834
Issued following		
Flow-through private placement i)	830,000	415,000
Exercise of warrants ii)	420,000	210,000
<i>Plus: Value of warrants exercised</i>	-	92,400
Balance, end of period	<u>21,636,546</u>	<u>7,775,234</u>

i) On December 24, 2008, the Company completed a private placement of 830,000 flow-through common shares for a total cash consideration of \$415,000.

ii) In February 2009, the Company issued 420,000 common shares upon the exercise of broker warrants for an amount of \$210,000 plus their value of \$92,400.

b) Warrants

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

	Six-month period ended March 31, 2009	
	Number	Amount
		\$
Balance, beginning of period	420,000	92,400
Exercised	<u>(420,000)</u>	<u>(92,400)</u>
Balance, end of period	<u>-</u>	<u>-</u>

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(Unaudited)

4. Capital stock (Cont'd)

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

The Company has a stock option plan for its officers, directors, employees and consultants. The maximum number of common shares issuable under the plan was increased from 2,000,000 to 3,000,000. The amendment was ratified by the shareholders of the Company at the annual and special meeting held on February 19, 2009 and was approved by the TSX Venture Exchange.

On October 2, 2008, the president's contract was modified to extend by one year the period where the president will be able to exercise de 250,000 options granted by two shareholders at \$0.25, which is 50% of the initial public offering price. Total stock-based compensation costs for the extension of these options amount to \$5,000 for an estimated fair value of \$0.02 per option. The fair value of the options extended was estimated, considering the fair value of the original option left at the date of the modification, using the Black-Scholes model with no expected dividend yield, an expected volatility of 67%, a risk-free interest rate of 3.06% and an expected life of options of 1 year. This transaction is a stock-based compensation since it's considered a capital contribution by a shareholder of the Company and the Company subsequently attributes it to the employee.

On February 19, 2009, the Company granted to its directors, officers, employees and consultants 420,000 options exercisable at \$0.70, valid for 5 years. Total stock-based compensation costs amount to \$210,000 for an estimated fair value of \$0.50 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 91%, a risk-free interest rate of 3.21% and an expected life of options of 5 years. As of March 31, 2009, \$4,424 was capitalized against deferred exploration expenses and \$24,159 expensed as stock-based compensation, based on the vesting period.

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

	Six-month period ended March 31, 2009	
	Number of options	Weighted average exercise price
Balance, beginning of period	1,450,000	\$ 0.52
Granted	420,000	0.70
Balance, end of period	1,870,000	0.56

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Notes to Financial Statements

March 31, 2009

(Unaudited)

4. Capital stock (Cont'd)

The following table summarizes information about common share purchase options outstanding and exercisable as at March 31, 2009:

<u>Number of options outstanding</u>	<u>Number of options exercisable</u>	<u>Exercise price</u>	<u>Expiry date</u>
		\$	
250,000	250,000	0.50	November 1, 2011
1,000,000	1,000,000	0.50	January 11, 2012
100,000	100,000	0.64	May 1, 2012
50,000	41,665	0.60	December 10, 2012
50,000	50,000	0.65	May 6, 2013
420,000	-	0.70	February 19, 2014
<u>1,870,000</u>	<u>1,441,665</u>		

d) Contributed surplus

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

	<u>Six-month period ended March 31, 2009</u>
	\$
Balance, beginning of period	638,499
Stock-based compensation	36,222
Balance, end of period	<u>674,721</u>

e) Policies and processes for managing capital

The capital of the Company consists of the items included in shareholders' equity of \$4,845,416 as of March 31, 2009 (\$4,525,282 as of March 31, 2008). The Company's objectives when managing capital are to safeguard its ability to continue its operations as well as its acquisition and exploration programs. As needed, the Company raises funds through private placements. The Company doesn't use long term debts since it doesn't generate operating revenues. There is no dividend policy. The Company doesn't have any externally imposed capital requirements neither regulatory nor contractual requirements to which it is subject, unless the Company closes a flow-through private placement in which case the funds are restricted in use for exploration expenses.

Midland Exploration Inc.

Notes to Financial Statements

March 31, 2009

(Unaudited)

5. Related party transactions

In the normal course of operations for the six-month period ended March 31, 2009:

- a) A firm in which an officer and director is a partner charged professional fees amounting to \$37,719 of which \$10,500 was recorded as share issue expenses (\$33,833 for the period ended March 31, 2008);
- b) A company controlled by an officer charged professional fees of \$32,313 (\$27,625 for the period ended March 31, 2008);
- c) As at March 31, 2009, the balance due to the related parties amounted to \$1,612 (as at March 31, 2008, \$14,334).

Not in the normal course of business:

- d) In December 2008, directors and officers of the Company participated in a private placement of flow-through shares (note 4ai) for a total consideration of \$105,000 (\$104,600 in December 2007).

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

6. Commitment

The Company is committed to annual rent of \$19,842 under an operating lease of three years expiring in February 2010.

7. Financial instruments

The Company is exposed to various financial risks resulting from both its operations and its investments activities. The Company's management manages financial risks. The Company does not enter into financial instrument agreements including derivative financial instruments for speculative purposes. The Company's main financial risk exposure and its financial risk management policies are as follows:

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The short-term liquid investments included in cash and cash equivalents bear interest at a fixed rate and the Company is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations. Interest rates 1% higher would have decreased the fair value of these by \$17,845 as of March 31, 2009. The Company's other financial assets and liabilities do not comprise any interest rate risk since they do not bear interest.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is subject to concentrations of credit risk through cash and cash equivalents and accounts receivable. The Company reduces its credit risk by maintaining part of its cash and cash equivalents in financial instruments guaranteed by and held with a Canadian chartered bank and the other part in financial instruments guaranteed by Canadian chartered banks held with an independent wealth management firm member of the Canadian Investor Protection Fund. The Company aims at signing partnership agreements with established companies and follows closely their cash position to reduce its credit risk on accounts receivable.

Midland Exploration Inc.

Notes to Financial Statements

March 31, 2009

(Unaudited)

7. Financial instruments (Cont'd)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet the obligations associated with its financial liabilities. As of March 31, 2009, the Company had enough funds available to meet its financial liabilities and future financial liabilities from its commitments for the current year.

Fair Value

The fair value of financial instruments is summarized as follows:

	<u>March 31, 2009</u>		<u>September 30, 2008</u>	
	<u>Carrying amount</u>	<u>Fair Value</u>	<u>Carrying amount</u>	<u>Fair value</u>
	\$	\$	\$	\$
Financial assets				
<i>Held for trading</i>				
Cash and cash equivalents	3,051,658	3,051,658	3,320,571	3,320,571
<i>Loans and receivables</i>				
Accounts receivable	89,332	89,332	303,131	303,131
Financial liabilities				
<i>Other liabilities</i>				
Accounts payable and accrued liabilities	58,902	58,902	391,805	391,805
Advance for exploration work	49,299	49,299	4,772	4,772

Fair value estimates are made at the balance sheet date, based on relevant market information and other information about financial instruments.