

Midland Exploration Inc.

Interim Financial Statements

For the six-month period ended March 31, 2010

*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, 2010 (Unaudited) \$	As at September 30, 2009 (Audited) \$
Assets		
Current assets		
Cash and cash equivalents (note 2)	2,331,300	2,299,981
Investments (note 3)	2,897,241	900,725
Accounts receivable	223,487	39,778
Sales tax receivable	5,301	-
Taxes credits and mining rights receivable	31,385	31,385
Prepaid expenses	9,765	24,557
	<u>5,498,479</u>	<u>3,296,426</u>
Exploration funds	60,224	144,464
Mining assets (note 4)		
Mining properties	568,429	613,303
Deferred exploration expenses	1,309,176	1,027,865
	<u>1,877,605</u>	<u>1,641,168</u>
	<u>7,436,308</u>	<u>5,082,058</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	313,769	89,516
Sales tax payable	-	22,701
Advance for exploration work	250,204	321,413
	<u>563,973</u>	<u>433,630</u>
Shareholders' equity		
Capital stock (note 5)	10,637,864	7,775,234
Contributed surplus (note 5d)	884,842	794,073
Deficit	<u>(4,650,371)</u>	<u>(3,920,879)</u>
	<u>6,872,335</u>	<u>4,648,428</u>
	<u>7,436,308</u>	<u>5,082,058</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,	
	2010	2009	2010	2009
	\$	\$	\$	\$
Revenues				
Interest	15,079	11,598	19,498	33,277
Project management fees	34,826	16,612	50,998	19,590
	<u>49,905</u>	<u>28,210</u>	<u>70,496</u>	<u>52,867</u>
Expenses				
Stock-based compensation (note 5c)	40,537	24,159	65,353	29,159
Administrative expenses and other	117,375	101,273	178,661	152,567
Investors relations	62,564	60,264	115,238	110,043
Professional fees	33,553	33,937	81,874	80,101
General exploration	1,396	4,083	5,745	18,985
Fair value variation for financial instruments held for trading	9,068	(9,269)	16,794	(16,925)
	<u>264,493</u>	<u>214,447</u>	<u>463,665</u>	<u>373,930</u>
Loss before income taxes	(214,588)	(186,237)	(393,169)	(321,063)
Recovery of future income taxes	<u>67,000</u>	<u>112,000</u>	<u>67,000</u>	<u>112,000</u>
Loss and comprehensive loss	(147,588)	(74,237)	(326,169)	(209,063)
Deficit – Beginning of period	(4,437,018)	(3,418,302)	(3,920,879)	(3,263,451)
Share and warrant issue expenses	<u>(65,765)</u>	<u>(112,000)</u>	<u>(403,323)</u>	<u>(132,025)</u>
Deficit – End of period	(4,650,371)	(3,604,539)	(4,650,371)	(3,604,539)
Basic and diluted net loss per share	<u>(0.01)</u>	<u>-</u>	<u>(0.01)</u>	<u>(0.01)</u>
Weighted average number of basic and diluted outstanding shares	<u>23,926,279</u>	<u>21,436,213</u>	<u>23,372,717</u>	<u>20,937,535</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,	
	2010	2009	2010	2009
	\$	\$	\$	\$
Cash flows from Operating activities				
Net loss	(147,588)	(74,237)	(326,169)	(209,063)
Adjustment for				
Stock-based compensation	40,537	24,159	65,353	29,159
Fair value variation for financial instruments held for trading	(232)	-	7,856	-
Future income taxes recovery	(67,000)	(112,000)	(67,000)	(112,000)
	<u>(174,283)</u>	<u>(162,078)</u>	<u>(319,960)</u>	<u>(291,904)</u>
Changes in non-cash working capital items				
Accounts receivable	23,316	(6,157)	3,800	(10,335)
Sales tax receivable and payable	46,339	5,153	(28,002)	(15,713)
Taxes credits and mining rights receivable	-	(6,464)	-	(6,464)
Prepaid	(2,053)	(9,131)	14,792	58
Accounts payable and accrued liabilities	8,550	(37,429)	31,501	(73,473)
Advance for exploration work	(131,794)	17,524	(146,873)	(267,048)
	<u>(55,642)</u>	<u>(36,504)</u>	<u>(124,782)</u>	<u>(372,975)</u>
	<u>(229,925)</u>	<u>(198,582)</u>	<u>(444,742)</u>	<u>(664,879)</u>
Financing activities				
Capital stock issued	-	210,000	2,797,690	625,000
Share and warrant issue expenses	1,235	-	(271,383)	(20,025)
	<u>1,235</u>	<u>210,000</u>	<u>2,526,307</u>	<u>604,975</u>
Investing activities				
Additions to investments	-	(147,263)	(2,004,372)	(164,129)
Additions to mining properties	(74,564)	60,000	(159,836)	60,000
Disposal of mining properties	116,928	-	116,928	-
Additions to deferred exploration expenses	(486,060)	(176,844)	(803,034)	(318,175)
Advance and payments received for exploration work	610,406	232,420	715,828	559,200
	<u>166,710</u>	<u>(31,687)</u>	<u>(2,134,486)</u>	<u>136,896</u>
Net change in cash and cash equivalents during the period	<u>(61,980)</u>	<u>(20,269)</u>	<u>(52,921)</u>	<u>76,992</u>
Cash and cash equivalents – beginning	<u>2,453,504</u>	<u>3,417,832</u>	<u>2,444,445</u>	<u>3,320,571</u>
Cash and cash equivalents – end	<u>2,391,524</u>	<u>3,397,563</u>	<u>2,391,524</u>	<u>3,397,563</u>
Less: Exploration funds	<u>(60,224)</u>	<u>(345,905)</u>	<u>(60,224)</u>	<u>(345,905)</u>
Cash and cash equivalents presented on the Balance Sheets	<u>2,331,300</u>	<u>3,051,658</u>	<u>2,331,300</u>	<u>3,051,658</u>
Additional information				
Stock-based compensation included in deferred exploration expenses	18,095	5,374	25,416	7,063
Broker warrants granted for capital raising	-	43,116	64,940	43,116
Additions of mining properties and deferred exploration expenses included in accounts payable and accrued liabilities	221,922	-	221,922	-
Accounts receivable applied against mining properties and deferred exploration expenses	205,070	63,197	205,070	63,197
Tax credits receivable applied against deferred exploration expenses	-	(21,918)	-	24,921
Future income taxes accounted for in share issue expenses	67,000	112,000	67,000	112,000
Interest cashed	17,715	19,276	19,152	19,276

See accompanying notes.

Midland Exploration Inc.

Notes to Financial Statements

March 31, 2010

(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, 2010, cash and cash equivalents include \$2,439,808 of guaranteed investment certificates bearing interest between 0.15% and 0.40%, maturing between January 6, 2010 and November 30, 2010 and these instruments are cashable any time without any penalties.

	As at March 31 2010
	\$
Cash	347,131
Guaranteed investment certificates	2,044,393
Less: Exploration funds	(60,224)
	<u>2,331,300</u>

Midland Exploration Inc.

Notes to Financial Statements

March 31, 2010

(Unaudited)

3. Investments

	As at March 31 2010
	<u>\$</u>
Hydro-Québec coupons, between 1.28 and 1.36% interest maturing on February 15, 2011, with a maturity value of \$920,000	899,864
Ontario Province coupons, 0.53% interest maturing on December 2, 2010, with a maturity value of \$1,010,000	1,002,882
Hydro-Québec coupons, 1.18% interest maturing on August 15, 2011, with a maturity value of \$1,020,000	994,495
	<u>2,897,241</u>

4. Mining assets

<u>Mining properties</u>	<u>Undivided interest %</u>	<u>As at September 30, 2009</u>	<u>Additions</u>	<u>Option payments</u>	<u>Write-off</u>	<u>As at March 31, 2010</u>
		\$	\$	\$		\$
Quebec						
Maritime-Cadillac	50	290,311	27	-	-	290,338
Vermillon	50	8,658	837	-	-	9,495
Weedon	100	28,061	3,132	-	-	31,193
Gatineau	100	5,902	2,147	-	-	8,049
James Bay Au	100	9,679	-	(9,679)	-	-
James Bay Mo	100	17,845	1,965	-	-	19,810
James Bay U	100	3,110	1,438	-	-	4,548
Abitibi Au	100	4,515	(754)	-	-	3,761
Dunn	100	-	-	-	-	-
Laflamme	100	-	-	-	-	-
Ytterby	100	115,722	55,814	(171,536)	-	-
Patris	100	1,352	788	-	-	2,140
Eleonore	100	59,917	40,085	-	-	100,002
Casault	100	-	5,720	-	-	5,720
Project Generation	100	68,231	25,142	-	-	93,373
		<u>613,303</u>	<u>136,341</u>	<u>(181,215)</u>	<u>-</u>	<u>568,429</u>

Midland Exploration Inc.

Notes to Financial Statements

March 31, 2010

(Unaudited)

4. Mining assets (Cont'd)

Deferred exploration expenses	Undivided interest %	As at September 30, 2009	Additions	Option payments	Tax credits	As at March 31, 2010
		\$	\$		\$	\$
Quebec						
Maritime-Cadillac	50	160,195	5,389	-	-	165,584
Vermillon	50	305,916	-	-	-	305,916
Weedon	100	86,516	12,123	-	-	98,639
Gatineau	100	29,339	11,421	-	-	40,760
James Bay Au	100	82,163	2,322	(50,321)	-	34,164
James Bay Mo	100	50,319	-	-	-	50,319
James Bay U	100	13,345	1,150	-	-	14,495
Abitibi Au	100	83,802	20,484	-	-	104,286
Dunn	100	1,040	7,855	-	-	8,895
Laflamme	100	22,964	2,936	-	-	25,900
Ytterby	100	20,991	41,727	(28,464)	-	34,254
Patris	100	8,080	72,796	-	-	80,876
Eleonore	100	89,423	143,533	-	-	232,956
Casault	100	-	10,883	-	-	10,883
Project Generation	100	73,772	27,477	-	-	101,249
		1,027,865	360,096	(78,785)	-	1,309,176

a) Abitibi Au

The Casault property. The Company stated claims about 140 km north of La Sarre city.

b) Ytterby

On February 23, 2010, the Company signed an agreement with Japan Oil, Gas and Metals National Corporation ("JOGMEC") whereby JOGMEC can acquire 50% of the Ytterby property subject to the following conditions:

	Payments in cash	Works
	\$	\$
Once the due diligence is completed (paid on May 10, 2010)	200,000	-
31 mars 2011	-	1,000,000
31 mars 2012	-	1,500,000
Total	200,000	2,500,000

- Only the \$200,000 cash payment upon signing is a firm commitment.
- The Company is the operator during the option period and therefore charges project management fees and receives advances for exploration work from time to time.
- Upon the acquisition of a 50% interest, a joint venture will be formed.

Midland Exploration Inc.

Notes to Financial Statements

March 31, 2010

(Unaudited)

5. Capital stock

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

	As at March 31, 2010	
	Number	Amount
		\$
Common shares (note 5a)	23,926,279	10,288,862
Warrants (note 5b)	1,186,400	349,002
		<u>10,637,864</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, 2010	
	Number	Amount
		\$
Balance, beginning of period	21,636,546	7,775,234
Issued following:		
Private placement i)	2,123,033	2,547,640
<i>Less: Value of warrants</i>	-	(284,062)
Flow-through private placement i)	166,700	250,050
Balance, end of period	<u>23,926,279</u>	<u>10,288,862</u>

- i) On November 13, 2009, the Company completed a brokered private placement by issuing 2,123,033 units at \$1.20 per unit and 166,700 flow-through shares at \$1.50 per share, for total gross proceeds of \$2,797,689. Each unit is comprised of one common share and one-half of a warrant. Each whole warrant will entitle the holder to purchase one additional common share at \$1.75 until May 13, 2011. The Company paid the broker a cash fee of \$174,383 and issued 124,884 broker warrants entitling them to acquire 124,884 shares at \$1.20 per share until May 13, 2011.

From the total compensation received from the units, \$284,062 has been allocated to warrants and \$2,263,577 to common shares, according to a pro rata allocation of the estimated fair value of each of the two components. The estimated fair value of the warrants was determined using the Black-Scholes pricing model based on the following assumptions: no expected dividend yield, an expected volatility of 79%, a risk free interest rate of 1.26% and an expected life of the broker warrants of 18 months.

The total broker warrants cost amount to \$64,940 and was recorded as share issue cost. This \$64,940 fair value was estimated using the Black-Scholes model with the same assumptions as the warrants.

Midland Exploration Inc.

Notes to Financial Statements

March 31, 2010

(Unaudited)

5. Capital stock (Cont'd)

b) Warrants

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

	Six-month period ended March 31, 2010	
	Number	Amount
Balance, beginning of period	-	-
Issued following:		
Private placement (note 5ai)	1,186,400	349,002
Balance, end of period	<u>1,186,400</u>	<u>349,002</u>

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

On December 15, 2009, the Company granted to an officer 20,000 options exercisable at \$1.40, valid for 5 years. These options were granted at an exercise price equal to the closing market value of the shares the previous day of the grant. Total stock-based compensation costs amount to \$20,400 for an estimated fair value of \$1.02 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 94.3%, a risk-free interest rate of 2.57% and an expected life of options of 5 years.

On March 8, 2010, the Company granted to its directors, officers, employees and consultants 225,000 options exercisable at \$1.48, valid for 5 years. These options were granted at an exercise price equal to the closing market value of the shares the previous day of the grant. Total stock-based compensation costs amount to \$240,750 for an estimated fair value of \$1.07 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 93.1%, a risk-free interest rate of 2.79% and an expected life of options of 5 years.

As of March 31, 2010, \$25,416 was capitalized against deferred exploration expenses and \$65,353 expensed as stock-based compensation, based on the vesting period.

For fiscal year 2008, a total of 100,000 options were granted. These options were granted at an exercise price superior at the closing market value of the shares the previous day of the grant. Total fair value for these options was \$261,150. The hypotheses used include an average interest rate without risk of 2.77%, an average expected life of the options of 5 years, no expected dividend yield, an estimated average volatility of 93.2% and a weighted average fair value per option of \$1.07.

Midland Exploration Inc.

Notes to Financial Statements

March 31, 2010

(Unaudited)

5. Capital stock (Cont'd)

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

	Six-month period ended March 31, 2010	
	Number of options	Weighted average exercise price
		\$
Balance, beginning of period	1,870,000	0.56
Granted	245,000	1.47
Balance, end of period	<u>2,115,000</u>	<u>0.67</u>

The following table summarizes information about common share purchase options outstanding and exercisable as at March 31, 2010:

Number of options outstanding	Number of options exercisable	Exercise price	Expiry date
		\$	
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	50,000	0.60	December 10, 2012
50,000	50,000	0.65	May 6, 2013
420,000	280,000	0.70	February 19, 2014
20,000	3,333	1.40	December 15, 2014
225,000	-	1.48	March 8, 2015
<u>2,115,000</u>	<u>1 733 333</u>		

d) Contributed surplus

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

	Six-month period ended March 31, 2010
	\$
Balance, beginning of period	794,073
Stock-based compensation	90,769
Balance, end of period	<u>884,842</u>

Midland Exploration Inc.

Notes to Financial Statements

March 31, 2010

(Unaudited)

6. Subsequent event

Gatineau Property :

On April 16, 2010, the Company signed an agreement with Zincore Metals Inc. ("Zincore") whereby Zincore can acquire 50% of the Gatineau property subject to the following conditions:

	Payments in cash	Works
	\$	\$
May 6, 2010	30,000	-
May 6, 2011	30,000	700,000
May 6, 2012	40,000	800,000
May 6, 2013	40,000	900,000
May 6, 2014	40,000	1,100,000
Total	180,000	3,500,000

- Only the \$30,000 cash payment upon signing and first year work commitment for \$500,000 are firm commitments.
- The Company is the operator until the pre-feasibility study is completed and therefore charges project management fees and receives advances for exploration work from time to time.
- Upon the acquisition of a 50% interest, a joint venture will be formed.
- Upon the acquisition of a 50% interest, Zincore will have the option to acquire an additional 15% interest by delivering a bankable feasibility study.