

# **Midland Exploration Inc.**

Management's Discussion and Analysis

June 30, 2009

# Midland Exploration Inc.

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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 nine-month period ended June 30, 2009. This MD&A should be read in conjunction with the Company's financial statements and related notes as at June 30, 2009 and with the annual MD&A as of September 30, 2008. 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 ("GAAP").

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**

Midland has a working capital of \$3,081,264 as of June 30, 2009 (\$3,288,343 as of September 30, 2008) which will allow the Company to execute its exploration program for at least the next three years.

The Company completed \$455,619 in exploration during the nine-month period ended June 30, 2009 ("Q3-09") compared to \$856,727 in the nine-month period ended June 30, 2008 ("Q3-08"). In addition, the Company invested \$121,113 in Q3-09 (\$189,547 in Q3-08) in property several acquisitions in Quebec.

Midland signed a 50% option agreement with Osisko Mining Corporation ("Osisko") on its Dunn property for \$120,000 cash payments and \$1,300,000 exploration work over 3 years, further described in the investing activities section.

In December 2008, the Company issued \$415,000 of flow-through shares following a private placement. In February 2009, all broker warrants were exercised for \$210,000.

The Company reported a loss of \$333,924 in Q3-09 compared to a loss of \$374,861 in Q3-08.

### **Results of operations**

Expenses have decreased from \$637,668 in Q3-08 to \$533,076 in Q3-09 mainly due to stock-based compensation that decreased from \$171,018 in Q3-08 to \$91,777 in Q3-09. 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. On February 19, 2009, the Company granted to its directors, officers, employees and consultants 420,000 options exercisable at \$0.70. Total stock-based compensation costs for these 420,000 options amount to \$210,000 for an estimated fair value of \$0.50 per option.

As of June 30, 2009, \$18,880 was capitalized against deferred exploration expenses and \$91,777 expensed as stock-based compensation, based on the vesting period. Details on the Q3-08 stock-based compensation can be found in the September 30, 2008 financial statements.

Interest revenues decreased from \$95,525 in Q3-08 to \$44,477 in Q3-09, due primarily to reduced interest rates obtained on investments.

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**Results of operations (cont'd)**

Project management fees revenues decreased from \$117,696 in Q3-08 to \$26,992 in Q3-09. In the fall 2007, Midland was very active on the Weedon and Gatineau projects. But following the deteriorating market conditions, Breakwater notified Midland in September 2008 its intent not to pursue the option agreement and consequently the project management fees revenues decreased.

Following the \$415,000 flow-through private placement of December 2008 (\$124,600 in December 2007), the Company recorded a \$112,000 recovery of future income taxes when it renounced its exploration expenses in February 2009 (\$34,000 in February 2009). The offsetting entry was recorded against the share issue expenses.

**Investing activities**

Deferred exploration expenses Q3-09 \$	Maritime Cadillac	Vermilion	Weedon	James	James	James	Gatineau Zn	Abitibi Au	Dunn	Laflamme	Project generation	Total
				Bay Au	Bay Mo	Bay U						
Balance beginning	156,269	306,008	57,770	65,652	47,839	7,464	22,297	1,075	-	-	59,609	723,983
Geophysics	-	-	13,250	48,432	-	-	12,700	-	-	-	-	74,382
Geology	4,140	-	32,765	68,739	2,480	8,523	33,479	60,009	13,895	17,792	49,464	291,286
Geochemistry	-	-	1,977	28,079	-	-	-	-	-	-	6,449	36,505
Line cutting	-	-	-	49,546	-	-	-	-	-	-	-	49,546
Travelling	-	-	158	620	-	-	-	1,585	594	1,035	-	3,992
Mgmt fees	-	(92)	-	-	-	-	-	-	-	-	-	(92)
	4,140	(92)	48,150	195,416	2,480	8,523	46,179	61,594	14,489	18,827	55,913	455,619
Stock-based compensation	-	-	3,627	3,422	-	-	4,131	4,278	-	-	3,422	18,880
Recharge	-	-	(18,842)	(189,272)	-	-	(43,781)	-	(2,600)	-	-	(254,495)
Net addition	4,140	(92)	32,935	9,566	2,480	8,523	6,529	65,872	11,889	18,827	59,335	220,004
Tax credits	(214)	-	(5,922)	(2,262)	-	(2,642)	(770)	(3,334)	(642)	(856)	(8,279)	(24,921)
Disposal	-	-	-	-	-	-	-	-	(11,247)	-	-	(11,247)
Net change	3,926	(92)	27,013	7,304	2,480	5,881	5,759	62,538	-	17,971	51,056	183,836
<b>Balance end</b>	<b>160,195</b>	<b>305,916</b>	<b>84,783</b>	<b>72,956</b>	<b>50,319</b>	<b>13,345</b>	<b>28,056</b>	<b>63,613</b>	<b>-</b>	<b>17,971</b>	<b>110,665</b>	<b>907,819</b>

Gino Roger, geological engineer, president and director of Midland, qualified person under NI 43-101, has reviewed the following technical disclosure.

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**Investing activities (cont'd)**

Deferred exploration expenses Q3 2008	Maritime Cadillac	Vermilion	Weedon	James Bay Au	James Bay Mo	James Bay U	Gatineau Zn	Project generation	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	226,145	33,285	-	-	192,925	400	453,030
Geology	1,000	2,984	87,850	36,651	5,544	12,683	83,637	22,390	252,739
Drilling	-	-	20,075	-	-	-	-	-	20,075
Geochemistry	-	1,276	4,401	-	-	-	105,666	-	111,343
Logistic	-	-	1,744	245	-	-	244	-	2,233
Analysis	-	-	-	-	-	-	-	111	111
Travelling	-	-	3,988	-	-	348	10,161	1,906	16,403
Management fees	-	793	-	-	-	-	-	-	793
	1,000	5,328	344,203	70,181	5,544	13,031	392,633	24,807	856,727
Stock-based compensation	420	16,059	25,938	7,584	1,897	1,266	14,401	1,267	68,832
Recharge	-	-	(343,771)	(54,973)	-	(2,013)	(386,533)	-	(787,290)
Net addition	1,420	21,387	26,370	22,792	7,441	12,284	20,501	26,074	138,269
Tax credits	-	(2,214)	-	(1,502)	(398)	(2,779)	(685)	(6,466)	(14,044)
Disposal	-	-	-	-	-	(10,801)	-	-	(10,801)
Net change	1,420	19,173	26,370	21,290	7,043	(1,296)	19,816	19,608	113,424
<b>Balance end</b>	154,769	306,008	75,292	59,221	17,534	5,926	62,179	35,649	716,578

**Maritime-Cadillac (Agnico-Eagle joint-venture)**

*Property Description*

The property is located in the Abitibi region in Quebec, 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 mineral exploration property 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. As of January 6, 2009, all the payments have been done;
- Issuance of 2,400,000 common shares recorded at a price of \$0.10 per share; the transaction was recorded at the fair value of the common shares handed over at such date. The fair value of the common shares was determined based on the latest 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 acknowledged 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:

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### Investing activities (cont'd)

- Four annual payments of \$25,000 each for a total of \$100,000. As of September 30, 2008, \$75,000 was received;
- 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
- Commitment 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 June 30, 2008. Agnico-Eagle did effectively contribute \$200,000 in the March 2, 2007 IPO.

Following completion of the latest drilling program, Agnico-Eagle Mines has fulfilled its commitments and thus acquired 50% interest in the Maritime Cadillac Property. Following the execution of an option agreement on June 1, 2006, Agnico-Eagle conducted exploration work, incurring \$1,000,000 in exploration expenditures, and made payments totalling \$100,000 over a period of 3 years and therefore exercised its option to acquire 50% of the property.

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, earning 1% additional interest for every \$1,000,000 spent on the Maritime-Cadillac Property (up to 15% by spending \$15 million).

#### *Exploration work on the property*

At the end of Q3-2009, four (4) of the six (6) holes planned by Agnico-Eagle have been completed on the Maritime Cadillac property. A total of 2,691 metres have been drilled in order to complete holes 141-09-19, 20, 21 and 22A.

#### Maritime Dyke East

Drill hole 141-09-21 intersected a grade of **18.5 g/t Au over 1.0 metre** (about 0.70 metre true thickness) associated with a mineralized porphyry intrusion with 3-5% pyrite and pyrrhotite, from 672.8 to 673.8 metres. This intrusion is part of the Maritime Dyke East zone and occurs in altered ultramafic rocks at about 600 metres vertical depth.

From 621.6 to 647.5 metres, this drill hole intersected another porphyry intrusion with pyrite mineralization, at about 565 metres vertical depth, that graded **1.1 g/t Au over 25.9 metres** (about 18.1 metres true thickness), including a zone at **1.9 g/t Au over 11.0 metres** (about 7.7 metres true thickness) from 636.5 to 647.5 metres, which contains a higher-grade section at **4.7 g/t Au over 1.5 metres** (about 1.0 metre true thickness) from 646.0 to 647.5 metres. These new intercepts along the Maritime Dyke East zone remain open along strike and at depth. They are located more than 275 metres away from drill hole 141-08-18A, which had intersected 0.47 g/t Au over 5.6 metres.

The most recent drill hole, 141-09-22A, intersected the Dyke East structure, with an interval grading **1.0 g/t Au over 7.0 metres** (about 4.9 metres true thickness) from 931.4 to 938.4 metres, including a grade of 2.1 g/t Au over 2.0 metres (about 1.4 metres true thickness) from 932.4 to 934.4 metres.

#### Maritime Contact East

In drill hole 141-09-21, the Maritime Contact East zone was intersected from 761.3 to 764.5 metres and graded **1.5 g/t Au over 3.2 metres** (about 2.3 metres true thickness). Mineralization is associated with the presence of about 2-3% arsenopyrite in an ultramafic schist injected with quartz-carbonate veinlets and altered to biotite. This new intercept is located at about 650 metres vertical depth, about 275 metres below and 100 metres north of the nearest drill hole, namely 141-08-17, which had intersected a grade of 1.29 g/t Au over 2.45 metres during the previous drill program. The Maritime Contact East zone remains open along strike and at depth.

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**Investing activities** (cont'd)

In hole 141-09-22A, the Maritime Contact East zone was intersected, from 960.3 to 961.3 metres, grading **1.35 g/t Au over 1.0 metre** (about 0.7 metre true thickness). These new drill intercepts are located about 175 metres below and 125 metres south of drill hole 141-09-21.

Two other drill holes (holes 141-09-19 and 20), planned within the scope of the initial 6-hole program, were completed in the north part of the property. These two drill holes intersected the Maritime Contact East zone but the latter contained only low values despite the presence of alteration along the contact. On the other hand, another contact zone similar to the Maritime Contact East zone appears to develop further west and returned a grade of **2.0 g/t Au over 1.3 metres** from 235.5 to 236.8 meters in drill hole 141-09-19 and a grade of **1.1 g/t Au over 1.5 metres** from 220.0 to 221.5 meters in drill hole 141-09-20.

Midland considers that these results are very promising and warrant further drilling shortly along the strike and depth extensions of the new gold-bearing structures defined on the property.

The exploration budget in Fiscal 2009 for Maritime-Cadillac is \$400,000 for Agnico-Eagle

***Dunn (Osisko option)***

*Property Description*

The property consists in 51 claims and is located approximately 35 kilometres to the north-east of the city of Rouyn-Noranda.

On June 15, 2009, the Company signed an agreement with Osisko Mining Corporation ("Osisko") whereby Osisko can acquire 50% of the Dunn property subject to the following conditions:

	<b>Payments in cash</b>	<b>Works</b>
	<b>\$</b>	<b>\$</b>
Upon signing (cash as of August 20, 2009)	30,000	-
June 15, 2010	30,000	320,000
June 15, 2011	30,000	430,000
June 15, 2012	30,000	550,000
<b>Total</b>	<b>120,000</b>	<b>1,300,000</b>

- Only the \$30,000 cash payment upon signing and the first year work commitment for \$320,000 are firm commitments.
- The Company is the operator until the pre-feasibility 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.
- Upon acquiring a 50% interest, Osisko will have the option to acquire an additional 15% interest by:
  - delivering a bankable feasibility study under the following conditions:
    - Annual cash payments of \$40,000;
    - A minimum of \$200,000 of exploration work each year until the delivery of a bankable feasibility study within a three-year period;
  - or by solely assuming all exploration, development and mining operations on the Dunn Property, earning a 1% additional interest for every \$1,000,000 spent on the property (up to 15% by spending \$15 million).

On July 16, 2009, the Company signed an agreement with Typhon Exploration Inc. to acquire 100% of 12 claims for the following consideration:

- A \$20,000 payment upon signature;
- \$40,000 of exploration work in the 12 months following the signature of the agreement;
- A 2% net smelter return royalty; the Company can buy back, in tranches, the entire royalty for \$2,000,000.

Osisko has agreed to pay the \$20,000 payment and the \$40,000 of exploration work.

**Investing activities** (cont'd)

The Dunn property offers excellent potential for gold mineralization as it covers an 8 kilometre-long stretch of the Manneville fault zone, a secondary splay fault that is an offshoot of the well-known Destor-Porcupine fault, a major gold-bearing structure in the Abitibi. The geological setting on the Dunn property is similar to that of the South Barnat deposit on Osisko's Canadian Malartic property, i.e. fault-juxtaposed clastic sediments and ultramafics cut by a porphyry dyke swarm. Gold showings occur east and west of the property along the Manneville fault, including relatively recent finds by Typhoon Exploration and Cartier Resources. Midland now controls more than 8 kilometre stretch of the fault structure on the property that has seen less than ten drill holes from previous exploration programs.

*Exploration work on the property*

Midland plans starting soon, in partnership with Osisko, an important exploration program on the Dunn property consisting in geological surveys, geophysical surveys (mag and IP) followed by a 2,000 meters drilling campaign. The budget for this exploration program is \$539,000.

***Abitibi Gold (Midland 100%)***

**Laflamme Property**

*Property Description*

This new strategic acquisition is located in an area where a recent till sampling survey identified new strong Au-Cu anomalies, for which sources remain unexplained. This sampling program, representing phase II of the Octave Project, was jointly led by Quebec's Ministère des Ressources Naturelles et de la Faune (MRNF) and the Geological Survey of Canada (GSC). To date, the property is composed of 410 registered claims and several others are still in demand.

Recently, the MRNF released a series of new mineral exploration targets in Quebec, many of which occur in the Laflamme Property area. Among these new targets, a copper dispersal train some 15 kilometres long is defined by the presence of up to 20 chalcopyrite grains or more per kilogram in heavy mineral concentrates derived from the sand fraction (0.25 mm to 1.0 mm) of till samples. The train is also identified by the gold grade of the fine fraction. Major structures with anomalous gold values, and quartz-carbonate and tourmaline alteration also appear in the list of auriferous targets identified by the MRNF.

The GSC is currently completing its interpretation of till anomalies, and preliminary data released last November during Quebec Exploration 2008 indicated strong potential for the presence of NE-SW trending gold and copper dispersal trains. The Laflamme Property likely covers the potential sources of these trains, which as yet remain unexplained. Geochemical results from the heavy fraction (0.063 mm to 0.25 mm) of till samples yielded many values above 0.35 g/t Au (95th percentile), reaching up to 1.3 g/t Au (99th percentile).

The bedrock in the area is dominated by porphyritic, pillowed and locally magnetic basalts, cut by diorite intrusions, felsic porphyry intrusions, and a swarm of NE-trending diabase dykes. This sequence is bounded to the north by the Marest granodioritic pluton. Several major structures trending EW to ENE-WSW occur in the south part of the property.

This vast area has seen very little exploration work in the past, due to the presence of a locally thick cover of clay. Only a few ground-based geophysical surveys and a few drill holes were done to follow up on airborne electromagnetic surveys.

Midland is currently looking for a new partner for this project and would like to initiate an important an exploration program shortly.

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**Investing activities** (cont'd)

Other Areas

Midland continued its regional targeting works and two new gold projects have been generated and are at the final stage of the compilation. These two projects are named Lac Patris and Bassignac. They are located approximately 35 kilometres to the north-east of Rouyn-Noranda near the Destor-Porcupine fault. Midland will complete the compilation works and look for new partnerships. The exploration budget in Fiscal 2009 for Abitibi Gold is \$200,000 for Midland.

**James Bay Gold (Agnico-Eagle option)**

*Property Description*

The James Bay Gold project is located in the Eastern James Bay region.

Two year ago Midland acquired a 100% interest on 1,241 claims in the James Bay Area, an area that has the potential to soon become a significant new gold producer in Quebec after the Abitibi Belt. During Q3-09, the mineral rights for the least prospective assets were returned to the Crown and currently the Easter James Bay Gold project totals 520 claims covering 265 km<sup>2</sup>.

On February 1, 2008, Midland signed an option 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>Work commitments</u>
	\$	\$
Upon signing of a formal agreement (payment received)	50,000	-
February 1, 2009 (payment received and work commitment completed)	60,000	600,000
February 1, 2010	60,000	900,000
February 1, 2011	60,000	1,300,000
February 1, 2012	70,000	1,700,000
<b>Total</b>	<u>300,000</u>	<u>4,500,000</u>

- Only the \$50,000 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 receives from time to time advance payments 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 million).

*Exploration work on the property*

The first year exploration with Agnico-Eagle on the James Bay gold properties was very successful in finding several new gold bearing outcrops with values as high as **9.1 g/t Au**. Elsewhere on the properties, prospecting and reconnaissance mapping has identified other anomalous gold-bearing outcrops and boulders which required further investigation. In the same year, basal till sampling highlighted several first order gold anomalies (10 on the Lasalle and 6 on the Galinée properties) that are commonly located down-ice from metasediment, iron formation or metavolcanic rocks passing through the Lasalle and Galinée claims blocks. These positive results clearly demonstrate the significant potential for finding orogenic gold and gold-rich volcanogenic massive sulphide deposits in the Lac Trieste and Lac Duhesme greenstone belts covered by the Midland properties.

**Investing activities** (cont'd)

During Q2-09, a total of 73.8 kilometres of magnetometric survey was carried over 5 recently established grids; 3 on the Lasalle claim block and 2 on the Galinée claim block. In addition, 29 kilometres of electromagnetic survey (HLEM) was completed with only few kilometres of Induced Polarisation (IP). Data processing of the electromagnetic survey indicate the presence of moderate to weak conductors, some of which are associated magnetic high.

During Q3-09, the IP survey initiated last winter has been completed for a 24 km production. Preliminary data including pseudo-sections and compilation maps were provided on site to support further prospecting and geological mapping. In the mean time stripping and channel sampling of the best gold occurrences found last year were done. With the aid of an excavator, a 180 m<sup>2</sup> area has been dug to better expose the Golden Idol Showing (9.09 g/t Au). The mineralization, in the form of finely disseminated arsenopyrite with minor pyrite and chalcopyrite, is hosted within a meta-mafic-volcanic layer. It is controlled by a series of 20-centimeter thick shear zones parallel to the E-W trending meta-mafic-volcanic. The mineralization zone is marked by the presence of 10 to 15% garnet enrichment and chlorite alteration. The degree of alteration and mineralization decrease laterally and gradually from the shear zones. Several channel samples were collected for assays. Results are pending. Directly associated with the Golden Idol Showing, the IP survey reveals a probable conductor whereas on each side 100 meters apart, the IP survey reveals two certain anomalies.

Located 700 meters along strike east and traceable by the IP survey, one 4 meter long channel sample has been cut through the East Goldel Idol Showing (0.33 g/t Au). Assay results are pending.

Mechanical stripping on Pankot's Palace Showing (5.1 g/t Au) has exposed the showing area over more than 70 m<sup>2</sup>. The mineralization, in the form of E-W trending Py + Po ± Cpy bearing millimetric veinlets cut through a fine grained felsic meta-volcanic units. Several channel samples were collected for assays. Results are pending. Passing through the Pankot's Palace Showings, the IP survey has detected a qualified certain to probable 300 m long anomaly.

Following the stripping and sampling works, few days were spent to map the newly established grids and prospecting the best IP and gold basal till anomalies identified last year. A total of 37 men-days of prospecting and reconnaissance mapping were completed on the Lasalle and Galinée properties. Numerous grab samples were collected for assays. Results are pending.

The exploration budget in Fiscal 2009 for James Bay Gold is \$900,000 for Agnico-Eagle.

**Éléonore Gold Properties (Midland 100%)**

*Property Description*

The Éléonore new property is divided in three distinct blocks with two of them within 25 kilometres from the Éléonore gold discovery of Goldcorp and one southeast 30 km further along strike. It encompasses a group of 576 claims covering an area of approximately 304.3 square kilometres. All the properties selection was made following a comprehensive geological and geochemical compilation combined with proven regional-scale targeting concepts. They are located close to a major collisional environment between the volcanogenic-plutonic units of the La Grande Sub-province and the meta-sedimentary units of the Opinaca Sub-province and include portions of several broad gold (Au) geochemical anomalies derived from lake bottom sediments collected by the Ministère des Ressources Naturelles, Faune et Parcs (MRNFP).

The West Éléonore properties cover more than 10 kilometres of strike length in a WSW-ENE magnetic trend located immediately south of the favourable La Grande and the Opinaca contact. Airborne geophysical signatures and regional mapping appear to indicate the presence of poly-deformed metasediments and mafic volcanic units. Few first order Au and As lake bottom sediment (LBS) anomalies (31 and 94 ppb Au and 23 ppm As) are found 10 km down iced southwest from the Midland Property where the source may originated.

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**Investing activities (cont'd)**

The Center Éléonore property acquired during this quarter is located 25 km southwest of the Éléonore Deposit (5.3 Million ounces at grades of 11.4 g/t Au combined indicated and inferred resources) within the contact zone between the La Grande and Opinaca Sub-provinces. Adjacent east and north of the property, two new gold zones have been found on Virginia Mines Éléonore Regional Property. The first zone, 4 kilometres north of the Midland property, consists of quartz-tourmaline veins yielding 1.85 g/t, 2.09 g/t and 2.95 g/t Au hosted within a dioritic intrusion in the midst of metasediments. The second zone consists of a 500 m<sup>2</sup> mineralized boulder field found 1000 meters NE. Up to 9 g/t Au has been found in greywacke boulders which may originated from a recently mapped metasedimentary unit striking south into the Midland Property.

The East Éléonore property covers more than 25 kilometres of favourable geology along the La Grande and the Opinaca contact. It is marked by a NW-SE trending steep metamorphic gradient where several first order gold LBS anomalies occurs.

*Exploration work on the property*

During Q3-09, prospecting and reconnaissance mapping on the Éléonore Center property confirms the presence of mineralised metasedimentary and metavolcanic units. A total of 145 grab samples has been collected. Results are pending.

Midland is currently looking for a new partner for this project and would like to initiate an important an exploration program shortly.

The exploration budget in Fiscal 2009 for the Éléonore is \$50,000 for Midland.

**James Bay Uranium (Quest option)**

*Property Description*

The property is located in the James Bay region and is composed of 320 claims.

On November 12, 2007, the Company signed a letter of agreement with a partner whereby the partner can acquire 50% of the James Bay U property. On April 1, 2008, an amendment to the letter of agreement and an assignment of rights was signed, whereby Quest Uranium Corporation ("Quest") substituted the original partner and can acquire 50% of the James Bay U property subject to the following conditions:

**Investing activities (cont'd)**

	<b>Payments in cash</b>	<b>Work commitments</b>
	<b>\$</b>	<b>\$</b>
Upon signing	40,000	-
April 1, 2009	40,000	300,000
April 1, 2010	40,000	400,000
April 1, 2011	40,000	700,000
April 1, 2012	40,000	1,000,000
<b>Total</b>	<b>200,000</b>	<b>2,400,000</b>

Only the \$40,000 cash payment upon signing and the first year-work commitment for \$300,000 are firm commitments. Quest is the project operator.

On September 16, 2008, the Company elected to purchase a 50% interest in the Bawolak property, subject to a payment of \$27,250 in cash on the date of the election and of 50% of the acquisition cost incurred by Quest on the first anniversary.

# Midland Exploration Inc.

## Management's Discussion and Analysis

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### Investing activities (cont'd)

In August 2008, Quest signed an option agreement with a third party to acquire a 100% undivided interest in the Bawolak property, subject to the following conditions:

- Cash payments of \$80,000, \$40,000 on signing and \$40,000 on the first anniversary;
- Issuance by Quest of 200,000 shares, 100,000 on signing and 100,000 on the first anniversary;
- Grant of a 2% NSR royalty to the vendors, of which 1.5% can be bought back for \$1,500,000.

#### *Exploration work on the property*

During Q3-09, 3 new claims were added to the LG-3 properties. The titles covers 2 uranium occurrences named Ganiq South and North. The Ganiq North deposit is formed of two lenses 60 and 100 meter long. The lens thickness varies from 4 to 7 metres. Percussion and diamond drilling, not deeper than 50 meters, defined a resource of 150,000 tonnes at 0.05% U or 165,000 pounds of U. The Ganiq South deposit varies in thickness from 1 to 8.5 meters and has been traced by shallow (12 to 25 meters deep) drilling over 270 metres. None compliant NI-43-101 resource estimate stands at 115,000 tonnes at 0.035% U or 126,500 pounds U. Both deposits are structurally controlled formed of dissemination of pitchblend in veins cutting through Archean mafic metavolcanics.

Another mineralized zone named Ganiq South Extension has been historically drilled tested by 4 drill holes at the contact between the Archean basement and the Proterozoic Sakami Formation. Two of the drill holes returned 0.062% U<sub>3</sub>O<sub>8</sub>/ 0.3 m and 0.086% U<sub>3</sub>O<sub>8</sub>/0.6 m respectively near 110 meters deep. This contact is considered very prospective for unconformity related uranium deposit.

On July 22, 2009, due to difficult investment climate for resources companies, Quest had to reduce its exploration spending and notified Midland of its intention not to pursue the option agreement signed on November 12, 2007. Midland and Quest will remain in joint-venture 50-50 on the Bawolak property acquired in August 2008.

The exploration budget in Fiscal 2009 for James Bay Uranium will be revised shortly.

### **Weedon**

#### *Property Description*

This property is located in the Eastern Townships, about 120 km south of Quebec City and is now comprised of 355 claims.

Midland acquired a 100% interest in the Weedon property, formerly held by the privately owned company Les Ressources Tectonic Inc. ("Tectonic") and also acquired 301 claims, whereby Midland now covers and controls more than 30 kilometres in the Ascot-Weedon volcano-sedimentary belt. 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. As of March 6, 2009, all the payments were done and Midland owns 100% of the Weedon property. 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 staked by Midland are subject to a 0.5% royalty, and Midland can buy back this royalty for \$500,000.

#### *Exploration work on the property*

A gravimetric survey was completed along the Fontainebleau road and in the Lingwick deposit area. Preliminary results indicate that the Lingwick deposit was detected with this method. The final interpretation is being completed by a consultant geophysicist.

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**Investing activities** (cont'd)

Since October 2008, Midland acquired eleven (11) new claims in the Cupra and Solbec former mines area and abandoned thirty-nine (39) claims in the north-eastern portion of the property because of a lack of credits. Midland continued to seek for a new partner for this project in 2009

The exploration budget in Fiscal 2009 for Weedon is \$100,000 for Midland until the signature of a new partnership agreement on the project.

**Gatineau Zinc (Zn)**

*Property Description*

Midland acquired a 100% interest in 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.

*Exploration work on the property*

No exploration work was conducted on the Gatineau property for the Q3-09 period. Midland is seeking for a new partner for this project in 2009. Following a thorough compilation and re-evaluation of all properties, those mineral rights with poor exploration potential were returned to the Crown. Currently the Gatineau Zinc comprises a total of 10 properties for 269 claims in good standing.

The exploration budget in Fiscal 2009 for Gatineau Zinc is \$125,000 for Midland until the signature of a new partnership agreement on the project.

**Project Generation**

Midland continued some geological compilation programs in Quebec for the acquisition of new strategic gold, uranium and base metals properties.

The exploration budget in Fiscal 2009 for project generation is \$75,000 for Midland.

**Financing activities**

The Company finances itself mainly through share issuance.

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.

In February 2009, 420,000 broker warrants were completely exercised for \$210,000.

**Working capital**

The Company has a working capital of \$3,081,264 as at June 30, 2009 as compared to a working capital of \$3,288,343 as of September 30, 2008. 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>June 30 2009</u>	<u>March 31 2009</u>	<u>December 31 2008</u>	<u>September 30 2008</u>
	\$	\$	\$	\$
Revenues	34,285	28,210	24,657	74,578
Net loss	(124,861)	(74,237)	(134,826)	(43,200)
Loss per share	(0.01)	-	(0.01)	-
	<u>June 30 2008</u>	<u>March 31 2008</u>	<u>December 31 2007</u>	<u>September 30 2007</u>
	\$	\$	\$	\$
Revenues	71,113	64,517	93,177	56,904
Net loss	(100,678)	(174,463)	(99,720)	(100,980)
Loss per share	(0.01)	(0.01)	(0.01)	(0.01)

**Related party transactions**

*In the normal course of operations for Q3-09:*

- a) A firm in which René Branchaud (secretary and director) is a partner charged professional fees amounting to \$44,083 of which \$10,500 was recorded as share issue expenses (\$38,494 for Q3-08 of which \$2,918 was recorded as share issue expenses);
- b) A company controlled by Ingrid Martin (chief financial officer) charged professional fees of \$40,281 (\$34,125 for Q3-08);
- c) As at June 30, 2009, the balance due to the related parties amounted to \$8,498 (as at June 30, 2008, \$4,654). This amount is subject to the same conditions as those of non related parties.

*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 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.

**Subsequent events**

The Company has no subsequent events to report.

**Outstanding share data**

	<u>As of August 20 2009</u>
	Number
Common shares	21,636,546
Options	1,870,000
	<u>23,506,546</u>

**Off-balance sheet arrangements**

During Q3-09, 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. Expenditures 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 do not justify further investment. Expenditures 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 unless there is contractual work required in which case the residual gain is deferred and will be reduced the contractual disbursements when done. 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. The project management fees received when the Company is the operator are recorded in the statement of operations.

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

There is no change in accounting policies to report for Q3-09.

### **IFRS Convergence**

In February 2008, the Canadian Accounting Standards Board confirmed January 1, 2011 as the changeover date to move financial reporting for Canadian publicly accountable enterprises to the International Financial Reporting Standards ("IFRS"). The changeover date for Midland will be October 1, 2011, to be in line with its September year end.

#### Team:

Due to the size of the Company, the CFO, who is a Chartered Accountant, will be performing the IFRS convergence and will report to the president and to the Audit Committee on the progress accomplished.

The Company, in collaboration with 5 other exploration companies, hired PriceWaterhouseCoopers LLP to perform a diagnostic review to understand, identify and assess the overall effort required to produce financial information under IFRS.

The draft report was received and reviewed in April 2009. We received the final report in May 2009.

**IFRS Convergence** (cont'd)

Training:

In the fall 2008, the CFO participated in a 3 days training session given by the IFRS Task Force of an Accounting firm. The objective of that training was to compare Canadian GAAP to IFRS. More training on IFRS are scheduled in late spring 2009 through the CICA continued education program. As IFRS is expected to change prior to 2011, any changes impacting the Company will have to be monitored.

Accounting Policies impacted:

The detailed analysis of the accounting policies impacted by the IFRS convergence is expected to be completed throughout 2009 after the final report from PWC is received. Overall, a lot of effort will be put in the financial statements presentation as IFRS requires more disclosure. Based on the analysis of expected accounting differences conducted so far, following is a non-exhaustive list of the IFRS accounting policies that could have a potential impact on the financial statements of the Company:

*First Time adoption (IFRS 1)*

IFRS 1 provides guidance to entities on the general approach to be taken when first adopting IFRS. The underlying principle of IFRS 1 is retrospective application of IFRS standards in force at the date an entity first reports using IFRS. IFRS 1 acknowledges that full retrospective application may not be practical or appropriate in all situations and prescribes:

- optional exemptions from specific aspects of certain IFRS standards in the preparation of the Company's opening balance sheet; and
- mandatory exceptions to retrospective application of certain IFRS standards.

Additionally, to ensure financial statements contain high-quality information that is transparent to users, IFRS 1 contains disclosure requirements to highlight changes made to financial statement items due to the transition to IFRS.

*Impairment (IAS 36, IAS36)*

IFRS requires the use of a one-step impairment test (impairment testing is performed using discounted cash flows) rather than the two-step test under Canadian GAAP (using undiscounted cash flow as a trigger to identify potential impairment loss).

IFRS requires reversal of impairment losses (excluding goodwill) where previous adverse circumstances have changed; this is prohibited under Canadian GAAP.

Impairment testing should be performed at the asset level for long-lived assets and intangible assets. Where the recoverable amount cannot be estimated for individual assets, it should be estimated as part of a Cash Generating Unit ("CGU").

*Share-based payments (IFRS 2)*

Per IFRS, the forfeiture rate, with respect to share options, needs to be estimated by the Company at the grant date instead of recognizing the entire compensation expense and only record actual forfeitures as they occur.

For graded-vesting features, IFRS requires each instalment to be treated as a separate share option grant, because each instalment has a different vesting period and hence the fair value of each instalment will differ.

*Mineral property interests, exploration and evaluation costs (IFRS 6)*

Under IFRS, the Company would be required to develop an accounting policy to specifically and consistently identify which expenditures on exploration and evaluation activities will be recorded as assets. Unlike IFRS, Canadian GAAP indicates that exploration costs may initially be capitalized if the Company considers that such costs have the characteristics of property, plant and equipment.

Exploration and evaluation assets shall be classified as either tangible or intangible according to the nature of the assets acquired.

Information systems:

The accounting processes of the Company are simple since it is still at the exploration stage and no major challenges are expect at this point to operate the accounting system under the IFRS. Nevertheless, some excel spreadsheets will probably have to be adapted to support the change made in accounting policies.

**IFRS Convergence** (cont'd)

The Company has yet to establish if historical data will have to be regenerated to comply with some of the choices to be made under IFRS 1.

As the Company will perform its accounting under Canadian GAAP from October 2010 to September 2011, it has yet to determine how it will generate in parallel the accounting under IFRS so that in 2011-12 it has the comparative available. Once the extent of the adjustments needed to convert to IFRS will be established, processes will be put in place effective October 2010 to generate the dual accounting.

Internal Controls:

Since Midland is a TSX Venture issuer, management does not make representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in National 52-109.

Management is responsible for ensuring that processes are in place to provide them with sufficient knowledge to support their certification of the financial statements and MD&A, more specifically assessing that the SEDAR filings are presenting fairly the results of the Company. Management will make sure that once the convergence process is completed, it can still certify its filings.

Impact on the business:

The business processes of the Company are simple and no major challenges are expected at this point to operate under IFRS. The Company has no foreign currency transactions, no hedging activities, no debt and no capital obligations. The Company doesn't expect that IFRS will have an impact on the requirements or business processes when it enters in flow-through financing. The Company has no compensation arrangements that will be affected by the IFRS implementation. The Company's Stock Option Plan is not affected by ratios or financial targets.

Business process will be monitored through 2009 to detect unsuspected impact.

**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 and the investments 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 \$26,550 as of June 30, 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, investments 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 investments are composed of governmental corporation's instruments guaranteed by a provincial government. The Company aims at signing partnership agreements with established companies and follows closely their cash position to reduce its credit risk on accounts receivable.

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**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 June 30, 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:

	<b>June 30, 2009</b>		<b>September 30, 2008</b>	
	<b>Carrying amount</b>	<b>Fair Value</b>	<b>Carrying amount</b>	<b>Fair value</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial assets</b>				
<i>Held for trading</i>				
Cash and cash equivalents	2,194,411	2,194,411	3,320,571	3,320,571
Investments	902,793	902,793	-	-
<i>Loans and receivables</i>				
Accounts receivable	83,703	83,703	303,131	303,131
<b>Financial liabilities</b>				
<i>Other liabilities</i>				
Accounts payable and accrued liabilities	59,134	59,134	391,805	391,805
Advance for exploration work	86,463	86,463	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.

**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.

August 20, 2009

*(S) Gino Roger*  
\_\_\_\_\_  
Gino Roger  
President Chief Executive Officer

*(S) Ingrid Martin*  
\_\_\_\_\_  
Ingrid Martin  
Chief Financial Officer

## Corporate Information

### **Directors**

Jean-Pierre Janson, Chairman of the board <sup>1) 2) 3)</sup>  
Gino Roger  
Jacques Bonneau <sup>1) 2)</sup>  
Germain Carrière <sup>1) 3)</sup>  
Robert I. Valliant <sup>3)</sup>  
René Branchaud <sup>3)</sup>

### *Notes:*

- 1) *Member of the Audit committee*
- 2) *Member of the Compensation Committee*
- 3) *Member of the Corporate Governance Committee*

### **Officers**

Gino Roger, President and Chief Executive Officer  
Ingrid Martin, Chief Financial Officer  
René Branchaud, Secretary

### **Head Office**

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Website : [www.midlandexploration.com](http://www.midlandexploration.com)

### **Auditors**

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1250 René-Lévesque Blvd West, Suite 2800  
Montreal, Quebec, H3B 2G4

### **Legal counsel**

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Montreal, Quebec, H3B 4M4

### **Transfer Agent**

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