

Midland Exploration Inc.

Management's Discussion and Analysis

March 31, 2010

Midland Exploration Inc.

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Midland Exploration Inc.

Management Discussion & Analysis

March 31, 2010

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 March 31, 2010. This MD&A should be read in conjunction with the Company’s financial statements and related notes as at March 31, 2010 and with the annual MD&A as of September 30, 2009. 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.

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 is pleased to have completed on November 13, 2009 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.

Midland has a working capital of \$4,934,506 as of March 31, 2010 (\$2,862,796 as of September 30, 2009) which will allow the Company to execute its exploration program for at least the next three years.

As the operator, Midland incurred exploration expenditures totalling \$957,664 in the six-month period ended March 31, 2010 (“Q2-10”) (\$299,213 in the three-month period ended March 31, 2008 (“Q2-09”), on its properties of which \$622,984 was recharged to its partners (\$186,566 in Q2-09). In addition, the operating partners incurred exploration expenses of \$237,291 in Q2-10 (none in Q2-09), mainly on Laflamme property with North American Palladium. Also, the Company invested \$153,521 in Q2-10 (\$147,795 in Q2-09) in several property acquisitions in Quebec of which \$17,180 was recharged to its partners (\$64,059 in Q2-09).

The Company reported a loss of \$326,169 in Q2-10 compared to a loss of \$209,063 in Q2-09.

Results of operations

Expenses increased to \$463,665 in Q2-10 versus \$373,930 in Q2-09. We can mention that:

- During Q2-10, 245,000 options were granted (420,000 in Q2-09) and their fair value was estimated at \$261,150 (\$215,000 in Q2-09). This fair value was accounted for according to its vesting period (up to 18 months) or the period in which the services were rendered. Therefore for the options granted in the present quarter or previous quarter and vested in Q2-10, \$25,416 (\$7,063 in Q2-09) was capitalized against deferred exploration expenses and \$65,353 (\$29,159 in Q2-09) expensed as stock-based compensation.
- The fair value variation for financial instruments held for trading was a loss of \$16,794 in Q2-10 compared to a gain of \$16,925 in Q2-09. During Q2-10, we started to notice an increase of interest rates compared to the investments Midland holds, generating a loss when evaluation the fair value. During Q2-09, we had notice the opposite trend.

Interest revenues decreased at \$19,498 (\$33,277 in Q2-09) due primarily to lower interest rates obtained on investments. Project management fees revenues increased to \$50,998 (\$19,590 in Q2-09) following the addition of the option agreement with Osisko on the Dunn project.

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Investing activities

Deferred exploration expenses Q2-10	Maritime	Vermillon	Weedon	James	James	James	Gatineau	Abitibi	Dunn	Laflamme	Ytterby	Patris	Eleonore	Project generation	Total
	Cadillac Au	Cu-Au	Cu-Zn-Au	Bay Au	Bay Mo	Bay U	Zn	Au	Au	Au	REE	Au	Au		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance beginning	160,195	305,916	86,516	82,163	50,319	13,345	29,339	83,802	1,040	22,964	20,991	8,080	89,423	73,772	1,027,865
Geophysics	-	-	12,645	1,700	-	-	1,800	-	180,817	-	1,000	53,522	94,928	-	346,412
Geology	615	-	6,927	86,608	-	1,150	8,249	18,536	15,319	2,365	39,525	2,790	41,495	34,953	258,532
Drilling	-	-	-	153,317	-	-	-	-	68,461	-	-	-	-	-	221,778
Geochemistry	-	-	-	49,114	-	-	-	-	1,238	-	-	-	5,090	1,078	56,520
Line cutting	-	-	-	-	-	-	-	-	53,925	-	-	15,885	-	-	69,810
Analysis	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Travelling	-	-	1,360	-	-	-	-	569	976	-	-	-	-	1,707	4,612
Management fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	615	-	20,932	290,739	-	1,150	10,049	19,105	320,736	2,365	40,525	72,197	141,513	37,738	957,664
Stock-based compensation	4,774	-	1,057	2,322	-	-	1,372	1,379	7,133	2,936	1,202	599	2,020	622	25,416
Recharge	-	-	(9,866)	(290,739)	-	-	-	-	(320,014)	(2,365)	-	-	-	-	(622,984)
Net addition	5,389	-	12,123	2,322	-	1,150	11,421	20,484	7,855	2,936	41,727	72,796	143,533	38,360	360,096
Tax credits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Option payments	-	-	-	(50,321)	-	-	-	-	-	-	(28,464)	-	-	-	(78,785)
Net change	5,389	-	12,123	(47,999)	-	1,150	11,421	20,484	7,855	2,936	13,263	72,796	143,533	38,360	281,311
Balance end	165,584	305,916	98,639	34,164	50,319	14,495	40,760	104,286	8,895	25,900	34,254	80,876	232,956	112,132	1,309,176

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Investing activities (Cont'd)

Deferred exploration expenses Q2-09	Maritime Cadillac Au	Vermillion Cu-Au	Weedon Cu-Zn-Au	James Bay Au	James Bay Mo	James Bay U	Gatineau Zn	Abitibi Au	Dunn Au	Laflamme Au	Project generation	Total
	\$	\$	\$	\$	\$	\$	\$	\$			\$	\$
Balance beginning	156,269	306,008	57,770	65,652	47,839	7,464	22,297	1,075	-	-	59,609	723,983
Geophysics	-	-	-	21,739	-	-	12,700	-	-	-	2,731	37,170
Geology	1,540	-	27,088	45,275	1,240	8,523	31,499	28,743	7,575	9,159	23,150	183,792
Geochemistry	-	-	1,977	27,887	-	-	-	-	-	-	741	30,605
Line cutting	-	-	-	46,396	-	-	-	-	-	-	-	46,396
Travelling	-	-	24	-	-	-	-	1,290	-	28	-	1,342
Mgmt fees	-	(92)	-	-	-	-	-	-	-	-	-	(92)
	1,540	(92)	29,089	141,297	1,240	8,523	44,199	30,033	7,575	9,187	26,622	299,213
Stock-based compensation	-	-	2,093	953	-	-	1,873	1,191	-	-	953	7,063
Recharge	-	-	(4,552)	(135,153)	-	(1,462)	(42,399)	-	-	-	-	(183,566)
Net addition	1,540	(92)	26,630	7,097	1,240	7,061	3,673	31,224	7,575	9,187	27,575	122,710
Tax credits	(214)	-	(5,922)	(2,262)	-	(2,642)	(770)	(3,334)	(642)	(856)	(8,279)	(24,921)
Net change	1,326	(92)	20,708	4,835	1,240	4,419	2,903	27,890	6,933	8,331	19,296	97,789
Balance end	157,595	305,916	78,478	70,487	49,079	11,883	25,200	28,965	6,933	8,331	78,905	821,772

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When the work is done and paid by the partners, the work are not on Midland accounting books. Following is a table showing all the work being done on Midland's properties:

Deferred exploration expenses	Partner	Budget	Actual Q2-10		
Properties		Total	Midland	Partner	Total
		\$	\$	\$	\$
100% owned by Midland					
Weedon Cu-Zn-Au		25,000	20,932	-	20,932
James Bay Mo		20,000	-	-	-
James Bay U		30,000	1,150	-	1,150
Abitibi Au		150,000	19,105	-	19,105
Patris Au		100,000	72,197	-	72,197
Eleonore Au		300,000	141,513	-	141,513
Project Generation		100,000	37,738	-	37,738
		725,000	292,635	-	292,635
Operated by Midland					
Gatineau Zn	Zincore	500,000	10,049	-	10,049
James Bay Au	Agnico Eagle	200,000	-	290,739	290,739
Dunn Au	Osisko	540,000	722	320,014	320,736
Ytterby Ree	Jogmec	1,000,000	40,525	-	40,525
		2,240,000	51,296	610,753	662,049
Operated by Partner					
Maritime-Cadillac Au	Agnico Eagle	500,000	615	-	615
Laflamme Au	North American Palladium	300,000	2,365	237,291	239,656
		500,000	2,980	237,291	240,271
In joint venture					
Vermillon Cu-Au	Soquem	80,000	-	-	-
		3,545,000	346,911	848,044	1,194,955

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

Investing activities (Cont'd)

Maritime-Cadillac (Au) operated by Agnico Eagle

Exploration work on the property

A new drilling program on the Maritime-Cadillac Property including six (6) drill holes for a total of 4,200 metres started in the central and northern parts of the property to test all komatiitic schist units, including the Komatiite-East unit that hosts the Contact Maritime East Zone. The contacts between komatiitic rocks and dykes contained in these units constitute the most prospective gold traps.

Four (4) of the six drill holes planned will test the Contact Maritime East Zone at a vertical depth of 600 metres over a lateral distance of 250 metres, whereas the two remaining holes will test the same zone, but under the Maritime-Cadillac deposit at 400 metres vertical depth. Note that the top of the Lapa ore deposit, located about 1.5 kilometres northeast, sits at about 400 metres vertical depth.

Abitibi Gold (Au)

Property Description

Three (3) wholly-owned new properties have been acquired by map staking by Midland which is the Chicobi property (31 claims) located to the northwest of Amos along the Chicobi regional fault, the Casault property (110 claims) located approximately 40 kms east of the Detour Lake deposit which contains proven and probable reserves of 8.8 Moz of gold and the Adam East property (27 claims) located north of Joutel.

Exploration work on the property

Detailed compilation of historical works has been completed for these new projects and discussions with potential partners have been initiated. On the Adam East property, historical works reported numerous gold showings up to 5.2 g/t Au over 1.55 metres, 3.8 g/t Au over 1.50 metres and 2.3 g/t Au over 4.60 metres. No field work has been conducted during this quarter but prospecting is planned for the summer of 2010.

Dunn (Au), operated by Midland

Exploration work on the property

A total of 108 kilometres of IP surveying, as well as a ground magnetic survey, were completed on a 156-kilometre grid. The IP survey largely focused on an 8-kilometre stretch along the Lac Caste Formation sediments, in order to detect porphyry-type gold mineralization similar to deposits in the Malartic and Duparquet areas, as well as Harker/Holloway-type gold-bearing structures associated with ultramafic volcanic rocks near the Destor-Porcupine Fault. IP survey results indicate the presence of several extensive chargeability zones within and along the margins of the Lac Caste sedimentary Formation. These anomalies, which have never been tested, represent potential disseminated sulphide zones hosted in sedimentary rocks and associated with porphyry intrusions, and thus constitute priority drilling targets. Other IP anomalies were also detected in association with ultramafic volcanic rocks; these represent another set of important targets. A few anomalies were also identified in felsic volcanic units that were recently compared to felsic rocks in the Kidd-Munro assemblage, host to the Kidd Creek deposit in Timmins.

Investing activities (Cont'd)

Drilling started in early March in the western portion of the grid where all the drilling sites were located on private land with easy access. Five (5) drill holes totalling 753.4 meters were completed and at least four (4) IP anomalies have been clearly explained by the presence of pyrite. Overall, the first phase of drilling clearly demonstrated that the porphyritic dyke system is well developed within the sediments of the Caste Lake formation. A significant alteration consisting in a silicification of both the sediments and the porphyritic dykes is locally well developed. Carbonate (calcite) alteration is the second alteration of importance. Minor biotite and fuschite alterations were also observed locally. Locally up to 4-7% pyrite is present within the porphyritic dykes and the sediments where an important silica alteration is present. Assays are pending.

Hole DUN-10-01 (L32W; 420N) intersected 2-3% pyrite with locally up to 5-10% pyrite in a sedimentary unit from 72.0 to 77.2 meters. The sediments are frequently cut by metric porphyritic dykes mineralized with 1-2% pyrite. The hole ended at 159.0 meters within a hematized gabbroic intrusion.

Hole DUN-10-02 (L59W; 625N) intersected a porphyritic intrusion cut by mafic and locally magnetic metric dykes over its entire length. Only traces to 1-2% pyrite were intersected and thus not clearly explain the IP anomaly. The hole ended at 150.0 meters within a silicified monzonite.

Hole DUN-10-03 (L59W; 410N) was drilled in the opposite direction of hole 02 and intersected from 114.7 to 135.0 meters a mineralized mafic intrusion containing 4-5% pyrite explaining the IP anomaly. On both sides of the mafic dyke, the hole intersected a silicified porphyritic intrusion cut by several metric mafic dykes. The hole finished at 144.4 meters.

Hole DUN-10-04 (L57W; 660N) intersected a mineralized gabbro containing 5-10% pyrite from 60.0 to 80.1 meters. This mineralized zone explained the IP anomaly. Following this gabbroic intrusion, a sedimentary unit mineralized with locally up to 2-4% pyrite was intersected from 80.1 to 118.25 meters. The hole ended at 150.0 meters within a mafic intrusion cut by mineralized porphyritic dykes containing 4-6% Py from 118.25 to 125.90 meters and from 134.65 to 137.15 meters.

Hole DUN-10-05 (L49W; 475N) explained the IP anomalies by intersecting silicified sediments containing 4-7% pyrite from 104.0 to 125.4 meters. These altered and mineralized sediments are cut by several metric size porphyritic dykes mineralized with up to 3-6% pyrite. The hole ended at 150.0 meters.

Laflamme (Au-Cu), operated by North American Palladium

Exploration work on the property

A 1,118 line-kilometer helicopter-borne VTEM electromagnetic and magnetic geophysical survey has been completed, over the property at line spacing of 200 meters. This survey identified several new conductors. Some of these conductors are closely associated with anomalous till samples containing multiple chalcopyrite grains in heavy mineral concentrates. Furthermore, a detailed structural interpretation, based on new magnetic data, reveals several significant new gold targets defined by complex structural features associated with weak conductors, gold anomalies in till samples and with local iron carbonate alteration in the bedrock.

North American Palladium plans to begin ground geophysical electromagnetic and magnetic surveys, over these new exploration targets to determine drilling targets. About ten promising targets are expected to be evaluated by ground follow-up.

Investing activities (Cont'd)

Patris (Au)

Exploration work on the property

Line cutting and a ground magnetic survey totalling 35.3 kms as well as a Phase Induced Polarization (IP) survey totalling 30.8 kms have been completed on the Patris property. These works conducted along the La Pause fault detected at least eight (8) anomalies which deserve a follow-up with drilling. Several of these targets are located near the La Pause fault which marks the contact between the Kewagama Sediments and the volcanic rocks of the Malartic Group. The chargeability increases are often associated with an increase in the apparent resistivity which could be caused by a possible silicification zones or by the presence of porphyritic felsic intrusions containing gold mineralization of the Cadillac-Malartic type.

James Bay Gold (Au), operated by Midland

Exploration work on the property

The two first years of exploration with Agnico-Eagle on the James Bay gold properties were 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.

During Q1-2010 stripping and channel sampling of the best gold occurrences found during summer 2008 and 2009 were completed. With the aid of an excavator, a 180 m² 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 mafic metavolcanic. 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. Three sets of 10 to 12 meters long channel samples, about 5 meters apart, have been cut across the stratigraphy. From the west to the east, cutting through the Golden Idol Showing, assay results returned 0.54 g/t Au over 2.5 m, including 1.75 g/t Au over 0.5 m (channel 1); continuing to the east, 0.36 g/t Au over 2.5 m; 0.57 g/t Au over 2.0 m including 1.14 g/t Au over 0.5 m, and open to the east, 1.44 g/t Au over 2.0 m including 2.7 g/t Au over 1.0 m. Along the second mineralized zone, 5 meters structurally above; channel 1 returned 0.49 g/t Au over 1.0 m including 0.82 g/t Au over 0.5 m, and 10 meters along strike east a 50 cm channel returned 0.185 g/t Au. 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). Final assay results returned 0.41 g/t Au over 1.5 m including 0.55 g/t Au over 0.5 meter. These results are very encouraging indicating that the Golden Idol mineralized system is laterally very extensive and offers many worth following IP anomalies.

Investing activities (Cont'd)

Mechanical stripping on Pankot's Palace Showing (5.1 g/t Au) has exposed the showing area over more than 70 m². 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. Best results returned 0.15 g/t Au over 2.5 and 0.48 g/t along 0.5m. 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.

The best results come from this campaign come from the North Whip area (4.3 g/t Au) where 3 grab samples returned 1.69, 4.08 and 5.96 g/t Au respectively. In order to determine the extent of these new gold showings, a program of trenching and channel sampling has been completed during the T4-09. Six new trenches covering the North Whip mineralized zone have been dug and 344 channel samples varying were collected.

Best assay results come from the center of the trenching area and coincide with the new showings. Three channels returned values of 0.73 g/t Au over 5.0m ending with 2.01 g/t Au over 1.0m, 2.9 g/t Au over 1.0m including 4.75 g/t Au over 0.5m and 1.8 g/t Au/1.0m including 2.75 g/t Au/0.5m respectively. Other channels testing the mineralization to the NW returned the following values 0.64 g/t Au /3.5 m ending with a value of 1.43 g/t Au / 1 m open to the NW; 0.95 g/t Au / 1.5 m including 1.2 g/t Au over 1.0m, 0.79 g/t Au /2.25 m including 1.1 g/t Au over 1.5m, and 0.91 g/t Au /1.5 m including 1.4 g/t Au 0.75m. Channel to the SE returned 0.40 g/t Au over 1.5m and 0.37 g/t Au over 0.5m. The North Whip showing remains totally open laterally.

The style of the mineralization resembles in many points with a deformed and metamorphosed gold-rich volcanogenic massive sulphide deposit. It consists into a concordant semi-massive to massive sulfides lens underlain by a tectonically transposed stockwork feeder zone containing pyrrhotite, pyrite, chalcopyrite and arsenopyrite millimetric stringers. The semi-massive and massive sulfides lens is overlain by a meter of exhalative interlayered centimetric massive magnetite beds and cherts (BIF). The North Whip mineralized zone coincides with a moderate to strong HLEM conductors traceable over more than 400 meters and open in both directions.

For fiscal 2010, a drill program has been proposed and approved by Agnico-Eagle. Ten diamond drill holes for a total 1520.34 metres of drilling were completed on the Golden Idol and North Whip showings testing either IP anomalies or HLEM conductors respectively.

Six holes totaling 753.97 metres were completed on Golden Idol Showing and assays are pending The IP anomalies associated with the Golden Idol showing were explained by disseminated sulfides mainly Po with minor Py and Aspy hosted in altered meta mafic volcanics.

Four holes totaling 766.37 metres were completed on North Whip Showing. NW10-01 drilled directly below the showing returned 0.15 g/t Au over 4 meters (interval 135.00 to 139.00 meters) including 0.37 g/t Au over 1 meter within a 80 metres thick garnet and biotite alteration envelope. Hole NW10-02, a 100 metres undercut has no significant gold value. HW10-03 drilled 200 metres along strike east returned 0.10 g/t Au over 5 meters including 0.30 g/t Au over 1 meter from interval 32.00 to 37.00 meters within a 45 metres thick biotite and garnet alteration envelope.

Investing activities (Cont'd)

Hole NW10-04, 200 meters to the west returned 0.12 g/t Au over 1 meter at interval 159.00 to 160.00 metres within a 65 metres thick weak to moderate biotite and garnet alteration zone.

The HLEM anomalies associated with the North Whip Showing were explained by heavily disseminated to massive sulfides Po and Py and occasionally by graphitic sedimentary horizons.

James Bay Molybdenum (Mo)

Exploration work on the property

During the Q2-10 no exploration work was completed on the property. Geological compilation is in progress with the objective to generate new exploration targets for 2010.

James Bay Uranium (U)

Exploration work on the property

During the Q2-10 no exploration work was conducted on our LG-3 and LG-4 uranium properties.

Éléonore Gold Properties (Au)

Exploration work on the property

During Q1-2010, prospecting and reconnaissance mapping on the Éléonore Center property confirms the presence of mineralised metasedimentary and metavolcanic units

Forty four grab samples returned values greater than 0.10 g/t Au, averaging 0.62 g/t Au and including five samples that returned 0.78, 0.82, 1.01, 1.91 and 13.6 g/t Au. The best gold mineralization, the Golden Gun showing, is hosted in a metapelite injected with sulfide bearing quartz veinlets near the contact with a metamafic volcanic. The four other auriferous new zones were found along the shore of the Opinaca reservoir with gold values ranging from 0.30 to 1.91g/t Au. Gold mineralization is associated with disseminated to semi-massif sulfides hosted in sheared meta-conglomerates and metapelites. Along the reservoir shore the mineralization is sporadically exposed over a distance of 1200 metres.

To further evaluate the gold potential of Midland' Eleonore Gold properties, a helicopter-borne magnetometric and electromagnetic time domain airborne survey (AeroTEM 2) has been completed in December 2009. Aeroquest International Limited of Mississauga, Ontario, has been contracted to fly the survey which entirely covers the Éléonore East and the northern portion of the Éléonore Centre claims blocs, where gold mineralization zones have recently been discovered. A total of 1200 line-kms were completed with traverse line varying from 200 to 250 metres at a flight altitude of 30 metres.

On the Éléonore Center property, a series of parallel, northeast trending EM conductors were outlined in the midst of sediments concordant with the government mapped metasediments and metavolcanics contact. Some of those EM anomalies coincide with recently uncovered gold-bearing disseminated to semi-massive sulfides hosted in meta-conglomerates and metapelites returning gold values ranging from 0.30 to 1.91 g/t Au. On the Éléonore East property, only few isolated EM conductors were outlined and the magnetometric survey was able to define several prospective high magnetometric gradients interpreted as being the contrasting geophysical responses of highly susceptible magnetic meta mafic volcanics in contact with weakly susceptible magnetic metasediments.

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Investing activities (Cont'd)

Rock sampling and geological mapping are planned for this summer. If conclusive, the EM anomalies associated and found in the most favourable geological contexts will be followed-up by ground geophysical and if warranted by trenching and diamond drilling.

Midland is currently looking for a partner for this project.

Ytterby (REE), operated by Midland

Property Description

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:

	<u>Payments in cash</u>	<u>Works</u>
	\$	\$
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	<u>200,000</u>	<u>2,500,000</u>

- 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.

Exploration work on the property

As a preliminary assessment of the trace and REE elements anomalies in lake bottom sediments, and combined thorium radiometric anomalies found on its properties, Midland proposes to carry out a late spring airborne radiometric and magnetic survey over Ytterby 1, 2 and 3 claims blocks. Call for submission has been sent during this quarter. This program will be follow-up by spectrometer assisted prospecting and reconnaissance mapping of the newly outline geophysical anomalies. The program shall begin in the middle of July.

Vermillon (Cu-Au), operated by Soquem

Exploration work on the property

During the Q2-10 no exploration work was completed on the property. Several geophysical targets remain untested and will be reviewed in 2010.

Weedon (Cu-Zn-Au)

Exploration work on the property

An extension of the gravimetric survey was completed in the Lingwick area in order to validate an anomaly that was beginning at the end of the survey lines of the summer 2009. This extension confirmed the presence of two anomalies located at about 500 metres northwest of the Lingwick deposit. A model of the anomalies lead to the interpretation of two possible massive sulphide zones at an approximate depth of 40-50 metres in association with a broad regional anomaly possibly caused by a lithological effect. However, no VTEM conductor is associated with these interpreted sulphide zones. It would be recommended to conduct a high frequency (90 Hz) ground EM survey prior to test these zones by drilling. Midland is currently seeking for partner for this project.

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Investing activities (Cont'd)

Gatineau (Zn), operated by Midland

Property Description

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.

Exploration work on the property

No exploration work was conducted on the Gatineau property during the first quarter of 2009. A formal technical meeting follow-up by a field visit is scheduled for early June. Various aspects of the up coming exploration program will be discussed.

Project Generation

Midland continued in 2010 some geological compilation programs in Quebec for the acquisition of new strategic gold, uranium and base metal properties.

Financing activities

The Company finances itself mainly through share issuance.

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.

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Financing activities (Cont'd)

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.

Total share and warrant issue expenses were \$336,323.

Working capital

Midland has a working capital of \$4,934,506 as of March 31, 2010 (\$2,862,796 as of September 30, 2009). 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.

Summary of results per quarters

For the eight most recent quarters:

	March 31 2010	December 31 2009	September 30 2009	June 30 2009
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Revenues	15,079	20,591	26,383	34,285
Net loss	(147,588)	(178,591)	(191,479)	(124,861)
Loss per share	(0.01)	(0.01)	(0.01)	(0.01)
	March 31 2009	December 31 2008	September 30 2008	June 30 2008
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Revenues	28,210	24,657	74,578	71,113
Net loss	(74,237)	(134,826)	(43,200)	(100,678)
Loss per share		(0.01)	-	(0.01)

Related party transactions

In the normal course of operations for Q2-10:

- a) A firm in which René Branchaud (secretary and director) is a partner charged professional fees amounting to \$70,377 of which \$32,903 was recorded as share issue expenses (\$37,719 for Q2-09 of which \$10,500 was recorded as share issue expenses);
- b) A company controlled by Ingrid Martin (chief financial officer) charged professional fees of \$38,878 (\$32,313 for Q2-09);
- c) As at March 31, 2010, the balance due to the related parties amounted to \$15,729 (as at March 31, 2008, \$1,612). 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.

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

Subsequent events

On April 16, 2010, the Company signed an agreement with Zincore whereby Zincore can acquire 50% of the Gatineau property. Refer to the investing section under Gatineau.

Outstanding share data

	As of May 20, 2010
	<u>Number</u>
Common shares	23,926,279
Warrants	1,186,400
Options	<u>2,115,000</u>
	<u>27,227,679</u>

Off-balance sheet arrangements

During Q2-10, the Company did not set up any off-balance sheet arrangements.

Critical accounting estimates

No change since the annual MD&A of September 30, 2009.

Changes in accounting policies including initial adoption

There is no change in accounting policies to report for Q2-10.

IFRS Convergence

The Company is using a four step roadmap to convert to IFRS:

STEP 1: DIAGNOSTIC

The initial diagnostic stage has been completed in 2009. The Company hired PricewaterhouseCoopers ("PWC") to perform a diagnostic review to understand, identify and assess the overall effort required to produce financial information under IFRS. The final report was received and reviewed in May 2009.

STEP 2: DESIGN AND PLANNING

STEP 2.1: ACCOUNTING POLICIES

The detailed analysis of the accounting policies impacted by the IFRS convergence is expected to be completed in the summer 2010. Overall, a lot of effort will be put in the financial statements presentation as IFRS requires more disclosure.

Set out below are the main areas where changes in accounting policies are expected to have a significant impact on the Company's financial statements. The list below should not be regarded as a complete list of changes that will result from transition to the IFRS. It is intended to highlight areas that the Company believes to be the most significant; however, the analysis of changes is still in process and the selection of accounting policies where choices are available under IFRS has not been completed. We note that the regulatory bodies that promulgate the Canadian GAAP and the IFRS have significant ongoing projects that could affect the ultimate differences between Canadian GAAP and IFRS and their impact on the Company's financial statements in future years. The future impacts of the IFRS will also depend on the particular circumstances prevailing in those years. The standards listed below are those existing based on current Canadian GAAP and IFRS. At this stage, the Company is not able to reliably quantify the expected impacts of these differences on its financial statements.

IFRS Convergence (Cont'd)

They are as follows:

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.

The Company believes that the choices available under IFRS 1 will allow the opening balance as of October 1, 2010 to remain similar to the closing balance of September 30, 2009. The Company expects that key IFRS 1 exemption decisions will be approved by Management during the summer 2010.

Impairment of assets (IAS 36)

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").

The Company believes that the changes of this policy should not have an impact on the financial statements on the changeover date. Nevertheless, in the subsequent years, this policy could generate more impairment than Canadian GAAP would since it uses a one-step test.

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.

The Company believes that the changes of this policy should not have an impact on the Financial Statements of the Company.

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.

IFRS Convergence (Cont'd)

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

The Company believes that the changes of this policy should not have an impact on the Financial Statements on the changeover date and in subsequent years.

Financial instruments (IAS 39)

Under IFRS, all financial assets must be classified into "loans and receivables", held-to-maturity", "fair value through profit or loss" or "available-for-sale" categories. Like IFRS, all financial assets under Canadian GAAP must be classified into "loans and receivables", "held-to-maturity", "held-for-trading" (fair value through profit or loss) or "available-for-sale" categories. However, there are certain differences from IFRS with respect to the types of assets that may be classified into each of these categories.

Financial instruments may be designated on initial recognition as measured at fair value through profit or loss only if certain criteria are met. Like IFRS, financial instruments may be designated on initial recognition as held for trading (and measured at fair value through profit and loss) only if certain criteria are met. However, these criteria are less restrictive than under IFRS.

The Company is presently evaluating the impact of these potential modifications.

STEP 2.2: FINANCIAL STATEMENTS PREPARATION

During the 2010 summer and fall, we will prepare the financial statement model and we will identify the IFRS convergence adjustments.

STEP 2.3: TRAINING AND COMMUNICATION

The CFO participated to several courses orginaized by the Ordre des comptable agrees du Quebec and also courses specific to the mining industry given by CA firms. Now, the CFO must keep updated as IFRS is expected to change before 2011.

A communication plan beyond the mandatory disclosure required in the MD&A will be developed in the fall 2011 if the changes on the financial statements are important.

STEP 2.4: IT 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 changes made in accounting policies.

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.

STEP 2.5: INTERNAL CONTROLS:

During the third quarter 2010, Management will review existing internal control process and procedures to address significant changes to existing accounting policies and practices.

IFRS Convergence (Cont'd)

STEP 2.6: 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.

STEP 3: IMPLEMENTATION

In this stage the Company will implement the changes that have been developed including changes to the accounting processes and policies. The Company will also quantify the IFRS impacts.

Management will prepare the structure of the first quarterly financial statements as of December 31, 2011 with the opening balance as of October 1st, 2010 and the comparables as of December 31, 2010 with the disclosure notes.

Management plans to start this step in the summer 2010 and finalize it in the fall quarter of 2010.

STEP 4: POST IMPLEMENTATION

Management will prepare the interim annual financial statements in compliance with IFRS for the year ending September 30, 2012.

Financial instruments

There is no significant change relating to the financial instruments since the annual MD&A of September 30, 2009.

Risk factors

There is no significant change relating to the risk factors since the annual MD&A of September 30, 2009.

Forward looking information

This management's discussion and analysis contains forward looking statements reflecting Midland's objectives, estimates and expectations. These statements are identified by the use of verbs such as "believe", "anticipate", "estimate", and "expect". As well as the use of the future or conditional tense. By their very nature, these types of statements involve risk and uncertainty. Consequently, results could differ materially from the Company's projections or expectations.

May 20, 2010

(S) Gino Roger

Gino Roger
President Chief Executive Officer

(S) Ingrid Martin

Ingrid Martin
Chief Financial Officer

Midland Exploration Inc.

Corporate Information

Directors

Jean-Pierre Janson, Chairman of the board ^{1) 2)}
Gino Roger
Germain Carrière ^{1) 2) 3)}
Robert I. Valliant ^{1) 3)}
René Branchaud ³⁾

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
Mario Masson, Vice-president Exploration
Ingrid Martin, Chief Financial Officer
René Branchaud, Secretary

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