

Midland Exploration Inc.

(An exploration stage company)

Interim Financial Statements

For the six month period ended March 31, 2008

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

Midland Exploration Inc.

(An exploration stage company)

Balance Sheets

	As at March 31 2008 (Unaudited)	As at September 30 2007 (Audited)
	<u>\$</u>	<u>\$</u>
Assets		
Current assets		
Cash and cash equivalents (note 3)	3,106,696	3,865,012
Accounts receivable	149,066	18,528
Sales tax receivable	-	45,592
Taxes credits and mining rights receivable	94,312	80,268
Prepaid expenses	19,255	29,638
	<u>3,369,329</u>	<u>4,039,038</u>
Exploration funds	107,924	-
Mining assets (note 4)		
Mining properties	494,576	401,053
Deferred exploration expenses	665,101	603,154
	<u>1,159,677</u>	<u>1,004,207</u>
	<u>4,636,930</u>	<u>5,043,245</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	27,539	62,131
Advance for exploration work	27,791	367,960
	<u>55,330</u>	<u>430,091</u>
Shareholders' equity		
Capital stock (note 5)	7,150,234	7,025,634
Contributed surplus (note 5d)	550,939	395,992
Deficit	<u>(3,119,573)</u>	<u>(2,808,472)</u>
	<u>4,581,600</u>	<u>4,613,154</u>
	<u>4,636,930</u>	<u>5,043,245</u>

See accompanying notes.

Midland Exploration Inc.

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Statement of Operations, Comprehensive Income and Deficit

(Unaudited)

	For the three month period ended March 31,		For the six month period ended March 31,	
	2008	2007	2008	2007
			\$	\$
Revenues				
Interest	32,340	11,825	70,088	11,825
Project management fees	32,177	-	72,020	-
Gain on disposal of mining assets	-	-	15,586	-
	<u>64,517</u>	<u>11,825</u>	<u>157,694</u>	<u>11,825</u>
Expenses				
Stock-based compensation	56,358	4,584	112,715	47,500
Administrative expenses and other	127,454	49,813	179,473	85,629
Investors relations	38,738	19,298	80,400	24,220
Professional fees	43,414	14,206	85,353	48,166
General exploration	7,487	(13,592)	9,572	-
Fair value variation for financial instruments held for trading	(471)	-	(1,636)	-
	<u>272,980</u>	<u>74,309</u>	<u>465,877</u>	<u>205,515</u>
Loss before income taxes	(208,463)	(62,484)	(308,183)	(193,690)
Recovery of future income taxes	34,000	41,000	34,000	41,000
Loss and comprehensive income	(174,463)	(21,484)	(274,183)	(152,690)
Deficit – Beginning of period	(2,911,110)	(1,841,429)	(2,808,472)	(1,710,223)
Share and warrant issue expenses	(34,000)	(644,876)	(36,918)	(644,876)
Deficit – End of period	<u>(3,119,573)</u>	<u>(2,507,789)</u>	<u>(3,119,573)</u>	<u>(2,507,789)</u>
Basic and diluted net loss per share	<u>(0.01)</u>	<u>-</u>	<u>(0.01)</u>	<u>(0.01)</u>
Weighted average number of basic and diluted outstanding shares	<u>20,386,546</u>	<u>14,078,879</u>	<u>20,282,145</u>	<u>12,470,283</u>

See accompanying notes.

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Statement of Cash Flows

(Unaudited)

	For the three month period ended March 31,		For the six month period ended March 31,	
	2008	2007	2008	2007
			\$	\$
Cash flows from				
Operating activities				
Net earnings (loss)	(174,463)	(21,484)	(274,183)	(152,690)
Adjustment for				
Stock-based compensation	56,358	4,584	112,715	47,500
Recovery of future income taxes	(34,000)	(41,000)	(34,000)	(41,000)
	(152,105)	(57,900)	(195,468)	(146,190)
Changes in non-cash working capital items				
Accounts receivable	(14,581)	-	(39,512)	-
Sales tax receivable	19,672	(35,081)	45,592	(45,857)
Prepaid	1,059	(1,479)	10,383	(13,734)
Accounts payable and accrued liabilities	(5,309)	(174,303)	(4,335)	(205,613)
Advance for exploration work	(21,602)	-	(83,197)	-
	(20,761)	(210,863)	(71,069)	(265,204)
	(172,866)	(268,763)	(266,537)	(411,394)
Financing activities				
Capital stock issued	-	4,500,000	124,600	4,627,000
Share and warrant issue expenses	-	(524,076)	(2,918)	(524,076)
Deferred share issue expenses	-	45,453	-	-
	-	4,021,377	121,682	4,102,924
Investing activities				
Additions to mining properties	(87,441)	(111,233)	(218,373)	(111,138)
Disposal of mining properties	50,000	-	50,000	-
Additions to deferred exploration expenses	(299,824)	(42,222)	(597,164)	(70,676)
Advance received for exploration work	260,000	-	260,000	-
	(77,265)	(153,455)	(505,537)	(181,814)
Net change in cash and cash equivalents during the period	(250,131)	3,599,159	(650,392)	3,509,716
Cash and cash equivalents – beginning	3,464,751	229,708	3,865,012	319,151
Cash and cash equivalents – end	3,214,620	3,828,867	3,214,620	3,828,867
Less: Exploration funds	(107,924)	-	(107,924)	-
Cash and cash equivalents presented on the Balance Sheets	3,106,696	3,828,867	3,106,696	3,828,867
Additional information				
Stock-based compensation included in deferred exploration expenses	23,176	-	42,233	-
Additions of mining properties and deferred exploration expenses included in accounts payable and accrued liabilities	-	-	-	-
Accounts receivable applied against mining properties and deferred exploration expenses	97,131	-	97,131	-
Tax credits receivable applied against deferred exploration expenses	-	-	14,044	-
Broker warrants granted for capital raising	-	79,800	-	79,800
Future income taxes accounted for in share issue expenses	34,000	41,000	34,000	41,000
Interest cashed	28,828	-	60,903	-

See accompanying notes.

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Notes to Financial Statements

March 31, 2008

(Unaudited)

1. Statute of incorporation and nature of activities

Midland Exploration Inc. ("the Company"), incorporated on October 2, 1995 under Part IA of the Quebec Companies Act, is a company in the mining exploration business. The Company's operations include the acquisition, exploration, production, development and, where possible, operating of mining properties.

Until it is determined that properties contain mineral reserves or resources that can be economically mined, they are classified as exploration properties. The recoverability of deferred expenditures is dependent upon: the discovery of economically recoverable reserves and resources; securing and maintaining title and beneficial interest in the properties; the ability to obtain the necessary financing to complete exploration, development and construction of processing facilities; obtaining certain government approvals; and attaining profitable production. The Company will periodically have to raise additional funds to continue operations, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

2. Change in accounting policies

On October 1, 2007, the Company adopted the following new accounting policies published by the Canadian Institute of Chartered Accountants:

- a) Section 3862, "Financial Instruments – Disclosures", describes the required disclosure for the assessment of the significance of financial instruments for an entity's financial position and performance and of the nature and extent of risks arising from financial instruments to which entity is exposed and how the entity manages those risks. The new requirements only address disclosures and will have no impact on the Company's financial results.
- b) Section 1535, "Capital disclosures", establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure of the entity's objectives, policies and processes for managing capital, the quantitative data about what the entity regards as capital, whether the entity has complied with any capital requirements, and, if it has not complied, the consequences of such non-compliance. The new requirements only address disclosures and will have no impact on the Company's financial results.

3. Cash and cash equivalents

As of March 31, 2008, cash and cash equivalents include \$3,052,403 (\$3,211,686 as of September 30, 2007) of guaranteed investment certificates and bankers acceptance bearing interest between 2.75% and 4.05% (4.05% and 4.44% as of September 30, 2007), maturing between April 14, 2008 and September 2, 2008 (October 29, 2007 and September 2, 2008 as of September 30, 2007) and both instruments are cashable any time without any penalties.

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Notes to Financial Statements

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(Unaudited)

4. Mining assets

<u>Mining properties</u>	<u>As at September 30, 2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>As at March 31, 2008</u>
	\$	\$	\$	\$
Quebec				
Maritime-Cadillac	280,091	30,159	-	310,250
Vermillon	2,880	4,471	-	7,351
Weedon	-	20,000	-	20,000
Gatineau	-	1,445	-	1,445
James Bay Au	93,439	33,760	(50,000)	77,199
James Bay Mo	8,970	5,454	-	14,424
James Bay U	15,223	(1,610)	(13,613)	-
Project Generation	450	63,457	-	63,907
	<u>401,053</u>	<u>157,136</u>	<u>(63,613)</u>	<u>494,576</u>

<u>Deferred exploration expenses</u>	<u>As at September 30, 2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>Tax credits</u>	<u>As at March 31, 2008</u>
	\$	\$		\$	\$
Quebec					
Maritime-Cadillac	153,349	328	-	-	153,677
Vermillon	286,835	17,861	-	(2,214)	302,482
Weedon	48,922	15,456	-	-	64,378
Gatineau	42,363	9,596	-	(685)	51,274
James Bay Au	37,931	10,202	-	(1,502)	46,631
James Bay Mo	10,491	4,376	-	(398)	14,469
James Bay U	7,222	11,078	(10,801)	(2,779)	4,720
Project Generation	16,041	17,895	-	(6,466)	27,470
	<u>603,154</u>	<u>86,792</u>	<u>(10,801)</u>	<u>(14,044)</u>	<u>665,101</u>

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Notes to Financial Statements

March 31, 2008

(Unaudited)

4. Mining assets (Cont'd)

a) James Bay Au

The Company acquired claims in the James Bay region in the sub-provinces of La Grande and Opinaca.

On February 1, 2008, the Company signed an option agreement with Agnico-Eagle Mines Limited ("Agnico-Eagle") whereby Agnico-Eagle can acquire 50% of the James Bay Au property subject to the following conditions:

	<u>Payments in cash</u>	<u>Works</u>
	\$	\$
Upon signing of a formal agreement	50,000	-
February 1, 2009	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
Total	<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.
- Upon acquiring a 50% interest, Agnico-Eagle will have the option to increase its undivided interest in the project from 50% to 65% over a period of three years, by solely financing a bankable feasibility study on the James Bay Gold project or by solely assuming all mining operations on the project, earning 1% additional interest for every \$1,000,000 spent on the property (up to 15% by spending \$15 millions).

b) James Bay U

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:

	<u>Payments in cash</u>	<u>Works</u>
	\$	\$
Upon signing (Received April 30, 2008)	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
Total	<u>200,000</u>	<u>2,400,000</u>

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

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(Unaudited)

4. Mining assets (Cont'd)

c) Project generation

The Company initiated some geological compilation programs and staking in Quebec for the acquisition of strategic properties.

5. Capital stock

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

	Six-month period ended March 31, 2008	
	Number	Amount
		\$
Common shares (note 5a)	20,386,546	7,057,834
Warrants	420,000	92,400
		<u>7,150,234</u>

a) Common shares

Authorized

Unlimited number of common shares without par value, voting and participating.

Issued and to be issued

Changes in the Company's common shares were as follows:

	Six-month period ended March 31, 2008	
	Number	Amount
		\$
Balance, beginning of period	20,178,879	6,933,234
Issued		
Flow-through private placement i)	<u>207,667</u>	<u>124,600</u>
Balance, end of period	<u>20,386,546</u>	<u>7,057,834</u>

i) On December 31, 2007, the Company completed a private placement of 207,667 flow-through common shares for a total cash consideration of \$124,600.

b) Warrants

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

	Six month period ended March 31, 2008	
	Number	Amount
		\$
Balance, beginning and end of period	<u>420,000</u>	<u>92,400</u>

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5. Capital stock (Cont'd)

Warrants outstanding as at March 31, 2008 are as follows:

<u>Number of warrants</u>	<u>Exercise price</u>	<u>Expiry date</u>
	\$	
420,000	0.50	March 2, 2009
<u>420,000</u>		

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

On December 10, 2007, the Company granted 50,000 options to a geologist, exercisable at \$0.60, valid for 5 years. Total stock-based compensation costs amount to \$19,000 for an estimated fair value of \$0.38 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, an expected volatility of 82%, a risk-free interest rate of 4.26% and an expected life of options of 5 years.

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

	<u>Six-month period ended March 31, 2008</u>	
	<u>Number of options</u>	<u>Weighted average exercise price</u>
		\$
Balance, beginning of period	1,350,000	0.51
Granted	50,000	0.60
Balance, end of period	<u>1,400,000</u>	0.51

The following table summarizes information about common share purchase options outstanding and exercisable as at March 31, 2008:

<u>Number of options outstanding</u>	<u>Number of options exercisable</u>	<u>Exercise price</u>	<u>Expiry date</u>
		\$	
250,000	208,335	0.50	November 1, 2011
1,000,000	666,668	0.50	January 11, 2012
100,000	50,000	0.64	May 1, 2012
50,000	8,333	0.60	December 10, 2012
<u>1,400,000</u>	<u>933,336</u>		

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(Unaudited)

5. Capital stock (Cont'd)

d) Contributed surplus

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

	Six-month period ended March 31, 2008
	\$
Balance, beginning of period	395,992
Stock-based compensation	154,947
Balance, end of period	<u>550,939</u>

6. Related party transactions

In the normal course of operations:

- a) During the period ended December 31, 2007, a firm in which an officer is a partner charged professional fees amounting to \$33,833 (\$145,358 of which \$140,285 was recorded as share issue expenses for the period ended March 31, 2007);
- b) During the period ended December 31, 2007, a company controlled by an officer charged professional fees of \$27,625 (\$11,963 for the period ended March 31, 2007) ;
- c) As at March 31, 2008, the balance due to the related parties amounted to \$14,334 (March 31, 2007 – \$6,120).

Not in the normal course of business:

- d) In December 2007, directors and officers of the Company participated in private placements of flow-through shares (note 5ai) for a total consideration of \$104,600 (\$47,000 for the period ended December 31, 2006).

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

7. Commitment

The Company is committed to annual rent of \$19,046 under an operating lease of three years expiring in February 2010.

8. Financial instruments

Financial risk management

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.

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(Unaudited)

8. Financial instruments (suite)

The Company's main financial risk exposure and its financial risk management policies are as follows:

Interest rate risk

The short-term liquid 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. The Company's other financial assets and liabilities do not comprise any interest rate risk since they do not bear interest.

Credit Risk

The Company is subject to concentrations of credit risk through cash and cash equivalents and term deposits. The Company maintains substantially all of its cash and cash equivalents, term deposits and exploration funds in financial instruments guaranteed by major financial institutions in Canada.

Liquidity risk

Liquidity risk management serves to maintain a sufficient amount of cash and cash equivalents and to ensure that the Company has at his disposal sufficient sources of financing such as private placement. The Company establishes cash estimates to ensure it has the necessary funds to fulfill its obligations.

Fair Value

The carrying amounts of taxes and other receivable, due from a partner and accounts payable and accrued liabilities on the balance sheets approximate fair value because of the limited term of these instruments.

9. Policies and processes for managing capital

The Company's objectives when managing capital are to safeguard its ability to continue its operations as well as its acquisition and exploration programs. As needed, the Company raises funds through private placements. The Company doesn't use long term debts since it doesn't generate operating revenues. There is no dividend policy. The Company doesn't have any regulatory or contractual requirements concerning its capital

10. Subsequent events

On May 6, 2008, the Company granted 50,000 options to geologists, exercisable at \$0.65, valid for 5 years.