

Midland Exploration Inc.

Condensed Interim Financial Statements

Three months ended December 31, 2014

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

Midland Exploration Inc.

Statements of Financial Position

(Unaudited)

	As at December 31, 2014	As at September 30, 2014
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	3,015,298	1,667,402
Investments (note 4)	1,535,807	2,060,000
Accounts receivable	236,921	62,983
Sales tax receivable	200,165	118,335
Tax credits and mining rights receivable	102,986	66,578
Prepaid expenses	13,662	24,168
	<u>5,104,839</u>	<u>3,999,466</u>
Non-current assets		
Exploration and evaluation assets (note 5)		
Exploration properties	1,097,323	1,090,489
Exploration and evaluation expenses	4,985,832	4,802,845
	<u>6,083,155</u>	<u>5,893,334</u>
Total assets	<u>11,187,994</u>	<u>9,892,800</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	483,267	464,004
Advance received for exploration work	33,321	370,329
Liability related to the premium on flow-through share	211,837	27,460
Total liabilities	<u>728,425</u>	<u>861,793</u>
Equity		
Capital stock (note 6)	18,774,568	17,270,485
Warrants	105,880	30,818
Contributed surplus	1,994,563	1,959,018
Deficit	(10,415,442)	(10,229,314)
Total equity	<u>10,459,569</u>	<u>9,031,007</u>
Total liabilities and equity	<u>11,187,994</u>	<u>9,892,800</u>

The accompanying notes are an integral part of these condensed interim financial statements.

Midland Exploration Inc.
Statements of Comprehensive Loss
(Unaudited)

	Three months ended December 31,	
	2014	2013
	\$	\$
Revenues		
Project management fees	95,829	35,464
Residual gain on option payments on mining assets	2,034	-
	<u>97,863</u>	<u>35,464</u>
Operating expenses		
Salaries	60,585	64,724
Stock-based compensation	23,860	20,491
Travel	12,230	10,297
Rent and insurance	12,795	13,039
Office expenses	19,380	13,539
Regulatory fees	7,690	7,112
Conferences and mining industry involvement	32,182	32,086
Press releases and investors relations	13,116	19,667
Professional fees	57,159	46,141
General exploration	-	4,800
Impairment of exploration and evaluation assets	3,909	3,150
Operating expenses	<u>242,906</u>	<u>235,046</u>
Other gains or losses		
Interest income	<u>14,881</u>	<u>12,359</u>
Loss before income taxes	<u>(130,162)</u>	<u>(187,223)</u>
Recovery of deferred income taxes	<u>27,460</u>	<u>-</u>
Loss and comprehensive loss for the period	<u>(102,702)</u>	<u>(187,223)</u>
Basic and diluted net loss per share	-	(0.01)
Weighted average number of basic and diluted outstanding shares	30,986,286	28,884,523

The accompanying notes are an integral part of these condensed interim financial statements.

Midland Exploration Inc.
Statements of Change in Equity
(Unaudited)

	Number of shares outstanding	Capital stock	Warrants	Contributed surplus	Deficit	Total equity
		\$	\$	\$	\$	\$
Balance at October 1, 2014	30,306,512	17,270,485	30,818	1,959,018	(10,229,314)	9,031,007
Loss and comprehensive loss for the period	-	-	-	-	(102,702)	(102,702)
Private placement	1,263,288	809,240	75,062	-	-	884,302
Flow-through private placement	1,066,683	906,680	-	-	-	906,680
Less: premium	-	(211,837)	-	-	-	(211,837)
	1,066,683	694,843	-	-	-	694,843
Stock-based compensation	-	-	-	35,545	-	35,545
Share issue expenses	-	-	-	-	(83,426)	(83,426)
Balance at December 31, 2014	32,636,483	18,774,568	105,880	1,994,563	(10,415,442)	10,459,569

	Number of shares outstanding	Capital stock	Warrants	Contributed surplus	Deficit	Total equity
		\$	\$	\$	\$	\$
Balance at October 1, 2013	28,671,225	16,133,166	52,542	1,639,751	(8,212,542)	9,612,917
Loss and comprehensive loss for the period	-	-	-	-	(187,223)	(187,223)
Private placement	802,001	570,683	30,818	-	-	601,501
Flow-through private placement	833,286	749,959	-	-	-	749,959
Less: premium	-	(183,323)	-	-	-	(183,323)
	833,286	566,636	-	-	-	566,636
Stock-based compensation	-	-	-	32,881	-	32,881
Share issue expenses	-	-	-	-	(42,111)	(42,111)
Balance at December 31, 2013	30,306,512	17,270,485	83,360	1,672,632	(8,441,876)	10,584,601

The accompanying notes are an integral part of these condensed interim financial statements.

Midland Exploration Inc.

Statements of Cash Flows

(Unaudited)

	Three months ended December 31,	
	2014	2013
	\$	\$
Operating activities		
Net loss	(102,702)	(187,223)
Adjustment for:		
Residual gain on option payments on mining assets	(2,034)	-
Stock-based compensation	23,860	20,491
Impairment of exploration and evaluation assets	3,909	3,150
Recovery of deferred income taxes	(27,460)	-
	<u>(104,427)</u>	<u>(163,582)</u>
Changes in non-cash working capital items		
Accounts receivable	(173,938)	49,735
Sales tax receivable	(81,830)	101,157
Tax credits and mining rights receivable	-	(3,716)
Prepaid expenses	10,506	11,701
Accounts payable and accrued liabilities	(21,544)	(52,478)
Advance received for exploration work	(337,008)	-
	<u>(603,814)</u>	<u>106,399</u>
	<u>(708,241)</u>	<u>(57,183)</u>
Financing activities		
Private placement	884,302	601,501
Flow-through private placement	906,680	749,959
Share issue expenses	(83,426)	(42,111)
	<u>1,707,556</u>	<u>1,309,349</u>
Investing activities		
Additions to investments	(1,535,807)	-
Disposal of investments	2,060,000	-
Additions to exploration properties	(35,356)	(42,735)
Disposal of exploration properties	30,000	20,000
Additions to exploration and evaluation expenses	(170,256)	(308,641)
Taxes credits and mining rights received	-	16,607
	<u>348,581</u>	<u>(314,769)</u>
Net change in cash and cash equivalents during the period	1,347,896	937,397
Cash and cash equivalents – beginning	1,667,402	1,262,538
Cash and cash equivalents - ending	<u>3,015,298</u>	<u>2,199,935</u>
Additional information		
Stock-based compensation included in exploration and evaluation expenses	11,685	12,390
Additions of exploration properties and exploration and evaluation expenses included in accounts payable and accrued liabilities	115,366	23,694
Tax credits receivable applied against exploration and evaluation expenses	36,480	47,850
Interest received	46,826	44,919

The accompanying notes are an integral part of these condensed interim financial statements.

Midland Exploration Inc.

Notes to Financial Statements

Three months ended December 31, 2014

(Unaudited)

1. Statute of incorporation and nature of activities

Midland Exploration Inc. ("the Corporation"), incorporated on October 2, 1995 and operating under the Business Corporations Act (Québec), is a company in the mining exploration business. The Corporation's operations include the acquisition and exploration of mining properties. The address of its head office is 1, Place Ville Marie, suite 4000, Montreal, Quebec, H3B 4M4. The Corporation's shares are listed on the TSX Venture Exchange (the "Exchange") under the MD ticker.

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 exploration and evaluation assets 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 and the profitable sale of the mining assets. The Corporation 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 Corporation 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 Corporation's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

2. Basis of preparation

These condensed interim financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, Interim Financial Reporting. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended September 30, 2014, which have been prepared in accordance with IFRS. The accounting policies, methods of computation and presentation applied in these condensed interim financial statements are consistent with those of the previous financial year. The Board of Directors has approved the financial statements on February 19, 2015.

3. Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires the Corporation 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. The Corporation also makes estimates and assumptions concerning the future. The determination of estimates requires the exercise of judgement based on various assumptions and other factors such as historical experience and current and expected economic conditions. Actual results could differ from those estimates.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended September 30, 2014.

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Midland Exploration Inc.

Notes to Financial Statements

Three months ended December 31, 2014

(Unaudited)

4. Investments

As of December 31, 2014, the balance on flow-through financing not spent according to the restrictions imposed by the December 2014 financing (note 6) represents \$906,680 and is included in the investments. The Corporation has to dedicate these funds to Canadian mining properties exploration.

The balance on flow-through financing not spent of \$111,510 as of September 30, 2014, according to the restrictions imposed by the December 2013 financing, was entirely expensed as at December 31, 2014.

5. Exploration and evaluation assets

The following table discloses acquisition costs of exploration properties:

Acquisition costs	Undivided	As at	Additions	Option	Impair-	As at
	interest	Sept. 30,		payments	ment	Dec. 31,
	%	2014	\$	\$	\$	2014
			\$	\$	\$	\$
Abitibi						
Maritime-Cadillac	49	290,437	-	-	-	290,437
Laflamme	62.2	69,093	4,908	-	(3,909)	70,092
Patris	100	87,072	-	-	-	87,072
Casault	100	16,717	822	-	-	17,539
Valmond	100	-	-	-	-	-
Jouvex	100	44,244	-	-	-	44,244
Heva	100	95,203	1,205	-	-	96,408
Samson	100	-	-	-	-	-
La Peltrie	100	9,362	2,169	-	-	11,531
Adam	100	-	17,966	(17,966)	-	-
Abitibi Or	100	77,521	(20,022)	-	-	57,499
Grenville-Appalaches						
Weedon	100	37,438	4,994	-	-	42,432
Gatineau	100	18,688	-	-	-	18,688
James Bay						
James Bay Au	100	180,191	7,346	-	-	187,537
James Bay U	100	9,828	-	-	-	9,828
James Bay Fe	100	47,808	-	-	-	47,808
Eleonore	100	77,730	4,531	-	-	82,261
Northern Quebec						
Pallas PGE	100	11,301	-	-	-	11,301
Willbob	100	1,130	4,746	-	-	5,876
Quebec Labrador						
Ytterby	50	1,512	-	-	-	1,512
Project Generation	100	15,214	44	-	-	15,258
		1,090,489	28,709	(17,966)	(3,909)	1,097,323

Midland Exploration Inc.

Notes to Financial Statements

Three months ended December 31, 2014

(Unaudited)

5. Exploration and evaluation assets (Cont'd)

Exploration properties	Undivided	As at	Additions	Option	Impair-	As at
	interest	Sept. 30,		payments	ment	Dec. 31,
	%	2013	\$	\$	\$	2013
			\$	\$	\$	\$
Abitibi						
Maritime-Cadillac	50	290,437	-	-	-	290,437
Laflamme	60	61,867	-	-	-	61,867
Patris	100	88,996	-	-	-	88,996
Casault	100	3,628	7,731	-	-	11,359
Valmond	100	8,346	6,364	(14,710)	-	-
Jouvex	100	29,978	2,604	-	(3,150)	29,432
Heva	100	89,591	5,768	-	-	95,359
Grenville-Appalaches						
Weedon	100	43,810	597	-	-	44,407
Gatineau	100	19,209	-	-	-	19,209
James Bay						
James Bay Au	100	160,854	10,331	-	-	171,185
James Bay U	100	9,828	-	-	-	9,828
James Bay Fe	100	44,917	-	-	-	44,917
Eleonore	100	88,372	3,502	-	-	91,874
Northern Quebec						
Pallas PGE	100	59,540	1,761	-	-	61,301
Quebec Labrador						
Ytterby	50	25,307	-	-	-	25,307
Project Generation	100	6,292	1,067	-	-	7,359
		1,030,972	39,725	(14,710)	(3,150)	1,052,837

The following table discloses exploration and evaluation expenses on exploration properties:

E&E expenses	Undivided	As at	Additions	Option	Tax	Impair-	As at
	interest	Sept. 30,		payments	credits	ment	Dec. 31,
	%	2014	\$	\$	\$	\$	2014
			\$	\$	\$	\$	\$
Abitibi							
Maritime-Cadillac	49	232,965	-	-	-	-	232,965
Laflamme	62.2	1,310,514	35,280	-	(3,262)	-	1,342,532
Patris	100	208,755	4,674	-	-	-	213,429
Casault	100	290,082	1,520	-	-	-	291,602
Valmond	100	123,955	3,272	(10,000)	-	-	117,227
Jouvex	100	346,090	1,520	-	-	-	347,610
Heva	100	18,563	-	-	-	-	18,563
Abitibi Au	100	36,641	21,344	-	(2,356)	-	55,629
Grenville-Appalaches							
Weedon	100	388,013	107,938	-	(12,502)	-	483,449
Gatineau	100	28,766	33	-	-	-	28,799
James Bay							
James Bay Au	100	216,677	9,446	-	(3,449)	-	222,674
James Bay U	100	14,686	-	-	-	-	14,686
James Bay Fe	100	42,158	-	-	-	-	42,158
Eleonore	100	1,175,139	28,735	-	(9,470)	-	1,194,404
Northern Quebec							
Pallas PGE	100	216,088	1,360	-	(156)	-	217,292
Willbob	100	5,116	14,273	-	(5,213)	-	14,176
Quebec Labrador							
Ytterby	50	109,090	-	-	-	-	109,090
Project Generation	100	39,547	-	-	-	-	39,457
		4,802,845	229,395	(10,000)	(36,408)	-	4,985,832

Midland Exploration Inc.

Notes to Financial Statements

Three months ended December 31, 2014

(Unaudited)

5. Exploration and evaluation assets (Cont'd)

Exploration and evaluation expenses	Undivided interest	As at Sept. 30, 2012	Additions	Option payments	Tax credits	Impairment	As at Dec 31, 2013
	%	\$	\$	\$	\$	\$	\$
Abitibi							
Maritime-Cadillac	50	228,787	1,648	-	-	-	230,435
Laflamme	60	1,167,804	4,469	-	(999)	-	1,171,274
Patris	100	179,176	6,754	-	(2,715)	-	183,215
Casault	100	214,479	10,464	-	(2,877)	-	222,066
Valmond	100	113,507	3,800	(5,290)	(1,528)	-	110,489
Jouvex	100	237,576	6,383	-	(2,566)	-	241,393
Heva	100	16,149	760	-	(306)	-	16,603
Grenville-Appalaches							
Weedon	100	359,196	13,170	-	(5,174)	-	367,192
Gatineau	100	28,648	33	-	(14)	-	28,667
James Bay							
James Bay Au	100	162,521	6,525	-	(2,848)	-	166,198
James Bay U	100	14,686	-	-	-	-	14,686
James Bay Fe	100	42,158	-	-	-	-	42,158
Eleonore	100	949,831	36,456	-	(15,696)	-	970,591
Northern Quebec							
Pallas PGE	100	210,168	17,224	-	(7,519)	-	219,873
Quebec Labrador							
Ytterby	50	1,277,720	23,652	-	(3,212)	-	1,298,160
Project Generation	100	<u>36,125</u>	<u>5,961</u>	<u>-</u>	<u>(2,396)</u>	<u>-</u>	<u>39,690</u>
		<u>5,238,531</u>	<u>137,299</u>	<u>(5,290)</u>	<u>(47,850)</u>	<u>-</u>	<u>5,322,690</u>

a) Casault and Jouvex

On October 10, 2014, the Corporation signed a letter of intent with SOQUEM INC. ("SOQUEM") to grant SOQUEM the option to acquire a 50% undivided interest in its Casault and Jouvex properties, and to create a joint venture once the option has been exercised, under the following conditions.

	Works
	\$
On or before October 10, 2015 (firm commitment)	1,000,000
On or before October 10, 2016	1,000,000
On or before October 10, 2017	1,000,000
On or before October 10, 2018	1,500,000
	<u>4,500,000</u>

The Corporation will be project operator during the option period.

Midland Exploration Inc.

Notes to Financial Statements

Three months ended December 31, 2014

(Unaudited)

5. Exploration and evaluation assets (Cont'd)

b) Adam

The Corporation acquired by map designation several mining claims located about 65 kilometres west of the town of Matagami.

On December 12, 2014, the Corporation signed an agreement with Sphinx Resources Ltd. ("Sphinx") whereby Sphinx can acquire 50% of the Adam property subject to the following conditions:

	Payments in cash	Work
	\$	\$
Upon signing (completed)	20,000	-
On or before December 12, 2015	40,000	400,000
On or before December 12, 2016	50,000	400,000
On or before December 12, 2017	70,000	1,000,000
On or before December 12, 2018	70,000	1,200,000
Total	<u>250,000</u>	<u>3,000,000</u>

The Corporation will be the operator during the option.

c) Laflamme

Some claims were dropped therefore the Corporation impaired partially for \$3,909 the exploration property cost of Laflamme in December 2014.

6. Equity

a) Private placement

Units

On December 3 and 17, 2014, the Corporation completed private placements by issuing 1,100,430 and 162,858 units respectively at \$0.70 per unit for total gross proceeds of \$884,302. 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 \$0.95 until December 3 and 17, 2014 respectively.

From the total compensation received from the units, \$75,062 has been allocated to warrants and \$809,240 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 55.1% for the units issued December 3, 2014 and 56.2% for the units issued December 17, 2014, a risk free interest rate of 1.04% and an expected life of the warrants of 24 months.

Midland Exploration Inc.

Notes to Financial Statements

Three months ended December 31, 2014

(Unaudited)

6. Equity (Cont'd)

Flow-through

On December 3 and 17, 2014, the Corporation completed private placements by issuing 1,036,683 and 30,000 flow-through shares respectively at \$0.85 per share, for total gross proceeds of \$906,680. On December 3 and 17, 2014, the Corporation's share closed at \$0.65 and \$0.70 on the Exchange, therefore the residual value attributed to the benefit related to flow-through shares renunciation is \$0.20 and \$0.15 respectively for a total value of \$211,837 credited to the liability related to the premium on flow-through shares. As of December 31, 2014, the Corporation had not started yet the exploration work relating to these flow-through placements. Directors and officers of the Corporation participated in these placements for a total consideration of \$79,050.

b) Warrants

Changes of the outstanding warrants are as follow:

	Three months ended December 31, 2014		Three months ended December 31, 2013	
	Number	Amount	Number	Amount
		\$		\$
Balance beginning of period	401,001	30,818	469,975	52,542
Issued following a private placement (note 6a)	631,644	75,062	401,001	30,818
Balance end of period	1,032,645	105,880	870,976	83,360

Warrants outstanding as at December 31, 2014 are as follows:

Number of warrants	Exercise price	Expiry date
	\$	
401,001	1.00	June 15, 2015
550,215	0.95	December 3, 2016
81,429	0.95	December 17, 2016
1,032,645		

7. Share-based compensation

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

	Three months ended December 31, 2014		Three months ended December 31, 2013	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Balance - Beginning of period	1,780,000	1.27	1,520,000	1.31
Expired	(20,000)	1.40	-	-
Balance - End of period	1,760,000	1.27	1,520,000	1.31
Balance - End of period exercisable	1,457,500	1.36	1,347,500	1.27

Midland Exploration Inc.

Notes to Financial Statements

Three months ended December 31, 2014

(Unaudited)

7. Share-based compensation (Cont'd)

The following table summarizes information about common share purchase options outstanding and exercisable as at December 31, 2014:

<u>Number of options outstanding</u>	<u>Number of options exercisable</u>	<u>Exercise price</u> \$	<u>Expiry date</u>
215,000	215,000	1.48	March 8, 2015
260,000	260,000	1.76	February 17, 2021
315,000	315,000	1.54	February 16, 2022
20,000	20,000	1.61	February 27, 2022
345,000	345,000	1.25	February 19, 2023
605,000	302,500	0.85	February 20, 2024
<u>1,760,000</u>	<u>1,457,500</u>		