



# **Midland Exploration Inc.**

Condensed Interim Financial Statements

Three months ended December 31, 2016

*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, 2016	As at September 30, 2016
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 4)	3,313,050	1,467,414
Investments (note 5)	7,443,000	8,729,000
Accounts receivable	97,229	97,433
Sales tax receivable	418,779	257,650
Tax credits and mining rights receivable	932,034	755,105
Prepaid expenses	21,101	63,110
	12,225,193	11,369,712
<b>Non-current assets</b>		
Investment - non-current portion (note 5)	3,078,910	3,078,910
Tax credits and mining rights receivable - non-current portion	148,296	115,503
Advance paid for exploration work	202,678	344,624
Exploration and evaluation assets (note 6)		
Exploration properties	1,568,226	1,506,118
Exploration and evaluation expenses	8,623,498	8,041,811
	10,191,724	9,547,929
	13,621,608	13,086,966
<b>Total assets</b>	<b>25,846,801</b>	<b>24,456,678</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	73,673	646,494
Advance received for exploration work	10,508	15,036
Liability related to the premium on flow-through share	230,770	-
<b>Total liabilities</b>	314,951	661,530
<b>Equity</b>		
Capital stock	34,436,732	32,332,811
Warrants (note 7)	1,922,031	1,997,093
Contributed surplus	2,321,429	2,224,411
Deficit	(13,148,342)	(12,759,167)
<b>Total equity</b>	25,531,850	23,795,148
<b>Total liabilities and equity</b>	<b>25,846,801</b>	<b>24,456,678</b>

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

**Midland Exploration Inc.**  
**Statements of Comprehensive Loss**  
(Unaudited)

	<b>Three months ended December 31</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Revenues</b>		
Project management fees	32,759	42,340
<b>Operating Expenses</b>		
Salaries	125,168	87,238
Stock-based compensation	57,408	27,885
Travel	14,881	11,650
Rent and insurance	13,731	13,581
Office expenses	32,725	21,244
Regulatory fees	12,780	10,210
Conferences and mining industry involvement	77,412	40,341
Press releases and investors relations	11,888	19,596
Professional fees	54,790	72,947
General exploration	467	17,642
Impairment of exploration and evaluation assets (note 6)	4,491	9,932
Operating expenses	405,741	332,266
<b>Other gains or losses</b>		
Interest income	52,343	59,945
<b>Loss before income taxes</b>	<b>(320,639)</b>	<b>(229,981)</b>
Recovery of deferred income taxes	28,520	34,580
<b>Loss and comprehensive loss</b>	<b>(292,119)</b>	<b>(195,401)</b>
Basic and diluted loss per share	(0.01)	-
Weighted average number of basic and diluted outstanding shares	55,710,735	53,631,334

The loss and comprehensive loss are solely attributable to Midland Exploration Inc. shareholders.

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

**Midland Exploration Inc.**  
**Statements of Changes in Equity**  
(Unaudited)

	Number of shares outstanding	Capital stock	Warrants	Contributed surplus	Deficit	Total equity
		\$	\$	\$	\$	\$
<b>Balance at October 1, 2016</b>	54,674,417	32,332,811	1,997,093	2,224,411	(12,759,167)	23,795,148
Loss and comprehensive loss	-	-	-	-	(292,119)	(292,119)
Flow-through private placement	1,284,354	1,733,876	-	-	-	1,733,876
Less: premium	-	(259,290)	-	-	-	(259,290)
	1,284,354	1,474,586	-	-	-	1,474,586
Warrants exercised	588,786	629,335	(69,988)	-	-	559,347
Warrants expired	-	-	(5,074)	5,074	-	-
Stock-based compensation	-	-	-	91,944	-	91,944
Share issue expenses	-	-	-	-	(97,056)	(97,056)
<b>Balance at December 31, 2016</b>	<b>56,547,557</b>	<b>34,436,732</b>	<b>1,922,031</b>	<b>2,321,429</b>	<b>(13,148,342)</b>	<b>25,531,850</b>

	Number of shares outstanding	Capital stock	Warrants	Contributed surplus	Deficit	Total equity
		\$	\$	\$	\$	\$
<b>Balance at October 1, 2015</b>	53,259,052	31,288,335	2,113,643	2,088,784	(11,894,627)	23,596,135
Loss and comprehensive loss	-	-	-	-	(195,401)	(195,401)
Flow-through private placement	835,365	710,060	-	-	-	710,060
Less: premium	-	(192,134)	-	-	-	(192,134)
	835,365	517,926	-	-	-	517,926
Stock-based compensation	-	-	-	40,138	-	40,138
Share issue expenses	-	-	-	-	(54,390)	(54,390)
<b>Balance at December 31, 2015</b>	<b>54,094,417</b>	<b>31,806,261</b>	<b>2,113,643</b>	<b>2,128,922</b>	<b>(12,144,418)</b>	<b>23,904,408</b>

*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,	
	2016	2015
	\$	\$
<b>Operating activities</b>		
Loss	(292,119)	(195,401)
Adjustment for:		
Stock-based compensation	57,408	27,885
Impairment of exploration and evaluation assets	4,491	9,932
Recovery of deferred income taxes	(28,520)	(34,580)
	(258,740)	(192,164)
Changes in non-cash working capital items		
Accounts receivable	204	(7,155)
Sales tax receivable	(161,129)	151,023
Tax credits and mining rights receivable	5,320	-
Prepaid expenses	42,009	47,157
Accounts payable and accrued liabilities	(195,353)	(191,579)
Advance received for exploration work	(4,528)	(31,849)
	(313,477)	(32,403)
	<b>(572,217)</b>	<b>(224,567)</b>
<b>Financing activities</b>		
Flow-through private placement	1,733,876	710,060
Exercise of warrants	559,347	-
Share issue expenses	(97,056)	(54,390)
	<b>2,196,167</b>	<b>655,670</b>
<b>Investing activities</b>		
Additions to investments	(1,350,000)	(2,636,000)
Disposals of investments	2,636,000	1,535,807
Additions to exploration properties	(117,379)	(49,920)
Reduction of advances paid for exploration expenses	141,946	-
Additions to exploration and evaluation expenses	(1,088,881)	(547,902)
	<b>221,686</b>	<b>(1,698,015)</b>
<b>Net change in cash and cash equivalents</b>	1,845,636	(1,266,912)
Cash and cash equivalents – beginning (note 4)	1,467,414	5,862,953
<b>Cash and cash equivalents – ending (note 4)</b>	<b>3,313,050</b>	<b>4,596,041</b>
<b>Additional information</b>		
Stock-based compensation included in exploration and evaluation expenses	34,536	12,253
Additions of exploration properties and exploration and evaluation expenses included in accounts payable and accrued liabilities	19,352	5,347
Tax credits receivable applied against exploration and evaluation expenses	215,042	43,067
Interest received	39,126	53,790

*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, 2016

(Unaudited)

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### 1. STATUTE OF INCORPORATION AND NATURE OF ACTIVITIES

Midland Exploration Inc. (“the Corporation”), incorporated in Canada 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. Its head office is located at 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 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 PRESENTATION

These condensed interim Financial Statements (the “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 Financial Statements should be read in conjunction with the annual financial statements for the year ended September 30, 2016, which have been prepared in accordance with IFRS. The accounting policies, methods of computation and presentation applied in these Financial Statements are consistent with those of the previous financial year. The Board of Directors has approved the Financial Statements on February 21, 2017.

### 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 the 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, 2016.

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, 2016

(Unaudited)

### 4. CASH AND CASH EQUIVALENTS

	As at December 31, 2016	As at September 30, 2016
	\$	\$
Cash	20,050	467,414
Guaranteed investment certificates bearing interest between 0.8% and 1.41%, maturing between June 5, 2017 and December 22, 2017	3,293,000	-
Guaranteed investment certificate bearing interest of 1.41%, maturing June 5, 2017	-	1,000,000
	<b>3,313,050</b>	<b>1,467,414</b>

### 5. INVESTMENTS

	As at December 31, 2016	As at September 30, 2016
	\$	\$
<i>Current</i>		
Guaranteed investment certificates, not cashable before the expiry date, between 1.40% and 1.95% interest payable annually, maturing between June 5, 2017 and November 30, 2017, with a maturity value of \$7,561,569	7,443,000	-
Guaranteed investment certificates, not cashable before the expiry date, between 1.40% and 1.95% interest payable annually, maturing between December 8, 2016 and July 17, 2017, with a maturity value of \$8,867,188	-	8,729,000
<i>Non-current</i>		
Guaranteed investment certificates, not cashable before the expiry date, between 1.45% and 1.95% interest payable annually, maturing between July 14, 2018 and July 23, 2018, with a maturity value of \$3,130,844	3,078,910	3,078,910
	<b>10,521,910</b>	<b>11,807,910</b>

The balance on flow-through financing not spent according to the restrictions imposed by the November 2016 financing represents \$1,565,133 as at December 31, 2016 and is included in investments. The Corporation has to dedicate these funds to Canadian mining properties exploration.

# Midland Exploration Inc.

## Notes to Financial Statements

Three months ended December 31, 2016

(Unaudited)

### 6. EXPLORATION AND EVALUATION ASSETS

The following tables disclose the acquisition costs of exploration properties:

Acquisition costs	Undivided interest	As at Sept. 30, 2016	Additions	Option payments	Impairment	As at Dec. 31, 2016
	%	\$	\$	\$	\$	\$
<b>Abitibi</b>						
Maritime-Cadillac	49	290,515	-	-	-	290,515
Laflamme	70	97,400	6,236	-	-	103,636
Patris	100	87,072	-	-	-	87,072
Casault	100	17,538	3,274	-	-	20,812
Jouvex	100	44,998	1,273	-	-	46,271
Heva	100	106,009	1,730	-	-	107,739
Valmond	100	7,259	-	-	-	7,259
La Peltrie	100	103,593	2,745	-	-	106,338
Adam	100	11,975	-	-	-	11,975
Samson	100	17,406	2,148	-	-	19,554
Abitibi Or	100	149,902	-	-	-	149,902
<b>Grenville-Appalaches</b>						
Weedon	100	30,016	9,212	-	(4,491) <sup>1)</sup>	34,737
Gatineau	100	8,349	9,102	-	-	17,451
<b>James Bay</b>						
James Bay Au	100	178,881	3,871	-	-	182,752
Eleonore	100	105,232	8,709	-	-	113,941
JV Eleonore	50	96,217	-	-	-	96,217
<b>Northern Quebec</b>						
Pallas PGE	50	72,443	16,698	-	-	89,141
Willbob	100	55,842	1,601	-	-	57,443
<b>Quebec Labrador</b>						
Ytterby	50.6	2,042	-	-	-	2,042
<b>Project Generation</b>	100	23,429	-	-	-	23,429
		<b>1,506,118</b>	<b>66,599</b>	-	<b>(4,491)</b>	<b>1,568,226</b>

1) Some claims were dropped and the Corporation impaired partially the property.



# Midland Exploration Inc.

## Notes to Financial Statements

Three months ended December 31, 2016

(Unaudited)

### 6. EXPLORATION AND EVALUATION ASSETS (CONT'D)

Acquisition costs	Undivided interest	As at Sept. 30, 2015	Net Additions	Option payments	Impairment	As at Sept. 30, 2016
	%	\$	\$	\$	\$	\$
<b>Abitibi</b>						
Maritime-Cadillac	49	290,440	75	-	-	290,515
Laflamme	70	82,195	22,352	-	(7,147) <sup>1)</sup>	97,400
Patris	100	87,072	-	-	-	87,072
Casault	100	17,649	(111)	-	-	17,538
Jouvex	100	44,244	754	-	-	44,998
Heva	100	100,502	5,507	-	-	106,009
Valmond	100	3,666	3,593	-	-	7,259
La Peltrie	100	69,999	33,594	-	-	103,593
Adam	100	-	11,975	-	-	11,975
Samson	100	-	17,406	-	-	17,406
Abitibi Or	100	69,230	117,892	-	(37,220) <sup>1)</sup>	149,902
<b>Grenville-Appalaches</b>						
Weedon	100	31,993	5,779	-	(7,756) <sup>1)</sup>	30,016
Gatineau	100	13,155	2,538	-	(7,344) <sup>1)</sup>	8,349
<b>James Bay</b>						
James Bay Au	100	164,821	19,673	-	(5,613) <sup>1)</sup>	178,881
Eleonore	100	102,512	12,652	-	(9,932) <sup>1)</sup>	105,232
JV Eleonore	50	-	96,217	-	-	96,217
<b>Northern Quebec</b>						
Pallas PGE	50	61,301	11,142	-	-	72,443
Willbob	100	34,552	21,290	-	-	55,842
<b>Quebec Labrador</b>						
Ytterby	50.6	7,791	1,413	-	(7,162) <sup>1)</sup>	2,042
<b>Project Generation</b>						
	100	19,462	3,967	-	-	23,429
		<b>1,200,584</b>	<b>387,708</b>	<b>-</b>	<b>(82,174)</b>	<b>1,506,118</b>

1) Some claims were dropped and the Corporation impaired partially the property.

# Midland Exploration Inc.

## Notes to Financial Statements

Three months ended December 31, 2016

(Unaudited)

### 6. EXPLORATION AND EVALUATION ASSETS (CONT'D)

The following two tables disclose details of exploration and evaluation expenses:

E&E expenses	Undivided interest	As at Sept. 30, 2016	Additions	Option payments	Tax credits	Impairment	As at Dec. 31, 2016
	%	\$	\$	\$	\$	\$	\$
<b>Abitibi</b>							
Maritime-Cadillac	49	236,090	160	-	(54)	-	236,196
Laflamme	70	1,893,853	4,253	-	(216)	-	1,897,890
Patris	100	221,646	151	-	-	-	221,797
Casault	100	352,708	12,741	-	(2,213)	-	363,236
Jouvex	100	351,966	1,327	-	(217)	-	353,076
Heva	100	157,076	36,447	-	(9,310)	-	184,213
Valmond	100	120,742	-	-	-	-	120,742
Samson	100	78,203	1,628	-	-	-	79,831
La Peltrie	100	652,484	132,281	-	(413)	-	784,352
Adam	100	42,841	25,355	-	-	-	68,196
Abitibi Au	100	173,644	8,853	-	(861)	-	181,636
<b>Grenville-Appalaches</b>							
Weedon	100	523,230	6,078	-	(1,578)	-	527,730
Gatineau	100	29,024	33	-	-	-	29,057
<b>James Bay</b>							
James Bay Au	100	261,886	-	-	-	-	261,886
Eleonore	100	1,629,303	1,584	-	(224)	-	1,630,663
JV Eleonore	50	124,692	116,976	-	(40,611)	-	201,057
<b>Northern Quebec</b>							
Pallas PGE	50	369,500	274,155	-	(99,436)	-	544,219
Willbob	100	565,271	174,707	-	(59,909)	-	680,069
<b>Quebec Labrador</b>							
Ytterby	50.6	183,583	-	-	-	-	183,583
<b>Project Generation</b>							
	100	74,069	-	-	-	-	74,069
		<b>8 041,811</b>	<b>796,729</b>	<b>-</b>	<b>(215,042)</b>	<b>-</b>	<b>8,623,498</b>

# Midland Exploration Inc.

## Notes to Financial Statements

Three months ended December 31, 2016

(Unaudited)

### 6. EXPLORATION AND EVALUATION ASSETS (CONT'D)

<b>E&amp;E expenses</b>	<b>Undivided interest</b>	<b>As at Sept. 30, 2015</b>	<b>Net Additions</b>	<b>Option payments</b>	<b>Tax credits</b>	<b>Impairment</b>	<b>As at Sept. 30, 2016</b>
	<b>%</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Abitibi</b>							
Maritime-Cadillac	49	232,965	5,736	-	(2,611)	-	236,090
Laflamme	70	1,507,229	493,710	-	(107,086)	-	1,893,853
Patris	100	219,143	2,503	-	-	-	221,646
Casault	100	298,888	72,100	-	(18,280)	-	352,708
Jouvex	100	348,457	3,509	-	-	-	351,966
Heva	100	35,133	171,293	-	(49,350)	-	157,076
Valmond	100	120,742	-	-	-	-	120,742
Samson	100	439	88,317	-	(10,553)	-	78,203
La Peltrie	100	118,209	632,046	-	(97,771)	-	652,484
Adam	100	-	47,264	-	(4,423)	-	42,841
Abitibi Au	100	117,841	73,787	-	(17,984)	-	173,644
<b>Grenville-Appalaches</b>							
Weedon	100	484,279	45,231	-	(6,280)	-	523,230
Gatineau	100	28,892	132	-	-	-	29,024
<b>James Bay</b>							
James Bay Au	100	248,057	17,260	-	(3,431)	-	261,886
Eleonore	100	1,527,352	154,314	-	(52,363)	-	1,629,303
JV Eleonore	50	-	218,637	-	(93,945)	-	124,692
<b>Northern Quebec</b>							
Pallas PGE	50	269,391	159,839	-	(59,730)	-	369,500
Willbob	100	111,951	775,697	-	(322,377)	-	565,271
<b>Quebec Labrador</b>							
Ytterby	50.6	172,054	11,529	-	-	-	183,583
<b>Project Generation</b>							
	100	59,390	17,831	-	(3,152)	-	74,069
		<b>5,900,412</b>	<b>2,990,735</b>	<b>-</b>	<b>(849,336)</b>	<b>-</b>	<b>8 041,811</b>

#### a) Adam and Samson

On December 11, 2015, Sphinx Resources Ltd. terminated the agreements on the Adam and Samson properties.

# Midland Exploration Inc.

## Notes to Financial Statements

Three months ended December 31, 2016

(Unaudited)

### 7. EQUITY

#### *Authorized*

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

#### 7.1 Private placements

On November 17 and 24, 2016, the Corporation completed a private placement by issuing 1,284,354 flow-through shares at \$1.35 per share, for total gross proceeds of \$1,733,876. On those dates, the Corporation's share closed at \$1.15 and \$1.14 respectively, on the Exchange, therefore the residual value attributed to the benefit related to flow-through shares renunciation is \$0.20 and \$0.21 respectively, for a total value of \$259,290, credited to the liability related to the premium on flow-through shares. In connection with the private placement, the Corporation paid finder's fees of \$60,650. Directors and officers of the Corporation participated in these placements for a total consideration of \$136,100.

#### 7.2 Warrants

Changes in the Corporation's number of outstanding warrants were as follow:

	Three months ended December 31, 2016		Fiscal 2016	
	Number	Amount	Number	Amount
		\$		\$
<b>Balance – Beginning of period</b>	21,254,213	1,997,093	21,254,213	1,997,093
Issued following private placements	-	-	-	-
Exercised	(588,786)	(69,988)	-	-
Expired	(42,858)	(5,074)	-	-
<b>Balance – End of period</b>	<b>20,622,569</b>	<b>1,922,031</b>	<b>21,254,213</b>	<b>1,997,093</b>

Warrants outstanding as at December 31, 2016 are as follows:

Number of warrants	Exercise price	Expiry date
	\$	
20,622,569	1.15	May 3, 2018
<b>20,622,569</b>		

# Midland Exploration Inc.

## Notes to Financial Statements

Three months ended December 31, 2016

(Unaudited)

### 8. SHARE-BASED COMPENSATION

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

	Three months ended December 31, 2016		Fiscal 2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
<b>Balance – Beginning of period</b>	2,495,000	1.10	2,020,000	1.09
Granted	50,000	1.13	500,000	1.10
Exercised	-	-	(25,000)	0.60
<b>Balance – End of period</b>	<b>2,545,000</b>	<b>1.10</b>	<b>2,495,000</b>	<b>1.10</b>
Balance – End of period exercisable	1,999,168	1.12	1,836,666	1.14

The following table summarizes information about common share purchase options outstanding and exercisable as at December 31, 2016:

Number of options outstanding	Number of options exercisable	Exercise price	Expiry date
		\$	
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	605,000	0.85	February 20, 2024
450,000	370,833	0.60	August 13, 2025
500,000	83,335	1.10	August 11, 2026
50,000	-	1.13	November 23, 2026
<b>2,545,000</b>	<b>1,999,168</b>		

On November 23, 2016, the Corporation granted to an employee 50,000 options exercisable at \$1.13, valid for 10 years. Those options were granted at an exercise price equal to the closing market value of the shares the previous day of the grant. Total stock-based compensation costs amount to \$25,500 for an estimated fair value of \$0.51 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 48% expected volatility, 0.72% risk-free interest rate and 6 years options expected life. This expected life was estimated by benchmarking comparable situations for companies that are similar to the Corporation. The expected volatility was determined by calculating the historical volatility of the Corporation's share price back from the date of grant and for a period corresponding to the expected life of the options.

### 9. SUBSEQUENT EVENT

On February 10, 2017, the Corporation signed a letter of intent creating a strategic alliance with Altius Minerals Corporation ("Altius"), whereby Altius and the Corporation will combine their efforts to jointly explore the gold potential of the extensive James Bay region. The Corporation will be the operator.