

Midland Exploration Inc.

Unaudited Condensed Interim Financial Statements

For the nine-month period ended June 30, 2014

The attached unaudited condensed interim 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, in Canadian dollars)

	As at June 30, 2014	As at September 30, 2013
	<u>\$</u>	<u>\$</u>
Assets		
Current assets		
Cash and cash equivalents	1,499,096	1,262,538
Investments (note 3)	2,060,000	2,060,000
Accounts receivable	45,181	68,955
Sales tax receivable	54,729	120,910
Tax credits and mining rights receivable	184,658	149,699
Prepaid expenses	12,860	22,366
	<u>3,856,524</u>	<u>3,684,468</u>
Non-current assets		
Exploration and evaluation assets (note 4)		
Exploration properties	1,153,785	1,030,972
Exploration and evaluation expenses	5,731,133	5,238,531
	<u>6,884,918</u>	<u>6,269,503</u>
Total assets	<u>10,741,442</u>	<u>9,953,971</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	64,795	341,054
Advance received for exploration work	208,514	-
Other liabilities	97,123	-
Total liabilities	<u>370,432</u>	<u>341,054</u>
Equity		
Capital stock (note 5)	17,270,485	16,133,166
Warrants (note 5)	30,818	52,542
Contributed surplus	1,901,071	1,639,751
Deficit	(8,831,364)	(8,212,542)
Total equity	<u>10,371,010</u>	<u>9,612,917</u>
Total liabilities and equity	<u>10,741,442</u>	<u>9,953,971</u>

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

Midland Exploration Inc.
Statements of Comprehensive Loss
(Unaudited, in Canadian dollars)

	For the three-month period ended June 30,		For the nine-month period ended June 30,	
	2014	2013	2014	2013
	\$	\$	\$	\$
Revenues				
Project management fees	27,059	1,194	98,379	16,334
Operating expenses				
Salaries	66,870	37,328	252,250	241,640
Stock-based compensation	63,949	63,372	133,154	151,966
Travel	16,874	19,020	34,895	38,320
Rent and insurance	11,973	12,167	36,477	37,165
Office expenses	8,050	31,881	67,343	61,910
Regulatory fees	1,795	3,063	29,577	36,407
Conferences and mining industry involvement	1,804	6,101	71,660	103,500
Press releases and investors relations	10,829	24,449	50,744	46,411
Professional fees	21,658	29,594	112,674	131,344
General exploration	906	-	11,871	9,820
Impairment of exploration and evaluation assets	-	19,748	3,150	27,118
Operating expenses	<u>204,708</u>	<u>246,723</u>	<u>803,795</u>	<u>885,601</u>
Other gains or losses				
Interest income	<u>14,503</u>	<u>15,161</u>	<u>42,580</u>	<u>49,060</u>
Loss before income taxes	<u>(163,146)</u>	<u>(230,368)</u>	<u>(662,836)</u>	<u>(820,207)</u>
Recovery of deferred income taxes	<u>22,000</u>	<u>119,500</u>	<u>86,200</u>	<u>238,900</u>
Loss and comprehensive loss for the period	<u>(141,146)</u>	<u>(110,868)</u>	<u>(576,636)</u>	<u>(581,307)</u>
Basic and diluted net loss per share	-	-	(0.02)	(0.02)
Weighted average number of basic and diluted outstanding shares	30,306,512	28,561,050	29,827,307	27,975,797

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Midland Exploration Inc.

Statements of Change in Equity

(Unaudited, in Canadian dollars)

	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	-	-	-	-	(576,636)	(576,636)
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	-	-	-	208,778	-	208,778
Warrants expired	-	-	(52,542)	52,542	-	-
Share issue expenses	-	-	-	-	(42,186)	(42,186)
Balance at June 30, 2014	30,306,512	17,270,485	30,818	1,901,071	(8,831,364)	10,371,010

	Number of shares outstanding	Capital stock	Warrants	Contributed surplus	Deficit	Total equity
		\$	\$	\$	\$	\$
Balance at October 1, 2012	26,611,079	13,592,641	-	1,395,806	(7,254,782)	7,733,665
Loss and comprehensive loss for the period	-	-	-	-	(581,307)	(581,307)
Private placement	769,264	965,423	34,620	-	-	1,000,043
Flow-through private placement	1,105,882	1,824,705	-	-	-	1,824,705
Less: premium	-	(442,353)	-	-	-	(442,353)
	1,105,882	1,382,352	-	-	-	1,382,352
Acquisition of a mining property	60,000	57,000	-	-	-	57,000
Options exercised	75,000	75,750	-	(29,500)	-	46,250
Stock-based compensation	-	-	-	240,925	-	240,925
Issuance of broker warrants	-	-	17,922	-	(17,922)	-
Share issue expenses	-	-	-	-	(251,748)	(251,748)
Balance at June 30, 2013	28,621,225	16,073,166	52,542	1,607,231	(8,105,759)	9,627,180

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

Midland Exploration Inc.

Statements of Cash Flows (Unaudited, in Canadian dollars)

	For the nine-month period ended June 30	
	2014	2013
	\$	\$
Operating activities		
Net loss	(576,636)	(581,307)
Adjustment for:		
Stock-based compensation	133,154	151,966
Impairment of exploration and evaluation assets	3,150	27,118
Recovery of deferred income taxes	(86,200)	(238,900)
	<u>(526,532)</u>	<u>(641,123)</u>
Changes in non-cash working capital items		
Accounts receivable	23,774	39,823
Sales tax receivable	66,181	100,028
Prepaid expenses	9,506	10,221
Tax credits and mining rights receivable	(3,716)	(90,047)
Accounts payable and accrued liabilities	(92,345)	-
Advance received for exploration work	208,514	-
	<u>211,914</u>	<u>60,025</u>
	<u>(314,618)</u>	<u>(581,098)</u>
Financing activities		
Private placement	601,501	1,000,043
Flow-through private placement	749,959	1,824,705
Exercise of options	-	46,250
Share issue expenses	(42,186)	(251,748)
	<u>1,309,274</u>	<u>2,619,250</u>
Investing activities		
Additions to investments	-	(2,060,000)
Disposal of investments	-	2,527,000
Additions to exploration properties	(139,689)	(356,729)
Disposal of exploration properties	20,000	90,000
Additions to exploration and evaluation expenses	(655,016)	(1,178,102)
Taxes credits and mining rights received	16,607	125,488
	<u>(758,098)</u>	<u>(852,343)</u>
Net change in cash and cash equivalents during the period	236,558	1,185,809
Cash and cash equivalents – beginning	1,262,538	1,060,365
Cash and cash equivalents - ending	<u>1,499,096</u>	<u>2,246,174</u>
Additional information		
Stock-based compensation included in exploration and evaluation expenses	75,624	88,959
Share issued for the acquisition of an exploration property	-	57,000
Exercise of options credited to capital stock	-	29,500
Additions of exploration properties and exploration and evaluation expenses included in accounts payable and accrued liabilities	26,522	45,256
Tax credits receivable applied against exploration and evaluation expenses	47,850	55,909
Interest received	53,975	51,848

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

Midland Exploration Inc.

Notes to Financial Statements

For the nine-month period ended June 30, 2014

(Unaudited, in Canadian dollars)

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 (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 unaudited 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 unaudited condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended September 30, 2013, which have been prepared in accordance with IFRS. The accounting policies, methods of computation and presentation applied in these unaudited condensed interim financial statements are consistent with those of the previous financial year. The Board of Directors has approved the financial statements on August 14, 2014.

3. Investments

As of June 30, 2014, the balance on flow-through financing not spent according to the restrictions imposed by this financing represents \$397,939 (none as of September 30, 2013) and is included in the investments. The Corporation has to dedicate these funds to Canadian mining properties exploration.

Midland Exploration Inc.

Notes to Financial Statements

For the nine-month period ended June 30, 2014

(Unaudited, in Canadian dollars)

4. Exploration and evaluation assets

The following table discloses acquisition costs of exploration properties:

Exploration properties	Undivided interest	As at Sept. 31, 2013	Additions	Option payments	Impairment	As at June 30, 2014
	%	\$	\$	\$	\$	\$
Abitibi						
Maritime-Cadillac	50	290,437	-	-	-	290,437
Laflamme	61	61,867	3,211	-	-	65,078
Patris	100	88,996	-	-	-	88,996
Casault	100	3,628	11,626	-	-	15,254
Valmond	100	8,346	1,464	(9,810)	-	-
Jouvex	100	29,978	10,403	-	(3,150)	37,231
Heva	100	89,591	5,119	-	-	94,710
Samson	100	-	22,703	-	-	22,703
Grenville-Appalaches						
Weedon	100	43,810	1,846	-	-	45,656
Gatineau	100	19,209	1,300	-	-	20,509
James Bay						
James Bay Au	100	160,854	25,551	-	-	186,405
James Bay U	100	9,828	-	-	-	9,828
James Bay Fe	100	44,917	1,437	-	-	46,354
Eleonore	100	88,372	16,827	-	-	105,199
Northern Quebec						
Pallas PGE	100	59,540	(47,109)	-	-	12,431
Quebec Labrador						
Ytterby	50	25,307	575	-	-	25,882
Project Generation	100	6,292	80,820	-	-	87,112
		<u>1,030,972</u>	<u>135,773</u>	<u>(9,810)</u>	<u>(3,150)</u>	<u>1,153,785</u>

Exploration properties	Undivided interest	As at Sept. 30, 2012	Additions	Option payments	Impairment	As at June 30, 2013
	%	\$	\$	\$	\$	\$
Abitibi						
Maritime-Cadillac	50	290,416	21	-	-	290,437
Laflamme	50	16,894	43,935	-	(4,745)	56,084
Patris	100	16,637	65,701	-	-	82,338
Casault	100	-	217	(163)	-	54
Valmond	100	11,822	1,742	-	(5,218)	8,346
Jouvex	100	16,877	4,355	-	-	21,232
Heva	100	-	87,000	-	-	87,000
Grenville-Appalaches						
Weedon	100	41,115	13,504	-	(12,467)	42,152
Gatineau	100	7,272	10,279	-	-	17,551
James Bay						
James Bay Au	100	109,744	61,659	-	(4,688)	166,715
James Bay U	100	4,459	5,369	-	-	9,828
James Bay Fe	100	35,145	25,230	-	-	60,375
Eleonore	100	66,312	20,125	-	-	86,437
Northern Quebec						
Pallas PGE	100	-	53,759	-	-	53,759
Quebec Labrador						
Ytterby	50	11,388	13,366	-	-	24,754
Project Generation	100	4,961	1,220	-	-	6,181
		<u>633,042</u>	<u>407,482</u>	<u>(163)</u>	<u>(27,118)</u>	<u>1,013,243</u>

Midland Exploration Inc.

Notes to Financial Statements

For the nine-month period ended June 30, 2014

(Unaudited, in Canadian dollars)

4. Exploration and evaluation assets (Cont'd)

The following table discloses exploration and evaluation ("E&E") expenses on exploration properties:

Exploration and evaluation expenses	Undivided interest	As at	Additions	Option payments	Tax credits	Impairment	As at
		Sept. 30, 2013					June 30, 2014
	%	\$	\$	\$	\$	\$	\$
Abitibi							
Maritime-Cadillac	50	228,787	4,003	-	-	-	232,790
Laflamme	61	1,167,804	142,158	-	(999)	-	1,308,963
Patris	100	179,176	24,753	-	(2,715)	-	201,214
Casault	100	214,479	36,468	-	(2,877)	-	248,070
Valmond	100	113,507	17,154	(10,190)	(1,528)	-	118,943
Jouvex	100	237,576	52,833	-	(2,566)	-	287,843
Heva	100	16,149	2,720	-	(306)	-	18,563
Grenville-Appalaches							
Weedon	100	359,196	33,991	-	(5,174)	-	388,013
Gatineau	100	28,648	99	-	(14)	-	28,733
James Bay							
James Bay Au	100	162,521	20,686	-	(2,848)	-	180,359
James Bay U	100	14,686	-	-	-	-	14,686
James Bay Fe	100	42,158	-	-	-	-	42,158
Eleonore	100	949,831	108,336	-	(15,696)	-	1,042,471
Northern Quebec							
Pallas PGE	100	210,168	21,013	-	(7,519)	-	223,662
Quebec Labrador							
Ytterby	50	1,277,720	38,613	-	(3,212)	-	1,313,121
Project Generation	100	36,125	47,815	-	(2,396)	-	81,544
		5,238,531	550,642	(10,190)	(47,850)	-	5,731,133

Exploration and evaluation expenses	Undivided interest	As at	Additions	Option payments	Tax credits	Impairment	As at
		Sept. 30, 2012					June 30, 2013
	%	\$	\$	\$	\$	\$	\$
Abitibi							
Maritime-Cadillac	50	214,241	12,003	-	(287)	-	225,957
Laflamme	50	592,050	508,236	-	(2,814)	-	1,097,472
Patris	100	85,044	30,077	-	(3,885)	-	111,236
Casault	100	276,006	22,629	(89,837)	-	-	208,798
Valmond	100	73,139	2,899	-	(670)	-	75,368
Jouvex	100	18,957	20,477	-	(1,369)	-	38,065
Heva	100	-	8,360	-	-	-	8,360
Grenville-Appalaches							
Weedon	100	198,458	188,186	-	(27,118)	-	359,526
Gatineau	100	25,593	2,474	-	(858)	-	27,209
James Bay							
James Bay Au	100	111,249	55,145	-	(8,773)	-	157,621
James Bay U	100	14,686	-	-	-	-	14,686
James Bay Fe	100	59,703	36,541	-	(103)	-	96,141
Eleonore	100	366,786	203,916	-	(8,499)	-	562,203
Northern Quebec							
Pallas PGE	100	-	67,469	-	-	-	67,469
Quebec Labrador							
Ytterby	50	1,171,617	75,706	-	(1,533)	-	1,245,790
Project Generation	100	34,704	-	-	-	-	34,704
		3,242,233	1,234,118	(89,837)	(55,909)	-	4,330,605

Midland Exploration Inc.

Notes to Financial Statements

For the nine-month period ended June 30, 2014
(Unaudited, in Canadian dollars)

4. Exploration and evaluation assets (Cont'd)

a) Patris

The Corporation signed an option agreement with Teck Resources Ltd ("Teck") on September 6, 2013 and amended it on May 20, 2014 to accommodate the delays in permitting. Therefore in the first option, Teck will have till August 31, 2015 to complete the first tranche of \$500,000 work and till August 31, 2016 to complete the second tranche of \$800,000 work.

b) Valmond

On November 19, 2013, the Corporation signed an agreement with Donner Metals Ltd ("Donner") whereby Donner can acquire 50% of the Valmond property subject to the following conditions:

	Payments in cash	Works
	\$	\$
Upon signing (completed)	20,000	-
On or before November 19, 2014 (work completed)	50,000	300,000
On or before November 19, 2015	50,000	700,000
On or before November 19, 2016	60,000	800,000
On or before November 19, 2017	70,000	700,000
Total	<u>250,000</u>	<u>2,500,000</u>

- The Corporation will be the operator during the option;
- Upon acquiring a 50% interest, a joint venture will be formed;
- If a party's interest dilutes to 10% or less, its interest will be converted to a 2% NSR royalty, 1% of which can be purchased back for \$1,500,000.

c) Jouvex

Some claims were dropped and therefore the Corporation partially impaired its exploration properties for \$3,150.

d) Samson

The Corporation acquired by map staking several mining claims locate north of the city of La Sarre.

e) Pallas PGE

On January 21, 2014, the Corporation signed an option agreement with Japan Oil, Gas and Metals National Corporation (« JOGMEC ») whereby JOGMEC has the option to acquire 50% interest in the Pallas project prior to March 31, 2016 by funding \$2,000,000 in expenditures spread as following:

	Works
	\$
On or before March 31, 2014 (completed)	250,000
On or before March 31, 2015	700,000
On or before March 31, 2016	1,050,000
Total	<u>2,000,000</u>

Midland will be operator as long as it will hold an interest equal to or higher than 50% in the project.

Midland Exploration Inc.

Notes to Financial Statements

For the nine-month period ended June 30, 2014

(Unaudited, in Canadian dollars)

5. Equity

a) Private placement

On December 19, 2013, the Corporation completed a private placement by issuing 802,001 units at \$0.75 per unit and 833,286 flow-through shares at \$0.90 per share, for total gross proceeds of \$1,351,460. 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 \$1.00 until June 19, 2015.

From the total compensation received from the units, \$30,818 has been allocated to warrants and \$570,683 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 44.8%, a risk free interest rate of 1.02% and an expected life of the warrants of 18 months.

On December 19, 2013, the Corporation's share closed at \$0.68 on the Exchange, therefore the residual value attributed to the benefit related to flow-through shares renunciation is \$0.22 for a total value of \$183,323 credited to other liabilities. As of June 30, 2014, the Corporation completed \$352,020 of exploration work relating to this flow-through private placement and therefore the other liabilities was reduced to \$97,123.

b) Warrants

Changes of the outstanding warrants are as follow:

	Nine-month period ended June 30, 2014		Nine-month period ended June 30, 2013	
	Number	Amount	Number	Amount
Balance beginning of period	469,975	\$ 52,542	-	-
Issued following a private placement (note 5a)	401,001	30,818	469,975	52,542
Expired	(469,975)	(52,542)	-	-
Balance end of period	401,001	30,818	469,975	52,542

Warrants outstanding as at June 30, 2014 are as follows:

Number of warrants	Exercise price	Expiry date
	\$	
401,001	1.00	June 19, 2015
401,001		

Midland Exploration Inc.

Notes to Financial Statements

For the nine-month period ended June 30, 2014

(Unaudited, in Canadian dollars)

6. Share-based compensation

On February 20, 2014, the Corporation granted to its directors, officers, employees and consultants 605,000 options exercisable at \$0.85, 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 \$272,250 for an estimated fair value of \$0.45 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 55% expected volatility, 1.81% 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.

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

	Nine-month period ended June 30, 2014		Nine-month period ended June 30, 2013	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Balance - Beginning of period	1,520,000	1.31	1,300,000	1.26
Granted	605,000	0.85	345,000	1.25
Expired	(345,000)	0.70	(75,000)	0.62
Balance - End of period	1,780,000	1.27	1,570,000	1.29
Balance - End of period exercisable	1,218,335	1.45	1,226,665	1.29

The following table summarizes information about common share purchase options outstanding and exercisable as at June 30, 2014:

Number of options outstanding	Number of options exercisable	Exercise price	Expiry date
		\$	
20,000	20,000	1.40	December 15, 2014
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	287,500	1.25	February 19, 2023
605,000	100,835	0.85	February 20, 2024
1,780,000	1,218,335		