



# **Midland Exploration Inc.**

Condensed Interim Financial Statements

Nine months ended June 30, 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<br>June 30,<br>2016 | As at<br>September 30,<br>2015 |
|--|---------------------------|--------------------------------|
|  | \$                        | \$                             |
| <b>Assets</b>                              |                           |                                |
| <b>Current assets</b>                      |                           |                                |
| Cash and cash equivalents (note 4)         | 2,441,405                 | 5,862,953                      |
| Investments (note 5)                       | 8,729,000                 | 4,535,807                      |
| Accounts receivable                        | 166,377                   | 99,057                         |
| Sales tax receivable                       | 19,519                    | 183,942                        |
| Tax credits and mining rights receivable   | 487,005                   | 73,713                         |
| Prepaid expenses                           | 56,634                    | 55,187                         |
|  | 11,899,940                | 10,810,659                     |
| <b>Non-current assets</b>                  |                           |                                |
| Investment – non-current portion (note 5)  | 3,000,000                 | 6,496,000                      |
| Advance paid for exploration expenses      | 521,688                   | -                              |
| Exploration and evaluation assets (note 6) |                           |                                |
| Exploration properties                     | 1,425,386                 | 1,200,584                      |
| Exploration and evaluation expenses        | 7,426,192                 | 5,900,412                      |
|  | 8,851,578                 | 7,100,996                      |
|  | 12,373,266                | 13,596,996                     |
| <b>Total assets</b>                        | <b>24,273,206</b>         | <b>24,407,655</b>              |
| <b>Liabilities</b>                         |                           |                                |
| <b>Current liabilities</b>                 |                           |                                |
| Accounts payable and accrued liabilities   | 339,321                   | 670,350                        |
| Advance received for exploration work      | 308,307                   | 141,170                        |
| <b>Total liabilities</b>                   | <b>647,628</b>            | <b>811,520</b>                 |
| <b>Equity</b>                              |                           |                                |
| Capital stock (note 7)                     | 31,806,261                | 31,288,335                     |
| Warrants                                   | 2,113,643                 | 2,113,643                      |
| Contributed surplus                        | 2,169,748                 | 2,088,784                      |
| Deficit                                    | (12,464,074)              | (11,894,627)                   |
| <b>Total equity</b>                        | <b>23,625,578</b>         | <b>23,596,135</b>              |
| <b>Total liabilities and equity</b>        | <b>24,273,206</b>         | <b>24,407,655</b>              |

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

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

|   | Three months ended<br>June 30, |                  | Nine months ended<br>June 30, |                  |
|---|--------------------------------|------------------|-------------------------------|------------------|
|   | 2016                           | 2015             | 2016                          | 2015             |
|   | \$                             | \$               | \$                            | \$               |
| <b>Revenues</b>   |                                |                  |                               |                  |
| Project management fees   | 3,889                          | 42,672           | 70,166                        | 237,017          |
| Residual gain on option payments on mining assets               | -                              | -                | -                             | 2,034            |
|   | 3,889                          | 42,672           | 70,166                        | 239,051          |
| <b>Operating Expenses</b>                                       |                                |                  |                               |                  |
| Salaries  | 101,744                        | 59,848           | 348,575                       | 250,176          |
| Stock-based compensation  | 11,203                         | 8,122            | 56,249                        | 46,958           |
| Travel  | 19,716                         | 17,732           | 55,084                        | 43,269           |
| Rent and insurance  | 12,363                         | 11,950           | 37,966                        | 37,046           |
| Office expenses   | 31,681                         | 28,463           | 68,335                        | 73,501           |
| Regulatory fees   | 1,273                          | 5,962            | 31,831                        | 37,507           |
| Conferences and mining industry involvement                     | 7,564                          | 14,734           | 106,713                       | 69,093           |
| Press releases and investors relations                          | 8,372                          | 17,239           | 44,725                        | 49,680           |
| Professional fees   | 46,616                         | 46,706           | 161,676                       | 149,949          |
| General exploration   | -                              | 2,598            | 17,690                        | 3,373            |
| Impairment of exploration and evaluation assets (note 6)        | -                              | 78,173           | 20,913                        | 97,982           |
| Operating expenses  | 240,532                        | 291,527          | 949,757                       | 858,534          |
| <b>Other gains or losses</b>                                    |                                |                  |                               |                  |
| Interest income   | 53,493                         | 26,695           | 172,128                       | 62,289           |
| <b>Loss before income taxes</b>                                 | <b>(183,150)</b>               | <b>(222,160)</b> | <b>(707,463)</b>              | <b>(557,194)</b> |
| Recovery of deferred income taxes (note 7.1)                    | -                              | 66,200           | 192,134                       | 112,860          |
| <b>Loss and comprehensive loss</b>                              | <b>(183,150)</b>               | <b>(155,960)</b> | <b>(515,329)</b>              | <b>(444,334)</b> |
| Basic and diluted loss per share                                | -                              | -                | (0.01)                        | (0.01)           |
| Weighted average number of basic and diluted outstanding shares | 54,094,417                     | 45,553,916       | 53,938,929                    | 36,386,184       |

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)

|                                   | <b>Number of<br/>shares<br/>outstanding</b> | <b>Capital<br/>stock</b> | <b>Warrants</b>  | <b>Contributed<br/>surplus</b> | <b>Deficit</b>      | <b>Total<br/>equity</b> |
|-----------------------------------|---|--------------------------|------------------|--------------------------------|---------------------|-------------------------|
|                                   |   | \$                       | \$               | \$                             | \$                  | \$                      |
| <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       | -   | -                        | -                | -                              | (515,329)           | (515,329)               |
| 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          | -   | -                        | -                | 80,964                         | -                   | 64,839                  |
| Share issue expenses              | -   | -                        | -                | -                              | (54,118)            | (54,118)                |
| <b>Balance at June 30, 2016</b>   | <b>54,094,417</b>                           | <b>31,806,261</b>        | <b>2,113,643</b> | <b>2,169,748</b>               | <b>(12,464,074)</b> | <b>23,625,578</b>       |

|                                 | <b>Number of<br/>shares<br/>outstanding</b> | <b>Capital<br/>stock</b> | <b>Warrants</b>  | <b>Contributed<br/>surplus</b> | <b>Deficit</b>      | <b>Total<br/>equity</b> |
|---------------------------------|---|--------------------------|------------------|--------------------------------|---------------------|-------------------------|
|                                 |   | \$                       | \$               | \$                             | \$                  | \$                      |
| <b>Balance at Oct. 1, 2014</b>  | 30,306,512                                  | 17,270,485               | 30,818           | 1,959,018                      | (10,229,314)        | 9,031,007               |
| Loss and comprehensive loss     | -   | -                        | -                | -                              | (444,334)           | (444,334)               |
| Private placements              | 21,885,857                                  | 13,323,007               | 1,997,093        | -                              | -                   | 15,320,100              |
| 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        | -   | -                        | -                | 69,954                         | -                   | 69,954                  |
| Warrants expired                | -   | -                        | (30,818)         | 30,818                         | -                   | -                       |
| Broker warrants                 | -   | -                        | 116,550          | -                              | (116,550)           | -                       |
| Share issue expenses            | -   | (786,998)                | (120,937)        | -                              | 33,125              | (874,810)               |
| <b>Balance at June 30, 2015</b> | <b>53,259,052</b>                           | <b>30,501,337</b>        | <b>1,992,706</b> | <b>2,059,790</b>               | <b>(10,757,073)</b> | <b>23,796,760</b>       |

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

# Midland Exploration Inc.

## Statements of Cash Flows

(Unaudited)

|  | Nine months ended<br>June 30, |                    |
|--|-------------------------------|--------------------|
|  | 2016                          | 2015               |
|  | \$                            | \$                 |
| <b>Operating activities</b>  |                               |                    |
| Loss   | (515,329)                     | (444,334)          |
| Adjustment for:  |                               |                    |
| Residual gain on option payments on mining assets  | -                             | (2,034)            |
| Stock-based compensation   | 56,249                        | 46,958             |
| Impairment of exploration and evaluation assets  | 20,913                        | 97,982             |
| Recovery of deferred income taxes  | (192,134)                     | (112,860)          |
|  | (630,301)                     | (414,288)          |
| Changes in non-cash working capital items  |                               |                    |
| Accounts receivable  | (67,320)                      | (6,758)            |
| Sales tax receivable   | 164,423                       | 76,665             |
| Prepaid expenses   | (1,447)                       | 4,172              |
| Accounts payable and accrued liabilities   | (25,869)                      | 150,595            |
| Advance received for exploration work  | 167,137                       | 107,417            |
|  | 236,924                       | 332,091            |
|  | <b>(393,377)</b>              | <b>(82,197)</b>    |
| <b>Financing activities</b>  |                               |                    |
| Private placements   | -                             | 15,476,821         |
| Flow-through private placement   | 710,060                       | 749,959            |
| Share issue expenses   | (54,118)                      | (874,810)          |
|  | <b>655,942</b>                | <b>15,351,970</b>  |
| <b>Investing activities</b>  |                               |                    |
| Additions to investments   | (3,733,000)                   | (6,531,807)        |
| Disposals of investments   | 3,035,807                     | 2,060,000          |
| Additions to exploration properties  | (253,276)                     | (178,779)          |
| Disposals of exploration properties  | -                             | 30,000             |
| Deposits on exploration expenses   | (521,688)                     | -                  |
| Additions to exploration and evaluation expenses   | (2,218,029)                   | (519,974)          |
| Taxes credits and mining rights received   | 6,073                         | 44,932             |
|  | <b>(3,684,113)</b>            | <b>(5,095,628)</b> |
| <b>Net change in cash and cash equivalents</b>   | <b>(3,421,548)</b>            | <b>10,174,145</b>  |
| Cash and cash equivalents – beginning (note 4)   | 5,862,953                     | 1,667,402          |
| <b>Cash and cash equivalents – ending (note 4)</b>   | <b>2,441,405</b>              | <b>11,841,547</b>  |
| <b>Additional information</b>  |                               |                    |
| Stock-based compensation included in exploration and evaluation expenses   | 24,715                        | 22,996             |
| Additions of exploration properties and exploration and evaluation expenses included in accounts payable and accrued liabilities | 34,353                        | 137,341            |
| Tax credits receivable applied against exploration and evaluation expenses   | 419,365                       | 36,408             |
| Interest received  | 158,514                       | 69,266             |

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

# Midland Exploration Inc.

## Notes to Financial Statements

Nine months ended June 30, 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 (Quebec), 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, 2015, 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 August 11, 2016.

### 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, 2015.

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

Nine months ended June 30, 2016

(Unaudited)

### 4. CASH AND CASH EQUIVALENTS

|  | As at<br>June 30,<br>2016 | As at<br>September<br>2015 |
|--|---------------------------|----------------------------|
|  | \$                        | \$                         |
| Cash   | 593,338                   | 794,026                    |
| Guaranteed investment certificate bearing interest between 1.05% and 1.25%, maturing between December 4, 2015 and June 8, 2016 | -                         | 5,068,927                  |
| Guaranteed investment certificate bearing interest between 0.55% and 1.41%, maturing between June 5, 2017 and June 13, 2017    | 1,848,067                 | -                          |
|  | <b>2,441,405</b>          | <b>5,862,953</b>           |

### 5. INVESTMENTS

|  | As at June 30,<br>2016 | As at<br>September 30<br>2015 |
|--|------------------------|-------------------------------|
|  | \$                     | \$                            |
| <i>Current</i>   |                        |                               |
| Guaranteed investment certificates, not cashable before the expiry date, between 1.40% and 1.60% interest payable annually, maturing between November 27, 2015 and July 15, 2016, with a maturity value of \$4,602,894 | -                      | 4,535,807                     |
| Guaranteed investment certificates, not cashable before the expiry date, between 1.40% and 1.95% interest payable annually, maturing between July 15, 2016 and June 5, 2017, with a maturity value of \$8,862,838      | 8,729,000              | -                             |
| <i>Non-current</i>   |                        |                               |
| Guaranteed investment certificates, not cashable before the expiry date, between 1.60% and 1.95% interest payable annually, maturing between June 5, 2017 and July 16, 2018, with a maturity value of \$6,608,312      | -                      | 6,496,000                     |
| Guaranteed investment certificates, not cashable before the expiry date, between 1.81% and 1.95% interest payable annually, maturing between July 17, 2017 and July 16, 2018, with a maturity value of \$3,055,700     | 3,000,000              | -                             |
|  | <b>11,729,000</b>      | <b>11,031,807</b>             |

# Midland Exploration Inc.

## Notes to Financial Statements

Nine months ended June 30, 2016

(Unaudited)

### 6. EXPLORATION AND EVALUATION ASSETS

The following tables disclose the acquisition costs of exploration properties:

| Acquisition costs           | Undivided<br>interest<br>% | As at<br>Sept. 30, 2015<br>\$ | Additions<br>\$ | Option<br>payments<br>\$ | Impairment<br>\$       | As at<br>June 30,<br>2016<br>\$ |
|-----------------------------|----------------------------|-------------------------------|-----------------|--------------------------|------------------------|---------------------------------|
| <b>Abitibi</b>              |                            |                               |                 |                          |                        |                                 |
| Maritime-Cadillac           | 49                         | 290,440                       | 59              | -                        | -                      | 290,499                         |
| Laflamme                    | 68.5                       | 82,195                        | 15,803          | -                        | -                      | 97,998                          |
| Patris                      | 100                        | 87,072                        | -               | -                        | -                      | 87,072                          |
| Casault                     | 100                        | 17,649                        | -               | -                        | -                      | 17,649                          |
| Jouvex                      | 100                        | 44,244                        | -               | -                        | -                      | 44,244                          |
| Heva                        | 100                        | 100,502                       | 5,436           | -                        | -                      | 105,938                         |
| Valmond                     | 100                        | 3,666                         | 3,224           | -                        | -                      | 6,890                           |
| La Peltrie                  | 100                        | 69,999                        | 31,254          | -                        | -                      | 101,253                         |
| Adam                        | 100                        | -                             | 7,557           | -                        | -                      | 7,557                           |
| Samson                      | 100                        | -                             | 15,440          | -                        | -                      | 15,440                          |
| Abitibi Or                  | 100                        | 69,230                        | 14,172          | -                        | -                      | 83,402                          |
| <b>Grenville-Appalaches</b> |                            |                               |                 |                          |                        |                                 |
| Weedon                      | 100                        | 31,993                        | 3,571           | -                        | -                      | 35,564                          |
| Gatineau                    | 100                        | 13,155                        | 1,397           | -                        | -                      | 14,552                          |
| <b>James Bay</b>            |                            |                               |                 |                          |                        |                                 |
| James Bay Au                | 100                        | 164,821                       | 17,581          | -                        | (10,981) <sup>1)</sup> | 171,421                         |
| Eleonore                    | 100                        | 102,512                       | 3,149           | -                        | (9,932) <sup>1)</sup>  | 95,729                          |
| JV Eleonore                 | 50                         | -                             | 96,217          | -                        | -                      | 96,217                          |
| <b>Northern Quebec</b>      |                            |                               |                 |                          |                        |                                 |
| Pallas PGE                  | 50                         | 61,301                        | 9,998           | -                        | -                      | 71,289                          |
| Willbob                     | 100                        | 34,552                        | 15,551          | -                        | -                      | 50,103                          |
| <b>Quebec Labrador</b>      |                            |                               |                 |                          |                        |                                 |
| Ytterby                     | 50.5                       | 7,791                         | 1,413           | -                        | -                      | 9,204                           |
| <b>Project Generation</b>   | 100                        | 19,462                        | 3,903           | -                        | -                      | 23,365                          |
|                             |                            | <b>1,200,584</b>              | <b>242,715</b>  | -                        | <b>(20,913)</b>        | <b>1,425,386</b>                |

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



# Midland Exploration Inc.

## Notes to Financial Statements

Nine months ended June 30, 2016

(Unaudited)

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

| Acquisition costs           | Undivided<br>interest | As at<br>Sept. 30,<br>2014 | Additions      | Option<br>payments | Impairment             | As at<br>June 30,<br>2015 |
|-----------------------------|-----------------------|----------------------------|----------------|--------------------|------------------------|---------------------------|
|                             | %                     | \$                         | \$             | \$                 | \$                     | \$                        |
| <b>Abitibi</b>              |                       |                            |                |                    |                        |                           |
| Maritime-Cadillac           | 49                    | 290,437                    | -              | -                  | -                      | 290,437                   |
| Laflamme                    | 62.2                  | 69,093                     | 25,317         | -                  | (6,709) <sup>1)</sup>  | 87,701                    |
| Patris                      | 100                   | 87,072                     | -              | -                  | -                      | 87,072                    |
| Casault                     | 100                   | 16,717                     | 932            | -                  | -                      | 17,649                    |
| Valmond                     | 100                   | -                          | 884            | -                  | -                      | 884                       |
| Jouvex                      | 100                   | 44,244                     | -              | -                  | -                      | 44,244                    |
| Heva                        | 100                   | 95,203                     | 3,399          | -                  | -                      | 98,602                    |
| La Peltrie                  | 100                   | 9,362                      | 22,285         | -                  | -                      | 31,647                    |
| Adam                        | 100                   | -                          | 17,966         | (17,966)           | -                      | -                         |
| Abitibi Or                  | 100                   | 77,521                     | (5,417)        | -                  | -                      | 72,104                    |
| <b>Grenville-Appalaches</b> |                       |                            |                |                    |                        |                           |
| Weedon                      | 100                   | 37,438                     | 7,286          | -                  | (13,100) <sup>1)</sup> | 31,624                    |
| Gatineau                    | 100                   | 18,688                     | 3,749          | -                  | (2,616) <sup>1)</sup>  | 19,821                    |
| <b>James Bay</b>            |                       |                            |                |                    |                        |                           |
| James Bay Au                | 100                   | 180,191                    | 46,471         | -                  | (44,147) <sup>1)</sup> | 182,515                   |
| James Bay U                 | 100                   | 9,828                      | -              | -                  | -                      | 9,828                     |
| James Bay Fe                | 100                   | 47,808                     | 7,355          | -                  | (31,410) <sup>1)</sup> | 23,753                    |
| Eleonore                    | 100                   | 77,730                     | 25,499         | -                  | -                      | 103,229                   |
| <b>Northern Quebec</b>      |                       |                            |                |                    |                        |                           |
| Pallas PGE                  | 100                   | 11,301                     | -              | -                  | -                      | 11,301                    |
| Willbob                     | 100                   | 1,130                      | 8,964          | -                  | -                      | 10,094                    |
| <b>Quebec Labrador</b>      |                       |                            |                |                    |                        |                           |
| Ytterby                     | 50                    | 1,512                      | 1,545          | -                  | -                      | 3,057                     |
| <b>Project Generation</b>   | 100                   | 15,214                     | 4,235          | -                  | -                      | 19,449                    |
|                             |                       | <b>1,090,489</b>           | <b>170,470</b> | <b>(17,966)</b>    | <b>(97,982)</b>        | <b>1,145,011</b>          |

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

# Midland Exploration Inc.

## Notes to Financial Statements

Nine months ended June 30, 2016

(Unaudited)

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

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

| E&E expenses                | Undivided<br>interest<br>% | As at<br>Sept. 30,<br>2015<br>\$ | Additions<br>\$  | Option<br>payments<br>\$ | Tax<br>credits<br>\$ | Impairment<br>\$ | As at<br>June 30,<br>2016<br>\$ |
|-----------------------------|----------------------------|----------------------------------|------------------|--------------------------|----------------------|------------------|---------------------------------|
| <b>Abitibi</b>              |                            |                                  |                  |                          |                      |                  |                                 |
| Maritime-Cadillac           | 49                         | 232,965                          | 5,736            | -                        | -                    | -                | 238,701                         |
| Laflamme                    | 68.5                       | 1,507,229                        | 487,455          | -                        | (99,028)             | -                | 1,895,656                       |
| Patris                      | 100                        | 219,143                          | 2,225            | -                        | -                    | -                | 221,368                         |
| Casault                     | 100                        | 298,888                          | 10,997           | -                        | -                    | -                | 309,885                         |
| Jouvex                      | 100                        | 348,457                          | 2,718            | -                        | -                    | -                | 351,175                         |
| Heva                        | 100                        | 35,133                           | 103,863          | -                        | (23,167)             | -                | 115,829                         |
| Valmond                     | 100                        | 120,742                          | -                | -                        | -                    | -                | 120,742                         |
| Samson                      | 100                        | 439                              | 76,765           | -                        | (16,505)             | -                | 60,699                          |
| La Peltrie                  | 100                        | 118,209                          | 622,757          | -                        | (99,047)             | -                | 641,919                         |
| Adam                        | 100                        | -                                | 46,414           | -                        | (4,716)              | -                | 46,414                          |
| Abitibi Au                  | 100                        | 117,841                          | 67,490           | -                        | (13,200)             | -                | 172,131                         |
| <b>Grenville-Appalaches</b> |                            |                                  |                  |                          |                      |                  |                                 |
| Weedon                      | 100                        | 484,279                          | 38,215           | -                        | (3,415)              | -                | 519,079                         |
| Gatineau                    | 100                        | 28,892                           | 99               | -                        | -                    | -                | 28,991                          |
| <b>James Bay</b>            |                            |                                  |                  |                          |                      |                  |                                 |
| James Bay Au                | 100                        | 248,057                          | 16,662           | -                        | (5,312)              | -                | 259,407                         |
| Eleonore                    | 100                        | 1,527,352                        | 44,955           | -                        | (14,807)             | -                | 1,557,500                       |
| JV Eleonore                 | 50                         | -                                | 48,751           | -                        | (17,801)             | -                | 26,676                          |
| <b>Northern Quebec</b>      |                            |                                  |                  |                          |                      |                  |                                 |
| Pallas PGE                  | 50                         | 269,391                          | 82,333           | -                        | (27,735)             | -                | 323,989                         |
| Willbob                     | 100                        | 111,951                          | 261,134          | -                        | (92,799)             | -                | 280,286                         |
| <b>Quebec Labrador</b>      |                            |                                  |                  |                          |                      |                  |                                 |
| Ytterby                     | 50.5                       | 172,054                          | 11,529           | -                        | -                    | -                | 180,223                         |
| <b>Project Generation</b>   | 100                        | 59,390                           | 15,047           | -                        | (1,833)              | -                | 72,604                          |
|                             |                            | <b>5,900,412</b>                 | <b>1,945,145</b> | <b>-</b>                 | <b>(419,365)</b>     | <b>-</b>         | <b>7,426,192</b>                |

# Midland Exploration Inc.

## Notes to Financial Statements

Nine months ended June 30, 2016

(Unaudited)

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

| E&E expenses                | Undivided | As at            | Additions      | Option          | Tax             | Impairment | As at            |
|-----------------------------|-----------|------------------|----------------|-----------------|-----------------|------------|------------------|
|                             | interest  | Sept. 30,        |                | payments        | credits         |            | June 30,         |
|                             | %         | 2014             | \$             | \$              | \$              | \$         | 2015             |
|                             |           |                  |                |                 |                 |            |                  |
| <b>Abitibi</b>              |           |                  |                |                 |                 |            |                  |
| Maritime-Cadillac           | 49        | 232,965          | -              | -               | -               | -          | 232,965          |
| Laflamme                    | 62.2      | 1,310,514        | 190,543        | -               | (3,262)         | -          | 1,497,795        |
| Patris                      | 100       | 208,755          | 9,198          | -               | -               | -          | 217,953          |
| Casault                     | 100       | 290,082          | 5,381          | -               | -               | -          | 295,463          |
| Valmond                     | 100       | 123,955          | 6,439          | (10,000)        | -               | -          | 120,394          |
| Jouvex                      | 100       | 346,090          | 1,520          | -               | -               | -          | 347,610          |
| Heva                        | 100       | 18,563           | -              | -               | -               | -          | 18,563           |
| Lapeltrie                   | 100       | -                | 3,040          | -               | -               | -          | 3,040            |
| Abitibi Au                  | 100       | 36,641           | 80,042         | -               | (2,356)         | -          | 114,327          |
| <b>Grenville-Appalaches</b> |           |                  |                |                 |                 |            |                  |
| Weedon                      | 100       | 388,013          | 108,768        | -               | (12,502)        | -          | 484,279          |
| Gatineau                    | 100       | 28,766           | 99             | -               | -               | -          | 28,865           |
| <b>James Bay</b>            |           |                  |                |                 |                 |            |                  |
| James Bay Au                | 100       | 216,677          | 15,436         | -               | (3,449)         | -          | 228,664          |
| James Bay U                 | 100       | 14,686           | -              | -               | -               | -          | 14,686           |
| James Bay Fe                | 100       | 42,158           | -              | -               | -               | -          | 42,158           |
| Eleonore                    | 100       | 1,175,139        | 147,946        | -               | (9,470)         | -          | 1,313,615        |
| <b>Northern Quebec</b>      |           |                  |                |                 |                 |            |                  |
| Pallas PGE                  | 100       | 216,088          | 2,569          | -               | (156)           | -          | 218,501          |
| Willbob                     | 100       | 5,116            | 26,176         | -               | (5,213)         | -          | 26,079           |
| <b>Quebec Labrador</b>      |           |                  |                |                 |                 |            |                  |
| Ytterby                     | 50        | 109,090          | 3,898          | -               | -               | -          | 112,988          |
| <b>Project Generation</b>   | 100       | 39,547           | 13,006         | -               | -               | -          | 52,553           |
|                             |           | <b>4,802,845</b> | <b>614,061</b> | <b>(10,000)</b> | <b>(36,408)</b> | -          | <b>5,370,498</b> |

#### 6.1 Adam and Samson

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

#### 6.2 Patris

On May 30, 2016, an amendment to the option agreement with Teck Resources Ltd. was signed to accommodate the delays in permitting. The conditions for the first option are now as follow:

|   | Payments in |           |
|---|-------------|-----------|
|   | cash        | Work      |
|   | \$          | \$        |
| <b>First Option for a 50% initial interest</b>            |             |           |
| On or before August 31, 2015 (firm commitment)(completed) | -           | 500,000   |
| On or before August 31, 2017                              | -           | 800,000   |
| On or before August 31, 2018                              | -           | 1,700,000 |
|   | -           | 3,000,000 |

# Midland Exploration Inc.

## Notes to Financial Statements

Nine months ended June 30, 2016

(Unaudited)

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

#### 6.3 JV Eleonore

On June 13, 2016, a joint-venture agreement (50%-50%) was signed with Osisko James Bay Inc. ("Osisko") whereby Osisko and the Corporation will cooperate and combine their efforts to explore the JV Eleonore property recently staked by the two corporations. The property is located 12 kilometres southeast and northwest of Goldcorp's Eleonore deposit.

### 7. EQUITY

#### 7.1 Private placements

On November 20, 2015, the Corporation completed a private placement by issuing 835,365 flow-through shares at \$0.85 per share, for total gross proceeds of \$710,060. On that date, the Corporation's share closed at \$0.62 on the Exchange, therefore the residual value attributed to the benefit related to flow-through shares renunciation is \$0.23 for a total value of \$192,134 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 \$26,208. Directors and officers of the Corporation participated in this placement for a total consideration of \$96,050.

#### 7.2 Warrants

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

|                                      | Nine months ended June 30, |                  |                  |                |
|--------------------------------------|----------------------------|------------------|------------------|----------------|
|                                      | 2016                       |                  | 2015             |                |
|                                      | Number                     | Amount           | Number           | Amount         |
|                                      |                            | \$               |                  | \$             |
| <b>Balance – Beginning of period</b> | 21,254,213                 | 1,997,093        | 401,001          | 30,818         |
| Issued following private placements  | -                          | -                | 631,644          | 75,062         |
| <b>Balance – End of period</b>       | <b>21,254,213</b>          | <b>1,997,093</b> | <b>1,032,645</b> | <b>105,880</b> |

Warrants outstanding as at June 30, 2016 are as follows:

| Number of warrants | Exercise price | Expiry date       |
|--------------------|----------------|-------------------|
|                    | \$             |                   |
| 550,215            | 0.95           | December 3, 2016  |
| 81,429             | 0.95           | December 17, 2016 |
| 20,622,569         | 1.15           | May 3, 2018       |
| <b>21,254,213</b>  |                |                   |

#### 7.3 Broker Warrants

Broker warrants outstanding as at June 30, 2016 are as follows:

| Number of warrants | Exercise price | Expiry date |
|--------------------|----------------|-------------|
|                    | \$             |             |
| 555,000            | 0.70           | May 3, 2017 |

# Midland Exploration Inc.

## Notes to Financial Statements

Nine months ended June 30, 2016

(Unaudited)

### 8. SHARE-BASED COMPENSATION

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

|                                      | Nine months ended June 30, |                                 |                   |                                 |
|--------------------------------------|----------------------------|---------------------------------|-------------------|---------------------------------|
|                                      | 2016                       |                                 | 2015              |                                 |
|                                      | Number of options          | Weighted average exercise price | Number of options | Weighted average exercise price |
|                                      |                            | \$                              |                   | \$                              |
| <b>Balance – Beginning of period</b> | 2,020,000                  | 1.09                            | 1,780,000         | 1,27                            |
| Expired                              | -                          | -                               | (235,000)         | 1,47                            |
| <b>Balance – End of period</b>       | <b>2,020,000</b>           | 1.09                            | <b>1,545,000</b>  | <b>1,24</b>                     |
| Balance – End of period exercisable  | 1,782,499                  | 1.16                            | 1,343,334         | 1,30                            |

The following table summarizes information about common share purchase options outstanding and exercisable as at June 30, 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 |
| 475,000                       | 237,499                       | 0.60           | August 13, 2025   |
| <b>2,020,000</b>              | <b>1,782,499</b>              |                |                   |

On December 10, 2015, the board of directors approved an increase in the number of common shares reserved for issuance under the Corporation's fixed number stock option plan from 4,000,000 to 5,400,000. Such amendment to the plan was approved by the Exchange.