

Midland Exploration Inc.

Condensed Interim Financial Statements

For the six-month period ended March 31, 2014

The attached 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)

	As at March 31, 2014	As at September 30, 2013
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	1,722,041	1,262,538
Investments (note 4)	2,060,000	2,060,000
Accounts receivable	294,123	68,955
Sales tax receivable	55,489	120,910
Tax credits and mining rights receivable	184,658	149,699
Prepaid expenses	15,345	22,366
	<u>4,331,656</u>	<u>3,684,468</u>
Non-current assets		
Exploration and evaluation assets (note 5)		
Exploration properties	1,023,770	1,030,972
Exploration and evaluation expenses	5,604,120	5,238,531
	<u>6,627,890</u>	<u>6,269,503</u>
Total assets	<u>10,959,546</u>	<u>9,953,971</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	427,942	341,054
Other liabilities	119,123	-
Total liabilities	<u>547,065</u>	<u>341,054</u>
Equity		
Capital stock (note 6)	17,270,485	16,133,166
Warrants (note 6)	83,360	52,542
Contributed surplus	1,748,855	1,639,751
Deficit	(8,690,219)	(8,212,542)
Total equity	<u>10,412,481</u>	<u>9,612,917</u>
Total liabilities and equity	<u>10,959,546</u>	<u>9,953,971</u>

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

Midland Exploration Inc.
Statements of Comprehensive Loss
(Unaudited)

	For the three-month period ended March 31,		For the six-month period ended March 31,	
	2014	2013	2014	2013
	\$	\$	\$	\$
Revenues				
Project management fees	35,856	5,518	71,320	15,140
Operating expenses				
Salaries	120,656	125,022	185,380	204,312
Stock-based compensation	48,714	54,024	69,205	88,594
Travel	7,724	8,959	18,021	19,300
Rent and insurance	11,465	11,698	24,504	24,998
Office expenses	45,755	15,632	59,294	30,029
Regulatory fees	20,670	25,645	27,782	33,344
Conferences and mining industry involvement	37,770	70,344	69,856	97,399
Press releases and investors relations	20,248	10,637	39,915	21,962
Professional fees	44,875	48,638	91,016	101,750
General exploration	6,165	175	10,965	9,820
Impairment of exploration and evaluation assets	-	-	3,150	7,370
Operating expenses	<u>364,042</u>	<u>370,774</u>	<u>599,088</u>	<u>638,878</u>
Other gains or losses				
Interest income	<u>15,718</u>	<u>20,377</u>	<u>28,077</u>	<u>33,899</u>
Loss before income taxes	(312,468)	(344,879)	(499,691)	(589,839)
Recovery of deferred income taxes	<u>64,200</u>	<u>119,400</u>	<u>64,200</u>	<u>119,400</u>
Loss and comprehensive loss for the period	<u>(248,268)</u>	<u>(225,479)</u>	<u>(435,491)</u>	<u>(470,439)</u>
Basic and diluted net loss per share	(0.01)	(0.01)	(0.02)	(0.02)
Weighted average number of basic and diluted outstanding shares	30,306,512	28,536,225	29,587,705	27,676,819

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

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

	Number of shares outstanding	Capital stock	Warrants	Contributed surplus	Deficit	Total equity
		\$	\$	\$	\$	\$
Balance at October 1, 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	-	-	-	-	(435,491)	(435,491)
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)
	<u>833,286</u>	<u>566,636</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>566,636</u>
Stock-based compensation	-	-	-	109,104	-	109,104
Share issue expenses	-	-	-	-	(42,186)	(42,186)
Balance at March 31, 2014	<u>30,306,512</u>	<u>17,270,485</u>	<u>83,360</u>	<u>1,748,855</u>	<u>(8,690,219)</u>	<u>10,412,481</u>

	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	-	-	-	-	(470,439)	(470,439)
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)
	<u>1,105,882</u>	<u>1,382,352</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,382,352</u>
Options exercised	50,000	49,000	-	(19,000)	-	30,000
Stock-based compensation	-	-	-	139,761	-	139,761
Issuance of broker warrants	-	-	17,922	-	(17,922)	-
Share issue expenses	-	-	-	-	(251,748)	(251,748)
Balance at March 31, 2013	<u>28,536,225</u>	<u>15,989,416</u>	<u>52,542</u>	<u>1,516,567</u>	<u>(7,994,891)</u>	<u>9,563,634</u>

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

Midland Exploration Inc.

Statements of Cash Flows

(Unaudited)

	For the six-month period ended March 31	
	2014	2013
	\$	\$
Operating activities		
Net loss	(435,491)	(470,439)
Adjustment for:		
Stock-based compensation	69,205	88,594
Impairment of exploration and evaluation assets	3,150	7,370
Recovery of deferred income taxes	(64,200)	(119,400)
	<u>(427,336)</u>	<u>(493,875)</u>
Changes in non-cash working capital items		
Accounts receivable	(225,168)	52,361
Sales tax receivable	65,421	79,352
Prepaid expenses	7,021	19,273
Tax credits and mining rights receivable	(3,716)	-
Accounts payable and accrued liabilities	194,967	(58,331)
	<u>38,525</u>	<u>92,655</u>
	<u>(388,811)</u>	<u>(401,220)</u>
Financing activities		
Private placement	601,501	1,000,043
Flow-through private placement	749,959	1,824,705
Exercise of options	-	30,000
Share issue expenses	(42,186)	(251,748)
	<u>1,309,274</u>	<u>2,603,000</u>
Investing activities		
Additions to investments	-	(2,060,000)
Disposal of investments	-	2,527,000
Additions to exploration properties	(9,674)	(179,804)
Disposal of exploration properties	20,000	30,000
Additions to exploration and evaluation expenses	(487,893)	(668,563)
Taxes credits and mining rights received	16,607	-
	<u>(460,960)</u>	<u>(351,367)</u>
Net change in cash and cash equivalents during the period	459,503	1,850,413
Cash and cash equivalents – beginning	1,262,538	1,060,365
Cash and cash equivalents - ending	1,722,041	2,910,778
Additional information		
Stock-based compensation included in exploration and evaluation expenses	39,899	51,167
Exercise of options credited to capital stock	-	19,000
Additions of exploration properties and exploration and evaluation expenses included in accounts payable and accrued liabilities	102,357	101,657
Tax credits receivable applied against exploration and evaluation expenses	47,850	55,909
Interest received	50,976	49,979

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

Midland Exploration Inc.

Notes to Financial Statements

For the six-month period ended March 31, 2014

(Unaudited)

1. Statute of incorporation and nature of activities

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

Until it is determined that properties contain mineral reserves or resources that can be economically mined, they are classified as exploration properties. The recoverability of exploration and evaluation assets is dependent upon: the discovery of economically recoverable reserves and resources; securing and maintaining title and beneficial interest in the properties; the ability to obtain the necessary financing to complete exploration and the profitable sale of the mining assets. The Corporation will periodically have to raise additional funds to continue operations, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

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

2. Basis of preparation

These condensed interim financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, Interim Financial Reporting. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended September 30, 2013, which have been prepared in accordance with IFRS. The accounting policies, methods of computation and presentation applied in these condensed interim financial statements are consistent with those of the previous financial year. The Board of Directors has approved the financial statements on May 15, 2014.

3. Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires the Corporation to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Corporation also makes estimates and assumptions concerning the future. The determination of estimates requires the exercise of judgement based on various assumptions and other factors such as historical experience and current and expected economic conditions. Actual results could differ from those estimates.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended September 30, 2013.

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

For the six-month period ended March 31, 2014

(Unaudited)

4. Investments

As of March 31, 2014, the balance on flow-through financing not spent according to the restrictions imposed by this financing represents \$489,951 (none as of September 30, 2013) and is included in the investments. The Corporation has to dedicate these funds to Canadian mining properties exploration.

5. Exploration and evaluation assets

The following table discloses acquisition costs of exploration properties:

<u>Exploration properties</u>	<u>Undivided interest</u>	<u>As at Sept. 31, 2013</u>	<u>Additions</u>	<u>Option payments</u>	<u>Impairment</u>	<u>As at March. 31, 2014</u>
	<u>%</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Abitibi						
Maritime-Cadillac	50	290,437	-	-	-	290,437
Laflamme	61	61,867	3,428	-	-	65,295
Patris	100	88,996	-	-	-	88,996
Casault	100	3,628	9,436	-	-	13,064
Valmond	100	8,346	1,464	(9,810)	-	-
Jouvex	100	29,978	5,526	-	(3,150)	32,354
Heva	100	89,591	5,825	-	-	95,416
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	17,474	-	-	178,328
James Bay U	100	9,828	-	-	-	9,828
James Bay Fe	100	44,917	1,437	-	-	46,354
Eleonore	100	88,372	4,508	-	-	92,880
Northern Quebec						
Pallas PGE	100	59,540	(48,239)	-	-	11,301
Quebec Labrador						
Ytterby	50	25,307	575	-	-	25,882
Project Generation	100	6,292	1,178	-	-	7,470
		<u>1,030,972</u>	<u>5,758</u>	<u>(9,810)</u>	<u>(3,150)</u>	<u>1,023,770</u>

Midland Exploration Inc.

Notes to Financial Statements

For the six-month period ended March 31, 2014
(Unaudited)

5. Exploration and evaluation assets (Cont'd)

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

Exploration and evaluation expenses	Undivided interest	As at	Additions	Option payments	Tax credits	Impairment	As at
		Sept. 30, 2013					March 31, 2014
	%	\$	\$	\$	\$	\$	\$
Abitibi							
Maritime-Cadillac	50	228,787	3,442	-	-	-	232,229
Laflamme	61	1,167,804	133,345	-	(999)	-	1,300,150
Patris	100	179,176	13,119	-	(2,715)	-	189,580
Casault	100	214,479	25,991	-	(2,877)	-	237,593
Valmond	100	113,507	8,916	(10,190)	(1,528)	-	110,705
Jouvex	100	237,576	49,033	-	(2,566)	-	284,043
Heva	100	16,149	760	-	(306)	-	16,603
Grenville-Appalaches							
Weedon	100	359,196	24,197	-	(5,174)	-	378,219
Gatineau	100	28,648	66	-	(14)	-	28,700
James Bay							
James Bay Au	100	162,521	18,696	-	(2,848)	-	178,369
James Bay U	100	14,686	-	-	-	-	14,686
James Bay Fe	100	42,158	-	-	-	-	42,158
Eleonore	100	949,831	84,687	-	(15,696)	-	1,018,822
Northern Quebec							
Pallas PGE	100	210,168	18,686	-	(7,519)	-	221,335
Quebec Labrador							
Ytterby	50	1,277,720	34,267	-	(3,212)	-	1,308,775
Project Generation	100	36,125	8,424	-	(2,396)	-	42,153
		5,238,531	423,629	(10,190)	(47,850)	-	5,604,120

a) 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	250,000	2,500,000

- 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.

b) Jouvex

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

Midland Exploration Inc.

Notes to Financial Statements

For the six-month period ended March 31, 2014

(Unaudited)

5. Exploration and evaluation assets (Cont'd)

c) 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.

6. 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 March 31, 2014, the Corporation completed \$260,008 of exploration work relating to this flow-through private placement and therefore the other liabilities was reduced to \$119,123.

Midland Exploration Inc.

Notes to Financial Statements

For the six-month period ended March 31, 2014

(Unaudited)

6. Equity (Cont'd)

b) Warrants

Changes of the outstanding warrants are as follow:

	Six-month period ended March 31, 2014	
	Number	Amount
Balance beginning of period		\$
	469,975	52,542
Issued following a private placement (note 6a)	401,001	30,818
Balance end of period	870,976	83,360

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

Number of warrants	Exercise price	Expiry date
	\$	
384,633	1.75	June 21, 2014
85,342	1.30	June 21, 2014
401,001	1.00	June 19, 2015
870,976		

7. 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:

	Six-month period ended March 31, 2014	
	Number of options	Weighted average exercise price
		\$
Balance - Beginning of period	1,520,000	1.31
Granted	605,000	0.85
Expired	(345,000)	0.70
Balance - End of period	1,780,000	1.27
Balance - End of period exercisable	1,060,000	1.52

Midland Exploration Inc.

Notes to Financial Statements

For the six-month period ended March 31, 2014

(Unaudited)

7. Share-based compensation (Cont'd)

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

<u>Number of options outstanding</u>	<u>Number of options exercisable</u>	<u>Exercise price</u>	<u>Expiry date</u>
		\$	
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	230,000	1.25	February 19, 2023
605,000	-	0.85	February 20, 2024
<u>1,780,000</u>	<u>1,060,000</u>		

8. Compensation to key management and related party transactions

a) Compensation to key management

The Corporation's key management personnel are members of the board of directors, as well as the president, the vice-president exploration and the chief financial officer. Key management remuneration is as follows:

	<u>Six-month period ended March 31,</u>	
	<u>2014</u>	<u>2013</u>
	\$	\$
Short-term benefits		
Salaries including bonuses and benefits	119,901	117,674
Professional fees	43,902	35,163
Salaries including bonuses and benefits capitalized in E&E expenses	63,840	63,980
Long-term benefits		
Stock-based compensation	69,205	88 594
Stock-based compensation capitalized in exploration and evaluation expenses	11,401	14 368
Total compensation to key management	<u>308,249</u>	<u>319,779</u>

Midland Exploration Inc.

Notes to Financial Statements

For the six-month period ended March 31, 2014

(Unaudited)

8. Compensation to key management and related party transactions (Cont'd)

b) Related party transactions

In the normal course of operations, in addition to the amounts listed above in the compensation to key management, during the six-month period ended March 31, 2014:

- ◆ No shares options were exercised by key management (50,000 options exercised at a price of \$0.50 for the six-month period ended March 31, 2014 ("Q2-13"));
- ◆ A firm in which an officer is a partner charged professional fees amounting to \$42,639 (\$74,526 in Q2-13) of which \$27,834 (\$41,139 in Q2-13) was expensed and \$14,805 (\$33,387 in Q2-13) was recorded as share issue expenses;
- ◆ A company controlled by an officer charged professional fees of \$24,403 (\$24,765 in Q2-13);
- ◆ In December 2013, directors and officers of the Corporation participated in private placements of flow-through shares (note 6a) for a total consideration of \$103,600 (\$97,598 in a private placement closed in December 2012).

As at March 31, 2014, the balance due to the related parties amounted to \$6,610 (\$13,741 as at March 31, 2013) and was recorded in accounts payable and accrued liabilities.