



# **Midland Exploration Inc.**

Management's Discussion and Analysis  
Quarterly Highlights

Three months ended December 31, 2019

# Midland Exploration Inc.

## Management Discussion & Analysis – Quarterly Highlights

Three months ended December 31, 2019

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The following quarterly highlights management discussion and analysis (the “MD&A Highlights”) of the financial condition and results of the operations of Midland Exploration Inc. (“Midland” or “the Corporation”) constitutes management’s review of the factors that affected the Corporation’s financial and operating performance for Q1-20. This MD&A Highlights should be read in conjunction with the Corporation’s condensed interim financial statements as at December 31, 2019 prepared in accordance with the International Financial Reporting Standards (“IFRS”), as well as with the management discussion and analysis for the year ended September 30, 2019. All figures are in Canadian dollars unless otherwise noted.

Further information regarding the Corporation and its operations are filed electronically on the System for Electronic Document Analysis and Retrieval (SEDAR) in Canada and can be found on [www.sedar.com](http://www.sedar.com).

Abbreviation	Period
Q1-19	October 1, 2018 to December 31, 2018
Q2-19	January 1, 2019 to March 31, 2019
Q3-19	April 1, 2019 to June 30, 2019
Q4-19	July 1, 2019 to September 30, 2019
Fiscal 19	October 1, 2018 to September 30, 2019
Q1-20	October 1, 2019 to December 31, 2019
Q2-20	January 1, 2020 to March 31, 2020
Q3-20	April 1, 2020 to June 30, 2020
Q4-20	July 1, 2020 to September 30, 2020
Fiscal 20	October 1, 2019 to September 30, 2020

### 1. NATURE OF ACTIVITIES

Midland, 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 Corporation’s shares are listed on the TSX Venture Exchange (the “Exchange”) under the MD ticker.

### 2. OVERALL PERFORMANCE

Midland has a working capital of \$14,026,493 as of December 31, 2019 (\$14,017,423 as of September 30, 2019), which will allow the Corporation to execute its exploration program for at least the next three years.

On December 4 and 13, 2019, the Corporation completed private placement of 1,402,030 flow-through shares at \$1.10 per share for total gross proceeds of \$1,542,233.

In connection with the private placements, the Corporation incurred \$111,139 share issue expensed of which \$63,457 was paid as finder’s fees. Directors and officers of the Corporation participated in the flow-through private placement for a total consideration of \$174,900 under the same terms as other investors.

On December 13, 2019, the Corporation completed a private placement of 73,791 shares at a price of \$0.85 per shares for total gross proceeds of \$62,722. BHP Billiton Canada Inc. (“BHP”) has exercised its right to maintain its ownership to 5.0% by acquiring 73,791 shares. This right had been granted to BHP on April 18, 2019 pursuant to an Investor Rights Agreement with the Corporation.

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#### 2. OVERALL PERFORMANCE (CONT'D)

As operator, Midland incurred exploration expenditures totalling \$848,640 (\$1,406,268 in Q1-19), on its properties of which \$1,890 was recharged to its partners (\$373,313 in Q1-19). The operating partners did not incur any exploration expenses in Q1-20 (\$46,854 in Q1-19). Also, the Corporation invested \$162,131 (\$439,473 in Q1-19) to complete several property acquisitions or renew its claims in Quebec of which \$5,404 was recharged to its partners (\$4,730 in Q1-19).

The Corporation reported a loss of \$318,903 in Q1-20 compared to \$547,214 for Q1-19.

Operating expenses decreased to \$470,302 (\$711,615 in Q1-19):

- Impairment of exploration and evaluation assets (non-cash item) increased to \$24,853 (\$299,367 in Q1-19) and the explanations can be found in the investing activities section found later in this MD&A.

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### 3. EXPLORATION ACTIVITIES

Deferred exploration expenses Q1-20	Balance Sep 30, 2019	Geology	Geophysics	Drilling	Geo-chemistry	Line cutting	Sub total	Stock-based	Recharge	Tax credits	Option payments	Write-off	Net change	Balance Dec 31, 2019
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Abitibi Au	94,685	13,114	-	-	-	-	13,114	-	-	(1,899)	-	(13,672)	(2,457)	92,228
Adam	273,436	3,352	-	-	-	-	3,352	-	-	(1,502)	-	-	1,850	275,286
Casault Au	2,188,205	-	13,995	2,625	906	-	17,526	1,832	(1,765)	(7,007)	-	-	10,586	2,198,791
Heva Au	276,312	-	-	-	-	-	-	-	-	-	-	-	-	276,312
Jouvex Au	623,657	5,008	-	251	-	9,122	14,381	909	(125)	(1,475)	-	-	13,690	637,347
La Peltrie Au	1,098,627	2,480	-	-	-	-	2,480	-	-	(1,080)	-	-	1,400	1,100,027
Laflamme Au	2,808,975	9,984	-	31,006	-	-	40,990	839	-	(5,848)	-	-	35,981	2,844,956
Mar.Cadillac Au	404,866	3,375	-	-	-	-	3,375	-	-	(1,139)	-	-	2,236	407,102
Mistaouac	229,698	-	-	-	-	-	-	-	-	-	-	-	-	229,698
Patris Au	236,236	1,074	-	-	-	-	1,074	-	-	(242)	-	-	832	237,068
Samson	172,346	14,840	112,314	-	905	18,963	147,022	-	-	(37,355)	-	-	109,667	282,013
Turgeon	199,191	-	-	-	-	-	-	-	-	-	-	-	-	199,191
Wawagotic	32,949	-	-	-	-	-	-	-	-	-	-	-	-	32,949
Gatineau Zn	16,070	293	-	-	-	-	293	-	-	(8)	-	-	285	16,355
Weedon Cu Zn Au	703,918	59,373	-	-	-	-	59,373	-	-	(8,058)	-	-	51,315	755,233
BJ Eleonore Au	1,774,421	3,120	-	-	910	-	4,030	-	-	(1,791)	-	-	2,239	1,776,660
BaieJames Au	441,537	10,833	-	-	-	-	10,833	-	-	(3,267)	-	-	7,566	449,103
Elrond	69,052	9,988	-	-	-	-	9,988	-	-	(3,899)	-	-	6,089	75,141
Fangorn	11,685	-	-	-	-	-	-	-	-	-	-	-	-	11,685
Helms	56,797	12,494	-	-	580	-	13,074	-	-	(5,822)	-	-	7,252	64,049
JVEleonore Au	616,676	-	-	-	-	-	-	573	-	-	-	-	573	617,249
Minas Tirith	37,631	-	-	-	-	-	-	-	-	-	-	-	-	37,631
Moria	129,564	-	-	-	-	-	-	-	-	-	-	-	-	129,564
Mythril	4,387,395	119,749	50,000	18,607	227,502	-	415,858	7,635	-	(160,535)	-	-	262,958	4,650,353
Shire	239,620	-	-	-	-	-	-	-	-	-	-	-	-	239,620
Pallas PGE	542,124	-	-	-	-	-	-	-	-	-	-	-	-	542,124
Soissons	53,994	12,471	-	-	-	-	12,471	-	-	(2,950)	-	-	9,521	63,515
Soissons NmeF	47,710	-	-	-	-	-	-	-	-	-	-	-	-	47,710
Willbob Au	3,104,919	23,664	-	8,385	37,345	-	69,394	2,195	-	(26,422)	-	-	45,167	3,150,086
Generation	38,270	10,012	-	-	-	-	10,012	-	-	(4,478)	-	-	5,534	43,804
<b>TOTAL</b>	<b>20,910,566</b>	<b>315,224</b>	<b>176,309</b>	<b>60,874</b>	<b>268,148</b>	<b>28,085</b>	<b>848,640</b>	<b>13,983</b>	<b>(1,890)</b>	<b>(274,777)</b>	<b>-</b>	<b>(13,672)</b>	<b>572,284</b>	<b>21,482,850</b>

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### 3. EXPLORATION ACTIVITIES (CONT'D)

Deferred exploration expenses Q1-19	Balance Sep 30, 2018	Geology	Geophysics	Drilling	Geo-chemistry	Line cutting	Sub total	Stock-based comp.	Recharge	Tax credits	Option payments	Write-off	Net change	Balance Dec 31, 2018
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Maritime Cadillac Au	389,110	835	-	-	-	-	835	374	-	-	-	-	1,209	390,319
Laflamme Au	2,427,838	5,020	5,374	500	-	-	10,894	471	-	(3,316)	-	-	8,049	2,435,887
Patris Au	234,056	945	-	-	-	-	945	-	-	(213)	-	-	732	234,788
Casault Au	1,880,234	24,078	1,955	647,146	128,858	-	802,037	3,017	(370,853)	(164,982)	-	-	269,219	2,149,453
Jouvex Au	412,962	4,920	-	-	-	-	4,920	-	(2,460)	-	-	-	2,460	415,422
Heva Au	271,810	-	-	-	-	-	-	941	-	-	-	-	941	272,751
Valmond	124,314	-	-	-	-	-	-	-	-	-	-	-	-	124,314
Samson	168,110	1,004	-	130	-	-	1,134	-	-	(464)	-	-	670	168,780
La Peltrie Au	1,078,923	1,689	-	231	-	-	1,920	1,135	-	(820)	-	-	2,235	1,081,158
Wawagotic	32,949	-	-	-	-	-	-	-	-	-	-	-	-	32,949
Adam	266,663	3,012	-	-	-	-	3,012	567	-	(428)	-	-	3,151	269,814
Mistaouac	224,502	5,110	-	-	-	-	5,110	374	-	(642)	-	-	4,842	229,344
Turgeon	196,665	3,285	-	-	-	-	3,285	374	-	(1,426)	-	-	2,233	198,898
Manthet	8,409	-	-	-	-	-	-	-	-	-	-	-	-	8,409
Abitibi Gold	84,739	3,431	-	-	-	-	3,431	-	-	(142)	-	-	3,289	88,028
Weedon Cu-Zn-Au	647,297	9,358	-	-	-	-	9,358	-	-	-	-	-	9,358	656,655
Gatineau Zn	71,515	33	-	-	-	-	33	-	-	(7)	-	(65,130)	(65,104)	6,411
BaieJames Au	517,666	3,595	-	-	-	-	3,595	567	-	(927)	-	-	3,235	520,901
Eleonore Au	1,770,210	-	-	-	-	-	-	193	-	-	-	-	193	1,770,403
JVEleonore Au	583,215	25,016	-	-	-	-	25,016	1,038	-	-	-	-	26,054	609,269
Isengard	36,918	-	-	-	-	-	-	-	-	-	-	-	-	36,918
Minas Tirith	33,711	-	-	-	-	-	-	-	-	-	-	-	-	33,711
Shire	226,595	3,263	-	-	-	-	3,263	1,135	-	(1,426)	-	-	2,972	229,567
Elrond	31,406	2,528	-	-	-	-	2,528	-	-	(464)	-	-	2,064	33,470
Gondor	31,424	1,632	-	-	-	-	1,632	-	-	-	-	(33,056)	(31,424)	-
Moria	123,544	3,535	-	-	-	-	3,535	-	-	(1,426)	-	-	2,109	125,653
Helms	18,919	1,550	-	-	-	-	1,550	-	-	-	-	-	1,550	20,469
Mythril	28,215	128,317	291,246	-	23,800	-	443,363	-	-	(161,454)	-	-	281,909	310,124
Fangorn	6,657	-	-	-	-	-	-	-	-	-	-	-	-	6,657
Pallas PGE	540,024	-	-	-	-	-	-	-	-	-	-	-	-	540,024
Willbob Au	2,624,225	21,301	-	8,550	5,269	-	35,120	1,883	-	(13,050)	-	-	23,953	2,648,178
Soissons	47,282	4,016	-	-	6,782	-	10,798	-	-	(4,421)	-	-	6,377	53,659
Soissons NMEF	4,259	20,969	-	-	-	-	20,969	-	-	-	-	-	20,969	25,228
Generation	84,116	7,750	-	-	235	-	7,985	-	-	(1,319)	-	-	6,666	90,782
<b>TOTAL</b>	<b>15,228,482</b>	<b>286,192</b>	<b>298,575</b>	<b>656,557</b>	<b>164,944</b>	<b>-</b>	<b>1,406,268</b>	<b>12,069</b>	<b>(373,313)</b>	<b>(356,927)</b>	<b>-</b>	<b>(98,186)</b>	<b>589,911</b>	<b>15,818,393</b>

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### 3. EXPLORATION ACTIVITIES (CONT'D)

Exploration and evaluation expenses	Actual Q1-19			Actual Q1-20			Budget Fiscal 20		
	Midland	Partners	Total	Midland	Partners	Total	Midland	Partners	Total
<b>Properties</b>	<b>Midland</b>	<b>Partners</b>	<b>Total</b>	<b>Midland</b>	<b>Partners</b>	<b>Total</b>	<b>Midland</b>	<b>Partners</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Patris	945	-	945	1,074	-	1,074	60,000	-	60,000
Heva Au	-	-	-	-	-	-	5,000	-	5,000
Valmond	-	-	-	-	-	-	5,000	-	5,000
Samson	1,134	-	1,134	147,022	-	147,022	100,000	-	100,000
La Peltrie	1,920	-	1,920	2,480	-	2,480	10,000	-	10,000
Wawagosis	-	-	-	-	-	-	-	-	-
Adam	3,012	-	3,012	3,352	-	3,352	150,000	-	150,000
Mistaouac	5,110	-	5,110	-	-	-	50,000	-	50,000
Turgeon	3,285	-	3,285	-	-	-	50,000	-	50,000
Abitibi Gold	3,431	-	3,431	13,114	-	13,114	5,000	-	5,000
Weedon Cu-Zn-Au	9,358	-	9,358	59,373	-	59,373	50,000	-	50,000
Gatineau Zn	33	-	33	293	-	293	5,000	-	5,000
Baie James Au	3,595	-	3,595	10,833	-	10,833	135,000	-	135,000
Éléonore Au	-	-	-	4,030	-	4,030	110,000	-	110,000
Minas Tirith	-	-	-	-	-	-	5,000	-	5,000
Shire	3,263	-	3,263	-	-	-	5,000	-	5,000
Elrond	2,528	-	2,528	9,988	-	9,988	10,000	-	10,000
Gondor	1,632	-	1,632	-	-	-	-	-	-
Moria	3,535	-	3,535	-	-	-	5,000	-	5,000
Helms	1,550	-	1,550	13,074	-	13,074	10,000	-	10,000
Mythril	443,363	-	443,363	415,858	-	415,858	795,000	-	795,000
Fangorn	-	-	-	-	-	-	5,000	-	5,000
Willbob	35,120	-	35,120	69,394	-	69,394	15,000	-	15,000
Pallas EGP	-	-	-	-	-	-	15,000	-	15,000
Soissons	10,798	-	10,798	12,471	-	12,471	10,000	-	10,000
Project Generation	7,985	-	7,985	10,012	-	10,012	30,000	-	30,000
	541,597	-	541,597	772,368	-	772,368	1,640,000	-	1,640,000
<i>In joint venture</i>									
Maritime-Cadillac AEM 51%	835	868	1,703	3,375	-	3,375	150,000	150,000	300,000
Laflamme Au– Abcourt 23,4%	10,894	-	10,894	40,990	-	40,990	175,000	-	175,000
Casault – Soquem 50%	431,184	370,853	802,037	15,76.1	1,765	17,526	5,000	5,000	10,000
Jouvex – Soquem 50%	2,460	2,460	4,920	14,256	125	14,381	25,000	25,000	50,000
JV Eleonore Osisko 50%	25,016	25,017	50,033	-	-	-	-	-	-
Soisson NMEF 50%	20,969	20,969	41,938	-	-	-	-	-	-
Project Generation	-	-	-	-	-	-	500,000	2,000,000	2,500,000
	491,358	420,167	911,525	74,382	1,890	76,272	855,000	2,180,000	3,035,000
<b>Grand total</b>	<b>1,032,955</b>	<b>420,167</b>	<b>1,453,122</b>	<b>846,750</b>	<b>1,890</b>	<b>848,640</b>	<b>2,495,000</b>	<b>2,180,000</b>	<b>4,675,000</b>

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### 3. EXPLORATION ACTIVITIES (CONT'D)

When the work is done and paid by the partners, the expenses are not included in the Midland accounts. The previous table shows all the work being done on Midland's properties including work done and paid by operating partners. This table excludes stock-based compensation that has been capitalized.

Gino Roger, geological engineer, president and chief executive officer of Midland, qualified person under NI 43-101, has reviewed the following technical disclosure.

#### HIGHLIGHTS

- **Drilling program (5 ddh's; 1074 m) completed on Laflamme JV ; Assays pending**
- **Large land position acquired near Wallbridge / Fenelon project**
- **Large land position acquired (Komo) South of Elmer/Patwon Azimut discovery**
- **New High-Priority IP target identified on Samson South-East of Fenelon**
- **Drilling programs in preparation on Maritime-Cadillac, Casault & Samson**
- **IP Survey commencing on Mythril NE**

#### ABITIBI

##### 3.1 Abitibi Gold

###### *Property Description*

The Corporation wrote off a project included in Abitibi Gold for \$14,455 during Q1-20.

##### 3.2 Casault (Au), in partnership with SOQUEM and operated by Midland

###### *Exploration work on the property*

A drilling program consisting in six (6) holes totalling a minimum of 2400 metres is in preparation for Q2-20. This drilling campaign will test the eastern extension of the Vortex Zone at 400 metres vertical and a possible ENE splay fault at the northern contact of the Timiskaming-type conglomerate basin. Permitting and First Nation consultations are ongoing.

##### 3.3 Fleuribleu (Au)

###### *Property Description*

The new Fleuribleu property consists in one claim block totalling 94 claims (52 km<sup>2</sup>). It covers, over a strike length of more than 15 kilometres, the interpreted eastward extension of the Sunday Lake Fault, approximately 40 kilometres east of the new Wallbridge discovery. The Fleuribleu property covers a major contact zone between the Manthet and Brouillan-Fenelon groups, marked by a series of electromagnetic Input anomalies.

##### 3.4 Gaudet (Au)

###### *Property Description*

The claim block that forms the Gaudet property totals 71 claims (40 km<sup>2</sup>) and is located less than 5 kilometres south of the Area 51-Fenelon discovery. This claim block is located south of the Sunday Lake Fault and mainly covers a volcano-sedimentary sequence of the Rivière Turgeon Formation, as well as a 10-kilometre-long segment of the Lower Detour Fault.

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### 3. EXPLORATION ACTIVITIES (CONT'D)

#### 3.5 Jeremie (Au)

##### *Property Description*

The Jeremie block now totals 55 claims, including 40 new cells, and covers a surface area of approximately 30 square kilometres. It is located approximately 10 kilometres northwest of Wallbridge's new Area 51-Fenelon gold discovery. The new Jeremie property covers the northwest contact of the Jeremie Pluton. Last October, Wallbridge reported drill results from its Fenelon property (Tabasco zone), with grades reaching 27.0 g/t Au over 38.39 metres, 20.89 g/t Au over 8.54 metres, and 17.58 g/t Au over 11.04 metres (see press release by Wallbridge dated October 21, 2019).

#### 3.6 Jouvex (Au), in partnership with SOQUEM and operated by Midland

##### *Exploration work on the property*

Two (2) small IP Multi-Separations surveys totalling 12 kilometres were completed during Q1-20 on Jouvex. Final interpretation and report are pending.

#### 3.7 Laflamme (Au-Ni-Cu-PGE), in partnership with Abcourt Mines Inc. and operated by Midland

##### *Property Description*

The Corporation impaired partially the property for the claims that were dropped for 10 398 \$ in Q1-20.

##### *Exploration work on the property*

A drilling program consisting in five (5) holes totalling 1074 metres was completed during Q1-20 on Laflamme. This program was testing IP-Gradient anomalies identified during the July survey which covered the diorite intrusion hosting the Longshot showing discovered in 2019. Assays are pending.

#### 3.8 Maritime-Cadillac (Au) in partnership with Agnico Eagle and operated by Agnico Eagle

##### *Exploration work on the property*

A drilling program is in preparation for Q2-20 on the Maritime-Cadillac JV project. This program will consist in three (3) holes totalling a minimum of 1600 metres and will test the extension at depth of the Dyke East Zone as well as the Maritime Contact in the southern portion of the property.

#### 3.9 Samson Ni-Cu-PGE operated by Midland

##### *Exploration work on the property*

Two (2) IP Multi-Separation grids totalling 15.5 kilometres were completed on Samson during Q1-20. The results of the IP survey on the North grid show two subparallel axes with weak chargeability highs, as well as an area some 400 metres in diameter, where chargeability values are markedly higher, located directly in the nose of the folded magnetic structure. These encouraging IP results highlight an area already considered favourable from a structural standpoint as a result of the high-resolution magnetic survey interpretation, which identified this area as a possible drag fold located along a subsidiary structure to the south of the regional Lower Detour Fault.

A drilling program consisting in 2 holes totalling 800 metres is in preparation and is planned to start during Q2-20.



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#### 3. EXPLORATION ACTIVITIES (CONT'D)

##### GRENVILLE-APPALACHES

#### 3.10 Weedon (Cu-Zn-Au) operated by Midland

##### *Exploration work on the property*

A till sampling survey was completed to the east of the Lingwick deposit during Q1-20. The final results and report are pending.

#### 3.11 Vermillon (Cu-Au), in partnership with SOQUEM and operated by SOQUEM

##### *Property Description*

The Vermillon property is located some 90 km southwest of the town of La Tuque, Quebec and consists as at September 30, 2019 of 16 contiguous claims covering a total surface area of 934 hectares in joint venture 53.4% SOQUEM/ 46.6% Midland. On February 6, 2020, the parties jointly decided not renew the claims due to the property's weak economic potential. The property costs were written off already in the fiscal year ended September 30, 2010.

##### JAMES BAY

#### 3.12 Komo (Au), operated by Midland

##### *Property Description*

The Corporation acquired by map designation the Komo project with strong gold potential totalling 383 claims (199 km<sup>2</sup>), located near the recent Patwon gold discovery made by Azimut Exploration Inc. ("Azimut") on its Elmer project (Eeyou Istchee James Bay, Quebec). The western part of the project lies approximately 7 kilometres south of the Azimut discovery.

The Komo project covers, over nearly 40 kilometres, the same volcanic belt that hosts the Patwon discovery. Azimut recently announced several significant gold-bearing drill intercepts on Patwon, namely 3.15 g/t Au over 102.0 metres, including 10.1 g/t Au over 20.5 metres (press release by Azimut dated January 14, 2020).

The Komo project also covers, over approximately 30 kilometres, the highly prospective contact between the La Grande and Opinaca/Nemiscau geological subprovinces. This contact hosts most of the known gold deposits in the James Bay region, namely the Eleonore mine (Newmont) and the La Pointe and Cheechoo deposits. The portion of the project located nearest the Patwon discovery shows a structural setting highly favourable for gold, with a folded gabbro unit located in the pressure shadow of a large-scale intrusion. A historical molybdenum-copper occurrence on the project also indicates potential for porphyry-type mineralization on Komo.

##### *Exploration work on the property*

The project will be the focus of a geological compilation during the next few weeks prior to defining an exploration program for the coming year.

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### 3. EXPLORATION ACTIVITIES (CONT'D)

#### 3.13 Mythril (Au), operated by Midland

##### *Exploration work on the property*

The winter exploration campaign started on Mythril during Q1-20. This campaign includes induced polarization (“IP”) geophysical surveys over copper-gold-molybdenum-silver and gold-only boulder fields found in 2019 northeast and north of the main Mythril showings. IP surveys totalling 153 kilometres will also be done on other copper-gold-molybdenum-silver showings and boulder fields found in 2019 on claim blocks located around the main Mythril block (“Mythril regional project”).

In addition, a 3D model of the 2019 exploration (including drilling) on Mythril will be constructed. These coming surveys and models will be used to define the next drilling targets for an upcoming winter/spring drilling campaign on the Mythril and Mythril regional projects.

### 4. NEW ACCOUNTING STANDARDS

#### 4.1 IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees: leases of “low-value” assets; and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

IFRS 16 also requires more extensive disclosures than under IAS 17.

##### *Transition to IFRS 16*

IFRS 16 is effective for the Corporation’s annual period beginning on October 1, 2019. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard’s transition provisions permit certain reliefs. The Corporation adopted IFRS 16 using the modified retrospective approach, which means it applied the standard from October 1, 2019, the cumulative impact of adoption is recognized as at October 1, 2019 and comparatives are not restated. Since the Corporation will recognize the right-of-use assets at the amount equal to the lease liabilities less any lease accruals, there is no impact on the deficit upon the adoption.

The Corporation has presently only one lease affected by IFRS 16 for its exploration offices. In February 2016, the Corporation extended the lease for five years, from March 2017 to February 2022. The rent is \$31,432 for the first year and thereafter will be indexed annually at the highest of the increase of the consumer price index or 2.5%. The Corporation has the option to renew the lease for an additional 3 year period under the same conditions.

## Midland Exploration Inc.

### Management Discussion & Analysis – Quarterly Highlights

Three months ended December 31, 2019

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#### 4. NEW ACCOUNTING STANDARDS (CONT'D)

A right-of-use asset of \$159,422 and an equivalent long term lease liability (with the short term portion being \$32,452) was recorded as of October 1, 2019, with a 7% incremental borrowing rate and considering that the renewal option would be exercised.

February 13, 2020

*(s) Gino Roger*  
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Gino Roger  
President and CEO

*(s) Ingrid Martin*  
\_\_\_\_\_  
Ingrid Martin  
CFO

# Midland Exploration Inc.

## Corporate Information

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### Directors

Paul Archer <sup>2) 3)</sup>  
René Branchaud <sup>2)</sup>  
Germain Carrière <sup>1) 2)</sup>  
Jean-Pierre Janson, Chairman of the board <sup>1) 2)</sup>  
Gino Roger <sup>3)</sup>  
Robert I. Valliant <sup>1) 3)</sup>

### Notes:

- 1) *Member of the Audit committee*
- 2) *Member of the Human Resources and Governance Committee*
- 3) *Member of the Technical Committee*

### Officers

Gino Roger, President and Chief Executive Officer  
Mario Masson, Vice-president Exploration  
Ingrid Martin, Chief Financial Officer  
René Branchaud, Secretary

### Head Office

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### Exploration Office

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Email : [info@midlandexploration.com](mailto:info@midlandexploration.com)  
Website : [www.midlandexploration.com](http://www.midlandexploration.com)

### Auditors

PricewaterhouseCoopers, L.L.P.  
1250 René-Lévesque Boulevard West, Suite 2500  
Montreal, Quebec, H3B 4Y1

### Legal counsel

Lavery, de Billy, L.L.P.  
1 Place Ville Marie, Suite 4000  
Montreal, Quebec, H3B 4M4

### Transfer Agent

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