



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 June 30, 2016	As at September 30, 2015
	\$	\$
Assets		
Current assets		
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
Non-current assets		
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
Total assets	24,273,206	24,407,655
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	339,321	670,350
Advance received for exploration work	308,307	141,170
Total liabilities	647,628	811,520
Equity		
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)
Total equity	23,625,578	23,596,135
Total liabilities and equity	24,273,206	24,407,655

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

Midland Exploration Inc.
Statements of Comprehensive Loss
(Unaudited)

	Three months ended June 30,		Nine months ended June 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Revenues				
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
Operating Expenses				
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
Other gains or losses				
Interest income	53,493	26,695	172,128	62,289
Loss before income taxes	(183,150)	(222,160)	(707,463)	(557,194)
Recovery of deferred income taxes (note 7.1)	-	66,200	192,134	112,860
Loss and comprehensive loss	(183,150)	(155,960)	(515,329)	(444,334)
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)

	Number of shares outstanding	Capital stock	Warrants	Contributed surplus	Deficit	Total equity
		\$	\$	\$	\$	\$
Balance at October 1, 2015	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)
Balance at June 30, 2016	54,094,417	31,806,261	2,113,643	2,169,748	(12,464,074)	23,625,578

	Number of shares outstanding	Capital stock	Warrants	Contributed surplus	Deficit	Total equity
		\$	\$	\$	\$	\$
Balance at Oct. 1, 2014	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)
Balance at June 30, 2015	53,259,052	30,501,337	1,992,706	2,059,790	(10,757,073)	23,796,760

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

Midland Exploration Inc.

Statements of Cash Flows

(Unaudited)

	Nine months ended June 30,	
	2016	2015
	\$	\$
Operating activities		
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
	(393,377)	(82,197)
Financing activities		
Private placements	-	15,476,821
Flow-through private placement	710,060	749,959
Share issue expenses	(54,118)	(874,810)
	655,942	15,351,970
Investing activities		
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
	(3,684,113)	(5,095,628)
Net change in cash and cash equivalents	(3,421,548)	10,174,145
Cash and cash equivalents – beginning (note 4)	5,862,953	1,667,402
Cash and cash equivalents – ending (note 4)	2,441,405	11,841,547
Additional information		
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)

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 June 30, 2016	As at September 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	-
	2,441,405	5,862,953

5. INVESTMENTS

	As at June 30, 2016	As at September 30 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	-
	11,729,000	11,031,807

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 interest	As at Sept. 30, 2015	Additions	Option payments	Impairment	As at June 30, 2016
	%	\$	\$	\$	\$	\$
Abitibi						
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
Grenville-Appalaches						
Weedon	100	31,993	3,571	-	-	35,564
Gatineau	100	13,155	1,397	-	-	14,552
James Bay						
James Bay Au	100	164,821	17,581	-	(10,981) ¹⁾	171,421
Eleonore	100	102,512	3,149	-	(9,932) ¹⁾	95,729
JV Eleonore	50	-	96,217	-	-	96,217
Northern Quebec						
Pallas PGE	50	61,301	9,998	-	-	71,289
Willbob	100	34,552	15,551	-	-	50,103
Quebec Labrador						
Ytterby	50.5	7,791	1,413	-	-	9,204
Project Generation	100	19,462	3,903	-	-	23,365
		1,200,584	242,715	-	(20,913)	1,425,386

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 interest	As at Sept. 30, 2014	Additions	Option payments	Impairment	As at June 30, 2015
	%	\$	\$	\$	\$	\$
Abitibi						
Maritime-Cadillac	49	290,437	-	-	-	290,437
Laflamme	62.2	69,093	25,317	-	(6,709) ¹⁾	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
Grenville-Appalaches						
Weedon	100	37,438	7,286	-	(13,100) ¹⁾	31,624
Gatineau	100	18,688	3,749	-	(2,616) ¹⁾	19,821
James Bay						
James Bay Au	100	180,191	46,471	-	(44,147) ¹⁾	182,515
James Bay U	100	9,828	-	-	-	9,828
James Bay Fe	100	47,808	7,355	-	(31,410) ¹⁾	23,753
Eleonore	100	77,730	25,499	-	-	103,229
Northern Quebec						
Pallas PGE	100	11,301	-	-	-	11,301
Willbob	100	1,130	8,964	-	-	10,094
Quebec Labrador						
Ytterby	50	1,512	1,545	-	-	3,057
Project Generation	100	15,214	4,235	-	-	19,449
		1,090,489	170,470	(17,966)	(97,982)	1,145,011

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 interest %	As at Sept. 30, 2015 \$	Additions \$	Option payments \$	Tax credits \$	Impairment \$	As at June 30, 2016 \$
Abitibi							
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
Grenville-Appalaches							
Weedon	100	484,279	38,215	-	(3,415)	-	519,079
Gatineau	100	28,892	99	-	-	-	28,991
James Bay							
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
Northern Quebec							
Pallas PGE	50	269,391	82,333	-	(27,735)	-	323,989
Willbob	100	111,951	261,134	-	(92,799)	-	280,286
Quebec Labrador							
Ytterby	50.5	172,054	11,529	-	-	-	180,223
Project Generation	100	59,390	15,047	-	(1,833)	-	72,604
		5,900,412	1,945,145	-	(419,365)	-	7,426,192

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
Abitibi							
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
Grenville-Appalaches							
Weedon	100	388,013	108,768	-	(12,502)	-	484,279
Gatineau	100	28,766	99	-	-	-	28,865
James Bay							
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
Northern Quebec							
Pallas PGE	100	216,088	2,569	-	(156)	-	218,501
Willbob	100	5,116	26,176	-	(5,213)	-	26,079
Quebec Labrador							
Ytterby	50	109,090	3,898	-	-	-	112,988
Project Generation	100	39,547	13,006	-	-	-	52,553
		4,802,845	614,061	(10,000)	(36,408)	-	5,370,498

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
	\$	\$
First Option for a 50% initial interest		
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
		\$		\$
Balance – Beginning of period	21,254,213	1,997,093	401,001	30,818
Issued following private placements	-	-	631,644	75,062
Balance – End of period	21,254,213	1,997,093	1,032,645	105,880

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
21,254,213		

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
		\$		\$
Balance – Beginning of period	2,020,000	1.09	1,780,000	1,27
Expired	-	-	(235,000)	1,47
Balance – End of period	2,020,000	1.09	1,545,000	1,24
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
2,020,000	1,782,499		

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.