



Midland Exploration Inc.

Condensed Interim Financial Statements

Six months ended March 31, 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 March 31, 2016	As at September 30, 2015
	\$	\$
Assets		
Current assets		
Cash and cash equivalents (note 4)	3,690,983	5,862,953
Investments (note 5)	5,636,000	4,535,807
Accounts receivable	195,278	99,057
Sales tax receivable	126,033	183,942
Tax credits and mining rights receivable	187,103	73,713
Prepaid expenses	33,642	55,187
	9,869,039	10,810,659
Non-current assets		
Investment – non-current portion (note 5)	6,496,000	6,496,000
Exploration and evaluation assets (note 6)		
Exploration properties	1,337,663	1,200,584
Exploration and evaluation expenses	6,845,327	5,900,412
	8,182,990	7,100,996
	14,678,990	13,596,996
Total assets	24,548,029	24,407,655
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	721,489	670,350
Advance received for exploration work	33,937	141,170
Total liabilities	755,426	811,520
Equity		
Capital stock (note 7)	31,806,261	31,288,335
Warrants	2,113,643	2,113,643
Contributed surplus	2,153,623	2,088,784
Deficit	(12,280,924)	(11,894,627)
Total equity	23,792,603	23,596,135
Total liabilities and equity	24,548,029	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 March 31,		Six months ended March 31,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Revenues				
Project management fees	23,937	98,516	66,277	194,345
Residual gain on option payments on mining assets	-	-	-	2,034
	23,937	98,516	66,277	196,379
Operating Expenses				
Salaries	159,593	129,743	246,831	190,328
Stock-based compensation	17,161	14,976	45,046	38,836
Travel	23,718	13,307	35,368	25,537
Rent and insurance	12,022	12,301	25,603	25,096
Office expenses	15,410	25,658	36,654	45,038
Regulatory fees	20,348	23,855	30,558	31,545
Conferences and mining industry involvement	58,808	22,177	99,149	54,359
Press releases and investors relations	16,757	19,325	36,353	32,441
Professional fees	42,113	46,084	115,060	103,243
General exploration	48	775	17,690	775
Impairment of exploration and evaluation assets (note 6)	10,981	15,900	20,913	19,809
Operating expenses	376,959	324,101	709,225	567,007
Other gains or losses				
Interest income	58,690	20,713	118,635	35,594
Loss before income taxes	(294,332)	(204,872)	(524,313)	(335,034)
Recovery of deferred income taxes (note 7.1)	157,554	19,200	192,134	46,660
Loss and comprehensive loss	(136,778)	(185,672)	(332,179)	(288,374)
Basic and diluted loss per share	-	(0.01)	(0.01)	(0.01)
Weighted average number of basic and diluted outstanding shares	54,094,417	32,636,483	53,861,610	31 802 317

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	-	-	-	-	(332,179)	(332,179)
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	-	-	-	64,839	-	64,839
Share issue expenses	-	-	-	-	(54,118)	(54,118)
Balance at March 31, 2016	54,094,417	31,806,261	2,113,643	2,153,623	(12,280,924)	23,792,603

	Number of shares outstanding	Capital stock	Warrants	Contributed surplus	Deficit	Total equity
		\$	\$	\$	\$	\$
Balance at October 1, 2014	30,306,512	17,270,485	30,818	1,959,018	(10,229,314)	9,031,007
Loss and comprehensive loss	-	-	-	-	(288,374)	(288,374)
Private placements	1,263,288	809,240	75,062	-	-	884,302
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	-	-	-	57,854	-	57,854
Warrants expired	-	-	-	-	-	-
Broker warrants	-	-	-	-	-	-
Share issue expenses	-	-	-	-	(83,426)	(83,426)
Balance at March 31, 2015	32,636,483	18,774,568	105,880	2,016,872	(10,601,114)	10,296,206

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

Midland Exploration Inc.

Statements of Cash Flows

(Unaudited)

	Six months ended March 31,	
	2016	2015
	\$	\$
Operating activities		
Loss	(332,179)	(288,374)
Adjustment for:		
Residual gain on option payments on mining assets	-	(2,034)
Stock-based compensation	45,046	38,836
Impairment of exploration and evaluation assets	20,913	19,809
Recovery of deferred income taxes	(192,134)	(46,660)
	(458,354)	(278,423)
Changes in non-cash working capital items		
Accounts receivable	(96,221)	(396,247)
Sales tax receivable	57,909	126,327
Prepaid expenses	21,545	12,070
Accounts payable and accrued liabilities	228,207	85,753
Advance received for exploration work	(107,233)	(366,258)
	104,207	(538,355)
	(354,147)	(816,778)
Financing activities		
Private placements	-	884,302
Flow-through private placement	710,060	906,680
Share issue expenses	(54,118)	(83,426)
	655,942	1,707,556
Investing activities		
Additions to investments	(2,636,000)	(1,535,807)
Disposals of investments	1,535,807	2,060,000
Additions to exploration properties	(166,841)	(61,378)
Disposals of exploration properties	-	30,000
Additions to exploration and evaluation expenses	(1,212,804)	(338,601)
Taxes credits and mining rights received	6,073	44,932
	(2,473,765)	199,146
Net change in cash and cash equivalents	(2,171,970)	1,089,924
Cash and cash equivalents – beginning (note 4)	5,862,953	1,667,402
Cash and cash equivalents – ending (note 4)	3,690,983	2,757,326
Additional information		
Stock-based compensation included in exploration and evaluation expenses	19,793	19,018
Additions of exploration properties and exploration and evaluation expenses included in accounts payable and accrued liabilities	162,445	67,978
Tax credits receivable applied against exploration and evaluation expenses	119,463	36,408
Interest received	57,599	53,047

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

Midland Exploration Inc.

Notes to Financial Statements

Six months ended March 31, 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 (Québec), 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 May 12, 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

Six months ended March 31, 2016

(Unaudited)

4. CASH AND CASH EQUIVALENTS

	As at March 31, 2016	As at September 2015
Cash	\$ 619,153	\$ 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 0.90% and 1.10%, maturing between June 3, 2016 and January 5, 2017	3,071,830	-
	3,690,983	5,862,953

5. INVESTMENTS

	As at March 31, 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 1.60% interest payable annually, maturing between June 3, 2016 and December 21, 2016, with a maturity value of \$5,718,320	5,636,000	-
<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	6,496,000
	12,132,000	11,031,807

Midland Exploration Inc.

Notes to Financial Statements

Six months ended March 31, 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 March 31, 2016
	%	\$	\$	\$	\$	\$
Abitibi						
Maritime-Cadillac	49	290,440	59	-	-	290,499
Laflamme	68.5	82,195	12,326	-	-	94,521
Patris	100	87,072	-	-	-	87,072
Casault	100	17,649	-	-	-	17,649
Jouvex	100	44,244	-	-	-	44,244
Heva	100	100,502	2,031	-	-	102,533
Valmond	100	3,666	2,508	-	-	6,174
La Peltrie	100	69,999	30,339	-	-	100,338
Adam	100	-	3,082	-	-	3,082
Samson	100	-	13,090	-	-	13,090
Abitibi Or	100	69,230	11,216	-	-	80,446
Grenville-Appalaches						
Weedon	100	31,993	1,961	-	-	33,954
Gatineau	100	13,155	1,397	-	-	14,552
James Bay						
James Bay Au	100	164,821	42,879	-	(10,981) ¹⁾	196,719
Eleonore	100	102,512	16,173	-	(9,932) ¹⁾	108,753
Northern Quebec						
Pallas PGE	50	61,301	2,520	-	-	63,821
Willbob	100	34,552	15,780	-	-	49,832
Quebec Labrador						
Ytterby	50.5	7,791	1,413	-	-	9,204
Project Generation	100	19,462	1,718	-	-	21,180
		1,200,584	157,992	-	(20,913)	1,337,663

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

Midland Exploration Inc.

Notes to Financial Statements

Six months ended March 31, 2016

(Unaudited)

6. EXPLORATION AND EVALUATION ASSETS (CONT'D)

Acquisition costs	Undivided interest %	As at	Additions	Option payments	Impairment	As at
		Sept. 30, 2014				March 31, 2015
		\$	\$	\$	\$	\$
Abitibi						
Maritime-Cadillac	49	290,437	-	-	-	290,437
Laflamme	62.2	69,093	19,240	-	(6,709) ¹⁾	81,624
Patris	100	87,072	-	-	-	87,072
Casault	100	16,717	932	-	-	17,649
Jouvex	100	44,244	-	-	-	44,244
Heva	100	95,203	1,742	-	-	96,945
Valmond	100	-	-	-	-	-
Samson	100	-	-	-	-	-
La Peltrie	100	9,362	7,422	-	-	16,784
Adam	100	-	17,966	(17,966)	-	-
Abitibi Or	100	77,521	(18,134)	-	-	59,387
Grenville-Appalaches						
Weedon	100	37,438	7,201	-	(13,100) ¹⁾	31,539
Gatineau	100	18,688	599	-	-	19,287
James Bay						
James Bay Au	100	180,191	16,775	-	-	196,966
Eleonore	100	77,730	21,531	-	-	99,261
James Bay U	100	9,828	599	-	-	10,427
James Bay Fe	100	47,808	-	-	-	47,808
Northern Quebec						
Pallas PGE	100	11,301	-	-	-	11,301
Willbob	100	1,130	4,746	-	-	5,876
Quebec Labrador						
Ytterby	50	1,512	(3,876)	-	-	(2,364)
Project Generation	100	15,214	1,187	-	-	16,401
		1,090,489	77,930	(17,966)	(19,809)	1,130,644

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

Midland Exploration Inc.

Notes to Financial Statements

Six months ended March 31, 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 March 31, 2016
	%	\$	\$	\$	\$	\$	\$
Abitibi							
Maritime-Cadillac	49	232,965	850	-	-	-	233,815
Laflamme	68.5	1,507,229	189,404	-	(10,338)	-	1,686,295
Patris	100	219,143	1,782	-	-	-	220,925
Casault	100	298,888	8,807	-	-	-	307,695
Jouvex	100	348,457	2,177	-	-	-	350,634
Heva	100	35,133	45,321	-	(7,934)	-	72,520
Valmond	100	120,742	-	-	-	-	120,742
Samson	100	439	62,975	-	(4,045)	-	59,369
La Peltrie	100	118,209	436,589	-	(27,225)	-	527,573
Adam	100	-	40,309	-	(1,089)	-	39,220
Abitibi Au	100	117,841	27,598	-	(1,815)	-	143,624
Grenville-Appalaches							
Weedon	100	484,279	31,190	-	(1,057)	-	514,412
Gatineau	100	28,892	66	-	-	-	28,958
James Bay							
James Bay Au	100	248,057	15,641	-	(4,939)	-	258,759
Eleonore	100	1,527,352	33,994	-	(10,926)	-	1,550,420
Northern Quebec							
Pallas PGE	50	269,391	41,869	-	(13,161)	-	298,099
Willbob	100	111,951	105,352	-	(35,950)	-	181,353
Quebec Labrador							
Ytterby	50.5	172,054	7,732	-	-	-	179,786
Project Generation							
	100	59,390	12,722	-	(984)	-	71,128
		5,900,412	1,064,378	-	(119,463)	-	6,845,327

Midland Exploration Inc.

Notes to Financial Statements

Six months ended March 31, 2016

(Unaudited)

6. EXPLORATION AND EVALUATION ASSETS (CONT'D)

E&E expenses	Undivided interest	As at Sept. 30, 2014	Additions	Option payments	Tax credits	Impairment	As at March 31, 2015
	%	\$	\$	\$	\$	\$	\$
Abitibi							
Maritime-Cadillac	49	232,965	-	-	-	-	232,965
Laflamme	62.2	1,310,514	40,997	-	(3,262)	-	1,348,249
Patris	100	280,755	7,607	-	-	-	216,362
Casault	100	290,082	5,381	-	-	-	295,463
Jouvex	100	123,955	1,520	-	-	-	125,475
Heva	100	346,090	-	-	-	-	346,090
Valmond	100	18,563	5,325	(10,000)	-	-	13,888
Abitibi Au	100	36,641	68,537	-	(2,356)	-	102,822
Grenville-Appalaches							
Weedon	100	388,013	108,768	-	(12,502)	-	484,279
Gatineau	100	28,766	66	-	-	-	28,832
James Bay							
James Bay Au	100	216,677	11,035	-	(3,449)	-	224,263
Eleonore	100	14,686	61,498	-	(9,470)	-	66,714
James Bay U	100	42,158	-	-	-	-	42,158
James Bay Fe	100	1,175,139	-	-	-	-	1,175,139
Northern Quebec							
Pallas PGE	100	216,088	1,947	-	(156)	-	217,879
Willbob	100	5,116	17,626	-	(5,213)	-	17,529
Quebec Labrador							
Ytterby	50	109,090	387	-	-	-	109,477
Project Generation	100	39,547	3,792	-	-	-	43,339
		4,802,845	334,486	(10,000)	(36,408)	-	5,090,923

a) Adam and Samson

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

Midland Exploration Inc.

Notes to Financial Statements

Six months ended March 31, 2016

(Unaudited)

7. EQUITY

Authorized

Unlimited number of common shares without par value, voting and participating.

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:

	Six months ended March 31,			
	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 March 31, 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 March 31, 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

Six months ended March 31, 2016

(Unaudited)

8. SHARE-BASED COMPENSATION

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

	Six months ended March 31,			
	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	1,703,332	1.18	1,343,334	1,30

The following table summarizes information about common share purchase options outstanding and exercisable as at March 31, 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	158,332	0.60	August 13, 2025
2,020,000	1,703,332		

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.