



Midland Exploration Inc.

Condensed Interim Financial Statements

Three months ended December 31, 2015

*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 December 31, 2015	As at September 30, 2015
	\$	\$
Assets		
Current assets		
Cash and cash equivalents (note 4)	4,596,041	5,862,953
Investments (note 5)	5,636,000	4,535,807
Accounts receivable	106,212	99,057
Sales tax receivable	32,919	183,942
Tax credits and mining rights receivable	116,780	73,713
Prepaid expenses	8,030	55,187
	10,495,982	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	1,235,619	1,200,584
Exploration and evaluation expenses	6,088,287	5,900,412
	7,323,906	7,100,996
	13,819,906	13,596,996
Total assets	24,315,888	24,407,655
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	144,605	670,350
Advance received for exploration work	109,321	141,170
Liability related to the premium on flow-through share	157,554	-
Total liabilities	411,480	811,520
Equity		
Capital stock (note 7)	31,806,261	31,288,335
Warrants	2,113,643	2,113,643
Contributed surplus	2,128,922	2,088,784
Deficit	(12,144,418)	(11,894,627)
Total equity	23,904,408	23,596,135
Total liabilities and equity	24,315,888	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 December 31	
	2015	2014
	\$	\$
Revenues		
Project management fees	42,340	95,829
Residual gain on option payments on mining assets	-	2,034
	<u>42,340</u>	<u>97,863</u>
Operating Expenses		
Salaries	87,238	60,585
Stock-based compensation	27,885	23,860
Travel	11,650	12,230
Rent and insurance	13,581	12,795
Office expenses	21,244	19,380
Regulatory fees	10,210	7,690
Conferences and mining industry involvement	40,341	32,182
Press releases and investors relations	19,596	13,116
Professional fees	72,947	57,159
General exploration	17,642	-
Impairment of exploration and evaluation assets (note 6)	9,932	3,909
Operating expenses	<u>332,266</u>	<u>242,906</u>
Other gains or losses		
Interest income	59,945	14,881
Loss before income taxes	(229,981)	(130,162)
Recovery of deferred income taxes	34,580	27,460
Loss and comprehensive loss	(195,401)	(102,702)
Basic and diluted loss per share	-	-
Weighted average number of basic and diluted outstanding shares	53,631,334	30,986,286

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	-	-	-	-	(195,401)	(195,401)
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	-	-	-	40,138	-	40,138
Share issue expenses	-	-	-	-	(54,390)	(54,390)
Balance at December 31, 2015	54,094,417	31,806,261	2,113,643	2,128,922	(12,144,418)	23,904,408

	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	-	-	-	-	(102,702)	(102,702)
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	-	-	-	35,545	-	35,545
Warrants expired	-	-	-	-	-	-
Broker warrants	-	-	-	-	-	-
Share issue expenses	-	-	-	-	(83,426)	(83,426)
Balance at December 31, 2014	32,636,483	18,774,568	105,880	1,994,563	(10,415,442)	10,459,569

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

Midland Exploration Inc.

Statements of Cash Flows

(Unaudited)

	Three months ended December 31,	
	2015	2014
	\$	\$
Operating activities		
Loss	(195,401)	(102,702)
Adjustment for:		
Residual gain on option payments on mining assets	-	(2,034)
Stock-based compensation	27,885	23,860
Impairment of exploration and evaluation assets	9,932	3,909
Recovery of deferred income taxes	(34,580)	(27,460)
	(192,164)	(104,427)
Changes in non-cash working capital items		
Accounts receivable	(7,155)	(173,938)
Sales tax receivable	151,023	(81,830)
Tax credits and mining rights receivable	-	-
Prepaid expenses	47,157	10,506
Accounts payable and accrued liabilities	(191,579)	(21,544)
Advance received for exploration work	(31,849)	(337,008)
	(32,403)	(603,814)
	(224,567)	(708,241)
Financing activities		
Private placements	-	884,302
Flow-through private placement	710,060	906,680
Share issue expenses	(54,390)	(83,426)
	655,670	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	(49,920)	(35,356)
Disposals of exploration properties	-	30,000
Additions to exploration and evaluation expenses	(547,902)	(170,256)
	(1,698,015)	348,581
Net change in cash and cash equivalents	(1,266,912)	1,347,896
Cash and cash equivalents – beginning (note 4)	5,862,953	1,667,402
Cash and cash equivalents – ending (note 4)	4,596,041	3,015,298
Additional information		
Stock-based compensation included in exploration and evaluation expenses	12,253	11,685
Additions of exploration properties and exploration and evaluation expenses included in accounts payable and accrued liabilities	5,347	115,366
Tax credits receivable applied against exploration and evaluation expenses	43,067	36,408
Interest received	53,790	46,826

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

Midland Exploration Inc.

Notes to Financial Statements

Three months ended December 31, 2015

(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 February 18, 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

Three months ended December 31, 2015

(Unaudited)

4. CASH AND CASH EQUIVALENTS

	As at December 31, 2015	As at September 2015
	\$	\$
Cash	1,787,612	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 0.60% and 1.10%, maturing between June 3, 2016 and December 5, 2016	2,808,429	-
	4,596,041	5,862,953

5. INVESTMENTS

	As at December 31, 2015	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

The balance on flow-through financing not spent according to the restrictions imposed by the November 20, 2015 financing represents \$601,470 as at December 31, 2015 and is included in investments. The Corporation has to dedicate these funds to Canadian mining properties exploration.

Midland Exploration Inc.

Notes to Financial Statements

Three months ended December 31, 2015

(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 Dec. 31, 2015
	%	\$	\$	\$	\$	\$
Abitibi						
Maritime-Cadillac	49	290,440	27	-	-	290,467
Laflamme	64.9	82,195	3,295	-	-	85,490
Patris	100	87,072	-	-	-	87,072
Casault	100	17,649	-	-	-	17,649
Jouvex	100	44,244	-	-	-	44,244
Heva	100	100,502	1,699	-	-	102,201
Valmond	100	3,666	2,137	-	-	5,803
La Peltrie	100	69,999	9,145	-	-	79,144
Adam	100	-	(255)	-	-	(255)
Samson	100	-	3,598	-	-	3,598
Abitibi Or	100	69,230	4,642	-	-	73,872
Grenville-Appalaches						
Weedon	100	31,993	1,420	-	-	33,413
Gatineau	100	13,155	554	-	-	13,709
James Bay						
James Bay Au	100	164,821	2,488	-	-	167,309
Eleonore	100	102,512	1,956	-	(9,932) ¹⁾	94,536
James Bay U	100	-	-	-	-	-
James Bay Fe	100	-	-	-	-	-
Northern Quebec						
Pallas PGE	50	61,301	1,775	-	-	63,076
Willbob	100	34,552	7,454	-	-	42,006
Quebec Labrador						
Ytterby	50.5	7,791	4,257	-	-	12,048
Project Generation	100	19,462	775	-	-	20,237
		1,200,584	44,967	-	(9,932)	1,235,619

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

Midland Exploration Inc.

Notes to Financial Statements

Three months ended December 31, 2015

(Unaudited)

6. EXPLORATION AND EVALUATION ASSETS (CONT'D)

Acquisition costs	Undivided interest	As at Sept. 30, 2014	Additions	Option payments	Impairment	As at Dec. 31, 2014
	%	\$	\$	\$	\$	\$
Abitibi						
Maritime-Cadillac	49	290,437	-	-	-	290,437
Laflamme	62.2	69,093	4,908	-	(3,909) ¹⁾	70,092
Patris	100	87,072	-	-	-	87,072
Casault	100	16,717	822	-	-	17,539
Jouvex	100	44,244	-	-	-	44,244
Heva	100	95,203	1,205	-	-	96,408
Valmond	100	-	-	-	-	-
Samson	100	-	-	-	-	-
La Peltrie	100	9,362	2,169	-	-	11,531
Adam	100	-	17,966	(17,966)	-	-
Abitibi Or	100	77,521	(20,022)	-	-	57,499
Grenville-Appalaches						
Weedon	100	37,438	4,994	-	-	42,432
Gatineau	100	18,688	-	-	-	18,688
James Bay						
James Bay Au	100	180,191	7,349	-	-	187,537
Eleonore	100	77,730	4,531	-	-	82,261
James Bay U	100	9,828	-	-	-	9,828
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	-	-	-	1,512
Project Generation	100	15,214	44	-	-	15,258
		1,090,489	28,709	(17,966)	(3,909)	1,097,323

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

Midland Exploration Inc.

Notes to Financial Statements

Three months ended December 31, 2015

(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 Dec. 31, 2015
	%	\$	\$	\$	\$	\$	\$
Abitibi							
Maritime-Cadillac	49	232,965	-	-	-	-	232,965
Laflamme	64.9	1,507,229	392	-	-	-	1,507,621
Patris	100	219,143	1,103	-	-	-	220,246
Casault	100	298,888	5,452	-	-	-	304,340
Jouvex	100	348,457	1,348	-	-	-	349,805
Heva	100	35,133	22,313	-	(6,662)	-	50,784
Valmond	100	120,742	-	-	-	-	120,742
Samson	100	439	940	-	-	-	1,379
La Peltrie	100	118,209	87,440	-	(14,165)	-	191,484
Adam	100	-	-	-	-	-	-
Abitibi Au	100	117,841	7,500	-	(1,411)	-	123,930
Grenville-Appalaches							
Weedon	100	484,279	26,952	-	(1,057)	-	510,174
Gatineau	100	28,892	33	-	-	-	28,925
James Bay							
James Bay Au	100	248,057	5,981	-	(1,411)	-	252,627
Eleonore	100	1,527,352	17,860	-	(5,221)	-	1,539,991
James Bay U	100	-	-	-	-	-	-
James Bay Fe	100	-	-	-	-	-	-
Northern Quebec							
Pallas PGE	50	269,391	19,353	-	(5,253)	-	283,491
Willbob	100	111,951	27,969	-	(7,756)	-	132,164
Quebec Labrador							
Ytterby	50.5	172,054	3,969	-	-	-	176,023
Project Generation							
	100	59,390	2,337	-	(131)	-	61,596
		5,900,412	230,942	-	(43,067)	-	6,088,287

Midland Exploration Inc.

Notes to Financial Statements

Three months ended December 31, 2015

(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 Dec. 31, 2014 \$
Abitibi							
Maritime-Cadillac	49	232,965	-	-	-	-	232,965
Laflamme	62.2	1,310,514	35,280	-	(3,262)	-	1,342,532
Patris	100	280,755	4,674	-	-	-	213,429
Casault	100	290,082	1,520	-	-	-	291,602
Jouvex	100	123,955	3,272	(10,000)	-	-	117,227
Heva	100	346,090	1,520	-	-	-	347,610
Valmond	100	18,563	-	-	-	-	18,563
Abitibi Au	100	36,641	21,344	-	(2,356)	-	55,629
Grenville-Appalaches							
Weedon	100	388,013	107,938	-	(12,502)	-	483,449
Gatineau	100	28,766	33	-	-	-	28,799
James Bay							
James Bay Au	100	216,677	9,446	-	(3,449)	-	222,674
Eleonore	100	14,686	-	-	-	-	14,686
James Bay U	100	42,158	-	-	-	-	42,158
James Bay Fe	100	1,175,139	28,735	-	(9,470)	-	1,194,404
Northern Quebec							
Pallas PGE	100	216,088	1,360	-	(156)	-	217,929
Willbob	100	5,116	14,273	-	(5,213)	-	14,176
Quebec Labrador							
Ytterby	50	109,090	-	-	-	-	109,090
Project Generation	100	39,547	-	-	-	-	39,457
		4,802,845	229,395	(10,000)	(36,408)		- 4,985,832

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

Three months ended December 31, 2015

(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:

	Three months ended December 31,			
	2015		2014	
	Number	Amount	Number	Amount
Balance – Beginning of period	21,254,213	\$ 2,027,093	401,001	\$ 30,818
Issued following private placements	-	-	631,644	75,062
Balance – End of period	21,254,213	2,027,093	1,032,645	105,880

Warrants outstanding as at December 31, 2015 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 December 31, 2015 are as follows:

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

Midland Exploration Inc.

Notes to Financial Statements

Three months ended December 31, 2015

(Unaudited)

8. SHARE-BASED COMPENSATION

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

	Three months ended December 31,			
	2015		2014	
	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	-	-	(20,000)	1.40
Balance – End of period	2,020,000	1.09	1,760,000	1.27
Balance – End of period exercisable	1,624,165	1.21	1,457,500	1.36

The following table summarizes information about common share purchase options outstanding and exercisable as at December 31, 2015:

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	79,165	0.60	August 13, 2025
2,020,000	1,624,165		

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.