

Midland Exploration Inc.

Annual Report
2014

Midland Exploration Inc.

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Midland Exploration Inc.

Management's Discussion and Analysis

For the year ended September 30, 2014

The following management discussion and analysis (the "MD&A") 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 the year ended September 30, 2014. This MD&A should be read in conjunction with the Corporation's financial statements and related notes as at September 30, 2014, prepared in accordance with the International Financial Reporting Standards ("IFRS"). 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 obtained from www.sedar.com.

The following abbreviations are used to describe the periods under review throughout this MD&A:

<u>Abbreviation</u>	<u>Period</u>
Q1-13	October 1, 2012 to December 31, 2012
Q2-13	January 1, 2013 to March 31, 2013
Q3-13	April 1, 2013 to June 30, 2013
Q4-13	July 1, 2013 to September 30, 2013
Fiscal 13	October 1, 2012 to September 30, 2013
Q1-14	October 1, 2013 to December 31, 2013
Q2-14	January 1, 2014 to March 31, 2014
Q3-14	April 1, 2014 to June 30, 2014
Q4-14	July 1, 2014 to September 30, 2014
Fiscal 14	October 1, 2013 to September 30, 2014
Fiscal 15	October 1, 2014 to September 30, 2015

Nature of activities

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 mineral properties.

Overall performance

Midland has a working capital of \$3,137,673 as of September 30, 2014 (\$3,343,414 as of September 30, 2013) which will allow the Corporation to execute its exploration program for at least the next two years.

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. On December 3, 2014, the Corporation completed a private placement by issuing 1,100,430 units at \$0.70 per unit and 1,036,683 flow-through shares at \$0.85 per share, for total gross proceeds of \$1,651,481.

On November 19, 2013, Midland signed an option agreement with Sphinx Resources Ltd. ("Sphinx" previously Donner Metals Ltd.) whereby Sphinx has the option to acquire a 50% interest in the Valmond property by paying cash \$250,000 and funding \$2,500,000 in exploration works. On January 21, 2014, Midland signed an option agreement with Japan Oil, Gas and Metals National Corporation ("JOGMEC") whereby JOGMEC has to option to acquire a 50% interest in the Pallas property by funding \$2,000,000 in exploration works. Midland is pleased that these two option agreements follow another option agreement signed in September 2013 with Teck Resources Ltd ("Teck") whereby Teck has the option to acquire a 50% interest in the Patris property by funding \$10,500,000 exploration works and paying cash \$300,000. Finally, on October 10, 2014, the Corporation signed a letter of intent with SOQUEM INC. ("SOQUEM") to grant SOQUEM the option to acquire a 50% undivided interest in its Casault and Jouvex properties by funding \$4,500,000 exploration works over 4 years.

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Overall performance (Cont'd)

As the operator, Midland incurred exploration expenditures totalling \$2,385,109 (\$2,331,206 in Fiscal 13), on its properties of which \$1,626,633 was recharged to its partners (\$168,510 in Fiscal 13). In addition, the operating partners incurred exploration expenses of \$79,819 (\$1,622,184 in Fiscal 13) on Vermillon and Maritime-Cadillac (Casault and Maritime-Cadillac in Fiscal 13). Also, the Corporation invested \$264,055 (\$482,591 in Fiscal 13) in several property acquisitions in Quebec of which \$77,717 was recharged to its partners (\$20,030 in Fiscal 13).

The Corporation reported a net loss of \$1,974,586 for Fiscal 14 (\$688,090 for Fiscal 13).

Selected annual information

	Fiscal year ended September 30	
	2014	2013
	\$	\$
Revenues	172,583	18,870
Loss	(1,974,586)	(688,090)
Loss per share, basic and diluted	(0.07)	(0.02)

	As at September 30	
	2013	2012
	\$	\$
Total assets	9,892,800	9,953,971

Net loss

Expenses increased to \$2,359,597 in Fiscal 14 compared to \$1,216,056 in Fiscal 13:

- Conferences and mining industry involvement decreased to \$77,477 (\$113,646 in Fiscal 13). Midland reduced its expenses in mining conferences and also reduced its contribution to Minalliance to \$5,000 (\$20,000 in Fiscal 13). Minalliance promotes and protects the interest of the mining industry in Quebec;
- Impairment of exploration and evaluation assets increased to \$1,288,721 (\$118,450 in Fiscal 13) and the detailed explanation can be found in the investing activities section, particularly in the Ytterby section where a \$1,230,273 impairment was recorded in Fiscal 14.

Project management fees revenues increased to \$165,435 (\$18,870 in Fiscal 13). In Fiscal 14, Midland was the operator on the main projects explored with partners (Pallas and Valmond) as opposed to Fiscal 13 where the main projects explored with partners (Casault and Maritime Cadillac) were operated by the partners.

A \$155,863 (\$442,353 in Fiscal 13) recovery of deferred income taxes was recognized to record the amortization, in proportion of the work completed, of the premium related to flow-through shares renunciation following the December 19, 2013 (December 21, 2012 in Fiscal 13) private placement.

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Investing activities

	Abitibi									Grenville-Appalaches		James Bay				Quebec Labrador	Northern Québec			
	Maritime Cadillac - Au	Laflamme - Au	Patris - Au	Casault - Au	Valmond - Au	Jouvex - Au	Heva - Au	Abitibi Au	Samson - Au	Weedon - Cu-Zn-Au-	Gatineau - Zn	Baie-James - Au	Baie-James - U	Eléonore - Au	Baie-James - Fe	Ytterby - ETR	Pallas - PGE	Willbob - Au	Génération de projets	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance beginning	228,787	1,167,804	179,176	214,479	113,507	237,576	16,149	-	-	359,196	28,648	162,521	14,686	949,831	42,158	1,277,720	210,168	-	36,125	5,238,531
Geophysics	-	-	-	26,868	256,548	66,982	-	-	1,063	19,337	-	-	-	14,150	-	122	156,284	-	-	541,354
Geology	760	16,340	48,929	25,590	54,252	15,200	1,520	36,859	4,560	13,106	132	54,323	-	196,398	-	31,759	713,648	4,770	5,600	1,223,746
Drilling	-	111,503	3,591	-	152,345	-	1,200	-	-	-	-	-	-	-	-	-	115,055	-	-	383,694
Geochemistry	-	7,516	9,171	4,876	33,395	-	-	-	-	1,548	-	184	-	10,671	-	6,825	60,175	346	-	134,707
Line cutting	-	-	-	14,032	31,453	28,898	-	-	-	-	-	-	-	-	-	-	-	-	-	74,383
Travelling	-	4,238	297	252	6,084	-	-	-	1,387	-	-	2,497	-	3,094	-	-	9,376	-	-	27,225
	760	139,597	61,988	71,618	534,077	111,080	2,720	36,859	7,010	33,991	132	57,004	-	224,313	-	38,706	1,054,538	5,116	5,600	2,385,109
Stock-based compensation	3,418	4,112	26,103	6,862	18,366	-	-	-	-	-	-	-	-	16,691	-	15,501	5,221	-	-	96,274
Recharge	-	-	(56,178)	-	(530,277)	-	-	-	(7,010)	-	-	-	-	-	-	(15,063)	(1,018,105)	-	-	(1,626,633)
Net addition	4,178	143,709	31,913	78,480	22,166	111,080	2,720	36,859	-	33,991	132	57,004	-	241,004	-	39,144	41,654	5,116	5,600	854,750
Tax credits	-	(999)	(2,334)	(2,877)	(1,528)	(2,566)	(306)	(218)	-	(5,174)	(14)	(2,848)	-	(15,696)	-	(3,212)	(35,734)	-	(2,178)	(75,684)
Option payment	-	-	-	-	(10,190)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(10,190)
Write-off	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,204,562)	-	-	-	(1,204,562)
Net change	4,178	142,710	29,579	75,603	10,448	108,514	2,414	36,641	-	28,817	118	54,156	-	225,308	-	(1,168,630)	5,920	5,116	3,422	(435,686)
Balance end	232,965	1,310,514	208,755	290,082	123,955	346,090	18,563	36,641	-	388,013	28,766	216,677	14,686	1,175,139	42,158	109,090	216,088	5,116	39,547	4,802,845

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Investing activities (Cont'd)

	Abitibi							Grenville-Appalaches		James Bay				Quebec Labrador			
	Maritime Cadillac - Au	Laflamme - Au	Patris - Au	Casault - Au	Valmond - Au	Jouvex - Au	Heva - Au	Weedon - Cu-Zn-Au-	Gatineau - Zn	Baie-James - Au	Baie-James - U	Eléonore - Au	Baie-James - Fe	Ytterby - ETR	Pallas PGE	Génération de projets	Total
Exploration and evaluation expenses Fiscal 2013																	
Balance beginning	\$ 214,241	\$ 592,050	\$ 85,044	\$ 276,006	\$ 73,139	\$ 18,957	\$ -	\$ 198,458	\$ 25,593	\$ 111,249	\$ 14,686	\$ 366,786	\$ 59,703	\$ 1,171,617	\$ -	\$ 34,704	\$ 3,242,233
Geophysics	-	156,823	-	87,844	25,332	196,285	-	126,357	-	-	-	114,584	36,305	-	-	-	743,530
Geology	715	62,261	77,431	9,281	5,990	23,703	10,320	41,440	3,913	53,459	-	494,974	-	100,336	201,568	1,421	1,086,812
Drilling	-	234,964	-	-	-	-	-	-	-	-	-	-	-	-	-	-	234,964
Geochemistry	-	33,356	12,143	-	236	-	5,829	-	-	5,193	-	32,593	236	35,306	13,034	-	137,926
Line cutting	-	65,620	-	-	9,480	-	-	18,533	-	-	-	-	-	-	-	-	93,633
Travelling	-	4,638	6,054	903	-	-	-	1,526	-	1,393	-	6,914	-	455	12,458	-	34,341
Stock-based compensation	715	557,662	95,628	98,028	41,038	219,988	16,149	187,856	3,913	60,045	-	649,065	36,541	136,097	227,060	1,421	2,331,206
Recharge	14,118	20,906	6,899	28,310	-	-	-	-	-	-	-	2,768	-	37,511	-	-	110,512
	-	-	(4,510)	(98,028)	-	-	-	-	-	-	-	-	-	(65,972)	-	-	(168,510)
Net addition	14,833	578,568	98,017	28,310	41,038	219,988	16,149	187,856	3,913	60,045	-	651,833	36,541	107,636	227,060	1,421	2,273,208
Tax credits	(287)	(2,814)	(3,885)	-	(670)	(1,369)	-	(27,118)	(858)	(8,773)	-	(68,788)	(103)	(1,533)	(16,892)	-	(133,090)
Option payment	-	-	-	(89,837)	-	-	-	-	-	-	-	-	-	-	-	-	(89,837)
Write-off	-	-	-	-	-	-	-	-	-	-	-	-	(53,983)	-	-	-	(53,983)
Net change	14,546	575,754	94,132	(61,527)	40,368	218,619	16,149	160,738	3,055	51,272	-	583,045	(17,545)	106,103	210,168	1,421	1,996,298
Balance end	228,787	1,167,804	179,176	214,479	113,507	237,576	16,149	359,196	28,648	162,521	14,686	949,831	42,158	1,277,720	210,168	36,125	5,238,531

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Exploration and evaluation expenses	Budget Fiscal 2014			Actual 2014			Budget 2015		
	Midland	Partner	Total	Midland	Partner	Total	Midland	Partner	Total
Properties	\$	\$	\$	\$	\$	\$	\$	\$	\$
100% owned by Midland									
Valmond Au	50,000	-	50,000	-	-	-	-	-	-
Jouvex Au	75,000	-	75,000	111,080	-	111,080	-	-	-
Abitibi Au	10,000	-	10,000	36,860	-	36,860	69,000	-	69,000
Heva	50,000	-	50,000	2,720	-	2,720	25,000	-	25,000
Casault Au	15,000	-	15,000	71,618	-	71,618	-	-	-
La Peltrie	-	-	-	-	-	-	200,000	-	200,000
Weedon Cu-Zn-Au	75,000	-	75,000	33,991	-	33,991	80,000	-	80,000
Gatineau Zn	15,000	-	15,000	132	-	132	20,000	-	20,000
Baie James Au	55,000	-	55,000	57,004	-	57,004	56,000	-	56,000
Baie James U	-	-	-	-	-	-	10,000	-	10,000
Baie James Fe	20,000	-	20,000	-	-	-	10,000	-	10,000
Éléonore Au	300,000	-	300,000	224,313	-	224,313	311,000	-	311,000
Willbob	-	-	-	5,116	-	5,116	61,000	-	61,000
Project generation	20,000	-	20,000	5,600	-	5,600	83,000	-	83,000
	<u>685,000</u>	<u>-</u>	<u>685,000</u>	<u>548,434</u>	<u>-</u>	<u>548,434</u>	<u>925,000</u>	<u>-</u>	<u>925,000</u>
With option, operated by Midland and paid by partner									
Patris Au - Teck	-	500,000	500,000	5,810	56,178	61,988	-	445,000	445,000
Valmond Au - Sphinx	-	300,000	300,000	3,800	530,277	534,077	-	70,000	70,000
Pallas PGE Jogmec	-	950,000	950,000	36,433	1,018,105	1,054,538	-	500,000	500,000
Samson - Sphinx	-	-	-	-	7,010	7,010	-	500,000	500,000
Casault - Soquem	-	-	-	-	-	-	-	762,000	762,000
Jouvex - Soquem	-	-	-	-	-	-	-	238,000	238,000
	<u>-</u>	<u>1,750,000</u>	<u>1,750,000</u>	<u>46,043</u>	<u>1,611,570</u>	<u>1,657,613</u>	<u>-</u>	<u>2,515,000</u>	<u>2,515,000</u>
In joint venture									
Maritime-Cadillac Au - Agnico Eagle (operator)	26,950	28,050	55,000	760	3,619	4,379	25,000	25,000	50,000
Vermillon - Soquem	-	-	-	-	76,200	76,200	-	-	-
Ytterby REE - Jogmec	50,000	50,000	100,000	23,642	15,063	38,705	10,000	10,000	20,000
Laflamme Au - Maudore	88,050	-	88,050	139,597	-	139,597	195,000	-	195,000
	<u>165,000</u>	<u>78,050</u>	<u>243,050</u>	<u>163,999</u>	<u>94,882</u>	<u>258,881</u>	<u>230,000</u>	<u>35,000</u>	<u>265,000</u>
	<u>850,000</u>	<u>1,828,050</u>	<u>2,678,050</u>	<u>758,476</u>	<u>1,706,452</u>	<u>2,464,928</u>	<u>1,155,000</u>	<u>2,550,000</u>	<u>3,705,000</u>

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Investing 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 (excluding stock-based compensation capitalized).

Gino Roger, geological engineer, President and Director of Midland, qualified person under NI 43-101, has reviewed the following technical disclosure.

HIGHLIGHTS

- **Channel sampling on Pallas confirms several high grade (PGE+Au) showings**
- **New Option deal with SOQUEM for Casault and Jouvex; drilling programs in preparation**
- **New Option deal with Sphinx on Samson (Ni-Cu-PGE); Ground TDEM survey commencing**
- **New high grade gold acquisition in the Labrador Trough – Willbob project**
- **CPTAQ authorization received for Patris; drilling program in preparation with Teck**
- **Drilling program in preparation for Valmond**
- **Ground TDEM follow-up commencing on Laflamme (Ni-Cu-PGE target)**

ABITIBI

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

Property Description

The property is located in the Abitibi region in Quebec, along the Cadillac break and is composed of 7 claims. The property is subject to a 2% net smelter return ("NSR") royalty; the Corporation can buy back half of the royalty for a payment of \$1,000,000.

On June 1, 2009, Agnico Eagle Mines Limited ("Agnico Eagle") fulfilled all its obligations under the June 1, 2006 agreement and has acquired a 50% undivided interest in the Maritime-Cadillac property. Agnico Eagle paid \$100,000 and completed \$1,000,000 of exploration work from fiscal 2006 to fiscal 2009.

As permitted in the agreement signed in June 2009 and amended in November 2012 and May 2013, Agnico Eagle indicated that it wants to increase its undivided interest from 50% to possibly 65% during a three-year period by financing a bankable feasibility study with respect to the Maritime-Cadillac property or by assuming all mining operations on the Maritime-Cadillac property. If conditions are met, it will earn 1% additional interest for every \$1,000,000 spent on the Maritime-Cadillac property (up to 15% by spending \$15,000,000). In June 2013, Agnico Eagle completed additional work for \$1,000,000 and consequently earned a 51% interest in the property. Agnico Eagle and the Corporation are now in a joint venture and future work will be shared 51% Agnico Eagle - 49% Midland.

Exploration work on the property

During 2015, Agnico Eagle expects to complete a major compilation of the Lapa and Maritime Cadillac properties in order to build a Gocad 3D-Model. This compilation aims to generate new drilling targets for 2015 and Agnico Eagle plans to commence this Gocad 3D-Model during Q2-15.

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Investing activities (Cont'd)

Laflamme (Au-Cu), in partnership with Maudore Minerals Ltd. and operated by Midland

Property Description

In 2009, the Corporation staked claims by map staking about 25 kilometres west of Lebel-sur-Quévillon in the Abitibi region. The Laflamme property consists at the end of Fiscal 14 of a total of 682 registered claims covering an area of approximately 35,942 hectares.

On August 17, 2009, the Corporation signed an agreement with North American Palladium Ltd. ("NAP"). As of July 31, 2011, NAP earned its 50% interest in the Laflamme property following a \$100,000 cash payment and \$1,000,000 exploration work completed or credited. In December 2012, NAP decided not to contribute anymore and therefore its interest will be diluted. Since December 2012, Midland is the operator. In March 2013, NAP announced the sale of its subsidiary holding the Quebec gold assets to Maudore Minerals Ltd ("Maudore"). Following the exploration work of \$704,744 done since January 2013, the interest of Midland is 61.6% as at September 30, 2014.

Some claims were dropped therefore the Corporation impaired partially for \$2,784 the exploration property cost (\$4,745 in 2013).

Exploration work on the property

So far in Fiscal 14, five (5) drill holes were completed for a total of 881.0 metres. Hole LAF-14-29 targeted a VTEM anomaly located mid-way between the Midland's Trafalgar showing and the Maudore's NW Comtois showing. The hole explained the VTEM anomaly by the presence of pyrrhotite stringers within the pillowed basalts. No felsic rocks have been intersected. The hole ended at a final depth of 156.0 metres.

Hole LAF-14-30 aimed to test the Notting Hill showing at approximately 75 metres below hole LAF-13-21, which had returned 0.34 g/t Au over 25.56 metres, including 3.12 g/t Au over 1.50 metre in 2013. Hole 30 intersected a chlorite breccia at around 230.0 metres followed by a 0.7 metre shear zone with 5% Py at approximately 253.0 metres. These two zones are surrounded by a biotite alteration which likely represents the extension of the hole 21 gold-bearing zone. The hole ended at 296.0 metres.

Approximately 100 metres to the north-east of the Notting Hill showing, drill hole LAF-14-31 tested the same contact which is marked by a sharp magnetic contrast. Right at the targeted area, a wide shear zone altered with quartz-carbonate veins with local biotite was intersected from 112.5 and 119.0 metres. Several mineralized zones with 2-3% Py-Po were intersected from 78.2 to 79.0 metres, from 112.63 to 112.88 metres, from 120.14 to 121.90 metres and from 130.0 to 130.25 metres. The hole ended at 156.0 metres.

Hole LAF-14-32 targeted a VTEM anomaly approximately 2 km to the north-east of the Notting Hill showing. This hole ended at a final depth of 165.0 metres. Several shear zones altered in chlorite; carbonates and locally biotite as well as several mineralized zones have been intersected:

Hole LAF-14-33 was completed at 108.0 metres and tested a VTEM anomaly located approximately 4 km to the north-east of the Notting Hill showing. This hole intersected two zones with centimetric stringers of pyrrhotite at around 51 metres and 99 metres down the hole.

Hole LAF-14-30 returned an interval of 4.43 g/t Au over 0.74 metre between 258.18 to 258.92 metres comprised within a wider anomalous zone grading 1.71 g/t Au over 2.66 metres from 258.18 to 260.84 metres.

Hole LAF-14-31 returned 0.12 g/t Au over 0.60 metre between 78.0 and 78.6 metres at the upper contact with a late felsic dyke which could have cut the zone.

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Investing activities (Cont'd)

Hole LAF-14-33 which tested a VTEM conductor approximately 4 km to the north-east of hole 30, intersected three anomalous intervals associated with a weak biotite alteration. From 14.74 to 15.74 metres, an interval returned 0.34 g/t Au over 1.0 metre; an interval of 0.33 g/t Au over 0.39 metre was intersected from 26.61 to 27.00 metres and another interval was intersected between 34.15 to 35.65 metres and returned 0.15 g/t Au over 1.50 metre.

Holes LAF-14-29 and 32 did not returned any anomalous results.

A review of the VTEM anomalies located in the vicinity of the 2011 Ni-Cu-PGE discovery in hole LA-11-08 was completed during the fall 2014. Two (2) VTEM conductors located approximately two kilometres north of hole LA-11-08 have been selected and a follow-up grid is in preparation for a TDEM survey to be completed during Q1-15

Patris (Au), in partnership with Teck and operated by Midland

Property Description

The Corporation acquired claims by map staking about 30 kilometres to the north-east of Rouyn-Noranda. This property consists in 221 claims covering an area of approximately 9,154 hectares. Some claims are subject to a 1% royalty and the Corporation can buy back this royalty for \$500,000 per 0.5% tranche.

The Patris property is located along the Porcupine-Destor fault about 35 km northeast of the town of Rouyn-Noranda, Québec. Midland purchased twelve (12) claims, subject to a 2% net smelter return royalty; the Corporation can buy back, in tranches, the entire royalty for \$2,000,000.

On November 12, 2012, the Corporation acquired a 100% interest in some claims adjacent to the Patris property in exchange for a payment of \$50,000. Part of the claims are subject to a 2% NSR royalty, the Corporation may buy back that royalty in total or in two parts upon a payment of \$1,000,000 per 1% for a total of \$2,000,000. The other part of the claims is subject to a 1% NSR royalty; the Corporation may buy back the royalty in total or in two parts upon a payment of \$500,000 per 0.5%, for a total of \$1,000,000.

On July 24, 2013, the Corporation acquired a 100% interest in some claims adjacent to the Patris property in exchange for a payment of \$5,000. The claims are subject to a 1.5% NSR royalty, the Corporation may buy back that royalty in total or in three parts upon a payment of \$500,000 per 0.5% for a total of \$1,500,000.

The Corporation signed an option agreement with Teck Resources Ltd ("Teck") on September 6, 2013 and amended it on May 20, 2014 to accommodate the delays in permitting. Under this new agreement, Teck may earn, in three options, a maximum interest of 65%, by fulfilling the following conditions:

	Payments in cash	Work
	\$	\$
First Option for a 50% initial interest		
On or before August 31, 2015 (firm commitment)	-	500,000
On or before August 31, 2016	-	800,000
On or before August 31, 2017	-	1,700,000
	<u>-</u>	<u>3,000,000</u>
Second Option for a 10% additional interest		
On or before August 31, 2019, \$500,000 of exploration work and \$60,000 cash payment for each additional 2% interest	300,000	2,500,000
Third Option for a 5% additional interest		
On or before August 31, 2021, \$1,000,000 of exploration work for each additional 1% interest	-	5,000,000
Total, for a 65% maximum interest	<u>300,000</u>	<u>10,500,000</u>

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Investing activities (Cont'd)

Midland will be project operator during the First Option.

Exploration work on the property

Under a new option agreement recently signed with Teck where Midland is the Project Manager of the initial program (see press release dated September 17, 2013), prospecting, soil geochemistry and trenching were carried out on the newly identified Rosie showing, which intersected 15.5 grams per ton gold in a grab sample, to characterize the geological setting of the showing and to prioritize induced polarization anomalies in preparation for an upcoming drill program. Final assay results from the works recently completed are pending.

Results from the prospecting program and the channel sampling on Rosie (15.5 g/t Au – grab sample) have been received. A total of 168 samples, including blanks and standards, had been sent to ALS Minerals in Val d'Or at mid-October. The best results from the Rosie showing include:

- 0.40 g/t Au over 2.0 m including 0.94 g/t Au over 0.5 m
- 0.46 g/t Au over 0.5 m
- 0.16 g/t Au over 2.5 m including 0.36 g/t Au over 0.5 m
- 0.13 g/t Au over 1.0 m
- 0.11 g/t Au over 0.5 m
- 0.65 g/t Au (grab sample)

These results were returned mainly from the quartz veins crosscutting the carbonatized felsic dyke (1.5 to 2.0 meter thick) and forming a discontinuous envelope of approximately 8.5 metres along the dyke. Two other gold anomalous zones (77 ppb Au over 2.0 m and 66 ppb Au over 2.0 m) were identified within the sheared and carbonatized (iron carbonate) basalts. The showing is characterized by a flexure of a felsic dyke which is altered in iron carbonate with 1-3% pyrite. This dyke is generally oriented NW-SE and becomes N-S in the showing area with the development of a network of quartz -carbonate veins oriented N060 crosscutting an older quartz veinlet system oriented N100. A strong shear zone oriented N055-060, with accompanying iron carbonate alteration, affects the chloritized pillowed basalts.

Prospecting the IP anomalies in the western portion of the Dunn area returned a new showing of 0.3 g/t Au (grab sample) within a strongly sheared mafic volcanics.

Results of 172 soil samples (including QAQC samples) have been received. During this program completed in October 2014, a follow-up soil sample (duplicate) was taken near the site that had returned a soil anomaly of 1.5 g/t Au last summer. This duplicate sample returned a result of 1.2 g/t Au and thus validate that the area is highly anomalous and that the source of this anomaly remains unexplained. The area is sub cropping and would require additional mechanical stripping next summer. Another soil sample returned a result of 0.195 g/t Au approximately 300 metres west of the KE-3 showing which had returned 4.7 g/t Au over 0.4 metre (channel 2011). This soil anomaly remains also opened to the north and unexplained.

An initial drilling campaign consisting of seven (7) shallow diamond drill holes was planned for total of about 1,400 metres. This program is designed to test several high-priority induced polarization ("IP") geophysical targets located along the strike extensions of the Fayolle Prospect held by Typhoon Exploration Inc. and currently under option by Hecla Quebec Inc. One of these targets, a strong chargeability anomaly coincident with a resistivity low occurring at the northern contact between Lac Caste sediments and mafic volcanic rocks, will be tested in two shallow drill holes. Another IP anomaly located along the southeast strike extension of drill hole PAT-11-15, which intersected an interval grading 0.48 g/t Au over 17.0 metres (see press release dated May 24th 2012), will also be tested during this campaign. In addition, drill hole PAT-11-16 will be deepened in order to test the gold-bearing zone about 100 metres below drill hole PAT-11-15. That zone is characterized by a hematite alteration zone in a strongly deformed felsic intrusive.

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Investing activities (Cont'd)

Since four of the seven planned drill holes totalling 1,400 metres are located on agricultural land, an authorization from the *Commission de la Protection des Terres Agricoles* ("CPTAQ") was required. A preliminary authorization from the CPTAQ was received in June 2014. A meeting was held in August 2014 in order to discuss the conditions to respect during the drilling. Following this meeting, the final authorization has been received in October. In January 2015, the drilling program will test several high-quality targets including induced polarization anomalies, as well as the depth extension of a gold-bearing zone intersected in drill hole PAT-11-15 which graded 0.48 g/t Au over 17.0 metres (*see press release dated May 24, 2012*).

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

Property Description

The Corporation acquired claims by map staking about 40 kilometres to the east of the Detour Lake gold project located north of the city of La Sarre. This property consists in 301 claims covering an area of approximately 16,562 hectares.

On November 16, 2011, the Corporation signed an agreement with a company formally known as Osisko Mining Corporation ("Osisko") whereby Osisko could have acquired 50% of the Casault property subject to \$600,000 (\$170,000 completed) cash payments and \$6,000,000 (\$2,901,629 completed) exploration works up to October 31, 2016. On October 16, 2013, Osisko terminated the option agreement.

On October 10, 2014, the Corporation signed a letter of intent with SOQUEM INC. ("SOQUEM") to grant SOQUEM the option to acquire a 50% undivided interest in its Casault and Jouvex properties, and to create a joint venture once the option has been exercised, under the following conditions.

	Works
	\$
On or before October 10, 2015 (firm commitment)	1,000,000
On or before October 10, 2016	1,000,000
On or before October 10, 2017	1,000,000
On or before October 10, 2018	1,500,000
	<u>4,500,000</u>

Midland will be project operator during the option period.

Exploration work on the property

Following the Fiscal 13 drilling program (2,992.0 metres) on Casault, two new gold-prospective areas were identified. The first one is located about 5 kilometres southwest of the Martinière West gold zone held by Balmoral Resources Ltd ("Balmoral") and about 2 kilometres north of the Sunday Lake Fault. Three of the four holes drilled in this area, characterized by the presence of a folded magnetic signature, yielded anomalous gold values. These gold-bearing zones exhibit quartz-carbonate-pyrite veining with local tourmaline and are hosted in basalts and gabbros. Drill hole CAS-13-28A was terminated at a depth of 201.0 metres, in sheared gabbro exhibiting quartz-carbonate veins with pyrite mineralization that graded 0.29 g/t Au over 9.0 metres, from 192.0 to 201.0 metres. This new gold-bearing zone thus remains entirely open in all directions, and the drill hole clearly should be extended. Hole CAS-13-24, collared about 500 metres southeast of -28A, intersected a few anomalous zones, including an interval grading 0.50 g/t Au over 3.0 metres from 217.5 to 220.5 metres. About 1.5 kilometres west of hole -28A, drill hole CAS-13-27 also encountered several sections with anomalous gold values, one of which graded 0.36 g/t Au over 4.5 metres from 90.0 to 94.5 metres.

The second gold-prospective area is located in the western part of the property, about 5 kilometres west of the first area. Drill hole CAS-13-36, collared near the Sunday Lake Fault, intersected an anomalous zone with a gold value of 0.17 g/t Au over 7.5 metres from 66.5 to 74.0 metres. This drill hole targeted an IP anomaly coinciding with an inferred fold nose based on the magnetic survey.

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Investing activities (Cont'd)

These new gold-prospective areas, identified during the drilling campaign, remain unexplored and open in all directions and warrant further investigations to establish exploration vectors leading to higher-grade zones.

The first drilling program to be conducted in partnership with SOQUEM on the Casault property will be mainly designed to test the extensions of the most promising gold occurrences discovered in 2012 and 2013, including the extensions of drill hole CAS-12-07, which graded 10.4 g/t Au over 1.45 metres. This drilling program will also test a series of induced polarization anomalies located near drill hole CAS-13-28A, which had ended in a gold-bearing zone that graded 0.29 g/t Au over the last 9.0 metres. This new prospective area is located along the west extension of the Martiniere zone held by Balmoral, who recently reported drill intersections grading up to 1,138.0 g/t Au over 4.87 metres and 8.25 g/t Au over 14.53 metres in the Bug Lake zone (*source: press release by Balmoral dated May 12, 2014*). Ground TDEM surveys are also planned on the East Block to follow-up on new VTEM conductors never tested before.

Heva (Au), operated by Midland

Property Description

On April 25, 2013, the Corporation signed an agreement with Arianne Resources Inc. to acquire a 100% interest in the Heva property located along and proximal to the Cadillac Break, less than 5 kilometres northwest of the town of Malartic. In consideration for the acquisition, the Corporation paid cash \$30,000 and issued 60,000 common shares with a fair value of \$57,000 which is based on the closing of the Corporation's shares on the April 25, 2013. The claims are subject to a 2% NSR royalty to the original holders; half of the royalty can be bought back for a payment of \$1,000,000. The Heva property consists of 31 claims covering a surface area of 1,325.47 hectares.

The Heva West block consists of 4 contiguous claims adjacent to the west of the Maritime-Cadillac property, currently a 51% Agnico / 49% Midland joint venture. The Heva West block covers nearly 1 kilometre along the contact between Pontiac Group sediments and mafic volcanic rocks of the Piché Group and is located less than 1 kilometre south of Agnico Eagle's Lapa gold mine (2.1 million tonnes in proven and probable reserves at a grade of 6.0 grams per tonne of gold, for 395,000 ounces of gold), which has been in commercial production since May 2009.

The Heva East block is located about 4 kilometres to the southeast and consists of 27 contiguous claims largely covering sedimentary rocks of the Cadillac Group just north of the Piché Group. This block encompasses several historical gold occurrences with grades up to 91.2 g/t Au and 3.12 g/t Au in surface grab samples, and up to 6.2 g/t Au over 0.9 metre in drill hole. In addition, the Heva East block covers a 4-kilometre segment along an underexplored gold trend that graded 11.7 g/t Au over 0.5 metre in a historical drill hole located less than 500 metres northwest of the property boundary (Source: MRNF SIGEOM NTS sheet 32D01).

Exploration work on the property

A compilation of the historical works done on the property was initiated and is still ongoing. So far, the compilation confirmed the presence of several anomalous gold values within the sediment package which is composed of graywackes and conglomerates of the Cadillac Group. Exploration works consisting in geological mapping, prospecting and channel sampling is planned for Q3-15.

Midland is currently seeking a partner for this project.

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Investing activities (Cont'd)

Valmond (Au), in partnership with Sphinx and operated by Midland

Property Description

The Corporation acquired claims by map staking about 50 kilometres to the west of Matagami. This property consists in 111 claims covering an area of approximately 6,179 hectares. Some claims were dropped therefore the Corporation impaired partially for \$5,218 the exploration property cost in Fiscal 13.

On November 19, 2013, the Corporation signed an agreement with Sphinx whereby Sphinx can acquire 50% of the Valmond property subject to the following conditions (amended on October 31, 2014):

	Payments in cash	Work
	\$	\$
Upon signing	20,000	-
December 31, 2014 (work completed)	50,000	300,000
November 19, 2015 (\$230,277 work completed)	50,000	700,000
November 19, 2016	60,000	800,000
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.

Exploration work on the property

A pole-dipole IP survey totalling 48.1 line-kilometres was completed during the month of December 2013 in the central part of the Valmond property. A detailed interpretation of the survey results reveals the presence of a strong anomaly characterized by a sharp drop in resistivity directly caused by the presence of sulphide mineralization (pyrite-pyrrhotite-chalcopyrite-arsenopyrite) on the principal gold showing. This anomaly extends toward the northwest over a distance of about 800 metres, whereas toward the southeast IP profiles indicate that the anomaly is located deeper. Two shallow drill holes are proposed to test the anomaly at 100 metres vertical depth along the northwest extension of the principal showing, and one drill hole is proposed to test the southeast plunge at a vertical depth of about 300 metres, i.e. about 100 metres below historical drill hole S86-9, which graded 3.77 g/t Au over 1.5 metres (Source: MRN SIGEOM NTS sheet 32E09; GM46724).

Further east, in an area that has never been drill-tested, four distinct IP axes characterized by high chargeability values associated with low resistivity values were detected. These axes are commonly located along magnetic contacts or near inferred structural intersections. Five additional shallow drill holes are proposed to test these new targets at about 100 metres vertical depth.

In addition, a property-wide helicopter-borne VTEM-type electromagnetic survey, totalling 900 line-kilometres, was also completed in December 2013. Several new conductors have been identified along the favourable Bapst gold-bearing structure.

A drilling program totalling 1,450.2 metres was completed during the quarter ended March 31, 2014. A total of five (5) holes were completed and three (3) others were abandoned. Target IP-F was cancelled because the lack of available water in the vicinity. Two holes (Target VTEM-A and B) were abandoned in the thick overburden which is composed of sand and gravel (esker).

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Investing activities (Cont'd)

Hole VAL-14-01 (Target H) was designed to test the main showing (quartz-Aspy veins in altered tuffs) at a vertical depth of 275 metres. The hole intersected a mix of mafic and intermediate tuffs with local mudstone. Several decimetric massive sulphides (Py-Po +/- Cp-Sp) were intersected at around 220 metres. This hole was stopped at 415.2 metres because of technical problems (broken rods). The best assay results in hole VAL-14-01 returned 92 ppb Au over 0.88 metre from 198.20 to 199.08 metres associated with up to 15% pyrrhotite and traces of pyrite within quartz-carbonate veins.

Hole VAL-14-02 (Target I) was targetting the downplunge of the main showing at a vertical depth of approximately 350 metres. This hole intersected an altered intermediate tuff containing local quartz veins and veinlets with arsenopyrite between approximately 455 metres and 505 metres. That zone likely represents the extension at depth of the Valmond showing. This zone is sub-vertical for the first 200 metres but seems to turn and dip north below 200 metres. In the upper portion of this hole, spectacular nodular pyrite was intersected in a graphitic mudstone and coincides with a regional structure. As for hole 01, several decimetric massive sulphides were intersected. This hole ended at 543.0 metres. Two new mudstone horizons have returned gold anomalous results at the beginning of hole 02. A first graphitic mudstone horizon containing massive and nodular pyrite up to 80% returned 0.30 g/t Au over 2.87 metres from 99.0 to 101.87 metres and a second graphitic mudstone containing massive pyrite (90%) returned 0.41 g/t Au over 0.29 metre from 200.52 to 200.81 metres.

The targeted alteration zone below the main Valmond gold showing returned several gold values over 100 ppb Au associated mainly with centimetric quartz-carbonate veins with 1-3% arsenopyrite. The best intervals returned:

- 0.46 g/t Au over 0.60 m (454.50 to 455.10 m)
- 0.74 g/t Au over 0.64 m (487.80 to 488.44 m)
- 0.15 g/t Au over 1.00 m (493.00 to 494.00 m)
- 0.44 g/t Au over 0.85 m (508.00 to 508.85 m)
- 0.10 g/t Au over 0.50 m (517.15 to 517.65 m)

Hole VAL-14-03 (Target J) was testing a low resistivity zone approximately 200 metres to the northwest of the main showing. The hole intersected several massive sulphides horizons as well as graphitic mudstone and the conductor is well explained. The hole ended at 201.0 metres. From 88.0 to 89.0 metres, this hole intersected a 15 cm quartz vein with 1-2% Py-Po that returned 0.23 g/t Au over 1.0 metre.

Hole VAL-14-04 (Target VTEM-D) was completed at a final depth of 141.0 metres. The VTEM conductor is well explained by the presence of a graphitic mudstone with a 10 cm interval of massive pyrite. No significant alteration was noted in that hole. An altered siltstone (sericite) returned 0.25 g/t Au over 0.38 metre from 137.94 to 138.32 metres.

Hole VAL-14-05 (Target VTEM-C) was completed at a final depth of 150.0 metres. This hole intersected a nice altered and mineralized (5-7% Py, 1-2% Po) shear zone from 66.75 to 71.08 metres followed by a graphitic and pyritic mudstone containing several quartz veins and silicified breccias. No significant results have been obtained in this hole.

During October 2014, a second try was made to drill the target VTEM-A. Hole VAL-14-08 was abandoned in the sand at a depth of 93.0 metres without having reached the bedrock. A second attempt will also be tried during December 2014 on Target IP-F located east of the main Valmond showing.

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

Property Description

The Corporation acquired claims by map staking about 50 kilometres to the southwest of Matagami. This property consists in 297 claims covering an area of approximately 16,581 hectares. Some claims were dropped therefore the Corporation impaired partially for \$3,150 the exploration property cost.

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Investing activities (Cont'd)

See the Casault section for the details on the agreement signed with SOQUEM.

Exploration work on the property

During Fiscal 2014, two follow-up IP grids have been completed over the VTEM anomalies. The south grid detected a weak chargeability anomaly associated with a low mag and coincident with the three weak VTEM anomalies. The north grid detected a formational conductor with a second one coincident with a high mag anomaly. Drilling was proposed to test these two anomalies.

During the summer, two other IP surveys were completed. The surveys covered VTEM anomalies associated with a structural complexity. On both grids, chargeability anomalies combined with low resistivity anomalies defined several new drilling targets.

On the Jouvex property, the first drilling program with Soquem will target several newly identified induced polarization anomalies, as well as some VTEM conductors located near the Casa Berardi-Douay-Cameron deformation zone. The final selection of drill targets is currently underway and the two parties intend starting a drilling program early in January 2015.

Samson Ni-Cu-PGE, in partnership with Sphinx and operated by Midland

Property Description

The Corporation acquired claims by map staking 512 claims covering a surface area of about 28,427 hectares about 50 kilometres west of the town of Matagami, in Abitibi, Quebec.

On September 3, 2014, the Corporation signed an agreement with Sphinx whereby Sphinx can acquire 50% of the Samson property subject to the following conditions:

	Payments in cash	Work
	\$	\$
Upon signing (completed)	40,000	-
On or before September 3, 2015 (\$350,000 firm commitment) (\$7,010 work completed)	40,000	500,000
On or before September 3, 2016	50,000	700,000
On or before September 3, 2017	70,000	900,000
On or before September 3, 2018	75,000	1 400,000
Total	<u>275,000</u>	<u>3,500,000</u>

- 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.

This property is located about 5 kilometres south of the recent Ni-Cu-PGE and gold discovery made by Balmoral on the Grasset project. Recently, Balmoral announced the discovery of a high-grade Ni-Cu-PGE zone, with values up to 1.79% Ni, 0.19% Cu, 0.42 g/t Pt, and 1.04 g/t Pd over 45.28 metres including an interval grading 10.6% Ni, 0.45% Cu, 2.04 g/t Pt, and 5.23 g/t Pd over 1.10 metres (see press release by Balmoral dated May 20, 2014).

This property covers, over a strike length of more than 20 kilometres, a series of strongly magnetic sills located just south of the regional Lower Detour Fault, also known for its gold potential. In addition, litho-geochemistry data from historical drill holes indicate the presence of ultramafic sills, thus confirming the potential for magmatic Ni-Cu-PGE mineralization on the Samson property. Data from airborne Input electromagnetic surveys indicate the presence of several conductors coinciding with magnetic sills, which have never been drill-tested and thus represent potential high-priority targets.

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Investing activities (Cont'd)

The Samson property is mainly underlain by tholeiitic basalts with felsic bands intruded by a series of mafic to ultramafic sills of the Brouillan North Group. A few historical drill holes dating from the year 2000 and bordering the Samson property yielded interesting gold values such as 9.94 g/t Au over 0.20 metre, 2.28 g/t Au over 1.70 metres, and 1.02 g/t Au over 5.90 metres (Source: Sigeom NTS sheet 32E16; GM 55989 and 58259).

Exploration work on the property

During the fall, a major ground-based geophysical program totalling about 50 kilometres and including both magnetic and electromagnetic surveys will be launched, in an effort to characterize a series of untested MegaTEM conductors coincident with strong magnetic responses. About a dozen high-priority MegaTEM targets were selected for this ground follow-up in light of their association with strongly magnetic units interpreted as ultramafic rocks. The objective is to define high-priority drill targets for the first campaign that will follow this geophysical program.

La Peltrie, operated by Midland

Property Description

This acquisition, by map designation is a new property with strong gold potential located near the regional Lower Detour Fault. This new wholly-owned gold property, named La Peltrie, is located about 25 kilometres east of the Lower Detour area, part of the Detour Lake property held by Detour Gold Corp. ("Detour Gold"). Recently, Detour Gold announced a series of significant drill intersections from the Lower Detour area, which is located about 6 kilometres south of the Detour Lake mine, currently in production and where mineral reserves total 15.5 Moz Au. Recent drill intersections reported in the Lower Detour area include significant gold grades reaching 11.82 g/t Au over 32.40 metres and 12.74 g/t Au over 28.0 metres (see press release by Detour Gold dated June 2, 2014).

The La Peltrie property comprises 171 claims covering a surface area of about 9,493 hectares and encompasses possible subsidiary faults to the south of the regional Lower Detour Fault over a distance of more than 10 kilometres. In the 1960's, historical drill intersections located about 800 metres east of the property boundary yielded gold values grading up to 3.0 g/t Au over 2.0 metres and 4.0 g/t Au over 0,30 metre, in felsic breccias with pyrite and chalcopyrite mineralization (Source: SIGEOM NTS sheet 32E14; GM 22497).

This new property is mainly underlain by calc-alkaline mafic to felsic volcanic rocks of the Brouillan Group and tholeiitic mafic rocks of the Fénélon-Brouillan Group. It is located about 25 kilometres northwest of the former Selbaie mine, which historically produced 56.5 Mt of ore grading 1.9% Zn, 0.9% Cu, 38.0 g/t Ag and 0.6 g/t Au. In the western part of the property, tholeiitic mafic to intermediate volcanic rocks of the Enjalran-Bapst Group are intruded by a series of diabase dykes trending north-south. The granodioritic to dioritic Carheil syntectonic pluton lies in the central part of the property.

Exploration work on the property

No exploration work was conducted during Fiscal 14. A compilation of the historical works is in progress.

Midland is currently seeking for a partner for this project.

Abitibi Gold (Au) operated by Midland

Property Description and exploration work on the property

The Corporation acquired by map designation 302 claims covering a surface area of about 16,460 hectares. No exploration work was conducted during Fiscal 14. A compilation of the historical works is in progress on the Adam, Jeremie, Lac Clement, Manthet, Louvicourt and Duparquet claims blocks.

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Investing activities (Cont'd)

GRENVILLE-APPALACHES

Weedon (Cu-Zn-Au) operated by Midland

Property Description

This property is located in the Eastern Townships, about 120 km south of Quebec City and is now comprised of 168 claims covering an approximate area of 8,602 hectares. Some claims are subject to a 1% NSR royalty and the Corporation can buy back the royalty for \$500,000 per 0.5%. Some other claims are subject to a 0.5% NSR royalty and the Corporation can buy back this royalty for \$500,000.

On June 14, 2013, the Corporation acquired a 100% interest in a claim adjacent to the Weedon property in exchange for a 1.5% NSR royalty on metals except gold and silver, the Corporation may buy back that royalty in total or in three tranches upon a payment of \$500,000 per 0.5% tranche for a total of \$1,500,000.

Some claims were dropped in 2014 therefore the Corporation impaired partially for \$9,200 (\$12,467 in 2013) the exploration property cost.

Exploration work on the property

The final report for the IP surveys completed during December 2013 to the NE of the Weedon Mine and to the NE of the Lingwick deposit was received. On the Lingwick grid, two (2) IP anomalies associated with a gravimetric anomaly were identified. In the northeastern extension of the Weedon mine, three (3) IP anomalies were identified. These IP anomalies are associated with gravimetric anomalies and represent new drilling targets. A gravimetric survey and an IP survey were also completed respectively to the west of the Weedon mine and to the southwest of the Solbec mine. The gravimetric survey detected a strong and large gravimetric anomaly associated with a magnetic anomaly and a VTEM conductor. This area is located just south of a felsic intrusion near the felsic-mafic contact. A historical grab sample taken within the basalt had returned 2.6% Cu. The IP survey detected a chargeability (IP) anomaly coincident with a magnetic anomaly and a gravimetric anomaly. These areas represent new drilling targets.

A ground TDEM survey was completed in December 2013 in the vicinity of the Lingwick deposit. The TDEM survey identified a conductor at the southern limit of the grid. An extension of the grid towards the south would be necessary in order to characterize this conductor.

Five days of mapping and lithogeochemical sampling were completed during Q3-14. No significant results were obtained.

Midland is currently seeking for a partner for this project.

Gatineau Zinc (Zn), operated by Midland

Property Description

Midland owns a 100% interest in a large land position for zinc, including 184 claims covering 10,368.1 hectares distributed in the Gatineau Area, approximately 200 kilometres northwest of the city of Montreal. Some claims were dropped in 2014 therefore the Corporation impaired partially for \$2,693.

Exploration work on the property

Limited work was conducted on the property during 2014.

Midland is currently seeking for a partner for this project

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Investing activities (Cont'd)

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 of 16 contiguous claims covering a total surface area of 934 hectares in joint venture with SOQUEM. The property is subject to a 1% NSR royalty on specific claims, which can be purchased back for 500 000 \$ per each 0.5%.

Exploration work on the property

An IP survey was completed over the Cu-Au showing and its possible lateral extensions. Several chargeability anomalies have been detected and prospecting is proposed to try to explain these anomalies. Midland did not participate to the IP survey with a \$70,000 budget and has been diluted to 48%, with Soquem holding 52%.

JAMES BAY

James Bay Gold (Au), operated by Midland

Property Description

Midland owns a 100% interest on 511 claims covering 26,285 hectares in the James Bay Area, an area that has the potential to soon become a significant new gold producer in Quebec after the Abitibi Belt.

Some claims were dropped therefore the Corporation impaired partially for \$8,686 the exploration property cost in 2014 (\$22,303 in 2013).

Exploration work on the property

During Fiscal 14, a thorough compilation of the most recent works completed by competitors in the area was completed. As a result, 4 claims were staked to cover a new gold showing grading 1.18 g/t Au.

Midland is currently seeking for a partner for this project.

James Bay Uranium (U) operated by Midland

Property Description

The property is located in the James Bay region and was composed of 8 claims. Since its acquisition in 2007 the property has been reduced due in part to lack of credit for their renewal.

On September 2009, three new claims were staked adjacent to the Midland Ganiq Property near LG-3. The new claims cover the Ganiq South and North deposits. The Ganiq North deposit is formed of two lenses 60 and 100 meter long. The lens thickness varies from 4 to 7 metres. Percussion and diamond drilling, not deeper than 50 meters, defined a resource of 150,000 tonnes at 0.05% U or 165,000 pounds of U. The Ganiq South deposit varies in thickness from 1 to 8.5 meters and has been traced by shallow (12 to 25 meters deep) drilling over 270 metres. Non-compliant NI-43-101 resource estimate stands at 115,000 tonnes at 0.035% U or 126,500 pounds U. Both deposits are structurally controlled formed of dissemination of pitchblend in veins cutting through Archean mafic metavolcanics. Another mineralized zone named Ganiq South Extension has been historically drilled tested by 4 drill holes at the contact between the Archean basement and the Proterozoic Sakami Formation. Two of the drill holes returned 0.062% U₃O₈/ 0.3 m and 0.086% U₃O₈/0.6 m respectively near 110 meters deep. This contact is considered very prospective for unconformity related uranium deposit.

Exploration work on the property

No work conducted on the property during Fiscal 14.

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Investing activities (Cont'd)

Éléonore Gold Properties (Au) operated by Midland

Property Description

The Éléonore new property is divided in three distinct blocks with two of them within 25 kilometres from the Éléonore gold discovery of Goldcorp and one southeast 30 km further along strike. It encompasses a group of 246 claims covering an area of approximately 12,889 hectares. The property selection was made following a comprehensive geological and geochemical compilation combined with proven regional-scale targeting concepts. They are located close to a major collisional environment between the volcanogenic-plutonic units of the La Grande Sub-province and the meta-sedimentary units of the Opinaca Sub-province and include portions of several broad gold (Au) geochemical anomalies derived from lake bottom sediments collected by the MRNF.

The West Éléonore properties cover more than 10 kilometres of strike length in a WSW-ENE magnetic trend located immediately south of the favourable La Grande and the Opinaca contact. Airborne geophysical signatures and regional mapping appear to indicate the presence of poly-deformed metasediments and mafic volcanic units. Few first order Au and As lake bottom sediment (LBS) anomalies (31 and 94 ppb Au and 23 ppm As) are found 10 km down iced southwest from the Midland Property where the source may originated.

The Center Éléonore property acquired in Fiscal 2010 is located 25 km southwest of the Éléonore Deposit within the contact zone between the La Grande and Opinaca Sub-provinces. Adjacent east and north of the property, two new gold zones have been found on Virginia Mines Inc. ("Virginia") Éléonore Regional Property. The first zone, 4 kilometres north of the Midland property, consists of quartz-tourmaline veins yielding 1.85 g/t, 2.09 g/t and 2.95 g/t Au hosted within a dioritic intrusion in the midst of metasediments. The second zone consists of a 500 m² mineralized boulder field found 1000 meters NE. Up to 9 g/t Au has been found in greywacke boulders with 2-3% disseminated pyrite which may originated from a recently mapped metasedimentary unit striking south into the Midland Property.

Some claims were dropped therefore the Corporation impaired partially for \$29,162 the exploration property cost in 2014 (\$88,341 in 2013).

Exploration work on the property

During Fiscal 14, an airborne magnetic survey contracted to GeoData Solutions Inc. was completed over the uncovered portion of the Éléonore Centre property. Two week prospection and geological mapping campaign was conducted on the Éléonore Centre property to follow-up on the newly acquired magnetic survey and also to follow-up IP anomalies identified by the 2013 survey on the grid south of Lake Ukaw.

The 2014 prospecting program on Eleonore Centre property led to the discovery of several new gold anomalies. Also, channel samples were added on the Golden Gun West and Golden Gun East trenches. On the total of 275 selected grab and 19 channel samples, respectively 19 and 9 samples returned more than 50 ppb Au. The best result returned 0.39 g/t Au on a selected grab sample in the middle of the property at the boundary of a high magnetic anomaly. On the southern IP grid where strong IP anomalies were identified, a new showing named the Sean Connery Showing was discovered. This new showing is characterized by tourmaline-arsenopyrite-quartz veins in a deformed mafic metavolcanic. Grab samples returned up to 0.08 g/t Au while the channel completed on this zone returned 0.05 g/t over 5.68 metres, including 0.11 over 0.75 metres. In the surrounding area, two other grab samples returned 0.11 and 0.13 g/t Au. In the southern part of the property, a granitic intrusion was identified with local potassic alteration. A total of three samples in that intrusion returned 0.18, 0.13 and 0.12 g/t Au.

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Investing activities (Cont'd)

The new channel samples added on the Golden West trench returned 0.40 g/t Au over 4.30 metres, including 0.55 over 1.00 metres. The channel sample on the Golden Gun trench did not return significant values.

The 2013 trenches were also revisited in Q3-14. Marked by abundant quartz-tourmaline veinlets over several hundred square meters, these results confirm that a sizeable auriferous hydrothermal system is present on the Éléonore Centre property.

Bay James Fe (Fe) operated by Midland

Property Description

The Montagne-du-pin and Guyer properties consist in a total of 207 wholly owned claims covering 10,459 hectares and are located along the Trans-Taiga road, James Bay. They are approximately respectively located 116 and 160 kilometres east of the Duncan iron deposit, south of Radisson, which is currently in joint venture between Century Iron Mines Corp. and Augyva Mining Resources. Using a cut-off grade of 16% iron, the Duncan property contains, NI 43-101 compliant, 852 Mt at 24.56% iron (Measured: 5.7 Mt at 23.29% Fe, Indicated: 25.6 Mt at 23.48% Fe and Inferred: 821.1 Mt at 24.56% Fe) (Source: Century Iron Mine web site, January 2012). Other iron deposits in the James Bay area include the Great Whale property, owned by Niocan Inc. and located southeast of Kuujuarapik (about 250 kilometres north of Radisson), and contains historic mineral resources (None NI 43-101 compliant) of 941.9 Mt at 36% Fe (Source: Niocan Inc. November 2006 press-release).

The Guyer property consisted in two main claim blocks covering up to 40 kilometres of strong magnetic high anomaly east of the La-Grande 3 reservoir. The Montagne-du-pin claims blocks are located north of the La-Grande 3 Hydroelectric Complex and also cover more than 25 kilometres of strong magnetic high anomaly showing important structural folding.

The Guyer property and some claims from the Montagne-du-pin were dropped and therefore the Corporation partially impaired its exploration and evaluation asset for \$73,717 in September 2013.

Exploration work on the property

No exploration work conducted during Fiscal 14 on the property.

QUEBEC / LABRADOR

Ytterby (REE), in partnership with JOGMEC and operated by Midland

Property Description

The Ytterby Project comprises 213 claims in Quebec and 1,108 claims in Labrador located between 200 and 230 kilometres east and northeast of Schefferville. The property was staked primarily for potential REE, zircon, yttrium, niobium, beryllium mineralization based on its proximity to the Strange Lake and B-Zone discovery announced by Quest Rare Minerals Ltd ("Quest") in September 2009.

The Strange Lake deposit has been found in the 1979 by Iron Ore Corporation of Canada ("IOC") while investigating fluorine in water and uranium lake sediment anomalies. IOC has estimated a non-compliant resource of 52 million tonnes grading 3.25% ZrO₂, 0.56% Nb₂O₅, 0.66% Y₂O₃, 0.12% BeO and 1.30% TREO.

Ytterby 1 main claim block is located 5 kilometres south of Strange Lake and the B-Zone REE deposits and surrounds to the east, south and west the Quest property. With this position, Midland controls almost entirely the Napeu Kainiut Pluton (23 x 25 km) which hosts the Strange Lake Peralkaline Complex.

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Investing activities (Cont'd)

Based on compilation of Provincial and Federal Government lake sediment geochemistry, geological maps, mineral occurrences and airborne geophysical surveys, all four properties are marked by extensive strong unsourced yttrium, uranium, lanthanum and fluorine lake bottom sediment anomalies combined with uranium (eU) and thorium (eTh) airborne radiometric anomalies.

On February 23, 2010, the Corporation signed a memorandum of agreement (and on July 29, 2011 a definitive agreement) with JOGMEC whereby JOGMEC acquired a right to acquire a 50% interest in the Ytterby property, by funding \$2,700,000 exploration work.

The Corporation is the operator during the farm-in period. A party which declines to participate in an approved program will be diluted in its participation interest. If a party's interest dilutes to 10% or less, its interest will be converted to a 1.5% NSR royalty and the other party may purchase such royalty by paying \$1,500,000. A party may give notice to the other party that it wishes to operate through a joint venture company. Once a joint venture company is formed, each party has the right to purchase any mineral in proportion of its shareholding in the joint venture company. JOGMEC shall have the first right of refusal to purchase at the prevailing market prices any mineral that is equivalent to the proportionate shareholding of the joint venture company. Until a joint venture company is formed, any mineral production derived from the property shall be taken in kind in proportion of the party's interest.

As of the date of the present MD&A, JOGMEC has not yet given its notice of exercise of option.

The claims on the main bloc were kept and the ones on the other blocs were dropped, therefore the Corporation impaired partially the project for \$1,230,273 in 2014.

Exploration work on the property

Discussions with JOGMEC to plan the next exploration campaign are underway with the objective to further evaluate the economic potential to extract the mineralized boulders from the Strange Lake glacial dispersal train. No exploration work conducted during Fiscal 14.

NORTHERN QUEBEC

Pallas (PGE), in partnership with JOGMEC and operated by Midland

Property Description

During Q2-13, the Corporation acquired by map staking several mining titles located some 80 kilometers west of Kuujjuak in Nunavik. All claim blocks together, the project totals 494 claims covering approximately 22,469 hectares in the Labrador Trough.

On January 21, 2014, the Corporation signed an option agreement with 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 (completed)	700,000
On or before March 31, 2016 (\$68,105 completed)	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.

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Investing activities (Cont'd)

Exploration work on the property

Following the option agreement signature with JOGMEC, a detail airborne magnetic survey has been completed. A total of 3,201 line-kilometers has been completed on Juno-Ceres, Itokawa, Gaspar and Palladin grids respectively. In the meantime, Midland has acquired four high-resolution colored satellite images (50 centimetres per pixel) covering the same areas.

During the summer exploration program, a total of 730 grab samples were collected over all of the Ceres, Itokawa, Gaspar and Palladin claim blocks. More than 20% of the samples have returned very anomalous PGE + Au values including 149 grabs > 0.1 g/t PGE + Au, including 92 > 0.2 g/t PGE + Au, including 40 > 0.5 g/t PGE + Au, including 27 > 0.75 g/t PGE + Au, including 15 > 1.0 g/t PGE + Au, including 9 > 2.0 g/t PGE + Au, including 3 > 4.0 g/t PGE + Au and including 1 \geq 12.6 g/t PGE + Au. In general, the grab samples are gabbro with trace to 5% combined disseminated chalcopyrite and pyrrhotite.

The best results come from the Gaspar claim blocks with a grab sample returning 12.6 g/t PGE + Au and another one, few meters apart, returning 2.76 g/t PGE + Au (Athena Showing). Five hundred meters north, 3 other grabs, from the Triton Showing, returned 3.2, 0.92 and 0.9 g/t PGE + Au respectively. Another 500m NW, and requiring additional follow up work, 3 grabs from 3 distinct mineralized zones have returned 0.79, 0.55 and 0.46 g/t PGE + Au. On the Ceres claim block, the best results come from a new showing located 5600m NNO from the Ceres Showing and returning 4.3 g/t PGE + Au. Other interesting results, coming from another new mineralised zone 4200m SSW of the Ceres Showing, have returned, from grab samples, 4.94, 2.93, 2.85 and 0.93 g/t PGE + Au. On the Itokawa claim block, the best results are 2.69 and 2.46 g/t PGE + Au still from grab samples. Most of these above mentioned showing were further investigated by prospecting and/or channel sampling.

In the meantime, a total of 1220 channel samples, about a meter in length in general, was cut and have returned several PGE + Au anomalies including 268 channels > 0.1 g/t PGE + Au, including 86 > 0.25 g/t PGE + Au, including 39 > 0.5 g/t PGE + Au, including 29 > 0.75 g/t PGE + Au, including 21 > 1.0 g/t PGE + Au, including, 6 > 2.0 g/t PGE + Au including, 2 > 3.0 g/t PGE + Au and a \geq 4.52 g/t PGE + Au.

The best channels assay results come from, 125m SSE in the extension of the Palladin Showing (Osisko, 2000 and returning 5.5 g/t PGE + Au). Discontinuous channels along a NNW-SSE mineralized trend, have returned, over 90m, 1.57 g/t PGE + Au over 0.58m open to the west; 2.24 g/t PGE + Au over 1.34m; 1.53 g/t PGE + Au over 0.54m and open on both sides; 2.9 g/t PGE + Au over 1.76m, including 4.5 g/t over 0.80m and open on both sides; 0.73 g/t PGE + Au over 1.07m and open on both sides; 1.23 g/t PGE + Au over 0.43m; and 1.94 g/t Au over 2.1m including 2.65 g/t over 0.75m and open on both sides. This NNW trending mineralized zone, open on both sides, has been traced over 260m with a ending channel returning 1.4 g/t PGE + Au over 0.82m.

On the Itokawa claim block, and testing a showing found in 2013 returning 1.73 g/t PGE + Au, a channel through the mineralized zone has returned 1.32 g/t PGE + Au over 2.83m including 3.5 g/t PGE + Au over 0.35m. More than hundred thirty meters NNW, along the same mineralized corridor, another channel returned 1.12 g/t PGE + Au over 2.0m. Farther north, another mineralized zone called Itokawa North and cut by 2 channels have returned 1.29 g/t PGE + Au over 0.6m and 1.21 g/t PGE + Au over 0.36m respectively.

On the Ceres and Gaspar claim blocks, additional channel have returned interesting assay results varying between 0.5 to 1.0 g/t PGE + Au over sub-metric lengths.

Based on those very encouraging results, Midland has completed a following up exploration this fall including further prospecting, channel sampling and diamond drilling to further evaluate our best identified targets.

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Investing activities (Cont'd)

A total of 88 grab samples has been collected and has returned very interesting results with a grab sample, located about 100m south of the Enish Est Showing, returning 7.12 g/t PGE + Au. As well, 700m NNW of the Triton Showing on the Gaspar claim block, 3 grabs from the Herculina area, have returned 1.12, 0.81 and 0.48 g/t PGE + Au respectively. Five hundred meters south of the Athena Showing, another grab has returned 0.89 g/t PGE + Au. Finally, 2700m NNW of the Triton showing, in an area named Olympus, 5 grabs returned 0.95, 0.77, 0.76, 0.59 and 0.58 g/t PGE + Au respectively. All these new occurrences deserved additional works follow-up in the next field season.

In the meantime, a total of 262 channel samples was cut, among other, on the Athena, Triton, Enish East and Palladin Showings. On Palladin, testing a channel returning 4.5 g/t PGE + Au over 0.8m, a new channel has returned 1.58 g/t PGE + Au over 1.7m including 2.0 g/t PGE + Au over 0.55m. On Athena, 2 adjacent channels have returned 2.5 g/t PGE + Au over 1.68m and 1.52 g/t PGE + Au over 4.35m including 2.33 g/t PGE + Au over 1.15m. About 30m NNW, along the same mineralized corridor, another channel has returned 1.13 g/t PGE + Au over 0.5m. On the Triton Showing, 4 channels have returned 0.77 g/t PGE + Au over 1.23m, and few meters south 1.7 g/t PGE + Au over 0.42m and adjacent 1.56 g/t PGE + Au over 1.09m and, 8m south 0.67 g/t PGE + Au over 0.8m. Finally, on Enish East, over a series of 10 channels along the same 230m long mineralized corridor, 1.29 g/t PGE + Au over 0.55m, and 47m south, 0.62 g/t PGE + Au over 0.58m and, 33m south, 0.41 g/t PGE + Au over 1.31m, and 135m south 0.68 g/t PGE + Au over 0.75m, and 8m south, 1.04 g/t PGE + Au over 0.75m, and adjacent 2.47 g/t PGE + Au over 1.42m including 4.1 g/t over 0.65m, and 4m south 2.17 g/t PGE + Au over 0.74m.

By diamond drilling, Midland has tested the Ceres and Palladin Showing with 2 drill holes each, while one hole was completed on Enish East, Athena and Triton Showings. A total of 767 core samples, for 950m of drilling, was cut and sent for analysis. The assay results are pending.

Overall during this exercise, the exploration results have been very interesting and clearly justified further works in the near future.

Willbob (Au), operated by Midland

The Corporation acquired by staking map designated claims on a new 100% owned gold ("Au") and platinum group elements ("PGE") property, located in the Labrador Trough (Québec). This new property consists of a total of 51 claims covering about 23.2 square kilometres, and is located approximately 66 kilometres west-southwest of Kuujuaq (Québec), near and in a geological environment similar to Midland's Pallas Project which is currently being worked in partnership with JOGMEC.

This new property, named Willbob, covers a series of gabbro sills, where numerous gold showings were historically discovered, over more than 8 kilometres. Exploration work conducted by the Nunavik Mineral Exploration Fund ("NMEF") from 2004 to 2006 reported several gold showings that returned up to 31.3 g/t Au on selected grab samples. Visible gold was reported at the Kuni Showing which returned 19.8 g/t Au. Another sample returned 9.5 g/t Au at about 120 metres to the north-west of the Kuni Showing. The Lafrance Showing, located about 6.5 kilometers north of the Kuni Showing, returned up to 21.9 g/t Au on selected grab samples and gold values are traced over 130 metres surface length. Historical channel sampling on the Lafrance Showing returned 3.0 g/t Au over 2.90 metres and 2.6 g/t Au over 3.90 metres in a second channel located about 40 metres north. About 3.5 kilometres from and along the Lafrance mineralized zone trend, the NMEF reported the Polar Bear Showing with values up to 6.4 g/t Au. There, the NMEF reports a gold anomalous corridor that can be traced over 330 metres in the area. (*Source: Nunavik Mineral Exploration Fund 2006 Activity Report*).

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Investing activities (Cont'd)

Midland 2014 grab resampling along the Lafrance auriferous corridor returned up to 5.4 g/t Au and more sample assays are pending. Several gold showings on the Willbob property are associated to a felsic unit intruding the gabbro sills. Moreover, an important deformation corridor hosts the mineralized zones. Strong ankerite-fuschite-calcite alterations are associated with the arsenopyrite-rich gold mineralizations observed on the property (Kuni, Polar Bear and Lafrance Showings). These showings remain open in all directions and remain untested by drilling.

The NMEF also reported the presence of two PGE anomalous zones on this new property. The first is located about 1 kilometre north of the Lafrance Showing and returned 0.4 g/t PGE + Au, while the second one consists of four (4) samples spread along 75 metres which returned 0.5, 0.3, 0.3 and 0.3 g/t PGE + Au (*Source: Nunavik Mineral Exploration Fund 2006 Activity Report*). These anomalous values confirm that the property also has a potential for PGE mineralization, a plus value over its gold potential.

Project Generation

Midland continued some geological compilation programs in Quebec for the acquisition of new strategic gold, uranium and base metal properties. The Corporation dropped certain claims and wrote off the related exploration and evaluation assets for \$2,773 in 2014.

Other Activities

For Fiscal 2015, Midland intends to be pro-active in the acquisition of new mineral exploration properties in Quebec. Management is currently reviewing other opportunities and other projects to improve the portfolio of the Corporation.

Acquisition opportunities outside of Quebec will also be considered. Midland prefers to work in partnership and fully intends to secure new partnerships for these new properties and its 100% owned properties.

Financing activities

The Corporation finances itself mainly through share issuance.

On December 3, 2014, the Corporation completed a private placement by issuing 1,100,430 units at \$0.70 per unit and 1,036,683 flow-through shares at \$0.85 per share, for total gross proceeds of \$1,651,481. 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 \$0.95 until December 2, 2016.

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. As at September 30, 2014, the Corporation completed \$638,449 over the \$749,959 flow-through exploration to be completed before December 31, 2014.

On December 21, 2012, the Corporation completed a brokered private placement by issuing 769,264 units at \$1.30 per unit and 1,105,882 flow-through shares at \$1.65 per share, for total gross proceeds of \$2,824,748. Each unit is comprised of one common share and one-half of a warrant. Each whole warrant would have entitled the holder to purchase one additional common share at \$1.75 until June 21, 2014. The Corporation paid the broker a cash fee of \$150,735 and issued 85,342 broker warrants that would have entitled them to acquire 85,342 shares at \$1.30 per share until June 21, 2014. As of September 30, 2013, the Corporation has completed the \$1,824,705 exploration work relating to this flow-through private placement.

Also, 125,000 options were exercised for a total cash consideration of \$81,250 in Fiscal 13 (non in Fiscal 14).

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Working capital

The Corporation has a working capital of \$3,137,673 as at September 30, 2014 compared to \$3,343,414 as at September 30, 2013.

	<u>Annualized</u>
Cash flow required	\$
Operating expenses, excluding non-cash items	852,000
Project management fees and interest income	(252,000)
Exploration budget paid by Midland (covering the exploration work requirements following the December 2013 flow-through private placement of \$749,959)	1,155,000
Staking and property maintenance	75,000
Total	<u>1,830,000</u>

Management is of the opinion that it will be able to meet its current exploration obligations and to keep its properties in good standing for at least the next two years with the actual working capital. Advanced exploration of some of the mineral properties would require substantially more financial resources. In the past, the Corporation has been able to rely on its ability to raise funds in the capital markets. There is no assurance that such financing will be available when required, or under terms that are favourable to the Corporation. The Corporation aims to advance the exploration and development of its mineral assets through joint-venture participation.

Summary of results per quarter

For the eight most recent quarters:

	<u>September 30, 2014</u>	<u>June 30 2014</u>	<u>March 31 2014</u>	<u>December 31 2013</u>
	\$	\$	\$	\$
Revenues	74,204	27,059	35,856	35,464
Loss	(1,397,949)	(141,146)	(248,268)	(187,223)
Loss per share, basic and diluted	(0.05)	-	(0.01)	(0.01)
Total assets	9,892,800	10,741,442	10,959,546	10,869,758
	<u>September 30, 2013</u>	<u>June 30, 2013</u>	<u>March 31, 2013</u>	<u>December 31, 2012</u>
	\$	\$	\$	\$
Revenues	2,536	1,194	5,518	9,622
Loss	(106,783)	(110,868)	(225,479)	(244,960)
Loss per share, basic and diluted	-	-	(0.02)	(0.01)
Total assets	9,953,971	9,897,527	10,041,598	10,343,353

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Fourth quarter

The Corporation reported a loss of \$1,397,949 for Q4-14 compared to a loss of \$106,783 for Q4-13.

The Corporation earned project management fees of \$67,056 in Q4-14 (\$2,536 in Q4-13). In Q4-14, the main project with a partner, Pallas, was operated by Midland whereas in Q4-13, the main project explored with partners, Casault, was operated by the partner.

Total expenses increased to \$1,555,803 in Q4-14 compared to \$330,455 in Q4-13:

- During Q4-14, some claims were dropped and the Corporation impaired partially Ytterby for \$1,230,273. During Q4-13 James Bay Fe and James Bay Au properties were partially impaired for \$73,717 and \$17,615 respectively.

The Corporation incurred \$945,234 (\$1,042,342 in Q4-13) in exploration expenses of which \$661,776 (\$24,805 in Q4-13) was recharged to the partners. The exploration expenses incurred in Q4-14 were mostly executed on Bay James Eleonore whereas in Q4-13 the exploration work was mostly done on the James Bay Au and Jouvex properties. The Corporation acquired properties for \$50,566 net mostly on Lac Musset, Samson, La Peltrie and Jouvex (\$55,079 in Q4-13 for James Bay Au, Jouvex and Laflamme).

Compensation to key management and related party transactions

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>2014</u>	<u>2013</u>
	\$	\$
Short-term benefits		
Salaries including bonuses and benefits	281,875	253,406
Professional fees	57,857	48,031
Salaries including bonuses and benefits capitalized in exploration and evaluation expenses	125,400	165,240
Long-term benefits		
Stock-based compensation	170,451	187,933
Stock-based compensation capitalized in exploration and evaluation expenses	<u>28,248</u>	<u>30,594</u>
Total compensation	<u>663,831</u>	<u>685,204</u>

Related party transactions

In the normal course of operations, in addition to the amounts listed above in the compensation to key management:

- ◆ 75,000 shares options were exercised at a price between of \$0.60 and \$0.65 by key management in Fiscal 13;
- ◆ A firm in which René Branchaud (director and corporate secretary) is a partner charged professional fees amounting to \$49,624 (\$91,935 in Fiscal 13) of which \$34,819 (\$58,548 in Fiscal 13) was expensed and \$14,804 (\$33,387 in Fiscal 13) was recorded as share issue expenses;
- ◆ A company controlled by Ingrid Martin (chief financial officer) charged professional fees of \$48,368 (\$45,690 in Fiscal 13) for her staff;
- ◆ In December 2013, directors and officers of the Corporation participated in a private placement of flow-through shares for a total consideration of \$103,600 (\$97,598 in December 2012).

As at September 30, 2014, the balance due to the related parties amounted to \$7,394 (\$5,393 in September 30, 2013).

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Subsequent events

See investing activities section for the Casault and Jouvex properties as well as the financing activities section.

Outstanding share data

	As of December 10, 2014	As of September 30, 2014
	Number	Number
Common shares	32,443,625	30,306,512
Options	1,780,000	1,780,000
Warrants	951,216	401,001
	35,174,841	32,487,513

Stock option plan

The purpose of the stock option plan is to serve as an incentive for the directors, officers and service providers who will be motivated by the Corporation's success as well as to promote ownership of common shares of the Corporation by these people. There is no performance indicator relating to profitability or risk attached to the plan.

The number of common shares granted is determined by the Board of Directors. On December 20, 2012, 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 3,000,000 to 4,000,000. Such amendment to the plan was approved by the Corporation's shareholders during the annual meeting held on February 19, 2013. The exercise price of any option granted under the plan shall be fixed by the Board of Directors at the time of grant and shall not be lower than the closing price on the day preceding the grant. The term of the option will not exceed ten years from the date of grant. The options normally vest 1/6 per 3 months from the grant date, or otherwise as determined by the Board of Directors.

Off-balance sheet arrangements

During Fiscal 14, the Corporation did not set up any off-balance sheet arrangements.

Commitment

In September 2012, an amendment was signed to extend the lease for office space for five years, from March 2013 to February 2018. The rent was \$21,875 for the first year and thereafter will be indexed annually at the highest of the increase of the consumer price index or 2.5%.

Critical accounting estimates

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results could differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. Information about the significant judgments that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

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Critical accounting estimates (Cont'd)

Judgements

Impairment of exploration and evaluation ("E&E") assets

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases.

Determining whether to test for impairment of E&E assets requires management's judgment, among others, regarding the following: the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed; substantive expenditure on further E&E of mineral resources in a specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the E&E asset is unlikely to be recovered in full from successful development or by sale.

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs must be determined. Identifying the cash-generating units requires considerable management judgment. In testing an individual asset or cash-generating unit for impairment and identifying a reversal of impairment losses, management estimates the recoverable amount of the asset or the cash-generating unit. This requires management to make several assumptions as to future events or circumstances. These assumptions and estimates are subject to change if new information becomes available. Actual results with respect to impairment losses or reversals of impairment losses could differ in such a situation and significant adjustments to the Corporation's assets and earnings may occur during the next period.

The total impairment loss of the E&E assets is \$1,288,721 for Fiscal 14 (\$118,450 for Fiscal 13). No reversal of impairment losses has been recognized for the reporting periods.

Deferred taxes

The assessment of availability of future taxable profits involves judgment. A deferred tax asset is recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized. Judgment is also involved in the determination of the expected manner of realisation or settlement of the carrying amount of the Corporation's assets and liabilities which is expected to be through the sale of the Corporation's assets.

Valuation of credit on duties refundable for loss and the refundable tax credit for resources

Refundable credit on mining duties and refundable tax credit related to resources for the current and prior periods are measured at the amount expected to be recovered from the taxation authorities using the tax rates and tax laws that have been enacted or substantively enacted at the statement of financial position date. Uncertainties exist with respect to the interpretation of tax regulations, including credit on mining duties and tax credit related to resources for which certain expenditures could be disallowed by the taxation authorities in the calculation of credits, and the amount and timing of their collection. The calculation of the Corporation's credit on mining duties and tax credit related to resources necessarily involves a degree of estimation and judgment in respect of certain items whose tax treatment cannot be finally determined until notice of assessments and payments have been received from the relevant taxation authority. Differences arising between the actual results following final resolution of some of these items and the assumptions made, or future changes to such assumptions, could necessitate adjustments to credit on mining duties and tax credit related to resources, exploration and evaluation assets and expenses, and income tax expense in future periods.

Midland Exploration Inc.
Management's Discussion and Analysis
For the year ended September 30, 2014

Critical accounting estimates (Cont'd)

The amounts recognized in the financial statements are derived from the Corporation's best estimation and judgement as described above. However, the inherent uncertainty regarding the outcome of these items means that eventual resolution could differ from the accounting estimates and therefore impact the Corporation's financial position and its financial performance and cash flows.

Financial instruments

Description

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to receive the cash flows from the financial asset have expired, or when the financial asset and all substantial risks and rewards have been transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value. Financial assets and financial liabilities are measured subsequently as described below.

The category of financial instruments determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income. All income relating to financial instruments that are recognized in profit or loss are presented within interest income.

Financial assets

The Corporation's cash and cash equivalents and accounts receivable fall into the *loans and receivables* category. The Corporation's investments fall into the *held-to-maturity* category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held-to-maturity if the Corporation has the intention and ability to hold them until maturity.

Held-to-maturity investments are measured subsequently at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Impairment of financial assets

All financial assets are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired.

Objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial reorganization.

Midland Exploration Inc.

Management's Discussion and Analysis

For the year ended September 30, 2014

Financial instruments (Cont'd)

Individually significant accounts receivable are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Financial liabilities

The accounts payable and accrued liabilities and the advance received for exploration work fall into the *Financial liabilities measured at amortized cost* category.

Financial liabilities measured at amortized cost

Accounts payable and accrued liabilities and advance received for exploration work are measured at amortized cost using the effective interest method.

Financial risk management

The Corporation is exposed to various financial risks resulting from both its operations and its investments activities. The Corporation's management manages financial risks. The Corporation does not enter into financial instrument agreements including derivative financial instruments for speculative purposes. The Corporation's main financial risk exposure and its financial risk management policies are as follows:

Interest rate fair value risk

The Corporation's interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The investments included in cash and cash equivalents and also investments bear interest at a fixed rate and the Corporation is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations. Interest rates 1% higher (lower) would have decreased (increased) the fair value of these by \$7,048 as of September 30, 2014 (\$7,639 as of September 30, 2013). The Corporation's other financial assets and liabilities do not comprise any interest rate risk since they do not bear interest.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Corporation is subject to concentrations of credit risk through cash and cash equivalents, investments and accounts receivable. The Corporation reduces its credit risk by maintaining part of its cash and cash equivalents in financial instruments guaranteed held with a Canadian chartered bank and the other part in financial instruments held with an independent investment dealer member of the Canadian Investor Protection Fund. In Fiscal 14 and 13, the investments are composed of guaranteed investment certificates issued by Canadian banks. The Corporation aims at signing partnership agreements with established companies and follows closely their cash position to reduce its credit risk on accounts receivable.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet the obligations associated with its financial liabilities. As of September 30, 2014, the Corporation had enough funds available to meet its financial liabilities and future financial liabilities from its commitments for the Fiscal 15.

Fair value

The carrying value of cash and cash equivalents, accounts receivable, investments, accounts payable and accrued liabilities and advance received for exploration work are considered to be a reasonable approximation of their fair value because of the short-term maturity and contractual terms of these instruments.

Risk factors

The following discussions review a number of important risks which management believes could impact the Corporation's business. There are other risks, not identified below, which currently, or may in the future exist in the Corporation's operating environment.

Midland Exploration Inc.

Management's Discussion and Analysis

For the year ended September 30, 2014

Risk factors (Cont'd)

Exploration and Mining Risks

The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Currently, there are no known bodies of commercial ore on the mineral properties of which the Corporation intends to acquire an interest and the proposed exploration program is an exploratory search for ore. Unusual or unexpected formations, formation pressures, fires, power outages, labor disruptions, flooding, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labor are other risks involved in the conduct of exploration programs. The Corporation, from time to time, increases its internal exploration and operating expertise with due advice from consultants and others as required. The economics of developing gold and other mineral properties is affected by many factors including the cost of operations, variation of the grade of ore mined and fluctuations in the price of any minerals produced. There are no underground or surface plants or equipment on the Corporation's mineral properties.

Titles to Property

While the Corporation has diligently investigated title to the various properties in which it has interest, and to the best of its knowledge, title to those properties are in good standing, this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements or transfer, or native or government land claims, and title may be affected by undetected defects.

Permits and Licenses

The Corporation's operations may require licenses and permits from various governmental authorities. There can be no assurance that the Corporation will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

Metal Prices

Even if the Corporation's exploration programs are successful, factors beyond the control of the Corporation may affect marketability of any minerals discovered. Metal prices have historically fluctuated widely and are affected by numerous factors beyond the Corporation's control, including international, economic and political trends, expectations for inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and worldwide production levels. The effect of these factors cannot accurately be predicted.

Competition

The mining industry is intensely competitive in all its phases. The Corporation competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral interests as well as for recruitment and retention of qualified employees.

Environmental Regulations

The Corporation's operations are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, release or emission of various substances produced in association with certain mining industry operations, such as seepage from tailing disposal areas, which could result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require submissions to and approval of environmental impact assessments. Environmental legislation is evolving in a manner, which means stricter standards, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Corporation intends to fully comply with all environmental regulations.

Midland Exploration Inc.

Management's Discussion and Analysis

For the year ended September 30, 2014

Risk factors (Cont'd)

Conflicts of Interest

Certain directors and officers of the Corporation are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors or officers of the Corporation are required by law to act honestly and in good faith with a view to the best interests of the Corporation and to disclose any interest, which they may have in any project or opportunity of the Corporation. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Corporation will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Corporation may be exposed and its financial position at that time.

Stage of Exploration

The Corporation's properties are in the exploration stage and to date none of them have a proven ore body. The Corporation does not have a history of earnings or return on investment, and there is no assurance that it will produce revenue, operate profitably or provide a return on investment in the future.

Industry Conditions

Mining and milling operations are subject to government regulations. Operations may be affected in varying degrees by government regulations such as restrictions on production, price controls, tax and mining duty increases, expropriation of property, pollution controls or changes in conditions under which minerals may be mined, milled or marketed. The marketability of minerals may be affected by numerous factors beyond the control of the Corporation, such as government regulations. The Corporation undertakes exploration in areas that are or could be the subject of native land claims. Such claims could delay work or increase exploration costs. The effect of these factors cannot be accurately determined.

Uninsured Hazards

Hazards such as unusual geological conditions are involved in exploring for and developing mineral deposits. The Corporation may become subject to liability for pollution or other hazards, which cannot be insured against or against which the Corporation may elect not to insure because of high premium costs or other reasons. The payment of any such liability could result in the loss of Corporation assets or the insolvency of the Corporation.

Capital Needs

The exploration, development, mining and processing of the Corporation's properties will require substantial additional financing. The only current source of future funds available to the Corporation is the sale of additional equity capital. There is no assurance that such funding will be available to the Corporation or that it will be obtained on terms favourable to the Corporation or will provide the Corporation with sufficient funds to meet its objectives, which may adversely affect the Corporation's business and financial position. Failure to obtain sufficient financing may result in delaying or indefinite postponement of exploration, development or production on any or all of the Corporation's properties or even a loss of property interest.

Key Employees

Management of the Corporation rests on a few key officers, the loss of any of whom could have a detrimental effect on its operations. The Corporation has a key man insurance covering the President of the Corporation.

Canada Revenue Agency and provincial agencies

No assurance can be made that Canada Revenue Agency and provincial agencies will agree with the Corporation's characterization of expenditures as Canadian exploration expenses or Canadian development expense or the eligibility of such expenses as Canadian exploration expense under the Income Tax Act (Canada) or any provincial equivalent.

Midland Exploration Inc.
Management's Discussion and Analysis
For the year ended September 30, 2014

Forward looking information

This management's discussion and analysis contains forward looking statements reflecting Midland's objectives, estimates and expectations. These statements are identified by the use of verbs such as "believe", "anticipate", "estimate", and "expect". As well as the use of the future or conditional tense. By their very nature, these types of statements involve risk and uncertainty. Consequently, results could differ materially from the Corporation's projections or expectations. The Corporation does not undertake to update any forward-looking statements except to the extent required by securities regulations.

December 10, 2014

(s) Gino Roger
Gino Roger
President and CEO

(s) Ingrid Martin
Ingrid Martin
CFO



December 10, 2014

Independent Auditor's Report

**To the shareholders of
Midland Exploration Inc.**

We have audited the accompanying financial statements of Midland Exploration Inc., which comprise the statements of financial position as at September 30, 2014 and 2013 and the statements of comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

*PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.
1250 René-Lévesque Boulevard West, Suite 2800, Montréal, Quebec, Canada H3B 2G4
T: +1 514 205 5000, F: +1 514 876 1502, www.pwc.com/ca*



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Midland Exploration Inc. as at September 30, 2014 and 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP¹

¹ CPA auditor, CA, public accountancy permit No. A123642

Midland Exploration Inc.

Statements of Financial Position

As at September 30, 2014 and 2013

	As at September 30, 2014	As at September 30, 2013
	\$	\$
Assets		
Current assets		
Cash and cash equivalents (note 5)	1,667,402	1,262,538
Investments (note 6)	2,060,000	2,060,000
Accounts receivable	62,983	68,955
Sales tax receivable	118,335	120,910
Tax credits and mining rights receivable	66,578	149,699
Prepaid expenses	24,168	22,366
	<u>3,999,466</u>	<u>3,684,468</u>
Non-current assets		
Exploration and evaluation assets (note 7)		
Exploration properties	1,090,489	1,030,972
Exploration and evaluation expenses	4,802,845	5,238,531
	<u>5,893,334</u>	<u>6,269,503</u>
Total assets	<u>9,892,800</u>	<u>9,953,971</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	464,004	341,054
Advance received for exploration work	370,329	-
Liability related to the premium on flow-through share	27,460	-
Total liabilities	<u>861,793</u>	<u>341,054</u>
Equity		
Capital stock (note 8)	17,270,485	16,133,166
Warrants	30,818	52,542
Contributed surplus	1,959,018	1,639,751
Deficit	(10,229,314)	(8,212,542)
Total equity	<u>9,031,007</u>	<u>9,612,917</u>
Total liabilities and equity	<u>9,892,800</u>	<u>9,953,971</u>

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

On behalf of the Board

(s) Jean-Pierre Janson

Jean-Pierre Janson
Director

(s) Gino Roger

Gino Roger
President, Director

Midland Exploration Inc.

Statements of Comprehensive Loss

For the years ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
	\$	\$
Revenues		
Project management fees	165,435	18,870
Residual gain on option payments on mining assets	7,148	-
	<u>172,583</u>	<u>18,870</u>
Operating Expenses		
Salaries	328,600	310,293
Stock-based compensation	170,451	187,933
Travel	54,310	44,083
Rent and insurance	48,074	48,601
Office expenses	87,593	80,383
Regulatory fees	31,368	38,185
Conferences and mining industry involvement	77,477	113,646
Press releases and investors relations	63,896	67,333
Professional fees	197,048	197,329
General exploration	12,059	9,820
Impairment of exploration and evaluation assets (note 7)	1,288,721	118,450
Operating expenses	<u>2,359,597</u>	<u>1,216,056</u>
Other gains or losses		
Interest income	<u>56,565</u>	<u>66,743</u>
Loss before income taxes	(2,130,449)	(1,130,443)
Recovery of deferred income taxes (note 11)	<u>155,863</u>	<u>442,353</u>
Loss and comprehensive loss	<u>(1,974,586)</u>	<u>(688,090)</u>
Basic and diluted loss per share (note 10)	(0.07)	(0.02)

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

Midland Exploration Inc.

Statements of Change in Equity

For the years ended September 30, 2014 and 2013

	Number of shares outstanding	Capital stock	Warrants	Contributed surplus	Deficit	Total equity
		\$	\$	\$	\$	\$
Balance at Oct. 1, 2013	28,671,225	16,133,166	52,542	1,639,751	(8,212,542)	9,612,917
Loss and comprehensive loss	-	-	-	-	(1,974,586)	(1,974,586)
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)
	833,286	566,636	-	-	-	566,636
Stock-based compensation	-	-	-	266,725	-	266,725
Warrants expired	-	-	(52,542)	52,542	-	-
Share issue expenses	-	-	-	-	(42,186)	(42,186)
Balance at Sept. 30, 2014	30,306,512	17,270,485	30,818	1,959,018	(10,229,314)	9,031,007

	Number of shares outstanding	Capital stock	Warrants	Contributed surplus	Deficit	Total equity
		\$	\$	\$	\$	\$
Balance at Oct. 1, 2012	26,611,079	13,592,641	-	1,395,806	(7,254,782)	7,733,665
Loss and comprehensive loss	-	-	-	-	(688,090)	(688,090)
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)
	1,105,882	1,382,352	-	-	-	1,382,352
Acquisition of a mining property	60,000	57,000	-	-	-	57,000
Options exercised	125,000	135,750	-	(54,500)	-	81,250
Stock-based compensation	-	-	-	298,445	-	298,445
Issuance of broker warrants	-	-	17,922	-	(17,922)	-
Share issue expenses	-	-	-	-	(251,748)	(251,748)
Balance at Sept. 30, 2013	28,671,225	16,133,166	52,542	1,639,751	(8,212,542)	9,612,917

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

Midland Exploration Inc.

Statements of Cash Flows

For the years ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
	\$	\$
Operating activities		
Loss	(1,974,586)	(688,090)
Adjustment for:		
Residual gain on option payments on mining assets	(7,148)	-
Stock-based compensation	170,451	187,933
Impairment of exploration and evaluation assets	1,288,721	118,450
Recovery of deferred income taxes	(155,863)	(442,353)
	<u>(678,425)</u>	<u>(824,060)</u>
Changes in non-cash working capital items		
Accounts receivable	5,972	58,511
Sales tax receivable	2,575	42,892
Tax credits and mining rights receivable	(3,534)	-
Prepaid expenses	(1,802)	11,425
Accounts payable and accrued liabilities	258,827	18,933
Advance received for exploration work	370,329	-
	<u>632,367</u>	<u>131,761</u>
	<u>(46,058)</u>	<u>(692,299)</u>
Financing activities		
Private placement	601,501	1,000,043
Flow-through private placement	749,959	1,824,705
Exercise of options	-	81,250
Share issue expenses	(42,186)	(251,748)
	<u>1,309,274</u>	<u>2,654,250</u>
Investing activities		
Additions to investments	-	(2,060,000)
Disposals of investments	-	2,527,000
Additions to exploration properties	(178,896)	(407,891)
Disposals of exploration properties	60,000	90,000
Additions to exploration and evaluation expenses	(901,795)	(2,034,375)
Tax credits and mining rights received	162,339	125,488
	<u>(858,352)</u>	<u>(1,759,778)</u>
Net change in cash and cash equivalents	404,864	202,173
Cash and cash equivalents – beginning	1,262,538	1,060,365
Cash and cash equivalents - ending	<u>1,667,402</u>	<u>1,262,538</u>

See note 15

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

Midland Exploration Inc.

Notes to Financial Statements

September 30, 2014 and 2013

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 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. Summary of significant accounting policies

Basis of presentation

The accompanying financial statements have been prepared in accordance with the *International Financial Reporting Standards* (“IFRS”) as issued by the *International Accounting Standards Board* (“IASB”). The accounting policies, method of computation and presentation applied to these financial statements are consistent with those of the previous financial year. These financial statements were approved and authorized for issue by the Board of Directors on December 10, 2014.

Basis of measurement

These financial statements have been prepared on a historical cost basis.

Functional and presentation currency

The financial statements are presented in Canadian dollars, which is the Corporation’s functional currency.

Jointly controlled assets and exploration activities

A jointly controlled asset involves joint control and offers joint ownership by the Corporation and other venturers of assets contributed to or acquired for the purpose of the joint venture, without the formation of a corporation, partnership or other entity.

Where the Corporation’s activities are conducted through jointly controlled assets and exploration activities, the financial statements include the Corporation’s share in the assets and the liabilities as well as in the income and the expenses from the joint operations.

Financial instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to receive the cash flows from the financial asset have expired, or when the financial asset and all substantial risks and rewards have been transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

Midland Exploration Inc.

Notes to Financial Statements

September 30, 2014 and 2013

2. Summary of significant accounting policies (Cont'd)

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value. Financial assets and financial liabilities are measured subsequently as described below.

The category of financial instruments determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income. All income relating to financial instruments that are recognized in profit or loss are presented within other gains or losses.

Financial assets

The Corporation's cash and cash equivalents and accounts receivable fall into the *loans and receivables* category. The Corporation's investments fall into the *held-to-maturity* category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held-to-maturity if the Corporation has the intention and ability to hold them until maturity.

Held-to-maturity investments are measured subsequently at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognised in profit or loss.

Impairment of financial assets

All financial assets are subject to review for impairment at least at each annual reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired.

Objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial reorganization.

Individually significant accounts receivable are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Financial liabilities

The accounts payable and accrued liabilities and the advance received for exploration work fall into the *Financial liabilities measured at amortized cost* category.

Financial liabilities measured at amortized cost

Accounts payable and accrued liabilities and advance received for exploration work are measured at amortized cost using the effective interest method.

Midland Exploration Inc.

Notes to Financial Statements

September 30, 2014 and 2013

2. Summary of significant accounting policies (Cont'd)

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and short-term liquid investments with original maturities of three months or less or cashable at any time without penalties.

Taxes credits and mining rights receivable

The Corporation is entitled to a refundable tax credit on qualified exploration expenditures incurred and a refundable credit on duties for losses under the Mining Tax Act. These tax credits are recognized as a reduction of the exploration and evaluation expenses incurred. As management intends to realize the carrying value of its assets and settle the carrying value of its liabilities through the sale of its exploration and evaluation assets, the related deferred tax has been calculated accordingly.

Exploration and evaluation assets

Exploration and evaluation ("E&E") assets are comprised of exploration properties and E&E expenses. All costs incurred prior to obtaining the legal rights to undertake E&E activities on an area of interest are expensed as incurred.

E&E assets include rights in exploration properties, paid or acquired through a business combination or an acquisition of assets, and costs related to the initial search for mineral deposits with economic potential or to obtain more information about existing mineral deposits.

Mining rights are recorded at acquisition cost or at fair value in the case of a devaluation caused by an impairment of value. Mining rights and options to acquire undivided interests in mining rights are depreciated only as these properties are put into commercial production.

E&E expenses for each separate area of interest are capitalized (net from E&E expenses recharged to partners) and include costs associated with prospecting, sampling, trenching, drilling and other work involved in searching for ore like topographical, geological, geochemical and geophysical studies. They also reflect costs related to establishing the technical and commercial viability of extracting a mineral resource identified through exploration or acquired through a business combination or asset acquisition.

E&E expenses include the cost of:

- ◆ establishing the volume and grade of deposits through drilling of core samples, trenching and sampling activities in an ore body;
- ◆ determining the optimal methods of extraction and metallurgical and treatment processes;
- ◆ studies related to surveying, transportation and infrastructure requirements;
- ◆ permitting activities; and
- ◆ economic evaluations to determine whether development of the mineralized material is commercially justified, including scoping, prefeasibility and final feasibility studies.

When a mine project moves into the development phase, E&E expenses are capitalized to mine development costs in property and equipment. An impairment test is performed before reclassification and any impairment loss is recognized in the statement of comprehensive loss.

E&E expenses include overhead expenses directly attributable to the related activities.

Midland Exploration Inc.

Notes to Financial Statements

September 30, 2014 and 2013

2. Summary of significant accounting policies (Cont'd)

Cash flows attributable to capitalized E&E costs are classified as investing activities in the statement of cash flows.

From time to time, the Corporation may acquire or dispose of a property pursuant to the terms of an option agreement. Due to the fact that options are exercisable entirely at the discretion of the option holder, the amounts payable or receivable are not recorded. Option payments are recorded when they are made or received. Proceeds on the sale of exploration properties are applied by property in reduction of the exploration properties, then in reduction of the E&E expenses and any residual is recorded in the statement of comprehensive loss unless there is contractual work required in which case the residual gain is deferred and will reduce the contractual disbursements when done.

Funds received from partners on certain properties where the Corporation is the operator in order to perform exploration work as per agreements, are accounted for in the statement of financial position as advances received for upcoming exploration work. These advances are reduced gradually when the exploration work is performed. The project management fees received when the Corporation is the operator are recorded in the statement of comprehensive loss when the E&E expenses are charged back to the partner. When the partner is the operator, the management fees are recorded in the statement of financial position as E&E expenses.

Operating lease agreements

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under an operating lease are charged to the statement of comprehensive loss or capitalized in the E&E expenses on a straight-line basis over the period of the lease. Related expenses, such as maintenance and insurance expenses, are charged as incurred.

Impairment of non-financial assets

E&E assets are reviewed for impairment, by area of interest, if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Corporation estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately in the statement of comprehensive loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized as a reduction in the impairment charge for the period.

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Midland Exploration Inc.

Notes to Financial Statements

September 30, 2014 and 2013

2. Summary of significant accounting policies (Cont'd)

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not provided for if they arise from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred income tax assets and liabilities are presented as noncurrent and are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Equity

Capital stock represents the amount received on the issue of shares. Warrants represent the allocation of the amount received for units issued as well as the charge recorded for the broker warrants relating to financing. Contributed surplus includes charges related to stock options until they are exercised and the warrants that are expired and not exercised. Deficit includes all current and prior period retained profits or losses and share issue expenses.

Proceeds from unit placements are allocated between shares and warrants issued on a pro-rata basis of their value within the unit using the Black-Scholes pricing model.

Flow-through shares

The Corporation finances some E&E expenses through the issuance of flow-through shares. The resource expenditure deductions for income tax purposes are renounced to investors in accordance with the appropriate income tax legislation. The difference between the amount recorded as common share and the amount paid by the investors for the shares (the "premium"), measured with the residual value method, is accounted for as flow-through share premium, which is reversed to income as recovery of deferred income taxes when the eligible expenses are incurred. The Corporation recognizes a deferred tax liability for flow-through shares and a deferred tax expense, at the moment the eligible expenditures are incurred.

Share and warrant issue expenses

Share and warrant issue expenses are accounted for in the year in which they are incurred and are recorded as a deduction to equity in the deficit in the year in which the shares are issued.

Midland Exploration Inc.

Notes to Financial Statements

September 30, 2014 and 2013

2. Summary of significant accounting policies (Cont'd)

Stock-based compensation

The Corporation operates an equity-settled share-based remuneration plan (share options plan) for its eligible directors, officers, employees and consultants. The Corporation's plan does not feature any options for a cash settlement.

An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Corporation. The expense is recorded over the vesting period for employees and over the period covered by the contract for non-employees.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values, unless that fair value cannot be estimated reliably. If the Corporation cannot estimate reliably the fair value of the goods or service received, the Corporation shall measure their value indirectly by reference to the fair value of the equity instruments granted. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date using the Black Scholes option pricing model and excludes the impact of non-market vesting conditions.

All equity-settled share-based payments (except warrants to brokers) are ultimately recognized as an expense in the statement of comprehensive loss or capitalized as an E&E expenses on the statement of financial position, depending on the nature of the payment with a corresponding credit to contributed surplus, in equity. Warrants to brokers, in respect of an equity financing are recognized as share issue expense reducing the equity in the deficit with a corresponding credit to warrants.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs are recorded as capital stock. The accumulated charges related to the share options recorded in contributed surplus are then also transferred to capital stock.

Loss per share

Loss per share is calculated using the weighted average number of shares outstanding during the year. Diluted loss per share is calculated using the weighted average number of shares outstanding during the year for the calculation of the dilutive effect of warrants and stock options unless they have an anti-dilutive effect.

Revenue recognition

The project management fees received when the Corporation is the operator are recorded in the statement of comprehensive loss when the exploration work recharged to the partners are incurred.

Segment disclosures

The Corporation currently operates in a single segment – the acquisition, exploration and evaluation of exploration properties. All of the Corporation's activities are conducted in Canada.

Midland Exploration Inc.

Notes to Financial Statements

September 30, 2014 and 2013

3. Accounting standards issued but not yet effective

The most relevant standards, amendments and interpretations issued but not yet effective up to the date of the issuance of these financial statements are listed below.

IFRS 9, Financial Instruments, (“IFRS 9”)

In July 2014, the IASB issued IFRS 9 – Financial Instruments. The IASB has previously published versions of IFRS 9 that introduced new classification and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). The July 2014 publication represents the final version of the Standard, replaces earlier versions of IFRS 9 and completes the IASB’s project to replace IAS 39 – Financial Instruments: Recognition and Measurement.

This standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset or liability and own credit. The standard introduces a new, expected loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and it lowers the threshold for recognition of full lifetime expected losses. The new standard also introduces a substantially-reformed model for hedge accounting with enhanced disclosures about risk management activity and aligns hedge accounting more closely with risk management. The new standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The extent of the impact of adoption of IFRS 9 has not yet been determined.

IFRIC 21, Levies (“IFRIC 21”)

In May 2013, the IASB issued IFRIC 21, Levies. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014, and is to be applied retrospectively. IFRIC 21 provides guidance for levies in accordance with IAS 37, Provision, Contingent Liabilities and Contingent Assets. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. The Corporation will adopt IFRIC 21 in its financial statements for the fiscal year beginning October 1, 2014. The Corporation does not expect to have a material impact on its financial statements following the adoption of IFRIC 21.

IAS 36 Impairment of Assets (“IAS 36”)

IAS 36 Impairment of Assets has been revised to incorporate amendments issued by the IASB in May 2013. The amendments more accurately reflect the IASB’s previous decision to require: the disclosure of the recoverable amount of impaired assets; and additional disclosures about the measurement of the recoverable amount of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount. The amendments are effective for annual periods beginning on or after January 1, 2014 and have been early adopted by the Corporation for the fiscal year beginning October 1, 2013.

Midland Exploration Inc.

Notes to Financial Statements

September 30, 2014 and 2013

4. Critical accounting estimates, judgments and assumptions

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results could differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. Information about the significant judgments that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

Judgements

Impairment of E&E assets

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases.

Determining whether to test for impairment of E&E assets requires management's judgment, among others, regarding the following: the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed; substantive expenditure on further E&E of mineral resources in a specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the E&E asset is unlikely to be recovered in full from successful development or by sale.

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs must be determined. Identifying the cash-generating units requires considerable management judgment. In testing an individual asset or cash-generating unit for impairment and identifying a reversal of impairment losses, management estimates the recoverable amount of the asset or the cash-generating unit. This requires management to make several assumptions as to future events or circumstances. These assumptions and estimates are subject to change if new information becomes available. Actual results with respect to impairment losses or reversals of impairment losses could differ in such a situation and significant adjustments to the Corporation's assets and earnings may occur during the next period.

The total impairment loss of the E&E assets recognized is \$1,288,721 for the year ended September 30, 2014 (\$118,450 for 2013). No reversal of impairment losses has been recognized for the reporting periods.

Deferred taxes

The assessment of availability of future taxable profits involves judgment. A deferred tax asset is recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized. Judgment is also involved in the determination of the expected manner of realisation or settlement of the carrying amount of the Corporation's assets and liabilities which is expected to be through the sale of the Corporation's assets.

Midland Exploration Inc.

Notes to Financial Statements

September 30, 2014 and 2013

4. Critical accounting estimates, judgments and assumptions (Cont'd)

Valuation of credit on duties refundable for loss and the refundable tax credit for resources

Refundable credit on mining duties and refundable tax credit related to resources for the current and prior periods are measured at the amount expected to be recovered from the taxation authorities using the tax rates and tax laws that have been enacted or substantively enacted at the statement of financial position date. Uncertainties exist with respect to the interpretation of tax regulations, including credit on mining duties and tax credit related to resources for which certain expenditures could be disallowed by the taxation authorities in the calculation of credits, and the amount and timing of their collection. The calculation of the Corporation's credit on mining duties and tax credit related to resources necessarily involves a degree of estimation and judgment in respect of certain items whose tax treatment cannot be finally determined until notice of assessments and payments have been received from the relevant taxation authority. Differences arising between the actual results following final resolution of some of these items and the assumptions made, or future changes to such assumptions, could necessitate adjustments to credit on mining duties and tax credit related to resources, exploration and evaluation assets and expenses, and income tax expense in future periods.

The amounts recognized in the financial statements are derived from the Corporation's best estimation and judgement as described above. However, the inherent uncertainty regarding the outcome of these items means that eventual resolution could differ from the accounting estimates and therefore impact the Corporation's financial position and its financial performance and cash flows.

5. Cash and cash equivalents

	As at September 30, 2014	As at September 30, 2013
	\$	\$
Cash	664,362	315,538
Guaranteed investment certificate bearing interest of 1.20%, maturing February 20, 2014	-	947,000
Guaranteed investment certificate bearing interest between 1.15% and 1.25%, maturing between December 22, 2014 and February 23, 2015	1,003,040	-
	<u>1,667,402</u>	<u>1,262,538</u>

The instruments that compose cash and cash equivalents are cashable any time without any penalties.

6. Investments

	As at September 30, 2014	As at September 30, 2013
	\$	\$
Guaranteed investment certificates, not cashable before the expiry date, between 1.90% and 2.05% interest, maturing between November 26, 2014 and December 18, 2014, with a maturity value of \$2,142,129	2,060,000	2,060,000
	<u>2,060,000</u>	<u>2,060,000</u>

As of September 30, 2014, the balance on flow-through financing not spent according to the restrictions imposed by this financing represents \$111,510 (none as of September 30, 2013) and is included in the investments. The Corporation has to dedicate these funds to Canadian mining properties exploration.

Midland Exploration Inc.

Notes to Financial Statements

September 30, 2014 and 2013

7. Exploration and evaluation assets

The following tables disclose the acquisition costs of exploration properties:

Acquisition costs	Undivided	As at	Additions	Option	Impair-	As at
	interest	Sept. 30,		payments	ment	Sept. 30,
	%	2013	\$	\$	\$	2014
		\$	\$	\$	\$	\$
Abitibi						
Maritime-Cadillac	49	290,437	-	-	-	290,437
Laflamme	61.6	61,867	10,010	-	(2,784)	69,093
Patris	100	88,996	(1,924)	-	-	87,072
Casault	100	3,628	13,089	-	-	16,717
Valmond	100	8,346	1,464	(9,810)	-	-
Jouvex	100	29,978	17,416	-	(3,150)	44,244
Heva	100	89,591	5,612	-	-	95,203
Samson	100	-	32,852	(32,852)	-	-
La Peltrie	100	-	9,362	-	-	9,362
Abitibi Or	100	-	77,521	-	-	77,521
Grenville-Appalaches						
Weedon	100	43,810	2,828	-	(9,200)	37,438
Gatineau	100	19,209	2,172	-	(2,693)	18,688
James Bay						
James Bay Au	100	160,854	28,023	-	(8,686)	180,191
James Bay U	100	9,828	-	-	-	9,828
James Bay Fe	100	44,917	2,891	-	-	47,808
Eleonore	100	88,372	18,520	-	(29,162)	77,730
Northern Quebec						
Pallas PGE	100	59,540	(48,239)	-	-	11,301
Willbob	100	-	1,130	-	-	1,130
Quebec Labrador						
Ytterby	50	25,307	1,916	-	(25,711)	1,512
Project Generation	100	6,292	11,695	-	(2,773)	15,214
		<u>1,030,972</u>	<u>186,338</u>	<u>(42,662)</u>	<u>(84,159)</u>	<u>1,090,489</u>

Acquisition costs	Undivided	As at	Additions	Option	Impair-	As at
	interest	Sept. 30,		payments	ment	Sept. 30,
	%	2012	\$	\$	\$	2013
		\$	\$	\$	\$	\$
Abitibi						
Maritime-Cadillac	49	290,416	21	-	-	290,437
Laflamme	60	16,894	49,718	-	(4,745)	61,867
Patris	100	16,637	72,359	-	-	88,996
Casault	100	-	3,791	(163)	-	3,628
Valmond	100	11,822	1,742	-	(5,218)	8,346
Jouvex	100	16,877	13,101	-	-	29,978
Heva	100	-	89,591	-	-	89,591
Grenville-Appalaches						
Weedon	100	41,115	15,162	-	(12,467)	43,810
Gatineau	100	7,272	11,937	-	-	19,209
James Bay						
James Bay Au	100	109,744	73,413	-	(22,303)	160,854
James Bay U	100	4,459	5,369	-	-	9,828
James Bay Fe	100	35,145	29,506	-	(19,734)	44,917
Eleonore	100	66,312	22,060	-	-	88,372
Northern Quebec						
Pallas PGE	100	-	59,540	-	-	59,540
Quebec Labrador						
Ytterby	50	11,388	13,919	-	-	25,307
Project Generation	100	4,961	1,331	-	-	6,292
		<u>633,042</u>	<u>462,560</u>	<u>(163)</u>	<u>(64,467)</u>	<u>1,030,972</u>

Midland Exploration Inc.

Notes to Financial Statements

September 30, 2014 and 2013

7. Exploration and evaluation assets (Cont'd)

The following two tables disclose details of exploration and evaluation expenses:

E&E expenses	Undivided	As at	Additions	Option	Tax	Impair-	As at
	interest	Sept. 30,					Sept. 30,
	%	2013	\$	payments	credits	ment	2014
		\$	\$	\$	\$	\$	\$
Abitibi							
Maritime-Cadillac	49	228,787	4,178	-	-	-	232,965
Laflamme	61.6	1,167,804	143,709	-	(999)	-	1,310,514
Patris	100	179,176	31,913	-	(2,334)	-	208,755
Casault	100	214,479	78,480	-	(2,877)	-	290,082
Valmond	100	113,507	22,166	(10,190)	(1,528)	-	123,955
Jouvex	100	237,576	111,080	-	(2,566)	-	346,090
Heva	100	16,149	2,720	-	(306)	-	18,563
Abitibi Au	100	-	36,859	-	(218)	-	36,641
Grenville-Appalaches							
Weedon	100	359,196	33,991	-	(5,174)	-	388,013
Gatineau	100	28,648	132	-	(14)	-	28,766
James Bay							
James Bay Au	100	162,521	57,004	-	(2,848)	-	216,677
James Bay U	100	14,686	-	-	-	-	14,686
James Bay Fe	100	42,158	-	-	-	-	42,158
Eleonore	100	949,831	241,004	-	(15,696)	-	1,175,139
Northern Quebec							
Pallas PGE	100	210,168	41,654	-	(35,734)	-	216,088
Willbob	100	-	5,116	-	-	-	5,116
Quebec Labrador							
Ytterby	50	1,277,720	39,144	-	(3,212)	(1,204,562)	109,090
Project Generation	100	36,125	5,600	-	(2,178)	-	39,547
		<u>5,238,531</u>	<u>854,750</u>	<u>(10,190)</u>	<u>(75,684)</u>	<u>(1,204,562)</u>	<u>4,802,845</u>

E&E expenses	Undivided	As at	Additions	Option	Tax	Impair-	As at
	interest	Sept. 30,					Sept. 30,
	%	2012	\$	payments	credits	ment	2013
		\$	\$	\$	\$	\$	\$
Abitibi							
Maritime-Cadillac	49	214,241	14,833	-	(287)	-	228,787
Laflamme	60	592,050	578,568	-	(2,814)	-	1,167,804
Patris	100	85,044	98,017	-	(3,885)	-	179,176
Casault	100	276,006	28,310	(89,837)	-	-	214,479
Valmond	100	73,139	41,038	-	(670)	-	113,507
Jouvex	100	18,957	219,988	-	(1,369)	-	237,576
Heva	100	-	16,149	-	-	-	16,149
Grenville-Appalaches							
Weedon	100	198,458	187,856	-	(27,118)	-	359,196
Gatineau	100	25,593	3,913	-	(858)	-	28,648
James Bay							
James Bay Au	100	111,249	60,045	-	(8,773)	-	162,521
James Bay U	100	14,686	-	-	-	-	14,686
James Bay Fe	100	59,703	36,541	-	(103)	(53,983)	42,158
Eleonore	100	366,786	651,833	-	(68,788)	-	949,831
Northern Quebec							
Pallas PGE	100	-	227,060	-	(16,892)	-	210,168
Quebec Labrador							
Ytterby	50	1,171,617	107,636	-	(1,533)	-	1,277,720
Project Generation	100	34,704	1,421	-	-	-	36,125
		<u>3,242,233</u>	<u>2,273,208</u>	<u>(89,837)</u>	<u>(133,090)</u>	<u>(53,983)</u>	<u>5,238,531</u>

Midland Exploration Inc.

Notes to Financial Statements

September 30, 2014 and 2013

7. Exploration and evaluation assets (Cont'd)

a) Maritime-Cadillac

The Corporation holds 49% of the Maritime-Cadillac property located south of the Lapa mine, along the Cadillac-Lardner fault, subject to a 2% net smelter return ("NSR") royalty; half of the royalty can be bought back for a payment of \$1,000,000.

As permitted in the agreement signed in June 2009 and amended in November 2012 and May 2013, Agnico Eagle Mines Limited ("Agnico Eagle") indicated that it wants to increase its undivided interest from 50% to possibly 65% during a three-year period by financing a bankable feasibility study with respect to the Maritime-Cadillac property or by assuming all mining operations on the Maritime-Cadillac property. If conditions are met, it will earn 1% additional interest for every \$1,000,000 spent on the Maritime-Cadillac property (up to 15% by spending \$15,000,000). In June 2013, Agnico Eagle completed additional work for \$1,000,000 and consequently earned a 51% interest in the property. Agnico Eagle and the Corporation are now in a joint venture and future work will be shared 51% Agnico Eagle - 49% Midland.

b) Abitibi Au

The Corporation staked claims in the Abitibi region.

c) Laflamme Au-Cu

The Corporation holds 61.6% of the Laflamme property located west of Lebel-sur-Quévillon in the Abitibi region.

On August 17, 2009, the Corporation signed an agreement with North American Palladium Ltd. ("NAP"). As of July 31, 2011, NAP earned its 50% interest in the Laflamme property following a \$100,000 cash payment and \$1,000,000 exploration work completed or credited. In December 2012, NAP decided not to contribute anymore and therefore its interest was diluted. Since December 2012, Midland is the operator. In March 2013, NAP announced the sale of its subsidiary holding the Quebec gold assets to Maudore Minerals Ltd. Following the exploration work of \$704,744 done since January 2013, the interest of Midland is 61.6% as at September 30, 2014.

Some claims were dropped therefore the Corporation impaired partially for \$2,784 the exploration property cost (\$4,745 in 2013).

d) Patris

The Corporation holds the Patris property located northeast of Rouyn-Noranda. The Patris property now includes the claims of the old Dunn property.

Some claims are subject to the following NSR royalties:

- 1%, the Corporation can buy it back for \$500,000 per 0.5% tranche;
- 2%, the Corporation can buy it back for \$1,000,000 per 1% tranche.

On November 12, 2012, the Corporation acquired a 100% interest in some claims adjacent to the Patris property in exchange for a payment of \$50,000. Part of the claims are subject to a 2% NSR royalty, the Corporation may buy back that royalty in total or in two parts upon a payment of \$1,000,000 per 1% for a total of \$2,000,000. The other part of the claims is subject to a 1% NSR royalty; the Corporation may buy back the royalty in total or in two parts upon a payment of \$500,000 per 0.5%, for a total of \$1,000,000.

Midland Exploration Inc.

Notes to Financial Statements

September 30, 2014 and 2013

7. Exploration and evaluation assets (Cont'd)

On July 24, 2013, the Corporation acquired a 100% interest in some claims adjacent to the Patris property in exchange for a payment of \$5,000. The claims are subject to a 1.5% NSR royalty, the Corporation may buy back that royalty in total or in three parts upon a payment of \$500,000 per 0.5% for a total of \$1,500,000.

The Corporation signed an option agreement with Teck Resources Ltd ("Teck") on September 6, 2013 and amended it on May 20, 2014 to accommodate the delays in permitting. Under the agreement, Teck may earn, in three options, a maximum interest of 65%, by fulfilling the following conditions:

	<u>Payments in cash</u>	<u>Work</u>
	<u>\$</u>	<u>\$</u>
First Option for a 50% initial interest		
On or before August 31, 2015 (firm commitment)	-	500,000
On or before August 31, 2016	-	800,000
On or before August 31, 2017	-	1,700,000
	-	<u>3,000,000</u>
Second Option for a 10% additional interest		
On or before August 31, 2019, \$500,000 of exploration work and \$60,000 cash payment for each additional 2% interest	300,000	2,500,000
Third Option for a 5% additional interest		
On or before August 31, 2021, \$1,000,000 of exploration work for each additional 1% interest	-	5,000,000
Total, for a 65% maximum interest	<u>300,000</u>	<u>10,500,000</u>

Midland will be project operator during the First Option.

e) Casault

The Corporation holds claims north of the city of LaSarre.

On November 16, 2011, the Corporation signed an agreement with a company formally known as Osisko Mining Corporation ("Osisko") whereby Osisko could have acquired 50% of the Casault property subject to \$600,000 (\$170,000 completed as of September 30, 2013) cash payments and \$6,000,000 (\$2,901,629 completed) exploration works up to October 31, 2016. On October 16, 2013, Osisko terminated the option agreement.

Midland Exploration Inc.

Notes to Financial Statements

September 30, 2014 and 2013

7. Exploration and evaluation assets (Cont'd)

f) Valmond

The Corporation holds claims west of Matagami. On November 19, 2013, the Corporation signed an agreement with Sphinx Resources Ltd. ("Sphinx") (previously Donner Metals Ltd.) whereby Sphinx can acquire 50% of the Valmond property subject to the following conditions (amended on October 31, 2014):

	Payments in cash	Work
	\$	\$
Upon signing (completed)	20,000	-
On or before December 31, 2014 (work completed)	50,000	300,000
On or before November 19, 2015 (\$230,277 work completed)	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	<u>250,000</u>	<u>2,500,000</u>

- 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.

Some claims were dropped in 2013 therefore the Corporation impaired partially for \$5,218 the exploration property cost.

g) Jouvex

The Corporation owns claims southwest of Matagami. Some claims were dropped in 2014 therefore the Corporation impaired partially for \$3,150 the exploration property cost.

h) Heva

On April 25, 2013, the Corporation signed an agreement with Arianne Resources Inc. to acquire a 100% interest in the Heva property located along and proximal to the Cadillac Break, less than 5 kilometres northwest of the town of Malartic. In consideration for the acquisition, the Corporation paid cash \$30,000 and issued 60,000 common shares with a fair value of \$57,000 which is based on the closing of the Corporation's shares on April 25, 2013. The claims are subject to a 2% NSR royalty to the original holders; half of the royalty can be bought back for a payment of \$1,000,000.

Midland Exploration Inc.

Notes to Financial Statements

September 30, 2014 and 2013

7. Exploration and evaluation assets (Cont'd)

i) Samson

The Corporation acquired by map staking several mining claims locate north of the city of La Sarre.

On September 3, 2014, the Corporation signed an agreement with Sphinx whereby Sphinx can acquire 50% of the Samson property subject to the following conditions:

	Payments in cash	Work
	\$	\$
Upon signing (completed)	40,000	-
On or before September 3, 2015 (\$350,000 firm commitment) (\$7,010 work completed)	40,000	500,000
On or before September 3, 2016	50,000	700,000
On or before September 3, 2017	70,000	900,000
On or before September 3, 2018	75,000	1 400,000
Total	<u>275,000</u>	<u>3,500,000</u>

- 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.

j) La Peltrie

The Corporation acquired by map designation several mining claims locate east of the Lower Detour area.

GRENVILLE-APPALACHES

k) Weedon

The Corporation holds the Weedon property situated south of Quebec City. Some claims are subject to a 1% NSR royalty and the Corporation can buy back the royalty for \$500,000 per 0.5%. Some other claims are subject to a 0.5% NSR royalty and the Corporation can buy back this royalty for \$500,000.

On June 14, 2013, the Corporation acquired a 100% interest in a claim adjacent to the Weedon property in exchange for a 1.5% NSR royalty on metals except gold and silver, the Corporation may buy back that royalty in total or in three tranches upon a payment of \$500,000 per 0.5% tranche for a total of \$1,500,000.

Some claims were dropped therefore the Corporation impaired partially for \$9,200 (\$12,467 in 2013) the exploration property cost.

l) Gatineau Zn

The Corporation owns claims located in the Gatineau region. Some claims were dropped in 2014 therefore the Corporation impaired partially for \$2,693.

Midland Exploration Inc.

Notes to Financial Statements

September 30, 2014 and 2013

7. Exploration and evaluation assets (Cont'd)

JAMES BAY

m) James Bay Au

The Corporation owns claims in the James Bay region in the sub-provinces of La Grande and Opinaca. Some claims were dropped therefore the Corporation impaired partially for \$8,686 the exploration property cost in 2014 (\$22,303 in 2013).

n) James Bay U

The Corporation owns claims in the James Bay region.

o) James Bay Fe

The Corporation owns claims east of the Duncan deposit in the James Bay region. Some claims were dropped and therefore the Corporation partially impaired its exploration and evaluation asset for \$73,717 in 2013.

p) Eleonore

The Corporation staked claims near the Éléonore gold discovery of Goldcorp, in the James Bay region. Some claims were dropped therefore the Corporation impaired partially for \$29,162 the exploration property cost in 2014 (\$88,341 in 2013).

NORTHERN QUEBEC

q) Pallas PGE

The Corporation acquired by map staking several mining claims located west of Kuujjuak in Nunavik.

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 (completed)	700,000
On or before March 31, 2016 (\$68,105 completed)	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.

r) Willbob

The Corporation acquired by map designation several mining claims locate in the Labrador Trough.

Midland Exploration Inc.

Notes to Financial Statements

September 30, 2014 and 2013

7. Exploration and evaluation assets (Cont'd)

QUEBEC / LABRADOR

s) Ytterby

The Corporation staked claims northeast of Schefferville.

On February 23, 2010, the Corporation signed a memorandum of agreement (and on July 29, 2011 a definitive agreement) with JOGMEC whereby JOGMEC acquired a right to acquire a 50% interest in the Ytterby property by funding \$2,700,000 exploration work.

The Corporation is the operator during the farm-in period. A party which declines to participate in an approved program will be diluted in its participation interest. If a party's interest dilutes to 10% or less, its interest will be converted to a 1.5% NSR royalty and the other party may purchase such royalty by paying \$1,500,000. A party may give notice to the other party that it wishes to operate through a joint venture company. Once a joint venture company is formed, each party has the right to purchase any mineral in proportion of its shareholding in the joint venture company. JOGMEC shall have the first right of refusal to purchase at the prevailing market prices any mineral that is equivalent to the proportionate shareholding of the joint venture company. Until a joint venture company is formed, any mineral production derived from the property shall be taken in kind in proportion of the party's interest.

In August 2011, JOGMEC completed all the farm-in requirements and earned its 50% interest. As of the date of these financial statements, JOGMEC has not yet given its notice of exercise of option.

The claims on the main bloc were kept and the ones on the other blocs were dropped, therefore the Corporation impaired partially the project for \$1,230,273 in 2014.

PROJECT GENERATION

t) Project generation

The Corporation continued geological compilation programs and staking in Quebec for the acquisition of strategic gold, uranium and base metal properties. Some claims were dropped and the Corporation wrote off the related exploration properties costs and E&E expenses for \$2,773 in 2014.

8. Equity

Authorized

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

a) Private placements

2013

On December 21, 2012, the Corporation completed a brokered private placement by issuing 769,264 units at \$1.30 per unit and 1,105,882 flow-through shares at \$1.65 per share, for total gross proceeds of \$2,824,748. 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 \$1.75 until June 21, 2014. The Corporation paid the broker a cash fee of \$150,735 and issued 85,342 broker warrants entitling them to acquire 85,342 shares at \$1.30 per share until June 21, 2014.

Midland Exploration Inc.

Notes to Financial Statements

September 30, 2014 and 2013

8. Equity (Cont'd)

From the total compensation received from the units, \$34,620 has been allocated to warrants and \$965,423 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 35.89%, a risk free interest rate of 1.06% and an expected life of the warrants of 18 months.

The total broker warrants cost amounted to \$17,922 and was recorded as share issue cost. This \$17,922 fair value was estimated using the Black-Scholes model with the same assumptions as the warrants.

On December 21, 2012, the Corporation's share closed at \$1.25 on the TSX Venture, therefore the residual value attributed to the benefit related to flow-through shares renunciation is \$0.40 for a total value of \$442,353 credited to other liabilities. As of September 30, 2013, the Corporation has completed the \$1,824,705 exploration work relating to this flow-through private placement.

2014

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 September 30, 2014, the Corporation completed \$638,449 of exploration work relating to this flow-through private placement and therefore the other liabilities account was reduced to \$27,460.

b) Warrants

Changes in the Corporation's number of outstanding warrants were as follow:

	2014		2013	
	Number	Amount	Number	Amount
Balance – Beginning of year	469,975	\$ 52,542	-	-
Issued following a private placement (note 8a)	401,001	30,818	469,975	52,542
Expired	(469,975)	(52,542)	-	-
Balance – End of year	<u>401,001</u>	<u>30,818</u>	<u>469,975</u>	<u>52,542</u>

Midland Exploration Inc.

Notes to Financial Statements

September 30, 2014 and 2013

8. Equity (Cont'd)

Warrants outstanding as at September 30, 2014 are as follows:

<u>Number of warrants</u>	<u>Exercise price</u>	<u>Expiry date</u>
	\$	
401,001	1.00	June 19, 2015
<u>401,001</u>		

c) Policies and processes for managing capital

The capital of the Corporation consists of the items included in equity of \$9,031,007 as of September 30, 2014 (\$9,612,917 as of September 30, 2013). The Corporation's objectives when managing capital are to safeguard its ability to continue its operations as well as its acquisition and exploration programs. As needed, the Corporation raises funds in the capital markets. The Corporation does not use long term debts since it does not generate operating revenues. There is no dividend policy. The Corporation does not have any externally imposed capital requirements neither regulatory nor contractual requirements to which it is subject, unless the Corporation closes a flow-through private placement in which case the funds are reserved in use for exploration expenses (and the Corporation was in compliance during the year).

9. Employee remuneration

a) Salaries

	<u>2014</u>	<u>2013</u>
	\$	\$
Salaries	663,032	669,300
Benefits	79,403	75,828
	<u>742,435</u>	<u>745,128</u>
Less : salaries and benefits capitalized in E&E assets	(413,835)	(434,835)
Salaries disclosed on the statement of comprehensive loss	<u>328,600</u>	<u>310,293</u>

b) Stock-based compensation

	<u>2014</u>	<u>2013</u>
	\$	\$
Stock-based compensation	266,725	298,445
Less : stock-based compensation capitalized in the E&E assets	(96,274)	(110,512)
Stock-based compensation disclosed on the statement of comprehensive loss	<u>170,451</u>	<u>187,933</u>

The Corporation has a stock option plan (the "Plan"). The number of common shares granted is determined by the Board of Directors. On December 20, 2012, 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 3,000,000 to 4,000,000. Such amendment to the plan was approved by the Corporation's shareholders during the annual meeting held on February 19, 2013. The exercise price of any option granted under the plan shall be fixed by the Board of Directors at the time of grant and shall not be lower than the closing price on the day preceding the grant. The term of the option will not exceed ten years from the date of grant. The options normally vest 1/6 per 3 months from the grant date, or otherwise as determined by the Board of Directors.

Midland Exploration Inc.

Notes to Financial Statements

September 30, 2014 and 2013

9. Employee remuneration (Cont'd)

On February 19, 2013, the Corporation granted to its directors, officers, employees and consultants 345,000 options exercisable at \$1.25, 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 \$251,850 for an estimated fair value of \$0.73 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 63% expected volatility, 1.78% 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.

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 in the Corporation's common share purchase options is presented below:

	2014		2013	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Balance – Beginning of year	1,520,000	1.31	1,300,000	1.26
Granted	605,000	0.85	345,000	1.25
Exercised	-	-	(125,000)	0.65
Expired	(345,000)	0.70	-	-
Balance – End of year	<u>1,780,000</u>	<u>1.27</u>	<u>1,520,000</u>	<u>1.31</u>
Balance – End of year exercisable	<u>1,376,668</u>	<u>1.40</u>	<u>1,290,000</u>	<u>1.32</u>

The weighted average price of the Corporation's share on the TSX Venture when exercised was \$1.08 in 2013.

Midland Exploration Inc.

Notes to Financial Statements

September 30, 2014 and 2013

9. Employee remuneration (Cont'd)

The following table summarizes information about common share purchase options outstanding and exercisable as at September 30, 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	345,000	1.25	February 19, 2023
605,000	201,668	0.85	February 20, 2024
<u>1,780,000</u>	<u>1,376,668</u>		

10. Loss per share

The calculation of basic loss per share is based on the loss for the year divided by the weighted average number of shares in circulation during the year. In calculating the diluted loss per share, potential common shares such as share options and warrants have not been included as they would have the effect of decreasing the loss per share. Decreasing the loss per share would be antidilutive. Details of share options and warrants issued that could potentially dilute earnings per share in the future are given in Notes 8 and 9.

	<u>2014</u>	<u>2013</u>
	\$	\$
Loss	(1,974,586)	(688,090)
Weighted average number of basic and diluted outstanding shares	29,948,093	28,140,398
Basic and diluted net loss per share	(0.07)	(0.02)

11. Income taxes

The income tax expense is made up of the following component:

	<u>2014</u>	<u>2013</u>
	\$	\$
Recovery of deferred income taxes		
Premium on flow-through share issuance	155,863	442,353
Total recovery of deferred income taxes	<u>155,863</u>	<u>442,353</u>

Midland Exploration Inc.

Notes to Financial Statements

September 30, 2014 and 2013

11. Income taxes (Cont'd)

The provision for income taxes presented in the financial statements is different from what would have resulted from applying the combined Canadian Statutory tax rate as a result of the following:

	<u>2014</u>	<u>2013</u>
	\$	\$
Loss before income taxes	(2,130,449)	(1,130,443)
Combined federal and provincial income tax at 26.90%	(573,091)	(304,089)
Non-deductible expenses	85,412	54,743
Tax effect of renounced flow-through share expenditures	171,743	481,327
Amortization of flow-through share premiums	(155,863)	(442,353)
Unrecognized temporary differences	315,525	(254,903)
Other elements	411	22,922
Recovery of deferred income taxes	<u>(155,863)</u>	<u>(442,353)</u>

The ability to realize the tax benefits is dependent upon a number of factors, including the sale of properties. Deferred tax assets are recognized only to the extent that it is probable that sufficient taxable profits will be available to allow the asset to be recognized. Accordingly, some deferred tax assets have not been recognized; these deferred tax assets not recognized amount to \$940,000.

As at September 30, 2014 and 2013, significant components of the Corporation's deferred income tax assets and liabilities are as follows:

	<u>2014</u>	<u>2013</u>
	\$	\$
Deferred income tax assets		
Non-capital losses	1,458,000	1,263,000
Donations	14,000	10,000
Share and warrant issue expenses	50,000	71,000
Total deferred income tax assets	<u>1,522,000</u>	<u>1,344,000</u>
Deferred income tax liabilities		
E&E assets	<u>582,000</u>	<u>730,000</u>
Total deferred income tax liabilities	<u>582,000</u>	<u>730,000</u>
Deferred income tax assets not recognized	<u>940,000</u>	<u>614,000</u>

Midland Exploration Inc.

Notes to Financial Statements

September 30, 2014 and 2013

11. Income taxes (Cont'd)

As of September 30, 2014, expiration dates of losses available to reduce future years' income tax are:

	<u>Federal</u>	<u>Provincial</u>
	\$	\$
2015	96,000	103,000
2026	84,000	69,000
2027	126,000	112,000
2027	177,000	183,000
2028	540,000	514,000
2029	645,000	631,000
2030	726,000	713,000
2031	677,000	663,000
2032	748,000	736,000
2033	906,000	891,000
2034	753,000	741,000

12. 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>2014</u>	<u>2013</u>
	\$	\$
Short-term benefits		
Salaries including bonuses and benefits	281,875	253,406
Professional fees	57,857	48,031
Salaries including bonuses and benefits capitalized in E&E expenses	125,400	165,240
Long-term benefits		
Stock-based compensation	170,451	187,933
Stock-based compensation capitalized in E&E expenses	28,248	30,594
Total compensation	<u>663,831</u>	<u>685,204</u>

b) Related party transactions

In the normal course of operations, in addition to the amounts listed above in the compensation to key management (Note 12a):

- ♦ 75,000 shares options were exercised at a price between of \$0.60 and \$0.65 by key management in 2013;
- ♦ A firm in which an officer is a partner charged professional fees amounting to \$49,624 (\$91,935 in 2013) of which \$34,819 (\$58,548 in 2013) was expensed and \$14,805 (\$33,387 in 2013) was recorded as share issue expenses;
- ♦ A company controlled by an officer charged professional fees of \$48,368 (\$45,690 in 2013);
- ♦ In December 2013, directors and officers of the Corporation participated in a private placement of flow-through shares (Note 8a) for a total consideration of \$103,600 (\$97,598 in December 2012).

As at September 30, 2014, the balance due to the related parties amounted to \$7,394 (\$5,393 in September 30, 2013).

Midland Exploration Inc.

Notes to Financial Statements

September 30, 2014 and 2013

13. Operating lease

The Corporation's future minimum operating lease payments are as follows (assuming that the consumer price index will be the same as the one published October 2014 by Statistic Canada for a 12-month period which was 2.0%):

	As of September 30, 2014
	\$
Within 1 year	23,304
1 to 5 years	58,674
After 5 years	-
Total	<u>81,978</u>

In 2010, the Corporation rented premises and had committed for three years until February 2013 with an annual rent of \$20,154 for the first year, \$20,467 for the second year and \$20,779 for the third year ending February 2013. The Corporation was also responsible for its proportionate share of the non-residential surtax and the water surtax representing 163\$ per month in 2014.

In September 2012, an amendment was signed to extend the lease for five years, from March 2013 to February 2018. The rent will be \$21,875 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 had the option to terminate the lease on February 28, 2014 and chose not to.

Lease payments recognized as an expense during the reporting period amounted to \$24,256 (\$22,551 in 2013). This amount consists of minimum lease payments.

14. Financial instruments

The Corporation is exposed to various financial risks resulting from both its operations and its investment activities. The Corporation's management manages financial risks. The Corporation does not enter into financial instrument agreements including derivative financial instruments for speculative purposes. The Corporation's main financial risk exposure and its financial risk management policies are as follows:

Interest rate fair value risk

The Corporation's interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The investments included in cash and cash equivalents and also investments bear interest at a fixed rate and the Corporation is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations. Interest rates 1% higher (lower) would have decreased (increased) the fair value of these by \$7,048 as of September 30, 2014 (\$7,639 as of September 30, 2013). The Corporation's other financial assets and liabilities do not comprise any interest rate risk since they do not bear interest.

Midland Exploration Inc.

Notes to Financial Statements

September 30, 2014 and 2013

14. Financial instruments (Cont'd)

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Corporation is subject to concentrations of credit risk through cash and cash equivalents, investments and accounts receivable. The Corporation reduces its credit risk by maintaining part of its cash and cash equivalents in financial instruments held with a Canadian chartered bank and the other part in financial instruments held with an independent investment dealer member of the Canadian Investor Protection Fund. In 2014 and 2013, the investments are composed of guaranteed investment certificates issued by Canadian banks. The Corporation aims at signing partnership agreements with established companies and follows closely their cash position to reduce its credit risk on accounts receivable. All receivable amounts are current.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet the obligations associated with its financial liabilities. As of September 30, 2014, the Corporation had enough funds available to meet its financial liabilities and future financial liabilities from its commitments for the year 2015. All accounts payable and accrued liabilities terms are less than 31 days.

Fair value

The carrying value of cash and cash equivalents, accounts receivable, investments and accounts payable and accrued liabilities and advance received for upcoming exploration work are considered to be a reasonable approximation of their fair value because of the short-term maturity and contractual terms of these instruments.

The carrying amounts and fair values of financial instruments presented in the statement of financial position are as follows:

	<u>September 30, 2014</u>		<u>September 30, 2013</u>	
	<u>Carrying amount</u>	<u>Fair Value</u>	<u>Carrying amount</u>	<u>Fair value</u>
	\$	\$	\$	\$
Financial assets				
<i>Loans and receivables</i>				
Cash and cash equivalents	1,667,402	1,667,402	1,262,538	1,262,538
Accounts receivable	62,983	62,983	68,955	68,955
<i>Held to maturity investments</i>				
Investments	2,060,000	2,060,000	2,060,000	2,060,000
Financial liabilities				
<i>Financial liabilities measured at amortized cost</i>				
Accounts payable and accrued liabilities	464,004	464,004	341,054	341,054
Advance received for exploration work	370,329	370,329	-	-

Fair value estimates are made at the statement of financial position date, based on relevant market information and other information about financial instruments.

Midland Exploration Inc.

Notes to Financial Statements

September 30, 2014 and 2013

15. Additional information on cash flows

	<u>2014</u>	<u>2013</u>
	\$	\$
Stock-based compensation included in E&E expenses	96,274	110,512
Additions of exploration properties and E&E expenses included in accounts payable and accrued liabilities	74,559	210,436
Tax credits receivable applied against E&E expenses	47,469	133,090
Exercise of options credited to capital stock	-	54,500
Interest received	55,245	62,382

16. Subsequent event

a) Casault and Jouvex

On October 10, 2014, the Corporation signed a letter of intent with SOQUEM INC. ("SOQUEM") to grant SOQUEM the option to acquire a 50% undivided interest in its Casault and Jouvex properties, and to create a joint venture once the option has been exercised, under the following conditions.

	<u>Works</u>
	\$
On or before October 10, 2015 (firm commitment)	1,000,000
On or before October 10, 2016	1,000,000
On or before October 10, 2017	1,000,000
On or before October 10, 2018	1,500,000
	<u>4,500,000</u>

The Corporation will be project operator during the option period.

b) Private placement

On December 3, 2014, the Corporation completed a private placement by issuing 1,100,430 units at \$0.70 per unit and 1,036,683 flow-through shares at \$0.85 per share, for total gross proceeds of \$1,651,481. 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 \$0.95 until December 2, 2016.

Midland Exploration Inc.

Corporate Information

Directors

Jean-Pierre Janson, Chairman of the board ^{1) 2)}
Gino Roger
Germain Carrière ^{1) 2) 3)}
Robert I. Valliant ^{1) 3)}
René Branchaud ³⁾

Notes:

- 1) *Member of the Audit committee*
- 2) *Member of the Compensation Committee*
- 3) *Member of the Corporate Governance Committee*

Officers

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

Head Office

1 Place Ville Marie, Suite 4000
Montreal, Quebec, H3B 4M4

Exploration Office

132 Labelle Blvd, Suite 220
Rosemere, Quebec, J7A 2H1
Tel. : (450) 420-5977
Fax : (450) 420-5978
Email : info@midlandexploration.com
Website : www.midlandexploration.com

Auditors

PricewaterhouseCoopers, L.L.P.
1250 René-Lévesque Blvd West, Suite 2800
Montreal, Quebec, H3B 2G4

Legal counsel

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

Transfer Agent

Computershare Investor Services Inc.
1500 University, Suite 700
Montreal, Quebec, H3A 3S8
Tel.: (514) 982-7888