# Annual Report
# 2016

**Midland Exploration Inc.**
1, Place Ville Marie, Suite 4000, Montreal (Quebec) H3B 4M4
Tel.: 450.420.5977 Fax : 450.420.5978

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Dear shareholders,

It is a sincere pleasure for me to present Midland Exploration Inc.'s 2016 annual report.

Midland is a dynamic and pro-active mineral exploration company that is led by a highly-respected management and technical team with a proven mine-finding track record. During the year 2016, we further improved our exploration team by hiring new and very talented geologists. Midland targets the excellent mineral potential and the favourable investment climate of Quebec to discover new world-class deposits of gold, platinum group elements ("PGE") and base metals. Midland is proud to count on reputable partners such as Agnico Eagle Mines Limited, Teck Resources Limited, Osisko Exploration James Bay Inc. ("Osisko"), SOQUEM Inc., Japan Oil, Gas and Metals National Corporation and Abcourt Mines Inc.

Midland continues to pursue its strategy of exploring in partnership across Quebec and achieved significant progress in 2016. Midland discovered new mineralized zones on its various projects, signed a new partnership agreement with Osisko, and continued to generate and acquire new gold properties with very strong potential for discoveries (in the Detour and Eleonore areas). In addition, we also increased Midland's visibility and exposure in 2016, taking part in a number of major promotional events throughout the year, which enabled us to attract new and important shareholders. Here are the highlights of the past year:

- ***Several new high-grade gold occurrences discovered on Heva, grading up to 24.1 g/t Au over 0.50 m (in channel sample)***
- ***Several new high-grade gold showings discovered on Willbob***
- ***Discovery of the Copernick Ni-Cu-PGE zone on Laflamme***
- ***Formation of a JV with SOQUEM on Casault and Jouvex***
- ***First exploration program completed on the James Bay JV project following execution of an important agreement with Osisko***
- ***First drilling program completed in the Labrador Trough on Pallas and Willbob***
- ***Drilling program approved on Patris with Teck***
- ***Drilling program approved on Maritime Cadillac with Agnico Eagle***
- ***More than 15,000 metres drilled over the past year***
- ***Flow-through financing closed at more than $1.7 million, and more than 1 million warrants exercised***

Midland intends to continue aggressively exploring its gold, PGE and base metal projects in 2017, to discover world-class deposits. An ambitious exploration program – the most important since the Company was founded – is currently in preparation and will be deployed on the Company's best projects. Midland will continue to generate several new projects and seek to rapidly conclude additional partnership agreements for properties recently acquired in 2015 and 2016. Midland also intends to continue assessing interesting business opportunities as they arise in 2017. Midland has a very strong financial position, with an adjusted working capital of more than $15 million and no debt.

On behalf of the management team and the Board of Directors, I would like to express our most sincere acknowledgements for your confidence, your patience and your renewed support throughout the year. I would also like to take this opportunity to welcome the new shareholders who joined us during 2016. Midland is a company that counts on a dynamic and talented technical team who will spare no effort in 2017 to make one or many significant discoveries in Quebec.

*(s) Gino Roger*
Gino Roger, P.Eng.
President and CEO

The following discussion and analysis (the “MD&A”) of the financial condition and results of the operations of Midland Exploration Inc. (“Midland” or “the Corporation”) constitutes management’s review of the factors that affected the Corporation’s financial and operating performance for the year ended September 30, 2016. This MD&A should be read in conjunction with the Corporation’s audited financial statements as at September 30, 2016 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.

| Abbreviation | Period |
|---|---|
| Fiscal 14 | October 1, 2013 to September 30, 2014 |
| Q1-15 | October 1, 2014 to December 31, 2014 |
| Q2-15 | January 1, 2015 to March 31, 2015 |
| Q3-15 | April 30, 2015 to June 30, 2015 |
| Q4-15 | July 1, 2015 to September 30, 2015 |
| Fiscal 15 | October 1, 2014 to September 30, 2015 |
| Q1-16 | October 1, 2015 to December 31, 2015 |
| Q2-16 | January 1, 2016 to March 31, 2016 |
| Q3-16 | April 30, 2016 to June 30, 2016 |
| Q4-16 | July 1, 2016 to September 30, 2016 |
| Fiscal 16 | October 1, 2015 to September 30, 2016 |
| Fiscal 17 | October 1, 2016 to September 30, 2017 |

## 1. NATURE OF ACTIVITIES

Midland, incorporated on October 2, 1995 and operating under the Business Corporations Act (Québec), is a company in the mining exploration business. The Corporation’s operations include the acquisition and exploration of mining properties. The Corporation’s shares are listed on the TSX Venture Exchange (the “Exchange”) under the MD ticker.

## 2. OVERALL PERFORMANCE

Midland has an adjusted working capital of $13,787,092 as of September 30, 2016 ($16,495,139 as of September 30, 2015) which includes $3,078,910 ($6,496,000 as of September 30, 2015) of investments in guaranteed investment certificates with expiry dates over 1 year, which will allow the Corporation to execute its exploration program for at least the next three years *(note: adjusted working capital is a non-IFRS financial performance measure which has no standard definition under IFRS. See section 6: Working Capital)*.

On November 20, 2015, the Corporation completed private placements by issuing 835,365 flow-through shares respectively at $0.85 per share, for total gross proceeds of $710,060. On November 17 and 24, 2016, the Corporation completed a private placement by issuing 1,284,354 flow-through shares at $1.35 per share, for total gross proceeds of $1,733,876.

On June 13, 2016, a joint-venture agreement (50%-50%) was signed with Osisko Exploration James Bay Inc. (“Osisko”) whereby Osisko and the Corporation will cooperate and combine their efforts to explore the JV Eleonore property recently staked by the two corporations. The property is located 12 kilometres southeast and northwest of Goldcorp’s Eleonore deposit.

## 2. OVERALL PERFORMANCE (CONT'D)

As operator, Midland incurred exploration expenditures totalling $4,869,973 ($5,229,029 in Fiscal 15), on its properties of which $1,924,414 was recharged to its partners ($4,035,663 in Fiscal 15). The operating partners incurred $370,439 of exploration expenses ($767,880 in Fiscal 15). Also, the Corporation invested $443,316 ($350,195 in Fiscal 15) to complete several property acquisitions in Quebec of which $55,608 was recharged to its partners ($53,152 in Fiscal 15).

The Corporation reported a loss of $807,158 in Fiscal 16 compared to $629,098 for Fiscal 15.

**Selected annual information**

| | Fiscal 16 | Fiscal 15 | Fiscal 14 |
|---|---|---|---|
| | $ | $ | $ |
| Revenues | 107,423 | 301,452 | 172,583 |
| Loss | (807,158) | (629,098) | (1,974,586) |
| Loss per share, basic and diluted | (0.01) | (0.02) | (0.07) |

| | As at September 30, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| | $ | $ | $ |
| Total assets | 24,456,678 | 24,407,655 | 9,892,800 |

## 3. RESULTS OF OPERATIONS

Operating expenses increased to $1,332,206 for Fiscal 16 compared to $1,291,084 in Fiscal 15:

- Salaries increased to $456,275 ($348,858 in Fiscal 15). Bonuses based on objectives for $93,166 were paid ($47,000 in Fiscal 15). Since January 2016, the Corporation paid $34,875 for directors' fees (nil in Fiscal 15).
- Stock-based compensation increased to $96,951 ($66,913 in Fiscal 15). 605,000 options were granted in Fiscal 14, 475,000 in Fiscal 15 and 500,000 in Fiscal 16. Their fair value was estimated at $272,250, $123,500 and $250,000 respectively. This fair value was accounted for according to its vesting period (up to 18 months) or the period in which the services were rendered. Part of this fair value was recorded in the statement of earnings as stock-based compensation ($170,451 in Fiscal 14, $66,913 in Fiscal 15 and $96,951 in Fiscal 16) and the other part was capitalized within the deferred exploration expenses ($96,274 in Fiscal 14, $32,035 in Fiscal 15 and $16,162 in Fiscal 16). The grant of options occurred in February in Fiscal 14, while it occurred in August for Fiscal 15 and Fiscal 16.
- Conference and mining industry involvement increased to $127,278 ($99,544 in Fiscal 15). More employees from Midland participated to the conferences and also this year the New Orleans conference was added to its agenda.
- Impairment of exploration and evaluation assets (non-cash items) decreased to $82,174 ($225,826 in Fiscal 15) and the explanations can be found in the investing activities section found later in this MD&A.

Project management fees decreased to $107,423 ($299,418 in Fiscal 15). Exploration on Pallas, Casault and Jouvex in Fiscal 16 generated less fees than exploration on Pallas, Casault, Jouvex, Samson and Adam in Fiscal 15. Interest income increased to $225,491 ($121,237 in Fiscal 15) due to additional funds invested following the $14.4 million private placement closed in May 2015.

A $192,134 ($239,297 in Fiscal 15) 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 November 20, 2015 private placement (December 3 and 17, 2014 private placements in Fiscal 15).

**Midland Exploration Inc.**
Management Discussion & Analysis
For the year ended September 30, 2016

## 4. INVESTING ACTIVITIES

| Deferred exploration expenses Fiscal 16 | Balance beginning | Geology | Geophysics | Drilling | Geo-chemistry | Line cutting | Sub total | Stock-based compensation | Recharge | Tax credits | Option payment | Write-off | Net change | Balance end Fiscal 16 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| **Abitibi** | | | | | | | | | | | | | | |
| Maritime Cadillac | 232,965 | 5,736 | - | - | - | - | **5,736** | - | - | (2,611) | - | - | **3,125** | **236,090** |
| Laflamme Au | 1 507,229 | 72,290 | 88,123 | 305,091 | 19,263 | 6,352 | **491,119** | 2,591 | - | (107,086) | - | - | **386,624** | **1,893,853** |
| Patris Au | 219,143 | 9,395 | 1,093 | 4,068 | - | - | **14,556** | 2,503 | (14,556) | - | - | - | **2,503** | **221,646** |
| Casault Au | 298,888 | 98,395 | 171,736 | 1,066,313 | 115,092 | 32,287 | **1,483,823** | 15,548 | (1,427,271) | (18,280) | - | - | **53,820** | **352,708** |
| Jouvex Au | 348,457 | 30,921 | 113,208 | 167,340 | 15,543 | - | **327,012** | 3,509 | (327,012) | - | - | - | **3,509** | **351,966** |
| Heva Au | 35,133 | 148,663 | - | - | 21,227 | 900 | **170,790** | 503 | - | (49,350) | - | - | **121,943** | **157,076** |
| Valmond Au | 120,742 | - | - | - | - | - | **-** | - | - | - | - | - | **-** | **120,742** |
| Samson Au | 439 | 10,499 | 74,791 | 519 | 576 | - | **86,385** | 1,932 | - | (10,553) | - | - | **77,764** | **78,203** |
| La Peltrie | 118,209 | 26,148 | 276,334 | 247,159 | 15,384 | 63,480 | **628,505** | 3,541 | - | (97,771) | - | - | **534,275** | **652,484** |
| Adam | - | 3,602 | 32,037 | - | - | 11,625 | **47,264** | - | - | (4,423) | - | - | **42,841** | **42,841** |
| Abitibi Au | 117,841 | 18,752 | 47,813 | - | - | 6,875 | **73,440** | 347 | - | (17,984) | - | - | **55,803** | **173,644** |
| **Grenville-Appalaches** | | | | | | | | | | | | | | |
| Weedon Cu Zn Au | 484,279 | 14,845 | - | 29,445 | 594 | - | **44,884** | 347 | - | (6,280) | - | - | **38,951** | **523,230** |
| Gatineau Zn | 28,892 | 132 | - | - | - | - | **132** | - | - | - | - | - | **132** | **29,024** |
| **Bay-James** | | | | | | | | | | | | | | |
| Bay-James Au | 248,057 | 15,049 | 168 | - | 2,043 | - | **17,260** | - | - | (3,431) | - | - | **13,829** | **261,886** |
| Eleonore Au | 1,527,352 | 136,269 | - | - | 15,615 | - | **151,884** | 2,430 | - | (52,363) | - | - | **101,951** | **1,629,303** |
| JV Eleonore AU | - | 192,846 | - | - | 22,164 | - | **215,010** | 3,627 | - | (93,945) | - | - | **124,692** | **124,692** |
| **Québec Labrador** | | | | | | | | | | | | | | |
| Ytterby ETR | 172,054 | 6,144 | - | - | 5,385 | - | **11,529** | - | - | - | - | - | **11,529** | **183,583** |
| **Northern Quebec** | | | | | | | | | | | | | | |
| Pallas PGE | 269,391 | 265,441 | - | 932 | 44,812 | - | **311,185** | 4,229 | (155,575) | (59,730) | - | - | **100,109** | **369,500** |
| Willbob Au | 111,951 | 336,606 | 90,828 | 314,881 | 29,313 | - | **771,628** | 4,069 | - | (322,377) | - | - | **453,320** | **565,271** |
| **Projects generation** | 59,390 | 17,831 | - | - | - | - | **17,831** | - | - | (3,152) | - | - | **14,679** | **74,069** |
| **TOTAL** | **5,900,412** | **1,409,564** | **896,131** | **2,135,748** | **307,011** | **121,519** | **4,869,973** | **45,176** | **(1,924,414)** | **(849,336)** | **-** | **-** | **2,141,399** | **8,041,811** |

## 4. INVESTING ACTIVITIES (CON'T)

| Deferred exploration expenses Fiscal 15 | Balance beginning | Geology | Geophysics | Drilling | Geo-chemistry | Line cutting | Travelling | Sub total | Stock-based compen- | Recharge | Tax credits | Option payment | Write-off | Net change | Balance end Fiscal 15 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| **Abitibi** | | | | | | | | | | | | | | | |
| Maritime Cadillac | 232,965 | - | - | - | - | - | - | **-** | - | - | - | - | - | **-** | **232,965** |
| Laflamme Au | 1,310,514 | 20,540 | 24,499 | 25,525 | 119,290 | 5,460 | 4,417 | **199,731** | 246 | - | (3,262) | - | - | **196,715** | **1,507,229** |
| Patris Au | 208,755 | 8,870 | - | 7,258 | - | - | 651 | **16,779** | 10,388 | (16,779) | - | - | - | **10,388** | **219,143** |
| Casault Au | 290,082 | 88,122 | 161,205 | 1,565,884 | 132,650 | 47,502 | 13,916 | **2,009,279** | 3,425 | (2,003,898) | - | - | - | **8,806** | **298,888** |
| Jouvex Au | 346,090 | 30,124 | 139,704 | 282,385 | 12,166 | 49,085 | 8,256 | **521,720** | 847 | (520,200) | - | - | - | **2,367** | **348,457** |
| Heva Au | 18,563 | 12,012 | - | - | 1,967 | - | 2,591 | **16,570** | - | - | - | - | - | **16,570** | **35,133** |
| Valmond Au | 123,955 | 3,700 | - | 66,107 | 1,063 | - | 2,018 | **72,888** | 6,787 | (72,888) | - | (10,000) | - | **(3,213)** | **120,742** |
| Samson Au | - | 57,258 | 147,106 | 216,491 | 18,896 | 49,530 | 2,852 | **492,133** | 439 | (492,133) | - | - | - | **439** | **439** |
| La Peltrie | - | 4,700 | 83,047 | - | - | 30,000 | - | **117,747** | 462 | - | - | - | - | **118,209** | **118,209** |
| Adam | - | 4,610 | 152,750 | - | - | - | - | **157,360** | - | (157,360) | - | - | - | **-** | **-** |
| Abitibi Au | 36,641 | 21,033 | 60,248 | - | 460 | - | 1,815 | **83,556** | - | - | (2,356) | - | - | **81,200** | **117,841** |
| **Grenville-Appalaches** | | | | | | | | | | | | | | | |
| Weedon Cu Zn Au | 388,013 | 10,440 | 97,870 | - | - | - | 458 | **108,768** | - | - | (12,502) | - | - | **96,266** | **484,279** |
| Gatineau Zn | 28,766 | 126 | - | - | - | - | - | **126** | - | - | - | - | - | **126** | **28,892** |
| **Bay-James** | | | | | | | | | | | | | | | |
| Bay-James Au | 216,677 | - | 37,758 | - | - | - | - | **37,758** | - | - | (6,378) | - | - | **31,380** | **248,057** |
| Eleonore Au | 1,175,139 | 249,812 | 95,972 | - | 8,764 | - | 16,548 | **371,096** | 6,340 | - | (25,223) | - | - | **352,213** | **1,527,352** |
| Bay-James U | 14,686 | - | - | - | - | - | - | **-** | - | - | - | - | (14,686) | **(14,686)** | **-** |
| Bay-James Fe | 42,158 | - | - | - | - | - | - | **-** | - | - | - | - | (42 158) | **(42,158)** | **-** |
| **Quebec Labrador** | | | | | | | | | | | | | | | |
| Ytterby ETR | 109,090 | 61,843 | - | - | 787 | - | 235 | **62,865** | 99 | - | - | - | - | **62,964** | **172,054** |
| **Northern Quebec** | | | | | | | | | | | | | | | |
| Pallas PGE | 216,088 | 434,673 | - | 307,100 | 55,401 | - | 25,873 | **823,047** | 2,817 | (772,405) | (156) | - | - | **53,303** | **269,391** |
| Willbob Au | 5,116 | 108,829 | - | - | 8,934 | - | - | **117,763** | 185 | - | (11,113) | - | - | **106,835** | **111,951** |
| **Projects generation** | 39,547 | 19,373 | - | - | - | - | 470 | **19,843** | - | - | - | - | - | **19,843** | **59,390** |
| **TOTAL** | **4,802,845** | **1,136,065** | **1,000,159** | **2,470,750** | **360,378** | **181,577** | **80,100** | **5,229,029** | **32,035** | **(4,035,663)** | **(60,990)** | **(10,000)** | **(56,844)** | **1,097,567** | **5,900,412** |

## 4. INVESTING ACTIVITIES (CON'T)

| Expenses Exploration and evaluation | Actual Fiscal 15 | | | Actual Fiscal 16 | | | Budget Fiscal 16 | | | Budget Fiscal 17 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Properties | Midland | Partners | Total | Midland | Partners | Total | Midland | Partners | Total | Midland | Partners | Total |
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| **100% owned by Midland** | | | | | | | | | | | | |
| Abitibi Au | 83,556 | - | 83,556 | 73,440 | - | 73,440 | 100,000 | - | 100,000 | 255,000 | - | 255,000 |
| Heva | 16,570 | - | 16,570 | 170,790 | - | 170,790 | 80,000 | - | 80,000 | 400,000 | - | 400,000 |
| Valmond | - | 72,888 | 72,888 | - | - | - | 15,000 | - | 15,000 | 5,000 | - | 5,000 |
| La Peltrie | 117,747 | - | 117,747 | 628,505 | - | 628,505 | 550,000 | - | 550,000 | 150,000 | - | 150,000 |
| Weedon Cu-Zn-Au | 108,768 | - | 108,768 | 44,884 | - | 44,884 | 100,000 | - | 100,000 | 100,000 | - | 100,000 |
| Gatineau Zn | 126 | - | 126 | 132 | - | 132 | 20,000 | - | 20,000 | 35,000 | - | 35,000 |
| James Bay Au | 37,758 | - | 37,758 | 17,260 | - | 17,260 | 50,000 | - | 50,000 | 50,000 | - | 50,000 |
| Eleonore Au | 371,096 | - | 371,096 | 151,884 | - | 151,884 | 100,000 | - | 100,000 | 250,000 | - | 250,000 |
| Willbob | 117,763 | - | 117,763 | 771,628 | - | 771,628 | 400,000 | - | 400,000 | 1,000,000 | - | 1,000,000 |
| Samson | - | 492,133 | 492,133 | 86,385 | - | 86,385 | 50,000 | - | 30,000 | 50,000 | - | 30,000 |
| Adam | - | 157,360 | 157,360 | 47,264 | - | 47,264 | 50,000 | - | 50,000 | 50,000 | - | 50,000 |
| Project generation | 19,843 | - | 19,843 | 17,997 | - | 17,997 | 40,000 | - | 40,000 | 30,000 | - | 30,000 |
| | 873,227 | 722,381 | 1,595,608 | 2 ,010,169 | - | 2,010,169 | 1,555,000 | - | 1,555,000 | 2,355,000 | - | 2,355,000 |
| **With option, 100% owned and operated by Midland and paid by partner** | | | | | | | | | | | | |
| Pallas PGE Jogmec | 13,514 | 809,533 | 823,047 | 155,610 | 155,575 | 311,185 | 225,000 | 225,000 | 450,000 | 150,000 | 150,000 | 300,000 |
| | 13,514 | 809,533 | 823,047 | 155,610 | 155,575 | 311,185 | 225,000 | 225,000 | 450,000 | 150,000 | 150,000 | 300,000 |
| **With option, 100% owned by Midland, operated and paid by the partner** | | | | | | | | | | | | |
| Patris Au – Teck | - | 781,224 | 781,224 | - | 155,155 | 155,155 | - | 300,000 | 300,000 | - | 700,000 | 700,000 |
| **In joint venture** | | | | | | | | | | | | |
| Maritime-Cadillac-Agnico Eagle (operator) at 51% | - | - | - | 5,736 | 5,086 | 10,822 | 25,000 | 25,000 | 50,000 | 100,000 | 100,000 | 200,000 |
| Vermillon- Soquem at 52.5% | - | 3,434 | 3,434 | 16,887 | 16,476 | 33,363 | - | - | - | 10,000 | 10,000 | 20,000 |
| Ytterby REE-Jogmec at 49.5% | - | 62,865 | 62,865 | 11,529 | - | 11,529 | 20,000 | - | 20,000 | 5,000 | 5,000 | 10,000 |
| Laflamme Au – Aurbec at 35.1% | 199,731 | - | 199,731 | 491,119 | - | 491,119 | 100,000 | - | 100,000 | 150,000 | - | 150,000 |
| Casault – Soquem | 5,381 | 2,003,898 | 2,009,279 | 56,552 | 1,427,271 | 1,483,823 | - | 1,345,000 | 1,345,000 | 335,000 | 350,000 | 685,000 |
| Jouvex - Soquem | 1,520 | 520,200 | 521,720 | - | 327,012 | 327,012 | - | 510,000 | 510,000 | 48,000 | 50,000 | 98,000 |
| JV Eleonore | - | - | - | 215,010 | 208,278 | 423,288 | - | - | - | 300,000 | 300,000 | 600,000 |
| | 206,632 | 2,590,397 | 2,797,029 | 796,833 | 1,984,123 | 2,780,956 | 145,000 | 1,880,000 | 2,025,000 | 948,000 | 815,000 | 1 763,000 |
| | **1,093,373** | **4,903,535** | **5,996,908** | **2,962,612** | **2,294,853** | **5,257,465** | **1,925,000** | **2,405,000** | **4,330,000** | **3,453,000** | **1,665,000** | **5,118,000** |

## 4. 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 including work done and paid by operating partners. This table excludes stock-based compensation that has been capitalized.

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

### HIGHLIGHTS

- ***Several new high grade gold showings found on Heva up to 24.1 g/t Au over 0.50 m (channel)***
- ***Discovery of several new high grade gold showings on Willbob***
- ***Discovery of the Copernick Zone (Ni-Cu-PGE) on Laflamme***
- ***Formation of a JV with SOQUEM for Casault and Jouvex***
- ***First exploration program completed with Osisko on James Bay JV***
- ***Drilling programs completed on Pallas and Willbob in the Labrador Trough***
- ***Drilling program approved on Patris with Teck***
- ***Drilling program approved on Maritime Cadillac with Agnico Eagle***
- ***A total of 12,351.0 metres were drilled during Fiscal 16 (13,913.7 metres during Fiscal 15). Moreover, an additional 1,239.0 metres were drilled on Pallas in October 2016.***

### ABITIBI

### 4.1 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-Larder break and is composed of 7 claims. The Corporation holds 49% of the Maritime-Cadillac property located south of the Lapa mine. This property is 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 per the agreement signed in June 2009 and amended in November 2012 and May 2013, Agnico Eagle Mines Limited ("Agnico Eagle") and the Corporation are in a joint venture and future work are shared 51% Agnico Eagle - 49% the Corporation.

*Exploration work on the property*
During Q1-16, Agnico Eagle completed a 3D-Model which includes all the historical data from the Lapa and Maritime-Cadillac areas. Currently, a series of requests are being performed on the model in order to generate the next drilling targets on the Maritime-Cadillac property along the Cadillac break.

A technical meeting was held with Agnico Eagle at the end of May (Q3-16) in order to review the results of the 3D-Model in Leapfrog. During Q4-16, Agnico Eagle submitted a drilling proposal consisting in a minimum of two holes totalling 600 metres. One hole will test the intersection of a NW-SE gold-bearing structure (Dyke East) with the Maritime Contact and another hole will test the historical Maritime Cadillac zone near surface. Other possible drilling targets are being defined and this drilling program is expected to begin during Q2-17.

## 4. INVESTING ACTIVITIES (CONT'D)

### 4.2 Laflamme (Au-Ni-Cu-PGE), in partnership with Abcourt Mines Inc. 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. As at September 30, 2016, the Laflamme property consists of a total of 626 claims covering an area of approximately 33,218 hectares. As of September 30, 2016, Midland holds 70% of the property.

On August 17, 2009, the Corporation signed an agreement with Aurbec Mines Inc., (previously a subsidiary of North American Palladium Ltd.). As of July 31, 2011, Aurbec earned its 50% interest in the Laflamme property but no longer contributed in the exploration programs and therefore was diluted. On June 17, 2016, Abcourt Mines Inc. acquired the property following the bankruptcy of Aurbec.

Some claims were dropped in Fiscal 16, therefore the Corporation impaired partially for $7,147 the exploration property cost ($14,690 in Fiscal 15).

*Exploration work on the property*
During Q2-16, a borehole electromagnetic survey (BHEM) using two different loops was completed in order to locate an off-hole anomaly that had been detected in hole LA-11-08 which discovered a new Ni-Cu-PGE zone in 2011 grading 0.66% Ni, 0.35% Cu, 0.17 ppm Pt and 0.16 ppm Pd over 8.0 metres, including a higher grade interval of 1.55% Ni, 0.53% Cu, 0.26 ppm Pt and 0.28 ppm Pd over 1.60 metre. These surveys have positioned the conductor at approximately 60 metres below hole LA-11-08 at a vertical depth of about 350 metres.

While following up this new BHEM target, a new Ni-Cu-PGE zone was discovered in hole LAF-16-38. Drill hole LAF-16-38 intersected a new Ni-Cu-PGE zone with disseminated, locally semi-massive and net-textured mineralization grading 0.45% Ni, 0.33% Cu, 0.15 g/t Pt and 0.24 g/t Pd over 42.60 metres from 446.50 to 489.10 metres depth (*Note: True thickness is not known at this time with the available geological information*). Within this wide mineralized envelope, two zones with higher nickel and copper grades respectively yielded 1.11% Ni, 0.47% Cu, 0.21 g/t Pt and 0.79 g/t Pd over 3.50 metres from 449.00 to 452.50 metres, and 0.44% Ni, 0.88% Cu, 0.21 g/t Pt and 0.27 g/t Pd over 4.05 metres from 458.95 to 463.00 metres. The mineralization is hosted in ultramafic intrusive rocks that contain variable amounts of pyrrhotite ("Po"), pentlandite ("Pn"), and chalcopyrite ("Cp"), mainly occurring as disseminations but locally forming semi-massive and net-textured zones.

Following this discovery, two additional drill holes (LAF-16-39 and 40) were completed to test the Copernick zone respectively at 175 metres below and 65 metres above hole LAF-16-38. Both holes intersected altered ultramafic rocks mineralized with various amounts of Po-Pn and Cp.

Drill hole LAF-16-39: The ultramafics weakly mineralized with some sulphides (trace-1% Po-Cpy) were intersected from 593 to 714 meters. Here are the best Ni-Cu results:

- 593.80 to 594.30 (0.50 m) 0.29% Ni, 0.28% Cu
- 595.50 to 597.00 (1.50 m) 0.26% Ni, 0.15% Cu

- 634.45 to 636.00 (1.55 m) 0.41% Ni, 0.20% Cu, 0.11 g/t Au, 0.06 g/t Pt, 0.06 g/t Pd
- 638.50 to 639.50 (1.00 m) 0.30% Ni, 0.09% Cu, 0.04 g/t Au, 0.03 g/t Pt, 0.03 g/t Pd
- 639.50 to 641.00 (1.50 m) 0.47% Ni, 0.26% Cu, 0.16 g/t Au, 0.07 g/t Pt, 0.08 g/t Pd
- 643.70 to 644.50 (0.80 m) 0.48% Ni, 0.23% Cu, 0.12 g/t Au, 0.06 g/t Pt, 0.07 g/t Pd

- 661.00 to 662.00 (1.00 m) 0.32% Ni, 0.12% Cu, 0.07 g/t Au, 0.04 g/t Pt, 0.04 g/t Pd
- 663.00 to 664.10 (1.10 m) 0.31% Ni, 0.11% Cu, 0.07 g/t Au, 0.03 g/t Pt, 0.03 g/t Pd
- 668.50 to 670.00 (1.50 m) 0.26% Ni, 0.07% Cu, 0.04 g/t Au, 0.02 g/t Pt, 0.02 g/t Pd

## 4. INVESTING ACTIVITIES (CONT'D)

Drill hole LAF-16-40 has been stopped at 545m. The ultramafics weakly mineralized with some sulphides (1-2% Po-Cpy) were intersected at around from 345 to 435m. Again the ultramafic rocks seem to be cut by the gabbroic rock which has for effect to reduce the thickness of the ultramafic by about a 100m. Two mineralized zones were intersected and returned:

Zone 1 :

- 357.50 to 383.50 m ; 0.21% Ni, 0.13% Cu, 0.04 g/t Au, 0.12 g/t Pt, 0.14 g/t Pd over 26.00 m
  Incl. : 364.65 to 379.50 m ; 0.26% Ni, 0.17% Cu, 0.06 g/t Au, 0.17 g/t Pt, 0.19 g/t Pd over 14.85m

Zone 2 :

- 401.60 to 426.00 m ; 0.26% Ni, 0.16% Cu, 0.06 g/t Au, 0.14 g/t Pt, 0.18 g/t Pd over 24.40 m
  Incl. : 402.90 to 410.30 m ; 0.42% Ni, 0.28% Cu, 0.11 g/t Au, 0.30 g/t Pt, 0.34g/t Pd over 7.40 m

A detailed ground magnetic survey along with a magnetic inversion was completed in the vicinity of the Copernick discovery. The inversion showed a well-defined strongly magnetic unit similar to Copernick that trends north-south over a 2 km east of Copernick. A stratigraphic program consisting in two holes was completed during Q3-16. Both holes (41 and 42) have identified ultramafic rocks.

Hole LAF-16-41 was terminated at a depth of 630m. After 18 meters of over burden, the drilling encountered Volcanogenic sediment up to 163.60m; that units was mildly to strongly altered in carbonate but no mineralization is present. Following that up to 287,75m a sequence of siltstone and mudstone weakly mineralized in pyrite up to 0.5% was intersected. The ultramafic was intercepted from 287.75m to 502.05m with mineralization in pyrite and chalcopyrite in trace with the interval from 460.45m to 465.95m with 1-2 % pyrite inside an quartz-carbonate injection zone and automorphous amphibolite crystals. From 502.05m to 620.30m, a siltstone unit without any mineralization was encountered with the exception of several contacts of mafic dykes (7) where 0.5 to 1% pyrite was observed. The hole ended in the ultramafic dyke from 620.30m to 630.00m, the superior contact with the siltstone was mineralized over 35cm with 1% pyrite. No significant results have been obtained.

Drill hole LAF-16-42 was stopped at 198m due to technical conditions. After 60m of overburden, the drilling encountered siltstone/sediment up to 137.50m where they present a medium to strong carbonate alteration with intense quartz veinlets network with minor stringer mineralization in pyrite and pyrrhotite. From 137.5 to 198m the drilling encountered ultramafic with minor alteration in carbonate and minor mineralization in pyrite locally. No significant results have been received.

### 4.3 Patris (Au), *in partnership with Teck and operated by Teck*

*Property Description*

The Corporation acquired claims by map staking about 30 kilometres to the north-east of Rouyn-Noranda. As at September 30, 2016, this property consists in 263 claims covering an area of approximately 10,899 hectares. Some claims are subject to the following NSR royalties:

- 1%, the Corporation can buy it back for $500,000 per 0.5% tranche for a total of $1,000,000;
- 1.5%, the Corporation can buy it back for $500,000 per 0.5% tranche for a total of $1,500,000.
- 2%, the Corporation can buy it back for $1,000,000 per 1% tranche for a total of $2,000,000;
- 2%, the Corporation can buy it back for $1,000,000 per 1% tranche for a total of $2,000,000;
- 2%, the Corporation can buy it back for $500,000 the first 1% tranche and for $1,000,000 for the second 1% tranche, for a total of $1,500,000.

## 4. INVESTING ACTIVITIES (CONT'D)

The Corporation signed an option agreement with Teck Resources Ltd ("Teck") on September 6, 2013 and amended it on May 20, 2014 and on May 30, 2016 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:

| | Payments in cash | Work |
|---|---|---|
| | $ | $ |
| **First Option for a 50% initial interest** | | |
| On or before August 31, 2015 (firm commitment)(completed) | - | 500,000 |
| On or before August 31, 2017 | - | 800,000 |
| On or before August 31, 2018 | - | 1,700,000 |
| | - | 3,000,000 |
| **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** | **300,000** | **10,500,000** |

Teck will be project operator during the First Option.

*Exploration work on the property*
During Q1-16, an induced polarization (15 km) and a magnetic survey were completed in the lateral extensions of the alteration zone intersected in hole PAT-15-05 over more than 100 metres.

The CPTAQ authorization has been received during Q4-16. A drilling program consisting in five (5) holes, including two contingent holes and totalling 1,200 metres has been approved and will start during Q1-17. The targets consist in magnetic lows along strike with the large alteration zone intersected in 2015 in holes PAT-15-03, 04 and 05.

### 4.4 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, Abitibi. As at September 30, 2016, this property consists in 315 claims covering an area of approximately 17,338 hectares.

On October 10, 2014, the Corporation signed a letter of intent with SOQUEM to grant SOQUEM the option to acquire a 50% undivided interest in its Casault and Jouvex properties. By October 10, 2016, SOQUEM completed the $4,500,000 work commitment, acquired a 50% undivided interest in the Casault Jouvex property and is now in joint venture with Midland.

Midland is the project operator during the option period.

*Exploration work on the property*
During the course of the first quarter, eight (8) drill holes totalling 3,069 metres were completed on Casault in partnership with SOQUEM. Two main areas were drilled including the northern contact of the Turgeon pluton and the QFP area. Two other drill holes tested IP anomalies to the south of the Sunday Lake deformation zone.

## 4. INVESTING ACTIVITIES (CONT'D)

Turgeon Pluton area

Three (3) holes were completed near the northern contact of the Turgeon pluton where gold-bearing quartz-carbonate veins had been identified in hole CAS-15-53. This program confirmed the presence of at least three sets of quartz-carbonate veins oriented at N340 with a dip of 50 degrees to the east.

Drill hole CAS-15-68, drilled about 150 metres below hole CAS-15-53, cut a zone of 2.90 g/t Au over 0.40 metre between 271.40 and 271.80 metres and other intervals of 0.87 g/t Au over 0.56 metre from 311.30 to 311.86 metres and 0.38 g/t Au over 0.38 metre from 312.72 and 313.10 metres.

Drill hole CAS-15-69 completed 100 metres to the north of CAS-15-53 returned two zones with veins grading 0.67 g/t Au over 0.55 metre from 136.10 to 136.65 metres and another zone of 0.11 g/t Au over 0.40 metre between 137.35 and 137.75 metres.

At about 110 metres to the west of hole CAS-15-53, hole CAS-15-70 intersected three sets of veins with the best values returning:

- 3.34 g/t Au over 0.40 metre (90.10 to 90.50 m)
- 0.78 g/t Au over 0.50 metre ( 170.9 to 171.40 m)
- 0.87 g/t Au over 2.85 metres (293.80 to 296.65 m)
    - Incl.: 2.32 g/t Au over 0.65 metre ( 294.80 to 295.45 m)

QFP Area

During 2015, some drill holes had intersected gold-bearing mineralization within a felsic porphyritic intrusion (QFP) at the contact between the conglomerates and the mafic volcanics. During the Q1-16 drilling program, two holes tested the southern contact of the QFP and a third one tested a north-south oriented magnetic lineament.

Drill hole CAS-15-71 returned a strongly anomalous gold-bearing zone of 0.31 g/t Au over 12.30 metres (76.20 to 88.50 metres) including a value of 1.22 g/t Au over 0.40 metre. This gold anomalous zone which is mineralized with pyrite remains open in all directions.

Approximately 500 metres further west, drill hole CAS-15-72 intersected the QFP which is strongly altered in hematite but weakly mineralized. A composite value of 0.39 g/t Au over 5.50 metres (386.50 to 392.00 m) was obtained from the sheared and silicified mafic volcanics.

Following the winter 2016 geophysics program (mag and IP Orevision), a drilling program consisting in eight (8) holes totalling 3,120 metres as well as a 20 km IP Orevision surveys were completed. The best anomalous results obtained from that summer drilling program were:

| | |
|---|---|
| CAS-16-76 | 0.13 g/t Au over 1.00 m ( 133.0 to 134.0 m)<br>0.50 g/t Au over 1.50 m ( 221.5 to 223.0 m) |
| CAS-16-79 | 0.13 g/t Au over 1.50 m ( 132.5 to 134.0 m)<br>0.13 g/t Au over 0.80 m ( 141.2 to 142.0 m) |
| CAS-16-80 | 0.15 g/t Au over 0.50 m ( 395.45 to 395.95 m)<br>0.37 g/t Au over 1.50 m ( 646.0 to 647.5 m) |
| CAS-16-82 | 0.29 g/t Au over 1.00 m ( 176.0 to 177.0 m) |

Drillholes CAS-16-77, 81 and 83 did not return any results over 0.1 g/t Au.

## 4. INVESTING ACTIVITIES (CONT'D)

A technical meeting was held with SOQUEM during Q1-17 and a drilling program and a geophysical IP survey were proposed for Q3-17.

### 4.5 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. As at September 30, 2016, this property consists in 362 claims covering an area of approximately 20,207 hectares.

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

*Exploration work on the property*
During Q1-16, three (3) drill holes totalling 924.0 metres were completed on Jouvex in partnership with SOQUEM. These holes tested new Orevision IP anomalies identified near the Casa Berardi fault zone. These holes explained the anomalies with the presence of sulphides (Py) accompanied by strong alteration in sericite and iron carbonate. However, no significant gold result was obtained.

Following the compilation of several gold showings, an airborne Mag-EM survey was completed in the northern portion of the Jouvex property in order to cover most of the historical gold showings as defined in the compilation. The survey identified several formational as well as more punctual conductors.

Two (2) IP grids totalling 20 km were proposed at the last technical meeting held during Q1-17 with SOQUEM. These surveys are expected to begin during Q3-17.

### 4.6 Heva (Au), operated by Midland

*Property Description*
The Heva West block consists of 4 contiguous claims adjacent to the west of the Maritime-Cadillac property, currently a 49% Midland / 51% Agnico Eagle. The Heva East block is located about 4 kilometres to the southeast and consists of 33 contiguous claims largely covering sedimentary rocks of the Cadillac Group just north of the Piché Group.

*Exploration work on the property*
During the fall of 2015, Midland's exploration team completed a soil geochemical survey (B-horizon) in the western part of the Heva East block where several interesting gold results were obtained during the 2015 summer exploration program. Following these recent works, the best results returned values of 18.0 g / t Au and 5.1 g / t Au from sampling of an old blasted trench and dating back more than twenty years which was found during reconnaissance work and a value of 5.6 g / t Au obtained in sampling mineralized ore masses found near the old Dempsey-Cadillac showing from 1930.

On top of detecting the two main gold-bearing horizons already known in this area, the soil geochemical survey identified two (2) new axes that are anomalous in gold and in arsenic on hundreds meters of extension and parallel to the known gold-bearing horizons. Moreover, these two new axes coincide largely with still unexplained historic induced polarization anomalies.

Midland announced the discovery of several new gold showings following recent trenching and prospecting on its Heva gold projet.

## 4. INVESTING ACTIVITIES (CONT'D)

During this program, nine (9) new mechanical trenches (16-01 to 16-09) as well as prospecting were completed and a total of 133 selected grab samples were collected in the western part of the Heva East property. This program's main objective was to follow-up the source of several gold and arsenic soil anomalies identified during the 2015 program. The trenching and prospection campaign highlighted five (5) new auriferous quartz veins systems directly associated with soil gold anomalies. These new showings returned 19.9 g/t Au, 6.5 g/t Au, 5.4 g/t Au, 3.5 g/t Au, 2.7 g/t Au, and several other values higher than 0.1 g/t Au on selected grab samples and over surface distances varying between 50 to 150 metres. All these new gold showings remain open laterally and in depth (*Note that the values of selected grab samples might not be representative of the mineralized zones).*

Prospection also took place and was successful in identifying another important auriferous quartz vein system about 1.2 kilometres to the east of the trenches and was followed over a minimum distance of 150 metres (open in all directions). This new area returned up-to 9.1 g/t Au and 3.8 g/t Au on selected grab samples.

The table below lists the grade and position (UTM Nad83 Zone 17) of selected grab samples that returned greater than 2.0 g/t Au:

| Sample | g/t Au | | East | North | Description |
|---|---|---|---|---|---|
| S433057 | 19,9 | * | 706986 | 5341564 | Vein #100W40 ; Trench 16-08EXT |
| S433086 | 9,1 | * | 708172 | 5341163 | Vein #20E45 ; Prospection |
| S433011 | 6,5 | * | 706370 | 5341661 | Vein #160W25 ; Trench 16-02 |
| S433053 | 5,4 | * | 706996 | 5341559 | Vein #100W40 ; Trench 16-08EXT |
| S433083 | 3,8 | * | 706922 | 5341587 | Vein #20E45 ; Prospection |
| S433116 | 3,5 | * | 706985 | 5341490 | Vein #100W25 ; Trench 16-06 |
| S433131 | 2,7 | * | 706972 | 5341559 | Vein #100W35 ; Trench 16-08 |
| S433022 | 2,2 | | 706380 | 5341680 | Vein #160W45 ; Trench 16-02 |
| S433088 | 2,1 | | 706619 | 5341661 | Vein #140W35 ; Prospection |

*Note: * Re-analysis by fire assay with gravimetric finish, else by atomic absorption 30 g (AA23).*
*g/t Au = grams per tonne of gold*

On the 133 selected grab samples collected during this campaign, close to 60% (79 samples) returned gold values greater than 0.1 g/t Au, including 18 that returned gold values greater than 1.0 g/t Au including 9 for which the values are greater than 2.0 g/t Au.

The majority of the auriferous quartz veins are mineralized in arsenopyrite, sometimes in pyrite, and commonly have sericitic and biotite alteration. Albite alteration is observed locally. These gold-bearing quartz veins are often present along sericite altered shear zones in contact between different layers of deformed polygenic conglomerate and massive wackes which belongs to the Timiskaming Group. Locally, the veins lightly cross-cut the schistosity and are hosted by the conglomerates and/or the wackes.

## 4. INVESTING ACTIVITIES (CONT'D)

Following stripping and prospecting work carried out in the early summer of 2016, which led to the discovery of five (5) new auriferous quartz veining systems grading up to 19.9 g/t Au, 6.5 g/t Au, 5.4 g/t Au, 3.5 g/t Au and 2.7 g/t Au *(see Midland press release dated July 5, 2016),* a channel sampling program was completed on these new auriferous veins in August 2016. Best results were obtained in vein #100W40, which contained visible gold grains and which graded 24.1 g/t Au over 0.50 metre. In addition, a grab sample collected about 5 metres west of the latter channel sample returned a gold grade of 38.5 g/t Au.

Out of a total of 118 channel samples ranging from 0.40 to 0.75 metre in length, 64 samples yielded gold values above 0.1 g/t Au, including 18 samples with grades higher than 0.5 g/t Au, 9 of which were above 1.0 g/t Au. These include the following: 24.1 g/t Au over 0.50 metre; 3.3 g/t Au over 0.50 metre; 1.3 g/t Au over 2.10 metres including 3.4 g/t Au over 0.50 metre; 1.2 g/t Au over 1.50 metres including 2.3 g/t Au over 0.50 metre; 1.9 g/t Au over 0.50 metre; 1.7 g/t Au over 0.50 metre and 1.2 g/t Au over 0.75 metre *(note that the true thickness of these is unknown and cannot be determined at this time with the information available).*

In parallel to this channel sampling program, twenty-four (24) grab samples were also collected during a prospecting campaign. This work led to the discovery of a new auriferous quartz vein (Central area) located 250 metres west of the sample grading 38.5 g/t Au, and where samples returned values reaching 6.1 g/t Au, 2.8 g/t Au, 1.8 g/t Au and 1.5 g/t Au (*note that gold values from grab samples collected during this campaign may not be representative of the mineralized zones).*

Near the end of August 2016, a soil sampling program was carried out (195 samples) and three new trenches were excavated, including one in the East area (vein #20E45) where grades reaching 9.1 g/t Au and 3.8 g/t Au were previously obtained in grab samples. The second trench was excavated between trenches HEV-16-005 and HEV-16-006, in an attempt to explain a new Orevision-type induced polarization anomaly, whereas the third trench was excavated north of trench HEV-16-007 over a gold and arsenic soil geochemistry anomaly. Trench HEV-16-11) was mainly designed to explain a strong OreVision-type induced polarization anomaly identified during a recent test survey. Preliminary sampling in this trench, which exposed sedimentary rocks with silica and biotite alteration, led to the discovery of a new showing with grades reaching up to 13.7 g/t Au in grab sample. This sample was collected in a quartz vein exhibiting visible gold grains. These encouraging results thus confirm the excellent potential of this new OreVision target, which was only partly explained by the trench because of the presence of thicker overburden above the geophysical anomaly. (*Note that gold values from grab samples may not be representative of the mineralized zones)*.

Sampling completed in another trench (HEV-16-10) in the East area, where grades reaching 9.1 g/t Au were previously obtained (*see Midland press release dated July 5, 2016)*, returned values reaching 4.28 g/t Au, 3.26 g/t Au, 3.25 g/t Au, 2.50 g/t Au, 2.48 g/t Au, 2.14 g/t Au, 1.82 g/t Au, and 1.38 g/t Au in grab samples.

During Q1-17, a prospecting program as well as a detailed magnetic survey will be completed.

### 4.7 **Valmond (Au),** operated by Midland

*Property Description*
The Corporation acquired claims by map staking about 50 kilometres to the west of Matagami. As at September 30, 2016, this property consists in 111 claims covering an area of approximately 6,179 hectares.

## 4. INVESTING ACTIVITIES (CONT'D)

On November 19, 2013, the Corporation signed an agreement with Sphinx Resources Ltd. ("Sphinx") whereby Sphinx could have acquired 50% of the Valmond property subject to $250,000 payments in cash ($30,000 completed) and $2,500,000 exploration work ($670,350 completed). In August 2015, Sphinx terminated the agreement on the Valmont property.

### 4.8 **Samson Ni-Cu-PGE** operated by Midland

*Property Description*
As at September 30, 2016, the Samson property consists of 283 claims covering a surface area of about 15,710 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 could have acquired 50% of the Samson property subject to $275,000 payments in cash ($40,000 completed) and $3,500,000 exploration work ($555,854 completed). On December 11, 2015, Sphinx terminated the agreement on the Samson property.

### 4.9 **La Peltrie (Au)**, operated by Midland

*Property Description*
As at September 2016, the La Peltrie property comprises 405 claims covering a surface area of about 22,334 hectares and encompasses possible subsidiary faults to the south of the regional Lower Detour Fault over a distance of more than 10 kilometres.

*Exploration work on the property*
A ground geophysics survey (IP) was completed during Q2-16. This survey totalling about 160 km (2 grids) covered a series of NW-SE structures as well as several unexplained MegaTEM conductors.

During Q2-16, a diamond drilling program consisting in three (3) drill holes totalling 1,098 metres was completed in order to test three IP targets selected following the interpretation. No significant assay was received but the IP anomalies were well explained with sulphides (Py-Po) with traces of Cpy.

### 4.10 **Adam (Cu-Au),** operated by Midland

*Property Description*
The Adam property was acquired by map designation and is a property with strong gold and copper potential located about 15 kilometres east of the B26 zone held by SOQUEM and about 20 kilometres east of the former Selbaie mine, which historically produced 56.5 Mt grading 1.9% Zn, 0.9% Cu, 38.0 g/t Ag and 0.6 g/t Au.

The Adam property is wholly owned by Midland and is located about 65 kilometres west of the town of Matagami. As at September 30, 2016, it consists of 190 cells covering a surface area of about 10,571 hectares in the Abitibi region of Quebec.

On December 12, 2014, the Corporation signed an agreement with Sphinx whereby Sphinx could have acquired 50% of the Adam property subject to $250,000 payments in cash ($20,000 completed) and $3,000,000 exploration work ($174,449 completed). On December 11, 2015, Sphinx terminated the agreement on the Adam property.

*Exploration work on the property*
A TDEM survey was completed on four grids during the Q2-16. These surveys cover several new VTEM conductors identified just north of the regional contact between the Enjalran and Brouillan Groups. The final interpretation of the TDEM results during Q3-16 showed that the airborne conductors were validated in the ground TDEM surveys.

## 4. INVESTING ACTIVITIES (CONT'D)

### 4.11 Abitibi Gold (Au) operated by Midland

*Property Description and exploration work on the property*
The Corporation acquired by map designation 506 claims covering a surface area of about 27,991 hectares. Some claims were dropped therefore the Corporation impaired partially for $37,220.

*Exploration work on the property*
A TDEM survey was completed on the Jeremie property during Q2-16. The interpretation of the results identified a good conductor associated with a magnetic anomaly.

An airborne Mag-EM survey was flown during Q3-16 over the Manthet block and several new isolated conductors were identified.

**GRENVILLE-APPALACHES**

### 4.12 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 as at September 30, 2016 is comprised of 127 claims covering an approximate area of 7,013 hectares. Some claims are subject to NSR royalties of:

- 1%, the Corporation can buy it back the royalty for $500,000 per 0.5% tranche for a total of $1,000,000;
- 0.5%, the Corporation can buy it back this royalty for $500,000;
- 1.5% on all metals except gold and silver, the Corporation can buy it back for $500,000 per 0.5% tranche for a total of $1,500,000.

Some claims were dropped therefore the Corporation impaired partially for $7,756 ($13,100 in Fiscal 2015) the exploration property cost.

*Exploration work on the property*
Two short drill holes totalling 165 metres were completed during Q1-16 on the Weedon property. These holes targeted the extension at depth of the 2006 massive sulphide showing discovered south of Lingwick.

Hole WEE-15-07 intersected a sulphide zone (Py-Cp) over a few metres that returned 0.26% Cu over 0.50 metre (70.75 to 71.25 m); 0.16% Cu over 1.05 metre (71.65 to 72.70 m) and 0.16% Cu over 0.60 metre (72.70 to 73.30 m).

A small till survey was completed during Q4-16 on Weedon and a weak Cu-Au anomaly was identified north-west of the Weedon mine.

### 4.13 Gatineau Zinc (Zn), operated by Midland

*Property Description*
Midland owns a 100% interest in a land position for zinc, including as at September 30, 2016, 57 claims covering 3,271 hectares distributed in the Gatineau Area, approximately 200 kilometres northwest of the city of Montreal. Some claims were dropped therefore the Corporation impaired partially for 7,344 ($9,344 in Fiscal 15).

## 4. INVESTING ACTIVITIES (CONT'D)

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

*Property Description*
The Vermillon property is located some 90 km southwest of the town of La Tuque, Quebec and consists as at September 30, 2016 of 16 contiguous claims covering a total surface area of 934 hectares in joint venture 53.4% SOQUEM/ 46.6% Midland

**JAMES BAY**

### 4.15 James Bay Gold JV (Au), operated by Osisko

*Property Description*
On June 13, 2016, a joint-venture agreement (50%-50%) was signed with Osisko whereby Osisko and the Corporation will cooperate and combine their efforts to explore the JV Eleonore property recently staked by the two corporations. The property is located 12 kilometres southeast and northwest of Goldcorp's Eleonore deposit. The property regroups several properties for a total of 1,827 claims covering a surface area of about 952.9 square kilometres.

*Exploration work on the property*
During Q3-16 and Q4-16, a till survey, a lake bottom sediments sampling program as well as a follow-up prospecting program were completed on the JV properties. Final and complete results for this program are still pending.

### 4.16 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 660 claims covering an area of approximately 34,039 hectares as at September 30, 2016. Some claims were dropped therefore the Corporation impaired partially for $9,932.

*Exploration work on the property*
During Q4-16, the team completed a 12 day prospection campaign on the Eleonore Centre property. The objective was prospecting where the major N-S structure in the north shifts to a SW-NE direction in the centre-south portion of the property.

A total of two days of prospection was done near the Golden Gun area and the northeastern part of the property. More felsic tuff rock units with quartz-tourmalines veins were observed (traces of pyrite sometimes) and give way to basalts toward the east to the property's boundary. In the Northern section, silicate and sheared metabasalts and graphite-pyrite exhalites (sediment host) horizons were observed. Prospection also occurred in the Sean Connery (arsenopyrite-quartz-tourmaline veins) area that is located south of Lake Ukaw. Prospection and hand small-scale trenching highlighted the presence of disseminated pyrrhotite in sheared meta-basalts.

Finally, the remaining prospection days of prospection were done in the southern part of the property where a granite intrusion occurs as well as volcanosedimentary sequences (southern isles). The reservoir water height was lower than usual which offered great outcrop exposures. This permitted, among others, to resample the 2014 quartz-chalcopyrite-molybdenite-bornite tourmaline vein present in the granite near the shoreline.

## 4. INVESTING ACTIVITIES (CONT'D)

On the southern islands shoreline, several highly deformed shear zones were identified. Quartz veining occurs in the shear zones and typically contains traces to 0.5% pyrite. Quartz-tourmaline veins occur locally in metasediments and granitic rocks in these shear zones. A 30 cm quartz vein was observed to contain 1-2% chalcopyrite at one outcrop.

A total of 316 samples (including QAQC samples, typically a blank or standard alternating at each 20 samples) were collected The best result is 1.98 g/t Au on a selected grab sample which comes from resampling of the Cu-Mo quartz-tourmaline vein area. A total of six (6) other samples returned between grades > 0.10 g/t Au (between 0.15 to 0.70 g/t Au).

### 4.17 **James Bay Gold (Au)**, operated by Midland

*Property Description*
Midland owns a 100% interest on 313 claims as at September 30, 2016 covering 16,179 hectares in the James Bay Area. Some claims were dropped therefore the Corporation impaired partially for $5,613 the exploration property cost ($66,293 in Fiscal 15).

*Exploration work on the property*
No fieldwork was conducted on the James Bay Gold project during Fiscal 16, however, a geological compilation work including regional targeting continued. Midland is currently seeking for a partner.

### 4.18 **James Bay Uranium (U)** operated by Midland

*Property Description*
The property is located in the James Bay region and is composed of 8 claims as at September 30, 2015 (none as at September 30, 2016). The Company wrote off the property in September 2015 for $24,577 since no exploration program had been planned for the near future.

### 4.19 **Bay James Iron (Fe)** operated by Midland

*Property Description*
As at September 30, 2016, the Montagne-du-pin property consist in a total of 51 wholly owned claims covering 2,601 hectares and are located along the Trans-Taiga road, James Bay. The Company wrote off the property in September 2015 for $97,822 since no exploration program had been planned for the near future.

**NORTHERN QUEBEC**

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

*Property Description*
As at September 30, 2016, the property totals 636 claims covering approximately 28,910 hectares in the Labrador Trough («Trough») some 80 kilometres west of Kuujjuak, Québec.

On January 21, 2014, the Corporation signed an option agreement with Japan Oil, Gas and Metals National Corporation (« JOGMEC »). In September 2015, JOGMEC has funded the $2,000,000 commitment of exploration work and now has the right to exercise its option to acquire a 50% interest in the Pallas PGE property. The Corporation is the operator as long as it will hold an interest equal to or higher than 50% in the project.

## 4. INVESTING ACTIVITIES (CONT'D)

*Exploration work on the property*
During Fiscal 16, Midland in partnership with JOGMEC completed an important exploration program and the results follow.

On the Ceres claim block, best channels on Patientia, Palma, Elijah, Alauda, Cynthia, Hektor, Ceres South, Ida, Davida, Diatoma, Enish NE and Enish South showings are: 0.8 g/t PGE+Au over 1.4m incl. 1.4 g/t over 0.5m; 0.62 g/t over 0.9m, 0.66 g/t PGE+Au over 2m incl. 0.94g/t PGE+Au over 1.35m (open); 0.55 g/t PGE+Au over 3.6m incl. 0.88 g/t PGE+Au over 1m; 0.34 g/t PGE+Au over 4.8m incl. 0.57 g/t PGE+Au over 2.5m and 0.28 g/t PGE+Au over 2m incl. 0.48 g/t PGE+Au over 1m on Patientia.

On Palma, best channels are 1.23g/t PGE+Au over 1.34m (open) and 0.46g/t PGE+Au over 2.15m; on Elijah they are 1.19 g/t PGE+Au over 1.15m, 0.68 g/t PGE+Au over 2.5m incl. 0.8 g/t over 2m et 1.1 g/t over 0.5m (open), 0.95 g/t PGE+Au over 0.5m, 0.91 g/t PGE+Au over 0.5m (open), 0.85 g/t PGE+Au over 1m, 0.49 g/t PGE+Au over 4.5m incl. 0.73 g/t PGE+Au over 2m, 0.50 g/t PGE+Au over 1.5m and 0.20 g/t PGE+Au over 9m incl. 0.4 g/t PGE+Au over 1m.

On Alauda, best channels are 1.0 g/t PGE+Au over 1.0m, 1.1 g/t PGE+Au over 2.0m, and 0.6 g/t PGE+Au over 0.5m. Farther south on the Cynthia Showing best channels are 1.2 g/t PGE+Au over 0.5m, 0.9 g/t PGE+Au over 0.5m, 1.0 g/t PGE+Au over 1.0m, 2.0 g/t PGE+Au over 0.5m, 0.5 g/t PGE+Au over 1.0m, 1.1 g/t PGE+Au over 0.5m, 0.7 g/t PGE+Au over 1.0m and 1.1 g/t PGE+Au over 0.5m.

On the Hektor showing, there are 2.4 g/t PGE+Au over 1.0m, 0.8 g/t PGE+Au over 0.5m and 0.8 g/t PGE+Au over 0.5m. On Ceres South, the best channels area 2.7 g/t PGE+Au over 1.0m and 3.0 g/t PGE+Au over 0.5m; on Ida to the south west from Ceres South 2.0 g/t PGE+Au over 0.46m.

On the Enish corridor farther west they are Davida with 0.85 g/t PGE+Au over 1.5m, 0.8 g/t PGE+Au over 1.0m, 0.7 g/t PGE+Au over 1.5m, 1.2 g/t PGE+Au over 1.0m. On the Diotima Shwoing there are 0.71 g/t PGE+Au over 0.5m and 0.6 g/t PGE+Au over 0.5m. Farther north from Davida there is the Diatoma showing with 1.7 g/t PGE+Au over 1.0m, 0.8 g/t PGE+Au over 0.5m, 0.64 g/t PGE+Au over 0.5m, 1.2 g/t PGE+Au over 1.0m, 0.8 g/t PGE+Au over 0.5m ND 1.1 g/t PGE+Au over 0.5m.

On Enish northeast extension there are 0.82 g/t PGE+Au over 0.5m and on Enish south extension 1.1 g/t PGE+Au over 0.5m

On the Itokawa claim block, best channels on the 1.45 g/t Au over 0.5m and 0.96 g/t PGE+Au over 0.5m on Iris; 1.92 g/t PGE+Au over 0.5m on Doris and 0.75 g/t PGE+Au over 0.5m and 0.56 g/t PGE+Au over 0.5m on Metis. On the Gaspar claim block, best channels are on 0.75 g/t PGE+Au over 0.5m on the Herculina Showing and 1.11 g/t PGE+Au over 0.5m on the Egeria Showing.

During Q4-16, a prospecting campaign and a channel sampling programs took place prior to a drilling program. The highlight of the phase 1 prospecting campaign is the discovery of a new mineralized corridor, named Apophis, which returned selected grab values up-to 4.1 g/t PGE + Au (= 3.1 g/t Pd, 0.9 g/t Pt and 0.1 g/t Au) on the Ceres property *(note, again, that the grades of the selected grab samples may be not representative of the mineralized zones)*. The Apophis corridor extends over 3.0 kilometres remains open laterally and consist of 28 selected grab samples that returned > 0.5 g/t PGE+Au out of a total of 67 taken (including 15 samples > 1.0 g/t PGE+Au). Further channel sampling on the Hektor showing confirmed the presence of PGE mineralization with two 0.5 metre channels returning 10.2 g/t PGE+Au (= 1.5 g/t Pd, 1.6 g/t Pt and 7.2 g/t Au) and 2.1 g/t PGE+Au (= 0.9 g/t Pd, 1.0 g/t Pt and 0.2 g/t Au). Other new showings on the Ceres property include the Fortuna Showing with a grade of 3.4 g/t PGE+Au (= 2.5 g/t Pd, 0.8 g/t Pt and 0.1 g/t Au) on a selected grab sample and the Enish West showing which returned 3.3 g/t PGE+Au (= 2.5 g/t Pd, 0.7 g/t Pt and 0.1 g/t Au).

## 4. INVESTING ACTIVITIES (CONT'D)

The second phase of this exploration program completed in Q1-17 consisted in a 1,239 metres drilling campaign consisting of six drill holes planned on the Ceres property. The drill holes tested at different depths the Apophis, Ida and Hektor showings and were completed in late October 2016. Assays are pending.

### 4.21 Willbob (Au), operated by Midland

*Property Description*
The Willbob property in the Labrador Trough consists of 337 claims covering about 15 105 hectares, and is located approximately 66 kilometres west-southwest of Kuujjuaq (Québec), near and in a geological environment similar to Midland's Pallas Project which is currently being worked in partnership with JOGMEC.

*Exploration work on the property*
Midland received the assay results for the channel sampling completed on the Polar Bear (6.9 g/t PGE + Au) and Golden Tooth (25.2 g/t PGE + Au) showings. On Golden Tooth four of the seven channels returned the following results; 1.6 g/t Au over 3.0m including 2.1 g/t Au over 2.0m and 3.49 g/t Au over 1,0m; on the second 0.53 g/t Au over 1.0m; on the third 1.45 g/t Au over 0.80m and on the forth one 1.14 g/t Au over 3.0m. On Polar Bear, the best two channels returned 4.0 g/t and 0.51 g/t Au over about half a meter long.

The team mobilized during June 2016 on Willbob in order to complete prospecting and a channel sampling program prior to a first drilling program that started in early October 2016.

The new Golden Tooth North showing is located 600 metres north-northwest of the Golden Tooth showing (25.2 g/t Au) and returned gold values up to 12.15 g/t Au. The Golden Tooth North zone was traced over more than 300 metres strike length and also yielded gold values of 7.34 g/t Au, 3.52 g/t Au, 2.50 g/t Au, 2.11 g/t Au, 1.65 g/t Au, 1.24 g/t Au, 1.14 g/t Au, 1.04 g/t Au, as well as 16 other samples grading between 0.117 and 0.848 g/t Au. These grab samples were collected in a diorite unit showing albite-chlorite alteration and quartz-calcite veining with pyrrhotite-arsenopyrite mineralization.

Another significant alteration zone with ankerite-albite-chlorite, named the Sunshine showing ("Sunshine") *(see Midland press release dated July 21, 2016),* returned gold grades up to 7.27 g/t Au. The Sunshine zone is located 550 metres east of the Kuni South showing (77.6 /t Au) and was traced over more than 150 metres strike length. This zone also returned new gold values of 3.95 g/t Au, 3.18 g/t Au, 2.72 g/t Au, 1.79 g/t Au, 1.27 g/t Au, as well as 8 other gold values between 0.185 g/t Au and 0.64 g/t Au (*Note that gold values from selected grab samples on the new Golden Tooth North and Sunshine showings may not be representative of the mineralized zones)*.

During the first phase of the 2016 exploration program, over a short period of 28 days, a total of 619 grab samples were collected mainly in the north part of the property between the Dessureault and Kuni South showings. The first phase of the 2016 summer program also included systematic mapping of quartz-ankerite-albite-chlorite alteration halos surrounding gold-bearing systems on the Willbob property. Assay results confirm that 28 samples yielded gold values above 1.0 g/t Au, and 63 samples graded between 0.1 g/t Au and 1.0 g/t Au.

During Q4-16 and Q1-17, a drilling program consisting in eight (8) holes totalling 1,300 metres was completed. These holes tested the extensions of the Lafrance and Golden Tooth surface showings. Complete and final assays are pending.

## 4. INVESTING ACTIVITIES (CONT'D)

### QUEBEC / LABRADOR

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

*Property Description*
As at September 30, 2016, the Ytterby Project comprises 118 claims in Labrador and 31 claims in Québec, located between 200 and 230 kilometres east and 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. As of September 30, 2016, JOGMEC has not yet given its notice of exercise of option. In spring 2015, JOGMEC indicated that it would not participate in the exploration program and its interest has now been diluted to 49.4%. Some claims were dropped therefore the Corporation impaired partially for $7,162 the exploration property cost.

*Exploration work on the property*
No exploration work conducted during Fiscal 16. Midland and JOGMEC are monitoring the activities for the Strange Lake (B-Zone) project.

### PROJECTS GENERATION

Midland continued some geological compilation programs in Quebec for the acquisition of new strategic gold, uranium and base metal properties.

**Other Activities**
Midland is pro-active in the acquisition of new mineral exploration properties in Quebec. Management is constantly 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 its properties and its 100% owned properties.

## 5. FINANCING ACTIVITIES

The Corporation finances itself mainly through share issuance.

On November 20, 2015, the Corporation completed a private placement by issuing 835,365 flow-through shares at $0.85 per share, for total gross proceeds of $710,060. On that date, the Corporation's share closed at $0.62 on the Exchange, therefore the residual value attributed to the benefit related to flow-through shares renunciation is $0.23 for a total value of $192,134 credited to the liability related to the premium on flow-through shares. In connection with the private placement, the Corporation paid finder's fees of $26,208. Directors and officers of the Corporation participated in this placement for a total consideration of $96,050. As of September 30, 2016, the Corporation had completed all the exploration work relating to this flow-through placement.

Subsequent to September 30, 2016, the Corporation completed on November 17 and 24, 2016 a private placement by issuing 1,284,354 flow-through shares at $1.35 per share, for total gross proceeds of $1,733,876.

## 6. WORKING CAPITAL

### 6.1 Non-IFRS Financial Performance Measure

Midland has included a non-IFRS measure, “Adjusted working capital”, to supplement its financial statements, which are presented in accordance with IFRS.

Midland believes that this measure, together with measures determined in accordance with IFRS, provide investors with an improved ability to evaluate the underlying performance of the Corporation. Non-IFRS measures do not have any standardized meaning prescribed under IFRS, and therefore they may not be comparable to similar measures employed by other companies. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

Midland has an adjusted working capital of $13,787,092 as of September 30, 2016 ($16,495,139 as of September 30, 2015) which is calculated as follow:

| | **Fiscal 16** | **Fiscal 15** |
|---|---|---|
| | $ | $ |
| Current assets | 11,369,712 | 10,810,659 |
| Investments – non-current portion | 3,078,910 | 6,496,000 |
| Current liabilities | (661,530) | (811,520) |
| **Adjusted working capital** | **13,787,092** | **16,495,139** |

### 6.2 Cash flow required

Management is of the opinion that it will be able to maintain the status of its current exploration obligations and to keep its properties in good standing. 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 financing in privately negotiated equity offerings. There is no assurance that such financing will be available when required, or under terms that are favourable to the Corporation. The Corporation may also elect to advance the exploration and development of mineral properties through joint-venture participation.

| | **Annualized** |
|---|---|
| **Cash flow required** | $ |
| Operating expenses, excluding non-cash items | 1,050,000 |
| Project management fees and interest income | (35,000) |
| Exploration budget paid by Midland (covering the exploration work requirements following the November 2016 flow-through private placement of $1,733,876) | 3,453,000 |
| Mining credits of preceding year (Fiscal 2016) | (861,000) |
| Staking and property maintenance | 250,000 |
| **Total** | **3,857,000** |

## 7. SUMMARY OF RESULTS PER QUARTERS

For the eight most recent quarters:

| | **Q4-16** | **Q3-16** | **Q2-16** | **Q1-16** |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Revenues | 37,257 | 3,889 | 23,937 | 42,340 |
| Net loss | (291,829) | (183,150) | (136,778) | (195,401) |
| Loss per share | (0.01) | - | - | - |
| Total assets | 24,456,678 | 24,273,206 | 24,548,029 | 24,315,888 |
| | **Q4-15** | **Q3-15** | **Q2-15** | **Q1-15** |
| | $ | $ | $ | $ |
| Revenues | 62,401 | 42,672 | 98,516 | 97,863 |
| Net loss | (184,764) | (155,960) | (185,672) | (102,702) |
| Loss per share | (0.01) | - | (0.01) | - |
| Total assets | 24,407,655 | 25,078,324 | 11,044,082 | 11,187,994 |

## 8. FOURTH QUARTER

The Corporation reported a loss of $291,829 for Q4-16 compared to a loss of $184,764 for Q4-15.

The Corporation earned project management fees of $37,257 in Q4-16 ($62,401 in Q4-15). In Q4-16, the most active projects with partners were mainly Casault and to a lesser extent Pallas. In Q4-15, the most active projects with partners were Pallas and Casault and to a lesser extent Jouvex.

Total expenses decreased to $382,449 in Q4-16 compared to $432,550 in Q4-15:

- Impairment of exploration and evaluation assets (non-cash items) decreased to $61,261 ($127,844 in Fiscal 15). During Q4-16, some claims were dropped and the following properties were partially impaired: Abitibi Au for $26,239, Gatineau for $7,344, Ytterby for $7,162, Laflamme for $7,147, Weedon for $7,756 and James Bay Au for $5,613. During Q4-15, some claims were dropped and the following properties were partially impaired: BJ Au for $22,146, Laflamme for $7,981 and Gatineau for $6,728. On the other hand, the following properties were written off since no exploration program is planned in the near future: BJ Fe for $66,412, BJ U for $24,577.

In Fiscal 15, a $126,437 (nil in Fiscal 16) 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 3 and 17, 2014 private placements. All the exploration work relating to the November 20, 2015 private placement was completed before March 31, 2016 and therefore there was no recovery of deferred income taxes recognized during Q4-16.

The Corporation incurred $1,656,615 ($1,461,481 in Q4-15) in exploration expenses of which $628,486 ($856,730 in Q4-15) was recharged to the partners. The exploration expenses incurred in Q4-16 were mostly executed on Casault, Willbob, JV Eleonore, Pallas and Heva whereas in Q4-15 the exploration work was mostly done on the Casault, Jouvex and Pallas. The Corporation acquired properties for $141,993 net mostly on Abitibi Au ($126,573 net in Q4-15 mostly on Pallas, La Peltrie and Willbob ).

## 9. RELATED PARTY TRANSACTIONS

The following are the related party transactions that occurred in Fiscal 16:

*In the normal course of operations:*

- A firm in which René Branchaud (director and corporate secretary) is a partner charged legal fees amounting to $63,568 ($125,932 in Fiscal 15);
- A company controlled by Ingrid Martin (chief financial officer) charged accounting fees totaling $145,310 ($137,918 in Fiscal 15) of which $69,620 ($57,660 in Fiscal 15) relates to her staff;
- As at September 30, 2016, the balance due to the related parties amounted to $16,300 ($21,563 in September 30, 2015).

*Out of the normal course of operations:*

- Directors and officers of the Corporation participated in the flow-through private placement of November 2015 for $96,050 (December 2014 for $79,050) and in the units private placement of May 2015 for $15,400. The directors and officers subscribed to the units private placement and the flow-through private placement under the same terms and conditions set forth all subscribers.

## 10. SUBSEQUENT EVENTS

On November 23, 2016, the Corporation granted to an employee 50,000 options exercisable at $1.13, valid for 10 years.

See section 5 on financing activities.

## 11. OUTSTANDING SHARE DATA

| | As at December 8, 2016 | As at September 30, 2016 |
|---|---|---|
| | **Number** | **Number** |
| Common shares | 56,547,557 | 54,674,417 |
| Options | 2,545,000 | 2,495,000 |
| Warrants | 20,622,569 | 21,254,213 |
| | **79,715,126** | **78,423,630** |

## 12. 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 10, 2015, the board of directors approved an increase in the number of common shares reserved for issuance under the Corporation's fixed number stock option plan from 4,000,000 to 5,400,000. Such amendment to the plan was approved by the Exchange. 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.

## 13. OFF-BALANCE SHEET ARRANGEMENTS

The Corporation does not have any off-balance sheet arrangements.

## 14. 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%.

## 15. 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.

### JUDGMENTS

### 15.1 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 $82,174 for Fiscal 16 ($255,826 for Fiscal 15). No reversal of impairment losses has been recognized for the reporting periods.

## 15. CRITICAL ACCOUNTING ESTIMATES (CONT'D)

### 15.2 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. The amounts recognized in the financial statements are derived from the Corporation's best estimation and judgment 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.

## 16. FINANCIAL INSTRUMENTS

For a description of the financial instruments and the risk associated, please refer to notes 2.5 and 14 of the September 30, 2016 financial statements.

## 17. 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.

### 17.1 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.

## 17. RISK FACTORS (CONT'D)

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.

### 17.2 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.

### 17.3 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.

### 17.4 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.

### 17.5 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.

### 17.6 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.

## 17. RISK FACTORS (CONT'D)

### 17.7 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.

### 17.8 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.

### 17.9 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.

### 17.10 Uninsured Hazard

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.

### 17.11 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.

## 17. **RISK FACTORS** (CONT'D)

### 17.12 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.

### 17.13 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.

## 18. FORWARD LOOKING INFORMATION

Some statements contained in this MD&A, specially the opinions, the projects, the objectives, the strategies, the estimates, the intent and the expectations of Midland that are not historical data, are forward looking statements. Such statements can be recognized by the terms “forecast”, “anticipate”, “consider”, “foresee” and other terms and similar expressions. These statements are based on information available at the time they are made, on assumptions established by the management and on the management expectation, acting in good faith, concerning future events and concerning, by their nature, known and unknown risks and uncertainties mentioned herein (see the section 17 Risks factors). The real results for Midland could differ in an important way of those which state or that these forward looking statements show the possibility for. Consequently it is recommended not to trust unduly these statements. These statements do not reflect the potential incidence of special events which could be announced or take place after the date of this MD&A. These statements speak only as of the date of this MD&A. Midland undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by applicable law.

December 8, 2016

| | |
|---|---|
| *(s) Gino Roger* | *(s) Ingrid Martin* |
| Gino Roger | Ingrid Martin |
| President and CEO | CFO |

December 8, 2016

# 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, 2016 and 2015 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 2500, Montréal, Quebec, Canada H3B 4Y1*
*T: +1 514 205 5000, F: +1 514 876 1502, www.pwc.com/ca*

pwc

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Midland Exploration Inc. as at September 30, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP[1]

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

# Midland Exploration Inc.

Statements of Financial Position

As at September 30, 2016 and 2015

| | As at September 30 | |
|---|---|---|
| | **2016** | **2015** |
| | **$** | **$** |
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents (note 5) | 1,467,414 | 5,862,953 |
| Investments (note 6) | 8,729,000 | 4,535,807 |
| Accounts receivable | 97,433 | 99,057 |
| Sales tax receivable | 257,650 | 183,942 |
| Tax credits and mining rights receivable | 755,105 | 73,713 |
| Prepaid expenses | 63,110 | 55,187 |
| | 11,369,712 | 10,810,659 |
| **Non-current assets** | | |
| Investments - non-current portion (note 6) | 3,078,910 | 6,496,000 |
| Tax credits and mining rights receivable – non-current portion | 115,503 | - |
| Advance paid for exploration work | 344,624 | - |
| Exploration and evaluation assets (note 7) | | |
| Exploration properties | 1,506,118 | 1,200,584 |
| Exploration and evaluation expenses | 8,041,811 | 5,900,412 |
| | 9,547,929 | 7,100,996 |
| | 13,086,966 | 13,596,996 |
| **Total assets** | **24,456,678** | **24,407,655** |
| **Liabilities** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities | 646,494 | 670,350 |
| Advance received for exploration work | 15,036 | 141,170 |
| **Total liabilities** | 661,530 | 811,520 |
| **Equity** | | |
| Capital stock | 32,332,811 | 31,288,335 |
| Warrants (note 8) | 1,997,093 | 2,113,643 |
| Contributed surplus | 2,224,411 | 2,088,784 |
| Deficit | (12,759,167) | (11,894,627) |
| **Total equity** | 23,795,148 | 23,596,135 |
| **Total liabilities and equity** | **24,456,678** | **24,407,655** |

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

**On behalf of the Board**

| | |
|---|---|
| (s) Jean-Pierre Janson | (s) Gino Roger |
| Jean-Pierre Janson | Gino Roger |
| Director | President, Director |

# Midland Exploration Inc.

Statements of Comprehensive Loss

For the years ended September 30, 2016 and 2015

| | Fiscal 16 | Fiscal 15 |
|---|---|---|
| | $ | $ |
| **Revenues** | | |
| Project management fees | 107,423 | 299,418 |
| Residual gain on option payments on mining assets | - | 2,034 |
| | 107,423 | 301,452 |
| **Operating Expenses** | | |
| Salaries | 456,275 | 348,858 |
| Stock-based compensation | 96,951 | 66,913 |
| Travel | 77,029 | 62,415 |
| Rent and insurance | 50,095 | 50,664 |
| Office expenses | 83,856 | 92,225 |
| Regulatory fees | 34,282 | 44,301 |
| Conferences and mining industry involvement | 127,278 | 99,544 |
| Press releases and investors relations | 61,643 | 60,601 |
| Professional fees | 243,980 | 236,859 |
| General exploration | 18,543 | 2,878 |
| Impairment of exploration and evaluation assets (note 7) | 82,174 | 225,826 |
| Operating expenses | 1,332,206 | 1,291,084 |
| **Other gains or losses** | | |
| Interest income | 225,491 | 121,237 |
| **Loss before income taxes** | (999,292) | (868,395) |
| Recovery of deferred income taxes (note 11) | 192,134 | 239,297 |
| **Loss and comprehensive loss** | **(807,158)** | **(629,098)** |
| Basic and diluted loss per share (note 10) | (0.01) | (0.02) |

The loss and comprehensive loss are solely attributable to Midland Exploration Inc. shareholders.

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

# Midland Exploration Inc.

Statements of Changes in Equity

For the years ended September 30, 2016 and 2015

| | Number of shares outstanding | Capital stock | Warrants | Contributed surplus | Deficit | Total equity |
|---|---|---|---|---|---|---|
| | | $ | $ | $ | $ | $ |
| **Balance at Oct. 1, 2015** | **53,259,052** | **31,288,335** | **2,113,643** | **2,088,784** | **(11,894,627)** | **23,596,135** |
| Loss and comprehensive loss | - | - | - | - | (807,158) | (807,158) |
| Flow-through private placement | 835,365 | 710,060 | - | - | - | 710,060 |
| Less: premium | - | (192,134) | - | - | - | (192,134) |
| | 835,365 | 517,926 | - | - | - | 517,926 |
| Options exercised | 25,000 | 21,500 | - | (6,500) | - | 15,000 |
| Broker warrants exercised | 555,000 | 505,050 | (116,550) | - | - | 388,500 |
| Stock-based compensation | - | - | - | 142,127 | - | 142,127 |
| Share issue expenses | - | - | - | - | (57,382) | (57,382) |
| **Balance at Sept. 30, 2016** | **54,674,417** | **32,332,811** | **1,997,093** | **2,224,411** | **(12,759,167)** | **23,795,148** |

| | Number of shares outstanding | Capital stock | Warrants | Contributed surplus | Deficit | Total equity |
|---|---|---|---|---|---|---|
| | | $ | $ | $ | $ | $ |
| **Balance at Oct. 1, 2014** | 30,306,512 | 17,270,485 | 30,818 | 1,959,018 | (10,229,314) | 9,031,007 |
| Loss and comprehensive loss | - | - | - | - | (629,098) | (629,098) |
| Private placements | 21,885,857 | 13,323,007 | 1,997,093 | - | - | 15,320,100 |
| Flow-through private placement | 1,066,683 | 906,680 | - | - | - | 906,680 |
| Less: premium | - | (211,837) | - | - | - | (211,837) |
| | 1,066,683 | 694,843 | - | - | - | 694,843 |
| Stock-based compensation | - | - | - | 98,948 | - | 98,948 |
| Warrants expired | - | - | (30,818) | 30,818 | - | - |
| Broker warrants | - | - | 116,550 | - | (116,550) | - |
| Share issue expenses | - | - | - | - | (919,665) | (919,665) |
| **Balance at Sept. 30, 2015** | **53,259,052** | **31,288,335** | **2,113,643** | **2,088,784** | **(11,894,627)** | **23,596,135** |

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

# Midland Exploration Inc.

Statements of Cash Flows

For the years ended September 30, 2016 and 2015

| | Fiscal 16 | Fiscal 15 |
|---|---|---|
| | $ | $ |
| **Operating activities** | | |
| Loss | (807,158) | (629,098) |
| Adjustment for: | | |
| Residual gain on option payments on mining assets | - | (2,034) |
| Stock-based compensation | 96,951 | 66,913 |
| Impairment of exploration and evaluation assets | 82,174 | 225,826 |
| Recovery of deferred income taxes | (192,134) | (239,297) |
| | (820,167) | (577,690) |
| Changes in non-cash working capital items | | |
| Accounts receivable | 1,624 | (36,074) |
| Sales tax receivable | (73,708) | (65,607) |
| Tax credits and mining rights receivable | (5,320) | (6,650) |
| Prepaid expenses | (7,923) | (31,019) |
| Accounts payable and accrued liabilities | (81,163) | (58,608) |
| Advance received for exploration work | (126,134) | (229,159) |
| | (292,624) | (427,117) |
| | **(1,112,791)** | **(1,004,807)** |
| **Financing activities** | | |
| Private placements | - | 15,320,100 |
| Flow-through private placement | 710,060 | 906,680 |
| Exercise of options | 15,000 | - |
| Exercise of warrants | 388,500 | - |
| Share issue expenses | (57,382) | (919,665) |
| | **1,056,178** | **15,307,115** |
| **Investing activities** | | |
| Additions to investments | (5,311,910) | (11,031,807) |
| Disposals of investments | 4,535,807 | 2,060,000 |
| Additions to exploration properties | (340,618) | (300,840) |
| Disposals of exploration properties | - | 30,000 |
| Advance paid for exploration expenses | (344,624) | - |
| Additions to exploration and evaluation expenses | (2,941,722) | (924,615) |
| Tax credits and mining rights received | 64,141 | 60,505 |
| | **(4,338,926)** | **(10,106,757)** |
| **Net change in cash and cash equivalents** | (4,395,539) | 4,195,551 |
| Cash and cash equivalents – beginning (note 5) | 5,862,953 | 1,667,402 |
| **Cash and cash equivalents – ending** (note 5) | **1,467,414** | **5,862,953** |

*Additional disclosure (see note 15)*

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

## 1. STATUTE OF INCORPORATION AND NATURE OF ACTIVITIES

Midland Exploration Inc. (“the Corporation”), incorporated in Canada on October 2, 1995 and operating under the Business Corporations Act (Québec), is a company in the mining exploration business. The Corporation’s operations include the acquisition and exploration of mining properties. Its head office is located at 1, Place Ville Marie, suite 4000, Montreal, Quebec, H3B 4M4. The Corporation’s shares are listed on the TSX Venture Exchange (the “Exchange”) under the MD ticker.

Until it is determined that properties contain mineral reserves or resources that can be economically mined, they are classified as exploration properties. The recoverability of exploration and evaluation assets is dependent upon: the discovery of economically recoverable reserves and resources; securing and maintaining title and beneficial interest in the properties; the ability to obtain the necessary financing to complete exploration and the profitable sale of the assets. The Corporation will periodically have to raise additional funds to continue operations, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

Although the Corporation has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Corporation's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 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 8, 2016.

### 2.2 Basis of measurement

These financial statements have been prepared on a historical cost basis except for certain assets at fair value.

### 2.3 Functional and presentation currency

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

### 2.4 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.

### 2.5 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.

## 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.

### a) Financial assets

*Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recognized initially at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment.

*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.

As of September 30, 2016, the Corporation had no investments classified as held-to-maturity.

*Impairment of financial assets*
All financial assets are subject to review for impairment periodically. Financial assets are impaired only if there is 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.

### b) Financial liabilities

*Financial liabilities measured at amortized cost*
Accounts payable and accrued liabilities and advance received for exploration work are initially measured at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, financial liabilities are measured at amortized cost using the effective interest method.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### c) Classification

The Corporation has classified its financial instruments as follows:

| Category | Financial instruments |
|---|---|
| Loans and receivables | Bank balance and cash on hand |
| | Guaranteed investment certificates |
| | In trust deposits |
| | High interest savings account |
| | Accounts receivable |
| | Accrued interest receivable |
| | Advance paid for exploration work |
| Financial liabilities measured at amortized cost | Accounts payable and accrued liabilities |
| | Advance received for exploration work |

### 2.6 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.

### 2.7 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.

### 2.8 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 less accumulated impairment losses. 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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.

### 2.9 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.

### 2.10 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.11 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.

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.

### 2.12 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.

### 2.13 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.

### 2.14 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.15 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.

### 2.16 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.

### 2.17 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.

### 2.18 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.

## 3. ACCOUNTING STANDARDS ISSUED RECENTLY

The most relevant standards, amendments and interpretations issued up to the date of the issuance of these financial statements are listed below.

### 3.1 Accounting standards issued but not yet effective

#### a) IFRS 9, Financial Instruments, ("IFRS 9")

In November 2009 and October 2010, the IASB issued the first phase of IFRS 9, Financial Instruments. In November 2013, the IASB issued a new general hedge accounting standard, which forms part of IFRS 9. The final version of IFRS 9 was issued in July 2014 and includes a third measurement category for financial assets (fair value through other comprehensive income) and a single, forward-looking 'expected loss' impairment model.

This standard is part of a wider project to replace IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only three classification categories: amortized cost, fair value through other comprehensive income and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset or liability. It also introduces additional changes relating to financial liabilities 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. Management is currently reviewing the impact that this standard will have on its financial statements.

#### b) IFRS 16 Leases

In January 2016, the IASB issued IFRS 16. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, which is the customer ("lessee") and the supplier ("lessor"). IFRS 16 replaces IAS 17, Leases ("IAS 17"), and related interpretations. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 will eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Applying that model, a lessee is required to recognize:

- assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and
- depreciation of lease assets separately from interest on lease liabilities in the statement of loss and comprehensive loss.

The new standard is effective for annual periods beginning on or after January 1, 2019 with an early adoption permitted if IFRS 15 Revenue from contracts with customers is also applied. Management has not yet evaluated the impact that this new standard will have on its consolidated financial statements.

## 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.

## 4. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS (CONT'D)

### JUDGMENTS

### 4.1 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 $82,174 for the year ended September 30, 2016 ("Fiscal 16") ($225,826 for the year ended September 30, 2015 ("Fiscal 15")). No reversal of impairment losses has been recognized for the reporting periods.

### 4.2 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.

### 4.3 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.

## 4. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS (CONT'D)

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 judgment 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 | |
|---|---|---|
| | **2016** | **2015** |
| | **$** | **$** |
| Cash | 467,414 | 794,026 |
| Guaranteed investment certificate bearing interest of 1.41%, maturing June 5, 2017 | 1,000,000 | - |
| Guaranteed investment certificates bearing interest between 1.05% and 1.25%, maturing between December 4, 2015 and June 8, 2016 | - | 5,068,927 |
| | **1,467,414** | **5,862,953** |

All the exploration work imposed by the December 2014 and November 2015 flow-through financing was completed before September 30, 2015 and September 30, 2016 respectively.

## 6. INVESTMENTS

| | As at September 30 | |
|---|---|---|
| | **2016** | **2015** |
| | **$** | **$** |
| *Current* | | |
| Guaranteed investment certificates, not cashable before the expiry date, between 1.40% and 1.95% interest payable annually, maturing between December 8, 2016 and July 17, 2017, with a maturity value of $8,867,188 | 8,729,000 | - |
| Guaranteed investment certificates, not cashable before the expiry date, between 1.40% and 1.60% interest payable annually, maturing between November 27, 2015 and July 15, 2016, with a maturity value of $4,602,894 | | 4,535,807 |
| *Non-current* | | |
| Guaranteed investment certificates, not cashable before the expiry date, between 1.45% and 1.95% interest payable annually, maturing between July 14, 2018 and July 23, 2018, with a maturity value of $3,130,844 | 3,078,910 | - |
| Guaranteed investment certificates, not cashable before the expiry date, between 1.60% and 1.95% interest payable annually, maturing between June 5, 2017 and July 16, 2018, with a maturity value of $6,608,312 | - | 6,496,000 |
| | **11,807,910** | **11,031,807** |

## 7. EXPLORATION AND EVALUATION ASSETS

The following tables disclose the acquisition costs of exploration properties:

| **Acquisition costs** | **Undivided interest** | **As at Sept. 30, 2015** | **Net Additions** | **Option payments** | **Impairment** | **As at Sept. 30, 2016** |
|---|---|---|---|---|---|---|
| | **%** | **$** | **$** | **$** | **$** | **$** |
| **Abitibi** | | | | | | |
| Maritime-Cadillac | 49 | 290,440 | 75 | - | - | 290,515 |
| Laflamme | 70 | 82,195 | 22,352 | - | (7,147)[1)] | 97,400 |
| Patris | 100 | 87,072 | - | - | - | 87,072 |
| Casault | 100 | 17,649 | (111) | - | - | 17,538 |
| Jouvex | 100 | 44,244 | 754 | - | - | 44,998 |
| Heva | 100 | 100,502 | 5,507 | - | - | 106,009 |
| Valmond | 100 | 3,666 | 3,593 | - | - | 7,259 |
| La Peltrie | 100 | 69,999 | 33,594 | - | - | 103,593 |
| Adam | 100 | - | 11,975 | - | - | 11,975 |
| Samson | 100 | - | 17,406 | - | - | 17,406 |
| Abitibi Or | 100 | 69,230 | 117,892 | - | (37,220)[1)] | 149,902 |
| **Grenville-Appalaches** | | | | | | |
| Weedon | 100 | 31,993 | 5,779 | - | (7,756)[1)] | 30,016 |
| Gatineau | 100 | 13,155 | 2,538 | - | (7,344)[1)] | 8,349 |
| **James Bay** | | | | | | |
| James Bay Au | 100 | 164,821 | 19,673 | - | (5,613)[1)] | 178,881 |
| Eleonore | 100 | 102,512 | 12,652 | - | (9,932)[1)] | 105,232 |
| JV Eleonore | 50 | - | 96,217 | - | - | 96,217 |
| **Northern Quebec** | | | | | | |
| Pallas PGE | 50 | 61,301 | 11,142 | - | - | 72,443 |
| Willbob | 100 | 34,552 | 21,290 | - | - | 55,842 |
| **Quebec Labrador** | | | | | | |
| Ytterby | 50.6 | 7,791 | 1,413 | - | (7,162)[1)] | 2,042 |
| **Project Generation** | 100 | 19,462 | 3,967 | - | - | 23,429 |
| | | **1,200,584** | **387,708** | **-** | **(82,174)** | **1,506,118** |

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

## 7. EXPLORATION AND EVALUATION ASSETS (CONT'D)

| Acquisition costs | Undivided interest | As at Sept. 30, 2014 | Net Additions | Option payments | Impairment | As at Sept. 30, 2015 |
|---|---|---|---|---|---|---|
| | % | $ | $ | $ | $ | $ |
| **Abitibi** | | | | | | |
| Maritime-Cadillac | 49 | 290,437 | 3 | - | - | 290,440 |
| Laflamme | 64.9 | 69,093 | 27,792 | - | (14,690)1) | 82,195 |
| Patris | 100 | 87,072 | - | - | - | 87,072 |
| Casault | 100 | 16,717 | 932 | - | - | 17,649 |
| Jouvex | 100 | 44,244 | - | - | - | 44,244 |
| Heva | 100 | 95,203 | 5,299 | - | - | 100,502 |
| Valmond | 100 | - | 3,666 | - | - | 3,666 |
| La Peltrie | 100 | 9,362 | 60,637 | - | - | 69,999 |
| Adam | 100 | - | 17,966 | (17,966) | - | - |
| Abitibi Or | 100 | 77,521 | (8,291) | - | - | 69,230 |
| **Grenville-Appalaches** | | | | | | |
| Weedon | 100 | 37,438 | 7,655 | - | (13,100)1) | 31,993 |
| Gatineau | 100 | 18,688 | 3,811 | - | (9,344)1) | 13,155 |
| **James Bay** | | | | | | |
| James Bay Au | 100 | 180,191 | 50,923 | - | (66,293)1) | 164,821 |
| Eleonore | 100 | 77,730 | 24,782 | - | - | 102,512 |
| James Bay U | 100 | 9,828 | 63 | - | (9,891)2) | - |
| James Bay Fe | 100 | 47,808 | 7,856 | - | (55,664)2) | - |
| **Northern Quebec** | | | | | | |
| Pallas PGE | 50 | 11,301 | 50,000 | - | - | 61,301 |
| Willbob | 100 | 1,130 | 33,422 | - | - | 34,552 |
| **Quebec Labrador** | | | | | | |
| Ytterby | 50.5 | 1,512 | 6,279 | - | - | 7,791 |
| **Project Generation** | 100 | 15,214 | 4,248 | - | - | 19,462 |
| | | **1,090,489** | **297,043** | **(17,966)** | **(168,982)** | **1,200,584** |

1) Some claims were dropped and the Corporation impaired partially the property.
2) The Company wrote off the property since no exploration program are planned for the near future.

## 7. EXPLORATION AND EVALUATION ASSETS (CONT'D)

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

| E&E expenses | Undivided interest | As at Sept. 30, 2015 | Net Additions | Option payments | Tax credits | Impairment | As at Sept. 30, 2016 |
|---|---|---|---|---|---|---|---|
| | % | $ | $ | $ | $ | $ | $ |
| **Abitibi** | | | | | | | |
| Maritime-Cadillac | 49 | 232,965 | 5,736 | - | (2,611) | - | 236,090 |
| Laflamme | 70 | 1,507,229 | 493,710 | - | (107,086) | - | 1,893,853 |
| Patris | 100 | 219,143 | 2,503 | - | - | - | 221,646 |
| Casault | 100 | 298,888 | 72,100 | - | (18,280) | - | 352,708 |
| Jouvex | 100 | 348,457 | 3,509 | - | - | - | 351,966 |
| Heva | 100 | 35,133 | 171,293 | - | (49,350) | - | 157,076 |
| Valmond | 100 | 120,742 | - | - | - | - | 120,742 |
| Samson | 100 | 439 | 88,317 | - | (10,553) | - | 78,203 |
| La Peltrie | 100 | 118,209 | 632,046 | - | (97,771) | - | 628,505 |
| Adam | 100 | - | 47,264 | - | (4,423) | - | 42,841 |
| Abitibi Au | 100 | 117,841 | 73,787 | - | (17,984) | - | 173,644 |
| **Grenville-Appalaches** | | | | | | | |
| Weedon | 100 | 484,279 | 45,231 | - | (6,280) | - | 523,230 |
| Gatineau | 100 | 28,892 | 132 | - | - | - | 29,024 |
| **James Bay** | | | | | | | |
| James Bay Au | 100 | 248,057 | 17,260 | - | (3,431) | - | 261,886 |
| Eleonore | 100 | 1,527,352 | 154,314 | - | (52,363) | - | 1,629,303 |
| JV Eleonore | 50 | - | 218,637 | - | (93,945) | - | 124,692 |
| **Northern Quebec** | | | | | | | |
| Pallas PGE | 50 | 269,391 | 159,839 | - | (59,730) | - | 369,500 |
| Willbob | 100 | 111,951 | 775,697 | - | (322,377) | - | 565,271 |
| **Quebec Labrador** | | | | | | | |
| Ytterby | 50.6 | 172,054 | 11,529 | - | - | - | 183,583 |
| **Project Generation** | 100 | 59,390 | 17,831 | - | (3,152) | - | 74,069 |
| | | **5,900,412** | **2,990,735** | **-** | **(849,336)** | **-** | **8 041,811** |

## 7. EXPLORATION AND EVALUATION ASSETS (CONT'D)

| E&E expenses | Undivided interest | As at Sept. 30, 2014 | Net Additions | Option payments | Tax credits | Impairment | As at Sept. 30, 2015 |
|---|---|---|---|---|---|---|---|
| | % | $ | $ | $ | $ | $ | $ |
| **Abitibi** | | | | | | | |
| Maritime-Cadillac | 49 | 232,965 | - | - | - | - | 232,965 |
| Laflamme | 64.9 | 1,310,514 | 199,977 | - | (3,262) | - | 1,507,229 |
| Patris | 100 | 208,755 | 10,388 | - | - | - | 219,143 |
| Casault | 100 | 290,082 | 8,806 | - | - | - | 298,888 |
| Jouvex | 100 | 346,090 | 2,367 | - | - | - | 348,457 |
| Heva | 100 | 18,563 | 16,570 | - | - | - | 35,133 |
| Valmond | 100 | 123,955 | 6,787 | (10,000) | - | - | 120,742 |
| Samson | 100 | - | 439 | - | - | - | 439 |
| La Peltrie | 100 | - | 118,209 | - | - | - | 118,209 |
| Adam | 100 | - | - | - | - | - | - |
| Abitibi Au | 100 | 36,641 | 83,556 | - | (2,356) | - | 117,841 |
| **Grenville-Appalaches** | | | | | | | |
| Weedon | 100 | 388,013 | 108,768 | - | (12,502) | - | 484,279 |
| Gatineau | 100 | 28,766 | 126 | - | - | - | 28,892 |
| **James Bay** | | | | | | | |
| James Bay Au | 100 | 216,677 | 37,758 | - | (6,378) | - | 248,057 |
| Eleonore | 100 | 1,175,139 | 377,436 | - | (25,223) | - | 1,527,352 |
| James Bay U | 100 | 14,686 | - | - | - | (14,686)[1)] | - |
| James Bay Fe | 100 | 42,158 | - | - | - | (42,158)[1)] | - |
| **Northern Quebec** | | | | | | | |
| Pallas PGE | 50 | 216,088 | 53,459 | - | (156) | - | 269,391 |
| Willbob | 100 | 5,116 | 117,948 | - | (11,113) | - | 111,951 |
| **Quebec Labrador** | | | | | | | |
| Ytterby | 50.5 | 109,090 | 62,964 | - | - | - | 172,054 |
| **Project Generation** | 100 | 39,547 | 19,843 | - | - | - | 59,390 |
| | | **4,802,845** | **1,225,401** | **(10,000)** | **(60,990)** | **(56,844)** | **5,900,412** |

1) The Company wrote off the property since no exploration program are planned for the near future.

## 7. EXPLORATION AND EVALUATION ASSETS (CONT'D)

### ABITIBI

### 7.1 Maritime-Cadillac

The Corporation holds 49% of the Maritime-Cadillac property. The property is 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 per the agreement signed in June 2009 and amended in November 2012 and May 2013, Agnico Eagle Mines Limited ("Agnico Eagle") and the Corporation are in a joint venture and future work are shared 51% Agnico Eagle - 49% the Corporation.

### 7.2 Laflamme Au-Cu

On August 17, 2009, the Corporation signed an agreement with Aurbec Mines Inc. ("Aurbec"), (previously a subsidiary of North American Palladium Ltd.) that was sold to Maudore Minerals Ltd in March 2013. As of July 31, 2011, Aurbec earned its 50% interest in the Laflamme property but no longer contributes in the exploration programs since December 2012 and is therefore being diluted. The Corporation holds 70.0% of the Laflamme property. On June 17, 2016, Abcourt Mines Inc. acquired the property following the bankruptcy of Aurbec.

### 7.3 Patris

The Corporation holds the Patris property and some claims are subject to the following NSR royalties:

- 1%, the Corporation can buy it back for $500,000 per 0.5% tranche for a total of $1,000,000;
- 1.5%, the Corporation can buy it back for $500,000 per 0.5% tranche for a total of $1,500,000.
- 2%, the Corporation can buy it back for $1,000,000 per 1% tranche for a total of $2,000,000;
- 2%, the Corporation can buy it back for $1,000,000 per 1% tranche for a total of $2,000,000;
- 2%, the Corporation can buy it back for $500,000 the first 1% tranche and for $1,000,000 for the second 1% tranche, 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 and May 30, 2016 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:

| | Payments in cash | Work |
|---|---|---|
| | $ | $ |
| **First Option for a 50% initial interest** | | |
| On or before August 31, 2015 (firm commitment)(completed) | - | 500,000 |
| On or before August 31, 2017 | - | 800,000 |
| On or before August 31, 2018 | - | 1,700,000 |
| | - | 3,000,000 |
| **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** | **300,000** | **10,500,000** |

Teck will be project operator during the First Option.

## 7. EXPLORATION AND EVALUATION ASSETS (CONT'D)

### 7.4 Casault et 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. By October 10, 2016, SOQUEM completed the $4,500,000 work commitment, acquired a 50% undivided interest in the Casault Jouvex property and is now in joint venture with the Corporation. The Corporation is the operator during the option period.

### 7.5 Heva

The Corporation owns the Heva property and some 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.

### 7.6 Valmond

On November 19, 2013, the Corporation signed an agreement with Sphinx Resources Ltd. ("Sphinx") whereby Sphinx could have acquired 50% of the Valmond property subject to $250,000 payments in cash ($30,000 completed) and $2,500,000 exploration work ($670,350 completed). In August 2015, Sphinx terminated the agreement on the Valmont property.

### 7.7 Samson

On September 3, 2014, the Corporation signed an agreement with Sphinx whereby Sphinx could have acquired 50% of the Samson property subject to $275,000 payments in cash ($40,000 completed) and $3,500,000 exploration work ($555,854 completed). On December 11, 2015, Sphinx terminated the agreement on the Samson property.

### 7.8 Adam

On December 12, 2014, the Corporation signed an agreement with Sphinx whereby Sphinx could have acquired 50% of the Adam property subject to $250,000 payments in cash (20,000 completed) and $3,000,000 exploration work ($174,449 completed). On December 11, 2015, Sphinx terminated the agreement on the Adam property.

**GRENVILLVE-APPALACHES**

### 7.9 Weedon

The Corporation holds the Weedon property and some claims are subject to NSR royalties of:

- 1%, the Corporation can buy it back for $500,000 per 0.5% tranche for a total of $1,000,000;
- 0.5%, the Corporation can buy it back for $500,000;
- 1.5%, on all metals except gold and silver the Corporation can buy it back for $500,000 per 0.5% tranche for a total of $1,500,000.

**JAMES BAY**

### 7.10 **James Bay Gold JV (Au)**, operated by Osisko

On June 13, 2016, a joint-venture agreement (50%-50%) was signed with Osisko Exploration James Bay Inc. ("Osisko") whereby Osisko and the Corporation will cooperate and combine their efforts to explore the JV Eleonore property recently staked by the two corporations. The property is located 12 kilometres southeast and northwest of Goldcorp's Eleonore deposit.

## 7. EXPLORATION AND EVALUATION ASSETS (CONT'D)

### NORTHERN QUEBEC

### 7.11 Pallas PGE

On January 21, 2014, the Corporation signed an option agreement with Japan Oil, Gas and Metals National Corporation (« JOGMEC »). In September 2015, JOGMEC has funded the $2,000,000 commitment of exploration work and now has the right to exercise its option to acquire a 50% interest in the Pallas PGE property. The Corporation is the operator as long as it will hold an interest equal to or higher than 50% in the project.

### QUEBEC / LABRADOR

### 7.12 Ytterby

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 in a 50% interest in the Ytterby property by funding $2,700,000 exploration work. As of September 30, 2015, JOGMEC has not yet given its notice to exercise its right. In spring 2015, JOGMEC indicated that it would not participate in the exploration program and its interest has now been diluted to 49.4%.

## 8. EQUITY

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

### 8.1 Private placements

#### a) December 2014

*Units*

On December 3 and 17, 2014, the Corporation completed private placements by issuing 1,100,430 and 162,858 units respectively at $0.70 per unit for total gross proceeds of $884,302. 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 and 16, 2016 respectively.

From the total compensation received from the units, $75,062 has been allocated to warrants and $809,240 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 55.1% for the units issued December 3, 2014 and 56.2% for the units issued December 17, 2014, a risk free interest rate of 1.04% and an expected life of the warrants of 24 months.

*Flow-through*

On December 3 and 17, 2014, the Corporation completed private placements by issuing 1,036,683 and 30,000 flow-through shares respectively at $0.85 per share, for total gross proceeds of $906,680. On December 3 and 17, 2014, the Corporation's share closed at $0.65 and $0.70 on the Exchange, therefore the residual value attributed to the benefit related to flow-through shares renunciation is $0.20 and $0.15 respectively for a total value of $211,837 credited to the liability related to the premium on flow-through shares. As of September 30, 2015, the Corporation had completed all the exploration work relating to these flow-through placements.

In connection with the December 2014 private placements, the Corporation paid finder's fees of $29,274.

## 8. EQUITY (CONT'D)

### b) May 2015

*Units*

On May 4 and 12, 2015, the Corporation completed a private placement of 20,622,569 units at a price of $0.70 per unit for total gross proceeds of $14,435,798. Each unit consisted of one common share and one warrant. Each warrant entitles the holder to purchase one common share at a price of $1.15 until May 3, 2018.

From the total compensation received from the units, $1,922,031 has been allocated to warrants and $12,513,767 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 49.8%, a risk free interest rate of 0.51% and an expected life of the warrants of 3 years.

In connection with the private placement, the Corporation paid finder's fees of $457,980 and issued compensation warrants entitling the finders to acquire 555,000 common shares of the Corporation at a price of $0.70 per share until May 3, 2017. The total compensation warrants cost amounted to $116,550 and this fair value was estimated using the Black-Scholes model with the same assumptions as the warrants except for an expected life of 2 years.

Share issue expenses, including the finder's fees and compensation warrants, totalled $952,790 of which $825,883 was allocated to capital stock and $126,907 to warrants.

### c) November 2015

*Flow-through*

On November 20, 2015, the Corporation completed a private placement by issuing 835,365 flow-through shares at $0.85 per share, for total gross proceeds of $710,060. On that date, the Corporation's share closed at $0.62 on the Exchange, therefore the residual value attributed to the benefit related to flow-through shares renunciation is $0.23 for a total value of $192,134 credited to the liability related to the premium on flow-through shares. In connection with the private placement, the Corporation paid finder's fees of $26,208. As of September 30, 2016, the Corporation had completed all the exploration work relating to these flow-through placements.

## 8.2 Warrants

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

| | Fiscal 16 | | Fiscal 15 | |
|---|---|---|---|---|
| | **Number** | **Amount** | **Number** | **Amount** |
| | | $ | | $ |
| **Balance – Beginning of year** | 21,254,213 | 1,997,093 | 401,001 | 30,818 |
| Issued following private placements (note 8.1) | - | - | 21,254,213 | 1,997,093 |
| Expired | - | - | (401,001) | (30,818) |
| **Balance – End of year** | **21,254,213** | **1,997,093** | **21,254,213** | **1,997,093** |

## 8. EQUITY (CONT'D)

Warrants outstanding as at September 30, 2016 are as follows:

| Number of warrants | Exercise price | Expiry date |
|---|---|---|
| | $ | |
| 550,215 | 0.95 | December 2, 2016 (507,357 exercised before expiry) |
| 81,429 | 0.95 | December 16, 2016 (81,429 exercised before expiry) |
| 20,622,569 | 1.15 | May 3, 2018 |
| **21,254,213** | | |

### 8.3 Broker warrants

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

| | Fiscal 16 | | Fiscal 15 | |
|---|---|---|---|---|
| | **Number** | **Amount** | **Number** | **Amount** |
| | | $ | | $ |
| **Balance – Beginning of year** | 555,000 | 116,550 | - | - |
| Issued following a private placement (note 8.1) | - | - | 555,000 | 116,550 |
| Exercised | (555,000) | (116,550) | - | - |
| **Balance – End of year** | **-** | **-** | **555,000** | **116,550** |

### 8.4 Policies and processes for managing capital

The capital of the Corporation consists of the items included in equity of $23,759,148 as of September 30, 2016 ($23,596,135 as of September 30, 2015). 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

### 9.1 Salaries

| | Fiscal 16 | Fiscal 15 |
|---|---|---|
| | $ | $ |
| Salaries | 892,546 | 755,900 |
| Director fees | 34,875 | - |
| Benefits | 73,634 | 68,111 |
| | 1,001,055 | 824,011 |
| Less : salaries and benefits capitalized in E&E assets | (544,780) | (475,153) |
| **Salaries disclosed on the statement of comprehensive loss** | **456,275** | **348,858** |

## 9. EMPLOYEE REMUNERATION (CONT'D)

### 9.2 Stock-based compensation

| | Fiscal 16 | Fiscal 15 |
|---|---|---|
| | $ | $ |
| Stock-based compensation | 142,127 | 98,948 |
| Less : stock-based compensation capitalized in the E&E assets | (45,176) | (32,035) |
| **Stock-based compensation disclosed on the statement of comprehensive loss** | **96,951** | **66,913** |

The Corporation has a stock option plan (the "Plan"). The number of common shares granted is determined by the Board of Directors. On December 10, 2015, the board of directors approved an increase in the number of common shares reserved for issuance under the Corporation's fixed number stock option plan from 4,000,000 to 5,400,000. Such amendment to the plan was approved by the Exchange. 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.

On August 13, 2015, the Corporation granted to its directors, officers, employees and consultants 475,000 options exercisable at $0.60, 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 $123,500 for an estimated fair value of $0.26 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 45% expected volatility, 1.12% 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 August 11, 2016, the Corporation granted to its directors, officers, employees and consultants 500,000 options exercisable at $1.10, 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 $250,000 for an estimated fair value of $0.50 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 48% expected volatility, 0.87% 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.

## 9. EMPLOYEE REMUNERATION (CONT'D)

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

| | Fiscal 16 | | Fiscal 15 | |
|---|---|---|---|---|
| | **Number of options** | **Weighted average exercise price** | **Number of options** | **Weighted average exercise price** |
| | | $ | | $ |
| **Balance – Beginning of year** | 2,020,000 | 1.18 | 1,780,000 | 1.27 |
| Granted | 500,000 | 1.10 | 475,000 | 0.60 |
| Exercised | (25,000) | 0.60 | - | - |
| Expired | - | - | (235,000) | 1.47 |
| **Balance – End of year** | **2,495,000** | 1.10 | **2,020,000** | **1.18** |
| Balance – End of year exercisable | 1,836,666 | 1.14 | 1,545,000 | 1.24 |

The following table summarizes information about common share purchase options outstanding and exercisable as at September 30, 2016:

| Number of options outstanding | Number of options exercisable | Exercise price | Expiry date |
|---|---|---|---|
| | | $ | |
| 260,000 | 260,000 | 1.76 | February 17, 2021 |
| 315,000 | 315,000 | 1.54 | February 16, 2022 |
| 20,000 | 20,000 | 1.61 | February 27, 2022 |
| 345,000 | 345,000 | 1.25 | February 19, 2023 |
| 605,000 | 605,000 | 0.85 | February 20, 2024 |
| 425 000 | 291,666 | 0.60 | August 13, 2025 |
| 500,000 | - | 1.10 | August 11, 2026 |
| **2,495,000** | **1,836,666** | | |

## 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.

| | Fiscal 16 | Fiscal 15 |
|---|---|---|
| | $ | $ |
| Loss | (807,158) | (629,098) |
| Weighted average number of basic and diluted outstanding shares | 54,001,374 | 40,639,071 |
| Basic and diluted net loss per share | (0.01) | (0.02) |

## 11. INCOME TAXES

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

| | Fiscal 16 | Fiscal 15 |
|---|---|---|
| | $ | $ |
| Recovery of deferred income taxes | | |
| Premium on flow-through share issuance | 192,134 | 239,297 |
| **Total recovery of deferred income taxes** | **192,134** | **239,297** |

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:

| | Fiscal 16 | Fiscal 15 |
|---|---|---|
| | $ | $ |
| Loss before income taxes | (999,292) | (868,395) |
| Combined federal and provincial income tax at 26.90% | (268,810) | (233,598) |
| Non-deductible expenses | 33,247 | 22,917 |
| Tax effect of renounced flow-through share expenditures | 191,006 | 266,610 |
| Amortization of flow-through share premiums | (192,134) | (239,297) |
| Unrecognized temporary differences | 41,479 | (76,376) |
| Other elements | 3,077 | (6,195) |
| Expired tax attributes | - | 26,642 |
| **Recovery of deferred income taxes** | **(192,135)** | **(239,297)** |

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 $1,201,000.

As at September 30, 2016, significant components of the Corporation's deferred income tax assets and liabilities are as follows:

| | Fiscal 16 | Fiscal 15 |
|---|---|---|
| | $ | $ |
| Deferred income tax assets | | |
| Non-capital losses | 1,848,000 | 1,648,000 |
| Donations | 22,000 | 18,000 |
| Share and warrant issue expenses | 199,000 | 259,000 |
| Total deferred income tax assets | 2,069,000 | 1 925 000 |
| Deferred income tax liabilities | | |
| E&E assets | 868,000 | 782,000 |
| Total deferred income tax liabilities | 868,000 | 782,000 |
| **Deferred income tax assets not recognized** | **1,201,000** | 1,143,000 |

## 11. INCOME TAXES (CONT'D)

As of September 30, 2016, expiration dates of losses available to reduce future years' income tax are:

| | Federal | Provincial |
|---|---|---|
| | $ | $ |
| 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 | 760,000 | 749,000 |
| 2035 | 820,000 | 811,000 |
| 2036 | 1,044,000 | 1,026,000 |

## 12. COMPENSATION TO KEY MANAGEMENT AND RELATED PARTY TRANSACTIONS

### 12.1 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:

| | Fiscal 16 | Fiscal 15 |
|---|---|---|
| | $ | $ |
| Short-term benefits | | |
| Salaries including bonuses and benefits | 359,210 | 288,781 |
| Professional fees | 72,427 | 67,534 |
| Professional fees recorded in share issue expenses | 3,263 | 12,724 |
| Salaries including bonuses and benefits capitalized in E&E expenses | 129,450 | 132,260 |
| Long-term benefits | | |
| Stock-based compensation | 96,969 | 65,050 |
| Stock-based compensation capitalized in E&E expenses | 16,162 | 10,842 |
| **Total compensation** | **677,481** | **577,191** |

On January 1, 2015, the Corporation entered into amended employment agreements with members of the senior management which, among other things, provide that in the event of a termination without cause or of a change of control, a compensation equivalent to between 12 to 18 months of salary will be paid. Also, on January 1, 2015, the Corporation entered into a consulting agreement with another member of senior management, which provides that in the event of a termination without cause or of a change of control, a compensation equivalent to 18 months of remuneration will be paid.

### 12.2 Related party transactions

In addition to the amounts listed above in the compensation to key management (note 12.1), following are the related party transactions:

## 12. COMPENSATION TO KEY MANAGEMENT AND RELATED PARTY TRANSACTIONS (CONT'D)

*In the normal course of operations:*

- A firm in which an officer is a partner charged professional fees amounting to $63,568 ($125,932 in Fiscal 15) of which $51,089 ($55,001 in Fiscal 15) was expensed and $12,479 ($70,931 in Fiscal 15) was recorded as share issue expenses;
- A company controlled by an officer charged professional fees of $69,620 ($57,660 in Fiscal 15) for her staff; and
- As at September 30, 2016, the balance due to the related parties amounted to $16,300 ($21,563 in September 30, 2015).

*Out of the normal course of operations:*

- Directors and officers of the Corporation participated in the flow-through private placement of November 2015 (note 8.1 c)) for $96,050 (December 2014 (note 8.1 a)) for $79,050) and in the units private placement of May 2015 (note 8.1 b)) for $15,400. The directors and officers subscribed to the units private placement and the flow-through private placement under the same terms and conditions set forth all subscribers.

## 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 in September 2016 by Statistic Canada for a 12-month period which was 1.3%):

| | **As of September 30, 2016** |
|---|---|
| | $ |
| Within 1 year | 23,899 |
| 1 to 5 years | 10,060 |
| After 5 years | - |
| Total | 33,959 |

In September 2012, the Corporation extended the lease for five years, from March 2013 to February 2018. The rent is $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 is also responsible for its proportionate share of the non-residential surtax and the water surtax.

Lease payments recognized as an expense during the reporting period amounted to $25,634 ($24,871 in Fiscal 15). This amount consists of minimum lease payments.

## 14. FINANCIAL INSTRUMENTS AND RISKS

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:

### 14.1 Market Risk

*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 $128,079 as of September 30, 2016 ($161,007 as of September 30, 2015). The Corporation's other financial assets and liabilities do not comprise any interest rate risk since they do not bear interest.

### 14.2 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 and its investments in financial instruments held with a Canadian chartered bank, with a broker which is a subsidiary of a Canadian chartered bank or with an independent investment dealer member of the Canadian Investor Protection Fund. In Fiscal 16, the investments are composed of guaranteed investment certificates issued by Canadian banks or guaranteed by the Canadian Investor Protection Fund. The Corporation aims at signing partnership agreements with established companies and follows closely their cash position to reduce its credit risk on accounts receivable. The carrying amount of cash and cash equivalents and investments represents the Corporation maximum credit exposure.

### 14.3 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, 2016, the Corporation had enough funds available to meet its financial liabilities and future financial liabilities from its existing commitments. All accounts payable and accrued liabilities terms are less than 31 days.

### 14.4 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.

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

## 15. ADDITIONAL INFORMATION ON CASH FLOWS

| | Fiscal 2016 | Fiscal 2015 |
|---|---|---|
| | $ | $ |
| Stock-based compensation included in E&E expenses | 45,176 | 32,035 |
| Additions of exploration properties and E&E expenses included in accounts payable and accrued liabilities | 396,820 | 339,513 |
| Tax credits receivable applied against E&E expenses | 855,716 | 60,990 |
| Exercise of options credited to capital stock | 6,500 | - |
| Exercise of warrants credited to capital stock | 116,550 | - |
| Interest received | 239,459 | 73,945 |

## 16. SUBSEQUENT EVENT

On November 17 and 24, 2016, the Corporation completed a private placement by issuing 1,284,354 flow-through shares at $1.35 per share, for total gross proceeds of $1,733,876. On those dates, the Corporation's share closed at $1.15 and $1.14 respectively, on the Exchange, therefore the residual value attributed to the benefit related to flow-through shares renunciation is $0.20 and $0.21 respectively, for a total value of $259,290, credited to the liability related to the premium on flow-through shares. In connection with the private placement, the Corporation paid finder's fees of $60,650. Directors and officers of the Corporation participated in these placements for a total consideration of $136,100.

On November 23, 2016, the Corporation granted to an employee 50,000 options exercisable at $1.13, 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 $25,500 for an estimated fair value of $0.51 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 48% expected volatility, 0.72% 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.

**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, LLP
1250 René-Lévesque Boulevard West, Suite 2500
Montreal, Quebec, H3B 4Y1

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

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