



# Annual Report 2017

**Midland Exploration Inc.**  
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# Midland Exploration inc.

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**Midland Exploration Inc.**  
**Management Discussion & Analysis**  
For the year ended September 30, 2017

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, 2017. This MD&A should be read in conjunction with the Corporation’s audited financial statements as at September 30, 2017 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](http://www.sedar.com).

<b>Abbreviation</b>	<b>Period</b>
Fiscal 15	October 1, 2014 to September 30, 2015
Q1-16	October 1, 2015 to December 31, 2016
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
Q1-17	October 1, 2016 to December 31, 2016
Q2-17	January 1, 2017 to March 31, 2017
Q3-17	April 30, 2017 to June 30, 2017
Q4-17	July 1, 2017 to September 30, 2017
Fiscal 17	October 1, 2016 to September 30, 2017
Fiscal 18	October 1, 2017 to September 30, 2018

## 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 \$11,678,771 as of September 30, 2017 (\$13,787,092 as of September 30, 2016, which includes \$3,078,910 as of September 30, 2016 of investments in guaranteed investment certificates with expiry dates over 1 year (nil as of September 2017)), 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*).

From October 1, 2016 to December 7, 2017, the Corporation completed several private placements by issuing 3,591,208 flow-through shares for total gross proceeds of \$4,848,130.

During Fiscal 17, the Corporation signed several option and partnership agreements:

- On February 10, 2017, the Corporation signed a letter of intent creating a strategic alliance with Altius Minerals Corporation (“Altius”), whereby Altius and the Corporation will combine their efforts to jointly explore the gold potential of the extensive James Bay region. The Corporation is the operator;
- On April 27, 2017, the Corporation signed an option agreement with IAMGOLD Corporation (“IAMGOLD”) whereby IAMGOLD may earn, in three options, a maximum interest of 65% in the Héva property, by fulfilling \$500,000 cash payments and \$14,000,000 exploration work. IAMGOLD is the operator;

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**2. OVERALL PERFORMANCE (CON'D)**

- On August 29, 2017, the Corporation signed an option agreement with Niobay Metals Inc. ("Niobay") whereby Niobay may earn, in two options, a maximum interest of 65% in the La Peltrie property, by fulfilling \$250,000 cash payments and \$3,000,000 exploration work. Midland is the operator.

On March 28, 2017, JOGMEC withdrew from the option agreement signed on January 21, 2014 and abandoned its right to exercise its option to acquire a 50% interest in the Pallas PGE property.

As operator, Midland incurred exploration expenditures totalling \$6,243,161 (\$4,869,973 in Fiscal 16), on its properties of which \$1,274,505 was recharged to its partners (\$1,924,414 in Fiscal 16). The operating partners incurred \$631,255 of exploration expenses (\$370,439 in Fiscal 16). Also, the Corporation invested \$619,147 (\$443,316 in Fiscal 16) to complete several property acquisitions in Quebec of which \$100,422 was recharged to its partners (\$55,608 in Fiscal 16).

The Corporation reported a loss of \$1,214,056 in Fiscal 17 compared to \$807,158 for Fiscal 16.

**Selected annual information**

	<b>Fiscal 17</b>	<b>Fiscal 16</b>	<b>Fiscal 15</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenues	96,193	107,423	301,452
Loss	(1,214,056)	(807,158)	(629,098)
Loss per share, basic and diluted	(0.02)	(0.01)	(0.02)

  

	<b>As at September 30,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Total assets	26,477,605	24,456,678	24,407,655

**3. RESULTS OF OPERATIONS**

Operating expenses increased to \$1,864,707 for Fiscal 17 compared to \$1,332,206 in Fiscal 16:

- Salaries increased to \$584,630 (\$456,275 in Fiscal 16). Bonuses based on objectives for \$94,500 were paid (\$93,166 in Fiscal 16). Since January 2016, the Corporation pays directors fees and the expense for Fiscal 17 is \$51,000 (\$34,875 in Fiscal 16).
- Stock-based compensation increased to \$285,429 (\$96,951 in Fiscal 16). 475,000 options were granted in Fiscal 15, 500,000 in Fiscal 16 and 695,000 in Fiscal 17. Their fair value was estimated at \$123,500, \$250,000 and \$362,250 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 (\$66,913 in Fiscal 15, \$96,951 in Fiscal 16 and \$285,429 in Fiscal 17) and the other part was capitalized within the deferred exploration expenses (\$32,035 in Fiscal 15, \$16,162 in Fiscal 16 and \$164,088 in Fiscal 17). The options vest over 18 months and it should be noted that the grant of options occurred in August for Fiscal 15 and Fiscal 16 while it occurred in February for Fiscal 17.
- Office expenses increased to \$133,918 (\$83,856 in Fiscal 16). Computers and participation in different associations like the Consorem explain this variance.
- Conference and mining industry involvement increased to \$173,937 (\$127,278 in Fiscal 16). More employees from Midland participated to the conferences and also this year the New Orleans conference was added to its agenda.

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**3. RESULTS OF OPERATIONS (CONT'D)**

- Impairment of exploration and evaluation assets (non-cash items) increased to \$232,075 (\$82,174 in Fiscal 16) and the explanations can be found in the investing activities section found later in this MD&A.

Project management fees decreased to \$96,193 (\$107,423 in Fiscal 16). Exploration on Pallas generated more management fees in Fiscal 17, nevertheless Casault and Jouvex generated less fees in Fiscal 17. On the other hand, the BJ Altius generated new management fees in Fiscal 17.

Interest income decreased to \$169,368 (\$225,491 in Fiscal 16) due to gradual decrease of the funds invested since the \$14.4 million private placement closed in May 2015.

A \$382,090 (\$192,134 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 November 2016 and March 2017 private placements (November 2015 in Fiscal 16).

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**4. INVESTING ACTIVITIES**

Deferred exploration expenses Fiscal 17	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 167
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Abitibi</b>														
Maritime Cadillac	236,090	2,380	-	48,313	3,842	-	<b>54,535</b>	1,700	-	(54)	-	-	<b>56,181</b>	<b>292,271</b>
Laflamme Au	1,893,853	23,712	109,332	183,492	5,778	-	<b>322,314</b>	9,692	-	(23,795)	-	-	<b>308,221</b>	<b>2,202,064</b>
Patris Au	221,646	3,486	-	4,827	-	-	<b>8,313</b>	198	(8,313)	-	-	-	<b>198</b>	<b>221,884</b>
Casault Au	352,708	85,689	143,777	1,056,768	48,958	25,523	<b>1,358,610</b>	18,247	(686,997)	(80,708)	-	-	<b>611,257</b>	<b>963,965</b>
Jouvex Au	351,966	2,806	97,369	-	-	20,923	<b>119,695</b>	1,871	(60,549)	(1,553)	-	-	<b>60,867</b>	<b>412,833</b>
Heva Au	157,076	52,441	12,157	300	3,609	35,580	<b>102,897</b>	11,325	(1,193)	(9,310)	-	-	<b>104,909</b>	<b>261,985</b>
Valmond	120,742	3,572	-	-	-	-	<b>3,572</b>	-	-	-	-	-	<b>3,572</b>	<b>124,314</b>
Samson	78,203	4,333	-	518	-	-	<b>4,851</b>	1,379	-	(1,022)	-	-	<b>5,208</b>	<b>83,411</b>
La Peltrie	652,484	54,870	312,312	16,654	-	49,275	<b>428,152</b>	16,409	(23,947)	(10,473)	-	-	<b>415,100</b>	<b>1,067,584</b>
Adam	42,841	31,420	58,410	4,251	-	-	<b>94,081</b>	1,700	-	(7,467)	-	-	<b>88,314</b>	<b>131,155</b>
Abitibi Au	173,644	23,893	4,050	114	1,376	-	<b>26,627</b>	1,254	-	(861)	-	-	<b>29,826</b>	<b>203,470</b>
<b>Grenville-Appalaches</b>														
Weedon Cu Zn Au	523,230	61,136	7,000	-	32,763	-	<b>100,899</b>	4,346	-	(1,578)	-	-	<b>103,667</b>	<b>626,897</b>
Gatineau Zn	29,024	12,381	200	-	-	-	<b>14,981</b>	-	-	-	-	-	<b>14,981</b>	<b>44,005</b>
<b>Bay-James</b>														
Bay-James Au	261,886	92,070	40,700	-	3,889	-	<b>136,659</b>	-	-	(35,950)	-	-	<b>100,709</b>	<b>362,595</b>
Eleonore Au	1,629,303	113,385	-	-	10,650	-	<b>124,035</b>	6,423	-	(36,242)	-	-	<b>94,216</b>	<b>1,723,519</b>
JV Eleonore AU	124,692	202,506	-	533	16,368	-	<b>219,407</b>	18,280	-	(71,097)	-	-	<b>166,590</b>	<b>291,282</b>
JV BJ Altius	-	346,681	59,018	-	24,228	-	<b>429,927</b>	4,328	(214,964)	(56,510)	-	-	<b>162,781</b>	<b>162,781</b>
<b>Québec Labrador</b>														
Ytterby REE	183,583	-	-	-	-	-	-	-	-	-	-	(183,583)	<b>(183,583)</b>	-
<b>Northern Quebec</b>														
Pallas PGE	369,500	60,191	-	474,576	32,084	-	<b>566,851</b>	<b>6,703</b>	(278,542)	(125,766)	-	-	<b>169,246</b>	<b>538,746</b>
Willbob Au	565,271	597,926	-	1,164,421	328,509	-	<b>2,090,856</b>	<b>60,233</b>	-	(589,487)	-	-	<b>1,561,602</b>	<b>2,126,873</b>
<b>Projects generation</b>	74,069	23,436	-	-	-	-	<b>23,436</b>	-	-	(6,339)	-	-	<b>17,097</b>	<b>91,166</b>
<b>TOTAL</b>	<b>8,041,811</b>	<b>1,798,314</b>	<b>844,325</b>	<b>2,954,767</b>	<b>512,054</b>	<b>133,701</b>	<b>6,243,161</b>	<b>164,088</b>	<b>(1,274,505)</b>	<b>(1,058,212)</b>	-	<b>(183,583)</b>	<b>3,890,949</b>	<b>11,932,760</b>

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**4. INVESTING ACTIVITIES (CON'T)**

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

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**4. INVESTING ACTIVITIES (CON'T)**

Expenses Exploration and evaluation	Actual Fiscal 16			Actual Fiscal 17			Budget Fiscal 17			Budget Fiscal 18		
	Midland	Partners	Total									
Properties	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>100% owned by Midland</b>												
Abitibi Au	73,440	-	73,440	29,433	-	29,433	255,000	-	255,000	30,000	-	30,000
Valmond	-	-	-	3,572	-	3,572	5,000	-	5,000	5,000	-	5,000
Samson	86,385	-	86,385	4,851	-	4,851	30,000	-	30,000	100,000	-	100,000
Adam	47,264	-	47,264	94,081	-	94,081	50,000	-	50,000	100,000	-	100,000
Weedon Cu-Zn-Au	44,884	-	44,884	100,899	-	100,899	100,000	-	100,000	60,000	-	60,000
Gatineau Zn	132	-	132	14,981	-	14,981	35,000	-	35,000	5,000	-	5,000
Baie James Au	17,260	-	17,260	136,659	-	136,659	50,000	-	50,000	300,000	-	300,000
Éléonore Au	151,884	-	151,884	124,035	-	124,035	250,000	-	250,000	100,000	-	100,000
Willbob	771,628	-	771,628	2,090,856	-	2,090,856	1,000,000	-	1,000,000	2,000,000	-	2,000,000
Pallas PGE Jogmec	155,610	155,575	311,185	288,309	278,542	566,851	150,000	150,000	300,000	5,000	-	5,000
Génération de projet	17,997	-	17,997	23,436	-	23,436	30,000	-	30,000	120,000	-	120,000
	1,366,484	155,575	1,522,059	2,911,112	278,542	3,189,654	1,955,000	150,000	2,105,000	2,825,000	-	2,825,000
<b>With option, operated by Midland and paid by partner</b>												
La Peltrie	628,505	-	628,505	409,164	23,947	457,058	150,000	-	150,000	-	500,000	500,000
<b>With option, operated and paid by the partner</b>												
Patris – Teck	-	155,155	155,155	-	292,255	292,255	-	700,000	700,000	-	15,000	15,000
Heva Au	170,790	-	170,790	102,894	71,744	246,382	400,000	-	400,000	-	500,000	500,000
	170,790	155,155	325,945	102,894	363,999	538,638	400,000	700,000	1,100,000	-	515,000	515,000
<b>In joint venture</b>												
Maritime-Cadillac- Agnico-Eagle 51%	5,736	5,086	10,822	54,535	56,761	111,296	100,000	100,000	200,000	100,000	100,000	200,000
Vermillon- Soquem 53.4%	16,887	16,476	33,363	-	-	-	10,000	10,000	20,000	5,000	5,000	10,000
Ytterby REE-Jogmec 49.4%	11,529	-	11,529	-	-	-	5,000	5,000	10,000	-	-	-
Laflamme Au – Abcourt 27.4%	491,119	-	491,119	322,314	-	322,314	150,000	-	150,000	200,000	-	200,000
Casault – Soquem 50%	56,552	1,427,271	1,483,823	673,718	687,591	1,361,309	335,000	350,000	685,000	300,000	300,000	600,000
Jouvex – Soquem 50%	-	327,012	327,012	60,549	60,549	121,098	48,000	50,000	98,000	100,000	100,000	200,000
JV Eleonore Osisko 50%	215,010	208,278	423,288	219,407	219,407	438,814	300,000	300,000	600,000	275,000	275,000	550,000
JV Altius 50%	-	-	-	214,963	214,964	429,927	-	-	-	300,000	300,000	600,000
	796,833	1,984,123	2,780,956	1,545,486	1,239,272	2,784,758	948,000	815,000	1,763,000	1,280,000	1,080,000	2,360,000
	<b>2,962,612</b>	<b>2,294,853</b>	<b>5,257,465</b>	<b>4,968,656</b>	<b>1,881,813</b>	<b>6,946,160</b>	<b>3,453,000</b>	<b>1,665,000</b>	<b>5,118,000</b>	<b>4,105,000</b>	<b>2,095,000</b>	<b>6,200,000</b>

#### 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 chief executive officer of Midland, qualified person under NI 43-101, has reviewed the following technical disclosure.

##### HIGHLIGHTS

- ***New high-grade gold discoveries on Willbob, Labrador Trough***
- ***New Zn, Ni-Cu and Au discoveries with Altius in James Bay***
- ***New Cu-rich boulders field discoveries with Osisko in James Bay***
- ***New gold showing found on Lasalle, James Bay***
- ***New gold zone identified on Casault with Soquem***
- ***New drilling program commencing on Heva with Iamgold***
- ***A total of 10,357 metres were drilled during Fiscal 16 (12,351.0 metres during Fiscal 16). Moreover, an additional 2,901 metres were drilled October and November 2017.***

##### 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*

Following the identification of new drilling targets that were generated on Maritime-Cadillac using a 3D-Model, two (2) short drill holes totalling 618.0 metres were completed during Q2-17.

Hole 141-17-36 was completed at a final depth of 303.0 metres and tested high historical gold values obtained from the Maritime-Cadillac zone. Drill hole 141-17-36 intersected a gold-bearing zone grading 1.46 g/t Au over 31.60 metres from 112.80 to 144.40 metres, including 2.2 g/t Au over 15.6 metres on the historic Maritime-Cadillac showing, at a vertical depth of approximately 100 metres. This gold-bearing zone comprises several higher grade intervals including 4.3 g/t Au over 0.9 metre (124.1 to 125.0 m), 3.4 g/t Au over 1.0 metre (126.0 to 127.0 m) and 5.7 g/t Au over 0.6 metre (135.0 to 135.6 m). The gold mineralization is hosted in an altered felsic intrusion, described as a silicified albitite that contains up to 3-5% pyrite-pyrrhotite-arsenopyrite, finely disseminated throughout the intrusion.

Hole 141-17-37 was completed at a final depth of 315.0 metres and tested the intersection between the Dyke East gold-bearing structure with the Maritime Contact. This second hole was collared approximately 250 metres north of the Maritime-Cadillac zone. Drill hole 141-17-37 yielded an isolated value of 2.92 g/t Au over 1.2 metre, from 127.3 to 128.5 metres, in a minor shear zone hosting up to 30% quartz veinlets.

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**4. INVESTING ACTIVITIES (CONT'D)**

Agnico Eagle is currently preparing the next phase of drilling consisting in three (3) holes totalling 1,200 metres to test the continuity of the Maritime-Cadillac zone.

**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, 2017, the Laflamme property consists of a total of 668 claims covering an area of approximately 35,550 hectares and 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 17, therefore the Corporation impaired partially for \$6,846 the exploration property cost (\$7,147 in Fiscal 16).

*Exploration work on the property*

A new drilling program totaling 1,425.0 metres and consisting in three (3) drill holes was completed in the area of the Copernick (Ni-Cu-PGE) discovery during Q2-17.

Hole LAF-16-42EXT started at depth of 198.0 metres and ended at a final depth of 522.0 metres, for a total length of 324.0 metres. Unmineralized ultramafic rocks were intersected but no significant assay result was obtained.

Hole LAF-17-43 tested the Copernick zone at about 100 metres to the west and was completed at a depth of 600.0 metres. Ultramafic rocks were intersected between 337.35 and 388.0 metres but are only weakly mineralized overall with disseminated traces to 0.5% Po and of Cpy. No significant assay result was obtained.

Hole LAF-17-44 was completed at a final depth of 501.0 metres and was testing the Copernick zone at approximately 100 metres to the east. This hole intersected a porphyritic gabbro instead of ultramafic rocks as it was expected. No ultramafic rock was intersected in that hole. Few quartz-carbonate veinlets with Py were cut but no significant assay results was obtained.

Midland is preparing a ground geophysical survey (SQUID) aiming to detect new conductors associated with the ultramafic rocks confirmed in 2017 to the east of Copernick.

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

*Property Description*

The Patris property is located about 30 kilometres to the north-east of Rouyn-Noranda and as at September 30, 2017 consists in 289 claims covering an area of approximately 12,162 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.

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**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:

	<b>Payments in cash</b>	<b>Work</b>
	<b>\$</b>	<b>\$</b>
<b>First Option for a 50% initial interest</b>		
On or before August 31, 2015 (firm commitment)(completed)	-	500,000
On or before August 31, 2017 (completed)	-	800,000
On or before August 31, 2018	-	1,700,000
	-	3,000,000
<b>Second Option for a 10% additional interest</b>		
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
<b>Third Option for a 5% additional interest</b>		
On or before August 31, 2021, \$1,000,000 of exploration work for each additional 1% interest	-	5,000,000
<b>Total, for a 65% maximum interest</b>	<b>300,000</b>	<b>10,500,000</b>

Teck will be project operator during the First Option.

*Exploration work on the property*

The assay results were received from the drilling program completed on Patris in December 2016. This program consisted in three (3) holes totalling 744.0 metres. As a result of this program, an important alteration corridor affecting the ultramafic rocks and the porphyritic dykes was identified over a distance of 1.1 kilometre between holes PAT-15-03 and PAT-16-10. The best assay result returned 0.68 g/t Au over 1.60 metre in hole PAT-16-10.

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

*Property Description*

The Casault property is located about 40 kilometres to the east of the Detour Lake gold project located north of the city of La Sarre, Abitibi and as at September 30, 2017, 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.

*Exploration work on the property*

During Q2-17, a drilling program consisting in eight (8) holes totalling 2,208.0 metres was completed mostly in the area west of the Timiskaming-type conglomerate basin and to the south-east of the Bug Lake Southeast zone owned by Balmoral. Three IP grids were also completed and the final report was completed. Several new IP anomalies located near the northern contact of the Timiskaming basin were identified.

Drill hole CAS-17-86 targeted an induced polarization anomaly located where the regional Sunday Lake Fault cuts the western end of a Timiskaming-type conglomerate basin, and intersected a new gold-bearing zone grading 3.1 g/t Au over 1.40 metres (180.50 to 181.90 m), including an interval at 3.94 g/t Au over 0.90 metre (181.00 to 181.90 m). This zone is included within a larger anomalous envelope which yielded a gold value of 0.56 g/t Au over 16.0 metres, from 180.50 to 196.50 metres.

#### **4. INVESTING ACTIVITIES (CONT'D)**

In addition to this new zone, three other zones with anomalous gold values were intersected higher up the drill hole, between 119.4 and 172.6 metres downhole depth.

An additional IP-OreVision survey, totalling approximately 10 km, was completed in the area of hole CAS-17-86. The survey identified an anomalous response associated with the Sunday Lake fault zone.

During Q4-17, a drilling program consisting in five (5) drillholes totalling 1,638.0 metres was completed. This program tested the lateral extensions (100 metres spacing) of the mineralized zone intersected in hole CAS-17-86 (Vortex Zone). Assays are pending.

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

*Property Description*

The Jouvex property is located about 50 kilometres to the southwest of Matagami and as at September 30, 2017 is composed of 348 claims covering an area of approximately 19,424 hectares. Some claims were dropped therefore the Corporation impaired partially for \$7,707.

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

*Exploration work on the property*

Two IP-OreVision grids were completed during on Jouvex in the northern part of the property. Preliminary results show the presence of several chargeability anomalies and the presence of a strong formational conductor on the west grid.

Midland and Soquem are preparing a drilling program for next winter in order to test the best IP anomalies detected on these grids.

#### **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 30 contiguous claims largely covering sedimentary rocks of the Cadillac Group just north of the Piché Group. 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.

On April 27, 2017, the Corporation signed an option agreement with IAMGOLD Corporation ("IAMGOLD") whereby IAMGOLD may earn, in three option, a maximum interest of 65% in the Héva property, by fulfilling the following conditions:

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**4. INVESTING ACTIVITIES (CONT'D)**

	Payments in cash	Work
	\$	\$
<b>First Option for a 50% initial interest</b>		
Upon signature (completed)	50,000	-
On or before April 30, 2018 (\$250,000 firm commitment)	70,000	500,000
On or before April 30, 2019	80,000	700,000
On or before April 30, 2020	120,000	1,200,000
On or before October 31, 2021	180,000	1,600,000
	500,000	4,000,000
<b>Second Option for a 10% additional interest</b>		
Within 2 years from the date the first option is exercised, \$500,000 of exploration work for each additional 1% interest	-	5,000,000
<b>Third Option for a 5% additional interest</b>		
Within 2 years from the date the second option is exercised, \$1,000,000 of exploration work for each additional 1% interest	-	5,000,000
<b>Total, for a 65% maximum interest</b>	<b>500,000</b>	<b>14,000,000</b>

IAMGOLD is the operator.

*Exploration work on the property*

During Q1-17, a detailed ground magnetic survey was conducted and a prospecting program was completed in follow-up on soil geochem anomalies. Results from the prospecting returned several new showings including 41.0 g/t Au , 9.2 g/t Au (East sector), 13.9 g/t Au, 8.0 g/t Au (Centre sector) and 1.7 g/t Au (West sector).

During Q4-17, Iamgold started a trenching program consisting in seven (7) trenches. Moreover, 1,500 metres drilling program which is planned to start in early December. These programs will test the best structural, geological and geophysical (IP-Mag) targets identified during the compilation phase.

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

*Property Description*

The Corporation acquired claims by map staking about 50 kilometres to the west of the town of Matagami, Abitibi. As at September 30, 2016, this property consists in 111 claims covering an area of approximately 6,179 hectares. Some claims were dropped therefore the Corporation impaired partially for \$1,831.

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

*Property Description*

As at September 30, 2017, the Samson property consists of 227 claims covering a surface area of about 12,601 hectares about 50 kilometres west of the town of Matagami, in Abitibi.

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.

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**4. INVESTING ACTIVITIES (CONT'D)**

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

*Property Description*

As at September 2017, the La Peltrie property comprises 515 claims covering a surface area of about 28,438 hectares and encompasses possible subsidiary faults to the south of the regional Lower Detour Fault over a distance of more than 10 kilometres.

On August 24, 2017, the Corporation acquired 4 claims from Globex Mining Enterprises Inc. ("Globex") by granting a 1% Gross Metal royalty to Globex.

On August 29, 2017, the Corporation signed an option agreement with Niobay Metals Inc. ("Niobay") whereby Niobay may earn, in two options, a maximum interest of 65% in the Héva property, by fulfilling the following conditions:

	<b>Payments in</b>	
	<b>cash</b>	<b>Work</b>
	<b>\$</b>	<b>\$</b>
<b>First Option for a 50% initial interest</b>		
Upon signature (completed, 200,000 shares of Niobay received, valued at \$30,000)	30,000	-
On or before December 31, 2017 (firm commitment)	-	500,000
On or before August 31, 2018	30,000	-
On or before August 31, 2019	50,000	400,000
On or before August 31, 2020	70,000	600,000
On or before August 31, 2021	70,000	1,500,000
	<b>250,000</b>	<b>3,000,000</b>

Following the initial earn-in of its 50% interest, Niobay may earn an additional tranche of 15% interest for an undivided 65% interest in the Properties, by producing a Preliminary Economic Study on or before August 31, 2023.

The Corporation is the operator.

*Exploration work on the property*

A VTEM-type electromagnetic survey totalling approximately 560 km was completed during Q2-17 in the southern portion of the property. The final interpretation is in progress.

Moreover, a new OreVision IP survey, totalling approximately 65 kilometres, was completed in Q2-17 on lines at a 200-metre spacing in the west part of the La Peltrie property. The survey was mainly designed to cover an iron formation with anomalous gold values, which has seen very little drill-testing, over a distance of more than 1.5 kilometres. The OreVision survey identified a new high-priority drilling target, characterized by a chargeability anomaly defined over approximately 600 metres, associated with an interpreted NW-SE-trending structure which has never been drill-tested. This anomaly cross-cuts the gold-bearing iron formation, and two historic drill holes, respectively located 250 metres east and 250 metres west of the structure, yielded gold-bearing intercepts grading 0.24 g/t Au over 19.50 metres (drill hole 11-493-01) and 0.35 g/t Au over 9.30 metres (drill hole 11-493-02).

Several other new OreVision anomalies were also identified along this iron formation, as well as another very similar gold-bearing iron formation located approximately 3.5 kilometres further west, where historic drill holes yielded anomalous gold values up to 0.14 g/t Au over 19.0 metres (drill hole 1180-97-09).

#### **4. INVESTING ACTIVITIES (CONT'D)**

During Q4-17, a drilling program comprising seven (7) drillholes totalling 1,881.0 metres was completed. This program tested the best IP-OreVision targets identified on the West and Central grids. Assays are pending.

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

###### *Property Description*

The Adam property is wholly owned by Midland and is located about 65 kilometres west of the town of Matagami. As at September 30, 2017, it consists of 243 claims covering a surface area of about 13,512 hectares in the Abitibi region of Quebec.

The Adam property has 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.

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 VTEM electromagnetic survey totalling 224 km was completed during Q2-17 in the northwest part of the property. Several formational-type conductors were identified.

A detailed compilation of the historical works on the Adam property was completed during Q3-17. The data will be reviewed during Q1-18.

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

###### *Property Description and exploration work on the property*

As at September 2017, the Abitibi Gold property comprises 119 claims covering a surface area of about 6,469 hectares. Some claims were dropped therefore the Corporation impaired partially for \$37,220 during Fiscal 16.

###### *Exploration work on the property*

A compilation of the historical works on the Mistouac group of claims was completed during Q4-17.

#### **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 111 claims covering an approximate area of 6,575 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 \$7,091 (\$7,756 in Fiscal 16) the exploration property cost.

**4. INVESTING ACTIVITIES (CONT'D)**

*Exploration work on the property*

During Q1-17, a till sampling program had been completed along the road to the northeast of the Weedon mine as well as a ground EM test in the vicinity of Lingwick. A very weak conductor was detected to the south of the 2006 Cu-Zn showing.

During Q3-17, a follow-up till survey was completed to the NE of the Weedon mine over the anomaly that was found last year near the road. The follow-up survey confirmed the presence and extended the first till anomaly.

**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, 2017, 194 claims covering 11,433 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 \$3,808 (7,344 in Fiscal 16).

*Exploration work on the property*

In Fiscal 17, no exploration work was done on the property. Midland is currently seeking for a partner.

**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, 2017 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 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. The property regroups several properties for a total of 664 claims covering a surface area of about 34,715 square kilometres.

*Exploration work on the property*

The first regional exploration program carried out in 2016 included till surveys (717 samples), lake sediment surveys (102 samples) as well as prospecting work (240 rock samples). As a result of this work, several prospective areas were delineated, including eleven (11) high-priority areas that will be the focus of a ground follow-up during the next phase of exploration.

These new exploration targets, identified during the 2016 program, may be divided into two broad areas, located on either side of the Eleonore mine: the Northwest Area and the Southeast Area. Anomaly thresholds for tills and lake sediments were characterized by Osisko using their regional database for the James Bay region.

#### 4. INVESTING ACTIVITIES (CONT'D)

##### Northwest Area

- Target 1: Characterized by a cluster of till samples with anomalous gold values above the 95<sup>th</sup> percentile ("PCT"), over more than 2 kilometres, in heavy mineral concentrates and in the fine fraction.
- Target 2: Presence of an anomaly in gold grain counts in till samples and of arsenic values > 95 PCT in the fine fraction, in addition to a 2-metre-wide iron formation that graded 0.17 g/t Au in the prospecting campaign.
- Target 3: A follow-up on an anomaly in gold grain counts in till samples yielded a copper anomaly > 95 PCT in the fine fraction.
- Target 4: Anomaly covering more than 6 square kilometres, characterized by four (4) lakes with anomalous gold values > 99 PCT and one lake with anomalous arsenic > 99.5 PCT.

##### Southeast Area

- Target 5: Cluster of gold and copper anomalies in the fine fraction of till samples > 95 PCT.
- Target 6: Area characterized by several gold anomalies identified by prospecting, with values of 0.48 g/t Au, 0.28 g/t Au, 0.21 g/t Au and 0.17 g/t Au in grab samples collected in mafic volcanic rocks and paragneisses with pyrrhotite and pyrite mineralization. This area is located at the contact between the La Grande and Opinaca subprovinces. The contact between these two geological subprovinces is the most important gold metallotect in the region.
- Target 7: Three copper anomalies in the fine fraction of till samples > 95 PCT, combined with a zinc anomaly > 99 PCT; a float boulder also yielded a grade of 6.85% Cu.
- Target 8: Target characterized by favourable geology identified during prospecting, with the presence of a silicified paragneiss with calc-silicate alteration and 2-10% pyrite and 2-3% pyrrhotite mineralization, which yielded values up to 0.31 g/t Au in grab sample. This target is also located directly along the prolific contact between the La Grande and Opinaca subprovinces.
- Target 9: A gold anomaly > 95 PCT in the fine fraction, where cursory prospecting work was carried out in 2016.
- Target 10: Cluster of lake sediment anomalies over more than 5 kilometres, characterized by two gold anomalies > 99.5 PCT, one gold anomaly > 95 PCT, and one antimony anomaly > 98 PCT.
- Target 11: Several lakes with anomalous antimony values ranging from 0.3 to 0.9 ppm Sb.

In the southern part of the project, in a poorly known area, a field of copper-rich, sub-angular diorite boulders were discovered. Four (4) diorite boulders sampled in 2016 and 2017 returned **8.28% Cu**, **6.85% Cu**, **4.54% Cu** and **3.45% Cu** in grab samples. Mineralisation consists in decimeter-thick, disseminated chalcopyrite ribbons in the boulders. The Cu±Mo±Ag±Bi geochemical signature of the boulders and the dioritic host rock suggest a porphyry copper system. These boulders are all found within a 100 meters diameter zone, which suggests a local source. Pyrrhotite-bearing diorite outcrops were observed near the boulders but the source of the copper mineralization has not been found yet.

The autumn 2016 and summer 2017 campaigns have also delineated a 600 meters x 100 meters area very anomalous in gold hosted in amphibolites. Twelve (12) samples of amphibolite mineralized in disseminated pyrrhotite, pyrite and chalcopyrite, returned more than 0.1 g/t Au, with a maximal value of **0.82 g/t Au**, out of 25 samples collected in the area in 2016 and 2017. This type of low-grade mineralized halo is common around orogenic gold deposits. The gold-anomalous amphibolites are located near the prolific contact between the geological subprovinces of La Grande and Opinaca. This contact hosts most of the important gold deposits and showings in the area, such as the Eleonore Mine and the Cheechoo prospect, located about 30 kilometers north-west of this area.

#### 4. INVESTING ACTIVITIES (CONT'D)

Midland and Osisko plan a 2018 follow-up program (IP survey) in the area with the Cu-rich boulders and approved a \$700,000 budget.

##### 4.16 JV JB Altius (Au), in partnership with Altius operated by Midland

###### *Property description*

On February 10, 2017, the Corporation signed a letter of intent creating a strategic alliance with Altius Minerals Corporation ("Altius"), whereby Altius and the Corporation will combine their efforts to jointly explore the gold potential of the extensive James Bay region. The Corporation is the operator.

The following projects were identified as designated projects: Elrond (48 claims on 2 487 hectares), Gondor (41 claims on 2 107 hectares), Isengard (132 claims on 6 758 hectares), Minas Tirith (45 claims on 2 399 hectares) and Shire (538 claims on 28 610 hectares).

###### *Exploration work on the property*

The compilation and targeting work for the 2017 summer reconnaissance campaign was completed during Q3-17. Several new interesting areas were targeted using Quebec Government data (alterations, veins, sulfides, rock assays, Au in stream sediments), and by the compilation of assessment reports from other companies. Follow-up till sampling and prospection are proposed for the summer field campaign on these.

During Q4-17, Midland and Altius reported two base metal discoveries. Midland announced the discovery of a new high-grade massive sulphide zinc showing, as part of its strategic exploration alliance with Altius Minerals Corporation. The new showing, named "O'Connor" is located approximately 80 kilometers east of Nemaska, Eeyou Istchee, Quebec, in an under explored area. Mineralization ranges from coarse grained sphalerite in quartz 'exhalite' that returned **7.53% Zn and 4.5 g/t Ag** to massive coarse pyrrhotite-pyrite-sphalerite that returned up to **2.79% Zn and 4.4 g/t Ag** in grab samples (note that grab samples are selective by nature and values reported may not be representative). One pyritic massive sulfide also returned 0.09% Co and 6.8 g/t Ag from grab samples. The mineralization is interpreted as the distal part of a volcanogenic massive sulfide system. The mineralized horizon was traced over 150 meters and remains open along strike both west and east.

Midland also announced the discovery of a new nickel-copper-cobalt showing, in the context of its strategic exploration alliance with Altius Minerals Corporation. The mineralization consists in a meta-pyroxenite with about 15% disseminated pyrrhotite and 3% pentlandite that returned **1.07% Ni, 0.24% Cu, 0.09% Co** and 4.5% S from a grab sample from outcrop (note that grab samples are selective by nature and values reported may not be representative). Another outcrop of meta-pyroxenite located about 100 metres from the first sample location also returned **0.46% Ni** with a low sulfur value of 1.11% in a grab sample. The new showing is located about 12 km southeast of the Clearwater Au deposit and 25 kilometers east of Hydro-Quebec's Eastmain-1 dam.

Following those discoveries, a Heli-borne VTEM survey was performed over the Shire and Moria showings. On the Moria project, electromagnetic anomalies (EM) that could indicate massive Ni-Cu sulfide mineralization were identified in several areas, notably in the northeastern extension of the Gimli/Gloin Ni-Cu-Co showings, in an area without outcrops. On the Shire project, the EM survey demonstrates that the O'Connor Zn-Co showing is located on a 15-km long string of EM anomalies. Pyrrhotite-pyrite massive sulfides and quartz-sulfides exhalites were observed in several places along this regional EM conductor. These results suggest a new massive sulfide belt on the Shire project.

#### **4. INVESTING ACTIVITIES (CONT'D)**

During Q4-17, Midland and Altius also announced the discovery of new gold showings. On the Elrond project, located about 80 kilometers south of Radisson, Quebec, grab samples from an amphibolite strongly mineralized in arsenopyrite and pyrite yielded values of **4.52 g/t Au** and **3.23 g/t Au**, (*note that grab samples are selective by nature and values reported may not be representative*). About 100 meters to the north, a grab sample of silicified amphibolite yielded **1.81 g/t Au**. Overall, 10 grab samples out of 59 collected from the Elrond project returned gold values over 0.1 g/t Au. Three of these Au-anomalous samples are late pegmatitic dykes that have a Au±Mo±Bi±As signature (up to 0.89 g/t Au, 268 ppm Bi, and 628 ppm Mo). The presence of Au-Bi-Mo bearing, late pegmatitic/granitic dykes, suggests that the area has a potential for Alaska-type intrusion-related gold deposits. The Elrond project is located directly at the prolific contact between the La Grande and Opinaca geological subprovinces, which hosts many important gold deposits and showings in the James Bay region (such as Eleonore, La Grande Sud, Cheechoo, Corvet-Est, Orfée and La Pointe). There is no previous exploration recorded on the project.

The Minas Tirith project is located directly on the James Bay road, about 90 kilometers south-east of Eastmain, Quebec. It is located very close to the Pontax regional shear zone that forms the boundary between the La Grande and Opinaca subprovinces in the area. The project was staked based on historical anomalous gold values in grab samples reported from a previous exploration campaign. A grab sample from wacke displaying Eleonore-type calc-silicate alteration and injected with quartz veins returned **5.23 g/t Au**. Four (4) grab samples out of 16 collected from Minas Tirith returned anomalous gold values over 0.1 g/t Au. This is the first known significant gold showing (> 1g/t Au) in the area, the closest one being more than 40 kilometers away to the north-east.

The new Helm's Deep project is located on the shore of the Eastmain-1 reservoir, about 20 kilometers south-east of the Clearwater gold deposit. The project was staked following the discovery of a new gold showing that yielded **2.42 g/t Au** in a grab sample, in a strongly sheared sandstone with trace pyrite. Grab sampling of quartz-tourmaline-biotite veins within sandstones also returned anomalous gold values of 0.72 g/t Au and 0.68 g/t Au. Four (4) grab samples out of a total of 39 collected in the western part of the project returned more than 0.1 g/t Au. Gold mineralization is hosted in sandstones and polymictic conglomerates that exhibit widespread calc-silicate alteration peripheral to zones of biotite-tourmaline alteration. The alteration and host rocks at Helm's Deep are reminiscent of the Eleonore gold deposit. There is no previous exploration recorded on the project.

##### **4.17 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 258 claims covering an area of approximately 13,532 hectares as at September 30, 2017. Some claims were dropped therefore the Corporation impaired partially for \$9,932 in Fiscal 16.

###### *Exploration work on the property*

During Q4-17 a prospecting program was completed on the Eleonore Centre property. No significant result was obtained during this program.

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

###### *Property Description*

Midland owns a 100% interest on 342 claims as at September 30, 2017 covering 17,675 hectares in the James Bay Area. Some claims were dropped therefore the Corporation impaired partially for \$12,002 the exploration property cost (\$5,613 in Fiscal 16).

#### **4. INVESTING ACTIVITIES (CONT'D)**

##### *Exploration work on the property*

During Q4-17, Midland completed a prospecting program on the Lasalle property. The Lasalle property is located about 35 kilometers south of Hydro-Quebec's LG-3 airport and of the Trans-Taïga road. The highlight of the 2017 campaign is the discovery of three new gold showings along a gold-bearing shear zone that is several kilometers long, located at a metasediments/metavolcanics contact. The three new gold showings returned respectively 22.6 g/t Au, 7.03 g/t Au and 2.35 g/t Au.

The 2017 prospection campaign was focused in the eastern part of the Lasalle property, in an area that was not previously explored by Midland and in which gold-bearing shear zones identified to the west was interpreted as continuing. A grab sample of a silicified and foliated amphibolite containing about 1% pyrite, located in a 100 meters thick shear zone, returned 22.6 g/t Au, as well as strongly anomalous copper, bismuth and molybdenum (*note that grab samples are selective by nature and values reported may not be representative of mineralized zones*). Along the same shear zone, 750 meters east, another grab sample of foliated amphibolite returned 7.03 g/t Au and anomalous copper and bismuth. Finally, a further 800 meters east in the same shear zone, a grab sample of paragneiss with pyrite, galena and sphalerite stringers returned 2.35 g/t Au, 105 g/t Ag, 3.32% Pb and 5.53% Zn, along with strongly anomalous bismuth and antimony. Eighteen (18) outcrop samples collected during the 2017 campaign returned more than 0.1 g/t Au, out of a total of 132 samples.

#### **NORTHERN QUEBEC**

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

###### *Property Description*

As at September 30, 2017, the property totals 584 claims covering approximately 26,503 hectares in the Labrador Trough («Trough») some 80 kilometres west of Kuujjuaq, Québec. Some claims were dropped therefore the Corporation impaired partially for \$5,923 the exploration property cost in Fiscal 17.

On March 28, 2017, JOGMEC withdrew from the option agreement signed on January 21, 2014 and abandoned its right to exercise its option to acquire a 50% interest in the Pallas PGE property.

###### *Exploration work on the property*

During Q1-17, a diamond drilling program consisting in six (6) holes totalling 1,239 metres was completed. These drill holes tested the Apophis, Ida and Hektor showings at various depths and were completed at the end of October. All the assay results have been received and the best results were obtained from the Hektor and Apophis showings that returned 2.1 g/t PGE+Au over 1.15 metre in hole CE-16-06 and 1.26 g/t PGE+Au over 0.35 metre in hole CE-16-08.

##### **4.20 Willbob (Au),** operated by Midland

###### *Property Description*

The Willbob property in the Labrador Trough consists of 1,450 claims covering about 66,562 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*

A drilling program consisting in eight (8) holes totaling 1,299 m was completed during Q1-17 with the objective to test the extensions of the Lafrance and Golden Tooth surface showings.

#### 4. INVESTING ACTIVITIES (CONT'D)

During the helicopter-supported drilling campaign, four (4) shallow drill holes (2 sections of 2 drill holes each) were completed on each of the Lafrance and Golden Tooth showings for a total of eight (8) drill holes totaling 1,299 m.

Lafrance showing:

- 1.62 g/t Au over 1.0 m (WB-16-01 ; 9.30 to 10.30 m)
- 1.00 g/t Au over 4.6 m incl. 3.3 g/t Au over 1.2 m (WB-16-02; 5.00 to 9.60 m)
- 0.30 g/t Au over 11.2 m incl. 1.6 g/t Au over 0.95 m (WB-16-03; 9.20 to 20.40 m)
- 0.17 g/t Au over 1.5 m (WB-16-04; 16.60 to 18.10 m)

Golden Tooth showing:

- 1.12 g/t Au over 3.65 m incl. 4.98 g/t Au over 0.5 m (WB-16-05; 30.15 to 33.80 m)
- 1.28 g/t Au over 6.35 m incl. 3.81 g/t Au over 0.95 m (WB-16-06; 45.05 to 51.40 m)
- 0.74 g/t Au over 2.65 m incl. 1.15 g/t Au over 0.85 m (WB-16-07; 41.60 to 44.25 m)
- 2.14 g/t Au over 1.5 m (WB-16-08; 70.00 to 71.50 m)

In addition to these gold-bearing intercepts located directly underneath the Lafrance and Golden Tooth surface showings, several new gold-bearing zones were intersected at shallow depth, including these best results:

New zone at Lafrance:

- 0.31 g/t Au over 24.5 m incl. 2.28 g/t Au over 0.8 m (WB-16-02; 65.00 to 89.50 m)

New zones at Golden Tooth:

- 0.71 g/t Au over 2.5 m incl. 2.6 g/t Au over 0.45 m (WB-16-05; 122.50 to 125.00 m)
- 1.88 g/t Au over 0.85 m incl. 1.9 g/t Au sur 0.35 m (WB-16-05 ; 131.85 to 132.70 m)
- 1.40 g/t Au over 2.1 m incl. 3.0 g/t Au over 0.35 m (WB-16-06; 23.95 to 26.05 m)
- 1.84 g/t Au over 3.3 m incl. 3.1 g/t Au over 1.7 m (WB-16-06; 30.50 to 33.80 m)
- 0.35 g/t Au over 1.5 m (WB-16-07 ; 23.50 to 25.00 m)
- 0.96 g/t Au over 1.4 m (WB-16-07; 64.80 to 66.20 m)
- 1.62 g/t Au over 1.25 m (WB-16-07; 74.35 to 75.60 m)
- 1.52 g/t Au over 0.65 m (WB-16-07 ; 163.60 to 164.25 m)
- 0.94 g/t Au over 3.2 m incl. 2.14 g/t Au over 1.1 m (WB-16-08; 103.80 to 107.00 m)

About 600 metres northwest of the Golden Tooth showing, the Golden Tooth North (GTN) occurrence was discovered during the summer 2016 prospecting campaign, with gold values reaching 12.15 g/t Au. The GTN zone has also been traced over more than 300 metres strike length and yielded values up to 13.2 g/t Au, 13.1 g/t Au, 9.5 g/t Au, 8.9 g/t Au and 4.5 g/t Au in grab samples. These grab samples were collected in a diorite unit altered to albite-chlorite and hosting quartz-calcite veining with pyrrhotite-arsenopyrite mineralization. A channel completed this fall on GTN-4 which had historically returned gold values up to 5.5 g/t Au, returned 1.91 g/t Au over 2.0 m, including 3.5 g/t Au over 1.0 m which includes 5.8 g/t Au over 0.5 m.

A new gold-bearing sector called Dragon Head and located about 1.5 kilometre north-west of Golden Tooth North returned values of 14.5 g/t Au, 1.4 g/t Au and 1.1 g/t Au.

In the Kuni area, new polymetallic (Pb-Zn-Ag-Au) mineralization was discovered with grades reaching 5.5% Pb and 3.4% Zn; and 4.8% Pb and 3.2% Zn in grab samples. Another grab sample in this area also yielded a gold value reaching 7.4 g/t Au.

Further south, a new showing, dubbed Stars, yielded Cu-Au-Ag values reaching 1.2% Cu, 2.7 g/t Au and 13.6 g/t Ag in grab sample. This new showing shows some gold-bearing massive sulphides characteristics with mineralization consisting in massive pyrrhotite-pyrite with chalcopyrite. A total of 11 grab samples were collected over an outcropping area of approximately 40 metres by 20 metres.

#### 4. INVESTING ACTIVITIES (CONT'D)

In an effort to validate a historical channel sample result obtained by Noranda in the 1980s on the Dessureault showing, a channel sample was collected by Midland this fall on the historical channel which had graded 12.0 g/t Au over 3.3 metres. The channel sample (duplicate) collected by Midland graded 6.2 g/t Au over 3.9 metres including 8.9 g/t Au over 2.0 metres (note that true thicknesses cannot be determined at this time with the information available). In addition, several grab samples collected by Midland returned excellent values grading up to 31.8 g/t Au, 22.9 g/t Au, 21.6 g/t Au, 11.2 g/t Au, 10.5 g/t Au, 9.9 g/t Au and 9.5 g/t Au.

During Q3-17 and Q4-17, Midland completed a prospecting program at the property scale. Also, a lake bottom sampling program was completed. During this program, a total of fourteen (14) drill holes totalling 3,505 metres were completed. These holes tested the extensions of the Golden Tooth, GTN, Kuurok, Polar Bear, Sunshine and Stars surface showings. Because of some unexpected delays with the lab, the final and complete assay results of the drilling program have not been received yet.

##### New results (Prospecting program)

The "Alias" showing is located about 2 kilometers north-west of the Golden Tooth showing (up to 3.1 g/t Au / 1.7 meters in a 2016 DDH). Grab sampling of outcrops and subcropping boulders in a 100 meters x 25 meters area yielded several high gold values: **72.7 g/t Au, 48.6 g/t Au, 19.95 g/t Au, 2.72 g/t Au, 2.58 g/t Au, 2.28 g/t Au, 2.24 g/t Au, 1.86 g/t Au and 1.82 g/t Au**. Overall, 16 grab samples out of 23 collected in the area yielded more than 0.1 g/t Au (*note that grab samples are selective by nature and values reported may not be representative*). Mineralization in the area consists in many decimeter-thick tension quartz veins, strongly mineralized in pyrite-chalcopyrite, crosscutting gabbros exhibiting strong ankerite alteration halos visible over several meters. The veins appear to define new north-south "brittle shear zones" that remain open to the north and south. It is the first significant example of this new mineralization style on the project.

The "Wayne" showing is located in a new, highly prospective area in the northeast portion of the project. A grab sample of diorite containing 5% disseminated pyrrhotite and with centimeter-thick quartz veins yielded **32.7 g/t Au**. About 200 meters south-east, another grab sample yielded **2.49 g/t Au**; it is a diorite with 5-10% disseminated pyrrhotite in the wallrock of a quartz tension vein; the vein itself yielded a low gold value of 0.03 g/t Au. More sampling was done subsequently around these high gold values; results are pending.

The "Kavi" showing is located more than 80 kilometers south of the previous two showings, on claims that were acquired during winter 2017. Two grab samples from this area yielded **6.63 g/t Au, 1.32% Pb, 12.3 g/t Ag, and 2.56 g/t Au, 4.96% Cu, 29.7 g/t Ag**. The samples are a few meters apart and were collected from a brittle fault zone with quartz-calcite-chalcopyrite-galena veins cutting a gabbro. More samples will be collected from the structure in a later exploration phase. This new gold-bearing structure is located only a few hundred meters east of the Robelin regional fault; the Robelin fault appears to control the high-grade gold showings on Osisko Mining/Barrick's Kan project, located about 30 kilometers north (up to 10.7 g/t Au over 5.0 metres in channels and 4.62 g/t Au over 8.0 meters in drillholes; Osisko Mining press release from January 10<sup>th</sup>, 2017). The discovery of this new, very promising showing in a completely unexplored portion of the Willbob project clearly outlines the strong regional gold potential of the project.

#### **4. INVESTING ACTIVITIES (CONT'D)**

The new "SP" showing is located about 600 meters east of the Golden Tooth showing (up to **3.1 g/t Au / 1.7 meters** in drillhole in 2016). Grab samples of mineralized quartz veins, found within a 120 meters x 50 meters area, yielded three very high gold values: **419 g/t Au, 38.3 g/t Au** and **21.7 g/t Au**. Anomalous gold values were also found in the wallrock of the veins, which sometimes contains quartz veinlets: 2.04 g/t Au, 0.454 g/t Au, 0.256 g/t Au, 0.176 g/t Au, 0.17 g/t Au. Mineralization in the area consists in a series of quartz-ankerite tension-type veins, up to 10 cm thick, containing clusters of pyrite-galena±sphalerite, crosscutting a strongly chloritized and ankeritized quartz diorite with disseminated pyrite. Overall, nine (9) grab samples out of 15 collected from the area returned more than 0.1 g/t Au (*note that grab samples are selective by nature and values reported may not be representative of mineralized zones*).

The new "Serpent" showing is located about 4.5 kilometers south of the Golden Tooth showing, in a poorly explored area where no gold mineralization was known before. The mineralization of the Serpent showing is found within a 50-cm thick shear zone injected with quartz-calcite-chlorite±pyrite veins, crosscutting a gabbro. A grab sample from this zone returned **15.35 g/t Au**, and three (3) other samples also yielded anomalous values: 0.487 g/t Au, 0.448 g/t Au, 0.254 g/t Au. Overall, four (4) grab samples out of 6 samples collected from the shear zone returned more than 0.1 g/t Au.

#### **QUEBEC / LABRADOR**

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

###### *Property Description*

On December 2, 2017, the last 31 claims of Ytterby Quebec were dropped while all the claims in Labrador were dropped during Fiscal 2017. The Corporation wrote off entirely the Labrador claims for \$185,625 (some claims were dropped in Fiscal 16 therefore the Corporation impaired partially for \$7,162 the exploration property cost and all the Quebec claims had been written off in previous years). Therefore, as of December 2, 2017, the February 23, 2010 memorandum of agreement signed with JOGMEC is de facto terminated and JOGMEC has lost its 49.4% interest.

###### *Exploration work on the property*

No exploration work conducted during Fiscal 17.

#### **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.

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**5. FINANCING ACTIVITIES**

The Corporation finances itself mainly through share issuance.

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. 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 March 16, 2017, the Corporation completed a private placement by issuing 614,000 flow-through shares at \$1.35 per share, for total gross proceeds of \$828,900.

On November 22, 2017, the Corporation completed a private placement by issuing a total of 1,692,854 flow-through shares at \$1.35 per share, for total gross proceeds of \$2,285,354. In connection with the private placement, the Corporation paid finder's fees of \$64,572. Directors and officers of the Corporation participated in these placements for a total consideration of \$131,625 under the same terms as other investors.

**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 \$11,678,771 as of September 30, 2017 (\$13,787,092 as of September 30, 2016) which is calculated as follow:

	<b>Fiscal 17</b>	<b>Fiscal 16</b>
	\$	\$
Current assets	12,497,871	11,369,712
Investments – non-current portion	-	3,078,910
Current liabilities	(819,100)	(661,530)
<b>Adjusted working capital</b>	<b>11,678,771</b>	<b>13,787,092</b>

**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.

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**6. WORKING CAPITAL (CONT'D)**

	<b>Annualized</b>
<b>Cash flow required</b>	<b>\$</b>
Operating expenses, excluding non-cash items	1,360,000
Project management fees and interest income	(70,000)
Exploration budget paid by Midland (covering the exploration work requirements following the November 2017 flow-through private placement of \$2,285,354)	4,105,000
Mining credits of preceding year (Fiscal 2017)	(1,040,000)
Staking and property maintenance	200,000
<b>Total</b>	<b>4,555,000</b>

**7. SUMMARY OF RESULTS PER QUARTERS**

For the eight most recent quarters:

	<b>Q4-17</b>	<b>Q3-17</b>	<b>Q2-17</b>	<b>Q1-17</b>
	\$	\$	\$	\$
Revenues	25,587	12,850	24,997	32,759
Net loss	(550,307)	(110,435)	(261,195)	(292,119)
Loss per share	(0.01)	-	-	(0.01)
Total assets	26,477,605	26,956,987	27,010,601	25,846,801
	<b>Q4-16</b>	<b>Q3-16</b>	<b>Q2-16</b>	<b>Q1-16</b>
	\$	\$	\$	\$
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

No adjustments were required following the early adoption of IFRS 9 (see Section 16).

**8. FOURTH QUARTER**

The Corporation reported a loss of \$550,307 for Q4-17 compared to a loss of \$291,829 for Q4-16.

The Corporation earned project management fees of \$25,587 in Q4-17 (\$37,257 in Q4-16). In Q4-17, the most active projects with partners were mainly Casault with Soquem and BJ Altius. In Q4-16, the most active projects with partners were mainly Casault and to a lesser extent Pallas.

Total expenses increased to \$615,532 in Q4-17 compared to \$382,449 in Q4-16:

- Salaries increased to \$136,065 (\$107,700 in Q4-16) due to salary increase.
- Stock-based compensation increased to \$65,705 (\$40,702 in Q4-16). Of the multiple factors influencing this expense, we notice that the fair value estimated with the Black Scholes model for the Fiscal 2017 and 2016 is approximately doubled from the fair value estimated for the August 2015 grant.
- Impairment of exploration and evaluation assets (non-cash items) increased to \$227,584 (\$61,261 in Fiscal 16). During Q4-17, the Ytterby property was written off for \$185,625, since no exploration program is planned in the near future and all the claims on the Labrador side were dropped. In the normal course of managing a portfolio of properties, some claims were dropped and the following properties were partially impaired:

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**8. FOURTH QUARTER (CONT'D)**

- During Q4-17: Laflamme for \$6,846, Jouvex for \$7,707, Valmond for \$1,831, Weedon for \$2,671, Gatineau for \$3,808, James Bay Au for \$12,002, Pallas for \$5,923 and generation of projects for \$1,242.
- 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.

In Fiscal 17, a \$15,960 (nil in Q4-16) 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 March 16, 2017 private placement. 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 \$2,261,784 (\$1,656,615 in Q4-16) in exploration expenses of which \$354,964 (\$628,486 in Q4-16) was recharged to the partners. The exploration expenses incurred in Q4-17 were mostly executed on Willbob, Casault and BJ Altius whereas in Q4-16, the exploration expenses were mostly executed on Casault, Willbob, JV Eleonore, Pallas and Heva. The Corporation acquired properties for \$99,071 net mostly on BJ Altius (\$141,993 net in Q4-16 mostly on Abitibi).

**9. RELATED PARTY TRANSACTIONS**

The following are the related party transactions that occurred in Fiscal 17:

*In the normal course of operations:*

- A firm in which René Branchaud (director and corporate secretary) is a partner charged legal fees amounting to \$76,821 (\$63,568 in Fiscal 16);
- A company controlled by Ingrid Martin (chief financial officer) charged accounting fees totaling \$120,964 (\$145,310 in Fiscal 16) of which \$51,508 (\$69,620 in Fiscal 16) relates to her staff;
- As at September 30, 2017, the balance due to the related parties amounted to \$7,861 (\$16,300 as at September 30, 2016).

*Out of the normal course of operations:*

- Directors and officers of the Corporation participated in the flow-through private placement of November 2016 for \$136,100 (November 2015 for \$96,050). 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**

See section 5 on financing activities.

**11. OUTSTANDING SHARE DATA**

	As at December 7, 2017	As at September 30, 2017
	Number	Number
Common shares	58,854,411	57,161,557
Options	3,190,000	3,190,000
Warrants	20,622,569	20,622,569
	<b>82,666,980</b>	<b>80,974,126</b>

## **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 February 2016, the Corporation extended the lease for five years, from March 2017 to February 2022. The rent is \$31,432 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.

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

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 \$232,075 for Fiscal 17 (\$82,174 for Fiscal 16). No reversal of impairment losses has been recognized for the reporting periods.

### **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.

### **15.3 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.

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. 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.

### **16.1 Accounting standards adopted in current fiscal year**

The Corporation has adopted the following new and revised standards, along with any consequential amendments, effective October 1, 2016. These changes were made in accordance with the applicable transitional provisions.

#### **a) IFRS 9, Financial Instruments, (“IFRS 9”)**

The Corporation has elected to early adopt the requirements of *IFRS 9, Financial Instruments* with a date of initial application of October 1, 2016. This standard replaces *IAS 39, Financial Instruments: Recognition and Measurement (“IAS 39”)*. IFRS 9 eliminates the classification of financial instruments as “available-for-sale” and “held to maturity” and the requirement to bifurcate embedded derivatives with respect to hybrid financial assets. This standard incorporates a new hedging model, which increases the scope of hedged items eligible for hedge accounting, and aligns hedge accounting more closely with risk management. This standard also amends the impairment model by introducing a new “expected credit loss” model for calculating impairment. This new standard also increases required disclosures about an entity’s risk management strategy, cash flows from hedging activities, and the impact of hedge accounting on the financial statements.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. Most of the requirements in the IAS 39 for classification and measurement of financial liabilities and for the derecognition of financial assets were carried forward in IFRS 9.

The accounting for the financial instruments and the line item in which they are included in the statement of financial position were unaffected by the adoption of IFRS 9.

In accordance with the transitional provision of IFRS 9, the financial assets and liabilities held on October 1, 2016 were reclassified retrospectively without prior period restatement based on the new classification requirements taking into account the business model under which they are held at October 1, 2016 and the cash flow characteristics of the financial assets at their date of initial recognition.

No measurement adjustments were required to the opening balances as at October 1, 2016.

### **16.2 Accounting standards issued but not yet effective**

#### **a) 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. Save for short term leases and leases of low value assets, 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 eliminate 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.

**16. ACCOUNTING STANDARDS ISSUED RECENTLY (CONT'D)**

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 financial statements.

**17. 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, 2017 financial statements.

**18. 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.

**18.1 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.

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.

**18.2 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.

**18.3 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.

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

### **18.4 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.

### **18.5 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.

### **18.6 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.

### **18.7 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.

### **18.8 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.

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

### **18.9 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.

### **18.10 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.

### **18.11 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.

### **18.12 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.

### **18.13 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.

**19. 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 7, 2017

*(s) Gino Roger*  
\_\_\_\_\_  
Gino Roger  
President and CEO

*(s) Ingrid Martin*  
\_\_\_\_\_  
Ingrid Martin  
CFO



December 7, 2017

## **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, 2017 and 2016, 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.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Midland Exploration Inc. as at September 30, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

*PricewaterhouseCoopers LLP<sup>1</sup>*

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<sup>1</sup> CPA auditor, CA, public accountancy permit No. A123642

# Midland Exploration Inc.

## Statements of Financial Position

As at September 30, 2017 and 2016

	As at September 30	
	2017	2016
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 5)	4,628,896	1,467,414
Investments (note 6)	6,503,910	8,729,000
Accounts receivable	105,995	97,433
Sales tax receivable	279,945	257,650
Tax credits and mining rights receivable	922,454	755,105
Prepaid expenses	56,671	63,110
<b>Total current assets</b>	<b>12,497,871</b>	<b>11,369,712</b>
<b>Non-current assets</b>		
Investments - non-current portion (note 6)	-	3,078,910
Tax credits and mining rights receivable – non-current portion	117,623	115,503
Advance paid for exploration work	-	344,624
Listed shares	33,000	-
Exploration and evaluation assets (note 7)		
Exploration properties	1,896,351	1,506,118
Exploration and evaluation expenses	11,932,760	8,041,811
	<b>13,829,111</b>	<b>9,547,929</b>
<b>Total non-current assets</b>	<b>13,979,734</b>	<b>13,086,966</b>
<b>Total assets</b>	<b>26,477,605</b>	<b>24,456,678</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	477,838	646,494
Advance received for exploration work	341,262	15,036
<b>Total liabilities</b>	<b>819,100</b>	<b>661,530</b>
<b>Equity</b>		
Capital stock	35,142,832	32,332,811
Warrants (note 8)	1,922,031	1,997,093
Contributed surplus	2,679,002	2,224,411
Deficit	(14,085,360)	(12,759,167)
<b>Total equity</b>	<b>25,658,505</b>	<b>23,795,148</b>
<b>Total liabilities and equity</b>	<b>26,477,605</b>	<b>24,456,678</b>

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

### On behalf of the Board of Directors

(s) Jean-Pierre Janson  
\_\_\_\_\_  
Jean-Pierre Janson  
Director

(s) Gino Roger  
\_\_\_\_\_  
Gino Roger  
President, Director

# Midland Exploration Inc.

## Statements of Comprehensive Loss

For the years ended September 30, 2017 and 2016

	Fiscal 17	Fiscal 16
	\$	\$
<b>Revenues</b>		
Project management fees	96,193	107,423
<b>Operating Expenses</b>		
Salaries	584,630	456,275
Stock-based compensation	285,429	96,951
Travel	64,091	77,029
Rent and insurance	55,988	50,095
Office expenses	133,918	83,856
Regulatory fees	43,404	34,282
Conferences and mining industry involvement	173,937	127,278
Press releases and investors relations	67,665	61,643
Professional fees	216,730	243,980
General exploration	6,840	18,543
Impairment of exploration and evaluation assets (note 7)	232,075	82,174
Operating expenses	1,864,707	1,332,206
<b>Other gains or losses</b>		
Interest income	169,368	225,491
Change in fair value - listed shares	3,000	-
	172,368	225,491
<b>Loss before income taxes</b>	(1,596,146)	(999,292)
Recovery of deferred income taxes (note 11)	382,090	192,134
<b>Loss and comprehensive loss</b>	<b>(1,214,056)</b>	<b>(807,158)</b>
Basic and diluted loss per share (note 10)	(0.02)	(0.01)

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, 2017 and 2016

	Number of shares outstanding	Capital stock	Warrants	Contributed surplus	Deficit	Total equity
		\$	\$	\$	\$	\$
<b>Balance at October 1, 2016</b>	54,674,417	32,332,811	1,997,093	2,224,411	(12,759,167)	23,795,148
Loss and comprehensive loss	-	-	-	-	(1,214,056)	(1,214,056)
Flow-through private placement	1,898,354	2,562,776	-	-	-	2,562,776
Less: premium	-	(382,090)	-	-	-	(382,090)
	1,898,354	2,180,686	-	-	-	2,180,686
Warrants exercised	588,786	629,335	(69,988)	-	-	559,347
Warrants expired	-	-	(5,074)	5,074	-	-
Stock-based compensation	-	-	-	449,517	-	449,517
Share issue expenses	-	-	-	-	(112,137)	(112,137)
<b>Balance at Sept. 30, 2017</b>	<b>57,161,557</b>	<b>35,142,832</b>	<b>1,922,031</b>	<b>2,679,002</b>	<b>(14,085,360)</b>	<b>25,658,505</b>

	Number of shares outstanding	Capital stock	Warrants	Contributed surplus	Deficit	Total equity
		\$	\$	\$	\$	\$
<b>Balance at Oct. 1, 2015</b>	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)
<b>Balance at Sept. 30, 2016</b>	<b>54,674,417</b>	<b>32,332,811</b>	<b>1,997,093</b>	<b>2,224,411</b>	<b>(12,759,167)</b>	<b>23,795,148</b>

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

# Midland Exploration Inc.

## Statements of Cash Flows

For the years ended September 30, 2017 and 2016

	Fiscal 17	Fiscal 16
	\$	\$
<b>Operating activities</b>		
Loss	(1,214,056)	(807,158)
Adjustment for:		
Stock-based compensation	285,429	96,951
Impairment of exploration and evaluation assets	232,075	82,174
Variation – fair value of listed shares	(3,000)	-
Recovery of deferred income taxes	(382,090)	(192,134)
	(1,081,642)	(820,167)
Changes in non-cash working capital items		
Accounts receivable	(8,562)	1,624
Sales tax receivable	(22,295)	(73,708)
Tax credits and mining rights receivable	5,320	(5,320)
Prepaid expenses	6,439	(7,923)
Accounts payable and accrued liabilities	(360,755)	(81,163)
Advance received for exploration work	326,226	(126,134)
	(53,627)	(292,624)
	<b>(1,135,269)</b>	<b>(1,112,791)</b>
<b>Financing activities</b>		
Flow-through private placement	2,562,776	710,060
Exercise of options	-	15,000
Exercise of warrants	559,347	388,500
Share issue expenses	(112,137)	(57,382)
	<b>3,009,986</b>	<b>1,056,178</b>
<b>Investing activities</b>		
Additions to investments	(3,425,000)	(5,311,910)
Disposals or maturities of investments	8,729,000	4,535,807
Additions to exploration properties	(465,274)	(340,618)
Option payments on exploration properties	50,000	-
Advance paid for exploration expenses	344,624	(344,624)
Additions to exploration and evaluation expenses	(4,830,008)	(2,941,722)
Tax credits and mining rights received	883,423	64,141
	<b>1,286,765</b>	<b>(4,338,926)</b>
<b>Net change in cash and cash equivalents</b>	<b>3,161,482</b>	<b>(4,395,539)</b>
Cash and cash equivalents – beginning (note 5)	1,467,414	5,862,953
<b>Cash and cash equivalents – ending (note 5)</b>	<b>4,628,896</b>	<b>1,467,414</b>

*Additional disclosure (see note 15)*

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

# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2017 and 2016

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### 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”). Except for the early adoption of *IFRS 9 – Financial Instruments* as further described in note 3, 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 7, 2017.

#### 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.

# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2017 and 2016

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

#### a) Financial assets

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

Financial assets are initially measured at fair value. If the financial asset is not subsequently accounted for at fair value through profit or loss, then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. On initial recognition, the Corporation classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired.

#### **Effective October 1, 2016**

##### *Fair value through profit and loss listed shares:*

Listed shares at fair value through profit and loss are equity investments recognized initially at fair value and subsequently measured at fair value. Gains or losses arising from changes in fair value are recorded in the statement of loss and comprehensive loss. Dividend income on those investments are recognized in the statement of loss and comprehensive loss.

##### *Amortized cost:*

Financial assets at amortized cost are non-derivative financial assets with fixed or determinable payments constituted solely of payments of principal and interest that are held within a "held to collect" business model. Financial assets at amortized cost are initially recognized at the amount expected to be received, less, when material, a discount to reduce the financial assets to fair value. Subsequently, financial assets at amortized cost are measured using the effective interest method less a provision for expected losses. The Corporation's cash and cash equivalents, investments and accounts receivable are classified within this category.

#### **Effective until September 30, 2016**

##### *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.

#### b) Financial liabilities

#### **Effective for all periods presented**

##### *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.

# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2017 and 2016

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

#### c) Impairment of financial assets

##### Effective October 1, 2016

###### *Amortized cost:*

The expected loss is the difference between the amortized cost of the financial asset and the present value of the expected future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account. Provisions for expected losses are adjusted upwards or downwards in subsequent periods if the amount of the expected loss increases or decreases.

##### Effective until September 30, 2016

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.

#### 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.

# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2017 and 2016

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

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.

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.

# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2017 and 2016

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

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.

#### 2.11 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.

# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2017 and 2016

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

#### 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.

#### 2.15 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 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.

# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2017 and 2016

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

#### 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 adopted in current fiscal year

The Corporation has adopted the following new and revised standards, along with any consequential amendments, effective October 1, 2016. These changes were made in accordance with the applicable transitional provisions.

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

The Corporation has elected to early adopt the requirements of *IFRS 9, Financial Instruments* with a date of initial application of October 1, 2016. This standard replaces *IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39")*. IFRS 9 eliminates the classification of financial instruments as "available-for-sale" and "held to maturity" and the requirement to bifurcate embedded derivatives with respect to hybrid financial assets. This standard incorporates a new hedging model, which increases the scope of hedged items eligible for hedge accounting, and aligns hedge accounting more closely with risk management. This standard also amends the impairment model by introducing a new "expected credit loss" model for calculating impairment. This new standard also increases required disclosures about an entity's risk management strategy, cash flows from hedging activities, and the impact of hedge accounting on the financial statements.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. Most of the requirements in the IAS 39 for classification and measurement of financial liabilities and for the derecognition of financial assets were carried forward in IFRS 9.

The following table summarizes the classification and measurement changes for the Corporation's financial assets and financial liabilities as a result of the adoption of IFRS 9.

# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2017 and 2016

### 3. ACCOUNTING STANDARDS ISSUED RECENTLY (CONT'D)

	IAS 39	IFRS 9
<b>Financial assets</b>		
Cash and cash equivalents	Loans and receivables	Amortized cost
Investments	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Listed shares	n/a (new asset since September 2017)	Fair value through profit and loss
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities	Financial liabilities measured at amortized cost	Amortized cost
Advance received for exploration work	Financial liabilities measured at amortized cost	Amortized cost

The accounting for these instruments and the line item in which they are included in the statement of financial position were unaffected by the adoption of IFRS 9.

In accordance with the transitional provision of IFRS 9, the financial assets and liabilities held on October 1, 2016 were reclassified retrospectively without prior period restatement based on the new classification requirements taking into account the business model under which they are held at October 1, 2016 and the cash flow characteristics of the financial assets at their date of initial recognition.

No measurement adjustments were required to the opening balances as at October 1, 2016.

### 3.2 Accounting standards issued but not yet effective

#### a) 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. Save for short term leases and leases of low value assets, 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 eliminate 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 financial statements.

# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2017 and 2016

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### 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.

#### 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 \$232,075 for the year ended September 30, 2017 ("Fiscal 17") (\$82,174 for the year ended September 30, 2016 ("Fiscal 16")). 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.

# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2017 and 2016

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

#### 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.

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	
	2017	2016
	\$	\$
Cash	328,896	467,414
Guaranteed investment certificates bearing interest between 0.80% and 1.15%, maturing between December 5, 2017 and June 6, 2018	4,300,000	-
Guaranteed investment certificate bearing interest of 1.41%, maturing June 5, 2017	-	1,000,000
	<b>4,628,896</b>	<b>1,467,414</b>

All the exploration work imposed by the November 2015 flow-through financing was completed before September 30, 2016. Also, all the exploration work imposed by the November 2016 and March 2017 flow-through financings was completed before September 30, 2017.

# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2017 and 2016

### 6. INVESTMENTS

	As at September 30	
	2017	2016
	\$	\$
<i>Current</i>		
Guaranteed investment certificates, not cashable before the expiry date, between 1.40% and 1.95% interest payable annually, maturing between November 30, 2017 and July 23, 2018, with a maturity value of \$6,605,807	6,503,910	-
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
<i>Non-current</i>		
Guaranteed investment certificates, not cashable before the expiry date, between 1.45% and 1.95% interest payable annually, maturing between July 16, 2018 and July 23, 2018, with a maturity value of \$3,130,844	-	3,078,910
	<b>6,503,910</b>	<b>11,807,910</b>

# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2017 and 2016

### 7. EXPLORATION AND EVALUATION ASSETS

The following tables disclose the acquisition costs of exploration properties:

Acquisition costs	Undivided interest	As at Sept. 30, 2016	Net Additions	Option payments	Impairment	As at Sept. 30, 2017
	%	\$	\$	\$	\$	\$
<b>Abitibi</b>						
Maritime-Cadillac	49	290,515	323	-	-	290,838
Laflamme	72.6	97,400	31,793	-	(6,846) <sup>1)</sup>	122,347
Patris	100	87,072	-	-	-	87,072
Casault	50	17,538	9,457	-	-	26,995
Jouvex	50	44,998	8,141	-	(7,707) <sup>1)</sup>	45,432
Heva	100	106,009	1,897	(50,000)	-	57,906
Valmond	100	7,259	5,328	-	(1,831) <sup>1)</sup>	10,756
La Peltrie	100	103,593	28,008	(30,000)	-	101,601
Adam	100	11,975	4,855	-	-	16,830
Samson	100	17,406	2,760	-	-	20,166
Abitibi Or	100	149,902	(11,233)	-	-	138,669
<b>Grenville-Appalaches</b>						
Weedon	100	30,016	13,778	-	(7,091) <sup>1)</sup>	36,703
Gatineau	100	8,349	27,561	-	(3,808) <sup>1)</sup>	32,102
<b>James Bay</b>						
James Bay Au	100	178,881	32,014	-	(12,002) <sup>1)</sup>	198,893
Eleonore	100	105,232	36,449	-	-	141,681
JV Eleonore	50	96,217	755	-	-	96,972
JV BJ Altius	50	-	56,095	-	-	56,095
<b>Northern Quebec</b>						
Pallas PGE	100	72,443	38,508	-	(5,923) <sup>1)</sup>	105,028
Willbob	100	55,842	201,188	-	-	257,030
<b>Quebec Labrador</b>						
Ytterby	50.6	2,042	-	-	(2,042) <sup>2)</sup>	-
<b>Project Generation</b>						
	100	23,429	31,048	-	(1,242) <sup>1)</sup>	53,235
		<b>1,506,118</b>	<b>518,725</b>	<b>(80,000)</b>	<b>(48,492)</b>	<b>1,896,351</b>

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

2) The Company wrote off the property since no exploration program is planned for the near future and/or dropped all the claims.

# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2017 and 2016

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

Acquisition costs	Undivided interest	As at Sept. 30, 2015	Net Additions	Option payments	Impairment	As at Sept. 30, 2016
	%	\$	\$	\$	\$	\$
<b>Abitibi</b>						
Maritime-Cadillac	49	290,440	75	-	-	290,515
Laflamme	70	82,195	22,352	-	(7,147) <sup>1)</sup>	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) <sup>1)</sup>	149,902
<b>Grenville-Appalaches</b>						
Weedon	100	31,993	5,779	-	(7,756) <sup>1)</sup>	30,016
Gatineau	100	13,155	2,538	-	(7,344) <sup>1)</sup>	8,349
<b>James Bay</b>						
James Bay Au	100	164,821	19,673	-	(5,613) <sup>1)</sup>	178,881
Eleonore	100	102,512	12,652	-	(9,932) <sup>1)</sup>	105,232
JV Eleonore	50	-	96,217	-	-	96,217
<b>Northern Quebec</b>						
Pallas PGE	50	61,301	11,142	-	-	72,443
Willbob	100	34,552	21,290	-	-	55,842
<b>Quebec Labrador</b>						
Ytterby	50.6	7,791	1,413	-	(7,162) <sup>1)</sup>	2,042
<b>Project Generation</b>						
	100	19,462	3,967	-	-	23,429
		<b>1,200,584</b>	<b>387,708</b>	-	<b>(82,174)</b>	<b>1,506,118</b>

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

# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2017 and 2016

### 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	Net Additions \$	Option payments \$	Tax credits \$	Impairment \$	As at
		Sept. 30, 2016 \$					Sept. 30, 2017 \$
<b>Abitibi</b>							
Maritime-Cadillac	49	236,090	56,235	-	(54)	-	292,271
Laflamme	72.6	1,893,853	332,006	-	(23,795)	-	2,202,064
Patris	100	221,646	198	-	-	-	221,844
Casault	50	352,708	691,965	-	(80,708)	-	963,965
Jouvex	50	351,966	62,420	-	(1,553)	-	412,833
Heva	100	157,076	114,219	-	(9,310)	-	261,985
Valmond	100	120,742	3,572	-	-	-	124,314
Samson	100	78,203	6,230	-	(1,022)	-	83,411
La Peltrie	100	628,505	425,573	-	(10,473)	-	1,067,584
Adam	100	42,841	95,781	-	(7,467)	-	131,155
Abitibi Au	100	173,644	30,687	-	(861)	-	203,470
<b>Grenville-Appalaches</b>							
Weedon	100	523,230	105,245	-	(1,578)	-	626,897
Gatineau	100	29,024	14,981	-	-	-	44,005
<b>James Bay</b>							
James Bay Au	100	261,886	136,659	-	(35,950)	-	362,595
Eleonore	100	1,629,303	130,458	-	(36,242)	-	1,723,519
JV Eleonore	50	124,692	237,687	-	(71,097)	-	291,282
JV BJ Altius	50	-	219,291	-	(56,510)	-	162,781
<b>Northern Quebec</b>							
Pallas PGE	100	369,500	295,012	-	(125,766)	-	538,746
Willbob	100	565,271	2,151,089	-	(589,487)	-	2,126,873
<b>Quebec Labrador</b>							
Ytterby	50.6	183,583	-	-	-	(183,583) <sup>1)</sup>	-
<b>Project Generation</b>							
	100	74,069	23,436	-	(6,339)	-	91,166
		<b>8 041,811</b>	<b>5,132,744</b>		<b>(1,058,212)</b>	<b>(183,583)</b>	<b>11,932,760</b>

1) The Company wrote off the property since no exploration program is planned for the near future and/or dropped all the claims.

# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2017 and 2016

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

E&E expenses	Undivided interest	As at Sept. 30, 2015	Net Additions	Option payments	Tax credits	Impairment	As at Sept. 30, 2016
	%	\$	\$	\$	\$	\$	\$
<b>Abitibi</b>							
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
<b>Grenville-Appalaches</b>							
Weedon	100	484,279	45,231	-	(6,280)	-	523,230
Gatineau	100	28,892	132	-	-	-	29,024
<b>James Bay</b>							
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
<b>Northern Quebec</b>							
Pallas PGE	50	269,391	159,839	-	(59,730)	-	369,500
Willbob	100	111,951	775,697	-	(322,377)	-	565,271
<b>Quebec Labrador</b>							
Ytterby	50.6	172,054	11,529	-	-	-	183,583
<b>Project Generation</b>							
	100	59,390	17,831	-	(3,152)	-	74,069
		<b>5,900,412</b>	<b>2,990,735</b>	<b>-</b>	<b>(849,336)</b>	<b>-</b>	<b>8 041,811</b>

# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2017 and 2016

### 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
	\$	\$
<b>First Option for a 50% initial interest</b>		
On or before August 31, 2015 (firm commitment)(completed)	-	500,000
On or before August 31, 2017 (completed)	-	800,000
On or before August 31, 2018	-	1,700,000
	-	3,000,000
<b>Second Option for a 10% additional interest</b>		
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
<b>Third Option for a 5% additional interest</b>		
On or before August 31, 2021, \$1,000,000 of exploration work for each additional 1% interest	-	5,000,000
<b>Total, for a 65% maximum interest</b>	<b>300,000</b>	<b>10,500,000</b>

Teck will be project operator during the First Option.

# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2017 and 2016

### 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.

#### 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.

On April 27, 2017, the Corporation signed an option agreement with IAMGOLD Corporation ("IAMGOLD") whereby IAMGOLD may earn, in three option, a maximum interest of 65% in the Héva property, by fulfilling the following conditions:

	Payments in cash	Work
	\$	\$
<b>First Option for a 50% initial interest</b>		
Upon signature (completed)	50,000	-
On or before April 30, 2018 (\$250,000 firm commitment)	70,000	500,000
On or before April 30, 2019	80,000	700,000
On or before April 30, 2020	120,000	1,200,000
On or before October 31, 2021	180,000	1,600,000
	500,000	4,000,000
<b>Second Option for a 10% additional interest</b>		
Within 2 years from the date the first option is exercised, \$500,000 of exploration work for each additional 1% interest	-	5,000,000
<b>Third Option for a 5% additional interest</b>		
Within 2 years from the date the second option is exercised, \$1,000,000 of exploration work for each additional 1% interest	-	5,000,000
<b>Total, for a 65% maximum interest</b>	<b>500,000</b>	<b>14,000,000</b>

IAMGOLD is the operator.

#### 7.6 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.

# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2017 and 2016

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

#### 7.7 La Peltrie

The Corporation owns the La Peltrie property and some claims are subject to a 1% Gross Metal royalty.

On August 29, 2017, the Corporation signed an option agreement with Niobay Metals Inc. ("Niobay") whereby Niobay may earn, in two options, a maximum interest of 65% in the La Peltrie property, by fulfilling the following conditions:

	Payments in	
	cash	Work
	\$	\$
<b>First Option for a 50% initial interest</b>		
Upon signature (completed, 200,000 shares of Niobay received, initially valued at \$30,000)	30,000	-
On or before December 31, 2017 (firm commitment)	-	500,000
On or before August 31, 2018	30,000	-
On or before August 31, 2019	50,000	400,000
On or before August 31, 2020	70,000	600,000
On or before August 31, 2021	70,000	1,500,000
	<b>250,000</b>	<b>3,000,000</b>

Following the initial earn-in of its 50% interest, NioBay may earn an additional tranche of 15% interest for an undivided 65% interest in the Properties, by producing a preliminary economic study on or before August 31, 2023.

#### 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.

### GRENVILLE-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. Osisko is the operator.

# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2017 and 2016

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

#### 7.11 JV JB Altius (Au), in partnership with Altius operated by Midland

On February 10, 2017, the Corporation signed a letter of intent creating a strategic alliance with Altius Minerals Corporation ("Altius"), whereby Altius and the Corporation will combine their efforts to jointly explore the gold potential of the extensive James Bay region. The Corporation is the operator.

The following projects were identified as designated projects: Elrond, Gondor, Isengard, Minas Tirith, Moria and Shire.

### NORTHERN QUEBEC

#### 7.12 Pallas PGE

On March 28, 2017, JOGMEC withdrew from the option agreement signed on January 21, 2014 and abandoned its right to exercise its option to acquire a 50% interest in the Pallas PGE property.

#### 7.13 Willbob

The Corporation owns the Willbob property and some claims are subject to a 2% NSR royalty.

### QUEBEC / LABRADOR

#### 7.14 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%. On December 2, 2017, the last 31 claims of Ytterby Quebec were dropped while all the claims in Labrador were dropped during Fiscal 2017. The Corporation wrote off entirely the Labrador claims for \$185,625 (some claims were dropped in Fiscal 16 therefore the Corporation impaired partially for \$7,162 the exploration property cost and all the Quebec claims had been written off in previous years). Therefore, as of December 2, 2017, the February 23, 2010 memorandum of agreement signed with JOGMEC is de facto terminated and JOGMEC has lost its 49.4% interest.

### 8. EQUITY

#### *Authorized*

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

#### 8.1 Private placements

##### a) 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.

# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2017 and 2016

### 8. EQUITY (CONT'D)

#### b) November 2016

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.

#### c) March 2017

On March 16, 2017, the Corporation completed a private placement by issuing 614,000 flow-through shares at \$1.35 per share, for total gross proceeds of \$828,900. On that date, the Corporation's share closed at \$1.15 on the Exchange, therefore the residual value attributed to the benefit related to flow-through shares renunciation is \$0.20, for a total value of \$122,800, credited to the liability related to the premium on flow-through shares.

### 8.2 Warrants

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

	Fiscal 17		Fiscal 16	
	Number	Amount	Number	Amount
		\$		\$
<b>Balance – Beginning of year</b>	21,254,213	1,997,093	21,254,213	1,997,093
Exercised	(588 786)	(69 988)	-	-
Expired	(42 858)	(5 074)	-	-
<b>Balance – End of year</b>	<b>20 622 569</b>	<b>1 922 031</b>	<b>21,254,213</b>	<b>1,997,093</b>

Warrants outstanding as at September 30, 2017 are as follows:

Number of warrants	Exercise price	Expiry date
	\$	
20,622,569	1.15	May 3, 2018
<b>20,622,569</b>		

### 8.3 Broker warrants

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

	Fiscal 17		Fiscal 16	
	Number	Amount	Number	Amount
		\$		\$
<b>Balance – Beginning of year</b>	-	-	555,000	116,550
Exercised	-	-	(555,000)	(116,550)
<b>Balance – End of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2017 and 2016

### 8. EQUITY (CONT'D)

#### 8.4 Policies and processes for managing capital

The capital of the Corporation consists of the items included in equity of \$25,658,505 as of September 30, 2017 (\$23,795,148 as of September 30, 2016). 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 17	Fiscal 16
	\$	\$
Salaries	1,023,499	892,546
Director fees	51,000	34,875
Benefits	129,666	73,634
	1,204,165	1,001,055
Less : salaries and benefits capitalized in E&E assets	(619,535)	(544,780)
<b>Salaries disclosed on the statement of comprehensive loss</b>	<b>584,630</b>	<b>456,275</b>

#### 9.2 Stock-based compensation

	Fiscal 17	Fiscal 16
	\$	\$
Stock-based compensation	449,517	142,127
Less : stock-based compensation capitalized in the E&E assets	(164,088)	(45,176)
<b>Stock-based compensation disclosed on the statement of comprehensive loss</b>	<b>285,429</b>	<b>96,951</b>

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.

# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2017 and 2016

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### 9. EMPLOYEE REMUNERATION (CONT'D)

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.

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.

On February 21, 2017, the Corporation granted to its directors, officers, employees and consultants 545,000 options exercisable at \$1.14, 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 \$288,850 for an estimated fair value of \$0.53 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 48% expected volatility, 1.33% 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 May 10, 2017, the Corporation granted to a director 100,000 options exercisable at \$1.04, 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 \$48,000 for an estimated fair value of \$0.48 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 48% expected volatility, 1.27% 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.

# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2017 and 2016

### 9. EMPLOYEE REMUNERATION (CONT'D)

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

	Fiscal 17		Fiscal 16	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
<b>Balance – Beginning of year</b>	2,495,000	1.10	2,020,000	1.18
Granted	695,000	1.13	500,000	1.10
Exercised	-	-	(25,000)	0.60
<b>Balance – End of year</b>	<b>3,190,000</b>	<b>1.10</b>	<b>2,495,000</b>	<b>1.10</b>
Balance – End of year exercisable	2,551,668	1.10	1,836,666	1.14

The following table summarizes information about common share purchase options outstanding and exercisable as at September 30, 2017:

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
450,000	450,000	0.60	August 13, 2025
500,000	333,334	1.10	August 11, 2026
50,000	25,000	1.13	November 23, 2026
545,000	181,667	1.14	February 21, 2027
100,000	16,667	1.04	May 10, 2027
<b>3,190,000</b>	<b>2,551,668</b>		

### 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 17	Fiscal 16
	\$	\$
Loss	(1,214,056)	(807,158)
Weighted average number of basic and diluted outstanding shares	56,669,706	54,001,374
Basic and diluted net loss per share	(0.02)	(0.01)

# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2017 and 2016

### 11. INCOME TAXES

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

	Fiscal 17	Fiscal 16
	\$	\$
Recovery of deferred income taxes		
Premium on flow-through share issuance	382,090	192,134
<b>Total recovery of deferred income taxes</b>	<b>382,090</b>	<b>192,134</b>

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 17	Fiscal 16
	\$	\$
Loss before income taxes	(1,596,146)	(999,292)
Combined federal and provincial income tax at 26.80% (26.90%)	(428,000)	(268,810)
Non-deductible expenses	84,500	33,247
Tax effect of renounced flow-through share expenditures		191,006
	679,100	
Amortization of flow-through share premiums	(382,090)	(192,134)
Unrecognized temporary differences	(330,900)	41,479
Other elements	4,700	3,077
Expired tax attributes	-	-
<b>Recovery of deferred income taxes</b>	<b>(382,090)</b>	<b>(192,135)</b>

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 \$899,500.

Significant components of the Corporation's deferred income tax assets and liabilities are as follows:

	Fiscal 17	Fiscal 16
	\$	\$
Deferred income tax assets		
Non-capital losses	2,162,000	1,848,000
Donations	25,000	22,000
Share and warrant issue expenses	145,000	199,000
Total deferred income tax assets	2,332,000	2,069,000
Deferred income tax liabilities		
E&E assets	1,432,500	868,000
Total deferred income tax liabilities	1,432,500	868,000
<b>Deferred income tax assets not recognized</b>	<b>899,500</b>	<b>1,201,000</b>

# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2017 and 2016

### 11. INCOME TAXES (CONT'D)

As of September 30, 2017, 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	1,063,000	1,048,000
2037	1,365,000	1,344,000

### 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 17	Fiscal 16
	\$	\$
Short-term benefits		
Salaries including bonuses and benefits	433,395	359,210
Professional fees	61,118	72,427
Professional fees recorded in share issue expenses	8,338	3,263
Salaries including bonuses and benefits capitalized in E&E expenses	134,403	129,450
Long-term benefits		
Stock-based compensation	279,618	96,969
Stock-based compensation capitalized in E&E expenses	42,370	16,162
<b>Total compensation</b>	<b>959,242</b>	<b>677,481</b>

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.

# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2017 and 2016

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

#### 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:

*In the normal course of operations:*

- ◆ A firm in which an officer is a partner charged professional fees amounting to \$76,821 (\$63,568 in Fiscal 16) of which \$49,469 (\$51,089 in Fiscal 16) was expensed and \$27,352 (\$12,479 in Fiscal 16) was recorded as share issue expenses;
- ◆ A company controlled by an officer charged professional fees of \$51,508 (\$69,620 in Fiscal 16) for her staff; and
- ◆ As at September 30, 2017, the balance due to the related parties amounted to \$7,861 (\$16,300 in September 30, 2016).

*Out of the normal course of operations:*

- ◆ Directors and officers of the Corporation participated in the flow-through private placement of November 2016 (note 8.1 b)) for \$136,100 (November 2015 (note 8.1 a)) for \$96,050). 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 2017 by Statistic Canada for a 12-month period which was 1.0%):

	<b>As of September 30, 2017</b>
	\$
Within 1 year	18,795
1 to 5 years	114,993
After 5 years	-
<b>Total</b>	<b>133,788</b>

In February 2016, the Corporation extended the lease for five years, from March 2017 to February 2022. The rent is \$31,432 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 \$31,062 (\$25,634 in Fiscal 16). This amount consists of minimum lease payments.

# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2017 and 2016

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### 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*

Since the guaranteed investment certificates are at fixed rates, the Corporation is not exposed to interest rate risk on the instruments themselves. The Corporation's other financial assets and liabilities do not comprise any interest rate risk since they do not bear interest.

##### *Equity risk*

Equity risk is the risk that the fair value of a financial instrument varies due to the changes in the Canadian mining sector and equity market. For the Corporation's listed shares at fair value through profit and loss, a variation of plus or minus 20% of the quoted market prices as at September 30, 2017 would result in an estimated effect on the net income (loss) of \$6,600.

#### 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 17, 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. Nevertheless, the management considers the credit risk to be minimal and further disclosure are not significant.

#### 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, 2017, 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.

The fair value of the listed shares at fair value through profit and loss is established using the closing price on the most beneficial active market for this instrument that is readily available to the Corporation and as such are classified as Level 1 in the fair value hierarchy.

# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2017 and 2016

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### 15. ADDITIONAL INFORMATION ON CASH FLOWS

	Fiscal 2017	Fiscal 2016
	\$	\$
Stock-based compensation included in E&E expenses	164,088	45,176
Additions of exploration properties and E&E expenses included in accounts payable and accrued liabilities	204,721	396,820
Tax credits receivable applied against E&E expenses	1,058,212	855,716
Listed shares received for option payment	30,000	-
Exercise of options credited to capital stock	-	6,500
Exercise of warrants credited to capital stock	69,988	116,550
Interest received	213,399	239,459

### 16. SUBSEQUENT EVENT

On November 22, 2017, the Corporation completed a private placement by issuing a total of 1,692,854 flow-through shares at \$1.35 per share, for total gross proceeds of \$2,285,354. On that day, the Corporation's share closed at \$0.94 on the Exchange, therefore the residual value attributed to the benefit related to flow-through shares renunciation is \$0.41, for a total value of \$694,070, 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 \$64,572. Directors and officers of the Corporation participated in these placements for a total consideration of \$131,625 under the same terms as other investors.

# Midland Exploration Inc.

## Corporate Information

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### Directors

Jean-Pierre Janson, Chairman of the board <sup>1) 2)</sup>  
Gino Roger  
Germain Carrière <sup>1) 2) 3)</sup>  
Robert I. Valliant <sup>1) 3)</sup>  
René Branchaud <sup>3)</sup>  
Paul Archer

### 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

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### Exploration Office

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Email : [info@midlandexploration.com](mailto:info@midlandexploration.com)  
Website : [www.midlandexploration.com](http://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

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Tel.: (514) 982-7888