



Midland Exploration Inc.

Condensed Interim Consolidated Financial Statements

Three and six months ended March 31, 2021

The attached condensed interim consolidated financial statements have been prepared by Management of Midland Exploration Inc. and have not been reviewed by the external auditor.

Midland Exploration Inc.

Consolidated Statements of Financial Position
(Unaudited, in Canadian dollars)

	As at March 31, 2021	As at September 30, 2020
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	1,070,300	1,306,848
Investments (note 3)	9,940,390	9,716,000
Accounts receivable	452,817	176,967
Sales tax receivable	271,997	198,353
Tax credits and mining rights receivable	162,396	812,437
Prepaid expenses	72,620	41,763
Total current assets	11,970,520	12,252,368
Non-current assets		
Listed shares	150,137	210,061
Right-of-use assets	114,584	129,530
Exploration and evaluation assets (note 4)		
Exploration properties	2,873,388	2,756,553
Exploration and evaluation expenses	24,881,330	23,545,289
	27,754,718	26,301,842
Total non-current assets	28,019,439	26,641,433
Total assets	39,989,959	38,893,801
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	975,287	915,318
Advance received for exploration work	-	337,574
Liability related to the premium on flow-through share	284,074	-
Lease liabilities – current portion (note 5)	26,940	25,601
Total current liabilities	1,286,301	1,278,493
Non-current liabilities		
Lease liabilities (note 5)	97,009	110,549
Total liabilities	1,383,310	1,389,042
Equity		
Capital stock	51,177,074	49,399,289
Warrants (note 6)	-	749,556
Contributed surplus	6,101,687	5,267,584
Deficit	(18,672,112)	(17,911,670)
Total equity	38,606,649	37,504,759
Total liabilities and equity	39,989,959	38,893,801

Subsequent event (note 9)

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

Midland Exploration Inc.

Consolidated Statements of Comprehensive Loss (Unaudited, in Canadian dollars)

	Three months ended March 31,		Six months ended March 31,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Revenues				
Project management fees	56,574	159	62,234	524
Operating Expenses				
Salaries	304,380	379,430	428,208	494,562
Stock-based compensation	45,483	48,436	66,569	73,072
Office expenses	38,942	52,589	106,301	155,132
Regulatory fees	33,807	26,769	45,240	42,515
Conferences and investors relations	41,919	131,200	55,329	254,622
Professional fees	118,314	57,020	259,442	112,147
Depreciation	7,473	7,473	14,946	14,946
General exploration	-	1,505	-	2,875
Impairment of exploration and evaluation assets (note 4)	132,863	167,851	132,863	192,704
Operating expenses	723,181	872,273	1,108,898	1,342,575
Other gains (losses)				
Interest income	33,171	68,880	61,936	143,343
Change in fair value – listed shares	79,991	(40,000)	42,324	(20,000)
Financing fees	(2,243)	(49)	(4,795)	(2,758)
	110,919	28,831	99,465	120,585
Loss before income taxes	(555,688)	(843,283)	(947,199)	(1,221,466)
Recovery of deferred income taxes	277,480	198,800	319,100	258,080
Loss and comprehensive loss	(278,208)	(644,483)	(628,099)	(963,386)
Basic and diluted loss per share	(0.00)	(0.01)	(0.01)	(0.01)
Weighted average number of basic and diluted outstanding shares	72,278,052	70,354,043	71,895,364	70,307,230

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

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

Midland Exploration Inc.

Consolidated Statements of Changes in Equity (Unaudited, in Canadian dollars)

	Number of shares outstanding	Capital stock	Warrants	Contributed surplus	Deficit	Total equity
		\$	\$	\$	\$	\$
Balance as at October 1, 2020	70,354,043	49,399,289	749,556	5,267,584	(17,911,670)	37,504,759
Loss and comprehensive loss	-	-	-	-	(628,099)	(628,099)
Private placement	96,209	96,209	-	-	-	96,209
Flow-through private placement	1,827,800	2,284,750	-	-	-	2,284,750
Less: premium	-	(603,174)	-	-	-	(603,174)
	1,827,800	1,681,576	-	-	-	1,681,576
Warrants expired	-	-	(749,556)	749,556	-	-
Stock-based compensation	-	-	-	84,547	-	84,547
Share issue expenses	-	-	-	-	(132,343)	(132,343)
Balance as at March 31, 2021	72,278,052	51,177,074	-	6,101,687	(18,672,112)	38,606,649

	Number of shares outstanding	Capital stock	Warrants	Contributed surplus	Deficit	Total equity
		\$	\$	\$	\$	\$
Balance as at October 1, 2019	68,878,222	48,230,237	749,556	5,033,761	(16,454,353)	37,559,201
Loss and comprehensive loss	-	-	-	-	(963,386)	(963,386)
Private placement	73,791	62,722	-	-	-	62,722
Flow-through private placement	1,402,030	1,542,233	-	-	-	1,542,233
Less: premium	-	(435,903)	-	-	-	(435,903)
	1,402,030	1,106,330	-	-	-	1,106,330
Stock-based compensation	-	-	-	105,898	-	105,898
Share issue expenses	-	-	-	-	(111,340)	(111,340)
Balance as at March 31, 2020	70,354,043	49,399,289	749,556	5,139,659	(17,529,079)	37,759,425

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

Midland Exploration Inc.
Consolidated Statements of Cash Flows
(Unaudited, in Canadian dollars)

	Six months ended March 31,	
	2021	2020
	\$	\$
Operating activities		
Loss	(628,099)	(963,386)
Adjustment for:		
Stock-based compensation	66,569	73,072
Depreciation	14,946	14,946
Impairment of exploration and evaluation assets (note 4)	132,863	173,338
Variation – fair value of listed shares	(42,324)	20,000
Recovery of deferred income taxes	(319,100)	(258,080)
	(775,145)	(940,110)
Changes in non-cash working capital items		
Accounts receivable	(275,850)	30,355
Sales tax receivable	(34,711)	296,822
Prepaid expenses	(30,857)	30,681
Accounts payable and accrued liabilities	101,671	(1,563,140)
Advance received for exploration work	(337,574)	(10,390)
	(577,321)	(1,215,672)
	(1,352,466)	(2,155,782)
Financing activities		
Principal repayment – lease liabilities (note 5)	(12,201)	(13,823)
Private placement (note 6)	96,209	62,722
Flow-through private placement (note 6)	2,284,750	1,542,233
Share issue expenses (note 6)	(132,343)	(111,340)
	2,236,415	1,479,792
Investing activities		
Additions to investments	(5,940,390)	(3,668,000)
Investments' maturity	5,716,000	5,750,000
Disposal of listed shares	102,248	-
Additions to exploration properties	(249,698)	(287,813)
Additions to exploration and evaluation expenses	(1,469,408)	(874,345)
Tax credits and mining rights received	720,751	1,367,372
	(1,120,497)	2,287,214
Net change in cash and cash equivalents	(236,548)	1,611,224
Cash and cash equivalents – beginning	1,306,848	349,389
Cash and cash equivalents – ending	1,070,300	1,960,613
Additional information		
Stock-based compensation included in exploration and evaluation expenses	17,978	32,826
Additions of exploration properties and exploration and evaluation expenses included in accounts payable and accrued liabilities	471,375	102,850
Tax credits receivable applied against exploration and evaluation expenses	70,710	264,372
Interest received	94,186	209,572

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

Midland Exploration Inc.

Notes to Consolidated Financial Statements

Three and six months ended March 31, 2021

(Unaudited, in Canadian dollars)

1. STATUTE OF INCORPORATION AND NATURE OF ACTIVITIES

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

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

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

2. BASIS OF PRESENTATION

These condensed interim consolidated financial statements (the “Financial Statements”) have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34, Interim Financial Reporting. The Financial Statements should be read in conjunction with the annual financial statements for the year ended September 30, 2020, which have been prepared in accordance with IFRS. The accounting policies, methods of computation and presentation applied in these Financial Statements are consistent with those of the previous financial year with the exception of the reclassification of certain expenses as described in note 8. The Board of Directors has approved the Financial Statements on May 6, 2021.

3. INVESTMENTS

As at March 31, 2021, investments are composed of guaranteed investment certificates, not cashable before the expiry date, earning between 0.75% and 1.99% interest payable annually, maturing between April 22, 2021 and March 31, 2022. The investments’ maturity value is \$10,050,118.

The balance on flow-through financing not spent according to the restrictions imposed by the November 2020 financing represents \$1,076,076 as at March 31, 2021 and is included in investments. The Corporation has to dedicate these funds to Canadian mining properties exploration.

Midland Exploration Inc.

Notes to Consolidated Financial Statements

Three and six months ended March 31, 2021

(Unaudited, in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS

The following table disclose the acquisition costs of exploration properties by region:

Acquisition costs	As at	Net	Impairment	As at
	Sept. 30, 2020	Additions		Mar. 31, 2021
	\$	\$	\$	\$
Abitibi	930,677	73,302	(12,200)	991,779
Grenville	67,597	148,444	-	216,041
James Bay	1,251,348	18,376	(112,564)	1,157,160
North	502,171	9,535	(8,099)	503,607
Project generation	4,760	41	-	4,801
	2,756,553	249,698	(132,863)	2,873,388

For the six months ended March 31, 2021, the Corporation impaired partially the following properties for some claims that were dropped: Laflamme for \$12,200, Mythril for \$102,908, Wookie for \$9,656 and Pallas for \$8,099. For the six months ended March 31, 2020, the Corporation impaired partially the properties for the claims that were dropped for \$178,249 (Laflamme for \$15,879, Samson for \$5,521, Mythril for \$150,690 and Pallas for \$6,060 \$) and wrote off the properties (or some projects included in these properties) for \$783 (Abitibi Or) since no exploration program was planned for the near future and/or all claims were dropped.

The following table disclose details of exploration and evaluation expenses by region:

Exploration and evaluation expenses	As at	Net	Tax credits	Impairment	As at
	Sept. 30, 2020	Additions			Mar. 31, 2021
	\$	\$	\$	\$	\$
Abitibi	10,067,943	1,093,426	(38,019)	-	11,123,350
Grenville	836,108	78,884	(4,531)	-	910,461
James Bay	8,673,408	201,491	(25,433)	-	8,849,466
North	3,930,512	32,950	(2,727)	-	3,960,735
Project generation	37,318	-	-	-	37,318
	23,545,289	1,406,751	(70,710)	-	24,881,330

For the six months ended March 31, 2020, the Corporation wrote off the properties (or some projects included in these properties) for \$13,672 (Abitibi Or) since no exploration program was planned for the near future and/or all claims were dropped.

4.1 Labrador Trough - alliance

On February 18, 2021, the Corporation signed a strategic alliance with SOQUEM Inc. ("SOQUEM") to jointly explore the Labrador Trough, for an amount of up to \$5,000,000 over 4 years. A joint annual budget of \$1,000,000 over a period of 4 years (firm commitment totalling \$2,000,000 for the first 2 years), for a total of up to \$4,000,000, will be provided under the alliance for the targeting and field reconnaissance phase. Midland will be the project operator in charge of exploration work during the targeting and field reconnaissance phase. An additional, firmly committed, joint budget of \$1,000,000 for the second year is provided under the agreement to explore the designated projects. The joint budgets for exploration work for the third and fourth years on the designated projects shall be approved by the project's management committee. SOQUEM will become project operator on all designated projects.

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(Unaudited, in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS (CONT'D)

4.2 Tête Nord

The Corporation assembled the Tête Nord property through map staking and acquisition.

On November 13, 2020, the Corporation signed an agreement with Les Ressources Tectonic inc. whereby it acquired the Tête Nord property for a \$100,000 cash payment (\$30,000 upon signature (completed), \$35,000 on the first anniversary and \$35,000 on the second anniversary) and a 2% net smelter return ("NSR") royalty that can be bought back for a cash payment of \$1,500,000 for each 1% for a total amount of \$3,000,000.

In March 2021, the Corporation signed four agreements with different prospectors whereby it acquired blocs of claim for cash payments totalling \$41,050. The Corporation issued three 2% NSR royalties to the prospectors. The Corporation may, at any time, buy back each royalty, in all or in part, by making a cash payment of \$2,000,000 per royalty, \$1,000,000 per tranche of 1% royalty. For the fourth agreement, the Corporation agreed to make a \$25,000 payment if a resources estimate is completed on the bloc acquired or on the 40 contiguous claims owned by the Corporation.

5. LEASE LIABILITIES

	As at March 31 2021
	\$
Opening balance	136,150
Principal repayment	(12,201)
Lease liabilities	123,949
Less : current portion	(26,940)
Non-current lease liabilities	97,009

6. EQUITY

6.1 Private placements

On November 5, 2020, the Corporation completed a private placement of 1,827,800 flow-through shares at \$1.25 per share for total gross proceeds of \$2,284,750. On that date, the Corporation's share closed at \$0.92 on the Exchange, therefore the residual value attributed to the benefit related to flow-through shares renunciation are \$0.33 for a total value of \$603,174 credited to the liability related to the premium on flow-through shares.

In connection with the private placements, the Corporation incurred \$132,343 share issue expenses of which \$100,065 was paid as finder's fees. Directors and officers of the Corporation participated in the flow-through private placement for a total consideration of \$160,000 under the same terms as other investors.

On November 9, 2020, the Corporation completed a private placement of 96,209 shares at a price of \$1.00 per share for total gross proceeds of \$96,209. BHP Canada Inc. ("BHP") has exercised its right to maintain its ownership to 5.0% by acquiring 96,209 shares. This right had been granted to BHP on April 18, 2019 pursuant to an Investor Rights Agreement with the Corporation.

Midland Exploration Inc.

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Three and six months ended March 31, 2021

(Unaudited, in Canadian dollars)

6. EQUITY (SUITE)

6.2 Warrants

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

	Six months ended March 31, 2021	
	Number	Amount
		\$
Balance – Beginning of period	4,110,667	749,556
Expired	(4,110,667)	(749,556)
Balance – End of period	-	-

7. SHARE-BASED COMPENSATION

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

	Six months ended March 31, 2021	
	Number of options	Weighted average exercise price
		\$
Balance – beginning of period	4,940,000	1.02
Granted	605,000	0.83
Expired	(380,000)	1.51
Balance – end of period	5,165,000	0.97
Balance – end of period exercisable	4,353,333	0.99

The following table summarizes information about common share purchase options outstanding and exercisable as at March 31, 2021:

Number of options outstanding	Number of options exercisable	Exercise price	Expiry date
		\$	
315,000	315,000	1.54	February 16, 2022
20,000	20,000	1.61	February 27, 2022
330,000	330,000	1.25	February 19, 2023
580,000	580,000	0.85	February 20, 2024
420,000	420,000	0.60	August 13, 2025
485,000	485,000	1.10	August 11, 2026
50,000	50,000	1.13	November 23, 2026
530,000	530,000	1.14	February 21, 2027
100,000	100,000	1.04	May 10, 2027
550,000	550,000	0.89	February 15, 2028
560,000	560,000	1.03	February 18, 2029
620,000	413,333	0.72	February 13, 2030
525,000	-	0.82	February 11, 2031
80,000	-	0.88	March 18, 2031
5,165,000	4,353,333		

Midland Exploration Inc.

Notes to Consolidated Financial Statements

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(Unaudited, in Canadian dollars)

7. SHARE-BASED COMPENSATION (CONT'D)

On February 11, 2021, the Corporation granted to its directors, officers and employees 525,000 options exercisable at \$0.82, valid for 10 years. Those options were granted at an exercise price equal to the closing market price of the Corporation's shares on the business day prior to the date of the issuance. Total stock-based compensation costs amount to \$183,750 for an estimated fair value of \$0.35 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 46.3% expected volatility, 0.6% risk-free interest rate and 6 years options expected life.

On March 18, 2021, the Corporation granted to a director 80,000 options exercisable at \$0.88, valid for 10 years. Those options were granted at an exercise price equal to the closing market price of the Corporation's shares on the business day prior to the date of the issuance. Total stock-based compensation costs amount to \$32,800 for an estimated fair value of \$0.41 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 48.2% expected volatility, 1.17% 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.

8. RECLASSIFICATIONS

For presentation purposes, the following expenses included in the statement of comprehensive loss were reclassified to provide more relevant information:

- Travel and rent and insurance were grouped with office expenses.
- Conferences and mining industry involvement as well as press releases and investors relations were grouped under conferences and investors relations.

The comparative figures for the six months ended March 31, 2020 were reclassified accordingly.

9. SUBSEQUENT EVENT

Jouvex

On April 7, 2021, the Corporation signed the acquisition from SOQUEM of two blocs of claims contiguous to the Jouvex property by paying \$60,000 and by issuing a 1% NSR royalty; the Corporation may, at any time, buy back the royalty, in all or in part, by making a cash payment of \$1,000,000 per tranche of 0.5% royalty.