



# **Midland Exploration Inc.**

Condensed Interim Consolidated Financial Statements

Three and six months ended March 31, 2022

*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, 2022	As at September 30, 2021
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash	4,783,064	1,490,860
Investments (note 3)	4,504,000	5,940,390
Accounts receivable	61,398	50,128
Sales tax receivable	89,130	135,380
Tax credits and mining rights receivable	343,331	1,320,091
Prepaid expenses	104,947	60,182
<b>Total current assets</b>	<b>9,885,870</b>	<b>8,997,031</b>
<b>Non-current assets</b>		
Listed shares	88,000	170,578
Right-of-use assets	84,692	99,638
Exploration and evaluation assets (note 4)		
Exploration properties	3,226,059	3,182,934
Exploration and evaluation expenses	28,536,552	27,465,015
	<b>31,762,611</b>	<b>30,647,949</b>
<b>Total non-current assets</b>	<b>31,935,303</b>	<b>30,918,165</b>
<b>Total assets</b>	<b>41,821,173</b>	<b>39,915,196</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	435,857	1,253,266
Advance received for exploration work	1,217,117	209,993
Liability related to the premium on flow-through share	625,596	-
Lease liabilities – current portion (note 5)	29,793	28,341
<b>Total current liabilities</b>	<b>2,308,363</b>	<b>1,491,600</b>
<b>Non-current liabilities</b>		
Lease liabilities (note 5)	67,216	82,409
<b>Total liabilities</b>	<b>2,375,579</b>	<b>1,574,009</b>
<b>Equity</b>		
Capital stock	52,967,839	51,177,074
Contributed surplus	6,315,623	6,231,927
Deficit	(19,837,868)	(19,067,814)
<b>Total equity</b>	<b>39,445,594</b>	<b>38,341,187</b>
<b>Total liabilities and equity</b>	<b>41,821,173</b>	<b>39,915,196</b>

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	
	2022	2021	2022	2021
	\$	\$	\$	\$
<b>Revenues</b>				
Project management fees	13,205	56,574	38,878	62,234
<b>Operating Expenses</b>				
Salaries	320,587	304,380	468,408	428,208
Stock-based compensation	37,716	45,483	70,323	66,569
Office expenses	42,143	38,942	83,273	106,301
Regulatory fees	25,330	33,807	39,434	45,240
Conferences and investors relations	75,574	41,919	116,763	55,329
Professional fees	74,485	118,314	152,083	259,442
Depreciation	7,473	7,473	14,946	14,946
General exploration	-	-	1,048	-
Impairment of exploration and evaluation assets (note 4)	89,388	132,863	91,007	132,863
Operating expenses	672,696	723,181	1,037,285	1,108,898
<b>Other gains (losses)</b>				
Interest income	18,235	33,171	29,737	61,936
Change in fair value – listed shares	3,919	79,991	(4,581)	42,324
Financing fees	(1,779)	(2,243)	(3,678)	(4,795)
	20,375	110,919	21,478	99,465
<b>Loss before income taxes</b>	(639,116)	(555,688)	(976,929)	(947,199)
Recovery of deferred income taxes	269,169	277,480	344,239	319,100
<b>Loss and comprehensive loss</b>	<b>(369,947)</b>	<b>(278,208)</b>	<b>(632,690)</b>	<b>(628,099)</b>
Basic and diluted loss per share	(0.01)	(0.00)	(0.01)	(0.01)
Weighted average number of basic and diluted outstanding shares	75,641,353	72,278,052	74,348,112	71,895,364

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

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# Midland Exploration Inc.

## Consolidated Statements of Changes in Equity

(Unaudited, in Canadian dollars)

	Number of shares outstanding	Capital stock	Contributed surplus	Deficit	Total equity
		\$	\$	\$	\$
<b>Balance at October 1, 2021</b>	72,278,052	51,177,074	6,231,927	(19,067,814)	38,341,187
Loss and comprehensive loss	-	-	-	(632,690)	(632,690)
Private placement (note 6)	170,000	93,500	-	-	93,500
Flow-through private placement (note 6)	3,219,745	2,667,100	-	-	2,667,100
Less: premium	-	(969,835)	-	-	(969,835)
	3,219,745	1,697,265	-	-	1,697,265
Stock-based compensation	-	-	83,696	-	83,696
Share issue expenses	-	-	-	(137,364)	(137,364)
<b>Balance at March 31, 2022</b>	<b>75,667,797</b>	<b>52,967,839</b>	<b>6,315,623</b>	<b>(19,837,868)</b>	<b>39,445,594</b>

	Number of shares outstanding	Capital stock	Warrants	Contributed surplus	Deficit	Total equity
		\$	\$	\$	\$	\$
<b>Balance as at October 1, 2020</b>	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)
<b>Balance as at March 31, 2021</b>	<b>72,278,052</b>	<b>51,177,074</b>	<b>-</b>	<b>6,101,687</b>	<b>(18,672,112)</b>	<b>38,606,649</b>

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)

	<b>Six months ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
	\$	\$
<b>Operating activities</b>		
Loss	(632,690)	(628,099)
Adjustment for:		
Stock-based compensation	70,323	66,569
Depreciation	14,946	14,946
Impairment of exploration and evaluation assets (note 4)	91,007	132,863
Variation – fair value of listed shares	4,581	(42,324)
Recovery of deferred income taxes	(344,239)	(319,100)
	(796,072)	(775,145)
Changes in non-cash working capital items		
Accounts receivable	112,857	(275,850)
Sales tax receivable	46,250	(34,711)
Prepaid expenses	(44,765)	(30,857)
Accounts payable and accrued liabilities	(320,246)	101,671
Advance received for exploration work	1,007,124	(337,574)
	801,220	(577,321)
	<b>5,148</b>	<b>(1,352,466)</b>
<b>Financing activities</b>		
Principal repayment – lease liabilities (note 5)	(13,741)	(12,201)
Private placement (note 6)	93,500	96,209
Flow-through private placement (note 6)	2,667,100	2,284,750
Share issue expenses (note 6)	(137,364)	(132,343)
	<b>2,609,495</b>	<b>2,236,415</b>
<b>Investing activities</b>		
Additions to investments	(4,504,000)	(5,940,390)
Investments' maturity	5,940,390	5,716,000
Disposal of listed shares	77,997	102,248
Additions to exploration properties	(226,909)	(249,698)
Disposal of exploration properties	100,000	-
Additions to exploration and evaluation expenses	(1,925,191)	(1,469,408)
Tax credits and mining rights received	1,215,274	720,751
	<b>677,561</b>	<b>(1,120,497)</b>
Net change in cash and cash equivalents	3,292,204	(236,548)
Cash – beginning	1,490,860	1,306,848
<b>Cash – ending</b>	<b>4,783,064</b>	<b>1,070,300</b>
<b>Additional information</b>		
Stock-based compensation included in exploration and evaluation expenses	13,373	17,978
Additions of exploration properties and exploration and evaluation expenses included in accounts payable and accrued liabilities	303,009	471,375
Tax credits receivable applied against exploration and evaluation expenses	237,831	70,710
Interest received	53,587	94,186

*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, 2022

(Unaudited, in Canadian dollars)

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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. 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, 2021, which have been prepared in accordance with IFRS. The accounting policies, methods of computation and presentation applied in these Financial Statements are consistent with those of the previous financial year. The Board of Directors has approved the Financial Statements on May 5, 2022.

### 3. INVESTMENTS

As at March 31, 2022, investments are composed of guaranteed investment certificates, not cashable before the expiry date, earning between 0.92% and 2.25% interest payable annually, maturing between November 17, 2022 and March 21, 2023. The investments’ maturity value is \$6,408,006.

The balance on flow-through financing not spent according to the restrictions imposed by the December 2021 financings represents \$1,826,363 as at March 31, 2022 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, 2022

(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 Sept. 30, 2021	Net Additions	Option payments	Impairment	As at Mar. 31, 2022
	\$	\$	\$	\$	\$
Abitibi	1,013,428	48,074	-	-	1,061,502
Grenville	191,247	42,997	(100,000)	-	134,244
James Bay	1,449,735	56,351	-	(89,388)	1,416,698
North	520,449	85,291	-	(1,619)	604,121
Project generation	8,075	1,419	-	-	9,494
	<b>3,182,934</b>	<b>234,132</b>	<b>(100,000)</b>	<b>(91,007)</b>	<b>3,226,059</b>

For the six months ended March 31, 2022, the Corporation impaired partially the following properties for some claims that were dropped for a total of \$91,007: BJ Eleonore for \$65,614, Pallas for \$1,619 and Shire for \$23,774 (for a total of \$132,863 for the six months ended March 31, 2021: Laflamme for \$12,200, Myhril for \$102,908, Pallas for \$8,099 and Wookie for \$9,656).

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

Exploration and evaluation expenses	As at Sept. 30, 2021	Net Additions	Option payments	Tax credits	Impairment	As at Mar 31, 2022
	\$	\$	\$	\$	\$	\$
Abitibi	12,458,393	847,369	-	(104,836)	-	13,200,926
Grenville	1,257,589	61,037	-	(12,745)	-	1,305,881
James Bay	9,476,715	199,476	-	(63,669)	-	9,612,522
North	4,235,000	201,486	-	(56,581)	-	4,379,905
Project generation	37,318	-	-	-	-	37,318
	<b>27,465,015</b>	<b>1,309,368</b>	<b>-</b>	<b>(237,831)</b>	<b>-</b>	<b>28,536,552</b>

On December 1, 2021 and as amended, the Corporation signed an option agreement with Rio Tinto Exploration Canada Inc. ("Rio Tinto") for its Tête Nord property (Grenville). Under this new agreement, Rio Tinto may earn an initial 50% interest (First Option) in the Tete Nord property over a period of four years, by fulfilling the following conditions:

- Exploration expenditures totalling \$4,000,000, including a minimum of \$500,000 in the first year.
- Cash payments totalling \$500,000, including \$100,000 within 60 days of execution of the agreement (completed).

After earning an initial 50% interest, Rio Tinto may elect to increase its interest to 70% (Second Option) over a period of four years by fulfilling the following conditions:

- Exploration expenditures totalling up to \$10,000,000 and cash payments totalling \$500,000, gaining interest on the following schedule:
  - An additional 1% interest (for a total of 51%) by funding an additional \$250,000 of exploration expenditures;
  - An additional 1% interest for each additional \$500,000 of exploration expenditures (for a total of up to 69%); and
  - An additional 1% (for a total of 70%) by funding an additional \$750,000 of exploration expenditures.

# Midland Exploration Inc.

## Notes to Consolidated Financial Statements

Three and six months ended March 31, 2022

(Unaudited, in Canadian dollars)

Rio Tinto retains right to act as operator for the First and the Second Option; or at its discretion elects to have the Corporation act as operator on Rio Tinto's behalf. Rio Tinto chose to be the operator for the first year of the option agreement.

### 5. LEASE LIABILITIES

	<b>As at March 31 2022</b>
	\$
Opening balance	110,750
Principal repayment	(13,741)
<b>Lease liabilities</b>	<b>97,009</b>
Less : current portion	(29,793)
<b>Non-current lease liabilities</b>	<b>67,216</b>

### 6. EQUITY

#### 6.1 Private placements

On December 7 and 21, 2021, the Corporation completed private placements of 2,458,875 flow-through shares at \$0.80 per share for total gross proceeds of \$1,967,100. On those dates, the Corporation's share closed at \$0.53 and \$0.49 respectively on the Exchange, therefore the residual values attributed to the benefit related to flow-through shares renunciation are \$0.27 and \$0.31 for a total value of \$673,096, credited to the liability related to the premium on flow-through shares.

In addition, on December 7, 2021, the Corporation completed, with an originator of flow-through donation financing, a private placement of 760,870 flow-through shares at \$0.92 per share for total gross proceeds of \$700,000. On that date, the Corporation's share closed at \$0.53 on the Exchange, therefore the residual value attributed to the benefit related to flow-through shares renunciation is \$0.39 for a total value of \$296,739 credited to the liability related to the premium on flow-through shares.

On January 14, 2022, the Corporation completed a private placement of 170,000 shares at a price of \$0.55 per share for total gross proceeds of \$93,500. BHP has exercised its right to maintain its ownership to 5.0% by acquiring 170,000 shares. This right had been granted to BHP on April 18, 2019 pursuant to an Investor Rights Agreement with the Corporation.

In connection with the private placements, the Corporation incurred \$137,364 share issue expense, of which \$84,930 was paid as finder's fees. Directors and officers of the Corporation participated in the flow-through private placement for a total consideration of \$189,000 under the same terms as other investors.



# Midland Exploration Inc.

## Notes to Consolidated Financial Statements

Three and six months ended March 31, 2022

(Unaudited, in Canadian dollars)

### 7. SHARE-BASED COMPENSATION

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

	<b>Six months ended March 31, 2022</b>	
	<b>Number of options</b>	<b>Weighted average exercise price</b>
		\$
Balance – beginning of period	5,245,000	0.96
Granted	730,000	0.54
Expired	(335,000)	1.54
<b>Balance – end of period</b>	<b>5,640,000</b>	<b>0.87</b>
Balance – end of period exercisable	4,655,000	0.93

The common share purchase options outstanding and exercisable as at March 31, 2022 are as follows:

<b>Number of options outstanding</b>	<b>Number of options exercisable</b>	<b>Exercise price</b>	<b>Expiry date</b>
		\$	
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	620,000	0.72	February 13, 2030
525,000	350,000	0.82	February 11, 2031
80,000	53,333	0.88	March 18, 2031
80,000	26,667	0.75	September 8, 2031
730,000	-	0.54	February 24, 2032
<b>5,640,000</b>	<b>4,655,000</b>		

On February 24, 2022, the Corporation granted to its directors, officers and employees 730,000 options exercisable at \$0.54, 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. The estimated fair value of \$0.24 per option amounts to a total stock-based compensation cost of \$172,000 considering a forfeiture factor representing the expected employee departures. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 45.4% expected volatility, 1.75% risk-free interest rate and 6 years options expected life.

### 8. SUBSEQUENT EVENT

On April 6, 2022, the Corporation received from SOQUEM inc. a notice to terminate the Alliance contract signed on April 13, 2021 on the Gatineau property.