



# **Midland Exploration Inc.**

Condensed Interim Consolidated Financial Statements

Three months ended December 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 December 31, 2021	As at September 30, 2021
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash	2,383,920	1,490,860
Investments (note 3)	5,101,390	5,940,390
Accounts receivable	151,130	50,128
Sales tax receivable	181,015	135,380
Tax credits and mining rights receivable	1,514,969	1,320,091
Prepaid expenses	82,027	60,182
<b>Total current assets</b>	<b>9,414,451</b>	<b>8,997,031</b>
<b>Non-current assets</b>		
Listed shares	162,078	170,578
Right-of-use assets	92,165	99,638
Exploration and evaluation assets (note 4)		
Exploration properties	3,337,868	3,182,934
Exploration and evaluation expenses	27,907,469	27,465,015
	<b>31,245,337</b>	<b>30,647,949</b>
<b>Total non-current assets</b>	<b>31,499,580</b>	<b>30,918,165</b>
<b>Total assets</b>	<b>40,914,031</b>	<b>39,915,196</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	231,304	1,253,266
Advance received for exploration work	-	209,993
Liability related to the premium on flow-through share	894,765	-
Lease liabilities – current portion (note 5)	29,060	28,341
<b>Total current liabilities</b>	<b>1,155,129</b>	<b>1,491,600</b>
<b>Non-current liabilities</b>		
Lease liabilities (note 5)	74,916	82,409
<b>Total liabilities</b>	<b>1,230,045</b>	<b>1,574,009</b>
<b>Equity</b>		
Capital stock	52,874,339	51,177,074
Contributed surplus	6,269,332	6,231,927
Deficit	(19,459,685)	(19,067,814)
<b>Total equity</b>	<b>39,683,986</b>	<b>38,341,187</b>
<b>Total liabilities and equity</b>	<b>40,914,031</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 December 31	
	2021	2020
	\$	\$
<b>Revenues</b>		
Project management fees	25,673	5,660
<b>Operating Expenses</b>		
Salaries	147,821	123,828
Stock-based compensation	32,607	21,086
Office expenses	41,130	67,359
Regulatory fees	14,104	11,433
Conferences and investors relations	41,189	13,410
Professional fees	77,598	141,128
Depreciation	7,473	7,473
General exploration	1,048	-
Impairment of exploration and evaluation assets (note 4)	1,619	-
Operating expenses	364,589	385,717
<b>Other gains (losses)</b>		
Interest income	11,502	28,765
Change in fair value – listed shares	(8,500)	(37,667)
Financing fees	(1,899)	(2,552)
	1,103	(11,454)
<b>Loss before income taxes</b>	(337,813)	(391,511)
Recovery of deferred income taxes	75,070	41,620
<b>Loss and comprehensive loss</b>	<b>(262,743)</b>	<b>(349,891)</b>
Basic and diluted loss per share	(0.00)	(0.01)
Weighted average number of basic and diluted outstanding shares	73,082,985	71,520,996

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	-	-	-	(262,743)	(262,743)
Flow-through private placement	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	-	-	37,405	-	37,405
Share issue expenses	-	-	-	(129,128)	(129,128)
<b>Balance at December 31, 2021</b>	<b>75,497,797</b>	<b>52,874,339</b>	<b>6,269,332</b>	<b>(19,459,685)</b>	<b>39,683,986</b>

	Number of shares outstanding	Capital stock	Warrants	Contributed surplus	Deficit	Total equity
		\$	\$	\$	\$	\$
<b>Balance 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	-	-	-	-	(349,891)	(349,891)
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	-	-	(691,128)	691,128	-	-
Stock-based compensation	-	-	-	27,521	-	27,521
Share issue expenses	-	-	-	-	(133,543)	(133,543)
<b>Balance at December 31, 2020</b>	<b>72,278,052</b>	<b>51,177,074</b>	<b>58,428</b>	<b>5,986,233</b>	<b>(18,395,104)</b>	<b>38,826,631</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>Three months ended December 31,</b>	
	<b>2021</b>	<b>2021</b>
	\$	\$
<b>Operating activities</b>		
Loss	(262,743)	(349,891)
Adjustment for:		
Stock-based compensation	32,607	21,086
Depreciation	7,473	7,473
Impairment of exploration and evaluation assets (note 4)	1,619	-
Variation – fair value of listed shares	8,500	37,667
Recovery of deferred income taxes	(75,070)	(41,620)
	(287,614)	(325,285)
Changes in non-cash working capital items		
Accounts receivable	23,125	109,527
Sales tax receivable	(45,635)	(66,589)
Prepaid expenses	(21,845)	18,591
Accounts payable and accrued liabilities	(380,045)	(261,693)
Advance received for exploration work	(209,993)	9,591
	(634,393)	(190,573)
	<b>(922,007)</b>	<b>(515,858)</b>
<b>Financing activities</b>		
Principal repayment – lease liabilities (note 5)	(6,774)	(5,911)
Private placement	-	96,209
Flow-through private placement (note 6)	2,667,100	2,284,750
Share issue expenses (note 6)	(129,128)	(133,543)
	<b>2,531,198</b>	<b>2,241,505</b>
<b>Investing activities</b>		
Additions to investments	(3,504,000)	(4,343,000)
Disposals of investments	4,343,000	4,148,000
Additions to exploration properties	(146,569)	(167,863)
Additions to exploration and evaluation expenses	(1,408,562)	(800,144)
	<b>(716,131)</b>	<b>(1,163,007)</b>
<b>Net change in cash and cash equivalents</b>	893,060	562,640
Cash and cash equivalents – beginning	1,490,860	1,306,848
<b>Cash and cash equivalents – ending</b>	<b>2,383,920</b>	<b>1,869,488</b>
<b>Additional information</b>		
Stock-based compensation included in exploration and evaluation expenses	4,798	6,435
Additions of exploration properties and exploration and evaluation expenses included in accounts payable and accrued liabilities	152,733	80,772
Tax credits receivable applied against exploration and evaluation expenses	194,195	70,710
Interest received	38,501	62,848

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

# Midland Exploration Inc.

## Notes to Consolidated Financial Statements

Three months ended December 31, 2021

(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 February 24, 2022.

### 3. INVESTMENTS

As at December 31, 2021, investments are composed of guaranteed investment certificates, not cashable before the expiry date, earning between 0.75% and 1.60% interest payable annually, maturing between March 30, 2022 and December 20, 2022. The investments’ maturity value is \$5,157,774.

The balance on flow-through financing not spent according to the restrictions imposed by the December 2021 financing represents \$2,489,780 as at December 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 months ended December 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 Sept. 30, 2021	Net Additions	Option payments	Impairment	As at Dec. 31, 2021
	\$	\$	\$	\$	\$
Abitibi	1,013,428	22,736	-	-	1,036,164
Grenville	191,247	39,370	-	-	230,617
James Bay	1,449,735	24,486	-	-	1,474,221
North	520,449	68,615	-	(1,619)	587,445
Project generation	8,075	1,346	-	-	9,421
	<b>3,182,934</b>	<b>156,553</b>	-	<b>(1,619)</b>	<b>3,337,868</b>

For the three months ended December 31, 2021, the Corporation impaired partially the Pallas property for some claims that were dropped for an amount of \$1,619 (nil for the three months ended December 31, 2021).

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 Dec 31, 2021
	\$	\$	\$	\$	\$	\$
Abitibi	12,458,393	359,842	-	(92,563)	-	12,725,672
Grenville	1,257,589	54,945	-	(12,745)	-	1,299,789
James Bay	9,476,715	85,068	-	(32,306)	-	9,529,477
North	4,235,000	136,794	-	(56,581)	-	4,315,213
Project generation	37,318	-	-	-	-	37,318
	<b>27,465,015</b>	<b>636,649</b>	-	<b>(194,195)</b>	-	<b>27,907,469</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. 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

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 months ended December 31, 2021

(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

	As at December 31 2021
	\$
Opening balance	110,750
Principal repayment	(6,774)
Lease liabilities	103,976
Less : current portion	(29,060)
Non-current lease liabilities	<b>74,916</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 are \$0.39 for a total value of \$296,739 credited to the liability related to the premium on flow-through shares.

In connection with the private placements, the Corporation incurred \$129,128 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.

### 7. SHARE-BASED COMPENSATION

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

	Three months ended December 31, 2021	
	Number of options	Weighted average exercise price
		\$
<b>Balance – beginning and end of period</b>	<b>5,245,000</b>	<b>0.96</b>
Balance – end of period exercisable	4,875,836	0.97



# Midland Exploration Inc.

## Notes to Consolidated Financial Statements

Three months ended December 31, 2021

(Unaudited, in Canadian dollars)

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

<b>Number of options outstanding</b>	<b>Number of options exercisable</b>	<b>Exercise price</b>	<b>Expiry date</b>
		\$	
315,000	315,000	1.54	February 16, 2022 (expired)
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	620,000	0.72	February 13, 2030
525,000	262,500	0.82	February 11, 2031
80,000	40 001	0.88	March 18, 2031
80,000	13,335	0.75	September 8, 2031
<b>5,245,000</b>	<b>4,875,836</b>		

### 8. SUBSEQUENT EVENT

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.