



# **Midland Exploration Inc.**

Condensed Interim Consolidated Financial Statements

Three and nine months ended June 30, 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 June 30, 2022	As at September 30, 2021
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash	3,567,059	1,490,860
Investments (note 3)	4,504,000	5,940,390
Accounts receivable	45,088	50,128
Sales tax receivable	116,734	135,380
Tax credits and mining rights receivable	343,331	1,320,091
Prepaid expenses	86,751	60,182
<b>Total current assets</b>	<b>8,662,963</b>	<b>8,997,031</b>
<b>Non-current assets</b>		
Listed shares	71,550	170,578
Right-of-use assets	77,219	99,638
Exploration and evaluation assets (note 4)		
Exploration properties	3,266,763	3,182,934
Exploration and evaluation expenses	29,352,817	27,465,015
	32,619,580	30,647,949
<b>Total non-current assets</b>	<b>32,768,349</b>	<b>30,918,165</b>
<b>Total assets</b>	<b>41,431,312</b>	<b>39,915,196</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	737,912	1,253,266
Advance received for exploration work	947,171	209,993
Liability related to the premium on flow-through share	319,896	-
Lease liabilities – current portion	30,541	28,341
<b>Total current liabilities</b>	<b>2,035,520</b>	<b>1,491,600</b>
<b>Non-current liabilities</b>		
Lease liabilities	56,792	82,409
<b>Total liabilities</b>	<b>2,092,312</b>	<b>1,574,009</b>
<b>Equity</b>		
Capital stock	52,967,839	51,177,074
Contributed surplus	6,389,403	6,231,927
Deficit	(20,018,242)	(19,067,814)
<b>Total equity</b>	<b>39,339,000</b>	<b>38,341,187</b>
<b>Total liabilities and equity</b>	<b>41,431,312</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 June 30,		Nine months ended June 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
<b>Revenues</b>				
Project management fees	30,997	110,898	69,875	173,132
<b>Operating Expenses</b>				
Salaries	146,873	138,783	615,281	566,991
Stock-based compensation	56,863	67,437	127,186	134,006
Office expenses	56,378	54,352	139,651	160,653
Regulatory fees	2,375	2,263	41,809	47,503
Conferences and investors relations	98,009	48,033	214,772	103,362
Professional fees	41,944	50,782	194,027	310,224
Depreciation	7,473	7,473	22,419	22,419
General exploration	688	-	1,736	-
Impairment of exploration and evaluation assets (note 4)	112,301	79,477	203,308	212,340
Operating expenses	522,904	448,600	1,560,189	1,557,498
<b>Other gains (losses)</b>				
Interest income	23,939	21,811	53,676	83,747
Change in fair value – listed shares	(16,450)	(19,500)	(21,031)	22,824
Financing fees	(1,656)	(2,131)	(5,334)	(6,926)
	5,833	180	27,311	99,645
<b>Loss before income taxes</b>	(486,074)	(337,522)	(1,463,003)	(1,284,721)
Recovery of deferred income taxes	305,700	284,074	649,939	603,174
<b>Loss and comprehensive loss</b>	<b>(180,374)</b>	<b>(53,448)</b>	<b>(813,064)</b>	<b>(681,547)</b>
Basic and diluted loss per share	(0.00)	(0.00)	(0.01)	(0.01)
Weighted average number of basic and diluted outstanding shares	75,667,797	72,278,052	74,788,007	72,022,927

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	-	-	-	(813,064)	(813,064)
Private placement (note 5)	170,000	93,500	-	-	93,500
Flow-through private placement (note 5)	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	-	-	157,476	-	157,476
Share issue expenses (note 5)	-	-	-	(137,364)	(137,364)
<b>Balance at June 30, 2022</b>	<b>75,667,797</b>	<b>52,967,839</b>	<b>6,389,403</b>	<b>(20,018,242)</b>	<b>39,339,000</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	-	-	-	-	(681,547)	(681,547)
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	-	-	-	166,118	-	166,118
Share issue expenses	-	-	-	-	(132,343)	(132,343)
<b>Balance as at June 30, 2021</b>	<b>72,278,052</b>	<b>51,177,074</b>	<b>-</b>	<b>6,183,258</b>	<b>(18,725,560)</b>	<b>38,634,772</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)

	Nine months ended June 30,	
	2022	2021
	\$	\$
<b>Operating activities</b>		
Loss	(813,064)	(681,547)
Adjustment for:		
Stock-based compensation	127,186	134,006
Depreciation	22,419	22,419
Impairment of exploration and evaluation assets (note 4)	203,308	212,340
Variation – fair value of listed shares	21,031	(22,824)
Recovery of deferred income taxes	(649,939)	(603,174)
	(1,089,059)	(938,780)
Changes in non-cash working capital items		
Accounts receivable	129,167	109,386
Sales tax receivable	18,646	(151,608)
Prepaid expenses	(26,569)	1,845
Accounts payable and accrued liabilities	(259,963)	(149,649)
Advance received for exploration work	737,178	43,942
	598,459	(146,084)
	<b>(490,600)</b>	<b>(1,084,864)</b>
<b>Financing activities</b>		
Principal repayment – lease liabilities	(23,417)	(18,743)
Private placement (note 5)	93,500	96,209
Flow-through private placement (note 5)	2,667,100	2,284,750
Share issue expenses (note 5)	(137,364)	(132,343)
	<b>2,599,819</b>	<b>2,229,873</b>
<b>Investing activities</b>		
Additions to investments	(4,504,000)	(5,940,390)
Investments' maturity	5,940,390	8,716,000
Disposal of listed shares	77,997	102,248
Additions to exploration properties	(377,497)	(564,358)
Option payments on exploration properties	210,000	110,000
Additions to exploration and evaluation expenses	(2,595,184)	(3,408,243)
Tax credits and mining rights received	1,215,274	812,437
	<b>(33,020)</b>	<b>(172,306)</b>
Net change in cash and cash equivalents	2,076,199	972,703
Cash – beginning	1,490,860	1,306,848
<b>Cash – ending</b>	<b>3,567,059</b>	<b>2,279,551</b>
<b>Additional information</b>		
Stock-based compensation included in exploration and evaluation expenses	30,290	32,112
Additions of exploration properties and exploration and evaluation expenses included in accounts payable and accrued liabilities	539,259	1,015,479
Tax credits receivable applied against exploration and evaluation expenses	237,831	674,402
Interest received	62,554	147,833

*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 nine months ended June 30, 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 August 18, 2022.

### 3. INVESTMENTS

As at June 30, 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 \$4,568,406.

The balance on flow-through financing not spent according to the restrictions imposed by the December 2021 financings represents \$921,309 as at June 30, 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 nine months ended June 30, 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 June 30, 2022
	\$	\$	\$	\$	\$
Abitibi	1,013,428	102,572	(344)	-	1,115,656
Grenville	191,247	45,081	(100,000)	(1,464)	134,864
James Bay	1,449,735	102,954	-	(89,388)	1,463,301
North	520,449	135,382	-	(112,456)	543,375
Project generation	8,075	1,492	-	-	9,567
	<b>3,182,934</b>	<b>387,481</b>	<b>(100,344)</b>	<b>(203,308)</b>	<b>3,266,763</b>

For the nine months ended June 30, 2022, the Corporation impaired partially the following properties for some claims that were dropped for a total of \$203,308: BJ Eleonore for \$65,614, Pallas for \$1,619, Shire for \$23,774, Weedon for \$1,464 and Willbob for \$110,837 (for a total of \$212,340 for the nine months ended June 30, 2021: Laflamme for \$12,200, Mistaouac for \$5,673, Turgeon for \$35,256, Weedon for \$31,588, BJ Gold for \$6,960, Mythrill for \$102,908, Wookie for \$9,656 and Pallas for \$8,099).

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 June 30, 2022
	\$	\$	\$	\$	\$	\$
Abitibi	12,458,393	1,361,687	(109,656)	(104,836)	-	13,605,588
Grenville	1,257,589	72,694	-	(12,745)	-	1,317,538
James Bay	9,476,715	443,129	-	(63,669)	-	9,856,175
North	4,235,000	357,779	-	(56,581)	-	4,536,198
Project generation	37,318	-	-	-	-	37,318
	<b>27,465,015</b>	<b>2,235,289</b>	<b>(109,656)</b>	<b>(237,831)</b>	<b>-</b>	<b>29,352,817</b>

#### 4.1 Gatineau

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.

# Midland Exploration Inc.

## Notes to Consolidated Financial Statements

Three and nine months ended June 30, 2022

(Unaudited, in Canadian dollars)

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### 4.2 Tête Nord

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.

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. EQUITY

### 5.1 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 nine months ended June 30, 2022

(Unaudited, in Canadian dollars)

### 6. SHARE-BASED COMPENSATION

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

	Nine months ended June 30, 2022	
	Number of options	Weighted average exercise price
		\$
Balance – beginning of period	5,245,000	0.96
Granted	730,000	0.54
Forfeited	(30,000)	0.59
Expired	(375,000)	1.47
<b>Balance – end of period</b>	<b>5,570,000</b>	<b>0.87</b>
Balance – end of period exercisable	4,844,166	0.92

The common share purchase options outstanding and exercisable as at June 30, 2022 are as follows:

Number of options outstanding	Number of options exercisable	Exercise price	Expiry date
		\$	
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
545,000	545,000	1.03	February 18, 2029
605,000	605,000	0.72	February 13, 2030
510,000	425,000	0.82	February 11, 2031
80,000	66,666	0.88	March 18, 2031
80,000	40,000	0.75	September 8, 2031
705,000	117,500	0.54	February 24, 2032
<b>5,570,000</b>	<b>4,844,166</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.

# Midland Exploration Inc.

## Notes to Consolidated Financial Statements

Three and nine months ended June 30, 2022

(Unaudited, in Canadian dollars)

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### 7. SUBSEQUENT EVENT

#### **BHP Alliance (Ni)**

Under the initial agreement executed in August 2020, during the Generative Phase (Phase I), BHP Group PLC (“BHP”) agreed to fund 100% of an annual amount of up to \$1,400,000 for a minimum of two years until August 21, 2022. On July 11, 2022, an amendment was signed which provides a one-year extension of the Generative Phase (Phase I) which comes with an additional annual funding of up to \$1,400,000 and extends until August 21, 2023. The Corporation will continue to act as the project operator, and the main objective of this phase is to generate, identify and secure, within the area of interest, exploration projects to be advanced to a drill-ready stage through further exploration work. BHP may, at its discretion, propose additional exploration work of up to \$700,000 before advancing a project to the second phase.