



# **Midland Exploration Inc.**

Condensed Interim Consolidated Financial Statements

Three months ended December 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 December 31, 2022	As at September 30, 2022
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	4,098,658	1,895,705
Investments (note 3)	3,500,000	4,504,000
Accounts receivable	101,386	59,928
Sales tax receivable	121,580	84,548
Tax credits and mining rights receivable	194,878	194,878
Listed shares	18,000	12,000
Prepaid expenses	42,100	54,861
<b>Total current assets</b>	<b>8,076,602</b>	<b>6,805,920</b>
<b>Non-current assets</b>		
Investments – non-current portion (note 3)	800,000	-
Listed shares	74,138	40,950
Right-of-use assets	62,273	69,746
Advance paid for exploration work	-	50,000
Exploration and evaluation assets (note 4)		
Exploration properties	2,884,216	2,927,591
Exploration and evaluation expenses	30,023,222	29,321,874
	32,907,438	32,249,465
<b>Total non-current assets</b>	<b>33,843,849</b>	<b>32,410,161</b>
<b>Total assets</b>	<b>41,920,451</b>	<b>39,216,081</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	160,838	291,906
Advance received for exploration work	266,221	434,135
Liability related to the premium on flow-through share	894,465	113,480
Lease liabilities – current portion	32,076	31,301
<b>Total current liabilities</b>	<b>1,353,600</b>	<b>870,822</b>
<b>Non-current liabilities</b>		
Lease liabilities	42,840	51,108
<b>Total liabilities</b>	<b>1,396,440</b>	<b>921,930</b>
<b>Equity</b>		
Capital stock	55,426,156	52,967,839
Contributed surplus	6,456,866	6,431,575
Deficit	(21,359,011)	(21,105,263)
<b>Total equity</b>	<b>40,524,011</b>	<b>38,294,151</b>
<b>Total liabilities and equity</b>	<b>41,920,451</b>	<b>39,216,081</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	
	2022	2021
	\$	\$
<b>Revenues</b>		
Project management fees	17,441	25,673
<b>Operating Expenses</b>		
Salaries	138,448	147,821
Stock-based compensation	19,142	32,607
Office expenses	48,017	41,130
Regulatory fees	11,272	14,104
Conferences and investors relations	71,842	41,189
Professional fees	79,948	77,598
Depreciation	7,473	7,473
General exploration	-	1,048
Impairment of exploration and evaluation assets	-	1,619
Operating expenses	376,142	364,589
<b>Other revenues (expenses)</b>		
Interest income	43,731	11,502
Change in fair value – listed shares	14,188	(8,500)
Financing fees	(1,399)	(1,899)
	56,520	1,103
<b>Loss before income taxes</b>	(302,181)	(337,813)
Recovery of deferred income taxes	245,578	75,070
<b>Loss and comprehensive loss</b>	<b>(56,603)</b>	<b>(262,743)</b>
Basic and diluted loss per share	(0.00)	(0.00)
Weighted average number of basic and diluted outstanding shares	78,553,754	73,082,985

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, 2022</b>	75,667,797	52,967,839	6,431,575	(21,105,263)	38,294,151
Loss and comprehensive loss	-	-	-	(56,603)	(56,603)
Private placement	1,450,000	580,000	-	-	580,000
Flow-through private placement	5,302,400	2,904,880	-	-	2,904,880
Less: premium	-	(1,026,563)	-	-	(1,026,563)
	5,302,400	1,878,317	-	-	1,878,317
Stock-based compensation	-	-	25,291	-	25,291
Share issue expenses	-	-	-	(197,145)	(197,145)
<b>Balance at December 31, 2022</b>	<b>82,420,197</b>	<b>55,426,156</b>	<b>6,456,866</b>	<b>(21,359,011)</b>	<b>40,524,011</b>

	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>

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>2022</b>	<b>2021</b>
	\$	\$
<b>Operating activities</b>		
Loss	(56,603)	(262,743)
Adjustment for:		
Stock-based compensation	19,142	32,607
Depreciation	7,473	7,473
Impairment of exploration and evaluation assets	-	1,619
Variation – fair value of listed shares	(14,188)	8,500
Recovery of deferred income taxes	(245,578)	(75,070)
	(289,754)	(287,614)
Changes in non-cash working capital items		
Accounts receivable	(41,458)	23,125
Sales tax receivable	(37,032)	(45,635)
Prepaid expenses	12,761	(21,845)
Accounts payable and accrued liabilities	(87,848)	(380,045)
Advance received for exploration work	(167,914)	(209,993)
	(321,491)	(634,393)
	<b>(611,245)</b>	<b>(922,007)</b>
<b>Financing activities</b>		
Principal repayment – lease liabilities	(7,493)	(6,774)
Private placement (note 5)	580,000	-
Flow-through private placement (note 5)	2,904,880	2,667,100
Share issue expenses (note 5)	(197,145)	(129,128)
	<b>3,280,242</b>	<b>2,531,198</b>
<b>Investing activities</b>		
Additions to investments	(3,300,000)	(3,504,000)
Investments' maturity	3,504,000	4,343,000
Additions to exploration properties	(106,625)	(146,569)
Option payments on exploration properties	125,000	-
Advance paid for exploration expenses	50,000	-
Additions to exploration and evaluation expenses	(738,419)	(1,408,562)
	<b>(466,044)</b>	<b>(716,131)</b>
<b>Net change in cash and cash equivalents</b>	2,202,953	893,060
Cash– beginning	1,895,705	1,490,860
<b>Cash and cash equivalents – ending</b>	<b>4,098,658</b>	<b>2,383,920</b>
<b>Additional information</b>		
Stock-based compensation included in exploration and evaluation expenses	6,149	4,798
Additions of exploration properties and exploration and evaluation expenses included in accounts payable and accrued liabilities	61,338	152,733
Tax credits receivable applied against exploration and evaluation expenses	-	194,195
Listed shares received for option payment	25,000	-
Interest received	53,111	38,501

*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, 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, 2022, 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 9, 2023.

### 3. INVESTMENTS

As at December 31, 2022, investments are composed of guaranteed investment certificates, not cashable before the expiry date, earning between 2.00% and 5.41% interest payable annually, maturing between March 21, 2023 and November 28, 2024. The investments’ maturity value is \$4,489,920, of which \$841,400 matures in more than one year.

The balance on flow-through financing not spent according to the restrictions imposed by the November and December 2022 financing represents \$2,519,512 as at December 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 months ended December 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, 2022	Net Additions	Option payments	Impairment	As at Dec. 31, 2022
	\$	\$	\$	\$	\$
Abitibi	1,135,503	44,917	-	-	1,180,420
Grenville	129,400	35,974	(100,000)	-	65,374
James Bay	1,262,157	22,581	(50,000)	-	1,234,738
North	400,531	3,153	-	-	403,684
	<b>2,927,591</b>	<b>106,625</b>	<b>(150,000)</b>	-	<b>2,884,216</b>

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

Exploration and evaluation expenses	As at Sept. 30, 2022	Net Additions	Option payments	Tax credits	Impairment	As at Dec 31, 2022
	\$	\$	\$	\$	\$	\$
Abitibi	13,743,117	446,821	-	-	-	14,189,938
Grenville	1,319,100	3,775	-	-	-	1,322,875
James Bay	10,030,413	208,742	-	-	-	10,239,155
North	4,229,244	42,010	-	-	-	4,271,254
	<b>29,321,874</b>	<b>701,348</b>	-	-	-	<b>30,023,222</b>

#### 4.1 Soisson-NMEF property

On October 4, 2022, the Corporation signed an amendment to the July 27, 2018 agreement with Nunavik Mineral Exploration fund ("NMEF") whereby NMEF agrees to transfer its 50% in 46 mining claims for a 2 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.

#### 4.2 Option agreement with Brunswick Exploration Inc. ("Brunswick")

On November 22, 2022, the Corporation signed an option agreement Brunswick whereby Brunswick has the option to acquire exploration rights for critical minerals including lithium (excluding copper, nickel, zinc, lead, gold, silver, platinum and palladium) on the Mythril and Elrond properties. Under this new agreement, Brunswick may acquire an initial 50% interest, option 1, in the Mythril property over a three-year period, at the following conditions:

	Payment in cash	Payments in shares	Exploration work
	\$	\$	\$
Upon signature (completed)	25,000	25,000	-
On or before November 22, 2023	50,000	50,000	300,000
On or before November 22, 2024	70,000	70,000	300,000
On or before November 22, 2025	-	210,000	900,000
<b>Total</b>	<b>145,000</b>	<b>355,000</b>	<b>1,500,000</b>

# Midland Exploration Inc.

## Notes to Consolidated Financial Statements

Three months ended December 31, 2022

(Unaudited, in Canadian dollars)

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In addition, Brunswick may earn an additional 35% undivided interest in the claims, option 2, in the properties over an additional two-year period, at the following conditions:

- Aggregate consideration of \$200,000 payable according to the following schedule: 1st Anniversary: \$100,000 in cash or stock, at Brunswick's option; 2nd anniversary: \$100,000 in cash or stock, at Brunswick's option;
- Requirement to spend an additional amount of \$2,000,000 in exploration expenditures, in cash or in shares, at Brunswick's option, according to the following schedule: 1st anniversary after exercising option 1: amount of \$1,000,000; and 2nd anniversary after exercising option 1: additional amount of \$1,000,000.

Any Brunswick share issuance during option 1 and option 2 is subject to a minimum price of \$0.24 per share. If Brunswick exercise option 1 and 2, it would hold a right of first refusal on the 15% remaining interest held by the Corporation and the Corporation would not be required to participate in exploration and development expenditures until a mine is constructed to extract all metals or minerals except precious metals (gold, platinum, palladium and silver) and base metals (copper, zinc, nickel and lead).

## 5. EQUITY

### 5.1 Private placements

On November 17 and December 1, 2022, the Corporation completed private placements of 4,034,000 flow-through shares at \$0.50 per share for total gross proceeds of \$2,017,000. On those dates, the Corporation's share closed at \$0.355 and \$0.35 respectively on the Exchange, therefore the residual values attributed to the benefit related to flow-through shares renunciation are \$0.145 and \$0.15 for a total value of \$585,480, assigned to the liability related to the premium on flow-through shares.

In addition, on November 17 and December 1, 2022, the Corporation completed, with an originator of flow-through donation financing, a private placement of 1,268,400 flow-through shares at \$0.70 per share for total gross proceeds of \$887,880. On those dates, the residual value attributed to the benefit related to flow-through shares renunciation are \$0.345 and \$0.35 respectively for a total value of \$441,083 assigned to the liability related to the premium on flow-through shares.

Finally, on December 1, 2022, the Corporation completed private placements of 1,450,000 shares at \$0.40 per share for total gross proceeds of \$580,000.

In connection with the private placements, the Corporation incurred \$197,145 share issue expense, of which \$83,910 was paid as finder's fees. Directors and officers of the Corporation participated in the flow-through private placement for a total consideration of \$203,000 under the same terms as other investors.

## 6. SHARE-BASED COMPENSATION

On December 8, 2022, the Corporation amended its stock option plan (the "Plan") to increase from 5,790,000 to 8,200,000 the number of shares issuable under the Plan, to provide for the requirement to obtain disinterested shareholders' approval to extend the term of options granted to insiders, eliminate the cashless exercise feature and provide that any adjustment to security-based compensation awarded or issued under the Plan, other than in connection with a stock consolidation or a stock split, is subject to the prior consent of the Exchange.



# Midland Exploration Inc.

## Notes to Consolidated Financial Statements

Three months ended December 31, 2022

(Unaudited, in Canadian dollars)

The following table summarizes information about common share purchase options outstanding and exercisable as at December 31, 2022:

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	510,000	0.82	February 11, 2031
80,000	80,000	0.88	March 18, 2031
80,000	66,666	0.75	September 8, 2031
705,000	352,500	0.54	February 24, 2032
<b>5,570,000</b>	<b>5,204,166</b>		

On January 9, 2023, 760,000 stock options were granted pursuant to the Plan.

## 7. SUBSEQUENT EVENT

On January 12, 2023, the Corporation signed an option agreement with 9481-6337 Québec Inc. ("Dahrouge") whereby it may earn a 50% interest in the Lasalle project, the option 1, before December 15, 2023 by paying \$90,000 (\$20,000 upon signature (completed) and \$70,000 on or before December 15, 2023) and incurring \$500,000 expenditures (or equivalent in cash payable to the Corporation) on or before December 13, 2023. From commencement of the option 1, Dahrouge is the operator. Upon exercising the option 1, Dahrouge will have a second option, the option 2, to increase its ownership interest by an additional 1% during a six-month period after the exercise of option 1 by incurring an additional work commitment of \$100,000 (or equivalent in cash payable to the Corporation). Upon exercising the option 2, Dahrouge will have a third option, the option 3, to increase its ownership interest by an additional 24% during a two year period after the exercise of option 2 by incurring an additional work commitment of \$2,000,000 (or equivalent in cash payable to the Corporation). If Dahrouge acquires a 75% interest, it shall have a pre-emptive right to purchase the remaining 25% held by the Corporation.

On January 23, 2023, the Corporation completed a private placement of 356,000 shares at a price of \$0.40 per share for total gross proceeds of \$142,400. BHP has exercised its right to maintain its ownership to 5.0% by acquiring 356,000 shares. This right had been granted to BHP on April 18, 2019 pursuant to an Investor Rights Agreement with the Corporation.