



Midland Exploration Inc.

Condensed Interim Consolidated Financial Statements

Three and six months ended March 31, 2023

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, 2023	As at September 30, 2022
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	3,376,844	1,895,705
Investments (note 3)	2,500,000	4,504,000
Accounts receivable	130,627	59,928
Sales tax receivable	204,984	84,548
Tax credits and mining rights receivable	24,463	194,878
Listed shares	18,500	12,000
Prepaid expenses	85,277	54,861
Total current assets	6,340,695	6,805,920
Non-current assets		
Investments – non-current portion (note 3)	800,000	-
Listed shares	107,075	40,950
Right-of-use assets	54,800	69,746
Advance paid for exploration work	-	50,000
Exploration and evaluation assets (note 4)		
Exploration properties	2,941,386	2,927,591
Exploration and evaluation expenses	31,609,943	29,321,874
Total non-current assets	34,551,329	32,249,465
Total assets	41,853,899	39,216,081
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	639,472	291,906
Advance received for exploration work	174,197	434,135
Liability related to the premium on flow-through share	450,536	113,480
Lease liabilities – current portion	32,866	31,301
Total current liabilities	1,297,071	870,822
Non-current liabilities		
Lease liabilities	34,350	51,108
Total liabilities	1,331,421	921,930
Equity		
Capital stock	55,568,556	52,967,839
Contributed surplus	6,500,304	6,431,575
Deficit	(21,546,382)	(21,105,263)
Total equity	40,522,478	38,294,151
Total liabilities and equity	41,853,899	39,216,081

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	
	2023	2022	2023	2022
	\$	\$	\$	\$
Revenues				
Project management fees	9,128	13,205	26,569	38,878
Operating Expenses				
Salaries	328,664	320,587	467,112	468,408
Stock-based compensation	30,989	37,716	50,131	70,323
Office expenses	59,815	42,143	107,832	83,273
Regulatory fees	22,110	25,330	33,382	39,434
Conferences and investors relations	71,495	75,574	143,337	116,763
Professional fees	67,519	74,485	147,467	152,083
Depreciation	7,473	7,473	14,946	14,946
General exploration	600	-	600	1,048
Impairment of exploration and evaluation assets (note 4)	148,676	89,388	148,676	91,007
Operating expenses	737,341	672,696	1,113,483	1,037,285
Other revenues (expenses)				
Interest income	74,056	18,235	117,787	29,737
Change in fair value – listed shares	33,437	3,919	47,625	(4,581)
Financing fees	(1,266)	(1,779)	(2,665)	(3,678)
	106,227	20,375	162,747	21,478
Loss before income taxes	(621,986)	(639,116)	(924,167)	(976,929)
Recovery of deferred income taxes	443,929	269,169	689,507	344,239
Loss and comprehensive loss	(178,057)	(369,947)	(234,660)	(632,690)
Basic and diluted loss per share	(0.00)	(0.01)	(0.00)	(0.01)
Weighted average number of basic and diluted outstanding shares	82,685,219	75,641,353	80,596,786	74,348,112

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
		\$	\$	\$	\$
Balance at October 1, 2022	75,667,797	52,967,839	6,431,575	(21,105,263)	38,294,151
Loss and comprehensive loss	-	-	-	(234,660)	(234,660)
Private placement (note 5)	1,806,000	722,400	-	-	722,400
Flow-through private placement (note 5)	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	-	-	68,729	-	68,729
Share issue expenses	-	-	-	(206,459)	(206,459)
Balance at March 31, 2023	82,776,197	55,568,556	6,500,304	(21,546,382)	40,522,478

	Number of shares outstanding	Capital stock	Contributed surplus	Deficit	Total equity
		\$	\$	\$	\$
Balance at October 1, 2021	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	170,000	93,500	-	-	93,500
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	-	-	83,696	-	83,696
Share issue expenses	-	-	-	(137,364)	(137,364)
Balance at March 31, 2022	75,667,797	52,967,839	6,315,623	(19,837,868)	39,445,594

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,	
	2023	2022
	\$	\$
Operating activities		
Loss	(234,660)	(632,690)
Adjustment for:		
Stock-based compensation	50,131	70,323
Depreciation	14,946	14,946
Impairment of exploration and evaluation assets	148,676	91,007
Variation – fair value of listed shares	(47,625)	4,581
Recovery of deferred income taxes	(689,507)	(344,239)
	(758,039)	(796,072)
Changes in non-cash working capital items		
Accounts receivable	(70,699)	112,857
Sales tax receivable	(120,436)	46,250
Prepaid expenses	(30,416)	(44,765)
Accounts payable and accrued liabilities	(111,275)	(320,246)
Advance received for exploration work	(259,938)	1,007,124
	(592,764)	801,220
	(1,350,803)	5,148
Financing activities		
Principal repayment – lease liabilities	(15,193)	(13,741)
Private placement (note 5)	722,400	93,500
Flow-through private placement (note 5)	2,904,880	2,667,100
Share issue expenses (note 5)	(206,459)	(137,364)
	3,405,628	2,609,495
Investing activities		
Additions to investments	(3,300,000)	(4,504,000)
Investments' maturity	4,504,000	5,940,390
Proceeds from disposal of listed shares	-	77,997
Additions to exploration properties	(332,471)	(226,909)
Option payments on exploration properties	145,000	100,000
Advance paid for exploration expenses	50,000	(1,925,191)
Additions to exploration and evaluation expenses	(1,810,630)	1,215,274
Tax credits and mining rights received	170,415	-
	(573,686)	677,561
Net change in cash and cash equivalents	1,481,139	3,292,204
Cash– beginning	1,895,705	1,490,860
Cash and cash equivalents – ending	3,376,844	4,783,064
Additional information		
Stock-based compensation included in exploration and evaluation expenses	18,598	13,373
Additions of exploration properties and exploration and evaluation expenses included in accounts payable and accrued liabilities	563,399	303,009
Tax credits receivable applied against exploration and evaluation expenses	-	237,831
Listed shares received for option payment	25,000	-
Interest received	95,375	53,587

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

Midland Exploration Inc.

Notes to Condensed Interim Consolidated Financial Statements

Three and six months ended March 31, 2023

(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, 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 May 18, 2023.

3. INVESTMENTS

As at March 31, 2023, investments are composed of guaranteed investment certificates, not cashable before the expiry date, earning between 5.00% and 5.41% interest payable annually, maturing between November 17, 2023 and November 28, 2024. The investments’ maturity value is \$3,469,520, 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 \$1,031,420 as at March 31, 2023 and is included in investments. The Corporation has to dedicate these funds to Canadian mining properties exploration.

Midland Exploration Inc.

Notes to Condensed Interim Consolidated Financial Statements

Three and six months ended March 31, 2023

(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 Mar. 31, 2023
	\$	\$	\$	\$	\$
Abitibi	1,135,503	93,411	-	(80,347)	1,148,567
Grenville	129,400	36,947	(100,000)	-	66,347
James Bay	1,262,157	159,997	(70,000)	(49,848)	1,302,306
North	400,531	42,116	-	(18,481)	424,166
	2,927,591	332,471	(170,000)	(148,676)	2,941,386

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 Mar. 31, 2023
	\$	\$	\$	\$	\$	\$
Abitibi	13,743,117	1,889,010	-	-	-	15,632,127
Grenville	1,319,100	3,961	-	-	-	1,323,061
James Bay	10,030,413	282,446	-	-	-	10,312,859
North	4,229,244	112,652	-	-	-	4,341,896
	29,321,874	2,288,069	-	-	-	31,609,943

4.1 Patris

On March 31, 2023, the Corporation signed a binding term sheet and on May 11, 2023, a definitive option agreement with a wholly owned indirect subsidiary of Barrick Gold Corporation (“Barrick”) whereby Barrick may acquire up to a 75% interest in the Patris property in consideration for cash payments totaling \$1,017,500 and exploration work totaling \$16,575,000, over an eight-year period. Barrick is the operator.

Barrick may earn an initial 51% interest in the property over a period of four years, by paying in cash \$392,500 to the Corporation and funding expenditures of at least \$4,000,000, including a guaranteed amount of \$3,000,000, at which point Barrick and the Corporation will form a joint venture. In the following two years, Barrick may earn an additional 9% in the joint venture, for a 60% interest in consideration for cash payments totalling \$265,000 and exploration work expenditures of at least \$2,000,000. Finally, in the subsequent two years, Barrick may earn an additional 15% in the joint venture, for a total 75% interest in consideration for cash payments totalling \$360,000 and exploration work expenditures of at least \$10,575,000.

If Barrick does not exercise or complete the first joint venture funding or the second joint venture funding option, the joint venture interests will be subject to any subsequent adjustments in ownership made in accordance with the proportionate funding and dilution terms of the joint venture agreement. Dilution below a 10% joint venture interest results in conversion of the joint venture interest to a 2% net smelter return (“NSR”) royalty with the right to repurchase 50% of the NSR royalty (1% NSR) for a payment of \$1,500,000.

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(Unaudited, in Canadian dollars)

4.2 Lasalle

On January 12, 2023, the Corporation signed an option agreement with 9481-6337 Québec Inc., a wholly-owned subsidiary of Cosmos Exploration Ltd (“Cosmos”) 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, Cosmos is the operator. Upon exercising the option 1, Cosmos 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, Cosmos 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 Cosmos acquires a 75% interest, it shall have a pre-emptive right to purchase the remaining 25% held by the Corporation.

4.3 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 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
Total	145,000	355,000	1,500,000

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).

4.4 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.

Midland Exploration Inc.

Notes to Condensed Interim Consolidated Financial Statements

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(Unaudited, in Canadian dollars)

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. Also, 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.

Finally, 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.

In connection with the private placements, the Corporation incurred \$206,459 share issue expenses, 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.

On February 9, 2023, the Corporation granted to its directors, officers and employees 760,000 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 \$0.28 per option amounts to a total stock-based compensation cost of \$212,000. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 51.1% expected volatility, 2.96% risk-free interest rate and 6 years options expected life.

Midland Exploration Inc.

Notes to Condensed Interim Consolidated Financial Statements

Three and six months ended March 31, 2023

(Unaudited, in Canadian dollars)

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

	Six months ended March 31, 2022	
	Number of options	Weighted average exercise price
		\$
Balance – beginning of period	5,570,000	0.87
Granted	760,000	0.54
Expired	(330,000)	1.25
Balance – end of period	6,000,000	0.81
Balance – end of period exercisable	5,005,000	0.86

The following table summarizes information about common share purchase options outstanding and exercisable as at March 31, 2023:

Number of options outstanding	Number of options exercisable	Exercise price	Expiry date
		\$	
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	80,000	0.75	September 8, 2031
705,000	470,000	0.54	February 24, 2032
760,000	-	0.54	February 9, 2033
6,000,000	5,005,000		