



Midland Exploration Inc.

Condensed Interim Consolidated Financial Statements

Three and nine months ended June 30, 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 June 30, 2021	As at September 30, 2020
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	2,279,551	1,306,848
Investments (note 3)	6,940,390	9,716,000
Accounts receivable	67,581	176,967
Sales tax receivable	349,961	198,353
Tax credits and mining rights receivable	674,402	812,437
Prepaid expenses	39,918	41,763
Total current assets	10,351,803	12,252,368
Non-current assets		
Listed shares	130,637	210,061
Right-of-use assets	107,111	129,530
Exploration and evaluation assets (note 4)		
Exploration properties	3,107,603	2,756,553
Exploration and evaluation expenses	26,665,363	23,545,289
	29,772,966	26,301,842
Total non-current assets	30,010,714	26,641,433
Total assets	40,362,517	38,893,801
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	1,228,822	915,318
Advance received for exploration work	381,516	337,574
Lease liabilities – current portion (note 5)	27,634	25,601
Total current liabilities	1,637,972	1,278,493
Non-current liabilities		
Lease liabilities (note 5)	89,773	110,549
Total liabilities	1,727,745	1,389,042
Equity		
Capital stock	51,177,074	49,399,289
Warrants (note 6)	-	749,556
Contributed surplus	6,183,258	5,267,584
Deficit	(18,725,560)	(17,911,670)
Total equity	38,634,772	37,504,759
Total liabilities and equity	40,362,517	38,893,801

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,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Revenues				
Project management fees	110,898	-	173,132	524
Operating Expenses				
Salaries	138,783	134,643	566,991	629,205
Stock-based compensation	67,437	60,875	134,006	133,947
Office expenses	54,352	44,882	160,653	200,014
Regulatory fees	2,263	2,777	47,503	45,292
Conferences and investors relations	48,033	18,664	103,362	273,286
Professional fees	50,782	49,566	310,224	161,713
Depreciation	7,473	7,473	22,419	22,419
General exploration	-	5,011	-	7,886
Impairment of exploration and evaluation assets (note 4)	79,477	-	212,340	192,704
Operating expenses	448,600	323,891	1,557,498	1,666,466
Other gains (losses)				
Interest income	21,811	54,584	83,747	197,927
Change in fair value – listed shares	(19,500)	54,000	22,824	34,000
Financing fees	(2,131)	(5,072)	(6,926)	(7,830)
	180	103,512	99,645	224,097
Loss before income taxes	(337,522)	(220,379)	(1,284,721)	(1,441,845)
Recovery of deferred income taxes	284,074	128,200	603,174	386,280
Loss and comprehensive loss	(53,448)	(92,179)	(681,547)	(1,055,565)
Basic and diluted loss per share	(0.00)	(0.00)	(0.01)	(0.02)
Weighted average number of basic and diluted outstanding shares	72,278,052	70,354,043	72,022,927	70,327,324

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

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

Midland Exploration Inc.

Consolidated Statements of Changes in Equity

(Unaudited, in Canadian dollars)

	Number of shares outstanding	Capital stock	Warrants	Contributed surplus	Deficit	Total equity
		\$	\$	\$	\$	\$
Balance as at October 1, 2020	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)
Balance as at June 30, 2021	72,278,052	51,177,074	-	6,183,258	(18,725,560)	38,634,772

	Number of shares outstanding	Capital stock	Warrants	Contributed surplus	Deficit	Total equity
		\$	\$	\$	\$	\$
Balance as at October 1, 2019	68,878,222	48,230,237	749,556	5,033,761	(16,454,353)	37,559,201
Loss and comprehensive loss	-	-	-	-	(1,055,565)	(1,055,565)
Private placement	73,791	62,722	-	-	-	62,722
Flow-through private placement	1,402,030	1,542,233	-	-	-	1,542,233
Less: premium	-	(435,903)	-	-	-	(435,903)
	1,402,030	1,106,330	-	-	-	1,106,330
Stock-based compensation	-	-	-	187,556	-	187,556
Share issue expenses	-	-	-	-	(111,340)	(111,340)
Balance as at June 30, 2020	70,354,043	49,399,289	749,556	5,221,317	(17,621,258)	37,748,904

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,	
	2021	2020
	\$	\$
Operating activities		
Loss	(681,547)	(1,055,565)
Adjustment for:		
Stock-based compensation	134,006	133,947
Depreciation	22,419	22,419
Impairment of exploration and evaluation assets (note 4)	212,340	192,704
Variation – fair value of listed shares	(22,824)	(34,000)
Recovery of deferred income taxes	(603,174)	(386,280)
	(938,780)	(1,126,775)
Changes in non-cash working capital items		
Accounts receivable	109,386	95,202
Sales tax receivable	(151,608)	355,666
	1,845	40,879
Prepaid expenses		
Accounts payable and accrued liabilities	(149,649)	(1,555,300)
Advance received for exploration work	43,942	(10,390)
	(146,084)	(1,073,943)
	(1,084,864)	(2,200,718)
Financing activities		
Principal repayment – lease liabilities (note 5)	(18,743)	(17,214)
Private placement (note 6)	96,209	62,722
Flow-through private placement (note 6)	2,284,750	1,542,233
Share issue expenses (note 6)	(132,343)	(111,340)
	2,229,873	1,476,401
Investing activities		
Additions to investments	(5,940,390)	(8,716,000)
Investments' maturity	8,716,000	11,291,000
Disposal of listed shares	102,248	
Additions to exploration properties	(564,358)	(478,863)
Option payments on exploration properties (note 4)	110,000	100,000
Additions to exploration and evaluation expenses	(3,408,243)	(1,290,307)
Tax credits and mining rights received	812,437	1,540,507
	(172,306)	2,446,337
Net change in cash and cash equivalents	972,703	1,722,020
Cash and cash equivalents – beginning	1,306,848	349,389
Cash and cash equivalents – ending	2,279,551	2,071,409
Additional information		
Stock-based compensation included in exploration and evaluation expenses	32,112	53,609
Additions of exploration properties and exploration and evaluation expenses included in accounts payable and accrued liabilities	1,015,479	110,029
Tax credits receivable applied against exploration and evaluation expenses	674,402	264,372
Interest received	147,833	209,572

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, 2021

(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, 2020, 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 with the exception of the reclassification of certain expenses as described in note 8. The Board of Directors has approved the Financial Statements on August 19, 2021.

3. INVESTMENTS

As at June 30, 2021, investments are composed of guaranteed investment certificates, not cashable before the expiry date, earning between 0.75% and 1.00% interest payable annually, maturing between September 29, 2021 and March 31, 2022. The investments’ maturity value is \$6,998,968.

Midland Exploration Inc.

Notes to Consolidated Financial Statements

Three and nine months ended June 30, 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, 2020	Net Additions	Option payments	Impairment	As at June 30, 2021
	\$	\$	\$	\$	\$
Abitibi	930,677	181,992	(810)	(53,129)	1,058,730
Grenville	67,597	154,617	-	(31,588)	190,626
James Bay	1,251,348	196,433	-	(119,524)	1,328,257
North	502,171	31,097	-	(8,099)	525,169
Project generation	4,760	61	-	-	4,821
	2,756,553	564,200	(810)	(212,340)	3,107,603

For the nine months ended June 30, 2021, the Corporation impaired partially the following properties for some claims that were dropped: Laflamme for \$12,200, Mistauac for \$5,673, Turgeon for \$35,256, Weedon for \$31,588, BJ Gold for \$6,960, Mythril for \$102,908, Wookie for \$9,656 and Pallas for \$8,099. For the nine months ended June 30, 2020, the Corporation impaired partially the properties for the claims that were dropped for \$178,249 (Laflamme for \$15,978, Samson for \$5,521, Mythril for \$150,690 and Pallas for \$6,060 \$) and wrote off the properties (or some projects included in these properties) for \$783 (Abitibi Gold) since no exploration program was planned for the near future and/or all claims were dropped.

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

Exploration and evaluation expenses	As at Sept. 30, 2020	Net Additions	Option payments	Tax credits	Impairment	As at June 30, 2021
	\$	\$	\$	\$	\$	\$
Abitibi	10,067,943	2,368,040	(109,190)	(283,963)	-	12,042,830
Grenville	836,108	200,680	-	(4,531)	-	1,032,257
James Bay	8,673,408	1,088,097	-	(361,146)	-	9,400,359
North	3,930,512	246,849	-	(24,762)	-	4,152,599
Project generation	37,318	-	-	-	-	37,318
	23,545,289	3,903,666	(109,190)	(674,402)	-	26,665,363

For the nine months ended June 30, 2020, the Corporation wrote off the properties (or some projects included in these properties) for \$13,672 (Abitibi Gold) since no exploration program was planned for the near future and/or all claims were dropped.

4.1 Casault

Pursuant to the option agreement with Wallbridge Mining Company Limited, the Corporation received the \$110,000 cash payment in June 2021.

4.2 Jouvex

On April 7, 2021, the Corporation signed the acquisition from SOQUEM of two blocs of claims contiguous to the Jouvex property by paying \$60,000 and by issuing a 1% NSR royalty; the Corporation may, at any time, buy back the royalty, in all or in part, by making a cash payment of \$1,000,000 per tranche of 0.5% royalty.

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4.3 Tête Nord

The Corporation assembled the Tête Nord property through map staking and acquisition.

On November 13, 2020, the Corporation signed an agreement with Les Ressources Tectonic inc. whereby it acquired the Tête Nord property for a \$100,000 cash payment (\$30,000 upon signature (completed), \$35,000 on the first anniversary and \$35,000 on the second anniversary) and a 2% net smelter return (“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.

In March 2021, the Corporation signed four agreements with different prospectors whereby it acquired blocs of claim for cash payments totalling \$41,050. The Corporation issued three 2% NSR royalties to the prospectors. The Corporation may, at any time, buy back each royalty, in all or in part, by making a cash payment of \$2,000,000 per royalty, \$1,000,000 per tranche of 1% royalty. For the fourth agreement, the Corporation agreed to make a \$25,000 payment if a resources estimate is completed on the bloc acquired or on the 40 contiguous claims owned by the Corporation.

4.4 Labrador Trough - alliance

On February 18, 2021, the Corporation signed a strategic alliance with SOQUEM Inc. (“SOQUEM”) to jointly explore the Labrador Trough, for an amount of up to \$5,000,000 over 4 years. A joint annual budget of \$1,000,000 over a period of 4 years (firm commitment totalling \$2,000,000 for the first 2 years), for a total of up to \$4,000,000, will be provided under the alliance for the targeting and field reconnaissance phase. Midland will be the project operator in charge of exploration work during the targeting and field reconnaissance phase. An additional, firmly committed, joint budget of \$1,000,000 for the second year is provided under the agreement to explore the designated projects. The joint budgets for exploration work for the third and fourth years on the designated projects shall be approved by the project’s management committee. SOQUEM will become project operator on all designated projects.

5. LEASE LIABILITIES

	As at June 30 2021
	\$
Opening balance	136,150
Principal repayment	(18,743)
Lease liabilities	117,407
Less : current portion	(27,634)
Non-current lease liabilities	89,773

6. EQUITY

6.1 Private placements

On November 5, 2020, the Corporation completed a private placement of 1,827,800 flow-through shares at \$1.25 per share for total gross proceeds of \$2,284,750. On that date, the Corporation’s share closed at \$0.92 on the Exchange, therefore the residual value attributed to the benefit related to flow-through shares renunciation are \$0.33 for a total value of \$603,174 credited to the liability related to the premium on flow-through shares.

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(Unaudited, in Canadian dollars)

In connection with the private placements, the Corporation incurred \$132,343 share issue expenses of which \$100,065 was paid as finder's fees. Directors and officers of the Corporation participated in the flow-through private placement for a total consideration of \$160,000 under the same terms as other investors.

On November 9, 2020, the Corporation completed a private placement of 96,209 shares at a price of \$1.00 per share for total gross proceeds of \$96,209. BHP Canada Inc. ("BHP") has exercised its right to maintain its ownership to 5.0% by acquiring 96,209 shares. This right had been granted to BHP on April 18, 2019 pursuant to an Investor Rights Agreement with the Corporation.

All the exploration work imposed by the November 2020 flow-through financings was completed before June 30, 2021.

6.2 Warrants

Changes in the Corporation's number of outstanding warrants were as follow:

	Nine months ended June 30, 2021	
	Number	Amount
		\$
Balance – Beginning of period	4,110,667	749,556
Expired	(4,110,667)	(749,556)
Balance – End of period	-	-

7. SHARE-BASED COMPENSATION

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

	Nine months ended June 30, 2021	
	Number of options	Weighted average exercise price
		\$
Balance – beginning of period	4,940,000	1.02
Granted	605,000	0.83
Expired	(380,000)	1.51
Balance – end of period	5,165,000	0.97
Balance – end of period exercisable	4,557,501	0.98

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(Unaudited, in Canadian dollars)

The following table summarizes information about common share purchase options outstanding and exercisable as at June 30, 2021:

Number of options outstanding	Number of options exercisable	Exercise price	Expiry date
		\$	
315,000	315,000	1.54	February 16, 2022
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	516,666	0.72	February 13, 2030
525,000	87,500	0.82	February 11, 2031
80,000	13,335	0.88	March 18, 2031
5,165,000	4,557,501		

On February 11, 2021, the Corporation granted to its directors, officers and employees 525,000 options exercisable at \$0.82, 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. Total stock-based compensation costs amount to \$183,750 for an estimated fair value of \$0.35 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 46.3% expected volatility, 0.6% risk-free interest rate and 6 years options expected life.

On March 18, 2021, the Corporation granted to a director 80,000 options exercisable at \$0.88, 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. Total stock-based compensation costs amount to \$32,800 for an estimated fair value of \$0.41 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 48.2% expected volatility, 1.17% risk-free interest rate and 6 years options expected life.

This expected life was estimated by benchmarking comparable situations for companies that are similar to the Corporation. The expected volatility was determined by calculating the historical volatility of the Corporation's share price back from the date of grant and for a period corresponding to the expected life of the options.

8. RECLASSIFICATIONS

For presentation purposes, the following expenses included in the statement of comprehensive loss were reclassified to provide more relevant information:

- Travel and rent and insurance were grouped with office expenses.
- Conferences and mining industry involvement as well as press releases and investors relations were grouped under conferences and investors relations.

The comparative figures for the three and nine months ended June 30, 2020 were reclassified accordingly.