



# **Midland Exploration Inc.**

Consolidated Financial Statements

For the years ended September 30, 2022 and 2021



## Independent auditor's report

To the Shareholders of Midland Exploration Inc.

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### Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Midland Exploration Inc. and its subsidiary (together, the Company) as at September 30, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

### What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at September 30, 2022 and 2021;
- the consolidated statements of comprehensive loss for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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"PwC" refers to PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l., an Ontario limited liability partnership.



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## **Other information**

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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## **Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



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## **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

The engagement partner on the audit resulting in this independent auditor's report is Maxime Guilbault.

**/s/PricewaterhouseCoopers LLP<sup>1</sup>**

Montréal, Quebec  
December 8, 2022

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<sup>1</sup> CPA auditor, public accountancy permit No. A128042

# Midland Exploration Inc.

## Consolidated Statements of Financial Position

As at September 30, 2022 and 2021

(in Canadian dollars)

|                                                        | As at September 30 |                   |
|--------------------------------------------------------|--------------------|-------------------|
|                                                        | 2022               | 2021              |
|                                                        | \$                 | \$                |
| <b>Assets</b>                                          |                    |                   |
| <b>Current assets</b>                                  |                    |                   |
| Cash                                                   | 1,895,705          | 1,490,860         |
| Investments (note 4)                                   | 4,504,000          | 5,940,390         |
| Accounts receivable                                    | 59,928             | 50,128            |
| Sales tax receivable                                   | 84,548             | 135,380           |
| Tax credits and mining rights receivable               | 194,878            | 1,320,091         |
| Listed shares                                          | 12,000             | -                 |
| Prepaid expenses                                       | 54,861             | 60,182            |
| Total current assets                                   | 6,805,920          | 8,997,031         |
| <b>Non-current assets</b>                              |                    |                   |
| Listed shares                                          | 40,950             | 170,578           |
| Right-of-use assets (note 5)                           | 69,746             | 99,638            |
| Advance paid for exploration work                      | 50,000             | -                 |
| Exploration and evaluation assets (note 6)             |                    |                   |
| Exploration properties                                 | 2,927,591          | 3,182,934         |
| Exploration and evaluation expenses                    | 29,321,874         | 27,465,015        |
|                                                        | 32,249,465         | 30,647,949        |
| Total non-current assets                               | 32,410,161         | 30,918,165        |
| <b>Total assets</b>                                    | <b>39,216,081</b>  | <b>39,915,196</b> |
| <b>Liabilities</b>                                     |                    |                   |
| <b>Current liabilities</b>                             |                    |                   |
| Accounts payable and accrued liabilities               | 291,906            | 1,253,266         |
| Advance received for exploration work                  | 434,135            | 209,993           |
| Liability related to the premium on flow-through share | 113,480            | -                 |
| Lease liabilities – current portion (note 7)           | 31,301             | 28,341            |
| Total current liabilities                              | 870,822            | 1,491,600         |
| <b>Non-current liabilities</b>                         |                    |                   |
| Lease liabilities (note 7)                             | 51,108             | 82,409            |
| <b>Total liabilities</b>                               | <b>921,930</b>     | <b>1,574,009</b>  |
| <b>Equity</b>                                          |                    |                   |
| Capital stock                                          | 52,967,839         | 51,177,074        |
| Contributed surplus                                    | 6,431,575          | 6,231,927         |
| Deficit                                                | (21,105,263)       | (19,067,814)      |
| <b>Total equity</b>                                    | <b>38,294,151</b>  | <b>38,341,187</b> |
| <b>Total liabilities and equity</b>                    | <b>39,216,081</b>  | <b>39,915,196</b> |

Subsequent events (note 14)

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

### On behalf of the Board of Directors

(s) Jean-Pierre Janson

Jean-Pierre Janson

Director

(s) Gino Roger

Gino Roger

President, Director

# Midland Exploration Inc.

## Consolidated Statements of Comprehensive Loss

For the years ended September 30, 2022 and 2021

(in Canadian dollars)

|                                                          | Fiscal 22          | Fiscal 21          |
|----------------------------------------------------------|--------------------|--------------------|
|                                                          | \$                 | \$                 |
| <b>Revenues</b>                                          |                    |                    |
| Project management fees                                  | 210,412            | 202,218            |
| <b>Operating Expenses</b>                                |                    |                    |
| Salaries (note 9)                                        | 773,865            | 734,745            |
| Stock-based compensation (note 9)                        | 159,515            | 174,639            |
| Office expenses                                          | 190,221            | 196,018            |
| Regulatory fees                                          | 46,991             | 50,145             |
| Conferences and investors relations                      | 285,318            | 131,190            |
| Professional fees                                        | 304,373            | 408,506            |
| Depreciation (note 5)                                    | 29,892             | 29,892             |
| General exploration                                      | 2,419              | -                  |
| Impairment of exploration and evaluation assets (note 3) | 1,208,289          | 201,717            |
| Operating expenses                                       | 3,000,883          | 1,926,852          |
| <b>Other revenues (expenses)</b>                         |                    |                    |
| Interest income                                          | 80,524             | 98,837             |
| Change in fair value - listed shares                     | (39,631)           | 7,765              |
| Financing fees                                           | (6,862)            | (8,942)            |
|                                                          | 34,031             | 97,660             |
| <b>Loss before income taxes</b>                          | (2,756,440)        | (1,626,974)        |
| Recovery of deferred income taxes (note 11)              | 856,355            | 603,174            |
| <b>Loss and comprehensive loss</b>                       | <b>(1,900,085)</b> | <b>(1,023,800)</b> |
| Basic and diluted loss per share (note 10)               | (0.03)             | (0.01)             |

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

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

# Midland Exploration Inc.

## Consolidated Statements of Changes in Equity

For the years ended September 30, 2022 and 2021

(in Canadian dollars)

|                                   | Number of<br>shares<br>outstanding | Capital<br>stock                   | Warrants         | Contribut<br>ed<br>surplus | Deficit      | Total<br>equity |
|-----------------------------------|------------------------------------|------------------------------------|------------------|----------------------------|--------------|-----------------|
|                                   |                                    | \$                                 | \$               | \$                         | \$           | \$              |
| Balance 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       | -                                  | -                                  | -                | -                          | (1,023,800)  | (1,023,800)     |
| Private placement                 | 96,209                             | 96,209                             | -                | -                          | -            | 96,209          |
| Flow-through private<br>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          | -                                  | -                                  | -                | 214,787                    | -            | 214,787         |
| Share issue expenses              | -                                  | -                                  | -                | -                          | (132,344)    | (132,344)       |
| Balance as at Sept. 30, 2021      | 72,278,052                         | 51,177,074                         | -                | 6,231,927                  | (19,067,814) | 38,341,187      |
|                                   |                                    | Number of<br>shares<br>outstanding | Capital<br>stock | Contribut<br>ed<br>surplus | Deficit      | Total<br>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       |                                    | -                                  | -                | -                          | (1,900,085)  | (1,900,085)     |
| 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          |                                    | -                                  | -                | 199,648                    | -            | 199,648         |
| Share issue expenses              |                                    | -                                  | -                | -                          | (137,364)    | (137,364)       |
| Balance as at Sept. 30, 2022      |                                    | 75,667,797                         | 52,967,839       | 6,431,575                  | (21,105,263) | 38,294,151      |

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



# Midland Exploration Inc.

## Consolidated Statements of Cash Flows

For the years ended September 30, 2022 and 2021

(in Canadian dollars)

|                                                          | Fiscal 22          | Fiscal 21          |
|----------------------------------------------------------|--------------------|--------------------|
|                                                          | \$                 | \$                 |
| <b>Cash flow relating to:</b>                            |                    |                    |
| <b>Operating activities</b>                              |                    |                    |
| Loss                                                     | (1,900,085)        | (1,023,800)        |
| Adjustment for:                                          |                    |                    |
| Stock-based compensation (note 9)                        | 159,515            | 174,639            |
| Depreciation (note 5)                                    | 29,892             | 29,892             |
| Impairment of exploration and evaluation assets (note 3) | 1,208,289          | 201,717            |
| Change in fair value - listed shares                     | 39,631             | (7,765)            |
| Recovery of deferred income taxes (note 11)              | (856,355)          | (603,174)          |
|                                                          | (1,319,113)        | (1,228,491)        |
| Changes in non-cash working capital items                |                    |                    |
| Accounts receivable                                      | (9,800)            | 126,839            |
| Sales tax receivable                                     | 50,832             | 62,973             |
| Prepaid expenses                                         | 5,321              | (18,419)           |
| Accounts payable and accrued liabilities                 | (145,787)          | (19,615)           |
| Advance received for exploration work                    | 224,142            | (127,581)          |
|                                                          | 124,708            | 24,197             |
|                                                          | <b>(1,194,405)</b> | <b>(1,204,294)</b> |
| <b>Financing activities</b>                              |                    |                    |
| Principal repayment – lease liabilities (note 7)         | (28,341)           | (25,400)           |
| Private placement                                        | 93,500             | 96,209             |
| Flow-through private placement                           | 2,667,100          | 2,284,750          |
| Share issue expenses                                     | (137,364)          | (132,344)          |
|                                                          | <b>2,594,895</b>   | <b>2,223,215</b>   |
| <b>Investing activities</b>                              |                    |                    |
| Additions to investments                                 | (4,504,000)        | (5,940,390)        |
| Investments' maturity                                    | 5,940,390          | 9,716,000          |
| Proceeds from disposal of listed shares                  | 77,997             | 102,248            |
| Additions to exploration properties                      | (472,453)          | (638,049)          |
| Disposal of exploration properties                       | 280,000            | 110,000            |
| Advance paid for exploration expenses                    | (50,000)           | -                  |
| Additions to exploration and evaluation expenses         | (3,648,580)        | (4,997,155)        |
| Tax credits and mining rights received                   | 1,381,001          | 812,437            |
|                                                          | <b>(995,645)</b>   | <b>(834,909)</b>   |
| <b>Net change in cash</b>                                | <b>404,845</b>     | <b>184,012</b>     |
| Cash – beginning                                         | 1,490,860          | 1,306,848          |
| <b>Cash – ending</b>                                     | <b>1,895,705</b>   | <b>1,490,860</b>   |

For additional disclosure see note 13.

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

# Midland Exploration Inc.

## Notes to Consolidated Financial Statements

For the years ended September 30, 2022 and 2021

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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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of presentation

The accompanying consolidated financial statements ("Financial Statements") have been prepared in accordance with the *International Financial Reporting Standards* ("IFRS") as issued by the *International Accounting Standards Board* ("IASB"). The accounting policies, method of computation and presentation applied to these financial statements are consistent with those of the previous financial year. These Financial Statements were approved and authorized for issue by the Board of Directors on December 8, 2022.

#### 2.2 Basis of measurement

The Financial Statements have been prepared on a historical cost basis except for certain assets at fair value.

#### 2.3 Consolidation

The Financial Statements include the accounts of the Corporation and those of its wholly-owned subsidiary, Midland Base Metals Inc. ("MBM"). The Corporation controls an entity when the Corporation is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns, through its power over the entity. MBM is fully consolidated from the date on which control is obtained by the Corporation and is deconsolidated from the date that control ceases. All intercompany accounts and transactions are eliminated.

The subsidiary's financial statements are prepared for the same financial information presentation period as the Corporation and as per the same accounting policies.

# Midland Exploration Inc.

## Notes to Consolidated Financial Statements

For the years ended September 30, 2022 and 2021

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### 2.4 Functional and presentation currency

The financial statements are presented in Canadian dollars, which is the Corporation and its subsidiary's functional currency.

### 2.5 Jointly controlled assets and exploration activities

A jointly controlled asset involves joint control and offers joint ownership by the Corporation and other venturers of assets contributed to or acquired for the purpose of the joint controlled operations, without the formation of a corporation, partnership or other entity.

Where the Corporation's activities are conducted through jointly controlled assets and exploration activities, the financial statements include the Corporation's share in the assets and the liabilities from the joint operations as well as when applicable, the Corporation's share in the income and the expenses.

### 2.6 Financial instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the financial instrument.

#### a) Financial assets

Financial assets are derecognized when the contractual rights to receive the cash flows from the financial asset have expired, or when the financial asset and all substantial risks and rewards have been transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

Financial assets are initially measured at fair value. If the financial asset is not subsequently accounted for at fair value through profit or loss, then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. On initial recognition, the Corporation classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired.

##### *Fair value through profit and loss listed shares:*

Listed shares at fair value through profit and loss are equity investments recognized initially at fair value and subsequently measured at fair value. Changes in fair value are recorded in the consolidated statement of loss and comprehensive loss. Dividend income on those investments are recognized in the consolidated statement of loss and comprehensive loss.

##### *Amortized cost:*

Financial assets at amortized cost are non-derivative financial assets with fixed or determinable payments constituted solely of payments of principal and interest that are held within a "held to collect" business model. Financial assets at amortized cost are initially recognized at the amount expected to be received, less, when material, a discount to reduce the financial assets to fair value. Subsequently, financial assets at amortized cost are measured using the effective interest method less a provision for expected losses. The Corporation's cash and cash equivalents, investments and accounts receivable are classified within this category.

#### b) Financial liabilities

##### *Financial liabilities measured at amortized cost*

Accounts payable, accrued liabilities and advances received for exploration work are initially measured at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, financial liabilities are measured at amortized cost using the effective interest method.

# Midland Exploration Inc.

## Notes to Consolidated Financial Statements

For the years ended September 30, 2022 and 2021

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### c) Impairment of financial assets

#### *Amortized cost:*

The expected loss is the difference between the amortized cost of the financial asset and the present value of the expected future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account. Provisions for expected losses are adjusted upwards or downwards in subsequent periods if the amount of the expected loss increases or decreases. For trade receivables, the Corporation applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

### 2.7 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and short-term liquid investments with original maturities of three months or less or cashable at any time without penalties.

### 2.8 Tax credits and mining rights receivable

The Corporation is entitled to a refundable tax credit on qualified exploration expenditures incurred and a refundable credit on duties for losses under the Mining Tax Act. These tax credits are recognized as a reduction of the exploration and evaluation expenses incurred. As management intends to realize the carrying value of its assets and settle the carrying value of its liabilities through the sale of its exploration and evaluation assets, the related deferred tax has been calculated accordingly.

### 2.9 Exploration and evaluation assets

Exploration and evaluation ("E&E") assets are comprised of acquisition costs of mining rights for each exploration properties and E&E expenses. All costs incurred prior to obtaining the mining rights to undertake E&E activities on an area of interest are expensed as incurred.

E&E assets include mining rights in exploration properties, paid or acquired through a business combination or an acquisition of assets, and costs related to the initial search for mineral deposits with economic potential or to obtain more information about existing mineral deposits. Individual mining rights are regrouped in area of interest and are disclosed as an exploration property.

Mining rights are recorded at acquisition cost less accumulated impairment losses for each area of interest.

E&E expenses for each separate area of interest are capitalized (net from E&E expenses recovered from partners) and include costs associated with prospecting, sampling, trenching, drilling and other work involved in searching for ore like topographical, geological, geochemical and geophysical studies. They also reflect costs related to establishing the technical and commercial viability of extracting a mineral resource identified through exploration or acquired through a business combination or asset acquisition.

E&E expenses include the cost of:

- establishing the volume and grade of deposits through drilling of core samples, trenching and sampling activities in an ore body;
- determining the optimal methods of extraction and metallurgical and treatment processes;
- studies related to surveying, transportation and infrastructure requirements;
- permitting activities; and
- economic evaluations to determine whether development of the mineralized material is commercially justified, including scoping, prefeasibility and final feasibility studies.

E&E expenses include overhead expenses directly attributable to the related activities.

Cash flows attributable to costs capitalized to E&E assets are classified as investing activities in the consolidated statement of cash flows.

# Midland Exploration Inc.

## Notes to Consolidated Financial Statements

For the years ended September 30, 2022 and 2021

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From time to time, the Corporation may acquire or dispose of a property pursuant to the terms of an option agreement. Due to the fact that options are exercisable entirely at the discretion of the option holder, the amounts payable or receivable are not recorded.

Option payments are recorded when they are made or received. Proceeds on the sale of exploration properties are applied in reduction of the acquisition costs of the related mining rights, then in reduction of the E&E expenses for the related area of interest and any residual is recorded in the consolidated statement of comprehensive loss unless there is contractual work required by the Corporation in which case the residual gain is deferred and will be applied against the contractual disbursements when done.

Funds received from partners on certain properties where the Corporation is the operator in order to perform exploration work as per agreements, are accounted for in the consolidated statement of financial position as advances received for upcoming exploration work. These advances are reduced gradually when the exploration work is performed. The project management fees received when the Corporation is the operator are recorded in the consolidated statement of comprehensive loss when the E&E expenses are charged back to the partner. When the partner is the operator, the management fees are recorded in the consolidated statement of financial position as E&E expenses. Costs related to E&E assets are transferred to Property, plant and equipment when they reach the development phase and will be subject to depreciation when these properties are put into commercial production.

### 2.10 Lease agreements

At the commencement date of a lease, a liability is recognized to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset) is also recognized. The interest expense on the lease liability is recognized separately from the depreciation expense on the right-of-use asset.

The lease liability is remeasured upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). This remeasurement is generally recognized as an adjustment to the right-of-use asset. Leases of "low-value" assets and short-term leases (12 months or less) will continue to be recorded as operating lease.

### 2.11 Impairment of non-financial assets

The carrying amounts of mining rights and E&E expenses are assessed for impairment, by area of interest, only when indicators of impairment exist, typically when one of the following circumstances apply: exploration rights have expired or will expire in the near future; no future substantive exploration expenditures are budgeted or planned; no commercially viable quantities of minerals have been discovered and exploration and evaluation activities will be discontinued; exploration and evaluation assets are unlikely to be fully recovered from successful development or by sale; or a significant drop in metal prices. If any such indication exists, then the asset's recoverable amount is estimated. When some mining rights within an area of interest are abandoned during the period, the acquisition costs of those mining rights are impaired on a pro rata basis.

Mining rights and E&E expenses are systematically assessed for impairment upon the transfer of exploration and evaluation assets to development assets.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The level identified by the Company for the purposes of testing exploration and evaluation assets and mining properties for impairment corresponds to each property.

# Midland Exploration Inc.

## Notes to Consolidated Financial Statements

For the years ended September 30, 2022 and 2021

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An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to the assets in the unit ("group of units") on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

The carrying amounts of exploration and evaluation assets and property and equipment are reviewed at each reporting date to determine whether there is any indication of impairment.

### 2.12 Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not provided for if they arise from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred income tax assets and liabilities are presented as noncurrent and are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### 2.13 Equity

Capital stock represents the amount received on the issue of shares. Warrants represent the allocation of the amount received for units issued as well as the charge recorded for the broker warrants relating to financing. Contributed surplus includes charges related to stock options until they are exercised and the warrants that are expired and not exercised. Deficit includes all current and prior period retained profits or losses and share issue expenses.

Proceeds from unit placements are allocated between shares and warrants issued on a pro-rata basis of their value within the unit using the Black-Scholes pricing model.

# Midland Exploration Inc.

## Notes to Consolidated Financial Statements

For the years ended September 30, 2022 and 2021

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### 2.14 Flow-through shares

The Corporation finances some E&E expenses through the issuance of flow-through shares. The resource expenditure deductions for income tax purposes are renounced to investors in accordance with the appropriate income tax legislation. The difference between the amount recorded as common shares and the amount paid by the investors for the shares (the "premium"), measured with the residual value method, is accounted for as a flow-through share premium, which is reversed to income as recovery of deferred income taxes when the eligible expenses are incurred. The Corporation recognizes a deferred tax liability for flow-through shares and a deferred tax expense, at the moment the eligible expenditures are incurred.

### 2.15 Share and warrant issue expenses

Share and warrant issue expenses are accounted for in the year in which they are incurred and are recorded as a deduction to equity in the deficit in the year in which the shares are issued.

### 2.16 Stock-based compensation

The Corporation operates an equity-settled share-based remuneration plan (share options plan) for its eligible directors, officers, employees and consultants. The Corporation's plan does not feature any options for a cash settlement.

An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Corporation. The expense is recorded over the vesting period for employees and over the period covered by the contract for non-employees.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values, unless that fair value cannot be estimated reliably. If the Corporation cannot estimate reliably the fair value of the goods or service received, the Corporation shall measure their value indirectly by reference to the fair value of the equity instruments granted. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date using the Black & Scholes option pricing model and excludes the impact of non-market vesting conditions.

All equity-settled share-based payments (except warrants to brokers) are ultimately recognized as an expense in the consolidated statement of comprehensive loss or capitalized as E&E expenses on the consolidated statement of financial position, depending on the nature of the payment with a corresponding credit to contributed surplus, in equity. Warrants to brokers, in respect of an equity financing are recognized as share issue expense reducing the equity in the deficit with a corresponding credit to warrants.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs are recorded as capital stock. The accumulated charges related to the share options recorded in contributed surplus are then also transferred to capital stock.

# Midland Exploration Inc.

## Notes to Consolidated Financial Statements

For the years ended September 30, 2022 and 2021

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### 2.17 Loss per share

Loss per share is calculated using the weighted average number of shares outstanding during the year. Diluted loss per share is calculated using the weighted average number of shares outstanding during the year for the calculation of the dilutive effect of warrants and stock options unless they have an anti-dilutive effect.

### 2.18 Revenue recognition

The project management fees received when the Corporation is the operator are recorded in the consolidated statement of comprehensive loss when the exploration work recharged to the partners are incurred.

### 2.19 Segment disclosures

The Corporation currently operates in a single segment – the acquisition, exploration and evaluation of exploration properties. All the Corporation's activities are conducted in Canada.

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results could differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. Information about the significant judgments that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

### 3.1 Impairment of E&E assets

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases.

Determining whether to test for impairment of E&E assets requires management's judgment, among others, regarding the following: the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed; substantive expenditure on further E&E of mineral resources in a specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the E&E asset is unlikely to be recovered in full from successful development or by sale.

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs must be determined. Identifying the cash-generating units requires considerable management judgment. In testing an individual asset or cash-generating unit for impairment and identifying a reversal of impairment losses, management estimates the recoverable amount of the asset or the cash-generating unit. This requires management to make several assumptions as to future events or circumstances. These assumptions and estimates are subject to change if new information becomes available. Actual results with respect to impairment losses or reversals of impairment losses could differ in such a situation and significant adjustments to the Corporation's assets and earnings may occur during the next period.



# Midland Exploration Inc.

## Notes to Consolidated Financial Statements

For the years ended September 30, 2022 and 2021

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The total impairment loss of the E&E assets recognized is \$1,208,289 for the year ended September 30, 2022 ("Fiscal 22") (\$201,717 for the year ended September 30, 2021 ("Fiscal 21")). No reversal of impairment losses has been recognized for the reporting periods.

### 3.2 Deferred taxes

The assessment of availability of future taxable profits involves judgment. A deferred tax asset is recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized. Judgment is also involved in the determination of the expected manner of realisation or settlement of the carrying amount of the Corporation's assets and liabilities which is expected to be through the sale of the Corporation's assets.

### 3.3 Valuation of credit on duties refundable for loss and the refundable tax credit for resources.

Refundable credit on mining duties and refundable tax credit related to resources for the current and prior periods are measured at the amount expected to be recovered from the taxation authorities using the tax rates and tax laws that have been enacted or substantively enacted at the consolidated statement of financial position date.

The calculation of the Corporation's credit on mining duties and tax credit related to resources necessarily involves a degree of estimation and judgment in respect of certain items whose tax treatment cannot be finally determined until notice of assessments and payments have been received from the relevant taxation authority.

Differences arising between the actual results following final resolution of some of these items and the assumptions made, or future changes to such assumptions, could necessitate adjustments to credit on mining duties and tax credit related to resources, exploration and evaluation assets and expenses, and income tax expense in future periods. The amounts recognized in the financial statements are derived from the Corporation's best estimation and judgment as described above. However, the inherent uncertainty regarding the outcome of these items means that eventual resolution could differ from the accounting estimates and therefore impact the Corporation's financial position and its financial performance and cash flows.

## 4. INVESTMENTS

As at September 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 October 21, 2021 and March 31, 2022. The investments' maturity value is \$5,989,968.

As at September 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 \$308,636 as at September 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

For the years ended September 30, 2022 and 2021

### 5. RIGHT-OF-USE ASSETS

|                                   | <b>Buildings</b> |
|-----------------------------------|------------------|
|                                   | <b>\$</b>        |
| <b>Cost</b>                       |                  |
| As at September 30, 2021 and 2022 | 159,422          |
| <b>Accumulated depreciation</b>   |                  |
| As at October 1, 2020             | 29,892           |
| Depreciation for the year         | 29,892           |
| As at September 30, 2021          | 59,784           |
| Depreciation for the year         | 29,892           |
| As at September 30, 2022          | 89,676           |
| <b>Net book value</b>             |                  |
| As at September 30, 2021          | 99,638           |
| <b>As at September 30, 2022</b>   | <b>69,746</b>    |

### 6. EXPLORATION AND EVALUATION ASSETS

The following table disclose the acquisition costs of exploration properties by region:

| <b>Acquisition costs</b> | <b>As at<br/>Sept. 30,<br/>2021</b> | <b>Net<br/>Additions</b> | <b>Option<br/>payments</b> | <b>Impairment</b> | <b>As at<br/>Sept. 30,<br/>2022</b> |
|--------------------------|-------------------------------------|--------------------------|----------------------------|-------------------|-------------------------------------|
|                          | <b>\$</b>                           | <b>\$</b>                | <b>\$</b>                  | <b>\$</b>         | <b>\$</b>                           |
| Abitibi                  | 1,013,428                           | 137,537                  | (8,781)                    | (6,681)           | 1,135,503                           |
| Grenville                | 191,247                             | 48,019                   | (100,000)                  | (9,866)           | 129,400                             |
| James Bay                | 1,449,735                           | 151,674                  | -                          | (339,252)         | 1,262,157                           |
| Northern Quebec          | 520,449                             | 142,964                  | -                          | (262,882)         | 400,531                             |
| Project generation       | 8,075                               | 1,566                    | -                          | (9,641)           | -                                   |
|                          | <b>3,182,934</b>                    | <b>481,760</b>           | <b>(108,781)</b>           | <b>(628,322)</b>  | <b>2,927,591</b>                    |

  

| <b>Acquisition costs</b> | <b>As at<br/>Sept. 30,<br/>2020</b> | <b>Net<br/>Additions</b> | <b>Option<br/>payments</b> | <b>Impairment</b> | <b>As at<br/>Sept. 30,<br/>2021</b> |
|--------------------------|-------------------------------------|--------------------------|----------------------------|-------------------|-------------------------------------|
|                          | <b>\$</b>                           | <b>\$</b>                | <b>\$</b>                  | <b>\$</b>         | <b>\$</b>                           |
| Abitibi                  | 930,677                             | 196,977                  | (55,810)                   | (58,416)          | 1,013,428                           |
| Grenville                | 67,597                              | 155,238                  | -                          | (31,588)          | 191,247                             |
| James Bay                | 1,251,348                           | 232,292                  | -                          | (33,905)          | 1,449,735                           |
| Northern Quebec          | 502,171                             | 35,641                   | -                          | (17,363)          | 520,449                             |
| Project generation       | 4,760                               | 3,315                    | -                          | -                 | 8,075                               |
|                          | <b>2,756,553</b>                    | <b>623,463</b>           | <b>(55,810)</b>            | <b>(141,272)</b>  | <b>3,182,934</b>                    |

In Fiscal 22, the Corporation impaired partially the following properties for some claims that were dropped for \$466,636 and wrote off the properties (or some projects included in these properties) for \$161,686 since no exploration program was planned for the near future and/or all claims were dropped.

In Fiscal 21, the Corporation impaired partially the following properties for some claims that were dropped for \$120,971 and wrote off the properties (or some projects included in these properties) for \$20,301 since no exploration program was planned for the near future and/or all claims were dropped.

# Midland Exploration Inc.

## Notes to Consolidated Financial Statements

For the years ended September 30, 2022 and 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 Sept. 30, 2022 |
|-------------------------------------|----------------------|------------------|------------------|------------------|------------------|----------------------|
|                                     | \$                   | \$               | \$               | \$               | \$               | \$                   |
| Abitibi                             | 12,458,393           | 1,570,278        | (171,219)        | (114,335)        | -                | 13,743,117           |
| Grenville                           | 1,257,589            | 77,498           | -                | (15,987)         | -                | 1,319,100            |
| James Bay                           | 9,476,715            | 622,583          | -                | (68,885)         | -                | 10,030,413           |
| Northern Quebec                     | 4,235,000            | 593,474          | -                | (56,581)         | (542,649)        | 4,229,244            |
| Project generation                  | 37,318               | -                | -                | -                | (37,318)         | -                    |
|                                     | <b>27,465,015</b>    | <b>2,863,833</b> | <b>(171,219)</b> | <b>(255,788)</b> | <b>(579,967)</b> | <b>29,321,874</b>    |

| Exploration and evaluation expenses | As at Sept. 30, 2020 | Net Additions    | Option payments  | Tax credits        | Impairment      | As at Sept. 30, 2021 |
|-------------------------------------|----------------------|------------------|------------------|--------------------|-----------------|----------------------|
|                                     | \$                   | \$               | \$               | \$                 | \$              | \$                   |
| Abitibi                             | 10,067,943           | 3,155,418        | (109,190)        | (654,712)          | (1,066)         | 12,458,393           |
| Grenville                           | 836,108              | 426,012          | -                | (4,531)            | -               | 1,257,589            |
| James Bay                           | 8,673,408            | 1,390,461        | -                | (543,553)          | (43,601)        | 9,476,715            |
| Northern Quebec                     | 3,930,512            | 437,561          | -                | (117,295)          | (15,778)        | 4,235,000            |
| Project generation                  | 37,318               | -                | -                | -                  | -               | 37,318               |
|                                     | <b>23,545,289</b>    | <b>5,409,452</b> | <b>(109,190)</b> | <b>(1,320,091)</b> | <b>(60,445)</b> | <b>27,465,015</b>    |

In Fiscal 22, the Corporation wrote off the properties (or some projects included in these properties) for \$579,967 including Pallas for \$542,649, since no exploration program was planned for the near future and/or all claims were dropped.

In Fiscal 21, the Corporation wrote off the properties (or some projects included in these properties) for \$60,445 since no exploration program was planned for the near future and/or all claims were dropped.

### ABITIBI

#### 6.1 Casault

On June 16, 2020, the Corporation signed an option agreement with Wallbridge Mining Company Limited ("Wallbridge"), and amended on November 4, 2022, whereby Wallbridge may earn a 50% interest in the Casault property in consideration of the following:

|                                        | Cash payments  | Exploration work |
|----------------------------------------|----------------|------------------|
|                                        | \$             | \$               |
| Upon signature – completed             | 100,000        | -                |
| On or before June 30, 2021 - completed | 110,000        | 750,000          |
| On or before June 30, 2022 - completed | 110,000        | 1,000,000        |
| On or before December 31, 2023         | 130,000        | 1,250,000        |
| On or before June 30, 2024             | 150,000        | 2,000,000        |
| <b>Total</b>                           | <b>600,000</b> | <b>5,000,000</b> |

After exercising this first option to earn a 50% interest, Wallbridge may increase its interest to 65% (the second option) over a period of 2 years in consideration of exploration expenditures or cash payment totalling \$6,000,000. Wallbridge is the operator.

# Midland Exploration Inc.

## Notes to Consolidated Financial Statements

For the years ended September 30, 2022 and 2021

The Casault property is subject to a 1% net smelter return ("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% NSR.

### 6.2 Gaudet

Some claims of the Gaudet property are subject to a 1% NSR royalty.

On July 29, 2020, the Corporation signed a joint venture agreement with Probe Metals Inc. ("Probe") over the Gaudet and Samson North West properties from the Corporation as well as the Fenelon-Nantel property of Probe. Probe is the operator.

### 6.3 Heva

The Corporation owns the Heva property and some claims are subject to a 2% NSR royalty to the original holders, half of the royalty can be bought back for a payment of \$1,000,000.

### 6.4 Jouvex

The Casault property is subject to a 1% net smelter return ("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% NSR.

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.

### 6.5 La Peltrie

The Corporation owns the La Peltrie property and some claims are subject to a 1% Gross Metal royalty.

On July 9, 2020, the Corporation signed an option agreement with Probe whereby Probe may earn a 50% interest in the La Peltrie property in consideration of the following:

|                                      | Payments             | Exploration work |
|--------------------------------------|----------------------|------------------|
|                                      | \$                   | \$               |
| Upon signature - completed           | 50,000 <sup>1)</sup> | -                |
| On or before July 31, 2021 completed | 55,000 <sup>2)</sup> | 500,000          |
| On or before July 31, 2022 completed | 70,000 <sup>3)</sup> | 700,000          |
| On or before July 31, 2023           | 100,000              | 1,200,000        |
| On or before July 31, 2024           | 125,000              | 1,100,000        |
| <b>Total</b>                         | <b>400,000</b>       | <b>3,500,000</b> |

1) In July 2020, the Corporation received 37,879 shares of Probe based on a 5 days VWAP calculation to total \$50,000.

2) In July 2021, the Corporation received 32,544 shares of Probe based on a 5 days VWAP calculation to total \$55,000.

3) In July 2022, the Corporation received \$70,000 in cash.

After exercising this first option to earn a 50% interest, Probe may increase its interest to 65% (the second option) over a period of 2 years in consideration of exploration expenditures or cash payment totalling \$5,000,000. Probe is the operator.

# Midland Exploration Inc.

## Notes to Consolidated Financial Statements

For the years ended September 30, 2022 and 2021

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### 6.6 Lac Esther

Some claims of the Lac Esther property are subject to two 2% NSR royalty of which 1% can be bought back in tranches for an aggregate of \$2,000,000.

### 6.7 Laflamme Au-Cu

The Corporation holds 79% of the Laflamme property.

### 6.8 Maritime-Cadillac

The Corporation holds 49% of the Maritime-Cadillac property. The property is subject to a 2% NSR royalty; half of the royalty can be bought back for a payment of \$1,000,000. As per the agreement signed in June 2009 and amended in November 2012 and May 2013, Agnico Eagle Mines Limited ("Agnico Eagle") and the Corporation are in a joint venture and future work is shared 51% Agnico Eagle - 49% the Corporation.

### 6.9 Patris

The Corporation holds the Patris property and some claims are subject to NSR royalties varying from 1% to 2% that can be bought back in tranches for an aggregate of \$7,000,000.

## GRENVILLE

### 6.10 Gatineau

On February 20, 2020, the Corporation signed an alliance contract with SOQUEM, in which SOQUEM transferred to the Corporation its 50% interest in the Casault and Jouvex properties in exchange for:

- 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% NSR; and
- 50% undivided interest in a joint venture relating to seven existing mining properties forming the Gatineau project.

On April 6, 2022, the Corporation received from SOQUEM a notice to terminate the alliance on the Gatineau property.

### 6.11 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 (completed) 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.

# Midland Exploration Inc.

## Notes to Consolidated Financial Statements

For the years ended September 30, 2022 and 2021

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On December 1, 2021, and as amended, the Corporation signed an option agreement with Rio Tinto Exploration Canada Inc. ("RTEC") for its Tête Nord property (Grenville). Under this new agreement, RTEC 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, RTEC 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:
  - o An additional 1% interest (for a total of 51%) by funding an additional \$250,000 of exploration expenditures;
  - o An additional 1% interest for each additional \$500,000 of exploration expenditures (for a total of up to 69%); and
  - o An additional 1% (for a total of 70%) by funding an additional \$750,000 of exploration expenditures.

RTEC retains the 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 RTEC's behalf. RTEC chose to be the operator for the first year of the option agreement.

### 6.12 Weedon

The Corporation holds the Weedon property and some claims are subject to NSR royalties varying from 0.5% to 1.5% that can be bought back in tranches for an aggregate of \$3,000,000.

## JAMES BAY

### 6.13 JV Eleonore (Au)

On June 13, 2016, a joint-venture agreement (50%-50%) was signed with Osisko Development Corp. ("Osisko") whereby Osisko and the Corporation cooperate and combine their efforts to explore the JV Eleonore. The property is located 12 kilometres southeast and northwest of Goldcorp's Eleonore deposit. Osisko is the operator. Each partner obtained a 0.5% NSR royalty as a mutual consideration for the constitution of the joint-venture.

## NORTHERN QUEBEC

### 6.14 BHP Alliance

On August 20, 2020, the Corporation signed an agreement with and Rio Algom Limited, a wholly owned subsidiary of BHP Group plc ("BHP"), for a new strategic alliance ("Alliance") for the initial funding by BHP of a generative exploration phase and opportunities for joint contributions to advance nickel exploration within the Nunavik territory, Quebec.

#### *Generative Phase (I)*

During the first phase of the Alliance, BHP will fund at 100% up to \$1,400,000 on an annual basis for a minimum of two years. The Corporation is acting as operator and the main objective is to generate, identify and secure exploration projects to be advanced to a drill-ready stage through further exploration work. BHP may propose additional exploration work for up to \$700,000 before advancing an identified project to the second phase.

# Midland Exploration Inc.

## Notes to Consolidated Financial Statements

For the years ended September 30, 2022 and 2021

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Following the first phase, one or more specific exploration targets may be advanced to a second phase to be further developed as a separate designated project.

### *Testing Phase (II)*

During this second phase, each designated project will have its own work program and budget with the objective, mainly through drilling, to test and further develop the identified targets. The Corporation will act as operator during the testing phase subject to BHP's right to become the operator of any designated project.

For each designated project, the testing phase will last up to four years, with a total budget of up to \$4,000,000 with a minimum of \$700,000 to be spent during the first year. During this phase, BHP and the Corporation will fund 75% and 25%, respectively, for approved work programs.

In addition, for each designated project, BHP will pay to the Corporation a designated project fee, structured as follows: \$250,000 on or before the first anniversary, \$250,000 on or before the second anniversary and \$500,000 on or before the third anniversary, of the testing phase, for a maximum of \$1,000,000 per designated project.

BHP has the right to cease contributing its share of the funding of a designated project in which case the Corporation would have the right to retain a 100% interest of the designated project and BHP would receive a 1% NSR royalty. The Corporation would have a right to buy-back such royalty for a one-time cash payment of \$1,500,000. Total royalty payments would be capped at \$3,000,000 per designated project.

BHP may decide to advance any designated project to the third phase as a joint venture project ("JV Project").

### *Joint Venture Phase (III)*

For this third phase, a formal joint venture would be formed with initial participating interests being 70% BHP and 30% the Corporation. Both parties would contribute to the expenses pro-rata to their participating interests. BHP would be the operator for all JV Projects.

For each JV Project, BHP will pay to the Corporation a joint venture success fee of \$200,000 after the formation of the joint venture including transfer of tenements, data ownership and any other assets related to the JV Project to, or for the benefit of, the joint venture.

If a party's participating interest in the joint venture is diluted below 10%, such interest would be converted into a 1.5% NSR royalty on the JV Project. The non-diluted party would have a right to buy-back such royalty for a one-time cash payment of \$2,500,000. Total royalty payments would be capped at \$5,000,000 per JV Project.

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.

# Midland Exploration Inc.

## Notes to Consolidated Financial Statements

For the years ended September 30, 2022 and 2021

### 6.15 Labrador Trough - alliance

On February 18, 2021, the Corporation signed a strategic alliance with 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. The Corporation 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.

### 6.16 Soissons-NMEF

On July 27, 2018, the Corporation signed a partnership agreement (50%-50%) with the Nunavik Mineral Exploration fund ("NMEF"), to explore an area of the Soissons property. The NMEF is the operator of the partnership.

### 6.17 Willbob

The Corporation owns the Willbob property and some claims are subject to the following royalties:

- 2% NSR royalty
- 2% NSR royalty of which 1% can be bought back for a payment of \$1,000,000.

## 7. LEASE LIABILITIES

|                                  | As at<br>September 30<br>2022 | As at<br>September 30<br>2021 |
|----------------------------------|-------------------------------|-------------------------------|
|                                  | \$                            | \$                            |
| Opening balance                  | 110,750                       | 136,150                       |
| Principal repayment              | (28,341)                      | (25,400)                      |
| Lease liabilities                | 82,409                        | 110,750                       |
| Less : current lease liabilities | (31,301)                      | (28,341)                      |
| Non-current lease liabilities    | <b>51,108</b>                 | <b>82,409</b>                 |

## 8. EQUITY

### 8.1 Capital stock authorized

Unlimited number of common shares without par value, voting and participating.

### 8.2 Private placements

#### a) November 2020

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.



# Midland Exploration Inc.

## Notes to Consolidated Financial Statements

For the years ended September 30, 2022 and 2021

In connection with the private placements, the Corporation incurred \$132,344 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 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.

### b) December 2021 and January 2022

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.

## 8.3 Warrants

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

|                                      | Fiscal 21   |           |
|--------------------------------------|-------------|-----------|
|                                      | Number      | Amount    |
|                                      |             | \$        |
| <b>Balance – Beginning of period</b> | 4,110,667   | 749,556   |
| Issued following private placement   | -           | -         |
| Expired                              | (4,110,667) | (749,556) |
| <b>Balance – End of period</b>       | -           | -         |

# Midland Exploration Inc.

## Notes to Consolidated Financial Statements

For the years ended September 30, 2022 and 2021

### 8.4 Policies and processes for managing capital

The capital of the Corporation consists of the items included in equity of \$38,294,151 as of September 30, 2022 (\$38,341,187 as of September 30, 2021). The Corporation's objectives when managing capital are to maximise shareholders value, maintain an optimal share capital structure to reduce capital cost, safeguard its ability to continue its operations as well as its acquisition and exploration programs. As needed, the Corporation raises funds in the capital markets. The Corporation does not use long term debt since it does not generate operating revenues. There is no dividend policy. The Corporation does not have any externally imposed capital requirements neither regulatory nor contractual requirements to which it is subject unless:

- The Corporation closes a flow-through private placement in which case the funds are reserved in use for exploration expenses (and the Corporation was in compliance during the year);
- The terms of the 2019 investment agreement with BHP are triggered. Thus, BHP will be granted certain rights as long as BHP holds common shares equal to at least 5% of the issued and outstanding common shares (on a partially diluted basis), including:
  - o the right to participate in future equity financings by the Corporation to allow BHP to maintain its then current pro rata non-diluted ownership interest in the Corporation or to increase its ownership interest in the Corporation to a maximum of 19.99%, on a fully-diluted basis;
  - o certain top-up rights to subscribe for additional common shares following certain dilutive transactions to allow BHP to maintain its then current pro rata non-diluted ownership interest in the Corporation;
  - o the right of first offer for any non-equity financings, including any tolling arrangements, streaming arrangements, forward agreements, off-take agreements or royalty sales relating to any present or future copper exploration projects of the Corporation in Quebec; and
  - o the right of first offer on the Mythril project in the event the Corporation seeks to divest all or part of its interest.
  - o If BHP holds common shares equal to at least 15% of the issued and outstanding common shares (on a non-diluted basis), BHP will also have the right to designate one director for appointment to the Corporation board of directors.

## 9. EMPLOYEE REMUNERATION

### 9.1 Salaries

|                                                                               | Fiscal 22      | Fiscal 21      |
|-------------------------------------------------------------------------------|----------------|----------------|
|                                                                               | \$             | \$             |
| Salaries and bonuses                                                          | 1,306,389      | 1,278,374      |
| Director fees                                                                 | 129,666        | 124,278        |
| Benefits                                                                      | 98,576         | 94,624         |
|                                                                               | 1,534,631      | 1,497,276      |
| Less: salaries and benefits capitalized in E&E assets                         | (760,766)      | (762,531)      |
| <b>Salaries disclosed on the consolidated statement of comprehensive loss</b> | <b>773,865</b> | <b>734,745</b> |

# Midland Exploration Inc.

## Notes to Consolidated Financial Statements

For the years ended September 30, 2022 and 2021

### 9.2 Stock-based compensation

|                                                                                               | Fiscal 22      | Fiscal 21      |
|-----------------------------------------------------------------------------------------------|----------------|----------------|
|                                                                                               | \$             | \$             |
| Stock-based compensation                                                                      | 199,648        | 214,787        |
| Less: stock-based compensation capitalized in the E&E assets                                  | (40,133)       | (40,148)       |
| <b>Stock-based compensation disclosed on the consolidated statement of comprehensive loss</b> | <b>159,515</b> | <b>174,639</b> |

The Corporation has a stock option plan (the "Plan"). The number of common shares granted is determined by the Board of Directors. The number of common shares reserved for issuance under the Corporation's fixed number stock option plan is 5,790,000. The exercise price of any option granted under the plan shall be fixed by the Board of Directors at the time of grant and shall not be lower than the closing price on the day preceding the grant. The term of the option will not exceed ten years from the date of grant. The options normally vest 1/6 per 3 months from the grant date, or otherwise as determined by the Board of Directors.

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.

On September 8, 2021, the Corporation granted to a director 80,000 options exercisable at \$0.75, valid for 10 years. Those options were granted at an exercise price higher than 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 \$22,400 for an estimated fair value of \$0.28 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 47.5% expected volatility, 0.92% risk-free interest rate and 6 years options expected life.

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.

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.

# Midland Exploration Inc.

## Notes to Consolidated Financial Statements

For the years ended September 30, 2022 and 2021

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

|                                    | Fiscal 22         |                                 | Fiscal 21         |                                 |
|------------------------------------|-------------------|---------------------------------|-------------------|---------------------------------|
|                                    | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
|                                    |                   | \$                              |                   | \$                              |
| <b>Balance – Beginning of year</b> | 5,245,000         | 0.96                            | 4,940,000         | 1.05                            |
| Granted                            | 730,000           | 0.54                            | 685,000           | 0.82                            |
| Forfeited                          | (30,000)          | 0.59                            | -                 | -                               |
| Expired                            | (375,000)         | 1.47                            | (380,000)         | 1.51                            |
| <b>Balance – End of year</b>       | <b>5,570,000</b>  | <b>0.87</b>                     | <b>5,245,000</b>  | <b>0.96</b>                     |
| Balance – End of year exercisable  | 5,073,333         | 0.91                            | 4,761,668         | 0.97                            |

The following table summarizes information about common share purchase options outstanding and exercisable as at September 30, 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                        | 53,333                        | 0.75           | September 8, 2031 |
| 705,000                       | 235,000                       | 0.54           | February 24, 2032 |
| <b>5,570,000</b>              | <b>5,073,333</b>              |                |                   |

### 9.3 Compensation to key management

The Corporation's key management personnel includes the president, the vice-president exploration and the chief financial officer as well as members of the board of directors. Key management remuneration is as follows:

|                                                            | Fiscal 22        | Fiscal 21        |
|------------------------------------------------------------|------------------|------------------|
|                                                            | \$               | \$               |
| Short-term benefits                                        |                  |                  |
| Salaries including bonuses and benefits                    | 745,346          | 702,445          |
| Professional fees                                          | 82,150           | 84,338           |
| Professional fees recorded in share issue expenses         | 8,325            | 6,900            |
| Salaries including bonuses and benefits capitalized in E&E |                  |                  |
| Long-term benefits                                         |                  |                  |
| Stock-based compensation                                   | 151,655          | 165,553          |
| <b>Total compensation</b>                                  | <b>1,017,760</b> | <b>1,003,115</b> |

# Midland Exploration Inc.

## Notes to Consolidated Financial Statements

For the years ended September 30, 2022 and 2021

The Corporation has employment and consulting agreements with members of senior management which, among other things, provided that in the event of a termination without cause or of a change of control, a compensation equivalent to between 18 to 24 months of salary or consulting fees will be paid for a total of \$1,128,727.

### 9.4 Related party transactions

In addition to the amounts listed above in the compensation to key management (note 9.3 and elsewhere in the Financial Statements) following are the related party transactions.

*In the normal course of operations:*

- A firm in which an officer is a partner charged professional fees amounting to \$121,171 (\$88,839 in Fiscal 21) of which \$91,265 (\$77,439 in Fiscal 21) was expensed and \$29,906 (\$11,400 in Fiscal 21) was recorded as share issue expenses;
- A company controlled by an officer charged professional fees of \$53,676 (\$49,619 in Fiscal 21) for her staff; and
- As at September 30, 2022, the balance due to the related parties amounted to \$13,735 (\$12,772 in September 30, 2021).

### 10. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the year divided by the weighted average number of shares in circulation during the year. In calculating the diluted loss per share, potential common shares such as share options and warrants have not been included as they would have the effect of decreasing the loss per share. Decreasing the loss per share would be antidilutive.

|                                                                 | Fiscal 22   | Fiscal 21   |
|-----------------------------------------------------------------|-------------|-------------|
|                                                                 | \$          | \$          |
| Loss                                                            | (1,900,085) | (1,023,800) |
| Weighted average number of basic and diluted outstanding shares | 75,009,762  | 72,087,232  |
| Basic and diluted net loss per share                            | (0.03)      | (0.01)      |

### 11. INCOME TAXES

The income tax expense is made up of the following component:

|                                          | Fiscal 22        | Fiscal 21        |
|------------------------------------------|------------------|------------------|
|                                          | \$               | \$               |
| Deferred income taxes                    | -                | -                |
| Premium on flow-through share issuance   | (856,355)        | (603,174)        |
| <b>Recovery of deferred income taxes</b> | <b>(856,355)</b> | <b>(603,174)</b> |

# Midland Exploration Inc.

## Notes to Consolidated Financial Statements

For the years ended September 30, 2022 and 2021

The provision for income taxes presented in the financial statements is different from what would have resulted from applying the combined Canadian Statutory tax rate as a result of the following:

|                                                                       | <b>Fiscal 22</b> | <b>Fiscal 21</b> |
|-----------------------------------------------------------------------|------------------|------------------|
|                                                                       | <b>\$</b>        | <b>\$</b>        |
| Loss before income taxes                                              | (2,756,440)      | (1,626,974)      |
| Combined federal and provincial income tax at 26.50% (26.50% in 2020) | (730,500)        | (431,100)        |
| Non-deductible expenses                                               | 42,300           | 46,300           |
| Tax effect of renounced flow-through share expenditures               | 625,000          | 605,400          |
| Amortization of flow-through share premiums                           | (856,355)        | (603,174)        |
| Unrecognized temporary differences                                    | 71,260           | (219,721)        |
| Other elements                                                        | (8,060)          | (879)            |
| <b>Recovery of deferred income taxes</b>                              | <b>(856,355)</b> | <b>(603,174)</b> |

The ability to realize the tax benefits is dependent upon a number of factors, including the sale of properties. Deferred tax assets are recognized only to the extent that it is probable that sufficient taxable profits will be available to allow the asset to be recognized. Accordingly, some deferred tax assets have not been recognized; these deferred tax assets not recognized amount to \$226,000 (\$127,000 as of September 30, 2021).

Significant components of the Corporation's deferred income tax assets and liabilities are as follows:

|                                                  | <b>As of<br/>September<br/>30, 2022</b> | <b>As of<br/>September<br/>30, 2021</b> |
|--------------------------------------------------|-----------------------------------------|-----------------------------------------|
|                                                  | <b>\$</b>                               | <b>\$</b>                               |
| Deferred income tax assets                       |                                         |                                         |
| Non-capital losses                               | 4,901,000                               | 4,300,000                               |
| Donations                                        | 19,000                                  | 19,000                                  |
| Share and warrant issue expenses                 | 85,000                                  | 96,000                                  |
| Lease liabilities                                | 22,000                                  | 29,000                                  |
| Total deferred income tax assets                 | 5,027,000                               | 4,444,000                               |
| Deferred income tax liabilities                  |                                         |                                         |
| E&E assets                                       | 4,785,000                               | 4,284,000                               |
| Unrealized gain (loss) on listed shares          | (2,000)                                 | 7,000                                   |
| Right-of-use assets                              | 18,000                                  | 26,000                                  |
| Total deferred income tax liabilities            | 4,801,000                               | 4,317,000                               |
| <b>Deferred income tax assets not recognized</b> | <b>226,000</b>                          | <b>127,000</b>                          |

# Midland Exploration Inc.

## Notes to Consolidated Financial Statements

For the years ended September 30, 2022 and 2021

As of September 30, 2022, expiration dates of losses available to reduce future years' income tax are:

|      | Federal   | Provincial |
|------|-----------|------------|
|      | \$        | \$         |
| 2026 | 84,000    | 69,000     |
| 2027 | 126,000   | 112,000    |
| 2027 | 177,000   | 183,000    |
| 2028 | 540,000   | 514,000    |
| 2029 | 645,000   | 631,000    |
| 2030 | 726,000   | 713,000    |
| 2031 | 677,000   | 663,000    |
| 2032 | 748,000   | 736,000    |
| 2033 | 906,000   | 891,000    |
| 2034 | 760,000   | 749,000    |
| 2035 | 820,000   | 811,000    |
| 2036 | 1,062,000 | 1,048,000  |
| 2037 | 1,360,000 | 1,343,000  |
| 2038 | 1,275,000 | 1,261,000  |
| 2039 | 1,501,000 | 1,481,000  |
| 2040 | 2,861,000 | 1,646,000  |
| 2041 | 2,304,000 | 2,678,000  |
| 2042 | 2,264,000 | 2,516,000  |

The balance on flow-through financing not spent according to the restrictions imposed by the December 2021 financings represents \$308,636 as at September 30, 2022. All the exploration work imposed by the December 2020 flow-through financings was completed before September 30, 2021.

## 12. FINANCIAL INSTRUMENTS AND RISKS

The Corporation is exposed to various financial risks resulting from both its operations and its investment activities. The Corporation's management manages financial risks. The Corporation does not enter into financial instrument agreements including derivative financial instruments for speculative purposes. The Corporation's main financial risk exposure and its financial risk management policies are as follows:

### 12.1 Market Risk

#### *Interest rate fair value risk*

Since the guaranteed investment certificates are at fixed rates, the Corporation is not exposed to interest rate risk on the instruments themselves. The Corporation's other financial assets and liabilities do not comprise any interest rate risk since they do not bear interest.

#### *Listed shares risk*

Listed shares risk is the risk that the fair value of a financial instrument varies due to the changes in the Canadian mining sector and equity market. For the Corporation's listed shares at fair value through profit and loss, a variation of plus or minus 20% of the quoted market prices as at September 30, 2022 would result in an estimated effect on the net income (loss) of \$10,590.

# Midland Exploration Inc.

## Notes to Consolidated Financial Statements

For the years ended September 30, 2022 and 2021

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### 12.2 Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Corporation is subject to concentrations of credit risk through cash and cash equivalents, investments and accounts receivable. The Corporation reduces its credit risk by maintaining part of its cash and cash equivalents and its investments in financial instruments held with a Canadian chartered bank, with a broker which is a subsidiary of a Canadian chartered bank or with an independent investment dealer member of the Canadian Investor Protection Fund.

In Fiscal 2022, the investments are composed of guaranteed investment certificates issued by Canadian banks or guaranteed by the Canadian Investor Protection Fund. The Corporation aims at signing partnership agreements with established companies and follows their cash position closely to reduce its credit risk on accounts receivable. The carrying amount of cash and cash equivalents and investments represents the Corporation maximum credit exposure. Nevertheless, the management considers the credit risk to be minimal and further disclosure are not significant.

### 12.3 Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet the obligations associated with its financial liabilities. As at September 30, 2022, the Corporation has working capital of \$5,935,098 including cash and cash equivalents of \$1,895,705. Management of the Corporation believes it has sufficient funds to pay its ongoing general and administrative expenses, to pursue its budgeted exploration and evaluation expenditures, and to meet its liabilities, obligations and existing commitments for the ensuing twelve months as they fall due.

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.

### 12.4 Fair value

The carrying value of cash, investments, accounts receivable and accounts payable and accrued liabilities, advance received for upcoming exploration work and lease liabilities are considered to be a reasonable approximation of their fair value because of the short-term maturity and contractual terms of these instruments.

Fair value estimates are made at the consolidated statement of financial position date, based on relevant market information and other information about financial instruments.

The fair value of the listed shares at fair value through profit and loss is established using the closing price on the most beneficial active market for this instrument that is readily available to the Corporation and as such are classified as Level 1 in the fair value hierarchy.

## 13. ADDITIONAL INFORMATION ON CASH FLOWS

|                                                                                                           | Fiscal 22 | Fiscal 21 |
|-----------------------------------------------------------------------------------------------------------|-----------|-----------|
|                                                                                                           | \$        | \$        |
| Stock-based compensation included in E&E expenses                                                         | 40,133    | 40,148    |
| Additions of exploration properties and E&E expenses included in accounts payable and accrued liabilities | 104,558   | 938,745   |
| Tax credits receivable applied against E&E expenses                                                       | 194,878   | 1,320,091 |
| Listed shares received for option payment                                                                 | -         | 55,000    |
| Interest received                                                                                         | 73,168    | 157,209   |



# Midland Exploration Inc.

## Notes to Consolidated Financial Statements

For the years ended September 30, 2022 and 2021

### 14. SUBSEQUENT EVENTS

#### 14.1 Soisson-NMEF property

On October 4, 2022, the Corporation signed an amendment to the July 27, 2018 agreement with 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.

#### 14.2 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                 | 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> |

Option to earn an additional 35% undivided interest in the claims (the "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 BRW's option; 2nd anniversary: \$100,000 in cash or stock, at BRW's option;
- Requirement to spend an additional amount of \$2,000,000 in exploration expenditures, in cash or in shares, at BRW'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 \$0.254 per share.

Brunswick 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).

#### 14.1 Private Placement

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