Midlands Minerals

TSX-V:MEX

Midlands Minerals Corporation

Management's Discussion and Analysis

Year ended December 31, 2011

April 27, 2012

This management discussion and analysis ("MD&A") has been prepared based on information available to Midlands Minerals Corporation ("Midlands" or the "Company") as at April 27, 2012. The MD&A of the operating results and financial condition of the Company for the year ended December 31, 2011, should be read in conjunction with the Company's audited consolidated financial statements (the "Financial Statements") and the related notes for the years ended December 31, 2011 and December 31, 2010. The Financial Statements have been prepared by management and are in accordance with International Financial Reporting Standards ("IFRS") and all amounts are expressed in Canadian dollars unless otherwise noted. Other information contained in this document has also been prepared by management and is consistent with the data contained in the Financial Statements. Additional information relating to the Company can be found on SEDAR at www.sedar.com.

MANAGEMENT'S ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING ("ICFR")

Management is responsible for establishing and maintaining adequate internal control over the Company's financial reporting. The internal control system was designed to provide reasonable assurance to the Company's management regarding the preparation and presentation of the financial statements.

Internal Controls over Financial Reporting ("ICFR")

The inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any have been detected. Therefore, no matter how well designed, ICFR has inherent limitations and can provide only reasonable assurance with respect to financial statement preparation and may not prevent and detect all misstatements.

As the Company is a Venture Issuer (as defined under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) ("NI 52-109"), the Company and Management are not required to include representations relating to the establishment and/or maintenance of disclosure controls and procedures ("DC&P) and/or ICFR, as defined in NI 52-109.

CAUTIONARY NOTE

This document contains or refers to forward-looking information. Such forward-looking information includes, among other things, statements regarding targets, estimates and/or assumptions in respect of future production, capital costs and future economic, market and other conditions, and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to: the grade and recovery of ore which is mined varying from estimates; exploration and development costs varying significantly from estimates; inflation; fluctuations in commodity prices; delays in the development of the any project caused by unavailability of equipment, labour or supplies, climatic conditions or otherwise; termination or revision of any debt financing; failure to raise additional funds required to finance the completion of a project; and other factors. Forward-looking statements are subject to significant risks and uncertainties and other factors that could cause actual results to differ materially from expected results. Readers should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and we assume no responsibility to update them or revise them to reflect new events or circumstances, except as required by law. See the section entitled ***RISK FACTORS***.

OVERVIEW

Midlands is a growth oriented and entrepreneurial junior exploration stage company focused on growing its mineral assets in Ghana and Tanzania. The Company trades on the TSX Venture Exchange under the ticker symbol "MEX" and the Premier Over the Counter ("OTCQX") as "MDLXF", and holds a diversified portfolio of gold and diamond projects and operates in stable low risk countries with a long history of gold mining.

The Company works to minimize the social and environmental impact in all its exploration activities, and puts the health and safety of its employees first and foremost. The Company and its employees interact well and effectively with the host and local communities to ensure that its exploration activities do not compromise the values of the local communities.

Our Objective is to build shareholder value through exploration and development of our gold properties in Ghana and our gold and diamond properties in Tanzania. Our business model is to operate in low risk, politically stable and mining friendly countries. The Company has two first-priority projects in Ghana: Sian-Praso and Kaniago; and thirteen second priority projects in Tanzania: Lwenge, Kishapu, Lalago, Vukene, Geita, Sengrema and Itilima (in the Lake Victoria Goldfields area) and the Kilindi Projects - Tamota, Mziha East, Ruanda, Bagamoyo, Mvomero and Turian East (in the Handeni Area). The Itilima Project has been explored for both gold and diamonds; Kishapu has also both gold and diamond potential.

DESCRIPTION OF BUSINESS

Midlands is a publicly-traded Canadian natural resource company incorporated in Ontario, Canada with the registered office address of 120 Adelaide Street West, Suite 2400, Toronto, Ontario, M5H 1T1 and is engaged in the exploration and evalution of mineral properties. The Company is an early-stage organization and is presently in the process of exploring its mineral properties, and has not yet determined whether these properties contain reserves that are economically recoverable. The primary focus of the Company is on its gold and diamond exploration and development properties in Tanzania and gold exploration properties in Ghana. To date the Company has raised funds to explore its mineral properties principally through the issuance of shares, the Company will continue to depend on the issuance of additional shares to further the development of its mineral properties. The exploration and development of mineral deposits involve significant financial risk and the success of the company will be influenced by a number of factors including risks associated with exploration and eventual extraction, foreign investment regulations, renegotiation of contracts and political uncertainty.

Gold is the primary focus and Tanzania and Ghana are the target countries. At present the Company's natural resource activities do not generate any revenues.

IMPENDING LEGAL ACTIONS

On October 28, 2011, the Company received a Notice of Claim from Stone Communications Services Limited ("Stone") for claimed outstanding services owed in the approximate amount of $20,000. The Company has brought a companion proceeding against Stone. A settlement proceeding has been set in May 2012, at which time the Company will assess what further action will be pursued.

ISSUANCE OF OPTIONS TO DIRECTORS, OFFICERS AND QUALIFIED PERSONNEL

On February 3, 2012, the Company announced that it had granted 2,000,000 stock options to management. The options have a term of 5 years, are exercisable at $0.10 and vest 25% on the date of grant and 25% on each of the first, second and third anniversary of October 26, 2011.

On April 25, 2012, the Company granted 1,500,000 stock options to an employee. The options have a term of 5 years, are exercisable at $0.10 and vest one-third on issuance and one-third on each of the first and second annual anniversary of issuance.

SELECTED FINANCIAL INFORMATION

The following table sets forth selected consolidated financial information of the Company for the years ended December 31, 2011 and December 31, 2010. The selected consolidated financial information should be read in conjunction with the Financial Statements of the Company.

	Year ended Dec. 31, 2011 (IFRS)	Year ended Dec. 31, 2010 (IFRS)
Consolidated statement of operations	**$**	**$**
Total revenue	**-**	**-**
Net loss	**5,468,454**	**8,174,170**
Basic and diluted net loss per share	**0.041**	**0.081**
Consolidated statement of financial position		
Cash and short-term investments	**4,386,147**	**3,493,265**
Working capital	**4,522,178**	**3,504,765**
Total long-term debt	**Nil**	**Nil**
Total assets	**4,964,654**	**4,274,928**
Exploration and Evaluation Expenses		
Exploration and Evaluation Expenses	**2,216,074**	**4,914,194**

SUMMARY OF QUARTERLY RESULTS

Selected consolidated financial information for the 8 most recently completed quarters is as follows:

Year ended	Dec. 31, 2011 IFRS	Sep. 30, 2011 IFRS	Jun. 30, 2011 IFRS	Mar. 31, 2011 IFRS	Dec. 31, 2010 IFRS	Sep. 30, 2010 IFRS	Jun. 30, 2010 IFRS	Mar. 31, 2010 IFRS
	$	$	$	$	$	$	**$**	$
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net Loss	1,752,053	1,004,312	1,980,223	731,866	1,938,255	1,191,164	1,711,167	3,333,585
Basic and diluted net loss per share	0.008	0.007	0.019	0.007	0.019	0.012	0.016	0.035

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Basis of consolidation

The Financial Statements include the financial statements of the Company and its wholly-owned subsidiaries, Midlands Minerals Ghana Limited, Midenka Resources Limited, Midlands Minerals Tanzania Limited, Manonga Minerals Limited, Harbour Capital Corporation, and its 75%-owned subsidiary, Itilima Mining Company Limited, and its 65% indirectly-owned subsidiary, Akroma Gold Company Limited, which the Company controls. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All inter-Company transactions, balances, income and expenses are eliminated in full on consolidation.

Exploration and evaluation expenditures

All acquisition and exploration costs, net of incidental revenues, are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into property, plant and equipment. On the commencement of commercial production, depletion of each mining property will be provided on a unit-of-production basis using estimated resources as the depletion base.

Property, plant and equipment

PP&E is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of PP&E consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is provided at rates calculated to write off the cost of PPE, less their estimated residual value, using the declining-balance method or unit-of-production method over the following expected useful lives:

• Computer equipment and software	20%
• Office equipment	20%
• Field Equipment	20%
• Mineral Properties	units of production

An item of PP&E is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statements of income (loss).

The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for PP&E and any changes arising from the assessment are applied by the Company prospectively.

Where an item of PP&E comprises major components with different useful lives, the components are accounted for as separate items of PP&E. Expenditures incurred to replace a component of an item of PP&E that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

Decommissioning, restoration and similar liabilities ("Asset retirement obligation" or "ARO")

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral properties and PP&E, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement obligation is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the declining-balance method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

The Company does not currently have any asset retirement obligations.

Share-based payments

Share-based payment transactions

The Company has a share-based compensation plan that grants stock options to employees and non-employees. This plan is an equity-settled plan. For equity-settled share-based payment transactions, the Company measures the goods and services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or services received, the Company measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

The expense is recognized over the vesting period of the options granted, and is recognized as an expense in earnings with a corresponding credit to reserve for share-based payments. At the end of each reporting period the Company re-assesses its estimate of the number of stock options expected to vest and recognizes the impact of any revisions in earnings. Any consideration paid by employees and directors on exercise of stock options is credited to capital stock combined with any related stock-based compensation expense originally recorded in contributed surplus.

Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the 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 which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share-purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The "treasury stock method" is used for the assumed proceeds upon the exercise of the options and warrants that are used to purchase common shares at the average market price during the year. During the years ended December 31, 2011 and 2010 all the outstanding stock options and warrants were antidilutive and were not included.

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans-and-receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company's cash and cash equivalents and short-term investments are classified as FVTPL.

Financial assets classified as loans-and-receivables and held-to-maturity are measured at amortized cost. The Company's trade and other receivables are classified as loans-and-receivables.
Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. The Company's marketable securities are classified as available-for-sale investments.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the settlement date.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other-financial-liabilities.

Financial liabilities classified as other-financial-liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other-financial-liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's trade and other payables are classified as other-financial-liabilities.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive income. At December 31, 2011, the Company has not classified any financial liabilities as FVTPL.

Impairment of financial assets

The Company assesses at each date of the statement of financial position whether a financial asset is impaired.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in the statement of comprehensive loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in the statement of comprehensive loss.

In relation to trade receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

Available-for-sale

If an available-for-sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognized in the statement of comprehensive loss.

Impairment of non-financial assets

At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive loss, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease and recognized in the current-period loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand, and short term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense and is applied as an offset to the specific obligation on the statement of financial position.

Short-term investments

Short-term investments consist of investments in general investment certificates with maturity dates greater than three months but less than one year.

Related-party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

Foreign currency transactions

Functional and presentation currency

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional and presentation currency of the Company and its subsidiaries is the Canadian dollar.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of operations. Non-monetary items that are measured at historical cost in a foreign currency, are not retranslated.

Significant accounting judgments and estimates

The preparation of these financial statements requires management to make judgements and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgements and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates relate to asset retirement obligations; property, plant and equipment, recoverability of trade and other receivables, valuation of deferred income tax amounts, impairment testing and the calculation of share-based payments. The most significant judgements relate to recognition of deferred tax assets and liabilities, determination of the commencement of commercial production and the determination of the economic viability of a project.

EXPLORATION AND EVALUATION EXPENDITURES

The exploration and evaluation expenditures for the Company are broken down as follows:

	Year ended Dec. 31, 2011	Year ended Dec. 31, 2010	**Cumulative to date ***
Tanzania:	**$**	$	**$**
Itilima	**2,597**	-	**2,228,059**
Vukene	**7,917**	4,285	**82,648**
Lwenge	**712**	1,176	**21,285**
Kishapu	**1,568**	32,601	**47,461**
Lalago	**6,325**	44,570	**63,738**
Tamota	**830**	12,232	**42,270**
Others	**214,851**	108,952	**482,857**
	234,800	226,350	**2,978,318**
Ghana:			
Kwahu Praso	**98,693**	66,925	**769,757**
Kaniago	**1,131,788**	86,432	**1,349,359**
Sian	**292,072**	4,204,662	**8,405,058**
Bonuama	**51,515**	18,760	**97,320**
Others	**407,206**	430,026	**1,057,652**
	1,981,275	4,806,805	**11,679,146**
Exploration and evaluation expenditures	**2,216,074**	5,033,155	**14,657,464**

MIDLANDS MINERALS PROPERTIES IN GHANA AND TANZANIA

	Name of Project	Ownership	Location
1)	Sian	65%	Ghana
2)	Kwahu Praso	100%	Ghana
3)	Kaniago	100%	Ghana
4)	Banuama	100%	Ghana
5)	Itilima	75%	Tanzania
6)	Lalago	100%	Tanzania
7)	Kishapu	100%	Tanzania
8)	Vukene	100%	Tanzania
9)	Llwenge	90%	Tanzania
10)	Tamota	100%	Tanzania

GHANA PROPERTIES

The Government of Ghana issues mineral rights as follows:

- Reconnaissance License (RL) which is valid for one year and is renewable;
- Prospecting License (PL) which is valid for three years and is renewable with a reduction of area to not less than 50%;
- Mining Lease (ML) which is valid for 30 years or less depending on the life of the mine, and is renewable.
- The Government of Ghana is entitled to a 6-9% carried interest in the Concessions with no contribution requirement, upon commencement of commercial production.

(a) Sian-Praso Property, Sian Mining Lease (ML Sian No. 4188/96)

On August 23, 2006, the Company signed an agreement with Sian Goldfields Limited ("Sian"), whereby the Company acquired a 65% interest in the mineral assets of Sian; and, as part of the agreement, the Company agreed to pay US$2,000,000 based on cash flow and monies owed to certain affected farmers and the Sian Goldfields workers. Under the terms of the agreement, Sian Goldfields Limited transferred the property, the gold processing plant and the 30-year mining lease (ML4188/96) which was granted to Sian in 1996. The final payment to Sian was made on Nov. 16, 2010. The mineral assets include an area of approximately 47sq km of ground which is contiguous to the Company's 100% owned 109 sq km Kwahu Praso property. The gold district of approximately 156 sq km is referred to as the Sian-Praso Property which is on the north-east end of the Ashanti Gold Belt. All the Licences are in good standing.
The Sian-Praso Project is located 150km northwest of Accra, the capital city of the Republic of Ghana and is located in the Kwahu West District Assembly in the Eastern Region. The property is between latitude 6° 36' north and 6° 39' north and longitudes 0° 46' west and 0° 54' west. There is an existing CIL (Carbon in Leach) plant as well as water and a good labour force, and excellent infrastructure. The Accra-Kumasi highway and a hydro power transmission line traverse just north of the Sian Licence through the Kwahu-Praso property.

In 2008, the Company commissioned SGS Geostat to complete a compliant resource calculation according to the standards set out in NI 43-101. That resource was based on historical drilling and 13,551m of drilling that was completed by the Company between April and October, 2007. Using a cut off grade of 0.5g/t Au, the main Esaase Zone contained 192,400oz in the indicated category in 2,568,000 tonnes at a grade of 2.33g/t Au; and the main Esaase Zone and Satellite Zones contained 203,350oz in the inferred category in 2,694,000 tonnes at a grade of 2.35g/t.

In October, 2010 SGS Canada Inc (Geostat), completed an updated in-house, non-compliant resource based on an additional 50 holes totalling 9,732m. This report estimated a 67% increase in ounces in the indicated category using a cut-off of 0.5g/t Au. From the Main Esaase Zone, 322,100 indicated ounces were reported totalling 5,360,000 tonnes of 1.87g/t Au, and from the Main Esaase Zone and Satellite

Zones 216,800 inferred ounces were reported from 4,009,000 tonnes of 1.69g/t Au. The indicated resource tonnage was increased by 109%.

Hosted by mafic volcanics, the gold mineralisation occurs in a twenty metre wide, potassic-silica-carbonate rich shear zone with lensoid quartz veinlets. The pinch and swell style of mineralisation contains minor (2-5%) pyrite, pyrrhotite and chalcopyrite where visible gold is very rare. In the pit the zone strikes north northeast (25°) and is obliquely cross-cut by narrow (2-5m) mineralized and non-mineralised albite-quartz-porphyry dykes that strike at 30°. Both the zone and the dykes dip steeply (65-90°) to the southeast.

The Sian-Praso Property is located in the north-eastern part of the Ashanti Gold Belt, 30 kilometres east northeast of Newmont Mining's Akyem deposit which hosts approximately 8 million ounces of gold. The Belt is dominated by Proteozoic volcaniclastics and phyllites that have been intruded by Na-rich intermediate "Dixcove" intrusives. The intrusives are interpreted to be comagmatic with the Belt's volcanism and it is generally accepted that they are associated with the gold mineralisation. Based on age, the Belt is divided into two groups the Lower Proterozoic and Upper Proterozoic. The Lower Proterozoic consists mainly of volcanics and the Upper Proterozoic of sediments (phyllite)

In early 2010, Geotech Airborne Limited (GAL) completed a VTEM survey an airborne magnetic-electromagnetic-radiometric survey over both the Sian and Kwahu Praso concessions.

(b) Sian-Praso Property - Kwahu Praso Licences (PL4188/1096, PL5/52, PL5-137)

Midenka Resources Limited ("Midenka"), a subsidiary of the Company, holds title to the Kwahu Praso Concession. Midenka is a Ghanaian registered company originally owned 80% by the Company and 20% by the Enkaakyiri Trading Company Limited ("Enkaakyiri"). On September 4, 2008, the Company exercised its right to purchase the remaining 20% for US$80,000. The Company paid a non-refundable deposit of US$10,000 with the balance of US$70,000. On February 26, 2010 the Company paid US$35,000 with the balance of US$35,000 being paid during the fourth quarter of 2010.

The Kwahu Praso prospecting licences are in good standing. Due to the "shedding" of half of the Licence after four years, the Kwahu Praso property now consist of Nsuta PL5/52 (29.25 sq km) Fodowa (29.25 sq km) Praso PL5/137 (27 sq km) and Pankese (27.8 sq km). Fodowa and Pankese are in process of being renewed as the application is being processed by the Minerals Commission of Ghana.

As reported above, in 2010 Geotech Airborne Limited (GAL) completed an airborne magnetic-electromagnetic-radiometric survey over both the Sian and Kwahu Praso concessions. Follow-up will be continued after more infill soil sampling is completed.

(c) Kaniago Concession

The Company, through its subsidiary Midlands Minerals Ghana, holds a 100% interest in the Kaniago Concession. It is located on the Asankrangwa Gold Belt. Due to the "shedding" of 50% of the Licence, the Kaniago Property now consists of Kaniago (25.5 sq. km) and Besease (20.2 sq km). The mineral rights are owned by Midlands Minerals Ghana Limited and the licences are in good standing.

In early 2010, Geotech Airborne Limited (GAL) completed an airborne magnetic-electromagnetic-radiometric (VTEM) survey over the Kaniago concession. Seven geophysical-geochemical anomalies were identified and infill sampling at 100m by 50m was completed over these areas in April, 2010. Drilling of these anomalies commenced in 2011.

TANZANIA PROPERTIES:

The Government of Tanzania issues mineral rights as follows:

- Reconnaissance License (RL) which is valid for two years and is renewable with a reduction of area of no less than 50%;
- Prospecting License (PL) which is valid for three years and is renewable with a reduction of area of no less than 50%;
- An Extension of up to three years after the expiration of the Second Renewal;
- Mining Lease (ML) which is valid for 30 years or less depending on the life of the mine, and is renewable.
- There is a Net Smelter Return payable to the Government of Tanzania upon commercial production of 3% for gold and 5% for diamonds.

(a-i) Itilima Gold Project (PL6507/2010 and PL4086/2008)

The Company holds a 75% interest in the Itilima Gold and Diamond Project, which consists of two contiguous licences totalling 16.8sq km in the Lake Victoria Goldfields of Tanzania. The Company's interest is through its subsidiary company in Tanzania – the Itilima Mining Company Limited. Exploration by Itilima was initiated in January 2002. The Licences were granted for all minerals including gold and diamonds but not including building materials and gemstones. Juma Motors Transport Ltd. ("JMT") holds the remaining 25% and the net smelter royalty (NSR) which is payable upon production to (JMT), the Company's local exploration partner. The NSRs are 2% for the first two years of the mine's life once commercial production commences, 1.5% for the next two years, and 1% thereafter for the life of the mine. In addition, there are NSRs payable to the Government of Tanzania upon commercial production of 3% for gold and 5% for diamonds. As a result of the requirement to shed ground at each renewal point, and as the Company was re-applying for the shed ground, there are now two prospecting licences covering 16.84 sq km: PL 6507/2010 (8.06 sq km) and PL 4086/2006 (8.78 sq km). Five re-applications have been submitted which total 48.09 sq km. All the Licences are in good standing which includes the payment of fees and rent, and the submission of quarterly reports.

The Licences are located in the Shinyanga gold-diamond district in northwest Tanazania,150 km southeast of Lake Victoria. The property is underlain by rocks of the Nyanzian system, a 2.6 to 2.9 Ga old greenstone complex, consisting of largely mafic volcanic lavas and tuffs and immature sediments surrounded by granite. These rocks have been subjected to low-grade greenschist facies metamorphism. On the property, the sediments include narrow (1-2m wide) banded iron formation (BIF) recrystallized cherts**,** phyllites, black pelites and some conglomerate. This greenstone/granite terrain is found mainly within 300km of the southern and southeast shores of Lake Victoria. Locally the stratigraphy generally strikes at 40° northeast and dips steeply west at around 80° with a regional structural overprint that strikes north-south, north northeast, and east southeast. Several dolerite dykes that parallel stratigraphy and are locally magnetic intrude the volcanic rocks. Narrow high-grade auriferous quartz veins, ranging from 5cm to 10cm in width are found in the sediments and the volcanics; they strike 035° and dip between 75-85° west.

Previous work focused on diamonds and gold. In 1940, Dr. J.T. Williamson, a Canadian, discovered the Williamson "diamond" Mine which is located 25km northeast of the property. In the 1980s, local prospectors discovered gold showings on the property. In 2003, on behalf of the Company, Fugro Airborne Surveys completed magnetic and radiometric surveys and Watts Griffis and McOuat Limited (WGM) completed ground geological, geochemical and geophysical surveys over the "diamond" airborne targets and the Itilima (ITZ) and Chanya (CSZ) gold-bearing shear zones. Of the eighty-three airborne magnetic circular features that were identified as potential kimberlite targets, two (K1 and K2) were selected for more detailed exploration.

In 2004, WGM supervised the drilling of the ITZ and CSZ, and the K1 and K2 airborne targets. WGM conducted a 14-hole, 1,345m reverse circulation (RC) drilling program from March 20 to April 8, 2004.

Nine holes tested the 1.5km long ITZ, three holes the CSZ and three holes obtained composite samples from the K1 and K2 targets.

At the ITZ, drilling results were mixed as most of the RC holes intersected phyllite rather than the more favoured host the felsic volcanics. The best gold assay returned 6.08 g/t Au over a core length of 1.0 m in RC drill hole ITRC-5. The more central holes in the zone ITRC-1,-2,-5 and -6 which covered a strike length of 400m intersected the most continuous low values. Hole ITRC intersected 11m of 5-10% quartz that averaged 0.50g/t Au with a cut-off of 0.10g/t Au. None of the high gold values obtained by the surface grab sampling in 2003 (those in excess of 40 g/t Au) were repeated during this program.

In general the background grades of the core drilling were similar to the RC drilling. This follow-up drilling proved that the Itilima Shear had a mineralised strike length of approximately 400m.

The Company plans to continue exploration on the Itilima project.

(a-ii) Itilima Diamond Project (PL6507/2010 and PL4086/2008)

The Itilima Diamond Project includes the Itilima Gold Project (as described above) and is located in Archean geology within the Shinyanga Kimberlite Field. The property is located 25 km south of the Mwadui Williamson Open Pit Diamond Mine which was previously operated by the De Beers Diamond Company. As described above, the original Prospecting license PL 1406/99 was reduced twice by "shedding" over the years in 2002 and 2004 to a total area of 16.8sq km.

Of the 83 circular targets identified by the Fugro Airborne magnetic and radiometric survey in 2003, nine targets were identified as high priority. Of these, two (K1 and K2) were identified as first priority targets and were drilled in April 2004 using reverse circulation drilling. The results showed the presence of small micro diamonds. The petrographic work, diamond selection and chemical analyses were done by SGS Lakefield Research Laboratories in Ontario, Canada. The Company plans to do more work on these "kimberlite" targets and is seeking a partner to develop the diamond potential of the Itilima project. In this regard, the Company has set up a subsidiary private company registered in Ontario, Canada (Mara Diamond Company Ltd.) to develop the diamond potential on the Itilima Diamond Project.

In June, 2010, Dr. Mathew Field, a Qualified Person within the meaning of NI 43-101, completed a desktop study titled "An Assessment of the Diamond Potential of the Itilima Property, Tanzania". The Report is filed on the SEDAR website.

(b) Vukene Gold Project (Bukene Property) (PL6492/2010)

The Company acquired the property in 2007, which then consisted of 752.3sq km. In 2010, the Company was granted prospecting licences PL6492/2010, which after "shedding" the property now totals 197.92 sq km under the name Bukene property. It is located in the Vukene South area of the Nzega District. The Licence is in good standing and is located 135km south west of Shinyanga where the Company's office is located. The Company's interest in Bukene property is through its subsidiary company in Tanzania – the Manonga Minerals Limited.

The property is located in the Nzega Greenstone Belt, which consists of felsic and mafic volcanics intercalated with minor BIF, which has been intruded by granitic batholiths. The Canuk Mine is located 30km north of the property; and, in 1953, 34,100 tonnes were mined at a grade of 5.8g/t Au. According to the regional mapping by the Geological Survey, the original property was divided into West, Central and East parts. The West part is underlain by biotite granite and porphyritic biotite granite; the Central part by porphyritic and biotite granite in contact with northwest striking greenstones; and the East part by granite with a thick covering of laterite. The East part is on strike with the Canuk Mine which strikes north by north east.

In late 2007, the Company conducted reconnaissance geological mapping and MMI sampling at a spacing of 1000 metres by 1000 metres. Eight hundred and twenty-eight (828) samples were analyzed for Au, Ag, Ni, Pd and Co. Five large Au anomalies were located in the East half of the property. The anomalies are generally 2-4km in length and trend mainly north south.

(c) Lwenge Gold Project (PL3212/2005)

In 2007, the Company acquired the Lwenge property in Tanzania. Prospecting Licence (PL) 3212/2005 is 12.80sq km. Two re-applications have been made totalling 25.67sq km - HQ-P-18296 (12.8sq km) and HQ-P 21688 (12.87sq km). Part of this property was shed and in 2011, the company was granted a portion of the original license totaling 12.8 square kilometres (PL 6969/2011). The remaining licence is under review and a decision is expected in early March, 2012. The Licences are located in the Geita district in the Lake Victoria Gold Fields Area approximately 70km west of Mwanza, the second largest city in Tanzania. The Company owns 90% of the Licence through its subsidiary in Tanzania – the Midlands Minerals (T) Limited. The Geita greenstone belt has been a target for gold exploration since 1913. The Geita Mining Kukuluma gold prospect explored by Samax in 1999 is adjacent to the property.

The Archean Geita belt is underlain by sediments (BIF, banded chert and mudstone) and mafic and felsic volcanics which were later subjected to tectonic and metamorphic events and then intruded by granite. Isoclinal folds that plunge northwest and north by northwest are accompanied by shearing and faulting along fold planes.

In the second quarter of 2008, the Company completed reconnaissance mapping and sampling. The Licence is underlain by K-feldspar granite, which is intruded by hornblende granite and aplite dykes. In the Belt, gold is found at the contact of intrusive bodies with felsic tuffs and BIF.

(d) Kishapu Gold-Diamond Project (PL5482/2008)

In 2008, the Company was granted prospecting licence, (PL) 5482, which was 38.26 sq km in size and is located in Kishapu District. In December 2011, 50% of the property was shed and the licences for the remaining portion of 19.125 sq km were renewed till December 30, 2014. The project is located 50km east northeast of Shinyanga.

The Licences are underlain by mica granite, which is intruded by medium- to coarse-grained leuco-granite, felsic and pegmatite dykes, ultramafic intrusives and kimberlite pipes. The focus of the exploration is gold even though diamond artisan workings have been located. The kimberlite bodies are sheared serpentinized ultramafics. Quartz veins have been located and are orientated in north south, east west and northwest directions.

In March 2010, the Company completed 14 lines of MMI soil sampling at a spacing of 500m by 200m to collect 410 samples. One 1.5km by 1.3km anomaly with coincident Cu-Pb-Zn-Ag-Au occurs near the south boundary. It has the following maximum MMI Response Ratios: Cu (8), Ag (21) Au (28) Pb (78) and Zn (92).

(e) Lalago Gold Project (PL 5481/2008)

In 2008, the Company was granted prospecting licence (PL) 5481, which is 153.51sq km and is located 80km northeast of Shinyanga. In December 2011, 50% of the property was shed and the licences for the remaining portion of 77 sq km were renewed till December 30, 2014.

The Licence is underlain mainly by biotite-rich granite and gneiss that is intruded by mafic intrusives and pegmatite dykes. Quartz veins have been located and are orientated in north-south, east-west and north-west directions.

In March, 2010, the Company completed 37 lines of MMI soil sampling at a spacing of 400m by 400m (over greenstone) and 800m by 400m (over granite) to collect 608 samples.

A 2km sq. Cu-Ni-Ag-Zn-Pb coincident anomaly was defined in the northwest part of the Licence. Nine of the Zn samples range from 45 to 280 times the MMI Response Ratio. This is part of a 6km long northwest striking Cu and Zn trend that may have base metal potential. One Au sample, which analyzed 64 times the Response Ratio, will require additional sampling.

(f) The Kilindi Gold Properties

Four non-contiguous Prospecting Licences (PL) make up the Kilindi Gold Properties, which are to the south and west of the Handeni Project of Canaco Resources Inc. These Licences are Tamota (PL 6703/2008) Mziha East (PL 6719/2010), Turiani East (PL 6703/2010) and Ruanda (PL6721/2010). The Kilindi gold properties are located 170km northwest of Dar es Salaam. During December, 2010 numerous artisans workings were located on the properties during reconnaissance mapping and prospecting.

The properties occur in the Pan Africa Proterozoic Mozambique Belt (PAPMB) where the PAPMB stretches from the Red Sea to Mozambique. The Tanzanian part of the PAPMB lithological units consist of psamitic and pelitic meta-sediments and crystalline marble derived from an older Archean craton called the Tanzanian Craton. The Ubendian Mobile Belt is on the western margin of the Tanzania Craton and the Usagaran Mobile Belt is on the eastern margin. These sediments have been tectonically pushed against the stable craton rocks by the Eastern Africa rifting on both sides of the craton and were then uplifted, faulted, folded, sheared and intruded by younger magmatic bodies. This resulted in partial melting and re-crystallization which metamorphosed the rocks to the amphibolite and to lower granulite facies.

(f-i) Tamota Gold Property (PL 5068/2008)

The Tamota Licence includes 174.95sq km. The terrain ranges from flat to low rolling in the valleys and flood plains to vertical rock faces on high hills, a vertical distance of 300m. The property is underlain by quartzites and mica schists/gneisses that are intruded by pegmatites and diorite dykes. Foliation generally trends in two directions north west and north east. Within the mica schists in the north part of the property, foliation strikes east west and east by southeast. Folding was observed in outcrops.

In 2011, the company obtained the Tamotoa East Property (PL 7254/2011), situated in the Handeni district with a total area equaling 70.97 square kilometres. This property lies adjacent to the southeast corner of the Tamota Property (PL 5068/2008).

The Company's interest is through its subsidiary company in Tanzania – the Midlands Minerals (T) Limited.

(f-ii) Mziha East Gold Property (PL 6719-2010)

The Licence includes 73.09 sq km. The terrain is predominantly flat to low rolling hills. Streams tend to be deep drainage incisions. Within the PL boundaries of Mziha East, three abandoned artisinal sites are located. Extensive artisanal mining occurs immediately south of the Licence. This mining area, dormant during the dry season, follows a NNE trending dry drainage channel located along a V-shaped valley with narrow floodplain (25m to 50m wide). Approximately 75 to 100 pits and shafts were observed ranging in depth from 1m to 8m. The target of the artisinal miners is a gold-bearing alluvial gravel horizon at or near bedrock.

(f-iii) Turiani East Gold Property (PL 6721-2010)

The Turani East Licence includes 194.51sq km and is located in the Mvomero district. Terrain is essentially flat with very low relief in the west central area of the PL where there is a high concentration of sugar cane cultivation and tree farming (i.e. teak, eucalyptus) in an area of brown soils and sparse granitic float and outcrop. Moving east the terrain becomes low to moderate rolling hills combined with a transition to orange red brown soils and intermediate to mafic float and outcrop. Bedrock exposure of gneisses consisting of quartz, feldspar, tourmaline, biotite, garnet and hornblende are strongly foliated in a predominantly northwest direction.

The Company's interest is through its subsidiary company in Tanzania – Manomero Minerals Limited.

(f-iv) Ruanda Gold Property (PL6703/2010)

In 2010, one prospecting licence in the Bagamoyo District was granted to the Company. PL6703/2010 is 157.87sq km in size. The Licence is in good standing.

The Company's interest is through its subsidiary company in Tanzania – Manomero Minerals Limited.

(f-v) Sengerema

In 2010, the company was awarded 100% of the Sengerema prospecting license PL 6569/2010 and totals 185.89 square kilometres. This property lies east of Lwenge license and touches the northwest portion of the Geita License, Sengerema is located northeast of the Geita Gold Mine in the Geita District.

The Company's interest is through its subsidiary company in Tanzania – the Midlands Minerals (T) Limited.

(f-vi) Geita

In 2010, the company acquired a new 34.13 square kilometres prospecting license (PL 6571/2010) for the Geita property. This license is located northeast of the Geita Gold mine in the Geita District.

Midlands' interest is through its subsidiary company in Tanzania – the Midlands Minerals (T) Limited and it is 100% owned by the Company.

(f-viii) Mvomero

In 2012, the Company acquired the Mvomero prospecting license and lies adjacent to the northern boundary of the East Turiani prospecting license. It is approximately 200 square kilometres in size.

(f-ix) Bagomoyo

In 2011, the Bagamoyo prospecting license PL 7255/2011 was acquired by the Company. The property is located in the Bagamoya district and its 198.89 square kilometres in size.

The Company's interest is through its subsidiary company in Tanzania – Manomero Minerals Limited.

RESULTS OF OPERATIONS

For the year ended December 31, 2011, the Company's net loss was $5,468,452 as compared to a net loss of $8,174,170 for year ended December 31, 2010. The major variance in costs relate to the following 3 categories:

1. Exploration and evaluation expenditures
2. Share-based compensation

3. Salaries and benefits.

Explanations of the significant changes for the year ended December 31, 2011 compared to the year ended December 31, 2010 are as follows:

1. Exploration and evaluation expenditures decreased from $4,914,194 in 2010 to $ 2,216,074 in 2011. The decrease attributable to significant exploration and development activities in 2010 including drilling on the Sian and the Kaniago properties in Ghana as well as geochemistry soil surveys on projects in Tanzania1.

2. Share-based compensation costs decreased from $1,892,210 in 2010 to $443,700 in 2011. Based on the stock price, exercise price, volatility and other market conditions, the estimated fair value of the stock options issued during the year 2010 was considerably higher than the fair value of options issued during 2011.

3. Salaries and benefits increased form $422,138 in 2010 to $906,112 in 2011. In 2011, the Company made one-time severance payments to senior officers and employees of the Company as it closed its Toronto administrative office and outsourced its financial, administrative and corporate secretarial requirements to RG Mining Investments Inc. (see Related-party Transactions section of this MD&A).

LIQUIDITY AND CAPITAL RESOURCES

The working capital as at December 31, 2011 was $4,522,178 as compared to $3,504,765 as at December 31, 2010.

Cash flow from operating activities for the year ended December 31, 2011 was ($5,552,472). This operating loss was funded by the issuance of common shares (net of cash issuance costs) for consideration of$ 6,334,135, and the exercise of warrants raising $81,219.

The Company's priority projects are located in Ghana where 90% of the total amount raised by the Company is being spent on exploration and development of minerals properties on the Ashanti Belt. The priority projects are Sian, Praso and Kaniago.

EQUITY FINANCING CLOSED IN 2011

During the third quarter of 2011, the Company closed a private placement offering (the "Offering") of 91,250,000 units priced at $0.08 per Unit, for gross proceeds of $7.3 million. Each Unit consisted of one common share of the Company and one common share purchase warrant. Each warrant would entitle the holder to acquire one Common Share at a price of $0.10 for a period of 24 months after the closing date.

In connection with the private placement, the Company paid issuance costs of $965,865 comprising commissions, legal and regulatory fees and issued 4,860,000 compensation options (each an "Agent Compensation Unit"). Each Agent Compensation Unit is exercisable into a Unit at a price of $0.08 for a period of twenty-four months from the date of issue.

The Company valued the Warrants and the Common Share Agent Units using the Black Scholes Option Pricing Model with the following weighted-average assumptions: risk-free interest rate of 1.06%, expected dividend yield of 0%, expected stock price volatility of 119.9%, and expected life of 24 months.

USE OF OFF-STATEMENTS-OF-FINANCIAL-POSITION ARRANGEMENTS

With the exception of the Company's right to accelerate the expiration of warrants issued as part of various financings, the Company has not entered into any specialized financial agreement to minimize its investment, currency or commodity risk. There are no off-statements-of-financial-position arrangements, such as a guarantee contract, contingent interest in assets transferred to an entity, derivative instruments obligations and or any obligations that trigger financing, liquidity, market or credit risk to the Company.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The Company does not have any commitments, or contractual obligations, long-term debt, capital lease obligations, or purchase obligations, other than leases which are part of day to day corporate business activities such as an office rental lease and leased equipment.

RELATED-PARTY TRANSACTIONS

During the Year ended December 31, 2011, $62,000 (2010 - $Nil) was paid to RG Mining Investments Inc. ("RGMI") with regard to management fees paid or payable in the provision of the services of Stephen Gledhill and Leslie Haddow as Chief Financial Officer and Corporate Secretary, respectively. RGMI is beneficially owned by Stephen Gledhill and Nick Tintor (the Company's Chairman). The RGMI agreement runs until September 30, 2012, with automatic renewals for successive 12-month periods unless terminated by either party on 60 days' written notice.

During the year ended December 31, 2011, $42,575 (2010 - $179,816) was paid to the Company's former CFOs with regard to management consulting fees paid or payable in the provision of the services of Rakesh Molhotra and Paul Singer as Chief Financial Officer of the Company.

During the year ended December 31, 2011, $159,000 (2010 - $Nil) was paid to BayFront Capital Partners ("BCP") with regard to Management fees and other administrative expenses including travel and marketing. Rob Chalmers, the Company's former, acting CEO, is a Principal of BCP.

During the year ended December 31, 2011, $1,878,125 (2010 - $253,728) was paid or payable to current or former officers and/or directors, or companies controlled by them, with regard to office and administrative expenses, professional fees, capitalized financing fees and salaries and benefits to key management personnel (including directors).

During the year ended December 31, 2011, officers and directors received share-based compensation (non-cash) of $377,500 (2010 – $1,157,420).

These transactions were in the normal course of operations and were measured at fair value or the exchange amount, which is the amount of consideration established and agreed to by the related parties.

PROJECT UPDATES

Under the guidance of new management, Midlands' goal is to develop an economic gold resource as cost effectively as possible. The proceeds of the completed offering during the year has been and will continue to be used to finance the next phase of activity of the mineral exploration programs described below.

Kaniago, Ghana

The Company has completed a 9,519 meter RC drill program at the Kaniago Project on the Asankrangwa Belt in Ghana.

This program began in March 2011 and targeted three of the eight soil anomalous zones within this project area. The program's objective was to test the three anomalies striking for 900 meters to 1272 meters. Midlands is awaiting assay results from two of its target zones, the Kaniago West and Mmooho. Core drilling is planned for January 2012 after evaluating the results from the 9,519 meter drill program.

In September 2011, a 50 x 100 meter an infill soil sampling program was executed over the Kobinaso target zone to delineate this anomalous zone.

In November 2011, the Company commenced a 2,000 meter trenching and pitting program on Kaniago West and Mmooho and the two new target areas named Kobinaso and Kampese. The objective of this program was to assess the local structural trends, to gain insight into the geology of the region and to test geochemical soil and geophysical anomalies.

Sian/Praso, Ghana

The Company intends to continue exploring the Sian/Praso Project located at the northeastern part of the Ashanti Belt in Ghana. Midlands' access to the project has been impacted since June 2011 by various aggressive actions from the minority joint venture partner (35%) who misinforms and misleads the community against the company. The Company has conducted extensive community relations programs to inform and educate the community in the process of exploration to mining.

This project has a NI 43-101 qualified resource tabulated in 2008 with 192,400 oz Au at an average grade of 2.33 g/t Au in the indicated category and 203,350 oz Au at an average grade of 2.35 g/t Au in the inferred category. A significant amount of resource drilling has been completed subsequent to the resource estimate and the Company plans to update the NI 43-101 resource estimate during 2012.

During 2012, with safe access, the Company plans to relog the deposit to facilitate a modelling of the structural conduits that host the mineralization. This structural re-evaluation will provide a better understanding of the deposit and will vector further exploration and resource drilling. The 3D geological model will also be used to provide a framework to update the NI 43-101 resource estimate. Ten thousand meters of drilling will be contracted for the next round of drilling.

Tanzania

The Company has increased its number of exploration properties from 11 to 22 permits in Tanzania, East Africa. These projects are located within the Geita-Bulyanhulu-Itilima-Sekenke Trend and the Kilindi-Handeni Trend. In October and November 2011 two of Midlands' technical team members conducted site visits to the Itilima and new Kilindi permits to assess the gold potential of the area and collect samples for assay.

The permits appear prospective as they not only contain artisanal alluvial gold miners but also contain garnet-amphibolite gneisses with quartz and quartz-feldspar-kyanite veining and banded iron formation. These rock types are also found on Canaco's neighbouring Handeni resource.

The Company will review its exploration strategy in Tanzania in early 2012 to focus its exploration spend effectively on the highest priority targets. The Company may consider joint venture opportunities to conserve its cash and expand its capacity to achieve it work obligations on this large and prospective portfolio.

CAPITAL STOCK

The following table sets forth information concerning the outstanding securities of the Company as at April 27, 2012:

Common Shares of no par value	Number
Shares	194,228,231
Warrants	112,505,694
Agent Compensation Units	7,080,000
Options	16,996,465

See note 13 to the Financial Statements for more detailed disclosure of the Company's outstanding securities as at December 31, 2011 and 2010.

FINANCIAL INSTRUMENTS

Fair value

The Company has, designated its cash and cash equivalents and short-term investments as FVTPL, which are measured at fair value. The Company's marketable securities have been classified for accounting purposes as available-for-sale, which are measured at fair value. Trade and other receivables are classified for accounting purposes as loans and receivables, which are measured at amortized cost which equals fair value. Trade and other payables are classified for accounting purposes as other financial liabilities, which are measured at amortized cost, which also equals fair value. Fair values of trade and other receivables and trade and other payables are determined from transaction values which were derived from observable market inputs. Fair values of other financial assets are based on Level 1 measurements and the remaining financial instruments are based on Level 2 measurements.

As at December 31, 2011, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent due to the relatively short periods to maturity of these investments.

Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subject to and involve uncertainties and matters of significant judgment, therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

RISK FACTORS

The Company is a mineral exploration and development company and is exposed to a number of risks and uncertainties that are common to other companies in the same business. These risks and uncertainties include exploration, development, commodity, operating, ownership, political, funding, currency and environmental risk.

Exploration and development

Mineral exploration and development involves several risks which experience, knowledge and careful evaluation may not be sufficient to overcome. Large capital expenditures are required in advance of anticipated revenues from the Company's operations.

Many exploration programs do not result in the discovery of an economic deposit. The commercial viability of exploiting any precious metal deposit is dependent on a number of factors including infrastructure and governmental regulation, in particular those relating to the environment, taxes, and royalties. No assurance can be given that minerals will be discovered of sufficient quality, size and grade on any of the Company's properties to justify a commercial operation.

Uncertainty of reserve and resource estimates

The mining business relies upon the accuracy of determinations as to whether a given deposit has significant mineable reserves. This reliance is important in that reported mineral reserves and resources are only estimates and do not represent any certainty that the estimated mineral reserves and resources will be recovered. Market fluctuations in the price of metals, as well as increased production costs or reduced recovery rates, may render certain mineral reserves and resources uneconomic.

Political

Political and related legal and economic uncertainties exist in countries where the Company operates. Risk of foreign operation in these countries may include political unrest, corruption, war, civil disturbances and terrorist actions, arbitrary changes in the law or policies, changes to governmental regulation, foreign taxation, price and currency controls, delays in obtaining, or the inability to obtain, necessary governmental permits, opposition to mining from environmental or other non-governmental organizations, limitations on foreign ownership, limitation on the repatriation of earnings, limitation on gold exports and increased financing costs. These risks may limit or disrupt the Company's activities.

Future financing

Continued development of the Company's properties will require significant financial resources. As such, the Company needs to raise significant financing. Failure to obtain such additional financing at critical times could lead to delay and indefinite postponement in the exploration and development of the Company's projects. There is no assurance that such funding will be available or that it will be obtained on favourable terms.

Lack of operating profit

The Company has incurred operating losses on an annual basis, for a number of years, arising from administrative costs related to continued exploration and development of mineral resources properties. It is anticipated that the Company will continue to experience operating losses for the foreseeable future. There can be no assurance that the Company will ever achieve significant revenues or profitable operations.

Precious metal price

The price of precious metals can fluctuate widely and is affected by numerous factors including demand, inflation, strength of the US dollar and other currencies, interest rates, gold sales by the central banks, forward sales by producers, global or regional political or financial events, and production and cost levels in major producing regions. In addition, the gold price is sometimes subject to rapid short-term changes because of speculative activities.

Even if the Company discovers commercial amounts of precious metals on its properties, it may not be able to place the property into commercial production if precious metal prices are not at sufficient levels.

Currency

A substantial portion of the Company's activities is expected to be carried on outside Canada. Such activities are subject to risk associated with the fluctuation in the rate of exchange of the Canadian dollar and foreign currencies.

Environmental and permitting

All aspects of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations, among other things, mandate the maintenance of air and water quality standards, land reclamation, transportation, storage and disposal of hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors, and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

Acquisition

The Company uses its best judgment to acquire mining properties for exploration and development. In pursuit of such opportunities, the Company may fail to select appropriate acquisition candidates or negotiate acceptable agreements, including arrangements to finance the acquisitions and development, or integrate such opportunity and their personnel with the Company. The Company cannot assure that it can complete any acquisition that it pursues or is currently pursuing, on favourable terms, or that any acquisition completed will ultimately benefit the Company.

Competition

The mining industry is intensely competitive in all of its phases, and the Company competes with many companies possessing greater financial resources and technical facilities than the Company. Competition in the mining business could adversely affect the Company's ability to acquire suitable producing properties or prospectus for mineral exploration in the future.

Segregation of duties

Segregation of duties is a basic, key internal control and one of the most difficult to achieve in a small company. It is used to ensure that errors or irregularities are prevented or detected on a timely basis by employees in the normal course of business. Due to the Company's small size and limited resources, a complete segregation of duties within the Company's accounting group cannot be fully achieved. The result is that the Company is highly reliant on the performance of mitigating procedures during the process of closing its financial statements in order to ensure the financial statements are presented fairly in all material respects. Management will identify and hire additional accounting resources where cost effective and when required. Where it is not cost effective to obtain additional accounting resources, management will review existing mitigating controls and, if appropriate, implement changes to its internal control processes whereby more effective mitigating controls will be adopted.

Key personnel

The success of the Company depends to a large extent upon its abilities to retain the services of its senior management and key personnel. The loss of the services of any of these persons could have a materially adverse effect on the Company's business and prospects. There is no assurance the Company can maintain the services of its directors, officers or other qualified personnel required to operate is business.

ICFR (Internal control over financial reporting)

Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation.

STATUS OF MIDLANDS'S TRANSITION TO IFRS

Transition to IFRS from Canadian GAAP

In February 2008, the Canadian Accounting Standards Board confirmed that Canadian publicly accountable enterprises will be required to adopt IFRS for financial periods beginning on and after January 1, 2011.

The Company has adopted IFRS with an adoption date of January 1, 2011 and a transition date of January 1, 2010.

IFRS Conversion

The Company's IFRS conversion plan was comprehensive and addressed matters including changes in accounting policies, restatement of comparative periods, organizational and internal controls and any required changes to business processes. To facilitate this process and ensure the full impact of the conversion was understood and managed reasonably, the Company hired an IFRS conversion project manager. The accounting staff attended several training courses on the adoption and implementation of IFRS. Through in-depth training and the preparation of reconciliations of historical Canadian GAAP financial statements to IFRS, the Company believes that its accounting personnel have obtained a thorough understanding of IFRS.

In conjunction with the adoption of IFRS the Company has confirmed that its existing accounting system satisfies all the information needs of the Company under IFRS. The Company has also reviewed its current internal and disclosure control processes and believes they will not need significant modification as a result of our conversion to IFRS.

Impact of IFRS

IFRS employs a conceptual framework that is similar to Canadian GAAP; however significant differences exist in certain matters of recognition, measurement and disclosure. While the adoption of IFRS will not change the actual cash flows of the Company, the adoption will result in changes to the reported financial position and results of operations of the Company. In order to allow the users of the financial statements to better understand these changes, we have provided the reconciliations between Canadian GAAP and IFRS for the total assets, total liabilities, shareholders equity and net earnings in Note 3 to the annual consolidated financial statements. The adoption of IFRS has had no significant impact on the net cash flows of the Company. The changes made to the statements of financial position and comprehensive income have resulted in reclassifications of various amounts on the statements of cash flows, however there has been no change to the net cash position.

In preparing the reconciliations, the Company applied the principles and elections of IFRS 1, with a transition date of January 1, 2010. As the Company has adopted IFRS effective January 1, 2010, it applied the provisions of IFRS 1 as described under the section entitled "Initial Adoption – IFRS 1", with a January 1, 2010 transition date. The Company also applied IFRS standards in effect at December 31, 2011 as required by IFRS 1.

Initial Adoption of International Accounting Standards

IFRS 1 ''First Time Adoption of International Accounting Standards'' sets forth guidance for the initial adoption of IFRS. Under IFRS 1 the standards are applied retrospectively at the transitional date of the statement of financial position with all adjustments to assets and liabilities as stated under Canadian GAAP taken to retained earnings unless certain exemptions are applied. The Company has chosen to take the following exemptions under IFRS 1:

- to apply the requirements of IFRS 3, *Business Combinations,* prospectively from the transition date;
- to apply the requirements of IFRS 2, *Share-based payments*, only to equity instruments granted after November 7, 2002 which had not vested as of the transition date; and
- to transfer all foreign currency translation differences, recognized as a separate component of equity, to deficit as at the transition date including those foreign currency differences which arise on adoption of IFRS.

Comparative Information

The Company has restated all prior period figures in accordance with IFRS.