Midlands Minerals
TSX-V:MEX

Unaudited Interim
Consolidated Financial Statements

As at and for the three and nine months ended

September 30, 2012 and 2011

NOTICE TO READER

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of management. The unaudited interim consolidated financial statements as at and for the three and nine months ended September 30, 2012 and 2011 have not been reviewed by the Company's auditors.

MANAGEMENT'S RESPONSIBILITY FOR UNAUDITED INTERIM CONSOLIDATED FINANCIAL REPORTING

The accompanying unaudited interim consolidated financial statements of Midlands Minerals Corporation (the "Company") are the responsibility of the management and Board of Directors of the Company.

The unaudited interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited interim consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 Interim Financial Reporting of International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the unaudited interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

“Craig Pearman”
Chief Executive Officer
November 21, 2012

“Stephen Gledhill”
Chief Financial Officer
November 21, 2012

Midlands Minerals Corporation
Unaudited Interim Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

As at	**September 30, 2012**	December 31, 2011
	$	$
Assets		
Current assets		
Cash and cash equivalents *(note 6)*	**633,355**	4,386,147
Short-term investments *(note 7)*	**905,091**	30,000
Other receivables and prepaid expenses *(note 8)*	**23,916**	377,907
Available-for-sale investments *(note 9)*	**42,500**	170,600
Total current assets	**1,604,862**	4,964,654
Non-current assets		
Property, plant and equipment *(note 2)*	**29,262**	-
Total non-current assets	**29,262**	-
Total assets	**1,634,124**	4,964,654
Liabilities		
Current liabilities		
Trade payables and accrued liabilities *(note 10)*	**73,626**	442,475
Total current liabilities	**73,626**	442,475
Shareholders' equity		
Share capital *(note 11)*	**18,199,531**	18,199,531
Reserve for warrants	**2,768,502**	5,347,636
Reserve for share-based payments	**10,934,539**	8,240,955
Deficit	**(30,441,012)**	(27,476,969)
Available-for-sale reserve	**62,813**	174,900
Equity attributable to owners of parent company	**1,524,373**	4,486,053
Non-controlling interests	**36,125**	36,125
Total shareholders' equity	**1,560,498**	4,522,178
Total liabilities and shareholders' equity	**1,634,124**	4,964,654

Going Concern *(note 1)*
Related-party transactions *(note 12)*
Subsequent event *(note 16)*

Approved by the Board on November 21, 2012:

"Nick Tintor"
Director

"Mark Keatley"
Director

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

Midlands Minerals Corporation
Unaudited Interim Consolidated Statements of Loss

(Expressed in Canadian dollars-except weighted average number of shares outstanding)

	Three Months Ended		Nine Months Ended	
	September 30, 2012	September 30, 2011	**September 30, 2012**	September 30, 2011
	$	$	**$**	$
OPERATING EXPENSES				
Amortization	**1,540**	6,103	**1,540**	8,499
Exploration and evaluation expenditures *(note 13)*	**347,647**	663,312	**1,711,674**	1,557,655
Office and administrative expenses	**169,295**	81,319	**554,296**	526,915
Professional fees	**81,796**	165,043	**184,753**	479,547
Salaries and benefits	**40,076**	44,746	**280,727**	758,300
Share-based compensation *(note 11)*	**56,100**	-	**114,450**	36,063
Shareholder information	**(1,301)**	43,543	**112,134**	363,821
Total operating expenses	**695,152**	1,004,066	**2,959,575**	3,730,800
Loss before undernoted items	**(695,152)**	(1,004,066)	**(2,959,575)**	(3,730,800)
Interest income	**158**	20,202	**20,286**	35,155
Foreign exchange gain (loss)	**(13,128)**	(174)	**(8,741)**	(342)
Loss before taxes	**(708,122)**	(984,038)	**(2,948,030)**	(3,695,987)
Deferred income tax (recoveries)	**500**	(20,274)	**(16,013)**	(20,275)
Net loss attributable to owners of parent company	**(707,622)**	(1,004,312)	**(2,964,043)**	(3,716,262)
Basic and fully-diluted loss per common share	**0.00**	(0.01)	**(0.02)**	(0.03)
Weighted average number of common shares outstanding(000's)	**194,228**	137,711	**194,228**	113,574

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

Midlands Minerals Corporation
Unaudited Interim Statements of Comprehensive Loss
(Expressed in Canadian dollars)

	Three Months Ended		Nine Months Ended	
	September 30, 2012	September 30, 2011	**September 30, 2012**	September 30, 2011
	$	$	**$**	$
Net loss	**(707,622)**	(1,004,312)	**(2,964,043)**	(3,716,262)
Other comprehensive loss:				
Unrealized loss on available-for-sale investments	**3,500**	(118,525)	**(112,088)**	(386,525)
	3,500	(118,525)	**(112,088)**	(386,525)
Total comprehensive loss attributable to owners of parent company	**(704,122)**	(1,122,837)	**(3,076,131)**	(4,102,787)
Comprehensive loss per share - basic and diluted	**(0.00)**	(0.00)	**(0.00)**	(0.00)

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

Midlands Minerals Corporation
Unaudited Interim Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)

	Share Capital		Reserves			Accumulated Other Comprehensive Income	Non-controlling interest	Total
	Number of Shares	Amount	Warrants	Share-based payments	Deficit			
		$	$	$	$	$	$	$
Balance at January 1, 2011	**102,436,771**	**14,614,869**	**4,679,683**	**5,634,516**	**(22,008,515)**	**569,000**	**36,125**	**3,525,678**
Private placement	91,250,000	7,300,000	-	-	-	-	-	7,300,000
Cost of issuance	-	(948,844)	-	-	-	-	-	(948,844)
Fair value of broker warrants issued	-	(340,200)	-	340,200	-	-	-	-
Fair value of warrants issued	-	(2,737,500)	2,737,500	-	-	-	-	-
Exercise of warrants	541,460	81,219	-	-	-	-	-	81,219
Reserve transferred on exercise of warrants	-	102,366	(102,366)	-	-	-	-	-
Reserve transferred on expiry of warrants	-	-	(78,633)	78,633	-	-	-	-
Share-based compensation	-	-	-	36,063	-	-	-	36,063
Unrealized loss on available-for-sale	-	-	-	-	-	(386,387)	-	(386,387)
Net loss for the period	-	-	-	-	(3,716,401)	-	-	(3,716,401)
Balance at September 30, 2011	**194,228,231**	**18,071,910**	**7,236,184**	**6,089,412**	**(25,724,916)**	**182,613**	**36,125**	**5,891,328**
Cost of issuance adjustment	-	(17,021)	-	-	-	-	-	(17,021)
Fair value of broker warrants adjustment	-	(3,519)	142,303	(138,784)	-	-	-	-
Fair value of warrants adjsutment	-	111,302	(111,302)	-		-	-	-
Reserve transferred on exercise of warrants	-	36,859	(36,859)	-	-	-	-	-
Reserve transferred on expiry of warrants	-	-	(1,882,690)	1,882,690	-	-	-	-
Share-based compensation	-	-	-	407,637	-	-	-	407,637
Unrealized loss on available-for-sale	-	-	-	-	-	(7,713)	-	(7,713)
Net loss for the period	-	-	-	-	(1,752,053)	-	-	(1,752,053)
Balance at December 31, 2011	**194,228,231**	**18,199,531**	**5,347,636**	**8,240,955**	**(27,476,969)**	**174,900**	**36,125**	**4,522,178**
Reserve transferred on expiry of warrants	-	-	(2,579,135)	2,579,135	-	-	-	-
Share-based compensation	-	-	-	114,450	-	-	-	114,450
Unrealized loss on available-for-sale	-	-	-	-	-	(112,088)	-	(112,088)
Net loss for the period	-	-	-	-	(2,964,043)	-	-	(2,964,043)
Balance at September 30, 2012	**194,228,231**	**18,199,531**	**2,768,501**	**10,934,540**	**(30,441,012)**	**62,813**	**36,125**	**1,560,497**

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

Midlands Minerals Corporation
Unaudited Interim Consolidated Statements of Cash Flow

(Expressed in Canadian dollars)

Nine months ended	September 30, 2012	September 30, 2011
	$	$
Operating activities		
Net loss	**(2,964,043)**	(3,716,262)
Adjustments to reconcile net loss to cash flow from operating activities:		
Amortization	**1,540**	8,499
Deferred income tax recoveries	**16,013**	20,275
Share-based compensation	**114,450**	36,063
Non-cash dividend income	**-**	(20,000)
Net change in non-cash working capital items:		
Trade and other receivables	**353,991**	(157,785)
Trade and other payables	**(368,850)**	(667,934)
Cash used in operating activities	**(2,846,899)**	(4,497,144)
Financing activities		
Issuance of common shares	**-**	6,351,157
Exercise of warrants	**-**	81,219
Cash provided from financing activities	**-**	6,432,376
Investing activities		
Additions to property, plant and equipment	**(30,802)**	-
Sale (purchase) of short-term investments	**(875,091)**	-
Cash provided from (used in) investing activities	**(905,893)**	-
Net increase (decrease) in cash and cash equivalents	**(3,752,792)**	1,935,232
Cash and cash equivalents at beginning of year	**4,386,147**	3,553,265
Cash and cash equivalents at end of period	**633,355**	5,488,497

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

1. Nature of operations and going concern

Midlands Minerals Corporation and its 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 ("Midlands" or the "Company") is an exploration-stage, publically-traded Company incorporated in Ontario, Canada with the registered office address of 120 Adelaide Street West, Suite 2400, Toronto, Ontario, M5H 1T1. The Company is engaged in the evaluation and development of mineral properties in Tanzania and Ghana. The Company is considered to be in the early stages and has not yet determined whether these properties contain ore reserves that are economically recoverable. As the Company's assets are located outside of North America, they are subject to the risk of foreign investment, including increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and political uncertainty. In order for the Company to carry out its exploration and mining activities, the Company is required to hold certain permits. There is no assurance that the Company's existing permits will be renewed. Major expenditures are required to locate and establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site.

These unaudited interim consolidated financial statements (the "Financial Statements") have been prepared on the basis of accounting principles applicable to a going concern, which assume that Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. While the Company has been successful in securing financing in the past, there can be no assurance that it will be able to do so in the future. Accordingly, the Financial Statements do not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts that may differ from those shown in the Financial Statements.

The reader is also directed to review ***note 3 (ii)*** – ***Capital management – Liquidity risk***.

2. Basis of preparation and significant accounting policies

Basis of preparation

2.1 Statement of compliance

These interim unaudited consolidated financial statements, including comparatives, have been prepared in accordance with *International Accounting Standards 34 'Interim Financial Reporting'*.

The Financial Statements were approved by the Company's Board of Directors on November 21, 2012.

2.2 Basis of presentation

These interim consolidated financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's December 31, 2011, audited annual consolidated financial statements. The Financial Statements are presented in Canadian dollars, the Company's functional currency.

2.3 Adoption of new accounting standards and interpretations

The IASB issued a number of new and revised International Accounting Standards, International Financial Reporting Standards, and amendments that are effective for the Company's financial year beginning on or after January 1, 2013, except as indicated, with early adoption permitted.

- **IFRS 9 *'Financial Instruments: Classification and Measurement'*** – effective for annual periods beginning on or after January 1, 2015, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.

- **IFRS 10 '*Consolidated Financial Statements'*** – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

- **IFRS 11 '*Joint Arrangements'*** - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form.

- **IFRS 12 '*Disclosure of Interests in Other Entities'*** - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

- **IFRS 13 '*Fair Value Measurement'*** - provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy.

- **IAS 1 '*Presentation of Financial Statements'*** - the IASB amended IAS 1 with a new requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss.

- **IAS 28 '*Investments in Associates and Joint Ventures'*** - effective for annual periods beginning on or after January 1, 2013, as a consequence of the issue of IFRS 10, IFRS 11and IFRS 12, IAS 28 has been amended and will provide the accounting guidance for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The amended IAS 28 will be applied by all entities that are investors with joint control of, or significant influence over, an investee.

The Company has not early adopted these standards, amendments and interpretations. The Company is currently assessing what impact the application of the standards or amendments will have on the consolidated financial statements of the Company.

3. Capital management

The Company considers its capital to be its equity attributable to owners of the parent company, which is comprised of share capital, reserve accounts and accumulated deficit, which as at September 30, 2012 totaled $1,524,372 (December 31, 2011 - $4,486,053). The Company's capital structure is adjusted based on the funds available to the Company such that it may continue exploration and development of its properties for the mining of minerals that are economically recoverable. The Board of Directors does not establish quantitative return on capital criteria, but rather relies on the expertise of management and other professionals to sustain future development of the business.

The Company's properties are in the exploration and development stage and, as a result, the Company currently has no source of operating cash flow. The Company intends to raise such funds as and when required to complete its projects. There is no assurance that the Company will be able to raise additional funds on reasonable terms. The only sources of future funds presently available to the Company are through the exercise of outstanding stock options or warrants, the sale of equity capital of the Company or the sale by the Company of an interest in any of its properties in whole or in part. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during nine months ended September 30, 2012. The Company is not subject to externally imposed capital restrictions.

4. Financial instruments

Fair value

The Company has designated its cash and cash equivalents as FVTPL, which is measured at fair value. Other receivables and prepaids are classified for accounting purposes as loans and receivables, which are measured at amortized cost that approximates fair value. The Company's marketable securities have been classified for accounting purposes as available-for-sale, which are measured at fair value. Trade payables and accrued liabilities are classified for accounting purposes as other financial liabilities, which are measured at amortized cost, which also approximates fair value. Fair values of amounts receivable and accounts payable and accrued liabilities are determined from transaction values that 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 September 30, 2012, 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 and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

i) Credit risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The credit risk is attributable to various financial instruments, as noted below. The credit risk is limited to the carrying value amount carried on the statement of financial position.

a. **Cash and cash equivalents** – Cash and cash equivalents held with major Canadian banks and investment institutions have minimal risk of loss. The Company does keep cash with major banking institutions in Ghana and Tanzania. In Management's opinion, the risk of loss is also minimal with these institutions. Cash and cash equivalents held with foreign banks at September 30, 2012, totals $218,390 (December 31, 2011 - $211,991).

b. **Other receivables and prepaid expenses of $23,916** - The Company is not exposed to significant risk as $18,022 is from Canadian government regarding harmonized sales tax recoveries and $5,593 represents prepaid rent.

ii) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they become due. As at September 30, 2012, the Company had working capital of $1,531,236 (December 31, 2011 – $4,522,179). In order to meet its future working capital and property exploration expenditures, the Company intends on securing further financing to ensure that those obligations are properly discharged. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of the Company may change and shareholders may suffer additional dilution. If adequate financing is not available, the Company may be required to delay, reduce the scope of, or eliminate one or more exploration activities or relinquish rights to certain of its interests. Failure to obtain additional financing on a timely basis could cause the Company to forfeit some or all of its interests and reduce or terminate its operations therein.

iii) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, commodity prices and/or stock market movements (price risk).

a. Interest rate risk

The Company is not exposed to significant interest rate price risk due to the short-term nature of its monetary assets and liabilities. Cash not required in the short term, is invested in short to mid-term guaranteed investment certificates, as appropriate.

b. Currency risk

Although the Company's operations are conducted in Canadian dollars, it has entered into contracts and/or agreements that require payment in United States dollars, Ghanaian Cedi and the Tanzanian Shilling. Management believes that foreign currency risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

(Expressed in Canadian dollars)

c. Price risk

The Company holds the common shares of two TSXV-traded companies. The Company has classified these investments as available-for-sale and such common shares are subject to stock market volatility. The value of this financial instrument fluctuates on a daily basis due to external market factors that are not within the control of the Company. The Company monitors the trading value of these common shares in order to ensure that, if in the best interest of the Company, sale of the shares is made under favourable conditions.

5. Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a one year period:

The Company's investments are subject to fair value fluctuations. As at September 30, 2012, if the fair value of investments had decreased/increased by 50% with all other variables held constant, net comprehensive income (loss) for the nine months ended September 30, 2012 would have been approximately $21,250 (December 31, 2011 - $85,000) higher/lower. Similarly, as at September 30, 2012, reported equity would have been approximately $21,250 (December 31, 2011 - $85,000) lower/higher as a result of a 50% decrease/increase in the fair value of investments.

6. Cash and cash equivalents

The balance at September 30, 2012, consists of $633,355 (December 31, 2011 - $4,386,147) on deposit with major Canadian, Ghanaian and Tanzanian banks.

7. Short-term investments

As at September 30, 2012, short-term investments consist of guaranteed investment certificates of $905,091 (December 31, 2011 - $30,000), which bear interest at rates of 1.0% - 1.25% per annum and have a term between of 30 and 90 days.

8. Other receivables and prepaid expenses

The Company's other receivables arise from two main sources: Harmonized services tax ("HST") receivable due from government taxation authority and prepaid amounts to suppliers, employees. These are broken down as follows:

	September 30, 2012	December 31, 2011
	$	$
Prepaid expenses and deposits	**5,193**	208,612
HST	**18,322**	164,295
Interest receivable	**401**	-
Due from employees	**-**	5,000
Total other receivables and prepaid expenses	**23,916**	377,907

(Expressed in Canadian dollars)

9. Available-for-sale investments

Canaco Resources Inc. ("Canaco")

As at September 30 2012, the Company held 100,000 (2011 – 100,000) shares of Canaco, a company traded on the TSX Venture Exchange ("TSXV"). As at September 30, 2012, these available-for sale investments have been measured at their fair value of $38,500 (December 31, 2011 – $145,000). The impact to the consolidated financial statements of this revaluation to market value resulted in a nine-month decrease of $106,500 (2011 – increase in one year of $456,000) to the value of the investments with a corresponding decrease in accumulated other comprehensive income (loss) of $(106,500) (2011 – increase in one year $456,000).

Tigray Resources Inc. ("Tigray")

As at September 30, 2012, the Company held 20,000 Tigray shares (December 31, 2011 – 25,600) that it acquired through a spin-out transaction of Canaco, whereby it received 1 share of Tigray for every 5 shares of Canaco. Tigray shares commenced trading in the TSXV on August 31, 2011, and had a closing price of $1.00 on that day. As such, the shares were fair-valued at $20,000. On September 30, 2012, these available-for-sale investments were measured at their fair value of $4,000 (December 31, 2011 – $25,600). The impact to the consolidated financial statements of this revaluation to market value resulted in a nine-month decrease of $21,600 (2011 –increase during the year of $5,600) to the value of the investments with a corresponding decrease in accumulated other comprehensive income (loss) of $(21,600) (2011 – increase during the year of $5,600).

10. Trade payables and accrued liabilities

Trade payables and accrued liabilities of the Company are principally comprised of amounts outstanding for trade purchases relating to exploration activities and amounts payable for operating and financing activities. The usual credit period taken for trade purchases is between 30 to 90 days.

The following is an aged analysis of the trade payables and accrued liabilities:

	September 30, 2012	December 31, 2011
	$	$
Less than 1 month	**30,233**	1,810
30 - 60 days	**-**	-
61 – 90 days	**-**	-
Over 90 days	**4,197**	-
Total trade payables	**34,430**	1,810
Accrued liabilities	**39,196**	440,666
Total trade payables	**73,626**	442,476

(Expressed in Canadian dollars)

11. Capital stock

Share Capital

Midlands authorized share capital consists of an unlimited number of Common shares. The issued and outstanding share capital is as follows:

	Number of Shares	$
Balance at December 31, 2010	**102,436,771**	**14,614,869**
Issued for cash:		
Private placement (a)	91,250,000	7,300,000
Cost of issuance (a)	-	(965,865)
Proceeds on exercise of warrants	541,460	81,219
Reserve transferred on exercise of warrants	-	139,225
Fair value of issued warrants (a)	-	(2,626,198)
Fair value of issued agent compensation unit-shares (a)	-	(201,415)
Fair value of issued agent compensation unit-warrants (a)	-	(142,304)
Balance at December 31, 2011 and September 30, 2012	**194,228,231**	**18,199,531**

a) On August 29, 2011 the Company closed a private placement offering of 91,250,000 units priced at $0.08 per Unit, for gross proceeds of up to $7.3 million. Each Unit consists of one common share of the Company and one common share purchase warrant (each a "Warrant"). Each Warrant will entitle the holder to acquire one Common Share at a price of $0.10 for a period of 24 months after the closing date. The fair value of the Warrants of $2,626,198 was calculated 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 119.6%, and expected life of 24 months. The amount was allocated to warrants using the relative fair value method.

In connection with the private placement, the Company paid cash commissions of 8% on certain subscriptions (totaling $486,524) plus reimbursement of agents' expenses of $146,076 and legal and regulatory fees of $333,265, for total cash costs of $965,865 less a refund of $3,868 received in January 2012. The Company also issued 6,480,000 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 fair value of the Agent Compensation Units of $343,719 was calculated 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 119.6%, and expected life of 24 months. Amounts of $142,304 and $201,415 were allocated to warrants and share-based payments, respectively, using the relative fair value method.

(Expressed in Canadian dollars)

Warrants

As at September 30, 2012, the following warrants were outstanding:

Date Granted	Type	Number Granted	Weighted-average Exercise Price	Weighted-average Fair Value	Expiry Date
			$	$	
August 29, 2011	Warrant	91,250,000	0.10	2,626,198	August 29, 2013
August 29, 2011	Agent Compensation Unit	6,480,000	0.08	142,304	August 29, 2013
		97,730,000	**0.10**	**2,768,502**	

The weighted average contractual life of these warrants is 0.91 years.

Stock Options

The Company has a stock option plan for the purchase of common shares for its directors, officers, employees and other service providers. The aggregate number of common shares reserved for issuance under the stock option plan is a maximum of 10% of the issued and outstanding common shares of the Company. No one person shall be granted options representing more than 5% of the issued and outstanding common shares of the Company. Option grants to persons providing investor relations services may not exceed 2% of the issued and outstanding share capital and must vest over a 12-month period with no more than 25% of the options vesting in any quarter. The options are non-assignable and non-transferable and may be granted for a term not exceeding five years. The exercise price of the options is fixed by the board of directors of the Company and shall be determined on the basis of the market price of the shares at the time of grant, subject to all applicable regulatory requirements.

As at September 30, 2012, the Company had 6,972,823 (December 31, 2011 – 44,212) options available for issuance. A continuity of the unexercised options to purchase common shares is as follows:

	September 30, 2012		December 31, 2011	
	Weighted Average Exercise Price	**No. of Options**	Weighted Average Exercise Price	No. of Options
	$		$	
Outstanding at beginning of	**0.18**	**13,496,465**	0.33	10,199,465
Transactions during the period/ year:				
Granted	**0.10**	**7,000,000**	0.10	9,000,000
Expired	**0.45**	**(501,019)**	0.45	(618,000)
Forfeited	**0.21**	**(7,545,446)**	0.29	(5,085,000)
Outstanding at end of period/year	**0.11**	**12,450,000**	0.18	13,496,465

(Expressed in Canadian dollars)

The following table provides additional information about outstanding stock options at September 30, 2012:

Range of Exercise Prices	No. of Options Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price ($)
$0.10	11,700,000	4.41	0.10
$0.25 - $0.35	650,000	2.84	0.29
$0.40 -$0.45	100,000	1.34	0.40
$0.10 - $0.45	**12,450,000**	**4.30**	**0.11**

Share-based compensation

The fair value of the stock options vested for the nine months ended September 30, 2012 (including newly issued options), was $114,450 (2011 – $36,063), which amount has been expensed in the statement of operations. The grant-date fair value of the 7,000,000 (2011 – 9,000,000) options issued during the nine months ended September 30, 2012, was $115,000 (2011 - $430,000).

i) On April 19, 2011, the Company granted 400,000 stock options to an investor relations group (non-employee), exercisable at $0.30 per share until April 19, 2014. The fair value of the stock options was estimated on the date of grant using the Black Scholes option pricing model with the following assumptions: Risk-free interest rate 2.11%, expected dividend yield of 0%, expected stock price volatility 173.48% and expected option life of three years. A portion of the options that had not vested were forfeit upon cancellation of the contract. Share-based compensation recorded for the vested portion amounted to $18,000.

ii) On November 14, 2011, the Company issued 8,600,000 stock options to eligible participants of the Company's stock option plan. 100,000 of these options were issued to an investor relations group. The grant-date fair value of the stock options was $0.05 each and was estimated using the Black-Scholes option pricing model with the following assumptions: Risk-free interest rate 1.37%, expected dividend yield of 0%, expected stock price volatility 151.86% and expected optiion life of five years. 8,500,000 stock options vested immediately. Pursuant to the Company's stock option plan, the options issued to the investor relations group vest in four tranches at the 3, 6, 9 and 12-month anniversary dates. Share-based compensation for the vested portion of these options amount to $425,700.

iii) On February 3, 2012, the Company granted 2,000,000 stock options to the Company's Chief Executive Officer. 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. The fair value of the stock options of $80,000 was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: Risk-free interest rate 1.09%, expected dividend yield of 0%, expected stock price volatility 153% and expected optiion life of five years. The stock options which vest immediately upon grant (25%, or 500,000 options), had a calculated fair value of $20,000.

iv) On April 25, 2012, the Company granted 1,500,000 stock options to the Company's Vice

President Exploration. 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. The grant-date fair value of the options was $45,000 and was estimated using the Black-Scholes option pricing model with the following assumptions: Risk-free interest rate 1.69%, expected dividend yield of 0%, expected stock price volatility 154% and expected option life of five years.

v) On August 28, 2012, the Company granted 3,500,000 stock options to the Company's Directors. The options have a term of 5 years, are exercisable at $0.10 and vest on issuance. The grant-date fair value of the options was $35,000 and was estimated using the Black-Scholes option pricing model with the following assumptions: Risk-free interest rate 1.39%, expected dividend yield of 0%, expected stock price volatility 163% and expected option life of five years.

12. Related-party transactions

Nine months ended September 30, 2012 and 2011

During the nine months ended September 30, 2012, $135,000 (September 30, 2011 - $17,000) was paid or payable to RG Mining Investments Inc. ("RGMI") for management (including CFO services) and administrative fees. RGMI provides management and administrative services to the Company pursuant to an agreement that has a term of 1 year and expires September 30, 2012. It is automatically renewed for successive 12-month periods (such renewal having taken place) unless terminated upon 60 days prior notice by either party or upon the criminal conviction, death, disability, incapacity, bankruptcy, insolvency, gross negligence, gross dereliction of duty or gross misconduct, of RGMI. The Company's Chairman of the Board and CFO beneficially own RGMI.

During the nine months ended September 30, 2012, $431,808 (September 30, 2011 - $822,814) was paid 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 nine months ended September 30, 2012, the Company paid $30,802 (US$30,000) to purchase a field vehicle in Ghana from one of its officers who has been relocated to Canada.

During the nine months ended September 30, 2012, officers and directors earned non-cash, share-based compensation of $114,450 (2011 - $36,063).

As at September 30, 2012, the trade payables and accrued liabilities balance includes $16,666 (December 31, 2011 - $nil) of amounts due to related parties.

3 months ended September 30, 2012 and 2011

During the three months ended September 30, 2012, $45,000 (September 30, 2011 - $Nil) was paid or payable to RG Mining Investments Inc. ("RGMI") for management and administrative fees. The Company's Chairman of the Board and CFO beneficially own RGMI.

During the three months ended September 30, 2012, $130,286 (September 30, 2011 - $92,675) was paid 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).

(Expressed in Canadian dollars)

During the three months ended September 30, 2012, officers and directors earned non-cash, share-based compensation of $56,100 (2011 - $Nil).

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.

13. Exploration and evaluation expenditures

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

	3 months ended		9 months ended		
	September 30, 2012	September 30, 2011	**September 30, 2012**	September 30, 2011	**Cumulative to-date**
	$	$	**$**	$	**$**
Tanzania:					
Itilima	**20,743**	-	**51,522**	21,296	**2,289,581**
New Kilindi	**350**	-	**785**	-	**785**
Vukene	**8,374**	-	**12,373**	7,917	**95,021**
Lwenge	**508**	-	**3,510**	712	**24,795**
Kishapu	**1,937**	-	**8,421**	1,568	**55,882**
Lalago	**435**	-	**435**	6,324	**64,173**
Tamota	**-**	-	**-**	830	**42,270**
East Turiani	**7,885**	-	**9,278**	-	**9,278**
Others	**59,084**	55,818	**115,867**	143,785	**598,724**
	99,318	55,818	**202,191**	182,432	**3,180,509**
Ghana:					
Kwahu Praso	**1,273**	2,015	**189,798**	2,015	**959,555**
Kaniago	**29,033**	408,368	**728,304**	748,362	**2,077,663**
Sian	**45,103**	20,758	**233,962**	285,721	**8,639,020**
Bonuama	**1,821**	-	**1,824**	-	**99,144**
Others	**171,100**	176,450	**355,595**	339,222	**1,413,247**
	248,330	607,591	**1,509,483**	1,375,320	**13,188,629**
Exploration and evaluation expenditures	**347,647**	663,409	**1,711,674**	1,557,752	**16,369,138**

14. Commitments and contractual obligations

The Company's activities are subject to environmental regulation (including regular environmental impact assessments and permitting) in each of the jurisdictions in which its mineral properties are located. Such regulations cover a wide variety of matters including, without limitation, prevention of waste, pollution and protection of the environment, labour relations and worker safety. The Company may also be subject under such regulations to clean-up costs and liability for toxic or hazardous substances which may exist on or under any of its properties or which may be produced as a result of its operations. It is likely that environmental legislation and permitting will evolve in a manner which will require stricter standards and enforcement. This may include increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a higher degree of responsibility for companies, their directors and employees. At present, the Company has complied with existing laws with regard to environmental legislation.

(Expressed in Canadian dollars)

The Company has not determined and is not aware whether any provision for such costs is required and is unable to determine the impact on its financial position, if any, of environmental laws and regulations that may be enacted in the future due to the uncertainty surrounding the form that these laws and regulations may take.

The Company is committed to a minimum amount of rental payments under a long-term lease for its former premises in Ontario, Canada, which expires on June 30, 2013, and its premises in Shinyanga, Tanzania, which expires January 31, 2014. The Company relocated its head office during 2011. Future minimum lease payments under operating leases for the vacated space at September 30, 2012 are shown below. The company has since subleased these offices to a third party starting on July 1, 2012 through to June 30, 2013 for a monthly fee of $3,713.87, with such receipts off-setting its costs. However, the Company is not released from its full commitments under the premises operating lease.

		Canada	Tanzania
		$	**$**
	2012	17,798	3,000
	2013	35,597	12,000
	2014	-	1,000
Total		**53,395**	**16,000**

15. Segmented information

Operating Segments

At September 30, 2012 the Company's operations comprise a single reporting operating segment engaged in mineral exploration in Ghana and Tanzania. The Company's corporate division only earns revenues that are considered incidental to the activities of the Company and therefore does not meet the definition of an operating segment. As the operations comprise a single reporting segment, amounts disclosed in the Financial Statements also represent operating segment amounts.

Geographic Segments

Management has organized the Company's reportable segments by geographic area. The Ghana and Tanzania segments are responsible for that country's mineral exploration and production activities while the Canadian segment manages corporate head office activities. Information concerning Midlands's reportable segments is as follows:

(Expressed in Canadian dollars)

	3 months ended		9 months ended	
	September 30, 2012	September 30, 2011	**September 30, 2012**	September 30, 2011
	$	$	**$**	$
Consolidated net loss				
Canada	**(359,974)**	(340,903)	**(1,252,369)**	(2,158,610)
Tanzania	**(99,318)**	(55,818)	**(202,191)**	(182,432)
Ghana	**(248,330)**	(607,591)	**(1,509,483)**	(1,375,320)
	(707,622)	(1,004,312)	**(2,964,043)**	(3,716,362)
Significant non-cash items				
Canada:				
Share-based compensation	**(56,100)**	-	**(114,450)**	(36,063)
Dividend income	**-**	20,000	**-**	20,000
	(56,100)	20,000	**(114,500)**	(16,063)

As at	**September 30, 2012**	December 31, 2011
Identifiable assets		
Canada	**1,386,471**	4,744,808
Tanzania	**4,063**	23,704
Ghana	**243,590**	196,142
	1,634,124	4,964,654