Midlands Minerals Corporation

Unaudited Interim
Consolidated Financial Statements

As at and for the three and six months ended

June 30, 2013 and 2012

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 six months ended June 30, 2013 and 2012 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
August 26, 2013

"Stephen Gledhill"
Chief Financial Officer
August 26, 2013

Midlands Minerals Corporation
Unaudited Interim Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

As at	June 30, 2013	December 31, 2012
	$	$
Assets		
Current assets		
Cash and cash equivalents *(note 8)*	775,347	1,075,594
Short-term investments *(note 9)*	60,000	60,000
Other receivables and prepaid expenses *(note 10)*	37,624	36,600
Available-for-sale investments *(note 11)*	21,833	45,500
Total current assets	894,804	1,217,694
Non-current assets		
Property and equipment *(note 3.5)*	24,950	27,722
Total non-current assets	24,950	27,722
Total assets	919,754	1,245,416
Liabilities		
Current liabilities		
Trade payables and accrued liabilities *(note 12)*	113,429	75,725
Due to related parties *(note 14)*	43,290	19,453
Total current liabilities	156,719	95,178
Shareholders' equity		
Share capital *(note 13)*	18,199,531	18,199,531
Reserve for warrants	2,768,502	2,768,502
Reserve for share-based payments	10,962,839	10,944,939
Deficit	(31,248,692)	(30,864,297)
Available-for-sale reserve	44,729	65,438
Equity attributable to owners of parent company	726,909	1,114,113
Non-controlling interests	36,125	36,125
Total shareholders' equity	763,034	1,150,238
Total liabilities and shareholders' equity	919,754	1,245,416

Going concern *(note 2)*
Related-party transactions *(note 14)*
Subsequent events *(note 17)*

Approved by the Board on August 26, 2013:

"Nick Tintor"
Director

"James Garcelon"
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)

	Three months ended		Six months ended	
	June 30, 2013	June 30, 2012	**June 30, 2013**	June 30, 2012
	$	$	**$**	$
Operating expenses				
Depreciation	**1,386**	-	**2,772**	-
Exploration and evaluation expenditures *(note 15)*	**173,439**	377,520	**269,080**	1,364,027
Office and administrative expenses	**49,422**	237,173	**142,178**	385,002
Professional fees	**55,440**	67,821	**68,261**	102,957
Salaries and benefits	**85,626**	98,352	**192,954**	240,652
Share-based compensation *(note 13)*	**7,600**	27,950	**17,900**	58,350
Shareholder information	**21,546**	60,564	**29,363**	113,436
Total operating expenses	**394,459**	869,380	**722,508**	2,264,424
Loss before taxes and undernoted items	**(394,459)**	(869,380)	**(722,508)**	(2,264,424)
Other income	**341,331**	8,129	**344,312**	4,387
Foreign exchange loss	**(2,094)**	6,448	**(3,241)**	20,128
Loss before income taxes	**(55,222)**	(854,803)	**(381,437)**	(2,239,909)
Deferred income (tax) recoveries	**(2,646)**	8,538	**(2,958)**	16,513
Loss attributable to owners of parent company	**(57,868)**	(846,265)	**(384,395)**	(2,223,396)
Basic and fully-diluted loss per common share	**(0.000)**	(0.004)	**(0.002)**	(0.011)
Weighted average number of common shares outstanding (000's)	**194,228**	194,228	**194,228**	194,228

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

Midlands Minerals Corporation

Unaudited Interim Consolidated Statements of Comprehensive Loss

(Expressed in Canadian dollars)

	Three months ended		Six months ended	
	June 30, 2013	June 30, 2012	**June 30, 2013**	June 30, 2012
	$	$	**$**	$
Loss attributable to owners of parent company	**(57,868)**	(846,265)	**(384,395)**	(2,223,396)
Other comprehensive loss:				
Unrealized loss on available-for-sale investments	**(21,167)**	(85,376)	**(23,667)**	(132,100)
Deferred income (tax) recovery	**2,646**	8,538	**2,958**	(16,513)
Other comprehensive loss, net of income taxes	**(18,521)**	(76,838)	**(20,709)**	(148,613)
Total comprehensive loss attributable to owners of parent company	**(76,389)**	(923,103)	**(405,104)**	(2,372,009)
Comprehensive loss per share - basic and diluted	**(0.000)**	(0.005)	**(0.002)**	(0.012)

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					
	Number of shares	Amount	Warrants	Share-based payments	Non-controlling interests	Accumulated Deficit	Available-for-sale reserve	Total
		$	$	$	$	$	$	$
Balance, January 1, 2012	**194,228,231**	**18,199,531**	**5,347,636**	**8,240,955**	**36,125**	**(27,476,969)**	**174,900**	**4,522,178**
Reserve transferred on exercise of warrants	-	-	(2,579,134)	2,579,134	-	-	-	-
Share-based compensation	-	-	-	58,350	-	-	-	58,350
Unrealized gain (loss) on investments	-	-	-	-	-	-	(148,613)	(148,613)
Loss attributable to the owners of the parent company	-	-	-	-	-	(2,223,396)	-	(2,223,396)
Balance, June 30, 2012	**194,228,231**	**18,199,531**	**2,768,502**	**10,878,439**	**36,125**	**(29,700,365)**	**26,288**	**2,208,519**
Share-based compensation	-	-	-	66,500	-	-	-	66,500
Unrealized gain (loss) on investments	-	-	-	-	-	-	39,151	39,151
Loss attributable to the owners of the parent company	-	-	-	-	-	(1,163,932)	-	(1,163,932)
Balance, December 31, 2012	**194,228,231**	**18,199,531**	**2,768,502**	**10,944,939**	**36,125**	**(30,864,297)**	**65,438**	**1,150,238**
Share-based compensation	-	-	-	17,900	-	-	-	17,900
Unrealized gain (loss) on investments	-	-	-	-	-	-	(20,709)	(20,709)
Loss attributable to the owners of the parent company	-	-	-	-	-	(384,395)	-	(384,395)
Balance, June 30, 2013	**194,228,231**	**18,199,531**	**2,768,502**	**10,962,839**	**36,125**	**(31,248,692)**	**44,729**	**763,034**

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)

	Six months ended	
	June 30, 2013	June 30, 2012
	$	$
Operating activities		
Net loss	**(384,395)**	(2,223,396)
Adjustments to non-cash items:		
Depreciation	**2,772**	-
Deferred income tax (recoveries)	**2,958**	(16,513)
Share-based compensation	**17,900**	58,350
Net change in non-cash working capital items:		
Other receivables and prepaid expenses	**(1,024)**	305,889
Trade payables and accrued liabilities	**61,542**	(368,770)
Cash used in operating activities	**(300,247)**	(2,244,440)
Investing activities		
Purchase of short-term investments	**-**	(1,875,091)
Purchase of property and equipment	**-**	(30,802)
Cash provided from (used in) investing activities	**-**	(1,905,893)
Net increase (decrease) in cash and cash equivalents	**(300,247)**	(4,150,333)
Cash and cash equivalents at beginning of year	**1,075,594**	4,386,147
Cash and cash equivalents at end of period	**775,347**	235,814

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

1. Company description and nature of operations

Midlands Minerals Corporation ("Midlands" or the "Company") 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, 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. On June 19, 2013 the Company entered into a share purchase agreement together with its wholly-owned subsidiary, Harbour Capital Corporation to sell all of its shares of Akroma Gold Company Limited to its joint venture partner Sian Goldfields Limited. The agreement is subject to approval from the TSX Venture Exchange and the Company's shareholders. At a shareholders' meeting held on July 30, 2013, approval was received and subsequently the transaction closed on August 19, 2013. Details of this transaction are described in *note 17*.

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. 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.

2. Going concern

These unaudited interim consolidated financial statements (the "Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business, as they come due for the foreseeable future. The Company is in the process of exploring and developing its mineral properties and has not yet realized profitable operations. The Company requires additional financing for its working capital and for the costs of exploration and development of its mineral properties. Due to continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. The Company will continue to seek additional forms of debt or equity financing, however, there is no assurance that it will be successful in doing so or that funds will be available on terms acceptable to the Company or at all. 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. Further, 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. These material uncertainties may cast significant doubt upon the entity's ability to continue as a going concern. 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 accompanying Financial Statements.

The reader is also directed to review ***note 6 (ii) – Financial instruments - liquidity risk***

3. Basis of preparation and significant accounting policies

Basis of preparation

3.1 Statement of compliance

These interim 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 August 27, 2013.

3.2 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, 2012, audited annual consolidated financial statements. The Financial Statements are presented in Canadian dollars, the Company's functional currency.

3.3 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 on consolidation.

The non-controlling interest is measured at fair value of net assets of the Company's 65%-subsidiary, Akroma Gold Company, on the date of acquisition. No additional share of income or losses have been allocated because there has been no business activity since the date of acquisition.

4. New accounting standards and interpretations

At the date of authorization of the Financial Statements, the IASB and IFRIC has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods and for which the Company has not early adopted. However, the Company is currently assessing what impact the application of these standards or amendments will have on the consolidated financial statements of the Company.

- 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.

- IAS 32 *Financial Instruments: Presentation* – effective for annual periods beginning on or after January 1, 2014 with earlier application permitted when applied with the corresponding amendment to IFRS 7. The IASB amended this standard to address inconsistencies identified in applying some of the offsetting criteria.

5. 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 June 30, 2013 totaled $726,909 (December 31, 2012 - $1,114,113). 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 the six months ended June 30, 2013. The Company is not subject to externally imposed capital restrictions.

6. 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 June 30, 2013, 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, Ghanaian and Tanzanian banks and investment institutions and therefore have minimal risk of loss. In Management's opinion, the risk of loss is minimal with foreign banking institutions and is limited to the amount carried on statement of financial position. Cash and cash equivalents held with foreign banks at June 30, 2013, total $36,489 (December 31, 2012 - $118,560).

b. **Other receivables and prepaid expenses** - The Company is not exposed to any significant risk as the majority of the receivables are due from the Canadian government for harmonized sales taxes of $22,012 (December 31, 2012 - $13,430). Risk of the loss of prepaid balances representing prepaid rents and advances to employees is limited to the amount carried on the statements of financial position of $15,611 ((December 31, 2012 - $22,619).

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 June 30, 2013, the Company had working capital of $738,084 (December 31, 2012 – $1,122,517). 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. See subsequent event note 17 regarding the sale of Akroma Gold Company and the US$3.4M proceeds generated therefrom.

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.

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.

7. Sensitivity analysis

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

i) The Company's investments are subject to fair value fluctuations. As at June 30, 2013, if the fair value of investments had decreased/increased by 50% with all other variables held constant, net comprehensive loss for the six months ended June 30, 2013 would have been approximately $10,900 (December 31, 2012 - $23,000) higher/lower. Similarly, as at June 30, 2013, reported equity would have been approximately $10,900 (December 31, 2012 - $23,000) lower/higher as a result of a 50% decrease/increase in the fair value of investments.

ii) The Company's funds are kept in Canadian and US dollars at a major Canadian financial institution.

As at June 30, 2013, the Company's exposure to foreign currency balances is as follows:

As at		**June 30, 2013**	**December 31, 2012**
Account	**Foreign Currency**	**Exposure ($CDN)**	
Cash and cash equivalents	US dollar	**15,000**	83,000
Cash and cash equivalents	Ghanaian Cedi	**19,000**	40,000
Cash and cash equivalents	Tanzanian Shilling	**6,000**	5,000

The Company believes that a change of 10% in foreign exchange rates would increase/decrease net loss for the period by $4,000 (December 31, 2012 - $13,000).

(Expressed in Canadian dollars)

8. Cash and cash equivalents

The balance at June 30, 2013, consists of $775,347 (December 31, 2012 - $1,075,594) on deposit with major Canadian, Ghanaian and Tanzanian banks. The deposit received (US$340,000) regarding the sale of Akroma Gold Company (and included in the above-noted balance) was held by the Company's legal counsel, in trust, as at June 30, 2013.

9. Short-term investments

As at June 30, 2013, short-term investments consist of guaranteed investment certificates of $60,000 (December 31, 2012 - $60,000), which bear interest at rate of 0.80% per annum and has a maturity date of January 28, 2014.

10. Other receivables and prepaid expenses

The Company's other receivables arise from three main sources: Harmonized sales tax ("HST") recoverable from the Canada Revenue Agency, prepaid amounts to suppliers and advances to employees. These are broken down as follows:

	June 30, 2013	December 31, 2012
	$	$
Prepaid expenses and deposits	**15,509**	17,954
HST recoverable	**22,012**	13,430
Advances to employees	**103**	4,665
Total	**37,624**	36,600

11. Available-for-sale investments

Canaco Resources Inc. ("Canaco")

As at June 30, 2013, the Company held 100,000 (December 31, 2012 – 100,000) shares of Canaco, a company traded on the TSX Venture Exchange ("TSXV"). In April 2013, Canaco rolled back its shares by on a 1 for 3 basis and changed its name from Canaco Resources Inc. to Orca Gold Inc. ("Orca") which is trading on the TSX Venture Exchange under the trading symbol ORG. The Company now owns 33,333 shares of Orca. As at June 30, 2013, these available-for sale investments have been measured at their fair value of $20,333 (December 31, 2012 – $41,500). The impact to the consolidated financial statements of this revaluation to market value resulted in a six-month decrease of $21,167 (December 31, 2012 – decreased $103,500) to the value of the investments with a corresponding decrease in available-for-sale reserve of $21,167 (December 31, 2012 – decreased $103,500).

Tigray Resources Inc. ("Tigray")

As at June 30, 2013, the Company held 20,000 Tigray shares (December 31, 2012 – 20,000) that it acquired through a spin-off transaction of Canaco, whereby it received 1 share of Tigray for every 5 shares of Canaco. Tigray shares commenced trading on 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 June 30, 2013, these available-for-sale investments were measured at their fair value of $1,500 (December 31, 2012 – $4,000). The impact to the consolidated financial statements of this revaluation to market value resulted in a six-month decrease of $2,500 (December 31, 2012 – decreased $21,600) to the value of the investments with a corresponding decrease in the available-for-sale reserve of $2,500 (December 31, 2012 – decreased $21,600).

(Expressed in Canadian dollars)

12. 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:

As at	**June 30, 2013**	December 31, 2012
	$	$
Less than 1 month	**67,588**	18,645
30 - 60 days	**8,333**	-
61 – 90 days	**-**	-
Over 90 days	**56,797**	4,197
Total trade payables	**132,719**	22,842
Accrued liabilities	**24,000**	52,883
Total	**156,719**	75,725

13. Capital stock

Share Capital

Authorized

Authorized share capital consists of an unlimited number of Common shares.

Issued and outstanding

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.

(Expressed in Canadian dollars)

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.

Warrants

As at June 30, 2013, the following warrants were outstanding:

			Weighted-average		
Date Granted	**Type**	**Number Granted**	**Exercise Price**	**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 remaining weighted average contractual life of these warrants is 0.16 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 June 30, 2013, the Company had 6,972,823 options available for issuance (December 31, 2012 – 6,972,823). A continuity of the outstanding options to purchase common shares is as follows:

(Expressed in Canadian dollars)

	June 30, 2013		December 31, 2012	
	Weighted Average Exercise Price	**No. of Options**	Weighted Average Exercise Price	No. of Options
	$		$	
Outstanding at beginning of	**0.11**	**12,450,000**	0.18	13,496,465
Transactions during the period:				
Granted	**-**	**-**	0.10	7,000,000
Expired	**-**	**-**	0.45	(501,019)
Forfeited	**-**	**-**	0.21	(7,545,446)
Outstanding at end of period	**0.11**	**12,450,000**	0.11	12,450,000
Exercisable at end of period	**0.11**	**10,450,000**	0.12	9,950,000

The following table provides additional information about outstanding stock options at June 30, 2013:

Range of Exercise Prices	No. of Options Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price ($)
$0.10	11,700,000	3.66	0.10
$0.25 - $0.33	650,000	2.09	0.29
$0.40	100,000	0.59	0.40
$0.10 - $0.40	**12,450,000**	**3.55**	**0.11**

Share-based compensation

The fair value of the stock options vested for the six months ended June 30, 2013 was $17,900 (2012 – $58,350) which amount has been expensed in the statement of operations. The grant-date fair value of the 7,000,000 options issued during the year ended December 31, 2012, was $160,000. The Company did not issue any options during the 3 or 6 months ended June 30, 2013.

i) On February 1, 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 per share 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 option life of five years. Share-based compensation for this six month period for the vested portion amounted to $9,400 (2012 – 38,700).

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

President of Exploration. The options have a term of 5 years, are exercisable at $0.10 per share 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. Share-based compensation for this six month period for the vested portion on these options amounted to $8,500 (2012 – 19,100).

iii) On August 28, 2012, the Company granted 3,500,000 stock options to the Company's Directors and Chief Executive Officer. The options have a term of 5 years, are exercisable at $0.10 per share 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. These options vested immediately.

14. Related-party transactions

Three months ended June 30, 2013 and 2012

During the three months ended June 30, 2013, $45,000 (2012 - $45,000) was paid to RG Mining Investments Inc. ("RGMI") for management (including CFO) services and administrative fees. During the same period, RGMI was also paid $540 towards administrative fees. RGMI provides management and administrative services to the Company pursuant to an agreement that had an original term of 1 year that expired on September 30, 2012. The agreement provides for automatic renewal for successive 12-month periods (such renewal having taken place on September 30, 2012) 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 three months ended June 30, 2013, $99,998 (2012 - $119,332) was paid to key management personnel or to companies controlled by them, with regard to professional fees and salaries and benefits. The Company identifies key management personnel as current and former officers of the Company including the President and CEO, CFO and VP Exploration as well as current and former directors of the Company.

During the three months ended June 30, 2013, $38,439 (2012 - $62,051) in legal and professional fees was paid to a law firm of which a director of the Company is a former partner.

During the three months ended June 30, 2013, officers and directors earned non-cash, share-based compensation of $7,600 (2012 - $30,600).

Six months ended June 30, 2013 and 2012

During the six months ended June 30, 2013, $90,000 (2012 - $90,000) was paid to RG Mining Investments Inc. ("RGMI") for management (including CFO) services and administrative fees. During the same period, RGMI was also paid $543 towards administrative fees.

During the six months ended June 30, 2013, $203,600 (2012 - $214,471) was paid to key management personnel or to companies controlled by them, with regard to professional fees and salaries and benefits. The Company identifies key management personnel as current and former officers of the Company including the President and CEO, CFO and VP Exploration as well as current and former directors of the Company.

(Expressed in Canadian dollars)

During the six months ended June 30, 2013, $38,439 (2012 - $62,051) in legal and professional fees was paid to a law firm of which a director of the Company is a former partner.

During the six months ended June 30, 2013, officers and directors earned non-cash, share-based compensation of $17,900 (2012 - $57,800).

15. Exploration and evaluation expenditures

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

	3 months ended		**Six months ended**		**Cumulative to-date**
	30-Jun-13	30-Jun-12	**30-Jun-13**	30-Jun-12	
	$	$	**$**	$	**$**
Tanzania:					
Itilima	**15,260**	15,519	**15,260**	30,779	**2,310,271**
New Kilindi	**-**	435	**-**	435	**16,116**
Vukene	**-**	-	**-**	-	**91,545**
Lwenge	**-**	-	**-**	-	**21,793**
Kishapu	**-**	-	**-**	-	**49,423**
Lalago	**-**	3,998	**-**	3,998	**67,761**
Tamota	**-**	-	**-**	-	**42,270**
East Turiani	**-**	-	**-**	1,393	**9,278**
Others (1)	**20,730**	21,802	**44,148**	66,269	**706,514**
	35,990	41,754	**59,408**	102,874	**3,314,971**
Ghana:					
Kwahu Praso	**-**	4,253	**-**	188,525	**973,248**
Kaniago	**3,408**	112,347	**8,588**	699,271	**2,060,981**
Sian	**21,200**	110,975	**46,044**	188,860	**8,759,856**
Bonuama	**-**	3	**-**	3	**101,252**
Others (1)	**112,841**	108,188	**155,040**	184,494	**1,585,429**
	137,449	335,766	**209,672**	1,261,153	**13,480,766**
Exploration and evaluation expenditures	**173,439**	377,520	**269,080**	1,364,027	**16,795,737**

(Expressed in Canadian dollars)

(1) Expenditures under this category include office and admin expenses as well as general expenditures that are not directly related to any of the listed projects.

16. 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.

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 also has a lease commitment for office premises in Ghana, ending in January 2014. This amount has been prepaid.

	Ghana lease commitments
	$
2013	6,000
2014	500
Total	**6,500**

17. Segmented information

Operating Segments

At June 30, 2013 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 Ghanaian and Tanzanian 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		6 months ended	
	June 30, 2013	June 30, 2012	**June 30, 2013**	June 30, 2012
	$	$	**$**	$
Loss attributable to the owners of parent company				
Canada	**(100,312)**	468,744	**115,315**	859,369
Tanzania	**20,731**	41,754	**59,408**	102,874
Ghana	**137,449**	335,767	**209,672**	1,261,153
	57,868	846,265	**384,395**	2,223,396

	3 months ended		6 months ended	
	June 30, 2013	June 30, 2012	**June 30, 2013**	June 30, 2012
	$	$	**$**	$
Significant non-cash items				
Canada:				
Share-based compensation	**7,600**	27,950	**17,900**	58,350
	7,600	27,950	**17,900**	58,350

As at	**June 30, 2013**	December 31, 2012
Identifiable assets		
Canada	855,486	1,125,626
Tanzania	5,899	5,564
Ghana	58,368	114,226
	919,754	**1,245,416**

17. Subsequent events

Ghana

On June 19, 2013, the Company entered into a share purchase agreement, together with its wholly-owned subsidiary, Harbour Capital Corporation ("HCC"), to sell HCC's 130,000,000 shares of Akroma Gold Company Limited ("Akroma") to its joint venture partner Sian Goldfields Limited ("Sian") for an aggregate purchase price of US$3.4 million. Akroma is the joint-venture company holding title to the Sian Mining Lease for the Sian gold project located in the Eastern Region of Ghana.

During the second quarter, the Company received a US$340,000 deposit from the purchaser and subsequent to June 30th, all conditions of the sale were satisfied at the Company's Annual and Special Meeting held on July 30, 2013, and the transaction closed on August 19, 2013.

Tanzania

The Company is continuing the process of returning the Itilima and Lwenge Geita licenses to the original vendors, and relinquishing the remaining licenses in Tanzania. The objective has been to minimize costs and preserve cash for global core functions. The process is expected to be completed during the third quarter of 2013.