Midlands Minerals

TSX-V:MEX

Midlands Minerals Corporation

Management's Discussion and Analysis

Three and nine months ended September 30, 2013

November 21, 2013

This management discussion and analysis ("MD&A") has been prepared based on information available to Midlands Minerals Corporation ("Midlands" or the "Company") as at November 21, 2013. The MD&A of the operating results and financial condition of the Company for the three and nine months ended September 30, 2013, should be read in conjunction with the Company's unaudited interim consolidated financial statements and the related notes thereto for the same period and its audited consolidated financial statements and the related notes for the year ended December 31, 2012 and 2011 (collectively, the "Financial Statements"). 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 junior prospecting company focused on growing a mineral asset inventory to build shareholder value. The Company employs responsible exploration methods in politically stable, low risk and mining-friendly countries and retains the opportunity to develop select projects if they benefit the Company's strategic objectives. The Company trades on the TSX Venture Exchange under the ticker symbol "MEX".

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 effectively with the host and local communities to ensure that its exploration activities do not compromise the values of the local communities.

To date the Company has operated a diversified gold and diamond project portfolio in the stable and low risk countries of Ghana and Tanzania. The Company is currently streamlining its property portfolio to preserve cash and to maintain a focus on projects that surpass a threshold of quality. Saleable or encumbered assets are being monetized to generate liquidity. The Company's current strategy is to utilize this liquidity to leverage higher quality projects in the current distressed economy and to position itself for improving market conditions.

On July 30, 2013, the shareholders of Midlands approved the sale of the Company's 65% interest in the encumbered flagship Sian gold project in Ghana and the transaction was successfully closed and the sale proceeds received on August 19, 2013.

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 evaluation of mineral properties. 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 Ghana is the current target country. The Company has not limited itself to Ghana in its search for a new flagship project. At present the Company's natural resource activities do not generate any revenues.

SALE OF AKROMA GOLD COMPANY LIMITED

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 (the "Sale"). 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.

Pursuant to the share purchase agreement, the Company received a US$340,000 deposit from the purchaser and subsequently the remaining 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. As the Company's accounting policy is to expense all exploration expenditures as they are incurred, the entire purchase price has been recorded as a gain on disposition, with such gain recorded on the Consolidated Statements of Loss.

DIRECTORS' AND OFFICERS' LOANS

On October 2, 2013, the Company provided secured loans (the "Loans") to directors and officers of the Company (the "Borrowers") in the total amount of $100,000, to facilitate the purchase of the Company's shares from one of its major shareholders. The term of the Loans is for one year and interest accrues at the rate of 7% per annum, compounded monthly. Both principal and accrued interest are payable on the maturity date, October 2, 2014, and the Loans are secured by promissory notes from the Borrowers. Upon occurrence of default, the Borrowers shall pay interest to the Company at a rate of 36% per annum compounded and payable monthly.

As further security to the Company, the Borrowers agreed not to sell, pledge or otherwise encumber the shares until the full amount of the Loans, plus applicable interest, is repaid. To perfect this undertaking by the Borrowers, RG Mining Investments Inc. ("RGMI"), the Company's manager, is holding the physical share certificate on behalf of the Company.

PROJECTS UPDATE

During the three and nine months ended September 30, 2013, Midlands' exploration objective has remained to explore, define and develop an economic gold resource in a politically stable environment as quickly and cost effectively as possible.

During the period, all operations were maintained on care-and-maintenance basis to preserve cash. During the fiscal period to date, Midlands implemented a number of rationalization and cost-cutting initiatives.

During the three and nine months ended September 30, 2013, the Company focused primarily on completing the Sian transaction. On June 19, 2013, the Company entered into a share purchase agreement, together with its wholly-owned subsidiary, Harbour Capital Corporation, to sell HCC's 130,000,000 shares of Akroma Gold Company Limited to its joint venture partner Sian Goldfields Limited for an aggregate purchase price of US$3.4 million (the "Sale"). On July 30, 2013, the shareholders of Midlands approved the Sale and on August 19, the Company closed the transaction and is now in receipt of the purchase price proceeds.

In addition, the period included negotiations on potential transactions to monetize further Ghanaian assets. Efforts continued to divest of assets in Tanzania and close the operation in that country.

The Company continued to leverage its strategic position to identify a new flagship project to replace Sian in the globally depressed commodities markets. This effort included numerous technical and commercial project and company evaluations.

Kaniago, Ghana

Drill results from the 9,519 meter RC drill program that was completed in 2011 at the Kaniago Project on the Asankrangwa Belt in Ghana provided the following significant intercepts:

Mmooho drill target:

KNRC-11-029	9 meters grading 1.12 g/t gold	(from 96 meters)
KNRC-11-035	9 meters grading 1.06 g/t gold	(from 91 meters)
KNRC-11-039	16 meters grading 1.05 g/t gold	(from 132 meters)
KNRC-11-012	12 meters grading 1.04 g/t gold	(from 88 meters)
KNRC-11-015	10 meters grading 1.18 g/t gold	(from 78 meters)
KNRC-11-018	21 meters grading 1.48 g/t gold	(from 22 meters)
-- and	7 meters grading 1.45 g/t gold	(from 51 meters)

Kaniago West drill target:

KNRC-11-041	27 meters grading 2.97 g/t gold	(from 123 meters)
KNRC-11-044	16 meters grading 1.21 g/t gold	(from 10 meters)
KNRC-11-048	33 meters grading 0.87 g/t gold	(from 117 meters)
-- and	17 meters grading 1.83 g/t gold	(from 171 meters)
KNRC-11-052	3 meters grading 6.80 g/t gold	(from 57 meters)

In March 2012, a 1,995m diamond drilling program was completed at the Kaniago West and Mmooho targets. Drilling confirmed the structural controls to mineralization. The core drilling aimed to confirm the gold mineralization obtained from previous RC drilling programs, to provide valuable structural orientation information to facilitate modeling, and to probe for deeper parallel zones of mineralization. Drilling at Mmooho totaled 1,289 meters and returned a best composite of 3.8 meters grading 4.86 g/t Au at a depth of 95.6 meters in KNDD-12-002. Drilling at Kaniago West totaling 606.7 meters returned a best composite of 7.0 meters grading 1.75 g/t Au at a depth of 165.5 meters in KNDD-12-005.

The reinterpretation of the soil geochemistry has refined the continuity of the soil gold trends between the Company's target areas and deposits on neighbouring concessions, such as Asanko Gold's Esaase gold deposit (3.83 million ounces in the Measured and Indicated category at an average grade of 1.73 g/t and 1.25 million ounces in the Inferred Resource category at an average grade of 1.75 g/t) and PMI Gold Corporation's Abore (3.11 million ounces in the Measured and Indicated category at an average grade of 2.16 g/t and 1.40 million ounces in the Inferred Resource category at an average grade of 1.99 g/t), gold deposits.

A consultant was utilized to conduct a full re-assessment and reconciliation of the VTEM geophysical dataset with the 2011-2012 drill results. This work confirmed that the drilling efficiently tested the shear zones originally identified by the airborne geophysical survey and soil geochemistry.

Midlands' next phase of work on the Kaniago concession is to expand the potential for large shallow, potentially bulk-mineable gold deposits associated with NNE shear zones along the soil geochemical trends by testing them with systematic fences of air core drilling.

During Q2 2013, the renewal of the Kaniago license and the adjacent Besease and Mmooho permit applications on the shed-off portions of the Kaniago license were in process and the company had numerous exchanges with the Minerals Commission towards that end. During Q3 2013 the company was required to adjust the boundary positions of Besease and Mmooho applications in accordance with the implementation of the new legislation governing mineral licenses in Ghana. The license boundaries were adjusted through a process of negotiation and discussion with neighbouring mining companies and the Minerals Commission to ensure accurate positions.

Illegal alluvial mining operations started within the concession boundaries and complaints were filed with the Minerals Commission and the police.

Management has successfully negotiated terms with a company for the purchase and sale of Kaniago. The draft agreement has been lodged with the Minerals Commission for review and is subject to Ministerial consent. This effort is in line with the company's policy to reduce the ongoing costs associated with underperforming assets, and to monetize saleable assets in advance of the future acquisition of a flagship project.

Tanzania

During the period the Company continued the process of returning the Itilima and Lwenge Geita licenses to the original vendors and to relinquish the remaining licenses for which buyers were not forthcoming. The objective has been to minimize costs and preserve cash for core projects. The process has experienced certain bureaucratic delays but remains on budget and is expected to complete during the fourth quarter.

Dr. Dominique Fournier, EurGeol, a "qualified person" as defined by National Instrument 43-101, has reviewed and approved the technical information and data included in this project update.

SUMMARY OF QUARTERLY RESULTS

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

Three months ended	Jun. 30, 2013	Mar. 31, 2013	Dec. 31, 2012	Sep. 30, 2012	Sep. 30, 2012	Jun. 30, 2012	Mar. 31, 2012	Dec. 31, 2011
	$	$	$	$	$	$	$	$
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net gain (loss)	2,876,293	(57,868)	(326,527)	(456,309)	(707,622)	(846,265)	(1,377,132)	(1,752,051)
Basic and fully-diluted gain (loss) per share	0.015	(0.002)	(0.002)	(0.002)	(0.004)	(0.004)	(0.007)	(0.008)

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.

EXPLORATION AND EVALUATION EXPENDITURES

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

	3 months ended		Nine months ended		Cumulative to-date
	30-Sept-12	30-Sept-12	**30-Sept-12**	30-Sept-12	
	$	$	**$**	$	**$**
Tanzania:					
Itilima	**-**	20,743	**15,260**	51,522	**2,310,271**
New Kilindi	**-**	350	**-**	785	**16,116**
Vukene	**-**	8,374	**-**	12,373	**91,545**
Lwenge	**-**	508	**-**	3,510	**21,793**
Kishapu	**-**	1,937	**-**	8,421	**49,423**
Lalago	**-**	435	**-**	435	**67,761**
Tamota	**-**	-	**-**	-	**42,270**
East Turiani	**-**	7,885	**-**	9,278	**9,278**
Others [1]	**5,713**	59,084	**49,862**	115,867	**712,226**
	5,713	99,318	**65,121**	202,191	**3,320,684**
Ghana:					
Kwahu Praso	**-**	1,273	**-**	189,798	**973,248**
Kaniago	**728**	29,033	**9,316**	728,304	**2,061,709**
Sian	**83,101**	45,103	**129,145**	233,962	**-** [2]
Bonuama	**-**	1,821	**-**	1,824	**101,252**
Others [1]	**64,717**	171,100	**219,757**	355,595	**1,650,146**
	148,546	248,330	**358,218**	1,509,483	**4,768,356**
Exploration and evaluation expenditures	**154,259**	347,647	**423,339**	1,711,674	**8,147,040**

(1) Expenditures under this category include office and administrative expenses (including local salaries and benefits costs) that are not directly related to any of the listed projects.
(2) Amount excluded as a result of the Sale.

RESULTS OF OPERATIONS

Three months ended September 30, 2013 and 2012

For the three months ended September 30, 2013, the Company's gain attributable to the owners of the parent company was $2,876,981, as compared to loss of $707,621 for the three months ended September 30, 2012. The major variance in costs relate to the following seven categories:

1. Exploration and evaluation expenditures.
2. Office and administrative expenses.
3. Professional fees.

4. Share-based compensation.
5. Salaries and benefits.
6. Shareholder information.
7. Other income.
8. Gain on sale of property.

Explanations of the significant changes for three months ended September 30, 2013 compared to the three months ended September 30, 2012 are as follows:

1. Exploration and evaluation expenditures decreased from $347,647 in 2012 to $154,259 in 2013. The decrease is attributable to the Company's on-going efforts to reduce its cash expenditures and the sale of its ownership in the Akroma Gold Company.

2. Office and administrative expenses decreased from $169,295 in 2012 to $56,193 in 2013. The decrease is attributable to reduced travel expenditure as well as savings achieved by subletting of the Company's prior corporate offices in north Toronto.

3. Professional fees decreased from $81,796 in 2012 to $25,695 in 2013. The difference is primarily related to legal fees incurred in 2012 for re-registration of various claims and properties and the one-time settlement costs for legal claims for outstanding broker fees, such costs have not been incurred during the current quarter in 2013.

4. Share-based compensation costs in the three months ended September 30, 2013 was $6,300 compared to $56,100 during the same period in 2012. The higher costs in 2012 were due to the issuance of stock options to eligible participants in the Company's stock option plan, some of which vested completely in 2012.

5. Salaries and benefits increased from $40,076 in 2012 to $125,149, in 2013. The increase is attributable to the re-categorization of the CEO's salary resulting from his relocation to Canada in January 2013. Previously he was paid a consultant.

6. Shareholder information costs increased from $(1,302) in 2012 to $11,212 in 2013. The negative amount in 2012 is related to a refund received from the TSXV in September 2012.

7. Other income increased from $158 to $7,230 in 2013, as a result of higher balances outstanding of GIC's as a result of the Company's sale of its ownership in Akroma Gold Company.

8. Gain on sale of property increased by $3,205,240 as a result of the Sale.

Nine months ended September 30, 2013 and 2012

For the nine months ended September 30, 2013, the Company's gain attributable to the owners of the parent company was $2,491,897, as compared to loss of $2,964,043 for the nine months ended September 30, 2012. The major variance in costs relate to the following seven categories:

1. Exploration and evaluation expenditures.
2. Office and administrative expenses.
3. Professional fees.
4. Share-based compensation.
5. Salaries and benefits.
6. Shareholder information.
7. Other income.
8. Gain on sale of property.

Explanations of the significant changes for nine months ended September 30, 2013 compared to the nine months ended September 30, 2012 are as follows:

1. Exploration and evaluation expenditures decreased from $1,711,674 in 2012 to $423,339 in 2013. The decrease is attributable to the Company's on-going efforts to reduce its cash expenditures and the sale of its ownership in the Akroma Gold Company.

2. Office and administrative expenses decreased from $554,296 in 2012 to $198,371 in 2013. The decrease is attributable to the Company's on-going efforts to reduce its cash expenditures including staff reduction and savings achieved by subletting of the Company's prior corporate offices in north Toronto. Also, the Company paid for recruitment charges in 2012 that did not exist during the current period,

3. Professional fees decreased from $184,753 in 2012 to $93,956 in 2013. The difference is primarily related to legal fees incurred in 2012 for re-registration of various claims and properties and the one-time settlement costs for legal claims for outstanding broker fees, such costs have not been incurred in 2013, to-date.

4. Share-based compensation costs in the nine months ended September 30, 2013 was $24,200 compared to $114,450 during the same period in 2012. The higher costs in 2012 were due to the issuance of stock options to eligible participants in the Company's stock option plan, some of which vested completely in 2012.

5. Salaries and benefits increased from $280,727 in 2012 to $318,103 in 2013. The increase is attributable to the re-categorization of the CEO's salary resulting from his relocation to Canada in January 2013. Previously he was paid a consultant.

6. Shareholder information costs decreased from $112,134 in 2012 to $40,575 in 2013. The higher cost in 2012 was attributable to investor relations fees and expenditures paid under contract. The Company terminated this contract in the second quarter of 2012.

7. Other income decreased from $20,286 to $7,230 as a result of lower balance of GIC's outstanding for the period.

8. Gain on sale of property increased by $3,205,240 as a result of the Company's sale of its ownership in the Akroma Gold Company.

LIQUIDITY AND CAPITAL RESOURCES

The working capital as at September 30, 2013 was $3,581,127, as compared to $1,122,517 as at December 31, 2012.

For the nine months ended September 30, 2013, cash increased by $2,486,793 (2012 decreased by – $3,752,792) as a result of cash provided from operating activities of $2,486,793 (2012 - $2,846,899 used in operating activities). In the current period, no cash was used or generated in either investing or financing activities (2012 – $905,893 used in investing activities).

The Company's projects are located in Ghana and Tanzania where the majority of cash expenditures were spent on the exploration and advancement of mineral properties.

USE OF OFF-STATEMENT-OF-FINANCIAL-POSITION ARRANGEMENTS

There are no off-statement-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 office rental leases.

RELATED-PARTY TRANSACTIONS

Three months ended September 30, 2013 and 2012

During the three months ended September 30, 2013, $45,000 (2012 - $45,000) was paid to RGMI for management (including CFO) services and administrative fees. During the same period, RGMI was also paid $555 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 September 30, 2013, $105,204 (2012 - $130,286) 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 September 30, 2013, $9,495 (2012 - $10,288) in legal and professional fees was paid to a law firm of which a former director of the Company was a partner.

During the three months ended September 30, 2013, officers and directors earned non-cash, share-based compensation of $6,300 (2012 - $56,100).

As at September 30, 2013, the trade payables and accrued liabilities balance includes $25,718 (December 31, 2012 - $19,453) of amounts due to related parties.

Nine months ended September 30, 2013 and 2012

During the nine months ended September 30, 2013, $135,000 (2012 - $135,000) was paid to RG Mining Investments Inc. ("RGMI") for management (including CFO) services and administrative fees. During the same period, RGMI was also paid $1,098 towards administrative fees.

During the nine months ended September 30, 2013, $308,804 (2012 - $431,808) 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 nine months ended September 30, 2013, $47,934 (2012 - $72,339) in legal and professional fees was paid to a law firm of which a director of the Company is a former partner.

During the nine months ended September 30, 2013, officers and directors earned non-cash, share-based compensation of $24,200 (2012 - $114,450).

CAPITAL STOCK

The following table sets forth information concerning the outstanding securities of the Company as at November 21, 2013:

	Number
Shares	194,228,231
Warrants	-
Options	12,450,000

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 and 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.

Internal controls 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.