MIDLANDS MINERALS CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(Expressed in Canadian Dollars)

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Schwartz Levitsky Feldman llp
CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS
TORONTO • MONTREAL

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Midlands Minerals Corporation

We have audited the accompanying consolidated financial statements of Midland Minerals Corporation, which comprise the balance sheets as at December 31, 2010 and 2009 and the consolidated statements of operations and deficit, comprehensive loss and accumulated other comprehensive income (loss), property acquisition costs and deferred exploration expenditures, cash flows, statements of shareholders' equity for the years then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Midlands Minerals Corporation as at December 31, 2010 and 2009, and its consolidated results of operations and its consolidated cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

Without qualifying our opinion, we draw your attention to Note 1 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Schwartz Levitsky Feldman llp

Toronto, Ontario, Canada
April 28, 2011

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Licensed Public Accountants

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MIDLANDS MINERALS CORPORATION
(An Exploration Stage Mining Company)
CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31
(Expressed in Canadian Dollars)

	2010 $	2009 $
ASSETS		
CURRENT		
Cash	1,264,878	297,601
Short-term investments (Note 5)	2,288,387	2,360,845
Marketable securities (Note 6)	601,000	53,000
Prepaid expenses and deposits	79,274	7,852
Sundry receivable	20,476	8,128
	4,254,015	2,727,426
EQUIPMENT (Note 8)	20,913	27,231
INTEREST IN MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (Note 9 and Statement)	12,441,390	7,408,235
	16,716,318	10,162,892
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	209,391	346,732
Accounts payable exploration properties	539,859	91,854
Loan payable to director	-	231,200
	749,250	669,786
FUTURE INCOME TAX LIABILITY (Note 11)	-	-
NON-CONTROLLING INTEREST	36,125	36,125
	785,375	705,911
GOING CONCERN (Note 1)		
COMMITMENT (Note 13)		
RELATED PARTY TRANSACTIONS (Note 12)		
SUBSEQUENT EVENTS (Note 15)		
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 10)	14,614,869	10,231,833
WARRANTS (Note 10)	4,679,683	1,887,951
CONTRIBUTED SURPLUS (Note 10)	5,634,516	3,742,307
ACCUMULATED OTHER COMPREHENSIVE INCOME	569,000	21,000
ACCUMULATED DEFICIT	(9,567,125)	(6,426,110)
	(8,998,125)	(6,405,100)
	15,930,943	9,456,981
	16,716,318	10,162,892

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

APPROVED BY THE BOARD:

Original signed by Edward A. Harris, Director

Original signed by Kim F. Harris, Director

MIDLANDS MINERALS CORPORATION
(An Exploration Stage Mining Company)
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
FOR THE YEARS ENDED DECEMBER 31
(Expressed in Canadian Dollars)

	2010 $	2009 $
EXPENSES		
Management fees (Note 12 (b))	1,411,148	291,076
Office and administrative expense	851,578	386,748
Foreign exchange loss (gain)	(112,255)	(60,306)
Investor relations, shareholder information and promotion	422,228	456,630
Travel and automobile expense	176,488	24,363
Professional fees	197,816	118,888
Rent	67,876	66,553
Telephone	46,018	35,683
Transfer agent and filing fees	5,827	8,862
Bank charges and interest	24,582	43,812
Consulting fees	80,608	56,830
Amortization	6,318	8,366
LOSS BEFORE OTHER ITEMS	(3,178,232)	(1,437,505)
Interest income	37,217	1,997
NET LOSS FOR THE YEAR	(3,141,015)	(1,435,508)
DEFICIT, beginning of year	(6,426,110)	(4,990,602)
DEFICIT, end of year	(9,567,125)	(6,426,110)
NET LOSS PER SHARE - Basic and diluted	(0.03)	(0.03)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	100,997,210	53,846,661

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

MIDLANDS MINERALS CORPORATION
(An Exploration Stage Mining Company)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS AND ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31
(Expressed in Canadian Dollars)

	2010 $	2009 $
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS		
Net loss for the year	(3,141,015)	(1,435,508)
Unrealized gain on marketable securities	548,000	50,000
COMPREHENSIVE LOSS FOR THE YEAR	(2,593,015)	(1,385,508)
CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)		
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS), BEGINNING OF THE YEAR	21,000	(29,000)
Unrealized gain on marketable securities	548,000	50,000
ACCUMULATED OTHER COMPREHENSIVE INCOME, END OF YEAR	569,000	21,000

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

MIDLANDS MINERALS CORPORATION
(An Exploration Stage Mining Company)
CONSOLIDATED STATEMENTS OF PROPERTY ACQUISITION COSTS
AND DEFERRED EXPLORATION EXPENDITURES
FOR THE YEARS ENDED DECEMBER 31
(Expressed in Canadian Dollars)

TANZANIA PROPERTIES	Itilima	Vukene	Lwenge	Kishapu	Lalago	Tamota	Others	Total
PROPERTY ACQUISITION COSTS								
Balance, Dec. 31, 2008	529,881							529,881
Additions During the Year	246							246
Balance, Dec. 31, 2009	530,127							530,127
Additions During the Year	307							307
Balance, Dec. 31, 2010	530,434							530,434
DEFERRED EXPLORATION EXPENDITURES								
Balance, Dec. 31, 2008	1,686,841	70,317	19,397	8,719	8,270	29,208	176,646	1,999,398
Additions During the Year	3,668	129		4,573	4,573		30,704	43,647
Adjustments to deferred exploration expenditures	(7,708)						(48,296)	(56,004)
Balance, December 31, 2009	1,682,801	70,446	19,397	13,292	12,843	29,208	159,054	1,987,041
Additions During the Year	22,227	4,285	1,176	32,601	44,570	12,232	108,952	226,043
Balance, December 31, 2010	1,705,028	74,731	20,573	45,893	57,413	41,440	268,006	2,213,084
BALANCE, DECEMBER 31, 2010	**2,235,462**	**74,731**	**20,573**	**45,893**	**57,413**	**41,440**	**268,006**	**2,743,518**

GHANA PROPERTIES	Kwahu Praso	Kaniago	Sian	Bonuama	Others	Total
PROPERTY ACQUISITION COSTS						
Balance, Dec. 31, 2008			1,101,673	20,354	(39,527)	1,082,500
Additions During the Year	83,746		139,930			223,676
Balance, Dec. 31, 2009	83,746		1,241,603	20,354	(39,527)	1,306,176
Additions During the Year			1,135,064	15,900		1,150,964
Balance, Dec. 31, 2010	83,746		2,376,667	36,254	(39,527)	2,457,140
DEFERRED EXPLORATION EXPENDITURES						
Balance, Dec. 31, 2008	480,136	119,553	2,612,367	6,603	233,541	3,452,200
Additions During the Year	40,257	11,586	54,354	88	128,212	234,497
Adjustments to deferred exploration expenditures					(101,806)	(101,806)
Balance, December 31, 2009	520,393	131,139	2,666,721	6,691	259,947	3,584,891
Additions During the Year	66,925	86,432	3,069,598	2,860	430,026	3,655,841
Balance, December 31, 2010	587,318	217,571	5,736,319	9,551	689,973	7,240,732
BALANCE, DECEMBER 31, 2010	**671,064**	**217,571**	**8,112,986**	**45,805**	**650,446**	**9,697,872**
TOTAL						**12,441,390**

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

MIDLANDS MINERALS CORPORATION
(An Exploration Stage Mining Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31
(Expressed in Canadian Dollars)

	2010 $	2009 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	(3,141,015)	(1,435,508)
Add items not requiring cash:		
Amortization	6,318	8,366
Stock-based compensation	1,892,209	679,638
Bonus shares issued	-	63,000
Future taxes	-	(157,810)
	(1,242,488)	(842,314)
Changes in non-cash working capital balances:		
Increase in prepaid expenses	(71,422)	10,446
(Increase) decrease in accounts payable	310,664	(197,071)
Increase in sundry receivable	(12,348)	(912)
Cash flows from operating activities	(1,015,594)	(1,029,851)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale (purchase) of security investments	72,458	(2,244,425)
Interest in mineral properties and deferred exploration expenditures	(5,033,155)	(344,256)
Cash flows from investing activities	(4,960,697)	(2,588,681)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common shares for cash, net of costs	5,259,759	2,556,365
Issuance of warrants for cash, net of costs	2,172,839	1,041,521
Exercise of warrants	42,647	-
Increase (Decrease) in loan payable	(231,200)	231,200
Purchase of common shares for cancellation	(300,477)	-
Cash flows from financing activities	6,943,568	3,829,086
Increase in cash	967,277	210,554
Cash, beginning of year	297,601	87,047
Cash, end of year	1,264,878	297,601

Supplemental Information

Interest paid	-	33,057
Taxes paid	-	-

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

MIDLANDS MINERALS CORPORATION
(An Exploration Stage Mining Company)
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
DECEMBER 31, 2010 AND 2009
(Expressed in Canadian Dollars)

	Common Stock		Warrants					
	Number of Shares	Amount $	Number of Warrants	Amount $	Contributed surplus $	Accumulated Deficit stage $	Accumulated Other Comprehensive Income $	Total Stockholders' Equity $
Balance December 31, 2008	53,046,458	8,098,340	3,122,500	360,558	3,062,669	(4,990,602)	(29,000)	6,501,965
Issue of bonus shares to a director and shareholder	693,307	63,000	-	-	-	-	-	63,000
Private placement of units (net of issuance costs)	27,155,999	2,070,493	16,293,600	1,527,393	-	-	-	3,597,886
Stock based compensation	-	-	-	-	679,638	-	-	679,638
Unrealized gain on share investment	-	-	-	-	-	-	50,000	50,000
Net loss for the year						(1,435,508)		(1,435,508)
Balance December 31, 2009	80,895,764	10,231,833	19,416,100	1,887,951	3,742,307	(6,426,110)	21,000	9,456,981
Private placement of units (net of issuance costs)	23,054,027	4,592,380	13,332,224	2,840,218	-	-	-	7,432,598
Exercise of warrants	270,980	91,133	(270,980)	(48,486)	-	-	-	42,647
Cancellation of shares	(1,784,000)	(300,477)	-	-	-	-	-	(300,477)
Stock based compensation	-	-	-	-	1,892,209	-	-	1,892,209
Unrealized gain on share investment	-	-	-	-	-	-	548,000	548,000
Net loss						(3,141,015)		(3,141,015)
Balance December 31, 2010	**102,436,771**	**14,614,869**	**32,477,344**	**4,679,683**	**5,634,516**	**(9,567,125)**	**569,000**	**15,930,943**

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

1. BASIS OF PRESENTATION AND GOING CONCERN

Midlands Minerals Corporation (the "Company") is an exploration stage company engaged principally in the acquistion, exploration and development of mineral properties. The Company has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of the carrying values of mineral properties is dependent upon the discovery of economically recoverable reserves, the preservation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain financing necessary to complete development of the properties, and the future profitable production therefrom or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

As at December 31, 2010, the Company had a working capital surplus of $3,504,765 (2009: $2,057,640) and an accumulated deficit of $9,567,125 (2009: $6,426,110). The Company's ability to continue operations and fund its exploration property expenditures is dependent on management's ability to secure additional financing. Management is actively pursuing such additional sources of financing, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assume that the 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. The Company is in the development stage with no history of profitability. There is no assurance that the Company's exploration programs will yield positive results or that the Company will be able to obtain the necessary financing to carry out the exploration and development of its properties. If the "going concern" assumption was not appropriate for these consolidated financial statements, then assets would have to be stated at liquidated values and adjustments would be necessary to the carrying values of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used. Such adjustments could be material.

2. NATURE OF OPERATIONS

The Company is engaged in the exploration of gold, precious metals and other resources in the continent of Africa (Tanzania and Ghana). The assets of the Company that are located outside of North America are subject to the risk of foreign investment, including increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and political uncertainty.

The Company's exploration operations are subject to local government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour standards. 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 or that new permits that have been applied for will be granted. Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. Changes in future conditions could require material write downs of the carrying values. 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. Management reviews the carrying value of the Company's interest in each property and where necessary, mineral properties and deferred exploration expenditures are written down to their fair value. Although management has made its best estimate based on these factors, it is reasonably probable that certain events could adversely affect management's estimates of fair value and the need for additional provision for impairment in the carrying value of exploration properties and related assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Company are in accordance with Canadian generally accepted accounting principles and their basis of application is consistent with that of the previous year. Outlined below are those policies considered particularly significant.

a) Principles of Consolidation

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include the accounts of the Company, its wholly owned subsidiaries, Midlands Minerals Ghana Limited, Midenka Resources Limited, Midlands Minerals (TZ) Limited, Harbour Capital Corporation, and its 75% owned subsidiary, Itilima Mining Company Limited, and its 65% owned subsidiary, Akroma Gold Company Limited. All material intercompany balances and transactions have been eliminated.

b) Cash and Equivalents

Cash and equivalents consist of cash and short-term deposits with original maturities of ninety days or less from the date of acquisition are readily convertible into known amounts of cash.

c) Short Term Investments

Short term investments include equities and other deposits with original maturities greater than 90 days that are not readily convertible into known amounts of cash.

d) Equipment

Equipment is recorded at cost. Amortization is provided over the related assets' estimated useful lives using the following methods and annual rates:

Computer equipment and software	30% declining balance
Office equipment	20% declining balance
Field equipment	20% declining balance

e) Mineral Properties and Deferred Expenditures

The Company capitalizes all costs related to interests in mineral properties on a property by property basis. The deferred exploration expenditures are carried at cost until they are brought into production, at which time they are depleted on a unit-of production method based on proven and probable reserves. If a property is subsequently determined to be impaired, the property and related deferred costs are written down to net realizable value. Other general exploration expenses are charged to operations as incurred. The cost of exploration properties abandoned or sold and their related deferred exploration costs are charged to operations in the current year.

The Company reviews capitalized costs on its property interests on a periodic basis but at least annually and recognizes an impairment in value based upon a review of exploration results, whether the Company has significant exploration plans in the immediate future and upon management's assessment of the future probability of profitable revenues from the property or from the sale of the property. The recoverability of costs incurred on the mineral properties is dependent upon numerous factors including exploration results, environmental risks, commodity risks, political risks, and the Company's ability to attain profitable production. Management's assessment of the property's estimated current fair market value may also be based upon a review of other property transactions that have occurred in the same geographic area as that of the property under review.

Costs include the cash consideration and the fair market value of the shares issued for the acquisition of exploration properties. The carrying value is reduced by option proceeds received until such time as the property cost and deferred expenditures are reduced to nominal amounts. Properties acquired under option agreements or by joint ventures, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at the time of payment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

f) Stock-Based Compensation

The Company has a stock-based compensation plan as described in note 10 to the consolidated financial statements. Any consideration received on the exercise of stock option or sale of stock is credited to share capital. The Company records compensation expense and credits contributed surplus for all stock options granted. Stock options granted during the year are accounted for in accordance with the fair value method of accounting for stock-based compensation. The fair value for these options is estimated at the date of grant using the Black-Scholes option pricing model.

g) Income Taxes

Income taxes are calculated using the asset and liability method of tax accounting. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are determined based on differences between the financial carrying values and tax bases of assets and liabilities and on unclaimed losses carried forward and are measured using the substantially enacted tax rates that will be in effect when the differences are expected to reverse or losses are expected to be utilized. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized.

h) Loss Per Share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year, including contingently issuable shares which are included when the conditions necessary for issuance have been met. Diluted loss per share is calculated in a similar manner, except that the weighted average number of common shares outstanding is increased to include potentially issuable common shares from the assumed exercise of common share purchase options and warrants, if dilutive. The number of additional shares included in the calculation is based on the treasury stock method for options and warrants. As the Company had a loss in each of the periods presented, basic and diluted loss per share are the same as the exercise of all options and warrants would be anti-dilutive.

i) Foreign Currency Translation

The Canadian dollar is the functional currency of the Company's operations, which are classified as integrated for foreign currency translation purposes. Under the temporal method translation gains or losses are included in the determination of net income or loss.
Monetary assets and liabilities of the Company's integrated foreign operations are translated into Canadian dollars at exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates, unless such items are carried at market rate, in which case they are translated at the exchange rates in effect on the balance sheet date. Revenues and expenses, except amortization, which is translated at historical rates, are translated at the average exchange rates for the period.

j) Use of Estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Significant areas where management's judgment is required include the determination of impairment of interest in mineral properties and deferred exploration expenditures, asset retirement obligations, stock-based compensation expense, warrant valuation and future tax assets and liabilities. Actual results may differ from those estimates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

k) Impairment of Long-lived Assets

The Company reviews and evaluates its long-lived assets for impairment when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to its estimated discounted future cash flows expected to be generated by the asset. Measurement of an impairment loss is based on the estimated fair value of the asset compared to its carrying value.

Whenever events or circumstances indicate that an asset's fair value may not be least equal to its carrying value, management of the Company reviews the net carrying value. This review involves consideration of the fair value of each property to determine whether a permanent impairment in value has occurred and whether any asset write down is necessary. The Company considers metal prices, cost of production, proven and probable reserves and salvage value of the mineral property and equipment in its valuation.

Management's estimates are subject to risks and uncertainties of changes affecting the recoverability of the Company's investment in mineral property, equipment and mine development. Management's estimates of these factors are based on current conditions. Nonetheless, it is reasonably possible that in the near term, changes that could adversely affect management's estimate of net cash flows expected to be generated from its properties could occur. This would necessitate a write down for asset impairment.

l) Warrants

The Company has adopted the relative fair value approach in accounting for the value assigned to the common shares and the warrants which it has made available in a number of unit private placement financings.

m) Asset Retirement Obligations

The Company recognizes an estimate of the liability associated with an asset retirement obligation ("ARO") in the financial statements at the time the liability is incurred. The estimated fair value of the ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount is depleted on a straight-line basis over the estimated life of the asset. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to operations in the period. The ARO can also increase or decrease due to changes in the estimates of timing of cash flows or changes in the original estimated undiscounted cost. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded. The Company has not recorded an ARO as at December 31, 2010 and 2009.

n) Share Issuance Costs

Costs incurred in connection with the issuance of capital stock are netted against the proceeds received.

o) Financial Instruments

CICA Handbook Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. Under the new standards, financial instruments must be classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets and other financial liabilities. All financial instruments, including derivatives, are measured on the balance sheet at their fair value except loans and receivables, held-to maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on its initial classification. Held-for-trading financial instruments are measured at fair value and changes in fair value and all gains and losses are included in net income in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income until the assets are removed from the balance sheet.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

o) Financial Instruments (Cont'd)

The Company has elected to apply the following classifications to each of its significant categories of financial instruments:

Asset/Liability	Category	Measurement
Cash	Held for trading	Fair value
Short term investments	Held for trading	Fair value
Share Investment	Available for sale	Fair value
Sundry receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilites	Amortized cost
Loan payable	Other liabilities	Amortized cost

The company classifies derivative instruments, such as foreign exchange forward contracts and foreign exchange options contracts, as held-for-trading unless the instruments meet all the criteria of a hedge in accordance with Section 3865 which requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting. If the criteria are met, then any unrealized gains and losses will be reported in other comprehensive income

p) Comprehensive Income

Comprehensive income is the change in shareholders' equity during a period from transactions and other events from non-owner sources. Gains and losses that would otherwise be recorded as part of net income (loss) are presented in other "comprehensive income" until it is considered appropriate to recognize into net income (loss). The Company reports a consolidated statement of comprehensive loss and includes the account "accumulated other comprehensive income (loss)" in the shareholders' equity section of the consolidated balance sheet.

q) Capital Disclosures

CICA Handbook Section 1535 requires the Company to disclose its objectives, policies and procedures for managing capital, and quantitative information about what the Company regards as capital, whether the Company has complied with any externally imposed capital requirements and, if the Company has not complied, any consequences of such non-compliance. This additional disclosures has been provided in Note 7 – Financial Instruments and Capital Management.

r) Financial Instruments Disclosure

CICA Handbook Section 3862, Financial Instruments – Disclosure, increases the disclosure previously required that enables users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risk arising from financial instruments, including specified minimum disclosures about liquidity risk and market risk. The quantitative disclosures must also include a sensitivity analysis for each type of market risk to which an entity is exposed, showing how net income and other comprehensive income would have been affected by reasonably possible changes in the relevant risk variable. This additional disclosure has been provided in Note 7 – Financial Instruments and Capital Management.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

r) Financial Instruments Disclosure (cont'd)

In June 2009, the CICA amended Section 3862, "Financial Instruments – Disclosures", to include additional disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. These amendments require a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than the quoted prices for which all significant inputs are based on observable market data, either directly or indirectly. Level 3 valuations are based on inputs that are not based on observable market data. The adoption of amended Section 3862 had no impact on the financial statements.

CICA Handbook Section 3863, Financial Instruments – Presentation, replaces the existing requirements on presentation of financial instruments which have been carried forward unchanged to this section.

s) Goodwill and Intangible Assets

Effective January 1, 2009, the Company adopted the new CICA Handbook Section 3064 "Goodwill and Intangible Assets", which replaces Section 3062 "Goodwill and Other Intangible Assets", and results in the withdrawal of Section 3450 "Research and Development Costs". This section establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. Adoption of this standard had no material impact on the consolidated financial statements.

4. RECENT ACCOUNTING PRONOUNCEMENTS

Consolidated Financial Statements and Non-Controlling Interests

CICA HB Section 1601, Consolidated Financial Statements and HB Section 1602, Non-controlling Interests replace CICA HB Section 1600, Consolidated Financial Statements. HB Section 1601 establishes standards for the preparation of consolidated financial statements. HB Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. HB Section 1602 is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, Consolidated and Separate Financial Statements. These standards are effective for interim and annual financial statements beginning on or after January 1, 2011, which for this Company is January 1, 2011. The Company believes that the adoption of this standard will not have a material impact on its consolidated financial statements.

Business combinations

In January 2009, the CICA issued Section 1582, Business Combinations. This section is effective January 1, 2011 and applies prospectively to business combinations for which the acquisition date is on or after the first annual reporting period of the Corporation beginning on or after January 1, 2011, which for this Company is January 1, 2011. Early adoption is permitted. This section replaces Section 1581, Business Combinations and harmonizes the Canadian standards with international financial reporting standards (IFRS). The Company does not anticipate that the adoption of this standard will impact its financial results.

4. RECENT ACCOUNTING PRONOUNCEMENTS (cont'd)

Multiple Deliverable Revenue Arrangements

In December 2009, the CICA issued EIC 175 – "Multiple Deliverable Revenue Arrangements" replacing EIC 142 – "Revenue Arrangements with Multiple Deliverables". This abstract was amended to: (1) provide updated guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated, and the consideration allocated; (2) require, in situations where a vendor does not have vendor-specific objective evidence ("VSOE") or third-party evidence of selling price, that the entity allocate revenue in an arrangement using estimated selling prices of deliverables; (3) eliminate the use of the residual method and require an entity to allocate revenue using the relative selling price method; and (4) require expanded qualitative and quantitative disclosures regarding significant judgments made in applying this guidance. The accounting changes summarized in EIC 175 are effective for fiscal periods beginning on or after January 1, 2011, with early adoption permitted. Adoption may either be on a prospective basis or by retrospective application. If the Abstract is adopted early, in a reporting period that is not the first reporting period in the entity's fiscal period, it must be applied retrospectively from the beginning of the Company's fiscal period of adoption. The Company expects to adopt EIC 175 effective January 1, 2011. The Company does not believe the standard will have a material impact on its consolidated financial statements.

International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted. Accordingly, the Company will transition from current Canadian GAAP reporting and commence reporting under IFRS no later than the first quarter of 2011, with restatement of comparative information presented. The Company has identified mineral property, and future income tax liability, as areas where the adoption of IFRS may have a material effect on the Company's financial reporting. In addition, the Company is currently assessing the elections available under IFRS to determine the effect of each election to the Company. The Company expects to report under IFRS in its first quarter ending March 31, 2011.

5. SHORT TERM INVESTMENTS

As at December 31, 2010, short term investments consist of investments in marketable securities of $2,228,207 ($Nil – 2009) and guaranteed investment certificates of $60,180 ($2,360,845 – 2009), which bear interest at rates of 0.3% - 0.9% per annum.

6. MARKETABLE SECURITIES

At December 31, 2010, the Company held "available for sale" shares as follows:

	Number of Common Shares	Accumulated Unrealized Gains (Losses)	Fair Value
Canaco Resources Inc.	100,000	569,000	601,000

At December 31, 2009, the Company held "available for sale" shares as follows:

	Number of Common Shares	Accumulated Unrealized Gains (Losses)	Fair Value
Canaco Resources Inc.	100,000	21,000	53,000

The investment in marketable securities consists of 100,000 common shares in Canaco Resources Inc., a public company which trades on the TSX Venture Exchange under the symbol “CAN”. The shares were received as consideration for the sale of a resource property interest during 2007. During the year ended December 31, 2010, the Company recognized an unrealized gain of $548,000 (2009: unrealized gain of $50,000). No future income tax liability was recorded against the unrealized gain as the company has future income tax assets relating to accumulated non-capital losses carried forward as of December 31, 2010 which are in excess of the future tax liability, and against which the Company has provided a valuation allowance for future income taxes (see note 11).

7. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

The Company adopted the amendments to CICA Section 3862 for these annual financial statements. The amendments require the use of a fair value hierarchy in order to classify the fair value disclosures related to the Company’s financial assets and financial liabilities that are recognized in the balance sheet at fair value.

The fair value hierarchy has the following levels:

- Level 1 – quoted market prices in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 – unobservable inputs such as inputs for the asset or liability that are not based on observable market data.

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

7. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (cont'd)

Fair value of financial instruments

The carrying values of cash, short-term investments, sundry receivable, accounts payable and accrued liabilities, accounts payable and exploration expenses and loan payable approximate their fair values due to the relatively short periods to maturity of these instruments.

At December 31, 2010, the Company held an investment in shares with a fair value of $601,000 (2009 - $53,000). The difference between fair value and cost at December 31, 2010 has been included in the statement of accumulated other comprehensive income (loss).

Cash and short-term investments and share investment are reflected on the balance sheet at fair value and both items are ranked using a level 1 hierarchy because measurements are determined using quoted prices in active markets for identical assets.

Fair value measurements of accounts payable and accrued liabilities are classified under Level 2 because inputs are generally unobservable and reflect management's estimates of assumptions that market participants would use in pricing the liability.

Credit Risk

The Company manages its credit risk through its counterparty ratings and credit limits. The Company is mainly exposed to credit risk on its bank accounts. Bank accounts are primarily with Canadian Schedule 1 banks and the Standard Chartered Bank in Ghana and Tanzania. The sundry receivable in 2010 and the 2009 relates to HST recoverable from the Canadian government. The total cash and short-term investments and sundry receivable represent the maximum credit exposure.

Liquidity Risk

The Company manages its liquidity risk by ensuring that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash is primarily invested in business bank accounts and guaranteed investment certificates which are available on demand to fund the Company's operating costs and other financial demands.

Market Risk

The significant market risk exposures to which the Company is exposed are foreign currency risk, interest rate risk and equity price risk.

Foreign currency risk

The Company maintains its accounts in Canadian dollars. The Company is exposed to foreign currency fluctuations to the extent mineral interests, exploration expenditures, and operating expenses incurred by the Company are not denominated in Canadian dollars. The Company does not use derivatives or other methods to manage the foreign currency risk. The Company's operations in Ghana and Tanzania make it subject to foreign currency fluctuations and such fluctuations may materially affect the Company's financial position and results. The Company's operating results and cash flows are affected to varying degrees by changes in the Canadian Dollar exchange rate vis-a-vis the Ghanaian cedis and Tanzanian

7. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (cont'd)

shilling, and the US dollar. The Company purchases foreign currencies as the need arises in order to fund its exploration activities. Corporate expenditures are mainly incurred in Canadian and US dollars.
As at December 31, 2010, the Company's significant exposures to foreign currency risk, based on balance sheet values, were to the US Dollar. There was no material exposure to foreign currency risk, based on balance sheet values, to Ghanaian Cedi or Tanzanian shillings.

	$ US
Cash	218,594
Accounts payable and accrued liabilities	(539,827)
	(321,233)

The following sensitivity analysis assumes all other variables remain constant and are based on above net exposures. A 10% appreciation or depreciation of the US Dollar vis-a-vis the Canadian Dollar would result in a $32,123 increase or decrease respectively, in net income and shareholders' equity.

Interest rate risk

The Company's bank accounts earn interest income at variable rates. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates. The Company's future interest income is exposed to changes in short-term rates.

Capital Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' equity as capital. The Company manages the capital structure and makes adjustment to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, sell assets to settle liabilities or return capital to its shareholders. The Company is not subject to externally imposed capital requirements.

8. EQUIPMENT

	2010		
	Cost	Accumulated Amortization	Net
	$	$	$
Computer equipment and software	29,940	23,835	6,106
Office equipment	44,109	29,504	14,604
Field equipment	999	796	203
	75,048	54,135	20,913

	2009		
	Cost	Accumulated Amortization	Net
	$	$	$
Computer equipment	29,940	21,218	8,722
Office equipment	44,109	25,853	18,256
Field equipment	999	746	253
	75,048	47,817	27,231

Amortization for the year ended December 31, 2010 is $6,318 (2009 - $8,366)

9. INTEREST IN MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

1. TANZANIA PROPERTIES

(a) Itilima Gold Project

The Company holds a 75% interest in the Itilima Gold and Diamond Project, which consists of four contiguous licences totalling 65 square kilometres in the Lake Victoria Goldfields in Tanzania. Midlands' interest is through its subsidiary company in Tanzania – the Itilima Mining Company Limited.

The licences were granted for all minerals including gold and diamonds but not including building materials and gemstones. Net smelter royalties ("NSR") payable upon production to Juma Motors Transport Ltd. ("JMT"), the Company's local exploration partner, are 2% for the first two years of the mine's life once commercial production commences, 1.5% for the next two years, and 1% thereafter for the life of the mine. In addition, there is a royalty payable upon commercial production to the Government of Tanzania of a 3% NSR for gold and a 5% NSR for diamonds. The licences are all in good standing.

(b) Vukene

In 2010, the Company was granted prospecting licenses for the Vukene property in Tanzania.

9. INTEREST IN MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (cont'd)

1. TANZANIA PROPERTIES (cont'd)

(c) Lwenge

In 2007, the Company acquired the Lwenge property in Tanzania.The Company owns 90% of the prospecting license and the licence is in the process of renewal.

(d) Kishapu and Lalago Gold Projects

In 2008, the Company was granted two prospecting licences, PL 5482 (Kishapu) which is 38.26 square kilometres in size, and PL 5481 (Lalago) which is a 154.3 square kilometres in size. The licences are valid for the full year of 2011.

In 2010, the Company was granted one more prospecting licence, PL 6507/2010, which is 8.06 square kilometres in size and located in Kishapu district.

(e) Tamota Project – New Kilindi

The Company paid US$25,000 to obtain a new gold property PL 5068/2008 in the Handeni district in Tanzania which is 174.95 square kilometers in size. The licence is in good standing and was transferred to Midlands on July 23, 2008.

(f) Sengerema and Geita

In 2010, the Company was granted two prospecting licenses. PL 6569/2010 (Sengrema) is 185.89 square kilometres in size and located in the Sengerema. PL 6571/2010 (Geita) is 34.13 square kilometres in size and is located in the Geita District.

(g) Mziha East and Ruanda

In 2010, two prospecting licenses in the Bagamoyo District were granted to the Company. PL6719/2010 (Mziha East) is 73.09 square kilometres in size and PL6703/2010 (Ruanda) is 157.87 square kilometres in size. Both licenses are in good standing.

(h) East Turian

In 2010, the Company was granted the prospecting license PL 6721/2010 (East Turian). The property is 194.51 square kilometres in size and is located in the Mvomero district. The license is in good standing.

2. GHANA PROPERTIES

a) Sian Property

On August 23, 2006, the Company signed an agreement with Sian Goldfields Limited ("Sian"), whereby the Company acquired a 65% interest in the mineral assets of Sian and as part of the agreement, the Company agreed to pay to a maximum amount of US$2,000,000, based on cash flow, monies owed to certain farmers around the Sian property and certain Sian workers who were owed money. The money, which is payable directly to affected farmers and affected Sian workers, is intended to ensure that the

9. INTEREST IN MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (cont'd)

2. GHANA PROPERTIES-Cont'd

Company can proceed to conduct exploration on the Sian property without hindrance from the local community.

The funds cover such things as payments to farmers for crop compensation, and past due payments to some of Sian's former workers that are being hired by the Company for current exploration activities. The local communities around the Sian property form the labour pool for the Company's exploration activities. The expenditures involved fall within general exploration expenditures and are accounted for as part of the Company's capitalized exploration costs. The final payment to Sian was made on November 16, 2010.

The Company holds a 65% interest in Akroma Gold Company Limited into which the Sian property was transferred following an agreement between Midlands Minerals Corporation and Sian Goldfields Limited. Under the terms of the agreement, Sian Goldfields Limited transferred all its mineral assets including the mining lease which was granted to Sian in 1996 for a period of 30 years, the gold processing plant as well as all of the machinery and equipment. The mineral assets include an area of approximately 50 square kilometres of ground which is contiguous to Midlands' 109 square kilometres Kwahu Praso property on the north-east end of the Ashanti Gold Belt.

(b) Kwahu Praso Property

Midenka Resources Limited ("Midenka"), a subsidiary, holds title to the Kwahu Praso Concession ("Concession") situated in the Eastern Region along the Northeastern border of the Ashanti gold belt of Ghana. Midenka is a Ghanaian registered company originally owned 80% by the Company and 20% by the Enkaakyiri Trading Company Limited ("Enkaakyiri").

On September 4, 2008, Enkaakyiri elected to sell its 20% interest, as per the joint venture agreement dated April 23, 2003 to Midlands for a total price of US$80,000 Midlands paid a non refundable deposit of US$ 10,000. On February 26, 2010 Midlands paid US $35,000 and the balance of US $35,000 was paid during the fourth quarter of 2010. Midland now holds a 100% rights interest.
The Kwahu Praso prospecting licence is in good standing.

(c) Kaniago Concession

The Company holds a 100% interest in the Kaniago Concession which is located on the Asankrangwa Gold Belt in Ghana. The mineral rights are owned by the Company through its subsidiary company, Midlands Minerals Ghana Limited. The Company has a prospecting license which is in good standing.

(d) Bonuama Property

The Company acquired an option on the Bonuama property in Ghana on June 7, 2008. Bonuama is 150 square kilometres in size and is located on the Asankrangwa Gold Belt. Midlands paid a non-refundable deposit of US$20,000 with the balance payable of US $45,000. On March 17, 2010 Midlands paid US $15,000.

The Government of Ghana is entitled to a 10% carried interest in the Concessions with no contribution requirement, upon commencement of commercial production.

10. CAPITAL STOCK

Authorized
Unlimited common shares without par value

Shares Issued and Outstanding :

	Number of Common Shares	Amount ($)
Balance, December 31, 2008	**53,046,458**	**8,098,340**
Bonus shares issued, January 12, 2009	153,846	10,000
Bonus shares issued, February 5, 2009	126,582	10,000
Bonus shares issued, March 13, 2009	109,091	12,000
Bonus shares issued, April 13, 2009	145,455	16,000
Bonus shares issued, May 15, 2009	125,000	10,000
Bonus shares issued, January 12, 2009	33,333	5,000
	693,307	63,000
Private placement, net of issue costs	21,275,000	1,980,186
Private placement, net of issue costs	4,814,999	469,920
Private placement, net of issue costs	1,066,000	106,259
Brokers and Finders warrants issued on private placement	-	(485,872)
	27,155,999	2,070,493
Balance, December 31, 2009	**80,895,764**	**10,231,833**
Private placement, net of share issuance costs- January 29, 2010 (a)	12,839,624	2,950,476
Private placement, net of share issuance costs- February 12, 2010 (b)	10,214,403	2,309,283
Brokers and Finders warrants issued on private placement	-	(667,379)
Proceeds on exercise of warrants	270,980	91,133
Cancellation of shares under share buy back (c)	(1,784,000)	(300,477)
Balance, December 31, 2010	**102,436,771**	**14,614,869**

a) On January 29, 2010 the Company issued 12,839,624 units at $.35 per unit for gross proceeds of $4,493,868. Each unit is comprised of one Common Share (“Common Share”) and one half of one Common Share purchase warrant (each such whole Common Share purchase warrant a “Warrant”). Each Warrant shall be exercisable into one additional Common Share of the Corporation (“Warrant Share”) at an exercise price of $.50 per Common Share for a period of twenty-four months from the closing date provided, however, that if at any time that is 12 months after the closing date, the closing trading price of the Common Shares on the TSX Venture Exchange or other recognized exchange is greater than $1.00 for a period of 30 consecutive trading days, the Corporation shall have an option, exercisable in its sole discretion within 10 days of the end of the aforesaid 30 day period, to request that the subscribers exercise their Warrants by providing notice (the “Notice”) advising the subscribers that they shall have 10 days from their receipt of such Notice to exercise their Warrants and any unexercised Warrants after the expiry of the 10th day following their receipt of such Notice shall expire

10. CAPITAL STOCK (Cont'd)

with no further rights and priveleges attached thereto. The warrants were valued at $1,216,188, net of share issue costs on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rate of 1.41%, expected dividend yield of 0%, expected stock price volatilty of 195%, and expected life of 2 years.

In connection with the private placement, the Company paid cash commissions of $327,205 to the agents and issued 1,016,067 broker warrants to acquire common shares at an exercise price of $0.35 per share for eighteen months from the date of issue under the same terms as the Private Placement. The fair value of the broker warrants issued on the private placement was $377,896 based on the fair value of proceeds received using the Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rate of 1.41%, expected dividend yield of 0%, expected stock price volatilty of 215%, and expected life of 18 months.

b) On February 12, 2010, the Company issued 10,214,403 units at $.35 per unit for gross proceeds of $3,575,042. Each Unit is comprised of one Common Share ("Common Share") and one half of one Common Share purchase warrant (each such whole Common Share purchase warrant a "Warrant"). Each Warrant shall be exercisable into one additional Common Share of the Corporation ("Warrant Share") at an exercise price of $.50 per Common Share for a period of twenty-four months from the Closing Date provided, however, that if at any time that is 12 months after the Closing Date, the closing trading price of the Common Shares on the TSX Venture Exchange or other recognized exchange is greater than $1.00 for a period of 30 consecutive trading days, the Corporation shall have an option, exercisable in its sole discretion within 10 days of the end of the aforesaid 30 day period, to request that the subscribers exercise their Warrants by providing notice (the "Notice") advising the subscribers that they shall have 10 days from their receipt of such Notice to exercise their Warrants and any unexercised Warrants after the expiry of the 10th day following their receipt of such Notice shall expire with no further rights and priveleges attached thereto. The warrants were valued at $956,651, net of share issue costs on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rate of 1.21%, expected dividend yield of 0%, expected stock price volatilty of 195%, and expected life of 2 years.

In connection with the private placement, the Company paid cash commissions of $233,459 to the agents, incurred cash expenses for $63,017 and issued 555,728 broker warrants for common shares ("Common Share Broker Warrants") and 107,235 broker warrants for units ("Unit Broker Warrants"). Each Common Share Broker Warrant is exercisable into a common share at a price of $0.35 per share for eighteen months from the date of issue under the same terms as the Private Placement. Each Unit Broker Warrant is exercisable into one Common share and one-half of one Common Share Purchase Warrant at a price of $0.50 per unit for eighteen months from the date of issuance.The Company also issued 126,187 finders warrants to aquire common shares at $.50 per share for two years from the date of issue under the same terms as the Private Placement. The fair value of the broker warrants issued on the private placement was $244,312 and finders warrants was $45,171 based on the fair value of the proceeds received using the Black-Scholes option pricing model with the following weighted average assumptions for broker Warrants: risk-free interest rate of 1.21%, expected dividend yield of 0%, expected stock price volatilty of 216%, and expected life of 18 months. and for finders Warrants: risk-free interest rate of 1.21%, expected dividend yield of 0%, expected stock price volatilty of 195%, and expected life of 2 years.

c) During the year, the Company initiated a normal course issuer bid ("NCIB") to acquire a maximum of 5,212,489 shares of the Company. The bid resulted in the Company buying back 1,784,000 of its shares for cancellation at a weighted average price of $ 0.17 for a total consideration of $300,477.

10. CAPITAL STOCK (Cont'd)

WARRANTS

A summary of changes in warrants during the years indicated is as follows :

	Number of Warrants	Weighted Average Exercise Price $	Value $
Balance December 31, 2008	**3,122,500**	**0.50**	**360,558**
Issued as part of private placements	13,578,001	0.25	1,041,521
Issued as part of private placements-Broker warrants	1,211,266	0.15	286,083
Issued as part of private placements-Finder warrants	1,504,333	0.25	199,789
Balance December 31, 2009	**19,416,100**	**0.28**	**1,887,951**
Issued as part of private placements	11,527,007	0.50	2,172,839
Issued as part of private placements-Broker warrants	1,679,030	0.35	622,208
Issued as part of private placements-Finder warrants	126,187	0.50	45,171
Warrants exercised	(270,980)	(0.16)	(48,486)
Balance, December 31, 2010	**32,477,344**	**0.36**	**4,679,683**

As at December 31, 2010, the following warrants were outstanding:

Date Granted	Warrants Granted #	Exercise Price $	Expiry Date
June 14, 2007	3,122,500	0.50	June 14, 2012
November 9, 2009	11,788,501	0.25	November 9, 2011
November 9, 2009	705,520	0.15	November 9, 2011
December 4, 2009	2,740,833	0.25	December 4, 2011
December 4, 2009	148,166	0.15	December 4, 2011
December 7, 2009	533,000	0.25	December 7, 2011
December 7, 2009	106,600	0.15	December 7, 2011
January 29, 2010	6,419,811	0.50	January 29, 2012
January 29, 2010	1,016,067	0.35	July 29, 2011
February 12, 2010	5,233,383	0.50	February 12, 2012
February 12, 2010	662,963	0.35	August 12, 2011
	32,477,344	**0.36**	

10. CAPITAL STOCK (Cont'd)

WARRANTS

The following table summarizes information about warrants outstanding as at December 31, 2010 and December 31, 2009:

	2010			2009		
Range of Exercise Price	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
$0.15 to $0.50	32,477,344	$ 0.36	2.47	19,416,100	$0.28	1.97

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.

A summary of changes in options is as follows:

	Options Granted	Weighted Average Exercise Price $
Balance, December 31, 2009	6,757,334	0.32
Granted February 16, 2010	3,755,156	0.33
Granted July 20, 2010	100,000	0.33
Granted December 23, 2010	2,030,000	0.25
Expired June 22, 2010	(2,073,025)	(0.23)
Cancelled September 30, 2010	(370,000)	(0.37)
Balance December 31, 2010	10,199,465	0.33

10. CAPITAL STOCK (Cont'd)

STOCK OPTIONS (Cont'd)

As at December 31, 2010, the following options were outstanding:

Date of Grant	Options Granted And Exercisable	Exercise Price	Expiry Date
	Number of Options	Canadian Dollars	
August 17, 2006	648,000	0.45	August 9, 2011
April 4, 2007	666,019	0.45	April 4, 2012
July 10, 2008	100,000	0.40	July 10, 2013
February 2, 2009	1,230,290	0.40	February 2, 2014
June 24, 2009	150,000	0.40	June 24, 2014
June 30, 2009	100,000	0.40	June 30, 2014
December 14, 2009	1,570,000	0.25	December 14, 2014
February 16, 2010	3,605,156	0.33	February 16, 2015
July 20, 2010	100,000	0.33	July 20, 2015
December 23, 2010	2,030,000	0.25	December 23, 2015
	10,199,465	0.33	

i) On February 16, 2010, the Company granted 3,755,156 stock options to directors, officers and consultants of the Company, exercisable at $0.33 per share until February 16, 2015. During the year ended December 31, 2010, 150,000 stock options granted to a director were cancelled as the director resigned from the Company. 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 2.21%, expected dividend yield of 0%, expected stock price volatility 157%, and expected option life of five years. The stock options which vest immediately upon grant, were assigned a value of $1,545,774.

ii) On July 20, 2010, the Company granted 100,000 stock options to a consultant of the Company, exercisable at $0.33 per share until July 20, 2015. 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 2.20%, expected dividend yield of 0%, expected stock price volatility 155%, and expected option life of five years. The stock options which vest immediately upon grant, were assigned a value of $16,594.

iii) On December 23, 2010, the Company granted 2,030,000 stock options to directors, officers and consultants of the Company, exercisable at $0.25 per share until December 23, 2015. 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 2.24%, 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, were assigned a value of $329,841.

Stock based compensation expense was $1,892,209 in the year ended December 31, 2010 (2009 - $679,638), of which $118,961 (2009 - $ 34,575) was capitalized to interest in mineral properties.

10. CAPITAL STOCK (Cont'd)

STOCK OPTIONS (Cont'd)

The following tables summarize information about stock options outstanding as at December 31, 2010 and December 31, 2009 (all of which are exercisable):

Range of exercise price	Number of options	Weighted average remaining life (Years)
December 31, 2010		
$0.25-0.45	10,199,465	3.71
December 31, 2009		
$0.20-0.45	6,757,334	2.73

CONTRIBUTED SURPLUS

	$
Balance, December 31, 2008	3,062,669
Stock-based compensation	679,638
Balance, December 31, 2009	3,742,307
Stock-based compensation	1,892,209
Balance, December 31, 2010	**5,634,516**

11. INCOME TAXES

Provision for Income Taxes

The provision for (recovery of) income taxes is as follows:

	2010 $	2009 $
Loss for the year:	(3,141,015)	(1,435,508)
Expected income tax benefit	(973,700)	(473,000)
Adjustments to benefit resulting from:		
Stock-based compensation	586,000	225,000
Share issue costs	(95,000)	(59,470)
Other	3,700	135,280
Change in valuation allowance	479,000	172,190
	-	-

11. INCOME TAXES (Cont'd)

Future Tax Balances

The tax effects of temporary differences that give rise to future income tax assets and liabilities are as follows:

	2010 $	2009 $
Future income tax assets (liabilities):		
Non-capital losses carried forward	1,648,000	1,578,000
Share issue costs	267,000	160,000
Unrealized gain on share investment	(137,000)	-
Valuation allowance	(1,778,000)	(1,738,000)
Net Future Taxes	-	-

Tax Loss Carry-Forwards

The Company has accumulated non-capital losses for Canadian tax purposes of approximately $6,593,000 that expire in various years to 2030 as follows:

Year of Expiry	Canada $
2012	90,600
2014	302,700
2015	830,300
2026	900,400
2027	996,000
2028	1,182,000
2029	746,000
2030	1,545,000
	6,593,000

12. RELATED PARTY TRANSACTIONS

a) Included in accounts payable and accrued liabilities as of December 31, 2010 was $84,053 (2009 - $66,662) owing to directors and officers, which includes accrued management compensation.

b) During the period ended December 31, 2010, $1,411,148 (2009 - $291,076) was paid or payable to an officer for management salaries, including non cash stock based compensation of $1,157,420 (2009 – $66,296) and cash compensation for $253,728 (2009-$224,780).

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

13. COMMITMENT

a) The Company is committed to a minimum amount of rental payments under a long-term lease for their premises in Ontario, Canada which expires June 30, 2013. Future minimum lease payments under operating leases for the premises at December 31, 2010 are payable as follows:

2011	27,704
2012	28,908
2013	14,454
	$97,565

b) The Company is committed to a minimum amount of rental payments under a long-term lease for their premises in Ghana which expires February 28, 2012. Future minimum lease payments under operating leases for the premises at December 31, 2010 are payable as follows:

2011	12,000
2012	2,000
	$14,000

14. SEGMENTED INFORMATION

The Company's principal operations are the acquisition, exploration and development of mineral properties. The location of assets is as follows:

Assets	2010				2009			
	Canada $	Tanzania $	Ghana $	Total $	Canada $	Tanzania $	Ghana $	Total $
Cash	1,180,960	5,550	78,368	1,264,878	291,856	250	5,495	297,601
Short-term Investments	2,288,387	-	-	2,288,387	2,360,845	-	-	2,360,845
Marketable securities	601,000	-	-	601,000	53,000	-	-	53,000
Prepaid expenses and deposits	65,494	-	13,780	79,274	7,852	-	-	7,852
Sundry receivables	20,476	-	-	20,476	8,128	-	-	8,128
Equipment	20,913	-	-	20,913	27,231	-	-	27,231
Interest in mineral properties and deferred exploration expenses	-	2,743,518	9,697,872	12,441,390	-	2,517,168	4,891,067	7,408,235
Total	4,177,230	2,749,068	9,790,020	16,716,318	2,748,912	2,517,418	4,896,562	10,162,892

Substantially all operating expenses are incurred in Canada.

15. SUBSEQUENT EVENTS

Subsequent to the year ended December 31, 2010, the Company applied for listing with the OTCQX and has been trading since January 24, 2011.

Subsequent to the year ended December 31, 2010, the Company received consideration of $79,374 for the exercise of 529,160 broker warrants.