MIDLANDS MINERALS CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2010

GENERAL:

The following management discussion and analysis ("MD&A") of the performance and financial condition of Midlands Minerals Corporation (the "Company") is prepared as of May 2, 2011 and should be read in conjunction with the Audited Consolidated Financial Statements of the Company and the accompanying notes thereto for the years ended December 31, 2010, and 2009, which have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP). Additional information about the Company can be found at www.sedar.com

Unless otherwise indicated, a reference to a year relates to the Company's fiscal year ended December 31. Unless specifically stated to the contrary, all amounts are reported in Canadian dollars.

OVERVIEW:

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

Corporate Social Responsibility and Environmental Policy

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

The Company is committed to its policy on the Environment, Health and Safety ("EHS") issues and it undertakes to:

Comply with EHS regulatory requirements in Canada and in the countries in which the Company operates;

Provide information on EHS to locally hired personnel;

Develop and use EHS practices that are efficient and apply these in all the Company's exploration activities;

Require contractors and consultants to comply with applicable legislation and local regulatory requirements;

Reclaim exploration and mining sites in compliance with applicable regulations and site specific requirements in the countries in which the Company is operating.

Such EHS practices will be reviewed from time to time to take into account technical and economic developments.

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

In Ghana, at the Sian-Praso Project, the target is to find a significant gold deposit on the contiguous Sian and Kwahu-Praso ("Praso") properties. The Sian-Praso Project consists of a large land package of 156sq km. The Project has excellent infrastructure consisting of power, roads, water and a trained labour force. In addition, the Sian mine of previous owner Sian Goldfields Ltd. ("Sian") has a 30-year mining lease, an open-pit, and a proven gold recovery rate of 91%. The Project is located in the prolific Ashanti Gold Belt just 30 kilometres east of Newmont Mining's Akyem gold deposit. Akyem which is presently under construction is reported to host approximately eight million ounces of gold. With a growing resource from satellite targets, the Company believes that the Sian-Praso Project will be rapidly advanced to the Pre-Feasibility stage by the end of 2012.

The Company's expectations and targets are conceptual and are primarily based on geochemical and geophysical anomalies as well as on results from the Company's drilling conducted between 2007 and 2010. The Company adds a cautionary statement to the effect that the funding and progress of all the projects in this MD&A is dependent on obtaining financing.

The Company's short term objective is to initially add shallow "inferred" ounces at 50m drill centres from approximately thirty geochemical-geophysical anomalies and other partially drill-tested anomalies in the Mpeyo Area. This area is immediately south of Sian's Esaase open-pit, and covers an area of 16sq km. This would put the planned and targeted resource of the Sian-Praso Project at over two million ounces. Additional "indicated" infill drilling at 25m centres would follow where good results warrant it. The timing of the Pre-Feasibilty Study will be dependent on funding which is in the progress of being obtained.

The Sian's Essase Zone is interpreted to be a shear hosted gold deposit model that is located in a larger shear that in the Mpeyo Area may exceed 3km in width and a length of 16km that strikes generally north south. To the west, the Mpeyo Area is in contact with a "Dixcove" granite intrusion which is interpreted to be the granitic source for most of the gold mineralisation in Ghana. This interpretation is born out by the fact that the Esaase Zone contains narrow quartz-porphyry mineralized dykes that have eminated from the granite. The 3km wide shear parallels the north-striking stratigraphy of mafic and felsic volcanics that crosses the property from north to south, a distance of 16km. Within this strike length, there are many gold soil anomalies that have yet to be drill-tested.

2010 HIGHLIGHTS

GHANA HIGHLIGHTS

Sian-Praso Project

- In early 2010, Geotech Airborne Limited flew the Sian-Praso Project and recovered radiometric, magnetic and electromagnetic data. An analysis of the data generated 18 targets that were prioritized for follow-up. In addition to the other measured parameters, strong east northeast lineaments were interpreted from the magnetic data which correlated well with the soil sampling that had been completed at a spacing of 200m by 50m. This was most obvious in an area south of the Esaase Zone in the Mpeyo Area. As a result of initial drilling on some of the airborne targets, it was decided to complete infill soil sampling at a spacing of 100m by 50m in the highly prospective Mpeyo Area as well as on two of the recommended airborne targets A1 and C1. Both the Mpeyo Area and A1 and C1 anomalies are targeted for drilling in mid-2011.

- An in-house resource for the Sian's Esaase Zone gold property was received October, 2010 from SGS Geostat in Montreal, Quebec. Using a cut-off of 0.5g/t Au the following non-compliant estimates were reported from: the Main Esaase Zone and Satellite Zones - 216,800 inferred ounces of gold from 4,009,000 tonnes at a grade of 1.69g/t Au and the Main Esaase Zone - 322,100 indicated ounces of gold from 5,360,000 tonnes at a grade of 1.87g/t Au.

Kaniago Project, Ghana

The Kaniago Project is located on the Asankrangwa Gold Belt and is on strike with three previously producing mines – the Obotan Open Pit and Underground Mine with 793,701oz Au, the Adubiaso Open Pit Mine to the south with 113,248oz Au, and the Abore Open Pit Mine to the north with 295,400oz Au.

- There is an anomalous trend, seven kilometres in strike length and on direct strike with the Abore Open Pit Mine.
- On the eastern part of the project, there is a gold soil anomaly zone which is on strike with the Obotan Open Pit Mine, previously operated by Resolute Mining Ltd.

- On the central southern part of the project is a gold soil anomaly, which is the extension of the Adubiaso Open Pit Mine also previously operated by Resolute Mining Ltd.
- In early 2010, Geotech Airborne Limited flew the Sian-Praso Project and recovered radiometric, magnetic and electromagnetic data. An analysis of the data generated eight targets that were prioritized for follow-up.
- A Reverse Circulation (RC) drilling program is planned for early 2011.

TANZANIA HIGHLIGHTS

Kilindi Projects and New Applications

Three new highly prospective gold properties that are close to the Handeni Project of Canaco Resources Inc. and the Company's Tamota Project were acquired early in 2010. These are the Mziha East Project, the Ruanda Project and the Turian East Project. The projects total approximately 175 sq km and are 160 km west of the City of Dar es Salaam. In addition to the existing nine projects, the Company has applied for two additional prospecting licences. PL 6569/2010 (Sengrema) which is 185.89 sq km in size in the Sengerema District; and PL 6571/2010 (Geita) which is 34.13sq km in size in the Geita District.

Itilima Gold Project, Tanzania

Considerable exploration has outlined the Itilima Shear Zone and more infill sampling and an Induced Polarisation (I.P.) survey are recommended prior to further infill drilling.

SELECTED ANNUAL INFORMATION

The following table sets forth selected consolidated financial information of the Company for, and as of the end of each of the last three fiscal years ended December 31. The selected consolidated financial information should be read in conjunction with the Consolidated Financial Statements of the Company.

	For the years ended December 31,		
	2010	**2009**	**2008**
Consolidated Statement of Operations	$	$	$
Total Revenue	--	--	--
Net Loss	3,141,015	1,435,508	1,242,060
Basic and Diluted Net Loss per Share	0.03	0.03	0.02
Balance Sheet			
Total Cash and Short-term Investment	3,553,265	2,658,446	203,467
Working Capital Surplus (Deficiency)	3,504,765	2,057,640	(403,676)
Non-Controlling Interest	36,125	36,125	36,125
Total Assets	16,716,318	10,162,892	7,331,556
Shareholders' Equity	15,930,943	9,456,981	6,501,965
Deferred Exploration & Property Acquisition Cost			
Acquisition Cost	2,987,574	1,836,303	1,612,381
Deferred Exploration Expenditures	9,453,816	5,571,932	5,451,598
Total Balance	**12,441,390**	**7,408,235**	**7,063,979**

SUMMARY OF QUARTERLY RESULTS

Selected consolidated financial information for the most recently completed quarters of 2010 and 2009 are as follows:

	2010				2009			
Three months ended	**Mar.**	**June**	**Sept.**	**Dec.**	**Mar.**	**June**	**Sept.**	**Dec.**
	$	$	$	**$**	$	$	$	$
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net Loss	1,889,110	396,842	321,517	533,546	336,095	228,156	46,708	824,549
Basic and diluted net loss per share	0.02	0.02	0.00	0.01	0.01	0.00	0.00	0.01

DESCRIPTION OF BUSINESS

Midlands Minerals Corporation is a publicly traded Canadian natural resource company engaged in the exploration of mineral properties. The Company is a development stage organization and is presently in the process of exploring its mineral properties, and has not yet determined whether these properties contain reserves that are economically recoverable. The primary focus of the Company is on its gold and diamond exploration and development properties in Tanzania and gold exploration properties in Ghana. To date the Company has raised funds to explore its mineral properties principally through the issuance of shares. The Company will continue to depend on the issuance of additional shares to further the development of its mineral properties. The exploration and development of mineral deposits involve significant financial risk and the success of the company will be influenced by a number of factors including risks associated with exploration and eventual extraction, foreign investment regulations, renegotiation of contracts and political uncertainty.

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the Company's financial statements conforms to Canadian Generally Accepted Accounting Principles and requires management to make the 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. Actual results may differ from those estimates. Management believes that the estimates are reasonable. Expenditures which do not relate to specific resource properties are written off in the year incurred.

Interest in exploration properties and property acquisition costs and related direct exploration costs, are deferred until such time as the properties are placed into commercial production, sold, determined not to be economically viable, or abandoned. These deferred costs will be amortized on the unit-of-production basis over the estimated useful lives of the properties following the commencement of production. If the properties are subsequently determined not to be economic the properties are written down to net realizable value. If the properties are allowed to lapse, or are abandoned or sold, their related deferred exploration costs are charged to operations in the current year.

The cost of exploration property includes any cash consideration paid, and the fair market value of shares issued, if any, on the acquisition of property interests. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts when the payments are made. The recorded amounts of property claim acquisition costs and their related deferred exploration costs represent actual expenditures incurred and are not intended to reflect present or future values.

The Company reviews its exploration properties and capitalized costs on its property interests on an annual basis to determine if events or changes in circumstances have transpired which indicate that the carrying value of its assets may not be recoverable. The recoverability of cost incurred on the exploration properties is dependent upon numerous factors and estimates including exploration results, environmental risk, political risk and the Company's ability to attain profitable production.

Financial Instruments – Recognition and Measurement

CICA Handbook Section 3855 provides guidance on when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet of the Company and on what basis these assets, liabilities and derivatives should be valued. 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 assets are measured at fair value and changes in fair value are recognized in earnings. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive earnings until the investment is derecognized or impaired at which time the amounts would be recorded in net earnings.

With the adoption of these standards, the Company has classified its short-term investments as held for trading, share investment as available for sale, and accounts payable and accrued liabilities as other financial liabilities.

This standard requires derivative instruments to be recorded as either assets or liabilities measured at their fair value unless exempted from derivative treatment as a normal purchase and sale. Certain derivatives embedded in other contracts must also be measured at fair value. The Company has reviewed all significant contractual arrangements and determined there are no material embedded derivatives that must be separated from the host contract and fair valued and there are no non-financial derivatives that need to be fair valued.

Financial Instruments – Disclosure and Presentation

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

Asset/Liability	Category	Measurement
Cash and cash equivalents	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

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.

International Financial Reporting Standards ("IFRS")

On February 13, 2008 the CICA Accounting Standards Board announced that Canadian public reporting issuers will be required to report under International Financial Reporting Standards ("IFRS"), which will replace current Canadian GAAP for years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require restatement for comparative purposes, of the Company's opening balance sheet as at January 1, 2010, all interim quarterly periods in 2010 and for its year ended December 31, 2010. The Company's first IFRS compliant financial statements will be for the three months ended March 31, 2011.The objective is to improve financial reporting by having one single set of accounting standards that are comparable with other entities on an international basis.

The Company is finalizing the financial reporting impacts on the adoption of IFRS. The assessment provided insight as to the most significant areas of GAAP differences applicable to the Company and include treatment of future income taxes, share based payments, as well as more extensive presentation and disclosure requirements under IFRS. IFRS in-depth reviews have been concentrated on cash generating units, options available under IFRS for modified full cost accounting, decommissioning liabilities, share-based compensation and a preliminary analysis of the impact on our data gathering and reporting systems. We are still assessing the impact of IFRS and have not finalized all of our accounting policy choices and IFRS 1 exemptions. To date, efforts are underway to fully quantify the impact of IFRS on the Company's January 1, 2010 transition date balance sheet and the future financial position and results of operations.

IFRS 1 – "First-time Adoption of International Financial Reporting Standards" is the standard that governs mandatory exceptions and optional exemptions that an entity may elect for its transition to IFRS in order to assist the entity with the transition process. This standard is only applicable to the opening balance sheet of the entity on the transition date of January 1, 2010.

The following are IFRS 1 exemptions that the Company currently anticipates electing on transition date. The quantification of certain of the effects of the adoption of IFRS discussed below are an estimate of the impact based on the policy elections currently proposed which may change prior to finalization. In addition, other differences may exist between amounts reported by the Company under Canadian GAAP versus IFRS. New or revised IFRS are being developed by the International Accounting Standards Board ("IASB") that may impact the adoption of IFRS by the Company. The Company continues to monitor these and other accounting standard developments within IFRS which might impact its IFRS conversion. The following also is not exhaustive as to all actual or potential differences, which remain subject to determination and change.

Future Income Taxes

The transition to IFRS will require the Company to re-measure its deferred income taxes for its January 1, 2010 balance sheet. Adjustments to deferred income taxes will be made accordingly in conjunction with other transition IFRS adjustments discussed earlier, with an offsetting adjustment to the January 1, 2010 deficit. Subsequent changes in the deferred tax liability are recognized in profit or loss. Like IFRS, under Canadian GAAP the total income tax expense recognized in profit or loss generally is the sum of current income tax expense (or recovery) plus the change in deferred (future) income tax liabilities and assets during the period, net of tax recognized either in other comprehensive income or directly in equity, or arising from a business combination. However the treatment of income taxes relating to certain items charged or credited directly to equity and relating to business combinations differs from IFRS. Also, unlike IFRS, income tax expense under Canadian GAAP specifically excludes changes in deferred tax liabilities and assets during the period arising from acquisition of an asset other than in a business combination, which is recorded as an adjustment to the carrying amount of such asset, and taxes relating to certain other items.
Also unlike IFRS, under Canadian GAAP, there is no exemption from recognizing a deferred tax liability (asset) for the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting nor taxable profit. Unlike IFRS, under Canadian GAAP, the carrying amount of an asset acquired, other than in a business combination, is adjusted for the amount of the deferred tax recognized. Like IFRS, under Canadian GAAP, deferred tax is measured based on enacted or substantially enacted tax rates and laws. However, unlike IFRS, Canadian GAAP provides additional guidance on the determination of substantively enacted tax rates.

Financial Instruments

Like IFRS, all financial instruments under Canadian GAAP are classified into "loans and receivables", "held to maturity", "held for trading" (fair value through profit or loss) or "available for sale" categories. However, under Canadian GAAP, there are certain differences from IFRS with respect to designating assets into the held for trading category. Also, like IFRS, under Canadian GAAP, financial instruments are initially measured at fair value, except that there are special rules with respect to the measurement of financial instruments originating as a result of transferred to or from related parties, which is unlike IFRS.

Events after the reporting date

The financial statements are adjusted to reflect events that occur after the reporting (balance sheet) date, if those events provide evidence of conditions that existed at the reporting date. Under IFRS, the post reporting date period is to the date that the financial statements are authorized for issue. Unlike IFRS, under Canadian GAAP, the post-reporting date period is to the date of completion of the financial statements, which may be earlier than the date that the financial statements are authorized for issue.

Share Based Payments

IFRS 2 *Share-Based Payments* requires the expense related to share-based payments to be recognized as the options vest; that is, for options that vest over a period of time, each tranche must be treated as a separate option grant which accelerates the expense recognition in comparison to Canadian GAAP which allows the expense to be recognized on a straight-line basis over the period the options vest. While the carrying value for each reporting period will be different under IFRS, the cumulative expense recognized over the life of the instrument under both methods will be the same. Going forward under IFRS, stock-based compensation is expected to be higher because the graded vesting requirements of IFRS result in accelerated expense recognition.

Information technology and data systems

The Company is performing and reviewing an assessment of the implications of IFRS on its information technology and data systems.

Business activities

The Company has reviewed the impact of IFRS and it is not expected that IFRS will result in any significant changes to the Company's business activities.

Internal control over financial reporting and disclosure controls and procedures

The implementation of IFRS may require changes to the Company's internal controls over financial reporting ("ICFR") and disclosure controls and procedures ("DC&P"). The Company plans to assess the changes required in its ICFR and DC&P as accounting policy choices are finalized and its implications on ICFR and DC&P are identified. The Company continues to quantify the effects of choices available under IFRS which impact the opening balance sheet. Once the opening balance sheet adjustments are finalized, the Company will complete the roll-forward of the first to fourth quarter 2010 financial statements to IFRS. IFRS will likely result in additional disclosures in the Company's financial statements. As part of preparing draft IFRS disclosures, the Company has analyzed and will continue to analyze the additional disclosures to ensure sufficient information is available upon adoption of IFRS.

OVERVIEW OF PERFORMANCE

MINERAL PROPERTIES TAMOTA, MZIHA EAST, RUANDA AND TURIAN EAST

MIDLANDS MINERALS PROPERTIES IN GHANA AND TANZANIA

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

GHANA PROPERTIES

The Government of Ghana issues mineral rights as follows:

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

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

On August 23, 2006, the Company signed an agreement with Sian Goldfields Limited ("Sian"), whereby the Company acquired a 65% interest in the mineral assets of Sian; and, as part of the agreement, the Company agreed to pay US$2,000,000 based on cash flow and monies owed to certain affected farmers and the Sian Goldfields workers. Under the terms of the agreement, Sian Goldfields Limited transferred the gold processing plant and the 30-year mining lease (ML4188/96) which was granted to Sian in 1996, and as such it has an expiry date of 2026. The final payment to Sian was made on Nov. 16, 2010. The mineral assets include an area of approximately 47sq km of ground which is contiguous to the Company's 100% owned 109 sq km Kwahu Praso property. The total asset of approximately 156 sq km is referred to as the Sian-Praso Property which is on the north-east end of the Ashanti Gold Belt. All the Licences are in good standing which includes the payment of fees and rent, and the submission of quarterly reports.

The Sian-Praso Project is located 150km northwest of Accra, the capital city of the Republic of Ghana and is located in the Kwahu West District Assembly in the Eastern Region. The District Assembly is located in Nkawkaw, the nearest town that is 8km to the east of the Sian-Praso Property and which has a population of approximately 45,000. Within the property boundary there are approximately 40 villages with a population of approximately 20,000 people. The property is between latitude 6° 36' north and 6° 39' north and longitudes 0° 46' west and 0° 54' west. Besides the mill site, water and a good labour force there is excellent infrastructure. The Accra-Kumasi highway and a hydro power transmission line traverse just north of the Sian Licence through the Kwahu-Praso property.

The Sian Deposit was an open pit mine from 2001 to 2003 and was closed mainly due to low gold prices. Sian Goldfields completed 182 drill holes (23,782m of drilling), and 12 adits (2,744m of drifting). During that period Sian produced only 16,193oz Au and were able to do it at a gold recovery rate of 91.4%.

In 2008, the Company commissioned SGS Geostat to complete a compliant resource calculation according to the standards set out in NI 43-101. This report is filed on the Sedar web site of the Canadian Securities Administrators. That resource was based on historical drilling and 13,551m of drilling that was completed by the Company between April and October, 2007. Using a cut off grade of 0.5g/t Au, the Main Esaase Zone contained 192,400oz in the indicated category in 2,568,000 tonnes at a grade of 2.33g/t Au; and the Main Esaase Zone and Satellite Zones contained 203,350oz in the inferred category in 2,694,000 tonnes at a grade of 2.35g/t. Two years later, in October, 2010 SGS Geostat, completed an updated in-house, non-compliant resource based on an additional 50 holes totalling 9,732m. This report estimated a 67% increase in ounces in the indicated category using a cut-off of 0.5g/t Au. From the Main Esaase Zone, 322,100 indicated ounces were reported totalling 5,360,000 tonnes of 1.87g/t Au, and from the Main Esaase Zone and Satellite Zones 216,800 inferred ounces were reported from 4,009,000 tonnes of 1.69g/t Au. The indicated resource tonnage was increased by 109%.

Hosted by mafic volcanics, the gold mineralisation occurs in a twenty metre wide, potassic-silica-carbonate rich shear zone with lensoid quartz veinlets. The pinch and swell style of mineralisation contains minor (2-5%) pyrite, pyrrhotite and chalcopyrite where visible gold is very rare. In the pit the zone strikes north northeast (25°) and is obliquely cross-cut by narrow (2-5m) mineralized and non-mineralised albite-quartz-porphyry dykes that strike at 30°. Both the zone and the dykes dip steeply (65-90°) to the southeast. Re-logging of the core is planned for early 2011 to obtain a clearer picture of the geological model.

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

Besides the drilling to complete the 2008- and 2010-resource estimates, other exploration activity by the Company included geochemical soil sampling and ground I.P. geophysics in the Mpeyo Area in late 2006 and early 2007. The Mpeyo Area is located to the south of the Esaase Zone and covers an area of approximately 16sq km. In Nov., 2006 to Feb., 2007, 108.02km of pole-dipole induced polarisation (IP) data were captured by Sagax Afrique S.A., and 256 IP anomalies were identified that are orientated along north northwest and north northeast trends. Conventional soil sampling by the Company included 1,448 samples at a spacing of 200m by 50m that covered 14.3 sq km. Twenty-two per cent of the samples returned values greater than 100ppb Au. In most instances the I.P. anomalies coincide with the geochemical anomalies. RC hole (MERC53) drilled 600m south of the Esaase zone on one of the combined geochemical-IP anomalies intersected 2.25g/t Au over 15m. Initial testing of only a few of the 30 anomalies in the Mpeyo Area with scout drilling has in most cases intersected economic gold (>0.5g/t) with widths varying from 2m to 20m.

In early 2010, Geotech Airborne Limited (GAL) completed an airborne magnetic-electromagnetic-radiometric survey over both the Sian and Kwahu Praso concessions. Initial follow-up drilling was completed on a few of the targets recommended by GAL but due to the wide-spaced soil sampling; it was recommended that prior to further testing of the anomalies more infill soil sampling be completed.

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

Midenka Resources Limited ("Midenka"), a subsidiary of the Company, holds title to the Kwahu Praso Concession. Midenka is a Ghanaian registered company originally owned 80% by the Company and 20% by the Enkaakyiri Trading Company Limited ("Enkaakyiri"). On September 4, 2008, the Company exercised its right to a joint venture agreement dated April 23, 2003, to purchase the remaining 20% for US$80,000. The Company paid a non-refundable deposit of US$10,000 with the balance of US$70,000.

On February 26, 2010 the Company paid US$35,000 with the balance of US$35,000 being paid during the fourth quarter of 2010.

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

In 2010, 3,147 samples were collected at a spacing of 200m by 50m which brought the total number of samples collected to 4,191.

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

After MMI infill sampling has been completed in early 2011, the Company expects to commence drilling on Mypeyo Area targets, Satellite targets proximal to the Sian/Esaase Zone in mid-2011 and GAL targets A1 and C1 on Kwahu-Praso.

(c) Kaniago Concession

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

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

TANZANIA PROPERTIES:

The Government of Tanzania issues mineral rights as follows:

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

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

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

Please see below for additional information on the Itilima Diamond Project.

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

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

In 2004, WGM supervised the drilling of the ITZ and CSZ, and the K1 and K2 airborne targets. WGM conducted a 14-hole, 1,345m reverse circulation (RC) drilling program from March 20 to April 8, 2004. Nine holes tested the 1.5km long ITZ, three holes the CSZ and three holes obtained composite samples from the K1 and K2 targets.

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

From June, 2004 to September, 2006, Marc Boisvert, then acting V-P Exploration, supervised the mapping and sampling of the whole property and determined that the gold occurs mainly in folded and carbonated felsic vocanics in contact with the more barren phyllite. Mobile Metal Ion (MMI) soil sampling was successful in penetrating the Mguba Proto-Lake Victoria lacustrine sediment that covers the area. Boivert determined that the gold generally occurs in narrow pyritic quartz veins and veinlets, and that the northeast trending mineralisation occurs within the Geita-Bulyanhulu northwest Trend/Corridor which is defined by felsic porphyries and intermediate intrusives. In 2005 and 2006, infill MMI sampling was conducted over a 2 km by 4 km area which helped define targets within the ITZ. In addition, two other parallel anomalies were upgraded. Five drill targets were selected: Itilima South Extension Anomaly, Ikonokelo Village Anomaly, West Area Anomaly, Central Area Anomaly, South Area Anomaly and High-grade MMI Anomalies.

In the last quarter of 2006 (Oct. 26-Dec. 17), the Company drilled 13 NQ-size diamond drill holes totalling 2,141.9m in and around the ITZ and the CHZ and intersected grades varying from 0.21g/t Au to 2.84 g/t Au in 13 one-metre wide samples. Holes ITDD-015 and -024 followed-up the results of ITRC005 in the Central Area/Aly's Shaft (Licence PML-818). The best gold value was obtained in hole ITDD-024 under Aly's shaft in a 15cm quartz vein averaging 2.77 g/t Au over 1.0 metre. In general the background grades of the core drilling were similar to the RC drilling. This follow-up drilling proved that the Itilima Shear had a mineralised strike length of approximately 400m.

The Company plans to continue exploration on the ITZ and the CHZ. It is recommended that an Induced Polarisation (IP) survey be completed over the central portion of the ITZ prior to drilling.

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

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

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

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

(b) Vukene Gold Project (PL6492/2010)

The Company first acquired the property in 2007, which then consisted of 752.3sq km. In 2010, the Company was granted prospecting licences PL6492/2010, which after "shedding" the property now totals 197.92 sq km. It is located in the Vukene South area of the Nzega District. The Licence is in good standing and is located 135km south west of Shinyanga where the Company's office is located.

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

In late 2007, the Company initiated reconnaissance geological mapping and MMI sampling at a spacing of 1000m by 1000m. Eight hundred and twenty-eight (828) samples were analyzed for Au, Ag, Ni, Pd and Co. Five large Au anomalies were located in the East half of the property. The anomalies are generally 2-4km in length and trend mainly north south. Planned work for 2011 is infill sampling at 100m by 50m and an airborne magnetic survey.

(c) Lwenge Gold Project (PL3212/2005)

In 2007, the Company acquired the Lwenge property in Tanzania. Prospecting Licence (PL) 3212/2005 is 12.80sq km. Two re-applications have been made totalling 25.67sq km - HQ-P-18296 (12.8sq km) and HQ-P 21688 (12.87sq km). The Licences are located in the Geita district in the Lake Victoria Gold Fields Area approximately 70km west of Mwanza, the second largest city in Tanzania. The Company owns 90%

of the Licence. The Geita greenstone belt has been a target for gold exploration since 1913. The Geita Mining Kukuluma gold prospect explored by Samax in 1999 is adjacent to the property.

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

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

A budget has been prepared to complete geological mapping, MMI soil sampling at a 200m by 50m spacing and a ground Magnetometer survey at 100 m line spacing.

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

In 2008, the Company was granted prospecting licence, (PL) 5482, which is 38.26 sq km in size and is located in Kishapu District. The Licences are valid for the full year of 2011. The Licences are located 50km east northeast of Shinyanga and are in good standing.

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

In March 2010, the Company completed 14 lines of MMI soil sampling at a spacing of 500m by 200m to collect 410 samples. One 1.5km by 1.3km anomaly with coincident Cu-Pb-Zn-Ag-Au occurs near the south boundary. It has the following maximum MMI Response Ratios: Cu (8), Ag (21) Au (28) Pb (78) and Zn (92). Detailed mapping and infill sampling is planned for 2011.

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

In 2008, the Company was granted prospecting licence (PL) 5481, which is 153.51sq km and is located 80km northeast of Shinyanga.

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

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

A 2km sq Cu-Ni-Ag-Zn-Pb coincident anomaly was defined in the northwest part of the Licence. Nine of the Zn samples range from 45 to 280 times the MMI Response Ratio. This is part of a 6km long northwest striking Cu and Zn trend that may have base metal potential. One Au sample, which analyzed 64 times the Response Ratio, will require additional sampling. Infill sampling is recommended for 2011.

(f) The Kilindi Gold Properties

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

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

Recent research studies by geological institutes in both Tanzania and Australia have divided the Tanzania Craton into four major segments that trend broadly WNW – ESE and have different gold potential. The studies concluded that the gold mineralisation at Canaco's Hendeni Project is metamorphosed or reworked Archean orogenic gold rather than epigenetic deposits of Proterozoic age formed in largely reworked continental crust.

It is recommended to complete:

- An air photo or satellite image study in order to interpret the structural connection between Canaco's Hendeni setting and the Company's properties.
- Soil sampling at a spacing of 200m by 200m.
- Contour mapping around ridges and along streams.
- Sampling and prospecting of interesting showings.
- Geochemical silt sampling and panning of the streams.

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

The Tamota Licence includes 174.95sq km. The terrain ranges from flat to low rolling in the valleys and flood plains to vertical rock faces on high hills, a vertical distance of 300m. The property is underlain by quartzites and mica schists/gneisses that are intruded by pegmatites and diorite dykes. Foliation generally trends in two directions north west and north east. Within the mica schists in the north part of the property, foliation strikes east west and east by southeast. Folding was observed in outcrops. Thirteen artisinal sites were visited and grab samples were collected from bedrock. All analyses for gold were less than background. From verbal reports and field observations it appears that in all but one of the artisanal sites, the artisans are mining an alluvial/depositional auriferous basal gravel horizon at or just above bedrock within a drainage channel. Bedrock exposure in the streams is limited and consists mainly of gneisses containing quartz/biotite/feldspar/hornblende/garnet. Road access within the Tamota PL is poor to moderate due to the high hilly terrain.

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

The Licence includes 73.09 sq km. The terrain is predominantly flat to low rolling hills. Streams tend to be deep drainage incisions. Within the PL boundaries of Mziha East, three abandoned artisinal sites are located. Extensive artisanal mining occurs immediately south of the Licence. This mining area, dormant during the dry season, follows a NNE trending dry drainage channel located along a V-shaped valley with narrow floodplain (25m to 50m wide). Approximately 75 to 100 pits and shafts were observed ranging in depth from 1m to 8m. The target of the artisinal miners is a gold-bearing alluvial gravel horizon at or near bedrock. Some of the shafts are reportedly connected as the miners followed the gold horizon. There were no indications of any primary gold mineralization.

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

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

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

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

RESULTS OF OPERATIONS

	Year ended December 31		Change
EXPENSES	**2010**	**2009**	
	$	$	$
Management fees	1,411,148	291,076	1,120,072
Office and administrative expenses	851,578	386,748	464,830
Foreign exchange gain	(112,255)	(60,306)	(51,949)
Investor relations and shareholder information	422,228	456,630	(34,402)
Travel and automobile expenses	176,488	24,363	152,125
Professional fees	197,816	118,888	78,928
Rent	67,876	66,553	1,323
Telephone	46,018	35,683	10,335
Transfer agent and filing fees	5,827	8,862	(3,035)
Bank charges and interest	24,582	43,812	(19,230)
Consulting expenses	80,608	56,830	23,778
Amortization	6,318	8,366	(2,048)
Interest Income	(37,217)	(1,997)	(35,220)

The Company's operations are based primarily on the acquisition and exploration of precious metal properties in Africa and as such the Company did not generate any revenues in fiscal years 2010 and 2009.

The Company incurred a loss from operations of $3,141,015 for the fiscal year ended December 31, 2010, as compared to a loss of $1,435,508 for fiscal 2009. The increase was attributable to higher costs for management fees of $1,411,148 (includes non-cash stock based compensation for $1,157,420) in 2010 as compared to $291,076 (includes non-cash stock based compensation for $66,296) in 2009, office and administrative expenses of $851,578 in 2010 as compared to $386,748 in 2009, travelling expenses of $176,488 in 2010 as compared to $24,363 in 2009, professional fees of $197,816 in 2010 as compared to $118,888 in 2009, consulting fees of $80,608 in 2010 as compared to $56,830 in 2009 and telephone expenses from $46,018 in 2010 as compare to $35,683 in 2009. These increases were offset by a reduction attributable to foreign exchange gain of $112,255 in 2010 as compared to $60,306 in 2009, interest expenses of $24,582 in 2010 as compared to $43,812 in 2009, marketing and investor relations of $422,228 in 2010 as compared to $456,630 in 2009 and transfer agent and filing fees of $5,827 in 2010 as compared to $ 8,862 in 2009.

In addition to the above, other changes in operating expenses reflect the continued growth and development of the Company and the execution of the Company's business strategies. Most of the changes resulted from initiatives undertaken by management to establish a solid and sustainable technical and administrative foundation and to further improve our communication to existing and all potential stakeholders.

The major component of increase in individual expenses relates to increase in non-cash stock based compensation expense for $1,157,420 included in management fees in 2010, as compared to non-cash stock based compensation expense for $66,296 in 2009. Cash based management fees was only $253,728 in 2010 as compared to $224,780 in 2009 (an increase of $28,948 or 12.9% in 2010 as compared to 2009)

Travelling expenses increased by $152,125 to $176,488 and is associated with increases of attendance to various trade shows and conferences as well as increase number of trips to Ghana and Tanzania. The Company has incurred substantial deferred exploration costs which are capitalized for $3,881,884 in 2010 as compared to $120,334 for 2009. Administrative costs increased by $464,830 to $851,578 and are associated with non cash stock based compensation to the board of directors.

Given the Company's growth strategy, additional funds will be required to maintain and grow current operations. More advanced exploration is planned on Ghana properties and in particular, on the Sian, Praso and Kaniago gold properties. The Company continues to seek qualified mineral properties that meet its criteria in both Ghana and Tanzania. The Company has committed its resources to develop and fund the exploration activities on the Sian/Praso property and is seeking financing to advance the exploration activities on these properties. The amount payable for property acquisition and interest in mineral properties, and deferred exploration expenditures has been reflected accordingly.

FOURTH QUARTER RESULTS

The Company is focused on Ghana and on the Sian project in particular. As such during 2010, an additional $4,806,805 was spent on acquisition and deferred exploration expenses primarily on Sian, bringing the total spent in Ghana as at December 31, 2010 to $9,697,872.

In Tanzania, MMI soil geochemistry surveys were conducted on the Kishapu and Lalago project. New properties in Tanzania were also acquired. The Company spent $226,350 on acquisition and deferred exploration expenses in 2010, bringing the total expenditures in Tanzania to $2,743,518.

LIQUIDITY AND CAPITAL RESOURCES

The working capital as at December 31, 2010 was a working capital surplus of $3,504,765 compared to a working capital surplus of $2,057,640 as at December 31, 2009. The increase is a result of the additional cash surplus from financing efforts in the fiscal year.

Cash Flow Statement:

Cash outflow from operating activities decreased by $14,257 to $1,015,594. Non cash items added back include amortization for $6,318 (2009: $8,366) and stock based compensation expense for $1,892,209 (2009: $679,638). Changes in non-cash working capital for 2010 include an increase in prepaid expenses by $71,422, increase in sundry receivable by $12,348, and increase in accounts payable by $310,664. Changes in non-cash working capital for 2009 include a decrease in prepaid expenses by $10,446, increase in sundry receivable by $912 and decrease in accounts payable of $197,071.

Cash flow from investing activities includes reduction in securities for $72,458 in 2010 (2009: increase by 2,244,425) and increase in investment in mineral properties and deferred exploration expenses by $5,033,155 (2009: $344,256). The Company incurred investment in mineral properties in Ghana and Tanzania and incurred substantial deferred exploration costs for $3,655,841 in Ghana (2009: $132,691 in Ghana)

Cash flow from financing activities increased by $3,114,482 to $6,943,568 in 2010 as compared to 2009. In 2010, the Company raised $7,432,598 from private placement of common shares and warrants (net of costs), as compared to raising $3,597,886 from private placement of common shares and warrants (net of costs) in 2009. In addition during 2010, the Company raised $42,647 through the exercise of warrants and expended cash of $300,477 on purchase of 1,784,000 common shares for cancellation. The details of common shares and warrants (units) issued in 2010 is as follows:

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 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.

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.

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.

INVESTMENT IN MINERAL EXPLORATION AND DEVELOPMENT

	12/31/2010	12/31/2009
Interest in mineral properties and deferred exploration expenditure	12,441,390	7,408,235

The increase in interest in mineral properties and deferred exploration expenditure by $5,033,155 in 2010 is primarily attributable to increase of $1,135,064 in acquisition costs of the Sian property in Ghana and an increase of $3,069,598 in deferred acquisition costs incurred on the Sian property in Ghana.

BUSINESS COMBINATION (HISTORICAL)

On June 2, 2004, the Company amalgamated with 1487852 Ontario Inc. ("Numco"), a corporation with 1,411,000 common shares outstanding. Numco's sole asset was $291,285 due from the Company. The Company was the continuing entity under the amalgamation and the transaction has been accounted for as a settlement of the amount due to Numco through the issuance of shares.

On June 2, 2004, the Company amalgamated with Grand Oakes Resources Corp. ("Grand Oakes"), an unlisted Canadian public company. Certain directors of the Company became directors of Grand Oakes prior to receipt of Grand Oakes' shareholders approval of the amalgamation with the company. Grand Oakes is the successor legal entity following the amalgamation. Former Grand Oakes shareholders received 572,167 shares of the amalgamated entity and former Company shareholders received 17,543,801 shares of the amalgamated company.

As the former Grand Oakes shareholders have less than 50% of the outstanding shares of the combined entity, the Company is considered the acquirer of Grand Oakes for accounting purposes. Accordingly, the Company is the accounting entity in these financial statements and the comparative figures presented in the financial statements after this amalgamation are those of the Company. The capital structure reflects that of the successor legal entity, Grand Oakes, and the stated value of the share capital is that of the Company. The amalgamated entity carries on business under the name Midlands Minerals Corporation. At amalgamation, Grand Oakes had net liabilities of $104,509. The assumption of these net liabilities is recorded as a capital transaction. Related transaction costs in the amount of $103,103 were recorded as an expense in the period the transaction closed.

USE OF OFF BALANCE SHEET ARRANGEMENTS

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

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

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

OUTLOOK

Midlands is poised for growth with initial drilling on Kaniago adding more value for the shareholders, and with the Sian and Praso gold resource increasing with each new phase of drilling. At least 20,000 metres of drilling are planned in 2011 to bring the Sian project to at least a million ounces in resource, and to define a resource on Kaniago The Company has two objectives: the first is to infill drill to increase the resource to over one million ounces, while at the same time upgrading the quality and category of the resource to at least a measured category. The planned program is follow-up drilling of 2007/2008 and 2010 identified gold structures around the Esaase mine and to the south of the open pit. The second part of the program is to drill test the south extensions of all identified gold zones where the extensions feature soil anomalies or IP (Induced Polarization) responses in order to increase the resource by an additional 500,000 ounces of gold. The program, which tested the south extensions of the Esaase Main and Esaase East zones, has provided excellent follow up targets which confirm the reliability of the soil gold anomaly which extends over a 16 kilometre strike length.

Sian produced gold between 2001 and 2003 with a gold recovery rate of 93%. Midlands' goal is to increase the tonnage on Sian and move the project to a pre-feasibility study by the end of 2011 with a production decision expected by the end of 2012, subject to availability of financing and positive results from the feasibility study.

The Company will continue to focus its efforts on further development of its gold properties in Ghana and Tanzania. Planned work includes infill RC drilling, diamond drilling at depth on Sian and Praso, and Kaniago, soil geochemical surveys, IP surveys, and airborne geophysical surveys on the Ghana and Tanzania properties.

What makes the prospects promising for Midlands are the following:

- Quality gold properties located 30 kilometres from a major multimillion ounce gold deposit on a prolific belt in Ghana and on trend with world class gold deposits like Newmont Mining's Akyem deposit with over 8.7 million ounces of gold in Ghana, and Barrick Gold's Bulyanhulu (Tanzania) with over 13 million ounces;
- An NI 43-101 compliant diamond property with kimberlites, 20 kilometres from a world class open pit diamond mine which has produced more than 20 million carats in Tanzania;
- Midlands operates in known stable and democratic gold producing countries with a long history of gold mining and favourable tenure and permitting laws;
- Already with a growing resource on its Sian property in Ghana, Midlands controls a large gold district on the Ashanti Gold belt, thereby increasing the potential of discovery of several large gold deposits;
- Prudent and experienced Management and a Board with solid knowledge of the countries in which the Company operates;
- A technical team with a history of discovery

Overall, Midlands Minerals Corporation's prospects for achieving its short-term exploration objectives (specifically, bringing the Sian property to a pre-feasibility stage by the end of 2012, subject to financing availability, and expanding its existing resource) are good, given results from the drilling and the huge gold soil anomaly on the Sian/Praso property, in addition to prospects for Kaniago. The plan is to bring the Sian property, which has all the infrastructure in place as well as an existing CIL plant and a mining lease valid 30 years, to a production decision by the end of 2012 either by Midlands on its own or through a joint venture with a gold mining company.

In summary:

1. The Company's plan is to grow its core assets as quickly as possible and subject to availability of financing. In this regard, a minimum of 20,000 metres of drilling is underway on the Sian and Kwahu Praso properties, and on Kaniago.
2. Further drilling is planned for the Itilima project (PL 2043/02) in the first quarter of 2011, subject to financing – Tanzania, and the Company is seeking partnerships to develop key Tanzania properties.
3. The Company is evaluating its prospects for the Itilima Diamond project and seeking prospective partners.

Midlands has viable quality projects in geopolitically stable countries, and a seasoned management team with extensive experience in Africa. The Company has demonstrated access to the capital markets and low overhead costs, all of which ensures that Midlands Minerals Corporation is focused on its exploration activities. However, to further exploration and development activities, the Company will require funds and these are subject to the availability of future financing.

CAPITAL STOCK

AUTHORIZED UNLIMITED COMMON SHARES

	Number of Common Shares	Amount ($)
Balance, December 31, 2009	**80,895,764**	**10,231,833**
Private placement, net of share issuance costs- January 29, 2010	12,839,624	2,950,476
Private placement, net of share issuance costs-February 12, 2010	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**

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**	

WARRANTS

During the year, 13,332,224 warrants were granted to holders of common share units through private placements in January and February 2010. The fair value of the warrants was estimated on the date of extention using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate 1.21 to 1.41%, expected dividend yield of 0%, expected stock price volatitity 195%, and expected life of two years.

RISK FACTORS

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

The Company faces significant risks, inherent in the exploration and development of its mining properties

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 dependant 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 risk

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.

The Company will require additional funding to develop its properties

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 risk

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.

SUBSEQUENT EVENTS

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

Forward-Looking Statements

Certain statements contained in this management's discussion and analysis constitutes forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the company to be materially different from actual results and achievements expressed or implied by such forward-looking statements. Forward-looking statements consist of statements that are not purely historical, including any statements regarding beliefs, plans, expectations or intentions regarding the future. No assurance can be given that any of the events anticipated by the forward-looking statements will occur or, if they do occur, what benefits the Company will obtain from them. These forward-looking statements reflect management's current views and are based on certain expectations, estimates and assumptions which may prove to be incorrect.

The Company adds a cautionary statement to the effect that the potential quantity and grades referred to in this press release are conceptual in nature and there has been sufficient exploration to define a mineral resource. However, the Company is uncertain if further exploration will result in discovery of a mineral reserve. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made. Readers are also advised to consider such forward looking statements while considering the risks inherent in the business of mineral exploration. For more information, investors should review the Company's filings that are available at www.sedar.com and on the Company's website at www.midlandsminerals.com.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation of the consolidated financial statements and other financial information relating to the Company, included in this annual report. The consolidated financial statements of the Company and the accompanying notes thereto for the years ended December 31, 2010, and 2009, have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP).

Schwartz Levitsky Feldman LLP, our external auditors, have been engaged to express a professional opinion on the consolidated financial statements of the Company. Their audit has been conducted in accordance with Canadian Generally Accepted Auditing Standards and includes tests and other procedures which allow the auditors to report on whether the consolidated financial statements of the Company as prepared by management are presented fairly and in accordance with Canadian Generally Accepted Accounting Principles.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting. In furtherance of the foregoing, the Board has appointed an Audit Committee composed of three directors who are not members of management. The committee meets to discuss the results of their report prior to submitting the consolidated financial statements of the Company to the Board of Directors for their consideration and approval for issuance to the shareholders.

On the recommendation of the audit committee, the Board of Directors has approved the Company's consolidated financial statements for the year ended December 31, 2010.

Date: May 2, 2011

Original signed by:

Kim F. Harris
President and Chief Executive Officer

Original signed by:

Paul E. Singer, CA
Chief Financial Officer