MIDLANDS MINERALS CORPORATION

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2011

(Expressed in Canadian Dollars)

Unaudited

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NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management.

The Corporation's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim consolidated financial statements by an entity's auditor.

Date: June 16, 2011

"*Rakesh Malhotra*"
(Signature)
Chief Financial Officer

INTERIM CONSOLIDATED BALANCE SHEETS
(Expressed in Canadian Dollars)

	As at March 31, 2011	As at December 31, 2010	As at January 1, 2010
	$	$	$
ASSETS			
CURRENT			
Cash and cash equivalents	148,460	1,264,878	297,601
Short term investments (Note 9)	2,363,262	2,288,387	2,360,845
Marketable Securities (Note 10)	513,000	601,000	53,000
Prepaid expenses	33,843	79,274	7,852
Sundry receivable	18,794	20,476	8,128
	3,077,359	4,254,015	2,727,426
PROPERTY AND EQUIPMENT (Note 4)	19,715	20,913	27,231
EXPLORATION AND EVALUATION ASSETS (Note 5 and Statement)	12,809,302	12,441,390	7,408,235
TOTAL ASSETS	15,906,376	16,716,318	10,162,892
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	197,934	209,391	346,732
Accounts payable exploration properties	116,354	539,859	91,854
Loan payable	-	-	231,200
TOTAL LIABILITIES	314,288	749,250	669,786
SHAREHOLDERS' EQUITY			
CAPITAL STOCK (Note 6)	14,789,126	14,614,869	10,231,833
WARRANTS (Note 6)	4,582,400	4,679,683	1,887,951
CONTRIBUTED SURPLUS (Note 6)	5,634,516	5,634,516	3,742,307
ACCUMULATED OTHER COMPREHENSIVE INCOME	481,000	569,000	21,000
DEFICIT	(9,931,079)	(9,567,125)	(6,426,110)
TOTAL MIDLANDS MINERALS STOCKHOLDERS' EQUITY	15,555,963	15,930,943	9,456,981
NON-CONTROLLING INTEREST	36,125	36,125	36,125
TOTAL STOCKHOLDERS' EQUITY	15,592,088	15,967,068	9,493,106
	15,906,376	16,716,318	10,162,892

See notes to the interim consolidated financial statements

APPROVED ON BEHALF OF THE BOARD:

ORIGINAL SIGNED BY KIM F. HARRIS, Director ***ORIGINAL SIGNED BY EDWARD HARRIS***, Director

MIDLANDS MINERALS CORPORATION

INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

FOR THE PERIODS ENDED MARCH 31

	2011	2010
	$	$
EXPENSES		
Office and general corporate expenses	75,972	109,891
Advertising and promotion	82,668	53,791
Management fees	59,347	51,266
Shareholder information and compliance	57,247	55,822
Professional fees	14,968	10,084
Telephone	13,083	8,182
Travel and related expenses	47,807	22,110
Rent	17,196	16,899
Bank charges and interest	3,530	10,863
Foreign exchange	(651)	5,434
Amortization	1,198	1,580
Loss Before Interest Income	372,365	345,922
Interest income	(8,411)	(2,586)
Loss Before undernoted	363,954	343,336
Stock based compensation (Black-Scholes Calculations) (Note 6)	-	1,545,774
NET LOSS for the period	363,954	1,889,110
DEFICIT, beginning of period	9,567,125	6,426,110
DEFICIT, end of period	9,931,079	8,315,220
NET LOSS PER SHARE - basic and diluted	0.00	0.02
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	102,629,211	94,955,214

See notes to the interim consolidated financial statements

MIDLANDS MINERALS CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS AND ACCUMULATED OTHER COMPREHENSIVE LOSS
FOR THE PERIOD ENDED MARCH 31

	2011 $	2010 $
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS		
Net Loss for period	(363,954)	(1,889,110)
Unrealized gain (loss) on share investment	(88,000)	13,000
COMPREHENSIVE LOSS	(451,954)	(1,876,110)
Accumulated other comprehensive income (loss), beginning of the year	569,000	21,000
Unrealized gain (loss) on share investment	(88,000)	(8,000)
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	481,000	13,000

See notes to the interim consolidated financial statements

INTERIM CONSOLIDATED STATEMENTS OF EXPLORATION AND EVALUATION ASSETS

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2011

TANZANIA PROPERTIES	Itilima	Vukene	Lwenge	Kishapu	Lalago	Tamota	Others	Total
PROPERTY ACQUISITION COSTS								
Balance, Dec. 31, 2009	530,127							530,127
Additions During the Year	307							307
Balance, Dec. 31, 2010	530,434							530,434
Additions During the Period	-							-
Balance, March 31, 2011	530,434							530,434
EXPLORATION AND EVALUATION COSTS								
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
Additions During the Period	653	-	512	1,568	6,325	830	34,854	44,742
Balance, March 31, 2011	1,705,681	74,731	21,085	47,461	63,738	42,270	302,860	2,257,826
BALANCE, MARCH 31, 2011	**2,236,115**	**74,731**	**21,085**	**47,461**	**63,738**	**42,270**	**302,860**	**2,788,260**

GHANA PROPERTIES	Kwahu Praso	Kaniago	Sian	Bonuama	Others	Total
PROPERTY ACQUISITION COSTS						
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
Additions During the Quarter	-		-	-	-	-
Balance, March 31, 2011	83,746		2,376,667	36,254	(39,527)	2,457,140
EXPLORATION AND EVALUATION COSTS						
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
Additions During the Quarter	18,600	64,804	176,597	-	63,169	323,170
Balance, March 31, 2011	605,918	282,375	5,912,916	9,551	753,142	7,563,902
BALANCE, MARCH 31, 2011	**689,664**	**282,375**	**8,289,583**	**45,805**	**713,615**	**10,021,042**
TOTAL						**12,809,302**

See notes to the interim consolidated financial statements

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE PERIODS ENDED MARCH 31

	2011 $	2010 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) for the period	(363,954)	(1,889,110)
Add items not requiring cash:		
Amortization	1,198	1,579
Stock based compensation (Black-Scholes Calculations)	-	1,545,774
	(362,756)	(341,757)
Changes in non-cash working capital balances:		
Increase in prepaid expenses	45,431	(21,068)
Decrease (Increase) in Sundry receivable	1,682	(430)
(Decrease) Increase in accounts payable and accrued liabilities	(434,962)	85,101
Cash flows from operating activities	(750,605)	(278,154)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of short term investments	(74,875)	(5,139,682)
Expenditures on exploration and evaluation assets	(367,912)	(1,444,474)
Cash flows from investing activities	(442,787)	(6,584,156)
CASH FLOWS FROM FINANCING ACTIVITIES		
Exercise of warrants	76,974	25,951
Issuance of common shares for cash, net of costs	-	5,323,753
Issuance of warrants for cash, net of costs	-	2,120,937
Cash flows from financing activities	76,974	7,470,641
(Decrease) Increase in cash	(1,116,418)	608,331
Cash, beginning of year	1,264,878	297,601
Cash, end of period	148,460	905,932

SUPPLEMENTAL INFORMATION:

Interest paid	-
Taxes paid	-

See notes to the interim consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Midlands Minerals Corporation (the "Company") is a publically traded Company incorporated in Ontario, Canada with the registered office address of 1210, Sheppard Avenue East, Suite 302, Toronto, Ontario, M2K 1E3. The Company is engaged in the evaluation and development of mineral properties in Tanzania and Ghana. The Company is considered to be in the development stages. The Company has not yet determined whether these properties contain ore reserves that are economically recoverable. As the Company's assets are located outside of North America, they are subject to the risk of foreign investment, including increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and political uncertainty. In order for the Company to carry out its exploration and mining activities, the Company is required to hold certain permits. There is no assurance that the Company's existing permits will be renewed.

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 there from or alternatively, upon the Company's ability to dispose of its interests on an advantageous basis.

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, exploration properties are written down to their fair value. Although management has made its best estimate of these factors, it is reasonably possible that certain events could adversely affect management's estimates of fair value and the need for, as well as the amount of, provision for impairment in the carrying value of exploration properties and related assets.

These consolidated interim 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 guarantee 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 interim financial statements, then adjustments would be necessary to the carrying values of assets and liabilites, the reported revenues and expenses, and the balance sheet classifications used. Such adjustments could be material.

2. BASIS OF PRESENTATION

The accompanying unaudited interim consolidated financial statements represent the Company's financial results of operations and financial position under initial adoption of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Therefore, these financial statements comply with International Accounting Standards ("IAS ") 34 "Interim Financial Reporting". As a result of initial adoption in this period IFRS 1 (First-time adoption of International Financial Reporting Standards) has been applied. As such these interim consolidated financial statements do not include all necessary disclosures that are required for annual statements in accordance with IFRS. These statements should be read in conjunction with the December 31, 2010 year end financial statements as well as comparative reconciliation of Canadian GAAP to IFRS which is included in Note 9. Quarterly financial information may change depending upon changes to IFRS. Operating results for the three-month period ended March 31, 2011 are not necessarily indicative of the results that may be expected for the full year ended December 31, 2011.
These interim consolidated financial statements are unaudited and have not been reviewed by the Company's auditors.

3. SIGNIFICANT ACCOUNTING POLICIES

The condensed interim financial statements were authorized for issue on June 10th, 2011 by the Board of Directors of the Company.

Basis of preparation
These condensed consolidated interim financial statements have been prepared on an accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars, unless otherwise noted, which is the Company's functional currency.

Estimates, assumptions and measurement uncertainty
The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant. Areas requiring significant use of estimates by management relate to going concern assessments, determining the carrying value and or impairment of mineral properties, determining the fair values of marketable securities and stock-based payments, financial instruments and tax rates used to calculate future income tax balances and valuation allowance.

Exploration and evaluation expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation assets are recognized and capitalized, in addition to the acquisition costs. When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation assets expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation assets expenditures, in excess of estimated recoveries, are written off to the statement of comprehensive loss or income. The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mine under construction". Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized costs.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest. Should the Company enter into farm-out arrangements, whereby the Company will transfer part of the mineral interest, as consideration, for an agreement by the farmee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company, the Company will not record any expenditures made by the farmee on its behalf.

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses.

Non-derivative financial liabilities are subsequently measured at amortized cost.

Loss per share
Basic loss per share is computed by dividing the net loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.
Diluted earnings / loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted.

Income taxes
The Company uses the liability method of accounting for income taxes. Under the liability method of tax allocation, future income taxes are determined based on the differences between the financial reporting and tax bases of assets and liabilities. These income tax assets and liabilities are measured using the substantively enacted tax rates in which the income tax assets or liabilities are expected to be settled or realized. Tax on income/loss in interim periods is accrued using an annual expected effective tax rate. A valuation allowance is provided to the extent that it is more likely than not that future income tax assets will not be realized

Share capital
Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares and share warrants are classified as equity instruments.

Property and equipment
Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.
Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

New standards and interpretations not yet adopted:

On November 12, 2009, the IASB issued IFRS 9 Financial Instruments to replace IAS 39 Financial Instruments: Recognition and Measurement. As at January 1, 2013, the Company will be required to adopt IFRS 9. IFRS 9 introduces a new classification and measurement regime for financial assets within its scope. The Company has not early adopted this revised standards and is currently assessing the impact that standard will have on the consolidated financial statements.

In May 2011, the IASB issued the following standards which have not yet been adopted by the Company: IFRS 10, Consolidated Financial Statements (IFRS 10), IFRS 11, Joint Arrangements (IFRS 11), IFRS 12, Disclosure of Interests in Other Entities (IFRS 12), IAS 27, Separate Financial Statements (IAS 27), IFRS 13, Fair Value Measurement (IFRS 13) and amended IAS 28, Investments in Associates and Joint Ventures (IAS 28). Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements

4. PROPERTY AND EQUIPMENT

	Cost $	Accumulated Amortization $	March 31, 2011 Net $	December 31, 2010 Net $
Computer equipment	29,940	24,293	5,647	6,106
Office equipment	44,109	30,234	13,875	14,604
Field equipment	999	806	193	203
	75,048	55,333	19,715	20,913

5. EXPLORATION AND EVALUATION ASSETS

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.

5. EXPLORATION AND EVALUATION ASSETS (Cont'd)

(b) Vukene

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

(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. <u>GHANA PROPERTIES</u>

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

5. EXPLORATION AND EVALUATION ASSETS (Cont'd)

2. GHANA PROPERTIES (cont'd)

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.

6. CAPITAL STOCK

Authorized

Unlimited common shares

Shares Issued and Outstanding :

	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 (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**
Proceeds on exercise of warrants during the quarter	513,160	174,257
Balance, March 31, 2011	**102,949,931**	**14,789,126**

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 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

6. CAPITAL STOCK (cont'd)

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.

Warrants

As at March 31, 2011, the following warrants were granted and outstanding:
A summary of changes in warrants during the years indicated is as follows :

	Number of Warrants	Weighted Average Exercise Price $	Value $
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**
Warrants exercised during the quarter	(513,160)	(0.15)	(97,283)
Balance, March 31, 2011	**31,964,184**	**0.36**	**4,582,400**

6. CAPITAL STOCK (cont'd)

As at March 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	345,220	0.15	November 9, 2011
December 4, 2009	2,740,833	0.25	December 4, 2011
December 4, 2009	59,266	0.15	December 4, 2011
December 7, 2009	533,000	0.25	December 7, 2011
December 7, 2009	42,640	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, 2012
February 12, 2010	5,233,383	0.50	February 12, 2012
February 12, 2010	662,963	0.35	August 12, 2011
	31,964,184	**0.36**	

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
Cancelled January 31, 2011	(450,000)	(0.31)
Cancelled March 31, 2011	(100,000)	(0.25)
Balance March 31, 2011	**9,649,465**	**0.33**

6. CAPITAL STOCK (cont'd)

As at March 31, 2011, 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
December 14, 2009	1,270,000	0.25	December 14, 2014
February 16, 2010	3,455,156	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
	9,649,465	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.

Contributed Surplus

	Amount $
Balance, December 31, 2010	5,634,516
Stock-based compensation (Black-Scholes Calculations)	-
Balance, March 31, 2011	5,634,516

7. RELATED PARTY TRANSACTIONS

a) Included in accounts payable and accrued liabilities as of March 31, 2011 was $84,053 (2010 - $66,662) owing to directors and officers, which includes accrued management compensation.

b) During the period ended March 31, 2011, $59,347 (2010 - $51,266) was paid or payable to an officer for management salaries.

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.

8. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

The Company's financial Instruments as at March 31, 2011 consist of cash and cash equivalents, short-term investments, share investments, sundry receivable, accounts payable and accrued liabilities and accounts payable and exploration expenses.

Financial instruments are classified into one of three levels based upon the fair value hierarchy. Items are categorized based on inputs used to derive fair value based on:
Level 1 – quoted prices that are unadjusted in active markets for identical assets or liabilities
Level 2 – inputs other than quoted prices included in level 1 that are observable for the asset/liability either directly or indirectly
Level 3 – inputs for the instruments are no based on any observable market data.

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 March 31, 2011, the Company held an investment in shares with a fair value of $513,000 (December 31, 2010 - $601,000). The difference between fair value and cost at March 31, 2011 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 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.

8. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (Cont'd)

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.

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.

9. SHORT TERM INVESTMENTS

As at March 31, 2011, short term investments consist of investments in marketable securities and guaranteed investment certificates, which bear interest at rates of 0.3% - 0.9% per annum.

10. MARKETABLE SECURITIES

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 quarter ended March 31, 2011, the Company recognized an unrealized loss of $88,000 (Year ended December 31, 2010: unrealized gain of $548,000).

11. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

As a result of the Accounting Standards Board of Canada's decision to adopt IFRS for publicly accountable entities for financial reporting periods beginning on or after January 1, 2011, the Company has adopted IFRS in these financial statements, making them the first interim financial statements of the Company under IFRS. The Company previously applied the available standards under previous Canadian GAAP that were issued by the Accounting Standards Board of Canada.
As required by IFRS 1 "First-time Adoption of International Financial Reporting Standards", January 1, 2010 has been considered to be the date of transition to IFRS by the Company.

Exemptions applied

The Company has applied the following optional transition exemptions to full retrospective application of IFRS:

11. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Cont'd)

IFRS 2 "Share-based payment" – IFRS 1 allows that full retrospective application may be avoided for certain share-based instruments depending on the grant date, vesting terms and settlement of any real liabilities. A first-time adopter can elect to not apply IFRS 2 to share-based payments granted after November 7, 2002 that vested before the later of (a) the date of transition to IFRS and (b) January 1, 2005. The Company has elected this exemption. As such, the Company can apply IFRS 2 to only unvested stock options as at January 1, 2010 being the transition date. Further, as of January 1, 2010, the Company had no unvested stock options, thus no changes are necessary to the Company's opening financial statements.

Under previous Canadian GAAP, share based compensation were treated as one grant and recognized as an expense as the grant vested. Under IFRS, each vesting tranche is treated as a separate grant with a separate vesting date and fair value. IFRS requires the Company to calculate a forfeiture estimate in its share based compensation calculation when the vesting of options is not immediate and over a period of time. The Company has not revised its calculations for stock based compensation on transition to IFRS since the options granted after transition have vested immediately and there were no unvested stock options on January 1, 2010.

IFRS 3 "Business Combinations" – IFRS 1 allows that a first-time adopter may elect not to apply IFRS 3 Business Combinations retrospectively to business combinations prior to the date of transition avoiding the requirement to restate prior business combinations. The Company has elected this exemption and as such expects no difference between Canadian GAAP and IFRS on transition for differences in business combination accounting.

IFRS 1 "Deemed Cost" – allows for exploration and evaluation assets costs to be accounted for in cost centers that include all properties in a large geographical area. A first-time adopter using such accounting under previous Canadian GAAP may elect to measure exploration and evaluation assets at the amount determined under the Company's previous GAAP. The Company has elected this exemption and shall continue to test exploration and evaluation assets in the development phases for impairment at the date of transition to IFRS in accordance with IFRS 6 Exploration for and Evaluation of Mineral Resources. As such, the Company has not made any changes to the amounts reported under exploration and evaluation assets on transition.

Mandatory exceptions applied
IAS 39 "Financial Instruments" the Company has applied the derecognition of financial assets and liabilities exception requirements prospectively from the transition date. As a result any non-derivative financial assets or non-derivative financial liabilities derecognized prior to the Transition Date in accordance with pre changeover Canadian GAAP have not been reviewed for compliance with IAS 39. The application of this exemption has no impact on the Company.
IAS 27 was applied prospectively from the Transition Date. Total comprehensive income is attributed to the owners of the parent and the non-controlling interests. No adjustment except presentation adjustment to equity was required. Non-Controlling Interest is now presented in the Consolidated Statement of Financial Position within equity, separately from the equity of the owners of the parent.

Asset impairment

Both Canadian GAAP and IFRS require an entity to undertake quantitative impairment testing where there is an indication of impairment. Further there is a requirement under IFRS for the Company to assess whether indicators of impairment exist at the date of transition to IFRS.
Unlike Canadian GAAP, IFRS requires impairment charges to be reversed if circumstances leading to the impairment no longer exist. The Company has no historic impairment charges which could be reversed as of the transition date. As at the transition date, there were no indications of impairment under IFRS identified by management, therefore no formal quantitative impairment was undertaken.

The following tables provide a reconciliation between the amounts previously reported under Canadian GAAP and those reported in accordance with IFRS and related transitional requirements, based on our analysis to date. A summary of each of the transition is included in the notes noted above. The anticipated effects of transition from GAAP to IFRS on the cash flow are not material therefore a reconciliation of cash flows has not been

11. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Cont'd)

presented. No material changes, except presentation changes to the Balance Sheet were done for transition. The reconciliations have not been audited by the Company's external auditor.The following statements are included:
Transitional Consolidated Statement of Financial Position Reconciliation – January 1, 2010
Consolidated Interim Statement of Financial Position – March 31, 2010
Consolidated Statement of Financial Position Reconciliation – December 31, 2010
Consolidated Interim Statement of Comprehensive Loss Reconciliation – March 31, 2010
Consolidated Statement of Comprehensive Loss Reconciliation – December 31, 2010

Transitional Consolidated Statement of Financial Position Reconciliation to IFRS (unaudited) as follows:

	January 1, 2010 CAN GAAP $	Effect of Transition to IFRS $	January 1, 2010 IFRS $
ASSETS			
CURRENT			
Cash and cash equivalents	297,601		297,601
Short term investments	2,360,845		2,360,845
Share investment	53,000		53,000
Prepaid expenses	7,852		7,852
Sundry receivable	8,128		8,128
	2,727,426	-	2,727,426
PROPERTY AND EQUIPMENT	27,231		27,231
EXPLORATION AND EVALUATION ASSETS	7,408,235		7,408,235
TOTAL ASSETS	10,162,892	-	10,162,892
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	346,732		346,732
Accounts payable exploration properties	91,854		91,854
Loan payable	231,200		231,200
TOTAL LIABILITIES	669,786	-	669,786
SHAREHOLDERS' EQUITY			
CAPITAL STOCK	10,231,833		10,231,833
WARRANTS	1,887,951		1,887,951
CONTRIBUTED SURPLUS	3,742,307		3,742,307
ACCUMULATED OTHER COMPREHENSIVE INCOME	21,000		21,000
DEFICIT	(6,426,110)		(6,426,110)
TOTAL MIDLANDS MINERALS STOCKHOLDERS' EQUITY	9,456,981	-	9,456,981
NON-CONTROLLING INTEREST	36,125		36,125
TOTAL STOCKHOLDERS' EQUITY	9,493,106	-	9,493,106
	10,162,892	-	10,162,892

11. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Cont'd)

Consolidated Interim Statement of Financial Position Reconciled to IFRS (unaudited) as follows:

	March 31, 2010 CAN GAAP $	Effect of Transition to IFRS $	March 31, 2010 IFRS $
ASSETS			
CURRENT			
Cash and cash equivalents	905,932		905,932
Short term investments	7,500,527		7,500,527
Share investment	45,000		45,000
Prepaid expenses	28,920		28,920
Sundry receivable	8,558		8,558
	8,488,937	-	8,488,937
PROPERTY AND EQUIPMENT	25,652		25,652
EXPLORATION AND EVALUATION ASSETS	8,852,709		8,852,709
TOTAL ASSETS	17,367,298	-	17,367,298
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	172,859		172,859
Accounts payable exploration properties	582,028		582,028
Loan payable	-		-
TOTAL LIABILITIES	754,887	-	754,887
SHAREHOLDERS' EQUITY			
CAPITAL STOCK	14,888,207		14,888,207
WARRANTS	4,702,218		4,702,218
CONTRIBUTED SURPLUS	5,288,081		5,288,081
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	13,000		13,000
DEFICIT	(8,315,220)		(8,315,220)
TOTAL MIDLANDS MINERALS STOCKHOLDERS' EQUITY	16,576,286	-	16,576,286
NON-CONTROLLING INTEREST	36,125		36,125
TOTAL STOCKHOLDERS' EQUITY	16,612,411	-	16,612,411
	17,367,298	-	17,367,298

11. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Cont'd)

Consolidated Statement of Financial Position Reconciliation to IFRS (unaudited) as follows:

	December 31, 2010 Canadian GAAP $	Effect of Transition to IFRS $	December 31, 2010 IFRS $
ASSETS			
CURRENT			
Cash and cash equivalents	1,264,878		1,264,878
Short term investments	2,288,387		2,288,387
Share investment	601,000		601,000
Prepaid expenses	79,274		79,274
Sundry receivable	20,476		20,476
	4,254,015	-	4,254,015
PROPERTY AND EQUIPMENT	20,913		20,913
EXPLORATION AND EVALUATION ASSETS	12,441,390		12,441,390
TOTAL ASSETS	16,716,318	-	16,716,318
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	209,391		209,391
Accounts payable exploration properties	539,859		539,859
Loan payable	-		-
TOTAL LIABILITIES	749,250	-	749,250
SHAREHOLDERS' EQUITY			
CAPITAL STOCK	14,614,869		14,614,869
WARRANTS	4,679,683		4,679,683
CONTRIBUTED SURPLUS	5,634,516		5,634,516
ACCUMULATED OTHER COMPREHENSIVE INCOME	569,000		569,000
DEFICIT	(9,567,125)		(9,567,125)
TOTAL MIDLANDS MINERALS STOCKHOLDERS' EQUITY	15,930,943	-	15,930,943
NON-CONTROLLING INTEREST	36,125		36,125
TOTAL STOCKHOLDERS' EQUITY	15,967,068	-	15,967,068
	16,716,318	-	16,716,318

11. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Cont'd)

The Canadian GAAP Interim Consolidated Statement of operation and Comprehensive Loss for the three months ended March 31, 2010 has been reconciled to IFRS (unaudited) as follows:

	March 31, 2010 CAN GAAP $	Effect of Transition to IFRS $	March 31, 2010 IFRS $
EXPENSES			
Office and general corporate expenses	109,891		109,891
Advertising and promotion	53,791		53,791
Management fees	51,266		51,266
Shareholder information and compliance	55,822		55,822
Professional fees	10,084		10,084
Telephone	8,182		8,182
Travel and related expenses	22,110		22,110
Rent	16,899		16,899
Bank charges and interest	10,863		10,863
Foreign exchange	5,434		5,434
Amortization	1,580		1,580
Loss Before Interest Income	(345,922)	-	(345,922)
Interest income	2,586		2,586
		-	
Loss Before undernoted	(343,336)		(343,336)
Stock based compensation (Black-Scholes Calculations)	(1,545,774)		(1,545,774)
NET LOSS for the period	(1,889,110)	-	(1,889,110)
DEFICIT, beginning of period	(6,426,110)	-	(6,426,110)
DEFICIT, end of period	(8,315,220)	-	(8,315,220)
NET LOSS PER SHARE - basic and diluted	(0.02)		(0.02)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	94,955,214	-	94,955,214
NET LOSS FOR THE PERIOD	(1,889,110)		(1,889,110)
Unrealized gain on marketable securities	13,000		13,000
COMPREHENSIVE LOSS FOR THE PERIOD	(1,876,110)	-	(1,876,110)

11. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Cont'd)

The Canadian GAAP Interim Consolidated Statement of operation and Comprehensive Loss for the year ended December 31, 2010 has been reconciled to IFRS (unaudited) as follows:

	December 31, 2010 Canadian GAAP $	Effect of Transition to IFRS $	December 31, 2010 IFRS $
EXPENSES			
Management fees	1,411,148		1,411,148
Office and administrative expense	851,578		851,578
Foreign exchange loss (gain)	(112,255)		(112,255)
Investor relations, shareholder information and promotion	422,228		422,228
Travel and automobile expense	176,488		176,488
Professional fees	197,816		197,816
Rent	67,876		67,876
Telephone	46,018		46,018
Transfer agent and filing fees	5,827		5,827
Bank charges and interest	24,582		24,582
Consulting fees	80,608		80,608
Amortization	6,318		6,318
LOSS BEFORE OTHER ITEMS	(3,178,232)	-	(3,178,232)
Interest income	37,217		37,217
NET LOSS FOR THE YEAR	(3,141,015)		(3,141,015)
DEFICIT, beginning of year	(6,426,110)	-	(6,426,110)
DEFICIT, end of year	(9,567,125)	-	(9,567,125)
NET LOSS PER SHARE - Basic and diluted	(0.03)	-	(0.03)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	100,997,210	-	100,997,210
NET LOSS FOR THE YEAR	(3,141,015)	-	(3,141,015)
Unrealized gain on marketable securities	548,000		548,000
COMPREHENSIVE LOSS FOR THE YEAR	(2,593,015)	-	(2,593,015)