MIDLANDS MINERALS CORPORATION

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE PERIOD ENDED MARCH 31, 2011

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 June 16, 2011 and should be read in conjunction with the unaudited Interim Consolidated Financial Statements of the Company and the accompanying notes thereto for the period ended March 31, 2011, and March 31, 2010, and the Audited Consolidated Financial Statements for the year ended December 31, 2010. These financial statements have been prepared in accordance with International Financial reporting Standards ("IFRS"). 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.

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 renewable 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
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 3 kilometres in width and a length of 16 kilometres 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.

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, infill soil sampling was conducted at a spacing of 100 metres by 50 metres in the highly prospective Mpeyo Area as well as on two 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 Canada Inc (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 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 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 icommenced in March 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.

SELECTED QUARTERLY INFORMATION

The following table sets forth selected consolidated financial information of the Company for, the last year ended December 31, 2010 and the three month period ending March 31, 2011 and March 31, 2010. The selected consolidated financial information should be read in conjunction with the Consolidated Financial Statements of the Company.

	March 31, 2011	March 31, 2010	December 31, 2010
Consolidated Statement of Operations	**$**	**$**	**$**
Total Revenue	**--**	**--**	**--**
Net Loss	**363,954**	**1,889,110**	**3,141,015**
Basic and Diluted Net Loss per Share	**0.00**	**0.02**	**0.03**
Balance Sheet			
Total Cash and Short-term investment	**2,511,722**	**8,406,459**	**3,553,265**
Working Capital (Deficiency)	**2,763,071**	**7,734,050**	**3,504,765**
Non-Controlling Interest	**36,125**	**36,125**	**36,125**
Total Long Term Debt	**Nil**	**Nil**	**Nil**
Total Assets	**15,906,376**	**17,367,298**	**16,716,318**
Shareholders' Equity	**15,555,963**	**16,576,286**	**15,930,943**
Exploration and Evaluation Assets			
Acquisition Cost	**2,987,574**	**2,269,917**	**2,987,574**
Exploration and Evaluation costs	**9,821,728**	**6,582,792**	**9,453,816**
Total Balance	**12,809,302**	**8,852,709**	**12,441,390**

SUMMARY OF QUARTERLY RESULTS

Selected consolidated financial information for the most recently completed quarters of 2011, 2010 and 2009 are as follows:

	2011	**2010**				**2009**			
Three months ended	**Mar.**	**Mar.**	**June.**	**Sept.**	**Dec.**	**Mar.**	**June.**	**Sept.**	**Dec.**
		$	$	$	**$**	$	$	$	**$**
Revenue	**Nil.**	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net Loss	**363,954**	1,889,110	396,842	321,517	533,546	336,095	228,156	46,708	824,547
Basic and diluted net loss per share	**0.00**	0.01	0.00	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 IFRS 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. General exploration expenditures which do not relate to specific resource properties are written off in the year incurred.

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.

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.

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.

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

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

MINERAL PROPERTIES
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 property, the gold processing plant and the 30-year mining lease (ML4188/96) which was granted to Sian in 1996. 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 gold district 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. 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 property is between latitude 6° 36' north and 6° 39' north and longitudes 0° 46' west and 0° 54' west. There is an existing CIL (Carbon in Leach) plant as well as water and a good labour force, and excellent infrastructure. The Accra-Kumasi highway and a hydro power transmission line traverse just north of the Sian Licence through the Kwahu-Praso property.

In 2008, the Company commissioned SGS Geostat to complete a compliant resource calculation according to the standards set out in NI 43-101. 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.

In October, 2010 SGS Canada Inc (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.
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)

In early 2010, Geotech Airborne Limited (GAL) completed a VTEM survey an airborne magnetic-electromagnetic-radiometric survey over both the Sian and Kwahu Praso concessions.

(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 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.

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.

(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 (VTEM) 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 commenced in 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.

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.

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 Itilima project.

(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 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 conducted reconnaissance geological mapping and MMI sampling at a spacing of 1000 metres by 1000 metres. 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. .

(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.

(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.

(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

For the three months ended March 31, 2011, the Company's operating costs increased from $345,922 to $372,365, an increase of $26,443. Office and general corporate expenses decreased from $109,891 in 2010 to $75,972 in 2011. Advertising and promotion covers participation in trade shows and printing of promotional materials and was $82,668 in 2011 as compared to $53,791 in 2010. This attributes to a higher number of participated trade shows. Travel to Ghana and related expenses amounted to $47,807 in the first quarter of 2011 as compared to $22,110 in 2010. This is due to a higher number of trips made to Ghana. Telephone and communications cost increased from $8,182 in 2010 to $13,083 in 2011. Bank charges and interest amounted to $3,530 in 2011 as compared to $10,863 in 2010. There is an increase in costs for management fees from $51,266 in 2010, to $59,347 in 2011. Professional fees increased to $14,968 in 2011 as compared to $10,084 in 2010. Net loss decreased from $1,889,110 in 2010 to $363,954 in 2011 because there was no issuance of stock based compensation in 2011, which was valued using the Black-Scholes option pricing calculations.

LIQUIDITY AND CAPITAL RESOURCES

The working capital as at March 31, 2011 was a surplus of $2,763,071 compared to $3,504,765 as at December 31, 2010. The Company received $76,974 on exercise of warrants.

INVESTMENT IN EXPLORATION AND EVALUATION ASSETS

Expenditures on minerals properties increased during the period ended March 31, 2011, to $12,809,302 from $8,852,709 in the comparable period ended March 31, 2010. The expenditures on exploration and development increased from $6,582,792 as at March 31, 2010 to $9,821,728 as at March 31, 2011. The increase of $3,238,936 is attributable to an increase in exploration and development activities and drilling on the Sian and Kwahu Praso, and geochemical surveys on the Kaniago property in Ghana as well as geochemistry soil surveys on projects in Tanzania.

The Company's priority projects are located in Ghana where about 75% of the total amount raised by the Company is being spent on exploration and development of minerals properties on the Ashanti Belt. The priority projects are Sian, Praso and Kaniago.

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 being conducted on the Sian and Kwahu Praso properties, and on Kaniago.
2. Further drilling is planned for the Itilima project (PL 2043/02), 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 attractive 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

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**

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.

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:

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 de-recognition 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.

No material changes, except presentation changes to the Balance Sheet were done for transition.

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 although there has been sufficient exploration to define a mineral resource, the Company is uncertain if further exploration will result in an economic 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.

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 management discussion & analysis. The interim consolidated financial statements of the Company and the accompanying notes thereto for the period ended March 31, 2011, have been prepared in accordance with IFRS..

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 interim consolidated financial statements for the period ended March 31, 2011.

Date: June 16, 2011

Original signed by:

Kim F. Harris
President and Chief Executive Officer