Midlands Minerals

TSX-V:MEX OTCQX:MDLXF

Unaudited Interim Consolidated Financial Statements

As at and for the three and six months ended

June 30, 2011 and 2010

MANAGEMENT'S RESPONSIBILITY FOR UNAUDITED INTERIM CONSOLIDATED FINANCIAL REPORTING

The accompanying unaudited interim consolidated financial statements of Midlands Minerals Corporation (the "Company") are the responsibility of the management and Board of Directors of the Company.

The unaudited interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited interim consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 Interim Financial Reporting and IFRS 1 - First-Time Adoption of International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the unaudited interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

“Robert P. Chalmers”	*“Stephen Gledhill”*
Acting Chief Executive Officer	Chief Financial Officer

NOTICE TO READER

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of management. The unaudited interim consolidated financial statements as at and for the three and six months ended June 30, 2011 and 2010 have not been reviewed by the Company's auditors.

Midlands Minerals Corporation
Unaudited Interim Consolidated Statements of Financial Position

(Canadian Dollars)

As at	**June 30, 2011**	December 31, 2010	January 1, 2010
	$	$	$
Assets		**(Restated, see Notes 3 and 21)**	**(Restated, see Notes 3 and 21)**
Current assets			
Cash and cash equivalents *(note 8)*	**207,844**	1,264,878	297,601
Short-term investments *(note 9)*	**389,443**	2,288,387	2,360,845
Marketable securities *(note 10)*	**333,000**	601,000	53,000
Trade and other receivables *(note 11)*	**90,137**	99,750	15,980
	1,020,424	4,254,015	2,727,426
Property, plant and equipment *(note 12)*	**18,516**	20,913	27,231
	1,038,940	4,274,928	2,754,567
Liabilities			
Current liabilities			
Trade and other payables *(note 13)*	**376,069**	749,250	438,586
Loan payable to director	**-**	-	231,200
	376,069	749,250	669,786
Equity			
Share capital *(note 14)*	**14,798,454**	14,614,869	10,231,833
Reserve for warrants *(note 15)*	**4,498,684**	4,679,683	1,887,951
Reserve for share based payments *(note 16)*	**5,749,212**	5,634,516	3,742,307
Accumulated deficit	**(24,684,479)**	(21,972,528)	(13,798,220)
Accumulated other comprehensive loss	**301,000**	569,138	21,000
	662,871	3,525,678	2,084,871
	1,038,940	4,274,928	2,754,657

Going concern (note 1)
Commitments and contractual obligations (note 19)
Subsequent events (note 22)

Approved by the Board on August 26, 2011:

"Nick Tintor"
Director

"John Carruthers"
Director

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

Midlands Minerals Corporation

Unaudited Interim Consolidated Statements of Loss

(Canadian Dollars-except weighted average number of shares outstanding)

	Three months ended June 30, 2011	Three months ended June 30, 2010	**Six months ended June 30, 2011**	Six months ended June 30, 2010
	$	$	**$**	$
		(Note 3)		**(Note 3)**
Operating expenses				
Management and consulting fees	**552,192**	72,029	**611,539**	123,295
Office and administrative expenses	**219,755**	139,355	**321,125**	282,605
Professional fees	**299,536**	20,059	**314,504**	30,143
Exploration and evaluation expenditures *(note 18)*	**526,431**	1,314,325	**894,343**	2,758,799
Shareholder information	**293,856**	120,119	**433,771**	229,732
Amortization	**1,199**	1,579	**2,397**	3,159
Travel	**50,234**	35,016	**98,041**	57,126
Foreign exchange loss	**957**	8,685	**168**	14,119
Share based payments *(note 14)*	**36,063**	-	**36,063**	1,545,774
Net loss	**1,980,223**	1,711,167	**2,711,951**	5,044,752
Basic and fully diluted net loss per share	**0.02**	0.02	**0.03**	0.05
Weighted average number of shares (000's)	**102,971**	104,120	**102,809**	99,564

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

Midlands Minerals Corporation
Unaudited Consolidated Statements of Comprehensive Loss
(Canadian Dollars)

	Three months ended June 30, 2011	Three months ended June 30, 2010	**Six months ended June 30, 2011**	Six months ended June 30, 2010
	$	$	**$**	$
		(Note 3)		**(Note 3)**
Net loss	**1,980,223**	1,711,167	**2,711,951**	5,044,752
Other comprehensive (income) loss:				
Unrealized (gain) loss on marketable securities	**180,000**	(50,000)	**268,000**	(42,000)
Exchange differences on translating foreign operations	**-**	-	**138**	-
	180,000	(50,000)	**268,138**	(42,000)
Total comprehensive loss	**2,160,223**	1,661,167	**2,980,089**	5,002,752

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

Midlands Minerals Corporation
Unaudited Interim Consolidated Statements of Changes in Equity
(Canadian Dollars)

	Share Capital		Reserves				
	Number of Shares	**Amount**	**Share based payments**	**Warrants**	**Accumulated deficit**	**Accumulated other comprehensive income (loss)**	**Total**
Balance at January 1, 2010	80,895,764	$ 10,231,833	$ 3,742,307	$ 1,887,951	$ (13,798,220)	$ 21,000	$ 2,084,871
Private placement	23,054,027	7,445,230	-	-	-	-	7,445,230
Warrants issued	-	(2,840,218)	-	2,840,218	-	-	-
Exercise of warrants	195,080	18,630	-	-	-	-	18,630
Reserve transferred on exercise of warrants	-	32,955	-	(32,955)	-	-	-
Share based compensation	-	-	1,545,774	-	-	-	1,545,774
Total comprehensive income for the period	-	-	-	-	-	42,000	42,000
Net loss for the period	-	-	-	-	(5,044,752)	-	(5,044,752)
Balance at June 30, 2010	104,144,871	14,888,430	5,288,081	4,695,214	(18,842,972)	63,000	6,091,753
Private placement	-	(12,632)	-	-	-	-	(12,632)
Exercise of warrants	75,900	24,017	-	-	-	-	24,017
Reserve transferred on exercise of warrants	-	15,531	-	(15,531)	-	-	-
Cancellation of shares	(1,784,000)	(300,477)	-	-	-	-	(300,477)
Share based compensation	-	-	346,435	-	-	-	346,435
Total comprehensive income for the period	-	-	-	-	-	506,138	506,138
Net loss for the period	-	-	-	-	(3,129,556)	-	(3,129,556)
Balance at December 31, 2010	**102,436,771**	**14,614,869**	**5,634,516**	**4,679,683**	**(21,972,528)**	**569,138**	**3,525,678**
Exercise of warrants	**541,460**	**81,219**	**-**	**-**	**-**	**-**	**81,219**
Reserve transferred on exercise of warrants	**-**	**102,366**	**-**	**(102,366)**	**-**	**-**	**-**
Expiration of warrants	**-**	**-**	**78,633**	**(78,633)**	**-**	**-**	**-**
Share based compensation	**-**	**-**	**36,063**	**-**	**-**	**-**	**36,063**
Total comprehensive loss for the period	**-**	**-**	**-**	**-**	**-**	**(268,138)**	**(268,138)**
Net loss for the period	**-**	**-**	**-**	**-**	**(2,711,951)**	**-**	**(2,711,951)**
Balance at June 30, 2011	**102,978,231**	**$ 14,798,454**	**$ 5,749,212**	**$ 4,498,684**	**$ (24,684,479)**	**$ 301,000**	**$ 662,871**

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

Midlands Minerals Corporation
Unaudited Interim Consolidated Statements of Cash Flow

(Canadian Dollars)

Six months ended June 30,	**2011**	2010
	$	$
		(Note 3)
Operations		
Net loss	**(2,711,951)**	(5,044,752)
Adjustments to reconcile net loss to cash flow from operating activities:		
Share based payments	**36,063**	1,545,774
Amortization	**2,397**	3,159
Foreign exchange loss	**(138)**	-
Net change in non-cash working capital items:		
Trade and other receivables	**9,613**	(23,525)
Share buy back	**-**	(10,000)
Trade and other payables	**(373,181)**	104,206
Cash flow used in operating activities	**(3,037,197)**	(3,425,138)
Financing		
Issuance of common shares, net of share issue costs	**81,219**	4,689,552
Issuance of warrants, net of issue costs	**-**	2,774,308
Cash flow from financing activities	**81,219**	7,463,860
Investments		
Net sales (purchases) of short-term investments	**1,898,944**	(3,949,648)
Cash flow provided from (used in) investing activities	**1,898,944**	(3,949,648)
Increase (Decrease) in cash and cash equivalents	**(1,057,034)**	89,074
Cash and cash equivalents at beginning of period	**1,264,878**	297,601
Cash and cash equivalents at end of period	**207,844**	386,675

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

General

Midlands Minerals Corporation ("Midlands", or 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.

1. Going concern

These interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that 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. While the Company has been successful in securing financings in the past, there can be no assurance that it will be able to do so in the future. Accordingly, these Financial Statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts that may differ from those shown in the Financial Statements.

The reader is also directed to review ***note 6 (ii)*** - ***Financial instruments – Liquidity risk***.

2. Basis of Preparation

2.1 Statement of compliance

These interim consolidated financial statements are unaudited and have been prepared in accordance with IAS 34 *'Interim Financial Reporting*' ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The policies applied in these interim consolidated financial statements are based on IFRS issued and outstanding as of August 26, 2011, the date the Board of Directors approved the interim consolidated financial statements. Any subsequent changes to IFRS that are given effect in the annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

These are the Company's second IFRS interim consolidated financial statements for part of the period covered by the Company's first IFRS consolidated annual financial statements for the year ending December 31, 2011. Previously, the Company prepared its annual consolidated and interim consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles (Canadian "GAAP").

As these are the Company's second set of interim consolidated financial statements in accordance with IFRS, the Company's disclosures exceed the minimum requirements under IAS 34. The Company has elected to exceed the minimum requirements in order to present the Company's accounting policies in accordance with IFRS and the additional disclosures required under IFRS, which also highlight the changes from the Company's 2010 annual consolidated financial statements prepared in accordance with Canadian GAAP. In 2011 and beyond, the Company may not provide the same amount of disclosure in the Company's interim consolidated financial statements under IFRS as the reader will be able rely on the annual consolidated financial statements which will be prepared in accordance with IFRS.

2.2 Basis of presentation

The financial statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 4. The comparative figures presented in these interim consolidated financial statements are in accordance with IFRS and have not been audited.

2.3 Adoption of new and revised standards and interpretations

The IASB issued a number of new and revised International Accounting Standards, International Financial Reporting Standards, amendments and related interpretations which are effective for the Company's financial year beginning on or after January 1, 2011. For the purpose of preparing and presenting the Financial Information for the relevant periods, the Company has consistently adopted all these new standards for the relevant reporting periods.

At the date of authorization of these Financial Statements, the IASB and IFRIC has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods.

2. *Basis of Preparation* (continued)

2.3 Adoption of new and revised standards and interpretations (continued)

- **IFRS 9 *'Financial Instruments: Classification and Measurement'*** – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.
- **IFRS 10 '*Consolidated Financial Statements'*** – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.
- **IFRS 11 '*Joint Arrangements'*** - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form.
- **IFRS 12 '*Disclosure of Interests in Other Entities'*** - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
- **IFRS 13 '*Fair Value Measurement'*** - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy.

3. *First Time Adoption of IFRS*

The Company has not early adopted these standards, amendments and interpretations, however the Company is currently assessing what impact the application of these standards or amendments will have on the consolidated financial statements of the Company.

The Company has adopted IFRS on January 1, 2011 with a transition date of January 1, 2010 (the **"Transition Date"**). Under **IFRS 1 *'First time Adoption of International Financial Reporting Standards'***, the IFRS are applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under GAAP taken to retained earnings unless certain exemptions are applied.

The Company elected to take the following IFRS 1 optional exemptions:

- to apply the requirements of **IFRS 3, *Business Combinations**,* prospectively from the Transition Date;
- to apply the requirements of **IFRS 2, *Share-based payments***, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date; and
- to transfer all foreign currency translation differences, recognized as a separate component of equity, to deficit as at the Transition Date including those foreign currency differences which arise on adoption of IFRS.

3. *First Time Adoption of IFRS* (continued)

Below is the Company's Consolidated Statement of Financial Position as at the Transition Date of January 1, 2010 under IFRS:

	As at January 1, 2010		
	GAAP	**Effect of transition to IFRS**	**IFRS**
Assets			
Current Assets			
Cash and cash equivalents	$ 297,601	-	$ 297,601
Short-term investments	2,360,845	-	2,360,845
Marketable securities	53,000	-	53,000
Trade and other receivables	15,980		15,980
	2,727,426	-	2,727,426
Property, plant and equipment	27,231	-	27,231
Mineral properties and deferred expenditures	7,408,235	(7,408,235)	-
	$ 10,162,892	(7,408,235)	$ 2,754,657
Liabilities			
Current Liabilities			
Trade and other payables	$ 438,586	-	$ 438,586
Loan payable to director	231,200	-	231,200
	669,786	-	669,786
Non-controlling interest	36,125	(36,125)	-
	705,911	(36,125)	669,786
Equity			
Share capital	10,231,833	-	10,231,833
Reserve for warrants	1,887,951	-	1,887,951
Reserve for share based payments	3,742,307	-	3,742,307
Accumulated Deficit	(6,426,110)	(7,372,110)	(13,798,220)
Accumulated other comprehensive income	21,000	-	21,000
	9,456,981	(7,372,110)	2,084,871
	$ 10,162,892	(7,408,235)	$ 2,754,657

3. *First Time Adoption of IFRS* (continued)

IFRS employs a conceptual framework that is similar to Canadian GAAP. The adoption has resulted in significant changes to the reported financial position, results of operations, and cash flows of the Company. Presented below are reconciliations prepared by the Company to reconcile to IFRS the assets, liabilities, equity, net loss and cash flows of the Company from those reported under Canadian GAAP:

Reconciliation of assets, liabilities and equity

	As at June 30, 2010			
	GAAP	**Effect of transition to IFRS**	**IFRS**	**Notes**
Assets				
Current Assets				
Cash and cash equivalents	$ 386,675	-	$ 386,675	
Short-term investments	6,310,493	-	6,310,493	
Marketable securities	95,000	-	95,000	
Trade and other receivables	39,505	-	39,505	
Share buy back	10,000	-	10,000	
	6,841,673	-	6,841,673	
Property, plant and equipment	24,072	-	24,072	
Mineral properties and deferred expenditures	10,167,034	(10,167,034)	-	(a)
	$ 17,032,779	(10,167,034)	$ 6,865,745	
Liabilities				
Current Liabilities				
Trade and other payables	$ 773,992	-	$ 773,992	
	773,992		773,992	
Non-controlling interest	36,125	(36,125)	-	(a)
	810,117	(36,125)	773,992	
Equity				
Share capital	14,888,430	-	14,888,430	
Reserve for warrants	4,695,214	-	4,695,214	
Reserve for share based payments	5,288,081	-	5,288,081	
Accumulated Deficit	(8,712,063)	(10,130,909)	(18,842,972)	(a), (b)
Accumulated other comprehensive income	63,000	-	63,000	
	16,222,662	(10,130,909)	6,091,753	
	$ 17,032,779	(10,167,034)	$ 6,865,745	

3. First Time Adoption of IFRS (continued)

Reconciliation of assets, liabilities and equity

	As at December 31, 2010			
	GAAP	**Effect of transition to IFRS**	**IFRS**	**Notes**
Assets				
Current Assets				
Cash and cash equivalents	$ 1,264,878	-	$ 1,264,878	
Short-term investments	2,288,387	-	2,288,387	
Marketable securities	601,000	-	601,000	
Trade and other receivables	99,750	-	99,750	
	4,254,015	-	4,254,015	
Property, plant and equipment	20,913	-	20,913	
Mineral properties and deferred expenditures	12,441,390	(12,441,390)	-	(a)
	$ 16,716,318	(12,441,390)	$ 4,274,928	
Liabilities				
Current Liabilities				
Trade and other payables	$ 749,250	-	$ 749,250	
	749,250	-	749,250	
Non-controlling interest	36,125	(36,125)	-	(a)
	785,375	(36,125)	749,250	
Equity				
Share capital	14,614,869	-	14,614,869	
Reserve for warrants	4,679,683	-	4,679,683	
Reserve for share based payments	5,634,516	-	5,634,516	
Accumulated Deficit	(9,567,125)	(12,405,403)	(21,972,528)	(a), (b)
Accumulated other comprehensive income	569,000	138	569,138	(b)
	15,930,943	(12,405,265)	3,525,678	
	$ 16,716,318	(12,441,390)	$ 4,274,928	

3. First Time Adoption of IFRS (continued)

Reconciliation of statement of loss

	Six months ended June 30, 2010			
	GAAP	**Effect of transition to IFRS**	**IFRS**	**Notes**
Administrative Expenses				
Management and consulting fees	$ 123,295	-	$ 123,295	
Office and administrative expenses	282,605	-	282,605	
Professional fees	30,143	-	30,143	
Exploration and evaluation expenditures	-	2,758,799	2,758,799	(a)
Shareholder information	229,732		229,732	
Amortization	3,159		3,159	
Travel	57,126	-	57,126	
Foreign exchange loss	14,119	-	14,119	
Share based payments	1,545,774	-	1,545,774	
Net loss	$ 2,285,953	2,758,799	$ 5,044,752	

Reconciliation of statement of loss

	Three months ended June 30, 2010			
	GAAP	**Effect of transition to IFRS**	**IFRS**	**Notes**
Administrative Expenses				
Management and consulting fees	$ 72,029	-	$ 72,029	
Office and administrative expenses	139,355	-	139,355	
Professional fees	20,059	-	20,059	
Exploration and evaluation expenditures	-	1,314,325	1,314,325	(a)
Shareholder information	120,119	-	120,119	
Amortization	1,579		1,579	
Travel	35,016		35,016	
Foreign exchange loss	8,685	-	8,685	
Net loss	$ 396,842	1,314,325	$ 1,711,167	

3. First Time Adoption of IFRS (continued)

Reconciliation of statement of loss

	Year ended December 31, 2010			
	GAAP	**Effect of transition to IFRS**	**IFRS**	**Notes**
Administrative Expenses				
Management and consulting fees	$ 334,336	-	$ 334,336	
Office and administrative expenses	519,948	-	519,948	
Professional fees	103,573	-	103,573	
Exploration and evaluation expenditures	-	4,914,194	4,914,194	(a)
Shareholder information	339,359	-	339,359	
Amortization	6,318	-	6,318	
Travel	176,488	-	176,488	
Foreign exchange gain	(112,255)	138	(112,117)	(b)
Share based payments	1,773,248	118,961	1,892,209	(a)
Net loss	$ 3,141,015	5,033,293	$ 8,174,308	

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3. First Time Adoption of IFRS (continued)

Reconciliation of comprehensive loss

	Six months ended June 30, 2010			
	GAAP	**Effect of transition to IFRS**	**IFRS**	**Notes**
Net loss	$ 2,285,953	2,758,799	$ 5,044,752	(a)
Other comprehensive loss:				
Unrealized gain on marketable securities	(42,000)	-	(42,000)	
Total comprehensive loss	$ 2,243,953	2,758,799	$ 5,002,752	

Reconciliation of comprehensive loss

	Three months ended June 30, 2010			
	GAAP	**Effect of transition to IFRS**	**IFRS**	**Notes**
Net loss	$ 396,842	1,314,325	$ 1,711,167	(a)
Other comprehensive loss:				
Unrealized gain on marketable securities	(50,000)	-	(50,000)	
Total comprehensive loss	$ 346,842	1,314,325	$ 1,661,167	

Reconciliation of comprehensive loss

	Year ended December 31, 2010			
	GAAP	**Effect of transition to IFRS**	**IFRS**	**Notes**
Net loss	$ 3,141,015	5,033,293	$ 8,174,308	(a)
Other comprehensive loss:				
Unrealized gain on marketable securities	(548,000)	-	(548,000)	
Exchange differences on translating foreign operations	-	(138)	(138)	
Total comprehensive loss	$ 2,593,015	5,033,155	$ 7,626,170	

3. First Time Adoption of IFRS (continued)

Reconciliation of Cash Flows

	Six months ended June 30, 2010			
	GAAP	**Effect of transition to IFRS**	**IFRS**	**Notes**
Operations				
Net loss	$(2,285,953)	$(2,758,799)	$(5,044,752)	(a)
Adjustments to reconcile net loss to cash flow from operating activities:				
Share based payments	1,545,774	-	1,545,774	
Amortization	3,159	-	3,159	
Net change in non-cash operating working capital items:				
Trade and other receivables	(23,525)	-	(23,525)	
Share buy back	(10,000)	-	(10,000)	
Trade and other payables	104,206	-	104,206	
	(666,339)	(2,758,799)	(3,425,138)	
Financing				
Issuance of common shares, net of share issue costs	4,689,552	-	4,689,552	
Issuance of warrants, net of issue costs	2,774,308	-	2,774,308	
	7,463,860	-	7,463,860	
Investing				
Net purchases of short-term investments	(3,949,648)	-	(3,949,648)	
Expenditures on deferred exploration	(2,758,799)	2,758,799	-	(a)
	(6,708,447)	2,758,799	(3,949,648)	
Net increase in cash and cash equivalents	89,074	-	89,074	
Cash and cash equivalents, beginning of period	297,601	-	297,601	
Cash and cash equivalents, end of period	$ 386,675	-	$ 386,675	

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3. *First Time Adoption of IFRS* (continued)

Reconciliation of Cash Flows

	Year ended December 31, 2010			
	GAAP	**Effect of transition to IFRS**	**IFRS**	**Notes**
Operations				
Net loss	$(3,141,015)	$(5,033,293)	$ (8,174,308)	(a), (b)
Adjustments to reconcile net loss to cash flow from operating activities:				
Share based payments	1,892,209	-	1,892,209	(a)
Amortization	6,318	-	6,318	
Foreign exchange gain	-	138	138	(b)
Net change in non-cash operating working capital items:				
Trade and other receivables	(83,770)	-	(83,770)	
Trade and other payables	310,664	-	310,664	
	(1,015,594)	(5,033,155)	(6,048,749)	
Financing				
Issuance of common shares, net of share issue	5,302,406	-	5,302,406	
Issuance of warrants, net of issue costs	2,172,839	-	2,172,839	
Repayment of loan payable to director	(231,200)	-	(231,200)	
Purchase of common shares for cancellation	(300,477)	-	(300,477)	
	6,943,568	-	6,943,568	
Investing				
Net purchases of short-term investments	72,458	-	72,458	
Expenditures on deferred exploration	(5,033,155)	5,033,155	-	(a)
	(4,960,697)	5,033,155	72,458	
Net increase in cash and cash equivalents	967,277	-	967,277	
Cash and cash equivalents, beginning of year	297,601	-	297,601	
Cash and cash equivalents, end of year	$ 1,264,878	-	$ 1,264,878	

3. First Time Adoption of IFRS (continued)

Notes to Reconciliations

a) Acquisition, exploration and evaluation expenditures

Under Canadian GAAP – Prior to 2011, the Company used the policy to defer the cost of mineral properties and their related exploration and development costs are until the properties are placed into production, sold or abandoned. These costs would be amortized over the estimated useful life of the properties following the commencement of production. Cost includes both the cash consideration as well as the fair market value of any securities issued on the acquisition of mineral properties. Properties acquired under option agreements or joint ventures, whereby payments were made at the sole discretion of the Company, were recorded in the accounts at such time as the payments are made. The proceeds from property options granted reduced the cost of the related property and any excess over cost is applied to income.

Under IFRS – Acquisition, exploration and evaluation expenditures for each property are expensed as incurred, unless such costs are expected to be recovered through successful development and exploration of the property or, alternatively, by its sale.

b) Functional currency and foreign operations

IFRS requires that the functional currency of each entity in the consolidated group be determined separately in accordance with the indicators as per IAS 21 – *Foreign exchange* and should be measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The group's functional currency for its Ghana subsidiaries is the Ghanaian Cedi ("GHS$") for operations in Ghana, for its Tanzanian subsidiaries is the Tanzanian Shilling ("TZS$") for operations in Ghana and the Canadian dollar ("CDN$") for operations in Canada. The consolidated financial statements are presented in Canadian dollars which is the group's presentation currency.

Under IFRS, the results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- income and expenses for each statement of loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting exchange differences are recognized as a separate component of equity.

4. Summary of Significant Accounting Policies

4.1 Basis of consolidation

The interim consolidated financial statements include the financial statements of the Company and its wholly owned subsidiaries, Midlands Minerals Ghana Limited, Midenka Resources Limited, Midlands Minerals (TZ) Limited, Harbour Capital Corporation, and its 75% owned subsidiary, Itilima Mining Company Limited, and its 65% owned subsidiary, Akroma Gold Company Limited. All material intercompany balances and transactions have been eliminated. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-Company transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Company's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination. Losses applicable to the non-controlling interests in excess of their interest in the subsidiary's equity are allocated against the interests of the Company except to the extent that the non-controlling interests have a binding obligation and are able to make an additional investment to cover the losses.

4.2 Mineral properties

All acquisition and exploration costs, net of incidental revenues, are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into Property, plant and equipment ("PPE"). On the commencement of commercial production, depletion of each mining property will be provided on a unit-of-production basis using estimated resources as the depletion base.

4.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of PPE consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is provided at rates calculated to write off the cost of PPE, less their estimated residual value, using the declining balance method or unit-of-production method over the following expected useful lives:

• Computer equipment and software	20%
• Office equipment	20%
• Field Equipment	20%

4. ***Summary of Significant Accounting Policies*** (continued)

4.3 Property, plant and equipment (continued)

An item of PPE is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statement of comprehensive income.

The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for PPE and any changes arising from the assessment are applied by the Company prospectively.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

4.4 Decommissioning, restoration and similar liabilities ("Asset retirement obligation" or "ARO")

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral properties and PPE, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement obligation is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

4.5 Share-based payments

Share based payment transactions

Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment.

Equity-settled transactions

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will

4. *Summary of Significant Accounting Policies* (continued)

4.5 Share-based payments(continued)

ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share option reserve.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share.

4.6 Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

• where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

• in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

• where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination

4. ***Summary of Significant Accounting Policies*** (continued)

4.6 Taxation (continued)

and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

• in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

4.7 Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The "treasury stock method" is used for the assumed proceeds upon the exercise of the options and warrants that are used to purchase common shares at the average market price during the year. During the three and six months ended June 30, 2011 and 2010 all the outstanding stock options and warrants were antidilutive.

4.8 Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans-and-receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company's cash and cash equivalents and short-term investments are classified as FVTPL.

4. ***Summary of Significant Accounting Policies*** (continued)

4.8 Financial assets (continued)

Financial assets classified as loans-and-receivables and held-to-maturity are measured at amortized cost. The Company's trade and other receivables are classified as loans-and-receivables.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. The Company's other marketable securities are classified financial assets as available-for-sale.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the settlement date.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

4.9 Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other-financial-liabilities.

Financial liabilities classified as other-financial-liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other-financial-liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's trade and other payables are classified as other-financial-liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive income. At June 30, 2011, the Company has not classified any financial liabilities as FVTPL.

4.10 Impairment of financial assets

The Company assesses at each date of the statement of financial position whether a financial asset is impaired.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

4. ***Summary of Significant Accounting Policies*** (continued)

4.10 Impairment of financial assets (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to trade receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

Available-for-sale

If an available-for-sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit or loss.

4.11 Impairment of non-financial assets

At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

4. ***Summary of Significant Accounting Policies*** (continued)

4.12 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand, and short term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

4.13 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

4.14 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

4.15 Foreign currency transactions

Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Company is the Canadian Dollar, and the presentation of the subsidiaries in the group is either the Ghanaian Cedi for operations in Ghana or the Tanzanian Shilling for operations in Tanzania. The consolidated financial statements are presented in Canadian Dollars which is the group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of loss.

Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

4. ***Summary of Significant Accounting Policies*** (continued)

4.15 Foreign currency transactions (continued)

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the statement of loss as part of the gain or loss on sale.

4.16 Significant accounting judgments and estimates

The preparation of these financial statements requires management to make judgements and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgements and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates relate to asset retirement obligations; property, plant and equipment, recoverability of trade and other receivables, valuation of deferred income tax amounts, impairment testing and the calculation of share-based payments. The most significant judgements relate to recognition of deferred tax assets and liabilities, determination of the commencement of commercial production and the determination of the economic viability of a project.

4.17 Comparatives

Certain prior year amounts have been reclassified to conform to account presentation in the current year. The net loss stated in prior year has not been affected by these changes.

5. Capital management

The Company considers its capital to be equity, which is comprised of share capital, reserve accounts, accumulated deficit, and accumulated other comprehensive income, which as at June 30, 2011 totaled $662,871 (December 31, 2010 - $3,525,678). The Company's capital structure is adjusted based on the funds available to the Company such that it may continue exploration and development of its properties for the mining of minerals that are economically recoverable. The Board of Directors does not establish quantitative return on capital criteria, but rather relies on the expertise of management and other professionals to sustain future development of the business.

The Company's properties are in the exploration and development stage and, as a result, the Company currently has no source of operating cash flow. The Company intends to raise such funds as and when required to complete its projects. There is no assurance that the Company will be able to raise additional funds on reasonable terms. The only sources of future funds presently available to the Company are through the exercise of outstanding stock options or warrants, the sale of equity capital of the Company or the sale by the Company of an interest in any of its properties in whole or in part. The ability of the Company to arrange such financing in the future will depend in part upon the

5. *Capital management* (continued)

prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company.

Management reviews is capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the six month period ended June 30, 2011. The Company is not subject to externally imposed capital restrictions.

6. Financial instruments

Fair value

The Company has, designated its cash and cash equivalents and short-term investments as FVTPL, which are measured at fair value. The Company's marketable securities have been classified for accounting purposes as available-for-sale, which are measured at fair value. Trade and other receivables are classified for accounting purposes as loans and receivables, which are measured at amortized cost which equals fair value. Trade and other payables are classified for accounting purposes as other financial liabilities, which are measured at amortized cost, which also equals fair value. Fair values of trade and other receivables and trade and other payables are determined from transaction values which were derived from observable market inputs. Fair values of other financial assets are based on Level 1 measurements and the remaining financial instruments are based on Level 2 measurements.

As at June 30, 2011, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent due to the relatively short periods to maturity of these investments.

Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subject to and involve uncertainties and matters of significant judgment, therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

i) Credit risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The credit risk is attributable to various financial instruments, as noted below. The credit risk is limited to the carrying value amount carried on the statement of financial position.

a. **Cash and cash equivalents** – Cash and cash equivalents are mainly held with major Canadian banks and therefore the risk of loss is minimal.

b. **Trade and other receivables** – The Company is not exposed to significant credit risk as this amount is due from the Canadian government.

ii) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they become due. As at June 30, 2011, the Company had a working capital of $644,355 (December 31, 2010 – $3,504,765). As such, management believes that the Company

6. Financial instruments (continued)

has sufficient working capital to discharge its current and anticipated obligations for a minimum of one year. However, in order to meet its longer-term working capital and property exploration expenditures, the Company intends on securing further financing to ensure that those obligations are properly discharged. There can be no assurance that Midlands will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of Midlands may change and shareholders may suffer additional dilution. If adequate financing is not available, the Company may be required to delay, reduce the scope of, or eliminate one or more exploration activities or relinquish rights to certain of its interests. Failure to obtain additional financing on a timely basis could cause the Company to forfeit its some or all of its interests and reduce or terminate its operations therein.

iii) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, commodity prices and/or stock market movements (price risk).

a. Interest rate risk

The Company is not exposed to significant interest rate price risk due to the short-term nature of its monetary assets and liabilities. Cash not required in the short term, is invested in short-term guaranteed investment certificates, as appropriate.

b. Currency risk

Although the Company's operations are conducted in Canadian dollars, it has entered into contracts and/or agreements that require payment in United States dollars, Ghanaian Cedi and the Tanzanian Shilling. Management believes that foreign currency risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

c. Price risk

The Company holds the common shares of a TSXV-traded company. The Company has classified this investment as available-for-sale and such common shares are subject to stock market volatility. The value of this financial instrument fluctuates on a daily basis due to external market factors that are not within the control of the Company. The Company monitors the trading value of these common shares in order to ensure that, if in the best interest of the Company, sale of the shares is made under favourable conditions

7. Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a one year period:

The Company's investments are subject to fair value fluctuations. As at June 30, 2011, if the fair value of investments had decreased/increased by 50% with all other variables held constant, net comprehensive income (loss) for the six month period ended June 30, 2011 would have been approximately $167,000 (2010 - $48,000) higher/lower. Similarly, as at June 30, 2011, reported equity would have been approximately $167,000 (2010 - $48,000) lower/higher as a result of a 50% decrease/increase in the fair value of investments.

8. Cash and cash equivalents

The balance at June 30, 2011, consists of $207,844 (December 31, 2010 - $1,264,878) on deposit with major Canadian banks.

9. Short-term investments

The balance at June 30, 2011, consists of $389,443 (December 31, 2010 - $2,288,387) and are investments in marketable securities and guaranteed investment certificates, which bear interest at rates of 0.3% - 0.9% per annum.

10. Marketable securities

Marketable securities are comprised of 100,000 (December 31, 2010 – 100,000) shares of Canaco Resources Inc. ("Canaco"), a company traded on the TSX Venture Exchange ("TSXV"). As at June 30, 2011, these available for sale investments have been measured at their fair value of $333,000 (December 31, 2010 – $601,000). The impact to the consolidated financial statements of this revaluation to market value resulted in a decrease of $268,000 (2010 – decrease of $42,000) to the value of the investments with a corresponding decrease in accumulated other comprehensive income (loss) of $268,000 (2010 – decrease of $42,000) that has been included in the current period's net loss.

On June 24, 2011, Canaco announced a spin-out (to be completed by way of a plan of arrangement) whereby Canaco shareholders will be entitled to receive one (1) common share of Tigray Resources Inc. ("Tigray") for every five (5) common shares of Canaco held as of the effective date of the transaction. The effect of this spin-out transaction will cause the Company to receive 20,000 Tigray shares, such shares receiving conditional listing approval from the TSXV on August 5, 2011.

11. Trade and other receivables

The Company's trade and other receivables arise from two main sources: Trade receivables due from customers for services and sales and harmonized services tax ("HST") receivable due from government taxation authorities. These are broken down as follows:

	As at,		
	June 30, 2011	December 31, 2010	January 1, 2010
	$	$	$
Prepaid expenses and deposits	**13,381**	79,274	7,852
HST receivable	**76,756**	20,476	8,128
Total trade and other receivables	**$ 90,137**	$ 99,750	$ 15,980

Below is an aged analysis of the Company's HST receivable:

	As at,		
	June 30, 2011	December 31, 2010	January 1, 2010
	$	$	$
Less than 1 month	**76,756**	20,476	8,128
Total HST receivable	**$ 76,756**	$ 20,476	$ 8,128

11. Trade and other receivables (continued)

At June 30, 2011, the Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables. The credit risk on the receivables has been further discussed in Note 6.

The Company holds no collateral for any receivable amounts outstanding as at June 30, 2011.

12. Property, plant and equipment

	Computer equipment and software	Office equipment	Field equipment	Total
Cost				
As at January 1, 2010, December 31, 2010 and June 30, 2011	**$ 29,940**	**$ 44,109**	**$ 999**	**$ 75,048**
Accumulated depreciation				
As at January 1, 2010	$ 21,218	$ 25,853	$ 746	$ 47,817
Depreciation expense	2,617	3,651	50	6,318
As at December 31, 2010	**$ 23,835**	**$ 29,504**	**$ 796**	**$ 54,135**
Depreciation expense	916	1,461	20	2,397
As at June 30, 2011	**$ 24,751**	**$ 30,965**	**$ 816**	**$ 56,532**
Net book value				
As at January 1, 2010	**$ 8,722**	**$ 18,256**	**$ 253**	**$ 27,231**
As at December 31, 2010	**$ 6,105**	**$ 14,605**	**$ 203**	**$ 20,913**
As at June 30, 2011	**$ 5,189**	**$ 13,144**	**$ 183**	**$ 18,516**

13. Trade and other payables

Trade and other payables of the Company are principally comprised of amounts outstanding for trade purchases relating to exploration activities and amounts payable for operating and financing activities. The usual credit period taken for trade purchases is between 30 to 90 days.

The following is an aged analysis of the trade and other payables:

	As at,		
	June 30, 2011	December 31, 2010	January 1, 2010
	$	$	$
Less than 1 month	**152,008**	503,525	258,655
1 - 3 months	**218,367**	48,891	3,401
Over 3 months	**5,694**	196,834	176,530
Total trade and other payables	**$ 376,069**	$ 749,250	$ 438,586

14. Capital stock

Share Capital

Midlands authorized share capital consists of an unlimited number of Common shares.

The issued and outstanding share capital is as follows:

	Number of Shares		$
Balance at January 1, 2010	**80,895,764**		**10,231,833**
Issued for cash:			
Private placement, net of share issuance costs (a)	12,839,624		4,166,664
Private placement, net of share issuance costs (b)	10,214,403		3,265,934
Proceeds on exercise of warrants	270,980		91,133
Cancellation of shares under share buy back (c)	(1,784,000)		(300,477)
Fair value of warrants issued on private placement	-		(2,172,839)
Brokers and Finders warrants issued on private placement	-		(667,379)
Reserve transferred on exercise of warrants			
Balance at December 31, 2010	**102,436,771**		**14,614,869**
Issued for cash:			
Proceeds on exercise of warrants	**541,460**		**81,219**
Reserve transferred on exercise of warrants	**-**		**102,366**
Balance at June 30, 2011	**102,978,231**	**$**	**14,798,454**

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 privileges 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 volatility of 195%, and expected life of 2 years.

14. Capital stock (continued)

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 volatility of 215%, and expected life of 18 months.

b) On February 12, 2010, the Company issued 10,214,403 units at $.35 per unit for gross proceeds of $3,575,042. Each Unit is comprised of one Common Share ("Common Share") and one half of one Common Share purchase warrant (each such whole Common Share purchase warrant a "Warrant"). Each Warrant shall be exercisable into one additional Common Share of the Corporation ("Warrant Share") at an exercise price of $.50 per Common Share for a period of twenty-four months from the Closing Date provided, however, that if at any time that is 12 months after the Closing Date, the closing trading price of the Common Shares on the TSX Venture Exchange or other recognized exchange is greater than $1.00 for a period of 30 consecutive trading days, the Corporation shall have an option, exercisable in its sole discretion within 10 days of the end of the aforesaid 30 day period, to request that the subscribers exercise their Warrants by providing notice (the "Notice") advising the subscribers that they shall have 10 days from their receipt of such Notice to exercise their Warrants and any unexercised Warrants after the expiry of the 10th day following their receipt of such Notice shall expire with no further rights and privileges 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 volatility 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 acquire 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 volatility 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 volatility of 195%, and expected life of 2 years.

c) During 2010, 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.

14. Capital stock (continued)

Warrants

As at June 30, 2011, 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
December 4, 2009	2,740,833	0.25	December 4, 2011
December 7, 2009	533,000	0.25	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
	31,517,058		

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. As at June 30, 2011, the Company had 798,358 (December 31, 2010 – 44,212) options available for issuance. A continuity of the unexercised options to purchase common shares is as follows:

	June 30, 2011		December 31, 2010	
	Weighted Average Exercise Price	**No. of Options**	Weighted Average Exercise Price	No. of Options
	$		$	
Outstanding at beginning of	**0.33**	**10,199,465**	0.32	6,757,334
Transactions during the period/ year:				
Granted	**0.30**	**400,000**	0.30	5,885,156
Expired	**-**	**-**	0.23	(2,073,025)
Forfeited	**0.28**	**(1,100,000)**	0.37	(370,000)
Outstanding at end of period/year	**0.33**	**9,499,465**	0.33	10,199,465

14. Capital stock (continued)

The following table provides additional information about outstanding stock options at June 30, 2011:

Range of Exercise Prices	No. of Options Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price ($)
$0.25	2,900,000	4.17	0.25
$0.30 - $0.33	3,805,156	3.56	0.33
$0.40 - $0.45	2,794,309	1.58	0.42
$0.25 - $0.45	9,499,465	3.16	0.33

Share-based payments

The fair value of the stock options granted for the six months ended June 30, 2011, was $538,000 (2010 – $nil), which amount has been expensed in the statement of operations. The calculated fair value on the grant-date of options averages approximately $0.09 (year ended December 31, 2010 - $0.32) per option.

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.

iv) On April 19, 2011, the Company granted 400,000 stock options to Stone Communications Services Limited (an investor relations group), exercisable at $0.30 per share until April 19, 2014. 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 0.0172%, expected dividend yield of 0%, expected stock price volatility 169% and expected option life of three years. The stock option which vest immediately upon grant were assigned a value of $36,063.

15. Reserve for warrants

A summary of the changes in the Company's reserve for warrants for the period ended June 30, 2011 and the year ended December 31, 2010 is set out below:

	June 30, 2011	December 31, 2010
	Amount	Amount
	$	$
Balance at beginning of period/year	**4,679,683**	1,887,951
Warrants and compensation warrants issued	**-**	2,840,218
Reserve transferred on exercise of warrants	**(102,366)**	(48,486)
Reserve transferred on expiry of warrants	**(78,633)**	-
Balance at end of period/year	**$ 4,498,684**	$ 4,679,683

16. Reserve for share based payments

A summary of the changes in the Company's reserve for share based payments for the period ended June 30, 2011 and the year ended December 31, 2010 is set out below:

	June 30, 2011	December 31, 2010
	Amount	Amount
	$	$
Balance at beginning of period/year	**5,634,516**	3,742,307
Share based payments	**36,063**	1,892,209
Reserve transferred on expiry of warrants	**78,633**	-
Balance at end of period/year	**$ 5,749,212**	$ 5,634,516

17. Related party transactions

During the six month period ended June 30, 2011, $611,539 (2010 - $123,295) was paid or payable to an officer as management compensation, including compensation for termination of services.

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.

18. Mineral properties and deferred expenditures

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

	Six months ended		Cumulative to date *
	June 30, 2011	June 30, 2010	
Tanzania:			
Itilima	**$ 1,153**	$ 4,648	**$ 2,236,615**
Vukene	**-**	-	**74,731**
Lwenge	**512**	407	**21,085**
Kishapu	**1,568**	7,183	**47,461**
Lalago	**6,325**	13,552	**63,738**
Tamota	**830**	7,603	**42,270**
Others	**87,967**	51,815	**340,374**
	$ 98,355	$ 85,208	**$ 2,826,274**
Ghana:			
Kwahu Praso	**$ 20,608**	$ 46,441	**$ 691,672**
Kaniago	**347,646**	50,250	**565,217**
Sian	**264,963**	2,361,823	**8,377,949**
Bonuama	**-**	18,150	**45,805**
Others	**162,771**	196,927	**709,855**
	$ 795,988	$ 2,673,591	**$ 10,390,498**
Exploration and evaluation expenditures	**$ 894,343**	$ 2,758,799	**$ 13,216,772**

* Only properties currently under exploration are included in this figure.

<u>TANZANIA PROPERTIES</u>

(a) Itilima Gold Project

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

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

(b) Vukene

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

18. Mineral properties and deferred expenditures (continued)

(c) Lwenge

In 2007, the Company acquired the Lwenge property in Tanzania. The Company owns 90% of the prospecting license and the license 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 kilometres 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 licences. 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 licences 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 licences 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.

GHANA PROPERTIES

a) Sian Property

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

18. Mineral properties and deferred expenditures (continued)

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.

19. Commitments and contractual obligations

The Company's activities are subject to environmental regulation (including regular environmental impact assessments and permitting) in each of the jurisdictions in which its mineral properties are located. Such regulations cover a wide variety of matters including, without limitation, prevention of waste, pollution and protection of the environment, labour relations and worker safety. The Company may also be subject under such regulations to clean-up costs and liability for toxic or hazardous substances which may exist on or under any of its properties or which may be produced as a result of its operations. It is likely that environmental legislation and permitting will evolve in a manner which will require stricter standards and enforcement. This may include increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a higher degree of responsibility for companies, their directors and employees.

The Company has not determined and is not aware whether any provision for such costs is required and is unable to determine the impact on its financial position, if any, of environmental laws and

19. Commitments and contractual obligations (continued)

regulations that may be enacted in the future due to the uncertainty surrounding the form that these laws and regulations may take.

20. Segmented information

Operating Segments

At June 30, 2011 the Company's operations comprise a single reporting operating segment engaged in mineral exploration in Ghana and Tanzania. The Company's corporate division only earns revenues that are considered incidental to the activities of the Company and therefore does not meet the definition of an operating segment as defined in **IFRS 8 *'Operating Segments'*.** As the operations comprise a single reporting segment, amounts disclosed in the unaudited interim consolidated financial statements also represent operating segment amounts.

An operating segment is defined as a component of the Company:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are reviewed regularly by the entity's chief operating decision maker; and
- for which discrete financial information is available.

Geographic Segments

Midlands is in the business of mineral exploration in Ghana and Tanzania. As such, management has organized the Company's reportable segments by geographic area. The Ghana and Tanzania segments are responsible for that country's mineral exploration and production activities while the Canadian segment manages corporate head office activities and is responsible for the Canadian mineral exploration and production activities. Information concerning Midlands reportable segments is as follows:

	Six months June 30, 2011	Six months June 30, 2010
Consolidated net loss	$	$
Canada	**1,817,608**	2,285,953
Tanzania	**98,355**	85,208
Ghana	**795,988**	2,673,591
	2,711,951	5,044,752
Canada		
Share based payments	**36,063**	1,545,774

20. Segmented information (continued)

Geographic Segments (continued)

	As at June 30, 2011	As at December 31, 2010
Identifiable assets		
Canada	**1,038,940**	4,177,230
Other	**-**	97,698
	1,038,940	4,274,928

21. Change in accounting policy

In the period ending June 30, 2011, the Company decided to change its IFRS policy under IFRS 6 - Exploration for and Evaluation of Mineral Resources. The Company had originally elected to capitalize all costs relating to the exploration and evaluation of its mineral properties as first reported in the three-month period ended March 31, 2011 unaudited interim financial statements. During the three months ended June 30, 2011, the Company elected to change its policy on its initial adoption of IFRS to expense all costs relating to the exploration and evaluation of its mineral properties. Therefore, the Company has restated its comparative and IFRS transition balances. See Note 3.

22. Subsequent events

Subsequent to June 30, 2011, the Company announced a private placement offering of up to 81,250,000 units priced at $0.08 per Unit, for gross proceeds of up to $6.5 million. Each Unit consists of one common share of the Company and one common share purchase warrant. Each warrant will entitle the holder to acquire one Common Share at a price of $0.10 for a period of 24 months after the closing date. The agent has exercised its over-allotment option to increase the offering by 12,500,000 units priced at $0.08 for an additional $1 million of gross proceeds.