MIDLANDS MINERALS CORPORATION

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE PERIOD ENDED JUNE 30, 2011

August 26, 2011

This management discussion and analysis ("MD&A") has been prepared based on information available to Midlands Minerals Corporation ("Midlands" or the "Company") as at August 26, 2011. The MD&A of the operating results and financial condition of the Company for the three and six months ended June 30, 2011, should be read in conjunction with the Company's unaudited interim consolidated financial statements (the "Financial Statements") and the related notes for the three and six months ended June 30, 2011 and the Company's audited consolidated financial statements for the year ended December 31, 2010 and 2009, prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). The Financial Statements have been prepared by management and are in accordance with International Financial Reporting Standards ("IFRS") and all amounts are expressed in Canadian dollars unless otherwise noted. Other information contained in this document has also been prepared by management and is consistent with the data contained in the Financial Statements. Additional information relating to the Company can be found on SEDAR at www.sedar.com.

MANAGEMENT'S ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING ("ICFR")

Management is responsible for establishing and maintaining adequate internal control over the Company's financial reporting. The internal control system was designed to provide reasonable assurance to the Company's management regarding the preparation and presentation of the financial statements.

As the Company is a Venture Issuer (as defined under under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) ("NI 52-109"), the Company and Management are not required to include representations relating to the establishment and/or maintenance of disclosure controls and procedures ("DC&P) and/or ICFR, as defined in NI 52-109.

CAUTIONARY NOTE

This document contains or refers to forward-looking information. Such forward-looking information includes, among other things, statements regarding targets, estimates and/or assumptions in respect of future production, capital costs and future economic, market and other conditions, and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to: the grade and recovery of ore which is mined varying from estimates; exploration and development costs varying significantly from estimates; inflation; fluctuations in commodity prices; delays in the development of the any project caused by unavailability of equipment, labour or supplies, climatic conditions or otherwise; termination or revision of any debt financing; failure to raise additional funds required to finance the completion of a project; and other factors. Forward-looking statements are subject to significant risks and uncertainties and other factors that could cause actual results to differ materially from expected results. Readers should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and we assume no responsibility to update them or revise them to reflect new events or circumstances, except as required by law. See the section entitled ***RISK FACTORS***.

OVERVIEW

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

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

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

- Comply with EHS regulatory requirements in Canada and in the countries in which the Company operates;
- Provide information on EHS to locally hired personnel;
- Develop and use EHS practices that are efficient and apply these in all the Company's exploration activities;
- Require contractors and consultants to comply with applicable legislation and local regulatory requirements; and
- Reclaim exploration and mining sites in compliance with applicable regulations and site specific requirements in the countries in which the Company is operating. Such EHS practices will be reviewed from time to time to take into account technical and economic developments.

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

SELECTED QUARTERLY INFORMATION

The following table sets forth selected consolidated financial information of the Company for, the last year ended December 31, 2010 and the three month period ending June 30, 2011 and June 30, 2010. The selected consolidated financial information should be read in conjunction with the Consolidated Financial Statements of the Company.

	3 months ended		Year ended
	June 30, 2011	**June 30, 2010**	**Dec. 31, 2010**
Consolidated Statement of Operations	**$**	**$**	**$**
Total Revenue	**-**	**-**	**-**
Net Loss	**2,711,951**	**5,044,752**	**8,174,308**
Basic and Diluted Net Loss per Share	**0.03**	**0.05**	**0.08**
Balance Sheet			
Total Cash and Short-term investment	**597,277**	**6,697,168**	**3,553,265**
Working Capital	**644,355**	**6,067,681**	**3,504,765**
Total Long Term Debt	**Nil**	**Nil**	**Nil**
Total Assets	**1,038,940**	**6,865,745**	**4,274,928**
Exploration and Evaluation Expenses			
Exploration and Evaluation Expenses	**894,343**	**2,758,799**	**4,914,194**

SUMMARY OF QUARTERLY RESULTS

Selected consolidated financial information for the 8 most recently completed quarters is as follows:

Three months ended	June 30, 2011	Mar. 31, 2011	Dec. 31, 2010	Sept. 30, 2010	June 30, 2010	Mar. 31, 2010	Dec. 31, 2009	Sept. 30, 2009
	$	$	$	$	$	**$**	$	**$**
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net Loss	1,980,223	731,728	1,938,392	1,191,164	1,711,167	3,333,585	824,547	46,708
Basic and diluted net loss per share	0.02	0.01	0.02	0.01	0.02	0.04	0.01	0.00

DESCRIPTION OF BUSINESS

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

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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.

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.

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%

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.

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.

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 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.

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 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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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:

- 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.

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.

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.

MINERAL PROPERTIES

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

	Six months ended		
	June 30, 2011	June 30, 2010	**Cumulative to date ***
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.

MIDLANDS MINERALS PROPERTIES IN GHANA AND TANZANIA

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

GHANA PROPERTIES

The Government of Ghana issues mineral rights as follows:

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

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

On August 23, 2006, the Company signed an agreement with Sian Goldfields Limited ("Sian"), whereby the Company acquired a 65% interest in the mineral assets of Sian; and, as part of the agreement, the Company agreed to pay US$2,000,000 based on cash flow and monies owed to certain affected farmers and the Sian Goldfields workers. Under the terms of the agreement, Sian Goldfields Limited transferred the property, the gold processing plant and the 30-year mining lease (ML4188/96) which was granted to Sian in 1996. The final payment to Sian was made on Nov. 16, 2010. The mineral assets include an area of approximately 47sq km of ground which is contiguous to the Company's 100% owned 109 sq km Kwahu Praso property. The gold district of approximately 156 sq km is referred to as the Sian-Praso Property which is on the north-east end of the Ashanti Gold Belt. All the Licences are in good standing. The Sian-Praso Project is located 150km northwest of Accra, the capital city of the Republic of Ghana and is located in the Kwahu West District Assembly in the Eastern Region. The property is between latitude 6° 36' north and 6° 39' north and longitudes 0° 46' west and 0° 54' west. There is an existing CIL (Carbon in Leach) plant as well as water and a good labour force, and excellent infrastructure. The Accra-Kumasi highway and a hydro power transmission line traverse just north of the Sian Licence through the Kwahu-Praso property.

In 2008, the Company commissioned SGS Geostat to complete a compliant resource calculation according to the standards set out in NI 43-101. That resource was based on historical drilling and 13,551m of drilling that was completed by the Company between April and October, 2007. Using a cut off grade of 0.5g/t Au, the main Esaase Zone contained 192,400oz in the indicated category in 2,568,000 tonnes at a grade of 2.33g/t Au; and the main Esaase Zone and Satellite Zones contained 203,350oz in the inferred category in 2,694,000 tonnes at a grade of 2.35g/t.

In October, 2010 SGS Canada Inc (Geostat), completed an updated in-house, non-compliant resource based on an additional 50 holes totalling 9,732m. This report estimated a 67% increase in ounces in the indicated category using a cut-off of 0.5g/t Au. From the Main Esaase Zone, 322,100 indicated ounces were reported totalling 5,360,000 tonnes of 1.87g/t Au, and from the Main Esaase Zone and Satellite Zones 216,800 inferred ounces were reported from 4,009,000 tonnes of 1.69g/t Au. The indicated resource tonnage was increased by 109%.

Hosted by mafic volcanics, the gold mineralisation occurs in a twenty metre wide, potassic-silica-carbonate rich shear zone with lensoid quartz veinlets. The pinch and swell style of mineralisation contains minor (2-5%) pyrite, pyrrhotite and chalcopyrite where visible gold is very rare. In the pit the zone strikes north northeast (25°) and is obliquely cross-cut by narrow (2-5m) mineralized and non-mineralised albite-quartz-porphyry dykes that strike at 30°. Both the zone and the dykes dip steeply (65-90°) to the southeast.
The Sian-Praso Property is located in the north-eastern part of the Ashanti Gold Belt, 30 kilometres east northeast of Newmont Mining's Akyem deposit which hosts approximately 8 million ounces of gold. The Belt is dominated by Proteozoic volcaniclastics and phyllites that have been intruded by Na-rich intermediate "Dixcove" intrusives. The intrusives are interpreted to be comagmatic with the Belt's volcanism and it is generally accepted that they are associated with the gold mineralisation. Based on age, the Belt is divided into two groups the Lower Proterozoic and Upper Proterozoic. The Lower Proterozoic consists mainly of volcanics and the Upper Proterozoic of sediments (phyllite)

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

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

Midenka Resources Limited ("Midenka"), a subsidiary of the Company, holds title to the Kwahu Praso Concession. Midenka is a Ghanaian registered company originally owned 80% by the Company and 20% by the Enkaakyiri Trading Company Limited ("Enkaakyiri"). On September 4, 2008, the Company exercised its right to purchase the remaining 20% for US$80,000. The Company paid a non-refundable deposit of US$10,000 with the balance of US$70,000. On February 26, 2010 the Company paid US$35,000 with the balance of US$35,000 being paid during the fourth quarter of 2010.

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

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

(c) Kaniago Concession

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

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

TANZANIA PROPERTIES:

The Government of Tanzania issues mineral rights as follows:

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

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

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

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

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

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

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

In general the background grades of the core drilling were similar to the RC drilling. This follow-up drilling proved that the Itilima Shear had a mineralised strike length of approximately 400m.

The Company plans to continue exploration on the Itilima project.

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

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

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

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

(b) Vukene Gold Project (PL6492/2010)

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

The property is located in the Nzega Greenstone Belt, which consists of felsic and mafic volcanics intercalated with minor BIF, which has been intruded by granitic batholiths. The Canuk Mine is located 30km north of the property; and, in 1953, 34,100 tonnes were mined at a grade of 5.8g/t Au. According to the regional mapping by the Geological Survey, the original property was divided into West, Central and

East parts. The West part is underlain by biotite granite and porphyritic biotite granite; the Central part by porphyritic and biotite granite in contact with northwest striking greenstones; and the East part by granite with a thick covering of laterite. The East part is on strike with the Canuk Mine which strikes north by north east.

In late 2007, the Company conducted reconnaissance geological mapping and MMI sampling at a spacing of 1000 metres by 1000 metres. Eight hundred and twenty-eight (828) samples were analyzed for Au, Ag, Ni, Pd and Co. Five large Au anomalies were located in the East half of the property. The anomalies are generally 2-4km in length and trend mainly north south.

(c) Lwenge Gold Project (PL3212/2005)

In 2007, the Company acquired the Lwenge property in Tanzania. Prospecting Licence (PL) 3212/2005 is 12.80sq km. Two re-applications have been made totalling 25.67sq km - HQ-P-18296 (12.8sq km) and HQ-P 21688 (12.87sq km). The Licences are located in the Geita district in the Lake Victoria Gold Fields Area approximately 70km west of Mwanza, the second largest city in Tanzania. The Company owns 90% of the Licence. The Geita greenstone belt has been a target for gold exploration since 1913. The Geita Mining Kukuluma gold prospect explored by Samax in 1999 is adjacent to the property.

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

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

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

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

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

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

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

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

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

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

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

(f) The Kilindi Gold Properties

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

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

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

The Tamota Licence includes 174.95sq km. The terrain ranges from flat to low rolling in the valleys and flood plains to vertical rock faces on high hills, a vertical distance of 300m. The property is underlain by quartzites and mica schists/gneisses that are intruded by pegmatites and diorite dykes. Foliation generally trends in two directions north west and north east. Within the mica schists in the north part of the property, foliation strikes east west and east by southeast. Folding was observed in outcrops.

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

The Licence includes 73.09 sq km. The terrain is predominantly flat to low rolling hills. Streams tend to be deep drainage incisions. Within the PL boundaries of Mziha East, three abandoned artisinal sites are located. Extensive artisanal mining occurs immediately south of the Licence. This mining area, dormant during the dry season, follows a NNE trending dry drainage channel located along a V-shaped valley with narrow floodplain (25m to 50m wide). Approximately 75 to 100 pits and shafts were observed ranging in depth from 1m to 8m. The target of the artisinal miners is a gold-bearing alluvial gravel horizon at or near bedrock.

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

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

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

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

RESULTS OF OPERATIONS

For the three months ended June 30, 2011, the Company's operating costs increased from $1,711,167 on June 30, 2010 to $1,980,223 on June 30, 2011, an increase of $269,056. The major variance in costs relate to the following categories:

1. Shareholder information
2. Management and consulting fees
3. Travel
4. Share based payments
5. Professional fees
6. Exploration and evaluation expenditures

Explanations of the significant changes follow:

1. Shareholder information expenses increased from $120,119 in 2010 to $293,856 in 2011. The difference results mainly from hiring of additional investor relations firm and the Company's recent dissident proxy materials
2. Management and consulting fees increased from $72,029 in 2010 to $552,192 in 2011 as this increase was primarily due to termination of the Chief Executive Officer of the Company.
3. Travel expenses were $50,234 in 2011 as compared to $35,016 in 2010. This is a result of a higher number of trips made to Africa for management of properties.
4. Share-based compensation expense increased from $Nil in 2010 to $36,063. Share-based compensation expenses are booked based on the valuation of options using the Black-Scholes model. The expense varies based on the number of options issued and the underlying assumptions used in the model.
5. Professional fees increased to $299,536 in 2011 as compared to $20,059 in 2010. The difference is primarily relating to increased legal fees for such items as the annual shareholders' meeting, counsel on personnel issues and with regard to the Company's recent dissident proxy materials.
6. Exploration and evaluation expenditures decreased from $1,314,325 in 2010 to $526,431 in 2011. The decrease attributable to significant exploration and development activities in 2010 and drilling on the Sian and the Kaniago properties in Ghana as well as geochemistry soil surveys on projects in Tanzania. These expenses were decreased as the Company is preserving cash as it seeks additional financing.

LIQUIDITY AND CAPITAL RESOURCES

The working capital as at June 30, 2011 was $644,355 as compared to $3,504,765 as at December 31, 2010.

Cash flow from operating activities for six months ended June 30, 2011 includes an add back for $ 36,063 for non-cash stock based compensation costs, as compared to $1,545,774 for same period in 2010.
During 2011, the Company granted 400,000 stock options to investor relation 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.

During 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.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.

Cash flow from Investing activities for the six months ended June 30, 2011 includes cash inflow from short term investments for $1,898,944. For the same period for 2010, cash flow from investing activities includes cash outflow for short term investments for $3,949,648. Short- term investments consist of investments in marketable securities and guaranteed investment certificates. During 2011, the Company did not raise funds from private placements and as such had to convert its short term investments into cash which was party used for expenditures on exploration of its properties and meeting its general and administrative expenses. During the same period of 2010, the Company raised funds from private placements and thus invested surplus cash of $3,949,648 in short term investments and also incurred more funds on its exploration activities.

Cash flow from financing activities for the six months ended June 30, 2011 reflects receipt of $81,219 on exercise of warrants. During the same period for 2010, the Company raised $7,444,690 (net) from issuance of units.

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

PENDING TRANSACTIONS

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 an option to increase the offering by 12,500,000 units priced at $0.08 for an additional $1 million of gross proceeds. The Company plans to close this financing during the nine month period ended September 30, 2011. There can be no assurance that this financing will be completed in whole or in part, or at the terms as described above.

BUSINESS COMBINATION (HISTORICAL)

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

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

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

USE OF OFF STATEMENTS OF FINANCIAL POSITION ARRANGEMENTS

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

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

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

PROJECT UPDATES

Under the guidance of new management, Midlands' goal is to develop an economic gold resource as cost effectively as possible. The proceeds of the Offering will be used to finance the next phase of activity of the mineral exploration programs described below.

Kaniago, Ghana

Midlands is currently drilling at the Kaniago Project in Ghana, West Africa. This program began in late June 2011 and is targeting three of the eight anomalous zones in the area along the Asankrangwa Belt.

The program's objective is to test two anomalies striking for 500 metres to 600 metres . To date, a total of 4,673 metres of the planned 7,650 metre program has been completed. Midlands is awaiting assay results.

Following completion of this drilling program, Midlands plans on implementing a 2,000 metre trenching program and intends to complete a further 5,000 metres of drilling within another 6 month period.

Sian/Praso, Ghana

Midlands intends to continue exploring the Sian/Praso Project, which is 65% owned by Midlands and 35% owned by Ghanaian partners, located in the northeast end of the Ashanti Belt of Ghana. This project has a non-NI 43-101 resource estimate of 600,000 oz at two grams per ton. Over the next six months, Midlands plans to conduct a 2, 000 metre trenching program and an infill soil geochemical survey. The soil geochemical survey and trenching are required to better understand and define drill targets on the multiple anomalies that exist on this property.

This is planned to be followed by a second 2,000 metre trenching program, a 5,000 metre drilling program and a 5,000 metre Diamond Drilling program in the subsequent six months. This initial exploration is intended to prioritize the 18 identified anomalous zones, as defined by geochemical soils surveys and geophysical surveys.

Tanzania

Midlands holds 11 properties for exploration in Tanzania, East Africa. These projects are within the Geita-Bulyanhulu-Itilima-Sekenke Trend as well as the Kilindi-Handeni Trend and soil geochemical surveys and trenching are required to understand the geological trends on the Itilima project in particular.

The Company plans on commencing a trenching and drilling program on two of the 11 properties, focusing mainly on Itilima. In addition, a soil sampling survey is intended for the New Kilindi – Tamota project area.

CAPITAL STOCK

The following table sets forth information concerning the outstanding securities of the Company as at August 26, 2011:

Common Shares of no par value	Number
Shares	102,978,231
Warrants	30,854,095
Options	8,851,465

See note 14 to the unaudited interim consolidated financial statements for the three and six months ended June 30, 2011 and 2010 for more detailed disclosure of outstanding shares data as at those dates.

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.

RISK FACTORS

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

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

Mineral exploration and development involves several risks which experience, knowledge and careful evaluation may not be sufficient to overcome. Large capital expenditures are required in advance of anticipated revenues from the Company's operations.

Many exploration programs do not result in the discovery of an economic deposit. The commercial viability of exploiting any precious metal deposit is dependant on a number of factors including infrastructure and governmental regulation, in particular those relating to the environment, taxes, and royalties. No assurance can be given that minerals will be discovered of sufficient quality, size and grade on any of the Company's properties to justify a commercial operation.

Uncertainty of reserve and resource estimates

The mining business relies upon the accuracy of determinations as to whether a given deposit has significant mineable reserves. This reliance is important in that reported mineral reserves and resources are only estimates and do not represent any certainty that the estimated mineral reserves and resources will be recovered. Market fluctuations in the price of metals, as well as increased production costs or reduced recovery rates, may render certain mineral reserves and resources uneconomic.

Political risk

Political and related legal and economic uncertainties exist in countries where the Company operates. Risk of foreign operation in these countries may include political unrest, corruption, war, civil disturbances and terrorist actions, arbitrary changes in the law or policies, changes to governmental regulation, foreign taxation, price and currency controls, delays in obtaining, or the inability to obtain, necessary governmental permits, opposition to mining from environmental or other non-governmental organizations, limitations on foreign ownership, limitation on the repatriation of earnings, limitation on gold exports and increased financing costs. These risks may limit or disrupt the Company's activities.

The Company will require additional funding to develop its properties

Continued development of the Company's properties will require significant financial resources. As such, the Company needs to raise significant financing. Failure to obtain such additional financing at critical times could lead to delay and indefinite postponement in the exploration and development of the Company's projects. There is no assurance that such funding will be available or that it will be obtained on favourable terms.

Lack of operating profit

The Company has incurred operating losses on an annual basis, for a number of years, arising from administrative costs related to continued exploration and development of mineral resources properties. It is anticipated that the Company will continue to experience operating losses for the foreseeable future. There can be no assurance that the Company will ever achieve significant revenues or profitable operations.

Precious metal price

The price of precious metals can fluctuate widely and is affected by numerous factors including demand, inflation, strength of the US dollar and other currencies, interest rates, gold sales by the central banks, forward sales by producers, global or regional political or financial events, and production and cost levels in major producing regions. In addition, the gold price is sometimes subject to rapid short-term changes because of speculative activities.

Even if the Company discovers commercial amounts of precious metals on its properties, it may not be able to place the property into commercial production if precious metal prices are not at sufficient levels.

Currency risk

A substantial portion of the Company's activities is expected to be carried on outside Canada. Such activities are subject to risk associated with the fluctuation in the rate of exchange of the Canadian dollar and foreign currencies.

Environmental and permitting

All aspects of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations, among other things, mandate the maintenance of air and water quality standards, land reclamation, transportation, storage and disposal of hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors, and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

Acquisition

The Company uses its best judgment to acquire mining properties for exploration and development. In pursuit of such opportunities, the Company may fail to select appropriate acquisition candidates or negotiate acceptable agreements, including arrangements to finance the acquisitions and development, or integrate such opportunity and their personnel with the Company. The Company cannot assure that it can complete any acquisition that it pursues or is currently pursuing, on favourable terms, or that any acquisition completed will ultimately benefit the Company.

Competition

The mining industry is intensely competitive in all of its phases, and the Company competes with many companies possessing greater financial resources and technical facilities than the Company. Competition in the mining business could adversely affect the Company's ability to acquire suitable producing properties or prospectus for mineral exploration in the future.

Segregation of duties

Segregation of duties is a basic, key internal control and one of the most difficult to achieve in a small company. It is used to ensure that errors or irregularities are prevented or detected on a timely basis by employees in the normal course of business. Due to the Company's small size and limited resources, a complete segregation of duties within the Company's accounting group cannot be fully achieved. The result is that the Company is highly reliant on the performance of mitigating procedures during the process of closing its financial statements in order to ensure the financial statements are presented fairly in all material respects. Management will identify and hire additional accounting resources where cost effective and when required. Where it is not cost effective to obtain additional accounting resources, management will review existing mitigating controls and, if appropriate, implement changes to its internal control processes whereby more effective mitigating controls will be adopted.

Key personnel

The success of the Company depends to a large extent upon its abilities to retain the services of its senior management and key personnel. The loss of the services of any of these persons could have a materially adverse effect on the Company's business and prospects. There is no assurance the Company can maintain the services of its directors, officers or other qualified personnel required to operate is business.

Internal Control over Financial Reporting

Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation.

Status of Midlands's transition to IFRS

Transition to IFRS from GAAP

In February 2008, the Canadian Accounting Standards Board confirmed that Canadian publicly accountable enterprises will be required to adopt IFRS for financial periods beginning on and after January 1, 2011.

The Company has adopted IFRS with an adoption date of January 1, 2011 and a transition date of January 1, 2010.

IFRS Conversion

The Company's IFRS conversion plan was comprehensive and addressed matters including changes in accounting policies, restatement of comparative periods, organizational and internal controls and any required changes to business processes. To facilitate this process and ensure the full impact of the conversion was understood and managed reasonably, the Company hired an IFRS conversion project manager. The accounting staff attended several training courses on the adoption and implementation of IFRS. Through in-depth training and the preparation of reconciliations of historical Canadian GAAP financial statements to IFRS, the Company believes that its accounting personnel have obtained a thorough understanding of IFRS.

In conjunction with the adoption of IFRS the Company has implemented a new accounting system, which will satisfy all the information needs of the Company under IFRS. The Company has also reviewed its current internal and disclosure control processes and believes they will not need significant modification as a result of our conversion to IFRS.

Impact of IFRS

IFRS employs a conceptual framework that is similar to Canadian GAAP; however significant differences exist in certain matters of recognition, measurement and disclosure. While the adoption of IFRS will not change the actual cash flows of the Company, the adoption will result in changes to the reported financial position and results of operations of the Company. In order to allow the users of the financial statements to better understand these changes, we have provided the reconciliations between Canadian GAAP and IFRS for the total assets, total liabilities, shareholders equity and net earnings in Note 3 to the interim consolidated financial statements. The adoption of IFRS has had no significant impact on the net cash flows of the Company. The changes made to the statements of financial position and comprehensive income have resulted in reclassifications of various amounts on the statements of cash flows, however there has been no change to the net cash position.

In preparing the reconciliations, the Company applied the principles and elections of IFRS 1, with a transition date of January 1, 2010. As the Company has adopted IFRS effective January 1, 2010, it will apply the provisions of IFRS 1 as described under the section entitled "Initial Adoption – IFRS 1", with a January 1, 2010 transition date. The Company will also apply IFRS standards in effect at December 31, 2011 as required by IFRS 1.

Initial Adoption of International Accounting Standards

IFRS 1 ''First Time Adoption of International Accounting Standards'' sets forth guidance for the initial adoption of IFRS. Under IFRS 1 the standards are applied retrospectively at the transitional date of the statement of financial position with all adjustments to assets and liabilities as stated under GAAP taken to retained earnings unless certain exemptions are applied. The Company has chosen to take the following exemptions under IFRS 1:

- 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.

Comparative Information

The Company has restated all prior period figures in accordance with IFRS.

Date: August 26, 2011

<u>Original signed by:</u>

"Stephen Gledhill"

Chief Financial Officer