Midlands Minerals
TSX-V:MEX

Midlands Minerals Corporation

Unaudited Interim
Consolidated Financial Statements

As at and for the three and six months ended

June 30, 2014 and 2013

NOTICE TO READER

The accompanying unaudited interim consolidated financial statements of Midlands Minerals Corporation (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, 2014 and 2013 have not been reviewed by the Company's auditors.

MANAGEMENT'S RESPONSIBILITY FOR UNAUDITED INTERIM CONSOLIDATED FINANCIAL REPORTING

The accompanying unaudited interim consolidated financial statements of Midlands Minerals Corporation 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 unaudited interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 Interim Financial Reporting 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.

“Craig Pearman”
Chief Executive Officer
August 25, 2014

“Stephen Gledhill”
Chief Financial Officer
August 25, 2014

Midlands Minerals Corporation
Unaudited Interim Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

As at	**June 30, 2014**	December 31, 2013
	$	$
Assets		
Current assets		
Cash *(note 8)*	**2,498,532**	3,216,641
Short-term investment *(note 9)*	**60,000**	60,000
Due from related parties *(note 14)*	**49,508**	100,000
Other receivables and prepaid expenses *(note 10)*	**51,631**	23,738
Available-for-sale investments *(note 11)*	**23,432**	20,800
Total current assets	**2,683,103**	3,421,179
Non-current assets		
Property and equipment *(note 17)*	**19,960**	22,177
Total non-current assets	**19,960**	22,177
Total assets	**2,703,063**	3,443,356
Liabilities		
Current liabilities		
Trade payables and accrued liabilities *(note 12)*	**74,276**	76,742
Due to related parties *(note 14)*	**22,958**	14,162
Total current liabilities	**97,234**	90,904
Total liabilities	**97,234**	90,904
Shareholders' equity		
Share capital *(note 13)*	**18,199,531**	18,199,531
Contributed surplus	**13,930,141**	13,741,341
Available-for-sale reserve	**64,643**	43,825
Deficit	**(29,588,486)**	(28,632,245)
Total shareholders' equity	**2,605,829**	3,352,452
Total liabilities and shareholders' equity	**2,703,063**	3,443,356

Going concern *(note 2)*
Related-party transactions *(note 14)*
Subsequent event note *(note 20)*

Approved by the Board on August 25, 2014:

"Nick Tintor"
Director

"James Garcelon"
Director

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

Midlands Minerals Corporation
Unaudited Interim Consolidated Statements of Loss

(Expressed in Canadian dollars)

	Three months ended		Six months ended	
	June 30, 2014	June 30, 2013	**June 30, 2014**	June 30, 2013
	$	$	**$**	$
Operating expenses				
Depreciation	**1,109**	1,386	**2,218**	2,772
Exploration and evaluation expenditures *(note 16)*	**230,157**	173,439	**267,428**	269,080
Office and administrative expenses	**77,213**	49,422	**156,494**	142,178
Professional fees	**49,682**	55,440	**95,021**	68,261
Salaries and benefits	**102,248**	85,626	**198,868**	192,954
Share-based compensation *(note 13)*	**185,100**	7,600	**188,800**	17,900
Shareholder information	**30,969**	21,546	**42,677**	29,363
Total operating expenses	**676,478**	394,459	**951,506**	722,508
Loss before taxes and undernoted items	**(676,478)**	(394,459)	**(951,506)**	(722,508)
Other income	**9,697**	341,331	**21,564**	344,312
Loss on available-for-sale investments	**(18,515)**	-	**(18,515)**	-
Foreign exchange loss	**(5,671)**	(2,094)	**(8,113)**	(3,241)
Loss before taxes	**(690,967)**	(55,222)	**(956,570)**	(381,437)
Deferred income (tax) recovery	**225**	(2,646)	**329**	(2,958)
Net loss	**(690,742)**	(57,868)	**(956,241)**	(384,395)
Basic and fully-diluted loss per common share	**(0.004)**	(0.000)	**(0.005)**	(0.002)
Weighted average number of common shares outstanding (000's)	**194,228**	194,228	**194,228**	194,228

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

Midlands Minerals Corporation

Unaudited Interim Consolidated Statements of Comprehensive Loss

(Expressed in Canadian dollars)

	3 months ended		6 months ended	
	June 30, 2014	June 30, 2013	**June 30, 2014**	June 30, 2013
	$	$	**$**	$
Net loss (2013, attributable to owners of parent company)	**(690,742)**	(57,868)	**(956,241)**	(384,395)
Other comprehensive loss:				
Realized losses transferred to statement of loss	**18,515**	-	**18,515**	-
Unrealized gain (loss) on available-for-sale investments	**1,798**	(21,167)	**2,632**	(23,667)
Deferred income tax (recovery)	**(225)**	2,646	**(329)**	2,958
Other comprehensive income (loss), net of income taxes	**20,088**	(18,521)	**20,818**	(20,709)
Total comprehensive loss	**(670,654)**	(76,389)	**(935,423)**	(405,104)
Comprehensive loss per share - basic and diluted	**(0.003)**	(0.000)	**(0.005)**	(0.002)

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
(Expressed in Canadian dollars)

	Share Capital		Reserves					
	Number of shares	Amount	Warrants	Contributed surplus	Available-for-sale	Accumulated Deficit	Non-controlling interests	Total
		$	$	$	$	$	$	$
Balance at January 1, 2013	**194,228,231**	**18,199,531**	**2,768,502**	**10,944,939**	**65,438**	**(30,864,297)**	**36,125**	**1,150,238**
Share-based compensation	-	-	-	17,900	-	-	-	17,900
Unrealized loss on available-for-sale investments	-	-	-		(20,709)	-	-	(20,709)
Loss attributable to the owners of the parent company	-	-	-	-	-	(384,395)	-	(384,395)
Balance at June 30, 2013	**194,228,231**	**18,199,531**	**2,768,502**	**10,962,839**	**44,729**	**(31,248,692)**	**36,125**	**763,034**
Reserve transferred on expiry of warrants	-	-	(2,768,502)	2,768,502	-	-	-	-
Share-based compensation	-	-	-	10,000	-	-	-	10,000
Unrealized loss on investments	-	-	-	-	(904)	-	-	(904)
Elimination of non-controlling interest on sale of subsidiary	-	-	-	-		-	(36,125)	(36,125)
Net income	-	-	-	-	-	2,616,447	-	2,616,447
Balance at December 31, 2013	**194,228,231**	**18,199,531**	**-**	**13,741,341**	**43,825**	**(28,632,245)**	**-**	**3,352,452**
Share-based compensation	-	-	-	188,800	-	-	-	188,800
Unrealized gain on available-for-sale investments	-	-	-	-	20,818	-	-	20,818
Net loss	-	-	-	-	-	(956,241)	-	(956,241)
Balance at June 30, 2014	**194,228,231**	**18,199,531**	**-**	**13,930,141**	**64,643**	**(29,588,486)**	**-**	**2,605,829**

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

Midlands Minerals Corporation
Unaudited Interim Consolidated Statements of Cash Flow

(Expressed in Canadian dollars)

	Six months ended	
	June 30, 2014	June 30, 2013
	$	$
Operating activities		
Net loss	**(956,241)**	(384,395)
Adjustments to non-cash items:		
Depreciation	**2,218**	2,772
Deferred income tax (recovery)	**(329)**	2,958
Share-based compensation	**188,800**	17,900
Net change in non-cash working capital items:		
Other receivables and prepaid expenses	**(27,893)**	(1,024)
Available-for-sale investments	**18,515**	-
Trade payables and accrued liabilities	**(2,467)**	61,542
Cash used in operating activities	**(777,397)**	(300,247)
Financing activities		
Advances from related parties	**8,796**	-
Repayment of related party loans receivable	**50,492**	-
Cash provided from investing activities	**59,288**	-
Investing activities		
Purchase of short-term investments	**-**	-
Cash used in investing activities	**-**	-
Net decrease in cash	**(718,109)**	(300,247)
Cash at beginning of year	**3,216,641**	1,075,594
Cash at end of period	**2,498,532**	775,347

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

1. Company description and nature of operations

Midlands Minerals Corporation ("Midlands" or the "Company") and its subsidiaries, Midlands Minerals Ghana Limited, Midenka Resources Limited, Midlands Minerals Tanzania Limited, Manonga Minerals Limited, Harbour Capital Corporation, and its 75%-owned subsidiary Itilima Mining Company Limited, is an exploration-stage, publicly-traded Company incorporated in Ontario, Canada with its registered office address of 120 Adelaide Street West, Suite 2400, Toronto, Ontario, M5H 1T1.

Midlands is a junior prospecting and natural-resource company, focused on growing a mineral asset inventory to build shareholder value. The Company employs responsible exploration methods in politically stable, low-risk and mining-friendly countries. As the Company's assets are located outside North America, they are subject to the risk of foreign investment, including additional local taxation and royalties, renegotiation of contracts, possible expropriation, currency exchange fluctuations and political uncertainty.

In 2013, the Company completed a sale of all of its shares in Akroma Gold Company Limited to its partner, Sian Goldfields Limited (the "Sale") (note 15).

On April 3, 2014, the Company entered into a definitive agreement (the "Option Agreement"), with Reservoir Minerals Inc. ("Reservoir") for an option to acquire up to a 75% interest in Reservoir's Parlozi lead-zinc-silver project in Serbia. The Option Agreement provides that Midlands can earn an initial 51% interest in the project by spending $4.5 million on exploration over a four-year period.

2. Going concern

These unaudited interim consolidated financial statements (the "Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business, as they come due for the foreseeable future. The Company is in the process of exploring and developing its mineral properties and has not yet realized profitable operations. The Company likely requires additional financing for its working capital and for the costs of exploration and development of its mineral properties. Due to continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. The Company will continue to seek additional forms of debt or equity financing, however, there is no assurance that it will be successful in doing so or that funds will be available on terms acceptable to the Company or at all. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. Further, in order for the Company to carry out current or future exploration and mining activities, it is, or will be, required to hold certain permits. There is no assurance that the Company's existing permits will be renewed or that permits for new projects will issued. These material uncertainties may cast significant doubt upon the entity's ability to continue as a going concern. Accordingly, the Consolidated 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 accompanying Consolidated Financial Statements.

At June 30, 2014, the Company's working capital position was $2,585,870 (December 31, 2013 – $3,330,275), a cash position of $2,498,532 (December 31, 2013 – $3,216,641) and an accumulated deficit of $29,588,485 (December 31, 2013 – $28,632,245) and for the six-month period ended June

30, 2014, cash used for operating activities of $777,397 (2013 - $300,247). Management continues to work toward completing additional financings and/or sale of assets.

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

3. Basis of preparation and significant accounting policies

Basis of preparation

3.1 Statement of compliance

The Financial Statements, including comparatives, have been prepared in accordance with *International Accounting Standards 34 'Interim Financial Reporting'*, using accounting policies consistent with the IFRS issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The Financial Statements were approved by the Company's Board of Directors on August 25, 2014.

3.2 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 note 6. The Financial Statements are presented in Canadian dollars, the Company's functional and presentation currency.

3.3 Basis of consolidation

The Financial Statements include the financial statements of the Company and its wholly-owned subsidiaries; Midlands Minerals Ghana Limited, Midenka Resources Limited, Midlands Minerals Tanzania Limited, Manonga Minerals Limited, Harbour Capital Corporation, and its 75%-owned subsidiary Itilima Mining Company Limited, which the Company controls. 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 consolidated statements of operations for the comparable period also include losses of the Company's disposed subsidiary (note 15), up to the date of disposition, being August 19, 2013.

All inter-Company transactions, balances, income and expenses are eliminated on consolidation.

4. New accounting standards and interpretations

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

- IFRS 9 *'Financial Instruments: Classification and Measurement'* – annual periods beginning on or after January 1, 2018, introduces new requirements for the classification and measurement of financial instruments.

5. Capital management

The Company considers its capital to be its equity, which is comprised of share capital, reserve accounts and deficit, which as at June 30, 2014 totaled $2,605,830 (December 31, 2013 - $3,352,452). 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 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 only sources of future funds presently available to the Company are through the exercise of outstanding stock options, 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.

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

There were no changes in the Company's approach to capital management during the six months ended June 30, 2014. The Company is not subject to externally imposed capital restrictions.

6. Financial instruments

Fair value

The Company has designated its cash as fair-value-thorough-profit-and-loss ("FVTPL"), which is measured at fair value. Other receivables and due from related parties are classified for accounting purposes as loans and receivables, which are measured at amortized cost that approximates fair value. The Company's marketable securities have been classified for accounting purposes as available-for-sale, which are measured at fair value. Trade payables and accrued liabilities, and due from related parties are classified for accounting purposes as other financial liabilities, which are measured at amortized cost, which also approximates fair value.

As at June 30, 2014, the fair value of the Company's financial instruments approximate their carrying value.
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 and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The following table summarizes the fair value measurements recognized in the consolidated financial statements by class of asset or liability and categorized by level according to the significance of the inputs used in making the measurements: Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and Level 3 – inputs for the assets or liability that are not based on observable market data (unobservable inputs).

(Expressed in Canadian dollars)

	Level 1	Level 2	Level 3
	$	$	$
Cash	2,498,532	-	-
Short-term investment	60,000	-	-
Due from related parties	-	49,508	-
Other receivables	-	51,631	-
Available-for-sale investments	23,432	-	-
Trade payables and accrued liabilities	-	(74,275)	-
Due to related parties	-	(22,958)	-

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 short-term investment** – Cash is held with major Canadian and Ghanaian banks and investment institutions and therefore have minimal risk of loss. Short-term investment is held with a major Canadian bank and therefore has minimal risk of loss. In Management's opinion, the risk of loss is minimal with foreign banking institutions and is limited to the amount carried on statement of financial position. Cash held with foreign banks at June 30, 2014, totals $14,321 (December 31, 2013 - $1,256).

b. **Other receivables** - The Company is not exposed to any significant on the portion of the receivables due from the Canadian government for harmonized sales taxes, totaling $17,677 (December 31, 2013 - $17,327). The remaining balance of $33,954 (December 31, 2013 - $nil), is due mainly from Reservoir, the Company's project partner in Serbia, and is subject to the risk of loss that is limited to the amount outstanding.

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, 2014, the Company had working capital of $2,585,870 (December 31, 2013 – $3,330,275). In order to meet its future working capital and property exploration expenditures, the Company intends on securing further financing, as required, to ensure that those obligations are properly discharged. The Company has well over 12 months of operating capability based on current cash balances, monthly burn rate and project commitments. If additional financing is raised by the issuance of shares from the treasury of the Company, control of the Company 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 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 to mid-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 and Ghanaian Cedi. 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 three TSXV-traded companies. The Company has classified these investments as available-for-sale and such common shares are subject to stock-market volatility. The value of these financial instruments 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 the sale of any shares is made in the best interest of the Company.

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 six-month period:

i) The Company's investments are subject to fair value fluctuations. As at June 30, 2014, if the fair value of investments had decreased/increased by 50% with all other variables held constant, net comprehensive loss for the six months ended June 30, 2014 would have been approximately $11,700 (December 31, 2013 - $10,500) higher/lower. Similarly, as at June 30, 2014, reported equity would have been approximately $11,700 (December 31, 2013 - $10,500) lower/higher as a result of a 50% decrease/increase in the fair value of investments.

ii) The Company's funds are kept in Canadian dollars, US dollars and Ghanaian Cedi at major Canadian and Ghanaian financial institutions

As at June 30, 2014, the Company's exposure to foreign currency balances is as follows:

As at		**June 30, 2014**	December 31, 2013
Account	**Foreign Currency**	**Exposure ($CDN)**	
Cash	US dollar	**10,367**	2,120
Cash	Ghanaian Cedi	**6,308**	768

(Expressed in Canadian dollars)

	16,675	2,888

The Company believes that a change of 10% in foreign exchange rates would increase/decrease net loss for the period by approximately $1,700 (December 31, 2013 - $300).

8. Cash

The balance at June 30, 2014, consists of $2,498,532 (December 31, 2013 - $3,216,641) on deposit with a major Canadian bank ($2,484,211 (December 31, 2013 - $3,215,385)) and a major Ghanaian bank ($14,321 (December 31, 2013 - $1,256)).

9. Short-term investment

As at June 30, 2014, short-term investment consists of a guaranteed investment certificate ("GIC") of $60,000 (December 31, 2013 - $60,000), which bears interest at rate of 0.8% per annum and has a maturity date of January 28, 2015. The GIC is separate from general Company funds and is provided to the Company's bank as security for credit card balances.

10. Other receivables and prepaid expenses

The Company's receivables arise from four main sources: Advances to Reservoir, harmonized sales tax ("HST") recoverable from the Canada Revenue Agency, prepaid amounts to suppliers and interest receivable from related-party loans receivable. These are broken down as follows:

	June 30, 2014	December 31, 2013
	$	$
Advances to Reservoir	**24,317**	-
HST recoverable	**17,677**	17,327
Prepaid expenses, advances and deposits	**7,032**	4,679
Interest receivable	**2,605**	1,732
Total	**51,631**	23,738

11. Available-for-sale investments

Canaco Resources Inc. ("Canaco")* / Orca Gold Inc. *("Orca")

The Company originally held 100,000 shares of Canaco, a company traded on the TSX Venture Exchange ("TSXV"). In April 2013, Canaco rolled back its shares on a 1 for 3 basis and changed its name from Canaco Resources Inc. to Orca Gold Inc. which is trading on the TSXV under the trading symbol ORG. The Company's new holdings of this investment comprise 33,333 (December 31, 2013 – 33,333) shares of Orca. On June 30, 2014, these available-for-sale investments were measured at a fair value of $18,333 (December 31, 2013 – $13,833). The impact to the consolidated financial statements of this revaluation to market value resulted in a six-month increase of $4,500 (2013 – decrease of $1,000) to the value of the investments with a corresponding increase in available-for-sale reserve of $3,937 (2013 – decrease of $875), net of deferred income tax recovery of $563 (2013 - $125).

(Expressed in Canadian dollars)

Tigray Resources Inc. ("Tigray")

As at December 31, 2013, the Company held 20,000 Tigray shares (December 31, 2013 – 20,000) that it acquired through a spin-off transaction of Canaco, whereby it received 1 share of Tigray for every 5 shares of Canaco. On May 7, 2014, and pursuant to a plan of arrangement, Tigray shares were cancelled and the Company received 0.55 of a common share of East Africa and 0.40 of a common share purchase warrant of East Africa for each Tigray share held (a total of 11,000 shares and 8,000 warrants). Each whole East Africa warrant entitles the holder to acquire one East Africa share at a price of $0.23 until May 7, 2017. The value of the securities received was estimated at $1,485 and the Company recorded a total loss of $18,515 on the transaction. On June 30, 2014, these available-for-sale investments were measured at a fair value of $nil (December 2013 – $2,800). The impact to the consolidated financial statements of this revaluation to market value resulted in a six-month decrease of $2,800 (2013 – $1,500) to the value of the investments with a corresponding decrease in the available-for-sale reserve of $2,450 (2013 – $1,311) net of deferred income taxes of $350 (2013 - $189).

East Africa Metals Inc. ("East Africa")

In April 2013, Canaco transferred its Tanzanian assets, cash and other assets and liabilities into East Africa in exchange for common shares of East Africa. The Company received 33,333 shares of East Africa, which is trading on the TSXV under the trading symbol EAM. On May 7, 2014, the Company received a further 11,000 shares of East Africa shares pursuant to plan of arrangement regarding its Tigray shares (see above), raising the number of shares owned to 44,333. As at June 30, 2013, these available-for sale investments were measured at a fair value of $5,098 (December 31, 2013 – $4,167). The impact to the consolidated financial statements of this revaluation to market value resulted in a six-month increase of $932 (2013 – $nil) to the value of the investments with a corresponding decrease in available-for-sale reserve of $816 (2013 – $nil), net of deferred income tax recovery of $116 (2013 - $nil).

12. Trade payables and accrued liabilities

Trade payables and accrued liabilities 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 analysis of the trade payables and accrued liabilities balances:

As at	**June 30, 2014**	December 31, 2013
	$	$
Legal and audit	**59,330**	59,829
Shareholder information	**7,582**	2,845
Exploration expenditures	**-**	9,000
Office and administrative	**7,364**	5,068
Total	**74,276**	76,742

(Expressed in Canadian dollars)

13. Capital stock

Share Capital

Authorized

Authorized share capital consists of an unlimited number of common shares.

Reserve for warrants

Date Granted	Type	Number	Weighted-average Exercise Price	Fair Value	Expiry Date
			$	**$**	
Balance December 31, 2012		**97,730,000**	**0.10**	**2,768,502**	
	Expired	(97,730,000)	(0.10)	(2,768,502)	August 29, 2013
Balance December 31, 2013 and June 30, 2014		**-**		**-**	

Contributed surplus

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. As at June 30, 2014, the Company had 1,197,823 options available for issuance (December 31, 2013 – 6,972,823).

A continuity of the outstanding options to purchase common shares is as follows:

	June 30, 2014		December 31, 2013	
	Weighted Average Exercise Price	**No. of Options**	Weighted Average Exercise Price	No. of Options
	$		$	
Outstanding at beginning of period	**0.11**	**12,450,000**	0.11	12,450,000
Transactions during the period:				
Granted	**0.05**	**9,150,000**	-	-
Expired	**0.40**	**(50,000)**	-	-
Forfeited	**0.12**	**(3,325,000)**	-	-
Outstanding at end of period	**0.08**	**18,225,000**	0.11	12,450,000
Exercisable at end of period	**0.08**	**17,725,000**	0.11	10,450,000

(Expressed in Canadian dollars)

The following table provides additional information about outstanding stock options at June 30, 2014:

Range of Exercise Prices	No. of Options Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price ($)
$0.05 - $0.10	17,900,000	3.78	0.07
$0.25 - $0.33	325,000	1.09	0.29
$0.05 - $0.33	**18,225,000**	**3.73**	**0.08**

Share-based compensation

The fair value of the stock options vested for the six months ended June 30, 2014 was $188,800 (2013 – $17,900), which amount has been expensed in the interim consolidated statements of loss.

i) On February 1, 2012, the Company granted 2,000,000 stock options to the Company's Chief Executive Officer. The options have a term of 5 years, are exercisable at $0.10 per share and vest 25% on the date of grant and 25% on each of the first, second and third anniversary of October 26, 2011. The fair value of the stock options of $80,000 was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: Risk-free interest rate 1.09%, expected dividend yield of 0%, expected stock price volatility 153% and expected option life of five years. Share-based compensation for the six months ended June 30, 2014, amounted to $3,600 (2013 – $9,400).

ii) On April 25, 2012, the Company granted 1,500,000 stock options to the Company's Vice President of Exploration. The options have a term of 5 years, are exercisable at $0.10 per share and vest one-third on issuance and one-third on each of the first and second annual anniversary of issuance. The grant-date fair value of the options was $45,000 and was estimated using the Black-Scholes option pricing model with the following assumptions: Risk-free interest rate 1.69%, expected dividend yield of 0%, expected stock price volatility 154% and expected option life of five years. Share-based compensation for this six months ended June 30, 2014, amounted to $2,200 (2013 – $8,500).

iii) On April 30, 2014, the Company granted 9,150,000 stock options to eligible participants of the Company's stock option plan. The options have a term of 5 years, are exercisable at $0.05 per share and vest immediately. The grant-date fair value of the options was $183,000 and was estimated using the Black-Scholes option pricing model with the following assumptions: Risk-free interest rate 1.64%, expected dividend yield of 0%, expected stock price volatility 263% and expected option life of five years. Share-based compensation for this period for the vested portion on these options amounted to $183,000 (2013 – $nil).

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14. Related-party transactions

3 months ended June 30, 2014

During the three months ended June 30, 2014, $45,000 (2013 - $45,000) was paid or payable to RG Mining Investments Inc. ("RGMI") for management (including CFO) services and administrative fees pursuant to an agreement that had an original term of one year. The agreement has been renewed for successive 12-month periods ending September 30. The agreement may be terminated by the Company by providing notice within 60 days of the current-year renewal date or upon the criminal conviction, death, disability, incapacity, bankruptcy, insolvency, gross negligence, gross dereliction of duty or gross misconduct, of RGMI. The Company's Chairman of the Board and CFO beneficially own RGMI.

The Company identifies key management personnel as current and former (as appropriate) officers of the Company including its President and CEO, CFO and VP Exploration as well as its directors. The following payments were made/earned by key management during the 3 months ended June 30, 2014:

$99,998 (2013 - $99,998) was paid to management personnel or to companies controlled by them, with regard to professional fees, salaries and benefits. $185,100 (2013 - $7,600) was earned by officers and directors for non-cash, share-based compensation.

6 months ended June 30, 2014

During the six months ended June 30, 2014, $90,000 (2013 - $90,000) was paid or payable to RGMI. $194,368 (2013 - $203,600) was paid to key management personnel or to companies controlled by them, with regard to professional fees, salaries and benefits. Officers and directors earned non-cash, share-based compensation of $188,800 (2013 - $17,900).

Due to related-parties

As at June 30, 2014, the statement of financial position includes a balance of $22,958 comprising $16,879 (2013 - $14,162) due to an officer of the Company and $6,079 (2013 - $nil) due to directors of the Company.

Due from related-parties

As at June 30, 2014, the statement of financial position includes shareholder loans of $49,508 (December 31, 2013 - $100,000) comprised of secured loans to directors and / or officers of the Company, which enabled them to purchase a significant block of the Company's shares from an existing shareholder. The term of the loans are for one year and interest accrues at the rate of 7% per annum, compounded monthly. Both principal and accrued interest are payable on the maturity date, October 2, 2014, and the loans are secured by promissory notes from the borrowers. Upon occurrence of default, the borrowers shall pay interest to the Company at a rate of 36% per annum compounded and payable monthly. As at June 30, 2014, interest received and/or accrued from these loans amounted to $5,480 (December 31, 2013 - $1,732).

As further security to the Company, the borrowers agreed not to sell, pledge or otherwise encumber the shares until the full amount of the loans was repaid (including applicable interest). To ensure this undertaking by the borrowers, RGMI is acting as custodian of the share certificates on behalf of the Company.

(Expressed in Canadian dollars)

As at June 30, 2014, the Company has received $50,492 (plus accrued interest) as repayment of outstanding amounts to three of the loans.

15. Sale of Akroma Gold Company Limited

On August 19, 2013, the Company sold its interest in Akroma Gold Company Limited ("Akroma") to its joint venture partner, Sian Goldfields Limited for an aggregate purchase price of $3,513,427 (US$3,400,000).

Akroma's loss for the period prior to the sale (January 1, 2013 to August 19, 2013) of $124,672, was included in the Company's net loss for the year ended December 31, 2013.

16. Exploration and evaluation expenditures

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

	Three months ended		**Six months ended**		Cumulative to-date
	June 30, 2014	June 30, 2013	**June 30, 2014**	June 30, 2013	
	$	$	**$**	$	$
Serbia:					
Parlozi project	**199,045**	-	**199,045**	-	199,045
Total	**199,045**	-	**199,045**	-	199,045
Ghana:					
Kaniago[1]	**2,920**	3,408	**10,473**	8,588	2,104,595
Others[2]	**28,192**	134,041	**57,910**	201,084	1,697,521
Total	**31,112**	137,449	**68,383**	209,672	3,802,116
Tanzania:					
Others[3]	**-**	35,990	**-**	59,408	-
Total	**-**	35,990	**-**	59,408	-
Exploration and evaluation expenditures	**230,157**	173,439	**267,428**	269,080	4,001,161

(1) Progress was made regarding potential sale of the Company's other properties in Ghana, particularly the Kaniago project, which has been agreed with a buyer and still requires local government and TSXV approval.

(2) Expenditures under this category include office and admin expenses as well as general expenditures that are not directly related to any of the listed projects.

(3) In Tanzania, the operation was closed pursuant to a full year of effort to option-out individual, or groups of mineral licenses in the portfolio. Midlands' office in Shinyanga was shut down in June 2013 and the properties that were staked directly by Midlands were relinquished. The optioned properties of Itilima and Lwenge-Geita were returned to their respective owners in good and valid condition. In January 2014, the Company's three

(Expressed in Canadian dollars)

Tanzanian subsidiaries were made dormant in anticipation of their imminent dissolution, such activities still ongoing with local governmental authorities.

17. Property and equipment

Property and equipment is comprised as follows:

Cost	$
Balance at January 1, 2013	30,802
Additions	-
Balance December 31, 2013	**30,802**
Additions	-
Balance June 30, 2014	**30,802**

Accumulated depreciation	$
Balance at January 1, 2013	(3,080)
Depreciation	(5,545)
Balance December 31, 2013	**(8,625)**
Depreciation	(2,217)
Balance June 30, 2014	**(10,842)**

Net value	$
Balance December 31, 2013	**22,177**
Balance June 30, 2014	**19,960**

18. 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. At present, the Company has complied with existing laws with regard to environmental legislation.

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

(Expressed in Canadian dollars)

19. Segmented information

Operating Segments

At June 30, 2014 the Company's operations comprise a single reporting operating segment engaged in mineral exploration in Serbia and Ghana. The operation in Tanzania was closed pursuant to a full year of effort to option-out individual, or groups of mineral licenses in the portfolio and the return of optioned properties to their respective owners in good and valid condition. In January 2014, the Company's three Tanzanian subsidiaries were made dormant in anticipation of their imminent dissolution, such activities still ongoing with local governmental authorities.

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 the operations comprise a single reporting segment, amounts disclosed in the Financial Statements also represent operating segment amounts.

Geographic Segments

Management has organized the Company's reportable segments by geographic area. The Ghanaian, Tanzanian and Serbian segments are responsible for that country's mineral exploration and production activities while the Canadian segment manages corporate head office activities. Information concerning Midlands's reportable segments is as follows:

	Three months ended		**Six months ended**	
	June 30, 2014	June 30, 2013	**June 30, 2014**	June 30, 2013
	$	$	**$**	$
Net loss				
Canada	**(460,585)**	100,312	**(688,813)**	(115,315)
Serbia	**(199,045)**	-	**(199,045)**	-
Tanzania	-	(20,731)	**-**	(59,408)
Ghana	**(31,112)**	(137,449)	**(68,383)**	(209,672)
	(690,742)	(57,868)	**(956,241)**	(384,395)
Significant non-cash items				
Canada:				
Share-based compensation	**(185,100)**	(7,600)	**(188,800)**	(17,900)
	(185,100)	(7,600)	**(188,800)**	(17,900)

(Expressed in Canadian dollars)

As at	June 30, 2014	December 31, 2013
Identifiable assets		
Canada	**2,644,328**	3,419,744
Serbia	**24,317**	-
Ghana	**34,418**	23,612
	2,703,063	3,443,356

20. Subsequent events

On July 1, 2014, 8,600,000 stock options of the Company were forfeit.