Midlands Minerals

TSX-V:MEX

# Midlands Minerals Corporation

# Management's Discussion and Analysis

# Three and nine months ended September 30, 2014

November 27, 2014

# MIDLANDS MINERALS CORPORATION
# MANAGEMENT'S DISCUSSION AND ANALYSIS
# THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014

*This management discussion and analysis ("MD&A") has been prepared based on information available to Midlands Minerals Corporation ("Midlands" or the "Company") as at November 27, 2014. The MD&A of the operating results and financial condition of the Company for the three and nine months ended September 30, 2014, should be read in conjunction with the Company's unaudited interim consolidated financial statements and the related notes thereto for the same period and its audited consolidated financial statements and the related notes for the years ended December 31, 2013 and 2012 (collectively, the "Financial Statements"). 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.

**Internal Controls over Financial Reporting ("ICFR")**

The inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any have been detected. Therefore, no matter how well designed, ICFR has inherent limitations and can provide only reasonable assurance with respect to financial statement preparation and may not prevent and detect all misstatements.

As the Company is a Venture Issuer (as defined 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 junior prospecting company focused on targeting and advancing exceptional quality global exploration opportunities in demand commodities. The Company's mission is to build shareholder value through the generation and management of a mineral asset inventory.

The Company is currently exploring the Parlozi Lead-Zinc-Silver Project ("Parlozi") project in the Republic of Serbia, a country which has highly prospective precious, base metal and industrial mineral opportunities that have been sheltered from foreign investment during the last decades. Midlands continues to vet global projects to locate opportunities that fulfil stringent geological and investment criteria.

To-date, the Company has operated a diversified gold and diamond project portfolio in Ghana and Tanzania. In 2013, the Company streamlined its property portfolio to focus on projects that surpass a threshold of quality in geopolitically low-risk countries with motivating mining investment credentials. In 2013, the Company successfully sold its 65% interest in its flagship gold project in Ghana, securing approximately $3.5 million in sale proceeds. The Company has utilized the resulting liquidity in the current economy to leverage a higher quality project in order to reposition itself for improving market conditions.

The Company employs responsible exploration methods in politically stable, low-risk and mining-friendly countries and retains the opportunity to develop select projects if they benefit the Company's strategic objectives. 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 effectively with the host and local communities to ensure that its exploration activities do not compromise the values of the local communities.

The Company trades on the TSX Venture Exchange ("TSXV") under the ticker symbol "MEX", and has its registered office located at 120 Adelaide Street West, Suite 2400, Toronto, Ontario, M5H 1T1.

The unaudited interim consolidated financial statements as at and for the three and nine months ended September 30, 2014, were approved for issuance by the Board of Directors (the "Board") on November 26, 2014.

**CORPORATE UPDATE**

On November 17, 2014, the Company announced the appointment of Mr. John Cook to the Company's Board. The Company also announced the granting of 1,000,000 stock options to eligible participants of the Company's stock option plan. The options have a term of 5 years and are exercisable at $0.05 per share.

**PROJECT UPDATE**

***Parlozi project, Serbia***

**<u>Background:</u>**

On January 10, 2014 the Company signed a non-binding letter of intent with Reservoir Minerals ("Reservoir") on their 100%-owned Parlozi project in Serbia. On April 7, 2014, a definitive option agreement (the "Option Agreement") was executed and on April 21, 2014 the TSXV approved of the transaction for filing.

The Option Agreement provides that Midlands can earn an initial 51% interest in the project by spending $4.5 million on exploration over four years. A minimum spend of $500,000 is required before November 15, 2014, such amounts to include reimbursement of exploration expenditures on the project by Reservoir since June 6th, 2013, and completion of 1,500 meters of drilling. Thereafter, Midlands can earn an additional 14% interest over two years by obtaining a mining exploitation permit from the Serbian Government and a further

10% (for a total of 75%) by completing a bankable feasibility study within two years of obtaining a mining exploitation permit.

The Parlozi project is a 91-square kilometre exploration permit that is conveniently located 35 kilometres south of Belgrade, the capital of Serbia. The Parlozi permit covers occurrences of historical lead-zinc-silver mining in the Kosmaj-Babe area of the Sumadija mining district in central Serbia. The mineralization in the permit comprises silver-bearing vein and replacement-type lead-zinc sulphides hosted by carbonate sedimentary rocks associated with intrusive Tertiary quartz latite dykes and volcanic breccias. This type of mineralization has long supported lead-zinc-silver mining operations in the region. An example is the Trepça mining complex which has geological similarities with Parlozi and which has produced, according to Serbia Geo Institute records, over 34 million tonnes averaging 6% lead, 4% zinc, 75 g/t silver and 102 g/t bismuth (between 1931 to 1998).

During the 1970s and 1980s, mineral exploration in the Parlozi permit area was by state-controlled companies of the former Yugoslavia and included 36 drill holes totaling 15,105 meters, exploration adits, airborne and ground geophysical surveys, and detailed geological and mineralogical studies. Based on this work, in 1986, the Serbian Geo Institute calculated an historical resource estimate at the Parlozi prospect within the permit area, classified as C1 plus C2 resources according to the Yugoslav reporting system of 6.5 million tonnes at an average grade of 4.1% lead, 2.1% zinc, 0.3% copper and 130 g/t silver. This historical resource estimate was not estimated under the guidance of National Instrument (NI) 43-101 and does not meet the CIM definition standard for classification as mineral resources or mineral reserves. A qualified person has not yet completed, on behalf of Midlands, sufficient work to be able to verify the historical resource estimate, and therefore the estimate should not be relied upon. The historical resource estimate is only considered as relevant as a guide to future exploration.

For a full list of composite intercepts greater than 150 g/t AgEq*m (silver equivalent in g/t multiplied by metre-width of intercept), please see Midlands website (www.midlandsminerals.com). A shortlist of some of the more significant historical intercepts are listed below. These historic assays should not be relied upon and are only considered as relevant as guides to future exploration. If a silver assay is available, the composite is calculated as a silver equivalent based on the rounded average of each metal price over the last 5 years (2009-2013): Pb $2,100/t; Zn $2,000/t; Cu $7,300/t; Ag $25.0/oz; Au $1,350/oz. Drill widths are apparent widths.

- 7.00 metres at 160 g/t silver, 0.05% copper, 12.40% lead, 1.64% zinc (388.00 to 395.00 metres) for a total silver equivalence of 369.0 g/t (BK-10).
- 5.20 metres at 0.20 g/t gold, 261 g/t silver, 0.55% copper, 7.84% lead, 1.94% zinc (345.50 to 350.70 metres) for a total silver equivalence of 574.6 g/t (BK-14).
- 15.10 metres at 0.26 g/t gold, 317 g/t silver, 0.19% copper, 8.69% lead, 1.12% zinc (416.00 to 431.10 metres) for a total silver equivalence of 603.7 g/t (BK-14).
- 17.10 metres at 0.28 g/t gold, 256 g/t silver, 0.18% copper, 7.58% lead, 0.87% zinc (483.20 to 500.30 metres) for a total silver equivalence of 507.5 g/t (BK-14).
- 12.50 metres at 83 g/t silver, 0.39% copper, 3.10% lead, 4.90% zinc (389.30 to 401.80 metres) for a total silver equivalence of 321.3 g/t (BK-21).
- 6.50 metres at 27 g/t silver, 0.04% copper, 2.77% lead, 3.37% zinc (196.00 to 202.50 metres) for a total silver equivalence of 186.7 g/t (BK-22).

Results from historic drill holes (BK-01 to BK-22) were retrieved from original drill logs and/or sections. No core is available to verify assay intervals and grades.

Reservoir validated these base metal grades in a single confirmatory hole (PA-1, 600 meters depth) and achieved encouraging base metals, silver and gold intercepts. Reservoir filed a NI 43-101-compliant Independent Technical Report on the Parlozi property on October 11, 2011 which is available on SEDAR (www.sedar.com), and this report was updated by Midlands on April 3, 2014. From the updated NI 43-101 report, the significant intercepts over apparent widths from PA-1 include:

- 6.15 metres at 2.81 g/t gold (121.60 to 127.75 metres)
- 11.20 metres at 0.91 g/t gold, 34 g/t silver, 1.09% lead and 0.76% zinc (171.20 to 182.40 metres), i*ncluding* 1.85 metres at 3.73 g/t gold, 92 g/t silver, 3.61% lead and 1.21% zinc (172.55 to 174.40 metres)
- 7.80 metres at 0.14 g/t gold, 214 g/t silver, 4.80% lead and 1.40% zinc (195.30 to 203.10 metres), i*ncluding* 4.00 metres at 0.23 g/t gold, 402 g/t silver, 8.13% lead and 2.20% zinc (195.30 to 199.30 metres)
- 7.20 metres at 0.10 g/t gold, 129 g/t silver, 5.66% lead and 0.85% zinc (242.20 to 249.40 metres), i*ncludin*g 0.80 metres at 0.06 g/t gold, 133 g/t silver, 11.00% lead and 2.75 % zinc (247.30 to 248.10 metres) and 1.30 metres at 0.29 g/t gold, 542 g/t silver, 18.75% lead and 1.84% zinc (248.10 to 249.40 metres)
- 5.40 metres at 0.17 g/t gold, 206 g/t silver, 1.28% lead and 0.12% zinc (337.60 to 343.00 metres) i*ncluding* 1.90 metres at 0.19 g/t gold, 490 g/t silver, 1.46% copper, 3.04% lead and 0.22% zinc (339.10 to 341.00 metres)
- 2.00 metres at 0.10 g/t gold, 490 g/t silver, 0.53% copper, 4.69% lead and 1.90% zinc (424.00 to 426.00 metres) i*ncluding* 0.80 metres at 0.21 g/t gold, 1175 g/t silver, 1.18% copper, 11.30% lead and 4.00% zinc (424.00 to 424.80 metres)

**Progress update:**

On April 29, 2014 the Company detailed a Phase 1 work program which was designed to extend the validation of the historic resource, and to confirm the presence of both vein and carbonate replacement mineralization over wide intervals at the Parlozi prospect. It also planned to test the extrapolation from depth towards surface of the historic resource at the Parlozi prospect, and to test the geometry and tenor of mineralization beneath the underground workings at the Plandiste prospect.

On May 13, 2014, the Company experienced early success on the Parlozi project and announced significant assay results from underground sampling in a rehabilitated adit driven into a mineralized zone on the Plandiste prospect. Plandiste is one of six currently known highly prospective target areas on the Parlozi project. The results confirmed for the Company that the Plandiste prospect is capable of yielding high-grade silver-lead mineralization at relatively shallow depths. The results also reinforced for the Company that Parlozi is host to a prolific mineralization system as these results are incremental to the mineralization validated by Reservoir at the Parlozi prospect. The significant results are as follows:

- 6.0 metres grading 670.6 g/t silver, 20.8% lead, 0.13% zinc and 0.44 g/t gold from continuous sampling across a stack of northwest dipping veins. This included 2.4 metres grading 1355.0 g/t silver, 22.9% lead, 0.14% zinc and 0.25 g/t gold;
- 0.8 metres grading 502.0 g/t silver, 17.1% lead, 0.17% zinc and 0.10 g/t gold from the edge of a zone of mined mineralization;
- 0.5 metres grading 568.0 g/t silver, 27.0% lead, 0.14% zinc and 0.33 g/t gold from an east-west vein.

During May and June 2014, a ground magnetic test survey was completed and comprised two 1km$^2$ survey blocks straddling the central portions of the Parlozi and Plandiste prospects. Ground geophysical tests combined with the interpretation of historical induced polarization (IP) surveys also confirmed that IP could be an effective exploration method for the other undrilled targets in the license. Preliminary transient electromagnetic (TEM) tests on the core of PA-1 indicated that TEM may be more effective than IP in locating mineralization at greater depths. A detailed ground gravity orientation test was completed as part of the Phase 1 geophysical orientation.

A hydrological study was undertaken to determine surface water quality especially in the area of previous mining activities in the south part of the exploration license. Analyzed samples exceeded the Maximum Acceptable Concentration limit for Fe, Zn, Sr and Ba, defined by the Regulations on hazardous substances in water. This survey established that contamination predates Midland's exploration activities in the field and will serve as a baseline reference.

Due to the evidence of extensive ancient mining, an archeological risk assessment survey was completed by a Serbian archeological consultancy. The survey confirmed that the ancient mining pits were neither a risk nor hurdle for exploration of the Parlozi Plandiste area. All regulatory prescriptions have been followed and usually exceeded.

Drilling was undertaken between the end of May and September 2014. A delay was experienced in late June when a new forestry permit application had to be obtained to optimize a drill hole position from the pre-permitted location and this was granted in early August enabling drilling to complete by September. Core drilling in Phase 1 totaled 1,714.4 metres in six core drill holes (Figure 1) and exceeded the drill commitment to Reservoir by 214.4 metres. A complete list of composites of the Phase 1 drill intercepts from the Parlozi and Plandiste prospects are included in Table 1.

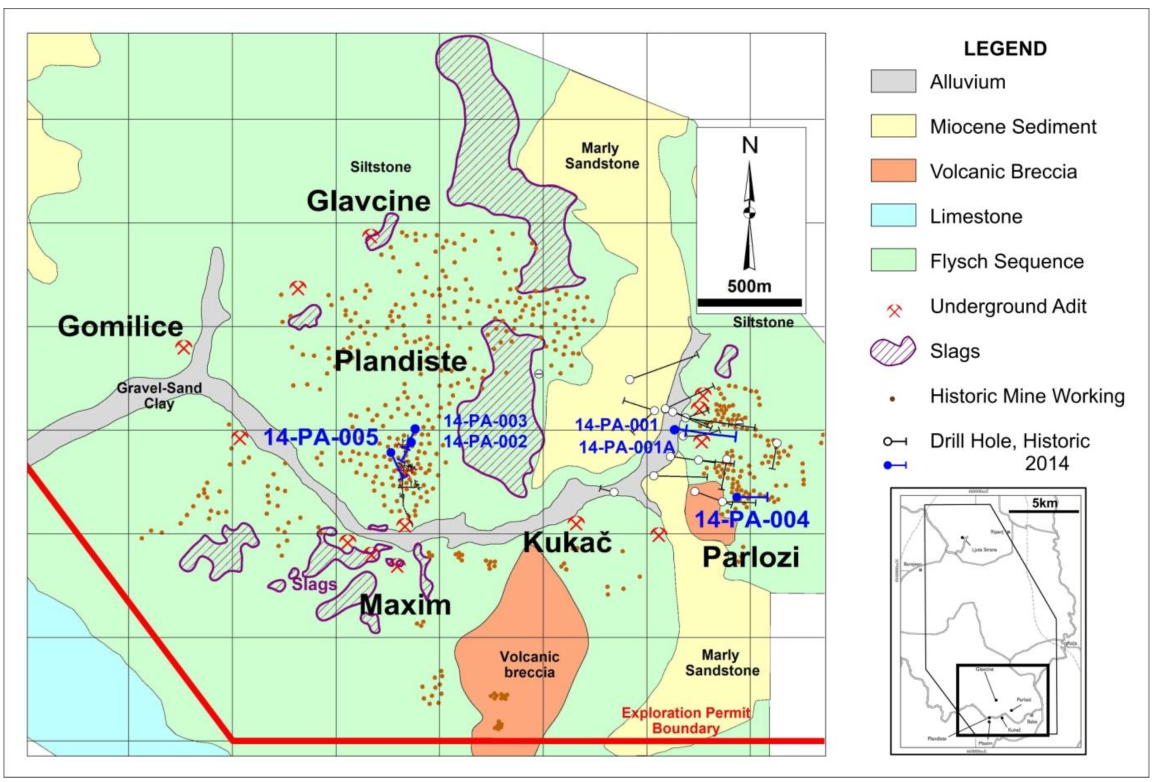


**Figure 1:** Location of Phase 1 drill holes on the Parlozi project.

| HoleID | From m | To m | Interval m | Pb % | Zn % | Cu % | Ag g/t | Au g/t | Pb+Zn % | Ag Eq g/t |
|---|---|---|---|---|---|---|---|---|---|---|
| **14-PA-001** | 63.10 | 67.70 | 4.60 | 1.42 | 0.05 | 0.11 | 10.5 | 0.94 | **1.47** | |
| *including* | *63.10* | *63.60* | *0.50* | *2.91* | *0.10* | *0.12* | *57.8* | *5.32* | ***3.01*** | |
| **14-PA-001** | 154.00 | 156.45 | 2.45 | 2.21 | 0.19 | 0.71 | **291.4** | 0.73 | **2.40** | **457.9** |
| **14-PA-001** | 209.80 | 210.90 | 1.10 | 0.45 | 0.22 | 0.23 | 82.0 | 0.54 | **0.66** | **148.9** |
| **14-PA-001** | 262.30 | 262.80 | 0.50 | 7.35 | 4.51 | 0.08 | 37.0 | 0.15 | **11.86** | |
| **14-PA-001** | 283.90 | 295.75 | 11.85 | 1.03 | 2.22 | 0.02 | 17.1 | 0.02 | **3.25** | |
| *including* | *291.10* | *295.75* | *4.65* | *1.77* | *3.95* | *0.03* | *30.1* | *0.02* | ***5.72*** | |
| *and* | *292.10* | *294.65* | *2.55* | *2.22* | *5.64* | *0.04* | *42.4* | *0.03* | ***7.85*** | |
| **14-PA-001** | 301.65 | 304.60 | 2.95 | 2.52 | 3.81 | 0.03 | 173.9 | 0.05 | **6.33** | **340.3** |
| *including* | *301.65* | *302.60* | *0.95* | *6.10* | *9.53* | *0.05* | ***506.0*** | *0.14* | ***15.63*** | ***914.8*** |
| **14-PA-001** | 377.70 | 384.10 | 6.40 | 1.66 | 1.81 | 0.01 | 19.9 | 0.17 | **3.47** | |
| *including* | *377.70* | *378.50* | *0.80* | *5.23* | *1.05* | *0.02* | *43.0* | *0.15* | ***6.28*** | |
| *and* | *381.40* | *384.10* | *2.70* | *2.38* | *3.97* | *0.02* | *33.6* | *0.14* | ***6.35*** | |
| **14-PA-001** | 419.00 | 420.70 | 1.70 | 2.76 | 2.66 | 0.04 | 40.2 | 0.11 | **5.42** | |
| **14-PA-001** | 434.00 | 438.70 | 4.70 | 2.42 | 2.26 | 0.02 | 33.9 | 0.12 | **4.68** | |
| *including* | *434.70* | *435.55* | *0.85* | *6.43* | *6.40* | *0.03* | *77.0* | *0.22* | ***12.83*** | |
| **14-PA-001** | 504.00 | 510.50 | 6.50 | 1.16 | 1.13 | 0.07 | 61.8 | 0.09 | **2.29** | **131.9** |
| *including* | *509.75* | *510.50* | *0.75* | *0.98* | *0.18* | *0.21* | *170.0* | *0.07* | ***1.16*** | ***222.7*** |
| **14-PA-001** | 516.55 | 517.35 | 0.80 | 1.84 | 2.55 | 0.23 | 120.0 | 0.06 | **4.39** | **256.0** |
| **14-PA-001** | 534.40 | 539.50 | 5.10 | 1.15 | 0.26 | 0.11 | **298.9** | 0.51 | **1.41** | **372.9** |
| *including* | *537.00* | *539.50* | *2.50* | *2.00* | *0.50* | *0.08* | ***567.2*** | *0.96* | ***2.51*** | ***691.4*** |
| **14-PA-001** | 609.00 | 615.50 | 6.50 | 1.71 | 1.43 | 0.35 | 102.8 | 0.09 | **3.14** | **219.6** |
| **14-PA-001A** | 60.20 | 71.60 | 11.40 | 1.09 | 0.05 | 0.34 | 40.7 | 0.40 | **1.14** | |
| *including* | *61.40* | *64.60* | *3.20* | *1.24* | *0.04* | *0.17* | *18.9* | *1.10* | ***1.28*** | |
| *and* | *61.40* | *63.00* | *1.60* | *1.75* | *0.06* | *0.31* | *31.0* | *2.12* | ***1.81*** | |
| *and* | *65.50* | *66.40* | *0.90* | *1.77* | *0.03* | *0.36* | *197.0* | *0.15* | ***1.80*** | |
| **14-PA-001A** | 73.60 | 75.20 | 1.60 | 2.01 | 0.07 | 0.03 | 35.2 | 0.51 | **2.08** | |
| **14-PA-001A** | 90.20 | 93.40 | 3.20 | 1.93 | 0.19 | 0.05 | 15.7 | 0.15 | **2.12** | |
| **14-PA-002** | 93.10 | 95.40 | 2.30 | 2.46 | 0.15 | 0.01 | 25.5 | 0.07 | **2.61** | |
| **14-PA-003** | 136.90 | 139.00 | 2.10 | 4.25 | 0.07 | 0.02 | **355.3** | 0.18 | **4.32** | **480.1** |
| *including* | *137.90* | *139.00* | *1.10* | *5.30* | *0.09* | *0.04* | ***623.0*** | *0.24* | ***5.39*** | ***779.9*** |
| **14-PA-004 (1)** | 67.90 | 72.7 | 4.80 | 0.78 | 0.32 | 0.03 | 3.47 | 0.12 | **1.10** | |
| **14-PA-004** | 173.70 | 174.40 | 0.70 | 0.23 | 0.23 | 0.00 | 0.7 | 1.40 | **0.46** | |
| **14-PA-005** | 136.60 | 137.70 | 1.10 | 3.51 | 0.02 | 0.02 | 64.8 | 0.07 | **3.53** | **162.4** |
| **14-PA-005(2)** | 171.20 | 173.50 | 2.30 | 1.03 | 0.12 | 0.02 | 177.8 | 0.12 | **1.15** | **216.0** |
| **14-PA-005** | 187.00 | 188.40 | 1.40 | 0.91 | 0.10 | 0.00 | **210.0** | 0.09 | **1.01** | **241.4** |

**Table 1:** Comprehensive table of composites of significant Phase 1 drill intercepts at the Parlozi and Plandiste prospects.

*The composite is calculated as a silver equivalent based on the rounded average of each metal price over the last 5 years (2009-2013): Pb $2,100/t; Zn $2,000/t; Cu $7,300/t; Ag $25.0/oz; Au $1,350/oz. Only composites greater than 150 g/t AgEq*m (silver equivalent in g/t multiplied by metres of intercepts) are listed. Drill intervals are apparent thicknesses.*
*(1) Intercept below the 150 g/t AgEq*m cut-off*
*(2) Mine fill material was intersected in underground workings. It is interpreted as collapsed material from the top of the workings.*

To date Midlands has achieved all of the requirements of the minimum spend commitment ($500,000), the minimum drill commitment (1,500 metres) and a reimbursement of Reservoir's exploration expenditures incurred since June 6, 2013, as required by the Option Agreement.

On November 14, 2014 Midlands Board approved management's recommendation to opt-in to Phase 2 on the Parlozi project and Reservoir were informed accordingly. Midlands has proposed to the Parlozi technical committee for review, a budgeted work program to end in December 2015, which will fulfil the $1,500,000 spend requirement by January 15, 2016.

### *Ghana projects:*

The Company has successfully negotiated terms for the purchase and sale of the mineral licenses associated with the Kaniago project, and the agreement is currently being finalized with the Minerals Commission as it requires their approval and subsequent Ministerial consent. The renewal of two of the Kaniago licenses is a closing condition and this was delayed due to lost documentation at the Minerals Commission. The Minerals Commission have now approved of the renewals and they await Ministerial consent. This effort is in line with the Company's policy to reduce the ongoing costs associated with underperforming assets, and to monetize saleable assets for use on the Parlozi project in Serbia.

Negotiations remain underway for the purchase and sale of the mineral licenses comprising the Praso project in Ghana.

*Dr. Dominique Fournier, EurGeol, a "qualified person" as defined by National Instrument 43-101, has reviewed and approved the technical information and data included in this project update.*

## SUMMARY OF QUARTERLY RESULTS

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

| **Three months ended** | **Sep. 30, 2014** | **Jun. 30, 2014** | **Mar. 31, 2014** | **Dec. 31, 2013** |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Revenue** | - | - | - | - |
| **Gain on sale of subsidiary / project** | - | - | - | 344,312 |
| **Net income/(loss)** | (524,683) | (690,742) | (265,499) | (259,846) |
| **Basic and fully-diluted income (loss) per share** | (0.003) | (0.003) | (0.002) | (0.003) |

| **Three months ended** | **Sep. 30, 2013** | **Jun. 30, 2013** | **Mar. 31, 2013** | **Dec. 31, 2012** |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Revenue** | - | - | - | - |
| **Gain on sale of subsidiary / project** | 3,205,240 | - | - | - |
| **Net loss** | 2,876,293 | (57,868) | (326,527) | (458,309) |
| **Basic and fully-diluted loss per share** | 0.015 | (0.000) | (0.002) | (0.002) |

## NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

The International Accounting Standards Board and International Financial Reporting Interpretations Committee has 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.

## EXPLORATION AND EVALUATION EXPENDITURES

### Exploration and evaluation expenditures

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

| | Three months ended | | Nine months ended | | Cumulative to-date |
|---|---|---|---|---|---|
| | **September 30, 2014** | September 30, 2013[3] | **September 30, 2014** | September 30, 2013[3] | |
| | **$** | $ | **$** | $ | $ |
| ***Serbia:*** | | | | | |
| Parlozi project | **325,436** | - | **524,481** | - | 524,481 |
| **Total** | **325,436** | - | **524,481** | - | 524,481 |
| ***Ghana:*** | | | | | |
| Kaniago[1] | **1,089** | 728 | **9,434** | 9,316 | 2,103,556 |
| Others[2] | **29,649** | 147,818 | **89,687** | 348,902 | 1,729,298 |
| **Total** | **30,738** | 148, 546 | **99,121** | 358,218 | 3,832,854 |
| ***Tanzania:*** | | | | | |
| Others[4] | **-** | 5,713 | **-** | 65,121 | - |
| **Total** | **-** | 5,713 | **-** | 65,121 | - |
| **Exploration and evaluation expenditures** | **356,174** | 154,259 | **623,602** | 423,339 | 4,357,335 |

(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) Current expenditures under this category include office and admin expenses not directly related to any of the listed projects. Comparative and cumulative amounts include all expenditures that are not directly related to any of the listed projects.

(3) Only current properties have comparative amounts and are included in the Cumulative to-date sum.

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

## RESULTS OF OPERATIONS

***Three months ended September 30, 2014 and 2013***

For the three months ended September 30, 2014, net loss was $524,354, versus a net income of $2,876,981, during the comparative period. The major variance in costs relate to the following 8 categories:

1. Exploration and evaluation expenditures.
2. Office and administrative expenses.
3. Professional fees.
4. Share-based compensation.
5. Salaries and benefits.
6. Shareholder information.
7. Gain on sale of properties
8. Available- for-sale investments

Explanations of the significant changes for three months ended September 30, 2014 versus the three months ended September 30, 2013, are as follows:

1. Exploration and evaluation expenditures increased from $154,259 in 2013 to $356,174 in 2014. The increase is attributed to exploration and development activities in Serbia in the third quarter of 2014 by approximately $325,000 and major reduction in exploration and evaluation activities in Ghana following the sale of its subsidiary Akroma Gold Company Limited and the shutdown of all Tanzanian activity.

2. Office and administrative expenses increased from $56,192 in 2013 to $77,807 in 2014. The increase is attributed to increased travel activities, mainly regarding the Company's Serbia project, during the current period as well as the payment of Directors' fees which were not paid during the comparative period.

3. Professional fees decreased from $25,695 in 2013 to $13,600 in 2014. The difference is primarily related to legal fees regarding the sale of Akroma in the comparative period.

4. Share-based compensation costs in the three months ended September 30, 2014 was $1,800 compared to $6,300 during the same period in 2013. There was no issuance of options during either of the periods, with only vesting of previously issued options occurring.

5. Salaries and benefits decreased from $125,149 in 2013 to $101,981 in 2014. The larger amount in the comparative period is mainly attributable to consulting fees of $18,792 which were not expended during the current period.

6. Shareholder information costs increased from $11,212 in 2013 to $36,905 in 2014. The higher cost in 2014 is attributable to increased investor relations costs in the current quarter.

7. The Company recorded a gain on sale of its Akroma subsidiary of $3,205,240 during the comparative period. There were no sales of property activities during the current period.

8. The Company recorded a gain on available-for-sale investments of $59,347 during the current period. On September 18, 2014, the Company sold all its shares in Orca Gold Inc. and East Africa Minerals Inc. There were no actual sales of available-for-sale securities during the comparative period.

***Nine months ended September 30, 2014 and 2013***

For the nine months ended September 30, 2014, net loss was $1,480,924, versus net income of $2,495,542, during the comparative period. The major variance in costs relate to the following 8 categories:

1. Exploration and evaluation expenditures.
2. Office and administrative expenses.
3. Professional fees.
4. Share-based compensation.
5. Salaries and benefits.
6. Shareholder information.
7. Gain on sale of properties
8. Available- for-sale investments

Explanations of the significant changes for nine months ended September 30, 2014 versus the comparative period in 2013, are as follows:

1. Exploration and evaluation expenditures increased from $423,339 in 2013 to $623,602 in 2014. The majority of the exploration and evaluation expenditures during the current period were related to the new Parlozi project. Exploration and development activities were reduced significantly following the sale of Akroma and the shutdown of the Tanzania projects in accordance with the new Company strategy.

2. Office and administrative expenses increased from $198,371 in 2013 to $234,301 in 2014. The increase is attributed to increased travel activities, mainly regarding the Company's Serbia project, during the current period as well as the payment of Directors' fees which were mot paid during the comparative period.

3. Professional fees increased from $93,956 in 2013 to $108,621 in 2014. The difference is primarily related to legal and due-diligence fees regarding the start of the Parlozi project.

4. Share-based compensation costs during the nine months ended September 30, 2014 were $190,600 compared to $24,200 during the same period in 2013. The Company issued 9,150,000 new options during the current period, which vested immediately. There was no issuance of options during the comparative period.

5. Salaries and benefits decreased from $318,103 in 2013 to $300,849 in 2014. The larger amount in the comparative period is mainly attributable to extra consulting fees for $11,359 which were not expended during the current period.

6. Shareholder information costs increased from $40,575 in 2013 to $79,582 in 2014. The higher cost in 2014 is attributable to increased investor relations costs during the current period.

7. The Company recorded a gain on sale of its Akroma subsidiary of $3,549,552 during the comparative period. There were no sales of property activities during the current period.

8. The Company recorded a gain on available-for-sale investments of $40,832 during the current period. On September 18, 2014, the Company sold all its shares in Orca Gold Inc. and East Africa Minerals Inc. There were no actual sales of available-for-sale securities during the comparative period.

## LIQUIDITY AND CAPITAL RESOURCES

The working capital as at September 30, 2014 was $1,999,453, as compared to $3,330,275 as at December 31, 2013.

For the nine months ended September 30, 2014, cash decreased by $1,312,691 (2013 - increased by $2,486,793) as a result of cash used for operating activities of $1,383,833 (2013 - $1,026,634) offset by cash provided from financing activities of $53,335 (2013 - $nil) and cash provided from investing activities of $17,807 (2013 - $3,517,427).

## 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 office rental leases.

## RELATED-PARTY TRANSACTIONS

### *3 months ended September 30, 2014*

During the three months ended September 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 ending on September 30, 2011. 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 September 30, 2014. $99,998 (2013 - $105,204) was paid to management personnel or to companies controlled by them, with regard to professional fees, salaries and benefits. $1,800 (2013 - $6,300) was earned by officers and directors for non-cash, share-based compensation.

### *9 months ended September 30, 2014*

During the nine months ended September 30, 2014, $135,000 (2013 - $135,000) was paid or payable to RGMI. $294,366 (2013 - $308,804) 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 $190,600 (2013 - $24,200).

### *Due to related-parties*

As at September 30, 2014, the statement of financial position includes a balance of $17,005 (2013 – $25,718) comprising $17,005 (2013 - $16,666) due to an officer of the Company and $nil (2013 - $9,052) due to an entity controlled by a director of the Company.

***Due from related-parties***

As at September 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 is 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. During the nine months ended September 30, 2014, interest received and/or accrued from these loans amounted to $3,780 (December 31, 2013 - $1,732). The remainder plus accrued interest was repaid on October 2, 2014.

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.

## CAPITAL STOCK

The following table sets forth information concerning the outstanding securities of the Company as at November 27, 2014:

| | **Number** |
|---|---:|
| Shares | 194,228,231 |
| Options | 10,625,000 |
| Warrants | - |

## 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 and development, commodity, operating, ownership, political, funding, currency and environmental risk.

***Exploration and development***

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 dependent 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***

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.

***Future financing***

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***

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.

***Acquisitions***

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 controls 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.