



**Midlands Minerals Corporation**

**Consolidated Financial Statements**

**As at and for the years ended**

**December 31, 2014 and 2013**

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The accompanying consolidated financial statements of Midlands Minerals Corporation, or the Company, have been prepared by management in accordance with International Financial Reporting Standards and contain estimates based on management's judgement. Management maintains an appropriate system of internal controls to provide assurance that transactions are authorized, assets safeguarded and proper records maintained.

The Audit Committee of the Board of Directors ("the Board") has reviewed with the Company's independent auditor the scope and results of the annual audit and the consolidated financial statements and related financial reporting matters prior to submitting the consolidated financial statements to the Board for approval.

The Company's independent auditor, Schwartz Levitsky Feldman LLP is appointed by the shareholders to conduct an audit in accordance with Canadian generally accepted auditing standards and their report follows.

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

Management is also 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 consolidated financial statements.

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"), Midlands Minerals Corporation 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.

***"Craig Pearman"***

Craig Pearman  
President and Chief Executive Officer  
April 23, 2015

***"Stephen Gledhill"***

Stephen Gledhill  
Chief Financial Officer  
April 23, 2015

# Schwartz Levitsky Feldman llp

CHARTERED ACCOUNTANTS  
LICENSED PUBLIC ACCOUNTANTS  
TORONTO • MONTREAL

The logo consists of the letters 'SLF' in a white, bold, sans-serif font, centered within a solid blue rectangular background.

## INDEPENDENT AUDITOR'S REPORT

### To the Shareholders of Midlands Minerals Corporation

We have audited the accompanying consolidated financial statements of Midlands Minerals Corporation, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of profit (loss), comprehensive profit (loss), changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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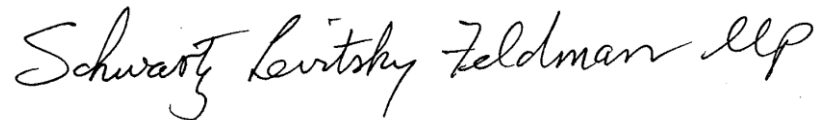
We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Midlands Minerals Corporation as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### **Emphasis of Matter**

Without qualifying our opinion, we draw your attention to Note 2 in the consolidated financial statements which indicates that the Company has an accumulated deficit of \$30,560,141 as at December 31, 2014 and the Company's future success is dependent upon its ability to raise sufficient future financing to meet its work commitments and planned exploration expenditures for its projects. These conditions, along with other matters as set forth in Note 2 indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.



Toronto, Ontario  
April 23, 2015

Chartered Accountants  
Licensed Public Accountants

**Midlands Minerals Corporation**  
**Consolidated Statements of Financial Position**

*(Expressed in Canadian dollars)*

<b>As at</b>	<b>December 31, 2014</b>	December 31, 2013
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash (note 8)	1,549,250	3,216,641
Short-term investment (note 9)	60,000	60,000
Due from related parties (note 14)	-	100,000
Other receivables and prepaid expenses (note 10)	49,591	23,738
Available-for-sale investments (note 11)	-	20,800
<b>Total current assets</b>	<b>1,658,841</b>	<b>3,421,179</b>
<b>Non-current assets</b>		
Property and equipment (note 17)	17,742	22,177
<b>Total non-current assets</b>	<b>17,742</b>	<b>22,177</b>
<b>Total assets</b>	<b>1,676,583</b>	<b>3,443,356</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade payables and accrued liabilities (note 12)	82,037	76,742
Due to related parties (note 14)	23,015	14,162
<b>Total current liabilities</b>	<b>105,052</b>	<b>90,904</b>
<b>Shareholders' equity</b>		
Share capital (note 13)	18,199,531	18,199,531
Contributed surplus (note 13)	13,932,141	13,741,341
Available-for-sale reserve (note 11)	-	43,825
Deficit	(30,560,141)	(28,632,245)
<b>Total shareholders' equity</b>	<b>1,571,531</b>	<b>3,352,452</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,676,583</b>	<b>3,443,356</b>

Going concern (note 2)

Related-party transactions and balances (note 14)

Commitments and contractual obligations (note 18)

Subsequent events (note 21)

Approved by the Board on April 23, 2015:

"Nick Tintor"  
Director

"James Garcelon"  
Director

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

**Midlands Minerals Corporation**  
**Consolidated Statements of Profit (Loss)**

*(Expressed in Canadian dollars)*

	Years ended	
	December 31, 2014	December 31, 2013
	\$	\$
<b>Operating expenses</b>		
Depreciation	4,435	5,545
Exploration and evaluation expenditures <i>(note 16)</i>	845,622	586,666
Office and administrative expenses	339,868	256,402
Professional fees	117,251	111,114
Salaries and consulting fees	402,572	403,757
Share-based compensation <i>(note 13)</i>	190,800	27,900
Shareholder information	100,780	45,872
<b>Total operating expenses</b>	<b>2,001,328</b>	<b>1,437,256</b>
<b>Loss before taxes and undernoted items</b>	<b>(2,001,328)</b>	<b>(1,437,256)</b>
Gain on sale of subsidiary <i>(note 15)</i>	-	3,537,212
Gain on sale of equipment	11,363	1,324
Realized gain on sale of investments	50,086	-
Interest income	34,675	17,609
Foreign exchange gain (loss)	(13,343)	116,251
<b>Profit (loss) before taxes</b>	<b>(1,918,547)</b>	<b>2,235,140</b>
Deferred income taxes <i>(note 20)</i>	(9,349)	(3,088)
<b>Net profit (loss)</b>	<b>(1,927,896)</b>	<b>2,232,052</b>
<b>Basic and fully-diluted earnings (loss) per common share</b>	<b>(0.01)</b>	<b>0.01</b>
<b>Weighted average number of common shares outstanding (000's)</b>	<b>194,228</b>	<b>194,228</b>

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

**Midlands Minerals Corporation**  
**Consolidated Statements of Comprehensive Profit (Loss)**

*(Expressed in Canadian dollars)*

	Years ended	
	December 31, 2014	December 31, 2013
	\$	\$
<b>Profit (loss)</b>	<b>(1,927,896)</b>	2,232,052
<b>Other comprehensive profit (loss):</b>		
Realized gains transferred to statement of profit (loss)	(43,825)	-
Unrealized loss on available-for-sale investments	-	(21,763)
<b>Other comprehensive profit (loss), net of income taxes</b>	<b>(43,825)</b>	(21,613)
<b>Total comprehensive profit (loss)</b>	<b>(1,971,721)</b>	2,210,439

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

**Midlands Minerals Corporation**  
**Consolidated Statements of Changes in Equity**  
*(Expressed in Canadian dollars)*

	Share Capital		Reserves			Accumulated Deficit	Non- controlling interests	Total
	Number of shares	Amount	Warrants	Contributed surplus	Available- for-sale			
		\$	\$	\$	\$	\$	\$	\$
<b>Balance at January 1, 2013</b>	<b>194,228,231</b>	<b>18,199,531</b>	<b>2,768,502</b>	<b>10,944,939</b>	<b>65,438</b>	<b>(30,864,297)</b>	<b>36,125</b>	<b>1,150,238</b>
Share-based compensation	-	-	-	27,900	-	-	-	27,900
Reserve transferred on expiry of warrants	-	-	(2,768,502)	2,768,502	-	-	-	-
Unrealized loss on available-for-sale investments	-	-	-	-	(21,613)	-	-	(21,613)
Elimination of non-controlling interest on sale of subsidiary	-	-	-	-	-	-	(36,125)	(36,125)
Net profit for the year	-	-	-	-	-	2,232,052	-	2,232,052
<b>Balance at December 31, 2013</b>	<b>194,228,231</b>	<b>18,199,531</b>	<b>-</b>	<b>13,741,341</b>	<b>43,825</b>	<b>(28,632,245)</b>	<b>-</b>	<b>3,352,452</b>
Share-based compensation	-	-	-	190,800	-	-	-	190,800
Realized gains transferred on sale of investments	-	-	-	-	(43,825)	-	-	(43,825)
Net loss for the year	-	-	-	-	-	(1,927,895)	-	(1,927,895)
<b>Balance at December 31, 2014</b>	<b>194,228,231</b>	<b>18,199,531</b>	<b>-</b>	<b>13,932,141</b>	<b>-</b>	<b>(30,560,140)</b>	<b>-</b>	<b>1,571,532</b>

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



**Midlands Minerals Corporation**  
**Consolidated Statements of Cash Flow**

*(Expressed in Canadian dollars)*

	Years ended	
	December 31, 2014	December 31, 2013
	\$	\$
<b>Operating activities</b>		
Net profit (loss)	(1,927,896)	2,232,052
Adjustments to non-cash items:		
Depreciation	4,435	5,545
Deferred income tax (recoveries)	9,349	3,088
Gain on sale of equipment	(11,363)	(1,324)
Gain on sale of subsidiary	-	(3,537,212)
Cumulative realized gains transferred to statement of profit (loss) on sale of investments	(50,086)	-
Share-based compensation	190,800	27,900
Net change in non-cash working capital items:		
Other receivables and prepaid expenses	(25,853)	12,862
Trade payables and accrued liabilities	5,295	1,017
<b>Cash used in operating activities</b>	<b>(1,805,319)</b>	<b>(1,256,072)</b>
<b>Investing activities</b>		
Proceeds from sale of subsidiary	-	3,513,427
Proceeds from sale of investments	17,712	-
Proceeds from sale of equipment	11,363	1,324
<b>Cash provided from investing activities</b>	<b>29,075</b>	<b>3,514,751</b>
<b>Financing activities</b>		
Advances from (repayments to) related parties	108,853	(105,291)
<b>Cash provided from (used in) financing activities</b>	<b>108,853</b>	<b>(105,291)</b>
Impact of foreign exchange translation	-	(12,341)
<b>Net increase (decrease) in cash</b>	<b>(1,667,391)</b>	<b>2,141,047</b>
Cash at beginning of year	3,216,641	1,075,594
<b>Cash at end of year</b>	<b>1,549,250</b>	<b>3,216,641</b>

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

**Midlands Minerals Corporation**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2014 and 2013**

*(Expressed in Canadian dollars)*

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**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 and Harbour Capital Corporation, is an exploration-stage, publicly-traded Company incorporated in Ontario, Canada with its registered head office address at 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. See also notes 3.4 and 16.

**2. Going concern**

These consolidated financial statements (the “Consolidated 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 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 its exploration and mining activities, the Company is required to hold certain permits. There is no assurance that the Company’s existing permits will be renewed. 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 December 31, 2014, the Company had working capital of \$1,553,789 (2013 – \$3,330,275), a cash position of \$1,549,250 (2013 – \$3,216,641) and an accumulated deficit of \$30,560,141 (2013 – \$28,632,245) and for the year ended December 31, 2014, cash used in operating activities of

**Midlands Minerals Corporation**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2014 and 2013**

*(Expressed in Canadian dollars)*

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\$1,805,319 (2013 - \$1,256,072) which place considerable concern on the Company's ability to discharge its ongoing obligations. In order to meet its work commitments and planned exploration expenditures for its projects as well as further working capital requirements, it may be required to complete further financings (debt or equity). Management continues to work toward completing additional financings and/or sale of assets. In August 2013, the Company completed the sale of one of its subsidiaries for gross proceeds of \$3,513,427 (note 15).

The reader is also directed to review **note 5 – Capital management**.

### **3. Basis of preparation and significant accounting policies**

#### ***Basis of preparation***

##### **3.1 Statement of compliance**

The Consolidated Financial Statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee with an effective date of December 31, 2014.

The Consolidated Financial Statements were approved by the Board on April 23, 2015.

##### **3.2 Basis of presentation**

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

##### **3.3 Basis of consolidation**

The Consolidated 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 also include losses of the Company's disposed subsidiary (note 15), up to the date of disposal, being August 19, 2013.

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

#### ***Significant accounting policies***

##### **3.4 Exploration and evaluation expenditures**

All exploration and evaluation expenditures, the elements of which include: Acquisition of rights to explore; studies of all nature (topographical, geological, geochemical and geophysical), exploratory drilling, coring, sampling, trenching, and in general, all activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource, net of incidental revenues, are charged to operations in the period incurred until such time as it has been determined that a property

**Midlands Minerals Corporation**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2014 and 2013**

*(Expressed in Canadian dollars)*

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has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into property and equipment. 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.

### **3.5 Property and equipment (“P&E”)**

P&E is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of P&E 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 P&E, 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%
• Mineral properties	units of production

An item of P&E 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 statements of profit (loss).

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

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

### **3.6 Decommissioning, restoration and similar liabilities (asset retirement obligations)**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral properties and P&E, 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 declining-balance 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.

The Company does not currently have any asset retirement obligations.

**Midlands Minerals Corporation**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2014 and 2013**

*(Expressed in Canadian dollars)*

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### **3.7 Share-based payments**

#### ***Share-based payment transactions***

The Company has a share-based compensation plan (the “Plan”) whereby participants (including directors, senior executives, employees and consultants) may receive a portion of their remuneration or fees in the form of share-based payment transactions. The participants render their services in consideration for equity instruments (“equity-settled transactions”).

If the Company cannot estimate reliably the fair value of the goods or services received, the Company measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

#### ***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 contributed surplus.

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.

### **3.8 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.

**Midlands Minerals Corporation**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2014 and 2013**

*(Expressed in Canadian dollars)*

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***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/loss.

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.

**Midlands Minerals Corporation**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2014 and 2013**

*(Expressed in Canadian dollars)*

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### **3.9 Earnings (loss) per share**

The basic earnings (loss) per share is computed by dividing the net profit (loss) by the weighted average number of common shares outstanding during the period. The diluted earnings (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 year ended December 31, 2014, all the outstanding stock options and warrants were antidilutive and were not included.

### **3.10 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 in the statement of loss. The Company’s cash 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 other receivables (excluding HST recoverable) and due from related parties 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), net of applicable taxes, except for losses in value that are considered other than temporary. The Company’s marketable securities are classified as available-for-sale investments.

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.

Transaction 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.

Quoted market prices represent a Level 1 valuation. When quoted market prices are not available, the Company maximizes the use of observable inputs. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3. The Company policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

### **3.11 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



**Midlands Minerals Corporation**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2014 and 2013**

*(Expressed in Canadian dollars)*

---

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 loss. At December 31, 2014, the Company has not classified any financial liabilities as FVTPL.

### **3.12 Impairment of financial assets**

At each date of the statement of financial position, the Company assesses 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 the statement of comprehensive income/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 the statement of comprehensive income/loss.

In relation to other 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 available-for-sale reserves to profit or loss. Reversals in previously impaired amounts in respect of equity instruments classified as available-for-sale continue to be recognized in the statement of comprehensive income/loss.



**Midlands Minerals Corporation**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2014 and 2013**

*(Expressed in Canadian dollars)*

---

### **3.13 Impairment of non-financial assets**

At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible 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).

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 is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income/loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years.

### **3.14 Foreign currency transactions**

#### ***Functional and presentation currency***

Items included in the Consolidated Financial Statements are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The functional and presentation currency of the Company and its subsidiaries is the Canadian dollar.

#### ***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 period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of loss. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

### **3.15 Significant accounting judgments and estimates**

The preparation of these Consolidated 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 consolidated 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; impairment testing of property and equipment, 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.

**Midlands Minerals Corporation**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2014 and 2013**

*(Expressed in Canadian dollars)*

---

### **3.16 Cash**

Cash in the statement of financial position comprise cash at banks and on hand.

### **3.17 Investment**

#### ***Short-term investment***

Short-term investment consists of an investment certificate with a maturity date greater than three months but less than one year.

#### ***Available-for-sale-investments***

Available-for-sale-investments consist of marketable securities or shares in other resource exploration or mining companies.

### **3.18 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 and is applied as an offset to the specific obligation on the statement of financial position.

### **3.19 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 the related parties. Related-party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

## **4. New accounting standards and interpretations**

At the date of authorization of the Financial Statements, the IASB and IFRIC have issued the following revised Standards 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.

**Midlands Minerals Corporation**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2014 and 2013**

*(Expressed in Canadian dollars)*

---

- IFRS 15 – ‘*Revenue from Contracts with Customers*’ – this Standard will replace IAS 11, Construction Contracts and IAS 18, Revenue. The mandatory effective date of IFRS 15 is January 1, 2017. The objective of IFRS 15 is to establish a single, principles based five-step model to be applied to all contracts with customers in determining how and when revenue is recognized. IFRS 15 also requires entities to provide users of financial statements with more informative and relevant disclosures.

## **5. Capital management**

The Company considers its capital to be its shareholders’ equity, which is comprised of share capital, reserve accounts and deficit, which as at December 31, 2014 totaled \$1,571,531 (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 Company intends to raise such funds as and when required to complete its projects. There is no assurance that the Company will be able to raise additional funds on reasonable terms. The only sources of future funds presently available to the Company are through the exercise of outstanding stock options or warrants, the sale of equity capital of the Company or the sale by the Company of an interest in any of its properties in whole or in part. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company.

Management reviews 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 year ended December 31, 2014. The Company is not subject to externally imposed capital restrictions.

## **6. Financial instruments**

### **Fair value**

The Company has designated its cash as FVTPL, which is measured at fair value. Other receivables and prepaids 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 are classified for accounting purposes as other financial liabilities, which are measured at amortized cost, which also approximates fair value. Fair values of amounts receivable and accounts payable and accrued liabilities are determined from transaction values that were derived from observable market inputs. Fair values of cash and short-term investment are based on Level 1 measurements and the remaining financial instruments are based on Level 2 measurements.

As at December 31, 2014, 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.

**Midlands Minerals Corporation**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2014 and 2013**

*(Expressed in Canadian dollars)*

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 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	Level 2	Level 3
	\$	\$	\$
Cash	1,549,250		
Short-term investments	60,000		
Other receivables and prepaid expense		49,591	
Trade payables and accrued liabilities		82,037	
Due to related parties		23,015	

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** – Cash is held with major Canadian and Ghanaian banks and investment institutions and, therefore, have 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 the statements of financial position. Cash held with foreign banks at December 31, 2014, total \$17,700 (2013 - \$2,888).
- b. **Other receivables and prepaid expenses** - The Company is not exposed to any significant risk. Risk of the loss of advances to employees is limited to the amount carried on the statements of financial position of \$nil (2013 - \$179).

**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 December 31, 2014, the Company had working capital of \$1,553,789 (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. However, there can be no assurance that the Company will be successful, if required, in its efforts to arrange additional financing on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of the Company may change and shareholders may

**Midlands Minerals Corporation**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2014 and 2013**

*(Expressed in Canadian dollars)*

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, Ghanaian Cedi and the Tanzanian Shilling. Management believes that foreign currency risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

**c. Price risk**

The Company is not subject to price risk.

**7. Sensitivity analysis**

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

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

As at December 31, 2014, the Company's exposure to foreign currency balances is as follows:

<b>As at</b>		<b>December 31, 2014</b>	December 31, 2013
<b>Account</b>	<b>Foreign Currency</b>	<b>Exposure (\$CDN)</b>	
Cash	US dollar	<b>9,727</b>	2,120
Cash	Ghanaian Cedi	<b>7,973</b>	768
Accounts receivable	Ghanaian Cedi	-	179
Accounts payable	Ghanaian Cedi	<b>(1,280)</b>	(4,532)
		<b>16,420</b>	(1,465)

**Midlands Minerals Corporation**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2014 and 2013**

*(Expressed in Canadian dollars)*

The Company believes that a change of 10% in foreign exchange rates would increase/decrease net loss for the period by approximately \$1,640 (2013 - \$150).

**8. Cash**

The balance at December 31, 2014, consists of \$1,549,250 (2013 - \$3,216,641) on deposit with major Canadian and Ghanaian banks.

**9. Short-term investment**

As at December 31, 2014, short-term investment consists of a guaranteed investment certificate of \$60,000 (2013 - \$60,000), which bears interest at rate of 0.8% per annum and has a maturity date of January 28, 2015. On maturity, the certificate has been automatically renewed for another year on the existing terms.

**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 short-term investment. These are broken down as follows:

	<b>December 31, 2014</b>	December 31, 2013
	\$	\$
Advances to Reservoir	<b>37,318</b>	-
HST recoverable	<b>8,383</b>	17,327
Prepaid expenses, advances and deposits	<b>3,450</b>	4,679
Interest receivable	<b>440</b>	1,732
<b>Total</b>	<b>49,591</b>	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 thereafter comprised 33,333 (December 31, 2013 – 33,333) shares of Orca. Fair value at December 31, 2013 was measured at \$13,833. On September 18, 2014, these available-for-sale investments were sold for a net amount of \$13,287. The impact to the consolidated financial statements of this sale at market value resulted in an annual decrease of \$13,833 (2013 – \$16,000) to the value of the investments with a corresponding decrease in available-for-sale reserve of \$13,833 (2013 – \$14,000), net of deferred income tax recovery of \$nil (2013 - \$2,000).

***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

**Midlands Minerals Corporation**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2014 and 2013**

(Expressed in Canadian dollars)

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 September 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 an annual decrease of \$2,800 (2013 – \$1,200) to the value of the investments with a corresponding decrease in the available-for-sale reserve of \$2,800 (2013 – \$1,050) net of deferred income taxes of \$nil (2013 - \$150).

**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. Their fair value on December 31, 2013 was measured at \$4,167. 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. On September 18, 2014, these available-for-sale investments were sold for a net amount of \$4,425. The impact to the consolidated financial statements of this sale at market value resulted in an annual decrease of \$4,167 (2013 – \$7,501) to the value of the investments with a corresponding decrease in available-for-sale reserve of \$4,167 (2013 – \$6,563) net of deferred income taxes of \$nil (2013 - \$938).

**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 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:

<b>As at</b>	<b>December 31, 2014</b>	December 31, 2013
	\$	\$
Legal and audit	41,117	59,829
Shareholder information	624	2,845
Exploration expenditures	26,592	9,000
Office and administrative	13,704	5,068
<b>Total</b>	<b>82,037</b>	76,742

**13. Share capital**

**Authorized**

Authorized share capital consists of an unlimited number of common shares of which 194,228,231 (2013 – 194,228,231) are issued and outstanding.



**Midlands Minerals Corporation**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2014 and 2013**

(Expressed in Canadian dollars)

**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 December 31, 2014, the Company had 9,797,823 options available for issuance (December 31, 2013 – 6,972,823).

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

	December 31, 2014		December 31, 2013	
	Weighted Average Exercise Price	No. of Options	Weighted Average Exercise Price	No. of Options
	\$		\$	
Outstanding at beginning of year	0.11	12,450,000	0.11	12,450,000
Transactions during the year:				
Granted	0.05	10,150,000	-	-
Expired	0.12	(3,375,000)	-	-
Forfeited	0.10	(8,600,000)	-	-
<b>Outstanding at end of year</b>	<b>0.06</b>	<b>10,625,000</b>	0.11	12,450,000
<b>Exercisable at end of year</b>	<b>0.06</b>	<b>10,625,000</b>	0.11	11,450,000

The following table provides additional information about outstanding stock options at December 31, 2014:

Range of Exercise Prices	No. of Options Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price (\$)
\$0.05 - \$0.10	10,300,000	4.35	0.05
\$0.25 - \$0.33	325,000	0.59	0.29
<b>\$0.05 - \$0.33</b>	<b>10,625,000</b>	<b>4.22</b>	<b>0.06</b>

**Share-based compensation**

The fair value of the stock options vested for the year ended December 31, 2014, was \$190,800 (2013 – \$27,900), which amount has been expensed in the 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



**Midlands Minerals Corporation**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2014 and 2013**

*(Expressed in Canadian dollars)*

---

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 2014 for the vested portion on these options amounted to \$5,400 (2013 - \$15,600).

- 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 2014 for the vested portion on these options amounted to \$2,400 (2013 - \$12,300).
- 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.
- iv) On November 17, 2014, the Company granted 1,000,000 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. The grant-date fair value of the options was negligible.

#### **14. Related-party transactions and balances**

During the year ended December 31, 2014, \$180,000 (2013 - \$180,000) of management fees were paid or payable to RG Mining Investments Inc. ("RGMI"). RGMI provides management and administrative services to the Company pursuant to an agreement that had an original term of 1 year and expired on September 30, 2012. It has been renewed for successive 1-year periods. The agreement may be terminated upon 60 days prior notice by either party 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.

During the year ended December 31, 2014, \$420,732 (2013 - \$443,861) was earned or paid to key management personnel or to companies controlled by them, with regard to professional fees and salaries and benefits. The Company identifies key management personnel as current and former officers of the Company including the President and CEO, CFO and VP Exploration as well as current and former directors of the Company.

During the year ended December 31, 2014, officers and directors earned non-cash, share-based compensation of \$190,800 (2013 - \$27,900).

#### ***Due to related-parties***

As at December 31, 2014, the statement of financial position includes a balance of \$23,015 (2013 - 14,162) comprising of \$6,298 (2013 - \$5,829) due to a current director of the Company and \$16,717

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**Midlands Minerals Corporation**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2014 and 2013**

*(Expressed in Canadian dollars)*

(2013 - \$8,333) due to an officer of the Company.

***Due from related-parties***

As at December 31, 2014, the statement of financial position did not include any shareholder loans (2013 - \$100,000). All prior loans to Directors and / or officers of the Company were paid back in full prior to October 2, 2014. The interest accrued in 2014 from these loans amounted to \$3,780 (2013 - \$1,732).

**15. Sale of Akroma Gold Company Limited**

On June 19, 2013, the Company entered into a share purchase agreement (the "Agreement"), together with its wholly-owned subsidiary, Harbour Capital Corporation ("HCC"), to sell HCC's interest in Akroma Gold Company Limited ("Akroma") to its joint venture partner, Sian Goldfields Limited ("Sian") for an aggregate purchase price of \$3,513,427 (US\$3,400,000). Akroma is the joint-venture company holding title to the Sian mining lease for the Sian gold project located in the eastern region of Ghana.

Pursuant to the Agreement, the Company received a US\$340,000 deposit from the purchaser. Subsequently, the remaining conditions of the sale were satisfied at the Company's Annual and Special Meeting held on July 30, 2013, wherein the Company's shareholders approved the sale. The transaction closed on August 19, 2013.

The Company recorded a gain (including foreign exchange gains) on the sale of \$3,537,212.

Akroma's loss for the period prior to the sale (January 1, 2013 to August 19, 2013) of \$124,672 has been 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:

	Year ended		Cumulative to-date
	December 31, 2014	December 31, 2013 <sup>(3)</sup>	
	\$	\$	\$
<b>Serbia:</b>			
Parlozi project	702,922	-	702,922
<b>Total</b>	702,922	-	702,922
<b>Ghana:</b>			
Kaniago <sup>(1)</sup>	12,972	41,729	2,107,094
Others <sup>(2)</sup>	129,728	333,894	1,769,339
<b>Total</b>	142,700	375,623	3,876,433

**Midlands Minerals Corporation**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2014 and 2013**

*(Expressed in Canadian dollars)*

<b>Tanzania:</b>			
Others <sup>(4)</sup>	-	211,043	-
<b>Total</b>	<b>-</b>	<b>211,043</b>	<b>-</b>
<b>Exploration and evaluation expenditures</b>	<b>845,622</b>	<b>586,666</b>	<b>4,579,355</b>

- (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 - see note 21.
- (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.

**17. Property and equipment**

Property and equipment is comprised of a field equipment only:

<b>Cost</b>	<b>\$</b>
Balance at January 1, 2013	30,802
Additions	-
<b>Balance December 31, 2013</b>	<b>30,802</b>
Additions	-
<b>Balance December 31, 2014</b>	<b>30,802</b>

<b>Accumulated depreciation</b>	<b>\$</b>
Balance at January 1, 2013	(3,080)
Depreciation	(5,545)
<b>Balance December 31, 2013</b>	<b>(8,625)</b>
Depreciation	(4,435)
<b>Balance December 31, 2014</b>	<b>(13,060)</b>

<b>Net book value</b>	<b>\$</b>
<b>Balance December 31, 2013</b>	<b>22,177</b>

**Midlands Minerals Corporation**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2014 and 2013**

*(Expressed in Canadian dollars)*

<b>Balance December 31, 2014</b>	<b>17,742</b>
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**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.

**19. Segmented information**

**Operating Segments**

At December 31, 2014 the Company's operations comprise a single reporting operating segment engaged in mineral exploration in Ghana, Tanzania and Serbia. 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 Consolidated 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:

	Years ended	
	December 31, 2014	December 31, 2013
	\$	\$
<b>Profit (loss)</b>		
Canada	<b>(1,082,274)</b>	2,818,718
Serbia	<b>(702,922)</b>	-
Ghana	<b>(142,700)</b>	(375,623)

**Midlands Minerals Corporation**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2014 and 2013**

*(Expressed in Canadian dollars)*

Tanzania	-	(211,043)
	<b>(1,927,896)</b>	2,232,052

**Significant non-cash items**

Canada:		
Share-based compensation	<b>190,800</b>	27,900
Gain on sale of subsidiary	-	3,537,212
Realized gain on sale of investments	<b>50,086</b>	-
	<b>240,886</b>	3,565,112

<b>As at</b>	<b>December 31, 2014</b>	December 31, 2013
<b>Identifiable assets</b>		
Canada	<b>1,604,790</b>	3,419,744
Serbia	<b>37,318</b>	-
Ghana	<b>34,475</b>	23,612
	<b>1,676,583</b>	3,443,356

**20. Income taxes**

**Current income taxes**

The Company's income tax provision differs from the amount resulting from the application of the Canadian statutory income tax rate. A reconciliation of the combined Canadian federal and provincial income tax rates with the Company's effective tax rate is as follows:

	2014		2013	
	\$	%	\$	%
Profit (loss) before income taxes	<b>(1,918,547)</b>		2,235,140	
Combined statutory rate	<b>26.5%</b>		26.5%	
Expected income (tax) benefit	<b>508,415</b>	<b>26.5</b>	(592,312)	(26.5)
Increase (decrease) in income taxes resulting from:				
Stock-based compensation	<b>(50,562)</b>	<b>(2.6)</b>	(7,394)	(0.3)
Share issue costs	<b>84,915</b>	<b>4.4</b>	110,011	4.9
Other permanent differences	<b>(23,556)</b>	<b>(1.2)</b>	1,005,803	45.1
Tax benefits not recognized	<b>(528,561)</b>	<b>(26.9)</b>	(519,196)	(23.3)
Deferred income taxes	<b>(9,349)</b>	<b>0.2</b>	(3,088)	(0.1)

**Midlands Minerals Corporation**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2014 and 2013**

*(Expressed in Canadian dollars)*

The Canadian statutory income tax rate of 26.5% (2013 – 26.5%) is comprised of the federal income tax rate at approximately 15% (2013 – 15%) and the provincial income tax rate of approximately 11.5% (2013 – 11.5%).

The Company also has non-capital loss-carry forwards of \$14,717,000 (2013 - \$12,763,000) for which no benefit has been recognized in these consolidated financial statements. These non-capital losses expire as follows:

	<b>Canada</b>
	<b>\$</b>
2015	830,000
2026	900,000
2027	996,000
2028	1,182,000
2029	746,000
2030	1,972,000
2031	3,183,000
2032	1,750,000
2033	1,186,000
2034	1,972,000
	<b>14,717,000</b>

***Deferred income taxes***

Deferred income taxes reflect the net tax effects of differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows:

	<b>December 31, 2014</b>	December 31, 2013
<b><i>Unrecognized deferred income tax asset:</i></b>	<b>\$</b>	<b>\$</b>
Non-capital losses carry forward	<b>3,900,005</b>	3,382,195
Share issue costs	<b>51,191</b>	136,106
Plant and equipment	<b>3,461</b>	2,286
Available-for-sale investments	-	861
Resource property cost	<b>229,700</b>	229,700
<b>Unrecognized net deferred income tax asset</b>	<b>4,184,357</b>	3,751,148

**Midlands Minerals Corporation**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2014 and 2013**

*(Expressed in Canadian dollars)*

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**21. Subsequent events**

- i) On February 11, 2015, the Company announced that it has sold its Kaniago gold project in Ghana to a subsidiary of neighbor Asanko Gold, Keegan Resources (Ghana) Limited (“KRGL”). The sale of the non-core assets was an important part of the Company’s strategy to reduce costs, liabilities and risk, and to restore liquidity. In January 2015, the Company was granted an outstanding license renewal application from the Minerals Commission in Ghana which fulfilled a pre-condition for the sale, transfer and disposal of all of its right, title and interest in the concessions to KRGL. KRGL will be responsible for any conveyance and registration costs, including any income taxes on the transfers and renewal fees that may arise during the transfer process. The sale proceeds amounted to US\$250,000 (C\$312,888), with such amounts received by the Company in February, 2015.
  
- ii) On April 23, 2015, the Company announced that it has given notice to terminate the unexercised portion of the Parlozi option agreement in Serbia with Reservoir Minerals Inc., effective May 6, 2015.