

**MIDLANDS MINERALS CORPORATION**  
**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Six Months Ended June 30, 2005**  
**Unaudited**

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MIDLANDS MINERALS CORPORATION  
**CONSOLIDATED INTERIM BALANCE SHEETS**  
**AS AT JUNE 30, 2005**

	June 30, 2005 \$	December 31, 2004 \$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	438,443	86,395
Prepaid expenses	9,954	20,440
GST receivable	<u>9,079</u>	<u>4,497</u>
	457,476	111,332
<b>ADVANCES TO SIKA RESOURCES INC.</b> (Note 3)	6,541	6,541
<b>DEFERRED COSTS</b> (Note 4)	0	45,235
<b>EQUIPMENT</b> (Note 5)	19,746	17,172
<b>INTEREST IN MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES</b> (Note 6 and Statement)	<u>1,524,035</u>	<u>1,466,661</u>
	<u>2,007,798</u>	<u>1,646,941</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities (Note 8)	83,254	268,520
<b>NON-CONTROLLING INTEREST</b>	<u>36,125</u>	<u>36,125</u>
	<u>119,379</u>	<u>304,645</u>
<b>CAPITAL STOCK AND DEFICIT</b>		
<b>CAPITAL STOCK</b> (Note 7)	2,788,521	2,050,301
<b>CONTRIBUTED SURPLUS</b> (Note 7)	117,100	
<b>(DEFICIT)</b>	<u>(1,017,202)</u>	<u>(708,005)</u>
	<u>1,888,419</u>	<u>1,342,296</u>
	<u>2,007,798</u>	<u>1,646,941</u>

APPROVED ON BEHALF OF THE BOARD:

"Original signed by Kim F. Harris", Director

"Original signed by Edward A. Harris", Director

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MIDLANDS MINERALS CORPORATION  
**INTERIM CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT**  
 FOR THE PERIODS ENDED JUNE 30,

	Three months Ended June 30, 2005	Three months Ended June 30,2004	Six months Ended June 30,2005	Six months Ended June 30,2004
<b>EXPENSES</b>				
Office and administrative expense	43,784	20,751	61,972	38,915
Management fees	25,210	6,000	49,210	12,000
Investor relations and shareholder information	18,638	-	22,981	-
Consulting fees	14,628	1,699	17,336	5,359
Professional fees	110,648	5,203	117,030	8,453
Telephone	3,112	4,321	4,568	7,489
Travel and automobile expense	12,015	1,576	18,319	3,694
Rent	3,600	4,299	7,200	6,796
Bank charges and interest	(175)	2,139	2,485	3,828
Transfer agent and filing fees	6,175	6,632	6,550	6,632
Foreign exchange (gain)	-	(1,012)	(1,145)	(2,594)
Amortization	<u>1,380</u>	<u>967</u>	<u>2,691</u>	<u>1,934</u>
Net loss from operations	239,015	52,575	309,197	92,056
Transaction costs	<u>-</u>	<u>103,103</u>	<u>-</u>	<u>103,103</u>
<b>NET LOSS</b> for the period	239,015	155,678	309,197	195,609
<b>DEFICIT</b> , beginning of period	<u>778,187</u>	<u>353,302</u>	<u>708,005</u>	<u>313,371</u>
<b>DEFICIT</b> , end of period	<u>1,017,202</u>	<u>508,980</u>	<u>1,017,202</u>	<u>508,980</u>
<b>NET LOSS PER SHARE</b> - Basic and diluted	<u>0.01</u>	<u>0.01</u>	<u>0.01</u>	<u>0.01</u>
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b>	<u>23,460,503</u>	<u>16,040,240</u>	<u>21,768,420</u>	<u>15,617,281</u>

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MIDLANDS MINERALS CORPORATION  
**INTERIM CONSOLIDATED STATEMENT OF PROPERTY ACQUISITION COSTS AND DEFERRED  
EXPLORATION EXPENDITURES**  
FOR THE PERIOD ENDED JUNE 30, 2005

	Itilima Gold Project, Tanzania \$	Kwahu Praso Concession, Ghana \$	Total \$
<b>PROPERTY ACQUISITION COSTS</b>			
Balance, December 31, 2004 and June 30, 2005	<u>494,733</u>	<u>46,511</u>	<u>541,244</u>
<b>DEFERRED EXPLORATION EXPENDITURES</b>			
Balance, December 31, 2004	<u>763,109</u>	<u>162,308</u>	<u>925,417</u>
Additions during period			
Geological consulting	18,344	4,901	23,245
Lab costs	2,092		2,092
Rent	8,411	-	8,411
Licences and permits	1,412	13,457	14,869
Legal Fees	2,025	1,265	3,290
Travel/Meal	850	-	850
Field work	3,393	-	3,393
Office	<u>1,224</u>	-	<u>1,224</u>
Total Additions during period	<u>37,751</u>	<u>19,623</u>	<u>57,374</u>
Balance, June 30, 2005	<u>800,860</u>	<u>181,931</u>	<u>982,791</u>
<b>TOTAL BALANCE, June 30, 2005</b>	<b><u>1,295,593</u></b>	<b><u>228,442</u></b>	<b><u>1,524,035</u></b>

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MIDLANDS MINERALS CORPORATION  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
 FOR THE PERIODS ENDED JUNE 30

	Three months Ended June 30,2005	Three months Ended June 30,2004	Six months Ended June 30,2005	Six months Ended June 30,2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net (loss) for the period	(239,015)	(155,678)	(309,197)	(195,609)
Add items not requiring cash:				
Shares issued for services	-	8,600	-	8,600
Stock option compensation cost	86,000		86,000	
Amortization	<u>1,380</u>	<u>967</u>	<u>2,691</u>	<u>1,934</u>
	(151,635)	(146,111)	(220,506)	(185,075)
<b>Changes in non-cash working capital balances:</b>				
Decrease in prepaid expenses	5,286	-	10,486	-
(Decrease) Increase in GST receivable	2,015	(14,847)	(4,582)	(3,486)
(Decrease) Increase in accounts payable and accrued liabilities	<u>(59,866)</u>	<u>(15,782)</u>	<u>(185,266)</u>	<u>20,500</u>
Cash flows from operating activities	<u>(204,200)</u>	<u>(176,740)</u>	<u>(399,868)</u>	<u>(168,061)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Advances to Grand Oakes Resources Corp.	-	(1,780)	-	(50,230)
Purchase of equipment, net	(1,394)	(1,850)	(5,264)	(9,777)
Interest in mineral properties and deferred exploration expenditures	<u>(22,072)</u>	<u>(144,925)</u>	<u>(57,374)</u>	<u>(331,882)</u>
Cash flows from investing activities	<u>(23,466)</u>	<u>(148,555)</u>	<u>(62,638)</u>	<u>(391,889)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Deferred costs	-	12,533	45,234	(28,500)
Notes payable	-	-	-	8,385
Issuance of common shares for cash, net of costs	<u>(1,500)</u>	<u>331,170</u>	<u>769,320</u>	<u>758,755</u>
Cash flows from financing activities	<u>(1,500)</u>	<u>343,703</u>	<u>814,554</u>	<u>738,640</u>
Increase in cash	(229,166)	18,408	352,048	178,690
Cash, beginning of year	<u>667,609</u>	<u>258,746</u>	<u>86,395</u>	<u>98,464</u>
Cash, end of period	<u>438,443</u>	<u>277,154</u>	<u>438,443</u>	<u>277,154</u>
<b>SUPPLEMENTARY INFORMATION:</b>				
Interest paid			-	-
Taxes paid			-	-
Shares issued for services during the period			10,000	-
Compensation options issued for services rendered			31,100	-

Unaudited

MIDLANDS MINERALS CORPORATION  
**NOTES TO THE INTERIM CONSOLIDATED STATEMENTS STATEMENTS**  
FOR THE PERIODS ENDED JUNE 30, 2005

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Midlands Minerals Corporation (the "Company") is engaged in the evaluation and development of mineral properties in Tanzania and Ghana. The Company is considered to be in the development stages. The Company has not yet determined whether these properties contain ore reserves that are economically recoverable. As the Company's assets are located outside of North America, they are subject to the risk of foreign investment, including increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and political uncertainty. In order for the Company to carry out its exploration and mining activities, the Company is required to hold certain permits. There is no assurance that the Company's existing permits will be renewed.

The recoverability of the carrying values of mineral properties is dependent upon the discovery of economically recoverable reserves, the preservation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain financing necessary to complete development of the properties, and the future profitable production there from or alternatively, upon the Company's ability to dispose of its interests on an advantageous basis.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. Changes in future conditions could require material write downs of the carrying values. Major expenditures are required to locate and establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site.

Management reviews the carrying value of the Company's interest in each property and where necessary, exploration properties are written down to their fair value. Although management has made its best estimate of these factors, it is reasonably possible that certain events could adversely affect management's estimates of fair value and the need for, as well as the amount of, provision for impairment in the carrying value of exploration properties and related assets.

These consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company is in the development stage with no history of profitability. There is no guarantee that the Company's exploration programs will yield positive results or that the Company will be able to obtain the necessary financing to carry out the exploration and development of its properties. If the going concern assumption was not appropriate for these consolidated interim financial statements, then adjustments would be necessary to the carrying values of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used. Such adjustments could be material.

**2. BASIS OF PRESENTATION**

The accompanying unaudited interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and follow the same accounting policies and methods of application as the audited consolidated financial statements of the Company for the year ended December 31, 2004. They do not include all of the information and disclosures required by Canadian GAAP for annual financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these consolidated interim financial statements. Operating results for the six-month period ended June 30, 2005 are not necessarily indicative of the results that may be expected for the full year ended December 31, 2005. For further information, see the Company's consolidated financial statements including the notes thereto for the year ended December 31, 2004.

These interim consolidated financial statements are unaudited and have not been reviewed by the Company's auditors.

**3. ADVANCES TO SIKA RESOURCES INC.**

Advances to SIKA Resources Inc. ("SIKA") are unsecured, non-interest bearing with no fixed terms of repayment. SIKA has officers and directors in common with the Company.

MIDLANDS MINERALS CORPORATION  
**NOTES TO THE INTERIM CONSOLIDATED STATEMENTS STATEMENTS**  
 FOR THE PERIODS ENDED JUNE 30, 2005

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**4. DEFERRED COSTS**

During the period ended June 30, 2005, deferred costs totalling \$45,235 relating to professional fees, were written off as share issue costs.

**5. EQUIPMENT**

	<u>Cost</u>	<u>Accumulated Amortization</u>	June 30, 2005 <u>Net</u>	December 31, 2004 <u>2004</u>
	\$	\$	\$	\$
Computer equipment	13,896	5,110	8,786	8,402
Office equipment	15,222	4,958	10,264	7,997
Field equipment	<u>999</u>	<u>303</u>	<u>696</u>	<u>773</u>
	<u>30,117</u>	<u>10,371</u>	<u>19,746</u>	<u>17,172</u>

**6. INTEREST IN MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES**

**Itilima Gold Project, Tanzania**

The Company's interest in the Itilima Gold Project consists of a 75% interest in two contiguous prospecting licenses registered under the name of the Itilima Mining Company, a Tanzanian corporation. The licenses were granted for all minerals including gold and diamonds but not including building materials and gemstones. Net smelter royalties ("NSR") payable upon production to Juma Motors Transport Ltd. ("JMT"), the Company's local joint venture partner, are 2% for the first two years, 1.5% for the next two years, and 1% thereafter for the life of the mine. In addition, there is a royalty payable upon production to the Government of Tanzania of a 3% NSR for gold and a 5% NSR for diamonds. All the licenses have been renewed and are in good standing.

**Kwahu Praso Concession, Ghana**

Midenka Resources Limited which is 80% owned by the company, holds title to the Kwahu Praso Concession ("Concession") situated in the Eastern Region on the Ashanti gold belt in Ghana. The Government of Ghana is entitled to a 10% free-carry interest in the Concession with no contribution requirement. 20% is held by the Enkaakyiri Trading Company Limited, a local Ghanaian company.

**7. CAPITAL STOCK**

**Authorized**

Unlimited common shares

**Shares Issued and Outstanding :**

	<b>Number of Common Shares</b>	<b>Amount (\$)</b>
<b>Balance of Capital stock as at December 31, 2004</b>	<b>18,393,003</b>	<b>2,050,301</b>
		-
Issued for cash	5,017,500	1,003,500
Share issue costs	-	(275,280)
Issued for services	<u>50,000</u>	<u>10,000</u>
<b>Balance, June 30, 2005</b>	<b>23,460,503</b>	<b>2,788,521</b>

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During the period ended June 30, 2005, the Company issued 5,017,500 units at \$0.20 per unit for gross proceeds of \$1,003,500 (the "Private Placement"). Each unit consists of one common share and one common share purchase warrant entitling the holder to acquire one additional common share of the Company at a price of \$0.30 for a period of two years. No value has been attributed to these warrants.

In connection with the Private Placement, the Company issued a compensation option to the agent to acquire 500,000 common shares at a price of \$0.20 per share valid for a period of two years from date of closing. The fair value of the compensation options of \$31,100 was calculated using the Black-Scholes option pricing model with the following average assumptions: dividend yield of 0%, expected volatility of 100%, expected risk free interest rate of 2% and an expected life of 2 years.

In addition, the Company issued 50,000 units valued at \$10,000 to the Sponsor on the same terms as those of the Private Placement, as part of its compensation.

### Warrants

As at June 30, 2005, the following warrants were granted and outstanding:

	June 30, 2005		December 31, 2004	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
		\$		\$
<b>Balance, December 31, 2004</b>	<b>1,611,268</b>	<b>0.43</b>	1,686,268	0.43
Issued for cash	5,017,500	0.30	-	
Issued for services	550,000	0.21		
Cancelled	-		(75,000)	(0.43)
<b>Balance June 30, 2005</b>	<b>7,178,768</b>	<b>0.33</b>	<b>1,611,268</b>	<b>0.43</b>

The following table summarizes information relative to the expiry date of all warrants outstanding:

Date Granted	Warrants Granted	Exercise Price	Expiry Date
January 15, 2004	525,000	0.43	December 31, 2005
June 1, 2004	809,233	0.43	December 31, 2005
October 24, 2004	277,035	0.43	March 23, 2007
March 23, 2005	5,050,000	0.30	March 23, 2007
March 23, 2005	500,000	0.20	March 23, 2007
April 1, 2005	17,500	0.30	March 31, 2007
<b>Balance, June 30, 2005</b>	<b>7,178,768</b>		

MIDLANDS MINERALS CORPORATION  
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**Stock Options**

A total of 2,346,050 options have been granted to directors of the Company and other eligible persons for a period of sixty (60) months with an expiry date of June 22, 2010.

Date Granted		Number of Options	Weighted Average Exercise Price	Expiry Date
June 22, 2005	(80%)	1,876,840	0.20	June 22, 2010
June 22, 2005	(10%)	234,605	0.30	June 22, 2010
June 22, 2005	(10%)	234,605	0.43	June 22, 2010
<b>Total Stock Options Granted</b>		<b>2,346,050</b>	<b>0.23</b>	

In the calculation of the compensation expense the fair value of stock options granted is estimated using the Black-Scholes. Option pricing model with the following assumptions, risk-free interest rate 2% (2004 – Nil), and expected dividend yield (Nil) (2004 (Nil) expected stock price volatility 100% (2004 – Nil), and expected option life of five years. (2004– Nil) option life of five years. (2004 – Nil).

Option pricing models require input of highly subjective assumptions particularly as to the expected price volatility of the stock. Changes in these assumptions can materially affect the fair value estimates and therefore it is management's view that the existing models do not necessarily provide a single reliable measure of fair value of the Company stock options granted.

**CONTRIBUTED SURPLUS**

	Amount \$
<b>Balance as at December 31, 2004</b>	
Compensation options	31,100
Stock option compensation costs	<u>86,000</u>
<b>Balance, June 30, 2005</b>	<b><u>117,100</u></b>

**8. RELATED PARTY TRANSACTIONS**

During the period ended June 30, 2005, management fees totaling \$49,050 (June 30, 2004 \$12,000) were paid or accrued to a director who is also an officer of the Company. Included in accounts payable and accrued liabilities as at June 30, 2005, was Nil (December 31, 2004 - \$82,468) due to this individual which includes accrued management fees and amounts owing for certain expenditures incurred by the individual on behalf of the Company.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

**9. INCOME TAXES**

The estimated taxable income for the period is \$Nil. Based upon the level of historical taxable income, it cannot be reasonably determined at this time if it is more likely than not the Company will realize the benefits from future income tax assets or the amount owing from future income tax liabilities.

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Consequently, the future recovery or loss arising from differences in tax values and accounting values have been reduced by an equivalent estimated taxable temporary difference valuation allowance.

The estimated taxable temporary difference valuation allowance will be adjusted in the period that it can be determined that it is more likely than not that some portion or all of the future tax assets or future tax liabilities will be realized.

For further information about the Company's losses for tax purposes, refer to the audited December 31, 2004 consolidated financial statements. The benefits of these losses and the estimated loss for the period are not recognized in these financial statements

#### **10. COMMITMENTS**

The Company entered into an agreement with its CEO effective July 1, 2004 whereby the CEO will receive an annual salary of \$80,000 and benefits equal to 20% of her salary. The CEO will be entitled to receive a payment equal to 24 months' salary on termination for any reason other than cause.

The Company also has on going commitments related to its mineral properties and the maintenance of exploration licences in good standing.

#### **11. SUBSEQUENT EVENTS**

Subsequent to June 30, 2005, the Company was granted a reconnaissance licence and mineral rights in Ghana for the Kaniago Concession consisting of 45.14 sq km. The Company paid \$10,000.US for the licence which is valid for a period of two years and thereafter renewable.

Subsequent to June 30, 2005, the Company was granted a reconnaissance licence and mineral rights in Tanzania for the New Kilindi Area Concession consisting of 2,700 sq km The company has paid \$27,020 US for the licence which is valid for a period of two years and thereafter renewable.

During the period ended June 30, 2005, the company was granted a prospecting licence PL 3192/2005 on May 2, 2005 the Shinyanga district in Tanzania. This new license is contiguous to the company's PL 1406/99.