

MIDLANDS MINERALS CORPORATION
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2007
Unaudited

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MIDLANDS MINERALS CORPORATION
INTERIM CONSOLIDATED BALANCE SHEETS
AS AT JUNE 30, 2007 AND DECEMBER 31, 2006

	June 30, 2007 \$	December 31, 2006 \$
ASSETS		
CURRENT		
Cash	170,279	338,656
Short term investments	4,050,000	2,217,739
Prepaid expenses	7,784	9,393
Sundry receivable	15,530	13,202
Mining companies receivable	<u>88,000</u>	<u>-</u>
	4,331,593	2,578,990
ADVANCES TO SIKA RESOURCES INC. (Note 3)	20,470	6,541
SHARE INVESTMENT	32,000	-
EQUIPMENT (Note 4)	33,725	38,031
INTEREST IN MINERAL PROPERTIES AND DEFERRED		
EXPLORATION EXPENDITURES (Note 5 and Statement)	<u>6,344,903</u>	<u>5,419,203</u>
	<u>10,762,691</u>	<u>8,042,765</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 7)	144,930	558,843
Accounts payable for property acquisition (Note 5)	<u>2,068,813</u>	<u>2,330,800</u>
	2,213,743	2,889,643
FUTURE INCOME TAX LIABILITY	115,900	115,900
NON-CONTROLLING INTEREST	<u>36,125</u>	<u>36,125</u>
	<u>2,365,768</u>	<u>3,041,668</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 6)	8,225,140	5,164,785
WARRANTS (Note 6)	2,232,690	1,800,774
CONTRIBUTED SURPLUS (Note 6)	1,004,266	590,305
DEFICIT	<u>(3,065,173)</u>	<u>(2,554,767)</u>
	<u>8,396,923</u>	<u>5,001,097</u>
	<u>10,762,691</u>	<u>8,042,765</u>
GOING CONCERN (Note 1)		

APPROVED ON BEHALF OF THE BOARD:
Original signed by Kim F. Karris, Director

Original signed by Edward A. Harris, Director

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MIDLANDS MINERALS CORPORATION
INTERIM CONSOLIDATED BALANCE SHEETS
AS AT JUNE 30, 2007 AND DECEMBER 31, 2006

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MIDLANDS MINERALS CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
FOR THE PERIODS ENDED JUNE 30TH

	Three months ended June 30, 2007 \$	Three months ended June 30, 2006 \$	Six months ended June 30, 2007 \$	Six months ended June 30, 2006 \$
EXPENSES				
Office and administrative expense	124,355	40,149	221,774	82,276
Management fees	48,825	46,500	97,650	80,543
Investor relations and shareholder information	16,203	-	12,004	4,823
Consulting fees	-	2,240	-	5,920
Professional fees	15,815	15,128	20,815	17,128
Telephone	7,647	5,768	15,184	8,265
Travel and automobile expense	45,212	44,292	70,083	66,615
Rent	11,066	3,600	22,132	7,200
Bank charges and interest	2,189	1,804	4,177	4,539
Transfer agent and filing fees	12,527	28,942	32,505	35,642
Foreign exchange (gain)	67	(273)	(471)	(273)
Amortization	<u>2,153</u>	<u>1,701</u>	<u>4,306</u>	<u>2,845</u>
	286,059	-	500,159	-
Stock based compensation (Note 6)	<u>237,089</u>	<u>-</u>	<u>237,089</u>	<u>-</u>
Loss before the undernoted	523,148	189,851	737,248	315,523
Interest income	(50,882)	(4,565)	(50,842)	(4,828)
Mining options granted	<u>(176,000)</u>	<u>-</u>	<u>(176,000)</u>	<u>-</u>
NET LOSS for the period	296,266	185,286	510,406	310,695
DEFICIT , beginning of period	<u>2,768,907</u>	<u>1,666,150</u>	<u>2,554,767</u>	<u>1,540,741</u>
DEFICIT , end of period	<u>3,065,173</u>	<u>1,851,436</u>	<u>3,065,173</u>	<u>1,851,436</u>
NET LOSS PER SHARE - Basic and diluted	<u>0.00</u>	<u>0.01</u>	<u>0.01</u>	<u>0.01</u>
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	<u>47,947,776</u>	<u>34,964,668</u>	<u>46,144,510</u>	<u>29,944,364</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, 2007

	Itilima Gold New Kilindi & Vukene Project Tanzania \$	Kwahu Praso Kaniago & Sian Concession Ghana \$	Total \$
PROPERTY ACQUISITION COSTS			
Balance, December 31, 2006	546,180	2,547,052	3,093,232
Option payment	<u>839</u>	<u>-</u>	<u>839</u>
Balance, June 30, 2007	<u>547,019</u>	<u>2,547,052</u>	<u>3,094,071</u>
DEFERRED EXPLORATION EXPENDITURES			
Balance, December 31, 2006	<u>1,612,146</u>	<u>713,825</u>	<u>2,325,971</u>
Additions during period			
Geological consulting	17,725	252,244	269,969
Drilling	68,730	298,127	366,857
Lab cost	8,639	54,624	63,263
Licences and permits	9,338	18,866	28,204
Legal fees	936	893	1,829
Travel/Meals	19,441	28,032	47,473
Supplies	424	31,269	31,693
Truck rental	1,262	37,501	38,763
Office	5,178	16,632	21,810
Management salary	<u>27,500</u>	<u>27,500</u>	<u>55,000</u>
Total Additions during period	<u>159,173</u>	<u>765,688</u>	<u>924,861</u>
Balance, June 30, 2007	<u>1,771,319</u>	<u>1,479,513</u>	<u>3,250,832</u>
TOTAL BALANCE, June 30, 2007	<u>2,318,338</u>	<u>4,026,565</u>	<u>6,344,903</u>

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

	Three months ended June 30, 2007 \$	Three months ended June 30, 2006 \$	Six months ended June 30, 2007 \$	Six months ended June 30, 2006 \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss for the period	(296,266)	(185,286)	(510,406)	(310,695)
Add items not requiring cash:				
Stock based compensation	237,089	-	237,089	-
Amortization	<u>2,153</u>	<u>1,701</u>	<u>4,306</u>	<u>2,845</u>
	(57,024)	(183,585)	(269,011)	(307,850)
Changes in non-cash working capital balances:				
Decrease in prepaid expenses	-	(10,025)	1,609	(7,267)
(Increase) in sundry receivable	(1,463)	(3,041)	(2,328)	(4,569)
(Increase) in mining companies receivable	(88,000)	-	(88,000)	-
Increase (decrease) in accounts payable and accrued liabilities	<u>(189,221)</u>	<u>25,820</u>	<u>(675,900)</u>	<u>26,514</u>
Cash flows from operating activities	<u>(335,708)</u>	<u>(170,831)</u>	<u>(1,033,630)</u>	<u>(293,172)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Short term investments	(1,450,000)	8,692	(1,832,261)	(2,039,693)
Purchase of equipment, net	-	(11,131)	-	(11,131)
Advances to Sika Resources	(13,929)	-	(13,929)	-
Share investments	(32,000)	-	(32,000)	-
Interest in mineral properties and deferred exploration expenditures	<u>(633,836)</u>	<u>(112,404)</u>	<u>(925,700)</u>	<u>(211,925)</u>
Cash flows from investing activities	<u>(2,129,765)</u>	<u>(114,843)</u>	<u>(2,803,890)</u>	<u>(2,262,749)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Deferred costs	-	-	-	10,000
Exercise of warrants	185,000	-	615,350	1,850
Issuance of common shares for cash, net of costs	1,579,901	(5,136)	2,445,005	1,662,606
Issuance of warrants for cash, net of costs	430,548	(2,887)	431,916	918,513
Contributed surplus	<u>-</u>	<u>-</u>	<u>176,872</u>	<u>-</u>
Cash flows from financing activities	<u>2,195,449</u>	<u>(8,023)</u>	<u>3,669,143</u>	<u>2,592,969</u>
(Decrease) Increase in cash	(270,024)	(293,697)	(168,377)	37,048
Cash, beginning of period	<u>440,303</u>	<u>342,643</u>	<u>338,656</u>	<u>11,898</u>
Cash, end of period	<u>170,279</u>	<u>48,946</u>	<u>170,279</u>	<u>48,946</u>
SUPPLEMENTARY INFORMATION:				
Interest paid	-	-	-	-
Taxes paid	-	-	-	-
Shares issued for services during the period	-	-	-	-
Compensation options issued for services rendered	-	237,089	237,089	178,187
-	-	-	-	-
Accrued exploration expenditures	41,891	-	61,913	-

Unaudited

MIDLANDS MINERALS CORPORATION
INTERIMCONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED JUNE 30

Unaudited

MIDLANDS MINERALS CORPORATION
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIODS ENDED JUNE 30, 2007 AND 2006

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 interim consolidated 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 interim consolidated 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, 2006. 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 interim consolidated financial statements. Operating results for the six-month period ended June 30, 2007 are not necessarily indicative of the results that may be expected for the full year ended December 31, 2007. For further information, see the Company's consolidated financial statements including the notes thereto for the year ended December 31, 2006.

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

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MIDLANDS MINERALS CORPORATION
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIODS ENDED JUNE 30, 2007 AND 2006

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. The advances relate to outstanding obligations of SIKA in connection with acquisition of the Itilima gold and diamond project in 2001. The project was later transferred to Midlands Minerals Corporation in 2004.

4. EQUIPMENT

	<u>Cost</u>	<u>Accumulated Amortization</u>	June 30, 2007 <u>Net</u>	December 31, 2006 <u>2006</u>
	\$	\$	\$	\$
Computer equipment	20,111	11,562	8,549	10,058
Office equipment	38,130	13,399	24,731	27,478
Field equipment	<u>999</u>	<u>554</u>	<u>445</u>	<u>495</u>
	<u>59,240</u>	<u>25,515</u>	<u>33,725</u>	<u>38,031</u>

5. INTEREST IN MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

a) TANZANIA

Itilima Gold Project

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 subsidiary Tanzanian corporation. The licenses were granted for all minerals including gold and diamonds but exclude building materials and gemstones. Net smelter royalties ("NSR") payable upon production to Juma Motors Transport Ltd. ("JMT"), the Company's local exploration partner, are 2% for the first two years of mine life, 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 licences have been renewed and are in good standing.

During the year ended December 31, 2006, the Company entered into an agreement to acquire two additional Primary Mining Licences (PMLs) located on the Itilima Property within prospecting license number 1406 held by the Company. The Company has agreed to pay US\$7,500 (paid) per PML for the first year and US\$10,000 for each subsequent year until the property goes into production.

New Kilindi Concession

Through its subsidiary, Midlands Minerals (Tanzania) Limited, the Company holds a 2,700 square kilometre reconnaissance licence valid until July 14, 2007 on the New Kilindi property and renewable thereafter as a prospecting license. The Company owns 100% of the license.

On March 15, 2007, the Company entered into an option agreement with Canaco Resources Inc. ("Canaco") to develop its New Kilindi gold property in Tanzania. Canaco has agreed to spend US\$2,500,000 in work programs on the New Kilindi property, pay the Company US\$100,000 over a one-year period and issue 200,000 common shares of Canaco to earn a 60% interest in the property. Canaco has the option to acquire an additional 15% interest in the property by bringing the project to a bankable feasibility study stage.

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INTEREST IN MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (Continued)

b) GHANA

Sian Property

On August 23, 2006, the Company signed an agreement with Sian Goldfields Limited ("Sian"), whereby the Company acquired a 65% interest in the mineral assets of Sian in exchange for US\$2,000,000 payable to certain Sian creditors over a period of 12 months, subject to cash flow. The money, which is payable directly to Sian's sundry creditors is intended to ensure that Midlands can proceed without hindrance to explore and develop the Sian. The funds cover such things as payments to farmers for crop compensation, and past due payments to some of Sian's former workers, required for current exploration activities, who are owed money by Sian. The expenditures involved fall within general exploration expenditures and are accounted for as part of the Company's capitalized exploration costs. In addition, a one-time fee of US\$100,000 was paid to Sian at closing in August of 2006.

Midlands, through the advice of our auditors, acted conservatively by applying the US\$2 million in relation to Sian, to our current liabilities and presenting this amount as a payable on the Company's Balance Sheet.

The Sian mineral property covers approximately 50 square kilometres and is contiguous to the Company's Kwahu Praso property. The Government of Ghana has a statutory 10% free-carried interest in the Sian property. The agreement required that the Sian property be held in Akroma Gold Company Limited, a Ghanaian company in which the Company holds a 65% interest through its wholly owned subsidiary Harbour Capital Corporation.

Kwahu Praso Property

Midenka Resources Limited ("Midenka"), a subsidiary, holds title to the Kwahu Praso Concession ("Concession") situated in the Eastern Region along the Northeastern border of the Ashanti gold belt of Ghana. Midenka is a Ghanaian corporation owned 80% by the Company and 20% by the Enkaakyiri Trading Company Limited ("Enkaakyiri"). Pursuant to a joint venture agreement dated April 23, 2003, the Company will cover all exploration costs until such time as an "inferred resource" has been established. At that time, Enkaakyiri will be required to participate in 20% of all costs related to exploration and development of the Concession.

Enkaakyiri may elect to sell or part of its interest, with the sale price being determined by the resources defined at the time of sale. In the event that Enkaakyiri sells its interest in the Concession, it would receive a Net Smelter Royalty equal to:

- a) 2.00% for the first two years;
- b) 1.00% for the next two years; and
- c) 0.25% thereafter for the life of the mine.

In addition, the Government of Ghana is entitled to a 10% interest in the Concession with no contribution requirement. Both the Company and Enkaakyiri shall cede this 10% interest in proportion to their existing interests at that point in time.

The Kwahu Praso prospecting licence renewal has been approved by the Ghana Minerals Commission and is valid until March 2009.

Kaniago Concession

The Company holds a 100% interest in the Kaniago concession which is located on the Asankrangwa Gold Belt in Ghana and is 45.14 squares kilometres in size. The mineral rights are owned by the Company through its

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subsidiary company – Midlands Minerals Ghana Limited. The Company has a prospecting license which is valid for a period of three years until February 2010.

6. CAPITAL STOCK

a) **Authorized**

Unlimited common shares

On January 11, 2007 the Company closed the second tranche of its brokered private placement. The Company issued 3,796,667 units at \$0.30 per unit for gross proceeds of \$1,139,000. Each unit consists of one common share and one half of one common share purchase warrant. Each whole warrant will entitle the holder to purchase one additional common share of the Company at a price of \$0.45 per share until July 11, 2008.

On April 4, 2007 616,667 shares were issued as a result of the exercise of warrants at \$0.30 per share. (See note 6c).

On June 14, 2007 the Company issued 6,245,000 units at \$0.35 per unit for gross proceeds of \$2,185,750. Each unit consists of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.50 per share until December 14, 2008.

b) **Shares Issued and Outstanding :**

	Number of Common Shares	Amount (\$)
Balance of Capital stock as at December 31, 2006	40,786,374	5,164,785
Issued for cash	10,041,667	2,793,738
Share issue costs	-	(348,733)
Warrants Exercised	2,218,417	615,350
Balance, June 30, 2007	53,046,458	8,225,140

c) **Warrants**

As at June 30, 2007, the following warrants were granted and outstanding:

	Number of Warrants	Weighted Average Exercise Price \$	Value \$
Warrants outstanding December 31, 2006	22,903,565	0.41	1,800,774
Warrants issued during the period for cash	5,020,833	0.50	524,036
Warrants issued during the period for services	765,367	0.35	164,960
Warrants exercised	(2,218,417)	0.30	(257,080)
Warrants Expired	(4,955,936)	0.30	-
Warrants outstanding, June 30, 2007	21,515,412	0.12	2,232,690

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Warrants (Continued)

As at June 30, 2007, the following warrants were outstanding:

<u>Date Granted</u>	<u>Number of Warrants</u>	<u>Exercise Price \$</u>	<u>Expiry Date</u>
March 20, 2006	10,498,000	0.45	March 20, 2008
March 21, 2006	919,840	0.45	March 21, 2008
March 22, 2006	1,000,000	0.45	March 22, 2008
December 12, 2006	3,311,372	0.45	June 12, 2008
January 11, 2007	2,164,100	0.45	July 11, 2008
June 14, 2007 (1)	<u>3,622,100</u>	0.50	December 14, 2008
	<u>21,515,412</u>		

On April 4, 2007, 616,667 warrants were exercised at \$0.30 per share for gross proceeds of \$185,000

On April 4, 2007, 994,601 warrants exercisable at \$0.30 per share expired.

- (1) The fair value of the warrants was calculated using the Black-Scholes option pricing model with the following average assumptions: dividend yield of 0%, expected volatility of 125%, expected risk free interest rate of 4.2% and an expected life of 1.5 years.

d) Stock Options

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. No one person shall be granted options representing more than 5% of the issued and outstanding common shares of the Company. Option grants to persons providing investor relations services may not exceed 2% of the issued and outstanding share capital and must vest over a 12-month period with no more than 25% of the options vesting in any quarter. The options are non-assignable and non-transferable and may be granted for a term not exceeding five years. The exercise price of the options is fixed by the board of directors of the Company and shall be determined on the basis of the market price of the shares at the time of grant, subject to all applicable regulatory requirements.

A summary of changes in options is as follows.

	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u>
Balance, December 31, 2006 and June 30, 2007	4,257,044	\$0.34

As at June 30, 2007, the following options were outstanding:

<u>Date of Grant</u>	<u>Options Granted And Exercisable</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
	Number of Options	Canadian Dollars	
June 22, 2005	1,828,825	0.20	June 22, 2010
June 22, 2005	228,600	0.30	June 22, 2010

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June 22, 2005	228,600	0.43	June 22, 2010
August 17, 2006	1,025,000	0.45	August 9, 2011
April 4, 2007	<u>896,019</u>	0.45	April 4, 2012
	<u>4,257,044</u>		

Stock Options (Continued)

On April 4, 2007, the Company granted 896,019 stock options to directors, officers, and consultants of the Company, exercisable at \$0.45 per share until April 4, 2012. The fair value of the stock options was estimated on the date of grant using the Black-Scholes option pricing model.

Contributed Surplus

	<u>Amount</u>
	\$
Balance, December 31, 2006	590,305
Warrants Expired March 23 and 31, 2007	176,872
Stock Based Compensation April 4, 2007	<u>237,089</u>
	<u>1,004,266</u>

7. RELATED PARTY TRANSACTIONS

During the six month period ended June 30, 2007, management fees totaling \$97,650 (June 30, 2006- \$80,543) 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, 2007 was Nil (December 31, 2006- \$46,921) due to this individual which includes accrued management fees and amounts owing for certain expenditures incurred by the individuals on behalf of the Company.

8. 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.

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, 2006 Consolidated Financial Statements. The benefits of these losses and the estimated loss for the period are not recognized in these financial statements.