

MIDLANDS MINERALS CORPORATION
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the Six months Ended June 30, 2008
Unaudited

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	June 30, 2008	December 31, 2007
	\$	\$
ASSETS		
CURRENT		
Cash	81,581	103,457
Short term investments	710,000	2,357,060
Share investment	30,000	23,000
Prepaid expenses	34,337	19,928
Sundry receivable	<u>12,573</u>	<u>4,563</u>
	868,491	2,508,008
EQUIPMENT (Note 4)	35,946	29,419
INTEREST IN MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (Note 5 and Statement)	<u>6,891,038</u>	<u>5,805,778</u>
	<u>7,795,475</u>	<u>8,343,205</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	<u>426,011</u>	<u>369,407</u>
	426,011	369,407
FUTURE INCOME TAX LIABILITY	215,296	215,296
NON-CONTROLLING INTEREST	<u>36,125</u>	<u>36,125</u>
	<u>677,432</u>	<u>620,828</u>
GOING CONCERN (Note 1)		
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 6)	8,098,340	8,098,340
WARRANTS (Note 6)	808,188	2,359,490
CONTRIBUTED SURPLUS (Note 6)	2,582,755	1,022,089
ACCUMULATED OTHER COMPREHENSIVE LOSS	(2,000)	(9,000)
(DEFICIT)	<u>(4,369,240)</u>	<u>(3,748,542)</u>
	<u>7,118,043</u>	<u>7,722,377</u>
	<u>7,795,475</u>	<u>8,343,205</u>

APPROVED ON BEHALF OF THE BOARD:

Original Signed by Edward Harris, Director

Original Signed by Kim F. Harris, Director

Unaudited

MIDLANDS MINERALS CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
 FOR THE SIX MONTHS ENDED JUNE 30

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	Three months ended June 30, 2008 \$	Three months ended June 30, 2007 \$	Six months ended June 30, 2008 \$	Six months ended June 30, 2007 \$
REVENUE	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENSES				
Office and administrative expense	139,568	234,165	309,943	331,584
Management fees	48,825	176,104	97,650	224,929
Investor relations and shareholder information	18,455	28,730	26,521	44,509
Professional fees	33,860	15,815	51,197	20,815
Telephone	8,840	7,647	15,901	15,184
Travel and automobile expense	39,000	45,212	98,768	70,083
Rent	11,229	11,066	22,458	22,132
Bank charges and interest	3,817	2,189	8,726	4,177
Foreign exchange (gain)	(775)	67	8,328	(471)
Amortization	<u>2,382</u>	<u>2,153</u>	<u>4,265</u>	<u>4,306</u>
Loss before the undernoted	305,201	523,148	643,757	737,248
Interest income	(5,025)	(50,882)	(23,059)	(50,842)
Mining options granted	<u>-</u>	<u>(176,000)</u>	<u>-</u>	<u>(176,000)</u>
NET LOSS for the period	300,176	296,266	620,698	510,406
DEFICIT , beginning of period	<u>4,069,064</u>	<u>2,768,907</u>	<u>3,748,542</u>	<u>2,554,767</u>
DEFICIT , end of period	<u>4,369,240</u>	<u>3,065,173</u>	<u>4,369,240</u>	<u>3,065,173</u>
NET LOSS PER SHARE - Basic and diluted	<u>0.01</u>	<u>0.00</u>	<u>0.01</u>	<u>0.01</u>
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	<u>53,046,458</u>	<u>47,947,776</u>	<u>53,046,458</u>	<u>46,144,510</u>

Unaudited

MIDLANDS MINERALS CORPORATION
**INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS AND
ACCUMULATED OTHER COMPREHENSIVE LOSS**
FOR THE SIX MONTHS ENDED JUNE 30

	June 30, 2008 \$	June 30, 2007 \$
Net Loss for period ended June 30	620,698	510,406
Other comprehensive loss, net of tax \$360		
Unrealized loss on share investment	<u>1,640</u>	<u>-</u>
COMPREHENSIVE LOSS	<u>622,338</u>	<u>510,406</u>
Accumulated other comprehensive loss, upon adoption of new accounting standards	-	-
Other comprehensive loss	<u>1,640</u>	<u>-</u>
ACCUMULATED OTHER COMPREHENSIVE LOSS	<u>1,640</u>	<u>-</u>

Unaudited

MIDLANDS MINERALS CORPORATION
**INTERIM CONSOLIDATED STATEMENTS OF PROPERTY ACQUISITION COSTS AND DEFERRED
EXPLORATION EXPENDITURES**
FOR THE SIX MONTHS ENDED JUNE 30

	Itilima Gold & Vukene,Lwenge Kishapu,Lalago Project, Tanzania \$	Kwahu Praso Kaniago , Sian Bonuama Concession Ghana \$	Total \$
PROPERTY ACQUISITION COSTS			
Balance, December 31, 2007	528,297	890,155	1,418,452
Additions	<u>801</u>	<u>171,991</u>	<u>172,792</u>
Balance, June 30, 2008	<u>529,098</u>	<u>1,062,146</u>	<u>1,591,244</u>
DEFERRED EXPLORATION EXPENDITURES			
Balance, December 31, 2007	1,827,120	2,560,206	4,387,326
Additions during period	<u>122,001</u>	<u>790,467</u>	<u>912,468</u>
Balance June 30, 2008	<u>1,949,121</u>	<u>3,350,673</u>	<u>5,299,794</u>
TOTAL BALANCE, June 30, 2008	<u>2,478,219</u>	<u>4,412,819</u>	<u>6,891,038</u>

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

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	Three months ended June 30, 2008 \$	Three months ended June 30, 2007 \$	Six months ended June 30, 2008 \$	Six months ended June 30, 2007 \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss for the period	(300,176)	(296,266)	(620,698)	(510,406)
Add items not requiring cash:				
Stock based compensation	-	237,089	-	237,089
Amortization	<u>2,382</u>	<u>2,153</u>	<u>4,265</u>	<u>4,306</u>
	(297,794)	(57,024)	(616,433)	(269,011)
Changes in non-cash working capital balances:				
(Increase) decrease in prepaid expenses	(10,000)	-	(14,409)	1,609
(Increase) decrease in sundry receivable	(1,051)	(1,463)	(8,010)	(2,328)
(Increase) in mining companies receivable	-	(88,000)	-	(88,000)
Increase (decrease) in accounts payable and accrued liabilities	<u>143,158</u>	<u>(189,221)</u>	<u>56,604</u>	<u>(675,900)</u>
Cash flows from operating activities	<u>(165,687)</u>	<u>(335,708)</u>	<u>(582,248)</u>	<u>(1,033,630)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Short term investments	790,000	(1,450,000)	1,647,060	(1,832,261)
Purchase of equipment, net	(7,658)	-	(10,792)	-
Advances to Sika Resources	-	(13,929)	-	(13,929)
Share investments	-	(32,000)	-	(32,000)
Interest in mineral properties and deferred exploration expenditures	<u>(684,432)</u>	<u>(633,836)</u>	<u>(1,085,260)</u>	<u>(925,700)</u>
Cash flows from investing activities	<u>97,910</u>	<u>(2,129,765)</u>	<u>551,008</u>	<u>(2,803,890)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Exercise of warrants	-	185,000	-	615,350
Issuance of common shares for cash, net of costs	-	1,579,901	-	2,445,005
Issuance of warrants for cash, net of costs	-	430,548	-	431,916
Contributed surplus	<u>9,364</u>	<u>-</u>	<u>9,364</u>	<u>176,872</u>
Cash flows from financing activities	<u>9,364</u>	<u>2,195,449</u>	<u>9,364</u>	<u>3,669,143</u>
(Decrease) Increase in cash	(58,413)	(270,024)	(21,876)	(168,377)
Cash, beginning of period	<u>139,994</u>	<u>440,303</u>	<u>103,457</u>	<u>338,656</u>
Cash, end of period	<u>81,581</u>	<u>170,279</u>	<u>81,581</u>	<u>170,279</u>
SUPPLEMENTAL INFORMATION:				
Interest paid	-	-	-	-
Taxes paid	-	-	-	-
Shares issued for services during the period	-	237,089	-	237,089
Compensation options issued for services rendered	-	41,891	-	41,891
Accrued exploration expenditures	-	-	-	-

Unaudited

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, 2007. 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 financial statements. Operating results for the six-month period ended June 30, 2008 are not necessarily indicative of the results that may be expected for the full year ended December 31, 2008. For further information, see the Company's consolidated financial statements including the notes thereto for the year ended December 31, 2007.

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

3. ACCOUNTING POLICY CHANGES

On January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855, "Financial Instruments - Recognition and Measurement"; Section 3861, "Financial Instruments - Disclosure and Presentation"; Section 1530 "Comprehensive Income", Section 3865 "Hedges" and Section 1506 "Accounting Changes". Prior periods have not been restated as a result of implementing the new accounting standards.

The adoption of these standards has had no material impact on the Company's consolidated net loss or cash flows for the years ended December 31, 2007 and 2006. The other effects of the implementation of the new standards are discussed below.

a) Financial Instruments - Recognition and Measurement

CICA Handbook Section 3855 provides guidance on when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet of the Company and on what basis these assets, liabilities and derivatives should be valued. Under the new standards, financial instruments must be classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets and other financial liabilities. All financial instruments, including derivatives, are measured on the balance sheet at their fair value except loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on its initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in earnings. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive earnings until the investment is derecognized or impaired at which time the amounts would be recorded in net earnings.

With the adoption of these new standards, the Company has classified its short term investments as held for trading, share investment as available for sale, and accounts payable and accrued liabilities as other financial liabilities.

This standard requires derivative instruments to be recorded as either assets or liabilities measured at their fair value unless exempted from derivative treatment as a normal purchase and sale. Certain derivatives embedded in other contracts must also be measured at fair value. The Company has reviewed all significant contractual arrangements and determined there are no material embedded derivatives that must be separated from the host contract and fair valued and there are no non-financial derivatives that need to be fair valued.

b) Financial Instruments - Disclosure and Presentation

Revised CICA Handbook Section 3861 replaces Handbook Section 3860, Financial Instruments - Disclosure and Presentation, and establishes standards for presentation of financial instruments and non-financial derivatives, and identifies information that should be disclosed. There was no material effect on the Company's consolidated financial statements when CICA Handbook Section 3861 was adopted January 1, 2007.

c) Comprehensive Income

CICA Handbook Section 1530 establishes standards for reporting and presenting comprehensive earnings, which is defined as the change in equity from transactions and other events from non-owner sources. Accordingly, a new statement of comprehensive earnings now forms part of the Company's consolidated financial statements and displays current period net loss and other comprehensive earnings. The cumulative changes in other comprehensive loss are included in accumulated other comprehensive loss, which is a new category within shareholders equity in the consolidated balance sheet.

3. ACCOUNTING POLICY CHANGES (Continued)

d) Hedges

CICA Handbook Section 3865 specifies circumstances under which hedge accounting is permissible and how hedge accounting may be performed. The Company currently does not have any hedges.

e) Accounting Changes

CICA Handbook Section 1506, "Accounting Changes" establishes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates, and the correction of errors. It includes the disclosure, on an interim and annual basis, of a description and the impact on our financial results of any new primary source of GAAP that has been issued but is not yet effective. The Company has determined that there is no material impact on the consolidated financial statements from the adoption of Handbook Section 1506.

f) Equity

As a result of the issuance of guidance on financial instruments accounting, the CICA issued an amended accounting standard regarding Equity ("Section 3251"), which replaces Section 3250, Equity. The standard requires companies to disclose the impact of the new financial instruments accounting on equity within the Consolidated Balance Sheets and the Consolidated Statements of Retained Earnings. The standard requires prospective application and was effective for the Company's first quarter of fiscal 2007. The Company applied the new accounting standard at the beginning of its current fiscal year.

Future Accounting Standards

g) Going Concern

In June 2007, the CICA issued amendments to Section 1400, "General Standards of Financial Statement Presentation" to include requirements to assess and disclose an entity's ability to continue as a going concern. The amendments are effective for interim and annual financial statements beginning on or after January 1, 2008. The Company will apply the new amendments at the beginning of its fiscal year and does not expect the implementation to have a significant impact on the Company's results of operations, financial position or disclosures.

h) International Financial Reporting Standards

In February 2008, the Accounting Standards Board (AcSB) confirmed that Canadian public companies will have to adopt International Financial Reporting Standards (IFRS) effective for years beginning on or after January 1, 2011. The Company is currently evaluating the impact this new framework will have on its consolidated financial statements

i) Inventories

In June 2007, the CICA issued Handbook Section 3031 "Inventories", which requires inventory to be measured at the lower of cost and net realizable value and includes guidance on the determination of cost, including allocation of overheads and other costs to inventory. Further, it requires the reversal of previous write downs to net realizable value when the economic circumstances have changed to support an increased inventory value. This standard is effective for years beginning on or after January 1, 2008. The Company is in the process of evaluating the impact of this standard.

3. ACCOUNTING POLICY CHANGES (Continued)

Future Accounting Standards (Continued)

j) Capital Disclosures

In December 2006, the CICA issued Handbook Section 1535 "Capital Disclosures". This section establishes criteria for disclosure of i) an entity's objectives, policies and processes for managing capital; ii) quantitative data about what the entity regards as capital; iii) whether the entity has complied with any capital requirements; and iv) if it has not complied, the consequences of such non-compliance. Section 1535 applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Company is in the process of evaluating the impact of this standard.

k) Financial Instruments - Disclosure and Presentation

The Company will be required to adopt two new accounting standards concerning financial instruments: "Financial Instruments - Disclosures" ("Section 3862") and "Financial Instruments - Presentation" ("Section 3863"). These standards were issued in December 2006 and will replace Section 3861, "Financial Instruments, Disclosure and Presentation". The new disclosure standard increases the emphasis on the risk associated with financial instruments and how those risks are managed. The new presentation standard carries forward the former presentation requirements under the existing Section 3861. The standards are effective for interim and annual financial statements for fiscal years beginning on or after October 1, 2007. The Company will apply the new accounting standards at the beginning of its 2008 fiscal year with the impact being limited to the Company's disclosures, with no impact on the Company's results of operations or financial position.

4. EQUIPMENT

	<u>Cost</u>	<u>Accumulated Amortization</u>	June 30, 2008 <u>Net</u>	December 31, 2007 <u></u>
	\$	\$	\$	\$
Computer equipment	27,951	14,950	13,001	7,040
Office equipment	41,082	18,493	22,589	21,983
Field equipment	<u>999</u>	<u>643</u>	<u>356</u>	<u>396</u>
	<u>70,032</u>	<u>34,086</u>	<u>35,946</u>	<u>29,419</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 contiguous prospecting licenses registered under the name of the Itilima Mining Company, and Midlands Minerals Tanzania Limited, both subsidiary Tanzanian corporations. 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 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.

5. INTEREST IN MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES(continued)

a) TANZANIA(continued)

New Kilindi Concession

Through its subsidiary, Midlands Minerals (Tanzania) Limited, the Company held a 2,700 square kilometre reconnaissance licence granted July 14, 2005 (the "New Kilindi Project") and valid until July 14, 2007, renewable thereafter as a prospecting 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 agreed to spend US\$2,500,000 in work programs on the New Kilindi property, and pay the Company US\$50,000 over a one-year period and issue 100,000 common shares of Canaco to earn a 60% interest in the property. Canaco had the option to acquire an additional 15% interest in the property by bringing the project to a bankable feasibility study stage. To date the Company has received US\$50,000 and 100,000 shares.

On August 13, 2007, Midlands reapplied for mineral rights for the New Kilindi project. The New Kilindi reconnaissance licence. One block of 200 square kilometres was approved as PL 4781/07 and this has been transferred to Canaco under an amended agreement due to undue delays in getting the other applications through on the part of the Tanzania Ministry of Energy and Minerals which is undergoing internal re-organization. The Company transferred that one licence of the New Kilindi gold property during 2008 in recognition of the monies and shares received by Midlands from Canaco to date.

The other applications are still pending as of the day of this report and Midlands has agreed to give Canaco an option on the pending applications upon approval. Midlands held 100% ownership of the licenses relating to the New Kilindi Gold Project through Midlands Minerals TZ Limited ("**Midlands Tanzania**"), a wholly owned subsidiary of Midlands.

Vukene Property

The Company paid US\$7,523 in license fees for Prospecting Licence PLR 4079/7 on February 14, 2007. The Company holds an interest in a 752.30 square kilometre reconnaissance licence which is valid for a period of two years and renewable thereafter as a prospecting licence.

Lwenge Project

The Company acquired the Lwenge property in Tanzania on October 19, 2007 and paid US\$10,000 for prospecting licence PL 3212/2005. The Company holds a 25.73 square kilometre prospecting licence valid until May 1, 2008. The company owns 90% of the licence. The Company re-applied for the prospecting licence, and the renewal application is currently being processed.

Kishapu and Lalago Projects

The company paid US\$7,500 on November 8, 2007 for application PL 2864 (Kishapu) which is 24.94 square kilometres in size and PL 2865 (Lalago) which is 154.30 square kilometres in size. The Company was informed in May 2008 that the applications have been approved. As at June 30, 2008, the prospecting licences are pending.

5. **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 and as part of the agreement, the Company agreed to pay to a maximum amount of US\$2,000,000, based on cash flow, monies owed to certain farmers around the Sian property and certain Sian workers who were owed money. The money, which is payable directly to affected farmers and affected Sian workers, is intended to ensure that the Company can proceed to conduct exploration on the Sian property without hindrance from the local community. The funds cover such things as payments to farmers for crop compensation, and past due payments to some of Sian's former workers that are being hired by the Company for current exploration activities. The local communities around the Sian property form the labour pool for the Company's exploration activities. 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.

During the year, the Company was released by Sian from its obligations to fund Sian's obligations to its creditors as stated in the agreement signed on August 23, 2006. The Company will utilize its resources to develop and fund the exploration activities on the Sian property on an ongoing basis.

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 of Midlands Minerals Corporation, 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 holds an 80% interest in the concession and will cover all exploration costs until such time as a National Instrument 43-101 compliant 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 or Midlands may elect to dilute their interest.

Midlands has the right to buy Enkaakyiri's 20% interest at any time and Enkaakyiri may elect to sell its 20%, or portion thereof, with the sale price being determined by the resources defined at the time of sale. Midlands has the first right of refusal. 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% carried 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.

5. **INTEREST IN MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES**(continued)

b) **GHANA**(continued)

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 subsidiary company - Midlands Minerals Ghana Limited. The Company has a prospecting license, which is valid for a period of three years until February 2009.

Bonuama Property

The Company acquired the Bonuama property in Ghana on June 7, 2008 which is 150 squares kilometres in size and paid US\$20,000 first instalment. The Company has two more instalments to make until June 6, 2009 for a total purchase price of US\$65,000

6. **CAPITAL STOCK**
Authorized

Unlimited common shares

Shares Issued and Outstanding :

	Number of Common Shares	Amount (\$)
Balance of Capital stock as at December 31, 2007 and March 31, 2008 and June 30, 2008	<u>53,046,458</u>	<u>8,098,340</u>

Warrants

As at June 30, 2008, the following warrants were granted and outstanding:

	Number of Warrants	Weighted Average Exercise Price \$	Value \$
Outstanding at beginning December 31, 2007	21,515,412	0.46	2,359,490
Warrants Expired	<u>(15,729,212)</u>	0.45	<u>(1,551,302)</u>

Balance, June 30, 2008 5,786,200 0.45 808,188

6. CAPITAL STOCK(continued)

As at June 30, 2008, the following warrants were outstanding:

<u>Date Granted</u>	<u>Warrants Granted #</u>	<u>Exercise Price \$</u>	<u>Expiry Date</u>
January 11, 2007	2,164,100	0.45	July 11, 2008 *
June 14, 2007	<u>3,622,100</u>	<u>0.50</u>	December 14, 2008
	<u>5,786,200</u>	<u>0.47</u>	

* Expired July 11, 2008

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>Options Granted</u>	<u>Weighted Average Exercise Price</u>
	\$	\$
Balance, December 31, 2007	4,257,044	
Granted	<u>250,000</u>	
	<u>4,507,044</u>	<u>0.34</u>

As at June 30, 2008, 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
June 22, 2005	228,600	0.43	June 22, 2010
August 17, 2006	1,075,000	0.45	August 9, 2011
April 4, 2007	896,019	0.45	April 4, 2012
April 16, 2008	<u>250,000</u>	<u>0.40</u>	April 15, 2010

Unaudited

	<u>4,507,044</u>	<u>0.34</u>	
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6. CAPITAL STOCK(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 with the following assumptions: risk-free interest rate 4.2%, expected dividend yield of 0%, expected stock price volatility 114%, and expected option life of five years. The stock options which vest immediately upon grant, were assigned a value of \$254,912.

On April 16, 2008 the Company granted 250,000 stock options to Agoracom Investor Relations Corp. exercisable at \$0.40 per share until april 15, 2010. The fair value of the stock options was estimated on the date of grant using Black-Scholes optins pricing model with the following assumptions: risk-free interest rate 0.0263% expected dividend yield of 0%, expected stock price volatility 1.1845% and expected option life of two years will vest in equal quarter amounts and stages over the next twelve months. The stock options were assigned a value of \$9,364 for its 1st Quarter.

Contributed Surplus

	<u>Amount</u>
	\$
Balance, December 31, 2007	1,022,089
Warrants Expired March 20, 2008	1,551,302
Stock Based Compensation	<u>9,364</u>
	<u>2,582,755</u>

7. RELATED PARTY TRANSACTIONS

During the period ended June 30, 2008, management fees totaling \$97,650 (June 30, 2007 - \$224,929 includes of \$127,279 stock based compensation) 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, 2008, was Nil (December 31, 2007- \$31,200) 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.

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.

For further information about the Company's losses for tax purposes, refer to the audited December 31, 2007 Consolidated Financial Statements. The benefits of these losses and the estimated loss for the period are not recognized in these interim financial statements.

9. SUBSEQUENT EVENTS

Subsequent to the Second Quarter ended June 30, 2008, on July 10, 2008, the Company granted options to a consultant to purchase 100,000 common shares at \$0.40. The options, which are subject to the approval of the TSX Venture Exchange and will expire on July 10, 2013.

Subsequent to June 30, 2008 The Company paid US\$25,000 to obtain a new property PL 5068/2008 in the Handeni District in Tanzania (Tamota property) which is 175 square kilometres in size. The licence was transferred to Midlands on July 23, 2008.