

**MIDLANDS MINERALS CORPORATION**  
**(A DEVELOPMENT STAGE ENTERPRISE)**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**For the Nine Months Ended September 30, 2006**

**Unaudited**

**MIDLANDS MINERALS CORPORATION**  
**(A DEVELOPMENT STAGE ENTERPRISE)**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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**Unaudited**

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Unaudited

MIDLANDS MINERALS CORPORATION  
(A DEVELOPMENT STAGE ENTERPRISE)  
**CONSOLIDATED INTERIM BALANCE SHEETS**  
**AS AT**

	Sept 30, 2006 \$	December 31, 2005 \$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	74,273	11,898
Short term investments	1,714,250	101,616
Prepaid expenses	10,443	7,131
Sundry receivable	<u>7,596</u>	<u>5,119</u>
	1,806,562	125,764
<b>ADVANCES TO SIKA RESOURCES INC.</b> (Note 3)	6,541	6,541
<b>DEFERRED COSTS</b> (Note 4)	0	10,000
<b>EQUIPMENT</b> (Note 5)	36,181	18,507
<b>INTEREST IN MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES</b> (Note 6 and Statement)	<u>2,179,904</u>	<u>1,699,627</u>
	<u>4,029,188</u>	<u>1,860,439</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities (Note 8)	239,905	143,648
<b>NON-CONTROLLING INTEREST</b>	<u>36,125</u>	<u>36,125</u>
	<u>276,030</u>	<u>179,773</u>
<b>SHAREHOLDERS' EQUITY</b>		
<b>CAPITAL STOCK</b> (Note 7)	4,112,583	2,562,266
<b>WARRANTS</b> (Note 7)	1,292,115	257,355
<b>CONTRIBUTED SURPLUS</b> (Note 7)	590,305	401,786
<b>(DEFICIT)</b>	<u>(2,241,845)</u>	<u>(1,540,741)</u>
	<u>3,753,158</u>	<u>1,680,666</u>
	<u>4,029,188</u>	<u>1,860,439</u>
<b>GOING CONCERN</b> (Note 1)		
<b>COMMITMENTS</b> (Note 10)		
APPROVED ON BEHALF OF THE BOARD:		
<i>Original signed by Kim F. Harris, Director</i>		
<i>Original signed by Karl Schmed, Director</i>		

Unaudited

MIDLANDS MINERALS CORPORATION  
(A DEVELOPMENT STAGE ENTERPRISE)  
**INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**  
FOR THE

	Three months ended Sept 30, 2006 \$	Three months ended Sept 30,2005 \$	Nine months ended Sept 30,2006 \$	Nine months ended Sept 30,2005 \$
<b>EXPENSES</b>				
Stock-based compensation (Note 7)	188,519	86,000	188,519	172,000
Office and administrative expense	77,369	19,966	159,645	81,938
Management fees	46,500	28,890	127,043	78,100
Investor relations and shareholder information	1,589	3,257	6,412	26,238
Consulting fees	-	650	5,920	17,986
Professional fees	29,874	(2,683)	47,002	28,347
Telephone	5,768	2,968	14,033	7,536
Travel and automobile expense	36,166	22,687	102,780	41,006
Rent	10,944	3,600	18,144	10,800
Bank charges and interest	1,724	(320)	6,264	2,164
Transfer agent and filing fees	7,131	466	42,774	7,016
Foreign exchange (gain) loss	(643)	137	(917)	(1,007)
Amortization	<u>2,342</u>	<u>1,514</u>	<u>5,188</u>	<u>4,205</u>
Net loss from operations	407,283	167,132	722,807	476,329
Interest Income	<u>(16,874)</u>	<u>-</u>	<u>(21,703)</u>	<u>-</u>
<b>NET LOSS</b> for the period	390,409	167,132	701,104	476,329
<b>DEFICIT</b> , beginning of period	<u>1,851,436</u>	<u>1,017,202</u>	<u>1,540,741</u>	<u>708,005</u>
<b>DEFICIT</b> , end of period	<u>2,241,845</u>	<u>1,184,334</u>	<u>2,241,845</u>	<u>1,184,334</u>
<b>NET LOSS PER SHARE</b> - Basic and diluted	<u>0.01</u>	<u>0.01</u>	<u>0.02</u>	<u>0.02</u>
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b>	<u>34,964,668</u>	<u>23,460,503</u>	<u>31,636,189</u>	<u>22,332,447</u>

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MIDLANDS MINERALS CORPORATION  
(A DEVELOPMENT STAGE ENTERPRISE)

**INTERIM CONSOLIDATED STATEMENT OF PROPERTY ACQUISITION COSTS AND DEFERRED  
EXPLORATION EXPENDITURES**  
FOR THE PERIOD ENDED SEPTEMBER 30, 2006

	Itilima Gold & New Kilindi Project, Tanzania \$	Kwahu Praso Kaniago & Sian Concession, Ghana \$	Total \$
<b>PROPERTY ACQUISITION COSTS</b>			
Balance, December 31, 2005	496,713	46,511	543,224
Option Payment	<u>1,315</u>	<u>-</u>	<u>1,315</u>
Balance, September 30, 2006	<u>498,028</u>	<u>46,511</u>	<u>544,539</u>
<b>DEFERRED EXPLORATION EXPENDITURES</b>			
Balance, December 31, 2005	<u>924,873</u>	<u>231,530</u>	<u>1,156,403</u>
Additions during period			
Geological consulting	27,552	156,455	184,007
Lab costs	112,565	5,860	118,425
Licences and permits	33,137	17,250	50,387
Legal Fees	6,197	2,280	8,477
Travel/Meals	21,333	38,896	60,229
Field/Supplies	6,563	1,284	7,847
Field/Truck Rental	5,549	3,150	8,699
Field/Office	15,189	2,786	17,975
Management Salary	<u>11,458</u>	<u>11,458</u>	<u>22,916</u>
Total Additions during the period	<u>239,543</u>	<u>239,419</u>	<u>478,962</u>
Balance, September 30, 2006	<u>1,164,416</u>	<u>470,949</u>	<u>1,635,365</u>
<b>TOTAL BALANCE, September 30, 2006</b>	<b><u>1,662,444</u></b>	<b><u>517,460</u></b>	<b><u>2,179,904</u></b>

Unaudited

MIDLANDS MINERALS CORPORATION  
(A DEVELOPMENT STAGE ENTERPRISE)  
**CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
FOR THE PERIODS ENDED SEPTEMBER 30

	Three months ended Sept 30, 2006	Three months ended Sept 30, 2005	Nine months ended Sept 30, 2006	Nine months ended Sept 30, 2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net (loss) for the period	(390,409)	(167,132)	(701,104)	(476,329)
Add items not requiring cash:				
Stock option compensation cost	188,519	86,000	188,519	172,000
Amortization	<u>2,342</u>	<u>1,514</u>	<u>5,188</u>	<u>4,205</u>
	(199,548)	(79,618)	(507,397)	(300,124)
<b>Changes in non-cash working capital balances:</b>				
Decrease (increase) in prepaid expenses	3,956	3,978	(3,312)	14,464
Decrease (increase) in sundry receivable	2,093	5,734	(2,477)	1,153
Increase (decrease) in accounts payable and accrued liabilities	<u>69,743</u>	<u>(15,514)</u>	<u>96,257</u>	<u>(200,780)</u>
Cash flows from operating activities	<u>(123,756)</u>	<u>(85,420)</u>	<u>(416,929)</u>	<u>(485,287)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Short term investments	427,058	-	(1,612,634)	-
Purchase of equipment, net	(11,732)	(1,789)	(22,863)	(7,054)
Interest in mineral properties and deferred exploration expenditures	<u>(268,352)</u>	<u>(94,908)</u>	<u>(480,277)</u>	<u>(152,282)</u>
Cash flows from investing activities	<u>146,974</u>	<u>(96,697)</u>	<u>(2,115,774)</u>	<u>(159,336)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Deferred costs	-	-	10,000	45,234
Exercise of warrants	-	-	1,850	-
Issuance of common shares for cash, net of costs	1,350	-	1,663,956	769,320
Issuance of warrants for cash, net of costs	<u>759</u>	<u>-</u>	<u>919,272</u>	<u>-</u>
Cash flows from financing activities	<u>2,109</u>	<u>-</u>	<u>2,595,078</u>	<u>814,554</u>
Increase (Decrease) in cash	25,327	(182,117)	62,375	169,931
Cash, beginning of period	<u>48,946</u>	<u>438,443</u>	<u>11,898</u>	<u>86,395</u>
Cash, end of period	<u>74,273</u>	<u>256,326</u>	<u>74,273</u>	<u>256,326</u>
<b>SUPPLEMENTARY INFORMATION:</b>				
Interest paid	-	-	-	-
Taxes paid	-	-	-	-
Shares issued for services during the period	-	-	-	10,000
Compensation options issued for services rendered	-	-	178,187	31,100
Accrued exploration expenditures	113,131	-	113,131	-

Unaudited

MIDLANDS MINERALS CORPORATION  
(A DEVELOPMENT STAGE ENTERPRISE)  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
FOR THE PERIODS ENDED SEPTEMBER 30, 2006

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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, 2005. 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 nine-month period ended September 30, 2006 are not necessarily indicative of the results that may be expected for the full year ended December 31, 2006. For further information, see the Company's consolidated financial statements including the notes thereto for the year ended December 31, 2005.

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

MIDLANDS MINERALS CORPORATION  
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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
FOR THE PERIODS ENDED SEPTEMBER 30, 2006

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**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.

**4. DEFERRED COSTS**

During the period ended September 30, 2006, deferred costs totalling \$10,000 relating to professional fees, were written off as share issue costs.

**5. EQUIPMENT**

	<u>Cost</u>	<u>Accumulated Amortization</u>	Sept 30, 2006 <u>Net</u>	December 31, <u>2004</u>
	\$	\$	\$	\$
Computer equipment	17,890	9,064	8,826	8,756
Office equipment	35,879	9,050	26,829	9,132
Field equipment	<u>999</u>	<u>473</u>	<u>526</u>	<u>619</u>
	<u>54,768</u>	<u>18,587</u>	<u>36,181</u>	<u>18,507</u>

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

**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 Limited, 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.

**New Kilindi Concession**

The Company also has a 2,700 square kilometre reconnaissance licence valid until July 13, 2007 on the New Kilindi property and renewable thereafter as a prospecting license. The Company owns 100% of the license.

**GHANA**

**Kwahu Praso**

Midenka Resources Limited which is 80% owned by the Company, holds title to the Kwahu Praso property 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. The Kwahu Praso prospecting licence is in the process of renewal and the Company has received a letter from the Ghana Minerals Commission to the effect that the renewal has been approved.

MIDLANDS MINERALS CORPORATION  
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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
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**6. INTEREST IN MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (Continued)**

**Kaniago Concession**

The Company was granted a reconnaissance license in June 2005, for the Kaniago Concession consisting of 45.14 sq.km. The Government of Ghana holds the right to a statutory 10% free-carried interest. The licence is in the process of being changed to a prospecting licence and the Company has received a letter from the Ghana Minerals Commission indicating the licence has been approved.

**Sian Property**

On August 23, 2006, the Company signed an agreement with Sian Goldfields Limited ("Sian"), whereby the Company will have a 65% interest in the mineral assets of Sian in exchange for the assumption of outstanding Sian liabilities of up to US\$2,000,000. 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 transferred in to Akroma Gold Company Limited, a Ghanaian company in which Midlands holds a 65% interest.

**7. CAPITAL STOCK**

**Authorized**

Unlimited common shares

On March 21, 2006 the Company issued 11,498,000 units at \$0.25 per unit for gross proceeds of \$2,874,500 (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 \$0.35 per share if exercised during the first year from the date of issue and at an exercise price of \$0.45 per share if exercised during the second year from the date of issue for a period of two years.

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 100%, expected risk free interest rate of 3.6% and an expected life of 2 years.

**Shares Issued and Outstanding :**

	Number of Common Shares	Amount (\$)
<b>Balance of Capital stock as at December 31, 2005</b>	<b>23,460,503</b>	<b>2,562,266</b>
Issued for cash	11,498,000	1,850,369
Share issue costs	-	(302,177)
Warrants Exercised	6,165	2,125
<b>Balance, September 30, 2006</b>	<b>34,964,668</b>	<b>4,112,583</b>

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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
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7. **CAPITAL STOCK (continued)**

**Warrants**

As at September 30, 2006, the following warrants were granted and outstanding:

	Number of Warrants	Weighted Average Exercise Price \$	Value \$
<b>Outstanding at beginning December 31, 2005</b>	<b>7,180,518</b>	<b>0.29</b>	257,355
Issued during the period for cash	11,498,000	0.40	856,848
Exercised	(6,165)	(0.30)	(275)
Issued during the period for services	<u>919,840</u>	0.40	<u>178,187</u>
<b>Balance, September 30, 2006</b>	<b><u>19,592,193</u></b>	<b>0.33</b>	<u>1,292,115</u>

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

Date Granted	Warrants Granted	Exercise Price	Expiry Date
May 28, 2004	1,334,233	0.43	April 4, 2007
October 20, 2004	93,255	0.43	April 4, 2007
October 25, 2004	183,780	0.43	April 4, 2007
March 23, 2005	5,043,835	0.30	March 23, 2007
March 23, 2005	500,000	0.20	March 23, 2007
March 31, 2005	1,750	0.20	March 31, 2007
April 1, 2005	17,500	0.30	March 31, 2007
March 20, 2006	10,498,000	0.35 & 0.45	March 20, 2008
March 21, 2006	919,840	0.35 & 0.45	March 21, 2008
March 22, 2006	<u>1,000,000</u>	0.35 & 0.45	March 22, 2008
<b>Balance, September 30, 2006</b>	<b><u>19,592,193</u></b>		

**Warrant Extension**

On March 23, 2006, the TSX Venture Exchange approved the extension of 1,334,233 warrants which were issued to Midlands shareholders on May 28, 2004 pursuant to a private placement on May 28, 2004 and prior to Midlands Minerals becoming a public listed company. These warrants were issued at \$0.43 and they are due to expire on May 28, 2006. They have been extended to April 4, 2007. None of these warrants are held by insiders.

**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.

MIDLANDS MINERALS CORPORATION  
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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
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**7. CAPITAL STOCK (continued)**

A summary of changes in options during the years indicated is as follows.

	<u>Options Granted</u>	<u>Weighted Average Exercise Price</u>
		\$
Balance, December 31, 2005	2,346,025	0.23
Options Granted August 18, 2006	<u>1,125,000</u>	<u>0.30</u>
Balance as at September 30, 2006	<u>3,471,025</u>	<u>0.25</u>

As at September 30, 2006, 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	1,876,825	0.20	June 22, 2010
June 22, 2005	234,600	0.30	June 22, 2010
June 22, 2005	234,600	0.43	June 22, 2010
August 18, 2006	<u>1,125,000</u>	0.45	August 9, 2011
	<u>3,471,025</u>		

On August 18, 2006, the Company granted 1,125,000 stock options to directors, officers, and consultants of the Company, exercisable at \$0.45 per share until August 9, 2011. The fair value of the stock options described above was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate 2%, expected dividend yield of Nil, expected stock price volatility 100%, and expected option life of five years. The compensation expense was amortized on a straight-line basis over the vesting period.

**Contributed Surplus**

	\$
Balance, December 31, 2005	401,786
Stock option compensation, issued August 18, 2006	<u>188,519</u>
Balance, September 30, 2006	<u>590,305</u>

**8. RELATED PARTY TRANSACTIONS**

During the nine month period ended September 30, 2006, management fees totaling \$127,043 (September 30, 2005 - \$78,100) were paid or accrued to a director who is also an officer of the Company. Included in accounts payable and accrued liabilities as at September 30, 2006, was Nil (December 31, 2005 - \$26,535) due to this individual which includes accrued management fees and amounts owing for certain expenditures incurred by the individual on behalf of the Company.

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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
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**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.

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, 2005 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 a property lease with Amexon Property Management Inc. for the rental of office space at the rate of approximately \$40,000 per year. The lease is effective July 2006 and is for a three year period.

**11. SUBSEQUENT EVENTS**

**1. Sian Goldfields Limited**

On November 10, 2006, the Government of Ghana and the Minerals Commission transferred the Sian Mining lease and open pit gold mines from Sian Goldfields Limited to Akroma Gold Company Limited. Midlands holds a 65% interest in Akroma. 35% is held by Sian Goldfields Limited.

**2. Itilima Property**

The Company commenced Diamond Core Drilling on the Itilima Property on October 26, 2006. The contracted drilling team is Stanley Mining Services (T) Limited. 10 holes at a depth of 150 metres per hole are planned.

**3. Private Placement**

The Company has engaged D & D Securities Company and Haywood Securities Inc. to assist it in raising up to Cdn. \$3,000,000 through a brokered private placement. It is proposed that the Company will offer up to 10,000,000 units at a price of Cdn. \$0.30 unit, with each unit consisting 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 Cdn. \$0.45 per share for a period of eighteen months from the closing date. The private placement is expected to close on or about November 30, 2006.