

MIDLANDS MINERALS CORPORATION
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the Three Months Ended March 31, 2006
Unaudited

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Unaudited

MIDLANDS MINERALS CORPORATION
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED INTERIM BALANCE SHEETS
AS AT MARCH 31

	March 31, 2006 \$	December 31, 2005 \$
ASSETS		
CURRENT		
Cash	342,643	11,898
Short Term investments	2,150,000	101,616
Prepaid expenses	4,374	7,131
Sundry receivable	<u>6,647</u>	<u>5,119</u>
	2,503,664	125,764
ADVANCES TO SIKA RESOURCES INC. (Note 3)	6,541	6,541
DEFERRED COSTS (Note 4)	0	10,000
EQUIPMENT (Note 5)	17,363	18,507
INTEREST IN MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (Note 6 and Statement)	<u>1,799,148</u>	<u>1,699,627</u>
	<u>4,326,716</u>	<u>1,860,439</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 8)	144,342	143,648
NON-CONTROLLING INTEREST	<u>36,125</u>	<u>36,125</u>
	<u>180,467</u>	<u>179,773</u>
CAPITAL STOCK AND DEFICIT		
CAPITAL STOCK (Note 7)	4,116,368	2,562,266
WARRANTS (Note 7)	1,294,245	257,355
CONTRIBUTED SURPLUS (Note 7)	401,786	401,786
(DEFICIT)	<u>(1,666,150)</u>	<u>(1,540,741)</u>
	<u>4,146,249</u>	<u>1,680,666</u>
	<u>4,326,716</u>	<u>1,860,439</u>

GOING CONCERN (Note 1)

APPROVED ON BEHALF OF THE BOARD:

Signed "Kim F. Harris", Director

Unaudited

MIDLANDS MINERALS CORPORATION
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED INTERIM BALANCE SHEETS
AS AT MARCH 31
Signed "Edward A. Harris", Director

**INTERIM CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT
FOR THE PERIODS ENDED MARCH 31**

	2006 \$	2005 \$
EXPENSES		
Office and administrative expense	42,127	18,188
Management fees	34,043	24,000
Investor relations and shareholder information	4,823	4,343
Consulting fees	3,680	2,708
Professional fees	2,000	6,382
Telephone	2,497	1,456
Travel and automobile expense	22,323	6,304
Rent	3,600	3,600
Bank charges and interest	2,472	2,660
Transfer agent and filing fees	6,700	375
Foreign exchange (gain)	-	(1,145)
Amortization	<u>1,144</u>	<u>1,311</u>
Net loss from operations	125,409	70,182
Transaction costs	<u>-</u>	<u>-</u>
NET LOSS for the period	125,409	70,182
DEFICIT , beginning of period	<u>1,540,741</u>	<u>708,005</u>
DEFICIT , end of period	<u>1,666,150</u>	<u>778,187</u>
NET LOSS PER SHARE - Basic and diluted	<u>0.00</u>	<u>0.00</u>
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	<u>24,868,280</u>	<u>20,082,169</u>

Unaudited

**INTERIM CONSOLIDATED STATEMENT OF PROPERTY ACQUISITION COSTS AND DEFERRED
EXPLORATION EXPENDITURES
FOR THE PERIOD ENDED MARCH 31 2006**

	Itilima Gold & New Kilindi Project, Tanzania \$	Kwahu Praso Kaniago & Sian Concession Ghana \$	Total \$
PROPERTY ACQUISITION COSTS			
Balance, December 31, 2005 and March 31, 2006	<u>496,713</u>	<u>46,511</u>	<u>543,224</u>
DEFERRED EXPLORATION EXPENDITURES			
Balance, December 31, 2005	<u>924,873</u>	<u>231,530</u>	<u>1,156,403</u>
Additions during period			
Geological consulting	1,610	67,132	68,742
Travel		13,931	13,931
Field Supplies	3,136	-	3,136
Rent	8,286	-	8,286
Legal	2,455	1,171	3,626
Exploration	-	<u>1,800</u>	<u>1,800</u>
Total Additions during period	<u>15,487</u>	<u>84,034</u>	<u>99,521</u>
Balance, March 31, 2006	<u>940,360</u>	<u>315,564</u>	<u>1,255,924</u>
TOTAL BALANCE, March 31, 2006	<u>1,437,073</u>	<u>362,075</u>	<u>1,799,148</u>

MIDLANDS MINERALS CORPORATION
(A DEVELOPMENT STAGE ENTERPRISE)
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED MARCH 31

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	2006	2005
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) for the period	(125,409)	(70,182)
Add items not requiring cash:		
Amortization	<u>1,144</u>	<u>1,311</u>
	(124,265)	(68,871)
Changes in non-cash working capital balances:		
Decrease in prepaid expenses	2,757	5,200
(Increase) in Sundry receivable	(1,528)	(6,597)
Decrease (increase) in accounts payable and accrued liabilities	<u>694</u>	<u>(125,400)</u>
Cash flows from operating activities	<u>(122,342)</u>	<u>(195,668)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Short Term Investments	(2,048,384)	-
Purchase of equipment, net	-	(3,870)
Interest in mineral properties and deferred exploration expenditures	<u>(99,521)</u>	<u>(35,302)</u>
Cash flows from investing activities	<u>(2,147,905)</u>	<u>(39,172)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Deferred costs	10,000	45,234
Exercise of warrants	1,850	-
Issuance of common shares for cash, net of costs	1,667,742	770,820
Issuance of warrants for cash, net of costs	<u>921,400</u>	
Cash flows from financing activities	<u>2,600,992</u>	<u>816,054</u>
(Decrease) increase in cash	330,745	581,214
Cash, beginning of year	<u>11,898</u>	<u>86,395</u>
Cash, end of period	<u>342,643</u>	<u>667,609</u>
SUPPLEMENTAL INFORMATION:		
Interest paid	-	-
Taxes paid	-	-
Shares issued for services during the period	-	10,000
Compensation options issued for services rendered	178,187	31,100

Unaudited

1. NATURE OF OPERATIONS

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 financial statements. Operating results for the three-month period ended March 31, 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.

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 March 31, 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>	March 31, 2005 <u>Net</u>	December 31, 2005 <u>2005</u>
	\$	\$	\$	\$
Computer equipment	15,685	7,585	8,100	8,756
Office equipment	15,222	6,547	8,675	9,132
Field equipment	<u>999</u>	<u>411</u>	<u>588</u>	<u>619</u>
	<u>31,906</u>	<u>14,543</u>	<u>17,363</u>	<u>18,507</u>

6. INTEREST IN MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

Itilima Gold Project and New Kilindi Concession 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 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.

During the year ended December 31, 2005, the Company was granted a prospecting licence and mineral rights in Tanzania for the New Kilindi Area Concession consisting of 2,702 square kilometres. The license is valid until July 13, 2007 and thereafter renewable. The Company was also granted a prospecting license on May 2, 2005 in the Shinyanga district in Tanzania. The new license is contiguous to the Company’s PL 1406/99 and is valid until May 4, 2008.

Kwahu Praso and Kaniago Concession, Ghana

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. In addition, the Company was granted a prospecting 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.

Sian Property, Ghana

On November 1, 2005, the Company entered into an agreement with Sian Goldfields Limited ("Sian"), whereby the Company will have a 78% interest in the mineral assets of Sian in exchange for the assumption of outstanding Sian liabilities of up to US\$1,000,000. The Sian mineral property covers approximately 50 sq.km. and is contiguous to the Company's Kwahu Praso property. The Government of Ghana will retain a statutory 10% free-carried interest in the Sian property. Discussions with Sian are in progress.

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 (\$)
Balance of Capital stock as at December 31, 2005	23,460,503	2,562,266
Issued for cash	11,498,000	1,850,369
Share issue costs	-	(298,392)
Warrants Exercised	6,165	2,125
Balance, March 31, 2006	34,964,668	4,116,368

Warrants

As at March 31, 2006, the following warrants were granted and outstanding:

	Number of Warrants	Weighted Average Exercise Price	Value
		\$	\$
Outstanding at beginning December 31, 2005	7,180,518	0.29	257,355
Issued during the period for cash	11,498,000	0.40	858,978
Exercised	(6,165)		(275)
Issued during the period for services	919,840	0.40	178,187
Balance, March 31, 2006	19,592,193	0.33	1,294,245

**NOTES TO THE INTERIM CONSOLIDATED STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2006**

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

<u>Date Granted</u>	<u>Warrants Granted</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
January 15, 2004	525,000	0.43	April 4, 2007
June 1, 2004	809,233	0.43	April 4, 2007
October 24, 2004	277,035	0.43	March 23, 2007
March 23, 2005	5,061,335	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
March 20, 2006	11,498,000	0.35 & 0.45	March 20, 2007 & 2008
March 20, 2006	919,840	0.35 & 0.45	March 20, 2007 & 2008
Balance, March 31, 2005	<u>19,592,193</u>		

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 during the years indicated is as follows.

	<u>Options Granted</u>	<u>Weighted Average Exercise Price</u>
	\$	\$
Balance, December 31, 2005 and March 31, 2006	<u>2,346,050</u>	0.23

As at March 31, 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	1,876,840	0.20	June 22, 2010
June 22, 2005	234,605	0.30	June 22, 2010
June 22, 2005	<u>234,605</u>	<u>0.43</u>	June 22, 2010
	<u>2,346,050</u>	<u>0.23</u>	

On June 22, 2005, the Company granted 2,346,050 stock options to directors, officers, and consultants of the Company, exercisable at \$0.20, \$0.30, and \$0.43 per share until June 22, 2010. The fair value of the stock options described above was estimated on the date of grant using the Black-Scholes option pricing model.

8. RELATED PARTY TRANSACTIONS

During the period ended March 31, 2006, management fees totaling \$34,043 (March 31, 2005- \$24,000) were paid or accrued to a director who is also an officer of the Company. Included in accounts payable and accrued liabilities as at March 31, 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.

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.

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. SUBSEQUENT EVENTS

1. The Annual General Meeting of Shareholders

On May 10, 2006, the Company held its second Annual General Meeting of the Shareholders. The shareholders elected the Board of Directors as presented by Management, received the Financial Statements of the Company, appointed the Auditors and approved the Company's Stock Option Plan.

2. Sian Goldfields Limited

The Company is committed to finalizing the agreement entered into with Sian Goldfields Limited ("Sian") on November 1, 2005 under which Midlands will have a 78% interest in the mineral assets of Sian. Under the agreement with Sian, Midlands is required to register a company in Ghana into which the Sian assets will be transferred. The new company i, which has now been created, is owned 78% by Midlands and 22% by Sian and its creditors. The Government of Ghana will have a statutory 10% carried interest.

3. Kwahu Praso

The Kwahu Praso prospecting licences are in the renewal process. At time of renewal, the Company was required to shed 50% of the ground. The Company has re-applied for the shed ground. The project is in good standing and the renewal is pursuant to the Mining Act of Ghana.

4. 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.

5. Contingent Claim

There is an individual who is claiming commissions from the Corporation in connection with the private placement of March 23, 2005. The individual claims he was engaged by the Corporation in an oral contract between himself and a person who is not an officer or employee of the Corporation. There is no contract to support the claim. This individual is claiming \$20,000. In the opinion of the Corporation, this matter is without merit. The Corporation intends to vigorously defend itself.

6. Property Lease

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.

7. Contributed Surplus

Balance, December 31, 2005 and March 31, 2006 Amount \$401,786