

**MIDLANDS MINERALS CORPORATION**  
**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Three Months Ended March 31, 2008**  
**Unaudited**

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MIDLANDS MINERALS CORPORATION  
**INTERIM CONSOLIDATED BALANCE SHEETS**  
**AS AT MARCH 31**

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	March 31, 2008 \$	December 31, 2007 \$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	139,994	103,457
Short term investments	1,500,000	2,357,060
Share investment	26,000	23,000
Prepaid expenses	6,178	19,928
Sundry receivable	<u>11,522</u>	<u>4,563</u>
	1,683,694	2,508,008
<b>EQUIPMENT</b> (Note 3)	30,670	29,419
<b>INTEREST IN MINERAL PROPERTIES AND DEFERRED</b>		
<b>EXPLORATION EXPENDITURES</b> (Note 4 and Statement)	<u>6,206,606</u>	<u>5,805,778</u>
	<u>7,920,970</u>	<u>8,343,205</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities (Note 6)	<u>282,853</u>	<u>369,407</u>
	282,853	369,407
<b>FUTURE INCOME TAX LIABILITY</b>	215,296	215,296
<b>NON-CONTROLLING INTEREST</b>	<u>36,125</u>	<u>36,125</u>
	<u>534,274</u>	<u>620,828</u>
<b>GOING CONCERN</b> (Note 1)		
<b>SHAREHOLDERS' EQUITY</b>		
<b>CAPITAL STOCK</b> (Note 5)	8,080,181	8,098,340
<b>WARRANTS</b> (Note 5)	1,007,990	2,359,490
<b>CONTRIBUTED SURPLUS</b> (Note 5)	2,373,589	1,022,089
<b>ACCUMULATED OTHER COMPREHENSIVE LOSS</b>	(6,000)	(9,000)
<b>(DEFICIT)</b>	<u>(4,069,064)</u>	<u>(3,748,542)</u>
	<u>7,386,696</u>	<u>7,722,377</u>
	<u>7,920,970</u>	<u>8,343,205</u>

APPROVED ON BEHALF OF THE BOARD:

*Original signed by Karl Schmed, Director*

*Original signed by Kim F.Harris, Director*

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MIDLANDS MINERALS CORPORATION  
**INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**  
 FOR THE PERIODS ENDED MARCH 31

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	2008	2007
	\$	\$
<b>EXPENSES</b>		
Office and administrative expense	161,010	102,220
Management fees	48,825	48,825
Investor relations and shareholder information	8,066	15,779
Consulting fees	-	-
Professional fees	26,702	5,000
Telephone	7,062	2,737
Travel and automobile expense	59,768	24,870
Rent	11,229	11,066
Bank charges and interest	4,908	2,028
Foreign exchange (gain)	9,103	(538)
Amortization	<u>1,882</u>	<u>2,153</u>
Loss Before undernoted	338,555	214,140
Interest income	<u>(18,033)</u>	<u>-</u>
<b>NET LOSS</b> for the period	320,522	214,140
<b>DEFICIT</b> , beginning of period	<u>3,748,542</u>	<u>2,554,767</u>
<b>DEFICIT</b> , end of period	<u>4,069,064</u>	<u>2,768,907</u>
<b>NET LOSS PER SHARE</b> - basic and diluted	<u>0.01</u>	<u>0.01</u>
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b>	<u>53,046,458</u>	<u>41,657,977</u>

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MIDLANDS MINERALS CORPORATION  
**INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS AND  
ACCUMULATED OTHER COMPREHENSIVE LOSS**  
FOR THE PERIOD ENDED MARCH 31

	March 31, 2008 \$	December 31, 2007 \$
Net Loss for period ended March 31	320,522	1,193,775
Other comprehensive loss, net of tax (net of tax 1,080)		
Unrealized loss on share investment	<u>4,920</u>	<u>7,375</u>
<b>COMPREHENSIVE LOSS</b>	<u><u>325,442</u></u>	<u><u>1,201,150</u></u>
Accumulated other comprehensive loss, upon adoption of new accounting standards	-	-
Other comprehensive loss	<u>4,920</u>	<u>7,735</u>
<b>ACCUMULATED OTHER COMPREHENSIVE LOSS</b>	<u><u>4,920</u></u>	<u><u>7,375</u></u>

Unaudited

**INTERIM CONSOLIDATED STATEMENTS OF PROPERTY ACQUISITION COSTS AND DEFERRED EXPLORATION EXPENDITURES**  
**FOR THE PERIODS ENDED MARCH 31**

	Itilima Gold & Vukene,Lwenge Kishapu,Lalago Project, Tanzania \$	Kwahu Praso Kaniago & Sian Concession Ghana \$	Total \$
<b>PROPERTY ACQUISITION COSTS</b>			
Balance, December 31, 2007	528,297	890,155	1,418,452
Additions	<u>406</u>	<u>161,814</u>	<u>162,220</u>
<b>Balance, March 31, 2008</b>	<u>528,703</u>	<u>1,051,969</u>	<u>1,580,672</u>
<b>DEFERRED EXPLORATION EXPENDITURES</b>			
Balance, December 31, 2007	<u>1,827,120</u>	<u>2,560,206</u>	<u>4,387,326</u>
Additions during period	55,180	183,428	238,608
Balance March 31, 2008	<u>1,882,300</u>	<u>2,743,634</u>	<u>4,625,934</u>
<b>TOTAL BALANCE, March 31, 2008</b>	<u>2,411,003</u>	<u>3,795,603</u>	<u>6,206,606</u>

Unaudited

MIDLANDS MINERALS CORPORATION  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
 FOR THE PERIODS ENDED MARCH 31

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	2008	2007
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net (loss) for the period	(320,522)	(214,140)
Add items not requiring cash:		
Amortization	<u>1,882</u>	<u>2,153</u>
	(318,640)	(211,987)
<b>Changes in non-cash working capital balances:</b>		
Decrease in prepaid expenses	13,750	1,609
(Increase) in Sundry receivable	(6,959)	(865)
(Decrease) Increase in accounts payable and accrued liabilities	<u>(317,905)</u>	<u>486,679</u>
Cash flows from operating activities	<u>(629,754)</u>	<u>(697,922)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Short term investments	857,060	(382,261)
Purchase of equipment, net	(3,133)	-
Interest in mineral properties and deferred exploration expenditures	<u>(169,477)</u>	<u>(291,864)</u>
Cash flows from investing activities	<u>684,450</u>	<u>(674,125)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Share issue cost	(18,159)	-
Exercise of warrants	-	430,350
Issuance of common shares for cash, net of costs	-	865,105
Issuance of warrants for cash, net of costs	-	1,368
Contributed Surplus	<u>-</u>	<u>176,872</u>
Cash flows from financing activities	<u>(18,159)</u>	<u>1,473,694</u>
(Decrease) Increase in cash	36,537	101,647
Cash, beginning of year	<u>103,457</u>	<u>338,656</u>
Cash, end of period	<u><u>139,994</u></u>	<u><u>440,303</u></u>
<b>SUPPLEMENTAL INFORMATION:</b>		
Interest paid	-	-
Taxes paid	-	-
Shares issued for services during the period	-	-
Compensation options issued for services rendered	-	-

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 three-month period ended March 31, 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. EQUIPMENT**

	<u>Cost</u>	<u>Accumulated Amortization</u>	March 31, 2008 <u>Net</u>	December 31, 2007 <u></u>
	\$	\$	\$	\$
Computer equipment	23,244	13,833	9,411	7,040
Office equipment	38,130	17,247	20,883	21,983
Field equipment	<u>999</u>	<u>623</u>	<u>376</u>	<u>396</u>
	<u>62,373</u>	<u>31,703</u>	<u>30,670</u>	<u>29,419</u>

**4. 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 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.

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 paid US\$7,500 per PML. The Company terminated the option agreement on December 17, 2007 on the basis that the two claims did not show sufficient potential to warrant further expenditures.

**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.

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

a) TANZANIA(continued)

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 annual rent for Prospecting Licence PLR 4079/7 effective February 14, 2007. The Company holds a 752.30 square kilometre reconnaissance licence 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.

**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. As at March 31, 2008, the prospecting licences are pending.

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, holds title to the Kwahu Praso Concession (“Concession”) situated in the Eastern Region along the Northeastern border of the Ashanti gold belt of Ghana.

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

b) **GHANA**(continued)

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 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 its 20%, or portion thereof, 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% 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.

**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.

5. **CAPITAL STOCK**  
**Authorized**

Unlimited common shares

**Shares Issued and Outstanding :**

	Number of Common Shares	Amount (\$)
Balance of Capital stock as at December 31, 2007	53,046,458	8,098,340
Share issue cost		(18,159)
<b>Balance, March 31, 2008</b>	<b>53,046,458</b>	<b>8,080,181</b>

Unaudited

5. CAPITAL STOCK(continued)

**Warrants**

As at March 31, 2008, the following warrants were granted and outstanding:

	Number of Warrants	Weighted Average Exercise Price	Value
		\$	\$
<b>Outstanding at beginning December 31, 2007</b>	<b>21,515,412</b>	<b>0.46</b>	2,359,490
Warrants Expired	12,417,840	0.30	(1,351,500)
Warrants Expired			
<b>Balance, March 31, 2008</b>	<u><b>9,097,572</b></u>	<b>0.12</b>	<u>1,007,990</u>

As at March 31, 2008, the following warrants were outstanding:

Date Granted	Warrants Granted #	Exercise Price \$	Expiry Date
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	<u>3,622,100</u>	<u>0.45</u>	December 14, 2008
	<u>9,097,572</u>	<u>0.45</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 is as follows.

	<u>Options Granted</u>	<u>Weighted Average Exercise Price</u>
	\$	\$
Balance, December 31, 2007 and March 31, 2008	<u>4,257,044</u>	<u>0.33</u>

Unaudited

5. **CAPITAL STOCK**(continued)

As at March 31, 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	<u>896,019</u>	<u>0.45</u>	April 4, 2012
	<u>4,257,044</u>	<u>0.33</u>	

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.

**Contributed Surplus**

	<u>Amount</u>
	\$
Balance, December 31, 2007	1,022,089
Warrants Expired March 20, 2008	<u>1,351,500</u>
	<u>2,373,589</u>

6. **RELATED PARTY TRANSACTIONS**

During the period ended March 31, 2008, management fees totaling \$48,825 (March 31, 2007- \$48,825) 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, 2008, was Nil (December 31, 2007- \$39,060) 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.

7. **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.

**8. SUBSEQUENT EVENTS**

**1. The Annual General Meeting of Shareholders**

Subsequent to the First Quarter ended March 31, 2008, the Company announced that it will be holding its third Annual and Special General Meeting of the Shareholders on June 25, 2008 at 11 AM EST at the Toronto Board of Trade, First Canadian Place, Toronto, Ontario.