

MIDLANDS MINERALS CORPORATION
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the Three Months Ended March 31, 2009
Unaudited

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MIDLANDS MINERALS CORPORATION
INTERIM CONSOLIDATED BALANCE SHEETS
AS AT MARCH 31

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	March 31, 2009	December 31, 2008
	\$	\$
ASSETS		
CURRENT		
Cash and cash equivalents	167,652	203,467
Share investment	8,000	3,000
Prepaid expenses	15,696	18,298
Sundry receivable	<u>3,030</u>	<u>7,215</u>
	194,378	231,980
EQUIPMENT (Note 4)	33,508	35,597
INTEREST IN MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (Note 5 and Statement)	<u>7,134,697</u>	<u>7,063,979</u>
	<u>7,362,583</u>	<u>7,331,556</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 7)	361,291	354,455
Accounts payable exploration properties (Note 5)	<u>281,202</u>	<u>281,201</u>
	642,493	635,656
LOAN PAYABLE (Note 7)	162,508	-
FUTURE INCOME TAX LIABILITY	157,810	157,810
NON-CONTROLLING INTEREST	<u>36,125</u>	<u>36,125</u>
GOING CONCERN (Note 1)	<u>998,936</u>	<u>829,591</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 6)	8,098,340	8,098,340
WARRANTS (Note 6)	360,558	360,558
CONTRIBUTED SURPLUS (Note 6)	3,255,446	3,062,669
ACCUMULATED OTHER COMPREHENSIVE LOSS	(24,000)	(29,000)
(DEFICIT)	<u>(5,326,697)</u>	<u>(4,990,602)</u>
	<u>6,363,647</u>	<u>6,501,965</u>
	<u>7,362,583</u>	<u>7,331,556</u>

APPROVED ON BEHALF OF THE BOARD:

Original signed by Edward Harris, 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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	2009 \$	2008 \$
EXPENSES		
Office and administrative expense	105,867	161,010
Management fees	115,121	48,825
Investor relations and shareholder information	55,109	8,066
Professional fees	21,057	26,702
Telephone	4,153	7,062
Travel and automobile expense	6,011	59,768
Rent	16,638	11,229
Bank charges and interest	5,294	4,908
Foreign exchange (gain)	5,613	9,103
Amortization	<u>2,089</u>	<u>1,882</u>
Loss Before undernoted	336,952	338,555
Interest income	<u>(857)</u>	<u>(18,033)</u>
NET LOSS for the period	336,095	320,522
DEFICIT , beginning of period	<u>4,990,602</u>	<u>3,748,542</u>
DEFICIT , end of period	<u>5,326,697</u>	<u>4,069,064</u>
NET LOSS PER SHARE - basic and diluted	<u>0.01</u>	<u>0.01</u>
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	<u>53,435,977</u>	<u>53,046,458</u>

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

	March 31, 2009 \$	March 31, 2008 \$
Net Loss for period ended March 31	(336,095)	(320,522)
Other comprehensive loss, net of tax (net of tax 4,320)		
Unrealized loss on share investment	<u>(19,680)</u>	<u>(4,920)</u>
COMPREHENSIVE LOSS	<u>(355,775)</u>	<u>(325,442)</u>
Accumulated other comprehensive loss, upon adoption of new accounting standards	-	-
Other comprehensive loss	<u>(24,000)</u>	<u>(4,920)</u>
ACCUMULATED OTHER COMPREHENSIVE LOSS	<u>(24,000)</u>	<u>(4,920)</u>

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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 Bonuama Concession Ghana \$	Total \$
PROPERTY ACQUISITION COSTS			
Balance, December 31, 2008	529,881	1,082,500	1,612,381
Additions	<u>246</u>	<u>-</u>	<u>246</u>
Balance, March 31, 2009	<u>530,127</u>	<u>1,082,500</u>	<u>1,612,627</u>
DEFERRED EXPLORATION EXPENDITURES			
Balance, December 31, 2008	<u>1,999,398</u>	<u>3,452,200</u>	<u>5,451,598</u>
Additions during period	12,001	58,471	70,472
Balance March 31, 2009	<u>2,011,399</u>	<u>3,510,671</u>	<u>5,522,070</u>
TOTAL BALANCE, March 31, 2009	<u>2,541,526</u>	<u>4,593,171</u>	<u>7,134,697</u>

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

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	2009	2008
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) for the period	(336,095)	(320,522)
Add items not requiring cash:		
Amortization	<u>2,089</u>	<u>1,882</u>
	(334,006)	(318,640)
Changes in non-cash working capital balances:		
Decrease in prepaid expenses	2,602	13,750
Decrease in Sundry receivable	4,185	(6,959)
(Decrease) Increase in accounts payable and accrued liabilities	6,837	(317,905)
Loan payable	<u>162,508</u>	<u>-</u>
Cash flows from operating activities	<u>(157,874)</u>	<u>(629,754)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment, net	-	(3,133)
Interest in mineral properties and deferred exploration expenditures	<u>(70,718)</u>	<u>(169,477)</u>
Cash flows from investing activities	<u>(70,718)</u>	<u>684,450</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Share issue cost	-	(18,159)
Exercise of warrants	-	-
Issuance of common shares for cash, net of costs	-	-
Issuance of warrants for cash, net of costs	-	-
Contributed Surplus	<u>192,777</u>	<u>-</u>
Cash flows from financing activities	<u>192,777</u>	<u>(18,159)</u>
(Decrease) Increase in cash	(35,815)	36,537
Cash, beginning of year	<u>203,467</u>	<u>103,457</u>
Cash, end of period	<u>167,652</u>	<u>139,994</u>
SUPPLEMENTAL INFORMATION:		
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, 2008. 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, 2009 are not necessarily indicative of the results that may be expected for the full year ended December 31, 2009. For further information, see the Company's consolidated financial statements including the notes thereto for the year ended December 31, 2008.

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

3. ACCOUNTING POLICY CHANGES

Unaudited

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 (cont'd)

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 (cont'd)

Future Accounting Standards (cont'd)

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>	March 31, 2009 <u>Net</u>	December 31, 2008 <u>2008</u>
	\$	\$	\$	\$
Computer equipment	29,940	18,412	11,528	12,461
Office equipment	44,109	22,430	21,679	22,819
Field equipment	<u>999</u>	<u>698</u>	<u>301</u>	<u>317</u>
	<u>75,048</u>	<u>41,540</u>	<u>33,508</u>	<u>35,597</u>

5. INTEREST IN MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

1. TANZANIA PROPERTIES

(a) Itilima Gold Project

The Company holds a 75% interest in the Itilima Gold and Diamond Project, which consists of four contiguous licences totalling 65 square kilometres in the Lake Victoria Goldfields in Tanzania. Midlands' interest is through its subsidiary company in Tanzania - the Itilima Mining Company Limited.

The licences 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 the mine's life once commercial production commences, 1.5% for the next two years, and 1% thereafter for the life of the mine. In addition, there is a royalty payable upon commercial production to the Government of Tanzania of a 3% NSR for gold and a 5% NSR for diamonds. The licences are all in good standing.

5. INTEREST IN MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (cont'd)

(a) Itilima Gold Project (cont'd)

The Company's exploration program to date has focused on geochemistry followed by 1,345 metres of RC drilling in 2004 and 2,070 metres of diamond core drilling which was conducted in the last quarter of 2006. The Company plans to continue exploration activities based on results from current exploration. Through work done to date, the Company has confirmed a number of gold-bearing structures and shear zones including the previously known Itilima Shear Zone ("ISZ") and the Chanya Shear Zone ("CSZ"). There is now a 3 kilometre diorite surrounded by soil anomalies and a 10 kilometre strike length NW-SE structure. In April 2004, the Company conducted a reverse-circulation drilling program (drilling 14 holes, totalling 1,345 metres), to further confirm the gold mineralized potential of both the ISZ and CSZ.

In 2005, the Company conducted an extensive Mobile Metal Ion ("MMI") soil geochemistry program to confirm previous MMI results prior to further drilling. The results of the MMI geochemistry program confirmed repeatability and continuity of orientation of previously detected anomalous trends. One of the anomalous trends extends the strike direction of the Itilima artisanal mining site in both directions. Two other parallel trends indicate potential for parallel gold-bearing horizons under transport overburden. In the last quarter of 2006, the Company conducted a 2,070 metre diamond core drilling program and intends to follow up with further drilling in the last quarter of 2008, subject to financing.

The Itilima prospecting licence was originally issued as PL 1406/99. As a result of the requirement to shed ground at each renewal point, and as the Company was re-applying for the shed ground, there are now four prospecting licenses covering the same area of 65 square kilometres (PL 1406/99, PL 2043/02, PL 3192/05, and PL 4086/07).

PL 1406/99 is now 15.86 square kilometres. The license is valid for a period of 3 years until November 10, 2009 at which time the Company will apply for renewal.

PL 2043/02 is 16.50 square kilometres and the licence is in good standing. All property payments and fees due to the Government of Tanzania have been paid. The Company intends to apply for renewal as required.

PL 3192/05 is 16.45 square kilometres and the licence is in good standing. All property payments and fees due to the Government of Tanzania have been paid. The Company intends to re-apply for the prospecting licence as required.

PL 4086/06 is 16.25 square kilometres and is valid until September 25, 2009. All property payments and fees due to the Government of Tanzania have been paid. The Company intends to apply for renewal as required.

Itilima Diamond Project

The Itilima diamond project is located in Archean geology and also sits within the Shinyanga Kimberlite Field. The property is located 25 kilometres south of the Mwadui Williamson Open Pit Diamond Mine which was previously operated by the De Beers Diamond company.

There are 2 kimberlites which have been drilled by Midlands and 80 kimberlite targets identified by an airborne magnetic and radiometric survey conducted by Fugro Airborne Services in 2003. Of these, nine targets were identified as high priority. Two of the nine kimberlite targets which were identified as priority targets were drilled by Midlands in April 2004 using reverse circulation drilling. The results showed the presence of small micro diamonds. The perographic, diamond selection and chemical analyses were done by SGS Lakefield Research Laboratories in Ontario Canada. Midlands plans to do more work on these kimberlite targets and the Company is seeking a partner to develop the diamond potential of the Itilima project. In this regard, Midlands has set up a subsidiary private company registered in Ontario, Canada (Mara Diamond Company Ltd.) to develop the diamond potential on the Itilima project.

5. INTEREST IN MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (cont'd)

(b) Vukene

The company has an option on this 752.30 square kilometre prospecting licence. The license is held by SIKA Resources Inc. Midlands is evaluating the property and earning an interest through exploration expenditures. The licence expired in February 14, 2009 and new applications for renewal have been submitted. No problems are anticipated in the renewal process.

(c) Lwenge

The Company acquired the Lwenge property in Tanzania in 2007. PL 3212/2005 is 25.73 square kilometres and is located in the Geita district in the Lake Victoria Gold Fields Area. The Company owns 90% of the license and the licence is in good standing.

(d) Kishapu and Lalago Gold Projects

In 2008, the Company was granted two prospecting licences PL 2864 (Kishapu) which is 38.4 square kilometres in size, and PL 2865 (Lalago) which is a 154.30 square kilometres in size. The licences are valid for a period of three years.

(e) Tamota Project - New Kilindi

The Company paid US\$25,000 to obtain a new gold property PL 5068/2008 in the Handeni district in Tanzania which is 175 square kilometers in size. The licence, which is valid for a period of three years, was transferred to Midlands on July 23, 2008. The Tamota project is in the Kilindi - Handeni area, approximately 160 kilometres from the City of Dar es Salaam.

2. GHANA PROPERTIES

a) 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.

Sian is an open pit recent gold producer with an indicated resource which has increased by 92% to 192,400 ounces of gold (2,568,000 tonnes at 2.33 g/t Au) up from 100,000 ounces and an inferred resource which has gone up to 203,350 ounces (2,694,000 tonnes at 2.35 g/t Au) from 100,000 ounces, an increase of 103.4%. There is a CIL mill and a valid mining lease with an expiry date of 2026. Together with the contiguous Kwahu Praso property, Midlands controls 160 square kilometres of a prime gold exploration gold district with a 16 kilometre corridor and with large anomalies providing potential for the discovery of several gold deposits on the property.

5. **INTEREST IN MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (cont'd)**

2. **GHANA PROPERTIES (cont'd)**

a) **Sian Property (cont'd)**

The Sian Project is located 30 kilometres north east of Newmont Mining's Akyem deposit with over 8 million ounces of gold. Sian produced 16,193 ounces of gold with a mineral recovery of 93% between 2001 and 2003 when the mine was closed due to the price of gold at the time and other operational issues.

The Company holds a 65% interest in Akroma Gold Company Limited into which the Sian property was transferred following an agreement between Midlands Minerals Corporation and Sian Goldfields Limited. Under the terms of the agreement, Sian Goldfields Limited transferred all its mineral assets including the mining lease which was granted to Sian in 1996 for a period of 30 years, the gold processing plant as well as all of the machinery and equipment. The mineral assets include an area of approximately 50 square kilometres of ground which is contiguous to Midlands' 109 square kilometres Kwahu Praso property on the north-east end of the Ashanti Gold Belt.

(b) **Kwahu Praso Property**

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

On September 4, 2008, Enkaakyiri elected to sell its 20% interest in the joint venture to Midlands for a total price of US\$80,000. Midlands paid a non refundable deposit of US\$10,000 with the balance of US \$70,000 being a contingent liability, and payable only upon the Company's discretion based on availability of financing.

The Kwahu Praso prospecting licence was granted by the Ghanaian Government and was valid until March 2009. An application for renewal has been submitted and no problems are anticipated in the renewal process.

(c) **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 square kilometers in size. The mineral rights are owned by the Company through its subsidiary company, Midlands Minerals Ghana Limited. The Company has a prospecting licence which was valid for a period of two years until February 2009. A new application for renewal has been submitted and no problems are anticipated in the renewal process.

(d) **Bonuama Property**

The Company acquired an option on the Bonuama property in Ghana on June 7, 2008. Bonuama is 150 squares kilometers in size and is located on the Asankrangwa Gold Belt. Midlands paid a non-refundable deposit of US\$20,000 with the balance of US \$45,000 being a contingent liability and payable only upon the Company's discretion based on availability of financing.

The Government of Ghana is entitled to a 10% carried interest in the Concessions with no contribution requirement, upon commencement of commercial production.

6. CAPITAL STOCK
Authorized

Unlimited common shares

Shares Issued and Outstanding :

	Number of Common Shares	Amount (\$)
Balance of Capital stock as at December 31, 2008	53,046,458	8,098,340
Shares issued January 6, 2009	153,846	-
Shares issued February 3, 2009	126,582	-
Shares issued March 5, 2009	<u>109,091</u>	-
Balance, March 31, 2009	<u>53,435,977</u>	<u>8,098,340</u>

Warrants

As at March 31, 2009, the following warrants were granted and outstanding:

	Number of Warrants	Weighted Average Exercise Price \$	Value \$
Outstanding at beginning December 31, 2008	3,122,500	0.50	360,558
Balance, March 31, 2009	<u>3,122,500</u>	0.50	<u>360,558</u>

As at March 31, 2009, the following warrants were outstanding:

Date Granted	Warrants Granted #	Exercise Price \$	Expiry Date
June 14, 2007	<u>3,122,500</u>	<u>0.50</u>	June 14, 2012
	<u>3,122,500</u>	<u>0.50</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.

6. CAPITAL STOCK (cont'd)

Unaudited

A summary of changes in options is as follows.

	<u>Options Granted</u>	<u>Weighted Average Exercise Price</u>
	\$	\$
Balance, December 31, 2008	3,877,044	0.40
Expired	(270,000)	(0.40)
Granted	<u>1,280,290</u>	<u>0.40</u>
	<u>4,887,334</u>	<u>0.40</u>

As at March 31, 2009, 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	1,658,425	0.20	June 22, 2010
June 22, 2005	207,300	0.30	June 22, 2010
June 22, 2005	207,300	0.43	June 22, 2010
August 17, 2006	758,000	0.45	August 9, 2011
April 4, 2007	676,019	0.45	April 4, 2012
July 10, 2008	100,000	0.40	July 10, 2013
February 2, 2009	<u>1,280,290</u>	<u>0.40</u>	February 2, 2014
	<u>4,887,334</u>	<u>0.40</u>	

On February 2, 2009, the Company granted 1,280,290 stock options to directors, officers and consultants of the Company, exercisable at \$0.40 per share until February 2, 2014. 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 1.9%, expected dividend yield of 0%, expected stock price volatility 147.69%, and expected option life of five years. The stock options which vest immediately upon grant, were assigned a value of \$192,777.

Contributed Surplus

	<u>Amount</u>
	\$
Balance, December 31, 2008	3,062,669
Stock-based compensation	<u>192,777</u>
	<u>3,255,446</u>

7. RELATED PARTY TRANSACTIONS

During the period ended March 31, 2009, management fees totaling \$48,825 (March 31, 2008- \$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, 2009, was 56,712 (December 31, 2008- \$56,712) 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. RELATED PARTY TRANSACTIONS (cont'd)

The Company entered into a loan agreement, with directors of the Company. The Loan of up to \$500,000 was approved by TSX Venture at an annual rate of interest of 10.5%, with bonus shares equal to 20% being issued to the Lenders for the amounts advanced. As of March 31, 2009, the Company had issued bonus shares totalling 389,519 and the balance in the loan repayable was \$162,508 including accrued interest of \$2,508.

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, 2008 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

1. The Annual General Meeting of Shareholders

Subsequent to the First Quarter ended March 31, 2009, the Company announced that it will be holding its third Annual and Special General Meeting of the Shareholders on June 25, 2009 at 11 AM EST at the Toronto Board of Trade, First Canadian Place, Toronto, Ontario.

2. The recovery of Carbon Gold in Ghana

Subsequent to the First Quarter ended March 31, 2009, the Company announced that it had signed a contract with Gold Recovery (Ghana) Limited to commence the recovery of gold from loaded carbon from the CIL (Carbon in Leach) tanks at the Sian property in Ghana. The recovery of gold from the carbon will generate cash flow for the Company.