

MIDLANDS MINERALS CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS
AS AT JUNE 30, 2005

GENERAL:

The following discussion and analysis of the performance and financial condition of Midlands Minerals Corporation (the "Company" or "Midlands") should be read in conjunction with the December 31, 2004 consolidated financial statements, the unaudited interim consolidated financial statements of the Company and the accompanying notes thereto for the periods ended June 30, 2005, and 2004. These financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles.

FORWARD LOOKING STATEMENTS

Certain statements contained in the following Management Discussion and Analysis constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the company to be materially different from actual results and achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made and the readers are also advised to consider such forward looking statements while considering the risks set forth below.

DESCRIPTION OF BUSINESS

Midlands Minerals Corporation is a publicly traded Canadian natural resource Company engaged in the exploration of mineral properties. The primary focus of the Company is on its gold and diamond exploration and development properties in Tanzania and gold exploration properties in Ghana. The exploration and development of mineral deposits involve significant financial risk and the success of the company will be influenced by a number of factors including risks associated with exploration and eventual extraction, foreign investment regulation, renegotiation of contracts and political uncertainty.

Gold is the primary focus and Tanzania and Ghana are the target countries. At present, the Company's exploration activities do not generate any revenues.

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SELECTED FINANCIAL INFORMATION

The following table sets forth selected consolidated financial information of the Company for the fiscal year ended December 31, 2004 and the six-month periods ended June 30th, 2005 and June 30th, 2004. The selected consolidated interim financial information should be read in conjunction with the Consolidated Financial Statements of the Company.

	June 30, 2005	June 30, 2004	December 31, 2004
Consolidated Statement of Operations	\$	\$	\$
Total Revenue	--	--	--
Net Loss	301,197	92,056	394,634
Basic and Diluted Net Loss per Share	0.01	0.01	0.02
Balance Sheet			
Total Cash	438,443	277,154	86,395
Working Capital (Deficiency)	374,222	114,755	(157,188)
Total Long Term Debt	Nil	Nil	Nil
Total Assets	2,007,798	1,645,988	1,646,941
Shareholders' Equity	1,888,419	1,422,196	1,342,296
Deferred Exploration & Property Acquisition Costs			
Acquisition Cost	541,244	539,912	541,244
Deferred Exploration Expenditures	982,791	749,498	925,417
Total Balance	1,524,035	1,289,410	1,466,661

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the company's financial statements conform with Canadian Generally Accepted Accounting principles and requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results may differ from those estimates. Management believes that the estimates are reasonable.

Interest in exploration properties and property acquisition costs and related direct exploration costs, are deferred until such time as the properties are placed into commercial production, sold, determined not to be economically viable, or abandoned. These deferred costs will be amortized on the unit-of-production basis over the estimated useful lives of the properties following the commencement of production. If the properties are subsequently determined not to be economic the properties are written down to net realizable value. If the properties are allowed to lapse, or are abandoned or sold, their related deferred exploration costs are charged to operations in the current year. General exploration expenditures, which do not relate to specific resource properties, are written off in the year incurred.

The cost of exploration includes any cash consideration paid, and the fair market value of shares issued, if any, on the acquisition of property interests. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts when

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the payments are made. The recorded amounts of property claim acquisition costs and their related deferred exploration costs represent actual expenditures incurred and are not intended to reflect present or future values.

The Company reviews its exploration properties and capitalized costs on its property interests on an annual basis to determine if events or changes in circumstances have transpired which indicate that the carrying value of its assets may not be recoverable. The recoverability of costs incurred on the exploration properties is dependent upon numerous factors and estimates including exploration results, environmental risk, political risk and the Company's ability to attain profitable production.

Effective October 1, 2004, the Company adopted the recommendations of the CICA Handbook Section 3870, *Stock-based Compensation and Other Stock-based Payments* for employees and non-employees. This Section establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange of goods and services. These recommendations require that compensation for all awards made to employees and non-employees be measured and recorded in the financial statements at fair value. The adoption of this policy has no effect on the financial statements.

OVERVIEW OF PERFORMANCE

Tanzania

1. Itilima Gold Project

The Company holds a 75% interest in the Itilima Gold and Diamond Project, which consists of three contiguous licences totalling 65 square kilometres in the Lake Victoria Goldfields in Tanzania. The Company's exploration program to date has been extensive, with the results outlined in the Company's updated independent technical reports prepared in accordance with Canadian National Instrument 43-101.

Through this exploration program, the Company has confirmed a number of gold-bearing structures and shear zones on the properties 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 with soil anomalous gold values along a strike length of 4 kilometres and with quartz porphyry felsic intrusives. 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. The Company is currently conducting an MMI soil geochemistry program to confirm previous MMI results prior to further drilling which is planned for October, 2005. The Company plans to continue exploration activities based on results from current exploration as outlined in the updated technical reports.

2. Itilima Diamond Project

There are 82 kimberlite targets identified by the airborne magnetic and radiometric survey conducted by Fugro Airborne Services. Of these, nine targets were identified as high priority. Two of the nine kimberlites identified as priority were drilled and the results showed the presence of indicator minerals for diamondiferous kimberlites. Midlands plans more work on these kimberlite targets in 2005.

3. New Kilindi

The Company was granted a new reconnaissance licence consisting of 2,700 square kilometres in the New Kilindi area in Tanzania. This property is owned 100% by Midlands.

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Ghana

4. Kwahu Praso

The Company holds an 80% right interest in the Kwahu Praso Gold Project in Ghana. The Kwahu Praso is located on the northeast end of the Ashanti Gold Belt.

5. Kaniago

The Company holds 100% right interest in a 45.14 square kilometre prospecting licence on the Asankrangwa Gold Belt in Ghana.

RESULTS OF OPERATIONS

For the six months ended June 30, 2005, the Company suffered a loss from operation of \$309,197 as compared to a loss of \$92,056 and nil per share in the comparable period in fiscal 2004. The increased loss from the comparable period in 2004 was primarily due to higher transaction costs related to the listing on the TSX Venture Exchange and increases in expenses related to the Annual General Meeting held June 15, 2005, general administrative costs related to the regulatory requirements for listed companies, travel and various professional fees including on going work on the Itilima project in Tanzania

The change in operating expenses also reflects the continued growth of the Company's technical and administrative infrastructure and the continued improvement of the Company's communication to present and potential shareholders.

LIQUIDITY AND CAPITAL RESOURCES

The following table summarizes the Company's consolidated cash flows and cash on hand;

	As at June 30, 2005	As at Dec. 31, 2004
	\$	\$
Cash and Cash Equivalents	438,443	86,395
Working Capital (Deficiency)	374,222	(157,188)
Long Term Debt	Nil	Nil

As at June 30, 2005, the Company's working capital was \$374,222, an improvement over as at December 31 2004. The improvement in the liquidity position is primarily due to successful private placements for net proceeds of \$769,320 during the six-month period ended June 30, 2005. The Company expects to see continued improvements in working capital as the Company attempts to complete prospective equity financing transactions in the second half of fiscal 2005.

INVESTMENT IN MINERAL EXPLORATION AND DEVELOPMENT

Expenditures on minerals properties increased during the six month period ended June 30th, 2005 to \$1,524,035 from \$1,466,661 as at December 31, 2004.

BUSINESS COMBINATION

On June 2, 2004, the Company amalgamated with 1487852 Ontario Inc. ("Numco"), a corporation with 1,411,000 common shares outstanding. Numco's sole asset was \$291,285 due from the Company. The

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Company was the continuing entity under the amalgamation and the transaction has been accounted for as a settlement of the amount due to Numco through the issuance of shares.

On June 2, 2004, the Company amalgamated with Grand Oakes Resources Corp. ("Grand Oakes"), an unlisted Canadian public company. Certain directors of the Company became directors of Grand Oakes prior to receipt of Grand Oakes' shareholders approval of the amalgamation with the company. Grand Oakes is the successor legal entity following the amalgamation. Former Grand Oakes shareholders received 572,167 shares of the amalgamated entity and former Company shareholders received 17,543,801 shares off the amalgamated company. As the former Grand Oakes shareholders have less than 50% of the outstanding shares of the combined entity, the Company is considered the acquirer of Grand Oakes for accounting purposes.

Accordingly, the Company is the accounting entity in these financial statements and the comparative figures presented in the financial statements after this amalgamation are those of the Company. The capital structure reflects that of the successor legal entity, Grand Oakes, and the stated value of the share capital is that of the Company. The amalgamated entity carries on business under the name Midlands Minerals Corporation. At amalgamation, Grand Oakes had net liabilities of \$104,509. The assumption of these net liabilities is recorded as a capital transaction. Related transaction costs in the amount of \$103,103 were recorded as an expense in the period the transaction closed.

USE OF OFF BALANCE SHEET ARRANGEMENTS

The Company has not entered into any specialized financial agreement to minimize its investment, currency or commodity risk. There are no off balance sheet arrangements, such as a guarantee contract, contingent interest in assets transferred to an entity, derivative instruments obligations and or any obligations that trigger financing, liquidity, market or credit risk to the company.

TRANSACTIONS WITH RELATED PARTIES

During the period ended June 30, 2005, management fees totalling \$49,050 were paid or accrued to a director who is also an officer of the Company. Included in accounts payable and accrued liabilities as at June 30, 2005, was Nil (compared to as at December 31, 2004).

CONTRACTUAL OBLIGATION AND COMMITMENTS

Effective July 2004, the Company entered into an agreement with its CEO effective July 1, 2004, whereby the CEO will receive an annual salary of \$80,000 and a benefits allowance of 20% of the CEO's stated salary. The CEO will be entitled to receive periodic increases to the base salary and a payment equal to 24 months of salary and benefit allowance on termination for any reason other than cause.

The Company does not have any other commitments, or contractual obligations, long-term debt, capital lease obligations, operating leases and purchase obligations.

OUTLOOK

The Company will continue to focus its efforts on further developing its Itilima Gold and Diamond project in Tanzania. As previously stated the Company plans to undertake additional exploratory drilling on its Tanzanian properties, which will be used to further define geological structures.

The Company will continue to explore its Ghana properties, by doing more geological surveys and analysis. However, such exploration and development activities are subject to the availability of future financing.

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OTHER REQUIREMENTS

Subsequent to June 30, 2005, the Company has continued additional exploration work on its Itilima property in Tanzania in accordance with the updated technical reports on the Itilima project, in accordance with the Canadian National Policy 43-101.

MINERAL PROPERTIES

The Company continues to maintain its properties in good standing and to search for new mineral properties in Africa. On April 4, 2005, the Company initiated a geological mapping program on the Itilima property using the MMI method of analysis.

SUBSEQUENT EVENTS

- Subsequent to the period ended June 30, 2005, the Company was granted a new reconnaissance license for 2,700 square kilometers in New Kilindi in Tanzania;
- Subsequent to the period ended June 30, 2005, the Company was granted a reconnaissance license and mineral rights in Ghana for the Kaniago Concession consisting of 45.14 sq km.

CAPITAL STOCK

During the period ended June 30, 2005, the Company issued 5,017,500 units at \$0.20 per unit for gross proceeds of \$1,003,500 (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 \$0.30 for a period of two years. No value has been attributed to these warrants.

In connection with the Private Placement, the Company issued a compensation option to the agent to acquire 500,000 common shares at a price of \$0.20 per share valid for a period of two years from date of closing. The fair value of the compensation options of \$31,100 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 2% and an expected life of 2 years.

In addition, the Company issued 50,000 units to the Sponsor valued at \$10,000, on the same terms as those of the Private Placement, to the sponsor as part of its compensation.

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AUTHORIZED UNLIMITED COMMON SHARES

(Midlands Minerals Corporation)	Number of Common Shares	Amount (\$)
Balance of Capital stock as at December 31, 2004	18,393,003	2,050,301
Issued for cash	5,017,500	1,003,500
Share issue cost	-	(275,280)
Issued for services	50,000	10,000
Balance, June 30, 2005	23,460,503	2,788,521

WARRANTS GRANTED

The following table summarizes information relative to the expiry date of all warrants outstanding as at June 30, 2005:

Date Granted	No. of Warrants	Exercise Price	Expiry Date
January 15, 2004	525,000	0.43	December 31, 2005
June 1, 2004	809,233	0.43	December 31, 2005
October 24, 2004	277,035	0.43	March 23, 2007
March 23, 2005	5,050,000	0.30	March 23, 2007
March 23, 2005	500,000	0.20	March 23, 2007
April 1, 2005	17,500	0.30	April 1, 2007
Balance, June 30, 2005	7,178,768		

500,000 Compensation Options were granted to the financing agent as part of the Agent's compensation. To reflect the issuance of 500,000 compensation options to acquire common shares of the Company at a price of \$0.20 per share for a period of two years, these options have been given an implied value of \$31,100.

STOCK OPTIONS

A total of 2,346,050 options have been granted to directors of the Company and other eligible persons for a period of sixty (60) months with an expiry date of June 22, 2010.

Date Granted	No. Of Options	Weighted Average Exercise Price	Expiry Date
June 22, 2005 (80%)	1,876,840	0.20	June 22, 2010
June 22, 2005 (10%)	234,605	0.30	June 22, 2010
June 22, 2005 (10%)	234,605	0.43	June 22, 2010
Total Stock options Granted	2,346,050	0.23	

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In the estimation of the compensation expense, the fair value of stock options granted has been calculated using the Black-Scholes option pricing model. The calculations involve a number of assumptions which were made and these include a risk-free interest rate of 2% (2004 – Nil), an expected dividend yield (2004 – Nil), an expected stock price volatility of 100% (2004 – Nil), and an expected option life of five years (2004 – Nil).

Option pricing models require input of highly subjective assumption particularly as to the expected price volatility of the stock. Changes in these assumptions can materially affect the fair value estimates and, therefore, it is management's view that the existing models do not necessarily provide a single reliable measure of fair value of the Company's stock options granted.

CONTRIBUTED SURPLUS

	Amount
	\$
Balance as at December 31, 2004	-
Compensation options	31,100
Stock compensation options	86,000
Balance June, 30, 2005	117,100

RISK FACTORS

The Company is a mineral exploration and development company and is exposed to a number of risks and uncertainties that are common to other companies in the same business. These risks and uncertainties include exploration, development, commodity, operating, ownership, political, funding, currency and environmental risk.

The Company faces significant risks, inherent in the exploration and development of its mining properties

Mineral exploration and development involves several risks which experience, knowledge and careful evaluation may not be sufficient to overcome. Large capital expenditures are required in advance of anticipated revenues from the Company's operations. Many exploration programs do not result in the discovery of mineralization; moreover, mineralization discovery may not be of sufficient quantity and quality to be profitably mined.

The commercial viability of exploiting any precious metals deposit is dependant on a number of factors including infrastructure and governmental regulation, in particular those relating to the environment, taxes, and royalties. No assurance can be given that minerals will be discovered of sufficient quality, size and grade on any of the Company's properties to justify a commercial operation.

Uncertainly of reserve and resource estimates

The mining business relies upon the accuracy of determinations as to whether a given deposit has significant mineable reserves. This reliance is important in that reported mineral reserves and resources are only estimates and do not represent any certainty that the estimated mineral reserves and resources will be recovered. Market fluctuations in the price of metals, as well as increased production costs or reduced recovery rates, may render certain mineral reserves and resources uneconomic.

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Political risk

Political and related legal and economic uncertainties exist in countries where the Company operates. Risk of foreign operation in these countries may include political unrest, corruption, war, civil disturbances and terrorist actions, arbitrary changes in the laws or policies, changes to governmental regulation, foreign taxation, price and currency controls, delays in obtaining, or the inability to obtain, necessary governmental permits, opposition to mining from environmental or other non-governmental organizations limitations on foreign ownership, limitation on the repatriation of earnings, limitation on gold exports and increased financing costs. These risks could limit or disrupt the Company's activities.

The Company will require additional funding to develop its properties

Continued development of the Company's properties will require significant financial resources. As such, the Company needs to raise significant financing. Failure to obtain such additional financing at critical times could lead to delays and indefinite postponement in the exploration and development of the Company's projects. There is no assurance that such funding will be available or that it will be obtained on favourable terms.

Lack of operating profit

The Company has incurred operating losses on an annual basis, for a number of years, arising from administrative costs related to continued exploration and development of mineral resource properties. As at June 30, 2005, the Company had an accumulated deficit of \$1,017,202. It is anticipated that the Company will continue to experience operating losses for the foreseeable future. There can be no assurance that the Company will ever achieve significant revenues or profitable operations.

Precious metal price

The price of precious metals can fluctuate widely and is affected by numerous factors including demand, inflation, strength of the US dollar and other currencies, interest rates, gold sales by the central banks, forward sales by producers, global or regional political or financial events, and production and cost levels in major producing regions. In addition, the gold price is sometimes subject to rapid short-term changes because of speculative activities. Even if the Company discovers commercial amounts of precious metals on its properties, it may not be able to place the property into commercial production if precious metal prices are not at sufficient levels.

Currency risk

A substantial portion of the Company's activities is expected to be carried on outside Canada. Such activities are subject to risks associated with the fluctuation in the rate of exchange of the Canadian dollar and foreign currencies.

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NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51 – 102 Part 4, Subsection 4.3 (3) (a), if an auditor has not performed a review of the interim consolidated financial statements, the statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The management of Midlands Minerals Corporation is responsible for the preparation of the accompanying unaudited interim consolidated financial statements. The unaudited interim consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles and are considered by management to present , fairly, the financial position, operating results and cash flows of the Company.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by the Company's auditor. These unaudited statements include adjustments consisting of normal and recurring items, that management considers necessary for a fair presentation of the Company's consolidated financial position, results of operations, and cash flows.

"Original signed by Kim F. Harris)

Kim F. Harris
President and Chief Executive Officer

"Original signed by Paul E. Singer, C.A.

Paul E. Singer, C.A.
Chief Financial Officer