GENERAL:

The following discussion and analysis of the performance and financial condition of Midlands Minerals Corporation (the "Company") is as at April 18, 2007 and should be read in conjunction with the Audited Consolidated Financial Statements of the Company and the accompanying notes thereto for the years ended December 31, 2006, and 2005, which 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.

SELECTED ANNUAL INFORMATION

The following table sets forth selected consolidated financial information of the Company for, and as of the end of each of the last three fiscal years ended December 31. The selected consolidated financial information should be read in conjunction with the Consolidated Financial Statements of the Company.

	For the year ended December 31,		
	2006	**2005**	**2004**
Consolidated Statement of Operations	**$**	**$**	**$**
Total Revenue	**--**	**--**	--
Net Loss	**1,014,026**	**832,736**	394,634
Basic and Diluted Net Loss per Share	**0.03**	**0.04**	0.02
Balance Sheet			
Total Cash and Short-term investment	**2,556,395**	**113,514**	86,395
Working Capital (Deficiency)	**(310,653)**	**(17,884)**	(157,188)
Non-Controlling Interest	**36,125**	**36,125**	36,125
Total Long Term Debt	**Nil**	**Nil**	Nil
Total Assets	**8,042,765**	**1,860,439**	1,646,941
Shareholders' Equity	**5,001,097**	**1,680,666**	1,342,296
Deferred Exploration & Property Acquisition Cost			
Acquisition Cost	**3,093,232**	**543,224**	541,244
Deferred Exploration Expenditures	**2,325,971**	**1,156,403**	925,417
Total Balance	**5,419,203**	**1,699,627**	1,466,661

SUMMARY OF QUARTERLY RESULTS

Selected consolidated financial information for the most recently completed quarters of 2006, and 2005 are as follows:

	2006				**2005**			
Three months ended	**Mar.**	**June.**	**Sept.**	**Dec.**	Mar.	June.	Sept.	Dec.
	$	$	$	**$**	$	$	$	$
Revenue	Nil	Nil	Nil	**Nil**	Nil	Nil	Nil	Nil
Net Loss	125,409	185,286	390,409	**312,922**	70,182	239,015	167,132	356,407
Basic and diluted net loss per share	0.00	0.01	0.02	**0.00**	0.00	0.01	0.01	0.02

DESCRIPTION OF BUSINESS

Midlands Minerals Corporation is a publicly traded Canadian natural resource company engaged in the exploration of mineral properties. The Company is a development stage organization and is presently in the process of exploring its mineral properties, and has not yet determined whether these properties contain reserves that are economically recoverable. The primary focus of the Company is on its gold and diamond exploration and development properties in Tanzania and gold exploration properties in Ghana. To date the Company has raised funds to explore its mineral properties principally through the issuance of shares, the Company will continue to depend on the issuance of additional shares to further the development of its mineral properties. 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 regulations, renegotiation of contracts and political uncertainty.

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the company's financial statements conforms with Canadian generally accepted accounting principles and requires management to make the 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. General exploration expenditures which do not relate to specific resource properties are written off in the year incurred.

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.

The cost of exploration property 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 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 cost 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 for 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. The Company's proposed stock option plan is described in Note 8 of the December 31, 2006 audited consolidated financial statements.

OVERVIEW OF PERFORMANCE

MINERAL PROPERTIES

Midlands controls approximately 2,970 square kilometres over 5 distinct properties. Midlands has a majority interest in the following properties:

	Name of Project	Interest	Location	Deposit Type
(1)	Sian	65%	Ghana: Ashanti Gold Belt	gold
(2)	Kwahu Praso	80%	Ghana: Ashanti Gold Belt	gold
(3)	Kaniago	100%	Ghana: Asankrangwa Gold Belt	gold
(4)	ltilima	75%	Tanzania	gold/diamonds
(5)	New Kilindi	100%	Tanzania	gold

GHANA PROPERTIES

The Government of Ghana issues mineral rights as follows:

- Reconnaissance License (RL) which is valid for one year and is renewable
- Prospecting License (PL) which is valid for three years and is renewable with a reduction of area to not less than 50%
- Mining Lease (ML) which is valid for 30 years or less depending on the life of the mine, and is renewable.

SIAN

Sian is a past open pit gold producer with a resource of 200,000 ounces of gold (indicated resource of 1.3m tonnes grading at 2.3 g/t and an inferred resource of 500,000 tonnes grading at 5.7 g/t), a gold processing plant and a valid mining lease with an expiry date of 2027. 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.

The Sian/Praso package 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 91% between 2001 and 2004 when the mine was closed due to management reasons.

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 fixed assets, 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.

Subsequent to December 31, 2006, Midlands completed detailed soil geochemistry programs as well as an IP geophysical survey. The Company will commence a 10,000 metre drilling program on April 8, 2007 on the Sian property. A diamond core drilling program and an RC drilling program will run concurrently.

Kwahu Praso

The Company holds an 80% interest in the Kwahu Praso Gold Project in Ghana. The mineral rights are housed in Midlands subsidiary company – Midenka Resources Limited in which Midlands has an 80% interest. This property, which is contiguous to the Sian property, is located on the northeast end of the Ashanti Gold Belt and totals 109 square kilometres in size. Because the structures appear to be continuous between Sian and Kwahu Praso, the Company's exploration plan is to integrate work programs on Sian and the Kwahu Praso property.

The Kwahu Praso prospecting license is in the process of renewal and the Company has a letter to the effect that the Minerals Commission has recommended to the Minister of Lands, Forestry and Mines that the Kwahu Praso license be renewed. The Company is now waiting for the new prospecting license to be issued for a period of three years.

Nsuta

At the time Midlands applied for the first renewal of Kwahu Praso, the Company was required to shed up to 50% of the ground. The Nsuta property was relinquished by the Company. The Company re-applied for the ground and has received confirmation that the application has been approved by the Technical Committee of the Minerals Commission. The normal process and next step is for Midlands to submit work programs to the Minerals Commission and the Company is in the process of making the required submissions. The Company will hold a 100% interest in the Nsuta prospecting license through its subsidiary company – Midlands Minerals Ghana Limited.

Kaniago

The Company holds a 100% right interest in the Kaniago property which is located on the Asankrangwa Gold Belt in Ghana and is 45.14 square kilometres in size. The mineral rights are owned by Midlands through its subsidiary company – Midlands Minerals Ghana Limited. Work done to date includes stream sediment sampling and soil Geochemistry. The property sits between two open pit mines, the Abore mine to the north and the Obotan mine to the south. The company has a valid prospecting license which is valid for a period of three years until February 2010 following payment to the Minerals Commission of the license fee of US $15,000 (paid) and other related taxes.

TANZANIA PROPERTIES:

The Government of Tanzania issues mineral rights as follows:

- Reconnaissance License (RL) which is valid for two years and is renewable with a reduction of area of no less than 50%
- Prospecting License (PL) which is valid for three years and is renewable with a reduction of area to not less than 50%
- An Extension of up to three years after the expiration of the Second Renewal
- Mining Lease (ML) which is valid for 30 years or less depending on the life of the mine, and is renewable.

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 Company's exploration program to date has focused on geochemistry followed by 1,345 metres of RC drilling in 2004 and 2,000 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 2,000 metre diamond core drilling program and intends to do follow up with further drilling in the last quarter of 2007.

The Itilima prospecting licence was originally issued as PL 1406/99. Because 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. On November 7, 2006, the Company applied for a three year extension following the end of the Second Renewal of the prospecting license. The Company has received a letter from the Commissioner for Minerals to the effect that the application is being processed.

PL 2043/02 is 16.50 square kilometres and it is valid until November 11, 2007 when it will be due for renewal. The Company intends to apply for the renewal. All payments and fees due to the Government of Tanzania have been paid.

PL 3192/05 is 16.45 square kilometres and is valid until May 1, 2008. All property payments and fees due to the Government of Tanzania have been paid. The next annual rent payment is due on May 1, 2007. The Company intends to make the payment on time.

PL 4086/07 is 16.25 square kilometres and is valid until 2010. All property payments and fees due to the Government of Tanzania have been paid.

Itilima Diamond Project

The Itilima 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 is operated by the De Beers 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 analysis was done by SGS Lakefield Research Laboratories in Ontario Canada. Midlands plans more work on these kimberlite targets and the Company is seeking a partner to develop the diamond potential of the Itilima project.

New Kilindi

In July 2005, the Company was granted a reconnaissance licence consisting of 2,700 square kilometres in the New Hendini area in Tanzania. The reconnaissance license is valid until July 2007 and is renewable at that time. The mineral rights are owned 100% by Midlands through the Company's subsidiary company – Midlands Minerals Tanzania Limited.

On March 13, 2007, the Company entered into an option agreement with Canaco Resources Inc., a TSX Venture Exchange listed company. Under the terms of the agreement, Canaco undertakes to spend US $2.5 million in work programs including a minimum of 5,000 metres of diamond drilling over 60 months to earn a 60% interest in the New

Kilindi project. The terms of the option include a cash payment of US $100,000 over a one year period and the issuance of 200,000 common shares of Canaco to Midlands.

New Kilindi gold property is located in the Hendini District, 160 kilometres northwest of the city of Morogoro and west of the city of Dar es Salaam. It is located on the Neo-Proterozoic (Pan-African) Mozambique Belt which consists of a reworked ancient crust of Archean (Lake Victoria rock type) and Paleoprotorozoic rocks (Lupa Goldfields rock type).

RESULTS OF OPERATIONS

The Company's operations are based primarily on the acquisition and exploration of precious metal properties in Africa and as such the Company did not generate any revenues in fiscal 2005 and 2006. The Company incurred a loss from operations of $1,014,026 for the fiscal year ended December 31, 2006, as compared to a loss of $832,736 for fiscal 2005. The increase of $181,290 is attributable to an increase in general operating costs.

In addition to the above, other changes in operating expenses reflect the continued growth and development of the Company and the execution of the Company's business strategies. Most of the changes resulted from initiatives undertaken by management to establish a solid and sustainable technical and administrative foundation and to further improve our communication to existing and all potential stakeholders. To this end, the most material increases can be attributed to increases in office and administrative expenses increasing by $95,950 to $209,516 in 2006. The major component rising in this category relates to office salaries. Costs related travel to the properties increased from $75,911 in 2005 to $143,501 in 2006, an increase of $67,590. The increase in this line item is associated with increased activities in both marketing and in the development of the properties and the Company's continued efforts to expand its mineral property portfolio in Ghana and Tanzania. The final major increase relates to Professional fees which increased by $43,096 to $93,922 in 2006 because of legal work related to the agreement with Sian Goldfields Limited.

Given the Company's growth strategy, additional funds will be required to maintain and grow current operations. More advanced exploration is planned on the Ghana and Tanzania properties, and the Company continues to seek qualified minerals properties that meet its criteria. As such, cash aggregate operating expenditures may increase in the future. During 2006, the Company's overall cash operating expenditures increased from $618,602 in fiscal 2005, to $740,188 in fiscal 2006, an increase of $121,586 for the comparable period in 2005.

FOURTH QUARTER RESULTS

The fourth quarter of 2006 involved intense activity related to the acquisition of the Sian mining lease and the formation of the Akroma Gold Company Limited in Ghana.

In Tanzania, diamond core drilling was under way on the Itilima project with $687,273 in expenditures of which $355,924 was spent on drilling.

Other line items which showed significant increases include those outlined above, increased travel as well as office and administrative expenses, management fees and general operating costs.

LIQUIDITY AND CAPITAL RESOURCES

The working capital deficit as at December 31, 2006 was $310,653 compared to a working capital deficit of $17,884 at December 31, 2005. The increase is due to the successful brokered private placement financing which was completed in December 2006. The Company expects to see continued improvements in working capital as it attempts to complete prospective equity financing transactions in the first half of fiscal 2007.

During the year ended December 31, 2006, the Company engaged in two brokered private placement equity financings to raise funds for exploration and general corporate purposes. Through the March 2006 brokered private placement, the Company issued 11,498,000 units at $0.25 per unit for gross proceeds of $2,874,500. Each unit consisted of one common share and one common share purchase warrant entitling the holder to acquire an additional common share at $0.35 of the Company price in year one and at $0.45 of the Company in year two. The share purchase warrants are valid until March 20, 2008.

Through the second Private Placement which closed in December 2006, the Company issued 5,821,706 units at a price of $0.30 per unit for gross proceeds of $1,746,511. Each unit consisted of one common share and one half purchase warrant entitling the holder to acquire an additional common share of the Company at a price of $0.45 per share until June 12, 2008, subject to the Company's right to accelerate the expiry of the Warrants after nine months following closing, in the event the closing price of the Company's common shares for any ten (20) consecutive trading days equals or exceeds Cdn $1.00 per share.

INVESTMENT IN MINERAL EXPLORATION AND DEVELOPMENT

Expenditures on minerals properties increased during the year to $5,419,203 from $1,699,627 as at December 31, 2005. The expenditures on exploration and development increased from $1,156,403 as at December 31, 2005 to $2,325,971 in 2006. The increase of $1,169,568 is attributable to an increase in exploration and development activities on the Sian, Kwahu Praso and Kaniago properties in Ghana and on the Itilima project in Tanzania.

A total of $2,982,836 was spent in Ghana in the fiscal year 2006 and $736,740 was spent in Tanzania in fiscal year 2006. The increased activity reflects a $49,467 increase in additional option payments and license renewals in Tanzania. Assay costs came in at $148,110. The final major increase can be attributed to travel expenses in connection with exploration work being conducted in both Tanzania and Ghana.

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 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 of 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

With the exception of the Company's right to accelerate the expiration of warrants issued as part of the December 2006 financing, 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.

The Company, through the second Private Placement equity financing which closed in December 2006, issued 5,821,706 units at a price of $0.30 per unit for gross proceeds of $1,746,511. Each unit consisted of one common share and one half purchase warrant entitling the holder to acquire an additional common share of the Company at a price of $0.45 per share until June 12, 2008, subject to the Company's right to accelerate the expiration of the Warrants after nine months following closing, in the event the closing price of the Company's common shares for any ten (10) consecutive trading days equals or exceeds Cdn $1.00 per share.

CONTRACTUAL OBLIGATION AND COMMITMENTS

The Company signed an agreement with Sian Goldfields Limited on August 23, 2006. Under the terms of the agreement, Midlands agreed to honour Sian's debt of $2 million. Midlands agreed to pay workers' salary arrears and farmers' crop compensation in order to facilitate field and exploration activities. The payments will be made over a period of 12 months from date of signing.

The Company does not have any other commitments, or contractual obligation, long term debt, capital lease obligations, and purchase obligations other than leases which are part of day to day corporate business activities such as an office rental lease and leased equipment. (Reader is referred to the Consolidated Financial Statements, Note 11)

OUTLOOK

The Company will continue to focus its efforts on further developing its mineral properties in Ghana and Tanzania. Planned work includes infill MMI soil surveys, IP surveys and RC drilling on the Ghana and Tanzania properties. What makes the prospects promising for Midlands are the following:

- 5 quality gold properties located next to major multi million ounce gold deposits on a prolific belt and on trend with world class gold deposits like Newmont Mining's Akyem deposit with over 8 million ounces of gold in Ghana, and Barrick Gold's Bulyanhulu with over 13 million ounces of gold in Tanzania;
- A diamond property with kimberlites next to a world class open pit diamond mine which has produced more than 20 million carats in Tanzania;
- Midlands operates in known stable and democratic gold producing countries with a long history of gold mining;
- Already with a resource of 200,000 ounces of gold on its Sian property in Ghana, Midlands controls large gold districts thereby increasing the potential of discovery of several large gold deposits;
- Prudent and experienced Management and Board
- A technical team with a history of discovery

Overall, Midlands Minerals Corporation's prospects for achieving its short-term exploration objectives (specifically, bringing the Sian property to a feasibility stage by the end of 2008 and expanding its existing resource) are good given current cash on hand. The Company raised $1,139,000 in a private placement in January 2007. The plan is to bring the Sian property, which has all the infrastructure in place as well as a valid mining lease, back into production by the end of 2010 either by Midlands on its own or through a joint venture with a gold mining company.

In summary:

1. drilling is planned on the Sian and Kwahu Praso properties commencing in April 2007 - Ghana
2. detailed soil surveys are planned for Kaniago and these will be followed by RC drilling - Ghana
3. further drilling is planned for the Itilima project (PL 2043/02) in the last quarter of 2007 – Tanzania

Midlands has a seasoned management team with extensive experience in Africa. The Company has demonstrated access to the capital markets and low overhead costs, all of which ensures that Midlands Minerals Corporation is focused on its exploration activities. However, to further exploration and development activities, the Company will require funds and these are subject to the availability of future financing.

CAPITAL STOCK

AUTHORIZED UNLIMITED COMMON SHARES

	Number of Common Shares	Amount ($)
Balance, December 31, 2004	18,393,003	2,050,301
Issued for cash	5,017,500	695,940
Share issue costs	-	(190,910)
Issued for services	50,000	6,935
Balance, December 31, 2005	23,460,503	2,562,266
Issued for cash March 21, 2006	11,498,000	1,734,600
Issued for cash December 12, 2006	5,821,706	1,413,612
Share issue costs	-	(547,818)
Warrants Exercised	6,165	2,125
Balance, December 31, 2006	40,786,374	5,164,785

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 an economic deposit. The commercial viability of exploiting any precious metal 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.

Uncertainty 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.

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 law 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 may 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 delay 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 resources properties. 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 risk associated with the fluctuation in the rate of exchange of the Canadian dollar and foreign currencies.

SUBSEQUENT EVENTS

1. Financing

Subsequent to December 31, 2006, the Company completed the second tranche of its previously (December 2006) announced brokered private placement of up to 10 million units. The Company issued an additional 3,796,667 Units at a price of $0.30 per Unit for gross proceeds of $1,139,000 on January 12, 2007. Each unit consisted of one common share and one half of one common share purchase warrant entitling the holder to acquire an additional common share of the Company at a price of $0.45 per share until July 12, 2008, subject to the Company's right to accelerate the expiration of the Warrants after nine months following closing, in the event the closing price of the Company's common shares for any twenty (20) consecutive trading days equals or exceeds Cdn $1.00 per share.

2. Amendment of Warrant Terms

On February 15, 2007 the Company applied to the TSX Venture Exchange for approval to amend 1,611,268 Warrants issued on May 28, 2004, exercisable at $0.43 with an expiry date of April 4, 2007. The TSX Venture Exchange approved the repricing of the warrants to reflect the current average price of the stock of $0.30.

The Warrants were originally issued pursuant to a private placement on May 28, 2004, prior to the Company's April 4, 2005 listing on the TSX Venture Exchange.

3. Sian Goldfields Limited

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 fixed assets, machinery and equipment. The mineral assets include an area of approximately 50 square kilometres of ground which is contiguous to Midlands' 109 square kilometre Kwahu Praso property on the north-east end of the Ashanti Gold Belt.

Midlands agreed, as part of the transaction with Sian, to honour Sian's debt obligations to sundry creditors up to a maximum of $2 million.

Subsequent to December 31, 2006, Midlands signed a diamond drilling contract with Eagle Drilling Inc to conduct drilling activities on the Sian property. Subsequent to December 31, 2006, Midlands signed an RC drilling contract with Minerex Drilling Contractors to conduct an RC drilling program on the Sian property. Both programs will run concurrently. The Company will commence a 10,000 metre drilling program on April 8, 2007 on the Sian property. On March 14, 2007, the Company signed a contract with RSG Global Consulting Pvt. Ltd to provide supervision services for the RC drilling program on the Sian property.

4. New Contracts

Subsequent to December 31, 2006, the Company entered into drilling contracts with respect to the Sian and Kwahu Praso properties in Ghana as follows:

Contractor	**Total Cost**
Minerex Drilling Contractors	US $150,000
Eagle Drilling Inc.	US $200,000
RSG Global Consulting Services	US $60,000

5. New Kilindi Property, Tanzania

On March 13, 2007, the Company entered into an option agreement with Canaco Resources Inc., a TSX Venture Exchange listed company. Under the terms of the agreement, Canaco undertakes to spend US $2.5 million in work programs including a minimum of 5,000 metres of diamond drilling over 60 months to earn a 60% interest in the New Kilindi project. The terms of the option include a cash payment of US $100,000 over a one year period and the issuance of 200,000 common shares of Canaco to Midlands.

6. Annual General Meeting of the Shareholders

The Company will hold its Annual General Meeting of the Shareholders on June 27, 2007. The Record Date is May 14, 2007 and the Mail Date is May 17, 2007.

7. Subsequent to December 31, 2006, the Company granted 906,019 options to employees, eligible consultants and directors of the company.

8. Warrants Exercised

(a) Subsequent to December 31, 2006, the Company's agent exercised 501,750 brokers' warrants at $0.20 per share and the Company issued 501,750 of its common shares to D & D Securities Company. Gross proceeds were $100,350.

(b) Subsequent to December 31, 2006, a shareholder exercised 500,000 warrants at $0.30 per share and the company issued 500,000 of its common shares to the shareholder. The gross proceeds were $150,000.

(c) Subsequent to December 31, 2006, a shareholder exercised 600,000 warrants at $0.30 per share and the company issued 600,000 of its common shares to the shareholder. The gross proceeds were $180,000.

(d) Subsequent to December 31, 2006, 3,943,835 warrants expired on March 23, 2007.

(e) Subsequent to year end. 17,500 warrants expired unexercised on March 31, 2007.

(f) Subsequent to December 31, 2006, a shareholder exercised 525,000 warrants at $0.30 per share and the company issued 525,000 common shares to the shareholder. The gross proceeds were $157,500.

(g) Subsequent to December 31, 2006, a shareholder exercised 25,000 warrants at $0.30 per share and the company issued 25,000 common shares to the shareholder. The gross proceeds were $7,500.

(h) Subsequent to December 31, 2006, 1,061,268 warrants expired on April 4, 2007.

7. Revised Total of Shares Issued and Outstanding

On April 18, 2007, the Company's capital stock is as follows:

(a) Total number of issued and outstanding shares is 46,734,791.

(b) Total number of warrants is 17,627,545.

(c) Total number of options granted 4,267,044