

MIDLANDS MINERALS CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS
AS AT MARCH 31, 2005

GENERAL:

The following discussion and analysis of the performance and financial condition of Midlands Minerals Corporation (the "Company") should be read in conjunction with the unaudited Consolidated Financial Statements of the Company and the accompanying notes thereto for the period ended March 31, 2005, and 2004, and December 31, 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 constitutes 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 public 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 property in Tanzania and gold exploration property 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 natural resources 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 last fiscal years ended December 31, 2004 and the three month period ending March 31, 2005 and March 31, 2004. The selected consolidated financial information should be read in conjunction with the Consolidated Financial Statements of the Company.

	March 31, 2005	March 31, 2004	December 31, 2004
Consolidated Statement of Operations	\$	\$	\$
Total Revenue	--	--	--
Net Loss	70,182	39,930	394,634
Basic and Diluted Net Loss per Share	0.00	0.00	0.02
Balance Sheet			
Total Cash	667,609	258,746	86,395
Working Capital (Deficiency)	550,823	(212,069)	(157,188)
Total Long Term Debt	Nil	Nil	Nil
Total Assets	2,222,178	1,568,689	1,646,941
Shareholders' Equity	2,042,933	1,051,328	1,342,296
Deferred Exploration & Property Acquisition Cost			
Acquisition Cost	541,244	505,012	541,244
Deferred Exploration Expenditures	960,719	639,473	925,417
Total Balance	1,501,963	1,144,485	1,466,661

SUMMARY OF QUARTERLY RESULTS

Selected consolidated financial information for the most recently completed quarters of 2005, 2004, and 2003 are as follows:

Three months ended	2005		2004			2003			
	Mar.	Dec.	Sept.	June	Mar.	Dec.	Sept.	June.	Mar.
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net Loss	70,182	44,708	154,318	155,678	39,930	32,077	202,882	25,219	9,002
Basic and diluted net loss per share	0.00	0.00	0.01	0.01	0.01	0.00	0.02	0.00	0.00

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 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.

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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 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. The Company's proposed stock option plan is described below.

OVERVIEW OF PERFORMANCE

The Company holds a 75% interest in the Itilima Gold and Diamond Project, which consists of two contiguous licenses 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 report prepared in accordance with Canadian National Instrument 43-101. Through this exploration program, the Company has confirmed two gold-bearing shear zones on the properties: the Itilima Shear Zone ("ISZ") and the Chanya Shear Zone ("CSZ"). The Company also confirmed the presence of gold mineralization over a strike length of 1.2 kilometres on the ISZ. In March of 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's plans are to continue further exploration activities based on the detailed exploration program outlined in the updated technical report on both the ISZ and the CSZ in 2005.

Two of the nine kimberlites identified as priority were drilled and the result showed indicator minerals for diamondiferous kimberlites. Midlands plans more work on these kimberlites in 2005.

The Company holds an 80% interest in the Kwahu Praso Gold Project in Ghana.

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RESULTS OF OPERATIONS

For the three months ended March 31, 2005, the Company suffered a loss from operation of \$70,182 as compared to a loss of \$39,930 or nil per share in the comparable period in fiscal 2004. The increased loss from the comparable period in 2004 was primarily due to the increases in management fees, which accounted for approximately 60% of the increase in total operating expenses. The remaining 40% of the total increase in operating costs can be allocated to such items as investor relations and shareholders information expenses accounting for approximately 14.36% of the \$30,252 increase, travel expenses at approximately 14% and professional fees at 10.35%.

The change in operating expenses also reflects the continued growth of the Company technical and administrative infrastructure and the continued improvement of the Company's communication to present and potential shareholders. As stated above, the most material increases is attributed to increases in management fees, investor relations expenses, travel and professional fees, which increased in aggregate to \$41,029, for the period, ended March 31, 2005, from \$11,368 for the comparable period in fiscal 2004.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2005, the Company working capital was \$530,823, an improvement over a working capital deficiency of \$212,069 as at March 31, 2004. The improved liquidity position is primarily due to successful private placements for net proceeds of \$875,000 during the first quarter. The Company's working capital position also improved due to the decline in the company current liabilities, which showed continued improvement declining from \$481,263 as at March 31, 2004 to \$268,520 as at December 31, 2004 and down to \$143,120 as at March 31, 2005. The major reason for the continued improvement in current liabilities stem from the decline in Notes Payable, which decreased to Nil from \$282,900 as a result of the conversion of Notes Payable to common shares at \$0.20 per share on completion of the Reverse Take-Over Transaction ("RTO") with Grand Oakes Resources Corp. ("GOR"), on June 2, 2004. The Company expects to see continued improvements in working capital as the Company attempts to complete prospective equity financings transactions in the second half of fiscal 2005.

As mentioned above, during the period ended March 31, 2005, the Company engaged in a private placement equity-financing transactions with existing shareholders and new accredited shareholders. Through this private placement, the Company issued 5,000,000 units at \$0.20 per unit for gross proceeds of \$1,000,000 (the "Private Placement"). Each unit consists of one common share of the Company and one share purchase warrant. Each warrant entitles the holder to acquire a further common share of the Company at an exercise price of \$0.30 for a period of two years. In connection with this private placement, the Company also issued a compensation option to the agent to acquire 500,000 common shares at a price of \$0.20 per share for a period of two years. Cost related to the financing was approximately \$229,181 (excluding the fair value of the compensation option) of which \$45,235 was paid or accrued to December 31, 2004.

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

INVESTMENT IN MINERAL EXPLORATION AND DEVELOPMENT

Expenditures on minerals properties increased during the period to \$1,501,963 from \$1,466,661 as at December 31, 2004, and showed an additional increase of \$322,176 over March 31, 2004 balance of \$1,144,485. The \$35,302 increase expenditures since December 31, 2004 reflects \$19,960, spent on our Tanzania property for geological

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consulting, occupancy cost and licences and permits. The remaining \$15,306 was allocated to the Company's Ghana property to cover such cost as geological consulting and licences and permits.

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 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 ARRANGEMENT

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

- a. During the period ended March 31, 2005, management fees totalling \$24,000 (March 31, 2004 - \$6,000) were paid or accrued to a director who is also an officer of the Company. Included in accounts payable and accrued liabilities as at March 31, 2005, was Nil (December 31, 2004 - \$82,468) due to this individual which includes accrued management fees and amounts owing for certain expenditures incurred by the individual on behalf of the Company..
- b. Included in accounts payable and accrued liabilities as at March 31, 2005, was \$29,255 (December 31, 2004 - \$33,399) due to a director - shareholder of the Company with respect to 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.

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CONTRACTUAL OBLIGATION AND COMMITMENTS

As at March 31, 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 equalling 20% of the CEO's stated salary. The CEO will be entitled to receive a payment equal to 24 months of salary on termination for any reason other than cause.

The Company does not have any other commitments, or contractual obligation, 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

OTHER REQUIREMENTS

Subsequent to March 31, 2004, the Company has continued additional exploration work on its Itilima property in accordance with the updated technical report per Canadian National Policy 43-101.

Mineral Property

Subsequent to March 31, 2004, the Company renewed its prospecting license on the Kwahu Praso property for a further 12 months. On April 4, 2005, the Company initiated a geological mapping program on the Itilima property.

SUBSEQUENT EVENTS

Subsequent to the period ended March 31, 2005, the Company's application to list its securities on the TSX Venture Exchange was approved by the Exchange and the Company's stock commenced trading on April 4, 2005.

Subsequent to the period ended March 31, 2005, an additional 17,500 units were issued at \$0.20 per unit for gross proceeds of \$3,500 pursuant to the Private Placement described in Note 7. 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.

Subsequent to the period ended March 31, 2005, the Company was granted prospecting license renewals for its Tanzania properties.

Subsequent to the period ended March 31, 2005, the Company paid off all accrued liabilities, which are, reflected in the December 31, 2004 Consolidated Interim Financial Statements.

Subsequent to the period ended March 31, 2005, the Company was granted a reconnaissance license and mineral rights in Ghana for the Kaniago Concession consisting of 45.14 sq km.

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Subsequent to the period ended March 31, 2005, the Company was granted a reconnaissance license and mineral rights in Tanzania for the New Kilindi Area Concession consisting of 2,700 sq km.

CAPITAL STOCK

On March 23, 2005, the Company issued 5,000,000 units at \$0.20 per unit for gross proceeds of \$1,000,000 (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 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.

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	5,000,000	1,000,000
Share issue cost	-	(270,281)
Issued for services	50,000	10,000
Balance, March 31, 2005	23,443,003	2,790,020

WARRANTS GRANTED

As at March 31, 2005, the following warrants were granted and outstanding:

	March 31, 2005		December 31, 2004	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
		\$		\$
Outstanding at beginning	1,611,268	0.43	1,686,268	0.43

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Issued during the period	5,550,000	0.30	-	
Cancelled	-		(75,000)	(0.43)
Balance at end	<u>7,161,268</u>	0.33	<u>1,611,268</u>	0.43

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

Date Granted	Warrants Granted	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	5,550,000	0.30	March 23, 2007
Balance, March 31, 2005	<u>7,161,268</u>		

To reflect the issuance of 500,000 compensation options, valued at \$31,100, to acquire common shares of the Company at a price of \$0.20 per share for a period of two years.

CONTRIBUTED SURPLUS

	Amount \$
Balance as at December 31, 2004	<u>-</u>
Compensation options	31,100
Balance, March 31, 2005	<u>31,100</u>

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

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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 cost 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. As at December 31, 2004, the Company had an accumulated deficit of \$708,005. 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.