

MIDLANDS MINERALS CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS
AS AT DECEMBER 31, 2004

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 Audited Consolidated Financial Statements of the Company and the accompanying notes thereto for the years ended December 31, 2004, and 2003, 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 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.

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, 2004. The selected consolidated financial information should be read in conjunction with the Consolidated Financial Statements of the Company.

	For the year ended December 31,		
	2004	2003	2002
Consolidated Statement of Operations	\$	\$	\$
Total Revenue	--	--	--
Net Loss	394,634	269,180	31,939
Basic and Diluted Net Loss per Share	0.02	0.02	0.01
Balance Sheet			
Total Cash	86,395	98,464	79,024
Working Capital (Deficiency)	(157,188)	(275,542)	(37,186)
Total Long Term Debt	Nil	Nil	Nil
Total Assets	1,646,941	1,136,368	664,742
Shareholders' Equity	1,342,296	663,674	489,277
Deferred Exploration & Property Acquisition Cost			
Acquisition Cost	541,244	490,921	469,725
Deferred Exploration Expenditures	925,417	466,607	86,647
Total Balance	1,466,661	957,528	556,372

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SUMMARY OF QUARTERLY RESULTS

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

Three months ended	2004				2003			
	Dec.	Sept.	June	Mar.	Dec.	Sept.	June.	Mar.
		\$	\$	\$	\$	\$	\$	\$
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net Loss	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	0.01	0.01	0.00	0.00	0.02	0.00	0.00

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.

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.

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

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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 in Note 11.

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 9 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.

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 2003 or fiscal 2004. The Company suffered a loss from operation of \$394,634 for the fiscal year ended December 31, 2004, as compared to a loss of \$269,180 for fiscal 2003. The increased loss from the comparable period in 2003 was primarily due to the increases in overall administrative expenses and consulting fees.

The change in operating expenses reflects the continued development of the Company. Most of the changes resulted from initiatives undertaken to establish a solid and sustainable technical and administrative foundation and to further improve our communication to existing and all potential stakeholders. The most material increases can be attributed to increases in investor relations and shareholder information expenses, and management and consulting fees, which increased in aggregate to \$144,088, for the period ended December 31, 2004, from \$55,796 for fiscal 2003. The increase was due mainly to an increase in management fees of \$27,000 over fiscal 2003. Additionally, investor relations and shareholder information expenses increased by \$44,419, with the remaining \$16,873 increase attributable to consulting fees.

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Other major increases in expenses came about because of transaction costs relating to the Reverse Take-Over Transaction ("RTO") with Grand Oakes Resources Corporation ("GOR") on June 2, 2004. These expenses totalled \$103,103 and accounted for approximately 26.1% of total operating expenses for 2004.

Because of the continued development of the Company's business strategy, additional operating expenditures are required to maintain and further develop the Company's administrative infrastructure. As such, aggregate operating expenditure increased from \$269,180, in fiscal 2003, to \$291,531 for the comparable period in 2004. The Company however, did experience improvements in such line item expenses as professional fees, and travel and automobile expenses.

FOURTH QUARTER RESULTS

During the fourth quarter ended December 31, 2004 the Company registered a loss from operations of \$44,708 relative to a loss of \$32,077 for the comparable quarter in fiscal 2003. This increase was due mainly to the Company's continued development of its administrative infrastructure. The Company, however, was able to significantly increase its liquidity by completing a private placement financing with its current shareholders. During the quarter ended December 31, 2004, the Company issued 277,035 units at \$0.43 per unit for gross proceeds of \$119,125. Each unit consists of one common share and one common share purchase warrant entitling the holder to acquire an additional common share of the Company at a price of \$0.43 for a period of two years.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2004 the Company reported a working capital deficiency of \$157,188, an improvement over a working capital deficiency of \$275,542 as at December 31, 2003. The decrease was primarily due to successful private placements for net proceeds of \$877,880 during the year. The Company's working capital position also improved due to the decline in Notes Payable, which decreased to Nil from \$282,900 as at December 31, 2003, 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. Although, the Company has seen an improvement in its working capital position over the past twelve months, the Company's current assets did decline by \$49,695 over this period to \$111,332 as at December 31, 2004, from \$161,027 as at December 31, 2003. 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.

During the year ended December 31, 2004, the Company engaged in three private placement equity financing transactions with existing shareholders and new accredited shareholders. Through these private placements the Company issued 410,198 common shares at \$0.43 per common share for gross proceeds of \$176,385. The Company also issued 1,666,268 units at \$0.43 per unit for gross proceeds of \$716,495. An additional 20,000 units at \$0.43 were issued in consideration of services rendered in the amount of \$8,600. Each unit consists of one common share and one common share purchase warrant entitling the holder to acquire an additional common share of the Company at a price of \$0.43 until December 31, 2005.

INVESTMENT IN MINERAL EXPLORATION AND DEVELOPMENT

Expenditures on minerals properties increased during the year to \$1,466,661 from \$957,528 as at December 31, 2003. The increased activity reflects a \$50,323 addition to the Company's property acquisition costs, the

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majority of which (92%) was spent on the Kwahu Praso Concession in Ghana. Expenditures on exploration and development increased from \$466,607 as at December 31, 2003 to \$925,417 as at December 31, 2004. The majority of the \$458,810 increase is attributed to geological consulting fees which totalled \$208,299, or approximately 45% of the increase (geological consulting fees encompass drilling costs). Deferred travel expenses accounted for approximately 23% of the increase or \$109,208, while lab costs accounted for 21 % of the increase or \$97,924. The remaining 10% of the increase in deferred exploration expenditures is allocated between labour, rent, field supplies, 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 year ended December 31, 2004, rent totalling \$1,200 (2003-\$7,793) and management fees totalling \$60,000 (2003 - \$33,000) were paid or accrued to a director who is also an officer of the Company. Included in accounts payable as at December 31, 2004, is \$82,468 (2003 - \$62,580), due to this individual, which includes accrued management fees and amounts owing for certain expenditures incurred by the individual on the behalf of the Company.

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- b. Included in accounts payable as at December 31, 2004 is \$33,399 (2003 - \$11,293) due to a director shareholder of the Company with respect to expenditures incurred by the individual on the behalf of the Company.
- c. On November 12, 2002, the Company acquired 75% of the issued and outstanding shares of Itilima. Itilima's sole asset is a mining property located in Tanzania and was acquired from Sika Resources Inc. ("Sika"). Consideration for the purchase consisted of 5,420,000 common shares of the Company valued at \$433,600. The acquisition was accounted for using the purchase method. The allocation of the purchase price was entirely to the mining property held by Itilima. The Company and Sika had management, directors, and controlling shareholders in common before and after the acquisition. Accordingly, the transaction has been recorded in the financial statements at the carrying amount of the mining property previously recorded in the accounts of Sika. The book value of the 25% interest in Itilima held by shareholders other than the Company has been recorded as a non-controlling interest on the consolidated balance sheet.
- d. During the year ended December 31, 2004, Sika subscribed for 15,814 common shares at \$0.43 per share for gross proceeds of \$6,800 pursuant to the private placements described in Note 11 to the financial statements.

As at December 31, 2004, advances to Sika totalled \$6,541 (2003 - \$6,541). These advances are unsecured, non-interest bearing with no fixed terms of repayment.
- e. Certain directors of the Company became directors of GOR prior to receipt of GOR shareholders approval of the amalgamation with the company.
- f. Two directors of the Company were also directors of Numco

These transactions were in the normal course of operations and were measured at the exchange amount.

CONTRACTUAL OBLIGATION AND COMMITMENTS

As at December 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

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The Company was approved for listing on the Toronto Venture Exchange (“TSXV”) and commenced trading on April 4, 2005, under the symbol (“MEX”).

OTHER REQUIREMENTS

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

Mineral Property

Subsequent to December 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

Financing

Subsequent to December 31, 2004, 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 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 issued a compensation option to the agent to acquire 501,750 common shares at a price of \$0.20 per share for a period of two years. Cost related to the financing was approximately \$185,000 (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.

Subsequent to December 31, 2004, the Company hired a new Vice President and Chief Financial Officer, and has entered into an agreement with its CFO whereby the CFO will receive annual compensation of \$12,000.

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CAPITAL STOCK

AUTHORIZED UNLIMITED COMMON SHARES

Issued: Legal Parent (Grand Oakes) (New Midlands Minerals Corporation)	Number of Common Shares	Amount (\$)
Balance of Capital stock of legal parent, December 31, 2003	2,575,005	1,020,100
Exchange of capital stock on a 4.5:1 basis	(2,002,838)	-
	572,167	1,020,100
Balance of capital stock of legal subsidiary	17,543,801	2,035,685
Elimination of Grand Oakes' deficit		(1,124,609)
Issued for Cash	277,035	119,125
Balance, December 31, 2004	18,393,003	2,050,301

Issued: Legal Subsidiary (Midlands)	Number of Common Shares	Amount (\$)
Balance, December 31, 2003	14,313,370	977,045
Issued for Numco	1,411,000	291,285
Issued for services	20,000	8,600
Issued for cash	1,799,431	773,755
Share issue cost	-	(15,000)
Balance, June 2, 2004	17,543,801	2,035,685

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.

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 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.