Midlands Minerals Corporation

Management's Discussion and Analysis

Three months ended March 31, 2012

May 29, 2012

This management discussion and analysis ("MD&A") has been prepared based on information available to Midlands Minerals Corporation ("Midlands" or the "Company") as at May 29, 2012. The MD&A of the operating results and financial condition of the Company for the three months ended March 31, 2012, should be read in conjunction with the Company's unaudited interim consolidated financial statements and the related notes for the three months ended March 31, 2012 and the Company's audited consolidated financial statements (collectively, the "Financial Statements") for the years ended December 31, 2011 and 2010. The Financial Statements have been prepared by management and are in accordance with International Financial Reporting Standards ("IFRS") and all amounts are expressed in Canadian dollars unless otherwise noted. Other information contained in this document has also been prepared by management and is consistent with the data contained in the Financial Statements. Additional information relating to the Company can be found on SEDAR at www.sedar.com.

MANAGEMENT'S ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING ("ICFR")

Management is responsible for establishing and maintaining adequate internal control over the Company's financial reporting. The internal control system was designed to provide reasonable assurance to the Company's management regarding the preparation and presentation of the financial statements.

Internal Controls over Financial Reporting ("ICFR")

The inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any have been detected. Therefore, no matter how well designed, ICFR has inherent limitations and can provide only reasonable assurance with respect to financial statement preparation and may not prevent and detect all misstatements.

As the Company is a Venture Issuer (as defined under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) ("NI 52-109"), the Company and Management are not required to include representations relating to the establishment and/or maintenance of disclosure controls and procedures ("DC&P) and/or ICFR, as defined in NI 52-109.

CAUTIONARY NOTE

This document contains or refers to forward-looking information. Such forward-looking information includes, among other things, statements regarding targets, estimates and/or assumptions in respect of future production, capital costs and future economic, market and other conditions, and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to: the grade and recovery of ore which is mined varying from estimates; exploration and development costs varying significantly from estimates; inflation; fluctuations in commodity prices; delays in the development of the any project caused by unavailability of equipment, labour or supplies, climatic conditions or otherwise; termination or revision of any debt financing; failure to raise additional funds required to finance the completion of a project; and other factors. Forward-looking statements are subject to significant risks and uncertainties and other factors that could cause actual results to differ materially from expected results. Readers should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and we assume no responsibility to update them or revise them to reflect new events or circumstances, except as required by law. See the section entitled ***RISK FACTORS***.

OVERVIEW

Midlands is a junior exploration-stage company focused on growing its mineral assets in Ghana and Tanzania. The Company trades on the TSX Venture Exchange under the ticker symbol "MEX" and holds a diversified portfolio of gold and diamond projects and operates in stable low risk countries with a long history of gold mining.

The Company works to minimize the social and environmental impact in all its exploration activities, and puts the health and safety of its employees first and foremost. The Company and its employees interact well and effectively with the host and local communities to ensure that its exploration activities do not compromise the values of the local communities.

Our Objective is to build shareholder value through exploration and development of our gold properties in Ghana and our gold and diamond properties in Tanzania. Our business model is to operate in low risk, politically stable and mining-friendly countries. The Company has two first-priority projects in Ghana: Sian-Praso and Kaniago; and thirteen second-priority projects in Tanzania: Lwenge, Kishapu, Lalago, Vukene, Geita, Sengrema and Itilima (in the Lake Victoria Goldfields area) and the Kilindi Projects - Tamota, Mziha East, Ruanda, Bagamoyo, Mvomero and Turian East (in the Handeni Area). The Itilima Project has been explored for both gold and diamonds; Kishapu also has both gold and diamond potential.

DESCRIPTION OF BUSINESS

Midlands is a publicly-traded Canadian natural resource company incorporated in Ontario, Canada with the registered office address of 120 Adelaide Street West, Suite 2400, Toronto, Ontario, M5H 1T1 and is engaged in the exploration and evaluation of mineral properties. The Company is an early-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.

IMPENDING LEGAL ACTIONS

On October 28, 2011, the Company received a Notice of Claim from Stone Communications Services Limited ("Stone") for claimed outstanding services owed in the approximate amount of $20,000. The Company has brought a companion proceeding against Stone. A settlement proceeding original scheduled for May 2012, has been rescheduled for June 2012, at which time the Company will assess what further action will be pursued.

ISSUANCE OF OPTIONS TO DIRECTORS, OFFICERS AND QUALIFIED PERSONNEL

On February 3, 2012, the Company announced that it had granted 2,000,000 stock options to its Chief Executive Officer. The options have a term of 5 years, are exercisable at $0.10 and vest 25% on the date of grant and 25% on each of the first, second and third anniversary of October 26, 2011.

On April 25, 2012, the Company granted 1,500,000 stock options to its Vice President of Exploration. The options have a term of 5 years, are exercisable at $0.10 and vest one-third on issuance and one-third on each of the first and second annual anniversary of issuance.

SELECTED FINANCIAL INFORMATION

The following table sets forth selected consolidated financial information of the Company for the three months ended March 31, 2012 and 2011 and the year ended December 31, 2011. The selected consolidated financial information should be read in conjunction with the Financial Statements of the Company.

	Three months ended Mar. 31, 2012	Three months ended Mar. 31, 2011	Year ended Dec. 31, 2011
Consolidated statement of operations	**$**	**$**	**$**
Total revenue	**-**	**-**	**-**
Net loss	**1,377,131**	**731,867**	**5,468,452**
Basic and diluted net loss per share	**0.007**	**0.007**	**0.041**
Consolidated statement of financial position			
Total Cash and Short-term investment	**3,240,456**	**2,511,722**	**4,416,147**
Working Capital	**3,103,671**	**2,763,071**	**4,522,179**
Total Long Term Debt	**Nil**	**Nil**	**Nil**
Total Assets	**3,563,186**	**4,274,928**	**4,964,654**
Exploration and Evaluation Expenses			
Exploration and Evaluation Expenses	**986,507**	**367,913**	**2,216,074**

SUMMARY OF QUARTERLY RESULTS

Selected consolidated financial information for the 8 most recently completed quarters is as follows:

Three months ended	**Mar. 31, 2012**	**Dec. 31, 2011**	**Sep. 30, 2011**	**Jun. 30, 2011**	**Mar. 31, 2011**	**Dec. 31, 2010**	**Sep. 30, 2010**	**Jun. 30, 2010**
	$	$	$	$	$	$	$	**$**
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net Loss	1,377,131	5,468,454	1,004,312	1,980,223	731,866	1,938,255	1,191,164	1,711,167
Basic and diluted net loss per share	0.007	0.007	0.007	0.019	0.007	0.019	0.012	0.016

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS AND SELECTED SIGNIFICANT ACCOUNTING POLICIES

Not all of the Company's significant accounting policies are detailed below. The reader is directed to the Company's Financial Statements for complete disclosure of its significant accounting policies.

Basis of preparation

Statement of compliance

The interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standards 34 'Interim Financial Reporting' using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of presentation

The interim consolidated financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's audited annual consolidated financial statements as at and for the years ended December 31, 2012 and 2011.

Basis of consolidation

The interim consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiaries, Midlands Minerals Ghana Limited, Midenka Resources Limited, Midlands Minerals Tanzania Limited, Manonga Minerals Limited, Harbour Capital Corporation, and its 75%-owned subsidiary, Itilima Mining Company Limited, and its 65% indirectly-owned subsidiary, Akroma Gold Company Limited, which the Company controls. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All inter-company transactions, balances, income and expenses are eliminated in full on consolidation.

Exploration and evaluation expenditures

All acquisition and exploration costs, net of incidental revenues, are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into property, plant and equipment. On the commencement of commercial production, depletion of each mining property will be provided on a unit-of-production basis using estimated resources as the depletion base.

Share-based compensation

The Company has a share-based compensation plan that grants stock options to employees and non-employees. This plan is an equity-settled plan. For equity-settled share-based payment transactions, the Company measures the goods and services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or services received, the Company measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

The expense is recognized over the vesting period of the options granted, and is recognized as an expense in earnings with a corresponding credit to reserve for share-based payments. At the end of each reporting period the Company re-assesses its estimate of the number of stock options expected to vest and recognizes the impact of any revisions in earnings. Any consideration paid by employees and directors on exercise of stock options is credited to capital stock combined with any related stock-based compensation expense originally recorded in contributed surplus.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand, and short term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense and is applied as an offset to the specific obligation on the statement of financial position.

Short-term investments

Short-term investments consist of investments in general investment certificates with maturity dates greater than three months but less than one year.

Related-party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

Foreign currency transactions

Functional and presentation currency

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional and presentation currency of the Company and its subsidiaries is the Canadian dollar.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of operations. Non-monetary items that are measured at historical cost in a foreign currency, are not retranslated.

Significant accounting judgments and estimates

The preparation of these financial statements requires management to make judgements and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgements and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates relate to asset retirement obligations; property, plant and equipment, recoverability of trade and other receivables, valuation of deferred income tax amounts, impairment testing and the calculation of share-based payments. The most significant judgements relate to recognition of deferred tax assets and liabilities, determination of the commencement of commercial production and the determination of the economic viability of a project.

EXPLORATION AND EVALUATION EXPENDITURES

The exploration and evaluation expenditures for the Company are broken down as follows:

Three months ended March 31,	2012	2011	Cumulative to-date
	$	$	$
Tanzania:			
Itilima	**15,260**	-	**2,253,319**
Vukene	**-**	-	**82,648**
Lwenge	**-**	512	**21,285**
Kishapu	**-**	1,568	**47,461**
Lalago	**-**	6,325	**63,738**
Tamota	**-**	830	**42,270**
Others	**45,860**	35,508	**528,688**
	61,120	44,742	**3,039,438**
Ghana:			
Kwahu Praso	**184,271**	18,600	**954,028**
Kaniago	**586,924**	64,804	**1,936,283**
Sian	**77,885**	176,597	**8,482,943**
Bonuama	**-**	-	**97,320**
Others	**76,306**	63,169	**1,133,958**
	925,387	323,170	**12,604,532**
Exploration and evaluation expenditures	**986,507**	367,913	**15,643,970**

MIDLANDS MINERALS PROPERTIES IN GHANA AND TANZANIA

	Name of Project	Ownership	Location
1)	Sian	65%	Ghana
2)	Kwahu Praso	100%	Ghana
3)	Kaniago	100%	Ghana
4)	Banuama	100%	Ghana
5)	Itilima	75%	Tanzania
6)	Lalago	100%	Tanzania
7)	Kishapu	100%	Tanzania
8)	Vukene	100%	Tanzania
9)	Llwenge	90%	Tanzania
10)	Tamota	100%	Tanzania

RESULTS OF OPERATIONS

For the three months ended March 31, 2012, the Company's net loss was $1,377,131 as compared to a net loss of $731,867 for three months ended March 31, 2011. The major variance in costs relate to the following 4 categories:

1. Exploration and evaluation expenditures.
2. Share-based compensation.
3. Salaries and benefits.
4. Office and administrative expenses.

Explanations of the significant changes for the three months ended March 31, 2012 compared to the three months ended March 31, 2011 are as follows:

1. Exploration and evaluation expenditures increased from $367,913 in 2011 to $986,507 in 2012. The increase is attributable to significant exploration and development activities in 2012 including drilling and assaying on the Kaniago properties and field activities on the Sian project.

2. Share-based compensation costs in the three months ended March 31, 2012 were $30,400. There were no charges in 2011.

3. Salaries and benefits increased from $107,154 in 2011 to $142,300 in 2012. In 2012, the Company paid a one-time hiring fees to recruit new staff.

4. Office and administrative expenses increased from $109,781 in 2011 to $147,829 in 2012. The costs in 2012 include $45,000 of management fees paid to RG Mining Investments Inc. ("RGMI") (see related-party transactions).

LIQUIDITY AND CAPITAL RESOURCES

The working capital as at March 31, 2012 was $3,103,671, as compared to $4,522,178 as at December 31, 2011.

Cash used in operating activities for the three months ended March 31, 2012 was $1,179,691 (2011 - $1,118,518). Cash provided from financing activities was $nil (2011 - $76,974) for the three months ended March 31, 2012 (2011).

The Company's priority projects are located in Ghana where 94% of the total amount raised by the Company is being spent on exploration and development of minerals properties on the Ashanti Belt. The priority projects are Sian, Praso and Kaniago.

USE OF OFF-STATEMENT-OF-FINANCIAL-POSITION ARRANGEMENTS

With the exception of the Company's right to accelerate the expiration of warrants issued as part of various financings, the Company has not entered into any specialized financial agreement to minimize its investment, currency or commodity risk. There are no off-statement-of-financial-position 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.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The Company does not have any commitments, or contractual obligations, long-term debt, capital lease obligations, or purchase obligations, other than leases which are part of day-to-day corporate business activities such as an office rental lease and leased equipment.

RELATED-PARTY TRANSACTIONS

During the three months ended March 31, 2012, $45,000 (2011 - $Nil) was paid or payable to RGMI for management and administrative fees and. RGMI provides management and administrative services to the Company. The agreement governing the services has a term of 1 year and expires September 30, 2012. It is automatically renewed for successive 12-month periods unless terminated upon 60 days' prior notice by either party or upon the criminal conviction, death, disability, incapacity, bankruptcy, insolvency, gross negligence, gross dereliction of duty or gross misconduct, of RGMI. The Company's Chairman of the Board and its CFO beneficially own RGMI.

During the three months ended March 31, 2012, $49,108 (2011 - $59,347) was paid to current or former officers and/or directors, or companies controlled by them, with regard to office and administrative expenses, professional fees, capitalized financing fees and salaries and benefits to key management personnel (including directors).

During the three months ended March 31, 2012, officers and directors received share-based compensation (non-cash) of $30,400 (2011 - $nil).

These transactions were in the normal course of operations and were measured at fair value or the exchange amount, which is the amount of consideration established and agreed to by the related parties.

PROJECT UPDATES

Under the guidance of new management, Midlands' goal is to develop an economic gold resource as cost effectively as possible. The proceeds of the completed offering during the year has been and will continue to be used to finance the next phase of activity of the mineral exploration programs described below.

Kaniago, Ghana

The Company has completed a 9,519 meter RC drill program at the Kaniago Project on the Asankrangwa Belt in Ghana.

This program began in March 2011 and targeted three of the eight soil anomalous zones within this project area. The program's objective was to test the three anomalies striking for 900 meters to 1,300 meters. Midlands received encouraging results from two of the target zones, namely Kaniago West and Mmooho.

Drill results from Mmooho provided the following significant intercepts:

KNRC-11-029 9 meters grading 1.12 g/t gold (from 96 meters)
KNRC-11-035 9 meters grading 1.06 g/t gold (from 91 meters)
KNRC-11-039 16 meters grading 1.05 g/t gold (from 132 meters)
KNRC-11-012 12 meters grading 1.04 g/t gold (from 88 meters)
KNRC-11-015 10 meters grading 1.18 g/t gold (from 78 meters)
KNRC-11-018 21 meters grading 1.48 g/t gold (from 22 meters)
and 7 meters grading 1.45 g/t gold (from 51 meters)

Significant new intercepts drilled at Kaniago West include:

KNRC-11-041 27 meters grading 2.97 g/t gold (from 123 meters)
KNRC-11-044 16 meters grading 1.21 g/t gold (from 10 meters)
KNRC-11-048 33 meters grading 0.87 g/t gold (from 117 meters)
and 17 meters grading 1.83 g/t gold (from 171 meters)
KNRC-11-052 3 meters grading 6.80 g/t gold (from 57 meters)

In September 2011, a 50 x 100 meter an infill soil sampling program was executed over the Kobinaso target zone to delineate this anomalous zone. The program's results proved that the single line soil anomaly at Kobinaso was due to laboratory errors and that there is no particular Kobinaso soil anomaly, but this fact was only integrated recently.

In November-December 2011, the Company completed a 162.5 meter trenching and pitting program on Kaniago West and Mmooho and the two new target areas named Kobinaso and Kampese. The objective of this program was to assess the local structural trends, to gain insight into the geology of the region and to test geochemical soil and geophysical anomalies. It returned results such as 1.89 g/t Au over 6 meters at Kaniago West; 0.89 g/t Au over 9 meters at Mmooho.

In March 2012, a 1,995m diamond drilling program was completed at the Kaniago West and Mmooho targets. Drilling provided the expected structural control. Drilling at Mmooho totaling 1,289m returned a best composite of 3.8 meters grading 4.86 g/t Au at a depth of 95.6 meters in KNDD-12-002. Drilling at Kaniago West totaling 606.7 meters returned a best composite of 7.0 meters grading 1.75 g/t Au at a depth of 165.5 meters in KNDD-12-005.

A recent reinterpretation of soil geochemical results has placed an emphasis on gold anomalous trends on strike with prolific gold deposits such as the Keegan Resources' Esaase gold deposit (4.9 million ounces), PMI Gold Corporation's Abore (560,000 ounces) and Nkran (3.5 million ounces) gold deposits and on adjacent companies' concessions. Midlands' next phase of work on the Kaniago concession will focus on expanding the potential for large shallow, potentially bulk-mineable gold deposits associated with NNE shear zones along the soil geochemical trends by testing them with systematic fences of air core drilling.

Sian/Praso, Ghana

The Company intends to continue exploring the Sian/Praso Project located at the northeastern part of the Ashanti Belt in Ghana. Midlands' access to the project has been obstructed since June 2011 by a minority part of the community who are opposed to the Company's presence. The Company has conducted extensive community relations programs to inform and educate the community in the process of exploration to mining.

This project has a NI 43-101 qualified resource tabulated in 2008 with 192,400 oz Au at an average grade of 2.33 g/t Au in the indicated category and 203,350 oz Au at an average grade of 2.35 g/t Au in the inferred category. A significant amount of resource drilling has been completed subsequent to the resource estimate and the Company plans to update the NI 43-101 resource estimate during 2012.

During 2012, with safe access, the Company plans to re-log the deposit to facilitate a modelling of the structural conduits that host the mineralization. This structural re-evaluation will provide a better understanding of the deposit and will vector further exploration and resource drilling. The 3D geological model will also be used to provide a framework to update the NI 43-101 resource estimate. Drilling is planned to resume early June to further prepare for a resource update in Q3-Q4 2012.

Tanzania

The Company has increased its number of exploration properties from 11 to 22 permits in Tanzania, East Africa. These projects are located within the Geita-Bulyanhulu-Itilima-Sekenke Trend and the Kilindi-Handeni Trend. In October and November 2011 two of Midlands' technical team members conducted site visits to the Itilima and new Kilindi permits to assess the gold potential of the area and collect samples for assay.

The permits appear prospective as they not only contain artisanal alluvial gold miners but also contain garnet-amphibolite gneisses with quartz and quartz-feldspar-kyanite veining and banded iron formation. These rock types are also found on Canaco's neighbouring Handeni resource.

The Company will review its exploration strategy in Tanzania in 2012 to focus its exploration expenditure effectively on the highest priority targets. The Company may consider joint venture opportunities to conserve its cash and expand its capacity to achieve it work obligations on this large and prospective portfolio.

CAPITAL STOCK

The following table sets forth information concerning the outstanding securities of the Company as at May 29, 2012:

Common Shares of no par value	Number
Shares	194,228,231
Warrants	94,372,500
Agent Compensation Units	7,080,000
Options	16,996,465

See note 11 to the Financial Statements for detailed disclosure of the Company's outstanding securities as at March 31, 2012 and December 31, 2011.

FINANCIAL INSTRUMENTS

Fair value

The Company has designated its cash and cash equivalents and short-term investments as FVTPL, which are measured at fair value. The Company's marketable securities have been classified for accounting purposes as available-for-sale, which are measured at fair value. Trade and other receivables are classified for accounting purposes as loans and receivables, which are measured at amortized cost which equals fair value. Trade and other payables are classified for accounting purposes as other financial liabilities, which are measured at amortized cost, which also equals fair value. Fair values of trade and other receivables and trade and other payables are determined from transaction values which were derived from observable market inputs. Fair values of other financial assets are based on Level 1 measurements and the remaining financial instruments are based on Level 2 measurements.

As at March 31, 2012, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent due to the relatively short periods to maturity of these investments.

Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subject to and involve uncertainties and matters of significant judgment, therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

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 and development, commodity, operating, ownership, political, funding, currency and environmental risk.

Exploration and development

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 dependent 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

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.

Future financing

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

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.

Environmental and permitting

All aspects of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations, among other things, mandate the maintenance of air and water quality standards, land reclamation, transportation, storage and disposal of hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors, and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

Acquisition

The Company uses its best judgment to acquire mining properties for exploration and development. In pursuit of such opportunities, the Company may fail to select appropriate acquisition candidates or negotiate acceptable agreements, including arrangements to finance the acquisitions and development, or integrate such opportunity and their personnel with the Company. The Company cannot assure that it can complete any acquisition that it pursues or is currently pursuing, on favourable terms, or that any acquisition completed will ultimately benefit the Company.

Competition

The mining industry is intensely competitive in all of its phases, and the Company competes with many companies possessing greater financial resources and technical facilities than the Company. Competition in the mining business could adversely affect the Company's ability to acquire suitable producing properties or prospectus for mineral exploration in the future.

Segregation of duties

Segregation of duties is a basic, key internal control and one of the most difficult to achieve in a small company. It is used to ensure that errors or irregularities are prevented or detected on a timely basis by employees in the normal course of business. Due to the Company's small size and limited resources, a complete segregation of duties within the Company's accounting group cannot be fully achieved. The result is that the Company is highly reliant on the performance of mitigating procedures during the process of closing its financial statements in order to ensure the financial statements are presented fairly in all material respects. Management will identify and hire additional accounting resources where cost effective and when required. Where it is not cost effective to obtain additional accounting resources, management will review existing mitigating controls and, if appropriate, implement changes to its internal control processes whereby more effective mitigating controls will be adopted.

Key personnel

The success of the Company depends to a large extent upon its abilities to retain the services of its senior management and key personnel. The loss of the services of any of these persons could have a materially adverse effect on the Company's business and prospects. There is no assurance the Company can maintain the services of its directors, officers or other qualified personnel required to operate is business.

Internal controls over financial reporting

Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation.