Midlands Minerals Corporation

Management's Discussion and Analysis

Three and nine months ended September 30, 2012

November 22, 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 November 22, 2012. The MD&A of the operating results and financial condition of the Company for the three and nine months ended September 30, 2012, should be read in conjunction with the Company's unaudited interim consolidated financial statements and the related notes for the three and nine months ended September 30, 2012 and 2011 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

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.

PROJECTS UPDATE

Midlands' exploration goal remains to develop an economic gold resource in a politically stable environment as quickly and cost effectively as possible.

In Q3-2012, Midlands continued to negotiate with joint venture partner Sian Goldfields to define a commercial solution to end the dispute between the companies on the Sian Gold Project. Midlands maintained continuous communication with the Minerals Commission of Ghana who remains supportive of the efforts being made by both companies to resolve the impasse. The Minerals Commission did not rule in favour of either party but provided a notice period to both shareholders to resolve their differences to prevent a withdrawal of the Sian mining lease altogether.

During the negotiations exploration expenditure was minimized to preserve cash and efforts were directed towards locating a suitable replacement project through purchase or joint venture, or through corporate merger or acquisition.

Sian/Praso, Ghana

The Sian 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, pursuant to peaceful access being restored to the Sian property, the Company intends to update the NI 43-101 resource estimate.

Midlands' access to the project has been obstructed since June 2011 by a radical minority group in the local community who are opposed to the Company's presence and ally themselves with the Company's joint venture partner. The Company has conducted an extensive community relations program to inform and educate the community in the process of exploration to mining and has full support from the tribal authorities to continue operations. This has not been enough to limit the actions of the dissidents and the Company has not received protection from the police for its continued right to operate. The Company attempted to drill on a number of occasions during 2012 but were forced to demobilize after facing armed resistance and being unable to obtain police support.

Due to the irresolvable safety and access issues, and the obvious and ongoing impact on the company's market performance, Midlands has postponed the NI 43-101 resource estimate update.

At the Kwahu Praso property pitting was undertaken during Q3-2012. A total of four lines of pitting totaling 229m were dug at a depth of 3m to test the best gold-in-soil results in an attempt to locate the source of the soil anomalies. The pits are 5m long and sited every 25m.

Kaniago, Ghana

In order to conserve cash, a follow-up aircore drill program was postponed at Kaniago during Q3-2012 for the reasons described above. Two targets were drilled in 2011 and early 2012 and identified gold mineralization in two prospects: Mmooho and Kaniago West.

Prior 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)
- KNDD-12-002 3.8 meters grading 4.86 g/t gold at (from 95.6 meters)

Significant prior 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)
- KNDD-12-005 7.0 meters grading 1.75 g/t gold (from 165.5 meters)

A recent reinterpretation of the soil geochemistry has refined the continuity of the soil gold trends between the Company's target areas and deposits on neighbouring concessions, such as 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.

Tanzania

The Company holds 23 permits in Tanzania, East Africa. These projects are located within the Geita-Bulyanhulu-Itilima-Sekenke Trend and the Kilindi-Handeni Trend.

With the exception of Itilima, the Tanzanian properties are at a grassroots stage of development, and the Company is actively seeking joint venture partnerships to conserve its cash and expand its capacity to achieve its work obligations on this large and prospective portfolio. A number of confidentiality agreements have been signed towards this end and property visits are underway with interested parties.

The Company is actively seeking an advanced drilling project in Tanzania that could rapidly lead to resource definition. This is primarily a desktop effort with field visits to potential projects.

ISSUANCE OF OPTIONS TO DIRECTORS, OFFICERS AND QUALIFIED PERSONNEL

In August of 2012, the Company issued 3,500,000 options to eligible participants in the Company's stock option plan. The options vested immediately, have an exercise price of $0.10 per option with an expiry date 5 years after the date of issue.

The Black-Scholes option pricing model was used to estimate the fair value of the issued options. The variable factors used in the model for each issuance are detailed in note 11 of the Financial Statements.

SELECTED FINANCIAL INFORMATION

The following table sets forth selected consolidated financial information of the Company for the three and nine months ended September 30, 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.

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	Three months ended Sep. 30, 2012	Three months ended Sep. 30, 2011	**Nine months ended Sep. 30, 2012**	Nine months ended Sep. 30, 2011	Year ended Dec. 31, 2011
Consolidated statements of operations	**$**	$	**$**	$	$
Total revenue	**-**	-	**-**	-	-
Net loss	**(707,622)**	(1,004,312)	**(2,964,043)**	(3,716,262)	5,468,452
Basic and diluted net loss per share	**(0.00)**	(0.01)	**(0.02)**	(0.04)	0.04
Exploration and evaluation expenses	**347,647**	663,312	**1,711,674**	1,557,655	2,216,074
Consolidated statements of financial position			**As at Sep. 30, 2012**	As at Sep. 30, 2011	As at Dec. 31, 2011
			$	$	$
Total cash and short-term investment			**1,538,446**	5,488,497	4,416,147
Working capital			**1,531,235**	5,878,914	4,522,179
Total long-term debt			**-**	-	-
Total assets			**1,634,124**	5,972,647	4,964,654

SUMMARY OF QUARTERLY RESULTS

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

Three months ended	**Sep. 30, 2012**	**Jun. 30, 2012**	**Mar. 31, 2012**	**Dec. 31, 2011**	**Sep. 30, 2011**	**Jun. 30, 2011**	**Mar. 31, 2011**	**Dec. 31, 2010**
	$	$	$	$	$	$	$	$
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net Loss	707,622	867,807	1,388,614	5,468,454	1,004,312	1,980,223	731,727	1,938,255
Basic and diluted net loss per share	0.00	0.00	0.01	0.01	0.01	0.02	0.01	0.02

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

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

	3 months ended		9 months ended		Cumulative to-date
	30-Sep-12	30-Sep-11	**30-Sep-12**	30-Sep-11	
	$	$	**$**	$	**$**
Tanzania:					
Itilima	**20,743**	-	**51,522**	21,296	**2,289,581**
New Kilindi	**350**	-	**785**	-	**785**
Vukene	**8,374**	-	**12,373**	7,917	**95,021**
Lwenge	**508**	-	**3,510**	712	**24,795**
Kishapu	**1,937**	-	**8,421**	1,568	**55,882**
Lalago	**435**	-	**435**	6,324	**64,173**
Tamota	**-**	-	**-**	830	**42,270**
East Turiani	**7,885**	-	**9,278**	-	**9,278**
Others	**59,084**	55,818	**115,867**	143,785	**598,724**
	99,318	55,818	**202,191**	182,432	**3,180,509**
Ghana:					
Kwahu Praso	**1,273**	2,015	**189,798**	2,015	**959,555**
Kaniago	**29,033**	408,368	**728,304**	748,362	**2,077,663**
Sian	**45,103**	20,758	**233,962**	285,721	**8,639,020**
Bonuama	**1,821**	-	**1,824**	-	**99,144**
Others	**171,100**	176,450	**355,595**	339,222	**1,413,247**
	248,330	607,591	**1,509,483**	1,375,320	**13,188,629**
Exploration and evaluation expenditures	**347,647**	663,409	**1,711,674**	1,557,752	**16,369,138**

RESULTS OF OPERATIONS

For the three months ended September 30, 2012, the Company's net loss was $707,622 as compared to a net loss of $1,004,312 for three months ended September 30, 2011. The major variance in costs relate to the following five categories:

1. Exploration and evaluation expenditures.
2. Office and administrative expenses.
3. Professional fees.
4. Share-based compensation.
5. Shareholder information.

Explanations of the significant changes for the three months ended September 30, 2012 compared to the three months ended September 30, 2011 are as follows:

1. Exploration and evaluation expenditures decreased from $663,312 in 2011 to $347,647 in 2012. The decrease is attributable to the nature of exploration and development activities in 2012 which included less expenditure on drilling and assaying.

2. Office and administrative expenses increased from $81,319 in 2011 to $169,295 in 2012. The increase reflects the addition of management personnel as well as increased travel activity to and within Ghana and Tanzania.

3. Professional fees decreased from $165,043 in 2011 to $81,796 in 2012. The difference is primarily due to greater legal fees in 2011 for such items as the annual shareholders' meeting; counsel on personnel issues as the Company changed its senior management and with regard to the Company's dissident proxy materials.

4. Share-based compensation costs in the three months ended September 30, 2012 were $56,100 compared to $Nil during the same period in 2011 reflecting vesting of options issued during the current 9-month period.

5. Shareholder information costs decreased from $43,543 in 2011 to $(1,301) in 2012. The negative amount for the quarter reflects a refund received by the Company from its transfer agent.

For the nine months ended September 30, 2012, the Company's net loss was $2,964,043 as compared to a net loss of $3,716,262 for nine months ended September 30, 2011. The major variance in costs relate to the following six categories:

1. Exploration and evaluation expenditures.
2. Office and administrative expenses.
3. Professional fees.
4. Share-based compensation.
5. Salaries and benefits.
6. Shareholder information.

Explanations of the significant changes for the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011 are as follows:

1. Exploration and evaluation expenditures increased from $1,557,655 in 2011 to $1,711,674 in 2012. The increase is attributable to significant exploration and development activities in the first period of 2012 including drilling and assaying on the Kaniago properties and field activities on the Sian project.

2. Office and administrative expenses increased from $526,915 in 2011 to $554,296 in 2012. The increase is attributable to costs associated with management changes of the Company.

3. Professional fees decreased from $479,547 in 2011 to $184,753 in 2012. The large difference is primarily relating to increased legal fees in 2011 for such items as the annual shareholders meeting; counsel on personnel issues and with regard to the Company's dissident proxy materials.

4. Share-based compensation costs in the nine months ended September 30, 2012 was $114,450 compared to $36,063 during the same period in 2011. The increased costs are due to the issuance of stock options to eligible participants in the Company's stock option plan for the current year, most of which vested immediately.

5. Salaries and benefits decreased from $758,300 in 2011 to $280,727 in 2012. The decrease reflects increased efficiencies and changes in management. In addition, the company incurred one-time severance costs of $480,000 in 2011, to the former CEO of the Company.

6. Shareholder information costs decreased from $363,821 in 2011 to $112,135 in 2012. The higher cost in 2011 is due to increased communications with shareholders, the shareholders' annual and special meeting and general costs of the proxy materials.

LIQUIDITY AND CAPITAL RESOURCES

The working capital as at September 30, 2012 was $1,531,236, as compared to $4,522,179 as at December 31, 2011.

For the nine months ended September 30, 2012, cash decreased by $3,752,792 (2011 – increased by $1,935,232) as a result of cash used in operating activities of $2,846,899 (2011 - $4,497,144) plus cash provided from financing activities of $Nil (2011 - $6,432,376) offset by cash used for investing activities of $905,893 (2011 - $Nil).

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

Nine months ended September 30, 2012 and 2011

During the nine months ended September 30, 2012, $135,000 (September 30, 2011 - $17,000) was paid or payable to RG Mining Investments Inc. ("RGMI") for management (including CFO services) and administrative fees. RGMI provides management and administrative services to the Company pursuant to an agreement that has a term of 1 year and expires September 30, 2012. It is automatically renewed for successive 12-month periods (such renewal having taken place) 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 CFO beneficially own RGMI.

During the nine months ended September 30, 2012, $431,808 (September 30, 2011 - $822,814) 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 nine months ended September 30, 2012, the Company paid $30,802 (US$30,000) to purchase a field vehicle in Ghana from one of its officers who has been relocated into Canada.

During the nine months ended September 30, 2012, officers and directors earned non-cash, share-based compensation of $114,450 (2011 - $36,063).

As at September 30, 2012, the trade and other payables balance includes $16,666 (December 31, 2011 - $Nil) of amounts due to related parties.

Three months ended September 30, 2012 and 2011

During the three months ended September 30, 2012, $45,000 (September 30, 2011 - $Nil) was paid or payable to RG Mining Investments Inc. ("RGMI") for management and administrative fees. The Company's Chairman of the Board and CFO beneficially own RGMI.

During the three months ended September 30, 2012, $130,286 (September 30, 2011 - $92,675) 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 September 30, 2012, officers and directors earned non-cash, share-based compensation of $56,100 (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.

CAPITAL STOCK

The following table sets forth information concerning the outstanding securities of the Company as at November 22, 2012:

Common Shares of no par value	Number
Shares	194,228,231
Warrants	91,250,000
Agent Compensation Units	6,480,000
Options	12,450,000

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.