

**MID-NORTH RESOURCES LIMITED**

**FINANCIAL STATEMENTS**

**MARCH 31, 2005**

**(Unaudited - See Notice to Reader)**

## **NOTICE TO READER**

We have compiled the balance sheet of Mid-North Resources Limited as at March 31, 2005 and the statements of loss and deficit and cash flows for the period then ended from information provided by management. We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information. Readers are cautioned that these statements may not be appropriate for their purposes.

Calgary, Alberta  
May 18, 2005

PROACT CHARTERED ACCOUNTANTS

**MID-NORTH RESOURCES LIMITED**  
**BALANCE SHEET**  
**MARCH 31, 2005**  
(Unaudited - See Notice to Reader)

	2005	December 31, 2004
	\$	\$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	11,770	14,157
Sales taxes recoverable	1,758	1,391
	13,528	15,548
<b>EQUIPMENT</b>	2,706	2,876
<b>MINING CLAIMS AND DEFERRED EXPENSES (Note 3)</b>	1,411,557	1,411,557
	1,427,791	1,429,981
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	47,209	43,273
Accrued interest payable (Note 4)	154,873	149,860
Notes payable (Note 4)	250,660	250,660
Due to related parties (Note 5)	251,434	251,434
	704,176	695,227
<b>SHAREHOLDERS' EQUITY</b>		
<b>SHARE CAPITAL</b>		
Authorized - unlimited number of common shares without par value		
Issued (Note 6)	3,594,069	3,594,069
<b>CONTRIBUTED SURPLUS (Note 2)</b>	40,250	40,250
<b>DEFICIT (Note 2)</b>	(2,910,704)	(2,899,565)
	723,615	734,754
	1,427,791	1,429,981

See accompanying notes to the financial statements.

**MID-NORTH RESOURCES LIMITED**  
**STATEMENT OF LOSS AND DEFICIT**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2005 and 2004**  
**(Unaudited - See Notice to Reader)**

	Mar. 31, 2005 \$	Mar. 31, 2004 \$
	<u>          </u>	<u>          </u>
<b>EXPENSES</b>		
Interest on promissory notes	5,013	5,013
Professional fees	4,090	8,017
Filing and registration fees and shareholder services	1,463	9,070
Travel	377	-
Amortization	170	240
Interest and bank charges	26	-
Stock option compensation (Note 2)	-	29,250
Consulting and other fees (Note 5)	-	10,000
	<u>11,139</u>	<u>61,590</u>
<b>NET LOSS FOR THE PERIOD</b>	(11,139)	(61,590)
DEFICIT, Beginning of period	(2,899,565)	(2,754,466)
ADJUSTMENT (Note 2)	-	(11,000)
	<u>(2,899,565)</u>	<u>(2,765,466)</u>
DEFICIT, Beginning of period - restated (Note 2)	(2,899,565)	(2,765,466)
DEFICIT, End of period	<u>(2,910,704)</u>	<u>(2,827,056)</u>
 <b>BASIC AND DILUTED</b>		
Weighted average number of common shares outstanding	<u>13,389,894</u>	<u>11,856,671</u>
Loss per share (Note 2)	<u>(0.001)</u>	<u>(0.005)</u>

See accompanying notes to the financial statements.

**MID-NORTH RESOURCES LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2005 and 2004**  
**(Unaudited - See Notice to Reader)**

	Mar. 31, 2005 \$	Mar. 31, 2004 \$
CASH PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES		
Cash payments to vendors	(2,387)	(16,267)
Cash flows used for operating activities	(2,387)	(16,267)
FINANCING ACTIVITIES		
Proceeds from private placement (Note 6)	-	200,000
Cash flows from financing activities	-	200,000
INVESTMENT ACTIVITIES		
Deferred expenses	-	(78,983)
Advances from related parties	-	1,408
Cash flows used for investment activities	-	(77,575)
NET (DECREASE) INCREASE IN CASH DURING THE PERIOD	(2,387)	106,158
CASH, Beginning of period	14,157	3,279
CASH, End of period	11,770	109,437

See accompanying notes to the financial statements.

**MID-NORTH RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**PERIOD ENDED MARCH 31, 2005**  
**(Unaudited - See Notice to Reader)**

**1. NATURE OF OPERATIONS AND FINANCIAL CONDITION OF THE COMPANY**

Mid-North Resources Limited (“The Company”) is a TSX Venture Exchange listed public company. The Company has interests in mining claims situated in the Provinces of Manitoba, Saskatchewan, and the State of Nevada and intends to maintain and explore its mining claims directly and indirectly through joint ventures.

These interim unaudited financial statements do not include all the disclosure required by Canadian generally accepted accounting principles for annual statements and should be read in conjunction with the annual audited financial statements for the year ended December 31, 2004. These statements are prepared in accordance with recommendations for interim financial statements in conformity with Canadian generally accepted accounting principles applicable to a going concern. The ability of the Company to continue as a going concern is dependent on its ability to raise the required capital to proceed with its operations plans and subsequently obtain profitable operations. These financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern and have been prepared using the same accounting policies and methods as those used in the December 31, 2004 accounts, except as disclosed below.

**2. ACCOUNTING CHANGES**

At January 1, 2004, the Company adopted the fair value based method of accounting for stock-based compensation as required by the CICA Handbook. The fair value of the options were determined on the date of the grant using the Black-Scholes option pricing model with the following weighted average:

Risk free interest rate	5.1%
Expected life	5 years
Expected volatility	63%
Expected dividends	\$ Nil

The accounting change has been applied retroactively and the financial statements for the year ended December 31, 2003 and three months ended March 31, 2004 have been restated. The effect of this change was to:

- i. increase the contributed surplus at December 31, 2003 by \$11,000, and
- ii. increase the net loss for the three months ended March 31, 2004 by \$29,250 for a net loss of \$61,590 and a decrease of loss per share to \$0.005.

The contributed surplus balance at December 31, 2003 was \$11,000 and at December 31, 2004 and March 31, 2005 was \$40,250.

**MID-NORTH RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**PERIOD ENDED MARCH 31, 2005**  
**(Unaudited - See Notice to Reader)**

**3. MINING CLAIMS AND DEFERRED EXPENSES**

	Mar. 31, 2005 \$	Dec. 31, 2004 \$
Mining claims	268,017	268,017
Deferred expenses (Schedule 1)	1,143,540	1,143,540
	<u>1,411,557</u>	<u>1,411,557</u>

i. Gunman Property (Zinc/Copper Property)

The Company entered into a joint venture agreement dated January 31, 2002 with Cypress Development Corp. to continue exploration of the Gunman Property in White Pine Country, Nevada. The Company holds 26.87% interest and the other partner holds 73.13%. On January 22, 2004, the amount payable to Cypress as at December 31, 2003 of \$5,482 was repaid by reducing the Company's interest from 27.55% to 26.87%.

**4. RELATED PARTY TRANSACTIONS**

Amounts due to related parties consist primarily of advances from shareholders and directors. The balances are non-interest bearing, unsecured, and have no fixed terms of repayment. During the quarter ended March 31, 2005, and March 31, 2004, \$nil and \$10,000 in consulting fees were paid to the president of the Company, respectively. The prior year fee was recorded at the exchange amount, which is the amount agreed by both parties.

**5. NOTES PAYABLE**

The notes payable bear interest at 8% per annum, is unsecured and no terms of repayment have been negotiated. Notes payable include \$100,000 due to a shareholder of the Company. Interest accrued on this note for the period ended March 31, 2005 totaled \$2,000 (2004 - \$2,000). Interest due to the shareholder at period ended March 31, 2005 totaled \$59,688 (2004 - \$51,688).

**MID-NORTH RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**PERIOD ENDED MARCH 31, 2005**  
**(Unaudited - See Notice to Reader)**

**6. SHARE CAPITAL**

The changes in issued shares from December 31, 2003 to March 31, 2005 are as follows:

	Number of Shares	\$
Issued:		
Balance December 31, 2003	11,680,847	3,404,719
For cash pursuant to private placement net of share issue costs of \$10,650	2,000,000	189,350
Cancellation of shares in escrow	(290,953)	-
Balance, December 31, 2004	13,389,894	3,594,069
Balance, March 31, 2004	13,389,894	3,594,069

i. Private Placement

On March 23, 2004, the Company closed a private placement for the issue of 2,000,000 units at \$0.10 per unit for gross proceeds of \$200,000. A unit consists of one common share and one share purchase warrant exercisable at \$0.13 on or before March 24, 2005.

ii. Cancellation on Shares in Escrow

On December 10, 2004, the Trustee cancelled the 290,953 shares in escrow in accordance to a performance based escrow agreement dated December 15, 1995.

iii. Stock Options

The Company has a Stock Option Plan which permits the issuance of options up to 10% of the Company's common shares outstanding. At March 31, 2005, 10% of the issued and outstanding common shares is 1,338,989. The Stock Option Plan provides that the terms of the options, vesting period and the option shall be fixed by the directors subject to the price restrictions imposed by the TSX Venture Exchange. Stock options granted may be for a maximum term of 5 years and vest immediately. The Stock Option Plan of the Company and the granting of stock options are also subject to the additional restrictions and requirements pursuant to all applicable policies of the TSX Venture Exchange including that the Stock Option Plan receive annual approval. During the period ended March 31, 2005, nil (2004 - 450,000) stock options were issued, and no options were exercised or expired.

**MID-NORTH RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**PERIOD ENDED MARCH 31, 2005**  
**(Unaudited - See Notice to Reader)**

**6. SHARE CAPITAL CON'T.**

The following table presents the outstanding stock options as at March 31, 2005 and the changes since December 31, 2003:

Fixed Options	Number of Options	Weighted Average Exercise Price \$
Outstanding at December 31, 2003	825,000	0.26
Granted to directors at March 24, 2004	450,000	0.10
Outstanding at December 31, 2004	<u>1,275,000</u>	<u>0.20</u>
Options exercisable at December 31, 2004 and March 31, 2005	<u>1,275,000</u>	

The following table summarizes information about the stock options outstanding at March 31, 2005:

Number of Stock Options	Weighted Average Life Remaining (Years)	Expiry Date	Exercise Price \$
640,000	0.72	June 21, 2005	0.30
185,000	2.55	April 17, 2007	0.10
450,000	4.48	March 24, 2009	0.10
<u>1,275,000</u>	<u>2.31</u>		

Each option entitles the holder to purchase one common share at the price identified above. The weighted average grant date fair value assigned to stock options granted during the period ended March 31, 2005 was \$0.06. The fair value of these options were determined on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk free interest rate	3.2%
Expected life	5 years
Expected volatility	57%
Expected dividends	\$ Nil

iv. Warrants

At March 31, 2005, there are nil (2004 - 2,000,000) warrants outstanding. The 2,000,000 warrants issued in the private placement dated March 23, 2004 expired on March 24, 2005 and none were exercised.

**MID-NORTH RESOURCES LIMITED**  
**DEFERRED EXPENSES - SCHEDULE 1**  
**PERIOD ENDED MARCH 31, 2005 AND**  
**YEAR ENDED DECEMBER 31, 2004**

	Burntwood River \$	Gunman Property \$	Central Manitoba Bissett \$	Bomber Lake \$	Beaucauge Lake \$	Apex/ Miner \$	Total \$
Balance, December 31, 2003	547,137	219,533	235,403	35,921	19,871	12,174	1,070,039
Drill program	-	78,983	-	-	-	-	78,983
Joint interest adjustment (See Note 3)	-	(5,482)	-	-	-	-	(5,482)
Balance, December 31, 2004 & March 31, 2005	<u>547,137</u>	<u>293,034</u>	<u>235,403</u>	<u>35,921</u>	<u>19,871</u>	<u>12,174</u>	<u>1,143,540</u>

See accompanying notes to the financial statements.