

MID-NORTH RESOURCES LIMITED

FINANCIAL STATEMENTS

JUNE 30, 2004

(Unaudited - See Notice to Reader)

NOTICE TO READER

We have compiled the balance sheet of Mid-North Resources Limited as at June 30, 2004 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
August 20, 2004

PROACT CHARTERED ACCOUNTANTS

MID-NORTH RESOURCES LIMITED
BALANCE SHEET
JUNE 30, 2004
(Unaudited - See Notice to Reader)

	June 30, 2004 \$	Dec. 31 2003 \$
ASSETS		
CURRENT		
Cash	65,382	3,279
Sales taxes recoverable	1,806	312
Exploration grant receivable	-	15,000
	67,188	18,591
EQUIPMENT	3,357	3,838
MINING CLAIMS AND DEFERRED EXPENSES (Note 3)	1,411,557	1,338,056
	1,482,102	1,360,485
LIABILITIES		
CURRENT		
Bank indebtedness	836	781
Accounts payable and accrued liabilities	54,398	74,934
Accrued interest payable	139,834	129,807
Due to related parties (Note 4)	251,434	254,049
Notes payable (Note 5)	250,660	250,660
	697,162	710,231
SHAREHOLDERS' EQUITY		
SHARE CAPITAL		
Authorized - unlimited number of common shares without par value		
Issued (Note 6)		
13,680,847 shares - June 30, 2004		
11,680,847 shares - December 31, 2003	3,604,719	3,404,719
Contributed surplus (Note 2)	40,250	11,000
DEFICIT (Note 2)	(2,860,029)	(2,765,465)
	784,940	650,254
	1,482,102	1,360,485

See accompanying Notes to the Financial Statements.

MID-NORTH RESOURCES LIMITED
STATEMENT OF LOSS AND DEFICIT
FOR THE PERIOD ENDED JUNE 30, 2004
(Unaudited - See Notice to Reader)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2004	2003	2004	2003
	\$	\$	\$	\$
EXPENSES				
Professional fees	13,041	5,524	21,058	6,966
Consulting fees	7,415	-	17,415	-
Filing and registration fees & shareholder services	7,079	10,396	16,149	10,395
Interest on promissory notes	5,013	5,013	10,026	10,026
Amortization	240	306	481	614
Office	94	1,265	94	2,165
Bank charges	91	-	91	-
Stock option compensation (Note 2)	-	-	29,250	-
Rent	-	600	-	1,200
Travel	-	298	-	298
Automotive	-	233	-	233
	<u>32,973</u>	<u>23,635</u>	<u>94,564</u>	<u>31,897</u>
NET LOSS FOR THE PERIOD	<u>(32,973)</u>	<u>(23,635)</u>	<u>(94,564)</u>	<u>(31,897)</u>
DEFICIT, Beginning of period	(2,786,806)	(2,696,902)	(2,754,465)	(2,688,640)
ADJUSTMENT (Note 2)	<u>(40,250)</u>	<u>(11,000)</u>	<u>(11,000)</u>	<u>(11,000)</u>
DEFICIT, Beginning of period - restated (Note 2)	<u>(2,827,056)</u>	<u>(2,707,902)</u>	<u>(2,765,465)</u>	<u>(2,699,640)</u>
DEFICIT, End of period	<u><u>(2,860,029)</u></u>	<u><u>(2,731,537)</u></u>	<u><u>(2,860,029)</u></u>	<u><u>(2,731,537)</u></u>
BASIC AND DILUTED WEIGHTED AVERAGE				
Number of common shares outstanding	<u>11,878,649</u>	<u>11,700,847</u>	<u>12,779,748</u>	<u>11,700,847</u>
LOSS PER SHARE	<u>(0.003)</u>	<u>(0.002)</u>	<u>(0.007)</u>	<u>(0.003)</u>

See accompanying Notes to the Financial Statements.

**MID-NORTH RESOURCES LIMITED
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED JUNE 30, 2004**

	Three months ended June 30,		Six months ended June 30,	
	2004 \$	2003 \$	2004 \$	2003 \$
CASH PROVIDED BY (USED FOR):				
OPERATING ACTIVITIES				
Cash payments to suppliers	(40,087)	(23,311)	(56,354)	(24,811)
Cash flows used for operating activities	(40,087)	(23,311)	(56,354)	(24,811)
FINANCING ACTIVITIES				
Cash from short-term financing	55	781	55	15
Proceeds from private placement (Note 6)	-	-	200,000	-
Cash flows from financing activities	55	781	200,055	15
INVESTMENT ACTIVITIES				
Cash advances (to) from related parties	(4,023)	22,530	(2,615)	24,817
Deferred expenses	-	-	(78,983)	-
Cash flows (used for) from investment	(4,023)	22,530	(81,598)	24,817
NET (DECREASE) INCREASE IN CASH DURING THE PERIOD	(44,055)	-	62,103	21
CASH, Beginning of period	109,437	21	3,279	-
CASH, End of period	65,382	21	65,382	21

See accompanying Notes to the Financial Statements.

MID-NORTH RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

1. BASIS OF PRESENTATION

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, 2003, specifically the following Notes: Note 1 on the Nature of Operations and Financial Condition of the Company; Note 2 on Significant Accounting Policies; Note 3 on Mining Claims and Deferred Expenses; and Note 10 Commitments and Contingencies. These statements are prepared in accordance with recommendations for interim financial statements in conformity with Canadian generally accepted accounting principles. They have been prepared using the same accounting policies and methods as those used in the December 31, 2003 accounts.

2. ACCOUNTING CHANGES

At December 31, 2003, the Company adopted the fair value based method of accounting for stock-based compensation. This change has been applied retroactively and the financial statements for the years ended December 31, 2002 and 2003 and three months ended March 31, 2004 have been restated. The effect of this change was to:

- i. increase the net loss for the year ended December 31, 2002 by \$11,000 for a net loss of \$110,994,
- ii. decrease the share capital at December 31, 2003 by \$11,000, and
- iii. 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, 2002 and 2003 was \$11,000 and at March 31, 2004 and June 31, 2004 was \$40,250.

MID-NORTH RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

3. MINING CLAIMS AND DEFERRED EXPENSES

	June 30, 2004 \$	Dec. 31, 2003 \$
Mining claims	268,017	268,017
Deferred expenses (Schedule 1)	1,143,540	1,070,039
	<u>1,411,547</u>	<u>1,338,056</u>

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% (2003-27.85%) interest and the other partner holds 73.13% (2003 - 72.45%). 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

The amounts due to related parties consist primarily of accrued consulting fees and advances from shareholders are non-interest bearing, unsecured, and have no fixed terms of repayment. All parties are related to the Company as shareholders. During the period ended June 30, 2004, \$17,415 (2003-\$Nil) in consulting fees were paid to the president of the Company. The fee was recorded at the exchange amount, which is the amount agreed to 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.

MID-NORTH RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

6. SHARE CAPITAL

The changes in issued shares since December 31, 2003 to June 30, 2004 are as follows:

	Number of Shares	\$
Balance, December 31, 2003	11,680,847	3,404,719
For cash pursuant to private placement	2,000,000	200,000
Balance, June 30, 2004	<u>13,680,847</u>	<u>3,604,719</u>

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.

i. Escrow Agreement

A total of 290,953 (2003 - 290,953) shares are subject to a performance based escrow agreement, effective December 15, 1995, between the Company, the Trustee and certain shareholders of the Company.

ii. 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 June 30, 2004, 10% of the issued and outstanding common shares is 1,368,085. 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. 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, no stock options were exercised or expired.

MID-NORTH RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

6. SHARE CAPITAL CONT'D

The following table presents the outstanding options as at June 30, 2004 and the changes during the period:

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 June 30, 2004	<u>1,275,000</u>	<u>0.20</u>
Options exercisable at June 30, 2004	<u>1,275,000</u>	

The following table summarizes information about the stock options outstanding at June 30, 2004:

Number of Options	Expiry Date	Exercise Price \$
640,000	June 21, 2005	0.30
185,000	April 17, 2007	0.10
450,000	March 24, 2009	0.10

The weighted average grant date fair value assigned to stock options granted during the period ended June 30, 2004 was \$0.11. 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:

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

MID-NORTH RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

6. SHARE CAPITAL CONT'D

iii. Warrants

	Number of Warrants	Expiry Date	Exercise Price \$
Outstanding, December 31, 2003	900,000	April 15, 2004	0.10
Issued, March 23, 2004	2,000,000	March 24, 2005	0.13
Expired, April 15, 2004	(900,000)	April 15, 2004	0.10
Outstanding, June 30, 2004	<u>2,000,000</u>	<u>March 24, 2005</u>	<u>0.13</u>

During the period, no warrants were exercised.

7. SUBSEQUENT EVENT

On August 20, 2004, Placer Dome (CLA) Limited advised the Company of its intention not to exercise its option to acquire 75% interest in the Central Manitoba Bissett property. No option payment was received subsequent to the period ended June 30, 2004.

8. COMPARATIVE FIGURES

Certain of the prior period's figures have been reclassified to conform to the current period's presentation.

MID-NORTH RESOURCES LIMITED
SCHEDULE 1 - DEFERRED EXPENSES
JUNE 30, 2004

	Central Manitoba Bissett \$	Beaucage Lake \$	Bomber Lake \$	Burntwood River \$	Apex/ Miner \$	Gunman Property \$	Total \$
Balance, December 31, 2002	285,403	19,871	35,921	547,137	12,174	221,601	1,122,107
Drill program	-	-	-	-	-	5,482	5,482
Option payment	(35,000)	-	-	-	-	-	(35,000)
Program grant	(15,000)	-	-	-	-	-	(15,000)
Joint interest adjustment	-	-	-	-	-	(7,550)	(7,550)
Balance, December 31, 2003	235,403	19,871	35,921	547,137	12,174	219,533	1,070,039
Drill program	-	-	-	-	-	78,983	78,983
Joint interest adjustment							

See accompanying notes to the financial statements