

MID-NORTH RESOURCES LIMITED

FINANCIAL STATEMENTS

September 30, 2002

(Unaudited - Internally Prepared)

NOTICE TO READER

We have compiled the balance sheet of Mid-North Resources Limited as at September 30, 2002 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
November 27 , 2002

PROACT CHARTERED ACCOUNTANTS

MID-NORTH RESOURCES LIMITED
BALANCE SHEET
September 30, 2002
(Unaudited - Internally Prepared)

	Sept. 30, 2002 \$	Dec. 31, 2001 \$
ASSETS		
CURRENT		
Cash (Note 3)	1,582	903
Sales taxes recoverable	2,441	2,718
Prepaid expenses	242	1,332
Share subscription receivable (Note 4)	7,000	-
	11,265	4,953
CAPITAL ASSETS (Note 5)	5,423	4,791
MINING CLAIMS AND DEFERRED EXPENSES (Note 6)	1,382,574	1,514,450
	1,399,262	1,524,194
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	62,322	212,856
Accrued interest payable	104,741	89,702
Due to related parties (Note 7)	246,084	244,903
Note payable (Note 8)	30,060	30,060
	443,207	577,521
SHAREHOLDERS' EQUITY		
CONVERTIBLE NOTES (Note 9)	220,600	220,600
SHARE CAPITAL (Note 10)	3,406,719	3,314,719
DEFICIT	(2,671,264)	(2,588,646)
	956,055	946,673
	1,399,262	1,524,194

MID-NORTH RESOURCES LIMITED
STATEMENT OF LOSS AND DEFICIT
FOR THE PERIOD ENDED SEPTEMBER 30, 2002
(Unaudited - Internally Prepared)

	Three months ended September 30,		Nine months ended September 30,	
	2002 \$	2001 \$	2002 \$	2001 \$
EXPENSES				
Automotive	3,324	1,609	8,637	8,262
Professional fees	3,400	8,294	15,120	19,859
Filing and registration fees	2,097	2,097	13,557	5,703
Rent	1,609	1,572	4,247	3,941
Advertising and promotion	889	811	3,009	1,677
Office	779	1,125	1,998	2,929
Travel	727	81	2,004	2,359
Interest on promissory note	602	602	1,804	1,804
Insurance	363	1,209	1,090	1,814
Amortization	350	311	949	990
Bank charges	218	270	292	359
Consulting and other fees (Note 7)	-	3,875	12,000	3,875
Annual meeting	-	-	2,225	1,574
Repairs and maintenance	-	-	2,450	-
	<u>14,358</u>	<u>21,856</u>	<u>69,382</u>	<u>55,146</u>
NET LOSS FOR THE PERIOD	(14,358)	(21,856)	(69,382)	(55,146)
DEFICIT, Beginning of period	(2,652,494)	(2,534,896)	(2,588,646)	(2,492,782)
INTEREST ON CONVERTIBLE NOTES	(4,412)	(4,412)	(13,236)	(13,236)
DEFICIT, End of period	<u>(2,671,264)</u>	<u>(2,561,164)</u>	<u>(2,671,264)</u>	<u>(2,561,164)</u>
LOSS PER SHARE (Note 12)	<u>(0.001)</u>	<u>(0.002)</u>	<u>(0.006)</u>	<u>(0.005)</u>

MID-NORTH RESOURCES LIMITED
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED SEPTEMBER 30, 2002
(Unaudited - Internally Prepared)

	Three months ended September 30,		Nine months ended September 30,	
	2002 \$	2001 \$	2002 \$	2001 \$
CASH PROVIDED BY (USED FOR):				
OPERATING ACTIVITIES				
Net loss for the period	(14,358)	(21,856)	(69,382)	(55,146)
Add non-cash items:				
Amortization	350	311	949	990
	(14,008)	(21,545)	(68,433)	(54,156)
Changes in other working capital elements				
Sales taxes recoverable	(485)	1,366	277	4,066
Prepaid expenses	363	605	1,090	1,813
Share subscription receivable	-	-	(7,000)	-
Accrued interest payable	5,014	5,014	15,039	15,040
Accounts payable and accrued liabilities	23,548	(7,653)	(150,533)	(5,475)
Due to related parties	15,101	28,472	1,181	62,231
Cash flows provided by (used for) operating activities	29,533	6,259	(208,379)	23,519
FINANCING ACTIVITIES				
Issuance of shares	-	-	92,000	-
Interest on convertible notes	(4,412)	(4,412)	(13,236)	(13,236)
Cash flows (used for) provided by financing activities	(4,412)	(4,412)	78,764	(13,236)
INVESTMENT ACTIVITIES				
Purchase of capital asset	-	-	(1,582)	-
(Increase) decrease in deferred expenses	(24,223)	(9,698)	131,876	(21,999)
Cash flows (used for) provided by investment activities	(24,223)	(9,698)	130,294	(21,999)
NET INCREASE (DECREASE) IN CASH	898	(7,851)	679	(11,716)
CASH, Beginning of period	684	558	903	4,423
CASH (CASH DEFICIENCY), End of period	1,582	(7,293)	1,582	(7,293)

MID-NORTH RESOURCES LIMITED
NOTES TO FINANCIAL STATEMENTS
September 30, 2002
(Unaudited - Internally Prepared)

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 currently has interests in mining claims situated in the Provinces of Manitoba and Saskatchewan and the State of Nevada and intends to maintain and explore its mining claims directly and through joint ventures. These unaudited financial statements for the third quarter ended September 30, 2002 have been prepared in accordance 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 it raising the required capital to proceed with its operational 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.

2. SIGNIFICANT ACCOUNTING POLICIES

These unaudited financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2001.

In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. Operating results for the three and nine months ended September 30, 2002 may not be indicative of the results that may be expected for the full year ending December 31, 2002.

The Company follows the same accounting policies as the December 31, 2001 year ended audited financial statements. The significant accounting policies are as follows:

Financial Instruments

Financial instruments of the Company consist mainly of cash, accounts payable, promissory demand note payable and convertible notes payable. As at September 30, 2002, there are no significant differences between the carrying values of these amounts and their estimated market values.

MID-NORTH RESOURCES LIMITED
NOTES TO FINANCIAL STATEMENTS
September 30, 2002
(Unaudited - Internally Prepared)

2. SIGNIFICANT ACCOUNTING POLICIES CONT'D

Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization is recorded on the declining balance basis at rates designed to amortize the cost of the capital assets over their estimated useful lives, based on the following annual rates:

Equipment	20%
Computer equipment	30%
Furniture and fixture	20%

Mining Claims and Deferred Expenses

Mining claims and deferred expenses are valued at cost less option payments received.

Deferred expenses relate to exploration of mining claims and will be deferred until the properties are brought into production, at which time they will be amortized on a unit of production basis or until the properties are sold or abandoned, at which time the asset will be written off.

Administrative expenses which are considered to be wholly related to the acquisition and exploration of properties have been capitalized as part of deferred costs.

Recovery of deferred expenses is contingent upon either the Company's identifying mineral reserves in commercial quantities and bringing such reserves into profitable production or the profitable disposition of mineral leases.

Use of Estimates

The preparation of financial statements, in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenue and expenses during the reporting period. Actual results could differ from those estimated.

MID-NORTH RESOURCES LIMITED
NOTES TO FINANCIAL STATEMENTS
September 30, 2002
(Unaudited - Internally Prepared)

3. CASH

	Sept. 30, 2002 \$	Dec. 31, 2001 \$
Funds held in trust	2,253	-
Cash	-	903
Bank overdraft	(671)	-
	1,582	903
	1,582	903

4. SHARE SUBSCRIPTION RECEIVABLE

On April 15, 2002 the Company closed a private placement for the issue of 920,000 units at \$0.10 per unit for gross proceeds of \$92,000. As at September 30, 2002, \$85,000 had been received, leaving a share subscription receivable of \$7,000.

5. CAPITAL ASSETS

	September 30, 2002 \$			Dec. 31, 2001 \$
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	3,322	1,036	2,286	1,133
Office equipment	6,791	4,847	1,944	2,267
Furniture and fixtures	4,163	2,970	1,193	1,391
	14,276	8,853	5,423	4,791
	14,276	8,853	5,423	4,791

MID-NORTH RESOURCES LIMITED
NOTES TO FINANCIAL STATEMENTS
September 30, 2002
(Unaudited - Internally Prepared)

6. MINING CLAIMS AND DEFERRED EXPENSES

	September 30, 2002 \$	Dec. 31, 2001 \$
Mining claims	268,017	268,017
Deferred expenses (Schedule 1)	1,114,557	1,246,433
	<u>1,382,574</u>	<u>1,514,450</u>

Central Manitoba Bissett (Gold Property)

The Company owns a 100% interest in 19 Central Manitoba claims and 2 Cryderman claims located approximately 160 kilometres northeast of Winnipeg, Manitoba.

Beaucage Lake (Gold Property)

The Company owns 18 mineral claims situated approximately 50 kilometres southeast of Lynn Lake, Manitoba covering approximately 3,839 hectares.

Bomber Lake (Gold/Copper Property)

The Company owns 12 contiguous claims in the Bomber Lake area approximately 3 kilometres to the east of the Hudson Bay mining and smelting smelter in Flin Flon, Manitoba. There is currently a net smelter royalty of 2% on the claims. The Company has the option to purchase the net smelter royalty for \$100,000 for each 1% purchased.

Burntwood River (Nickel Property)

The Company has a 15% interest through a joint venture agreement with Falconbridge Limited in 62 mineral claims located in the Burntwood River area of Manitoba.

Apex/Miner (Gold Property)

The Company owns a total of 28 claims (Apex - 5, Miner - 23) in the Snow Lake area of Manitoba. W. Bruce Dunlop Ltd. (a related party) and Bart Kobar hold 2 separate net smelter royalties of 1.25% with an option for the Company to buy the royalties down to 0.5% for payments of \$200,000 for each area.

MID-NORTH RESOURCES LIMITED
NOTES TO FINANCIAL STATEMENTS
September 30, 2002
(Unaudited - Internally Prepared)

6. MINING CLAIMS AND DEFERRED EXPENSES CONT'D

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 30% interest and the other partner holds 70%. Both parties have agreed to file a Consent Dismissal Order without costs to dismiss the lawsuit initiated by Cypress Development Corp. in May 2001 to seek repayment of exploration expenditures incurred. The amount payable to Cypress as at December 31, 2001 of \$ 156,099 has been repaid by reducing the Company's interest from 50% to 30% when the new joint venture agreement was signed.

The Gunman property consists of 240 lode claims. There is currently a net smelter royalty of 2% on the claims. The Company along with the other interest holder has an option to purchase $\frac{1}{4}$ of the net smelter royalty for US \$ 500,000 or $\frac{1}{2}$ of the royalty for US \$ 1,000,000.

Other Properties

Pursuant to certain agreements, the Company has the following options:

- (i) War Baby Property - Option to acquire a 10% interest in the block of claims covering an area of 17 acres located within the limits of the City of Flin Flon, Manitoba. Under the terms of the agreement, the Company may exercise its option to acquire a 10% interest in the mineral claims by paying 10% of the exploration expenditures incurred by Callinan within 90 days of the receipt of a positive feasibility study on the property.
- (ii) Fox River Sill Property - The company holds a right of first refusal to acquire a 25% interest in the property which consists of 58,700 acres in northeast Manitoba. Falconbridge Limited holds 75% of the property.

7. RELATED PARTY TRANSACTIONS

Amounts due to related parties consist primarily of accrued consulting fees and advances from shareholders, with no interest and with no fixed terms of repayment. During the nine months ended September 30, 2002, \$12,000 in consulting fees was paid to Rob Dunlop, president of the Company.

8. NOTE PAYABLE

MID-NORTH RESOURCES LIMITED
NOTES TO FINANCIAL STATEMENTS
September 30, 2002
(Unaudited - Internally Prepared)

The note payable, to a shareholder, bears interest at 8% per annum, is unsecured and was due on January 19, 2000. The Company and the shareholder are renegotiating the terms of the note.

9. CONVERTIBLE NOTES

	Sept. 30, 2002 \$	Dec. 31, 2001 \$
i. Maturing December 1, 1998	120,600	120,600
ii. Maturing October 15, 1999	100,000	100,000
	220,600	220,600

- i. These notes bear interest at 8% per annum and are convertible to units prior to maturity at a price of \$ 0.52 per unit. Each unit entitles the holder to receive one common share and one common share purchase warrant to subscribe for one additional common share at \$ 0.65 until December 1, 1998. These notes have not been converted and the Company and the note holders have agreed to a continuation of the existing terms until such time as a new agreement can be worked out.
- ii. These notes bear interest at 8% per annum and are convertible into common shares prior to maturity at \$ 0.28 per share. These notes have not been converted and the Company and the note holders have agreed to a continuation of the existing terms until such time as a new agreement can be worked out.

The convertible notes take on characteristics of equity and, accordingly, have been classified as such.

MID-NORTH RESOURCES LIMITED
NOTES TO FINANCIAL STATEMENTS
September 30, 2002
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10. SHARE CAPITAL

Authorized:
 Unlimited common shares

Issued:

	<u>Number of Shares</u>	<u>\$</u>
Balance December 31, 2001	10,780,847	3,314,719
Private placements	920,000	92,000
Balance September 30, 2002	<u>11,700,847</u>	<u>3,406,719</u>

On April 15, 2002, the Company closed a private placement for the issue of 920,000 units at \$0.10 per unit for gross proceeds of \$92,000. A unit consists of 1 common share and 1 share purchase warrant exercisable at \$0.10 on or before April 15, 2004.

i. Escrow Agreement

A total of 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 following options are outstanding at September 30, 2002:

	<u>Options at \$ 0.10</u>	<u>Options at \$ 0.15</u>	<u>Options at \$ 0.30</u>
William Aughey	-	180,000	-
Robert Dunlop	-	-	325,000
W. Dale Dunlop	-	-	200,000
James Ramsay	-	-	75,000
Keith Engel	185,000	-	115,000
	<u>185,000</u>	<u>180,000</u>	<u>715,000</u>
Date of expiry	April 17, 2007	June 14, 2003	June 21, 2005

On April 17, 2002, the Company offered 185,000 options to Keith Engel, a Director of the Company.

Each option entitles the holder to purchase one common share at the price as identified above.

10. SHARE CAPITAL CONT'D

MID-NORTH RESOURCES LIMITED
NOTES TO FINANCIAL STATEMENTS
September 30, 2002
(Unaudited - Internally Prepared)

iii. Warrants

	Number of Warrants
Outstanding at December 31, 2001	1,550,500
Expired on May 4, 2002	(552,000)
Issued on April 15, 2002 private placement	920,000
Outstanding at September 30, 2002	1,918,500

Of the 1,918,500 warrants outstanding at September 30, 2002, 998,500 warrants entitle the holders to purchase one common share for \$0.25 and expire on November 14, 2002 and the remaining 920,000 warrants entitle the holders to purchase one common share for \$0.10 and expire on April 15, 2004.

11. INCOME TAXES

The Company has incurred non-capital losses of \$1,429,539 for tax purposes which are available to reduce future taxable income. Such benefits will be recorded as an adjustment to the tax provision in the year realized. The losses will expire as follows:

	\$
2002	212,000
2003	288,000
2004	313,000
2005	214,000
2006	112,990
2007	111,066
2008	95,865
2009	82,618
	1,429,539

The potential benefit of any tax losses have not been reflected in these financial statements.

12. LOSS PER SHARE

MID-NORTH RESOURCES LIMITED
NOTES TO FINANCIAL STATEMENTS
September 30, 2002
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Loss per share was calculated using the weighted average number of shares outstanding during the period. Loss per share on a fully diluted basis was not disclosed as it is anti-dilutive.

13. COMMITMENTS AND CONTINGENCIES

i. Commitments

The Company is committed under operating leases for an automobile. The minimum annual lease payments are \$ 7,510.

ii. Environmental

The Company's mining and exploration activities are subject to various federal, provincial and state laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

**MID-NORTH RESOURCES LIMITED
DEFERRED EXPENSES - SCHEDULE 1
PERIOD ENDED SEPTEMBER 30, 2002**

	Central Manitoba Bissett \$	Beaucage Lake \$	Bomber Lake \$	Burntwood River \$	Apex/ Miner \$	Gunman Property \$	Total \$
Balance, December 31, 2001	285,403	19,871	11,698	547,137	12,174	370,150	1,246,433
Joint interest adjustment (See Note 6)	-	-	-	-	-	(156,099)	(156,099)
Drill program	-	-	24,223	-	-	-	24,223
Balance, September 30, 2002	285,403	19,871	35,921	547,137	12,174	214,051	1,114,557

**MID-NORTH RESOURCES LIMITED
DEFERRED EXPENSES - SCHEDULE 1
YEAR ENDED DECEMBER 31, 2001**

	Central Manitoba Bissett \$	Beaucage Lake \$	Bomber Lake \$	Burntwood River \$	Apex/ Miner \$	Gunman Property \$	Total \$
Balance, December 31, 2000	285,403	19,871	11,698	547,137	12,174	283,218	1,159,501
Drill program	-	-	-	-	-	86,932	86,932
Balance, December 31, 2001	285,403	19,871	11,698	547,137	12,174	370,150	1,246,433