

MID-NORTH RESOURCES LIMITED

FINANCIAL STATEMENTS

MARCH 31, 2002

(Unaudited - See Notice to Reader)

NOTICE TO READER

I have compiled the balance sheet of Mid-North Resources Limited as at March 31, 2002 and the statements of loss and deficit and cash flows for the period then ended from information provided by management. I 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 28, 2002

STUART W. PETERSON
PROFESSIONAL CORPORATION
Chartered Accountant

MID-NORTH RESOURCES LIMITED
BALANCE SHEET
MARCH 31, 2002
(Unaudited - See Notice to Reader)

	Mar. 31, 2002 \$	Dec. 31, 2001 \$
ASSETS		
CURRENT		
Cash	12,312	903
Sales taxes recoverable	3,437	2,718
Prepaid expenses	969	1,332
	16,718	4,953
CAPITAL ASSETS (Note 3)	4,523	4,791
MINING CLAIMS AND DEFERRED EXPENSES (Note 4)	1,358,351	1,514,450
	1,379,592	1,524,194
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	60,815	212,856
Accrued interest payable	94,715	89,702
Due to related parties (Note 5)	231,958	244,903
Note payable (Note 6)	30,060	30,060
Private placement advances (Note 7)	33,000	-
	450,548	577,521
SHAREHOLDERS' EQUITY		
CONVERTIBLE NOTES (Note 8)	220,600	220,600
SHARE CAPITAL (Note 9)	3,314,719	3,314,719
DEFICIT	(2,606,275)	(2,588,646)
	929,044	946,673
	1,379,592	1,524,194

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MID-NORTH RESOURCES LIMITED
STATEMENT OF LOSS AND DEFICIT
FOR THE THREE MONTHS ENDED MARCH 31, 2002 AND MARCH 31, 2001
(Unaudited - See Notice to Reader)

	Mar. 31, 2002 \$	Mar. 31, 2001 \$
EXPENSES		
Filing and registration fees	3,564	815
Automotive	2,491	3,276
Professional fees	2,129	3,777
Consulting and other fees	1,250	3,500
Rent	1,195	1,236
Advertising and promotion	734	853
Interest on promissory note	601	601
Office	569	817
Insurance	363	605
Amortization	268	350
Interest and bank charges	38	12
Travel	15	2,278
	13,217	18,120
NET LOSS FOR THE PERIOD	(13,217)	(18,120)
DEFICIT, Beginning of period	(2,588,646)	(2,492,781)
INTEREST ON CONVERTIBLE NOTES	(4,412)	(4,412)
DEFICIT, End of period	(2,606,275)	(2,515,313)
 LOSS PER SHARE (Note 11)	 (0.0012)	 (0.0017)

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MID-NORTH RESOURCES LIMITED
STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2002 AND
THE YEAR ENDED DECEMBER 31, 2001
(Unaudited - See Notice to Reader)

	Mar. 31, 2002 \$	Dec. 31, 2001 \$
CASH PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES		
Net loss for the period	(13,217)	(18,120)
Add non-cash items:		
Amortization	268	350
	(12,949)	(17,770)
Changes in other working capital elements		
Accrued interest payable	5,013	5,013
Prepaid expenses	363	604
Sales taxes recoverable	(719)	3,354
Accounts payable and accrued liabilities	(152,041)	8,084
Due to related parties	(12,945)	13,258
	(160,329)	30,313
Cash flows (used for) from operating activities	(173,278)	12,543
FINANCING ACTIVITIES		
Interest on convertible notes	(4,412)	(4,412)
Advances from private placement (Note 7)	33,000	-
	28,588	(4,412)
Cash flows provided by (used for) financing activities	28,588	(4,412)
INVESTMENT ACTIVITIES		
Decrease (increase) in deferred expenses	156,099	(12,302)
	156,099	(12,302)
Cash flows provided by (used for) investment activities	156,099	(12,302)
NET INCREASE (DECREASE) IN CASH DURING THE PERIOD	11,409	(4,171)
CASH, Beginning of period	903	4,423
CASH, End of period	12,312	252

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MID-NORTH RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2002
(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 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 first quarter ended March 31, 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 months ended March 31, 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 March 31, 2002, there are no significant differences between the carrying values of these amounts and their estimated market values.

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MID-NORTH RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2002
(Unaudited - See Notice to Reader)

2. **SIGNIFICANT ACCOUNTING POLICIES CON'T.**

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.

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MID-NORTH RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2002
(Unaudited - See Notice to Reader)

3. CAPITAL ASSETS

	Mar. 31, 2002 \$	Dec. 31, 2001 \$
	Accumulated Amortization	Net Book Value
Cost	Amortization	Net Book Value
Office equipment	6,791	2,154
Disblav equipbment	4,163	1,322
Computer equipment	1,740	1,047
	12,694	4,523
		4,791

4. MINING CLAIMS AND DEFERRED EXPENSES

	Mar. 31 2002 \$	Dec. 31, 2001 \$
Mining claims	268,017	268,017
Deferred expenses (Schedule 1)	1,090,334	1,246,433
	1,358,351	1,514,450

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.

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4. **MINING CLAIMS AND DEFERRED EXPENSES CONT.**

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.

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 **3** of the net smelter royalty for US \$ 500,000 or **2** of the royalty for US \$ 1,000,000.

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MID-NORTH RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2002
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4. MINING CLAIMS AND DEFERRED EXPENSES CONT.

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.

5. 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.

6. NOTE PAYABLE

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.

7. PRIVATE PLACEMENT ADVANCES

During the quarter ended March 31, 2002, \$ 33,000 was received by the Company from subscription unit purchases. See subsequent events Note 13 (i) for the total private placement proceeds and details.

8. CONVERTIBLE NOTES

2002 2001

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MID-NORTH RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2002
(Unaudited - See Notice to Reader)

	\$	\$
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.

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9. SHARE CAPITAL

Authorized
 Unlimited common shares

	Number of Shares	\$
Issued:		
Balance December 31, 2001 and March 31, 2002	10,780,847	3,314,719

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 March 31, 2002:

	Options at \$ 0.15	Options at \$ 0.30
William Aughey	180,000	-
Robert Dunlop	-	325,000
W. Dale Dunlop	-	200,000
James Ramsay	-	75,000
Keith Engel	-	115,000
	180,000	715,000

Each option entitles the holder to purchase one common share at the price as identified above. The \$ 0.15 options expire on July 14, 2003. The \$ 0.30 options expire on June 21, 2005.

iii. Warrants

At March 31, 2002 there were 1,550,500 warrants outstanding. Each warrant entitles the holder to purchase one common share for \$ 0.25. Of the 1,550,500 warrants 998,500 expire on November 14, 2002 and the remaining 552,000 expired on May 4, 2002.

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10. INCOME TAXES

The Company has incurred non-capital losses of \$ 1,364,550 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	17,629
	<u>1,364,550</u>

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

11. LOSS PER SHARE

Loss per share was calculated using the weighted average number of shares outstanding during the year. Loss per share on a fully diluted basis was not disclosed as it is anti-dilutive.

12. COMMITMENTS AND CONTINGENCIES

i. Commitments

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

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12. COMMITMENTS AND CONTINGENCIES CONT.

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.

13. SUBSEQUENT EVENTS

- i. 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.
- ii. On April 17, 2002, the Company offered 185,000 additional shares to Keith Engel, exercisable at \$0.10 on or before April 17, 2007.

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MID-NORTH RESOURCES LIMITED
DEFERRED EXPENSES - SCHEDULE 1
PERIOD ENDED MARCH 31, 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 4)	-	-	-	-	-	(156,099)	(156,099)
Balance, March 31, 2002	285,403	19,871	11,698	547,137	12,174	214,051	1,090,334

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