

MID-NORTH RESOURCES LIMITED

FINANCIAL STATEMENTS

MARCH 31, 2003

(Unaudited - See Notice to Reader)

NOTICE TO READER

We have compiled the balance sheet of Mid-North Resources Limited as at March 31, 2003 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 27, 2003

PROACT CHARTERED ACCOUNTANTS

MID-NORTH RESOURCES LIMITED
BALANCE SHEET
MARCH 31, 2003
(Unaudited - See Notice to Reader)

	Mar. 31, 2003 \$	Dec. 31, 2002 \$
ASSETS		
CURRENT		
Cash	21	-
Sales taxes recoverable	3,017	2,912
Share subscription receivable (Note 3)	7,000	7,000
	10,038	9,912
CAPITAL ASSETS (Note 4)	4,757	5,065
MINING CLAIMS AND DEFERRED EXPENSES (Note 5)	1,390,124	1,390,124
	1,404,919	1,405,101
LIABILITIES		
CURRENT		
Bank indebtedness	-	766
Accounts payable and accrued liabilities	82,348	80,801
Accrued interest payable	114,767	109,755
Due to related parties (Note 6)	247,327	245,040
Note payable (Note 7)	250,660	250,660
	695,102	687,022
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 9)	3,406,719	3,406,719
DEFICIT	(2,696,902)	(2,688,640)
	709,817	718,079
	1,404,919	1,405,101

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MID-NORTH RESOURCES LIMITED
STATEMENT OF LOSS AND DEFICIT
FOR THE THREE MONTHS ENDED MARCH 31, 2003 AND MARCH 31, 2002
(Unaudited - See Notice to Reader)

	<u>Mar. 31,</u> <u>2003</u> <u>\$</u>	<u>Mar. 31,</u> <u>2002</u> <u>\$</u>
EXPENSES		
Interest on long term notes	5,013	5,013
Professional fees	1,442	2,129
Office	900	569
Rent	600	1,195
Amortization	307	268
Filing and registration fees	-	3,564
Automotive	-	2,491
Consulting and other fees	-	1,250
Advertising and promotion	-	734
Insurance	-	363
Interest and bank charges	-	38
Travel	-	15
	<u>8,262</u>	<u>17,629</u>
NET LOSS FOR THE PERIOD	(8,262)	(17,629)
DEFICIT, Beginning of period	(2,688,640)	(2,588,646)
DEFICIT, End of period	(2,696,902)	(2,606,275)
 LOSS PER SHARE (Note 11)	(0.0007)	(0.0012)

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MID-NORTH RESOURCES LIMITED
STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2003
AND MARCH 31, 2002
(Unaudited - See Notice to Reader)

	Mar. 31, 2003 \$	Mar. 31, 2002 \$
CASH PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES		
Cash receipts from receiver general and related parties	2,182	-
Cash payments to suppliers and related parties	(1,395)	(177,690)
Cash flows from (used for) operating activities	787	(177,690)
FINANCING ACTIVITIES		
Advances from private placement (Note 8)	-	33,000
Cash flows from financing activities	-	33,000
INVESTMENT ACTIVITIES		
Decrease in deferred expenses	-	156,099
Cash flows from investment activities	-	156,099
NET INCREASE IN CASH DURING THE PERIOD	787	11,409
(BANK INDEBTEDNESS) CASH, Beginning of period	(766)	903
CASH, End of period	21	12,312

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MID-NORTH RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2003
(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, 2003 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, 2002.

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, 2003 may not be indicative of the results that may be expected for the full year ending December 31, 2003.

The Company follows the same accounting policies as the December 31, 2002 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 and notes payable. As at March 31, 2003, 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, 2003
(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, 2003
(Unaudited - See Notice to Reader)

3. 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 March 31, 2003, \$ 85,000 had been received, leaving a share subscription receivable of \$ 7,000.

4. CAPITAL ASSETS

	Mar. 31, 2003 \$		Dec. 31, 2002 \$
	Cost	Accumulated Amortization	Net Book Value
Office equipment	6,791	5,068	1,723
Display equipment	4,163	3,106	1,057
Computer equipment	3,322	1,345	1,977
	14,276	9,519	4,757
	14,276	9,519	4,757

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MID-NORTH RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2003
(Unaudited - See Notice to Reader)

5. MINING CLAIMS AND DEFERRED EXPENSES

	Mar. 31, 2003 \$	Dec. 31, 2002 \$
Mining claims	268,017	268,017
Deferred expenses (Schedule 1)	1,122,107	1,122,107
	1,390,124	1,390,124

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.

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YEAR ENDED MARCH 31, 2003
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5. MINING CLAIMS AND DEFERRED EXPENSES CON'T

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 \$ 148,549 was repaid by reducing the Company's interest from 50% to 30%. As at March 31, 2003, an additional \$ 7,550 has been repaid, reducing the Company's interest from 30% to 27.55%.

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.

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NOTES TO THE FINANCIAL STATEMENTS
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6. 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. All parties are related to the corporation as shareholders.

7. NOTES PAYABLE

The notes payable bear interest at 8% per annum, are unsecured and the terms of repayment have not been renegotiated.

8. PRIVATE PLACEMENT ADVANCES

During the quarter ended March 31, 2002, \$ 33,000 was received by the company from subscription unit purchases. On April 15, 2002, the company closed a private placement for the issue of 920,000 share purchase warrants. See Share Capital Note 9 (iii) for details.

9. SHARE CAPITAL

Authorized
 Unlimited common shares

	Number of Shares	\$
Issued:		
Balance December 31, 2002 and March 31, 2003	11,700,847	3,406,719

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.

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9. SHARE CAPITAL CON'T

ii. Options

The following options are outstanding at March 31, 2003:

	Options at \$ 0.10	Options at \$ 0.15	Options at \$ 0.30
William Aughey	-	180,000	-
Robert Dunlop	-	-	325,000
W. Dale Dunlop	-	-	200,000
Keith Engel	185,000	-	115,000
	<u>185,000</u>	<u>180,000</u>	<u>640,000</u>
Date of expiry	April 17, 2007	July 14, 2003	June 21, 2005

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

iii. Warrants

At March 31, 2003 there were 920,000 warrants outstanding. Each warrant entitles the holder to purchase one common share for \$ 0.10 and expires on April 15, 2004.

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10. INCOME TAXES

The Company has incurred non-capital losses of \$ 1,243,177 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:

	\$
2003	288,000
2004	313,000
2005	214,000
2006	112,990
2007	111,066
2008	95,865
2009	99,994
2010	8,262
	<u>1,243,177</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 period. Loss per share on a fully diluted basis was not disclosed as it is anti-dilutive.

12. COMPARATIVE FIGURES

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

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13. COMMITMENTS AND CONTINGENCIES

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.

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**MID-NORTH RESOURCES LIMITED
DEFERRED EXPENSES - SCHEDULE 1
PERIOD ENDED MARCH 31, 2003 AND
YEAR ENDED DECEMBER 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)	-	-	-	-	-	(148,549)	(148,549)
Drill program	-	-	24,223	-	-	-	24,223
Balance, December 31, 2002 and March 31, 2003	285,403	19,871	35,921	547,137	12,174	221,601	1,122,107