

MID-NORTH RESOURCES LIMITED

FINANCIAL STATEMENTS

MARCH 31, 2004

(Unaudited - See Notice to Reader)

NOTICE TO READER

We have compiled the balance sheet of Mid-North Resources Limited as at March 31, 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
May 12, 2004

PROACT CHARTERED ACCOUNTANTS

MID-NORTH RESOURCES LIMITED
BALANCE SHEET
MARCH 31, 2004
(Unaudited - See Notice to Reader)

	Mar. 31, 2004 \$	Dec. 31, 2003 \$
ASSETS		
CURRENT		
Cash	109,437	3,279
Sales taxes recoverable	1,449	312
Exploration grant receivable (Note 3)	15,000	15,000
	125,886	18,591
CAPITAL ASSETS (Note 4)	3,598	3,838
MINING CLAIMS AND DEFERRED EXPENSES (Note 3)	1,411,557	1,338,056
	1,541,041	1,360,485
LIABILITIES		
CURRENT		
Bank indebtedness	781	781
Accounts payable and accrued liabilities	81,409	74,934
Accrued interest payable	134,821	129,807
Due to related parties (Note 5)	255,457	254,049
Notes payable (Note 6)	250,660	250,660
	723,128	710,231
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 7)	3,604,719	3,404,719
DEFICIT	(2,786,806)	(2,754,465)
	817,913	650,254
	1,541,041	1,360,485

See accompanying notes to the financial statements.

MID-NORTH RESOURCES LIMITED
STATEMENT OF LOSS AND DEFICIT
FOR THE THREE MONTHS ENDED MARCH 31, 2004 and 2003
(Unaudited - See Notice to Reader)

	Mar. 31, 2004 \$	Mar. 31, 2003 \$
EXPENSES		
Consulting and other fees	10,000	-
Filing and registration fees and shareholder services	9,070	-
Professional fees	8,017	1,442
Interest on long-term notes	5,013	5,013
Amortization	240	307
Office	-	900
Rent	-	600
Automotive	-	-
	<u>32,340</u>	<u>8,262</u>
NET LOSS FOR THE PERIOD	(32,340)	(8,262)
DEFICIT, Beginning of period	(2,754,466)	(2,688,640)
DEFICIT, End of period	<u>(2,786,806)</u>	<u>(2,696,902)</u>
LOSS PER SHARE (Note 9)	<u>(0.003)</u>	<u>(0.001)</u>

See accompanying notes to the financial statements.

MID-NORTH RESOURCES LIMITED
STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2004 and 2003
(Unaudited - See Notice to Reader)

	Mar. 31, 2004 \$	Mar. 31, 2003 \$
CASH PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES		
Cash payments to vendors	(16,267)	(1,500)
Cash flows used for operating activities	(16,267)	(1,500)
FINANCING ACTIVITIES		
Proceeds from private placement (Note 7)	200,000	-
Cash flows from financing activities	200,000	-
INVESTMENT ACTIVITIES		
Deferred expenses	(78,983)	-
Advances from related parties	1,408	1,500
Cash flows (used for) from investment activities	(77,575)	1,500
NET INCREASE IN CASH DURING THE PERIOD	106,158	-
CASH, Beginning of period	3,279	21
CASH, End of period	109,437	21

See accompanying notes to the financial statements.

MID-NORTH RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD ENDED MARCH 31, 2004
(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, 2004, 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, 2003.

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, 2004 may not be indicative of the results that may be expected for the full year ending December 31, 2004.

The Company follows the same accounting policies as the December 31, 2003 year ended audited financial statements. The significant accounting policies are as follows:

Financial Instruments

Financial instruments of the Company consist mainly of cash, exploration grant receivable, bank indebtedness, accounts payable and accrued liabilities, accrued interest payable, amounts due to related parties, and notes payable. As at March 31, 2004, there were no significant differences between the carrying values of these amounts and their estimated market values.

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:

Computer equipment	30%
Office Equipment	20%
Display equipment	20%

MID-NORTH RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD ENDED MARCH 31, 2004
(Unaudited - See Notice to Reader)

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

Mining Claims and Deferred Expenses

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

Loss per Share

Basic earnings (loss) per share is computed using the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is computed using the weighted average number of common shares and potential common shares outstanding during the period. Potential common shares that are anti-dilutive to its basic earnings (loss) per share are excluded from the calculation of diluted earnings per share. Potential common shares consist of the incremental common shares issuable upon the exercise of warrants and stock options using the treasury stock method.

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 THE FINANCIAL STATEMENTS
PERIOD ENDED MARCH 31, 2004
(Unaudited - See Notice to Reader)

3. MINING CLAIMS AND DEFERRED EXPENSES

	Mar. 31, 2004 \$	Dec. 31, 2003 \$
Mining claims	268,017	268,017
Deferred expenses (Schedule 1)	1,193,540	1,120,039
Mining claims option (see i below)	(35,000)	(35,000)
Exploration grant (see i below)	(15,000)	(15,000)
	1,411,557	1,338,056
	1,411,557	1,338,056

i. Central Manitoba Bissett (Gold Property)

The Company owns a 100% interest in 26 (2003-20) Central Manitoba and Cryderman claims located approximately 160 kilometres northeast of Winnipeg, Manitoba. On July 25, 2003, the Company granted Placer Dome (CLA) Limited ("Placer") an option to earn 75% interest in 17 Central Manitoba and Cryderman claims for \$150,000. The Company has received \$ 35,000 in non-refundable option payments in the prior year.

The remainder of the option payments are optional and are to be made by Placer:

	\$
On or before July 25, 2004	35,000
On or before July 25, 2005	40,000
On or before July 25, 2006	40,000
	115,000

In order to maintain the option, Placer shall incur \$ 1,000,000 in work costs on the claims on or before July 25, 2006. As at March 31, 2004, Placer has incurred \$199,950 in work costs on the claims. On January 16, 2004, Placer transferred six Central Manitoba and Cryderman claims to the Company. The six claims plus three additional claims owned by the Company were added to the option agreement. The claims shall be registered in the Company's name during the term of the option. In accordance with the agreement, Placer has applied for an exploration grant from the 2003 MEAP - Manitoba Exploration Assistance Program, of which the Company is entitled to receive \$15,000. The amount has been accrued as a grant receivable at the year ended December 31, 2003.

MID-NORTH RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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3. MINING CLAIMS AND DEFERRED EXPENSES CON'T.

During the term of the option, Placer shall have the exclusive right to enter and explore the claims, but the Company retains its right of access and retains its title to the claims. The Company will take the mining claim payments into income at the end of the term if Placer has not exercised the option to earn the 75% interest in the claims.

ii. Beaucage Lake (Gold Property)

The Company owns 9 mineral claims situated approximately 50 kilometres southeast of Lynn Lake, Manitoba covering approximately 1,967 hectares.

iii. 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.

iv. 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.

v. 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 the estate of 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.

vi. 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%.

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.

MID-NORTH RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD ENDED MARCH 31, 2004
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3. MINING CLAIMS AND DEFERRED EXPENSES CON'T.

vii. 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.

4. CAPITAL ASSETS

	Mar. 31, 2004 \$	Dec. 31, 2003 \$		
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	3,322	1,938	1,384	1,496
Office equipment	6,791	5,412	1,379	1,451
Display equipment	4,163	3,328	835	891
	14,276	10,678	3,598	3,838

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NOTES TO THE FINANCIAL STATEMENTS
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5. RELATED PARTY TRANSACTIONS

Amounts due to related parties consist primarily of accrued consulting fees and advances from shareholders, with no interest, unsecured, and with no fixed terms of repayment. All parties are related to the Company as shareholders. During the quarter ended March 31, 2004, \$10,000 in consulting fees were paid to Rob Dunlop, president of the Company. The fee was recorded at the exchange amount, which is the amount agreed by both parties.

6. NOTES PAYABLE

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

7. SHARE CAPITAL

Authorized:
 Unlimited common shares

	Number of Shares	\$
Issued:		
Balance December 31, 2002	11,700,847	3,406,719
Cancellation of shares - December 19, 2003	(20,000)	(2,000)
Balance, December 31, 2003	11,680,847	3,404,719
Issuance of shares - March 23, 2004	2,000,000	200,000
Balance, March 31, 2004	13,680,847	3,604,719

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 shares are subject to a performance based escrow agreement, effective December 15, 1995, between the Company, the Trustee and certain shareholders of the Company.

MID-NORTH RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD ENDED MARCH 31, 2004
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7. SHARE CAPITAL CONT.

ii. Options

The following options are outstanding at March 31, 2004:

	Options at \$ 0.10	Options at \$ 0.10	Options at \$ 0.30	Total
Robert Dunlop	150,000	-	325,000	475,000
Keith Engel	150,000	185,000	115,000	450,000
W. Dale Dunlop	150,000	-	200,000	350,000
	450,000	185,000	640,000	1,275,000
Date of expiry	Mar. 24, 2009	Apr. 17, 2007	Jun. 21, 2005	

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

On March 24, 2004, the Company granted 150,000 stock options each to three directors of the Company, exercisable at \$0.10 per share on or before March 24, 2009.

iii. Warrants

At March 31, 2004, there were 2,900,000 warrants outstanding of which 2,000,000 were issued in the private placement dated March 23, 2004. Each warrant entitles the holder to purchase one common share for the price and expiry dates are as follows:

Exercise Price \$	Expiry Dates	Number of Warrants Outstanding
0.13	March 24, 2005	2,000,000
0.10	April 15, 2004	900,000
		2,900,000

As of the date of these financial statements, the 900,000 warrants had expired and none were exercised.

MID-NORTH RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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8. INCOME TAXES

The Company has incurred non-capital losses of \$ 1,039,563 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:

	\$
2004	313,000
2005	214,000
2006	112,990
2007	111,066
2008	95,865
2009	99,994
2010	65,825
2011	26,823
	1,039,563

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

9. LOSS PER SHARE

The computations for basic loss per share are as follows:

	Mar. 31, 2004 \$	Mar. 31, 2003 \$
Loss for the period	(32,340)	(8,262)
Weighted average number of shares outstanding-basic	11,856,671	11,700,847
Loss per common share	(0.003)	(0.001)

Fully diluted loss per share was not reported for the periods as it would be anti-dilutive to the basic earnings per share.

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NOTES TO THE FINANCIAL STATEMENTS
PERIOD ENDED MARCH 31, 2004
(Unaudited - See Notice to Reader)

10. COMMITMENTS AND CONTINGENCIES

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.

11. COMPARATIVE FIGURES

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

**MID-NORTH RESOURCES LIMITED
DEFERRED EXPENSES - SCHEDULE 1
PERIOD ENDED MARCH 31, 2004 AND
YEAR ENDED DECEMBER 31, 2003**

	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
Joint interest adjustment (See Note 3 vi)	-	-	-	-	-	(7,550)	(7,550)
Balance, December 31, 2003	285,403	19,871	35,921	547,137	12,174	219,533	1,120,039
Drill program	-	-	-	-	-	78,983	78,983
Joint interest adjustment (See Note 3 vi)	-	-	-	-	-	(5,482)	(5,482)
Balance, March 31, 2004	285,403	19,871	35,921	547,137	12,174	293,034	1,193,540