

MID-NORTH RESOURCES LIMITED

FINANCIAL STATEMENTS

DECEMBER 31, 1999

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

TO THE SHAREHOLDERS OF MID-NORTH RESOURCES LIMITED:

The financial statements and the information in the annual report are the responsibility of the Board of Directors and management. The financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. A system of controls is maintained by management to provide reasonable assurance that assets are safeguarded and financial information is accurate and reliable.

The Audit Committee is comprised of outside Directors, and meets with management and the independent auditors to assure that management is maintaining adequate financial controls and to approve the annual and quarterly financial statements. The Audit Committee also reviews the results of the annual audit performed by the independent auditors prior to submitting the financial statements to the Board of Directors for approval.

The financial statements in the annual report have been examined by Stuart W. Peterson Professional Corporation and their report is below.

“Signed by Robert B. Dunlop”
Robert B. Dunlop
President

“Signed by William Aughey”
William Aughey
Secretary-Treasurer

AUDITOR'S REPORT

To the Directors of Mid-North Resources Limited:

I have audited the balance sheet of Mid-North Resources Limited as at December 31, 1999 and December 31, 1998 and the statements of loss and deficit and cash flow for the years then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1999 and December 31, 1998 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Calgary, Alberta
May 8, 2000

STUART W. PETERSON
PROFESSIONAL CORPORATION
Chartered Accountant

MID-NORTH RESOURCES LIMITED
BALANCE SHEET
DECEMBER 31, 1999 AND 1998

	1999 \$	1998 \$
ASSETS		
CURRENT		
Cash	328	34,910
Accounts receivable	-	295
Sales taxes recoverable	5,858	7,889
	6,186	43,094
CAPITAL ASSETS (Note 3)	5,605	7,006
MINING CLAIMS AND DEFERRED EXPENSES (Note 4)	1,106,300	1,167,013
	1,118,091	1,217,113
LIABILITIES		
CURRENT		
Accrued interest payable	49,596	29,669
Accounts payable and accrued liabilities	61,035	84,693
Due to related parties (Note 5)	167,123	125,549
Note payable (Note 6)	30,060	-
	307,814	239,911
SHAREHOLDERS' EQUITY		
CONVERTIBLE NOTES (Note 7)	220,600	220,600
SHARE CAPITAL (Note 8)	2,971,394	2,971,394
DEFICIT	(2,381,717)	(2,214,792)
	810,277	977,202
Approved on behalf of the Board:	1,118,091	1,217,113

“Signed by Robert B. Dunlop”
 Robert B. Dunlop, Director

“Signed by William Aughey”
 William Aughey, Director

See accompanying notes to the Financial Statements.

MID-NORTH RESOURCES LIMITED
STATEMENT OF LOSS AND DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

	1999 \$	1998 \$
EXPENSES		
Abandoned mining claims and deferred expenses	53,000	15,373
Consulting and other fees (Note 5)	23,900	65,200
Professional fees	20,527	31,517
Office	11,872	13,422
Automotive	10,015	9,318
Rent	7,184	9,968
Filing and registration fees	6,637	13,725
Travel	4,514	15,209
Insurance	3,756	5,806
Interest on promissory note	2,280	-
Annual general meeting	2,192	6,833
Advertising and promotion	1,869	24,197
Amortization	1,401	1,751
Bank charges and interest	130	147
Salaries and benefits	-	7,563
	149,277	220,029
OTHER INCOME	-	4,129
NET LOSS FOR THE YEAR	(149,277)	(215,900)
DEFICIT, Beginning of year	(2,214,792)	(1,981,244)
INTEREST ON CONVERTIBLE NOTES	(17,648)	(17,648)
DEFICIT, End of year	(2,381,717)	(2,214,792)
LOSS PER SHARE (Note 10)	(0.02)	(0.03)

See accompanying notes to the Financial Statements.

MID-NORTH RESOURCES LIMITED
CASH FLOW STATEMENT
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998
(INDIRECT METHOD)

	1999 \$	1998 \$
CASH PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES		
Net loss for the year	(149,277)	(215,900)
Add non-cash items:		
Amortization	1,401	1,751
	(147,876)	(214,149)
Changes in other working capital elements		
Accounts receivable	295	(295)
Sales taxes recoverable	2,031	2,196
Prepaid expenses	-	5,360
Accrued interest payable	19,927	17,648
Accounts payable and accrued liabilities	(23,658)	50,186
Due to related parties	41,574	94,971
Cash flows used for operating activities	(107,707)	(44,083)
FINANCING ACTIVITIES		
Proceeds on issuance of Promissory Note	30,060	-
Proceeds on issuance of share capital	-	204,952
Interest on convertible notes	(17,648)	(17,648)
Cash flows provided by financing activities	12,412	187,304
INVESTMENT ACTIVITIES		
Decrease in deferred expenses	10,713	19,143
Abandoned mining claims	50,000	-
Acquisition of mining claims	-	(141,879)
Purchase of capital assets	-	(3,000)
Cash flows provided by (used for) investment activities	60,713	(125,736)
NET (DECREASE) INCREASE IN CASH DURING THE YEAR	(34,582)	17,485
CASH, Beginning of year	34,910	17,425
CASH, End of year	328	34,910

See accompanying notes to the Financial Statements.

MID-NORTH RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1999 AND 1998

1. NATURE OF OPERATIONS AND FINANCIAL CONDITION OF THE COMPANY

Mid-North Resources Limited is a Canadian Venture Exchange listed public company. The Company currently has interests in mining claims situated in the Provinces of Manitoba and Saskatchewan and intends to maintain and explore its mining claims directly and through joint ventures. These financial statements have been prepared in accordance with 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. The 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

Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not responsible to conclude that all aspects of the Year 2000 Issue may affect the entity, including those related to customers, suppliers, or other third parties have been fully resolved.

Capital Assets

Capital assets are recorded at cost and are amortized over their estimated useful lives to their estimated salvage values, using the declining balance method at 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.

**MID-NORTH RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1999 AND 1998**

2. SIGNIFICANT ACCOUNTING POLICIES CON'T.

Mining Claims and Deferred Expenses con't.

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.

Flow-through Shares

The Company has financed a portion of its exploration activities through the issue of flow-through shares. Under the terms of the flow-through share issues, the tax attributes of the related expenditures are renounced to subscribers. To recognize the foregone tax benefits to the Company, the carrying value of the mining claims and deferred expenses incurred and the shares issued are recorded net of the tax benefits renounced to subscribers.

Financial Instruments

Financial instruments of the Company consist mainly of the cash, term deposits, accounts payable, promissory demand note and convertible note. As at December 31, 1999, there are no significant differences between the carrying values of these amounts and their estimated market values.

3. CAPITAL ASSETS

	1999		1998	
	\$		\$	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Office equipment	6,791	3,317	3,474	4,342
Display equipment	4,163	2,032	2,131	2,664

10,954

5,349

5,605

7,006

MID-NORTH RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1999 AND 1998

4. MINING CLAIMS AND DEFERRED EXPENSES

	1999	1998
	\$	\$
Mining claims	230,017	280,017
Deferred expenses (Schedule 1)	876,283	886,996
	1,106,300	1,167,013
	1,106,300	1,167,013

Beaucage Lake

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

Burntwood River

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

Apex/Miner

The Company owns a total of 28 claims (Apex - 5, Miner - 23) in the Snow Lake area of Manitoba. Bruce Dunlop Ltd. (a related party) and Bart Kobar hold 3 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.

Bomber Lake

The Company owns 12 contiguous claims in the Bomber Lake area in Saskatchewan. There is a 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.

MID-NORTH RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1999 AND 1998

4. MINING CLAIMS AND DEFERRED EXPENSES CON'T.

Other Properties

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

- (i) Walter Property - Option to acquire a 25% interest in the block of claims covering an area of 667 hectares located ten kilometres southeast of the City of Flin Flon, Manitoba. Under the terms of the option, the Company may exercise its option to acquire a 25% interest in the mineral claims by paying 25% of the exploration expenditures incurred by Callinan within 90 days of the receipt of a positive feasibility study on the property.
- (ii) Stack Property - Option to acquire a 25% interest in the block of claims covering an area of 758 hectares located five kilometres southeast of Flin Flon, Manitoba. Under the terms of the option, the Company may exercise its option to acquire a 25% interest in the mineral claims by paying 25% of the exploration expenditures incurred by Callinan within 90 days of the receipt of a positive feasibility study on the property.
- (iii) 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 option, 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.
- (iv) Fox River Sill Property - The company exercised the option to acquire 100% of the property which consists of 18,000 acres in northeast Manitoba (with a subsequent addition of 40,700 acres after the year end). Falconbridge Limited has the right to earn 75% of the property from the Company.

MID-NORTH RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1999 AND 1998

5. RELATED PARTY TRANSACTIONS

During the year, the following consulting fees were paid or accrued by the Company to related parties:

	1999 \$	1998 \$
Robert B. Dunlop (President and Director)	5,000	40,000
William Aughey (Secretary-Treasurer and Director)	18,900	25,200
	23,900	65,200
	23,900	65,200

Amounts due to related parties consists 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 is due on January 19, 2000. The amount is still outstanding and was not paid at the indicated due date as new terms are being negotiated.

7. CONVERTIBLE NOTES

	1999 \$	1998 \$
i. Maturing December 1, 2000	120,600	120,600
ii. Maturing October 15, 2000	100,000	100,000
	220,600	220,600
	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.

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

**MID-NORTH RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1999 AND 1998**

8. SHARE CAPITAL

Authorized -
Unlimited common shares.

	Number of Shares	\$
Issued and outstanding - Balance, December 31, 1998, 1999	8,545,347	2,971,394

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 corporation.

ii. Options

The following options are outstanding at December 31, 1999:

	Number of options granted
Robert Dunlop	180,000
William Aughey	180,000
W. Dale Dunlop	135,000
William McKnight	75,000
James Ramsay	65,000
Keith Engel	30,000
	<u>665,000</u>

Each option allows the holder to purchase one common share at \$ 0.15. The options expire on July 14, 2003.

MID-NORTH RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1999 AND 1998

9. INCOME TAXES

The Company has income tax losses of approximately \$ 1,269,990 which may be used to reduce taxable income in future years and which expire as follows:

	\$
2001	130,000
2002	212,000
2003	288,000
2004	313,000
2005	214,000
2006	112,990
	<u>1,269,990</u>

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

10. 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.

11. COMMITMENTS

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

MID-NORTH RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1999 AND 1998

12. SUBSEQUENT EVENTS

a. Private Placement

On May 4, 2000, the Company closed a private placement for the issue of 552,000 units at \$ 0.15 per unit for gross proceeds of \$ 82,800. A unit consisted of 1 common share and 1 share purchase warrant exercisable at \$ 0.25 on or before May 4, 2002.

b. Fox River Sill Property Expansion

Subsequent to the year end, the Fox River Sill Property was increased by 40,700 acres. The Company enacted a series of transactions that resulted in extending the original agreement by one year and requiring Falconbridge Limited to incur additional expenditures to earn its 75%.

c. Gunman Property

On April 28, 2000, the Company entered into an option agreement with a Nevada company for the right to earn up to 50% of a base metal property consisting of 25 lode claims situated in White Pine County, Nevada. As part of the consideration, the Company is required to issue 200,000 common shares upon receipt of regulatory acceptance of this transaction. Drilling of the property commenced May 8, 2000.

MID-NORTH RESOURCES LIMITED
DEFERRED EXPENSES - SCHEDULE 1
YEAR ENDED DECEMBER 31, 1999

	Central Manitoba Bisset	Beaucage Lake	Bomber Lake	Burntwood River	Snow Lake	Reed Lake	Total
	\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 1998	293,116	19,871	11,698	547,137	12,174	3,000	886,996
Expense recoveries	(7,713)	-	-	-	-	-	(7,713)
Abandoned mining claims	-	-	-	-	-	(3,000)	(3,000)
	(7,713)	-	-	-	-	(3,000)	(10,713)
Balance, December 31, 1999	285,403	19,871	11,698	547,137	12,174	-	876,283

MID-NORTH RESOURCES LIMITED
SCHEDULE 1 - DEFERRED EXPENSES
YEAR ENDED DECEMBER 31, 1998

	Central Manitoba Bisset	Beaucage Lake	Bomber Lake	Burntwood River	Horton Windsor Contact	Snow Lake	Reed Lake	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 1997	291,745	19,871	11,698	547,137	21,853	11,835	2,000	906,139
Finders fees	11,250	-	-	-	-	-	-	11,250
Engineering fees	-	-	-	-	-	-	1,000	1,000
Transfer fees	-	-	-	-	-	339	-	339
Expenses recoveries	-	-	-	-	(6,480)	-	-	(6,480)
Abandoned mining claims	-	-	-	-	(15,373)	-	-	(15,373)
Option payment	(9,879)	-	-	-	-	-	-	(9,879)

1,371	-	-	-	(21,853)	339	1,000	(19,143)
293,116	19,871	11,698	547,137	-	12,174	3,000	886,996

Balance, December 31, 1998

