

MID-NORTH RESOURCES LIMITED

FINANCIAL STATEMENTS

DECEMBER 31, 2000

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 Shareholders of Mid-North Resources Limited:

I have audited the balance sheet of Mid-North Resources Limited as at December 31, 2000 and December 31, 1999 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, 2000 and December 31, 1999 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 11, 2001

“Signed by Stuart W. Peterson”
STUART W. PETERSON
PROFESSIONAL CORPORATION
Chartered Accountant

MID-NORTH RESOURCES LIMITED
BALANCE SHEET
DECEMBER 31, 2000 AND 1999

	2000 \$	1999 \$
ASSETS		
CURRENT		
Cash	4,423	328
Sales taxes recoverable	5,396	5,858
Prepaid expenses	2,217	-
	12,036	6,186
CAPITAL ASSETS (Note 3)	6,191	5,605
MINING CLAIMS AND DEFERRED EXPENSES (Note 4)	1,427,518	1,106,300
	1,445,745	1,118,091
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	140,497	61,033
Accrued interest payable	69,649	49,596
Due to related parties (Note 5)	163,001	167,123
Note payable (Note 6)	30,060	30,060
	403,207	307,812
SHAREHOLDERS' EQUITY		
CONVERTIBLE NOTES (Note 7)	220,600	220,600
SHARE CAPITAL (Note 8)	3,314,719	2,971,394
DEFICIT	(2,492,781)	(2,381,715)
	1,042,538	810,279
Approved on behalf of the Board:	1,445,745	1,118,091

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

“Signed by James Ramsay”
 James Ramsay, Director

See accompanying Notes to the Financial Statements.

MID-NORTH RESOURCES LIMITED
STATEMENT OF LOSS AND DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	2000 \$	1999 \$
EXPENSES		
Professional fees	32,296	20,526
Filing and registration fees	17,956	8,829
Automotive	10,487	4,303
Consulting and other fees (Note 5)	9,000	23,900
Rent	6,270	7,184
Office	5,241	11,873
Advertising and promotion	3,187	1,869
Interest on promissory note	2,405	2,280
Equipment rentals	1,887	5,712
Insurance	1,878	3,756
Amortization	1,154	1,401
Travel	882	4,514
Interest and bank charges	775	130
Abandoned mining claims and deferred expenses	-	53,000
	93,418	149,277
NET LOSS FOR THE YEAR	(93,418)	(149,277)
DEFICIT, Beginning of year	(2,381,715)	(2,214,792)
INTEREST ON CONVERTIBLE NOTES	(17,648)	(17,648)
DEFICIT, End of year	(2,492,781)	(2,381,717)
 LOSS PER SHARE (Note 10)	 (0.01)	 (0.02)

See accompanying Notes to the Financial Statements.

MID-NORTH RESOURCES LIMITED
STATEMENT OF CASH FLOW
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	2000 \$	1999 \$
CASH PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES		
Net loss for the year	(93,418)	(149,277)
Add non-cash items:		
Amortization	1,154	1,401
	(92,264)	(147,876)
Changes in other working capital elements		
Accounts receivable	-	295
Accrued interest payable	20,053	19,927
Prepaid expenses	(2,217)	-
Sales taxes recoverable	462	2,032
Accounts payable and accrued liabilities	79,464	(23,660)
Due (from) to related parties	(4,122)	41,574
	93,640	40,168
Cash flows from (used for) operating activities	1,376	(107,708)
FINANCING ACTIVITIES		
Interest on convertible notes	(17,648)	(17,648)
Proceeds on issuance of Promissory Note	-	30,060
Proceeds on issuance of share capital	343,325	-
Cash flows provided by financing activities	325,677	12,412
INVESTMENT ACTIVITIES		
Additions to capital assets	(1,740)	-
Write down on abandoned mining claims	-	50,000
(Increase) decrease in deferred expenses	(283,218)	10,713
Acquisition of mining claims	(38,000)	-
Cash flows (used for) provided by investment activities	(322,958)	60,713
NET INCREASE (DECREASE) IN CASH DURING THE YEAR	4,095	(34,583)
CASH, Beginning of year	328	34,911
CASH, End of year	4,423	328

See accompanying Notes to the Financial Statements.

MID-NORTH RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2000

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 the State of Nevada 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

Financial Instruments

Financial instruments of the Company consist mainly of the cash, term deposits, accounts payable, promissory demand note payable and convertible note payable. As at December 31, 2000, there are 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:

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.

MID-NORTH RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2000

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.

Use of Estimates

The preparation of financial statements, in conformity with 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.

3. CAPITAL ASSETS

	2000		1999	
	\$		\$	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Office equipment	6,791	3,957	2,834	3,474
Display equipment	4,163	2,424	1,739	2,131
Computer equipment	1,740	122	1,618	-
	12,694	6,503	6,191	5,605

MID-NORTH RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2000

4. MINING CLAIMS AND DEFERRED EXPENSES

	2000	1999
	\$	\$
Mining claims	268,017	230,017
Deferred expenses (Schedule 1)	1,159,501	876,283
	1,427,518	1,106,300
	1,427,518	1,106,300

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 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.

Gunman

During the year the Company acquired a 50% interest in a base metal property consisting of 250 lode claims situated in White Pine County, Nevada. There is currently a net smelter royalty of 2% on the claims. The Company along with the other 50% interest holder has an option to purchase ¼ of the net smelter royalty for US \$ 500,000 or ½ of the royalty for US \$ 1,000,000.

MID-NORTH RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2000

4. MINING CLAIMS AND DEFERRED EXPENSES CON'T.

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 100% of the property which consists of 58,700 acres in northeast Manitoba. Falconbridge Limited has the right to earn 75% of the property from the Company.

5. RELATED PARTY TRANSACTIONS

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

	2000	1999
	\$	\$
William Aughey (Director)	-	18,900
Robert B. Dunlop (President and Director)	-	5,000
	-	23,900

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.

MID-NORTH RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2000

6. NOTE PAYABLE

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

7. CONVERTIBLE NOTES

	2000	1999
	\$	\$
i. Maturing December 1, 1998	120,600	120,600
ii. Maturing October 15, 1999	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. 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 THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2000

8. SHARE CAPITAL

Authorized

Unlimited common shares

	Number of Shares	\$
Issued:		
Balance December 31, 1999	8,545,347	2,971,394
Shares issued for mining claims	200,000	38,000
Private placements	1,550,500	232,575
Options exercised	485,000	72,750
Balance December 31, 2000	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 December 31, 2000:

	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 December 31, 2000 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 expire on May 4, 2002.

9. INCOME TAXES

MID-NORTH RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2000

The Company has incurred non-capital losses of \$ 1,391,056 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:

	\$
2001	<u>130,000</u>
2002	212,000
2003	288,000
2004	313,000
2005	214,000
2006	112,990
2007	<u>111,066</u>
	<u>1,381,056</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 AND CONTINGENCIES

i. 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
YEAR ENDED DECEMBER 31, 2000

11. COMMITMENTS AND CONTINGENCIES CON'T.

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.

12. SUBSEQUENT EVENTS

a. Gunman Property

On May 2, 2001, the Company's partner on the Gunman project in Nevada, filed a motion in the Supreme Court of British Columbia seeking an order forfeiting the Company's interest in the Gunman property. This order was granted by a Master of the Supreme Court. The Company is in the process of filing an appeal of this order. Management is of the opinion it is unlikely that the asset will be impaired, as they feel the order was without cause and outside the contract. If the appeal is not successful, the Company will write off \$ 283,218 of deferred expenses and \$38,000 of mining claims that were recorded at December 31, 2000.

**MID-NORTH RESOURCES LIMITED
DEFERRED EXPENSES - SCHEDULE 1
YEAR ENDED DECEMBER 31, 2000**

Central Manitoba Bisset	Beaucage Lake \$	Bomber Lake \$	Burntwood River \$	Snow Lake \$	Gunman Project \$	Total \$
Balance, December 31, 1999	19,871	11,698	547,137	12,174	-	876,283
Drill program	-	-	-	-	283,218	283,218
Abandoned mining claims	-	-	-	-	-	-
Balance, December 31, 2000	19,871	11,698	547,137	12,174	283,218	1,159,501

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

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