

MID-NORTH RESOURCES LIMITED

FINANCIAL STATEMENTS

JUNE 30, 2003

(Unaudited - See Notice to Reader)

NOTICE TO READER

We have compiled the balance sheet of Mid-North Resources Limited as at June 30, 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
August 27, 2003

PROACT CHARTERED ACCOUNTANTS

MID-NORTH RESOURCES LIMITED
BALANCE SHEET
JUNE 30, 2003
(Unaudited - See Notice to Reader)

	June 30, 2003 \$	Dec. 31, 2002 \$
ASSETS		
CURRENT		
Cash	21	-
Sales taxes recoverable	4,115	2,912
Share subscription receivable (Note 3)	7,000	7,000
	11,136	9,912
CAPITAL ASSETS (Note 4)	4,451	5,065
MINING CLAIMS AND DEFERRED EXPENSES (Note 5)	1,382,574	1,390,124
	1,398,161	1,405,101
LIABILITIES		
CURRENT		
Bank indebtedness	781	766
Accounts payable and accrued liabilities	70,900	80,801
Accrued interest payable	119,781	109,755
Due to related parties (Note 6)	269,857	245,040
Notes payable (Note 7)	250,660	250,660
	711,979	687,022
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 8)	3,406,719	3,406,719
DEFICIT	(2,720,537)	(2,688,640)
	686,182	718,079
	1,398,161	1,405,101

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MID-NORTH RESOURCES LIMITED
STATEMENT OF LOSS AND DEFICIT
FOR THE PERIOD ENDED JUNE 30, 2003
(Unaudited - See Notice to Reader)

	Three months ended June 30,		Six months ended June 30,	
	2003	2002	2003	2002
	\$	\$	\$	\$
	<hr/>		<hr/>	
EXPENSES				
Filing and registration fees	10,396	7,896	10,395	11,460
Professional fees	5,524	9,591	6,966	11,720
Interest on promissory notes	5,013	5,013	10,026	10,026
Office	1,265	650	2,165	1,219
Rent	600	1,443	1,200	2,638
Amortization	306	331	614	599
Travel	298	1,263	298	1,277
Automotive	233	2,822	233	5,313
Consulting and other fees	-	12,000	-	12,000
Annual meeting	-	2,225	-	2,225
Advertising and promotion	-	1,386	-	2,120
Repairs and maintenance	-	1,200	-	2,450
Insurance	-	363	-	727
Bank charges	-	36	-	74
	<hr/>		<hr/>	
	23,635	46,219	31,897	63,848
	<hr/>		<hr/>	
NET LOSS FOR THE PERIOD	(23,635)	(46,219)	(31,897)	(63,848)
DEFICIT, Beginning of period	<u>(2,696,902)</u>	<u>(2,606,275)</u>	<u>(2,688,640)</u>	<u>(2,588,646)</u>
DEFICIT, End of period	<u><u>(2,720,537)</u></u>	<u><u>(2,652,494)</u></u>	<u><u>(2,720,537)</u></u>	<u><u>(2,652,494)</u></u>
LOSS PER SHARE (Note 10)	<u><u>(0.001)</u></u>	<u><u>(0.004)</u></u>	<u><u>(0.002)</u></u>	<u><u>(0.005)</u></u>

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MID-NORTH RESOURCES LIMITED
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED JUNE 30, 2003
(Unaudited - See Notice to Reader)

	Three months ended June 30,		Six months ended June 30,	
	2003 \$	2002 \$	2003 \$	2002 \$
CASH PROVIDED BY (USED FOR):				
OPERATING ACTIVITIES				
Cash payments to suppliers	(23,311)	(61,071)	(24,811)	(69,717)
Cash flows used for operating activities	(23,311)	(61,071)	(24,811)	(69,717)
FINANCING ACTIVITIES				
Cash from short-term financing	781	-	15	-
Proceeds from private placement (Note 3)	-	52,000	-	85,000
Cash flows from financing activities	781	52,000	15	85,000
INVESTMENT ACTIVITIES				
Cash advances from (to) related parties	22,530	(975)	24,817	(13,920)
Purchase of capital asset	-	(1,582)	-	(1,582)
Cash flows from investment activities	22,530	(2,557)	24,817	(15,502)
NET INCREASE (DECREASE) IN CASH DURING THE PERIOD	-	(11,628)	21	(219)
CASH, Beginning of period	21	12,312	-	903
CASH, End of period	21	684	21	684

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MID-NORTH RESOURCES LIMITED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 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 period ended June 30, 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 and six months ended June 30, 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 June 30, 2003, 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 fixtures	20%

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MID-NORTH RESOURCES LIMITED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003
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2. SIGNIFICANT ACCOUNTING POLICIES CON'T.

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.

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. Each unit is comprised of one common share and one common share purchase warrant. See Note 9 (iii) for terms of warrant. As at June 30, 2003, \$ 85,000 had been received, leaving a share subscription receivable of \$ 7,000.

4. CAPITAL ASSETS

	June 30, 2003		Dec. 31, 2002	
	\$		\$	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	3,322	1,505	1,817	2,138
Office equipment	6,791	5,159	1,632	1,814
Display equipment	4,163	3,161	1,002	1,113
	<u>14,276</u>	<u>9,825</u>	<u>4,451</u>	<u>5,065</u>

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MID-NORTH RESOURCES LIMITED
NOTES TO FINANCIAL STATEMENTS
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5. MINING CLAIMS AND DEFERRED EXPENSES

	June 30, 2003 \$	Dec. 31, 2002 \$
Mining claims	268,017	268,017
Deferred expenses (Schedule 1)	1,114,557	1,122,107
	<u>1,382,574</u>	<u>1,390,124</u>

Central Manitoba Bissett (Gold Property)

The Company owns a 100% interest in 15 Central Manitoba claims and 2 Cryderman claims located approximately 160 kilometres northeast of Winnipeg, Manitoba. Subsequent to the period end, the Company granted Placer Dome (CLA) Limited ("Placer") an option to earn 75% interest in the claims. See Note 11 for the details.

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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NOTES TO FINANCIAL STATEMENTS
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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 27.55% (2002 - 30%) interest and the other partner holds 72.45% (2002 - 70%). During the period, \$7,550 of exploration expenditures incurred by the partner on behalf of the Company has been repaid with a reduction in 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.

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.

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8. SHARE CAPITAL

Authorized
 Unlimited common shares

	Number of Shares	\$
Issued:		
Balance December 31, 2002 and June 30, 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.

ii. Options

The following options are outstanding at June 30, 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
	185,000	180,000	640,000
Date of expiry	April 17, 2007	July 14, 2003	June 21, 2005

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

iii. Warrants

At June 30, 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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9. INCOME TAXES

The Company has incurred non-capital losses of \$ 1,266,812 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:

	<u>\$</u>
2003	288,000
2004	313,000
2005	214,000
2006	112,990
2007	111,066
2008	95,865
2009	99,994
2010	<u>31,897</u>
	<u><u>1,266,812</u></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 period. Loss per share on a fully diluted basis was not disclosed as it is anti-dilutive.

11. SUBSEQUENT EVENTS

On July 25, 2003, the Company signed an agreement with Placer to grant Placer the exclusive right and option to earn 75% interest in the 15 Central Manitoba claims and 2 Cryderman claims for \$150,000. The Company has received \$ 35,000 in option payment subsequent to period end.

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

	<u>\$</u>
On or before July 25, 2004	35,000
On or before July 25, 2005	40,000
On or before July 25, 2006	<u>40,000</u>
	<u><u>115,000</u></u>

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11. SUBSEQUENT EVENTS

In order to maintain the option, Placer shall incur \$ 1,000,000 in work costs on the claims on or before July 25, 2006. 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.

12. COMPARATIVE FIGURES

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

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 JUNE 30, 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 5)	-	-	-	-	-	(148,549)	(148,549)
Drill program	-	-	24,223	-	-	-	24,223
Balance, December 31, 2002	285,403	19,871	35,921	547,137	12,174	221,601	1,122,107
Joint interest adjustment (See Note 5)	-	-	-	-	-	(7,550)	(7,550)
Balance, June 30, 2003	<u>285,403</u>	<u>19,871</u>	<u>35,921</u>	<u>547,137</u>	<u>12,174</u>	<u>214,051</u>	<u>1,114,557</u>