

**MID-NORTH RESOURCES LIMITED**

**FINANCIAL STATEMENTS**

**JUNE 30, 2005**

**(Unaudited - See Notice to Reader)**

### **NOTICE TO READER**

We have compiled the balance sheet of Mid-North Resources Limited as at June 30, 2005 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 22, 2005

PROACT CHARTERED ACCOUNTANTS

**MID-NORTH RESOURCES LIMITED**  
**BALANCE SHEET**  
**JUNE 30, 2005**  
(Unaudited - See Notice to Reader)

|  | June 30,<br>2005<br>\$ | Dec. 31,<br>2004<br>\$ |
|--|------------------------|------------------------|
| <b>ASSETS</b>  |                        |                        |
| <b>CURRENT</b>   |                        |                        |
| Cash   | 2,895                  | 14,157                 |
| Sales taxes recoverable  | 3,088                  | 1,391                  |
|  | 5,983                  | 15,548                 |
| <b>EQUIPMENT</b>   | 2,536                  | 2,876                  |
| <b>MINING CLAIMS AND DEFERRED EXPENSES (Note 3)</b>              | 1,411,557              | 1,411,557              |
|  | 1,420,076              | 1,429,981              |
| <b>LIABILITIES</b>   |                        |                        |
| <b>CURRENT</b>   |                        |                        |
| Accounts payable and accrued liabilities                         | 46,168                 | 43,273                 |
| Accrued interest payable (Note 4)                                | 159,886                | 149,860                |
| Notes payable (Note 4)   | 250,660                | 250,660                |
| Due to related parties (Note 5)                                  | 290,912                | 251,434                |
|  | 747,626                | 695,227                |
| <b>SHAREHOLDERS' EQUITY</b>                                      |                        |                        |
| <b>SHARE CAPITAL</b>   |                        |                        |
| Authorized - unlimited number of common shares without par value |                        |                        |
| Issued (Note 6)  | 3,594,069              | 3,594,069              |
| <b>CONTRIBUTED SURPLUS (Note 2)</b>                              | 40,250                 | 40,250                 |
| <b>DEFICIT (Note 2)</b>  | (2,961,869)            | (2,899,565)            |
|  | 672,450                | 734,754                |
|  | 1,420,076              | 1,429,981              |

See accompanying Notes to the Financial Statements.

**MID-NORTH RESOURCES LIMITED**  
**STATEMENT OF LOSS AND DEFICIT**  
**FOR THE PERIOD ENDED JUNE 30, 2005**  
**(Unaudited - See Notice to Reader)**

|   | Three months ended<br>June 30, |                    | Six months ended<br>June 30, |                    |
|---|--------------------------------|--------------------|------------------------------|--------------------|
|   | 2005<br>\$                     | 2004<br>\$         | 2005<br>\$                   | 2004<br>\$         |
| <b>EXPENSES</b>   |                                |                    |                              |                    |
| Consulting fees (Note 5)                                | 17,937                         | 7,415              | 17,937                       | 17,415             |
| Professional fees                                       | 14,606                         | 13,041             | 18,696                       | 21,058             |
| Filing, registration fees and shareholder services      | 10,045                         | 7,079              | 11,508                       | 16,149             |
| Interest on promissory notes                            | 5,013                          | 5,013              | 10,026                       | 10,026             |
| Travel  | 3,342                          | -                  | 3,719                        | -                  |
| Amortization  | 170                            | 240                | 340                          | 481                |
| Bank charges  | 53                             | 91                 | 79                           | 91                 |
| Office  | -                              | 94                 | -                            | 94                 |
| Stock option compensation (Note 2)                      | -                              | -                  | -                            | 29,250             |
|   | <u>51,166</u>                  | <u>32,973</u>      | <u>62,305</u>                | <u>94,564</u>      |
| <b>NET LOSS FOR THE PERIOD</b>                          | <u>(51,166)</u>                | <u>(32,973)</u>    | <u>(62,305)</u>              | <u>(94,564)</u>    |
| DEFICIT, Beginning of period                            | (2,910,704)                    | (2,786,806)        | (2,899,565)                  | (2,754,465)        |
| ADJUSTMENT (Note 2)                                     | -                              | (40,250)           | -                            | (11,000)           |
| DEFICIT, Beginning of period - restated (Note 2)        | (2,910,704)                    | (2,827,056)        | (2,899,565)                  | (2,765,465)        |
| DEFICIT, End of period                                  | <u>(2,961,870)</u>             | <u>(2,860,029)</u> | <u>(2,916,870)</u>           | <u>(2,860,029)</u> |
| <b>BASIC AND DILUTED</b>                                |                                |                    |                              |                    |
| Weighted average number of common shares<br>outstanding | <u>13,389,894</u>              | <u>11,878,649</u>  | <u>13,389,894</u>            | <u>12,779,748</u>  |
| Loss per share  | <u>(0.004)</u>                 | <u>(0.003)</u>     | <u>(0.005)</u>               | <u>(0.007)</u>     |

See accompanying Notes to the Financial Statements.

**MID-NORTH RESOURCES LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED JUNE 30, 2005**  
(Unaudited - See Notice to Reader)

|  | Three months ended<br>June 30, |                      | Six months ended<br>June 30, |                      |
|--|--------------------------------|----------------------|------------------------------|----------------------|
|  | 2005<br>\$                     | 2004<br>\$           | 2005<br>\$                   | 2004<br>\$           |
| <b>CASH PROVIDED BY (USED FOR):</b>                      |                                |                      |                              |                      |
| <b>OPERATING ACTIVITIES</b>                              |                                |                      |                              |                      |
| Cash payments to vendors                                 | (48,353)                       | (40,087)             | (50,740)                     | (56,354)             |
| Cash flows used for operating activities                 | <u>(48,353)</u>                | <u>(40,087)</u>      | <u>(50,740)</u>              | <u>(56,354)</u>      |
| <b>FINANCING ACTIVITIES</b>                              |                                |                      |                              |                      |
| Cash from short-term financing                           | -                              | 55                   | -                            | 55                   |
| Proceeds from private placement (Note 6)                 | -                              | -                    | -                            | 200,000              |
| Cash flows from financing activities                     | <u>-</u>                       | <u>55</u>            | <u>-</u>                     | <u>200,055</u>       |
| <b>INVESTMENT ACTIVITIES</b>                             |                                |                      |                              |                      |
| Cash advances from (to) related parties                  | 39,748                         | (4,023)              | 39,478                       | (2,615)              |
| Deferred expenses  | -                              | -                    | -                            | (78,983)             |
| Cash flows from (used for) investment activities         | <u>39,478</u>                  | <u>(4,023)</u>       | <u>39,478</u>                | <u>(81,598)</u>      |
| <b>NET (DECREASE) INCREASE IN CASH DURING THE PERIOD</b> | <b>(8,875)</b>                 | <b>(44,055)</b>      | <b>(11,262)</b>              | <b>62,103</b>        |
| CASH, Beginning of period                                | <u>11,770</u>                  | <u>109,437</u>       | <u>14,157</u>                | <u>3,279</u>         |
| CASH, End of period                                      | <u><u>2,895</u></u>            | <u><u>65,382</u></u> | <u><u>2,895</u></u>          | <u><u>65,382</u></u> |

See accompanying Notes to the Financial Statements.

**MID-NORTH RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2005**  
**(Unaudited - See Notice to Reader)**

**1. NATURE OF OPERATION AND FINANCIAL CONDITION OF THE COMPANY**

Mid-North Resources Limited ("The Company") is a TSX Venture Exchange listed public company. The Company has interests in mining claims situated in the Provinces of Manitoba, Saskatchewan and the State of Nevada and intends to maintain and explore its mining claims directly and indirectly through joint ventures.

These interim unaudited financial statements do not include all the disclosure required by Canadian generally accepted accounting principles for annual statements and should be read in conjunction with the annual audited financial statements for the year ended December 31, 2004. These statements are prepared in accordance with recommendations for interim financial statements in conformity 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 its ability to raise the required capital to proceed with its operations 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 and have been prepared using the same accounting policies and methods as those used in the December 31, 2004 accounts, except as disclosed below.

**2. ACCOUNTING CHANGES**

At January 1, 2004, the Company adopted the fair value based method of accounting for stock-based compensation as required by the CICA Handbook. The fair value of the options were determined on the date of the grant using the Black-Scholes option pricing model with the following weighted average:

|                         |         |
|-------------------------|---------|
| Risk free interest rate | 5.1%    |
| Expected life           | 5 years |
| Expected volatility     | 63%     |
| Expected dividends      | \$ Nil  |

The accounting change has been applied retroactively and the financial statements for the year ended December 31, 2003 and three months ended March 31, 2004 have been restated. The effect of this change was to:

- i. increase the contributed surplus at December 31, 2003 by \$11,000, and
- ii. increase the net loss for the three months ended March 31, 2004 by \$29,250 for a net loss of \$61,590 and a decrease of loss per share to \$0.005.

The contributed surplus balance at December 31, 2003 was \$11,000 and at December 31, 2004 and June 30, 2005 was \$40,250.

**MID-NORTH RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2005**  
**(Unaudited - See Notice to Reader)**

**3. MINING CLAIMS AND DEFERRED EXPENSES**

|                                | June 30,<br>2005<br>\$ | Dec. 31,<br>2004<br>\$ |
|--------------------------------|------------------------|------------------------|
| Mining claims                  | 268,017                | 268,017                |
| Deferred expenses (Schedule 1) | 1,143,540              | 1,143,540              |
|                                | <u>1,411,557</u>       | <u>1,411,557</u>       |

**4. NOTES PAYABLE**

The notes payable bear interest at 8% per annum, are unsecured and no terms of repayment have been negotiated. Notes payable include \$100,000 due to a shareholder of the Company. Interest accrued on this note for the period ended June 30, 2005 totaled \$4,000 (2004 - \$4,000). Interest due to the shareholder at period ended June 30, 2005 totaled \$61,688 (2004 - \$53,688).

**5. RELATED PARTY TRANSACTIONS**

Amounts due to related parties consist primarily of advances from shareholders and directors. The balances are non-interest bearing, unsecured and have no fixed terms of repayment. During the period ended June 30, 2005 and June 30, 2004, \$nil and \$10,000 in consulting fees were paid to the president of the Company, respectively. The prior year fee was recorded at the exchange amount, which is the amount agreed by both parties.

**MID-NORTH RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2005**  
**(Unaudited - See Notice to Reader)**

**6. SHARE CAPITAL**

The changes in issued common shares from December 31, 2003 to June 30, 2005 are as follows:

|   | Number of<br>Shares | \$        |
|---|---------------------|-----------|
| Issued:   |                     |           |
| Balance December 31, 2003   | 11,680,847          | 3,404,719 |
| For cash pursuant to private placement net of share issue costs of \$10,650 | 2,000,000           | 189,350   |
| Cancellation of shares in escrow  | (290,953)           | -         |
| Balance, December 31, 2004  | 13,389,894          | 3,594,069 |
| Balance, June 30, 2005  | 13,389,894          | 3,594,069 |

i. Private Placement

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.

ii. Cancellation on shares in Escrow

On December 10, 2004, the Trustee cancelled the 290,953 shares in escrow in accordance to a performance based escrow agreement dated December 15, 1995.

iii. Stock Options

The Company has a Stock Option Plan which permits the issuance of options up to 10% of the Company's common shares outstanding. At June 30, 2005, 10% of the issued and outstanding common shares is 1,338,989. The Stock Option Plan provides that the terms of the options, vesting period and the option shall be fixed by the directors subject to the price restrictions imposed by the TSX Venture Exchange. Stock options granted may be for a maximum term of 5 years and vest immediately. The Stock Option Plan of the Company and the granting of stock options are also subject to the additional restrictions and requirements pursuant to all applicable policies of the TSX Venture Exchange including that the Stock Option Plan receive annual approval. During the period ended June 30, 2005, nil (2004 - 450,000) stock options were issued, 640,000 (2004- nil) stock options expired and no options were exercised.



**MID-NORTH RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2005**  
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**6. SHARE CAPITAL CONT'D**

iii. The following table presents the outstanding stock options as at June 30, 2005 and the changes since December 31, 2003:

| Fixed Options  | Number of<br>Options | Weighted Average<br>Exercise Price<br>\$ |
|--|----------------------|--|
| Outstanding at December 31, 2003                     | 825,000              | 0.26                                     |
| Granted to directors at March 24, 2004               | 450,000              | 0.10                                     |
| Outstanding and exercisable at December 31, 2004     | 1,275,000            | 0.20                                     |
| Expired on June 21, 2005                             | (640,000)            | 0.30                                     |
| Options outstanding and exercisable at June 30, 2005 | 635,000              | 0.10                                     |

The following table summarizes information about the stock options outstanding at June 30, 2005:

| Number of<br>Stock Options | Weighted Average Life<br>Remaining (Years) | Expiry Date    | Exercise Price<br>\$ |
|----------------------------|--|----------------|----------------------|
| 185,000                    | 1.80                                       | April 17, 2007 | 0.10                 |
| 450,000                    | 3.73                                       | March 24, 2009 | 0.10                 |
| 635,000                    | 3.17                                       |                |                      |

Each option entitles the holder to purchase one common share at the price identified above. The weighted average grant date fair value assigned to stock options granted during the period ended June 30, 2005 was \$0.06. The fair value of these options were determined on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

|                         |         |
|-------------------------|---------|
| Risk free interest rate | 3.2%    |
| Expected life           | 5 years |
| Expected volatility     | 57%     |
| Expected dividends      | \$ Nil  |

iv. Warrants

At June 30, 2005, there are nil (2004 - 2,000,000) warrants outstanding. The 2,000,000 warrants issued in the private placement dated March 23, 2004 expired on March 24, 2005 and none were exercised.

**MID-NORTH RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2005**  
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**7. SIGNIFICANT EVENTS**

On May 27, 2005, the Company entered into a letter of intent to merge with Bison Gold Exploration Inc. ("Bison"), a private Ontario corporation. The transaction is subject to regulatory approvals including the TSX Venture Exchange, approvals of the shareholders of the Company and "Bison" and a satisfactory due diligence review by "Bison".

The letter of intent contemplates that the common shares of the Company will be consolidated on a 4 for 1 basis immediately prior to the merger and following the merger, it is expected there will be approximately 20,000,000 shares outstanding of the merged entity.

**MID-NORTH RESOURCES LIMITED**  
**DEFERRED EXPENSES - SCHEDULE 1**  
**PERIOD ENDED JUNE 30, 2005 AND**  
**YEAR ENDED DECEMBER 31, 2004**  
(Unaudited - See Notice to Reader)

|  | Burntwood<br>River<br>\$ | Gunman<br>Property<br>\$ | Central<br>Manitoba<br>Bissett<br>\$ | Bomber<br>Lake<br>\$ | Beaucage<br>Lake<br>\$ | Apex/<br>Miner<br>\$ | Total<br>\$ |
|--|--------------------------|--------------------------|--------------------------------------|----------------------|------------------------|----------------------|-------------|
| Balance, December 31, 2003                   | 547,137                  | 219,533                  | 235,403                              | 35,921               | 19,871                 | 12,174               | 1,070,039   |
| 2004 drill program                           | -                        | 78,983                   | -                                    | -                    | -                      | -                    | 78,983      |
| 2004 joint interest adjustment               | -                        | (5,482)                  | -                                    | -                    | -                      | -                    | (5,482)     |
| Balance, December 31, 2004 and June 30, 2005 | 547,137                  | 293,034                  | 235,403                              | 35,921               | 19,871                 | 12,174               | 1,143,540   |

See accompanying notes to the financial statements