
Logan Resources Ltd.

1st Quarter Financial Statements

June 30, 2005 and 2004

(Unaudited)

(These financial statements have not been reviewed by the auditor)

Logan Resources Ltd.

(An Exploration Stage Company)

Balance Sheets

(Expressed in Canadian Dollars)

(Unaudited)

	June 30 2005 \$ (unaudited)	March 31 2005 \$ (audited)
Assets		
Current Assets		
Cash	429,508	150,353
Cash committed for mineral exploration	54,876	235,056
Marketable securities [Note 3]	63,500	63,500
Amounts receivable	27,737	17,908
Prepaid expenses	4,617	1,822
Mining exploration tax credit receivable [Note 5]	82,899	23,724
Due from related parties [Note 7]	–	63,357
	663,137	555,720
Property Bonds	5,000	5,000
Property and equipment [Note 4]	14,863	2,989
Mineral Properties [Note 5]	1,257,537	1,047,423
	1,940,537	1,611,132
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	152,651	30,140
Due to related parties [Note 7]	32,757	14,732
	185,408	44,872
Shareholders' Equity		
Share Capital [Note 6]	5,568,546	5,306,546
Contributed Surplus [Note 6[b]]	270,618	270,618
Deficit	(4,084,035)	(4,010,904)
	1,755,129	1,566,260
	1,940,537	1,611,132

Contingent Liability [Note 1]

Subsequent Events [Note 9]

Approved on Behalf of the Board:

"Seamus Young"

Seamus Young, Director

"Judith Mazvihwa"

Judith T. Mazvihwa, Director

Logan Resources Ltd.

(An Exploration Stage Company)

Statements of Operations and Deficit

(Expressed in Canadian Dollars)

(Unaudited)

	3 Months Ended June 30	
	2005	2004
	\$	\$
Revenue	–	–
Expenses		
Accounting and audit	1,748	3,299
Administration salaries	20,049	15,890
Amortization	693	156
Investor relations	1,095	26,593
Legal	1,976	6,297
Loss on write-off of mineral properties	–	1,285
Management fees [Note 7]	7,500	7,500
Office, rent and telephone	14,292	6,546
Stock-based compensation [Note 6]	–	105,000
Transfer agent and regulatory	1,880	3,910
Travel and promotion	23,898	5,805
	73,131	182,281
Net Loss for the Period	(73,131)	(182,281)
Deficit, Beginning of Period	(4,010,904)	(3,439,693)
Deficit, End of Period	(4,084,035)	(3,621,974)
Loss per share - Basic and Diluted	(0.004)	(0.02)
Weighted Average Shares Outstanding	17,705,156	12,103,396

The Accompanying Notes are an Integral Part of the Financial Statements

Logan Resources Ltd.

(An Exploration Stage Company)

Statements of Cash Flows

(Expressed in Canadian Dollars)

(Unaudited)

	3 Months Ended June 30	
	2005	2004
	\$	\$
Operating Activities		
Net Loss for the Period	(73,131)	(182,281)
Items not involving cash:		
Amortization	693	156
Loss on write-off of mineral properties	(73,131)	1,285
Stock-based compensation	–	105,000
Changes in non-cash working capital items		
Amounts receivable	(9,829)	(12,572)
Prepaid expenses	(2,795)	–
Due from related parties	63,357	–
Accounts payable and accrued liabilities	122,511	(35,755)
Due to related parties	18,025	(27,909)
Net Cash Used In Operations	118,831	(152,076)
Financing Activities		
Share capital issued	262,000	459,153
Share subscriptions received in prior year	–	(132,750)
Net Cash Provided by Financing Activities	262,000	326,403
Investing Activities		
Acquisition of property plant and equipment	(12,567)	(3,416)
Acquisition of and expenditures on mineral properties	(269,289)	(255,860)
Net Cash Used In Investing Activities	(281,856)	(259,276)
Increase in Cash and Cash Equivalents	98,975	(84,949)
Cash and Cash Equivalents - Beginning of the Period	385,409	130,009
Cash and Cash Equivalents - End of the Period	484,384	45,060
Cash and Cash Equivalents consists of:		
Cash	429,508	–
Cash committed for mineral exploration	54,876	45,060
	484,384	45,060
Non-cash Financing and Investing Activities		
Mineral exploration tax credit receivable	59,175	11,768
Property option payment paid with shares	–	–
Supplemental Disclosures		
Interest paid	–	–
Income tax paid	–	–

The Accompanying Notes are an Integral Part of the Financial Statements

Logan Resources Ltd.

(An Exploration Stage Company)

Notes to the Financial Statements

June 30, 2005 and 2004

(Expressed in Canadian Dollars)

(Unaudited)

1. Nature of Operations and Continuance of Business

The Company is in the business of acquiring and exploring mineral properties. There has been no determination whether properties held contain ore reserves, which are economically recoverable. In the ordinary course of business, the Company sells or options property interests to third parties, accepting as consideration cash and/or securities of the acquiring party.

The recoverability of valuations assigned to mineral properties is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the properties, the ability to obtain necessary financing to complete development, and future profitable production or proceeds from disposition.

These financial statements have been prepared on the going concern basis which implies that the Company will continue realizing its assets and discharging its liabilities in the normal course of business. The ability to continue as a going concern is dependent upon the Company achieving profitable operations, and/or securing adequate additional financing.

2. Significant Accounting Policies**[a] Basis of presentation**

The interim financial statements are prepared in accordance with generally accepted accounting principles ("GAAP") in Canada with respect to the preparation of interim financial statements. Accordingly, they do not include all of the information and disclosures required by Canadian GAAP in the preparation of annual financial statements. The accounting policies used in the preparation of the interim financial statements are the same as those described in the annual financial statements and the notes thereto for the year ended March 31, 2005. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. The interim financial statements should be read in conjunction with the Company's financial statements including the notes thereto for the year ended March 31, 2005.

[b] Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses for the period reported. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

[c] Cash and cash equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents.

[d] Marketable Securities

Marketable securities are recorded at cost. The carried amount is reduced to market value where there has been a decline in value below cost, that is other than temporary.

[e] Property and equipment

Property and equipment is recorded at cost and is amortized on a straight-line basis over their estimated useful lives at the following annual rates:

Office furniture and equipment	20%
Computer equipment	25%
Field equipment	25%
Software	25%

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2. Significant Accounting Policies (continued)**[f] Mineral properties**

All costs related to the acquisition, exploration and development of mineral properties are capitalized. Upon commencement of commercial production, the related accumulated costs are amortized against future income of the project using the unit of production method over estimated recoverable ore reserves. Management periodically assesses carrying values of non-producing properties and if management determines that the carrying values cannot be recovered or the carrying values are related to properties that are allowed to lapse, the unrecoverable amounts are expensed.

The recoverability of the carried amounts of mineral properties is dependent on the existence of economically recoverable ore reserves and the ability to obtain the necessary financing to complete the development of such ore reserves and the success of future operations. The Company has not yet determined whether any of its mineral properties contains economically recoverable reserves. Amounts capitalized as mineral properties represent costs incurred to date, less write-downs and recoveries, and does not necessarily reflect present or future values.

When options are granted on mineral properties or properties are sold, proceeds are credited to the cost of the property. If no future capital expenditure is required and proceeds exceed costs, the excess proceeds are reported as a gain.

[g] Long-lived assets

The Company monitors the recoverability of long-lived assets, based on factors such as current market value, future asset utilization, business climate and future undiscounted cash flows expected to result from the use of the related assets. The Company's policy is to record an impairment loss in the period when it is determined that the carrying amount of the assets may not be recoverable. The impairment loss is calculated as the amount by which the carrying amount of the assets exceeds the undiscounted estimate of future cash flows from the asset.

[h] Financial instruments

Financial instruments are comprised of cash and cash equivalents, marketable securities, amounts receivable, accounts payable and accrued liabilities, and due from and to related parties. The fair values of these balance sheet items approximate their carrying value due to the short-term maturity of those instruments. The Company is not exposed to significant interest rate, currency exchange rate or credit risk arising from these financial instruments. The Company is not party to any derivative instruments.

[i] Income taxes

The Company follows the asset and liability method of accounting for income taxes. Future income tax assets and liabilities are determined based on temporary differences between the accounting and taxes bases of existing assets and liabilities, and are measured using the tax rates expected to apply when these differences reverse. A valuation allowance is recorded against any future tax asset if it is more likely than not that the asset will not be realized.

[j] Stock-based compensation plans

The Company recognizes stock-based compensation expense in accordance with CICA Handbook Section 3870 "Stock-based Compensation and Other Stock-based Payments". When stock or stock options are issued to employees or non-employees, compensation expense is recognized based on the fair value of the stock or stock options issued. See Note 6[b].

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2. Significant Accounting Policies (continued)**[k] Loss per share**

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share. Stock options and warrants are dilutive when the average market price of the common shares during the period exceeds the exercise price of the options and warrants. Loss per share information does not include the effect of any potential common shares, as their effect would be anti-dilutive.

[l] Comparative figures

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

[m] Flow-through Shares

The Company has adopted EIC-146, which is effective for all flow-through share transactions initiated after March 19, 2004. Canadian tax legislation permits a company to issue securities referred to as flow-through shares whereby the investor may claim the tax deductions arising from the related resource expenditures. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, a future income tax liability is recognized and the shareholders' equity is reduced.

If the Company has sufficient unused tax loss carryforwards to offset all or part of this future income tax liability and no future income tax assets have been previously recognized for these carryforwards, a portion of such unrecognized losses is recorded as income up to the amount of the future income tax liability that was previously recognized on the renounced expenditures.

3. Marketable Securities

Marketable securities, recorded at a cost of \$63,500, had a quoted market value of \$81,000 at June 30, 2005. In 2005 marketable securities valued at \$67,000 were received for option payments and written down to market value at year end of \$63,500.

4. Property and Equipment

	Cost	Accumulated Amortization	June 30, 2005 Net Carrying Value	March 31, 2005 Net Carrying Value
	\$	\$	\$	\$
Computer equipment	3,254	1,119	2,135	—
Office furniture & equipment	8,000	313	7,687	355
Field Equipment	3,010	564	2,446	2,634
Software	2,769	174	2,595	—
	17,033	2,169	14,863	2,989

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5. Mineral Properties

Acquisition costs and exploration expenditures incurred, during the 3 months ended June 30, 2005, on the properties are as follows:

	Acquisition Costs \$	Exploration Expenditures \$	Total June 30 2005 \$	Total March 31 2005 \$
Albert Creek Property [[a] below]				
Beginning of Period	34,000	148,058	182,058	195,555
Incurred during the Period	–	–	–	937
Adjustment to prior METC claims [[h] below]	–	–	–	21,566
Recovered by option payments received	–	–	–	(36,000)
End of Period	34,000	148,058	182,058	182,058
Antler Creek Property [[b] below]				
Beginning of Period	28,773	28,899	57,672	56,679
Incurred during the Period	–	3,508	3,508	500
Adjustment to prior METC claims [[h] below]	–	–	–	493
End of Period	28,773	32,407	61,180	57,672
Carswell Property [[c] below]				
Beginning of Period	–	–	–	–
Incurred during the Period	–	1,375	1,375	15,683
Recovered by option payments received	–	–	–	(15,683)
End of Period	–	1,375	1,375	–
Heidi Property [[d] below]				
Beginning of Period	138,951	49,768	188,719	89,456
Incurred during the Period	–	2,470	2,470	110,158
Adjustment to prior METC claims [[h] Below]	–	–	–	(10,895)
End of Period	138,951	52,238	191,189	188,719
Iron Horse Property [[e] below]				
Beginning of Period	–	–	–	–
Incurred during the Period	–	–	–	1,285
Adjustment to prior METC claims [[h] below]	–	–	–	35
Write-down on disposal	–	–	–	(1,320)
End of Period	–	–	–	–
Redford Property [[f] below]				
Beginning of Period	32,288	260,043	292,331	129,742
Incurred during the Period	–	–	–	150,241
Adjustment to prior METC claims [[h] below]	–	–	–	12,348
End of Period	32,288	260,043	292,331	292,331

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5. Mineral Properties (continued)

	Acquisition Costs \$	Exploration Expenditures \$	Total June 30 2005 \$	Total March 31 2005 \$
Shell Creek Property [[g] below]				
Beginning of Period	219,275	107,368	326,643	86,992
Incurred during the Period	15,267	187,494	202,761	239,864
Adjustment to prior METC claims [[h] below]	–	–	–	(213)
End of Period	234,542	294,862	529,404	326,643
Total	468,554	788,983	1,257,537	1,047,423

[a] Albert Creek Property (Liard Mining Division, B.C.)

Pursuant to an option agreement with two individuals, including the President of the Company, the Company owns the right to earn a 100% interest (75% has been earned), subject to a 2% NSR royalty, in eleven mineral claims (159 units). This option (as amended on April 15, 2004) is exercisable in three stages. The first stage (51%) has been completed by paying \$10,000 of out-of-pocket staking costs (paid by issuing 100,000 shares at \$0.10 per share) and incurring \$75,000 of exploration expenditures. The second stage (24%) has been completed by issuing 240,000 shares at a fair value of \$0.10 per share, and incurring a further \$100,000 of exploration expenditures. To exercise the third stage (25%), the Company must issue a further 360,000 shares by September 30, 2007. The Company will then have the right to acquire 50% of the NSR royalty by paying \$1,000,000 to the Optionors by September 30, 2008.

Pursuant to an option agreement dated April 15, 2004, amended September 7, 2004, the Company granted an option to a third party to earn a 51% interest in the Albert Creek Property.

To earn this interest the Optionee issued 150,000 of its shares and must incur a total of \$300,000 in exploration expenditures as follows:

- [i] \$100,000 on or before February 15, 2005 (extended);
- [ii] a further \$100,000 on or before February 15, 2006; and
- [iii] a further \$100,000 on or before February 15, 2007.

Upon completion of the above expenditures, the Optionee will have the right to earn a further 20% interest in the property by delivering a bankable feasibility study.

[b] Antler Creek Property (Cariboo Mining Division, B.C.)

The Antler Creek property consists of 49 claims representing 64 units. The Company holds a 100% interest in the property, subject to a 2% NSR royalty, held by two individuals, including the son of the President of the Company.

[c] Carswell Property (Saskatchewan)

During the prior year, the Company staked 2 claims covering a total area of 7,604 hectares on the Carswell Dome Formation, Saskatchewan.

Pursuant to an option agreement dated March 2, 2005, , the Company granted an option to a third party to earn a 50% interest in the Carswell Property.

To earn this interest the Optionee paid \$25,000 cash and must issue 200,000 of its shares and incur a total of

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(Unaudited)

5. Mineral Properties (continued)**[c] Carswell Property (Saskatchewan) (continued)**

\$300,000 in exploration expenditures as follows:

Share Consideration to be made:

- [i] 100,000 shares to be issued upon acceptance of the Option Agreement by the TSX Venture Exchange (issued);
- [ii] a further 50,000 shares to be issued on or before March 14, 2006 and
- [iii] a further 50,000 shares to be issued on or before March 14, 2007.

Exploration expenditures to be incurred:

- [i] \$25,000 on or before March 14, 2006;
- [ii] a further \$50,000 on or before March 14, 2007;
- [iii] a further \$75,000 on or before March 14, 2008 and
- [iv] a further \$150,000 on or before March 14, 2009.

Upon completion of the above expenditures a joint venture will be entered into between the parties.

[d] Heidi Property (Mayo Mining District, Y.T.)

The Heidi property consists of 54 mineral claims in the Mayo Mining District, Yukon Territory. 34 claims were acquired through staking and the remaining 20 are held pursuant to an option agreement dated April 8, 2003 that gives the Company the right to acquire a 100% interest, subject to a 2% NSR Royalty. In order to exercise the option, the Company must pay a total of \$180,000 cash consideration, issue a total of 1,000,000 shares and incur exploration expenditures aggregating \$600,000 as follows:

Cash considerations to be made:

- [i] \$15,000 paid upon acceptance of the Option Agreement by the TSX Venture Exchange;
- [ii] a further \$10,000 paid on or before July 15, 2003;
- [iii] a further \$15,000 paid on or before January 15, 2004;
- [iv] a further \$15,000 paid on or before July 15, 2004;
- [v] a further \$17,500 paid on or before January 15, 2005;
- [vi] a further \$17,500 paid on or before July 15, 2005;
- [vii] a further \$20,000 to be paid on or before January 15, 2006;
- [viii] a further \$20,000 to be paid on or before July 15, 2006;
- [ix] a further \$25,000 to be paid on or before January 15, 2007; and
- [x] a further \$25,000 to be paid on or before July 15, 2007.

Share considerations to be made:

- [i] 100,000 shares issued upon acceptance of the Option Agreement by the TSX Venture Exchange (issued);
- [ii] 100,000 shares issued on or before July 15, 2003;
- [iii] 50,000 shares issued on or before January 15, 2004;
- [iv] 50,000 shares issued on or before July 15, 2004;
- [v] 100,000 shares issued on or before January 15, 2005;
- [vi] 100,000 shares to be issued on or before July 15, 2005;
- [vii] 100,000 shares to be issued on or before January 15, 2006;
- [viii] 100,000 shares to be issued on or before July 15, 2006;
- [ix] 150,000 shares to be issued on or before January 15, 2007; and
- [x] 150,000 shares to be issued on or before July 15, 2007.

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June 30, 2005 and 2004

(Expressed in Canadian Dollars)

(Unaudited)

5. Mineral Properties (continued)**[d] Heidi Property (Mayo Mining District, Y.T.)**

Exploration expenditures to be incurred:

- [i] \$75,000 by April 8, 2004 (date extended by the Optionor);
- [ii] \$175,000 in aggregate by April 8, 2005 (date extended by the Optionor);
- [iii] \$300,000 in aggregate by April 8, 2006;
- [iv] \$450,000 in aggregate by April 8, 2007; and
- [v] \$600,000 in aggregate by April 8, 2008.

The Company will have the right to purchase 50% of the NSR royalty retained by the Optionor for a purchase price \$2,000,000 and the right of first refusal on the remaining 50%.

During the prior year, the Company staked a further 18 claims to bring the total property to 54 claims.

[e] Iron Horse Property (Osoyoos Mining District, B.C.)

The Company entered into an Option Agreement on April 8, 2003 to acquire the Iron Horse and Bolivar Mineral Claims, located in the Osoyoos Mining District, British Columbia. During the prior year, the Company terminated the option agreement, in order to focus its resources on other properties. The expenditures incurred totalling \$1,320, in the prior year, were written-off.

[f] Redford Property (Alberni Mining Division, B.C.)

The Company has a 100% interest in 25 claims (432 units) in the Alberni Mining Division, B.C.

[g] Shell Creek Property (Dawson Mining District, Y.T.)

The Shell Creek property consists of 488 mineral claims in the Dawson Mining District, Yukon Territory. 418 claims were acquired through staking and the remaining 70 are held pursuant to an option agreement dated January 1, 2003, that gives the Company the right to earn a 100% interest, subject to a 2% NSR Royalty. In order to exercise the option, the Company must pay a total of \$155,000 cash consideration, issue a total of 1,000,000 shares and incur exploration expenditures aggregating \$1,550,000 as follows:

Cash considerations to be made:

- [i] \$10,000 paid to cover certain expenditures;
- [ii] a further \$15,000 paid upon acceptance of the option agreement by the TSX Venture Exchange;
- [iii] a further \$25,000 paid on or before January 1, 2004;
- [iv] a further \$30,000 paid on or before January 1, 2005;
- [v] a further \$35,000 to be paid on or before January 1, 2006; and
- [vi] a further \$40,000 to be paid on or before January 1, 2007.

Share considerations to be made:

- [i] 100,000 shares issued upon acceptance of the Option Agreement by the TSX Venture Exchange;
- [ii] a further 100,000 shares issued on or before July 1, 2003;
- [iii] a further 200,000 shares issued on or before January 1, 2004;
- [iv] a further 100,000 shares issued on or before January 1, 2005;
- [v] a further 100,000 shares to be issued on or before January 1, 2006;
- [vi] a further 200,000 shares to be issued on or before January 1, 2007; and
- [vii] a further 200,000 shares to be issued on or before January 1, 2008.

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5. Mineral Properties (continued)

[g] Shell Creek Property (Dawson Mining District, Y.T.)

Exploration expenditures to be incurred:

- [i] \$150,000 before January 1, 2004 (date extended by the Optionor);
- [ii] \$350,000 in aggregate before January 1, 2005 (date extended by the Optionor);
- [iii] \$650,000 in aggregate before January 1, 2006;
- [iv] \$1,050,000 in aggregate before January 1, 2007; and
- [v] \$1,550,000 in aggregate before January 1, 2008.

The Company will have the right to purchase 50% of the NSR royalty retained by the Optionor for a purchase price of \$2,000,000 and the right of first refusal on the remaining 50%.

[h] Assessment adjustment of Mining Exploration Tax Credits (METC's)

Pursuant to an assessment, of Mining Exploration Tax Credit (METC) claims during the prior year, by the Canada Revenue Agency, certain claims from 2003 and 2004 have been reversed and others added. As METC claims had been applied against exploration costs, these costs have been re-instated. The net results, of the assessment, are as follows:

	\$
2003 BC METC claims decreased by	23,020
2004 BC METC claims decreased by	11,422
<hr/>	
Total decrease in METC receivables and increase in deferred exploration expenditure balances	34,442
2004 Yukon METC claim allowed	(11,108)
Portion of reinstatement of Iron Horse property written off	(35)
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Net increase in deferred exploration expenditures in 2005	23,299

The following table represents exploration expenditures incurred during the 3 months ended June 30, 2005:

	Albert Creek	Antler Creek	Carswell	Heidi	Iron Horse	Redford	Shell Creek	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Assays	—	—	—	—	—	—	—	—
Assessment and filing fees	—	604	—	—	—	—	5,363	5,966
Camp costs	—	—	—	2,500	—	—	7,197	9,697
Drilling and core logging	—	—	—	—	—	—	—	—
Geochem surveys	—	—	—	—	—	—	12,600	12,600
Geologist fees and costs	—	—	—	679	—	—	5,712	59,659
Geophysics fees and costs	—	—	—	—	—	—	63,540	63,540
Helicopter	—	—	—	—	—	—	125,135	125,135
Line cutting	—	—	—	—	—	—	13,400	13,400
Supervision [Note 7]	—	250	1,375	—	—	—	7,075	8,700
Support wages	—	—	—	—	—	—	3,317	3,317
Surveys	—	2,655	—	—	—	—	—	2,655
Travel	—	—	—	60	—	—	2,561	2,621

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5. Mineral Properties (continued)

	Albert Creek \$	Antler Creek \$	Carswell \$	Heidi \$	Iron Horse \$	Redford \$	Shell Creek \$	Total \$
Mining Exploration Tax Credits [below]	-	-	-	(769)	-	-	(58,406)	(59,175)
Total	-	3,509	1,375	2,469	-	-	187,493	194,846

The following table represents exploration expenditures incurred during the 3 months ended June 30, 2004:

	Albert Creek \$	Antler Creek \$	Carswell \$	Heidi \$	Iron Horse \$	Redford \$	Shell Creek \$	Total \$
Assaying and sampling	-	-	-	-	-	18,894	696	19,590
Camp costs	-	-	-	-	-	5,019	912	5,931
Drilling	-	-	-	-	-	43,893	-	43,893
Equipment storage, rental and maintenance	-	-	-	-	-	344	-	344
Filing and recording	-	-	-	-	585	-	-	585
Geology	-	-	-	110	200	24,564	401	25,275
Geophysics	-	-	-	-	-	-	1,500	1,500
Helicopter	-	-	-	1,429	-	-	1,428	2,857
Supervision [Note 7]	500	500	-	1,225	500	4,550	1,725	9,000
Travel	-	-	-	-	-	2,148	2,359	4,954
B.C. Mining Exploration Tax Credits [below]	-	-	-	-	-	-	-	-
	500	500	-	3,211	1,285	122,641	9,021	113,929

The Company applies for Mining Exploration Tax Credits ("METC") on qualifying mineral exploration expenditures incurred. METC's for the period, totalling \$58,406, were accrued at June 30, 2005 (March 31, 2005 - \$23,724).

6. Share Capital

Authorized: 100,000,000 common shares without par value

	Number of shares	Value \$
Issued as at March 31, 2004	9,643,176	3,848,793
Issued during 2005 for:		
Cash – flow-through private placement (Note 6[a])	2,512,000	478,000
Cash – private placement (Note 6[a])	3,814,036	886,841
Cash - options exercised	100,000	20,000
Option value allocated from contributed surplus upon exercise	-	4,410
Cash - warrants exercised	188,000	37,600

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(Expressed in Canadian Dollars)

(Unaudited)

6. Share Capital (continued)

	Number of shares	Value \$
Mineral property option payments	250,000	62,500
Agents commissions	74,318	18,579
Subscriptions from prior year - paid	–	10,400
Less agents commissions – cash and shares	–	(25,859)
Less other share issue costs	–	(14,718)
Less option payments receivable (Note 7[d])	–	(20,000)
Issued as at March 31, 2005	16,581,530	5,306,546
Issued during 2006 for:		
Cash - Warrants exercised	1,395,000	279,000
Less warrant payments receivable (Note 7[e])		(17,000)
Issued as at June 30, 2005	17,976,530	5,568,546

[a] Private placements

[i] On February 5, 2005, the Company completed a non-brokered private placement, to a single investor, of 1,666,667 units at a price of \$0.30 per unit, for proceeds of \$500,000. Each unit consisted of one common share and one share purchase warrant. One warrant entitles the holder to purchase one additional common share exercisable at a price of \$0.40 per share, expiring February 2, 2006. The investor may not exercise warrants that would increase the investor's percent ownership of issued and outstanding shares in the Company to greater than 18%.

[ii] On October 13, 2004, the Company completed a non-brokered private placement of 1,659,365 units, consisting of 647,365 non-flow-through units and 1,012,000 flow-through units, all at a price of \$0.25 per unit, for proceeds of \$414,841. Each non-flow-through unit consisted of one common share and one share purchase warrant and each flow-through unit consisted of one flow-through common share and one-half of one share purchase warrant. One whole warrant entitles the holder to purchase one additional common share exercisable at a price of \$0.35 per share expiring April 13, 2006 (1,053,365 shares) and April 25, 2006 (100,000 shares). The Company paid finders' fees of 74,318 common shares, valued at \$0.25 per share and \$7,280 cash.

Pursuant to the flow-through shares issued, the Company was committed to spend \$252,000 on Canadian Exploration Expenditures ("CEE"). As of June 30, 2005, the Company's remaining commitment was \$54,876. Exploration expenditures of \$252,000 were renounced in favour of subscribers effective December 31, 2004.

[iii] On April 23, 2004, the Company completed a non-brokered private placement consisting of 1,500,000 flow-through units and 1,500,000 non-flow through units all at a price of \$0.15 per unit for proceeds of \$450,000. Each flow-through unit consisted of one flow-through common share and one share purchase warrant. Each non-flow through unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share exercisable at a price of \$0.20 per share expiring April 22, 2005. The finders' fee of 120,000 common shares was rescinded during 2005.

Pursuant to the flow-through shares issued, the Company was committed to spend \$225,000 on Canadian Exploration Expenditures ("CEE") which was spent prior to December 31, 2004. Exploration

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6. Share Capital (continued)

[a] Private placements

expenditures of \$225,000 were renounced in favour of subscribers effective December 31, 2004. **6.**

[b] Stock options

The Company grants stock options to employees and consultants as compensation for services, pursuant to its Incentive Share Option Plan (the "Plan"). Options issued pursuant to the Plan must have an exercise price greater than or equal to the "Discounted Market Price" of the Company's stock on the grant date. The maximum discount allowed varies with share price, with a maximum of 25% and a minimum price of \$0.10. Options have a maximum expiry period of 5 years from the grant date. The number of options, that may be issued under the plan, is limited to no more than 10% of the Company's issued and outstanding shares on the grant date.

[b] Stock options

The following table summarizes the continuity of the Company's stock options:

	Number of shares	Weighted average exercise price \$
Outstanding, March 31, 2004	204,000	0.20
Granted	1,350,000	0.37
Exercised	(100,000)	0.20
Cancelled and forfeited	(279,000)	0.27
Outstanding, March 31, 2005	1,175,000	0.38
Outstanding, June 30, 2005	1,175,000	0.38
Exercisable, June 30, 2005	1,175,000	0.38

Additional information regarding options outstanding as at June 30, 2005 is as follows:

Exercise price \$	Number of shares	Outstanding		Exercisable	
		Weighted average remaining contractual life (years)	Weighted average exercise price \$	Number of shares	Weighted average exercise price \$
0.30-0.40	1,175,000	.93	0.38	1,175,000	0.38

The fair value of incentive stock options granted and fully vested during the period was \$Nil (2005 - \$105,000) which was recognized as a compensation expense in the current period and recorded in equity as contributed surplus relating to stock options granted. The weighted average grant date fair value of options granted during the period was \$Nil (2005 - \$0.10).

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6. Share Capital (continued)

The fair value for stock options granted was estimated using the Black-Scholes option pricing model assuming no expected dividends and the following weighted average assumptions:

	June 30, 2005	June 30, 2004
Interest rate	n/a	3.08%
Expected life (in years)	n/a	2
Expected volatility	n/a	50%

[c] Share purchase warrants

The following table summarizes the continuity of the Company's warrants:

	Number of shares	Weighted average exercise price \$
Balance, March 31, 2004	50,200	0.20
Issued with private placement (Note 6[a][i]-[iii])	5,820,032	0.29
Exercised	(188,000)	0.20
Expired	(200)	0.20
Balance March 31, 2005	5,682,032	0.29
Exercised	(1,395,000)	0.20
Expired	(1,467,000)	0.20
Balance June 30, 2005	2,820,032	0.38

At June 30, 2005, the following share purchase warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
1,053,365	\$0.35	April 13, 2006
100,000	\$0.35	April 25, 2006
<u>1,666,667</u>	<u>\$0.40</u>	<u>February 2, 2006</u>
<u>2,820,032</u>		

7. Related Party Transactions/Balances

[a] The Company paid the following amounts to related parties at their exchange amounts:

	3 Months Ended June 30	
	2005	2004
	\$	\$
Management fees paid to a company controlled by the President of the Company.	7,500	7,500
Property supervision fees paid to a company controlled by the President of the Company.	8,700	9,000
Rent paid to a company with common officers and directors.	3,802	3,457
	<u>20,002</u>	<u>19,957</u>

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7. Related Party Transactions/Balances (continued)

- [b] The amount of \$Nil (March 31, 2005 - \$315) is due to the President of the Company and is non-interest bearing, unsecured and due on demand.
- [c] The amount of \$2,247 (March 31, 2005 - \$14,417) is due to a company controlled by the President of the Company and is non-interest bearing, unsecured and due on demand.
- [d] The amount of \$20,000 (March 31, 2005 - \$20,000) is due from an officer/director for shares issued during the prior year, pursuant to the exercise of an option. The amount is non-interest bearing, unsecured and due on demand.
- [e] The amount of \$17,000 (March 31, 2005 - \$Nil) is due from the President for shares issued during the current period, pursuant to the exercise of warrants. The amount is non-interest bearing, unsecured and due on demand.
- [f] The amount of \$30,510 (March 31, 2005 - \$63,357), represents accumulated costs for shared office expenses, administration wages and rent and was due to a company with common officers and directors. This amount is non-interest bearing, unsecured and due on demand.
- [g] See Note 5[a] for mineral property option agreements with related parties.

8. Income Taxes

The tax effect (computed by applying the Canadian federal and provincial statutory rate of 35.62% for 2005) of the significant temporary differences, which comprise future tax assets and liabilities at March 31, 2005, were as follows:

	2005
Future income tax assets	
Resources pools	\$ 616,000
Non-capital loss carry forwards	222,000
<hr/>	
Total gross future income tax assets	838,000
Valuation allowance	(838,000)
<hr/>	
Net future income tax asset	\$ -

At March 31, 2005, the Company had non-capital losses of \$665,000 to carry forward to reduce future years' taxable income, expiring as follows:

	\$		\$
2006	68,000	2010	81,000
2007	38,000	2014	92,000
2008	44,000	2015	235,000
2009	67,000		

No adjustments have been made to the tax account balances for interim periods.

At March 31, 2005, the Company had cumulative Canadian Exploration Expenses of \$192,000 which are deductible at a rate of 100% each year against future years' taxable income and have no expiry date.

At March 31, 2005, the Company had cumulative Canadian Development Expenses of \$1,163,000 which are deductible at a rate of 30% each year against future years' taxable income and have no expiry date.

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8. Income Taxes (continued)

At March 31, 2005, the Company had Foreign Exploration and Development Expenses of \$282,000 which are deductible at a rate of 10% each year against future years' taxable income and have no expiry date

In assessing the realizability of future tax assets, management considers whether it is more likely than not that some portion of all of the future tax assets will not be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of future tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of future tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period.

9. Subsequent Events

[a] On August 15, 2005, the Company completed a private placement, of 333,333 units at a price of \$0.30 per unit, for proceeds of \$100,000. Each unit consisted of one common share and one share purchase warrant. One warrant entitles the holder to purchase one additional common share exercisable at a price of \$0.40 per share, expiring August 15, 2006.

[b] On July 19, 2005, the Company granted 500,000 incentive stock options, exercisable at \$0.35 per option share, expiring on July 19, 2007.