

NORTH AMERICAN GOLD INC.

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

January 31, 2005 and 2004

AUDITORS' REPORT

To the Shareholders,
North American Gold Inc.

We have audited the consolidated balance sheets of North American Gold Inc. as at January 31, 2005 and 2004 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada
May 27, 2005

"AMISANO HANSON"
Chartered Accountants

NORTH AMERICAN GOLD INC.
CONSOLIDATED BALANCE SHEETS
as at January 31, 2005 and 2004

	<u>ASSETS</u>	
	<u>2005</u>	<u>2004</u>
Current		
Cash – Note 11	\$ 627,577	\$ 512,735
GST and VAT receivable	57,134	14,468
Prepaid expenses and deposits	<u>18,415</u>	<u>28,644</u>
	703,126	555,847
Equipment – Note 4	62,900	1,962
Resource properties – Notes 5 and 9 and Schedule 1	<u>2,087,390</u>	<u>110,604</u>
	<u>\$ 2,853,416</u>	<u>\$ 668,413</u>

<u>LIABILITIES</u>		
Current		
Accounts payable and accrued liabilities – Note 9	\$ 431,055	\$ 42,321
Due to related parties – Note 9	<u>-</u>	<u>28,956</u>
	<u>431,055</u>	<u>71,277</u>

<u>SHAREHOLDERS' EQUITY</u>		
Capital stock – Notes 6 and 10	9,119,413	6,514,947
Contributed surplus – Note 2	283,619	-
Deficit – Note 2	<u>(6,980,671)</u>	<u>(5,917,811)</u>
	<u>2,442,361</u>	<u>597,136</u>
	<u>\$ 2,853,416</u>	<u>\$ 668,413</u>

Nature and Continuance of Operations – Note 1
 Commitments – Notes 5 and 10
 Subsequent Events – Notes 5 and 10

ON BEHALF OF THE BOARD:

<u>“Arden Morrow”</u>	Director	<u>“Simon Ridgway”</u>	Director
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SEE ACCOMPANYING NOTES

NORTH AMERICAN GOLD INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
for the years ended January 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Expenses		
Advertising and promotion	\$ 57,789	\$ 4,229
Amortization	10,202	271
Bank charges and interest	3,500	283
Consulting fees – Note 9	43,879	16,716
Filing fees	10,746	7,845
Office and miscellaneous	20,825	6,374
Professional fees	331,659	27,995
Rent and utilities	13,733	3,960
Salaries and wages	76,765	-
Shareholder communication	3,078	5,232
Stock-based compensation – Note 2	154,169	-
Telephone	8,648	2,248
Transfer agent	7,316	10,374
Travel and accommodation	<u>38,594</u>	<u>469</u>
Loss before other income (expense)	<u>(780,903)</u>	<u>(85,996)</u>
Other income (expenses)		
Foreign exchange	(68,165)	(211)
Write-off of resource properties – Note 5 and Schedule 1	(68,142)	(307,851)
Gain on settlement of debts	-	257,919
Property investigation costs	<u>-</u>	<u>(3,679)</u>
	<u>(136,307)</u>	<u>(53,822)</u>
Net loss for the year	(917,210)	(139,818)
Deficit, beginning of the year	(5,917,811)	(5,777,993)
Accounting change for stock-based compensation – Note 2	<u>(145,650)</u>	<u>-</u>
Deficit, end of the year	<u>\$ (6,980,671)</u>	<u>\$ (5,917,811)</u>
Basic and diluted loss per common share	<u>\$ (0.06)</u>	<u>\$ (0.02)</u>
Weighted average number of common shares outstanding	<u>14,294,394</u>	<u>6,199,178</u>

SEE ACCOMPANYING NOTES

NORTH AMERICAN GOLD INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the years ended January 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Operating Activities		
Net loss for the year	\$ (917,210)	\$ (139,818)
Items not affecting cash:		
Amortization	10,202	271
Non-cash compensation	154,169	
Gain on settlement of debts	-	(257,919)
Write-off of resource properties	<u>68,142</u>	<u>307,851</u>
	(684,697)	(89,615)
Changes in non-cash working capital items:		
GST and VAT receivable	(42,666)	(14,468)
Prepaid expenses	10,229	(28,644)
Accounts payable and accrued liabilities	<u>388,734</u>	<u>(115,748)</u>
Net cash used in operating activities	<u>(328,400)</u>	<u>(248,475)</u>
Financing Activity		
Net proceeds from issuance of capital stock	<u>2,493,266</u>	<u>1,128,101</u>
Investing Activities		
Acquisition of equipment	(71,140)	(2,232)
Resource properties	(1,949,928)	(413,455)
Advances from related parties	<u>(28,956)</u>	<u>28,956</u>
Net cash used in investing activities	<u>(2,050,024)</u>	<u>(386,731)</u>
Increase in cash during the year	114,842	492,895
Cash, beginning of year	<u>512,735</u>	<u>19,840</u>
Cash, end of year	<u>\$ 627,577</u>	<u>\$ 512,735</u>
Supplementary disclosure of cash flow information:		
Cash paid for:		
Interest	<u>\$ -</u>	<u>\$ -</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>

Non-cash Transactions – Note 7

SEE ACCOMPANYING NOTES

NORTH AMERICAN GOLD INC.
CONSOLIDATED SCHEDULE OF RESOURCE PROPERTIES
for the year ended January 31, 2005

Schedule 1

	Year ended January 31, 2005								
	Sweden			USA			Finland	Canada	Total
	Barsele	Norra	Other	Empy	Brik	Other	Other	60 Mile	
Balance, beginning of period	\$ 16,178	\$ 839	\$ -	\$ 16,472	\$ 39,365	\$ 32,245	\$ -	\$ 5,505	
Acquisition costs									
Cash	-	-	-	9,156	-	-	-	-	9,156
Shares	47,500	47,500	-	-	-	-	-	-	95,000
	47,500	47,500	-	9,156	-	-	-	-	104,156
Deferred exploration costs									
Administration	13,758	17,408	-	21	62	429	2,860	64	34,602
Automobile	11,254	6,652	-	239	-	1,397	19,717	-	39,259
Camp, food and utilities	7,927	1,669	-	-	-	-	1,258	-	10,854
Consulting fees	374,457	286,704	11,883	1,495	4,442	2,584	78,858	1,732	762,155
Drafting, maps and printing	6,373	3,199	45	-	-	528	18,419	25	28,589
Drilling	318,190	167,364	-	-	-	-	-	-	485,554
Equipment rental	11,269	157	-	-	345	-	-	-	11,771
Geochemistry	44,846	70,299	-	-	646	92	21,133	227	137,243
Legal and accounting fees	18,349	17,691	5,264	-	-	-	6,484	3,565	51,353
Licenses and taxes	926	219	-	-	657	-	-	340	2,142
Materials	5,351	1,066	-	-	-	-	-	32	6,449
Medical insurance	4,592	2,005	-	-	-	-	129	-	6,726
Property payments	27,461	88	52,825	-	-	-	309	-	80,683
Rent and utilities	10,670	20,606	-	-	-	787	-	-	32,063
Salaries and wages	12,815	11,831	-	-	-	-	33,924	-	58,570
Shipping and courier	5,376	1,619	-	-	63	17	12	6	7,093
Telephone	3,610	2,394	-	-	-	125	970	-	7,099
Travel and accommodation	71,395	46,606	190	-	768	1,584	58,024	-	178,567
	948,619	657,577	70,207	1,755	6,983	7,543	242,097	5,991	1,940,772
Less: write-off of resource properties	-	-	-	(27,383)	-	(39,788)	-	(971)	(68,142)
Balance, end of period	\$1,012,297	\$ 705,916	\$ 70,207	\$ -	\$ 46,348	\$ -	\$ 242,097	\$ 10,525	\$2,087,390

SEE ACCOMPANYING NOTES

NORTH AMERICAN GOLD INC.
CONSOLIDATED SCHEDULE OF RESOURCE PROPERTIES
for the year ended January 31, 2004

Schedule 1

	Year ended January 31, 2004							Total
	Sweden		USA				Canada	
	<u>Barsele</u>	<u>Norra</u>	<u>Gold Springs</u>	<u>Empy</u>	<u>Brik</u>	<u>Other</u>	<u>60 Mile</u>	
Acquisition costs								
Cash	\$ -	\$ -	\$ 45,414	\$ -	\$ -	\$ -	\$ -	\$ 45,414
Shares	-	-	5,000	-	-	-	-	5,000
	-	-	50,414	-	-	-	-	50,414
Deferred Exploration Costs								
Administration	191	-	2,207	46	1,311	196	-	3,951
Automobile	39	-	12,980	1,257	2,105	992	498	17,871
Camp, food and utilities	70	-	4,280	-	689	-	-	5,039
Consulting fees – Note 9	1,950	-	84,987	12,019	22,533	18,278	3,850	143,617
Drafting, maps and printing	15	21	4,323	15	1,299	-	11	5,684
Drilling	-	-	51,109	-	-	-	-	51,109
Equipment rental	-	-	3,916	122	618	206	-	4,862
Environmental	-	-	2,607	-	-	-	-	2,607
Geochemistry	74	-	21,853	1,337	4,504	1,860	744	30,372
Legal and accounting fees	-	-	1,060	-	-	4,998	-	6,058
Licenses and taxes	-	-	4,160	-	193	-	-	4,353
Materials	-	-	1,467	128	103	43	241	1,982
Medical insurance	-	-	666	-	-	-	-	666
Property payments	-	-	31,382	-	714	-	-	32,096
Rent and utilities	-	-	5,008	-	-	1,041	-	6,049
Salaries and wages	89	-	3,294	694	1,994	2,975	-	9,046
Shipping and courier	-	-	252	-	-	-	-	252
Telephone	1,331	818	2,568	24	155	212	-	5,108
Travel and accommodation	12,419	-	19,318	830	3,147	1,444	161	37,319
	16,178	839	257,437	16,472	39,365	32,245	5,505	368,041
Less: write-off of resource property costs	-	-	(307,851)	-	-	-	-	(307,851)
Balance, end of year	\$ 16,178	\$ 839	\$ -	\$ 16,472	\$ 39,365	\$ 32,245	\$ 5,505	\$ 110,604

SEE ACCOMPANYING NOTES

NORTH AMERICAN GOLD INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
January 31, 2005 and 2004

Note 1 Nature and Continuance of Operations

North American Gold Inc. (the "Company") is a public company incorporated on March 13, 1987 under the Company Act of British Columbia and is in the business of acquiring, exploring and evaluating mineral resource properties, and either joint venturing or developing these properties further or disposing of them when the evaluation is completed. At January 31, 2005, the Company was in the exploration stage and had interests in properties located in Sweden, United States of America, Finland and Canada.

The recoverability of amounts shown for resource properties is dependent upon the discovery of economically recoverable reserves, continuation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain financing to complete their development, and future profitable production or disposition thereof.

The financial statements have been prepared using Canadian generally accepted accounting principles applicable for a going concern which assumes that the Company will realize its assets and discharge its liabilities in the ordinary course of business. As at January 31, 2005, the Company had not yet achieved profitable operations and has accumulated losses of \$6,980,671 since its inception. Its ability to continue as a going concern is dependent upon the ability of the Company to obtain the necessary financing to meet its obligations and pay its liabilities arising from normal business operations when they come due. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

Note 2 Change in Accounting Policy

Effective for fiscal years commencing on or after January 1, 2004, Canadian generally accepted accounting principles require the fair value of all share purchase options to be expensed over their vesting period with a corresponding increase to contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital. Previously only share purchase options granted to non-employees followed this method and options granted to employees were not expensed.

The Company has adopted the new policy on a retroactive basis with no restatement of prior periods. On February 1, 2004, the deficit increased by \$145,650, contributed surplus increased by \$142,450 and share capital increased by \$3,200 to account for stock-based compensation that would have been recognized during the year ended January 31, 2004 with respect to employee share purchase options granted and exercised since January 1, 2002. The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant.

Note 2 Change in Accounting Policy – (cont'd)

These compensation charges have been determined under the fair value method using the Black-Scholes option pricing model with the following assumptions:

	<u>2005</u>	<u>2004</u>
Expected dividend yield	0.0%	0.0%
Expected volatility	74% to 121%	83.1%
Risk-free interest rate	3.64% to 4.32%	3.60% to 3.88%
Expected term in years	5.0	4.03
Weighted average fair value per option	\$0.28	\$0.22

During the year ended January 31, 2005, the fair value of the share purchase options granted was \$290,322 of which \$154,169 was recorded as stock-based compensation expense due to various vesting provisions. Had the Company expensed the fair value of share purchase options granted during the year ended January 31, 2004, the following pro forma amounts would have resulted:

		Year ended January 31, <u>2004</u>
Net loss	As reported	\$ (139,818)
	Pro forma	\$ (285,468)
Basic and diluted loss per share	As reported	\$ (0.02)
	Pro forma	\$ (0.05)

Note 3 Significant Accounting Policies

Management has prepared the financial statements of the Company in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared using careful judgment within the framework of the significant accounting policies summarized below.

a) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries:

- i) North American Gold (Barbados) Inc., a company incorporated by the Company July 28, 2004 under the laws of Barbados;

Note 3 Significant Accounting Policies – (cont'd)

a) Principles of consolidation – (cont'd)

- ii) Northland Resources AB, NAG Exploration Services AB and North American Gold AB, companies which were incorporated by the Company during the year ended January 31, 2005 under the laws of Sweden.
- iii) NAU Gold Inc. and Midnight Gold Inc., companies which were incorporated by the Company during the year ended January 31, 2004 under the laws of the State of Nevada. Midnight Gold Inc. was dissolved during the year ended January 31, 2005.

All significant inter-company transactions have been eliminated upon consolidation.

b) Resource properties

The Company defers the cost of acquiring, maintaining its interest, exploring and developing resource properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Costs of producing properties will be amortized on a unit of production basis and costs of abandoned properties are written-off. Proceeds received on the sale of interests in resource properties are credited to the carrying value of the resource properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

The Company is in the process of exploring and developing its resource properties and has not yet determined the amount of reserves available. Management reviews the carrying value of resource properties on a periodic basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of revenues from the property or from the sale of the property. Amounts shown for properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

c) Environmental Costs

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and which do not contribute to current or future revenue generation are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable and the costs can be reasonably estimated. Generally, the timing of these accruals coincides with the earlier of completion of a feasibility study or the Company's commitment to a plan of action based on the then known facts.

Note 3 Significant Accounting Policies – (cont'd)

d) Equipment and Amortization

Equipment is recorded at cost and amortized over their estimated useful lives as follows:

Automobiles	5 year straight-line
Furniture and equipment	20% declining balance
Computer equipment	30% declining balance

e) Financial Instruments

The carrying value of the Company's financial instruments, consisting of cash, accounts payable and accrued liabilities and due to related parties approximate their fair value due to the short-term maturity of such instruments. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

f) Basic and Diluted Loss Per Share

Basic earnings per share are computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflect the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method and the effect of convertible securities by the "if converted" method. Fully diluted amounts are not presented when the effect of the computations are anti-dilutive due to the losses incurred. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

g) Income Taxes

The Company accounts for income taxes using the asset and liability method. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income taxes assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes only if it is more-likely-than-not that they can be realized.

h) Foreign Currency Translation

Monetary items denominated in a foreign currency are translated into Canadian dollars at exchange rates prevailing at the balance sheet date and non-monetary items are translated at exchange rates prevailing when the assets were acquired or obligations incurred. Foreign currency denominated revenue and expense items are translated at exchange rates prevailing at the transaction date. Gains or losses arising from the translations are included in operations.

Note 4 Equipment

	2005			2004
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Automobiles	\$ 59,941	\$ 7,930	\$ 52,011	\$ -
Furniture and equipment	6,054	6,053	1	1
Computer equipment	<u>13,805</u>	<u>2,917</u>	<u>10,888</u>	<u>1,961</u>
	<u>\$ 79,800</u>	<u>\$ 16,900</u>	<u>\$ 62,900</u>	<u>\$ 1,962</u>

Note 5 Resource Properties – Note 9 and Schedule 1

Title to resource properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many resource properties. The Company has investigated title to all of its resource properties and, to the best of its knowledge, title to all of its properties are in good standing.

a) Sweden

Barsele

The Company entered into an agreement dated November 3, 2003 which was replaced by a formal agreement dated January 31, 2005 with Minmet plc (“Minmet”), whereby the Company acquired the right to earn a 60% interest in the Barsele property concession located in northern Sweden for consideration consisting of 200,000 common shares of the Company and a minimum of US\$1,900,000 in exploration expenditures as follows:

Shares

- i) 50,000 common shares by February 1, 2004 (issued);
- ii) 50,000 common shares by November 3, 2004 (issued);
- iii) 50,000 common shares by November 3, 2005 and;
- iv) 50,000 common shares by November 3, 2006.

Note 5 Resource Properties – Note 9 and Schedule 1 – (cont'd)

a) Sweden – (cont'd)

Barsele – (cont'd)

Exploration Expenditures

- i) US\$400,000, including a minimum of 1,600 metres of drilling by November 3, 2004 (completed);
- ii) a cumulative total of US\$1,150,000, including a minimum of 4,600 metres of drilling, by November 3, 2005 and;
- iii) a cumulative total of US\$1,900,000, including a minimum of 9,600 metres of drilling by November 3, 2006.

Norra

The Company entered into an agreement dated November 3, 2003 which was replaced by a formal agreement dated January 31, 2005 with Minmet whereby the Company acquired the right to earn a 60% interest in the Norra property concessions located in northern Sweden for consideration consisting of 200,000 common shares of the Company and a minimum of US\$1,600,000 in exploration expenditures as follows:

Shares

- i) 50,000 common shares by February 1, 2004 (issued);
- ii) 50,000 common shares by November 3, 2004 (issued);
- iii) 50,000 common shares by November 3, 2005; and
- iv) 50,000 common shares by November 3, 2006.

Exploration Expenditures

- i) US\$350,000, including a minimum of 1,400 metres of drilling by November 3, 2004 (completed);
- ii) a cumulative total of US\$850,000, including a minimum of 3,400 metres of drilling, by November 3, 2005; and
- iii) a cumulative total of US\$1,600,000, including a minimum of 5,400 metres of drilling by November 3, 2006.

Note 5 Resource Properties – Schedule 1 – (cont'd)

a) Sweden – (cont'd)

Other

During the year, the Company has staked additional claims adjacent to the Barsele and Norra properties.

b) USA

Empy and Brik Claims

The Company acquired the Empy and Brik claims in Nevada by incurring staking costs.

During the year ended January 31, 2005, the Company abandoned the Empy claims and aggregate resource property costs incurred of \$27,383 were written-off to operations. On January 14, 2005, subsequent to abandoning the Empy claims, the Company entered into a data purchase agreement with a company having a common director of the Company in which the Company agreed to sell all of the data held by the Company on the Empy claims for consideration of a 1% net smelter return royalty.

Other

The Company deferred certain costs related to the potential acquisition of other claims. The claims have not been acquired and accordingly the aggregate costs of \$39,788 were written off during the year ended January 31, 2005.

Gold Springs

Pursuant to an agreement dated February 13, 2003 with a company related by virtue of a common director, the Company acquired an option to earn, subject to a 3% net smelter royalty, a 100% interest in 48 mineral claims in Nevada and 2 mineral claims in Utah (“the Baughman claims”). Also, pursuant to an agreement dated March 27, 2003 with a company related by virtue of a common director, the Company acquired an option to assume, subject to a 4% net smelter royalty, a lease of 2 mineral claims in Utah (“the Burgess claims”). The Baughman claims and the Burgess claims were collectively known as the Gold Springs project.

During the year ended January 31, 2004, the Company decided, based on its exploration work to date, to do no further exploration on the Gold Springs project and \$46,768 in acquisition costs and \$261,083 in deferred exploration expenditures were written off to operations.

Note 5 Resource Properties – Schedule 1 – (cont'd)

c) Finland

The Company entered into an agreement dated June 22, 2004 and amended on September 30, 2004 with Minmet (the “Agreement”) whereby the Company and Minmet formed an association for the purpose forming a joint venture to explore and develop interests in 15 mineral concessions staked by Minmet (the “Minmet Reservations”) and one by the Company (the “NAG Reservation”) in Finland and define, explore and develop new targets for gold and associated metals through exclusive use of the Minmet Finnish geochemical database. Under the terms of the Agreement, the Company was required to incur exploration expenditures of €100,000 (completed as at January 31, 2005) in order to acquire a 50% interest in these reservations as well as any reservations or permits obtained under this Agreement.

Subsequent to January 31, 2005, this Agreement was superceded and replaced by a new agreement in which the Company agreed to acquire a 100% interest in two of the Minmet Reservations for 100,000 common shares of the Company (issued subsequent to January 31, 2005). In addition, the Company retains 100% of the NAG Reservation.

d) Canada

60 Mile

The Company has a 100% interest in 18 claims known as the 60 Mile claims located in the Yukon Territory which it acquired by staking. During the year until January 31, 2005, costs of \$971 incurred on adjacent claims were written off.

Note 6 Capital Stock – Note 10

a) Authorized:

100,000,000 common shares without par value

Note 6 Capital Stock – Note 10 – (cont'd)

b) Issued:

		<u>Number</u>	<u>Amount</u>
Balance, January 31, 2003		2,420,487	\$ 4,474,550
For debt settlements	– at \$0.20	2,911,479	582,296
1 for 5 share consolidation		<u>(4,265,573)</u>	<u>-</u>
		1,066,393	5,056,846
For debt settlements	– at \$0.20	1,625,000	325,000
Pursuant to resource property agreement	– at \$0.10	50,000	5,000
For cash:			
- Private placements	– at \$0.10	2,700,000	270,000
	– at \$0.30	2,900,001	870,001
Less: share issue costs		-	(57,950)
- Exercise of share purchase warrants	– at \$0.15	267,000	40,050
- Exercise of share purchase options	– at \$0.30	20,000	6,000
Prior year rounding correction		<u>(16)</u>	<u>-</u>
Balance, January 31, 2004		8,628,378	6,514,947
Change in accounting policy – Note 2		-	3,200
Pursuant to resource property agreements	– at \$0.45	100,000	45,000
	– at \$0.50	100,000	50,000
For cash:			
- Private placement	– at \$0.50	4,650,000	2,325,000
Less: share issue costs		26,737	(212,884)
- Exercise of share purchase options	– at \$0.30	60,000	18,000
- Exercise of share purchase warrants	– at \$0.15	2,421,000	363,150
Contributed surplus reclassified on exercise of share purchase options		<u>-</u>	<u>13,000</u>
Balance, January 31, 2005		<u>15,986,115</u>	<u>\$ 9,119,413</u>

c) Commitments:

Share Purchase Options

The Company has a rolling stock option plan (the “Plan”) for officers, directors, employees and consultants whereby a maximum of 10% of the issued shares will be reserved for issuance under the Plan. Options are granted with an exercise price determined by the Board of Directors, which may not be less than the market price of the Company’s stock on the date of the grant less applicable discounts permitted by the TSX Venture Exchange. The vesting provisions are determined by the Board of Directors and are defined in each stock option agreement. All options granted under the Plan to persons performing investor relations activities must vest in stages over 12 months with no more than one quarter of the options vesting in any three month period.

Note 6 Capital Stock – Note 10 – (cont'd)

c) Commitments: - (cont'd)

Share Purchase Options – (cont'd)

A summary of the share purchase options granted under the Company's stock option plan is as follows:

	Year ended January 31,			
	2005		2004	
	Number of <u>Options</u>	Weighted Average Exercise <u>Price</u>	Number of <u>Options</u>	Weighted Average Exercise <u>Price</u>
Outstanding, beginning of year	635,000	\$0.37	-	-
Granted	1,020,000	\$0.40	655,000	\$0.37
Exercised	<u>(60,000)</u>	\$0.30	<u>(20,000)</u>	\$0.30
Outstanding, end of year	<u>1,595,000</u>	<u>\$0.39</u>	<u>635,000</u>	<u>\$0.37</u>
Exercisable, end of year	<u>900,000</u>		<u>635,000</u>	

At January 31, 2005, the following employee and director common share purchase options were outstanding entitling the holder thereof the right to purchase one common share for each purchase option held:

<u>Number of Options</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
370,000	\$0.30	May 25, 2008
155,000	\$0.48	October 20, 2008
50,000	\$0.66	November 20, 2008
100,000	\$0.50	February 1, 2009
500,000	\$0.37	May 17, 2009
50,000	\$0.50	May 17, 2009
100,000	\$0.36	June 13, 2009
50,000	\$0.48	September 1, 2009
<u>220,000</u>	\$0.39	December 1, 2009
<u>1,595,000</u>		

Note 6 Capital Stock – Note 10 – (cont'd)

c) Commitments – (cont'd)

Share Purchase Warrants

At January 31, 2005, the Company had 4,610,869 (2004: 4,240,501) share purchase warrants outstanding entitling the holder thereof the right to purchase one common share for each warrant held as follows:

<u>Number of Warrants</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
1,807,501	\$0.60	June 29, 2005
465,000	\$0.75	April 29, 2005
<u>2,338,368</u>	\$0.75	April 29, 2006
<u><u>4,610,869</u></u>		

During the year ended January 31, 2005, the Company repriced 1,807,501 share purchase warrants expiring June 29, 2004 from \$0.50 per share to \$0.60 per share and extended the expiry date to June 29, 2005.

Note 7 Non-cash Transactions

Investing and financing that do not have a direct impact on current cash flows are excluded from the cash flows.

During the year ended January 31, 2005, the following transactions were excluded from the statement of cash flows:

- a) The Company issued 200,000 shares valued at \$95,000 pursuant to resource property agreements.

During the year ended January 31, 2004, the following transactions were excluded from the statements of cash flows:

- a) the Company issued 2,911,479 pre-consolidation shares at \$0.20 per share and 1,625,000 post-consolidated shares at \$0.20 per share pursuant to agreements to settle debts for shares.
- b) the Company issued 50,000 common shares at \$0.10 per share for a total of \$5,000 pursuant to a resource property agreement.

Note 8 Corporation Income Taxes

The Company has accumulated \$2,162,290 in Canadian and foreign development and exploration resource expenditures and \$1,412,276 in non-capital losses which are available to offset future years' taxable income. The non-capital losses expire as follows:

2008	\$	311,221
2009		132,854
2010		110,025
2011		2,923
2015		<u>855,253</u>
	\$	<u>1,412,276</u>

The significant components of the Company's future income tax assets are as follows:

	<u>2005</u>	<u>2004</u>
Development and exploration expenditures	\$ 356,908	\$ 347,318
Share issue costs	71,776	16,226
Non-capital losses	<u>494,297</u>	<u>194,958</u>
	922,981	558,502
Less: valuation allowance	<u>(922,981)</u>	<u>(558,502)</u>
	<u>\$ -</u>	<u>\$ -</u>

The Company has recorded a valuation allowance against its future income tax assets based on the extent to which it is more-likely-than-not that sufficient taxable income will not be realized during the carry-forward period to utilize all the future tax assets.

Note 9 Related Party Transactions – Note 5

The Company incurred charges with companies having a common director or officer as follows:

	Years ended January 31,	
	<u>2005</u>	<u>2004</u>
Consulting fees	\$ 30,212	\$ 11,965
Deferred exploration costs – consulting fees	<u>129,151</u>	<u>71,000</u>
	<u>\$ 159,363</u>	<u>\$ 82,965</u>

These charges were measured by the exchange amount, which is the amount agreed upon by the transacting parties.

Note 9 Related Party Transactions – Note 5 – (cont'd)

At January 31, 2005, accounts payable included \$17,884 (2004: \$10,121) due to a director of the Company and to a company with a common director.

At January 31, 2004, due to related parties consisted of amounts owing to a director and a company with a common director totaling \$28,956 which were unsecured, non-interest bearing and had no specific terms for repayment.

Note 10 Subsequent Events – Note 5

Subsequent to January 31, 2005:

- a) the Company issued 100,000 common shares at \$0.42 per share pursuant to a resource property agreement (Note 5);
- b) the Company entered into an agreement for the option to earn a 100% interest in the Pajala Properties, located in northern Sweden. To earn the 100% interest, the Company must:
 - i) incur exploration expenditures of at least US\$1,000,000 on or before April 5, 2007, and
 - ii) issue 325,980 common shares of the Company as follows:
 - 162,990 within fifteen days of receiving approval by the TSX Venture Exchange (issued subsequent to January 31, 2005);
 - 162,990 on or before April 5, 2006.

A finder's fee of 40,000 common shares was also issued subsequent to January 31, 2005. The claims are subject to a 2.5% net smelter return royalty.

The optionor has the right to acquire a 70% interest (the back-in option) in the property by paying the Company three times the exploration expenditures incurred. The back-in option expires on the earlier of five years from the date of the agreement or exercise by the Company.

- c) The Company entered into a brokered private placement agreement to issue up to 6,000,000 units at \$0.45 per unit. Each unit consists of one share and one half share purchase warrant. Each full warrant will entitle the holder to purchase one additional share of the Company at \$0.45 per share for one year. The broker will receive a commission equal to 7% of the proceeds and has also been granted an over-allotment option for an additional 600,000 units. The broker will also receive warrants equal to 10% of the units sold, including the over-allotment option. Pursuant to a portion of the private placement 3,062,478 units have been issued for gross proceeds of \$1,378,115. The broker has been paid fees of \$138,107 and issued 306,248 broker's warrants.

Note 10 Subsequent Events – Note 5 – (cont'd)

- d) the Company issued 50,000 shares at \$0.36 per share pursuant to the exercise of share purchase options outstanding at January 31, 2005 for total proceeds of \$18,000.
- e) the Company granted share purchase options to directors and employees to purchase up to 273,000 shares at \$0.45 per share exercisable to May 19, 2010 and 150,000 share purchase options to consultants to purchase up to 150,000 shares at \$0.45 per share exercisable to May 19, 2006.
- f) share purchase warrants outstanding at January 31, 2005 to purchase 465,000 shares at \$0.75 per share and share purchase options outstanding at January 31, 2005 to purchase 50,000 shares at \$0.36 per share expired unexercised.

Note 11 Financial Instruments

Foreign Currency Risk

The Company is exposed to fluctuations in foreign currencies through its operations in Sweden. The Company monitors this exposure, but had no hedge positions at January 31, 2005. As at January 31, 2005, \$297,336 in cash was held in US dollars and \$37,212 was held in Swedish krona.

Note 12 Segmented Information

Geographic Information

The Company operates in one reportable operating segment, being the exploration of mineral resource properties.

	<u>Sweden</u>	<u>Finland</u>	<u>USA</u>	<u>Canada</u>	<u>Barbados</u>	<u>Total</u>
Year ended January 31, 2005						
Net income (loss)	\$ <u>(61,742)</u>	\$ <u>-</u>	\$ <u>(67,171)</u>	\$ <u>(788,339)</u>	\$ <u>42</u>	\$ <u>(917,210)</u>
Current assets	\$ 293,544	\$ 229	\$ -	\$ 388,728	\$ 20,625	\$ 703,126
Equipment	52,011	-	-	10,889	-	62,900
Resource properties	<u>1,788,420</u>	<u>242,097</u>	<u>46,348</u>	<u>10,525</u>	<u>-</u>	<u>2,087,390</u>
Total assets	\$ <u>2,133,975</u>	\$ <u>242,326</u>	\$ <u>46,348</u>	\$ <u>410,142</u>	\$ <u>20,625</u>	\$ <u>2,853,416</u>
Year ended January 31, 2004						
Net income (loss)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(307,851)</u>	\$ <u>168,033</u>	\$ <u>-</u>	\$ <u>(139,818)</u>
Current assets	\$ -	\$ -	\$ -	\$ 555,847	\$ -	\$ 555,847
Equipment	-	-	-	1,962	-	1,962
Resource properties	<u>17,017</u>	<u>-</u>	<u>88,082</u>	<u>5,505</u>	<u>-</u>	<u>110,604</u>
Total assets	\$ <u>17,017</u>	\$ <u>-</u>	\$ <u>88,082</u>	\$ <u>563,314</u>	\$ <u>-</u>	\$ <u>668,413</u>



NORTH AMERICAN GOLD INC.
 (the "Company")

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year End Report – January 31, 2005

General

This Management's Discussion and Analysis ("MD&A") supplements, but does not form part of, the audited consolidated financial statements of the Company for the fiscal year ended January 31, 2005. The following information, prepared as of May 27, 2005, should be read in conjunction with the January 31, 2005 financial statements, which have been prepared in accordance with Canadian generally accepted accounting principles. All amounts are expressed in Canadian dollars unless otherwise indicated.

The Company is in the business of acquiring, exploring and developing mineral properties and has a portfolio of projects in the Sweden, Finland, Canada and the USA.

Results of Operations

For the fiscal year ended January 31, 2005, the Company had a consolidated net loss of \$917,210 (\$0.06 per share) compared to a net loss of \$139,818 (\$0.02 per share) in fiscal 2004. Due to a significant increase in the Company's corporate and property activities over the past year, the total amount of the corporate 2005 expenses is more than seven times the amount of the 2003 expenses, with all but two categories being greater than the previous year. In addition, this year's net loss includes a non-cash compensation charge of \$154,169 compared to \$Nil in 2003.

Selected Annual Information

The following table provides information for each of the three most recently completed financial years:

	2005 (\$)	2004 (\$)	2003 (\$)
Total Income	-	-	-
Loss before other items			
Total	780,903	85,996	125,836
Per share	0.05	0.01	0.26
Fully diluted per share *	N/A	N/A	N/A
Net Loss			
Total	917,210	139,818	110,025
Per share	0.06	0.02	0.23
Fully diluted per share *	N/A	N/A	N/A
Total Assets	2,853,416	668,413	19,841
Total long-term liabilities	-	-	-
Cash dividends	-	-	-

*The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on earnings per share is recognized to the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. For the years presented, however, this proved to be anti-dilutive. Basic loss per share is calculated using the weighted average number of common shares outstanding during the year.

Quarterly Information

The following table provides information for the eight quarters of the fiscal years ended January 31, 2005 and 2004:

	First Quarter Ended Jan. 31, 2005 (\$)	Third Quarter Ended Oct. 31, 2004 (\$)	Second Quarter Ended July 31, 2004 (\$)	First Quarter Ended April 30, 2004 (\$)	Fourth Quarter Ended Jan. 31, 2004 (\$)	Third Quarter Ended Oct. 31, 2003 (\$)	Second Quarter Ended July 31, 2003 (\$)	First Quarter Ended April 30, 2003 (\$)
Total Income	-	-	-	-	-	-	-	-
Net Loss (Earnings)	406,517	107,424	304,203	99,066	338,733	10,906	13,262	(223,083)
Net Loss (Earnings) per share	0.025	0.007	0.019	0.011	0.04	0.001	0.002	(0.16)

Liquidity and Capital Resources

Working capital at January 31, 2005 was \$272,071 compared to \$484,570 at January 31, 2004. The Company's cash resources increased over the 2005 fiscal year as a result of a private placement financing and the exercise of warrants and stock options, raising net proceeds of over \$2.5 million. Subsequent to the year end, the Company completed the first portion of a private placement which provided the Company with gross proceeds of \$1,378,115. The second tranche of this financing is expected to close in the first week of June and raise approximately \$1.9 million in additional working capital for the Company.

Management expects that the Company will have sufficient working capital to meet its corporate and exploration commitments over the next 12 months. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration and development activity. Management believes it will be able to raise equity capital as required in the long term, but recognizes the uncertainty attached thereto. The Company continues to use various strategies to minimize its dependence on equity capital, including the securing of joint venture partners where appropriate.

Mineral Properties

During the fiscal year ended January 31, 2005, a total of \$2,044,928 was incurred on the Company's mineral properties, the majority of which was spent in Sweden (\$1,771,403) and Finland (\$242,097). The major expenditure categories for all of the Company's properties include approximately \$762,000 for geological consulting fees, \$486,000 for drilling, \$179,000 for travel, and \$137,000 for geochemistry.

Related Party Transactions

The Company incurred charges with companies having a common director or officer as follows:

	Years ended January 31,	
	<u>2005</u>	<u>2004</u>
Consulting fees	\$ 30,212	\$ 11,965
Deferred exploration costs – consulting fees	<u>129,151</u>	<u>71,000</u>
	<u>\$ 159,363</u>	<u>\$ 82,965</u>

These charges were measured by the exchange amount, which is the amount agreed upon by the transacting parties.

At January 31, 2005, accounts payable included \$17,884 (2004: \$10,121) due to a director of the Company and to a company with a common director.

At January 31, 2004, due to related parties consisted of amounts owing to a director and a company with a common director totaling \$28,956 which were unsecured, non-interest bearing and had no specific terms for repayment.

Other Data

Additional information related to the Company is available for viewing at www.sedar.com.

Share Position Outstanding Warrants and Options

The Company's current outstanding share position is 19,401,583 common shares, and a total of 7,901,356 share purchase warrants and incentive stock options are outstanding as follows:

Type of Security	Number	Exercise Price	Expiry Date
Warrants	1,807,501	\$0.50	June 29, 2005
	2,338,368	\$0.75	April 29, 2006
	1,531,239	\$0.45	May 9, 2006
	306,248	\$0.45	May 9, 2006
Total Warrants:	5,983,356		
Options	150,000	\$0.45	May 19, 2006
	370,000	\$0.30	May 25, 2008
	155,000	\$0.48	Oct. 20, 2008
	50,000	\$0.66	Nov. 20, 2008
	100,000	\$0.50	Feb. 1, 2009
	500,000	\$0.37	May 17, 2009
	50,000	\$0.50	May 17, 2009
	50,000	\$0.48	September 1, 2009
	220,000	\$0.39	December 1, 2009
	273,000	\$0.45	May 19, 2010
Total Options:	1,918,000		

Financial Instruments

The carrying value of cash and cash equivalents, receivables, due from/to related parties and accounts payable and accrued liabilities approximate fair value because of the short-term maturity of those instruments. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Change in Accounting Policy

Effective for fiscal years commencing on or after January 1, 2004, Canadian generally accepted accounting principles require the fair value of all share purchase options to be expensed over their vesting period with a corresponding increase to contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital. Previously only share purchase options granted to non-employees followed this method and options granted to employees were not expensed.

The Company has adopted the new policy on a retroactive basis with no restatement of prior periods. On February 1, 2004, the deficit increased by \$145,650, contributed surplus increased by \$142,450 and share capital increased by \$3,200 to account for stock-based compensation that would have been recognized during the year ended January 31, 2004 with respect to employee share purchase options granted and exercised since January 1, 2002. The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant.

Forward Looking Information

Certain statements contained in this MD&A and elsewhere constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the company to materially differ from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth below.

Risks and Uncertainties

The business of mineral exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. At present, none of the Company's properties has a known commercial ore deposit. The Company's mineral properties are also located in emerging nations and consequently may be subject to a higher level of risk compared to developed countries. Operations, the status of mineral property rights, title to the properties and the recoverability of amounts shown for mineral properties in emerging nations can be affected by changing economic, regulatory and political situations. Other risks facing the Company include competition, environmental and insurance risks, fluctuations in metal prices, share price volatility and uncertainty of additional financing.