

Notice to Reader

The accompanying unaudited interim consolidated financial statements of Franconia Minerals Corporation for the quarter ended March 31, 2005 have been prepared by management and approved by the Audit Committee and Board of Directors of the Corporation. These statements have not been reviewed by the Corporation's external auditors.

Dated May 15, 2005

A handwritten signature in black ink, appearing to read 'B. Gavin', is positioned above a horizontal line.

Brian Gavin
President

Franconia Minerals Corporation
(a development stage Company)
Consolidated Interim Balance Sheet
U.S. Dollars
(Unaudited - Prepared by Management)

	<u>March 31</u> <u>2005</u> (Unaudited)	<u>December 31</u> <u>2004</u> (Audited)
ASSETS		
Current		
Cash and equivalents	\$ 1,570,604	\$ 640,850
Prepaid expense	<u>20,163</u>	<u>3,908</u>
	1,590,767	644,758
Deferred acquisition and exploration costs (Note 3)	<u>1,161,505</u>	<u>937,188</u>
	\$ 2,752,272	\$ 1,581,946
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 263,414	\$ 236,810
Deferred exploration advances	<u>3,937</u>	<u>14,796</u>
	<u>267,351</u>	<u>251,606</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 4)	4,132,348	2,802,311
Contributed Surplus	44,326	44,326
Deficit accumulated during development stage	<u>(1,691,753)</u>	<u>(1,516,297)</u>
	<u>2,484,921</u>	<u>1,330,340</u>
	\$ 2,752,272	\$ 1,581,946

Approved on behalf of the Board:

Brian Gavin, Director

Bonnie Kuhn, Director

*These financial statements should be read in conjunction with the most recent annual audited financial statements
The accompanying notes are an integral part of these consolidated financial statements*

Franconia Minerals Corporation

(a development stage Company)

Consolidated Interim Statements of Operations and Deficit

For The Three Months Ended March 31, 2005 And March 31, 2004

U.S. Dollars

(Unaudited - Prepared by Management)

	Three Months Ended March 31		Cumulative Since Inception
	2005	2004	
Expenses			
General administration	\$ (141,782)	\$ (13,444)	\$ (622,801)
General exploration	-	(240,691)	(873,683)
Compensation expense	-	-	(44,326)
Loss from operations	(141,783)	(254,135)	(1,540,810)
Write-off of deferred acquisition and exploration costs	-	-	(322,248)
Other income (expenses)	(33,674)	23,304	52,543
Gain from sale of investment			118,762
Net loss for period	(175,456)	(230,831)	(1,691,753)
Deficit accumulated during development stage, beginning of period	<u>(1,516,297)</u>	<u>(1,329,259)</u>	<u>-</u>
Deficit accumulated during development stage, end of period	\$ (1,691,753)	\$ (1,560,090)	\$ (1,691,753)
Loss per share	\$ 0.010	\$ 0.015	

*These financial statements should be read in conjunction with the most recent annual audited financial statements**The accompanying notes are an integral part of these consolidated financial statements*

Franconia Minerals Corporation

(a development stage Company)

Consolidated Interim Statements of Cash Flows

For The Three Months Ended March 31, 2005 And March 31, 2004

U.S. Dollars

(Unaudited - Prepared By Management)

	Three Months Ended March 31		Cumulative
	2005	2004	Since Inception
Cash flows from operating activities			
Net loss for the period	\$ (175,456)	\$ (230,831)	\$ (1,691,754)
Items not involving cash:			
Management fees	(1,416)	12,786	(101,935)
Foreign exchange	-	-	3,445
Write off deferred costs	-	-	322,248
Gain on sale of investments	-	(34,014)	(118,726)
Non-cash services	-	-	515,890
Compensation	-	-	44,326
Changes in non-cash working capital balances:			
Prepaid expenses	(16,255)	(500)	(20,163)
Accounts payable	26,604	(59,354)	263,414
	<u>(166,523)</u>	<u>(311,913)</u>	<u>(783,255)</u>
Cash flows from financing activities			
Advances on Note Payable			(135,000)
Advances from joint venture partner, net of expenditures	(9,443)	93,212	5,354
Issue of share capital, net of share issue costs	1,330,037	12,038	4,132,348
	<u>1,320,594</u>	<u>105,250</u>	<u>4,002,702</u>
Cash flows from investing activities			
Proceeds from sale of short term investments	-	44,137	173,770
Payments of deferred acquisition and exploration costs	(224,317)	(42,916)	(1,822,613)
	<u>(224,317)</u>	<u>1,221</u>	<u>(1,648,843)</u>
Increase (decrease) in cash and equivalents	929,754	(205,442)	1,570,604
Cash and equivalents, beginning of period	640,850	372,442	-
Cash and equivalents, end of period	\$ 1,570,604	\$ 167,000	\$ 1,570,604

*These financial statements should be read in conjunction with the most recent annual audited financial statements**The accompanying notes are an integral part of these consolidated financial statements*

1. Nature of Business and Basis of Presentation

These interim financial statements should be read in conjunction with the most recent annual audited financial statements.

The Company was incorporated on August 7, 1998 under the Alberta Business Corporations Act. The Company is a public company listed on the OFEX Exchange. Effective January 12, 2005, the Company is listed on the TSX Venture Exchange. The Company is in the development stage devoting substantially all of its efforts to establishing a new business and planned principal operations have not commenced. Most of the Company's efforts are related to activities such as raising capital for the purpose of acquiring and exploring mineral properties.

These consolidated financial statements have been prepared on a going concern basis, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. These consolidated financial statements do not include any adjustments that would be necessary should the Company be unable to continue as a going concern.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Franconia Minerals Corporation (US) Inc.

2. Significant Accounting Policies

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

The significant policies and methods of computation follow that of the most recent annual consolidated financial statements. The disclosures provided below are incremental to those included in the annual consolidated financial statements

3. Share Capital

(a) Authorized

Unlimited number of common shares

(b) Issued

	<u>Number</u>	<u>Amount</u>
Balance, December 31, 2004	17,769,031	\$ 2,802,311
Warrants exercised	12,000	3,845
Prospectus financing	27,500	8,910
Private Placement	3,900,000	1,290,120
Property Acquisition	355,571	130,850
Share issue costs	-	<u>(103,688)</u>
Balance, March 31, 2005	<u>22,064,102</u>	<u>\$ 4,132,348</u>

(c) Warrants

	<u>Number</u>
Balance, December 31, 2004	6,440,600
Warrants exercised	(12,000)
Warrants issued	1,963,750
Balance, March 31, 2005	<u>8,392,350</u>

The Company issued 27,500 additional units on the second closing of the prospectus offering. Each unit consists of 1 common share and 1/2 common share purchase warrant for a total of 13,750 warrants.

The Company completed the closing of a brokered private placement by issuing 3,900,000 units. Each unit consists of 1 common share and 1/2 common share purchase warrant for a total of 1,950,000 warrants. Each whole warrant entitles the holder thereof to purchase one common share at a price of Cdn\$0.60 at any time prior to 5:00 p.m. Toronto time on the earlier of: a) 15 trading days after receiving notice from the Corporation that the weighted average price of the Common Shares has been equal to or greater than Cdn\$0.70 for a period of 15 consecutive trading days; and, b) March 23, 2007. Gross proceeds realized was Cdn\$1,560,000.

3. Share Capital, continued

(d) Stock Options

	Number	Option Prices per Share	Weighted Average Exercise Price
Balance, December 31, 2004	870,000	\$0.15-\$0.32	\$ 0.30
Options granted	240,000	\$ 0.40	\$ 0.40
Balance, March 31, 2005	<u>1,110,000</u>	\$0.15-\$0.40	\$ 0.33

The Company granted options to acquire 240,000 common shares of the corporation to consultants of the corporation. The per-share exercise price is \$0.40 cents. The options are exercisable for a period of one year.

4. Deferred Acquisition and Exploration Costs

	December 31 2004	2005 Expenditures	March 31 2005
Birch Lake			
Acquisition	282,305	146,172	428,477
Exploration	223,447	57,485	280,932
Cominco			
Acquisition	-	-	-
Exploration	5,082	-	5,082
Mahoney			
Acquisition	14,578	20,000	34,578
Exploration	49,477	-	49,477
San Francisco			
Acquisition	95,358	-	95,358
Exploration	266,941	660	267,601
	<u>937,188</u>	<u>224,317</u>	<u>1,161,505</u>
Summary			
Acquisition	392,241	166,172	558,413
Exploration	544,947	58,145	603,092
	<u>937,188</u>	<u>224,317</u>	<u>1,161,505</u>

5. Property Commitments

(a) Birch Lake Option Agreement

Under the Birch Lake Option Agreement, as amended, Franconia may acquire up to an 82% interest in Beaver Bay Joint Venture's Birch Lake property in the Duluth Complex of Minnesota, USA. Pursuant to the terms of the agreement the Company issued 355,571 new common shares (at a deemed price of CDN\$0.46 per share) to the Beaver Bay Joint Venture.

(b) Mahoney Project

The company has acquired a key group of seven privately-held patented mining claims (totaling 134 acres) to add to its Mahoney high-grade zinc property in New Mexico. This Exploration Lease and Option to Purchase Agreement calls for lease payments totaling US\$90,000 over five years with a final purchase price of US\$250,000 payable at any time during the option period.

6. Loss Per Share

The loss per share figures have been calculated using the weighted average number of common shares outstanding during the respective periods, which amounted to 18,341,047 at March 31, 2005 (December 31, 2004 - 14,125,354). Basic loss per share is computed by dividing earnings by the weighted average number of common shares outstanding for the period. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments.

7. Related Party Transactions

Except as disclosed elsewhere in these consolidated financial statements, the Company had the following related party transactions for the three months ended March 31, 2005:

- (a) Included in general administration are consulting fees of \$12,035 (2004 - \$16,418) and administrative fees of \$8,460 (2004 - \$7,981) paid to companies who are jointly owned by a shareholder and director of the Company, for services rendered.
- (b) Included in general administration are consulting fees paid to a director of \$5,850 (2004 - \$6,750) for services rendered.
- (c) Included in general administration are legal fees of \$10,140 (2004 - \$Nil) paid to a legal firm where a director was an associate.
- (d) The Company reimbursed Ernest K. Lehmann & Associates, a company owned by a shareholder and director of the Company, an estimated \$6,274 (2004 - \$12,749), which represents application fees for prospecting permits and lease rentals in Minnesota. Ernest K. Lehmann and Associates holds the title to the Minnesota leases in trust for the Company.
- (e) The Company reimbursed Lehmann Exploration Management, a company owned by a shareholder and director of the Company, an estimated \$15,322 (2004 - \$Nil), which represents application fees for prospecting permits and lease rentals in Minnesota. Lehmann Exploration Management holds the title to the Minnesota leases as part of the Birch Lake Project.

7. Related Party Transactions, continued

These transactions are in the normal course of operations and have been recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties and approximates the fair market value.

8. Subsequent Events

- (a) On May 6, 2004 the Company received approval from the TSX Venture Exchange to extend the exercise date of share purchase warrants stemming from private placements of an aggregate of 10,875,000 units at a price of \$0.04 per unit (prior to a 5 to 1 share consolidation effected in December 2004) completed on November 12 and December 11, 2003. The warrants issued under this private placement, due expire on May 12 and June 11, 2005, were extended to May 12 and June 11, 2006, respectively. All other terms and conditions will remain unchanged, including the exercise price of \$0.06 (\$0.30 post-consolidation).
- (b) Under the terms of the Birch Lake Option Agreement the Beaver Bay Joint Venture (“BBJV”), acquired from American Copper & Nickel Company, Inc. (“ACNC”) an indirect wholly owned subsidiary of INCO Limited, a total of 5,201 acres of mineral rights on the Duluth Complex, in St. Louis and Lake Counties, Minnesota for the benefit of the Birch Lake Project. Following the terms of a Letter of Intent signed in December 2003 Franconia reimbursed ACNC for land holding costs since that date by issuing 395,821 of the common shares of Franconia Minerals Corporation for a deemed value of \$114,708 (\$0.30 per common share). In addition ACNC will retain the right to receive 7.5% of the net distributable earnings from any future production from the lands.
- (c) Subsequent to the period end, the Company granted options to acquire 1.72 million common shares of the corporation to directors, officers and consultants of the corporation. The per-share exercise price is \$0.42 cents. The options are exercisable for periods of between two and five years. The exercise price of the options represents the closing price of the shares of the corporation as traded on the TSX Venture Exchange on April 14, 2005.

Management Discussion and Analysis for the period ended March 31, 2005

Prepared as of May 15, 2005

The following discussion should be read in conjunction with the Franconia Mineral Corporation's audited consolidated financial statements and notes thereto for the years ended December 31, 2003 and the audited consolidated financial statements and notes thereto for the year ended December 31, 2004 and the unaudited consolidated interim financial statements and notes thereto for the period ended March 31, 2005 which have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada. These statements along with additional information relating to Franconia Mineral Corporation (the "Corporation", "Company" or "Franconia") are available on SEDAR at www.sedar.com. The Corporation's financial condition and the results of operations are not necessarily indicative of what may be expected in future years.

All amounts in this discussion are in US Dollars unless otherwise indicated.

Overview

Founded in 1998, the Corporation is an Alberta corporation with 22,459,929 Common Shares currently outstanding. The Corporation is currently quoted on the OFEX trading facility in London, UK (www.ofex.com), where it trades under the symbol FRA and on the TSX Venture Exchange (the "Exchange"), also under the symbol FRA.

Since its inception in 1998, the Corporation has focused on exploration for zinc and platinum group metals, primarily in the United States. In 1999 and 2000 the Corporation pursued a zinc project in Portugal. The Corporation's geographic focus will be determined by management's expertise and familiarity with local conditions and geology rather than by strict geographic criteria. The Corporation's choice of target commodities will be decided in a similar manner.

The Corporation currently controls 13,290 ha (32,800 acres) of mineral lands in four projects, two in Minnesota and one each in Utah and New Mexico. The land interests comprise earn-in and joint venture agreements, exploration and mining agreements and direct interests through the Corporation's filings for unpatented claims, state mineral leases and federal prospecting permits. The Corporation's properties are all early stage exploration prospects, except for the Birch Lake Project, which is an advanced-stage exploration project with an inferred mineral resource.

In February 2005, the Company acquired a key group of seven privately-held patented mining claims (totaling 134 acres) to add to its Mahoney high-grade zinc property in New Mexico. This Exploration Lease and Option to Purchase Agreement calls for lease payments totaling US\$90,000 over five years with a final purchase price of US\$250,000 payable at any time during the option period.

In the quarter the Company initiated a program of metallurgical testing of drill samples from the Birch lake project. Also a team was established to begin the permitting process for a "prospect" shaft at Birch Lake. A drill program is expected to commence in May 2005.

In March 2005, the Corporation completed a brokered private placement of Cdn\$1.56 million by issuing 3,900,000 units at a price of Cdn\$0.40 per unit.

In January 2005, the Company issued shares to the Beaver Bay Joint Venture ("BBJV") under the terms of the Birch Lake Option. This agreement allows Franconia to acquire up to an 82%

interest in BBJV's Birch Lake property in the Duluth Complex of Minnesota, USA. Franconia issued 355,571 new common shares (at a deemed price of CDN\$0.46 per share) to BBJV.

In May 2005, under the terms of the Birch Lake Option Agreement, the Beaver Bay Joint Venture acquired from American Copper & Nickel Company, Inc. ("ACNC") an indirect wholly owned subsidiary of INCO Limited, a total of 5,201 acres of mineral rights on the Duluth Complex, in St. Louis and Lake Counties, Minnesota for the benefit of the Birch Lake Project. Following the terms of a Letter of Intent signed in December 2003 Franconia reimbursed ACNC for land holding costs since that date by issuing 395,821 of the common shares of Franconia Minerals Corporation for a deemed value of \$114,708 (\$0.30 per common share). In addition ACNC will retain the right to receive 7.5% of the net distributable earnings from any future production from the lands.

Critical Accounting Policies

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make a wide variety of estimates and assumptions that affect (i) the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, and (ii) the reported amounts of revenues and expenses during the reporting periods covered by the financial statements. Management routinely makes judgments and estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting the future resolution of the uncertainties increases, these judgments become even more subjective and complex. The most significant accounting policies that are most important to the portrayal of the Corporation's current financial condition and results of operations relates to mineralization and deferred development costs. Other accounting policies are disclosed in Note 2 of Notes to Consolidated Financial Statements for the period ended December 31, 2004.

The Corporation's mineral properties consist of exploration and mining concessions, options and contracts. Acquisition and leasehold costs and exploration costs are capitalized and deferred until such time as the property is put into production or the properties are disposed of either through sale or abandonment. If a property is put into production, the costs of acquisition and exploration will be amortized over the life of the property, at a rate based on estimated economic reserves. Proceeds received from the sale of any interest in a property will first be credited against the carrying value of the property, with any excess included in operations for the period. If a property is abandoned, the property and deferred exploration costs will be written off to operations.

The Corporation adopted the new recommendation of the Canadian Institute of Chartered Accountants ("CICA") relating to accounting for asset retirement obligations. The adoption of the new standard, on a retroactive basis, did not have material impact on the Company's financial statements.

Three Month Period Ended March 31, 2005 Compared to the Three Months Ended March 31, 2004

The Corporation had net loss of \$175,456 for the three month period ended March 31, 2005 compared to a loss of \$230,831 for the same period in 2004. The net income and loss per share was less than \$0.01 per share for both periods. During this period expenses consisted legal and administrative costs related to brokered private placement and land maintenance, land acquisition

and project costs on the Birch Lake Project in Minnesota and the Mahoney Project in New Mexico.

Liquidity and Capital Resources

Due to the nature of the mining business, the acquisition, exploration, and development of mineral properties require significant expenditures prior to the commencement of production. To date, the Corporation has financed its activities through the sale of equity securities and joint venture arrangements. The Corporation expects to use similar financing techniques in the future, however, the Corporation cannot provide assurance that it will be successful in its financing activities in the future. The Corporation's ability to continue in operation is dependent on its ability to secure additional financing, and while it has been successful in doing so in the past the Corporation cannot provide assurance that it will be able to do so in the future.

The Corporation's exploration and development activities and funding opportunities, as well as those of its joint venture partners, may be materially affected by PGM, precious and base metal price levels and changes in those levels. The market prices of PGM, precious and base metals are determined in world markets and are affected by numerous factors beyond the Corporation's control.

At March 31, 2005, we had cash and cash equivalents of \$1,570,604 compared to cash and cash equivalents of \$167,001 as of March 31, 2004. Working capital at March 31, 2005 was \$1,327,353 compared with negative \$73,665 at March 31, 2004. Net cash used in operating activities during the three months ended March 31, 2005 was \$166,523 compared with \$311,913 for the same period in 2004. Investing activities during the three months ended March 31, 2005 used \$224,317 compared with \$1,221 for the same period in 2004.

In March 2005, the Corporation completed a brokered private placement of Cdn\$1.56 million by issuing 3,900,000 units at a price of Cdn\$0.40 per unit. Each unit consists of one common share of the Corporation and one-half of one common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one common share at a price of Cdn\$0.60 at any time prior to 5:00 p.m. Toronto time on the earlier of: a) 15 trading days after receiving notice from the Corporation that the weighted average price of the Common Shares has been equal to or greater than \$0.70 for a period of 15 consecutive trading days; and, b) March 23, 2007. Max Capital Markets Ltd ("Max Capital") acted as agent in respect of the offering and received a commission of 7% of the gross proceeds of the offering and an option to acquire 390,000 units at the offering price per unit for a period of 12 months from the closing. The issued securities are subject to a four-month hold period.

In January 2005, 12,000 2002 IPO Warrants were exercised for \$3,228.

In February 2005, the Company granted options to acquire 240,000 common shares of the corporation to consultants of the corporation. The per-share exercise price is \$0.32 cents. The options are exercisable for a period of one year.

Subsequent to the period end, the Company granted options to acquire 1.72 million common shares of the corporation to directors, officers and consultants of the corporation. The per-share exercise price is \$0.42 cents. The options are exercisable for periods of between two and five years. The exercise price of the options represents the closing price of the shares of the corporation as traded on the TSX Venture Exchange on April 14, 2005.

Transactions with Related Parties

The Company had the following related party transactions for the three months ended March 31, 2005:

- (a) The Company paid consulting fees of \$12,035 (2004 - \$16,418) and administrative fees of \$8,460 (2004 - \$7,981) to companies who are jointly owned by a shareholder and director of the Company, for services rendered.
- (b) The Company paid consulting fees of \$5,850 (2004 - \$6,750) to a director for services rendered.
- (c) The Company paid legal fees of \$10,140 (2004 - \$Nil) to a legal firm where a director was an associate.
- (d) The Company reimbursed Ernest K. Lehmann & Associates, a company owned by a shareholder and director of the Company, an estimated \$6,274 (2004 - \$46,236), which represents application fees for prospecting permits and lease rentals in Minnesota. Ernest K. Lehmann and Associates holds the title to the Minnesota leases in trust for the Company.
- (e) The Company reimbursed Lehmann Exploration Management, a company owned by a shareholder and director of the Company, an estimated \$15,322 (2004 - \$Nil), which represents application fees for prospecting permits and lease rentals in Minnesota. Lehmann Exploration Management holds the title to the Minnesota leases as part of the Birch Lake Project.
- (f) The Company issued shares to the Beaver Bay Joint Venture (“BBJV”) under the terms of the Birch Lake Option. This agreement allows Franconia to acquire up to an 82% interest in BBJV’s Birch Lake property in the Duluth Complex of Minnesota, USA. The Company issued 355,571 new common shares (at a deemed price of CDN\$0.46 per share) to BBJV.

Summary of Quarterly Results

Quarter ended Year	March 31 2005	Dec 31 2004	Sep 30 2004	June 30 2004	Mar 31 2004	Dec 31 2003	Sep 30 2003	June 30 2003
	(All figures are in US\$ except for number of shares)							
Revenues	-	-	-	-	-	-	-	-
Net Income (Loss)	(175,456)	(187,037)	34,740	(34,806)	(230,831)	41,350	(87,267)	(29,155)
Working Capital	1,327,353	407,948	(215,382)	(198,830)	(73,665)	71,921	3,704	77,971
Properties - Mineral Interests	1,161,505	937,188	853,485	743,260	673,950	631,034	345,069	345,069
Shareholders' Equity ⁽¹⁾	2,484,921	1,330,340	631,302	816,546	459,774	678,566	57,667	131,934
Shares Outstanding ⁽²⁾	22,064,102	17,769,031	13,964,460	13,964,460	13,903,144	13,903,144	10,975,000	10,975,000
Net Income (Loss) per share	(0.01)	(0.01)	0.00	(0.00)	(0.01)	0.00	(0.00)	(0.00)

Notes:

- (1) No dividends have been paid since incorporation. Fully diluted per share amounts are not presented because the result is antidilutive.
- (2) Shares outstanding reflect the share split implemented as of August 29, 2001 and the Share Consolidation approved by shareholders on November 21, 2003 and effected December 6, 2004.

Outstanding Share Data

As of May 15, 2005 the Corporation had the following outstanding securities:

- (1) 22,459,929 common shares.
- (2) Warrants to purchase approximately 8,785,100 Common Shares at exercise prices between 11.65p (\$0.20) and \$0.45 and expiration dates varying between May 12, 2005 and March 23, 2007.
- (3) Options to purchase approximately 2,830,000 Common Shares at exercise prices between \$0.20 and \$0.32).