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**Moss Lake Gold Mines Ltd.**  
**Balance Sheets**  
(Unaudited)

	June 30 2004	Dec 31 2003 (Audited)
<b>Assets</b>		
Current		
Cash	\$ 89,336	\$ 125,720
Receivables	<u>7,541</u>	<u>20,062</u>
	96,877	145,782
Exploration properties (Note 3)	<u>1,056,345</u>	<u>1,036,830</u>
	<u>\$ 1,153,222</u>	<u>\$ 1,182,612</u>
<b>Liabilities</b>		
Current		
Payables and accruals	\$ <u>10,723</u>	\$ <u>13,415</u>
<b>Shareholders' Equity</b>		
Capital stock (Note 4)	8,711,288	8,711,288
Deficit	<u>(7,568,789)</u>	<u>(7,542,091)</u>
	<u>1,142,499</u>	<u>1,169,197</u>
	<u>\$ 1,153,222</u>	<u>\$ 1,182,612</u>

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The external auditors have not reviewed these interim financial statements.

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**Moss Lake Gold Mines Ltd.**  
**Interim Statements of Operations and Deficit**  
(Unaudited)

	Six Months Ended June 30		Three Months Ended June 30	
	2004	2003	2004	2003
Interest Income	\$ <u>641</u>	\$ <u>53</u>	\$ <u>220</u>	\$ <u>18</u>
Costs and expenses				
Corporate and general	<u>27,339</u>	<u>25,688</u>	<u>14,660</u>	<u>11,788</u>
Net loss	<u>(26,698)</u>	<u>(25,635)</u>	<u>(14,440)</u>	<u>(11,770)</u>
Deficit, beginning of period	<u>(7,542,091)</u>	<u>(7,496,992)</u>	<u>(7,554,349)</u>	<u>(7,510,857)</u>
Deficit, end of period	<u>\$ (7,568,789)</u>	<u>\$ (7,522,627)</u>	<u>\$ (7,568,789)</u>	<u>\$ (7,522,627)</u>
Net loss per common share (Note 6)				
Basic and diluted	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>

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**Interim Statements of Cash Flows**  
(Unaudited)

	Six Months Ended June 30		Three Months Ended June 30	
	2004	2003	2004	2003
Increase (decrease) in cash				
<b>Operating activities</b>				
Net loss	\$ (26,698)	\$ (25,635)	\$ (14,440)	\$ (11,770)
Advances from River Gold Mines Ltd.	—	44,771	—	34,621
Change in receivables and payables	<u>9,829</u>	<u>3,235</u>	<u>(3,630)</u>	<u>(18,020)</u>
	<u>(16,869)</u>	<u>22,371</u>	<u>(18,070)</u>	<u>4,831</u>
<b>Investing activity</b>				
Exploration properties	<u>(19,515)</u>	<u>(21,940)</u>	<u>(10,388)</u>	<u>(12,322)</u>
Net increase (decrease) in cash	<u>(36,384)</u>	<u>431</u>	<u>(28,458)</u>	<u>(7,491)</u>
Cash, beginning of period	<u>125,720</u>	<u>311</u>	<u>117,794</u>	<u>8,233</u>
Cash, end of period	<u>\$ 89,336</u>	<u>\$ 742</u>	<u>\$ 89,336</u>	<u>\$ 742</u>

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The external auditors have not reviewed these interim financial statements.

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# **Moss Lake Gold Mines Ltd.**

## **Notes to the Interim Financial Statements**

(Unaudited)

Six months ended June 30, 2004

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### **1. Operations and going concern assumption**

Moss Lake Gold Mines Ltd. (the "Company") is a publicly traded company and is incorporated under the Business Corporations Act (Ontario). The Company's common shares are listed on the TSX Venture Exchange.

The Company is a subsidiary of River Gold Mines Ltd. ("River Gold"), a publicly held company, which is listed on the Toronto Stock Exchange. At June 30, 2004 and December 31, 2003, River Gold held approximately 62% of the then outstanding common shares of the Company.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company has incurred significant losses and at June 30, 2004, the Company had a deficit of \$7.6 million. The recoverability of the carrying value of exploration properties is dependent upon the continued support of River Gold, the preservation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to develop ore reserves, future profitable production therefrom or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require additional write-downs of the carrying values.

These financial statements do not include adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

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### **2. Significant accounting policies**

The financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. These interim financial statements follow the same accounting policies and methods of computation as the most recent annual financial statements for the year ended December 31, 2003

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### **3. Exploration properties**

#### **Moss Lake Property**

The Company has a 100% interest in this property which is situated in Moss Township, 100 kilometres west of Thunder Bay, Ontario.

The property consists of 33 contiguous unpatented mining claims and 2 mining leases (comprising 540 hectares) which were acquired in 1995. The Company is obligated to pay underlying advance royalties of \$5,469 per quarter to certain original vendors until commercial production is achieved. Upon commencement of commercial production, the property is subject to an 8.75% net profits royalty, as defined, to these underlying vendors in lieu of the underlying advance royalty.

In addition, the property includes 15 contiguous unpatented claim units acquired in 1998. These units are subject to a 1% net smelter return royalty.

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**Moss Lake Gold Mines Ltd.**  
**Notes to the Interim Financial Statements**

(Unaudited)

Six months ended June 30, 2004

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**3. Exploration properties (continued)**

**Fountain Lake Property**

The property consists of 149 mining claims contiguous to the Moss Lake Property to the east, west and south, and is subject to a 2.5% net smelter return royalty payable to certain original vendors of the property.

<b>Carrying values</b>	<b>June 30</b>	<b>Dec 31</b>
	<b><u>2004</u></b>	<b><u>2003</u></b>
Moss Lake Property		
Cost of property	\$ 6,010,000	\$ 6,010,000
Settlement of advance royalties	105,000	105,000
Underlying advance royalties	226,376	215,438
Exploration expenditures	<u>814,664</u>	<u>806,087</u>
	<u>7,156,040</u>	<u>7,136,525</u>
Fountain Lake Property		
Cost of property	466,081	466,081
Exploration expenditures	<u>398,976</u>	<u>398,976</u>
	<u>865,057</u>	<u>865,057</u>
Other	<u>5,000</u>	<u>5,000</u>
	<u>8,026,097</u>	8,006,582
Write-down of carrying values	<u>(6,969,752)</u>	<u>(6,969,752)</u>
	<u>\$ 1,056,345</u>	<u>\$ 1,036,830</u>

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**4. Capital stock**

**Authorized:**

The authorized capital of the Company consists of an unlimited number of preference shares and common shares without par value. The preference shares may, from time to time, be issued in one or more series the rights, privileges, restrictions and conditions of which may be determined by the Board of Directors. No preference shares have been issued.

<b>Common shares issued:</b>	<b><u>Shares</u></b>	<b><u>Amount</u></b>
Balance, December 31, 2002	34,166,667	\$ 8,240,386
Issued to River Gold under private placement	2,666,667	310,902
Issued on conversion of indebtedness to River Gold	<u>1,333,333</u>	<u>160,000</u>
Balance, December 31, 2003 and June 30, 2004	<u>38,166,667</u>	<u>\$ 8,711,288</u>

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# Moss Lake Gold Mines Ltd.

## Notes to the Interim Financial Statements

(Unaudited)

Six months ended June 30, 2004

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### 4. Capital stock (continued)

#### Stock option plan

The Company has a stock option plan under which the Board of Directors may grant options to purchase common shares of the Company to key employees, officers or directors of the Company. The aggregate number of common shares which may be reserved for issuance under the plan is limited to 600,000.

The following table reflects the continuity for the three months ended June 30, 2004 and 2003 of options granted under the plan.

	Shares		Weighted Average Exercise Price	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Outstanding, beginning and end of period	<u>400,000</u>	<u>400,000</u>	\$ 0.20	\$ 0.20

The stock options granted in fiscal 2002 expire in June 2007.

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### 6. Loss per common share

Loss per common share for the three month and six month period is based on a weighted average number of shares outstanding of 38,166,667 and 34,166,667 for 2004 and 2003, respectively. The effect of common share purchase options on the net loss in both periods is not reflected as to do so would be anti-dilutive.

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### 7. Related party information

Under the terms of management agreements, River Gold, as manager, provides technical and administrative support and carries out annual exploration programs on the Moss Lake and the Fountain Lake Properties for an indefinite term. River Gold is entitled to administrative fees, expressed as a percentage of allowable costs (as defined and including capital expenditures) of 7.5% during the exploration phase, 5% during the development and pre-production phase and 2.5% after commencement of commercial production. Administrative fees charged amounted to \$598 and \$760 for 2004 and 2003, respectively, all of which were capitalized.

Payables and accruals at June 30, 2004 and December 31, 2003 included \$5,192 and \$1,648 due to River Gold, respectively.

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**Moss Lake Gold Mines Ltd.**  
**Notes to the Interim Financial Statements**  
(Unaudited)  
Six months ended June 30, 2004

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**8. Financial instruments**

The Company's financial instruments consist of cash, receivables and payables. 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. The Company estimates that the fair value of these financial instruments approximate the carrying values.

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**9. Environmental risks**

Moss Lake is committed to a program of environmental protection at its exploration sites. Moss Lake was in compliance with government regulations in 2004.