



**MOSS LAKE
GOLD MINES LTD**

MOSS LAKE GOLD MINES LTD.
INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
JUNE 30, 2006

MESSAGE TO SHAREHOLDERS

The increase in the Canadian dollar gold price since December, 2005 has generated new interest in the Moss Lake gold deposit. All prior work in terms of open pit mining scenarios, resource estimates, scoping studies and pre-feasibility level costing estimates were conducted by previous operators in the period 1987-1990.

The Company has engaged consultants Watts, Griffiths and McOuat Limited to complete a 43-101 technical report including resource estimates and recommendations for further work. This would comply with the current disclosure restrictions of the Canadian Securities Administrators.

The value of the Moss Lake deposit needs to be re-examined in terms of current operating and capital cost structures and particularly in light of current increasing Canadian dollar gold prices.

On behalf of the Directors,

George N. Mannard
President

August 11, 2006

MOSS LAKE GOLD MINES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Second Quarter Report **June 30, 2006**

The following discussion and analysis of the operations, results, and financial position of Moss Lake Gold Mines Ltd. (the "Company") for the second quarter ended June 30, 2006 should be read in conjunction with the December 31, 2005 audited financial statements and their related notes. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The effective date of this report is August 11, 2006.

All amounts are expressed in Canadian dollars unless otherwise indicated.

GENERAL BUSINESS OVERVIEW

Moss Lake Gold Mines Ltd. was formed in 1994 to consolidate ownership of the Moss Lake property. In 1999 it acquired the large adjoining Fountain Lake property. The Company began trading on the Toronto Stock Exchange in 1995. In 2000, the Company migrated to the TSX Venture Exchange.

SUMMARY OF QUARTERLY RESULTS

	2006		2005	
	2 nd Quarter	1 st Quarter	4 th Quarter	3 rd Quarter
Interest income	\$ 461	\$ 20	\$ 13	\$ 12
Net loss (in thousands)	127	25	7	18
Loss per share – basic and diluted	0.00	0.00	0.00	0.00
Total assets (in thousands)	1,469	1,298	1,296	1,289
Shareholders' equity (in thousands)	1,125	1,152	1,177	1,185
	2005		2004	
	2 nd Quarter	1 st Quarter	4 th Quarter	3 rd Quarter
Interest income	\$ 15	\$ 39	\$ 473	\$ 156
Net loss (in thousands)	33	19	12	10
Loss per share – basic and diluted	0.00	0.00	0.00	0.00
Total assets (in thousands)	1,275	1,274	1,294	1,141
Shareholders' equity (in thousands)	1,202	1,235	1,254	1,134

BALANCE SHEET AND OPERATIONS

At June 30, 2006, assets totalled \$1,468,985 compared to \$1,295,892 at year-end 2005. During the first half, 2006, the Company spent \$10,938 on royalties and \$883 on exploration expenditures on the Moss Lake property. The Company reported a loss before recovery of future income taxes for the second quarter of \$126,623 compared to a loss of \$32,515 in 2005. In the second quarter, the Company recognized \$100,000 in stock compensation expense related to stock options issued in June, 2006. The ongoing corporate and general expenses required to run a public company continue to be monitored closely.

LIQUIDITY AND CAPITAL RESOURCES

The Company is an exploration and development company and has no revenue. At June 30, 2006, the Company had cash resources of \$160,012 compared to \$117 at year-end 2005. The Company had working capital of \$124,581 at June 30, 2006, compared to a working capital deficit of \$111,713 at year-end 2005. During 2004, the Company issued flow-through common shares for gross proceeds of \$49,500 and issued 870,000 units for gross proceeds of \$104,400. Each unit consisted of one common share and one-half of one common share purchase warrant and each whole warrant has an exercise price of \$0.20 and is exercisable until October 4, 2006.

Subsequent to March 31, 2006, on April 24, the Company announced a convertible, unsecured promissory note had been arranged with majority shareholder Wesdome Gold Mines Ltd. The note has a two year term at 8% per annum and is convertible into common shares at \$0.25 per share. The funds were used to satisfy existing indebtedness of \$107,000 and provide funds for general working capital, exploration and technical studies on the Moss Lake gold deposit. Combined with the "in the money" outstanding warrants and stock options, it will be possible to fund activities for two years.

ANALYSIS OF EXPLORATION PROPERTIES

	Cost	Write down	Total
Balance, Dec 31, 2005	\$ 8,258,296	\$ (6,969,752)	\$ 1,288,544
Advance royalties	10,938	-	10,938
Camp operations	204	-	204
Retention	664	-	664
Administration fees	15	-	15
Balance, June 30, 2006	\$ 8,270,117	\$ (6,969,752)	\$ 1,300,365

ANALYSIS OF CORPORATE AND GENERAL EXPENSES

Six months ended June 30	2006	2005
Insurance	\$ 3,078	\$ 3,100
Audit fees	12,000	13,000
Legal fees	3,470	7,520
Professional fees	9,940	2,271
Stock exchange fees	5,200	3,100
Stock transfer fees	2,215	3,935
Filing fees	4,695	4,101
Shareholders' information	3,522	7,833
Investor communications	3,111	-
Promotion	2,962	4,026
Miscellaneous	201	720
	\$ 50,394	\$ 49,606

RESOURCE ESTIMATES

Resource estimates were performed in 1992 by the senior evaluation engineer of Noranda Exploration Company Ltd. The higher grade core estimate was completed by River Gold Mines Ltd. mine geologists in 1996. This estimate employed historic underground drifting data and closely-spaced surface drilling information. Although completed prior to the institution of National Instrument 43-101 (Standards of Disclosure for Mineral Projects), management believes its methodology and terminology are consistent with the new guidelines. Due to the quality and density of data, the historic estimates are deemed relevant by G. Mannard, P.Geol. and appropriately "Qualified Person".

CRITICAL ACCOUNTING ESTIMATES

Exploration properties

The Company has not yet determined whether its exploration properties contain reserves that are economically recoverable. The recoverability of the carrying values of exploration properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and future profitable production there from or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values. Management conducts periodic reviews of its mineral properties to determine if write-downs are required. Management estimated that no write-downs were required in the first half of 2006.

ENVIRONMENT

Moss Lake is committed to a program of environmental protection at its exploration sites. The Company was in compliance with government regulations in 2006.

RISKS AND UNCERTAINTIES

The inherent risks which most profoundly affect the Company's activities are the price of gold and the ability of the Company to obtain financing necessary to establish economic ore reserves. The Company has continued to rely on the financial support of parent company, Wesdome Gold Mines Ltd. ("Wesdome"). Although this cannot be counted upon in the future, Wesdome has been supportive of Moss Lake's efforts and has provided a backup source of capital.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, payables and loans. 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.

OUTSTANDING SHARE DATA

As of June 30, 2006, the Company's share information is as follows:

Common shares issued	<u>39,366,667</u>
Common share purchase options	<u>1,200,000</u>
Common share purchase warrants	<u>435,000</u>

OTHER INFORMATION

Additional information relating to the Company can be found on our website at www.mosslakegold.com and on SEDAR at www.sedar.com

OUTLOOK

The increase in the gold price has led to renewed interest in the Moss Lake gold deposit. All prior work in terms of resource estimates, pre-feasibility and scoping study estimates were conducted by previous operators in the period 1987-1990.

The Company has engaged consultants Watts, Griffiths and McQuat Limited to complete a 43-101 technical report, including resource estimates and recommendations for further work that would comply with current disclosure demands of the Canadian Securities Administrators.

The value of the Moss Lake deposit needs to be re-examined in terms of current operating and capital cost structures and particularly current favourable gold prices.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management on a timely basis so that decisions can be made regarding public disclosure. The Chief Executive Officer and the Chief Financial Officer have concluded that, as at the end of the period covered by this MD&A, the disclosure controls and procedures were effective.

FORWARD-LOOKING STATEMENTS

All statements, other than statements of historical fact, constitute "forward-looking statements" and are based on expectations, estimates and projections as at the date of this MD&A. The company does not intend, and does not assume any obligation to update these forward-looking statements, whether as a result of new information, future events or results or otherwise. The words "believe", "expect", "plan", "intend", "continue", "estimate", "may", "will" and similar expressions identify forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Factors that could cause results or events to differ materially from current expectations expressed or implied are inherent to the gold mining industry and include, but are not limited to, those discussed in the section entitled "Risks and Uncertainties"

Moss Lake Gold Mines Ltd.**Balance Sheets**

(Unaudited)

	June 30 2006	Dec 31 2005 (Audited)
Assets		
Current		
Cash	\$ 160,012	\$ 117
Receivables	<u>8,608</u>	<u>7,231</u>
	168,620	7,348
Exploration properties (Note 3)	<u>1,300,365</u>	<u>1,288,544</u>
	<u>\$ 1,468,985</u>	<u>\$ 1,295,892</u>

Liabilities

Current		
Payables and accruals	\$ <u>44,039</u>	\$ <u>119,061</u>
Loan from Wesdome Gold Mines Ltd. (Note 4)	<u>300,000</u>	<u>-</u>

Shareholders' Equity

Capital stock (Note 5)	8,839,123	8,839,123
Contributed surplus (Note 5)	104,300	4,300
Deficit	<u>(7,818,477)</u>	<u>(7,666,592)</u>
	<u>1,124,946</u>	<u>1,176,831</u>
	<u>\$ 1,468,985</u>	<u>\$ 1,295,892</u>

Operations and going concern assumption (Note 1)

The external auditors have not reviewed these interim financial statements.

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

	Six Months Ended June 30		Three Months Ended June 30	
	2006	2005	2006	2005
Interest Income	\$ <u>481</u>	\$ 54	\$ <u>461</u>	\$ 15
Costs and expenses				
Interest	1,973	-	1,973	-
Corporate and general	50,394	49,606	25,111	32,530
Stock compensation expense	100,000	-	100,000	-
Large corporation tax	-	1,500	-	-
	<u>152,367</u>	<u>51,106</u>	<u>127,084</u>	<u>32,530</u>
Net loss	(151,886)	(51,052)	(126,623)	(32,515)
Deficit, beginning of period	<u>(7,666,591)</u>	<u>(7,589,919)</u>	<u>(7,691,854)</u>	<u>(7,608,456)</u>
Deficit, end of period	\$ <u>(7,818,477)</u>	\$ <u>(7,640,971)</u>	\$ <u>(7,818,477)</u>	\$ <u>(7,640,971)</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>

Interim Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30		Three Months Ended June 30	
	2006	2005	2006	2005
Increase (decrease) in cash				
Operating activities				
Net loss	\$ (151,886)	\$ (51,052)	\$ (126,623)	\$ (32,515)
Stock compensation expense	100,000	-	100,000	-
Change in receivables and payables	<u>(76,400)</u>	<u>48,001</u>	<u>(109,228)</u>	<u>33,428</u>
	<u>(128,286)</u>	<u>(3,051)</u>	<u>(135,851)</u>	<u>913</u>
Financing activity				
Loan from Wesdome Gold Mines Ltd.	<u>300,000</u>	-	<u>300,000</u>	-
Investing activity				
Exploration properties	<u>(11,821)</u>	<u>(19,787)</u>	<u>(6,122)</u>	<u>(12,705)</u>
Net increase (decrease) in cash	159,895	(22,838)	158,028	(11,792)
Cash, beginning of period	<u>117</u>	<u>23,388</u>	<u>1,984</u>	<u>12,342</u>
Cash, end of period	\$ <u>160,012</u>	\$ <u>550</u>	\$ <u>160,012</u>	\$ <u>550</u>

The external auditors have not reviewed these interim financial statements.

Moss Lake Gold Mines Ltd.

Notes to the Interim Financial Statements

(Unaudited)

Six months ended June 30, 2006

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 was a subsidiary of River Gold Mines Ltd. ("River Gold"), a publicly held company, which is listed on the Toronto Stock Exchange. At December 31, 2005, River Gold held approximately 61% of the then outstanding common shares of the Company.

On February 1, 2006, Wesdome Gold Mines Ltd. ("Wesdome") completed the merger of Wesdome Gold Mines Inc. ("Wesdome Inc.") and River Gold to form Wesdome. Wesdome's common shares commenced trading over the facilities of the Toronto Stock Exchange on February 6, 2006.

The Merger involved the amalgamation of Wesdome Inc. with a wholly-owned subsidiary of River Gold (the "Amalgamation"). Immediately prior to the Amalgamation, River Gold filed articles of amendment (i) changing its name to "Wesdome Gold Mines Ltd." and (ii) consolidating the outstanding River Gold common shares on the basis that 1.538461538 of a common share of River Gold (each a "Pre-Consolidation River Share") became one post-consolidation River Gold common share (each a "Wesdome Share"); i.e. each Pre-Consolidation River Gold Share became 0.65 of a Wesdome Share. Upon the Amalgamation, each common share in the capital of Wesdome Inc. was exchanged for a Wesdome Share and the shareholders of Wesdome Inc. became shareholders of the combined entity.

As a result of these transactions, the ownership of the Company, previously held by River Gold, is now held by Wesdome.

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, 2006, the Company had a deficit of \$7.8 million. The recoverability of the carrying value of exploration properties is dependent upon the continued support of Wesdome, 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.

Moss Lake Gold Mines Ltd.

Notes to the Interim Financial Statements

(Unaudited)

Six months ended June 30, 2006

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, 2005.

3. Exploration properties

	June 30 <u>2006</u>	Dec 31 <u>2005</u>
Cost of properties	\$ 6,481,081	\$ 6,481,081
Exploration expenditures	1,413,910	1,413,027
Settlement of advance royalties	105,000	105,000
Underlying advance royalties	<u>270,126</u>	<u>259,188</u>
	<u>8,270,117</u>	8,258,296
Write-down of carrying values	<u>(6,969,752)</u>	<u>(6,969,752)</u>
	<u>\$ 1,300,365</u>	<u>\$ 1,288,544</u>

The Company has interests in the following contiguous properties in the Moss Township, west of Thunder Bay, Ontario:

Moss Lake property

The Company has a 100% interest in this property consisting of 10 mining claims of 11 claim units and 2 mining leases of 15 units 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 3 mining claims of 15 contiguous claim units acquired in 1998. These units are subject to a 1% net smelter return royalty.

Fountain Lake property

The Company has a 100% interest in this property consisting 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. This royalty is subject to a buyback clause whereby the royalty may be reduced to 1.5% net smelter return for consideration of \$1.0 million.

4. Loan from Wesdome Gold Mines Ltd.

On June 2, 2006, the Company obtained a \$300,000 loan from Wesdome. In consideration, therefore, the Company issued to Wesdome a convertible unsecured promissory note having a 2 year term and bearing interest at 8% per annum. The principal amount of the note is convertible into common shares in the capital of the Company at \$0.25 per share.

Moss Lake Gold Mines Ltd.

Notes to the Interim Financial Statements

(Unaudited)

Six months ended June 30, 2006

5. 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.

Common shares issued:	<u>Shares</u>	<u>Amount</u>
Balance, December 31, 2005 and June 30, 2006	<u>39,366,667</u>	\$ <u>8,839,123</u>

Stock option plan and contributed surplus

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 10% of the Company's issued and outstanding common shares from time to time. As at June 30, 2006, 3,136,667 (December 31, 2005: 3,936,667) common shares are available for grant under the plan.

The following table reflects the continuity for the three months ended June 30, 2006 and 2005 of options granted under the plan.

	<u>Shares</u>		<u>Weighted Average Exercise Price</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Outstanding, beginning of period	400,000	500,000	\$ 0.20	\$ 0.20
Granted	800,000	-	\$ 0.25	-
Outstanding, end of period	<u>1,200,000</u>	<u>500,000</u>		

The following information applies to options outstanding and exercisable at June 30, 2006.

<u>Exercise Price</u>	<u>Number Outstanding</u>	<u>Weighted Average Remaining Contractual Life</u>	<u>Weighted Average Exercise Price</u>
\$0.20	300,000	1.00 years	\$ 0.20
\$0.20	100,000	3.25 years	\$ 0.20
\$0.25	<u>800,000</u>	5.00 years	\$ 0.25
	<u>1,200,000</u>		

The fair value of the options granted in 2006 was estimated on the date of grant using the Black-Scholes option pricing model. The weighted average fair value per share price of \$0.125 was calculated using the following weighted average assumptions: dividend yield of 0%, expected volatility of 80%, risk-free interest rate of 4.5% and expected life of 2.5 years.

The contributed surplus balance relating to stock options was \$104,300 as at June 30, 2006 and \$4,300 as at December 31, 2005.

Moss Lake Gold Mines Ltd.

Notes to the Interim Financial Statements

(Unaudited)

Six months ended June 30, 2006

5. Capital stock (continued)

Warrants

The following table reflects the continuity of warrants for the period ended June 30, 2006.

<u>Expiry Date</u>	<u>Exercise Price</u>	<u>Opening Balance</u>	<u>Number of common shares</u>		<u>Closing Balance</u>
			<u>Issued</u>	<u>Exercised</u>	
October 4, 2006	\$0.20	435,000	-	-	435,000

6. Loss per common share

Loss per common share for the three month and six month periods in 2006 and 2005 is based on a weighted average number of shares outstanding of 39,366,667.

The effect of common share purchase options and warrants on the net loss in both periods is not reflected as to do so would be anti-dilutive.

7. Related party information

Under the terms of management agreements, Wesdome, 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. Wesdome 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 \$15 and \$661 for 2006 and 2005, respectively, all of which were capitalized to exploration properties.

Payables and accruals at June 30, 2006 and December 31, 2005 included \$12,858 and \$86,902 due to Wesdome, respectively.

Payables and accruals at June 30, 2006 included \$3,617 (December 31, 2005: \$8,346) due to Western Québec Mines Inc. ("WQM") for reimbursement of expenses. These transactions were in the normal course of operations and were measured at the exchange amounts. The Company is related to WQM through common management.

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

(Unaudited)

Six months ended June 30, 2006

8. Financial instruments

The Company's financial instruments consist of cash, receivables, payables and loans. 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.

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 2006.

10. Indemnities

The Company has agreed to indemnify its directors and officers, and certain of its employees in accordance with the Company's by-laws. The Company maintains insurance policies that may provide coverage against certain claims.