MOSS LAKE GOLD MINES LTD.

INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED

SEPTEMBER 30, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

Third Quarter Report
September 30, 2007

The following discussion and analysis of the operations, results, and financial position of Moss Lake Gold Mines Ltd. (the "Company") for the third quarter ended September 30, 2007 should be read in conjunction with the December 31, 2006 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 November 26, 2007.

All amounts are expressed in Canadian dollars unless otherwise indicated.

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", "schedule" 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".

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, including the Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made to facilitate full and timely disclosure to the public.

An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures was conducted as of September 30, 2007, by and under the supervision of management, including the Chief Executive Officer and Chief Financial Officer. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that disclosure controls and procedures, as defined in Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, are effective to ensure that information required to be disclosed in reports that are filed or submitted under Canadian securities legislation are recorded, processed, summarized and reported within the time periods specified in those rules.

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.

BALANCE SHEET AND OPERATIONS

At September 30, 2007, assets totalled $1,419,283 compared to $1,476,282 at year-end 2006. During the first nine months, 2007, the Company spent $16,406 on royalties and $3,568 on expenditures for the Moss Lake property and spent $nil on exploration expenditures on the Fountain Lake property. The Company reported a loss before recovery of future income taxes for the third quarter of $28,182 compared to a loss of $33,208 in 2006. The ongoing corporate and general expenses required to run a public company continue to be monitored closely.

During the first nine months of 2007, corporate and general expenses were $63,647 compared to $78,413 in the first nine months of 2006.

LIQUIDITY AND CAPITAL RESOURCES

The Company is an exploration and development company and has no revenue. At September 30, 2007, the Company had cash resources of $4,120 compared to $78,072 at year-end 2006. The Company had a working capital deficit of $17,700 at September 30, 2007, compared to a working capital of $43,137 at year-end 2006.

On April 24, 2006, the Company announced a convertible, unsecured promissory note had been arranged with majority shareholder Wesdome Gold Mines Ltd. (“Wesdome”). 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 and an independent 43-101 Technical Report and mineral resource estimate on the Moss Lake gold deposit.

On September 30, 2006, 250,000 warrants from a 2004 flow-through share financing were exercised at a price of $0.20 per share for proceeds of $50,000.

On June 28, 2007, 200,000 stock options were exercised at a price of $0.20 per share for proceeds of $40,000.

SUMMARY OF QUARTERLY RESULTS

	2007			2006
	3rd Quarter	**2nd Quarter**	**1st Quarter**	**4th Quarter**
Interest income	$ 134	$ 180	$ 421	$ 717
Net loss (in thousands)	28	89	49	19
Loss per share – basic and diluted	0.00	0.00	0.00	0.00

	2006			2005
	3rd Quarter	**2nd Quarter**	**1st Quarter**	**4th Quarter**
Interest income	$ 860	$ 461	$ 20	$ 13
Net loss (in thousands)	33	127	25	7
Loss per share – basic and diluted	0.00	0.00	0.00	0.00

ANALYSIS OF EXPLORATION PROPERTIES

	Cost	Write down	Total
Balance, December 31, 2006	**$ 8,355,843**	**$ (6,969,752)**	**$ 1,386,091**
Advance royalties	16,406	-	16,406
Camp operations	209	-	209
Claim staking	1,400	-	1,400
Retention	1,746	-	1,746
Administration fees	213	-	213
Balance, September 30, 2007	**$ 8,375,817**	**$ (6,969,752)**	**$ 1,406,065**

ANALYSIS OF CORPORATE AND GENERAL EXPENSES

Nine months ended September 30	**2007**	2006
Insurance	**$ 5,268**	$ 4,564
Salaries	**7,655**	16,265
Audit fees	**14,465**	18,000
Legal fees	**2,364**	6,688
Professional fees	**2,700**	2,956
Stock exchange fees	**5,100**	8,537
Stock transfer fees	**6,932**	4,202
Filing fees	**3,559**	5,075
Shareholders' information	**5,378**	3,813
Investor communications	**610**	3,111
Promotion	**9483**	2,135
Miscellaneous	**133**	3,067
	$ 63,647	$ 78,413

RESOURCE ESTIMATES

In November, 2006, the Company received a 43-101 Technical Report, including mineral resource estimates on the Moss Lake property, from independent consultants Watts, Griffis and McOuat Ltd. To an 840 foot depth the deposit is estimated to contain Inferred Resources of 56,114,000 tons grading 0.027 ounces Au per ton, or about 1.51 million ounces. When a 0.015 ounce per ton cut-off grade is applied within the mineralized envelope, an Inferred Resource of 38,968,000 tons at 0.035 ounces per ton, or about 1.36 million contained ounces, results. The lead Qualified Person for the report was John R. Sullivan, P.Geo.

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 2007.

ENVIRONMENT

Moss Lake is committed to a program of environmental protection at its exploration sites. The Company was in compliance with government regulations in 2007.

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. 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.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Financial Reporting

Management is responsible for certifying the design of the Company's internal control over financial reporting ("ICFR") as required by Multilateral Instrument 52-109 – "Certification of Disclosure in Issuers' Annual and Interim Filings."

Our ICFR is intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable Canadian GAAP. ICFR should include those policies and procedures that establish the following:

- maintenance of records in reasonable detail, that accurately and fairly reflect the transactions and dispositions of our assets
- reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with applicable Canadian GAAP
- receipts and expenditures are only being made in accordance with authorizations of management and the Board of Directors
- reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial instruments.

Because of its inherent limitations, ICFR may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management, including the Chief Executive Officer and Chief Financial Officer, carried out an assessment of the design of the Company's internal controls over financial reporting and concluded that the following disclosable weaknesses existed as at June 30, 2007.

Segregation of Duties

Segregation of duties is a basic, key internal control and one of the most difficult to achieve. It is used to ensure that errors or irregularities are prevented or detected on a timely basis by employees in the normal course of business.

Due to limited resources adequate segregation of duties within the accounting group was not achieved. This creates a risk that inaccurate journal entries could be made and not corrected on a timely basis. The result is that the Company is highly reliant on the performance of mitigating procedures during its financial close processes and in order to ensure the financial statements are fairly presented in all material respects.

Management will review the current assignment of responsibilities and where possible improve on segregation. Where it is not cost effective to obtain additional accounting resources, management will review existing mitigating controls and, if appropriate, implement changes to ICFR whereby more effective mitigating controls will be adopted.

GAAP Accounting Expertise
Application of certain of the Company's accounting policies is complex and requires advanced knowledge of GAAP which the Company may not have within the limited resources in its accounting group. When and as required, management consults with outside advisors to mitigate this risk in order to ensure the financial statements are fairly presented in all material respects.

Disclosure Controls
The CEO and CFO are responsible for establishing and maintaining the disclosure controls and procedures and have so certified, as required by Multilateral Instrument 52-109. These officers have evaluated the effectiveness of the Company's disclosure controls and procedures and have concluded that the disclosure controls and procedures at the Company provide management a reasonable level of assurance information required to be disclosed by the Company on a continuous basis and in annual and interim filings or other reports is recorded, processed, summarized and reported or disclosed on a timely basis as required.

It should be noted that while the CEO and CFO believe that the Company's disclosure controls and internal control procedures provide a reasonable level of assurance that they are effective, they do not expect disclosure controls and internal control procedures over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

OUTLOOK

The value of the Moss Lake deposit needs to be re-examined in terms of current operating and capital cost structures and particularly in terms of the current gold price, which is above Cdn$800 per ounce, or about Cdn$25.70 per gram.

In order to accomplish this, the Company will act on recommendations of Watts, Griffis and McOuat Ltd. and commence a preliminary economic assessment study next year. Positive results will be followed by a drilling program to upgrade the current resource classification.

Management feels that Moss Lake's assets are undervalued compared to our peers and feels positive results from the preliminary economic assessment will provide the catalyst for a significant revaluation of its shares in the marketplace.

OUTSTANDING SHARE DATA

As of November 26, 2007, the Company's share information is as follows:

Common shares issued	39,816,667
Common share purchase options	1,500,000

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

Moss Lake Gold Mines Ltd.

(A Development Stage Company)

Balance Sheets

(Unaudited)

		Sept 30 2007		Dec 31 2006 (Audited)
Assets				
Current				
Cash	**$**	**4,120**	$	78,072
Receivables		**9,098**		12,119
		13,218		90,191
Exploration properties (Note 3)		**1,406,065**		1,386,091
	$	**1,419,283**	$	1,476,282

		Sept 30 2007		Dec 31 2006 (Audited)
Liabilities				
Current				
Payables and accruals	**$**	**30,918**	$	47,054
Convertible promissory note (Note 4)		**293,240**		285,635
		324,158		332,689
Shareholders' Equity				
Capital stock (Note 5)		**8,929,123**		8,889,123
Contributed surplus (Note 5)		**181,900**		104,300
Equity component of convertible promissory note		**20,280**		20,280
Deficit		**(8,036,178)**		(7,870,110)
		1,095,125		1,143,593
	$	**1,419,283**	$	1,476,282

Operations and going concern assumption (Note 1)

The external auditors have not reviewed these interim financial statements.

Moss Lake Gold Mines Ltd.

(A Development Stage Company)

Interim Statements of Operations and Deficit

(Unaudited)

	Nine Months Ended Sept 30		Three Months Ended Sept 30	
	2007	2006	**2007**	2006
Interest Income	**$ 735**	$ 1,341	**$ 134**	$ 860
Costs and expenses				
Interest	**25,556**	8,022	**8,585**	6,049
Corporate and general	**63,647**	78,413	**19,731**	28,019
Stock compensation expense	**77,600**	100,000	**-**	-
	166,803	186,435	**28,316**	34,068
Net loss	**(166,068)**	(185,094)	**(28,182)**	(33,208)
Deficit, beginning of period	**(7,870,110)**	(7,666,591)	**(8,007,996)**	(7,818,477)
Deficit, end of period	**$ (8,036,178)**	$ (7,851,685)	**$ (8,036,178)**	**$** (7,851,685)
Net loss per common share (Note 6)				
Basic and fully diluted	**$ (0.00)**	$ (0.00)	**$ (0.00)**	$ (0.00)

Interim Statements of Cash Flows

(Unaudited)

	Nine Months Ended Sept 30		Three Months Ended Sept 30	
	2007	2006	**2007**	2006
Increase (decrease) in cash				
Operating activities				
Net loss	**$ (166,068)**	$ (185,094)	**$ (28,182)**	$ (33,208)
Stock compensation expense	**77,600**	100,000	**-**	-
	(88,468)	(85,094)	**(28,182)**	(33,208)
Change in receivables and payables	**(13,115)**	(82,380)	**(11,135)**	(5,982)
	(101,583)	(167,474)	**(39,317)**	(39,190)
Financing activity				
Loan from Wesdome Gold Mines Ltd.	**7,605**	300,000	**2,535**	-
Common share issue	**40,000**	50,000	**40,000**	(50,000)
Options exercised	**-**	-	**(40,000)**	-
	47,605	350,000	**2,535**	(50,000)
Investing activity				
Exploration properties	**(19,974)**	(69,555)	**(6,006)**	(57,734)
Net increase (decrease) in cash	**(73,952)**	112,971	**(42,788)**	(46,924)
Cash, beginning of period	**78,072**	117	**46,908**	160,012
Cash, end of period	**$ 4,120**	$ 113,088	**$ 4,120**	$ 113,088

The external auditors have not reviewed these interim financial statements.

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 carries on business in one segment, being the acquisition, exploration and development of properties for the mining of precious and base metals in Canada (see Note 3 for developments to date). The Company has not earned any revenue to date from its operations and is therefore, considered to be in the development stage. The amounts shown as property acquisition costs do not necessarily represent present or future values.

The Company was a subsidiary of River Gold Mines Ltd. ("River Gold"), a publicly held company, which is listed on the Toronto Stock Exchange.

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

The Merger involved the amalgamation of Old Wesdome 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 "New Wesdome Share"); i.e. each Pre-Consolidation River Gold Share became 0.65 of a New Wesdome Share. Upon the Amalgamation, each common share in the capital of Old Wesdome was exchanged for a New Wesdome Share and the shareholders of Old Wesdome 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 Gold Mines Ltd. ("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 September 30, 2007, the Company had a deficit of $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.

2. Significant accounting policies

These financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada, and reflect the following significant accounting policies:

Estimates, risks and uncertainties
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses and other income during the year. Significant estimates and assumptions include those related to the recoverability of mineral exploration properties and stock compensation expense. While management believes that these estimates and assumptions are reasonable, actual results could vary significantly.

The Black Scholes option valuation model used by the Company to determine the fair value of options was developed for use in estimating the fair value of freely traded options. This model requires the input of highly subjective assumptions including future stock price volatility and expected time until exercise. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing model does not necessarily provide a reliable single measure of the fair value of the Company's stock options granted during the year.

Exploration properties
All direct costs associated with exploration properties are capitalized as incurred. If a property proceeds to development, these costs become part of preproduction and development costs of the mine. If a property is abandoned or continued exploration is not deemed appropriate in the foreseeable future, the related costs and expenditures are written off.

The amounts capitalized represent costs to be charged to operations in the future and do not necessarily reflect the present or future values of the particular properties.

Impairment of long-lived assets
The Company monitors events and changes in circumstances which may require an assessment of the recoverability of its long-lived assets. If required, the Company would assess recoverability using estimated undiscounted future operating cash flows. If the carrying amount of an asset is not recoverable, an impairment loss is recognized in operations, measured by comparing the carrying amount of the asset to its fair value.

Asset retirement and reclamation obligation
The fair value of the liability for an asset retirement obligation is recorded when it is incurred and the corresponding increase to the asset is depreciated over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value. At September 30, 2007, the Company has not incurred or committed to any reclamation obligation on its exploration properties.

Stock-based compensation plan
The Company has adopted the recognition of compensation expense for grants of stock options to officers, directors and employees based on the estimated fair value at the grant date prospectively for new stock-based compensation awards granted after January 1, 2003.

2. Significant accounting policies (continued)

Flow-through shares
The Company has financed a portion of its exploration activities through the issuance of flow-through shares. Under the terms of the flow-through share agreements, the tax attributes of the related expenditures are renounced to subscribers. To recognize the foregone tax benefits to the Company, the carrying value of the shares issued is reduced by the tax effect of the tax benefits renounced to subscribers. The foregone tax benefit is recognized at the time of the renouncement provided there is a reasonable assurance that the expenditures will be incurred.

Income taxes
Income taxes are calculated using the asset and liability method of tax accounting. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and on unclaimed losses carried forward and are measured using the substantively enacted tax rates that will be in effect when the differences are expected to reverse or losses are expected to be utilized. A valuation allowance is recognized to the extent that the recoverability of future income tax assets is not considered more likely than not.

Loss per common share
Basic loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period, including contingently issuable shares which are included when the conditions necessary for issuance have been met. Diluted earnings per share is calculated in a similar manner, except that the weighted average number of common shares outstanding is increased to include potentially issuable common shares from the assumed exercise of options and warrants, if dilutive. The number of additional shares included in the calculation is based on the treasury stock method for options and warrants.

Changes in accounting policies
Effective January 1, 2007, the Company adopted the following new accounting standards in accordance with the transitional provisions of the Canadian Institute of Chartered Accountants ("CICA").

(i) Financial Instruments – recognition and measurement
Section 3855, Financial Instruments – Recognition and Measurement and Section 3861, Financial Instruments – Disclosure and Presentation, prescribe the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. These sections also address how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The Company is required to designate its financial instruments into one of the following five categories: held for trading, available for sale, held to maturity, loans and receivables, and other financial liabilities. All financial instruments are to be initially measured at fair value. Financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

2. Significant accounting policies (continued)

All derivative financial instruments, including derivative features embedded in financial instruments or other contracts but which are not considered closely related to the host financial instrument or contract, are generally classified as held for trading and, therefore, must be measured at fair value with changes in fair value recorded in net earnings. However, if a derivative financial instrument is designated as a hedging item in a qualifying cash flow hedging relationship, the effective portion of changes in fair value is recorded in other comprehensive income. Any change in fair value relating to the ineffective portion is recorded immediately in net earnings.

Under Section 3855, embedded derivatives are required to be separated from the host contract and accounted for as a derivative financial instrument if the embedded derivative and host contract are not closely related, and the combined contract is not held for trading or designated at fair value.

(ii) Comprehensive Income

Section 1530, Comprehensive Income, introduces a new financial statement "Statement of Comprehensive Income" and provides guidance for the reporting and display of other comprehensive income and accumulated other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in the fair value of the effective portion of cash flow hedging instruments.

(iii) Hedges

Section 3865, Hedges, requires that the Company document its risk strategy objectives and the relationship between the hedging instrument and hedged item. The Company is also required to assess the effectiveness of the hedging relationship throughout its term and that it remains consistent with the Company's risk strategy. The effective portion of changes in fair value of derivatives that are classified as cash flow hedges is recognized in other comprehensive income. Any gains or losses in fair value relating to the ineffective portion are recognized immediately in net income. Amounts accumulated in other comprehensive income should be reclassified into net income as the hedged item affects income.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income remains until the forecasted transaction is eventually recognized in net income. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to net income

3. Exploration properties

	Sept 30 2007	Dec 31 2006
Cost of properties	**$ 6,481,081**	$ 6,481,081
Exploration expenditures	**1,492,267**	1,488,699
Settlement of advance royalties	**105,000**	105,000
Underlying advance royalties	**297,469**	281,063
	8,375,817	8,355,843
Write-down of carrying values	**(6,969,752)**	(6,969,752)
	$ 1,406,065	$ 1,386,091

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. Convertible promissory note

On June 2, 2006, the Company obtained a $300,000 loan from Wesdome. As consideration the Company issued to Wesdome a convertible unsecured promissory note (the "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. If Wesdome converts the principal amount of the note into Moss Lake shares, Wesdome will acquire an additional 1.2 million Moss Lake shares increasing its ownership by 3% to 64% of the issued and outstanding shares of Moss Lake.

The liability component of the note, in the amount of $279,720, is calculated as the present value of the principal and interest, discounted at a rate of approximately the interest rate that would have been applicable to non-convertible debt at the time the loan was issued. This portion of the note is accreted over its term to the full face value by charges to interest expense. The equity element of the note, in the amount of $20,280, is comprised of the value of the exchange option, being the difference between the face value of the note and the liability component.

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:	Shares	Amount
Balance, December 31, 2006	39,616,667	$ 8,889,123
Exercise of stock options	200,000	40,000
Balance, September 30, 2007	39,816,667	$ 8,929,123

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 September 30, 2007, 2,461,667 common shares are available for grant under the plan.

The following table reflects the continuity for the three months ended September 30, 2007 and 2006 of options granted under the plan.

	Shares		Weighted Average Exercise Price	
	2007	2006	**2007**	2006
Outstanding, beginning period	**1,500,000**	1,200,000	**$ 0.25**	$ 0.23
Granted	**-**	-	**$ -**	$ -
Outstanding, end of period	**1,500,000**	1,200,000	**$ 0.25**	$ 0.23

The following information applies to options outstanding and exercisable at September 30, 2007.

Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
$0.20	100,000	2.00 years	$ 0.20
$0.25	800,000	3.75 years	$ 0.25
$0.30	100,000	4.25 years	$ 0.30
$0.25	500,000	4.75 years	$ 0.25
	1,500,000		

The fair value of the options granted in fiscal 2007 and 2006 was estimated on the date of grant using the Black-Scholes option pricing model. For fiscal years 2007 and 2006, the weighted average fair value per share price of $0.128 (2006: $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 $181,900 and $104,300 at September 30, 2007 and December 31, 2006, respectively.

6. Loss per common share

Loss per common share is based on a weighted average number of shares outstanding of 39,816,667 for the three months ended September 30, 2007 (2006: 39,616,667) and 39,885,531 for the nine months ended September 30, 2007 (2006: 39,616,667). The effect of common share purchase options and warrants on the net loss in 2007 and 2006 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 $211 and $3,781 for 2007 and 2006, respectively, all of which were capitalized to exploration properties.

Payables and accruals at September 30, 2007 and December 31, 2006 included $11,049 and $290 respectively, due to Wesdome.

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 approximates the carrying values given their short-term nature.

The carrying value of the convertible promissory note approximates fair value as the note was recorded at the approximate market rate on such debt.

9. Environmental risks

Moss Lake is committed to a program of environmental protection at its exploration sites. Management believes that it was in material compliance with government regulations in 2007.

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.

11. Subsequent events

On November 15, 2007, the Company announced the closing of a non-brokered private placement of 2,470,593 common shares issued on a flow-through basis at a price of $0.33 per flow-through share and 1,599,978 units at a price of $0.25 per unit for aggregate gross proceeds of $1,215,290. Each unit consists of one common share and one-half of one common share purchase warrant, each warrant entitling the holder thereof to acquire one common share upon payment of $0.40 per common share for a period of twenty-four months.

The Company issued 193,660 finder's fee warrants, each finder's fee warrant entitling the holder thereof to acquire one common share upon payment of $0.25 per common share for a period of twenty-four months, and paid an aggregate of $59,950 to certain entities in connection with introductions of investors made by the finders.

The proceeds from the offering will be used to commence a preliminary economic assessment study. Positive results will be followed by a drilling program to upgrade the current resource classification.