



**MOSS LAKE  
GOLD MINES LTD**

MOSS LAKE GOLD MINES LTD.  
INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED  
MARCH 31, 2008

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **First Quarter Report March 31, 2008**

The following discussion and analysis of the operations, results, and financial position of Moss Lake Gold Mines Ltd. (the "Company") for the first quarter ended March 31, 2008 should be read in conjunction with the December 31, 2007 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 May 22, 2008.

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".

### **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. The principle asset of the Company is the Moss Lake gold deposit. This large, low grade resource's value is sensitive to the gold price.

### **BALANCE SHEET AND OPERATIONS**

At March 31, 2008, assets totalled \$2,463,714 compared to \$2,624,977 at year-end 2007. During the first quarter, 2008, the Company spent \$5,469 on royalties and \$47,108 on exploration expenditures for the Moss Lake property and spent \$nil on exploration expenditures on the Fountain Lake property. The Company reported a loss for the first quarter of \$46,483 compared to a loss of \$49,106 in the first quarter of 2007. The ongoing corporate and general expenses required to run a public company continue to be monitored closely.

During the first quarter of 2008, corporate and general expenses were \$42,549 compared to \$25,974 in the first quarter of 2007. This included increased expenditures on promotion and marketing.

Preliminary assessment work is in progress and involves pit modelling, operating and capital cost studies and economic modelling. The drilling program started in March, 2007, and will continue this spring.

### **LIQUIDITY AND CAPITAL RESOURCES**

The Company is an exploration and development company and has no revenue. At March 31, 2008, the Company had cash resources of \$831,175 compared to \$1,092,158 at year-end 2007.

The Company had working capital of \$559,382 at March 31, 2008, compared to \$658,442 at year-end 2007.

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. This note is due on June 2, 2008, and is carried as a current liability for \$298,310. The Company has agreed to extend the term of the note to November 30, 2008, on identical terms as previous.

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

On November 15, 2007, the Company closed a private placement of 2.5 million flow-through shares and 1.6 million common shares for gross proceeds of \$1.2 million. These funds will support planned drilling, technical and economic studies of the Moss Lake gold deposit and cover general working capital requirements.

#### TRANSACTIONS WITH RELATED PARTIES

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 \$3,266 for the period ended March 31, 2008, and \$7,531 for the year ended December 31, 2007, all of which were capitalized to exploration properties.

Payables and accruals at March 31, 2008 and March 31, 2007 included \$5,467 and \$2,247 respectively, due to Wesdome.

The Company has also paid Wesdome cash interest on the convertible promissory note of \$5,984 (2007: \$5,917) for the first quarter.

#### SUMMARY OF QUARTERLY RESULTS

	2008		2007	
	1 <sup>st</sup> Quarter	4 <sup>th</sup> Quarter	3 <sup>rd</sup> Quarter	2 <sup>nd</sup> Quarter
Interest income	\$ 4,584	\$ 4,152	\$ 134	\$ 180
Net loss (in thousands)	46	48	28	89
Loss per share – basic and diluted	0.00	0.00	0.00	0.00
	2007		2006	
	1 <sup>st</sup> Quarter	4 <sup>th</sup> Quarter	3 <sup>rd</sup> Quarter	2 <sup>nd</sup> Quarter
Interest income	\$ 421	\$ 717	\$ 860	\$ 461
Net loss (in thousands)	49	19	33	127
Loss per share – basic and diluted	0.00	0.00	0.00	0.00

## ANALYSIS OF EXPLORATION PROPERTIES

	Cost	Write down	Total
<b>Balance, December 31, 2007</b>	<b>\$ 8,486,311</b>	<b>\$ (6,969,752)</b>	<b>\$ 1,516,559</b>
Advance royalties	5,469	-	5,469
Technical report	40,000	-	40,000
Camp operations	3,077	-	3,077
Assays	468	-	468
Retention	297	-	297
Administration fees	3,266	-	3,266
<b>Balance, March 31, 2008</b>	<b>\$ 8,538,888</b>	<b>\$ (6,969,752)</b>	<b>\$ 1,569,136</b>

## ANALYSIS OF CORPORATE AND GENERAL EXPENSES

Three months ended March 31	2008	2007
Insurance	\$ 2,095	\$ 1,485
Audit fees	4,500	6,000
Professional fees	5,252	3,055
Stock exchange fees	6,300	4,900
Stock transfer fees	1,414	1,959
Filing fees	345	5,216
Shareholders' information	1,218	1,894
Conventions	15,745	-
Advertising and promotion	4,700	1,415
Miscellaneous	980	50
	<b>\$ 42,549</b>	<b>\$ 25,974</b>

## 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 Limited. To 840 feet 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.Geol.

## 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.

Significant estimates and assumptions are also used in the determination of future income tax assets and liabilities and stock compensation. While management believes that these estimates and assumptions are reasonable, actual results could vary significantly.

## FINANCIAL INSTRUMENTS

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 1% to 56% 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 12%, a rate of approximately the interest rate that would have been applicable to non-convertible debt at the time the note 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.

The net value assigned to the liability component on issuance was \$279,719. At March 31, 2008, the face value of the note is \$300,000 however the note is valued at \$298,310 using an effective interest rate of 11.67% and includes accretion of the discount during the period of \$2,535 (2007: \$2,535), which is included in interest expense on long term debt.

The Company's other 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.

## FINANCIAL INSTRUMENTS – DISCLOSURES AND PRESENTATION

On January 1, 2008, the Company adopted the recommendations of new CICA Handbook sections 3862 "*Financial Instruments – Disclosures*" and 3863 "*Financial Instruments – Presentation*". These new sections replace section 3861, "*Financial Instruments – Disclosures and Presentation*". Section 3862 on financial instruments disclosures, requires the disclosure of information about: a) the significance of financial instruments for the entity's financial position and performance and b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. Section 3863 on the presentation of financial instruments is unchanged from the presentation requirements included in Section 3861.

### *Financial instruments – fair values*

Following is a table which sets out the fair values of recognized financial instruments using the valuation methods and assumptions described below:

	<b>March 31 2008</b>	December 31 <u>2007</u>
<u>Financial assets</u>		
Held for trading:		
Cash and cash equivalents	\$ 831,175	\$ 1,092,158
Loans and receivables:		
Receivables	63,403	16,260
<u>Financial liabilities</u>		
Other financial liabilities		
Payables and accruals	\$ 36,886	\$ 154,201
Convertible promissory note	298,310	295,775

#### *Determination of fair value*

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between willing parties. The Company uses the following methods and assumptions to estimate fair value of each class of financial instruments for which carrying amounts are included in the Consolidated Balance Sheet as follows:

Cash and cash equivalents – The carrying amounts approximate fair values due to the short maturity of these financial instruments.

Receivables – The carrying amounts approximate fair values due to the short maturity of these financial instruments.

Payables and accruals - The carrying amounts approximate fair values due to the short maturity of these financial instruments.

Convertible promissory note – The carrying amount is calculated at the present value of the principal and interest discounted at a rate approximately the interest rate that would have been applicable to non-convertible debt at the time the loan was issued. Management considers this interest rate to reflect current rate. The equity element is being amortized using the effective interest method.

#### **Financial Risk Management**

The company is exposed to a number of different risks arising from normal course business exposures, as well as the Company's use of financial instruments. These risk factors include: (1) market risks relating to interest rate risk; (2) liquidity risk; and, (3) credit risk. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and establishes and monitors risk management policies to: identify and analyze the risks faced by the Company; to set appropriate risk limits and controls; and to monitor risks and adherence to market conditions and the Company's activities.

##### **1) Market risk**

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of the business. As a development stage company the market price movements that could adversely affect the value of the Company's financial assets, liabilities and expected future cash flows are limited to interest rate risk. Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company's cash and cash equivalents include highly liquid investments that earn interest at market rates. Fluctuations in market rates of interest do not have a significant impact on the Company's results of operations due to the short term to maturity of the investments held.

##### **2) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from anticipated investing and financing activities. The Company believes it has access to sufficient capital through equity and debt capital markets. Senior management is also actively involved in the review and approval of planned expenditures.

The following table shows the timing of cash outflows relating to trade payables and accruals and convertible promissory note:

	<u>&lt;1 Year</u>	<u>1-2 Years</u>	<u>3-5 Years</u>	<u>Over 5 Years</u>
Accounts payable & accrued liabilities	\$ 36,886			
Convertible promissory note	300,000			

### 3) **Credit risk**

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The Company's accounts receivable consist primarily of deposits against future exploration contracts. The Company manages credit risk by maintaining bank accounts with Schedule 1 Canadian banks and investing only in Guaranteed Investment Certificates. The Company's cash is not subject to any external restrictions.

## **ENVIRONMENT**

Moss Lake is committed to a program of environmental protection at its exploration sites. The Company was in compliance with government regulations in 2008.

## **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.

## **CHANGES IN ACCOUNTING POLICIES**

### ***Financial Instruments and Capital Disclosures***

The CICA has issued the following accounting standards effective for fiscal years beginning on or after January 1, 2008: Section 3862 "*Financial Instruments – Disclosures*", Section 3863 "*Financial Instruments – Presentation*" and Section 1535 "*Capital Disclosures*".

Section 3862 "*Financial Instruments – Disclosures*" and Section 3863 "*Financial Instruments – Presentation*" replace Section 3861 "*Financial Instruments – Disclosure and Presentation*", revising disclosures related to financial instruments, including hedging instruments, and carrying forward unchanged presentation requirements.

Section 1535 "*Capital Disclosures*" requires the Company to provide disclosures about the Company's capital and how it is managed.

The adoption of these new accounting standards did not impact the classification and valuation reported in the Company's financial statements; however, it did result in expanded note disclosure (see Note 9 and Note 12).

## **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*."

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 weakness existed as at March 31, 2008.

#### ***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 in order to ensure the financial statements are presented fairly 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.

#### ***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**

In 2008, the Company engaged Watts Griffis and McOuat to perform a preliminary economic assessment of the Moss Lake gold deposit. This will be accompanied by 6,000 metres of in-fill and exploration drilling designed to upgrade the resource model, provide geotechnical information and advance the project towards pre-feasibility stage studies as warranted. These two elements are being conducted concurrently and are well underway.

Analysis of the market valuations of similar assets tells us the Moss Lake deposit is significantly undervalued. With this in mind, the Company has launched a promotional effort to get the story

out and attract the attention of capital markets. Management feels the combination of results of the economic assessment, a significant drilling program and promotional efforts will be catalysts for a significant upward revaluation of its shares in the current strong gold market.

**OUTSTANDING SHARE DATA**

As of May 22, 2008, the Company's share information is as follows:

Common shares issued	<u>43,887,238</u>
Common share purchase options	<u>1,950,000</u>

**OTHER INFORMATION**

Additional information relating to the Company can be found on our website at [www.mosslakegold.com](http://www.mosslakegold.com) and on SEDAR at [www.sedar.com](http://www.sedar.com)

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**Moss Lake Gold Mines Ltd.**

(A Development Stage Company)

**Balance Sheets**

(Unaudited)

	Mar 31 2008	Dec 31 2007 (Audited)
<b>Assets</b>		
Current		
Cash and cash equivalents	\$ 831,175	\$ 1,092,158
Receivables	<u>63,403</u>	<u>16,260</u>
	<b>894,578</b>	<b>1,108,418</b>
Exploration properties (Note 4)	<u>1,569,136</u>	<u>1,516,559</u>
	<b>\$ 2,463,714</b>	<b>\$ 2,624,977</b>
<hr/>		
<b>Liabilities</b>		
Current		
Payables and accruals	\$ 36,886	\$ 154,201
Convertible promissory note (Note 5)	<u>298,310</u>	<u>295,775</u>
	<b>335,196</b>	<b>449,976</b>
Future income tax	<b>35,000</b>	-
<b>Shareholders' Equity</b>		
Capital stock (Note 6)	<b>9,969,715</b>	10,004,715
Common share purchase warrants (Note 6)	<b>20,000</b>	20,000
Contributed surplus (Note 6)	<b>213,843</b>	213,843
Equity component of convertible promissory note (Note 5)	<b>20,280</b>	20,280
Deficit	<u>(8,130,320)</u>	<u>(8,083,837)</u>
	<b><u>2,093,518</u></b>	<b><u>2,175,001</u></b>
	<b>\$ 2,463,714</b>	<b>\$ 2,624,977</b>
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Operations and going concern assumption (Note 1)

Environmental risks (Note 10)

Subsequent event (Note 13)

See accompanying notes to the interim financial statements.

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**Moss Lake Gold Mines Ltd.**

(A Development Stage Company)

**Interim Statements of Operations and Deficit**

(Unaudited)

Three Months Ended March 31

**2008**

**2007**

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Interest income	\$ <u>4,584</u>	\$ <u>421</u>
Costs and expenses		
Interest on long term debt (Note 5)	<b>8,518</b>	8,453
Corporate and general	<b>42,549</b>	25,974
Stock compensation expense	<u>-</u>	<u>15,100</u>
	<b>51,067</b>	49,527
Net loss and comprehensive loss	<b>(46,483)</b>	(49,106)
Deficit, beginning of period	<b><u>(8,083,837)</u></b>	<b><u>(7,870,110)</u></b>
Deficit, end of period	<b>\$ <u>(8,130,320)</u></b>	<b>\$ <u>(7,919,216)</u></b>
Net loss per common share (Note 7)		
Basic and fully diluted	<b>\$ <u>(0.00)</u></b>	<b>\$ <u>(0.00)</u></b>

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See accompanying notes to the interim financial statements.

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**Moss Lake Gold Mines Ltd.**

(A Development Stage Company)

**Interim Statements of Cash Flows**

(Unaudited)

Three Months Ended March 31

**2008****2007**

Increase (decrease) in cash and cash equivalents

	<b>2008</b>	<b>2007</b>
<b>Operating activities</b>		
Net loss	\$ (46,483)	\$ (49,106)
Stock compensation expense	-	15,100
Accretion of discount on convertible promissory note	2,535	-
Change in receivables and payables	<u>(164,458)</u>	<u>3,620</u>
	<b><u>(208,406)</u></b>	<b><u>30,386</u></b>
<b>Financing activities</b>		
Loan from Wesdome Gold Mines Ltd.	-	2,535
<b>Investing activities</b>		
Additions to exploration properties	(52,577)	(8,500)
Increase (decrease) in cash and cash equivalents	<b>(260,983)</b>	<b>(36,351)</b>
Cash and cash equivalents, beginning of period	<u>1,092,158</u>	<u>78,072</u>
Cash and cash equivalents, end of period	<b><u>\$ 831,175</u></b>	<b><u>\$ 41,721</u></b>

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See accompanying notes to the interim financial statements.

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## **Moss Lake Gold Mines Ltd.**

(A Development Stage Company)

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

(Unaudited)

Three months ended March 31, 2008

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#### **1. Nature and continuation of operations**

##### **The Company**

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 4 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 Wesdome. Wesdome's common shares commenced trading over the facilities of the Toronto Stock Exchange on February 6, 2006.

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

##### **Continuation of operations**

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 March 31, 2008, the Company had a deficit of \$8.13 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.

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## **Moss Lake Gold Mines Ltd.**

(A Development Stage Company)

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

(Unaudited)

Three months ended March 31, 2008

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#### **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 period. Significant estimates and assumptions include those related to the recoverability of mineral properties and deferred exploration expenditures, estimated useful lives of capital assets and mineral properties, asset retirement obligations, determination of future income tax assets and liabilities and stock compensation expense. While management believes that these estimates and assumptions are reasonable, actual results could vary significantly. The carrying value of the Company's principal assets could be subject to material adjustment in the event that the Company is not successful in generating operating cash flow and financing for its development and exploration activities.

##### **Future accounting changes**

The adoption of Section 1506 has resulted in disclosure of future accounting changes that have not yet been adopted (Note 3).

##### **Financial Instruments – recognition and measurement**

Section 3855, "*Financial Instruments – Recognition and Measurement*" prescribes the criteria for recognition of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. This section also addresses 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 using the effective interest method.

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.

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## **Moss Lake Gold Mines Ltd.**

(A Development Stage Company)

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

(Unaudited)

Three months ended March 31, 2008

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#### **2. Significant accounting policies (continued)**

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.

The adoption of the financial instruments standard has been made in accordance with its transitional provisions. Accordingly on issuance of the related debt, financing costs are reclassified to debt to reflect the adopted policy of capitalizing debt transaction costs within the related debt. The costs capitalized within debt are amortized using the effective interest method. The adoption of the effective interest method of amortization had no impact on the opening balance sheet.

#### **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 March 31, 2008, the Company has not incurred or committed to any reclamation obligation on its exploration properties.

#### **Stock-based compensation plan**

The Company recognizes compensation expense for grants of stock options to qualifying directors, officers and employees providing on-going services to the Company, based on the estimated fair value at the grant date.

#### **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 liability relating to the foregone tax benefit is recognized at the time of the renunciation provided there is a reasonable assurance that the expenditures will be incurred.

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## **Moss Lake Gold Mines Ltd.**

(A Development Stage Company)

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

(Unaudited)

Three months ended March 31, 2008

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#### **2. Significant accounting policies (continued)**

##### **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.

##### **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.

##### **Hedges**

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.

##### **Changes in accounting policies**

###### ***Financial Instruments and Capital Disclosures***

The CICA has issued the following accounting standards effective for fiscal years beginning on or after January 1, 2008: Section 3862 "*Financial Instruments – Disclosures*", Section 3863 "*Financial Instruments – Presentation*" and Section 1535 "*Capital Disclosures*".

Section 3862 "*Financial Instruments – Disclosures*" and Section 3863 "*Financial Instruments – Presentation*" replace Section 3861 "*Financial Instruments – Disclosure and Presentation*", revising disclosures related to financial instruments, including hedging instruments, and carrying forward unchanged presentation requirements.

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## Moss Lake Gold Mines Ltd.

(A Development Stage Company)

### Notes to the Interim Financial Statements

(Unaudited)

Three months ended March 31, 2008

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#### 2. Significant accounting policies (continued)

Section 1535 "*Capital Disclosures*" requires the Company to provide disclosures about the Company's capital and how it is managed.

The adoption of these new accounting standards did not impact the classification and valuation reported in the Company's financial statements; however, it did result in expanded note disclosure (see Note 9 and Note 12).

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#### 3. Future accounting changes

The CICA released the following new standards that apply to the Company for the year starting January 1, 2008. These new standards are outlined below:

Section 1400, "*General Standards of Financial Statement Presentation*" – This section was amended so as to include the criteria for determining and presenting the Company's ability to continue as a going concern (going concern assumption).

Section 3251, "*Equity*" – This section establishes standards for the presentation of equity and changes in equity during the reporting period. The requirements in this section are in addition to Section 1530.

The Company has not yet assessed the impact of these new standards on its consolidated financial statements.

#### *Conversion to International Financial Reporting Standards*

On February 13, 2008, the Accounting Standards Board announced that publicly accountable entities will be required to prepare financial statements in accordance with International Financial Reporting Standards (IFRS) for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The Company is currently assessing the impact of the conversion on the consolidated financial statements and disclosures and will develop a conversion implementation plan.

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#### 4. Exploration properties

	<b>Mar 31 2008</b>	Dec 31 2007
Cost of properties	\$ 6,481,081	\$ 6,481,081
Exploration expenditures	1,644,400	1,597,292
Settlement of advance royalties	105,000	105,000
Underlying advance royalties	<u>308,407</u>	<u>302,938</u>
	<b>8,538,888</b>	8,486,311
Write-down of carrying values	<u>(6,969,752)</u>	<u>(6,969,752)</u>
	<b>\$ 1,569,136</b>	\$ 1,516,559

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## **Moss Lake Gold Mines Ltd.**

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

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Three months ended March 31, 2008

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#### **4. Exploration properties (continued)**

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.

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#### **5. 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 two 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 1.2% to 56% 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 12%, 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.

The net value assigned to the liability component on issuance was \$279,719. At March 31, 2008, the face value of the note is \$300,000 however the note is valued at \$298,310 using an effective interest rate of 11.67% and includes accretion of the discount during the year totalling \$2,535, which is included in interest expense on long term debt.

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## Moss Lake Gold Mines Ltd.

(A Development Stage Company)

### Notes to the Interim Financial Statements

(Unaudited)

Three months ended March 31, 2008

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#### 6. 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>	<u>Shares</u>	<u>Amount</u>
Balance, December 31, 2006	39,616,667	\$ 8,889,123
Common shares, net of costs of \$21,555	1,599,978	378,440
Flow-through shares, net of costs of \$86,001	2,470,593	729,295
Value attributed to warrants on share issue	-	(20,000)
Value attributed to broker warrants	-	(12,143)
Exercise of stock options	<u>200,000</u>	<u>40,000</u>
Balance, December 31, 2007	43,887,238	10,004,715
Tax benefits on renounced flow-through expenditures	-	<u>(35,000)</u>
Balance, March 31, 2008	<u>43,887,238</u>	<u>\$ 9,969,715</u>

On November 15, 2007 the Company completed a private placement of \$1,599,978 common shares at a price of \$0.25 per share for gross proceeds of \$399,995.

On November 15, 2007 the Company completed a private placement of 2,470,593 flow-through common shares at a price of \$0.33 per share for gross proceeds of \$815,296.

##### Common share purchase plan

The Company has a common share purchase plan (the "Plan") under which the Board of Directors may grant options to purchase common shares of the Company to qualifying employees, officers or directors providing on-going services to 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 March 31, 2008, 2,438,724 common shares are available for grant under the Plan.

The following table reflects the continuity for the three months ended March 31, 2008 and 2007 of options granted under the plan.

	<u>Shares</u>		<u>Weighted Average Exercise Price</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Outstanding, beginning period	<b>1,950,000</b>	1,200,000	<b>\$ 0.287</b>	\$ 0.23
Granted	<u>-</u>	<u>100,000</u>	<b>\$ -</b>	\$ 0.30
Outstanding, end of period	<b><u>1,950,000</u></b>	<b><u>1,300,000</u></b>	<b>\$ 0.287</b>	\$ 0.24

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## Moss Lake Gold Mines Ltd.

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### Notes to the Interim Financial Statements

(Unaudited)

Three months ended March 31, 2008

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#### 6. Capital stock (continued)

The following information applies to options outstanding and exercisable at March 31, 2008.

<u>Exercise Price</u>	<u>Number Outstanding</u>	<u>Weighted Average Remaining Contractual Life</u>	<u>Number Exercisable</u>
\$0.20	100,000	1.50 years	100,000
\$0.25	800,000	3.25 years	800,000
\$0.30	100,000	3.75 years	100,000
\$0.25	500,000	4.25 years	500,000
\$0.40	<u>450,000</u>	4.75 years	450,000
	<u>1,950,000</u>		

The fair value of the options granted in fiscal 2007 was estimated on the date of grant using the Black-Scholes option pricing model. For fiscal 2007, the weighted average grant date fair value per option of \$0.128 was calculated using the following weighted average assumptions: dividend yield of 0%, expected volatility of 40%, risk-free interest rate of 4.5% and expected life of 2.5 years.

The fair value compensation and contributed surplus relating to stock options was \$NIL and \$97,400 at March 31, 2008 and December 31, 2007, respectively.

#### Contributed surplus

	<u>Stock based compensation</u>	<u>Valuation of expired warrants</u>	<u>Fair value of broker warrants</u>	<u>Total</u>
Balance, December 31, 2006	\$ 104,300	\$ -	\$ -	\$ 104,300
Stock based compensation	97,400	-	-	97,400
Value attributed to broker warrants	<u>-</u>	<u>-</u>	<u>12,143</u>	<u>12,143</u>
Balance, December 31, 2007 and March 31, 2008	\$ <u>201,700</u>	\$ <u>-</u>	\$ <u>12,143</u>	\$ <u>213,843</u>

#### Warrants

The following table reflects the continuity of warrants for the three months ended March 31, 2008 and year ended December 31, 2007.

<u>Expiry Date</u>	<u>Exercise Price</u>	<u>Opening Balance</u>	<u>Number of common shares</u>			<u>Closing Balance</u>	<u>\$</u>
			<u>Issued</u>	<u>Exercised</u>	<u>Expired</u>		
November 15, 2009 <sup>(a)</sup>	\$0.25	-	189,740	-	-	189,740	-
November 15, 2009	\$0.40	<u>-</u>	<u>799,988</u>	<u>-</u>	<u>-</u>	<u>799,988</u>	<u>20,000</u>
		<u>-</u>	<u>989,728</u>	<u>-</u>	<u>-</u>	<u>989,728</u>	<u>20,000</u>

<sup>(a)</sup> Value of broker warrants included in contributed surplus

Closing balance, December 31, 2006	\$ -
<u>Value of warrants issued during the year</u>	<u>32,143</u>
Closing balance, March 31, 2008 and December 31, 2007	\$ <u>32,143</u>

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## Moss Lake Gold Mines Ltd.

(A Development Stage Company)

### Notes to the Interim Financial Statements

(Unaudited)

Three months ended March 31, 2008

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#### 6. Capital stock (continued)

	Number of warrants	Total
Value attributed to warrants on private placement	799,988	\$ 20,000

The fair value of the 799,988 common share purchase warrants issued in 2007 have been estimated at \$20,000 using the Black Scholes model for pricing options. The following weighted average fair value per warrant of \$0.02 with an exercise price of \$0.40 per share was calculated using the following weighted average assumptions: dividend yield of 0%, expected volatility of 40%, risk-free interest rate of 4.5% and expected life of 2 years. These warrants entitle the holder to purchase one common share of the Company at a price of \$0.40 per share until November 15, 2009.

	Number of warrants	Total
Value attributed to warrants on private placement	189,740	\$ 12,143

The fair value of the 189,740 common share purchase broker warrants issued in 2007 have been estimated at \$12,143 using the Black Scholes model for pricing options. The following weighted average fair value per warrant of \$0.06 with an exercise price of \$0.25 per share was calculated using the following weighted average assumptions: dividend yield of 0%, expected volatility of 40%, risk-free interest rate of 4.5% and expected life of 2 years. These warrants entitle the holder to purchase one common share of the Company at a price of \$0.25 per share until November 15, 2009.

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#### 7. Loss per common share

Loss per common share is based on a weighted average number of shares outstanding of 43,887,236 for March 31, 2008 and 40,340,823 for 2007. The effect of common share purchase options and warrants on the net loss in 2008 and 2007 is not reflected as to do so would be anti-dilutive.

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#### 8. Related party information

Other than amounts owing to Wesdome on the convertible promissory note (Note 5) the Company had the following transactions and balances with related parties.

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 at March 31, 2008 and December 31, 2007 amounted to \$3,266 and \$7,531 respectively, all of which were capitalized to exploration properties. These transactions were in the normal course of operations and were measured at the exchange amounts.

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## Moss Lake Gold Mines Ltd.

(A Development Stage Company)

### Notes to the Interim Financial Statements

(Unaudited)

Three months ended March 31, 2008

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#### 8. Related party information (continued)

Payables and accruals at March 31, 2008 and December 31, 2007 included \$5,467 and \$2,247 respectively, due to Wesdome.

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#### 9. Financial instruments – Disclosures and presentation

On January 1, 2008, the Company adopted the recommendations of new CICA Handbook sections 3862 “*Financial Instruments – Disclosures*” and 3863 “*Financial Instruments – Presentation*”. These new sections replace section 3861, “*Financial Instruments – Disclosures and Presentation*”. Section 3862 on financial instruments disclosures, requires the disclosure of information about: a) the significance of financial instruments for the entity’s financial position and performance and b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. Section 3863 on the presentation of financial instruments is unchanged from the presentation requirements included in Section 3861.

##### *Financial instruments – fair values*

Following is a table which sets out the fair values of recognized financial instruments using the valuation methods and assumptions described below:

	<b>March 31 2008</b>	December 31 2007
<u>Financial assets</u>		
Held for trading:		
Cash and cash equivalents	<b>\$ 831,175</b>	\$ 1,092,158
Loans and receivables:		
Receivables	<b>63,403</b>	16,260
<u>Financial liabilities</u>		
Other financial liabilities		
Payables and accruals	<b>\$ 36,886</b>	\$ 154,201
Convertible promissory note	<b>298,310</b>	295,775

##### *Determination of fair value*

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm’s length transaction between willing parties. The Company uses the following methods and assumptions to estimate fair value of each class of financial instruments for which carrying amounts are included in the Consolidated Balance Sheet as follows:

Cash and cash equivalents – The carrying amounts approximate fair values due to the short maturity of these financial instruments.

Receivables – The carrying amounts approximate fair values due to the short maturity of these financial instruments.

Payables and accruals - The carrying amounts approximate fair values due to the short maturity of these financial instruments.

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## Moss Lake Gold Mines Ltd.

(A Development Stage Company)

### Notes to the Interim Financial Statements

(Unaudited)

Three months ended March 31, 2008

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#### 9. Financial instruments – Disclosures and presentation (continued)

Convertible promissory note – The carrying amount is calculated at the present value of the principal and interest discounted at a rate approximately the interest rate that would have been applicable to non-convertible debt at the time the loan was issued. Management considers this interest rate to reflect current rate. The equity element is being amortized using the effective interest method.

#### Financial Risk Management

The company is exposed to a number of different risks arising from normal course business exposures, as well as the Company's use of financial instruments. These risk factors include: (1) market risks relating to interest rate risk; (2) liquidity risk; and, (3) credit risk. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and establishes and monitors risk management policies to: identify and analyze the risks faced by the Company; to set appropriate risk limits and controls; and to monitor risks and adherence to market conditions and the Company's activities.

##### 4) Market risk

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of the business. As a development stage company the market price movements that could adversely affect the value of the Company's financial assets, liabilities and expected future cash flows are limited to interest rate risk. Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company's cash and cash equivalents include highly liquid investments that earn interest at market rates. Fluctuations in market rates of interest do not have a significant impact on the Company's results of operations due to the short term to maturity of the investments held.

##### 5) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from anticipated investing and financing activities. The Company believes it has access to sufficient capital through equity and debt capital markets. Senior management is also actively involved in the review and approval of planned expenditures.

The following table shows the timing of cash outflows relating to trade payables and accruals and convertible promissory note:

	<u>&lt;1 Year</u>	<u>1-2 Years</u>	<u>3-5 Years</u>	<u>Over 5 Years</u>
Accounts payable & accrued liabilities	\$ 36,886			
Convertible promissory note	300,000			

##### 6) Credit risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The Company's accounts receivable consist primarily of deposits against future exploration contracts. The Company manages credit risk by maintaining bank accounts with Schedule 1 Canadian banks and investing only in Guaranteed Investment Certificates. The Company's cash is not subject to any external restrictions.

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## **Moss Lake Gold Mines Ltd.**

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

(Unaudited)

Three months ended March 31, 2008

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#### **10. 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 2008.

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#### **11. 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.

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#### **12. Capital risk management**

The Company's objectives of capital management are intended to safeguard its ability to support the Company's normal operating requirements on an ongoing basis, continue the development and exploration of its mineral properties and support any expansionary plans.

The capital of the Company consists of the items included in shareholders' equity and debt obligations net of cash and cash equivalents. The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Company's assets. In order to maintain or adjust its capital structure, the Company may issue new shares, issue new debt or issue new debt to replace existing debt with different characteristics.

The Company expects its current capital resources to support further exploration and development of its mineral properties.

The Company is not subject to any externally imposed capital requirements such as loan covenants or capital ratios.

There were no changes to the Company's approach to capital management during the current period.

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#### **13. Subsequent event**

Subsequent to March 31, 2008, the Company agreed to extend the term of the convertible promissory note payable to Wesdome to November 30, 2008, on identical terms as previous.