



**MOSS LAKE
GOLD MINES LTD**

MOSS LAKE GOLD MINES LTD.
INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
MARCH 31, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

First Quarter Report March 31, 2009

This Management's Discussion and Analysis dated May 29, 2009 should be read in conjunction with Moss Lake Gold Mines Ltd.'s ("Moss Lake" or the "Company") unaudited interim financial statements for the three months ended March 31, 2009, and related notes thereto which have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). This Management's Discussion and Analysis contains "forward-looking statements" that are subject to risk factors set out in the cautionary statement below. All figures are in Canadian dollars unless otherwise stated. Additional information on Moss Lake Gold Mines Ltd. can be found at www.mosslakegold.com or www.sedar.com. Moss Lake securities trade on the TSX - Venture Exchange under the symbol "MOK".

CAUTIONARY STATEMENT ON 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 words "believe", "expect", "anticipate", "plan", "intend", "continue", "estimate", "may", "will", "schedule" and similar expressions identify forward-looking statements. The Company cautions the reader that such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Moss Lake to be materially different from the Company's estimated future results, performance or achievements expressed or implied by the forward-looking statements and the forward-looking statements are not guarantees of future performance. 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". 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 except as required by applicable laws.

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, 2009, assets totalled \$2,741,520 compared to \$2,768,312 at year-end 2008. During the first quarter, 2009, the Company spent \$5,469 on royalties and \$944 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 \$32,301 compared to a loss of \$46,483 in the first quarter of 2008. The ongoing corporate and general expenses required to run a public company continue to be monitored closely.

During the first quarter of 2009, corporate and general expenses were \$18,620 compared to \$42,549 in the first quarter of 2008. The first quarter of 2008 included increased expenditures on promotion and marketing.

LIQUIDITY AND CAPITAL RESOURCES

The Company is an exploration and development company and has no revenue. At March 31, 2009, the Company had cash resources of \$49,774 compared to \$69,400 at year-end 2008. The

Company had a working capital deficit of \$77,555 at March 31, 2009, compared to \$45,152 at year-end 2008.

On April 24, 2006, the Company secured a \$300,000 convertible, unsecured promissory note with majority shareholder Wesdome Gold Mines Ltd. ("Wesdome"). The note had a two year term at 8% per annum and was convertible into common shares at \$0.25 per share. This note was due on June 2, 2008. On maturity the note was converted to a demand note which, on September 23, 2008, was repaid by the Company issuing 1,228,141 common shares to Wesdome.

On November 19, 2008, 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 10% per annum. The principal amount of the note is convertible into common shares at \$0.25 per share.

Management intends to undertake an equity financing to discharge its current and future obligations.

TRANSACTIONS WITH RELATED PARTIES

Under the terms of management agreements, Wesdome, as manager, provides technical and administrative support and carries out 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 \$21 for the period ended March 31, 2009, and \$79,465 for the year ended December 31, 2008, all of which were capitalized to exploration properties.

Payables and accruals at March 31, 2009, and December 31, 2008, included \$99,577 and \$92,158, respectively, due to Wesdome.

SUMMARY OF QUARTERLY RESULTS

	2009		2008	
	1 st Quarter	4 th Quarter	3 rd Quarter	2 nd Quarter
Interest income	\$ 28	\$ 376	\$ 619	\$ 5,273
Net income (loss) (in thousands)	(32)	231	(15)	(42)
Net income (loss) per share	(0.00)	0.00	(0.00)	(0.00)
	2008		2007	
	1 st Quarter	4 th Quarter	3 rd Quarter	2 nd Quarter
Interest income	\$ 4,583	\$ 4,152	\$ 134	\$ 180
Net income (loss) (in thousands)	(46)	(48)	(28)	(89)
Net income (loss) per share	(0.00)	(0.00)	(0.00)	(0.00)

ANALYSIS OF EXPLORATION PROPERTIES

	Cost	Write down	Total
Balance, December 31, 2008	\$ 9,647,582	\$ (6,969,752)	\$ 2,677,830
Advance royalties	5,469	-	5,469
Camp operations	277	-	277
Retention	646	-	646
Administration fees	21	-	21
Balance, March 31, 2009	\$ 9,653,995	\$ (6,969,752)	\$ 2,684,243

ANALYSIS OF CORPORATE AND GENERAL EXPENSES

Three months ended March 31	2009	2008
Insurance	\$ 1,967	\$ 2,095
Audit fees	3,750	4,500
Professional fees	1,300	5,252
Stock exchange fees	5,400	6,300
Stock transfer fees	2,109	1,414
Filing fees	110	345
Shareholders' information	1,700	1,218
Conventions	2,034	15,745
Advertising and promotion	203	4,700
Miscellaneous	47	980
	\$ 18,620	\$ 42,549

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.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 2008 or 2009.

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 November 19, 2008, 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 10% 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 57% of the issued and outstanding shares of Moss Lake.

The liability component of the note, in the amount of \$254,167, is calculated as the present value of the principal and interest, discounted at 20%, 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 \$45,833, is comprised of the value of the exchange option, being the difference between the face value of the note and the liability component.

Transaction costs are apportioned between the debt and equity components based on their respective carrying amounts when the instrument was issued. This resulted in \$1,871 of the transaction costs being allocated to the equity component and \$10,379 being allocated to the debt component.

The net value assigned to the liability component on issuance was \$243,788. At March 31, 2009, the face value of the note is \$300,000 however the note is valued at \$252,934 using an effective interest rate of 21.16% and includes accretion of the discount during the period totalling \$6,311, which is included in interest expense on long term debt.

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. This note was repaid through the issuance of shares (see Note 5 to the financial statements).

Interest expense on long term debt includes \$Nil (2008: \$2,535) which is attributable to accretion of the discount on this matured note.

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:

	Mar 31 2009	Dec 31 2008
<u>Financial assets</u>		
Held for trading:		
Cash	\$ 49,774	\$ 69,400
Loans and receivables:		
Receivables	7,503	21,082
<u>Financial liabilities</u>		
Other financial liabilities		
Payables and accruals	\$ 134,832	\$ 135,634
Convertible promissory note	252,934	246,643

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 Balance Sheet as follows:

Cash – 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. Transaction costs are apportioned between the debt and equity components based on their respective carrying amounts when the instrument was issued. The equity element and apportioned transaction costs are being amortized using the effective interest method. Financing costs are capitalized within the related debt and the equity component.

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. 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:

(in thousands)	<u><1 Year</u>	<u>1-2 Years</u>	<u>3-5 Years</u>	<u>Over 5 Years</u>
Payables and accruals	\$134,832			
Convertible promissory note	30,000	319,972		

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 and government refunds. The Company estimates its maximum exposure to be the carrying value of cash and receivables. 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 2009.

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

The CICA issued the following accounting standards effective for fiscal years beginning on or after January 1, 2008. 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 disclosure.

Financial Instruments

Section 3862, "*Disclosures*" and Section 3863 "*Presentation*" replace Section 3861 "*Disclosure and Presentation*", revising disclosures related to financial instruments, including hedging instruments, and carrying forward unchanged presentation requirements (see Note 10 to the financial statements).

Capital Disclosures

Section 1535, "*Capital Disclosures*" requires the Company to provide disclosures about the Company's capital and how it is managed (see Note 13 to the financial statements).

Section 1400, "*General Standards of Financial Statement Presentation*" 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). These requirements are satisfied by Note 1 to the financial statements.

FUTURE ACCOUNTING CHANGES

Conversion to International Financial Reporting Standards

On February 13, 2008, the Accounting Standards Board confirmed that publicly accountable entities will be required to adopt International Financial Reporting Standards ("IFRS") for interim and annual financial statements for fiscal years beginning on or after January 1, 2011, with restatement of comparative information presented. The conversion to IFRS will impact the Company's accounting policies, information technology and data systems, internal controls over financial reporting and disclosure controls and procedures.

The Company has identified the following four phases of its conversion plan: scoping and planning, detailed assessment, operations implementation and post implementation. The scoping and planning phase ("phase 1") involves establishing a project management team, mobilizing organizational support for the conversion plan, obtaining stakeholder support for the project, identifying major areas affected and developing a project charter, implementation plan and communication strategy. The detailed assessment phase ("phase 2") will result in the accounting

policies and transitional exemptions decisions, quantification of financial statement impact, preparation of shell financial statements and identification of business processes and resources impacted. The operations implementation phase ("phase 3") includes the design of business, reporting and system processes to support the compilation of IFRS compliant financial data for the opening balance sheet at January 1, 2010, fiscal 2010 and thereafter. Phase 3 also includes ongoing training, testing of the internal control environment and updated processes for disclosure controls and procedures. Post implementation ("phase 4") will include sustainable IFRS compliant financial data and processes for fiscal 2011 and beyond. The Company will continue to monitor changes in IFRS throughout the duration of the implementation process and assess their impact on the organization and its reporting.

OUTLOOK

In January, 2008, Moss Lake retained Watts, Griffis and McOuat to conduct an independent Preliminary Economic Analysis on the Moss Lake gold deposit. Drilling in 2008 was very successful. It confirmed above-average grades in relatively untested portions of the deposit and recognized a broad lower grade halo. Watts, Griffis and McOuat recommends remodelling of the mineralized zones to incorporate this favourable new data. Additionally, they recommend that further metallurgical testing, development of a conceptual site plan and hydrology studies be undertaken. Significant savings may be realized from this information being incorporated into the preliminary economic assessment of the project.

The Company is examining means to finance this work under terms favourable to shareholders.

OUTSTANDING SHARE DATA

As of May 29, 2009, the Company's share information is as follows:

Common shares issued	<u>45,115,379</u>
Common share purchase options	<u>1,950,000</u>
Common share purchase warrants	<u>989,728</u>

Moss Lake Gold Mines Ltd.

(A Development Stage Company)

Balance Sheets

(Unaudited)

	Mar 31 2009	Dec 31 2008
		(Audited)
Assets		
Current		
Cash	\$ 49,774	\$ 69,400
Receivables	7,503	21,082
	<u>57,277</u>	<u>90,482</u>
Exploration properties (Note 3)	2,684,243	2,677,830
	<u>\$ 2,741,520</u>	<u>\$ 2,768,312</u>
Liabilities		
Current		
Payables and accruals	\$ 134,832	\$ 135,634
Convertible promissory note (Note 4)	252,934	246,623
	<u>387,766</u>	<u>382,257</u>
Shareholders' Equity		
Capital stock (Note 5)	10,063,894	10,063,894
Common share purchase warrants (Note 6)	20,000	20,000
Contributed surplus (Note 7)	213,843	213,843
Equity component of convertible promissory note (Note 4)	43,962	43,962
Deficit	<u>(7,987,945)</u>	<u>(7,955,644)</u>
	<u>2,353,754</u>	<u>2,386,055</u>
	<u>\$ 2,741,520</u>	<u>\$ 2,768,312</u>

Operations and going concern assumption (Note 1)

Environmental risks (Note 11)

See accompanying notes to the interim financial statements.

Moss Lake Gold Mines Ltd.

(A Development Stage Company)

Interim Statements of Operations, Comprehensive Income and Deficit

(Unaudited)

Three Months Ended March 31

2009

2008

Interest income	\$	28	\$	4,584
Costs and expenses				
Interest on long term debt (Note 4)		13,709		8,518
Corporate and general		18,620		42,549
		32,329		51,067
Net loss and comprehensive loss		(32,301)		(46,483)
Deficit, beginning of period		(7,955,644)		(8,083,837)
Deficit, end of period	\$	(7,987,945)	\$	(8,130,320)
Net loss per common share (Note 8)				
Basic and fully diluted	\$	(0.00)	\$	(0.00)

See accompanying notes to the interim financial statements.

Moss Lake Gold Mines Ltd.

(A Development Stage Company)

Statements of Shareholders' Equity

(Unaudited)

	Capital Stock	Common Share Purchase Warrants	Contributed Surplus	Equity Component of Promissory Note	Deficit	Total Shareholders' Equity
Balance, Dec 31, 2007	\$ 10,004,715	\$ 20,000	\$ 213,843	\$ 20,280	\$(8,083,837)	\$ 2,175,001
Net income for year ended Dec 31, 2008	-	-	-	-	128,193	128,193
Issuance of common shares, net of costs	292,899	-	-	-	-	292,899
Transfer of equity component on conversion of convertible promissory note	20,280	-	-	(20,280)	-	-
Value of equity component of convertible promissory note	-	-	-	43,962	-	43,962
Tax effect of flow-through share renunciation	(254,000)	-	-	-	-	(254,000)
Balance, Dec 31, 2008	\$ 10,063,894	\$20,000	\$ 213,843	\$ 43,962	\$(7,955,644)	\$ 2,386,055
Net income (loss) for period ended Mar 31, 2009	-	-	-	-	(32,301)	(32,301)
Balance, Mar 31, 2009	\$10,063,894	\$ 20,000	\$ 213,843	\$ 43,962	\$(7,987,945)	\$ 2,353,754

See accompanying notes to the interim financial statements.

Moss Lake Gold Mines Ltd.

(A Development Stage Company)

Interim Statements of Cash Flows

(Unaudited)

Three Months Ended March 31

2009

2008

Increase (decrease) in cash

Operating activities

Net loss	\$ (32,301)	\$ (46,483)
Accretion of discount on convertible promissory note	6,311	2,535
Change in receivables and payables	12,777	(164,458)
	(13,213)	(208,406)

Investing activities

Additions to exploration properties	(6,413)	(52,577)
-------------------------------------	----------------	-----------------

Increase (decrease) in cash **(19,626)** (260,983)

Cash, beginning of period **69,400** 1,092,158

Cash, end of period **\$ 49,774** \$ 831,175

See accompanying notes to the interim financial statements.

Moss Lake Gold Mines Ltd.

(A Development Stage Company)

Notes to the Interim Financial Statements

(Unaudited)

Three months ended March 31, 2009

1. BASIS OF PRESENTATION

Moss Lake Gold Mines Ltd. (the "Company") is a publicly traded company, continued under Part 1A of the Companies Act (Ontario) and its common shares are listed on the TSX Venture Exchange (TSXV: MOK). The Company's principal business is the acquisition, exploration and development of properties for the mining of precious and base metals in Canada (see Note 2 for developments to date) and is considered to be in the development stage as defined by the Canadian Institute of Chartered Accountants ("CICA") Accounting guideline 11, "Enterprises in the Development Stage".

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

These interim financial statements have been prepared by Management in accordance with accounting principles generally accepted in Canada. Certain information and disclosure normally required to be included in notes to annual financial statements have been condensed or omitted. The interim financial statements should be read in conjunction with the audited financial statements and the notes thereto in the Company's annual report for the year ended December 31, 2008. The interim financial statements have been prepared following the same accounting policies and methods of computation as the audited financial statements for the year ended December 31, 2008 except as disclosed in Note 2 below.

Continuation of Operations

The Company has incurred significant losses and, at March 31, 2009, the Company had a deficit of \$7.99 million and a working capital deficiency of \$77,555. 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. Management is required to secure financing to discharge its current and future obligations. While the Company has been successful in the past, there can be no assurance it will be able to raise sufficient funds in the near term. Changes in future conditions could require additional write-downs of the carrying values.

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.

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

Moss Lake Gold Mines Ltd.

(A Development Stage Company)

Notes to the Interim Financial Statements

(Unaudited)

Three months ended March 31, 2009

2. CHANGES IN ACCOUNTING POLICIES AND PROCEDURES

On January 1, 2009, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064, "Goodwill and Intangible Assets". The new standard replaces the previous goodwill and intangible asset standard and revises the requirement for recognition, measurement, presentation and disclosure of intangible assets. The adoption of this standard has had no significant impact on the Company's financial statements.

In February 2008 the Accounting Standards Board ("AcSB") confirmed the transition from Canadian Generally Accepted Accounting Principles ("GAAP") to International Financial Reporting Standards ("IFRS") and set the date for convergence at January 1, 2011. The Company is in the process of scoping the magnitude of the conversion project, identifying areas where differences exist between GAAP and IFRS and identifying areas where significant choices exist between alternative accounting treatments. The Company expects the transition to IFRS to have an impact on the financial statements.

In January 2009, the CICA issued Handbook Section 1582, "*Business Combinations*" which requires all assets and liabilities of an acquired business be recorded at fair value at acquisition. Obligations for contingent consideration and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition related costs are expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. The standard applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period on or after January 1, 2011. The Company is currently assessing the impact of the new standard on its financial statements.

In January 2009, the CICA issued Handbook Section 1601, "*Consolidations*" and Section 1602, "*Non-controlling Interests*". Section 1601 establishes standards for the preparation of financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in financial statements subsequent to a business combination. These standards apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company is currently assessing the impact of these new standards on its financial statements.

3. EXPLORATION PROPERTIES

	Mar 31 2009	Dec 31 2008
Cost of properties	\$ 6,481,081	\$ 6,481,081
Exploration expenditures	2,737,632	2,736,688
Settlement of advance royalties	105,000	105,000
Underlying advance royalties	330,282	324,813
	9,653,995	9,647,582
Write-down of carrying values	(6,969,752)	(6,969,752)
	\$ 2,684,243	\$ 2,677,830

Moss Lake Gold Mines Ltd.

(A Development Stage Company)

Notes to the Interim Financial Statements

(Unaudited)

Three months ended March 31, 2009

3. 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.

4. CONVERTIBLE PROMISSORY NOTE

On November 19, 2008, the Company obtained a \$300,000 loan from Wesdome. As consideration the Company issued to Wesdome a convertible unsecured promissory note (the "note") due November 19, 2010 and bearing interest at 10% per annum. The principal amount of the note is convertible, at any time up to maturity, 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 57% of the issued and outstanding shares of Moss Lake.

The liability component of the note, in the amount of \$254,167, is calculated as the present value of the principal and interest, discounted at 20%, 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 \$45,833, is comprised of the value of the exchange option, being the difference between the face value of the note and the liability component.

Transaction costs are apportioned between the debt and equity components based on their respective carrying amounts when the instrument was issued. This resulted in \$1,871 of the transaction costs being allocated to the equity component and \$10,379 being allocated to the debt component.

The net value assigned to the liability component on issuance was \$243,788. At March 31, 2009, the face value of the note is \$300,000 however the note is valued at \$252,934 using an effective interest rate of 21.16% and includes accretion of the discount during the year totalling \$6,311, which is included in interest expense on long term debt.

Interest expense on long term debt includes \$Nil (2008: \$2,535) which is attributable to accretion of the discount on this matured note.

Moss Lake Gold Mines Ltd.

(A Development Stage Company)

Notes to the Interim Financial Statements

(Unaudited)

Three months ended March 31, 2009

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, 2007	43,887,238	\$10,004,715
Tax benefits on renounced flow-through expenditures	-	(254,000)
Transfer of equity component of convertible promissory note	-	20,280
Common shares, net of costs of \$14,136 (Note 4)	1,228,141	292,899
Balance, December 31, 2008 and March 31, 2009	45,115,379	\$10,063,894

In fiscal 2008 the Company issued 1,200,000 common shares pursuant to the conversion of an 8% promissory note with a liability component of \$300,000 and an equity component of \$20,280 and a further 28,141 common shares in payment of \$7,035 of demand loan liabilities.

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, 2009, 2,561,538 common shares are available for grant under the Plan.

The following table reflects the continuity for the three months ended March 31, 2009 and 2008 of options granted under the plan.

	Shares		Weighted Average Exercise Price	
	2009	2008	2009	2008
Outstanding, beginning period	1,950,000	1,950,000	\$ 0.287	\$ 0.287
Granted	-	-	\$ -	\$ -
Outstanding, end of period	1,950,000	1,950,000	\$ 0.287	\$ 0.287

Moss Lake Gold Mines Ltd.

(A Development Stage Company)

Notes to the Interim Financial Statements

(Unaudited)

Three months ended March 31, 2009

5. CAPITAL STOCK (continued)

The following information applies to options outstanding and exercisable at March 31, 2009.

Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life	Number Exercisable
\$0.20	100,000	0.50 years	100,000
\$0.25	800,000	2.25 years	800,000
\$0.30	100,000	2.75 years	100,000
\$0.25	500,000	3.25 years	500,000
\$0.40	<u>450,000</u>	3.75 years	<u>450,000</u>
	<u>1,950,000</u>		<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. There were no options granted during fiscal 2008. 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 estimated fair value of the options is expensed over the vesting period. The fair value of compensation and contributed surplus relating to stock options was \$Nil for March 31, 2009 and December 31, 2008.

6. WARRANTS

The following table reflects the continuity of warrants for the three months ended March 31, 2009 and year ended December 31, 2008.

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

^(a) Value of broker warrants included in contributed surplus

Closing balance, December 31, 2007	\$ 12,143
Value of warrants issued during the year ended December 31, 2008	<u>-</u>
Closing balance, March 31, 2009 and December 31, 2008	\$ <u>12,143</u>

Moss Lake Gold Mines Ltd.

(A Development Stage Company)

Notes to the Interim Financial Statements

(Unaudited)

Three months ended March 31, 2009

6. WARRANTS (continued)

	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 has been estimated at \$12,143 using the Black Scholes model for pricing options. The 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.

	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 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.

7. CONTRIBUTED SURPLUS

	Stock based compensation	Valuation of expired warrants	Fair value of broker warrants	Total
Balance, December 31, 2007	\$ 201,700	\$ -	\$ 12,143	\$ 213,843
Stock based compensation	-	-	-	-
Balance, March 31, 2009 and December 31, 2008	\$ 201,700	\$ -	\$ 12,143	\$ 213,843

8 LOSS PER COMMON SHARE

Loss per common share is based on a weighted average number of shares outstanding of 45,115,377 for March 31, 2009 and 43,887,236 for 2008. The effect of common share purchase options, warrants and convertible notes on the net loss in 2009 and 2008 is not reflected as to do so would be anti-dilutive.

Moss Lake Gold Mines Ltd.

(A Development Stage Company)

Notes to the Interim Financial Statements

(Unaudited)

Three months ended March 31, 2009

9. RELATED PARTY INFORMATION

Other than amounts owing, interest paid and shares issued to Wesdome on the convertible promissory notes (Notes 4 and 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, 2009 and December 31, 2008 amounted to \$21 and \$79,465, 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.

Payables and accruals at March 31, 2009 and December 31, 2008 included \$99,577 and \$92,158 respectively, due to Wesdome.

10. 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:

	Mar 31 2009	Dec 31 2008
<u>Financial assets</u>		
Held for trading:		
Cash	\$ 49,774	\$ 69,400
Loans and receivables:		
Receivables	7,503	21,082
<u>Financial liabilities</u>		
Other financial liabilities		
Payables and accruals	\$ 134,832	\$ 135,634
Convertible promissory note	252,934	246,623

Moss Lake Gold Mines Ltd.

(A Development Stage Company)

Notes to the Interim Financial Statements

(Unaudited)

Three months ended March 31, 2009

10. FINANCIAL INSTRUMENTS – DISCLOSURES AND PRESENTATION (continued)

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 Balance Sheet as follows:

Cash – 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. Transaction costs are apportioned between the debt and equity components based on their respective carrying amounts when the instrument was issued. The equity element and apportioned transaction costs are 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. 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 instruments 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.

Moss Lake Gold Mines Ltd.

(A Development Stage Company)

Notes to the Interim Financial Statements

(Unaudited)

Three months ended March 31, 2009

10. FINANCIAL INSTRUMENTS – DISCLOSURES AND PRESENTATION (continued)

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

	<1 Year	1-2 Years	3-5 Years	Over 5 Years
Payables and accruals	\$ 134,832			
Convertible promissory note	30,000	\$319,972		

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 and government refunds. The Company estimates its maximum exposure to be the carrying value of cash and receivables. 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.

11. 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 2009.

12. 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.

13. 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. 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.

Management intends to undertake an equity financing to discharge its current and future obligations.

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.