



**MOSS LAKE
GOLD MINES LTD**

MOSS LAKE GOLD MINES LTD.
INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 2011

These Interim Financial Statements have not been reviewed by the Company's external auditors

MANAGEMENT'S DISCUSSION AND ANALYSIS

Third Quarter Report September 30, 2011

This Management's Discussion and Analysis ("MD&A") dated November 2, 2011 should be read in conjunction with Moss Lake Gold Mines Ltd.'s ("Moss Lake" or "the Company") unaudited interim financial statements for the nine months ended September 30, 2011, and their related notes which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The September 30, 2011, interim financial statements are the Company's third financial statements prepared under IFRS. Consequently, the comparative figures for 2010 have been restated from generally accepted accounting principles in Canada ("Canadian GAAP") to comply with IFRS. The reconciliations from the previously published Canadian GAAP financial statements are summarized in Note 14 to the March 31, 2011, interim financial statements. This MD&A 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 can be found at www.mosslakegold.com or www.sedar.com. Moss Lake trades on the TSX-Venture Exchange under the symbol "MOK". The Company's head office is at 8 King Street East, Suite 1305, Toronto, Ontario, Canada.

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 principal asset of the Company is the Moss Lake gold deposit. This large, low grade resource's value is sensitive to the gold price. The Company is a 57.6% owned subsidiary of Wesdome Gold Mines Ltd. ("Wesdome"), an established Canadian gold producer listed on the TSX Exchange under the symbol "WDO".

OVERALL PERFORMANCE

The Company is an exploration and development company and has no revenue. Its principle asset is the Moss Lake property and surrounding Fountain Lake claims. It may be viewed as a single asset company. The Moss Lake property hosts a large tonnage – low grade gold deposit while the surrounding claims host numerous gold occurrences and offer exploration potential.

In recent years the gold price has risen substantially and trends in the gold mining industry have shifted from traditional underground mining towards the exploitation of large tonnage – low grade

deposits by surface mining techniques. From September 30, 2005 to September 30, 2011 the gold price has risen from \$468US per ounce to \$1,625US per ounce.

When the gold price was low, 1996 – 2005, the Company consolidated its regional land position and conducted exploration work to provide a systematic appraisal of potential surrounding the Moss Lake gold deposit. In 2006, the Company initiated a systematic evaluation of the Moss Lake deposit which involved a 43-101 technical report and resource estimate.

A drilling program based on recommendations of this study was conducted in 2008. Resource modelling to incorporate this work was initiated in 2009, leading to an updated 43-101 technical report and resource estimate completed in 2010. On April 29, 2011, the Company announced it obtained a \$2,000,000 loan from Wesdome. The loan has been funding studies necessary to refine the level of confidence in operating and capital cost estimates required to produce a Preliminary Economic Assessment and advance the project to the Pre-Feasibility stage if warranted.

DISCUSSION OF OPERATIONS

Analysis of Exploration Properties

Balance, January 1, 2010	\$ 2,708,845
Advance royalties	21,875
Camp operations	4,363
Retention	705
Core drilling	30,359
Administration fees	2,607
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Balance, December 31, 2010	2,768,754
Surveying	35,134
Advance royalties	16,406
Camp operations	1,950
Retention	784
Metallurgical Testwork	22,000
Administration fees	4,490
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Balance, September 30, 2011	\$ 2,849,518

Analysis of Corporate and General Expenses

Nine months ended September 30	2011	2010
Insurance	\$ 4,202	\$ 4,318
Audit fees	13,855	13,103
Professional fees	79,830	7,057
Stock exchange fees	18,300	5,500
Stock transfer fees	7,536	8,402
Filing fees	11,353	5,415
Shareholders' information	9,558	2,154
Conventions	11,395	7,215
Miscellaneous	391	2,473
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	\$ 156,420	\$ 55,637

In analyzing the Corporate and General Expenses for the first nine months of 2011, two items stand out.

The first is professional fees which include accounting fees and legal fees. The legal fees associated with the aborted Rights Offering are primarily responsible for this significant increase. Additionally, accounting fees rose as a result of the transition to IFRS..

Stock exchange fees and filing fees increased due to the private placement financing with Wesdome. The comparative nine months of 2010 did not include any financings.

During the first nine months of 2011, the Company focussed on financing the work program designed to advance a Preliminary Economic Assessment of the Moss Lake project. Consultants Watts, Griffis and McOuat ("WGM") provided a budget of \$1.26 million to undertake this work. On April 29, 2011, the Company obtained a \$2.0 million convertible loan from Wesdome that satisfied its funding requirements with limited dilution to existing shareholders.

The Company maintains a camp on the property and pays an annual advanced royalty of \$21,875 per annum in lieu of an 8.75% net profit royalty prior to commercial production. The Company's claims and mining leases are in good standing with sufficient reserve credits to maintain the properties for over 10 years. Overall, fixed costs to maintain operations, pay taxes, royalties and upkeep are about \$30,000 per year. The claims require \$85,000 in assessment credits per year. The Company has over \$850,000 in banked assessment credits available.

Corporate and general costs are tightly monitored and include legal, audit, insurance, transfer agent, listing and filing fees. These minimum requirements to maintain a listed company amount to approximately \$60,000 per year. The amount of money spent on promotion is variable year to year with a peak of about \$50,000 in 2008. We plan to increase promotion upon the receipt of the Preliminary Economic Assessment expected to be completed in the first half of 2012.

Resource Estimates and Project Advancement

On July 14, 2010, a revised mineral resource estimate was released. This work was completed by independent consultants Watts, Griffis and McOuat Limited and incorporated results of the 2008 drilling program. Tonnage and contained ounces of gold increased by 8% over previous estimates and 65% of the resources were upgraded to the indicated resource category.

MOSS LAKE MINERAL RESOURCES				
Prepared by WGM (using a 0.001 opt Au cut-off and 0.300 opt Au top cut)				
Category	Zone	Tons (million)	opt Au	Contained Au (‘000 oz)
Indicated	Main Zone	12.5	0.023	291
	QES Zone	<u>27.8</u>	<u>0.029</u>	<u>816</u>
	Total Indicated	40.3	0.027	1,107
Inferred	Main Zone	16.5	0.025	418
	QES Zone	<u>4.2</u>	<u>0.025</u>	<u>107</u>
	Total Inferred	20.7	0.025	525

- Notes:
- (1) This Mineral Resource estimate was prepared by Mr. Kurt Breede, P.Eng., who is an independent Qualified Person, and is effective July 14th, 2010.
 - (2) Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues.
 - (3) The quantity and grade of reported Inferred resources in this estimation are uncertain in nature and there has been insufficient exploration to define these Inferred resources as an Indicated or Measured Mineral Resource and it is uncertain if further exploration will result in upgrading them to an Indicated or Measured Mineral Resource category.
 - (4) The Mineral Resources were estimated using the Canadian Institute of Mining, Metallurgy and Petroleum (CIM), CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council December 11, 2005.
 - (5) This estimate was prepared using an inverse distance interpolated block model and reported within an interpreted wireframe of the mineralized envelope at a 0.015opt Au (or 0.5 g/tonne Au) limit and excludes all blocks with a grade below 0.001 opt Au. The cut-off grade of 0.015 opt Au was selected as the basis on which the two Zones were modelled in the geological interpretation, and considered the

- parameters that would likely determine the economic viability of an open pit mining operation at Moss Lake. These included likely mine dilution, metallurgical recoveries, operating costs and a gold price of US\$900/oz (at an exchange rate of US\$1:C\$1.10),
- (6) The resource estimate extends to a depth of 870 feet which is deemed a practical cut-off to maintain reasonable stripping ratios in a surface mining operation.

Management of Moss Lake believes the pragmatic application of blasthole grade control techniques on a bench by bench basis offers potential to realize better grades in an eventual mining operation. The following table demonstrates the cut-off grade sensitivity of Moss Lake Mineral Resource estimates.

MOSS LAKE MINERAL RESOURCES CUTOFF GRADE SENSITIVITY							
Cut-off Grade (opt)	Main Zone (million Tons)	Au (opt)	QES Zone (million Tons)	Au (opt)	Total (million Tons)	Au (opt)	Contained Au (‘000 oz)
Indicated							
0.001	12.5	0.023	27.8	0.029	40.3	0.027	1,107
0.010	9.3	0.029	25.1	0.032	34.3	0.031	1,069
0.015	7.2	0.034	21.7	0.035	28.8	0.035	998
0.020	5.0	0.041	17.0	0.040	22.0	0.040	881
Inferred							
0.001	16.5	0.025	4.2	0.025	20.7	0.025	525
0.010	13.2	0.030	3.8	0.027	17.0	0.029	500
0.015	10.1	0.035	3.1	0.030	13.3	0.034	454
0.020	8.0	0.041	2.0	0.035	10.0	0.040	397

The mineralized material extends for 8,500 feet of strikelength and remains open at depth. The resource estimate is restricted to a depth of 870 feet from surface.

A 1,000 foot long gap exists between the Main and QES zones defined by limited previous drilling. This area offers potential to increase resources with further rigorous drilling.

The updated resource estimate includes 15 drill holes completed in 2008 in order to validate historical data and refine the resource models. This work updates a previous report completed in 2006 (www.sedar.com – Technical Report, November 27, 2006, Moss Lake Gold Mines Ltd.).

The independent “Qualified Persons” for the 43-101 compliant Mineral Resource Estimate are Richard W. Risto, P.Geo and Kurt Breede, P.Eng. of Watts, Griffis and McQuat Limited.

Both management and its independent consultants believe the project has significant merit. The fundamental aspects of the proposed program are a Preliminary Assessment followed by definition drilling and certain pre-development activities, specifically, further metallurgical and grinding testwork, pit design and optimization, initiation of environmental baseline studies, community and First Nations consultations, hydrology studies and development of a conceptual siteplan, including the potential diversion of a creek. This work would provide key information for improving confidence in operating and capital cost estimates while advancing the project towards the Pre-Feasibility stage. The recommended program is budgeted at \$1.26 million.

During the third quarter 2011, the Company compiled and shipped a series of composite samples from drill core for metallurgical testing. The samples are representative of a range of grades from both the Main and QES Zones. The goal of the testwork is to establish grade/recovery relationships and grinding curves. Additionally, a bulk sample from material sampled underground in 1988 was sent for comprehensive grinding tests to establish power consumption and comminution parameters. We expect results of this work in the new year.

A detailed Lidar/orthophoto survey was flown in the spring. This detailed topographic survey will provide the base for developing and costing the conceptual site plan. This involves design of a site plan to include a mill site, tailings management area and wasterock storage site. Since the potential site is located in a shallow valley occupied by a creek, a key component of this work will be the development of a hydrological concept involving diversions and ditching.

Tender documents from engineering firms for these specified studies are in progress. One study will involve the conceptual site plan, hydrological work and environment plan. The other will involve pit optimization, mine planning and general arrangement for a milling/metallurgical complex.

The goal of this work is to establish credible estimates of operating and capital costs to include in a Preliminary Economic Assessment or scoping study. It is important to establish the required economic conditions to justify development of this resource.

SUMMARY OF QUARTERLY RESULTS

	2011			2010 (IFRS)
	3 rd Quarter	2 nd Quarter	1 st Quarter	4 th Quarter
Working capital (deficit)	\$ 1,524,823	\$ 1,631,732	\$ (426,694)	\$ (330,047)
Net loss (in thousands)	(92)	(213)	(101)	(22)
Net loss per share	(0.00)	(0.01)	(0.00)	(0.00)

	2010 (IFRS)			2009 (GAAP)
	3 rd Quarter	2 nd Quarter	1 st Quarter	4 th Quarter
Working capital (deficit)	\$ (588,233)	\$ (520,221)	\$ (476,004)	\$ (435,629)
Net loss (in thousands)	(190)	(26)	(34)	(31)
Net loss per share	(0.01)	(0.00)	(0.00)	(0.00)

The net loss reflects ongoing corporate and general costs which include the previously explained legal, accounting and financing related costs. In the current quarter, the principle costs included interest costs related to the new promissory note and corporate and general costs as previously discussed. Expenditures related to advancing the project are capitalized and summarized as "Additions to exploration properties" on the cash flow statement. This amounts to approximately \$80,000 year to date.

LIQUIDITY AND CAPITAL RESOURCES

The Company is a venture issuer involved in mineral exploration and development. It, therefore, does not generate sales nor revenue. The Company's objective is to advance its assets to a point where their economic relevance may be demonstrated and build a mine capable of providing a return on capital for its shareholders. Mineral exploration is by nature a high risk – high reward business.

On April 29, 2011, the Company obtained a \$2,000,000 loan from Wesdome. In consideration for the loan, the Company issued to Wesdome a convertible unsecured promissory note having a two year term and bearing interest at a rate of 8% per annum. The principal amount of the note is convertible into common shares at \$0.50 per share. During the second quarter, Management and Directors contributed \$150,000 to the treasury by exercising stock options.

At September 30, 2011, the Company had cash resources of \$1,567,574. The Company has been around since 1996 and has been funded historically by equity issues or advances and loans from its parent company, Wesdome. The Company's sole asset is mining claims and leases which host the Moss Lake gold deposit. The gold market is very strong and the future of the Company depends on work designed to assess the potential economic viability of this asset. Wesdome understands the potential of this asset over the long term and has historically supported the Company's efforts by providing loans and advances to cover working capital requirements when needed.

The Company believes this loan will be sufficient to complete the recommended \$1.26 million work program and provide working capital for about two years. A further financing this fall to fund a winter drilling program is unlikely. Management would like to advance work related to the Preliminary Economic Assessment prior to making this call. The current cash balance as of November 2, 2011, is \$1,503,040.

The Company's current working capital requirements are discussed in detail in the Discussion of Operations section. Fixed costs to maintain operations, pay taxes and royalties and upkeep are about \$30,000 per annum. Corporate and general costs to maintain the requirements of a listed company have been about \$67,000 in 2010 and \$75,000 in 2009. The conversion to IFRS accounting standards and growing regulatory compliance burdens are expected to increase this cost. Therefore, working capital requirements are estimated at \$150,000 per year.

The Company has sufficient cash to fund ongoing studies. The resulting Preliminary Economic Assessment will provide the basis of a decision to advance development, finance further exploration or consider other options.

TRANSACTIONS WITH RELATED PARTIES

Under the terms of a management agreement, 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 \$4,490 for the period ended September 30, 2011 and \$2,607 for the year ended December 31, 2010, all of which were capitalized to exploration properties.

Payables and accruals at September 30, 2011 and December 31, 2010, included \$9,015 and \$306,543, respectively, due to Wesdome.

The transactions with Wesdome are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Other than as described above, there are no contractual or other commitments between the related parties.

CRITICAL ACCOUNTING ESTIMATES

While management believes that these estimates and assumptions are reasonable, actual results could vary significantly.

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 2011 or 2010.

Future Income Tax

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 estimated to reverse or losses are estimated 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.

The Company evaluates the likelihood of using all or a portion of the deductible temporary differences and loss carryforwards based on expected future earnings, the utilization of the deductible temporary differences and the expiry of its loss carryforwards.

Based on this information, the Company determines the appropriate amount of income tax valuation allowance that is required to reduce the value of its total deductible temporary differences and loss carryforwards to an amount which it estimates it can more likely than not utilize. At the end of the current year, the Company determined that it was not more likely than not that it will utilize any portion of its deductible temporary differences or loss carryforwards and therefore, a valuation allowance has been recognized.

FINANCIAL INSTRUMENTS

On April 29, 2011, the Company obtained a \$2,000,000 loan from Wesdome. In consideration for the loan, the Company issued to Wesdome a convertible unsecured promissory note having a two year term and bearing interest at a rate of 8% per annum. The principal amount of the note is convertible into common shares at \$0.50 per share.

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

Financial instruments disclosures requires the Company to provide information about: a) the significance of financial instruments for the Company's financial position and performance and b) the nature and extent of risks arising from financial instruments to which the Company is exposed during the period and at the balance sheet date, and how the Company manages those risks.

Financial Instruments

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

	September 30 2011	December 31 2010
<u>Financial assets</u>		
Held for trading:		
Cash	\$ 1,567,574	\$ 388
Loans and receivables:		
Receivables and other assets	10,630	58,228
<u>Financial liabilities</u>		
Other financial liabilities		
Payables and accruals	53,381	388,663
Convertible promissory note	1,750,165	-

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

Other financial liabilities – Payables, accruals and the convertible promissory note are carried at amortized cost. The carrying amount of payables and accruals approximates fair values due to the short maturity of these financial instruments. The fair value of the convertible promissory note was considered to approximate its carrying amount due to discounting at a market rate.

The fair value hierarchy for financial instruments measured at fair value is Level 1 for cash. The Company does not have Level 2 or Level 3 inputs.

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 the Company's liabilities:

September 30, 2011			
		<u><1 Year</u>	<u>1-2 Years</u>
Payables & accruals	\$	53,381	-
Convertible promissory note	\$	160,000	\$ 2,092,055
December 31, 2010			
		<u><1 Year</u>	<u>1-2 Years</u>
Payables & accruals	\$	388,663	-

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. Management believes that it was in material compliance with government regulations in 2011.

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.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

The Company has adopted IFRS for its 2011 fiscal year as required by the Accounting Standards Board of the Canadian Institute of Chartered Accountants. Note 14 of our interim financial statements and interim Management's Discussion and Analysis for the three month period ended March 31, 2011, contains a detailed description of our conversion to IFRS, including a line-by-line reconciliation of financial statements previously prepared under Canadian GAAP to those under IFRS, as at the transition date of January 1, 2010, and December 31, 2010.

The Company's financial statements for the year ending December 31, 2011 will be the first annual financial statements to comply with IFRS. These interim financial statements are the third IFRS financial statements to be presented for part of the period to be covered by the Company's first IFRS annual financial statements. The adoption of IFRS has not materially changed the Company's overall cash flows or operations however it has resulted in certain differences in recognition, measurement and disclosure as compared to Canadian GAAP.

In preparing the interim financial statements for the nine months ended September 30, 2011, and the disclosures included in these financial statements, all comparative amounts have been restated to comply with IFRS. The Company's transition date is January 1, 2010 ("the transition date") and the Company prepared its opening IFRS statement of financial position at that date. These financial statements have been prepared in accordance with the accounting policies described in Note 2 and in accordance with the existing IFRS with an effective date of January 1, 2011, which are expected to apply at December 31, 2011. The Company has reconciled the following financial statements as prepared under Canadian GAAP to those prepared under IFRS for the following periods:

- Statements of shareholders' equity as at September 30, 2010
- Statements of income and comprehensive income for the three and nine months ended September 30, 2010

The Company applied the following change to its opening statement of financial position dated January 1, 2010:

Reclassification of flow-through shares

The Company has issued flow-through shares in the past. IFRS requires the difference between quoted market price of the same class of share without the flow-through feature and the amount the investor pays for the shares, or premium, be recorded as a liability. There was no premium previously recorded, and accordingly no adjustment was made related to a premium.

Under the terms of flow-through share agreements, the tax attributes of the related expenditures are renounced to subscribers. Under IFRS, the tax effect of the flow-through share renunciations is recorded in other income. The renunciations previously charged to share capital were transferred to retained earnings in the amount of \$272,000.

The International Accounting Standard Board currently has projects underway that are expected to result in new pronouncements and as a result, there may be future impacts on business processes as IFRS in the future is expected to differ from its current form.

OUTLOOK

The Company is advancing work on the conceptual site plan and planning detailed pit optimization and metallurgical studies. The metallurgical studies are focused on determining the recovery rates of the substantial low grade halo which surrounds the Moss Lake deposit. Grinding testwork will determine energy consumption costs – a key element of operating costs.

A detailed LIDAR topographic survey has been flown and will be utilized as a base for developing the conceptual site plan involving creek diversion, ditching, tailings disposal and waste rock sites.

We hope to provide shareholders with a clear estimate of costs and the economic conditions required to justify mine development on their property and hope to be in position to release this information as a 43-101 compliant “Preliminary Economic Assessment” or scoping study in the first half of 2012.

SUMMARY OF SHARES ISSUED

As of November 2, 2011, the Company’s share information is as follows:

Common shares issued	<u>47,034,679</u>
Common share purchase options	<u>2,850,000</u>

Moss Lake Gold Mines Ltd.

(A Development Stage Company)

Interim Statement of Financial Position

(Unaudited, expressed in Canadian dollars)

	September 30 2011	December 31 2010
Assets		
Current		
Cash	\$ 1,567,574	\$ 388
Receivables and other assets	10,630	58,228
	<u>1,578,204</u>	<u>58,616</u>
Exploration properties (Note 4)	2,849,518	2,768,754
	<u>\$ 4,427,722</u>	<u>\$ 2,827,370</u>
Liabilities		
Current		
Payables and accruals	\$ 53,381	\$ 388,663
	<u>53,381</u>	<u>388,663</u>
Convertible promissory note (Note 5)	1,750,165	-
	<u>1,803,546</u>	<u>388,663</u>
Equity		
Capital stock (Note 6)	10,929,622	10,688,622
Contributed surplus	415,408	379,408
Equity component of convertible promissory note (Note 5)	313,128	-
Deficit	<u>(9,033,982)</u>	<u>(8,629,323)</u>
	<u>2,624,176</u>	<u>2,438,707</u>
	<u>\$ 4,427,722</u>	<u>\$ 2,827,370</u>

Nature and continuation of operations (Note 1)

Environmental risks (Note 10)

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, expressed in Canadian dollars)

	Three Months Ended Sept 30		Nine Months Ended Sept 30	
	2011	2010	2011	2010
Interest Income	\$ -	\$ -	\$ -	\$ -
Costs and expenses				
Interest on long term debt (Note 5)	76,116	14,872	131,239	44,366
Corporate and general	15,814	24,883	156,420	55,637
Stock compensation expense	-	150,000	117,000	150,000
Net loss before income taxes	91,930	189,755	404,659	250,003
Income taxes	-	-	-	-
Net loss and comprehensive loss	(91,930)	(189,755)	(404,659)	(250,003)
Deficit, beginning of period	(8,942,052)	(8,418,056)	(8,629,323)	(8,357,808)
Deficit, end of period	\$ (9,033,982)	\$ (8,607,811)	\$ (9,033,982)	\$ (8,607,811)
Net loss per common share				
Basic (Note 7)	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Fully diluted (Note 7)	\$ (0.00)	\$ (0.01)	\$ (0.00)	\$ (0.01)

Interim Statements of Total Equity

	Capital Stock	Contributed Surplus	Equity Component of Promissory Note	Deficit	Total Equity
Balance, January 1, 2010	\$10,357,654	\$ 229,408	\$ 43,962	\$ (8,357,808)	\$2,273,216
Share based compensation	-	150,000	-	-	150,000
Net loss for the period ended September 30, 2010	-	-	-	(250,003)	(250,003)
Balance, September 30, 2010	10,357,654	379,408	43,962	(8,607,811)	2,173,213
Transfer of equity component of convertible promissory note issued on conversion of note (Note 5)	43,962	-	(43,962)	-	-
Common shares, net of costs of \$2,084 (Note 6)	297,916	-	-	-	297,916
Share issuance costs flow-through shares issued	(10,910)	-	-	-	(10,910)
Net loss for the year ended December 31, 2010	-	-	-	(211,267)	(211,267)
Balance, December 31, 2010	10,688,622	379,408	-	(8,629,323)	2,438,707
Exercise of stock options	160,000	-	-	-	160,000
Value attributed to stock options exercised	81,000	(81,000)	-	-	-
Stock option compensation	-	117,000	-	-	117,000
Value of equity component of convertible promissory note (Note 5)	-	-	313,128	-	313,128
Net loss for the period ended September 30, 2011	-	-	-	(404,659)	(404,659)
Balance, September 30, 2011	\$10,929,622	\$ 415,408	\$ 313,128	\$ (9,033,982)	\$2,624,176

See accompanying notes to the interim financial statements.

Moss Lake Gold Mines Ltd.

(A Development Stage Company)

Interim Statements of Cash Flows

(Unaudited, expressed in Canadian dollars)

Nine months ended September 30	2011	2010
Increase (decrease) in cash		
Operating activities		
Net loss	\$ (404,659)	\$ (250,003)
Stock compensation expense	117,000	150,000
Accretion of discount on promissory note (Note 5)	63,293	21,927
Change in receivables and payables	(287,684)	122,267
	(512,050)	44,191
Financing activity		
Convertible note from Wesdome (Note 5)	2,000,000	-
Exercise of stock options	160,000	-
	2,160,000	-
Investing activity		
Additions to exploration properties	(80,764)	(52,601)
Net increase (decrease) in cash	1,567,186	(8,410)
Cash, beginning of period	388	9,753
Cash, end of period	\$ 1,567,574	\$ 1,343

See accompanying notes to the interim financial statements.

Moss Lake Gold Mines Ltd.

(A Development Stage Company)

Notes to the Interim Financial Statements

(Unaudited, expressed in Canadian dollars)

Nine months ended September 30, 2011

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

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 (TSXV: MOK). 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 is a subsidiary of Wesdome Gold Mines Ltd. ("Wesdome"), a publicly held company, which is listed on the Toronto Stock Exchange (TSX: WDO). The Company's registered office is 8 King Street East, Suite 1305, Toronto, Ontario, M5C 1B5.

These are the Company's third interim financial statements for part of the period covered by the Company's first International Financial Reporting Standards ("IFRS") annual financial statements. IFRS represents standards and interpretations approved by the International Accounting Standards Board ("IASB"), and are comprised of IFRSs, International Accounting Standards ("IASs"), and interpretations issued by the IFRS Interpretations Committee ("IFRICs") or the former Standing Interpretations Committee ("SICs").

These interim financial statements have been prepared on a historical cost basis, and have also been prepared in compliance with IAS 34 – "*Interim Financial Reporting*" and on the basis of IFRS standards and interpretations expected to be effective as at the Company's first IFRS annual reporting date, December 31, 2011, with significant accounting policies as described in Note 2.

These interim financial statements should be read in conjunction with the interim financial statements for the three months ended March 31, 2011, the six months ended June 30, 2011, and the notes thereto.

These interim financial statements are presented in Canadian dollars ("Cdn \$"), which is also the functional currency of the Company.

These unaudited interim financial statements were authorized for issuance by the Board of Directors of the Company on November 2, 2011.

Continuation of Operations

The Company has incurred significant losses and at September 30, 2011 the Company had a deficit of \$9,033,982. 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. While the Company has been successful in the past in obtaining financing, there can be no assurance it will be able to raise sufficient funds in the future to continue to advance the development of the properties. 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, expressed in Canadian dollars)

Nine months ended September 30, 2011

2. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

(i) *Share-based payments*

The Company follows accounting guidelines in determining the fair value of stock-based compensation. The computed amount is not based on historical cost, but is derived based on subjective assumptions input into an option pricing model. The model requires that management make forecasts as to future events, including estimates of: the average future hold period of issued stock options before exercise, expiry or cancellation; future volatility of the Company's share price in the expected hold period (using historical volatility as a reference); and the appropriate risk-free rate of interest. Stock-based compensation does not incorporate an expected forfeiture rate, as all stock options currently vest immediately.

The resulting value calculated is not necessarily the value that the holder of the option could receive in an arm's length transaction, given that there is no market for the options and they are not transferable. It is management's view that the value derived is highly subjective and dependent entirely upon the input assumptions made.

(ii) *Recoverability of exploration properties*

The Company's management reviews the carrying values of its exploration properties on a regular basis to determine whether any write-downs are necessary. The recovery of amounts recorded for exploration properties depends on confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

(iii) *Exploration and evaluation expenditures*

Judgment is required in determining whether the respective costs are eligible for capitalization where applicable, and whether they are likely to be recoverable by future exploration, which may be based on assumptions about future events and circumstances. Estimates and assumptions made may change if new information becomes available.

Moss Lake Gold Mines Ltd.

(A Development Stage Company)

Notes to the Interim Financial Statements

(Unaudited, expressed in Canadian dollars)

Nine months ended September 30, 2011

3. UPCOMING CHANGES IN ACCOUNTING STANDARDS

The IASB has issued IFRS 9 - "*Financial Instruments: Classification and Measurement*" which proposes to replace IAS 39. The replacement standard has the following significant components: establishes two primary measurement categories for financial assets – amortized cost and fair value; establishes criteria for classification of financial assets within the measurement category based on business model and cash flow characteristics; and eliminates existing held to maturity, available for sale and loans and receivable categories.

This standard is effective for the Company's annual year end beginning January 1, 2013. The Company will evaluate the impact of the change to its financial statements based on the characteristics of its financial instruments at the time of adoption.

IFRS 13 - Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. The Company is currently in the process of analyzing the impact of these amendments on the financial statements.

4. EXPLORATION PROPERTIES

Balance, January 1, 2010	\$ 2,708,845
Exploration expenditures	59,909
<hr/>	
Balance, December 31, 2010	2,768,754
Exploration expenditures	80,764
<hr/>	
Balance, September 30, 2011	\$ 2,849,518

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.

Moss Lake Gold Mines Ltd.

(A Development Stage Company)

Notes to the Interim Financial Statements

(Unaudited, expressed in Canadian dollars)

Nine months ended September 30, 2011

5. CONVERTIBLE PROMISSORY NOTE

On April 29, 2011, the Company obtained a \$2,000,000 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. If Wesdome converts the principal amount of the note into Moss Lake shares, Wesdome will acquire an additional 4,000,000 Moss Lake shares increasing its ownership by 3% to 60% of the issued and outstanding shares of Moss Lake.

Interest expense on long term debt as at September 30, 2011, included \$63,293 attributable to accretion of the discount on this matured note.

	September 30 2011	December 31 2010
<u>Liability component</u>		
Balance, beginning of period	\$ -	\$ 274,048
Issuance of promissory note	1,686,872	-
Accretion	63,293	25,952
Redemption	-	(300,000)
Balance, end of period	<u>\$ 1,750,165</u>	<u>\$ -</u>

	September 30 2011	December 31 2010
<u>Equity component</u>		
Balance, beginning of period	\$ -	\$ 43,962
Issuance of promissory note	313,128	-
Redemption	-	(43,962)
Balance, end of period	<u>\$ 313,128</u>	<u>\$ -</u>

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.

Common Shares Issued:

	Shares	Amount
Balance, January 1, 2010	45,184,679	\$ 10,357,654
Transfer of equity component of convertible promissory note	-	43,962
Common shares issued on conversion of note, net of costs of \$2,084 (Note 5)	1,200,000	297,916
Share issuance costs flow-through share issued	-	(10,910)
Balance, December 31, 2010	46,384,679	10,688,622
Exercise of stock options	650,000	160,000
Value attributed to stock options exercised	-	81,000
Balance, September 30, 2011	<u>47,034,679</u>	<u>\$ 10,929,622</u>

Moss Lake Gold Mines Ltd.

(A Development Stage Company)

Notes to the Interim Financial Statements

(Unaudited, expressed in Canadian dollars)

Nine months ended September 30, 2011

6. CAPITAL STOCK (continued)

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 September 30, 2011, 1,853,468 options to purchase common shares are available for grant under the Plan.

The following table reflects the continuity for the nine months ended September 30, 2011 and year ended December 31, 2010, of options granted under the plan.

	Shares		Weighted Average Exercise Price	
	2011	2010	2011	2010
Outstanding, beginning of period	3,100,000	1,850,000	\$ 0.254	\$ 0.289
Granted	600,000	-	\$ 0.330	\$ -
Expired	(200,000)	-	\$ 0.250	\$ -
Exercised	(650,000)	-	\$ 0.250	\$ -
Outstanding, end of period	2,850,000	1,850,000	\$ 0.271	\$ 0.289

During 2011 the fair value of the options granted was estimated on the date of grant using the Black-Scholes option pricing model. The weighted average fair value per share price of \$0.20 was calculated using the following weighted average assumptions: dividend yield of 0%, expected volatility of 70%, risk-free interest rate of 2.2% and expected life of 5 years.

The estimated fair value of the options is expensed over the vesting period. The options vest when granted. The fair value of compensation and contributed surplus relating to stock options was \$117,000 (2010: \$150,000).

The following information applies to options outstanding and exercisable at September 30, 2011.

Exercise Price	Number Outstanding	Weighted Average	Number Exercisable
		Remaining Contractual Life	
\$0.20	1,200,000	4.00 years	1,200,000
\$0.25	500,000	0.75 years	500,000
\$0.30	100,000	0.25 years	100,000
\$0.33	600,000	4.75 years	600,000
\$0.40	<u>450,000</u>	1.25 years	<u>450,000</u>
	<u>2,850,000</u>		<u>2,850,000</u>

Moss Lake Gold Mines Ltd.

(A Development Stage Company)

Notes to the Interim Financial Statements

(Unaudited, expressed in Canadian dollars)

Nine months ended September 30, 2011

7. LOSS PER SHARE

Basic earnings per share ("EPS") is calculated by dividing the net earnings available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated using the treasury method of calculating the weighted average number of common shares outstanding, except if the converted method is used in assessing the dilution impact of convertible notes. The treasury method, which assumes that outstanding stock options with an average exercise price below the market price of the underlying shares, are exercised and the assumed proceeds are used to repurchase common shares of the Company at the average price of the common shares for the period. The if-converted method assumes that all convertible notes have been converted in determining fully diluted EPS if they are in-the-money except where such conversion would be anti-dilutive.

	September 30 2011	September 30 2010
Net Loss	\$ (404,659)	\$ (250,003)
Weighted average number of shares, basic	46,647,866	45,184,679
Dilutive securities		
Options	1,672,991	-
Convertible debentures	-	-
Weighted average number of shares, diluted	48,320,857	45,184,679
Basic earnings per share	\$ (0.01)	\$ (0.01)
Diluted earnings per share	\$ (0.00)	\$ (0.01)
Number of shares excluded from diluted earnings per share calculation due to anti-dilutive effect		
Options	1,050,000	3,100,000
Convertible debentures	4,000,000	1,200,000

8. RELATED PARTY INFORMATION

Other than amounts owing, interest accrued and shares issued to Wesdome on the convertible promissory notes (Note 5) the Company had the following transactions and balances with related parties.

Under the terms of a management agreement, 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 September 30, 2011 and December 31, 2010 amounted to \$4,490 and \$2,607, 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 September 30, 2011 and December 31, 2010 included \$9,015 and \$306,543 respectively, due to Wesdome.

Moss Lake Gold Mines Ltd.

(A Development Stage Company)

Notes to the Interim Financial Statements

(Unaudited, expressed in Canadian dollars)

Nine months ended September 30, 2011

9. FINANCIAL INSTRUMENTS – DISCLOSURES AND PRESENTATION

Financial instruments disclosures requires the Company to provide information about: a) the significance of financial instruments for the Company's financial position and performance and b) the nature and extent of risks arising from financial instruments to which the Company is exposed during the period and at the balance sheet date, and how the Company manages those risks.

Financial Instruments

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

	September 30 2011	December 31 2010
<u>Financial assets</u>		
Held for trading:		
Cash	\$ 1,567,574	\$ 388
Loans and receivables:		
Receivables and other assets	10,630	58,228
<u>Financial liabilities</u>		
Other financial liabilities		
Payables and accruals	53,381	388,663
Convertible promissory note	1,750,165	-

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

Other financial liabilities – Payables, accruals and the convertible promissory note are carried at amortized cost. The carrying amount of payables and accruals approximates fair value due to the short maturity of these financial instruments. The fair value of the convertible promissory note was considered to approximate its carrying amount due to discounting at a market rate.

The fair value hierarchy for financial instruments measured at fair value is Level 1 for cash. The Company does not have Level 2 or Level 3 inputs.

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.

Moss Lake Gold Mines Ltd.

(A Development Stage Company)

Notes to the Interim Financial Statements

(Unaudited, expressed in Canadian dollars)

Nine months ended September 30, 2011

9. FINANCIAL INSTRUMENTS – DISCLOSURES AND PRESENTATION (continued)

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.

The following table shows the timing of cash outflows relating to the Company's liabilities:

September 30, 2011

		<u><1 Year</u>	<u>1-2 Years</u>
Payables & accruals	\$	53,381	-
Convertible promissory note	\$	160,000	\$ 2,092,055

December 31, 2010

		<u><1 Year</u>	<u>1-2 Years</u>
Payables & accruals	\$	388,663	-

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.

Moss Lake Gold Mines Ltd.

(A Development Stage Company)

Notes to the Interim Financial Statements

(Unaudited, expressed in Canadian dollars)

Nine months ended September 30, 2011

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 2011.

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.

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. 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.

	September 30 2011	December 31 2010
Total equity	\$ 2,624,176	\$ 2,438,707
Cash	(1,567,574)	(388)
Capital	\$ 1,056,602	\$ 2,438,319

	September 30 2011	December 31 2010
Total equity	\$ 2,624,176	\$ 2,438,707
Convertible promissory note	1,750,165	-
Overall financing	\$ 4,374,341	\$ 2,438,707
Capital –to–overall financing ratio	0.24	1.00

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.

Moss Lake Gold Mines Ltd.

(A Development Stage Company)

Notes to the Interim Financial Statements

(Unaudited, expressed in Canadian dollars)

Nine months ended September 30, 2011

13. EXPLANATION OF TRANSITION TO IFRS

IFRS 1 – “*First-time Adoption of International Financial Reporting Standards*” (“IFRS 1”) governs the first-time adoption of IFRS. IFRS 1 in general requires accounting policies under IFRS to be applied retrospectively to determine the transition date balance sheet of the Company as of the transition date of January 1, 2010, and allows certain exemptions which the Company has elected to apply.

The Company’s financial statements for the year ending December 31, 2011 will be the first annual financial statements to comply with IFRS. These interim financial statements are the third IFRS financial statements to be presented for part of the period to be covered by the Company’s first IFRS annual financial statements. The adoption of IFRS has not materially changed the Company’s overall cash flows or operations, however, it has resulted in certain differences in recognition, measurement and disclosure as compared to Canadian generally accepted accounting principles (“GAAP”).

In preparing the interim financial statements for the nine months ended September 30, 2011, and the disclosures included in these financial statements, all comparative amounts have been restated to comply with IFRS. The Company’s transition date is January 1, 2010 (“the transition date”) and the Company prepared its opening IFRS statement of financial position at that date. These financial statements have been prepared in accordance with the accounting policies described in Note 2 from the interim financial statements for the three months ended March 31, 2011, and in accordance with the existing IFRS with an effective date of January 1, 2011, which are expected to apply at December 31, 2011. The Company has reconciled the following financial statements as prepared under Canadian GAAP to those prepared under IFRS for the following periods:

- Statements of shareholders’ equity as at September 30, 2010
- Statements of income and comprehensive income for the three and nine months ended September 30, 2010

IFRS 1 - “*First-time Adoption of International Financial Reporting Standards*” sets forth guidance for the initial adoption of IFRS. Under IFRS 1, the standards are applied retrospectively at the transitional statement of financial position date with all adjustments to assets and liabilities charged or credited to retained earnings unless certain exemptions are applied. The Company has applied the following change to its opening statement of financial position dated January 1, 2010:

Reclassification of flow-through shares

The Company has issued flow-through shares in the past. IFRS requires the difference between quoted market price of the same class of share without the flow-through feature and the amount the investor pays for the shares, or premium, be recorded as a liability. There was no premium previously recorded, and accordingly no adjustment was made related to a premium.

Under the terms of flow-through share agreements, the tax attributes of the related expenditures are renounced to subscribers. Under IFRS, the tax effect of the flow-through share renunciations is recorded in other income. The renunciations previously charged to share capital were transferred to retained earnings in the amount of \$272,000.

Moss Lake Gold Mines Ltd.

(A Development Stage Company)

Notes to the Interim Financial Statements

(Unaudited, expressed in Canadian dollars)

Nine months ended September 30, 2011

13. EXPLANATION OF TRANSITION TO IFRS (continued)

Reconciliation of statements of total equity:

	Capital Stock	Contributed Surplus	Equity Component Convertible Debentures	(Deficit)	Total Equity
Balance, September 30, 2010 (GAAP)	\$ 10,085,654	\$ 379,408	\$ 43,962	\$ (8,335,811)	\$ 2,173,213
Reclassification of flow-through shares	272,000	-	-	(272,000)	-
Balance, September 30, 2010 (IFRS)	\$ 10,357,654	\$ 379,408	\$ 43,962	\$ (8,607,811)	\$ 2,173,213

Reconciliation of Income and Comprehensive Income

	Three months ended Sept 30, 2010			Nine months ended Sept 30, 2010		
	GAAP	Effect of Transition to IFRS	IFRS	GAAP	Effect of Transition to IFRS	IFRS
Interest income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Costs and expenses						
Interest on long term debt	14,872	-	14,872	44,366	-	44,366
Corporate and general	24,883	-	24,883	55,637	-	55,637
Share based compensation	150,000	-	150,000	150,000	-	150,000
	189,755	-	189,755	250,003	-	250,003
Net loss before income taxes	(189,755)	-	(189,755)	(250,003)	-	(250,003)
Recovery of future income taxes	-	-	-	-	-	-
Net loss and comprehensive loss	(189,755)	-	(189,755)	(250,003)	-	(250,003)
Deficit, beginning of period	(8,146,056)	(272,000)	(8,418,056)	(8,085,808)	(272,000)	(8,357,808)
Deficit, end of period	\$ (8,335,811)	\$ (272,000)	\$ (8,607,811)	\$ (8,335,811)	\$ (272,000)	\$ (8,607,811)