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**MOSS LAKE  
GOLD MINES LTD**

**2001 Annual Report**

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## Annual Meeting

*The Annual Meeting of shareholders will be held  
at the Head Office, 8 King Street East, Suite 1305, Toronto, Ontario  
on Thursday, June 27, 2002 at 10:00 a.m.*

## Corporate information

### Officers and Directors

**David Birkett**  
Director, Vice President  
Corporate Development  
Calgary, Alberta

**George N. Mannard**  
Director, President  
Toronto, Ontario

**Donald D. Orr**  
Secretary-Treasurer  
Toronto, Ontario

**M. Douglas Pollitt**  
Director  
Toronto, Ontario

**Alvin E. Storey**  
Director  
Oakville, Ontario

### General Information

**Head Office**  
8 King Street East  
Suite 1305  
Toronto, Ontario  
M5C 1B5

**Listings**  
TSX Venture Exchange (MOK)

**Transfer Agent and Registrar**  
Computershare Trust Company of Canada  
Toronto, Ontario  
Website: [www.computershare.com](http://www.computershare.com)

**Auditors**  
Grant Thornton LLP  
Toronto, Ontario

**Legal Counsel**  
Aird & Berlis  
Toronto, Ontario

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**MOSS LAKE  
GOLD MINES LTD**



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## Corporate Profile

Moss Lake Gold Mines Ltd. was formed in 1994 to consolidate ownership of the Moss Lake gold deposit located in the Shebandowan area northwest of Thunder Bay, Ontario. The deposit contains a resource of 60 million tonnes grading 1.1 grams of gold per tonne or about 2 million contained ounces of gold. Although subeconomic at current gold prices, the Company believes this asset will become very important with higher gold prices.

In 1999, the Company purchased a 100% interest in a large adjoining property which displays favourable geology for both gold and base metal deposits. Exploration work is ongoing.

The Company is a 54% owned subsidiary of River Gold Mines Ltd. which operates gold mines near Wawa, Ontario. Moss Lake Gold Mines Ltd. trades on the TSX Venture Exchange under the symbol MOK and has 31.2 million shares issued and outstanding.

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# Message to Shareholders

In 2001, the Company continued with a systematic evaluation of its large land position in the Shebandowan greenstone belt, located 100 kilometres west of Thunder Bay.

The Moss Lake deposit itself has an indicated resource of 60 million tonnes grading 1.1 grams of gold per tonne, or 2.1 million in-situ ounces of gold above a depth of 250 metres. Underground development completed in the 1980's helped define a higher grade core of measured and indicated resources of 475,000 tonnes grading 6.2 grams of gold per tonne. These resources are subeconomic at current gold prices. The Company has recently concentrated on exploring for new deposits which would be economic under current market conditions.

In 2001, the Company completed geophysical surveys and a mapping program which identified several showings associated with disseminated pyrite in the southwest portion of the property. Grab samples were anomalous in gold returning assays of up to 13.76 grams of gold per tonne. Follow-up induced polarization surveying in this area defined a series of strong chargeability anomalies along topographic depressions. We are excited by this target and plan to test it with drilling in July.

Although the last few years have been difficult for the gold industry, we are very encouraged by recent signs of optimism in the gold market. Our Company owns a substantial gold resource and a large, highly prospective property. The significance of these assets will be recognized in the market as the gold price strengthens.

Finally, I would like to thank Al Storey whose 20-year association with the Moss Lake property was a valuable resource. Al is stepping down to concentrate 100% on retirement.

On behalf of the Board of Directors,



George N. Mannard  
*President*

May 1, 2002

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# Management's Discussion and Analysis

## General

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. Its substantial resources require higher gold prices to become economical to mine. The Company began trading on the Toronto Stock Exchange in September, 1995. In 2000, the Company's stock began trading on the TSX Venture Exchange (formerly the Canadian Venture Exchange) due to its less onerous listing requirements.

## 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. This has certainly proved challenging in recent years as the price of gold has collapsed from a high of US\$418 per ounce in early 1996 to an average of US\$271 per ounce in 2001. A private placement with majority shareholder River Gold Mines Ltd. has enabled the Company to continue its work.

## Resource estimates

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

## Liquidity and capital resources

At year end, 2001, the Company had cash resources of \$87,812 compared to \$150,619 in 2000. A working capital deficiency of \$293,772 existed compared to \$126,280 at year end 2000. The payables and accruals of \$394,639 include \$377,083 of advances from majority shareholder River Gold Mines Ltd. who has been funding the Company's activities. This liability is expected to be paid through the issuance of stock via a private placement.

## Balance sheet

At December 31, 2001, total assets amounted to \$746,172 compared to \$663,708 in 2000. In 2000, the Company wrote down the carrying value of its properties by \$6,969,752 to better reflect dismal gold market conditions. Liabilities increased to \$394,639 at year end 2001 from \$289,276 at year end 2000, reflecting continued cash advances from River Gold. Shareholders' equity decreased to \$351,533 at year end 2001 from \$374,432 at year end 2000. This is due to the corporate and general expenses required to run a public company on top of the investment made on exploration.

## Outlook

In 2002, the Company will drill test an exciting exploration target. The Company believes a new discovery is the catalyst required to ignite investor enthusiasm and refinance its long-term efforts. We continue to examine potential mechanisms to increase shareholder value via acquisitions or new business combinations. Improvement in the price of gold will greatly enhance value over the longer term.

## Management's Responsibility for Financial Statements

The accompanying financial statements and all of the data included in this annual report have been prepared by and are the responsibility of the management of the Company. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and reflect management's best estimate and judgement based on currently available information.

Management is also responsible for a system of internal control which is designed to provide reasonable assurance that assets are safeguarded, liabilities are recognized and that the accounting systems provide timely and accurate financial reports.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities in respect of financial reporting and internal control. The Audit Committee of the Board of Directors meets periodically with management and the Company's independent auditors to discuss auditing matters and financial reporting issues. In addition, the Audit Committee reviews the annual financial statements before they are presented to the Board of Directors for approval.

Toronto, Canada  
February 15, 2002



Donald D. Orr  
Secretary-Treasurer

## Auditors' Report

### To the Shareholders of Moss Lake Gold Mines Ltd.

We have audited the balance sheets of Moss Lake Gold Mines Ltd. as at December 31, 2001 and 2000 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada  
February 15, 2002



Grant Thornton LLP  
Chartered Accountants

**Balance Sheets**

<i>December 31</i>	<b>2001</b>	2000
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**Assets**

## Current

Cash	\$ <b>87,812</b>	\$ 150,619
Receivables	<b>13,055</b>	12,377

	<b>100,867</b>	162,996
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Office equipment (Note 3)	-	712
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Exploration properties (Note 4)	<b>645,305</b>	500,000
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	\$ <b>746,172</b>	\$ 663,708
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**Liabilities**

## Current

Payables and accruals	\$ <b>394,639</b>	\$ 289,276
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**Shareholders' Equity**

Capital stock (Note 5)	<b>7,790,386</b>	7,790,386
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Deficit	<b>7,438,853</b>	7,415,954
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	<b>351,533</b>	374,432
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	\$ <b>746,172</b>	\$ 663,708
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Operations and going concern assumption (Note 1)

On behalf of the Board



**George N. Mannard**  
Director



**Alvin E. Storey**  
Director

*See accompanying notes to the financial statements.*

## Statements of Operations and Deficit

<i>Years Ended December 31</i>	<b>2001</b>	2000
Interest income	\$ <b>387</b>	\$ 2,113
Costs and expenses		
Corporate and general	<b>36,574</b>	81,760
Large corporation tax (recovery)	<b>(14,000)</b>	17,000
Depreciation	<b>712</b>	700
Write down of exploration properties	<b>-</b>	6,969,752
	<b>23,286</b>	7,069,212
Net loss (Note 6)	<b>22,899</b>	7,067,099
Deficit, beginning of year	<b>7,415,954</b>	348,855
Deficit, end of year	<b>\$ 7,438,853</b>	\$ 7,415,954
Loss per common share	<b>\$ 0.00</b>	\$ 0.23

## Statements of Cash Flows

<i>Years Ended December 31</i>	<b>2001</b>	2000
Increase (decrease) in cash		
<b>Operating activities</b>		
Net loss	\$ <b>(22,899)</b>	\$ (7,067,099)
Depreciation	<b>712</b>	700
Write down of exploration properties	<b>-</b>	6,969,752
Change in receivables and payables	<b>104,685</b>	183,689
	<b>82,498</b>	87,042
<b>Investing activity</b>		
Exploration properties	<b>(145,305)</b>	(89,860)
Decrease in cash	<b>(62,807)</b>	(2,818)
Cash, beginning of year	<b>150,619</b>	153,437
Cash, end of year	<b>\$ 87,812</b>	\$ 150,619

*See accompanying notes to the financial statements.*

# Notes to the Financial Statements

December 31, 2001 and 2000

## 1. OPERATIONS AND GOING CONCERN ASSUMPTION

Moss Lake Gold Mines Ltd. (the "Company") is a publicly traded company and is incorporated under the Business Corporations Act (Ontario). The Company's common shares are listed on the Canadian Venture Exchange.

The Company is a subsidiary of River Gold Mines Ltd. ("River Gold"), a publicly held company, which is listed on the Toronto Stock Exchange. At December 31, 2001 and 2000, River Gold held approximately 54% of the then outstanding common shares of the Company.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company has incurred significant losses and at December 31, 2001, the Company had a deficit of \$7.4 million. The recoverability of the carrying value of exploration properties is dependent upon the continued support of River Gold, the preservation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to develop economically recoverable ore reserves, future profitable production therefrom or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require additional write downs of the carrying values.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

### Exploration properties

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

Once commercial production commences, such capitalized costs are amortized on the unit of production method based on estimated recoverable reserves of ore.

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

### Depreciation

Depreciation on office equipment is calculated on the declining balance method at an annual rate of 20%.

### Stock-based compensation plans

The Company has a stock option plan, which is described in Note 5. No compensation expense is recognized when options are granted. The consideration paid on exercise of options is credited to capital stock.

### Income taxes

Future income tax assets are recognized on temporary timing differences between reported and taxable income and on losses incurred more likely than not to be carried forward to reduce future taxable income. Future income tax liabilities are recognized on temporary timing differences between reported and taxable income which will increase future taxable income.

<b>3. OFFICE EQUIPMENT</b>	<b>2001</b>	2000
Cost	\$ 4,622	\$ 4,622
Accumulated depreciation	4,622	3,910
	\$ -	\$ 712

## 4. EXPLORATION PROPERTIES

### Moss Lake Property

The Company has a 100% interest in this property which is situated in Moss Township, 100 kilometres west of Thunder Bay, Ontario.

In 1995, the Company acquired 33 contiguous unpatented mining claims and 2 mining leases (comprising 540 hectares) from River Gold, Tandem Resources Ltd. ("Tandem") and Storimin Resources Limited ("Storimin") for an aggregate purchase price of \$6,000,000. The purchase price represented the vendors' best estimate of the then current value of the property, which value was less than the aggregate of the vendors' original carrying values. As consideration, the Company issued a total of 20,000,000 common shares of which River Gold received 11,018,000 shares, Tandem received 4,082,000 shares and Storimin received 4,900,000 shares. In addition, the Company paid \$50,000 to each of Tandem and Storimin in full settlement of their advance royalties.

In 1999, the Company paid \$5,000 in full settlement of one of the underlying vendors' entitlement to a 1.25% net profits royalty. The Company remains obligated to pay underlying advance royalties of \$5,469 per quarter to the remaining underlying 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 1998, the Company acquired 15 contiguous unpatented claim units for cash of \$10,000. These units are subject to a 1% net smelter return royalty.

# Notes to the Financial Statements

December 31, 2001 and 2000

## 4. EXPLORATION PROPERTIES (CONTINUED)

### Fountain Lake Property

In 1999, the Company acquired a 100% interest in this property at fair value of \$450,000 in consideration for 4.5 million treasury shares of the Company and cash of \$45,000. The property consists of 149 mining claims contiguous to the Moss Lake Property to the east, west and south. Costs of acquisition were \$16,081.

The property is subject to a 2.5% net smelter return royalty payable to certain original vendors of the property.

Carrying values	2001	2000
Moss Lake Property		
Cost of property	\$ 6,010,000	\$ 6,010,000
Settlement of advance royalties	105,000	105,000
Underlying advance royalties	167,188	145,313
Exploration expenditures	773,184	688,545
	<b>7,055,372</b>	6,948,858
Fountain Lake Property		
Cost of property	466,081	466,081
Exploration expenditures	88,604	49,813
	<b>554,685</b>	515,894
Other	5,000	5,000
	<b>7,615,057</b>	7,469,752
Write down of carrying values	(6,969,752)	(6,969,752)
	<b>\$ 645,305</b>	\$ 500,000

In December 2000, management evaluated these properties and determined that the carrying values should be written down to \$500,000.

## 5. CAPITAL STOCK

### Authorized:

The authorized capital of the Company consists of an unlimited number of preference shares and common shares without par value. No preference shares have been issued.

Common shares issued:	Shares	Amount
Balance, December 31, 1999, 2000 and 2001	31,166,667	\$ 7,790,386

### Stock option plan

The Company has a stock option plan under which the Board of Directors may grant options to purchase common shares of the Company to key employees, officers or directors of the Company. The aggregate number of common shares which may be reserved for issuance under the plan is limited to 600,000.

At December 31, 2001, no options were outstanding.

## 6. INCOME TAXES

The following table reconciles the expected income tax recovery at the statutory income tax rate to the amounts recognized in the statements of operations.

	2001	2000
Net loss reflected in the statements of operations	\$ 22,899	\$ 7,067,099
Expected income tax recovery	\$ (10,000)	\$ (3,110,000)
Non-deductible expense (recovery)	(6,000)	8,000
Non-deductible portion of write down of exploration properties	-	3,067,000
Non-capital losses not recognized	16,000	35,000
	\$ -	\$ -

The following table reflects future income tax assets at December 31, 2001 and 2000.

	2001	2000
Future income tax assets		
Unclaimed non-capital losses	\$ 300,000	\$ 300,000
Excess of unclaimed resource pools over carrying value of exploration properties	1,500,000	1,500,000
	<b>1,800,000</b>	1,800,000
Less unrecognized amount	1,800,000	1,800,000
	\$ -	\$ -

At December 31, 2001, the Company had unclaimed exploration and development expenditures of approximately \$4,200,000 and non-capital losses of approximately \$686,000 which are available to reduce future taxable income. Of the non-capital losses, \$68,000 expire in 2002, \$135,000 expire in 2003 and \$117,000 expire in 2004.

## 7. LOSS PER COMMON SHARE

Loss per common share are based on a weighted average number of shares outstanding of 31,166,667 for 2001 and 2000.

## 8. RELATED PARTY INFORMATION

Under the terms of management agreements, River Gold, 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. River Gold 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 \$8,611 and \$4,743 for 2001 and 2000, respectively, all of which were capitalized.

Payables and accruals at December 31, 2001 and 2000 included \$377,083 and \$224,719, respectively, due to River Gold.

## 9. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables and payables. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The Company estimates that the fair value of these financial instruments approximate the carrying values.