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**MOSS LAKE  
GOLD MINES LTD**

*2002 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 26, 2003 at 10:00 a.m.*





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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 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 1980s 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.

During 2002, the Company undertook a drill program designed to test new targets on its large property. The encouraging results will be followed up with further drilling in 2003.

The Company is a 58% owned subsidiary of River Gold Mines Ltd., which operates gold mines near Wawa, Ontario. Moss Lake Gold Mines Ltd. trades on the Canadian Venture Exchange under the symbol MOK and has 34.2 million shares issued and outstanding.

# Message to Shareholders

In 2002, the Company undertook a 6,400-foot drill program to test targets generated from the previous summer's fieldwork on its large land position in the Shebandowan greenstone belt, located 100 kilometres west of Thunder Bay.

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.

A total of 6,396 feet of drilling was completed in seven holes in 2002. Drilling tested a series of subparallel induced polarization anomalies in the southwest portion of the property and encountered gold values of up to 8.4 grams of gold per tonne over 1.6 feet. The anomaly associated with this occurrence may be traced for 1,600 feet and offers considerable potential. Drilling also tested the Boundary Zone at depth where an intersection of 18.7 grams of gold per tonne over a corelength of 2.8 feet at a depth of 600 feet indicates this zone remains open.

Our prime asset is a large low-grade deposit that requires higher sustained gold prices to become economically viable. We will continue to explore our large property for higher grade deposits which display economic potential. We are encouraged by recent optimism in the gold market and believe that over time the true value of Moss Lake's gold deposit will be realized in the marketplace.

On behalf of the Board of Directors,



George N. Mannard  
*President*

April 3, 2003

# 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 sustained higher gold prices to become viable to mine. The Company began trading on the Toronto Stock Exchange in 1995. In 2000, the Company migrated to the TSX Venture Exchange.

## 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. With the prolonged depressed state of the gold market in recent years, financing has been unobtainable. The Company has continued to rely on the financial support of parent company, River Gold Mines Ltd. Although this cannot be counted upon in the future, River Gold has been supportive of Moss Lake's efforts and has provided a backup source of capital. The Company completed a private placement with River Gold in 2002 in the amount of \$0.45 million.

## 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 estimate 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 its methodology and terminology are consistent with the new guidelines.

## LIQUIDITY AND CAPITAL RESOURCES

The Company is an exploration and development company and has no revenue. At year-end 2002, the Company had cash resources of \$311 compared to \$87,812 in 2001. A working capital deficiency of \$109,952 existed compared to \$293,772 at year-end 2001. The payables and accruals of \$128,024 include \$105,345 of advances from majority shareholder River Gold Mines Ltd. which has been funding the Company's activities. In 2002, River Gold acquired 3.0 million treasury shares at \$0.15 per share which allowed the Company to settle indebtedness and fund exploration.

## BALANCE SHEET

At December 31, 2002, assets totalled \$871,418 compared to \$746,172 in 2001. During the year the Company spent \$26,375 on royalties and \$21,089 on exploration expenditures on the Moss Lake property to increase its carrying value to \$7,102,836. The Company also spent \$160,577 on exploration expenditures on the Fountain Lake property to increase its carrying value to \$715,262. River Gold continued to finance the Company, subscribing to 3.0 million common shares at a price of \$0.15 per share for an increase in capital stock of \$450,000. The Company reported a loss for the year of \$58,139 compared to \$22,899 in 2001. The ongoing corporate and general expenses required to run a public company continue to escalate.

## OUTLOOK

The results of the summer drill program were encouraging. In 2003, we plan to follow up on these results and test other targets as well. 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. We remain steadfastly bullish on the price of gold.

## 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 14, 2003



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, 2002 and 2001 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, 2002 and 2001 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 14, 2003



Grant Thornton LLP  
Chartered Accountants

## Balance Sheets

December 31	2002	2001
<b>Assets</b>		
Current		
Cash	\$ 311	\$ 87,812
Receivables	17,761	13,055
	<b>18,072</b>	100,867
Exploration properties (Note 3)	<b>853,346</b>	645,305
	<b>\$ 871,418</b>	\$ 746,172
<b>Liabilities</b>		
Current		
Payables and accruals	\$ 128,024	\$ 394,639
<b>Shareholders' Equity</b>		
Capital stock (Note 4)	8,240,386	7,790,386
Deficit	(7,496,992)	(7,438,853)
	<b>743,394</b>	351,533
	<b>\$ 871,418</b>	\$ 746,172

Operations and going concern assumption (Note 1)

On behalf of the Board



**George N. Mannard**  
Director



**David Birkett**  
Director

See accompanying notes to the financial statements.

**Statements of Operations and Deficit**

<i>Years Ended December 31</i>	<b>2002</b>		2001
Interest income	\$ 482	\$	387
Costs and expenses			
Corporate and general	<b>56,921</b>		36,574
Large corporation tax (recovery)	<b>1,700</b>		(14,000)
Depreciation	-		712
	<b>58,621</b>		23,286
Net loss (Note 5)	<b>(58,139)</b>		(22,899)
Deficit, beginning of year	<b>(7,438,853)</b>		(7,415,954)
Deficit, end of year	<b>\$ (7,496,992)</b>	\$	(7,438,853)
Loss per common share (Note 6)			
Basic and diluted	<b>\$ (0.00)</b>	\$	(0.00)

**Statements of Cash Flows**

<i>Years Ended December 31</i>	<b>2002</b>		2001
Increase (decrease) in cash			
<b>Operating activities</b>			
Net loss	\$ (58,139)	\$	(22,899)
Depreciation	-		712
Change in receivables and payables	<b>(271,321)</b>		104,685
	<b>(329,460)</b>		82,498
<b>Financing activity</b>			
Common shares issued to River Gold Mines Ltd. for cash	<b>450,000</b>		-
<b>Investing activity</b>			
Exploration properties	<b>(208,041)</b>		(145,305)
Decrease in cash	<b>(87,501)</b>		(62,807)
Cash, beginning of year	<b>87,812</b>		150,619
Cash, end of year	<b>\$ 311</b>	\$	87,812

*See accompanying notes to the financial statements.*

# Notes to the Financial Statements

December 31, 2002 and 2001

## 1. OPERATIONS AND GOING CONCERN ASSUMPTION

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

The Company 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, 2002 and 2001, River Gold held approximately 58% and 54%, respectively, 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, 2002, the Company had a deficit of \$7.5 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 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 pre-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

Effective January 1, 2002, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants Handbook Section 3870, Stock-based Compensation and Other Stock-based Payments. This Section defines recognition, measurement and disclosure standards for stock-based compensation to non-employees and employees. Under these new standards, all stock-based payments made to non-employees must be systematically accounted for in the enterprise's financial statements. These standards define a fair value-based method of accounting and encourage entities to adopt this method of accounting for its stock-based employee compensation plans. Under this method, compensation cost should be measured at the grant date based on the fair value of the award and should be recognized over the related service period. An entity that does not adopt the fair value method of accounting for its awards granted to employees is required to include in its financial statements pro forma disclosures of net earnings and earnings per share as if the fair value method of accounting had been applied. The Company has chosen the latter alternative and the required pro forma information is presented in Note 4.

### Income taxes

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

### Earnings (loss) per common share

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

## 3. 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.

The property consists of 33 contiguous unpatented mining claims and 2 mining leases (comprising 540 hectares) 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 15 contiguous unpatented claim units acquired in 1998. These units are subject to a 1% net smelter return royalty.

### Fountain Lake Property

The property consists 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.

## Notes to the Financial Statements

December 31, 2002 and 2001

### 3. EXPLORATION PROPERTIES (continued)

Carrying values	2002	2001
Moss Lake Property		
Cost of property	\$ 6,010,000	\$ 6,010,000
Settlement of advance royalties	105,000	105,000
Underlying advance royalties	193,563	167,188
Exploration expenditures	794,273	773,184
	<b>7,102,836</b>	7,055,372
Fountain Lake Property		
Cost of property	466,081	466,081
Exploration expenditures	249,181	88,604
	<b>715,262</b>	554,685
Other	5,000	5,000
	<b>7,823,098</b>	7,615,057
Write-down of carrying values	(6,969,752)	(6,969,752)
	<b>\$ 853,346</b>	\$ 645,305

### 4. 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, 2000 and 2001	31,166,667	\$ 7,790,386
Issued to River Gold under private placement	466,667	70,000
Issued on conversion of indebtedness to River Gold	2,533,333	380,000
Balance, December 31, 2002	34,166,667	\$ 8,240,386

#### 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.

The following table reflects the continuity for the years ended December 31, 2002 and 2001 of options granted under the plan.

	Shares		Weighted Average Exercise Price	
	2002	2001	2002	2001
Outstanding, beginning of year	-	-	\$ -	\$ -
Granted	400,000	-	\$ 0.20	\$ -
Outstanding, end of year	400,000	-	\$ 0.20	\$ -

The stock options granted in fiscal 2002 expire in June 2007.

The Company applies the intrinsic value based method of accounting for stock-based compensation awards to employees and accordingly no compensation cost is recognized. Had stock-based compensation for 400,000 options granted to employees under the Plan since January 1, 2002 been determined on the basis of fair value at the date of grant in accordance with the fair value method of accounting for stock-based compensation, the Company's pro forma net loss and loss per share for the year ended December 31, 2002 would have been as follows.

	Loss	Loss per Share
As reported	\$ (58,139)	\$ (0.00)
Pro forma	\$ (74,911)	\$ (0.00)

For purposes of the above calculations, the fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions used for grants: dividend yield of 0%, expected volatility of 100%, risk-free interest rate of 2.5% and expected life of 3 years.

### 5. INCOME TAXES

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

	2002	2001
Net loss reflected in the statements of operations	\$ 58,139	\$ 22,899
Expected income tax recovery	(22,000)	(10,000)
Non-deductible expense (recovery)	1,000	(6,000)
Non-capital losses not recognized	21,000	16,000
	<b>\$ -</b>	<b>\$ -</b>

The following table reflects future income tax assets at December 31, 2002 and 2001.

	2002	2001
Future income tax assets		
Unclaimed non-capital losses	\$ 200,000	\$ 300,000
Excess of unclaimed resource pools over carrying value of exploration properties	1,100,000	1,500,000
	<b>1,300,000</b>	1,800,000
Less valuation allowance	1,300,000	1,800,000
	<b>\$ -</b>	<b>\$ -</b>

At December 31, 2002, the Company had unclaimed exploration and development expenditures of approximately \$4,400,000 and non-capital losses of approximately \$678,000 which are available to reduce future taxable income. Of the non-capital losses, \$135,000 expire in 2003, \$117,000 expire in 2004 and \$117,000 expire in 2005.

### 6. LOSS PER COMMON SHARE

Loss per common share is based on a weighted average number of shares outstanding of 32,013,242 and 31,166,667 for 2002 and 2001, respectively.

Diluted earnings per share reflects the dilutive effect of the potential exercise of the common share options outstanding as at year end. The effect of common share purchase options on the net loss in 2002 is not reflected as to do so would be anti-dilutive.

### 7. 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 \$12,674 and \$8,611 for 2002 and 2001, respectively, all of which were capitalized.

Payables and accruals at December 31, 2002 and 2001 included \$105,345 and \$377,083, respectively, due to River Gold.

### 8. FINANCIAL INSTRUMENTS

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

# Corporate information

## Directors

**David Birkett**

Calgary, Alberta

*President*

*Landis Mining Corporation  
mining company*

**George N. Mannard**

Toronto, Ontario

*Vice-President, Exploration*

*River Gold Mines Ltd.*

*mining company*

**M. Douglas Pollitt**

Toronto, Ontario

*Analyst*

*Pollitt & Co. Inc.*

*stockbroker*

## Officers

**George N. Mannard**

*President*

**Donald D. Orr**

*Secretary-Treasurer*

**David Birkett**

*Vice President,*

*Corporate Development*

## 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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GOLD MINES LTD**



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