

**MOSS LAKE  
GOLD MINES LTD**

***2005 Annual Report***

# 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 sub-economic at current gold prices. The Company has recently concentrated on exploring for new deposits which would be economic under current market conditions.

In 1999, the Company acquired the large adjoining Fountain Lake property and commenced systematic exploration over its enlarged land position. This led to the recognition of several priority targets, some of which were tested by initial drilling in 2002 and 2003. In 2003, drilling encountered a broad anomalous sulphide zone in the Fountain Lake area, 2.5 kilometres southeast of the Moss Lake deposit. Follow up drilling in 2004 established continuity of two subzones within this mineralized system. We are encouraged by the widespread enrichment of gold and feel this large mineralized system has potential to host a significant gold deposit.

The Company is a 61% 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 39.4 million shares issued and outstanding.

## Annual Meeting

*The Annual Meeting of shareholders will be held at the Head Office, 8 King Street East, Suite 1305, Toronto, Ontario on Wednesday, June 21, 2006 at 10:00 a.m.*

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## Message to Shareholders

In 2005, the Company actively pursued avenues to increase shareholders value without issuing new equity at low prices. Several parties examined our assets and concurred that our projects demonstrate considerable exploration potential. Although, we have yet to agree to terms that could give our properties the exploration investment they merit in the best interest of shareholders, the late year rally in the gold price has raised the stakes and piqued the interest of potential suitors.

We feel more confident than ever that the rising gold price will manifest itself in greater valuation of our assets in the marketplace and return greater value to all shareholders.

The Board is working hard to find a deal acceptable to the majority shareholder and all minority shareholders that could move the Company forward, stimulate more exploration and development activity and unlock value for all shareholders.

On behalf of the Board of Directors,



George N. Mannard  
*President*

March 3, 2006

# Management's Discussion and Analysis

## For the Year Ended December 31, 2005

The following discussion and analysis of the operations, results, and financial position of Moss Lake Gold Mines Ltd. (the "Company") for the year ended December 31, 2005 should be read in conjunction with the December 31, 2005 audited financial statements and their related notes. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The effective date of this report is March 3, 2006.

All amounts are expressed in Canadian dollars unless otherwise indicated.

## FORWARD LOOKING STATEMENTS

Except for historical information, this Management's Discussion and Analysis ("MD&A") may contain forward-looking statements. These statements involve known and unknown risks, uncertainties, and other factors that may cause the Company's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievement expressed or implied in such forward looking statements.

## 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.

## SELECTED ANNUAL INFORMATION

	2005	2004	2003
Interest income	\$ 79	\$ 1,270	\$ 798
Net loss (in thousands)	77	48	45
Loss per common share	0.00	0.00	0.00
Total assets (in thousands)	1,296	1,294	1,183
Shareholders' Equity (in thousands)	1,177	1,254	1,169

## BALANCE SHEET AND OPERATIONS

At December 31, 2005, assets totalled \$1,295,892 compared to \$1,294,444 at year-end 2004. During 2005 the Company spent \$21,875 on royalties and \$10,768 on exploration expenditures on the Moss Lake property and spent \$3,410 on exploration expenditures on the Fountain Lake property. The Company reported a loss before recovery of future income taxes for the year of \$76,673 compared to a loss of \$65,828 in 2004. The ongoing corporate and general expenses required to run a public company continue to be monitored closely.

The Company reported a loss, before recovery of future income taxes, for the fourth quarter of \$7,828 compared to \$29,623 in 2004. In the fourth quarter of 2004, the Company issued flow-through shares whereby the future exploration expenditures of \$49,500 are renounced to the subscriber. To recognize the foregone tax benefits to the Company in 2004, the carrying values of the shares issued were reduced by \$18,000 and the set up of a recovery of future income taxes of \$18,000 being the tax effect of the tax benefits renounced to the subscriber.

During the fourth quarter of 2005, corporate and general expenses increased by \$13,091 compared to a \$21,257 increase in the fourth quarter of 2004 which includes costs incurred for conventions, shareholders' information, audit, legal, stock transfer and filing fees.

## LIQUIDITY AND CAPITAL RESOURCES

The Company is an exploration and development company and has no revenue. At December 31, 2005, the Company had cash resources of \$117 compared to \$23,388 at year-end 2004. The Company had a working capital deficiency of \$111,713 at December 31, 2005, compared to a working capital of \$1,013 at year-end 2004. During 2004, the Company issued flow-through common shares for gross proceeds of \$49,500 and issued 870,000 units for gross proceeds of \$104,400. Each unit consisted of one common share and one-half of one common share purchase warrant and each whole warrant has an exercise price of \$0.20 and is exercisable until October 4, 2006.

Working capital requirements for 2005 were funded by a major shareholder. This is required to maintain operations, property commitments, legal and audit and stock exchange fees. In 2006, the Company will seek financing options to provide for working capital and to continue exploration and evaluation work on the contiguous Moss Lake and Fountain Lake properties that will not significantly dilute existing shareholders.

## SUMMARY OF QUARTERLY RESULTS

	2005			
	4 <sup>th</sup> Quarter	3 <sup>rd</sup> Quarter	2 <sup>nd</sup> Quarter	1 <sup>st</sup> Quarter
Interest income	\$ 13	\$ 12	\$ 15	\$ 39
Net loss (in thousands)	7	18	33	19
Loss per share - basic and diluted	0.00	0.00	0.00	0.00
Total assets (in thousands)	1,296	1,289	1,275	1,274
Shareholders' equity (in thousands)	1,177	1,185	1,202	1,235
	2004			
	4 <sup>th</sup> Quarter	3 <sup>rd</sup> Quarter	2 <sup>nd</sup> Quarter	1 <sup>st</sup> Quarter
Interest income	\$ 473	\$ 156	\$ 220	\$ 421
Net loss (in thousands)	12	10	14	12
Loss per share - basic and diluted	0.00	0.00	0.00	0.00
Total assets (in thousands)	1,294	1,141	1,153	1,168
Shareholders' equity (in thousands)	1,254	1,134	1,142	1,157

## ANALYSIS OF EXPLORATION PROPERTIES

	Cost	Write down	Total
<b>Balance, Dec 31, 2004</b>	<b>\$ 8,222,243</b>	<b>\$ (6,969,752)</b>	<b>\$ 1,252,491</b>
Salaries / contract	3,172	-	3,172
Advance royalties	21,875	-	21,875
Camp operations	9,259	-	9,259
Retention	758	-	758
Administration fees	989	-	989
<b>Balance, Dec 31, 2005</b>	<b>\$ 8,258,296</b>	<b>\$(6,969,752)</b>	<b>\$ 1,288,544</b>

# Management's Discussion and Analysis

## ANALYSIS OF CORPORATE AND GENERAL EXPENSES

For year ended December 31	2005	2004
Insurance	\$ 6,200	\$ 8,408
Professional fees	39,039	10,533
Stock exchange fees	3,100	4,470
Stock transfer fees	8,025	8,447
Filing fees	4,801	4,820
Shareholders' information	11,837	8,424
Conventions	4,026	9,078
Miscellaneous	2,724	2,779
	<b>\$ 79,752</b>	<b>\$ 56,959</b>

## 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.

## CRITICAL ACCOUNTING ESTIMATES

### Exploration properties

The Company has not yet determined whether its exploration properties contain reserves that are economically recoverable. The recoverability of the carrying values of exploration properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and future profitable production there from or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values. Management conducts periodic reviews of its mineral properties to determine if write-downs are required. Management estimated that no write-downs were required in 2005.

## ENVIRONMENT

Moss Lake is committed to a program of environmental protection at its exploration sites. The Company was in compliance with government regulations in 2005.

## 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, River Gold Mines Ltd. ("River Gold"). 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.

On February 1, 2006, Wesdome Gold Mines Ltd. ("New Wesdome") completed the merger of Wesdome Gold Mines Inc. ("Old Wesdome") and River Gold to form New Wesdome. New Wesdome's common shares commenced trading over the facilities of the Toronto Stock Exchange on February 6, 2006.

The Merger involved the amalgamation of Old Wesdome with a wholly-owned subsidiary of River Gold (the "Amalgamation"). Immediately prior to the Amalgamation, River Gold filed articles of amendment (i) changing its name to "Wesdome Gold Mines Ltd." and (ii) consolidating the outstanding River Gold common shares on the basis that 1.538461538 of a common share of River Gold (each a "Pre-Consolidation River Share") became one post-consolidation River Gold common share (each a "New Wesdome Share"); i.e. each Pre-Consolidation River Gold Share became 0.65 of a New Wesdome Share. Upon the Amalgamation, each common share in the capital of Wesdome was exchanged for a New Wesdome Share and the shareholders of Old Wesdome became shareholders of the combined entity.

## OUTLOOK

The increase in the gold price has led to renewed interest in our assets by third parties. Work going forward will concentrate on further advancing exploration work on our large land position and re-examining economic thresholds and potential development scenarios for the Moss Lake deposit. We will seek funding for these initiatives via equity financing or joint ventures on terms most favourable for our shareholders.

## OUTSTANDING SHARE DATA

As of March 3, 2006, the Company's share information is as follows:

Common shares issued	39,366,667
Common share purchase options	400,000
Common share purchase warrants	435,000

## OTHER INFORMATION

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

## 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.

The Company's independent auditors, Grant Thornton LLP, are appointed by the shareholders to conduct an audit in accordance with generally accepted auditing standards in Canada, and their report follows.

Toronto, Canada  
February 28, 2006



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, 2005 and 2004 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, 2005 and 2004 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 28, 2006



Grant Thornton LLP  
Chartered Accountants

## Balance Sheets

<i>December 31</i>	<b>2005</b>	2004
<b>Assets</b>		
Current		
Cash	\$ 117	\$ 23,388
Receivables	7,231	18,565
	<b>7,348</b>	41,953
Exploration properties (Note 3)	<b>1,288,544</b>	1,252,491
	<b>\$ 1,295,892</b>	\$ 1,294,444
<b>Liabilities</b>		
Current		
Payables and accruals	\$ 119,061	\$ 40,940
<b>Shareholders' Equity</b>		
Capital stock (Note 4)	<b>8,839,123</b>	8,839,123
Contributed surplus (Note 4)	<b>4,300</b>	4,300
Deficit	<b>(7,666,592)</b>	(7,589,919)
	<b>1,176,831</b>	1,253,504
	<b>\$ 1,295,892</b>	\$ 1,294,444

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>2005</b>		2004
Interest income	\$ 79	\$	1,270
Costs and expenses			
Corporate and general	<b>79,752</b>		56,959
Stock compensation expense	-		4,300
Large corporation tax (recovery)	<b>(3,000)</b>		5,839
	<b>76,752</b>		67,098
Loss before recovery of future income taxes	<b>(76,673)</b>		(65,828)
Recovery of future income taxes (Note 5)	-		18,000
Net loss	<b>(76,673)</b>		(47,828)
Deficit, beginning of year	<b>(7,589,919)</b>		(7,542,091)
Deficit, end of year	<b>\$ (7,666,592)</b>	\$	(7,589,919)
Net 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>2005</b>		2004
Increase (decrease) in cash			
<b>Operating activities</b>			
Net loss	<b>\$ (76,673)</b>	\$	(47,828)
Stock compensation expense	-		4,300
Recovery of future income taxes	-		(18,000)
Change in receivables and payables	<b>89,455</b>		29,022
	<b>12,782</b>		(32,506)
<b>Financing activities</b>			
Common shares issued	-		99,023
Flow-through shares issued to the parent company	-		46,812
	-		145,835
<b>Investing activity</b>			
Exploration properties	<b>(36,053)</b>		(215,661)
Net (decrease) in cash	<b>(23,271)</b>		(102,332)
Cash, beginning of year	<b>23,388</b>		125,720
Cash, end of year	<b>\$ 117</b>	\$	23,388

See accompanying notes to the financial statements.

# Notes to the Financial Statements

December 31, 2005 and 2004

## 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, 2005 and 2004, River Gold held approximately 61% of the then outstanding common shares of the Company.

On February 1, 2006, Wesdome Gold Mines Ltd. ("New Wesdome") completed the merger of Wesdome Gold Mines Inc. ("Old Wesdome") and River Gold to form New Wesdome. New Wesdome's common shares commenced trading over the facilities of the Toronto Stock Exchange on February 6, 2006.

The Merger involved the amalgamation of Old Wesdome with a wholly-owned subsidiary of River Gold (the "Amalgamation"). Immediately prior to the Amalgamation, River Gold filed articles of amendment (i) changing its name to "Wesdome Gold Mines Ltd." and (ii) consolidating the outstanding River Gold common shares on the basis that 1.538461538 of a common share of River Gold (each a "Pre-Consolidation River Share") became one post-consolidation River Gold common share (each a "New Wesdome Share"); i.e. each Pre-Consolidation River Gold Share became 0.65 of a New Wesdome Share. Upon the Amalgamation, each common share in the capital of Wesdome was exchanged for a New Wesdome Share and the shareholders of Old Wesdome became shareholders of the combined entity.

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, 2005, the Company had a deficit of \$7.7 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

These financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada, and reflect the following significant accounting policies:

### Estimates, risks and uncertainties

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses and other income during the year. Significant estimates and assumptions include those related to the recoverability of mineral exploration properties and stock compensation expense. While management believes that these estimates and assumptions are reasonable, actual results could vary significantly.

The Black Scholes option valuation model used by the Company to determine the fair value of options was developed for use in estimating the fair value of freely traded options. This model requires the input of highly subjective assumptions including future stock price volatility and expected time until exercise. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing model does not necessarily provide a reliable single measure of the fair value of the Company's stock options granted during the year.

### Exploration properties

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

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

### Impairment of long-lived assets

The Company monitors events and changes in circumstances which may require an assessment of the recoverability of its long-lived assets. If required, the Company would assess recoverability using estimated undiscounted future operating cash flows. If the carrying amount of an asset is not recoverable, an impairment loss is recognized in operations, measured by comparing the carrying amount of the asset to its fair value.

### Asset retirement and reclamation obligation

The fair value of the liability for an asset retirement obligation is recorded when it is incurred and the corresponding increase to the asset is depreciated over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value. At December 31, 2005, the Company has not incurred or committed to any reclamation obligation on its exploration properties.

### Stock-based compensation plan

The Company has adopted the recognition of compensation expense for grants of stock options to officers, directors and employees based on the estimated fair value at the grant date prospectively for new stock-based compensation awards granted after January 1, 2003.

### Flow-through shares

The Company has financed a portion of its exploration activities through the issuance of flow-through shares. Under the terms of the flow-through share agreements, the tax attributes of the related expenditures are renounced to subscribers. To recognize the foregone tax benefits to the Company, the carrying value of the shares issued is reduced by the tax effect of the tax benefits renounced to subscribers. The foregone tax benefit is recognized at the time of the renouncement provided there is a reasonable assurance that the expenditures will be incurred. In 2004, the Company recorded \$18,000 recovery of future income taxes related to flow-through shares issued and reduced share capital accordingly. In addition, the Company recognized the benefit of carry forward tax losses and reduced income taxes payable by \$18,000.

### Income taxes

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

### Loss per common share

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

## 4. EXPLORATION PROPERTIES

	2005	2004
Cost of properties	\$ 6,481,081	\$ 6,481,081
Exploration expenditures	1,413,027	1,398,849
Settlement of advance royalties	105,000	105,000
Underlying advance royalties	259,188	237,313
	<b>8,258,296</b>	8,222,243
Write-down of carrying values	<b>(6,969,752)</b>	(6,969,752)
	<b>\$ 1,288,544</b>	\$ 1,252,491

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.

## Notes to the Financial Statements

December 31, 2005 and 2004

### 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, 2003	38,166,667	\$ 8,711,288
Common shares, net of issue costs of \$5,377	870,000	99,023
Flow-through shares to River Gold, net of issue costs of \$2,688	330,000	46,812
Tax benefits on renounced flow-through expenditures	-	(18,000)
Balance, December 31, 2004 and 2005	39,366,667	\$ 8,839,123

During 2004, the Company issued 330,000 flow-through common shares at a price of \$0.15 per share to River Gold for proceeds of \$49,500. The Company also sold an aggregate of 870,000 units at a price of \$0.12 per unit to various purchasers, including a director of the Company, for proceeds of \$104,400. Each unit consisted of one common share and one-half of one common share purchase warrant and each whole warrant has an exercise price of \$0.20 and is exercisable until October 4, 2006.

#### Stock option plan and contributed surplus

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 10% of the Company's issued and outstanding common shares from time to time. As at December 31, 2005, 3,936,667 common shares are available for grant under the plan.

The following table reflects the continuity for the years ended December 31, 2005 and 2004 of options granted under the plan.

	Shares		Weighted Average Exercise Price	
	2005	2004	2005	2004
Outstanding, beginning of year	500,000	400,000	\$ 0.20	\$ 0.20
Granted	-	100,000	\$ -	\$ 0.20
Expired	(100,000)	-	\$ 0.20	\$ -
Outstanding, end of year	400,000	500,000	\$ 0.20	\$ 0.20

The following information applies to options outstanding and exercisable at December 31, 2005.

Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
\$0.20	300,000	1.50 years	\$ 0.20
\$0.20	100,000	3.75 years	\$ 0.20
	400,000		

The fair value of the options granted in fiscal 2004 was estimated on the date of grant using the Black-Scholes option pricing model. The fair value per option share price of \$0.043 was calculated using the following assumptions: dividend yield of 0%, expected volatility of 75%, risk-free interest rate of 4.5% and expected life of 4 years.

The fair value compensation for fiscal 2004 and contributed surplus as at December 31, 2005 and 2004 relating to stock options was \$4,300.

#### Warrants

The following table reflects the continuity of warrants for the year ended December 31, 2005.

Expiry Date	Number of common shares				Closing Balance
	Exercise Price	Opening Balance	Issued	Exercised	
October 4, 2006	\$0.20	435,000	-	-	435,000

### 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.

	2005	2004
Loss before recovery of future income taxes	\$ 76,673	\$ 65,828
Expected income tax recovery	\$ 28,000	\$ 24,000
Non-deductible recovery (expense)	1,000	(3,600)
Loss recognized on flow-through shares renunciation	-	18,000
Valuation allowance	(29,000)	(20,400)
Recovery of future income taxes	\$ -	\$ 18,000

The following table reflects future income tax assets at December 31, 2005 and 2004.

	2005	2004
Future income tax assets		
Unclaimed non-capital losses	\$ 180,000	\$ 190,000
Tax values in excess of capitalized asset carrying amounts	1,250,000	1,250,000
	1,430,000	1,440,000
Less valuation allowance	(1,430,000)	(1,440,000)
	\$ -	\$ -

At December 31, 2005 the Company had unclaimed exploration and development expenditures of approximately \$4,800,000 and non-capital losses of approximately \$486,000 which are available to reduce future taxable income. The non-capital losses will expire as follows: 2006 - \$139,000; 2007 - \$76,000; 2008 - \$35,000; 2009 - \$56,000; 2010 - \$45,000; 2014 - \$57,000 and 2015 - \$78,000.

#### Flow-through shares

During 2004, under the terms of the flow-through agreement, the Company issued 330,000 flow-through shares and spent the required \$49,500 on qualifying exploration expenditures prior to December 31, 2004.

### 6. LOSS PER COMMON SHARE

Loss per common share is based on a weighted average number of shares outstanding of 39,366,667 for 2005 and 38,347,489 for 2004. The effect of common share purchase options and warrants on the net loss in 2005 and 2004 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 and recorded at the exchange amounts were \$989 and \$13,512 for 2005 and 2004, respectively, all of which were capitalized.

Payables and accruals at December 31, 2005 and 2004 included \$86,902 and \$14,628, respectively, due to River Gold.

Payables and accruals at December 31, 2005 included \$8,346 (2004: \$nil) due to Western Québec Mines Inc. ("WQM") for reimbursement of expenses. These transactions were in the normal course of operations and were measured at the exchange amounts. The Company is related to WQM through common management.

### 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.

### 9. 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 2005.

### 10. 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.

## Corporate information

### Officers and Directors

**David Birkett**

*Director, Vice President  
Corporate Development  
Calgary, Alberta*

**John Hilland**

*Director  
Calgary, Alberta*

**George N. Mannard**

*Director, President  
Toronto, Ontario*

**Donald D. Orr**

*Secretary-Treasurer  
Toronto, 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 Investor Services Inc.  
Toronto, Ontario  
Website: [www.computershare.com](http://www.computershare.com)

**Auditors**

Grant Thornton LLP  
Toronto, Ontario

**Legal Counsel**

Heenan Blaikie  
Toronto, Ontario

**MOSS LAKE  
GOLD MINES LTD**

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