



Corporate Profile

Moss Lake Gold Mines Ltd. was created in 1995 to consolidate ownership of the large tonnage, low grade Moss Lake gold deposit located in the Shebandowan area, 100 kilometres west of Thunder Bay, Ontario. The deposit had been evaluated as a potential underground operation in the 1980s and subsequently as a potential large tonnage open pit operation in the early 1990s. It was viewed as a strategic asset that would increase in value as the gold price increased.

The process of re-evaluating the deposit's economic potential was initiated in 2006 as the gold price strengthened. A NI 43-101 compliant report completed by independent consultants Watts, Griffiths and McQuat Limited estimated and inferred resource of 56.1 million tonnes grading 0.027 ounces of gold per ton or 1.51 million contained ounces above a depth of 840 feet. This included 39.0 million tons at 0.035 ounces per ton or 1.36 million ounces when a 0.015 ounces per ton cut-off grade is applied.

Work currently underway involves a preliminary economic assessment involving open pit optimization and design, capital and operating cost estimates and economic modelling. Additionally, a drilling program is in progress with the purpose of refining and upgrading the resource model and advancing the project to the pre-feasibility stage.

Management believes this work will define the economic and technical parameters required to attract project financing for development. Furthermore, we believe the Company's assets are significantly undervalued in the marketplace relative to those of our peers. We believe this gap will narrow as ongoing work meets our objectives and the significance of this advanced, large resource is recognized in the context of the bull market in gold.

Moss Lake Gold Mines Ltd. trades on the TSX-V under the symbol "MOK" and has 43.8 million shares issued. The Company is a 55% owned subsidiary of established Canadian gold producer Wesdome Gold Mines Ltd.

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 11, 2008 at 10:00 a.m.

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Message to Shareholders

We are excited about progress in evaluating the Moss Lake gold deposit and the rising gold market. We are frustrated that the market does not currently recognize the underlying value of the Company's assets.

As work advances and details emerge as to the project's potential, we are confident this will be reflected in an upward revaluation of our stock price. The fact remains that global gold production is declining as demand is growing. Large gold deposits in politically stable regions are scarce and will increase in value over time.

We look forward to an active 2008, a year in which we believe clarity in the quality of the Moss Lake deposit will be established and recognition of this will be realized in the marketplace.

We steadfastly believe the gold price is headed much higher and are executing the required work to leverage this momentum.

On behalf of the Board of Directors,



George N. Mannard
President

April 21, 2008

2008 Drill Core:
Diorite Porphyry Host Rock

Management's Discussion and Analysis

FOR THE YEAR ENDED DECEMBER 31, 2007

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, 2007 should be read in conjunction with the December 31, 2007 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 April 22, 2008.

All amounts are expressed in Canadian dollars unless otherwise indicated.

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 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. The words "believe", "expect", "plan", "intend", "continue", "estimate", "may", "will", "schedule" and similar expressions identify forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. 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".

GENERAL BUSINESS OVERVIEW

Moss Lake Gold Mines Ltd. was formed in 1994 to consolidate ownership of the Moss Lake property. In 1999 it acquired the large adjoining Fountain Lake property. The Company began trading on the Toronto Stock Exchange in 1995. In 2000, the Company migrated to the TSX Venture Exchange. The principle asset of the Company is the Moss Lake gold deposit. This large, low grade resource's value is sensitive to the gold price.

SELECTED ANNUAL INFORMATION

	2007	2006	2005
Interest income	\$ 4,887	\$ 2,058	\$ 79
Net loss (in thousands)	213	204	77
Loss per common share	0.01	0.01	0.00
Total assets (in thousands)	2,625	1,476	1,296
Long term financial liabilities (in thousands)	-	286	-

BALANCE SHEET AND OPERATIONS

At December 31, 2007, assets totalled \$2,624,977 compared to \$1,476,282 at year-end 2006. During 2007 the Company spent \$21,875 on royalties and \$108,593 on exploration expenditures on the Moss Lake property and spent \$nil on exploration expenditures on the Fountain Lake property. The Company reported a loss for 2007 of \$213,727 compared to a loss of \$203,518 in 2006. The ongoing corporate and general expenses required to run a public company continue to be monitored closely.

The Company reported a loss for the fourth quarter of \$47,659 compared to \$18,424 in 2006. During the fourth quarter of 2007, corporate and general expenses increased by \$23,427 compared to a \$7,177 increase in the fourth quarter of 2006 which includes costs incurred for advertising, promotion, 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, 2007, the Company had cash resources of \$1,092,158 compared to \$78,072 at year-end 2006. The Company had working capital of \$658,442 at December 31, 2007, compared to working capital of \$43,137 at year-end 2006.

On April 24, 2006, the Company announced a convertible, unsecured promissory note had been arranged with majority shareholder Wesdome Gold Mines Ltd. ("Wesdome"). The note has a two year term at 8% per annum and is convertible into common shares at \$0.25 per share. The funds were used to satisfy existing indebtedness of \$107,000 and provide funds for general working capital and an independent 43-101 Technical Report and mineral resource estimate on the Moss Lake gold deposit.

On September 30, 2006, 250,000 warrants from a 2004 flow-through share financing were exercised at a price of \$0.20 per share for proceeds of \$50,000.

On June 28, 2007, 200,000 stock options were exercised at a price of \$0.20 per share for proceeds of \$40,000.

On November 15, 2007, the Company closed a private placement of 2.5 million flow-through shares and 1.6 million common shares for gross proceeds of \$1.2 million. These funds will support planned drilling, technical and economic studies of the Moss Lake gold deposit and cover general working capital requirements.

TRANSACTIONS WITH RELATED PARTIES

Under the terms of management agreements, Wesdome, as manager, provides technical and administrative support and carries out annual exploration programs on the Moss Lake and the Fountain Lake Properties for an indefinite term. Wesdome is entitled to administrative fees, expressed as a percentage of allowable costs (as defined and including capital expenditures) of 7.5% during the exploration phase, 5% during the development and pre-production phase and 2.5% after commencement of commercial production. Administrative fees charged amounted to \$7,531 and \$5,429 for 2007 and 2006, respectively, all of which were capitalized to exploration properties.

Payables and accruals at December 31, 2007 and December 31, 2006 included \$11,770 and \$290 respectively, due to Wesdome.

The Company has also paid Wesdome cash interest on the convertible promissory note of \$24,000 (2006 - \$14,071).

SUMMARY OF QUARTERLY RESULTS

	2007			
	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Interest income	\$ 4,152	\$ 134	\$ 180	\$ 421
Net loss (in thousands)	48	28	89	49
Loss per share - basic and diluted	0.00	0.00	0.00	0.00

	2006			
	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Interest income	\$ 717	\$ 860	\$ 461	\$ 20
Net loss (in thousands)	19	33	127	25
Loss per share - basic and diluted	0.00	0.00	0.00	0.00

ANALYSIS OF EXPLORATION PROPERTIES

	Cost	Write down	Total
Balance, December 31, 2006	\$ 8,355,843	\$ (6,969,752)	\$ 1,386,091
Advance royalties	21,875	-	21,875
Camp operations	9,073	-	9,073
Claims staking	1,400	-	1,400
Drilling	88,684	-	88,684
Retention	1,855	-	1,855
Salaries/contract	50	-	50
Administration fees	7,531	-	7,531
Balance, December 31, 2007	\$ 8,486,311	\$ (6,969,752)	\$ 1,516,559

ANALYSIS OF CORPORATE AND GENERAL EXPENSES

For year ended December 31	2007	2006
Insurance	\$ 7,364	\$ 6,048
Salaries	7,655	21,090
Professional fees	24,936	23,982
Stock exchange fees	5,100	8,537
Stock transfer fees	12,074	8,148
Filing fees	3,814	5,285
Shareholders' information	5,379	5,801
Investor communications	1,329	-
Conventions	1,362	6,428
Advertising and promotion	16,771	-
Travel	1,005	-
Miscellaneous	285	271
	\$ 87,074	\$ 85,590

Management's Discussion and Analysis

RESOURCE ESTIMATES

In November, 2006, the Company received a 43-101 Technical Report, including mineral resource estimates on the Moss Lake property, from independent consultants Watts, Griffis and McQuat Ltd. To 840 feet depth the deposit is estimated to contain Inferred Resources of 56,114,000 tons grading 0.027 ounces Au per ton, or about 1.51 million ounces. When a 0.015 ounce per ton cut-off grade is applied within the mineralized envelope, an Inferred Resource of 38,968,000 tons at 0.035 ounces per ton, or about 1.36 million contained ounces, results. The lead Qualified Person for the report was John R. Sullivan, P.Geo.

CRITICAL ACCOUNTING ESTIMATES

Exploration properties

The Company has not yet determined whether its exploration properties contain reserves that are economically recoverable. The recoverability of the carrying values of exploration properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and future profitable production there from or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values. Management conducts periodic reviews of its mineral properties to determine if write-downs are required. Management estimated that no write-downs were required in 2007.

Significant estimates and assumptions are also used in the determination of future income tax assets and liabilities and stock compensation. While management believes that these estimates and assumptions are reasonable, actual results could vary significantly.

FINANCIAL INSTRUMENTS

On June 2, 2006, the Company obtained a \$300,000 loan from Wesdome. As consideration the Company issued to Wesdome a convertible unsecured promissory note (the "note") having a 2 year term and bearing interest at 8% per annum. The principal amount of the note is convertible into common shares in the capital of the Company at \$0.25 per share. If Wesdome converts the principal amount of the note into Moss Lake shares, Wesdome will acquire an additional 1.2 million Moss Lake shares increasing its ownership by 1% to 56% of the issued and outstanding shares of Moss Lake.

The liability component of the note, in the amount of \$279,720, is calculated as the present value of the principal and interest, discounted at 12%, a rate of approximately the interest rate that would have been applicable to non-convertible debt at the time the note was issued.

This portion of the note is accreted over its term to the full face value by charges to interest expense. The equity element of the note, in the amount of \$20,280, is comprised of the value of the exchange option, being the difference between the face value of the note and the liability component.

The net value assigned to the liability component on issuance was \$279,720. At December 31, 2007, the face value of the note is \$300,000 however the note is valued at \$295,775 using an effective interest rate of 11.67% and includes accretion of the discount during the year totalling \$10,140 (2006 - \$5,915), which is included in interest expense on long term debt, in addition to cash interest on the note totalling \$24,000 (2006 - \$14,071).

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

ENVIRONMENT

Moss Lake is committed to a program of environmental protection at its exploration sites. The Company was in compliance with government regulations in 2007.

RISKS AND UNCERTAINTIES

The inherent risks which most profoundly affect the Company's activities are the price of gold and the ability of the Company to obtain financing necessary to

establish economic ore reserves. The Company has continued to rely on the financial support of parent company, Wesdome Gold Mines Ltd. Although this cannot be counted upon in the future, Wesdome has been supportive of Moss Lake's efforts and has provided a backup source of capital.

CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2007, the Company adopted the following new accounting standards in accordance with the transitional provisions of the Canadian Institute of Chartered Accountants ("CICA").

(i) Financial Instruments - recognition and measurement

Section 3855, Financial Instruments - Recognition and Measurement and Section 3861, Financial Instruments - Disclosure and Presentation, prescribe the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. These sections also address how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The Company is required to designate its financial instruments into one of the following five categories: held for trading, available for sale, held to maturity, loans and receivables, and other financial liabilities. All financial instruments are to be initially measured at fair value. Financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

All derivative financial instruments, including derivative features embedded in financial instruments or other contracts but which are not considered closely related to the host financial instrument or contract, are generally classified as held for trading and, therefore, must be measured at fair value with changes in fair value recorded in net earnings. However, if a derivative financial instrument is designated as a hedging item in a qualifying cash flow hedging relationship, the effective portion of changes in fair value is recorded in other comprehensive income. Any change in fair value relating to the ineffective portion is recorded immediately in net earnings.

Under Section 3855, embedded derivatives are required to be separated from the host contract and accounted for as a derivative financial instrument if the embedded derivative and host contract are not closely related, and the combined contract is not held for trading or designated at fair value.

(ii) Comprehensive Income

Section 1530, Comprehensive Income, introduces a new financial statement "Statement of Comprehensive Income" and provides guidance for the reporting and display of other comprehensive income and accumulated other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in the fair value of the effective portion of cash flow hedging instruments.

(iii) Hedges

Section 3865, Hedges, requires that the Company document its risk strategy objectives and the relationship between the hedging instrument and hedged item. The Company is also required to assess the effectiveness of the hedging relationship throughout its term and that it remains consistent with the Company's risk strategy. The effective portion of changes in fair value of derivatives that are classified as cash flow hedges is recognized in other comprehensive income. Any gains or losses in fair value relating to the ineffective portion are recognized immediately in net income. Amounts accumulated in other comprehensive income should be reclassified into net income as the hedged item affects income.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income remains until the forecasted transaction is eventually recognized in net income. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to net income.

Management's Discussion and Analysis

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Financial Reporting

Management is responsible for certifying the design of the Company's internal control over financial reporting ("ICFR") as required by Multilateral Instrument 52-109 - "Certification of Disclosure in Issuers' Annual and Interim Filings."

Our ICFR is intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable Canadian GAAP. ICFR should include those policies and procedures that establish the following:

- > maintenance of records in reasonable detail, that accurately and fairly reflect the transactions and dispositions of our assets
- > reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with applicable Canadian GAAP
- > receipts and expenditures are only being made in accordance with authorizations of management and the Board of Directors
- > reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial instruments.

Because of its inherent limitations, ICFR may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management, including the Chief Executive Officer and Chief Financial Officer, carried out an assessment of the design of the Company's internal controls over financial reporting and concluded that the following disclosable weaknesses existed as at December 31, 2007.

Segregation of Duties

Segregation of duties is a basic, key internal control and one of the most difficult to achieve. It is used to ensure that errors or irregularities are prevented or detected on a timely basis by employees in the normal course of business.

Due to limited resources, adequate segregation of duties within the accounting group was not achieved. This creates a risk that inaccurate journal entries could be made and not corrected on a timely basis. The result is that the Company is highly reliant on the performance of mitigating procedures during its financial close processes and in order to ensure the financial statements are fairly presented in all material respects.

Management will review the current assignment of responsibilities and where possible improve on segregation. Where it is not cost effective to obtain additional accounting resources, management will review existing mitigating controls and, if appropriate, implement changes to ICFR whereby more effective mitigating controls will be adopted.

Disclosure Controls

The CEO and CFO are responsible for establishing and maintaining the disclosure controls and procedures and have so certified, as required by Multilateral Instrument 52-109. These officers have evaluated the effectiveness of the Company's disclosure controls and procedures and have concluded that the disclosure controls and procedures at the Company provide management a reasonable level of assurance information required to be disclosed by the Company on a continuous basis and in annual and interim filings or other reports is recorded, processed, summarized and reported or disclosed on a timely basis as required.

It should be noted that while the CEO and CFO believe that the Company's disclosure controls and internal control procedures provide a reasonable level of assurance that they are effective, they do not expect disclosure controls and internal control procedures over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

OUTLOOK

In 2008, the Company engaged Watts Griffis and McOuat to perform a preliminary economic assessment of the Moss Lake gold deposit. This will be accompanied by 6,000 metres of in-fill and exploration drilling designed to upgrade the resource model, provide geotechnical information and advance the project towards pre-feasibility stage studies as warranted.

Analysis of the market valuations of similar assets tells us the Moss Lake deposit is significantly undervalued. With this in mind, the Company has launched a promotional effort to get the story out and attract the attention of capital markets. Management feels the combination of results of the economic assessment, a significant drilling program and promotional efforts will be catalysts for a significant upward revaluation of its shares in the current strong gold market.

OUTSTANDING SHARE DATA

As of April 22, 2008, the Company's share information is as follows:

Common shares issued	43,887,238
Common share purchase options	1,950,000
Common share purchase warrants	989,728

OTHER INFORMATION

Additional information relating to the Company can be found on our website at www.mosslakegold.com and on SEDAR at 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.

Donald D. Orr
Secretary-Treasurer
Toronto, Canada
April 11, 2008



Auditors' Report

To the Shareholders of
Moss Lake Gold Mines Ltd.

We have audited the balance sheets of Moss Lake Gold Mines Ltd. (a Development Stage Company) as at December 31, 2007 and 2006 and the statements of operations, comprehensive loss 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, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Chartered Accountants
Licensed Public Accountants
Toronto, Canada
April 11, 2008

Moss Lake Gold Mines Ltd. (A Development Stage Company)

Balance Sheets

Years ended December 31	2007	2006
Assets		
Current		
Cash and cash equivalents	\$ 1,092,158	\$ 78,072
Receivables	16,260	12,119
	<u>1,108,418</u>	<u>90,191</u>
Exploration properties (Note 4)	1,516,559	1,386,091
	<u>\$ 2,624,977</u>	<u>\$ 1,476,282</u>
Liabilities		
Current		
Payables and accruals	\$ 154,201	\$ 47,054
Convertible promissory note (Note 5)	295,775	-
	<u>449,976</u>	<u>47,054</u>
Convertible promissory note (Note 5)	-	285,635
	<u>449,976</u>	<u>332,689</u>
Shareholders' Equity		
Capital stock (Note 6)	10,004,715	8,889,123
Common share purchase warrants (Note 6)	20,000	-
Contributed surplus (Note 6)	213,843	104,300
Equity component of convertible promissory note (Note 5)	20,280	20,280
Deficit	(8,083,837)	(7,870,110)
	<u>2,175,001</u>	<u>1,143,593</u>
	<u>\$ 2,624,977</u>	<u>\$ 1,476,282</u>

Nature and continuation of operations (Note 1)
Environmental risks (Note 11)

On behalf of the Board:

George N. Mannard

George N. Mannard
Director

David Birkett

David Birkett
Director

See accompanying notes to the financial statements.

Statements of Operations, Comprehensive Loss and Deficit

Years ended December 31	2007	2006
Interest income	\$ 4,887	\$ 2,058
Costs and expenses		
Interest on long term debt (Note 5)	34,140	19,986
Corporate and general	87,074	85,590
Stock compensation expense	97,400	100,000
	218,614	205,576
Net loss and comprehensive loss	(213,727)	(203,518)
Deficit, beginning of year	(7,870,110)	(7,666,592)
Deficit, end of year	\$ (8,083,837)	\$ (7,870,110)
Net loss per common share (Note 8)		
Basic and fully diluted	\$ (0.01)	\$ (0.01)

Statements of Cash Flows

Years ended December 31	2007	2006
Increase (decrease) in cash and cash equivalents		
Operating activities		
Net loss	\$ (213,727)	\$ (203,518)
Stock compensation expense	97,400	100,000
Accretion of discount on convertible promissory note	10,140	5,915
Change in receivables and payables	(15,553)	(76,895)
	(121,740)	(174,498)
Financing activities		
Loan from Wesdome Gold Mines Ltd.	-	300,000
Common shares issued, net of costs (Note 6)	1,107,735	50,000
Exercise of options	40,000	-
Change in payables	42,608	-
	1,190,343	350,000
Investing activities		
Additions to exploration properties	(130,468)	(97,547)
Change in payables	75,951	-
	(54,517)	(97,547)
Increase in cash and cash equivalents	1,014,086	77,955
Cash and cash equivalents, beginning of year	78,072	117
Cash and cash equivalents, end of year	\$ 1,092,158	\$ 78,072

See accompanying notes to the financial statements.

Notes to the Financial Statements

1. NATURE AND CONTINUATION OF OPERATIONS

The Company

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 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 was a subsidiary of River Gold Mines Ltd. ("River Gold"), a publicly held company, which is listed on the Toronto Stock Exchange.

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

As a result of these transactions, the ownership of the Company, previously held by River Gold, is now held by Wesdome.

Continuation of operations

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, 2007, the Company had a deficit of \$8.0 million. 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. 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 deferred exploration expenditures, determination of future income tax assets and liabilities, and stock compensation expense. While management believes that these estimates and assumptions are reasonable, actual results could vary significantly. The carrying value of the Company's principal assets could be subject to material adjustment in the event that the Company is not successful in generating operating cash flow and financing for its development and exploration activities.

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, 2007, the Company has not incurred or committed to any reclamation obligation on its exploration properties.

Stock-based compensation plan

The Company recognizes compensation expense for grants of stock options to qualifying directors, officers and employees providing on-going services to the Company, based on the estimated fair value at the grant date.

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 liability relating to the foregone tax benefit is recognized at the time of the renunciation provided there is a reasonable assurance that the expenditures will be incurred.

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 year 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.

Changes in accounting policies

Effective January 1, 2007, the Company adopted the following new accounting standards in accordance with the transitional provisions of the Canadian Institute of Chartered Accountants ("CICA").

(i) Financial Instruments - recognition and measurement

Section 3855, Financial Instruments - Recognition and Measurement and Section 3861, Financial Instruments - Disclosure and Presentation, prescribe the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. These sections also address how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

Notes to the Financial Statements

The Company is required to designate its financial instruments into one of the following five categories: held for trading, available for sale, held to maturity, loans and receivables, and other financial liabilities. All financial instruments are to be initially measured at fair value. Financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost using the effective interest method.

All derivative financial instruments, including derivative features embedded in financial instruments or other contracts but which are not considered closely related to the host financial instrument or contract, are generally classified as held for trading and, therefore, must be measured at fair value with changes in fair value recorded in net earnings. However, if a derivative financial instrument is designated as a hedging item in a qualifying cash flow hedging relationship, the effective portion of changes in fair value is recorded in other comprehensive income. Any change in fair value relating to the ineffective portion is recorded immediately in net earnings.

Under Section 3855, embedded derivatives are required to be separated from the host contract and accounted for as a derivative financial instrument if the embedded derivative and host contract are not closely related, and the combined contract is not held for trading or designated at fair value.

The costs capitalized within debt will be amortized using the effective interest method. The adoption of the effective interest method of amortization had no impact on the opening balance sheet.

At December 31, 2007, cash and cash equivalents are classified as held for trading. Receivables have been classified as loans and receivables. Payables and accruals and convertible promissory note have been classified as other financial liabilities.

(ii) Comprehensive Income

Section 1530, Comprehensive Income, introduces a new financial statement "Statement of Comprehensive Income" and provides guidance for the reporting and display of other comprehensive income and accumulated other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in the fair value of the effective portion of cash flow hedging instruments. A separate statement of comprehensive loss has not been included as the Company did not have any other comprehensive income or loss for the year.

(iii) Hedges

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income remains until the forecasted transaction is eventually recognized in net income. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to net income.

(iv) Accounting Changes

The adoption of Section 1506 has resulted in disclosure of future accounting changes that have not yet been adopted (Note 3).

3. FUTURE ACCOUNTING CHANGES

The CICA released the following new standards that will apply to the Company for the year starting January 1, 2008. These new standards are outlined below:

Section 1400, "General Standards of Financial Statement Presentation" – This section was amended so as to include the criteria for determining and presenting the Company's ability to continue as a going concern (going concern assumption).

Section 1535, "Capital Disclosures" – This section establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure of the entity's objectives, policies and processes for managing capital as well as summary quantitative data on the elements

included in the management of capital. The section seeks to determine if the entity has complied with capital requirements and if not, the consequences of such non-compliance.

Section 3251, "Equity" – This section establishes standards for the presentation of equity and changes in equity during the reporting period. The requirements in this section are in addition to Section 1530.

Section 3862, "Financial Instruments – Disclosures" – This section describes the required disclosure to evaluate the significance of financial instruments for the entity's financial position and performance as well as the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks.

Section 3863, "Financial Instruments – Presentation" – This section establishes standards for presentation of financial instruments and non-financial derivatives. It details the presentation of standards described in Section 3861, "Financial Instruments – Disclosure and Presentation".

The implementation of these standards will increase disclosure that currently exists.

4. EXPLORATION PROPERTIES

	2007	2006
Cost of properties	\$ 6,481,081	\$ 6,481,081
Exploration expenditures	1,597,292	1,488,699
Settlement of advance royalties	105,000	105,000
Underlying advance royalties	302,938	281,063
	8,486,311	8,355,843
Write-down of carrying values	(6,969,752)	(6,969,752)
	\$ 1,516,559	\$ 1,386,091

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.

5. CONVERTIBLE PROMISSORY NOTE

On June 2, 2006, the Company obtained a \$300,000 loan from Wesdome. As consideration the Company issued to Wesdome a convertible unsecured promissory note (the "note") having a two year term and bearing interest at 8% per annum. The principal amount of the note is convertible into common shares in the capital of the Company at \$0.25 per share. If Wesdome converts the principal amount of the note into Moss Lake shares, Wesdome will acquire an additional 1.2 million Moss Lake shares increasing its ownership by 1% to 56% of the issued and outstanding shares of Moss Lake.

The liability component of the note, in the amount of \$279,720, is calculated as the present value of the principal and interest, discounted at 12%, a rate of approximately the interest rate that would have been applicable to non-convertible debt at the time the note was issued. This portion of the note is accreted over its term to the full face value by charges to interest expense. The equity element of the note, in the amount of \$20,280, is comprised of the value of the exchange option, being the difference between the face value of the note and the liability component.

Notes to the Financial Statement

The net value assigned to the liability component on issuance was \$279,720. At December 31, 2007, the face value of the note is \$300,000 however the note is valued at \$295,775 using an effective interest rate of 11.67% and includes accretion of the discount during the year totalling \$10,140 (2006 - \$5,915), which is included in interest expense on long term debt, in addition to cash interest on the note totalling \$24,000 (2006 - \$14,071).

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, December 31, 2005	39,366,667	\$ 8,839,123
Exercise of warrants	250,000	50,000
Balance, December 31, 2006	39,616,667	8,889,123
Common shares, net of costs of \$21,555	1,599,978	378,440
Flow-through shares, net of costs of \$86,001	2,470,593	729,295
Value attributed to warrants on share issue	-	(20,000)
Value attributed to broker warrants	-	(12,143)
Exercise of stock options	200,000	40,000
Balance, December 31, 2007	43,887,238	\$ 10,004,715

On November 15, 2007 the Company completed a private placement of \$1,599,978 common shares at a price of \$0.25 per share for gross proceeds of \$399,995.

On November 15, 2007 the Company completed a private placement of 2,470,593 flow-through common shares at a price of \$0.33 per share for gross proceeds of \$815,296.

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 December 31, 2007, 2,438,724 common shares are available for grant under the Plan.

The following table reflects the continuity for the years ended December 31, 2007 and 2006 of options granted under the plan.

	Shares		Weighted Average Exercise Price	
	2007	2006	2007	2006
Outstanding, beginning of year	1,200,000	400,000	\$ 0.150	\$ 0.200
Granted	1,050,000	800,000	\$ 0.319	\$ 0.125
Exercised	(200,000)	-	\$ 0.200	\$ -
Expired	(100,000)	-	\$ 0.200	\$ -
Outstanding, end of year	1,950,000	1,200,000	\$ 0.287	\$ 0.150

The following information applies to options outstanding and exercisable at December 31, 2007.

Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life		Number Exercisable
		Contractual Life	Exercisable	
\$0.20	100,000	1.75 years	100,000	
\$0.25	800,000	3.50 years	800,000	
\$0.30	100,000	4.00 years	100,000	
\$0.25	500,000	4.50 years	500,000	
\$0.40	450,000	5.00 years	450,000	
	1,950,000			

The fair value of the options granted in fiscal 2007 and 2006 was estimated on the date of grant using the Black-Scholes option pricing model. For fiscal years 2007 and 2006, the weighted average grant date fair value per option of \$0.128 (2006: \$0.125) was calculated using the following weighted average assumptions: dividend yield of 0%, expected volatility of 40% (2006:80%), risk-free interest rate of 4.5% and expected life of 2.5 years.

The estimated fair value of the options is expensed over the vesting period. The fair value compensation and contributed surplus relating to stock options was \$97,400 for 2007 and \$100,000 for 2006.

Contributed surplus

	Stock based compensation	Valuation of expired warrants	Fair value of broker warrants	Total
Balance, December 31, 2005	\$ 4,300	\$ -	\$ -	\$ 4,300
Stock based compensation	100,000	-	-	100,000
Balance, December 31, 2006	104,300	-	-	104,300
Stock based compensation	97,400	-	-	97,400
Value attributed to broker warrants	-	-	12,143	12,143
Balance, December 31, 2007	\$ 201,700	\$ -	\$ 12,143	\$ 213,843

Warrants

The following table reflects the continuity of warrants for the years ended December 31, 2007 and 2006.

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

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

Closing balance, December 31, 2006	\$ -
Value of warrants issued during the year	32,143
Closing balance, December 31, 2007	\$ 32,143

	Number of warrants	Total
Value attributed to warrants on private placement	799,988	\$ 20,000

The fair value of the 799,988 common share purchase warrants issued in 2007 have been estimated at \$20,000 using the Black Scholes model for pricing options. The following weighted average fair value per warrant of \$0.02 with an exercise price of \$0.40 per share was calculated using the following weighted average assumptions: dividend yield of 0%, expected volatility of 40%, risk-free interest rate of 4.5% and expected life of 2 years. These warrants entitle the holder to purchase one common share of the Company at a price of \$0.40 per share until November 15, 2009.

	Number of warrants	Total
Value attributed to warrants on private placement	189,740	\$ 12,143

The fair value of the 189,740 common share purchase broker warrants issued in 2007 have been estimated at \$12,143 using the Black Scholes model for pricing options. The following weighted average fair value per warrant of \$0.06 with an exercise price of \$0.25 per share was calculated using the following weighted average assumptions: dividend yield of 0%, expected volatility of 40%, risk-free interest rate of 4.5% and expected life of 2 years. These warrants entitle the holder to purchase one common share of the Company at a price of \$0.25 per share until November 15, 2009.

Notes to the Financial Statements

7. INCOME TAXES

The following table reconciles the expected income tax expense (recovery) at the combined Federal and Ontario statutory income tax rate of 36.12% (2006 - 36.12%) to the amounts recognized in the statements of operations.

	2007	2006
Loss before recovery of future income taxes	\$ (213,727)	\$ (203,518)
Expected income tax recovery	\$ (77,000)	\$ (73,000)
Stock compensation expense	35,000	38,000
Impact of changes in substantively enacted tax rates	214,000	-
Change in valuation allowance	(172,000)	(35,000)
Recovery of future income taxes	\$ -	\$ -

The following table reflects future income tax assets at December 31, 2007 and 2006.

	2007	2006
Future income tax assets		
Unclaimed non-capital losses	\$ 160,000	\$ 137,000
Unclaimed financing costs	27,000	-
Excess of unclaimed resource pools and undepreciated capital cost over carrying value of exploration properties	1,071,000	1,250,000
	1,258,000	1,387,000
Less valuation allowance	(1,258,000)	(1,387,000)
	\$ -	\$ -

At December 31, 2007 the Company had unclaimed exploration and development expenditures of approximately \$4,900,000 and federal and provincial non-capital losses of approximately \$507,000 which are available to reduce future taxable income. The non-capital losses will expire as follows: 2008 - \$35,000; 2009 - \$56,000; 2010 - \$45,000; 2013 - \$57,000; 2014 - \$81,000, 2025 - \$5,000; 2026 - \$98,000 and 2027 - \$130,000.

Flow-through shares

During 2007, under the terms of flow-through agreements, the Company issued 2,470,593 flow-through shares and is required to spend \$815,296 on qualifying exploration expenditures prior to November 15, 2008. The renunciations were not filed until 2008 and therefore no related future income tax liability has been recorded at year-end.

8. LOSS PER COMMON SHARE

Loss per common share is based on a weighted average number of shares outstanding of 40,340,823 for 2007 and 39,429,681 for 2006. The effect of common share purchase options and warrants on the net loss in 2007 and 2006 is not reflected as to do so would be anti-dilutive.

9. RELATED PARTY INFORMATION

Other than amounts owing and interest paid to Wesdome on the convertible promissory note (Note 5) the Company had the following transactions and balances with related parties.

Under the terms of management agreements, Wesdome, as manager, provides technical and administrative support and carries out annual exploration programs on the Moss Lake and the Fountain Lake Properties for an indefinite term. Wesdome is entitled to administrative fees, expressed as a percentage of allowable costs (as defined and including capital expenditures) of 7.5% during the exploration phase, 5% during the development and pre-production phase and 2.5% after commencement of commercial production. Administrative fees charged amounted to \$7,531 and \$5,429 for 2007 and 2006, 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 December 31, 2007 and December 31, 2006 included \$11,770 and \$290 respectively, due to Wesdome.

10. FINANCIAL INSTRUMENTS

The carrying values of cash and cash equivalents, receivables and payables and accruals approximate their fair value due to their short term to maturity. The carrying value of the convertible promissory note approximates fair value as the

note was recorded at the approximate market rate on such debt. 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.

11. ENVIRONMENTAL RISKS

Moss Lake is committed to a program of environmental protection at its exploration sites. Management believes that it was in material compliance with government regulations in 2007.

12. INDEMNITIES

The Company has agreed to indemnify its directors and officers, and certain of its employees in accordance with the Company's by-laws. The Company maintains insurance policies that may provide coverage against certain claims.

Corporate Information

Officers and Directors

David Birkett
Director

John Hilland, P. Geo
Director

George Mannard, P. Geo
Director, President

Donald D. Orr
Secretary-Treasurer

Donovan Pollitt
Vice President Corporate Development

Head Office

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

Tel: 416.360.3743
Fax: 416.360.7620
Email: info@MossLakeGold.com

Listing

TSX-Venture Exchange Symbol: MOK

Transfer Agent and Registrar

Computershare Trust Company of Canada
Toronto, Ontario
Tel: 416.263.9449
www.computershare.com


Auditors

Grant Thornton LLP
Toronto, Ontario

Legal Counsel

Heenan Blaikie LLP
Toronto, Ontario

"This will run..."
George Mannard, P. Geo



Block Model of Main Zone
from NI 43-101 Resource Report