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Annual Report
*MOSS LAKE
GOLD MINES LTD*

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, Griffis 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.

Currently resource remodelling is underway with the goal of reclassifying the resources to reflect confidence gained from the favourable 2008 drill program. Our consultants have recommended further studies to refine the confidence in cost estimates.

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 45.1 million shares outstanding. The Company is a 56% owned subsidiary of established Canadian gold producer Wesdome Gold Mines Ltd.

Message to Shareholders

In 2009, work resumed on remodelling of the mineralized zones at Moss Lake to update the resource estimate. The results of this updated estimate are expected shortly. Preliminary studies by consultants Watts, Griffis and McQuat further recommend more metallurgical testwork, design of a conceptual site plan and hydrological studies be undertaken in order to provide information for reliable capital and operating cost assumptions.

Management is of the view that the Moss Lake deposit displays geometries favourable for the application of large scale open pit mining techniques. Furthermore, we believe that at \$1,000 per ounce gold, we are on the cusp of seeing significant economic potential as the gold price rises.

How best to capitalize on this potential without needlessly diluting your interest in this asset? We aim to resolve this challenge in the best interest of all shareholders.

On behalf of the Board of Directors,



George N. Mannard
President

April 29, 2010

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Management's Discussion and Analysis

FOR THE YEAR ENDED DECEMBER 31, 2009

This Management's Discussion and Analysis dated April 29, 2010, should be read in conjunction with Moss Lake Gold Mines Ltd.'s ("Moss Lake" or "the Company") audited financial statements for the year ended December 31, 2009, and their related notes which have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). This Management's Discussion and Analysis contains "forward-looking statements" that are subject to risk factors set out in the cautionary statement below. All figures are in Canadian dollars unless otherwise stated. Additional information on Moss Lake Gold Mines Ltd. can be found at www.mosslakegold.com or www.sedar.com. Moss Lake trades on the TSX - Venture Exchange under the symbol "MOK".

CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS

All statements, other than statements of historical fact, constitute "forward-looking statements" and are based on expectations, estimates and projections as at the date of this MD&A. The words "believe", "expect", "anticipate", "plan", "intend", "continue", "estimate", "may", "will", "schedule" and similar expressions identify forward-looking statements. The Company cautions the reader that such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Moss Lake to be materially different from the Company's estimated future results, performance or achievements expressed or implied by the forward-looking statements and the forward-looking statements are not guarantees of future performance. Factors that could cause results or events to differ materially from current expectations expressed or implied are inherent to the gold mining industry and include, but are not limited to, those discussed in the section entitled "Risks and Uncertainties". The Company does not intend, and does not assume any obligation to update these forward-looking statements, whether as a result of new information, future events or results or otherwise except as required by applicable laws.

GENERAL BUSINESS OVERVIEW

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

SELECTED ANNUAL INFORMATION

	2009	2008	2007
Interest income	\$ 32	\$ 10,851	\$ 4,887
Net (loss) income (in thousands)	(130)	128	(213)
(Loss) income per common share	(0.00)	0.00	(0.01)
Total assets (in thousands)	2,728	2,768	2,625
Long term financial liabilities (in thousands)	-	247	-

BALANCE SHEET AND OPERATIONS

At December 31, 2009, assets totalled \$2,728,084 compared to \$2,768,312 at year-end 2008. During 2009, the Company spent \$21,875 on royalties and \$9,140 on exploration expenditures for the Moss Lake property and spent \$nil on exploration expenditures on the Fountain Lake property. The Company reported a loss for the year of \$130,164 (2008: net income of \$128,193). The ongoing corporate and general expenses required to run a public company continue to be monitored closely.

In 2009, corporate and general expenses were \$75,841 compared to \$109,701 in 2008.

LIQUIDITY AND CAPITAL RESOURCES

The Company is an exploration and development company and has no revenue. At December 31, 2009, the Company had cash resources of \$9,753 compared to \$69,400 at year-end 2008. The Company had a working capital deficit of \$435,629 at December 31, 2009 (2008: \$45,152).

On November 19, 2008, the Company obtained a \$300,000 loan from majority shareholder Wesdome Gold Mines Ltd. ("Wesdome"). As consideration the Company issued to Wesdome a convertible unsecured promissory note ("the note") having a two year term and bearing interest at 10% per annum. The principal amount of the note is convertible into common shares at \$0.25 per share.

On April 24, 2006, the Company secured a \$300,000 convertible, unsecured promissory note with Wesdome. The note had a two year term at 8% per annum and was convertible into common shares at \$0.25 per share. This note was due on June 2, 2008. On maturity the note was converted to a demand note which, on September 23, 2008, was repaid by the Company issuing 1,228,141 common shares to Wesdome.

Management is examining means to finance current obligations and ongoing evaluation work under terms favourable to shareholders.

TRANSACTIONS WITH RELATED PARTIES

Under the terms of management agreements, Wesdome, as manager, provides technical and administrative support and carries out exploration programs on the Moss Lake and the Fountain Lake Properties for an indefinite term. Wesdome is entitled to administrative fees, expressed as a percentage of allowable costs (as defined and including capital expenditures) of 7.5% during the exploration phase, 5% during the development and pre-production phase and 2.5% after commencement of commercial production. Administrative fees charged amounted to \$715 and \$76,474 for 2009 and 2008, respectively, all of which were capitalized to exploration properties.

Payables and accruals at December 31, 2009 and 2008 included \$156,725 and \$92,158, respectively, due to Wesdome.

SUMMARY OF QUARTERLY RESULTS

	2009			
	Q4	Q3	Q2	Q1
Interest income	\$ -	\$ 4	\$ -	\$ 28
Net loss (in thousands)	(31)	(31)	(36)	(32)
Net loss per share	(0.00)	(0.00)	(0.00)	(0.00)

	2008			
	Q4	Q3	Q2	Q1
Interest income	\$ 376	\$ 619	\$ 5,273	\$ 4,583
Net income (loss) (in thousands)	231	(15)	(42)	(46)
Net income (loss) per share	0.00	(0.00)	(0.00)	(0.00)

ANALYSIS OF EXPLORATION PROPERTIES

	Cost	Write down	Total
Balance, December 31, 2008	\$ 9,647,582	\$ (6,969,752)	\$ 2,677,830
Advance royalties	21,875	-	21,875
Camp operations	2,114	-	2,114
Retention	761	-	761
Core drilling	5,550	-	5,550
Administration fees	715	-	715
Balance, December 31, 2009	\$ 9,678,597	\$ (6,969,752)	\$ 2,708,845

ANALYSIS OF CORPORATE AND GENERAL EXPENSES

For years ended December 31	2009	2008
Insurance	\$ 6,637	\$ 8,083
Audit fees	20,138	10,525
Professional fees	6,023	13,143
Stock exchange fees	5,400	7,952
Stock transfer fees	9,500	9,517
Filing fees	2,030	7,245
Shareholders' information	15,857	15,558
Conventions	8,268	23,727
Investor communications	200	767
Advertising and promotion	-	9,984
Miscellaneous	1,788	3,200
	\$ 75,841	\$ 109,701

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 Limited. 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

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

Exploration Properties

The Company has not yet determined whether its exploration properties contain reserves that are economically recoverable. The recoverability of the carrying values of exploration properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and future profitable production there from or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values. Management conducts periodic reviews of its mineral properties to determine if write-downs are required. Management estimated that no write-downs were required in 2009 or 2008.

Future Income Tax

Future income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and on unclaimed losses carried forward and are measured using the substantively enacted tax rates that will be in effect when the differences are estimated to reverse or losses are estimated to be utilized. A valuation allowance is recognized to the extent that the recoverability of future income tax assets is not considered more likely than not.

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

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

FINANCIAL INSTRUMENTS

On November 19, 2008, the Company obtained a \$300,000 loan from Wesdome. As consideration the Company issued to Wesdome a convertible unsecured promissory note (the "note") due November 19, 2010 and bearing interest at 10% per annum. The principal amount of the note is convertible, at any time up to maturity, 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 57% of the issued and outstanding shares of Moss Lake.

The liability component of the note, calculated at issuance, in the amount of \$254,167, was calculated as the present value of the principal and interest, discounted at 20%, 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 \$45,833, 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 and equity components on issuance was \$243,788 and \$43,962 respectively. Transaction costs were then apportioned to the debt and equity components based on their respective carrying amounts when the instrument was issued. This resulted in an allocation of these costs to the liability and equity components of \$10,379 and \$1,871 respectively.

At December 31, 2009, the face value of the note is \$300,000 however the note is carried at \$274,048 using an effective interest rate of 21.88% and includes accretion of the discount during the period totalling \$24,438 (2008: \$2,835), which is included in interest expense on long term debt.

The Company's other 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.

FINANCIAL INSTRUMENTS - DISCLOSURES AND PRESENTATION

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

Financial Instruments

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

	2009	2008
Financial assets		
Held for trading:		
Cash	\$ 9,753	\$ 69,400
Loans and receivables:		
Receivables	9,486	21,082
Financial liabilities		
Other financial liabilities:		
Payables and accruals	\$ 180,820	\$ 135,634

Determination of Fair Value

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between willing parties. The Company uses the following methods and assumptions to estimate fair value of each class of financial instruments for which carrying amounts are included in the Balance Sheet as follows:

Cash - The carrying amounts approximate fair values due to the short maturity of these financial instruments.

Receivables - The carrying amounts approximate fair values due to the short maturity of these financial instruments.

Other financial liabilities - Payables, accruals and the convertible promissory note are carried at amortized cost. The carrying amount of payables and accruals approximates fair values due to the short maturity of these financial instruments. The fair value of the convertible promissory note cannot be reliably measured.

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

Financial Risk Management

The Company is exposed to a number of different risks arising from normal course business exposures, as well as the Company's use of financial instruments. These risk factors include: (1) market risks relating to interest rate risk; (2) liquidity risk; and, (3) credit risk. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and establishes and monitors risk management policies to: identify and analyze the risks faced by the Company; to set appropriate risk limits and controls; and to monitor risks and adherence to market conditions and the Company's activities.

- 1) Market Risk
Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of the business. As a development stage company the market price movements that could adversely affect the value of the Company's financial assets, liabilities and expected future cash flows are limited to interest rate risk. Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Management's Discussion and Analysis

Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. Fluctuations in market rates of interest do not have a significant impact on the Company's results of operations due to the short term to maturity of the investments held.

2) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from anticipated investing and financing activities. The Company believes it has access to sufficient capital through equity and debt capital markets. Senior management is also actively involved in the review and approval of planned expenditures.

The following table shows the timing of cash outflows relating to trade payables and accruals and convertible promissory note:

	<1 Year	1-2 Years	3-5 Years	Over 5 Years
Payables and accruals	\$ 180,820			
Convertible promissory note	\$ 330,000			

3) Credit Risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The Company's accounts receivable consist primarily of deposits and government refunds. The Company estimates its maximum exposure to be the carrying value of cash and receivables. The Company manages credit risk by maintaining bank accounts with Schedule 1 Canadian banks and investing only in Guaranteed Investment Certificates. The Company's cash is not subject to any external restrictions.

ENVIRONMENT

Moss Lake is committed to a program of environmental protection at its exploration sites. Management believes that it was in material compliance with government regulations in 2009.

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

On January 1, 2009, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064, "Goodwill and Intangible Assets". The new standard replaces the previous goodwill and intangible asset standard and revises the requirement for recognition, measurement, presentation and disclosure of intangible assets. The adoption of this standard did not have an impact on the Company's financial statements.

In March 2009, the CICA issued EIC Abstract 174, "Mining, Exploration Costs" ("EIC-174") which supersedes EIC Abstract 126, "Accounting by Mining Enterprises for Exploration Costs" ("EIC-126"), to provide additional guidance for mining exploration enterprises on the accounting for capitalization of exploration costs and when an impairment test of these costs is required. EIC-174 is applicable for the Company's interim and annual financial statements for periods ending on or after March 27, 2009 with retroactive application. The adoption of this policy did not have an impact on the Company's financial statements.

Future Accounting Changes

In January 2009, the CICA issued Handbook Section 1582, "Business Combinations" which requires all assets and liabilities of an acquired business be recorded at fair value at acquisition. Obligations for contingent consideration and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition related costs are expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. The standard applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period on or after January 1, 2011.

In January 2009, the CICA issued Handbook Section 1601, "Consolidations" and Section 1602, "Non-controlling Interests". Section 1601 establishes standards for the preparation of financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in financial statements subsequent to a business combination. These standards apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canadian GAAP. The changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company's transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the fiscal year commencing January 1, 2010.

The Company has commenced the process to transition from current Canadian GAAP to IFRS. The transition process consists of three primary phases: scoping and diagnostic phase; impact analysis, evaluation and design phase; and implementation and review phase.

- > Scoping and diagnostic phase - A preliminary diagnostic review was completed at a high level which determined the financial reporting differences under IFRS and the key areas that may be impacted. The areas with the highest potential impact were identified to include the basis of related party transactions, impairment of assets, financial instruments and initial adoption of IFRS under the provisions of IFRS 1.
- > Analysis, quantification and evaluation phase - In this phase, each area identified from the scoping and diagnostic phase will be addressed in order of descending priority. This phase involves specification of changes required to existing accounting policies, information systems and business processes, together with an analysis of policy alternatives allowed under IFRS and development of draft IFRS financial statement content. The Company anticipates that there will be changes in accounting policies and that these changes may materially impact the financial statements. The full impact on future financial reporting is not reasonably determinable or estimable at this time.
- > Implementation and review phase - This phase includes execution of any changes to information systems and business processes and completing formal authorization processes to approve recommended accounting policy changes. It will also include the collection of financial information necessary to compile IFRS-compliant financial statements and audit committee approval of IFRS financial statements.

Having completed the scoping and diagnostic phase and commenced the analysis phase, the Company expects that the areas that will be significantly affected by the transition to IFRS will be as follows:

First Time Adoption (IFRS 1)

IFRS 1 provides guidance to entities on the general approach to be taken when first adopting IFRS. The underlying principle of IFRS 1 is retrospective application of IFRS standards in force at the date an entity first reports using IFRS. IFRS 1 acknowledges that full retrospective application may not be practical or appropriate in all situations and prescribes:

- > Optional exemptions from specific aspects of certain IFRS standards in the preparation of the Company's opening balance sheet; and
- > Mandatory exceptions to retrospective application of certain IFRS standards.

Additionally, to ensure financial statements contain high-quality information that is transparent to users, IFRS 1 contains disclosure requirements to highlight changes made to financial statement items due to the transition to IFRS.

Impairment (IAS36)

IFRS requires the use of a one-step impairment test (impairment testing is performed using discounted cash flows) rather than the two-step under Canadian GAAP (using undiscounted cash flow as a trigger to identify potential impairment loss). IFRS requires reversal of impairment losses (excluding goodwill) where previous adverse circumstances have changed; this is prohibited under Canadian GAAP.

Management's Discussion and Analysis

Impairment testing should be performed at the asset level for long-lived assets and intangible assets. Where the recoverable amount cannot be estimated for individual assets, it should be estimated as part of a Cash Generating Unit ("CGU").

Share-based payments (IFRS 2)

Per IFRS, the forfeiture rate, with respect to share options, needs to be estimated by the Company at the grant date instead of recognizing the entire compensation expense and only record actual forfeitures as they occur. For graded-vesting features, IFRS requires each instalment to be treated as a separate share option grant, because each instalment has a different vesting period and hence the fair value of each instalment will differ.

Mineral property interest, exploration and evaluation costs (IFRS 6, IAS16, IAS38)

Under IFRS, the Company would be required to develop an accounting policy to specifically and consistently identify which expenditures on exploration and evaluation activities will be recorded as assets. Unlike IFRS, Canadian GAAP indicates that exploration costs may initially be capitalized if the Company considers that such costs have the characteristics of property, plant and equipment. Exploration and evaluation assets shall be classified as either tangible or intangible according to the nature of the assets acquired.

Information systems

No significant challenges are expected at this point to operate the accounting system under IFRS. The Company has yet to establish if historical data will have to be regenerated to comply with some of the choices to be made under IFRS 1. Once the extent of the adjustments needed to convert to IFRS will be established, processes will be put in place to generate the dual accounting needed for 2010.

Internal controls

Management is responsible for ensuring that processes are in place to provide them with sufficient knowledge to support their certification of the financial statements and MD&A, more specifically assessing that the SEDAR filings are presenting fairly the results of the Company. Management will make sure that once the convergence process is completed, it can still certify its filings.

Impact on the business

The business processes of the Company are not expected to be effected significantly to operate under IFRS. The Company has no foreign currency transactions, no hedging activities, no debt or capital covenants. The Company doesn't expect that IFRS will have an impact on the requirements or business processes when it enters into flow-through financing. The Company has no compensation arrangements that will be affected by the IFRS implementation. The Company's Stock Option Plan is not affected by ratios or financial targets.

The International Accounting Standard Board currently has projects underway that are expected to result in new pronouncements and as a result, IFRS as at the transition date is expected to differ from its current form. The final impact of IFRS on the financial statements will only be determined once all applicable standards at the conversion date are known.

OUTLOOK

In 2008, the Company retained Watts, Griffis and McOuat to conduct an independent Preliminary Economic Analysis on the Moss Lake gold deposit. Their work recommended remodelling of the resource, further metallurgical testing, development of a conceptual site plan and hydrology studies be undertaken. This work would serve to refine capital and operating cost price assumptions. Work on remodelling resources to take into account the 2008 drilling results continues.

The Company is examining means to finance this work under terms favourable to shareholders.

OUTSTANDING SHARE DATA

As of April 29, 2010, the Company's share information is as follows:

Common shares issued	45,184,679
Common share purchase options	1,850,000
Common share purchase warrants	Nil

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 29, 2010

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, 2009 and 2008 and the statements of operations, comprehensive income and deficit, shareholders' equity 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, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Licensed Public Accountants
Toronto, Canada
April 29, 2010

Balance Sheets

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December 31	2009	2008
Assets		
Current		
Cash	\$ 9,753	\$ 69,400
Receivables	9,486	21,082
	19,239	90,482
Exploration properties (Note 3)	2,708,845	2,677,830
	\$ 2,728,084	\$ 2,768,312
Liabilities		
Current		
Payables and accruals	\$ 180,820	\$ 135,634
Convertible promissory note (Note 4)	274,048	-
	454,868	135,634
Convertible promissory note (Note 4)	-	246,623
	454,868	382,257
Shareholders' Equity		
Capital stock (Note 5)	10,085,654	10,063,894
Common share purchase warrants (Note 6)	-	20,000
Contributed surplus (Note 7)	229,408	213,843
Equity component of convertible promissory note (Note 4)	43,962	43,962
Deficit	(8,085,808)	(7,955,644)
	2,273,216	2,386,055
	\$ 2,728,084	\$ 2,768,312

Nature and continuation of operations (Note 1)

Environmental risks (Note 12)

On behalf of the Board:


George N. Mannard
Director

David Birkett
Director

Statements of Operations, Comprehensive Income and Deficit

Years Ended December 31	2009	2008
Interest income	\$ 32	\$ 10,851
Costs and expenses		
Interest on long term debt (Note 4)	54,355	26,957
Corporate and general	75,841	109,701
	130,196	136,658
Net loss before income taxes	(130,164)	(125,807)
Recovery of future income taxes (Note 8)	-	254,000
Net (loss) income and comprehensive (loss) income	(130,164)	128,193
Deficit, beginning of year	(7,955,644)	(8,083,837)
Deficit, end of year	\$ (8,085,808)	\$(7,955,644)
Net (loss) income per common share (Note 9)		
Basic and fully diluted	\$ (0.00)	\$ 0.00

Statements of Shareholders' Equity

	Capital Stock	Common Share Purchase Warrants	Contributed Surplus	Equity Component of Promissory Note	Deficit	Total Shareholders' Equity
Balance, December 31, 2007	\$ 10,004,715	\$ 20,000	\$ 213,843	\$ 20,280	\$(8,083,837)	\$ 2,175,001
Net loss for year ended Dec 31, 2008	-	-	-	-	128,193	128,193
Issuance of common shares, net of costs	292,899	-	-	-	-	292,899
Transfer of equity component on conversion of convertible promissory note	20,280	-	-	(20,280)	-	-
Value of equity component of convertible promissory note	-	-	-	43,962	-	43,962
Tax effect of flow-through share renunciation	(254,000)	-	-	-	-	(254,000)
Balance, December 31, 2008	\$10,063,894	\$ 20,000	\$ 213,843	\$ 43,962	\$(7,955,644)	\$ 2,386,055
Net loss for year ended December 31, 2009	-	-	-	-	(130,164)	(130,164)
Exercise of warrants	17,325	-	-	-	-	17,325
Value attributed to warrants exercised	4,435	-	(4,435)	-	-	-
Common share purchase warrants expired	-	(20,000)	20,000	-	-	-
Balance, December 31, 2009	\$10,085,654	\$ -	\$ 229,408	\$ 43,962	\$(8,085,808)	\$ 2,273,216

See accompanying notes to the financial statements.

Statements of Cash Flows

8

Years Ended December 31	2009	2008
Increase (decrease) in cash		
Operating activities		
Net (loss) income	\$ (130,164)	\$ 128,193
Accretion of discount on convertible promissory note	27,425	7,060
Non-cash interest on convertible promissory note	-	7,035
Recovery of future income taxes	-	(254,000)
Change in receivables and payables	56,782	(12,698)
	(45,957)	(124,410)
Financing activities		
Convertible note from Wesdome, net of costs	-	287,750
Exercise of warrants	17,325	-
Share issuance costs	-	(14,136)
Change in payables	-	(19,734)
	17,325	253,880
Investing activities		
Additions to exploration properties	(31,015)	(1,161,271)
Change in payables	-	9,043
	(31,015)	(1,152,228)
Net decrease in cash	(59,647)	(1,022,758)
Cash, beginning of year	69,400	1,092,158
Cash, end of year	\$ 9,753	\$ 69,400

Non-cash transactions

In fiscal 2008 the Company issued 1,200,000 common shares pursuant to the conversion of an 8% convertible promissory note (Note 5) and a further 28,141 common shares in payment of \$7,035 of accrued interest on the convertible promissory note.

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 (TSXV: MOK). The Company carries on business in one segment, being the acquisition, exploration and development of properties for the mining of precious and base metals in Canada (see Note 3 for developments to date). The Company has not earned any revenue to date from its operations and is therefore, considered to be in the development stage. The amounts shown as property acquisition costs do not necessarily represent present or future values.

The Company is a subsidiary of Wesdome Gold Mines Ltd. ("Wesdome"), a publicly held company, which is listed on the TSX Exchange (TSX: WDO).

Continuation of Operations

The Company has incurred significant losses and, at December 31, 2009, the Company had a deficit of \$8.1 million and a working capital deficiency of \$435,629, \$430,773 of which represents amounts owing to Wesdome. 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. Management is required to secure financing to discharge its current and future obligations. While the Company has been successful in the past, there can be no assurance it will be able to raise sufficient funds in the near term. Changes in future conditions could require additional write-downs of the carrying values.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada ("GAAP"), 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 properties and deferred exploration expenditures, determination of future income tax assets and liabilities, the equity component of the convertible promissory note and the value of stock based compensation. 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.

Cash

Cash includes cash on hand and balances with banks.

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.

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, 2009, the Company has not incurred or committed to any reclamation obligation on its exploration properties.

Convertible Promissory Note

The convertible promissory note payable was segregated into its debt and equity components at the date of issue. The financial liability component, representing the value allocated to the liability at inception, was included in convertible promissory note payable. The remaining component, representing the value ascribed to the holders' option to convert the principal balance into common shares, was classified in shareholders' equity as "Equity component of convertible promissory note". The carrying value of the liability component is being accreted to the principal amount as additional interest expense over the term of the note.

Financial Instruments - Recognition and Measurement

The Company designates 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.

As at December 31, 2009 cash is classified as held-for-trading. Receivables are classified as loans and receivables. Payables and accruals and convertible promissory notes are classified as financial liabilities.

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.

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.

On the issuance of the related debt, financing costs are reclassified to debt to reflect the adopted policy of capitalizing debt transaction costs within the related debt. The costs capitalized within debt are amortized using the effective interest method.

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 tax benefits foregone by 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.

Notes to the Financial Statements

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. The valuation of future income tax assets is adjusted, if necessary, by the use of a valuation allowance to reflect the estimated realizable amount.

(Loss) Income per Common Share

Basic (loss) income per share is computed by dividing the (loss) income 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 (loss) income 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, warrants and convertible notes, if dilutive. The number of additional shares included in the calculation is based on the treasury stock method for options and warrants.

Comprehensive Income

Comprehensive income is the change in the Company's net assets arising from transactions, events and circumstances not related to the Company's shareholders and include items that would not normally be included in net earnings or losses such as unrealized gains or losses on available-for-sale investments. A separate statement of comprehensive income has not been included as the Company did not have any other comprehensive income or loss for the periods.

Conversion to International Financial Reporting Standards

On February 13, 2008, the Accounting Standards Board confirmed that publicly accountable entities will be required to adopt International Financial Reporting Standards ("IFRS") for interim and annual financial statements for fiscal years beginning on or after January 1, 2011, with restatement of comparative information presented. The conversion to IFRS will impact the Company's accounting policies, information technology and data systems, internal controls over financial reporting and disclosure controls and procedures.

Changes in Accounting Policies

On January 1, 2009, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064, "Goodwill and Intangible Assets". The new standard replaces the previous goodwill and intangible asset standard and revises the requirement for recognition, measurement, presentation and disclosure of intangible assets. The adoption of this standard did not have an impact on the Company's financial statements.

In March 2009, the CICA issued EIC Abstract 174, "Mining, Exploration Costs" ("EIC-174") which supersedes EIC Abstract 126, "Accounting by Mining Enterprises for Exploration Costs" ("EIC-126"), to provide additional guidance for mining exploration enterprises on the accounting for capitalization of exploration costs and when an impairment test of these costs is required. EIC-174 is applicable for the Company's interim and annual financial statements for periods ending on or after March 27, 2009 with retroactive application. The adoption of this policy did not have an impact on the Company's financial statements.

In July, 2009, the CICA approved amendments to section 3862, "Financial Instruments - Disclosures". The amendments require additional fair value disclosure for financial instruments and liquidity risk disclosures. These amendments require a three-level hierarchy that reflects the significance of the inputs used in making fair value assessments, as follows:

- > Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- > Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- > Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company adopted the requirements of amendments to Section 3862 in its December 31, 2009 financial statements (Note 11).

Future Accounting Changes

In January 2009, the CICA issued Handbook Section 1582, "Business Combinations" which requires all assets and liabilities of an acquired business be recorded at fair value at acquisition. Obligations for contingent consideration and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition related costs are expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. The standard applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period on or after January 1, 2011.

In January 2009, the CICA issued Handbook Section 1601, "Consolidations" and Section 1602, "Non-controlling Interests". Section 1601 establishes standards for the preparation of financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in financial statements subsequent to a business combination. These standards apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.

3. EXPLORATION PROPERTIES

	2009	2008
Cost of properties	\$ 6,481,081	\$ 6,481,081
Exploration expenditures	2,745,828	2,736,688
Settlement of advance royalties	105,000	105,000
Underlying advance royalties	346,688	324,813
	9,678,597	9,647,582
Write-down of carrying values	(6,969,752)	(6,969,752)
	\$2,708,845	\$ 2,677,830

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.

4. CONVERTIBLE PROMISSORY NOTE

On November 19, 2008, the Company obtained a \$300,000 loan from Wesdome. As consideration the Company issued to Wesdome a convertible unsecured promissory note (the "note") due November 19, 2010 and bearing interest at 10% per annum. The principal amount of the note is convertible, at any time up to maturity, 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 57% of the issued and outstanding shares of Moss Lake.

The liability component of the note, calculated at issuance, in the amount of \$254,167, was calculated as the present value of the principal and interest, discounted at 20%, 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 \$45,833, 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 Statements

The net value assigned to the liability and equity components on issuance was \$243,788 and \$43,962 respectively. Transaction costs were then apportioned to the debt and equity components based on their respective carrying amounts when the instrument was issued. This resulted in an allocation of these costs to the liability and equity components of \$10,379 and \$1,871 respectively.

At December 31, 2009, the face value of the note is \$300,000 however the note is carried at \$274,048 using an effective interest rate of 21.88% and includes accretion of the discount during the period totalling \$24,438 (2008: \$2,835), which is included in interest expense on long term debt.

5. 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, 2007	43,887,238	\$ 10,004,715
Tax benefits on renounced flow-through expenditures	-	(254,000)
Transfer of equity component of convertible promissory note	-	20,280
Common shares, net of costs of \$14,136 (Note 4)	1,228,141	292,899
Balance, December 31, 2008	45,115,379	10,063,894
Exercise of warrants	69,300	17,325
Value attributed to warrants exercised	-	4,435
Balance, December 31, 2009	45,184,679	\$ 10,085,654

In fiscal 2008 the Company issued 1,200,000 common shares pursuant to the conversion of an 8% promissory note with a liability component of \$300,000 and an equity component of \$20,280 and a further 28,141 common shares in payment of \$7,035 of demand loan liabilities.

Prior to November 15, 2009, 69,300 common share purchase broker warrants were exercised. These warrants entitled the holder to purchase one common share of the Company at a price of \$0.25 per share.

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, 2009, 2,668,468 options to purchase common shares are available for grant under the Plan.

The following table reflects the continuity for the years ended December 31, 2009 and 2008 of options granted under the plan.

	Shares		Weighted Average Exercise Price	
	2009	2008	2009	2008
Outstanding, beginning of year	1,950,000	1,950,000	\$ 0.287	\$ 0.287
Granted	-	-	\$ -	\$ -
Expired	(100,000)	-	\$ 0.200	\$ -
Outstanding, end of year	1,850,000	1,950,000	\$ 0.289	\$ 0.287

The following information applies to options outstanding and exercisable at December 31, 2009.

Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life	Number Exercisable
\$0.25	800,000	1.50 years	800,000
\$0.30	100,000	2.00 years	100,000
\$0.25	500,000	2.50 years	500,000
\$0.40	450,000	3.00 years	450,000
	1,850,000		1,850,000

There have been no options granted since 2007. The estimated fair value of the options is expensed over the vesting period. The fair value of compensation and contributed surplus relating to stock options was \$Nil for December 31, 2009 and 2008.

6. WARRANTS

The following table reflects the continuity of warrants for the years ended December 31, 2009 and 2008.

Expiry Date	Exercise Price	Number of common shares				Closing Balance	\$
		Opening Balance	Issued	Exercised	Expired		
November 15, 2009	\$0.25	189,740	-	69,300	120,440	-	-
November 15, 2009	\$0.40	799,988	-	-	799,988	-	-
		989,728	-	69,300	920,428	-	-

	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 has been estimated at \$12,143 using the Black Scholes model for pricing options. The 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 entitled the holder to purchase one common share of the Company at a price of \$0.25 per share until November 15, 2009. Prior to expiry, 69,300 warrants were exercised.

	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 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 entitled the holder to purchase one common share of the Company at a price of \$0.40 per share until November 15, 2009. These warrants expired unexercised.

7. CONTRIBUTED SURPLUS

	Stock based compensation	Valuation of expired warrants	Fair value of broker warrants	Total
Balance, December 31, 2007	\$201,700	\$ -	\$12,143	\$213,843
Stock based compensation	-	-	-	-
Balance, December 31, 2008	201,700	-	12,143	213,843
Value attributed to warrants exercised	-	-	(4,435)	(4,435)
Common share purchase warrants expired	-	20,000	-	20,000
Balance, December 31, 2009	\$201,700	\$20,000	\$ 7,708	\$229,408

Notes to the Financial Statements

8. INCOME TAXES

The following table reconciles the expected income tax expense (recovery) at the combined Federal and Ontario statutory income tax rate of 33.0% (2008 - 33.5%) to the amounts recognized in the statements of operations.

	2009	2008
Loss before recovery of future income taxes	\$ (130,164)	\$ (125,807)
Expected income tax recovery	\$ (43,000)	\$ (42,000)
Non-deductible expenses and other items	31,000	7,000
Effect of changes in substantively enacted tax rates	206,000	(7,000)
Change in valuation allowance	(194,000)	(212,000)
Recovery of future income taxes	\$ -	\$ (254,000)

The following table reflects future income tax assets at December 31, 2009 and 2008.

	2009	2008
Future income tax assets		
Unclaimed non-capital losses	\$ 174,000	\$ 193,000
Unclaimed financing costs	14,000	26,000
Excess of unclaimed resource pools and undepreciated capital cost over carrying value of exploration properties	664,000	827,000
	852,000	1,046,000
Less valuation allowance	(852,000)	(1,046,000)
	\$ -	\$ -

At December 31, 2009 the Company had unclaimed exploration and development expenditures of approximately \$5,400,000 and federal and provincial non-capital losses of approximately \$692,000 which are available to reduce future taxable income. The non-capital losses will expire as follows: 2010 - \$45,000; 2013 - \$57,000; 2014 - \$81,000; 2025 - \$5,000; 2026 - \$98,000; 2027 - \$129,000; 2028 - \$146,000 and 2029 - \$132,000.

Flow-Through Shares

During 2007, under the terms of flow-through agreement, the Company issued 2,470,593 flow-through shares and was required to spend \$815,296 on qualifying exploration expenditures prior to November 15, 2008. The Company met the required conditions by November 15, 2008.

In 2008, the Company recorded \$254,000 future income tax liability related to the flow-through shares and reduced share capital accordingly.

9. LOSS PER COMMON SHARE

Loss per common share is based on a weighted average number of shares outstanding of 45,125,250 for 2009 and 44,226,149 for 2008. The effect of common share purchase options, warrants and convertible notes on the net loss in 2009 and 2008 is not reflected as to do so would be anti-dilutive.

10. RELATED PARTY INFORMATION

Other than amounts owing, interest paid and shares issued to Wesdome on the convertible promissory notes (Notes 4 and 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 at December 31, 2009 and 2008 amounted to \$715 and \$76,474, 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, 2009 and 2008 included \$156,725 and \$92,158 respectively, due to Wesdome.

11. FINANCIAL INSTRUMENTS – DISCLOSURES AND PRESENTATION

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

Financial Instruments

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

	2009	2008
Financial assets		
Held for trading:		
Cash	\$ 9,753	\$ 69,400
Loans and receivables:		
Receivables	9,486	21,082
Financial liabilities		
Other financial liabilities:		
Payables and accruals	\$ 180,820	\$ 135,634

Determination of Fair Value

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between willing parties. The Company uses the following methods and assumptions to estimate fair value of each class of financial instruments for which carrying amounts are included in the Balance Sheet as follows:

Cash - The carrying amounts approximate fair values due to the short maturity of these financial instruments.

Receivables - The carrying amounts approximate fair values due to the short maturity of these financial instruments.

Other financial liabilities - Payables, accruals and the convertible promissory note are carried at amortized cost. The carrying amount of payables and accruals approximates fair value due to the short maturity of these financial instruments. The fair value of the convertible promissory note cannot be measured reliably.

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

Financial Risk Management

The Company is exposed to a number of different risks arising from normal course business exposures, as well as the Company's use of financial instruments. These risk factors include: (1) market risks relating to interest rate risk; (2) liquidity risk; and, (3) credit risk. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and establishes and monitors risk management policies to: identify and analyze the risks faced by the Company; to set appropriate risk limits and controls; and to monitor risks and adherence to market conditions and the Company's activities.

1) Market Risk

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of the business. As a development stage company the market price movements that could adversely affect the value of the Company's financial assets, liabilities and expected future cash flows are limited to interest rate risk. Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. Fluctuations in market rates of interest do not have a significant impact on the Company's results of operations due to the short term to maturity of the instruments held.

2) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from anticipated investing and financing activities. The Company believes it has access to sufficient capital through equity and debt capital markets. Senior management is also actively involved in the review and approval of planned expenditures.

Notes to the Financial Statements

The following table shows the timing of cash outflows relating to trade payables and accruals and convertible promissory note:

	<u><1 Year</u>	<u>1-2 Years</u>	<u>3-5 Years</u>	<u>Over 5 Years</u>
Payables and accruals	\$ 180,820			
Convertible promissory note	\$ 330,000			

3) Credit Risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The Company's accounts receivable consist primarily of deposits and government refunds. The Company estimates its maximum exposure to be the carrying value of cash and receivables. The Company manages credit risk by maintaining bank accounts with Schedule 1 Canadian banks and investing only in Guaranteed Investment Certificates. The Company's cash is not subject to any external restrictions.

12. 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 2009.

13. 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.

14. CAPITAL RISK MANAGEMENT

The Company's objectives of capital management are intended to safeguard its ability to support the Company's normal operating requirements on an ongoing basis, continue the development and exploration of its mineral properties and support any expansionary plans.

The capital of the Company consists of the items included in shareholders' equity and debt obligations net of cash. The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Company's assets. In order to maintain or adjust its capital structure, the Company may issue new shares, issue new debt or issue new debt to replace existing debt with different characteristics.

Management intends to undertake an equity financing to discharge its current and future obligations.

The Company is not subject to any externally imposed capital requirements such as loan covenants or capital ratios.

There were no changes to the Company's approach to capital management during the current period.

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Officers and Directors

David Birkett
Director

John Hilland, P. Geo
Director

George Mannard, P. Geo
Director, President

Donald D. Orr
Secretary-Treasurer

Donovan Pollitt, P.Eng
Vice President Corporate Development

Annual Meeting

The Annual Meeting of Shareholders
will be held at the Head Office
8 King Street East, Suite 1305
Toronto, Ontario
on Tuesday, June 29th, 2010 at 10:00 a.m.