

**MOSQUITO CONSOLIDATED
GOLD MINES LIMITED**

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
FOR THE YEARS ENDED
DECEMBER 31, 2005 and 2004

Heer* & Co.

Chartered Accountants

AUDITORS REPORT

To the Shareholders of Mosquito Consolidated Gold Mines Limited

We have audited the consolidated balance sheet of **Mosquito Consolidated Gold Mines Limited** as at **December 31, 2005** and the Consolidated Statements of Operations and Deficit and Cash Flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated 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 consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2005 and the results of its operations and its cash flow for the year ended in accordance with Canadian generally accepted accounting principles.

The comparative financial statements as at December 31, 2004 were audited by other auditors who expressed an opinion without reservation on those financial statements in their report dated April 18, 2005.

"Heer & Co.

Chartered Accountants

Coquitlam, B.C., Canada

April 7, 2006

* Incorporated Professional

MOSQUITO CONSOLIDATED GOLD MINES LIMITED

Consolidated Balance Sheets

(Expressed in Canadian dollars)

December 31, 2005 and 2004

	2005	2004
ASSETS		
Current		
Cash	\$ 706,210	\$ 48,069
Marketable securities (Note 3)	33,360	105,100
Notes receivable (Note 4)	56,006	-
Accounts receivable (Note 7(b))	300,127	150,453
	<u>1,095,703</u>	<u>303,622</u>
Investment (Note 5)	93,750	99,352
Plant and equipment (Note 6)	251,572	192,706
Mineral properties (Note 7)	1,057,320	846,385
Reclamation deposits	21,000	15,500
	<u>\$ 2,519,345</u>	<u>\$ 1,457,565</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 96,144	\$ 84,280
Due to related parties (Note 11)	413,238	389,322
	<u>509,382</u>	<u>473,602</u>
Shareholders' equity		
Share capital (Note 8)	15,513,053	14,231,803
Contributed surplus (Note 8(e))	441,399	441,399
Deficit	(13,944,489)	(13,689,239)
	<u>2,009,963</u>	<u>983,963</u>
	<u>\$ 2,519,345</u>	<u>\$ 1,457,565</u>

Operations and going concern (Note 1)

Commitments and contingencies (Note 7, 8 and 10)

Subsequent events (Note 14)

See accompanying notes to the consolidated financial statements

On behalf of the board:

Director

Director

MOSQUITO CONSOLIDATED GOLD MINES LIMITED

Consolidated Statements of Operations and Deficit

(Expressed in Canadian dollars)

Years ended December 31, 2005 and 2004

	2005	2004
Expenses		
Amortization	\$ 28,379	\$ 21,068
Bank charges and interest	4,123	2,596
Consulting	110,990	78,850
Geological research	25,205	17,254
Management fees (Note 11)	156,000	108,000
Office and miscellaneous	14,904	22,406
Professional fees	52,662	32,876
Rent	20,026	17,119
Repairs and maintenance	38,739	-
Shareholder information, transfer agent and filing fees	31,585	18,770
Stock-based compensation (Note 8(e))	-	441,399
Telephone and communication	11,206	9,270
Travel and business promotion	98,594	84,933
	592,413	854,541
Loss before under-noted items	(592,413)	(854,541)
Net smelters royalty (Note 5(b))	241,342	-
Gain on sale of property option (Note 7)	97,918	-
Gain on sale of marketable securities	2,407	-
Gain on settlement of accounts payable	-	117,653
Interest income	1,098	-
Recovery of costs and management of project	-	44,144
Write-down of mineral property	-	(81,154)
Equity in income (loss) of associated company	(5,602)	7,720
Net loss for the year	(255,250)	(766,178)
Deficit, beginning of year	(13,689,239)	(12,923,061)
Deficit, end of year	\$ (13,944,489)	\$ (13,689,239)
Basic and fully diluted loss per share	\$ (0.01)	\$ (0.04)
Weight average number of shares outstanding	21,310,970	20,330,553

See accompanying notes to consolidated financial statements

MOSQUITO CONSOLIDATED GOLD MINES LIMITED

Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

Years ended December 31, 2005 and 2004

	2005	2004
Cash flows from operating activities		
Loss for the year	\$ (255,250)	\$ (766,178)
Items not involving cash:		
Amortization	28,379	21,068
Gain on sale of marketable securities	(2,407)	-
Gain on sale of property option	(97,918)	-
Stock based compensation	-	441,399
Write-down of mineral property	-	81,154
Equity loss (income) of associated company	5,602	(7,720)
	(321,594)	(230,277)
Changes in non-cash working capital		
Accounts receivable	(149,674)	(110,297)
Marketable securities	-	(100,000)
Notes receivable	(56,006)	-
Bank letter of credit	-	(40,000)
Accounts payable	11,864	(179,139)
	(515,410)	(659,713)
Cash flows from financing activities		
Capital stock issued for cash	1,163,250	155,000
Proceeds on option sale of mineral properties	750,000	590,000
Proceeds on disposal of marketable securities	74,147	-
Due to related parties	23,916	(100,015)
	2,011,313	644,985
Cash flows from investing activities		
Increase in reclamation deposit	(5,500)	32,500
Acquisition of mineral properties	(133,294)	(106,209)
Purchase of plant and equipment	(87,245)	(16,469)
Exploration expenditures	(611,723)	(33,638)
	(837,762)	(123,816)
Increase (decrease) in cash during the year	658,141	(138,544)
Cash, beginning of year	48,069	186,613
Cash, end of year	\$ 706,210	\$ 48,069
Supplementary information		
Income tax paid	\$ -	\$ -
Interest paid	-	-
Non-cash operating, financing and investing activities		
Issuance of shares for mineral properties	\$ 118,000	\$ 72,600

See accompanying notes to consolidated financial statements

MOSQUITO CONSOLIDATED GOLD MINES LIMITED

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

Years ended December 31, 2005 and 2004

1. NATURE OF AND CONTINUANCE OF OPERATIONS

The Company's principal business activities include acquiring and developing mineral properties. At December 31, 2005, the Company's principal mineral property interests are located in Canada and United States of America.

The Company is in the process of exploring and/or developing properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties is dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the property, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production or proceeds from disposition of the mineral properties. The amounts shown as exploration expenditures represent net costs to date, less amounts amortized and/or written off, and do not necessarily represent present or future values.

These consolidated financial statements have been prepared on the going concern basis which assumes the Company will continue operations and will be able to realize its assets and discharge its liabilities in the normal course of business. The consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the Company is unable to continue operations or does not receive continued financial support from its shareholders. The Company has signed option agreements to sell the majority of its interests in mining properties located in British Columbia, which is explained further in *Note 7*. Should the Company be unsuccessful in completing this sale and in raising additional finance for ongoing operations there could be doubt about the ability of the Company to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of consolidated financial statements for a period necessarily involves the use of estimates which have been made using careful judgement. Actual results may differ from these estimates.

The consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

Consolidated financial statement presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. They include the accounts of the Company and its wholly-owned subsidiaries. All material inter-company transactions and balances have been eliminated on consolidation.

Marketable securities

Marketable securities are recorded at their fair market value.

MOSQUITO CONSOLIDATED GOLD MINES LIMITED

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

Years ended December 31, 2005 and 2004

2. SIGNIFICANT ACCOUNTING POLICIES (*Cont'd.*)

Plant and equipment

Plant, equipment and office furniture are recorded at cost and amortized using the declining balance method at the rates of 30% and 20%. No amortization is being charged on the mill as it is currently being held under care and maintenance.

Investments

The Company follows the equity method of accounting for investments in companies where it owns less than a 50% interest, and where it has the ability to exercise significant influence. All other investments are accounted for at cost. When there has been a loss of value that is other than a temporary decline, the investment is written down to recognize the loss.

Mineral properties

The Company defers the cost of acquiring, maintaining its interest, exploring and developing mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Costs of producing properties will be amortized on a unit of production basis and costs of abandoned properties are written off. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of the mineral properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations. Option payments received in excess of costs incurred are credited to income.

The Company reviews the carrying costs of its mineral properties on a regular basis. Management's estimates of mineral prices, recoverable proven and profitable reserves, operating capital, and reclamation costs are subject to certain risks and uncertainties that may affect the recoverability of mineral property costs. The recoverability of the amounts shown for mineral properties and interests is dependent on the confirmation of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to successfully complete their development and future profitable operations. The amounts shown for mineral properties represent costs incurred to date, less write-downs and sale, and do not necessarily reflect the present or future values.

The Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, but these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

Asset Retirement Obligations

Effective January 1, 2005, the Company adopted the CICA Handbook Section 3110, "Asset Retirement Obligations", which established standards for asset retirement obligations and the associated retirement costs related to site reclamation and abandonment. The fair value of the liability for an asset retirement obligation is recorded when it is incurred and the corresponding increase to the asset is depreciated over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value. At December 31, 2005, the Company has not incurred or committed any asset retirement obligations related to its exploration properties.

MOSQUITO CONSOLIDATED GOLD MINES LIMITED

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

Years ended December 31, 2005 and 2004

2. SIGNIFICANT ACCOUNTING POLICIES (*Cont'd.*)

Impairment of Long-lived Assets

Effective July 1, 2004 the Company adopted the recommendations of CICA Handbook Section 3063 "Impairment of Long-lived Assets" and abstract EIC 126, "Accounting by Mining Enterprises for Exploration Costs" ("EIC 126") of the Emerging Issues Committee on a prospective basis. Section 3063 requires that long-lived assets and intangibles to be held and used by the Company be reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstance indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated.

EIC 126 provides for an enterprise that is in the development stage with initially capitalized exploration costs but has not established mineral reserves objectively and therefore does not have a basis for preparing a projection of the estimated future net cash flow from the property, is not obliged to conclude that the capitalized costs have been impaired. However, such an enterprise should consider whether a subsequent write-down of capitalized exploration costs related to mining properties is required.

Flow-through Shares

The Company finances a portion of its exploration program with flow-through common share issuances. Income tax deductions relating to these expenditures are claimable only by the investors. Net proceeds from common shares issued pursuant to flow-through financings are credited to capital stock. Recording these expenditures for accounting purposes gives rise to taxable temporary differences if such expenditures meet the definition of a qualified expenditure pursuant to the Income Tax Act (Canada) and are renounced to the investor. On the date that the Company renounces flow-through expenditures to the holder of the flow-through common share and where the Company has sufficient available tax losses or pools of tax deductions, a portion of the Company's future income tax assets that were not recognized in previous years, due to the recording of a valuation allowance, is recorded as a recovery of income taxes in the statement of operations as long as the taxable temporary difference is expected to reverse.

This accounting policy has been applied prospectively, effective January 1, 2005, in accordance with CICA Handbook EIC-146.

Environmental Costs

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and which do not contribute to current or future revenue generation are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the costs can be reasonably estimated. Generally, the timing of these accruals coincides with the earlier of completion of a feasibility study or the Company's commitment to a plan of action based on the then known facts. The Company intends to comply with all environmental regulations. Presently, the Company has not received any communication from regulatory authorities.

MOSQUITO CONSOLIDATED GOLD MINES LIMITED

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

Years ended December 31, 2005 and 2004

2. SIGNIFICANT ACCOUNTING POLICIES (*Cont'd.*)

Stock-based compensation

The Company grants stock options in accordance with TSX Venture Exchange policies. All stock-based payments are measured at the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable, with that expense being charged to the related activity over the vesting period.

Fair value is calculated using the Black Scholes model for pricing options. The cost of stock based payments that are fully vested and non-forfeitable at the grant date is measured and recognized at that date. On the exercise of stock options, consideration received and the accumulated contributed surplus amounts are credited to share capital.

Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate and, therefore, the existing do not necessarily provide a reliable single measure of the fair value of the Company's share purchase options.

Loss per share

Loss per share has been calculated using the weighted average number of common shares outstanding during the reporting period. The average includes common shares issued in a reporting period from their date of issuance. Diluted per share amounts are calculated by the treasury stock method whereby the assumed proceeds of the dilutive exercisable instruments are applied to repurchase common shares at the average market price for the period. The resulting net issuance is included in the weighted average number for purposes of the diluted per share calculation. As all outstanding shares and warrants are anti-dilutive, there is no difference between basic and fully diluted loss per share.

Future Income Tax

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future income tax assets and liabilities are computed based on differences between the financial statement carrying values of existing assets and liabilities and their respective income tax bases, and loss carry forwards. Future income tax assets and liabilities are measured using income tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is recognized in operations in the period that substantive enactment occurs. To the extent that the realization of future income tax assets is not considered to be more likely than not, a valuation allowance is provided.

Comparative figures

Certain of the prior year's comparative figures may have been reclassified to conform to the current year's presentation.

MOSQUITO CONSOLIDATED GOLD MINES LIMITED

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

Years ended December 31, 2005 and 2004

2. SIGNIFICANT ACCOUNTING POLICIES (*Cont'd.*)

Foreign currency translation:

The Company uses the temporal method to translate its foreign currency transactions. According to this method, monetary assets and liabilities denominated in foreign currencies are translated at the year-end rate of exchange rates and non-monetary assets and liabilities are translated at their historic rates. Revenues and expenses are translated at prevailing market rates at the transaction dates. Exchange gains and losses resulting from translation or settlement of foreign currency denominated monetary items are included in the determination of income (loss).

3. MARKETABLE SECURITIES

The Company has the following securities:

	2005	2004
Gold Ridge Resources Inc.	\$ -	\$ 800
Golden Cariboo Resources Inc.	5,160	4,300
Running Fox Resources Corp.	19,000	80,000
Trade Winds Ventures Inc.	9,200	20,000
	<u>\$ 33,360</u>	<u>\$ 105,100</u>

4. NOTES RECEIVABLE

On November 1, 2005, the Company executed a promissory note with a supplier in the amount of \$54,908, bearing 12% interest per annum and due on November 1, 2006. The note is secured mining equipment

5. INVESTMENTS

	2005	2004
Vicore Mining Developments Ltd.	<u>\$ 93,750</u>	<u>\$ 99,352</u>

Pursuant to an agreement dated December 20, 1996, which became effective January 9, 1997, the Company purchased its 30% interest in Vicore Mining Development Ltd. for \$150,000. The investment is accounted for using the equity method.

6. PLANT AND EQUIPMENT

2005	Cost	Accumulated Amortization	Net Book Value
Office equipment and furniture	\$ 166,328	\$ (155,506)	\$ 10,822
Mill cost	1,605,375	(1,503,214)	102,161
Mine equipment and vehicle	1,374,919	(1,236,330)	138,589
	<u>\$ 3,146,622</u>	<u>\$ (2,895,050)</u>	<u>\$ 251,572</u>

2004	Cost	Accumulated Amortization	Net Book Value
Office equipment and furniture	\$ 166,328	\$ (150,868)	\$ 15,460
Mill cost	1,605,375	(1,503,214)	102,161
Mine equipment and vehicle	1,287,674	(1,212,589)	75,085

\$	3,059,377	\$	(2,866,671)	\$	192,706
----	-----------	----	-------------	----	---------

MOSQUITO CONSOLIDATED GOLD MINES LIMITED

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

Years ended December 31, 2005 and 2004

7. MINERAL PROPERTIES

2005	Note 7	Jan. 1 2005	Current year Additions, Expenditures, Disposal	Accumulated Amortization, Depletion and Write-downs	Dec. 31 2005
Cariboo Mining District a, b					
Acquisition		\$ 1,315,001	\$ -	\$ -	\$ 1,315,001
Exploration and development		7,144,168	-	-	7,144,168
General and administration		1,231,026	-	-	1,231,026
Adit		2,170,737	-	-	2,170,737
Amortization, proceeds and write-downs		-	(500,000)	(11,286,068)	(11,786,068)
		11,860,932	(500,000)	(11,286,068)	74,864
Placer Lease	c	-	-	-	-
Brett 1 and 2,	e	92,710	48,889	-	141,599
Lavery and Cumming Claim Group, Red Lake, Ontario	f	88,700	-	-	88,700
Cumo Molybdenum Property, Boise County, Idaho, USA	g	89,083	(89,082)	-	1
Red Lake Gold Property, Red Lake, Ontario	j	-	25,676	-	25,676
Pine Tree Property, Nevada, USA	h	-	82,819	-	82,819
Blackpoint property, Nevada, USA	i	-	641,829	-	641,829
Iris, Ruissia	l	1	(1)	-	-
Zun Hada, Russia	m	1	(1)	-	-
Trikay Property, Queensland, Australia	k	1,026	806	-	1,832
Balance, December 31, 2005		\$ 12,132,453	\$ 210,935	\$ (11,286,068)	\$ 1,057,320

2004	Note 7	Jan. 1 2004	Current year Additions, Expenditures, Disposal	Accumulated Amortization, Depletion and Write-downs	Dec. 31 2004
Cariboo Mining District a, b					
Acquisition		\$ 1,315,001	\$ -	\$ -	\$ 1,315,001
Exploration and development		7,144,168	-	-	7,144,168
General and administration		1,231,026	-	-	1,231,026
Adit		2,170,737	-	-	2,170,737
Amortization, proceeds and write-downs		-	(500,000)	(10,786,068)	(11,286,068)
		11,860,932	(500,000)	(10,786,068)	574,864
Placer Lease	c	10,250	(10,250)	-	-
Tillicum Property, Burton, BC	d	80,904	(80,904)	-	-
Brett 1 and 2,	e	139,070	(46,360)	-	92,710
Lavery and Cumming Claim Group, Red Lake, Ontario	f	-	88,700	-	88,700
Cumo Molybdenum Property, Boise County, Idaho, USA	g	-	89,083	-	89,083
Iris, Russia	l	1	-	-	1
Zun Hada, Russia	m	1	-	-	1
Trikay Property, Queensland, Australia	k	-	1,026	-	1,026
Balance, December 31, 2004		\$ 12,091,158	\$ (458,705)	\$ (10,786,068)	\$ 846,385

MOSQUITO CONSOLIDATED GOLD MINES LIMITED

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

Years ended December 31, 2005 and 2004

7. MINERAL PROPERTIES (*Cont'd.*)

- a. Cariboo Gold Quartz property, British Columbia, Canada

The Company has a 100% interest, subject to a 10% net profits interest, in the mining properties known as the Mosquito Creek Gold property and the Cariboo Gold Quartz property. The properties are located in the Cariboo Mining District of British Columbia, Canada.

In October 1994, the Company entered into an agreement with International Wayside Gold Mines Ltd. (Wayside), a Company then having a common director, whereby Wayside was granted an option to earn a 50% undivided interest in the Company's Cariboo Gold Quartz property, consisting of certain mineral claims and leases located in the Lillooet Mining District, British Columbia. In order to earn the 50% interest in the property, Wayside was required to issue 500,000 shares (received) and make option payments totaling \$50,000 (received) and incur cumulative exploration and development expenditures totaling \$1,450,000 on the property over six years to earn the interest to October 3, 2000. Thereafter, for each additional year, Wayside is required to spend an additional \$500,000 per year, until a production decision is made or the agreement is terminated. The 50% interest in the property would then vest in Wayside when a satisfactory feasibility study on the property is submitted.

- b. Cariboo Gold Quartz property, British Columbia, Canada

On April 5, 1997, the Company entered into an agreement with Wayside to sell the remainder of its interest in mineral property claims located in the Cariboo Mining District, excluding placer rights, for \$10,000,000 (of which \$100,000 was paid in 1997). The Company would retain a 5% net smelter royalty on the first 100,000 ounces of gold produced from the properties, a 3.5% net smelter royalty on the next 100,000 ounces of gold produced, and a 2.5% net smelter royalty on the balance of gold production.

On December 31, 1997, the Company signed an amendment to the agreement described above and entered into a letter agreement with Wayside dated January 25, 1999 for the option to purchase the remainder of its interest in the property, excluding placer rights. The revised agreement provides for Option to Wayside to purchase the remainder of its interest, subject to Net Smelter Royalty ("NSR") of 3% of net revenue for \$100,000 to be paid to the Company by Wayside for up to five years to the year December 31, 2001 and \$3,500,000 payable on or before December 31, 2003. Wayside had an option, at any time, to purchase the properties for a lump sum payment of \$3,500,000. Wayside would be responsible to satisfy 10% Net profit Interest in relation to the property. In 2002, the agreement was amended whereby Wayside paid the Company an additional \$54,303 for the Year 2002.

In August 2003, the agreement was terminated and the Company entered into a new Property Option Agreement with Wayside for the 50% interest in the Cariboo Gold Quartz Mineral Claims and a 100% interest in the Mosquito Mine Mineral Claims (the "Property") excluding the placer mining rights. The mill, all buildings and hoist on the claims is included as part of the Property.

MOSQUITO CONSOLIDATED GOLD MINES LIMITED

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

Years ended December 31, 2005 and 2004

7. MINERAL PROPERTIES (*Cont'd.*)

b. Cariboo Gold Quartz property, British Columbia, Canada (continued)

The new option agreement provides for the following:

- Wayside must make the following cash payments to the Company:
 - \$50,000, on the signing of the agreement (received);
 - \$450,000 on or before September 15, 2003 (received);
 - \$500,000 on or before August 31, 2004 (received);
 - \$500,000 on or before August 31, 2005 (received);
 - \$500,000 on or before August 31, 2006; and,
 - \$3,500,000 on or before December 31, 2006;
- Any time prior to the exercise of the Option Wayside would have the exclusive right to extract bulk samples (the "Bulk Sample") from the Properties in two stages. The first stage would involve 40,000 tons of sample material or recovery of not more than 15,000 ounces of refined gold, whichever is achieved first, followed by a second stage of bulk sampling program of the second stage 40,000 tons of sampled material or recovery of not more than 15,000 ounces of refined gold, whichever is achieved first.
- Wayside will be responsible at its cost to maintain the Properties and the existing permits in good standing and also be responsible for all environmental and reclamation compliance.
- The Company will be entitled to receive a royalty of 5% Net Smelter Return ("NSR") derived from Bulk Sample. Upon exercise of the option by Wayside, the Company's royalty will revert to 3% NSR; Wayside would be responsible to satisfy 10% Net Profit Interest in relation to the property.

As at December 31, 2005, Wayside has extracted a bulk sample and the Company computed the NSR receivable to be \$242,305 of which \$54,293 has been received from Wayside (*Note 14*).

c. Wells-Barkerville, British Columbia, Canada

In the Year 2000, the Company with the former president of the Company acquired 117 claims in the Wells-Barkerville, BC. In the Year 2001, the former president of the Company and the Company granted to Golden Cariboo Resources Ltd. the sole and exclusive right to earn the 100% right, title and interest in the claims in return for \$10,000, 200,000 shares of Golden Cariboo Resources Ltd. and 2% net smelter royalty ("NSR"). Golden Cariboo Resources Ltd. can purchase the 2% NSR from the Company and the former president of the Company for a cash payment of \$2,000,000 (\$1,000,000 to the Company).

d. Tillicum property, British Columbia, Canada

In the Year 2002, the Company acquired 1330275 Ontario Ltd. from Mustang Mineral Corp. for a consideration of 200,000 common shares of the Company at deemed value of \$20,000 plus \$2,500 (paid) and an additional \$27,500 payable by December 31, 2003. In Year 2003, the Company completed the obligations by payment of \$20,000. 1330275 Ontario Ltd. held 100% interest in Tillicum property in the Slocan Mining District, BC. During the Year 2004, the Company requested an extension of the lease with the original owners and reached a settlement whereby the Company transferred all interest in the property in return for a payment of \$10,000 (not received). In January 2005 the Company disposed of 1330275 Ontario Ltd. at its calculated fair market value.

MOSQUITO CONSOLIDATED GOLD MINES LIMITED

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

Years ended December 31, 2005 and 2004

7. MINERAL PROPERTIES (*Cont'd.*)

- e. In the Year 2002, the Company acquired 30% interest in the Brett #1 and Brett #2 mineral claims located in the Vernon Mining District of British Columbia from Vicore Mining Developments Ltd. ("Vicore") for \$4,391 received as dividend payment (*Note 3*). In Year 2003, the Company acquired the remaining 70% for a consideration of 500,000 common shares of the Company at a deemed value of \$125,000. Vicore retains a 2% NSR.

During the Year 2004, the Company executed an Option Agreement whereby the Company optioned 50% of its interest in the Brett Property to Running Fox Resource Corp ("Running Fox") for 200,000 shares of Running Fox, at a deemed value of \$80,000 and Running Fox to incur \$500,000 exploration expenditure. During the Year 2004, Running Fox incurred the required exploration expenditure. The Company as the joint venture (50%-50%) operator with Running Fox incurred a total of \$67,275 in exploration expenditures.

In Year 2005, the Company incurred \$78,647 in expenses.

- f. In the Year 2004, the Company acquired 100% interest in 1156207 Ontario Ltd. for \$80,000 with the vendor retaining 1% NSR. 1156207 Ontario Ltd. holds 100% interest in two groups of patented mineral claims known as the "Lavery Property", Red Lake, Ontario and the "Cummins Property", near Larder Lake, Ontario. In connection with the acquisition, the Company issued 15,000 shares at deemed value of \$8,700 as finder's fee.
- g. Cumo Molybdenum Property, Idaho, USA

On October 13, 2004, the Company completed an "Option to Purchase Agreement" with Cumo Molybdenum Mining Inc. to purchase 8 unpatented mineral claims located in Boise County, Idaho, USA known as "Cumo Molybdenum Property". The term of the agreement call for stage advanced royalty payments scheduled as follows:

i)	US \$10,000	upon signing (paid)
ii)	US \$10,000	60 days after signing (paid)
iii)	US \$5,000	6 months after signing (paid)
iv)	US \$20,000	Year 1 after signing (paid)
v)	US \$20,000	Year 2 after signing
vi)	US \$15,000	Year 3 after signing
vii)	US \$15,000	every 6 months thereafter

These payments are to be credited against a 1.5% NSR which reduces to 0.5% NSR after payments of US \$3 million.

In addition, after 60 days of signing the agreement, the Company will issue 90,000 shares of the Company at deemed value of \$63,900 (issued), further 90,000 (issued) shares after nine months and a further 120,000 after 18 months.

The Company is required to perform at least US \$25,000 worth of work on the property during the first year and at least US \$50,000 worth of work each year thereafter for as long as the Option is in effect. The dollar value of production royalty paid can be counted as "work"

The Company also agreed to pay finder's fees which have not been determined as the Company has not received approval by the regulatory authorities (*Note 10*).

MOSQUITO CONSOLIDATED GOLD MINES LIMITED

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

Years ended December 31, 2005 and 2004

7. MINERAL PROPERTIES (Cont'd.)

g. Cumo Molybdenum Property, Idaho, USA (continued)

On January 21, 2005, the Company entered into an option agreement with Kobex Resources Ltd. ("Kobex"), whereby Kobex may acquire a 100% interest in two Company properties, the Cumo Molybdenum Property located in Boise County, Idaho and the Trikey Copper-Gold Property in Queensland, Australia. Under the terms of the Agreement, Kobex would earn a 100% undivided interest in the Swan Property in consideration of cash payment of \$5,000,000, 12,500,000 treasury shares and \$10,000,000 of work expenditure commitment.

Under the terms of the Agreement, Kobex also assumed certain obligations with respect to the "Option to Purchase Agreement" between Cumo Molybdenum Mining Inc. and the Company, including the minimum advance royalty payments.

On November 7, 2005, the Company signed an amending agreement with Kobex whereby Kobex surrendered all the rights and interest to the Trikey Property and in consideration of the surrender of the Trikey property, the Company agreed to reduce all cash payments and expenditures to be made on the Cumo Property by 25% and the amount of expenditures was extended by one year. The number of shares to be issued to the Company by Kobex is reduced by 25% as follows:

Option Exercise Schedule	Issue Shares	Payment	Exploration Expenditures
Upon execution of the agreement (1)	-	\$ 50,000	\$ -
Upon completion of due diligence and acceptance of filing by regulatory authorities	375,000	50,000	-
Earlier of 6 months after signing and the date of regulatory acceptance (1)	-	150,000	-
On or before January 21, 2006	1,125,000	187,500	-
On or before July 21, 2006	-	187,500	-
On or before January 21, 2007	1,500,000	562,500	750,000
On or before January 21, 2008	2,625,000	1,125,000	1,125,000
On or before January 21, 2009	4,375,000	1,500,000	1,500,000
On or before January 21, 2010	-	-	1,875,000
On or before January 21, 2011	-	-	2,250,000
Total	10,000,000	\$ 3,812,500	\$ 7,500,000

(1) Amounts have been received

h. Pine Tree Copper-Molybdenum Property, Nevada, USA

On May 10, 2005, the Company signed a "Mineral Property Option Agreement" ("Agreement") to purchase certain unpatented mineral claims located in Mineral County, Nevada, USA known as "Pine Tree Copper-Molybdenum Property". Under the terms of the Agreement, the Company would earn a 100% undivided interest in the Pine Tree Property in consideration of cash payment of US\$2,000,000, 300,000 treasury shares and US\$150,000 of work expenditure commitment.

MOSQUITO CONSOLIDATED GOLD MINES LIMITED

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

Years ended December 31, 2005 and 2004

7. MINERAL PROPERTIES (Cont'd.)

h. Pine Tree Copper-Molybdenum Property, Nevada, USA (continued)

The summary of the terms are as follows:

Option Exercise Schedule	Issue Shares	Payment	Exploration Expenditures
Within 7 days if signing the agreement (1)	-	\$ 10,000	\$ -
Upon approval of TYSX_V (1)	50,000	10,000	-
On first anniversary of the Agreement	50,000	25,000	50,000
On second anniversary of the Agreement	60,000	35,000	100,000
On third anniversary of the Agreement	60,000	50,000	-
On fourth anniversary of the Agreement	80,000	125,000	-
On fifth anniversary of the Agreement	-	25,000	-
Each year thereafter (2)	-	-	-
Total	300,000	\$ 280,000	\$ 150,000

(1) Shares have been issued and US \$20,000 paid

(2) The Company would pay \$25,000 each year after the fifth anniversary until a total of US\$2,000,000 has been paid. These payments would be credited against a 1.5% NSR which after the payment of US\$2 million would reduce the NSR to 0.50%.

At any time within 2 years of approval by the TSX_V, the Company may purchase the property outright for US\$1,000,000 plus the share consideration. If the Company sells, assigns or creates a joint venture with any third party within two years of the date of the Agreement, the vendors would be entitled to 20% of the share consideration received.

i. Blackpoint exploration property, Nevada, USA

During the Year 2005, the Company acquired by staking 49 claims which cover the Blackpoint exploration property near Eureka, Nevada

j. Red Lake Gold Property, Ontario, Canada

On June 10, 2005, the Company signed an "Option to Purchase Red Lake Mineral Claims Agreement" ("Red Lake Agreement") to purchase 4 patented mineral claims located in Bateman Township on the eastern shores of Red Lake, Ontario Canada, known as the "Red Lake Gold Property". Under the terms of the Agreement, the Company would earn a 100% undivided interest in the Red Lake Property in consideration of cash payment of \$500,000 follows:

Option Exercise Schedule	Payment
Upon approval of TYSX_V (the "Approval")	\$ 25,000 (paid)
On first anniversary of the Approval	50,000
On second anniversary of the Approval	75,000
On third anniversary of the Approval	100,000
On fourth anniversary of the Approval	250,000
Total	\$ 500,000

The vendors retained a 2% NSR and the Company may purchase 1% of the NSR at anytime for \$1,000,000.

MOSQUITO CONSOLIDATED GOLD MINES LIMITED

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

Years ended December 31, 2005 and 2004

7. MINERAL PROPERTIES (*Cont'd.*)

k. Trikay Property, Queensland, Australia

During the Year 2004, the Company filed exploration permits covering the Trikay property in Queensland, Australia. On January 21, 2005, the Company entered into an option agreement with Kobex whereby Kobex may acquire a 100% interest in two Company properties, the Cumo Molybdenum Property located in Boise County, Idaho and the Trikay Copper-Gold Property in Queensland, Australia. On November 7, 2005, the Company signed an amending agreement with Kobex whereby Kobex surrendered all the rights and interest to the Trikay Property and the Company granted Kobex a right of first refusal for a period of two years in the event the Company wishes to enter into an agreement with a third party.

l. Iris, Russia

In the Year 1996, the Company entered into an agreement to purchase a 50% interest in a Closed Joint Stock Company ("CJSC") named Iris, a company with mineral property claims in the Troitsky area located in the Republic of Buryatia, Russia. Subject to approval from Russia State Committee for Anti-Monopoly and Support for New Economic Structures (the committee), the Company is required to pay U.S. \$200,000 to acquire the shares and up to a maximum of U.S. \$3,050,000 to fund exploration and conduct a feasibility study. In the Year 1997, approval was obtained from the Committee for the agreement, and the Company paid U.S. \$140,000 towards the purchase of the shares in Iris. The management of the Company wrote down the property to a nominal value of \$1 in Year 2000. In the Year 2001, the Company returned the shares of the CJSC for a consideration of US \$200,000 from profits of CJSC. The investment is written down to a nominal value of \$1. During the year December 31, 2005 the Company wrote off the investment.

m. Zun Huda, Russia

In the Year 1996, the Company entered into an agreement to purchase a 50% interest in a Closed Joint Stock Company named Zun Hada, a company with mineral property claims to the Barun Halbinsky gold deposit located in the Republic of Buryatia, Russia. Subject to approval from the Committee, to earn its interest the Company was required to pay U.S. \$4,500,000 over two years and issue to Zun Hada non-interest bearing loans in the amount of U.S. \$200,000 & \$250,000. In the Year 2000, the Company negotiated with the new owners for the repayment of U.S. \$200,000 advanced to Zun Hada. Upon the receipt of the full amount, the title and ownership of the property the ownership of Zun Hada would be transferred. In Year 2001, the Company has received US \$100,000 and has written down the property to nominal value of \$1. During the year ended December 31, 2005 the Company wrote off the investment.

n. Statlu Aggregate Project, British Columbia, Canada

On December 21, 2005, the Company entered into an option agreement whereby the Company would earn a 60% interest in the Statlu Aggregate Project near Chehalis, British Columbia. Under the terms of the Agreement, the Company would finance the project to the time a license of occupation is issued by the Department of Land and Water of British Columbia and a permit is issued which would allow sand and gravels from the property to be mined and sold. If the Company fails to acquire the required license by December 31, 2007, the agreement would expire and be null and void. The agreement is subject to approval by the regulatory authorities.

MOSQUITO CONSOLIDATED GOLD MINES LIMITED

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

Years ended December 31, 2005 and 2004

8. CAPITAL STOCK

(a) Authorized – unlimited number of common shares without par

(b) Issued and outstanding:

	Number of Shares	Amount
Balance, December 31, 2003	18,984,303	\$ 14,004,203
For cash:		
Pursuant to a exercise of stock options at \$0.10	1,550,000	155,000
For other consideration		
Pursuant to the acquisition of Cumo Property	90,000	63,900
Pursuant to the finder's fee for Laverty property	15,000	8,700
Balance, December 31, 2004	20,639,303	\$ 14,231,803
For cash:		
Pursuant to private placement at \$1.00	1,065,000	1,065,000
Finders fee pursuant to private placement	-	(42,000)
Pursuant to a exercise of stock options at \$0.33	425,000	140,250
For other consideration		
Pursuant to the acquisition of Cumo Property	90,000	63,000
Pursuant to the acquisition of Pine Tree Property	50,000	55,000
Balance, December 31, 2005	22,269,303	\$ 15,513,053

During the year 2005, the Company completed a non-brokered private placement of 1,065,000 units at \$1.00 each for total proceeds of \$1,065,000. Along with the shares 532,000 share purchase warrants were issued. Each purchase warrant entitles the holder thereof the right to purchase one additional common share at \$1.25 for a one year period. In connection with this private placement, the Company paid finders' fees of \$42,000.

(c) Stock options outstanding

Pursuant to the policies of the TSX Ventures Exchange ("TSX-V"), the Company may grant incentive stock options to its officers, directors and consultants. TSX-V policies permit the Company's directors to grant incentive stock options for the purchase of shares of the Company to persons in consideration for services.

MOSQUITO CONSOLIDATED GOLD MINES LIMITED

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

Years ended December 31, 2005 and 2004

8. CAPITAL STOCK (*Cont'd.*)

(c) Stock options outstanding (continued)

The exercise price of stock options is determined by the board of directors of the Company at the time of granting and may not be less than the average closing price of the Company's shares on the ten trading days immediately preceding the date on which the options are granted and publicly announced, and may not otherwise be less than \$0.10 per share. Options have a maximum term of five years and terminate after a certain number of days following the termination of the optionee's term / employment, except in the case of death, in which case they terminate one year after the event. Vesting of options is made during periodic intervals approved by the TSX_V. Vesting of options is made during periodic intervals approved by the TSX_V. Once approved and vested options are exercisable at any time.

The continuity of incentive stock options for fiscal Year 2005 is as follows:

Expiry	Price (\$)	Average Remaining Life (years)	Outstanding Jan. 1, 2005	Granted	Cancelled, Expired Exercised	Outstanding Dec. 31, 2005
September 9, 2006	0.33	0.7	2,050,000	-	425,000	1,625,000

(d) Share purchase warrants outstanding

Outstanding share purchase warrants at December 31, 2005 were as follows:

Expiry	Price (\$)	Outstanding Jan. 1, 2005	Granted	Exercised	Outstanding Dec. 31, 2005
July 28, 2006	1.25	-	532,500	-	532,500

(e) Stock-based compensation

No options were granted during the year ended December 31, 2005.

During the year ended December 31, 2004, the Company granted a total of 2,050,000 stock options. The Company recorded stock-based compensation expense totaling \$441,399 on account of these stock options. The fair value of the options granted was estimated at the date of granting using the Black-Scholes option pricing model with the following assumptions: risk free interest rate of 3.5%, dividend yield of 0%, volatility factor of 278%, and a life of 2 year

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

MOSQUITO CONSOLIDATED GOLD MINES LIMITED

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

Years ended December 31, 2005 and 2004

9. INCOME TAXES

The difference between the Company's actual tax recovery of nil (2004 - nil) and the expected recovery calculated by applying statutory tax rates to the loss for the year is due primarily to non-capital loss carry forwards for which no benefit has been recognized.

The significant components of the Company's future income tax assets and liabilities at December 31, 2005 and 2004 are as follows:

	2005	2004
Canada - future tax asset		
Non-capital loss carry-forward	\$ 247,000	\$ 365,000
Resource pools	995,000	793,000
Other pools	570,000	565,000
	1,812,000	1,723,000
Valuation allowance	(1,812,000)	(1,723,000)
Net future income tax asset (liability)	\$ -	\$ -

At December 31, 2005, the Company has non-capital losses of approximately \$675,000 that expire at various times to year 2011. Future tax benefits that may arise as a result of the losses carry forward and the benefits have not been recognized in these consolidated financial statements.

10. COMMITMENTS AND CONTINGENCIES

The Company has a commitment to issue Company shares for finder's fees regarding the Cumo Property. The number of shares has not been determined and is subject to approval by the regulatory authorities (*Note 7(g)*).

11. RELATED PARTY TRANSACTIONS

The advances and loans are unsecured, bear no interest, and are repayable on demand.

A summary of the amounts charged to the Company by related parties of the Company is as follows:

	2005	2004
Included in operations		
Management fees	\$ 156,000	\$ 108,000

Any other payments are made as reimbursement of expenses to officers or directors in normal course of business.

MOSQUITO CONSOLIDATED GOLD MINES LIMITED

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

Years ended December 31, 2005 and 2004

12. FINANCIAL INSTRUMENTS

Fair values of financial instruments:

At December 31, 2005, the Company's financial instruments consist of cash, marketable securities, accounts receivable and accounts payable and accrued liabilities and due to related parties. The fair value of these financial instruments, approximate their carrying values due to their short term to maturity.

Foreign currency risk:

The company conducts a portion of its business in US dollars and will be affected by variations in the exchange rate. The Company does not have foreign currency hedges in place and does not actively manage this risk.

Credit risk:

Credit risk reflects the risk that the Company may be unable to recover contractual receivables. The Company does not have significant receivables and no one account represents a concentration of credit risk. The Company employs established credit approval practices to further mitigate this risk.

13. SEGMENT DISCLOSURE

The Company operates in a single reportable operating segment, being exploration and development of mineral properties.

Summarized financial information for the geographical segments are as follows:

2005	Canada	USA	Total
Loss	\$ 351,234	\$ (95,984)	\$ 255,250
Assets	\$ 1,721,927	\$ 797,418	\$ 2,519,345
Mineral properties	\$ 332,671	\$ 724,649	\$ 1,057,320
2004			
Loss	\$ 776,178	\$ Nil	\$ 776,178
Assets	\$ 1,368,482	\$ 89,083	\$ 1,457,565
Mineral properties	\$ 1,413,314	\$ 89,083	\$ 846,385

14. SUBSEQUENT EVENTS

- (a) On March 27, 2006, the Company announced that it had entered into a non-brokered private placement of 2,200,000 units at \$1.08 per unit for total proceeds of \$2,376,000. Each unit consists of one common share and one share purchase warrant. The share purchase warrant entitles the holder thereof the right to purchase one additional common share at \$1.45 for a two year period. In connection with this private placement, finders' fees would be payables. By April 7, 2006, the Company had received amounts totaling \$1,296,000 in respect of this private placement. The placement is subject to approval by regulatory authorities.
- (b) Subsequent to the year end the Company commenced action against Wayside to recover the amount of \$187,048 owed to the Company for NSR on the bulk sample extracted from the Cariboo Gold Quartz Property, British Columbia, Canada, as detailed in *Note 7(b)* to the financial statements.

MOSQUITO CONSOLIDATED GOLD MINES LIMITED

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

Years ended December 31, 2005 and 2004

14. SUBSEQUENT EVENTS (*Cont'd.*)

- (c) Subsequent to the year end the Company announced that it had entered into a contract with Connect Capital Ltd. to provide corporate and investor relation services. The Company is to pay \$8,000 per month for a period of one year with provisions for renewal after this initial period. The agreement also grants stock options to Connect Capital Ltd. to purchase 440,000 common shares of the Company at \$1.60 per share exercisable for a term of five years from the date of granting. The agreement is subject to approval by the regulatory authorities.