

Consolidated Financial Statements

**MOSQUITO CONSOLIDATED GOLD  
MINES LIMITED**

June 30, 2006 and December 31, 2005

**INDEPENDENT AUDITORS' REPORT**

**CONSOLIDATED BALANCE SHEETS**

**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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## INDEPENDENT AUDITORS' REPORT

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To the Shareholders of Mosquito Consolidated Gold Mines Limited:

We have audited the consolidated balance sheets of Mosquito Consolidated Gold Mines Limited as at June 30, 2006 and December 31, 2005 and the consolidated statements of operations and deficit, and cash flows for the six month period ended June 30, 2006 and the years ended December 31, 2005 and 2004. 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 and with the standards of the Public Company Accounting Oversight Board (United States). 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2006 and December 31, 2005 and the results of its operations and its cash flows for the six month period ended June 30, 2006 and the years ended December 31, 2005 and 2004 in accordance with Canadian generally accepted accounting principles.

DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED ACCOUNTANTS

Vancouver, Canada  
October 17, 2006

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### COMMENTS BY AUDITORS FOR U.S. READERS ON CANADA-UNITED STATES REPORTING DIFFERENCES

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In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when the financial statements are affected by conditions and events that cast substantial doubt on the Company's ability to continue as a going concern, such as those described in Note 1 to the financial statements. Our report to the shareholders dated October 17, 2006 is expressed in accordance with Canadian reporting standards which do not permit a reference to such events and conditions in the auditors' report when these are adequately disclosed in the financial statements.

DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED ACCOUNTANTS

Vancouver, Canada  
October 17, 2006

**MOSQUITO CONSOLIDATED GOLD MINES LIMITED.  
CONSOLIDATED BALANCE SHEETS**

	June 30, 2006	December 31, 2005
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 1,787,894	\$ 706,210
Marketable securities (Note 3)	355,295	33,360
Note receivable (Note 4)	59,300	56,006
Accounts receivable (Note 7a)	363,162	300,127
Prepaid expense	25,000	-
	2,590,651	1,095,703
<b>INVESTMENT</b> (Note 5)	1	93,750
<b>PLANT AND EQUIPMENT</b> (Note 6)	343,522	251,572
<b>MINERAL PROPERTIES</b> (Note 7)	1,920,283	1,057,320
<b>RECLAMATION DEPOSITS</b>	57,738	21,000
	\$ 4,912,195	\$ 2,519,345
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT</b>		
Accounts payables and accrued liabilities	\$ 103,538	\$ 96,144
Due to related parties (Note 10)	462,968	413,238
	566,506	509,382
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 8)	18,230,914	15,646,562
Contributed surplus (Note 8(f))	881,530	349,890
Deficit	(14,766,755)	(13,944,489)
	4,345,689	2,009,963
	\$ 4,912,195	\$ 2,519,345

COMMITMENTS AND CONTINGENCIES (Notes: 7 and 11)  
SUBSEQUENT EVENTS (Notes: 4, 7(f), 7(g) and 8(c))

ON BEHALF OF THE BOARD:

\_\_\_\_\_  
"Patrick Bronson"  
Director

\_\_\_\_\_  
"William Jefferies"  
Director

See accompanying notes

**MOSQUITO CONSOLIDATED GOLD MINES LIMITED.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**

	Six Months Ended June 30, 2006	Year Ended December 31, 2005	Year Ended December 31, 2004
<b>EXPENSES</b>			
Amortization	\$ 23,818	\$ 28,379	\$ 21,068
Bank charges and interest	1,514	4,123	2,596
Consulting	80,743	110,990	78,850
Geological research	-	25,205	17,254
Investor relations (Note 8(e))	24,000	-	-
Management fees (Note 10)	78,000	156,000	108,000
Office and miscellaneous	16,754	14,904	22,406
Professional fees	57,428	52,662	32,876
Rent	9,000	20,026	17,119
Repairs and maintenance	18,689	38,739	-
Shareholder information, transfer agent and filing fees	31,829	31,585	18,770
Stock-based compensation (Note 8(e))	532,716	-	441,399
Telephone and communication	7,742	11,206	9,270
Travel and business promotion	63,412	98,594	84,933
	945,645	592,413	854,541
<b>LOSS BEFORE THE UNDERNOTED ITEMS</b>	(945,645)	(592,413)	(854,541)
Impairment of investment (Note 5)	(80,693)	-	-
Interest income	3,777	1,098	-
Gain on sale of investment	-	2,407	-
Gain on sale of property option (Note 7)	374,249	97,918	-
Gain on settlement of accounts payable	-	-	117,653
Net smelters royalty (Note 7(a))	-	241,342	-
Recover of costs and project management	-	-	44,144
Write-down of marketable securities (Note 3)	(160,898)	-	-
Write-down of mineral property	-	-	(81,154)
Equity income (loss) of Vicore	(13,056)	(5,602)	7,720
<b>NET LOSS</b>	(822,266)	(255,250)	(766,178)
<b>DEFICIT, BEGINNING</b>	(13,944,489)	(13,689,239)	(12,932,061)
<b>DEFICIT, ENDING</b>	\$ (14,766,755)	\$ (13,944,489)	\$ (13,689,239)
<b>BASIC AND DILUTED LOSS PER SHARE</b>	\$ (0.04)	\$ (0.01)	\$ (0.04)
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b>	23,270,955	21,310,970	20,330,553

See accompanying notes

**MOSQUITO CONSOLIDATED GOLD MINES LIMITED.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Six Months Ended June 30, 2006	Year Ended December 31, 2005	Year Ended December 31, 2004
<b>CASH PROVIDED BY (USED IN):</b>			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss	\$ (822,266)	\$ (255,250)	\$ (766,178)
Items not involving cash:			
Amortization	23,818	28,379	21,068
Stock - based compensation	532,716	-	441,399
Impairment of investment	80,693	-	-
Gain on sale of marketable securities	-	(2,407)	-
Gain on sale of property option	(374,249)	(97,918)	-
Write-down of marketable securities	160,898	-	-
Write-down of mineral property	-	-	81,154
Equity loss (income) of Vicore	13,056	5,602	(7,720)
Changes in non-cash working capital items:			
Accounts receivable	(67,413)	(149,674)	(110,297)
Prepaid expense	(25,000)	-	-
Accounts payables	7,394	11,864	(179,139)
	(470,353)	(459,404)	(519,713)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Bank letter of credit	-	-	(40,000)
Shares issued for cash	2,458,275	1,163,250	155,000
Due to related parties	49,730	23,916	(100,015)
	2,508,005	1,187,166	14,985
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Increase in reclamation deposit	(36,738)	(5,500)	32,500
Acquisition of mineral properties	(27,500)	(133,294)	(106,209)
Purchase of plant and equipment	(115,768)	(87,245)	(16,469)
Exploration expenditures	(800,464)	(611,723)	(33,638)
Marketable securities	-	-	(100,000)
Proceeds on option sale of mineral properties	-	750,000	590,000
Proceeds from disposal of marketable securities	27,796	74,147	-
Note receivable	(3,294)	(56,006)	-
	(955,968)	(69,621)	366,184
<b>INCREASE (DECREASE) IN CASH</b>	<b>1,081,684</b>	<b>658,141</b>	<b>(138,544)</b>
<b>CASH, BEGINNING</b>	<b>706,210</b>	<b>48,069</b>	<b>186,613</b>
<b>CASH, ENDING</b>	<b>\$ 1,787,894</b>	<b>\$ 706,210</b>	<b>\$ 48,069</b>
<b>Supplementary cash flow information</b>			
Cash paid for:			
Income tax	\$ -	\$ -	\$ -
Interest	-	-	-
Non-cash investing activities			
Issuance of shares for mineral properties	\$ 167,000	\$ 118,000	\$ 72,600

See accompanying notes

**MOSQUITO CONSOLIDATED GOLD MINES LIMITED.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2006 AND DECEMBER 31, 2005**

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**1. NATURE OF AND CONTINUANCE OF OPERATIONS**

The Company's principal business activities include acquiring and developing mineral properties. At June 30, 2006, the Company's principal mineral property interests are located in Canada, United States of America and Australia.

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.

During the period ended June 30, 2006 the Company changed its year end from the end of December to the end of June.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at June 30, 2006 the Company had not advanced its projects to commercial production and is not able to finance day-to-day activities through operations. The Company's continuation as a going concern is dependent upon its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to finance operating costs over the next twelve months with existing cash on hand and loans from directors and or private placement of common stock.

**2. SIGNIFICANT ACCOUNTING POLICIES**

*Consolidated financial statement presentation*

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

*Use of estimates and assumptions*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates and assumptions relate to the determination of the carrying values of mineral properties, investments and equipment, determination of fair value for financial instruments and stock based transactions. Financial results as determined by actual events could differ from those estimates.

**MOSQUITO CONSOLIDATED GOLD MINES LIMITED.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2006 AND DECEMBER 31, 2005**

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

*Cash*

The Company considers cash equivalents to be cash, as well as all short-term investments with a maturity of 90 days or less at the date of acquisition

*Marketable securities*

Marketable securities are recorded at the lower of cost or market value.

*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.

*Plant and equipment*

Mine plant and equipment is recorded at cost and amortized on a declining balance method at the rates of 20% and 30%. No amortization is being charged on the mill as it is currently being held under care and maintenance.

The carrying value of all categories of plant and equipment are reviewed for impairment whenever a change in events or circumstances indicate the recoverable value may be less than the carrying amount. Recoverable value is based on estimates of undiscounted future net cash flows expected to be recovered from specific assets or groups through use or future disposition.

*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 charged to 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 value 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.

**MOSQUITO CONSOLIDATED GOLD MINES LIMITED.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2006 AND DECEMBER 31, 2005**

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

*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 cost can be reasonably estimated. Generally, the timing of these accruals coincides with the earlier of completion of feasibility study or the Company's commitments to plan of action based on the then known facts. The Company intends to comply with all environmental authorities.

*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.

*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.

**MOSQUITO CONSOLIDATED GOLD MINES LIMITED.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2006 AND DECEMBER 31, 2005**

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

*Foreign currency translation*

These financial statements are presented in Canadian dollars. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates which prevailed at the balance sheet date. Non-monetary items are translated at historical exchange rates, except for items carried at market value, which are translated at the rate of exchange in effect at the balance sheet date. Revenue and expenses are translated at average rates of exchange during the year. Exchange gains or losses arising on foreign currency translation are included in the determination of operating results.

*Stock-based compensation*

The Company has a stock-based compensation plan whereby stock options are granted in accordance with the policies of regulatory authorities.

The Company applies the fair value method to all grants of stock options after January 1, 2003. All stock options granted are accounted for as a capital transaction at the time of the grant and are reflected as contributed surplus in shareholders' equity. The fair value of options granted is estimated at the date of grant using the Black-Scholes option pricing model incorporating assumptions regarding risk-free interest rates, dividend yield, volatility factor of the expected market price of the Company's stock, and a weighted average expected life of the options. The estimated fair value of the options is recorded over the options' vesting period. Any consideration paid on amounts attributable to stock options is credited to share capital.

*Loss per share*

Basic loss per share is computed by dividing net loss by the weighted average number of shares outstanding during the year. Diluted loss per share is determined using the treasury stock method to compute the dilutive effect of options and warrants. The treasury stock method assumes any option proceeds would be used to purchase common shares with an average market value for the period higher than the exercise price. Options with an average market value for the period higher than the exercise price are not included in the calculation of diluted loss per share as such options are not dilutive.

*Income tax*

Future income taxes are recognized for the future income tax consequences attributable to differences between financial statement carrying values and their corresponding tax values. Future income tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in years in which temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the period in which the change occurs. The amount of future income tax assets recognized is limited to the amount that, in the opinion of management, is more likely than not to be realized. Due to the uncertainty of realization, to date a full valuation allowance has been recorded.

**MOSQUITO CONSOLIDATED GOLD MINES LIMITED.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2006 AND DECEMBER 31, 2005**

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

*Comparative figures*

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

*Financial Instruments*

The Company's financial instruments may consist of cash, marketable securities, note receivable, accounts receivable, accounts payable and accrued liabilities and amounts due to related parties. The fair value of the Company's financial instruments are estimated by management to approximate their carrying values based on their immediate or short-term maturity.

**3. MARKETABLE SECURITIES**

The Company has the following marketable securities:

	2006		2005	
	Number of shares	Market value	Number of shares	Market value
Golden Cariboo Resources Inc.	43,000	\$ 2,795	43,000	\$ 5,160
Kobex Resources Limited	375,000	345,000	-	-
Running Fox Resources Corp.	-	-	38,000	19,000
Trade Winds Ventures Inc.	20,000	7,500	20,000	9,200
		<u>\$ 355,295</u>		<u>\$ 33,360</u>

**4. NOTE RECEIVABLE**

On November 1, 2005, the Company executed a promissory note in the amount of \$54,908, bearing 12% interest per annum, secured mining equipment with capital and accrued interest payable on November 1, 2006. Subsequent to June 30, 2006, the Company received a payment of \$25,000.

**5. INVESTMENT**

	2006	2005
<u>Vicore Mining Developments Ltd.:</u>		
Investment at cost	\$ 150,000	\$ 150,000
Share of equity accounted losses	(69,307)	(56,250)
	<u>80,694</u>	<u>93,750</u>
Impairment loss	(80,693)	-
	<u>\$ 1</u>	<u>\$ 93,750</u>

In previous years the Company purchased a 30% interest in Vicore Mining Developments Ltd. for \$150,000. Due to Vicore's recurring losses management has determined that the investment is impaired and during the current period the investment was written down to \$1 resulting in a loss of \$80,693.

**MOSQUITO CONSOLIDATED GOLD MINES LIMITED.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2006 AND DECEMBER 31, 2005**

**6. PLANT AND EQUIPMENT**

<i>2006</i>	Cost	Accumulated Amortization	Net Book Value
Office equipment and furniture	\$ 175,002	\$ (157,129)	\$ 17,873
Mill cost	1,605,375	(1,503,214)	102,161
Mine equipment and vehicle	1,482,013	(1,258,525)	223,488
	\$ 3,262,390	\$ (2,918,868)	\$ 343,522

<i>2005</i>	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
	\$ 3,146,622	\$ (2,895,050)	\$ 251,572

**7. MINERAL PROPERTIES**

**June 30, 2006**

	Note 7	January 1, 2006	Current period Additions, Expenditures, Disposal	Accumulated Amortization, Depletion and Write-downs	June 30, 2006
Cariboo Mining District, BC, Canada:	a				
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		-	-	(11,786,068)	(11,786,068)
		11,860,932	-	(11,786,068)	74,864
Brett 1 and 2, BC, Canada	d	141,599	-	-	141,599
Laverty and Cumming Claim Group, Red Lake, Ontario, Canada	e	88,700	-	-	88,700
Cumo Molybdenum Property, Boise County, Idaho, USA	f	1	-	-	1
Red Lake Gold Property, Red Lake, Ontario, Canada	i	25,676	2,421	-	28,095
Blackpoint property, Nevada, USA	h	82,819	-	-	82,819
Pine Tree Property, Nevada, USA	g	641,829	583,267	-	1,225,096
Iris, Russia	k	-	-	-	-
Zun Hada, Russia	l	-	-	-	-
Trikay Property, Queensland, Australia	j	1,832	17,814	-	19,696
Statlu Aggregate Project, BC, Canada	m	-	175,088	-	175,088
Shea Aggregate, Elko, Nevada, USA	n	-	84,375	-	847,375
Balance, June 30, 2006		\$ 12,843,388	\$ 862,963	\$ (11,786,068)	\$ 1,920,283

**MOSQUITO CONSOLIDATED GOLD MINES LIMITED.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2006 AND DECEMBER 31, 2005**

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

<b>December 31, 2005</b>			Current year	Accumulated	
		Jan. 1,	Additions,	Amortization,	Dec. 31,
	Note 7	2005	Expenditures,	Depletion and	2005
			Disposal	Write-downs	
Cariboo Mining District, BC, Canada:	a				
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
Brett 1 and 2, BC, Canada	d	92,710	48,889	-	141,599
Laverty and Cumming Claim Group, Red Lake, Ontario, Canada	e	88,700	-	-	88,700
Cumo Molybdenum Property, Boise County, Idaho, USA	f	89,083	(89,082)	-	1
Red Lake Gold Property, Red Lake, Ontario, Canada	i	-	25,676	-	25,676
Blackpoint property, Nevada, USA	h	-	82,819	-	82,819
Pine Tree Property, Nevada, USA	g	-	641,829	-	641,829
Iris, Russia	k	1	(1)	-	-
Zun Hada, Russia	l	1	(1)	-	-
Trikay Property, Queensland, Australia	m	1,026	806	-	1,832
Balance, December 31, 2005		\$ 12,132,453	\$ 210,935	\$ (11,286,068)	\$ 1,057,320

**MOSQUITO CONSOLIDATED GOLD MINES LIMITED.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2006 AND DECEMBER 31, 2005**

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

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. These properties are located in the Cariboo Mining District of British Columbia, Canada.

During August 2003 the Company entered into a Property Option Agreement with Wayside Gold Mines Limited ("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 are included as part of the Property.

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 (received in September 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 to keep the permits in good standing and 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 extract bulk sample and the Company computed the NSR receivable to be \$241,342 of which \$54,293 has been received from Wayside.

b. Wells-Barkerville, British Columbia, Canada

During the year ended December 31, 2000, the Company with the former president of the Company acquired 117 claims in Wells-Barkerville, BC. During the year ended December 31, 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 a 2% 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).

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

c. Tillicum property, British Columbia, Canada

During the year ended December 31, 2002, the Company acquired 1330275 Ontario Ltd. from Mustang Mineral Corp. for a consideration of 200,000 common shares of the Company at an agreed value of \$20,000 plus \$2,500 (paid) and an additional \$27,500 payable by December 31, 2003. During the year ended December 31, 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 ended December 31, 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 (received subsequent to June 30, 2006). In January 2005 the Company disposed of 1330275 Ontario Ltd. to a relative of a director and officer at its calculated fair market value.

d. Brett #1 and #2, British Columbia, Canada

During the year ended December 31, 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 \$49,391. During the year ended December 31, 2003, the Company acquired the remaining 70% for a consideration of 500,000 common shares of the Company at an agreed value of \$125,000. Vicore retains a 2% NSR.

During the year ended December 31, 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 an agreed value of \$80,000 and Running Fox to incur \$500,000 exploration expenditure. During the year ended December 31, 2004, Running Fox incurred the required exploration expenditure.

e. Lavery Property, Red Lake, Ontario, Canada

During the year ended December 31, 2004, the Company acquired a 100% interest in 1156207 Ontario Ltd. for \$80,000 with the vendor retaining a 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 an agreed value of \$8,700 as finder's fee.

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

f. 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 terms 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 an agreed value of \$63,900 (issued), further 90,000 (issued) shares after nine months and a further 120,000 (issued) after 18 months. The shares were issued in April 2006.

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 exploration work each year thereafter for as long as the Option is in effect.

The Company also agreed to pay finder's fees of 60,000 share purchase warrants of the Company with a fair value of \$3,080, exercisable at \$0.71 per share warrant until December 10, 2006. Subsequent to June 30, 2006 all share purchase warrants have been exercised.

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 Trikay Copper-Gold Property in Queensland, Australia. Under the terms of the Agreement, Kobex would earn a 100% undivided interest in these Properties 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 Trikay property and in consideration of the surrender of the Trikay 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.

**MOSQUITO CONSOLIDATED GOLD MINES LIMITED.**  
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**7. MINERAL PROPERTIES (Cont.)**

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

The number of shares to be issued to the Company by Kobex is reduced by 25% as follows:

Option Exercise Schedule	Number of Shares	Payment	Exploration Expenditures
Upon execution of the agreement (1)	-	\$ 50,000 (1)	\$ -
Upon completion of due diligence and acceptance of filing by regulatory authorities(1)	375,000 (1)	50,000 (1)	-
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
<b>Total</b>	<b>10,000,000</b>	<b>\$ 3,812,500</b>	<b>\$ 7,500,000</b>

(1) Amounts have been received and shares have issued

Kobex had not issued the shares or made the required cash payments during the period ended June 30, 2006. Subsequent to June 30, 2006 Kobex surrendered all rights and interests in the Cumo Property to the Company.

g. 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 the "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.

The summary of the terms are as follows:

Option Exercise Schedule	Number of Shares	Payment	Exploration Expenditures
Within 7 days if signing the agreement (1)	-	\$ 10,000 (1)	\$ -
Upon approval of TSX-V (1)	50,000 (1)	10,000 (1)	-
On first anniversary of the Agreement	50,000 (1)	25,000(1)	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)	-	-	-
<b>Total</b>	<b>300,000</b>	<b>\$ 280,000</b>	<b>\$ 150,000</b>

(1) Shares have been issued and US \$45,000 paid

**MOSQUITO CONSOLIDATED GOLD MINES LIMITED.**  
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**7. MINERAL PROPERTIES (Cont.)**

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

- (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.

h. Blackpoint exploration property, Nevada, USA

During the year ended December 31, 2005, the Company acquired by staking 49 claims which cover the Blackpoint exploration property near Eureka, Nevada

i. 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 TSX-V (the "Approval")	\$ 25,000	(paid)
On first anniversary of the Approval	50,000	(paid)
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.

j. Trikay Property, Queensland, Australia

During the year ended December 31, 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.

**MOSQUITO CONSOLIDATED GOLD MINES LIMITED.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**7. MINERAL PROPERTIES (Cont.)**

k. Iris, Russia

During the year ended December 31, 2005 the Company wrote off the carrying value of the property as management had decided to abandon the property.

l. Zun Huda, Russia

During the year ended December 31, 2005 the Company wrote off the carrying value of the property as management had decided to abandon the property.

m. 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.

n. Shea Aggregate Project, Nevada, USA

On May 19, 2006, the Company entered into a purchase agreement to purchase 53 patented claims located in Spruce Mountain, Elko County, Nevada, USA, known as the "Shea Aggregate Project". Under the terms of the Agreement, the Company would earn a 100% undivided interest in the Project in consideration of cash payment of US\$550,000 paid as follows:

Option Exercise Schedule	Payment	
On or before May 25, 2006	\$ 75,000	(paid)
On or before July 15, 2006	100,000	(paid)
On or before September 15, 2006	100,000	(paid)
On or before November 15, 2006	125,000	
On or before January 15, 2007	150,000	
<b>Total</b>	<b>\$ 550,000</b>	

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**8. SHARE CAPITAL**

(a) Authorized – unlimited common shares without par

(b) Issued and outstanding:

	Number of Shares	Amount
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
Re-allocation of Contributed Surplus		91,509
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	15,604,562
For cash:		
Pursuant to private placement at \$1.08	2,200,000	2,376,000
Finders fee pursuant to private placement	96,074	-
Pursuant to a exercise of stock options at \$0.33	5,000	1,650
Re-allocation of Contributed Surplus		1,077
Pursuant to a exercise of warrants at \$1.25	64,500	80,625
For other consideration		
Pursuant to the acquisition of Cumo Property	120,000	132,000
Pursuant to the acquisition of Pine Tree Property	50,000	35,000
Balance, June 30, 2006	24,804,877	\$18,230,914

(i) During the year ended December 31, 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 532,500 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. The fair value of these warrants is included in share capital. In connection with this private placement, the Company paid finders' fees of \$42,000.

(ii) During the period ended June 30, 2006, the Company completed 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. The fair value of these warrants is included in share capital. In connection with this private placement 96,074 shares were issued as finders' fees.

**MOSQUITO CONSOLIDATED GOLD MINES LIMITED.**  
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**8. SHARE CAPITAL (Cont.)**

(c) Stock options outstanding

Pursuant to the policies of the TSX Venture 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.

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. Once approved and vested, options are exercisable at any time.

The continuity of incentive stock options for fiscal June 30, 2006 is as follows:

Expiry Date	Price (\$)	Average Remaining Life (years)	Outstanding Jan. 1, 2006	Granted	Cancelled, Expired Exercised	Outstanding June 30, 2006
September 9, 2006 (1)	0.33	1.7	1,625,000	-	(5,000)	1,620,000
April 5, 2011	1.60	4.8	-	440,000	-	440,000
April 18, 2011	1.60	4.8	-	179,000	-	179,000

Subsequent to June 30, 2006, 1,570,000 options were exercised for proceeds of \$518,100 and 50,000 options expired.

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

Expiry Date	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

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**8. SHARE CAPITAL (Cont.)**

(d) Share purchase warrants outstanding

Outstanding share purchase warrants at June 30, 2006 were as follows:

Expiry Date	Price (\$)	Outstanding Jan. 1, 2006	Granted	Exercised	Outstanding June 30, 2006
July 28, 2006	1.25	532,500	-	64,500	468,000
December 10, 2006	0.71	-	60,000	-	60,000
May 5, 2008	1.45	-	2,200,000	-	2,200,000
		532,500	2,260,000	64,500	2,728,000

Subsequent to June 30, 2006, the Company issued 468,000 common shares at \$1.25 per share pursuant to the exercise of share purchase warrants options outstanding.

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

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

(e) Stock-based compensation

During the period ended June 30, 2006, the Company granted a total of 619,000 stock options with a fair value of \$1,142,979... The Company recorded stock-based compensation expense totaling \$532,716 during the period. A further \$610,263 is deferred and will be amortized over a 9 month period. 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 4.0%, dividend yield of 0%, volatility factor of 150%, and an expected option life of 5 years.

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 an expected option life of 2 years.

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.

(f) Contributed Surplus

	June 30, 2006	December 31, 2005
Balance – Beginning	349,890	441,399
Fair value of stock options issued	532,716	-
Value assigned to options exercised	(1,076)	(91,509)
Balance – End	881,530	349,890

**MOSQUITO CONSOLIDATED GOLD MINES LIMITED.**  
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**9. INCOME TAXES**

The difference between the Company's actual tax recovery 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 June 30, 2006, December 31, 2005 and 2004 are as follows:

	2006	2005
Canada – future tax asset		
Non-capital loss carry-forward	\$ 109,000	\$ 247,000
Resource pools	1,043,000	995,000
Other pools	579,000	570,000
	1,731,000	1,812,000
Valuation allowance	(1,731,000)	(1,812,000)
Net future income tax asset (liability)	\$ -	\$ -

At June 30, 2006, the Company has non-capital losses of approximately \$307,000 that expire at various times to year 2008. Future tax benefits that may arise as a result of the loss carry forward and the benefits have not been recognized in these consolidated financial statements due to the uncertainty of realization.

**10. RELATED PARTY TRANSACTIONS**

The advances and loans due to related parties 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:

	2006	2005	2004
Included in operations			
Management fees	\$ 78,000	\$ 156,000	\$ 108,000

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

**11. COMMITMENTS**

The Company 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.

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**12. SEGMENTED DISCLOSURES**

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

Summarized financial information for the geographical segments are as follows:

<i>2006</i>		Canada		USA		Total
Loss	\$	822,266	\$	-	\$	822,266
Assets		3,457,951		1,454,244		4,912,195
Mineral properties	\$	527,992	\$	1,392,291	\$	1,920,283
<hr/>						
<i>2005</i>		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
<hr/>						
<i>2004</i>						
Loss	\$	776,178	\$	-	\$	776,178
Assets		1,368,482		89,083		1,457,565
Mineral properties	\$	1,413,314	\$	89,083	\$	846,385

**13. MATERIAL DIFFERENCE BETWEEN CANADIAN AND UNITED STATES OF AMERICA GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("GAAP")**

The Company prepares its financial statements in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"), which differ in certain respects from those principles that the Company would have followed had its financial statements been prepared in accordance with accounting principles generally accepted in the United States ("US GAAP"). The material differences between Canadian and US GAAP, which affect the Company's financial statements, are described below, and their effect on the financial statements is summarized as follows:

	June 30, 2006	December 31, 2005
<b>BALANCE SHEET</b>		
Total assets, Canadian GAAP	\$ 4,912,195	\$ 2,519,345
Resource properties	(1,920,283)	(1,057,320)
Total assets, US GAAP	\$ 2,991,912	\$ 1,462,025
<hr/>		
Total liabilities, Canadian and US GAAP	\$ 566,506	\$ 509,382
<hr/>		
Shareholders' equity, Canadian GAAP	\$ 4,345,689	\$ 2,009,963
Resource properties	(1,920,283)	(1,057,320)
Shareholders' equity, US GAAP	2,425,406	952,643
Total liabilities and Shareholders' equity, US GAAP	\$ 2,991,912	\$ 1,462,025

**MOSQUITO CONSOLIDATED GOLD MINES LIMITED.**  
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**13. MATERIAL DIFFERENCE BETWEEN CANADIAN AND UNITED STATES OF AMERICA  
GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (“GAAP”) (Cont.)**

<b>STATEMENT OF OPERATIONS</b>	June 30, 2006	December 31, 2005	December 31, 2004
Net loss Canadian GAAP	\$ (822,226)	\$ (255,250)	\$ (766,178)
Deduct:			
Capitalized Mineral Property recoveries (expenditures)	(862,963)	(210,935)	382,152
Mineral Properties written off	-	-	81,154
<b>Net loss in accordance with US GAAP</b>	<b>\$ (1,685,189)</b>	<b>\$ (466,185)</b>	<b>\$ (302,872)</b>
<b>Net loss per share US GAAP</b>	<b>\$ (0.07)</b>	<b>\$ (0.02)</b>	<b>\$ (0.01)</b>

  

<b>STATEMENT OF CASH FLOWS</b>	June 30, 2006	December 31, 2005	December 31, 2004
Cash flows used in operating activities, Canadian GAAP	\$ (470,353)	\$ (459,404)	\$ (519,713)
Resource property	(827,964)	4,983	450,153
<b>Cash flows used in operating activities, US GAAP</b>	<b>(1,298,317)</b>	<b>(454,421)</b>	<b>(69,560)</b>
Cash flows from financing activities, Canadian and US GAAP	2,508,005	1,187,166	14,985
Cash flows used in investing activities, Canadian GAAP	(955,968)	(69,621)	366,184
Resource property	827,964	(4,983)	(450,153)
<b>Cash flows used in investing activities, US GAAP</b>	<b>(128,004)</b>	<b>(74,604)</b>	<b>(83,969)</b>
<b>Increase (decrease) in cash, US GAAP</b>	<b>\$ 1,081,684</b>	<b>\$ 658,141</b>	<b>\$ (138,544)</b>

Under Canadian GAAP, mineral property acquisition and exploration expenditures on prospective properties are capitalized until such time as it is determined that further work is not warranted or the property is sold or abandoned, at which point capitalized costs would be written off. Under US GAAP, mineral property acquisition costs are capitalized and exploration costs are expensed as incurred until such time as economic reserves are quantified. The Company has considered the guidance under EITF 04-2 and has determined that capitalization of mineral property acquisition costs is inappropriate at the current stage of the Company’s mineral property exploration activities. To date, the Company’s mineral interests consist mainly of exploration stage properties. Furthermore, there is uncertainty as to the Company’s ability to fund the exploration work necessary to determine if the properties have recoverable reserves or any future economic benefits. As a result, acquisition costs to date are considered to be impaired under US GAAP and accordingly, have been written off as mineral property expenditures. At this stage, the Company has not yet identified economically recoverable reserves on any of its interests. Accordingly, under US GAAP, all exploration costs incurred are expensed.

**MOSQUITO CONSOLIDATED GOLD MINES LIMITED.**  
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**13. MATERIAL DIFFERENCE BETWEEN CANADIAN AND UNITED STATES OF AMERICA  
GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (“GAAP”) (Cont.)**

Under Canadian GAAP stock based compensation is accounted for based on the fair value of options granted. Under US GAAP, SFAS No. 123 “Accounting for Stock based Compensation” companies are encouraged but not required to account for stock based compensation based on the fair value of options granted. Effective January 1, 2003 the Company elected to follow the fair value method of accounting for stock based compensation. Accordingly, there is no difference between Canadian and US GAAP.

**Recent Accounting Pronouncements**

In May 2005, the FASB issued SFAS No. 154, “Accounting for Changes and Error Corrections - A Replacement of APB Opinion No. 20 and FASB Statement No. 3”. Under the provisions of SFAS No. 154, a voluntary change in accounting principle requires retrospective application to prior period financial statements, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. A change in depreciation, amortization, or depletion method for long-lived, non-financial assets must be accounted for as a change in accounting estimate affected by a change in accounting principle. The guidance contained in APB No. 20 for reporting the correction of an error in previously issued financial statements and a change in accounting estimate was not changed. The Company will implement this new standard beginning July 1, 2006. This standard is not expected to have a significant effect on the Company’s future reported financial position or results of operations.

In February 2006, the FASB issued SFAS No. 155, “Accounting for Certain Hybrid Financial Instruments-an amendment of FASB Statements No. 133 and 140”, to simplify and make more consistent the accounting for certain financial instruments. SFAS No. 155 amends SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities”, to permit fair value remeasurement for any hybrid financial instrument with an embedded derivative that otherwise would require bifurcation, provided that the whole instrument is accounted for on a fair value basis. SFAS No. 155 amends SFAS No. 140, “Accounting for the Impairment or Disposal of Long-Lived Assets”, to allow a qualifying special-purpose entity to hold a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. SFAS No. 155 applies to all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006, with earlier application allowed. This standard is not expected to have a significant effect on the Company’s future reported financial position or results of operations.

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In March 2006, the FASB issued SFAS No. 156, "Accounting for Servicing of Financial Assets, an amendment of FASB Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities". This statement requires all separately recognized servicing assets and servicing liabilities be initially measured at fair value, if practicable, and permits for subsequent measurement using either fair value measurement with changes in fair value reflected in earnings or the amortization and impairment requirements of Statement No. 140. The subsequent measurement of separately recognized servicing assets and servicing liabilities at fair value eliminates the necessity for entities that manage the risks inherent in servicing assets and servicing liabilities with derivatives to qualify for hedge accounting treatment and eliminates the characterization of declines in fair value as impairments or direct write-downs. SFAS No. 156 is effective for an entity's first fiscal year beginning after September 15, 2006. The adoption of this statement is not expected to have a significant effect on the Company's future reported financial position or results of operations.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measures" ("SFAS No. 157"). This Statement defines fair value, establishes a framework for measuring fair value in GAAP, expands disclosures about fair value measurements, and applies under other accounting pronouncements that require or permit fair value measurements. SFAS No. 157 does not require any new fair value measurements. However, the FASB anticipates that for some entities, the application of SFAS No. 157 will change current practice. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact of SFAS No. 157 but we do not expect that it will have a material impact on our consolidated financial statements.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans." This Statement requires an employer to recognize the over funded or under funded status of a defined benefit post retirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position, and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. SFAS No. 158 is effective for fiscal years ending after December 15, 2006. The Company does not expect that the implementation of SFAS No. 158 will have any material impact on its financial position and results of operations.

In September 2006, the SEC issued Staff Accounting Bulletin ("SAB") No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements." SAB No. 108 addresses how the effects of prior year uncorrected misstatements should be considered when quantifying misstatements in current year financial statements. SAB No. 108 requires companies to quantify misstatements using a balance sheet and income statement approach and to evaluate whether either approach results in quantifying an error that is material in light of relevant quantitative and qualitative factors. SAB No. 108 is effective for periods ending after November 15, 2006. The Company is currently evaluating the impact of adopting SAB No. 108 but we do not expect that it will have a material effect on our consolidated financial statements.