

Consolidated Financial Statements  
(Expressed in Canadian dollars)

# **MOSQUITO CONSOLIDATED GOLD MINES LIMITED**

Unaudited – Prepared by management without review from the Company's auditor.

Second quarter ended December 31, 2007 and 2006

**MOSQUITO CONSOLIDATED GOLD MINES LIMITED.**  
**CONSOLIDATED BALANCE SHEETS**  
**Unaudited – Prepared by management**  
**DECEMBER 31, 2007 AND JUNE 30, 2007**

	December 31, 2007	June 30, 2007
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalent	\$ 4,536,307	\$ 2,788,324
Marketable securities (Note 3)	464,220	542,343
Note receivable (Note 4)	13,916	38,916
Accounts receivable (Note 7(a))	356,864	139,858
Inventory (Note 7(a))	62,728	-
Prepaid expenses	151,242	92,239
	5,585,277	3,601,680
<b>INVESTMENT</b> (Note 5)	1	1
<b>PLANT AND EQUIPMENT</b> (Note 6)	4,416,319	1,066,238
<b>MINERAL PROPERTIES</b> (Notes 7)	7,298,300	4,687,517
<b>RECLAMATION DEPOSITS</b>	57,738	57,738
	\$ 17,357,635	\$ 9,413,174
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT</b>		
Bank loans	\$ 329,173	\$ -
Due for acquisition of Kirkness Drilling Company	-	-
Drilling deposits	50,000	-
Accounts payables and accrued liabilities	543,257	239,889
Due to related parties (Note 10)	90,972	61,042
	1,013,402	300,931
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 8)	29,696,727	20,446,127
Shares to be issued	-	-
Contributed surplus (Note 8(f))	2,540,081	2,920,706
Deficit	(15,892,575)	(14,254,590)
	16,344,233	9,112,243
	\$ 17,357,635	\$ 9,413,174

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**

Unaudited – Prepared by management

FOR THREE MONTHS AND SIX MONTHS ENDED DECEMBER 31, 2007 AND 2006

	Three Months Period Ended December 31, 2007	Three Months Period Ended December 31, 2006	Six Months Period Ended December 31, 2007	Six Months Period Ended December 31, 2006
<b>REVENUE</b>				
Drilling revenue	\$ 886,634	\$ -	\$ 1,660,148	\$ -
Drilling operating expenses	1,743,368	-	2,289,950	-
Gross profit	(856,734)	-	(629,802)	-
<b>EXPENSES</b>				
Amortization	232,891	\$ 8,476	257,245	\$ 16,952
Bank charges and interest	7,700	(2,296)	7,700	3,018
Consulting fees	57,089	20,304	68,171	62,604
Geological research	-	-	-	-
Investor relations and website	8,000	16,000	8,000	39,920
Management fees (note 7)	39,000	39,000	78,000	78,000
Occupancy costs	87,018	8,740	95,213	9,793
Office and miscellaneous	6,467	4,782	42,272	9,282
Property repairs & maintenance	36,673	7,725	84,064	16,570
Professional fees (note 7)	36,344	27,114	110,808	56,507
Shareholder information, transfer agent and filing fees	14,121	7,949	60,090	11,225
Stock-based compensation	-	1,569,755	-	1,569,755
Telephone and web (note 7)	10,019	3,113	23,113	6,595
Travel and promotion	104,048	28,535	186,823	66,792
	639,370	1,739,197	1,021,499	1,947,013
Income (loss) before under noted items	(1,496,104)	(1,739,197)	(1,651,301)	(1,947,013)
Investment income	63,063	12,939	91,439	16,909
Gain on marketable securities	-	157,349	-	157,349
Write-down -marketable securities	(78,123)	-	(78,123)	-
Gain on sale of property option	-	3,397,841	-	3,822,974
Income (Loss) for the period	(1,511,164)	1,828,932	(1,637,985)	2,050,219
Deficit, beginning of period	(14,381,411)	(14,545,468)	(14,254,590)	(14,766,755)
Deficit, end of period	\$ (15,892,575)	\$ (12,716,536)	\$ (15,892,575)	\$ (12,716,536)
Basic and fully diluted earnings (loss) per share	\$ (0.06)	\$ 0.07	\$ (0.06)	\$ 0.08

See accompanying notes

# MOSQUITO CONSOLIDATED GOLD MINES LIMITED.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited – Prepared by management

FOR THREE MONTHS AND SIX MONTHS ENDED DECEMBER 31, 2007 AND 2006

	Three Months Period Ended December 31, 2007	Three Months Period Ended December 31, 2006	Six Months Period Ended December 31, 2007	Six Months Period Ended December 31, 2006
Cash provided by (used for):				
Operations:				
Net Income (Loss) for the period	\$ (1,511,164)	\$ 1,828,932	\$ (1,637,985)	\$ 2,050,219
Items not requiring (providing) cash:				
Amortization	232,891	8,476	257,245	16,952
Gain on sale of mineral option	-	(3,397,841)	-	(3,822,974)
Write down – marketable securities	78,123	-	78,123	-
Stock-based compensation	-	1,569,755	-	1,569,755
Equity loss	-	-	-	-
Net changes in non-cash operating working capital:				
Accounts receivable	359,114	149,795	(217,006)	137,494
Prepaid	(120,150)	5,000	(59,003)	25,000
Marketable securities	-	(344,397)	-	(344,397)
Note receivable	25,778	(1,779)	25,000	21,442
Inventory	-	-	(62,728)	-
Due to Kirkness Drilling Company	(2,000,000)	-	-	-
Bank loan	255,971	-	329,173	-
Drilling deposit	-	-	50,000	-
Accounts payables	(83,217)	(33,865)	303,368	(75,016)
	(2,762,654)	(215,924)	(933,813)	(421,525)
Cash flow from financing activities:				
Due to related parties	11,455	(11,185)	29,930	(398,745)
Shares to be issued	(29,000)	-	-	-
Shares issued for cash	421,225	21,300	8,869,976	1,145,699
	403,680	10,115	8,899,906	746,954
Cash flows from investments activities				
Exploration and acquisition expenditure	(1,334,737)	(850,889)	(2,610,784)	(1,391,739)
Purchase of plant and equipment	(858,785)	20,100	(3,607,326)	(77,985)
Proceeds from mineral property option	-	3,500,000	-	4,000,000
	(2,193,522)	2,669,211	(6,218,110)	2,527,272
Increase (decrease) in cash	(4,552,496)	2,463,402	1,747,983	2,852,701
Cash, beginning of period	9,088,803	2,177,193	2,788,324	1,787,894
Cash, end of period	\$ 4,536,307	\$ 4,640,595	\$ 4,536,307	\$ 4,640,595
Supplementary information				
Income tax paid	\$ -	\$ -	\$ -	\$ -
Interest paid	-	-	-	-

See accompanying notes

# **MOSQUITO CONSOLIDATED GOLD MINES LIMITED.**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Unaudited – Prepared by management**

**DECEMBER 31, 2007**

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

The Company's principal business activities include acquiring and developing mineral properties. At December 31, 2007, the Company's principal mineral property interests are located in Canada, USA and Australia.

These consolidated interim financial statement shave been prepared by the Company in accordance with Canadian generally accepted accounting principles. All financial summaries included are presented on a comparative basis and consistence basis showing the figures for the corresponding period in the preceding year. The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of annual financial statements. Certain information and footnote disclosure normally included in consolidated financials statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These interim periods statements should be read together with the audited consolidated financial statements and the accompanying notes included in the Company's latest annual report. In the opinion of the management, all adjustments considered necessary for fair presentation have been included in these consolidated financial statements.

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.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

The unaudited 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:

#### *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

Unaudited – Prepared by management

DECEMBER 31, 2007

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

#### *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%.

The carrying value of all categories of plant and equipment are reviewed for impairment whenever changes 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.

#### *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.

#### *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.

# MOSQUITO CONSOLIDATED GOLD MINES LIMITED.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Unaudited – Prepared by management

DECEMBER 31, 2007

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

#### *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.

### 3. MARKETABLE SECURITIES

The Company has the following marketable securities:

	December 31, 2007		June 30, 2007	
	Number of shares	Amount (\$)(1)	Number of shares	Amount (\$)(1)
Golden Cariboo Resources Inc	43,000	\$ 1,720	43,000	\$ 2,795
International Wayside Gold	748,182	123,450	748,182	187,048
Kobex Resources Limited	375,000	3333,750	375,000	345,000
Running Fox resources Corp.	-	-	-	-
Trade Winds Ventures Inc.	20,000	5,300	20,000	7,500
		\$ 464,220		\$ 542,343

(1) Recorded at lower of cost or market.

### 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 by mining equipment and payable on demand. The Company received payments amounting to \$50,000.

### 5. PLANT AND EQUIPMENT

<i>December 31, 2007</i>	Cost	Accumulated Amortization	December 31, 2007	June 30, 2007
			Net Book Value	Net Book Value
Office equipment and furniture	\$ 184,522	\$ (166,556)	\$ 17,966	\$ 18,480
Aircraft	193,288	-	193,288	-
Equipment under construction	-	-	-	281,831
Building, mine equipment and vehicle	5,645,266	(1,440,201)	4,205,065	765,927
	\$ 6,023,076	\$ (1606,757)	\$ 4,416,319	\$ 1,066,238

# MOSQUITO CONSOLIDATED GOLD MINES LIMITED.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Unaudited – Prepared by management

DECEMBER 31, 2007

### 6. MINERAL PROPERTIES

<i>December 31, 2007</i>		July 1,	Current period	Accumulated	December 31,
	Note 7	2006	Additions, Expenditures, (Disposal)	Amortization, Depletion, Write-downs	2007
Cariboo Property , BC, Canada	a	\$ 1	\$ -	\$ -	\$ 1
Brett 1 and 2 Property, BC, Canada	d	179,159	-	-	179,159
Laverty & Cumming Property, Ontario, Canada	e	88,700	921	-	89,621
Cumo Molybdenum Property,, Idaho, USA	f	417,840	1,527,317	-	1,945,157
Red Lake Property, Ontario, Canada	i	-	-	-	-
Blackpoint Property, Nevada, USA	h	82,819	-	-	82,819
Pine Tree Property, Nevada, USA	g	2,803,229	1,032,556	-	3,835,785
Trikay Property, Queensland, Australia	j	52,369	30,828	-	83,197
Statlu Aggregate Property, BC, Canada	m	203,989	-	-	203,989
Spruce Mountain Property, Nevada, USA	n	623,162	-	-	623,162
Motley Property, Idaho, USA	o	183,700	283	-	183,983
Copper Chief, Nevada, USA	p	29,990	-	-	29,990
Spring Creek, Idaho, USA	q	22,560	18,877	-	41,437
<b>Balance, December 31, 2007</b>		<b>\$4,687,517</b>	<b>2,610,782</b>	<b>-</b>	<b>7,298,300</b>

<i>June 30, 2007</i>		July 1,	Current period	Accumulated	June 30,
	Note 7	2006	Additions, Expenditures, (Disposal)	Amortization, Depletion, Write-downs	2007
Cariboo Property , BC, Canada	a	\$11,860,932	\$ (74,863)	(\$11,786,068)	\$ 1
Brett 1 and 2 Property, BC, Canada	d	141,599	37,560	-	179,159
Laverty and Cumming Property, Ontario, Canada	e	88,700	-	-	88,700
Cumo Molybdenum Property,, Idaho, USA	f	1	417,839	-	417,840
Red Lake Property, Ontario, Canada	i	28,095	3,137	(31,232)	-
Blackpoint Property, Nevada, USA	h	82,819	-	-	82,819
Pine Tree Property, Nevada, USA	g	1,225,096	1,578,133	-	2,803,229
Trikay Property, Queensland, Australia	j	19,646	32,723	-	52,369
Statlu Aggregate Property, BC, Canada	m	175,088	28,901	-	203,989
Spruce Mountain Property, Nevada, USA	n	84,375	538,787	-	623,162
Motley Property, Idaho, USA	o	-	183,700	-	183,700
Copper Chief, Nevada, USA	p	-	29,990	-	29,990
Spring Creek, Idaho, USA	q	-	22,560	-	22,560
<b>Balance, June 30, 2007</b>		<b>\$13,706,351</b>	<b>\$ 2,798,468</b>	<b>(\$11,817,300)</b>	<b>\$4,687,517</b>

# MOSQUITO CONSOLIDATED GOLD MINES LIMITED.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Unaudited – Prepared by management

DECEMBER 31, 2007

### 6. 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 excluding the placer mining rights. The mill, buildings and hoist on the claims are included as part of the Property Option Agreement. The 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); and,
  - \$3,500,000 on or before December 31, 2006; (received)
- 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 5% Net Smelter Return (“NSR”) derived from Bulk Samples. Upon exercise of the option by Wayside, the Company’s NSR will revert to 3% and Wayside would be responsible to satisfy 10% Net Profit Interest in relation to the property. As at December 31, 2005, Wayside had extracted a bulk sample for the NSR to be \$241,342 of which \$187,048 was outstanding as at June 30, 2006. During the year ended June 30, 2007, Wayside settled the amount outstanding for 748,182 shares of Wayside.
- During the year ended June 30, 2007, Wayside made the final cash payment and the Company recognized a gain as follows:

Cash payment, August 31, 2006	\$	500,000
Cash payment, December 31, 2006		3,500,000
Less: net book value of Cariboo Gold Quartz property		(74,866)
Less: net book value of mill (Note 6)		(102,161)
<u>Gain on sale of mineral property option</u>	<u>\$</u>	<u>3,822,973</u>

# MOSQUITO CONSOLIDATED GOLD MINES LIMITED.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Unaudited – Prepared by management

DECEMBER 31, 2007

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### 6. MINERAL PROPERTIES (cont.)

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).

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 with a fair value of \$20,000 plus \$2,500 (paid) and an additional \$27,500 payable by December 31, 2003. In January 2005 the Company disposed of 1330275 Ontario Ltd. to a relative of a director and officer at its fair market value.

d. Brett #1 and #2 Property, 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 for \$49,391. During the year ended December 31, 2003, the Company acquired the remaining 70% from Vicore 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 #1 and #2 Property to Running Fox Resource Corp (“Running Fox”) for 200,000 shares of Running Fox, at with a fair 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 and has earned its 50% interest.

e. Lavery and Cumming 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 “Cumming Property”, near Larder Lake, Ontario. In connection with the acquisition, the Company issued 15,000 shares with a fair value of \$8,700 as finder’s fee.

# MOSQUITO CONSOLIDATED GOLD MINES LIMITED.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Unaudited – Prepared by management

DECEMBER 31, 2007

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### 6. 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 (paid)
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 with a fair 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 2007.

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.

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 (Note 7(j)). 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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Unaudited – Prepared by management

DECEMBER 31, 2007

### 6. MINERAL PROPERTIES (cont.)

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

The cash payments and the number of shares to be issued to the Company by Kobex as per the terms of the amended agreement are 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

On October 6, 2006, Kobex delivered a “Notice of Termination” of the option agreement with the Company and surrendered all rights and interests in the Cumo Property to the Company. Kobex has not issued the shares or made the required cash payments as required by the amended agreement prior to terminating the agreement. The Company has filed a statement of claim in the Supreme Court of British Columbia against Kobex.

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 (1)	35,000 (1)	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 amount paid

# MOSQUITO CONSOLIDATED GOLD MINES LIMITED.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 6. 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 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	
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.

During the year, the Company terminated the agreement and no further payments are required.

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. Kobex terminated the agreement.

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### 6. 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 Property, 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.

On May 25, 2007, the Company and the vendor agreed that the Company had earned 50% ownership in the Project and that the vendor has the option to re-acquire 100% of Company's interest for the payments totaling \$250,000, paid as follows:

1. payment of \$10,000 within 60 days after the receipt of a Licence of Occupation of June 1, 2008, whichever is earlier
2. Monthly payment on the 15<sup>th</sup> thereafter until the \$250,000 is paid.

n. Spruce Mountain Property, 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. 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	US \$ 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 (paid)
On or before January 15, 2007	150,000 (paid)
Total	US \$ 550,000

o. Motley Property, Idaho, USA

On March 9, 2007, the Company entered into a purchase agreement to purchase 6 unpatented claims located in the state of Idaho, USA, known as the "Motley Property". Under the terms of the Agreement, the Company acquired 100% undivided interest in the Property for 100,000 common shares with a fair value of \$160,700 plus a 1% NSR to the vendors and a finder's fees of 10,000 common shares with a fair value of \$17,000.

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### 6. MINERAL PROPERTIES (cont.)

p. Copper Chief Property, Nevada, USA

In April 2007, the Company staked 40 claims known as “Copper Chief”, in Mina, Nevada. These claims are approximately 4 miles north of Pine Tree Project.

q. Spring Creek Property, Idaho, USA

In June 2007, the Company staked claims in Idaho, USA.

r. Copper Chief, Nevada USA

b. In April 2007, the Company staked 40 claims known as “Copper Chief”, in Mina, Nevada. These claims are approximately 4 miles north of Pine Tree Project.

### 7. ACQUISITION OF DRILLING COMPANY

During the month of September, 2007, the Company acquired 100% interest in Kirkness Diamond Drilling Ltd. of Carson City, Nevada, USA for a consideration of US \$3,000,000 in cash as follows:

1. \$100,000 deposit (paid)
2. \$900,000 on TSX.V Exchange approval (paid)
3. \$2,000,000 within 60 days of Exchange approval (paid)

The acquisition cost of US \$3,000,000 has been assigned as follows:

Cash	\$	698,738
Receivable		407,428
Inventory		62,728
Prepaid expenses		31,092
Land and building		271,991
Drill, pumps, pumps and vehicles		1,800,462
Office equipment		2,486
Loans		(73,202)
Drilling deposits		(50,000)
Accounts payables		(151,723)
	\$	3,000,000

During the quarter ended December 31, 2007, the Company was charged \$933,155 for the drilling program at the Cumo property and this amount is reflected in revenue and Cumo property expenditures.

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### 8. RELATED PARTY TRANSACTIONS

The advances due to related parties are unsecured, bear no interest, and repayable on demand.

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

	December 31 2007	December 31 2006
Mineral property	\$ 111,447	\$ -
Consulting fees		-
Management fees	78,000	39,000
Telephone and website	12,950	-
Professional fees	26,718	6,000

### 9. CAPITAL STOCK

(a) Authorized – unlimited common shares without par

(b) Issued and outstanding:

	Number of Shares	Amount
Balance, June 30, 2006	24,804,877	18,230,914
For cash:		
Pursuant to private placement at \$1.25	430,000	537,500
Pursuant to a exercise of warrants at \$0.71	60,000	42,600
Pursuant to a exercise of warrants at \$1.25	468,000	585,000
Pursuant to a exercise of stock options at \$0.33	1,570,000	518,100
Re-allocation of Contributed Surplus		306,313
For other consideration		
Pursuant to the acquisition of Motley Property	110,000	187,700
Pursuant to the option payment for Pine Tree Property	60,000	42,000
Balance, June 30, 2007	27,502,877	\$ 20,446,127
For cash:		
Pursuant to private placement at \$1.50	5,650,000	8,475,000
Pursuant to exercise of warrants at \$1.45	290,500	421,225
Pursuant to finder's fee for private placement at \$1.50	253,750	380,625
Pursuant to finder's fee for private placement	-	(26,250)
Balance, December 31, 2007	33,697,127	29,696,727

(ii) During the year ended June 30, 2007, the Company completed a non-brokered private placement of 430,000 units at \$1.25 per unit for total proceeds of \$537,500. 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 \$1.50 for a two year period.

(iii) During the period ended December 31, 2007, the Company completed a non-brokered private placement of 5,650,000 units at \$1.50 each for total proceeds of \$8,475,000. Along with the shares 532,500 share purchase warrants were issued. 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 \$2.00 for a two year period. In connection with this private placement, the Company paid finders' fees of \$26,250, 148,750 units and 105,000 shares.

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### 9. CAPITAL STOCK (continued)

#### (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 as at December 31, 2007 is as follows:

Expiry Date	Price (\$)	Average Remaining Life (years)	Outstanding July 1 2006	Granted	Cancelled, Expired Exercised	Outstanding December 31, 2007
April 5, 2011	1.60	3.2	440,000	-	-	440,000
April 18, 2011	1.60	3.2	179,000	-	-	179,000
October 27, 2008	1.00	0.8	2,065,000	-	-	2,065,000
December 3, 2009	1.50	1.9	-	570,000	-	570,000
			2,684,000	570,000	-	3,254,000

Subsequent to December 31, 2007, 10,000 options were exercised for total proceeds of \$10,000.

The continuity of incentive stock options as at June 30, 2007 is as follows:

Expiry Date	Price (\$)	Average Remaining Life (years)	Outstanding July 1 2006	Granted	Cancelled, Expired Exercised	Outstanding June 30, 2007
September 9, 2006	0.33	-	1,620,000	-	(1,620,000)	-
April 5, 2011	1.60	3.8	440,000	-	-	440,000
April 18, 2011	1.60	3.8	179,000	-	-	179,000
October 27, 2008	1.00	1.3	-	2,065,000	-	2,065,000
			2,239,000	2,065,000	(1,620,000)	2,684,000

#### (d) Share purchase warrants outstanding

Outstanding share purchase warrants as at December 31, 2007 were as follows:

Expiry Date	Price (\$)	Outstanding July. 1, 2006	Granted	Exercised	Outstanding June 30, 2007
May 5, 2008	1.45	2,200,000	-	290,500	1,909,500
March 28, 2009	1.50	430,000	-	-	430,000
August 16, 2009	2.00	-	5,560,000	-	5,560,000
August 16, 2009	2.00	-	148,750	-	148,750
		2,630,000	5,798,750	290,500	8,138,150

Subsequent to December 31, 2007, the Company received \$14,790 for the exercise of 10,200 warrants at \$1.45

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### 9. CAPITAL STOCK (continued)

(d) Share purchase warrants outstanding (continued)

Outstanding share purchase warrants as at June 30, 2007 were as follows:

Expiry Date	Price (\$)	Outstanding July. 1, 2006	Granted	Exercised	Outstanding June 30, 2007
July 28, 2006	1.25	468,000	-	(468,000)	-
December 10, 2006	0.71	60,000	-	(60,000)	-
May 5, 2008	1.45	2,200,000	-	-	2,200,000
March 28, 2009	1.50	-	430,000	-	430,000
		2,728,000	430,000	(528,000)	2,630,000

(e) Contributed Surplus

	December 31, 2007	June 30, 2007
Balance – Beginning	\$ 2,920,706	\$ 881,530
Fair value of stock options issued	-	2,345,489
Value for shares issued for finders' fees	380,625	2,345,489
Value assigned to options exercised	-	(306,313)
Balance	\$ 2,540,081	\$ 2,920,706