

Consolidated Financial Statements
(Expressed in Canadian dollars)

MOSQUITO CONSOLIDATED GOLD MINES LIMITED

June 30, 2011 and 2010

AUDITORS' REPORT

CONSOLIDATED BALANCE SHEETS

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

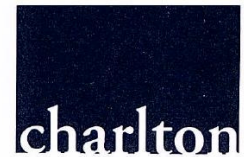
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS AND ACCUMULATED OTHER
COMPREHENSIVE INCOME (LOSS)**

CONSOLIDATED STATEMENTS OF CASH FLOWS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

p | 604.683.3277
f | 604.684.8464

SUITE 1735, TWO BENTALL CENTRE
555 BURRARD STREET
BOX 243
VANCOUVER, BC V7X 1M9



charlton & company
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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, 2011 and 2010 and the consolidated statements of operations and deficit, comprehensive loss and accumulated other comprehensive income (loss) and cash flows for the years then ended and the related notes including a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Mosquito Consolidated Gold Mines Limited as at June 30, 2011 and 2010 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matters

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that Mosquito Consolidated Gold Mines Limited has incurred losses to date. This condition, along with other matters as set forth in Note 1, indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

"Charlton & Company"

CHARTERED ACCOUNTANTS

Vancouver, British Columbia
October 27, 2011

MOSQUITO CONSOLIDATED GOLD MINES LIMITED
CONSOLIDATED BALANCE SHEETS
AS AT JUNE 30

	2011	2010
ASSETS		
Current		
Cash	\$ 458,766	\$ 3,668,753
Marketable securities (Note 3)	830,179	371,616
Accounts receivable and other receivables (Note 7(i))	1,163,461	34,864
GST / HST recoverable	314,838	180,864
Prepaid expenses	159,350	125,829
	<u>2,926,594</u>	<u>4,381,926</u>
Investment (Note 4)	1	1
Property, plant and equipment (Note 5 & 7)	3,444,508	3,542,743
Mineral properties (Note 6 & 7)	21,003,446	17,649,701
Contractors bonds	20,284	-
Reclamation bonds	60,189	65,689
	<u>27,455,022</u>	<u>25,640,060</u>
	\$	\$
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 7(iii))	\$ 1,318,404	\$ 824,900
Unearned revenue	154,310	-
Due to related parties (Note 7(iv))	123,806	131,799
	<u>1,596,520</u>	<u>956,699</u>
Shareholders' equity		
Share capital (Note 8)	48,719,365	45,396,576
Accumulated other comprehensive income (loss)	(559,032)	27,405
Contributed surplus (Note 8)	7,742,796	7,170,995
Deficit	(30,044,627)	(27,911,615)
	<u>25,858,502</u>	<u>24,683,361</u>
	<u>27,455,022</u>	<u>25,640,060</u>
	\$	\$

Nature and continuance of operations (Note 1)

Commitments (Note 12)

Contingencies (Note 13)

Subsequent events (Note 16)

On Behalf of the Board:

"Brian McClay"

Director – Brian McClay

"William Jefferies"

Director – William Jefferies

The accompanying notes are an integral part of these consolidated financial statements.

MOSQUITO CONSOLIDATED GOLD MINES LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
YEARS ENDED June 30,

	2011	2010
Revenue		
Drilling (Note 7(i))	\$ 2,436,555	\$ -
Management fees (Note 7(i))	225,906	-
Other	38,142	30,437
Drilling costs	(2,919,199)	-
	<u>(218,596)</u>	<u>30,437</u>
Expenses		
Amortization	823,556	656,966
Bad debt expense (recovery)	6,792	(5,867)
Bank charges and interest	17,961	13,382
Consulting fees	119,581	162,430
Foreign exchange loss	1,090	238,444
Investor relations and website	155,124	63,113
Management fees (Note 7)	246,000	156,000
Office and miscellaneous	165,730	60,948
Professional fees	762,399	367,177
Rent	102,294	80,140
Repairs and maintenance	74,669	31,792
Shareholder information, transfer agent and filing fees	75,610	67,966
Stock-based compensation (Note 8(e))	665,127	1,403,836
Telephone and communications	34,331	32,267
Travel and promotion	487,799	135,540
	<u>3,738,063</u>	<u>3,464,134</u>
Loss before other items	<u>(3,956,659)</u>	<u>(3,433,697)</u>
Other income (loss)		
Gain on sale of property, plant and equipment	4,066	23,964
Gain on sale of mineral properties (Note 6(b) & (c))	2,144,999	146,011
Write-off of property, plant and equipment (Note 5)	(181,506)	-
Write-down of mineral properties (Note 6)	(59,046)	(236,867)
Write-off of related party loan (Note 4)	(100,516)	-
Litigation settlement proceeds (Note 13(a))	15,030	-
Interest income	620	6,285
	<u>1,823,647</u>	<u>(60,607)</u>
Loss for the year	<u>(2,133,012)</u>	<u>(3,494,304)</u>
Deficit, beginning of year	<u>(27,911,615)</u>	<u>(24,417,311)</u>
Deficit, end of year	<u>\$ (30,044,627)</u>	<u>\$ (27,911,615)</u>
Basic and diluted loss per share	<u>\$ (0.03)</u>	<u>\$ (0.06)</u>
Weighted average number of common shares outstanding, basic and diluted	<u>73,678,631</u>	<u>63,013,578</u>

The accompanying notes are an integral part of these consolidated financial statements.

MOSQUITO CONSOLIDATED GOLD MINES LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS AND
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
YEARS ENDED JUNE 30,

	2011	2010
LOSS FOR THE YEAR	\$ (2,133,012)	\$ (3,494,304)
OTHER COMPREHENSIVE LOSS		
Unrealized loss on available-for-sale marketable securities (Note 3)	<u>(586,437)</u>	<u>(14,351)</u>
COMPREHENSIVE LOSS	<u>\$ (2,719,449)</u>	<u>\$ (3,508,655)</u>
ACCUMULATIVE OTHER COMPREHENSIVE INCOME,		
BEGINNING OF YEAR	27,405	41,756
Unrealized loss on available-for-sale marketable securities (Note 3)	<u>(586,437)</u>	<u>(14,351)</u>
ACCUMULATIVE OTHER COMPREHENSIVE INCOME (LOSS),		
END OF YEAR	<u>\$ (559,032)</u>	<u>\$ 27,405</u>

The accompanying notes are an integral part of these consolidated financial statements.

MOSQUITO CONSOLIDATED GOLD MINES LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30,

	2011	2010
Cash flows used in operating activities		
Net loss for the year	\$ (2,133,012)	\$ (3,494,304)
Items not requiring (providing) cash:		
Amortization	823,556	656,966
Drilling costs	(20,284)	-
Foreign exchange loss	-	267,743
Stock-based compensation	665,127	1,403,836
Gain on sale of property, plant and equipment	(4,066)	(23,964)
Gain on sale of mineral properties	(2,144,999)	(146,011)
Write-off of property, plant and equipment	181,506	-
Write-down of mineral properties	59,046	236,867
Write-off of related party loan	100,516	-
	<u>(2,472,610)</u>	<u>(1,098,867)</u>
Changes in non-cash operating working capital		
Accounts receivable and other receivables	(1,123,097)	32,343
HST / GST recoverable	(133,974)	-
Prepaid expenses	(33,521)	(111,392)
Accounts payable and accrued liabilities	493,504	124,669
Unearned revenue	154,310	-
	<u>(3,115,388)</u>	<u>(1,053,247)</u>
Cash flows from financing activities		
Advances to related parties	(108,510)	(192,625)
Payments on obligation under capital lease	-	(60,691)
Shares issued for cash	3,229,463	7,052,282
Share issuance costs	-	(396,170)
	<u>3,120,953</u>	<u>6,402,796</u>
Cash flows used in investing activities		
Acquisition of property, plant and equipment	(1,105,353)	(596,962)
Proceeds on sale of property, plant and equipment	48,206	20,000
Mineral property exploration expenditures	(3,258,404)	(3,257,572)
Proceeds from sale of mineral properties	1,099,999	420,000
	<u>(3,215,552)</u>	<u>(3,414,534)</u>
Increase (decrease) in cash	(3,209,987)	1,935,015
Cash, beginning of year	3,668,753	1,733,738
Cash, end of year	\$ 458,766	\$ 3,668,753
Supplemental disclosures		
Interest paid in cash	\$ 3,355	\$ 608
Income taxes paid in cash	\$ -	\$ -

Supplemental cash flows information (Note 15)

The accompanying notes are an integral part of these consolidated financial statements.

MOSQUITO CONSOLIDATED GOLD MINES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

1. NATURE OF AND CONTINUANCE OF OPERATIONS

Mosquito Consolidated Gold Mines Limited (the "Company") was incorporated under the laws of British Columbia in 1979. It is listed on the TSX Venture Exchange ("TSX-V") under the symbol "MSQ". On April 7, 2011, the Company's shares were listed and commenced trading on the "OTCQX" under the symbol "MQCMF".

The Company's principal business activities include acquiring and developing mineral properties and operating drilling rigs. At June 30, 2011, the Company's principal mineral property interests are located in Canada, and United States of America. The Company's drilling operation is located in the United States of America.

The accompanying financial statements have been prepared on the basis of Canadian generally accepted accounting principles ("GAAP") applicable to a going concern. As at June 30, 2011, the Company had working capital of \$1,330,074 (2010: \$3,425,227) and has incurred losses since inception of \$30,044,627 (2010: \$27,911,615). The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations, and to raise the necessary capital to fund ongoing exploration expenditures, support its operations, and discharge its liabilities as they come due. Specifically, the recovery of the Company's investment in resource properties and related deferred expenditures is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to develop the properties and establish future profitable production from the properties, or from the proceeds of their disposition. The Company has not generated any revenues to date from its mineral properties and is considered to be in the exploration stage.

Management is also aware that significant material uncertainties exist, related to current economic conditions that could cast doubt upon the Company's ability to continue to finance its exploration activities. Management is not able to assess the likelihood of timing of improvements in the equity markets for raising capital for future acquisitions or expenditures. These uncertainties represent a liquidity risk and may impact the Company's ability to continue as a going concern in the future. Management plans on raise additional funding with equity financing and/or advances from related parties to meet its exploration programs.

The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in normal operations.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements have been prepared by the management in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). They include the accounts of the Company and its wholly-owned subsidiaries, Kirkness Diamond Drilling Co., Inc. ("Kirkness"), 1156207 Ontario Ltd., Mosquito Mining Corp., and Mosquito Operation Inc. All significant inter-company transactions and balances have been eliminated upon consolidation.

MOSQUITO CONSOLIDATED GOLD MINES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates and assumptions

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Areas requiring significant management estimates relate to the determination of impairment of mineral properties and property, plant and equipment, asset retirement obligations, valuation allowances for future income tax assets, fair values of share-based payments, useful lives for amortization of property, plant and equipment. Actual results could differ from those estimates.

Foreign currency translation

These consolidated financial statements are presented in Canadian dollars. The Company considers its United States operation as integrated foreign operations and uses the temporal method to translate all foreign currency transactions. 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.

Marketable securities

Marketable securities are classified as available-for-sale and recorded at fair value based on quoted market prices with unrealized gain (loss) recorded in other comprehensive income (loss).

Investments

Investments in which the Company exerts significant influence are accounted for using the equity method whereby the original cost of the investment is adjusted for the Company's share of earnings, losses and dividends. Investments in which the Company does not exert significant influence are accounted for using the cost method. Under the cost method of accounting, the investment is initially recorded at cost and earnings from such investments are recognized only to the extent they are received or receivable.

Property, plant and equipment

Property, plant and equipment are recorded at cost. Plant and equipment are amortized at the following annual rates:

Aircraft	30%	declining balance method
Building	39 years	straight line
Drill rigs, mining, field and shop equipment and related vehicles	5 to 7 years 20%	straight line or declining balance method
Office equipment and furniture	5 to 7 years 30%	straight line or declining balance method
Vehicles	20%	declining balance method

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Mineral properties

All costs related to mineral property acquisition, exploration and development are capitalized by project. These costs will be amortized against revenue from future production using the units of production basis or written off if the interest is deemed impaired, abandoned or sold or the carrying value is determined to be impaired. Write-downs due to impairment in value are charged to operations.

The amounts shown for mineral interests represent costs incurred to date, less recoveries, and do not necessarily reflect present or future values. The recoverability of amounts shown for mineral interests is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain financing to complete development of the projects as well as future profitable production or proceeds from the disposition thereof.

Management evaluates the carrying value of the Company's mineral properties on a reporting period basis or as events or circumstances warrant, and makes a determination based on exploration activity and results, estimated future cash flows and availability of funding as to whether costs remain capitalized, or written off as impairment charges. Mineral properties, where future cash flows are not reasonably determinable, are evaluated for impairment based on changes in events or circumstances and management's intentions and determination of the extent to which future exploration programs are warranted and likely to be funded.

Although the Company has taken steps to verify titles to mineral properties in which it has an interest, this procedure does not guarantee the Company's titles. Ownership in mineral interests involves certain inherent risks due to the difficulties of determining and obtaining clear title to the claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral interests.

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that options are exercisable directly at the discretion of the optionee, amounts payable or receivable are not recorded. Option payments are recorded as resource property costs or recoveries when the payments are made or received. Option payments received in excess of costs incurred are recognized as other income.

Impairment of long-lived assets

The Company conducts its impairment test on long-lived assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment is recognized when the carrying value amount of an asset exceeds the total undiscounted future net cash flows expected from its use and eventual disposition. If there is impairment, the impairment amount is measured as the amount by which the carrying amount of the asset exceeds its fair value.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Asset retirement obligations

An asset retirement obligation is a legal obligation associated with the retirement of tangible long-lived assets that the Company is required to settle. This would indicate obligations related to future removal of property and equipment, and site restoration costs. The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. The initial fair value of the liability is accreted, by charges to operations, over the remaining life of the long-lived asset.

As of June 30, 2011, the Company does not have any significant asset retirement obligations.

Warrants

Proceeds from issuances by the Company of units consisting of shares and warrants are allocated based on the residual method, whereby the carrying amount of the warrants is determined based on any difference between gross proceeds and the estimated fair market value of the shares. If the proceeds from the offering are less than or equal to the estimated fair market value of shares issued, a nil carrying amount is assigned to the warrants.

Revenue recognition

Revenue from drilling contracts is recognized on the basis of the number of feet cored, chargeable drill and equipment rental hours as well as material costs. Revenue from ancillary services such as equipment rental is recorded when the services are rendered. Revenue is recognized when the service is provided and collection is reasonably assured. The Company invoices its customers on a semi-monthly basis. Contract prepayments (customer deposits) are recorded as deferred revenue and applied towards the contracts.

Stock-based compensation

The Company follows the recommendations of CICA Handbook Section 3870, which establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments. The fair value of stock options determined using the Black-Scholes option pricing model at the date of the grant is charged immediately to the operations, with an offsetting credit to contributed surplus. Where vesting provisions exist for stock options, the fair value is recognized over the service period. Upon the exercise of stock options, the fair value of the award is transferred to share capital from contributed surplus.

Income tax

The Company accounts for future income taxes using the asset and liability method, whereby future tax assets and liabilities are recognized for the future income tax consequences attributable to differences between the carrying values of the asset and liabilities and their respective income tax bases. Future income tax assets and liabilities are measured using substantively enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on future income taxes and liabilities of a change in rates is included in operations in the period that includes the substantive enactment date. Where the probability of a realization of a future income tax asset is more likely than not, a valuation allowance is recorded.

Income (loss) per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per common share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income (loss) per share (continued)

Basic loss per common share is calculated using the weighted average number of common shares outstanding during the period and does not include outstanding options and warrants. Dilutive loss per common share is not presented differently from basic loss per share as the conversion of outstanding stock options and warrants into common shares would be anti-dilutive.

Related party transactions

All monetary transactions in the normal course of operations are measured at the exchange value which is determined by management to approximate fair value. Non-monetary related party transactions in the normal course of operations that have commercial substance and do not involve the exchange of property or product held for sale are also measured at the exchange value. The commercial substance requirement is met when the future cash flows associated with the transfer of property are expected to change significantly as a result of the transaction. All other related party transactions are recorded at the carrying value.

Financial instruments

The Company's financial instruments consist of cash, marketable securities, accounts receivable, other receivables, HST / GST recoverable, accounts payable, accrued liabilities, and due to related parties. The Company has designated its cash as held-for-trading, which is measured at fair value. Marketable securities are classified as available-for-sale, which are measured at fair value and unrealized gain (loss) resulting from changes in fair value are recorded in other comprehensive income (loss) until the investment is de-recognized or impaired, at which time the amounts would be recorded in earnings. Accounts receivable, other receivables and HST / GST recoverable are classified as loans and receivables, which are measured at amortized cost. Accounts payable, accrued liabilities, and due to related parties are classified as other financial liabilities, which are measured at amortized cost. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

Financial instruments - disclosures

The Company adopted CICA Handbook Section 3862 Financial Instruments – Disclosures.

The additional fair value measurement disclosures include classification of financial instrument fair values in a fair value hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements, described as follows:

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

The Company has included disclosures recommended by this section in Note 14 of these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Comprehensive income

The Company follows CICA Section 1530 Comprehensive Income which establishes standards for reporting and presenting comprehensive income or loss, which is defined as the change in equity from transactions and other events from sources other than income or loss, which is defined as the change in equity from transactions and other events from sources other than the Company's shareholders. Other comprehensive income or loss refers to items recognized in comprehensive principles such as unrealized gains or losses on available-for-sale investments. Amounts initially recorded to other comprehensive income or loss is reclassified to earnings when the financial instrument is derecognized or impaired.

Capital disclosures

The Company follows CICA Section 1535 Capital Disclosures which requires disclosure of the Company's objectives, policies, and processes for managing capital; quantitative data about what the Company regards as capital; whether the Company has complied with any capital requirements; and, if the Company has not complied, the consequences of such non-compliance.

The Company has included disclosures recommended by the Handbook sections in Note 11 to these financial statements.

Comparative figures

Certain of the comparative figures have been reclassified to conform to the current year presentation.

Future Changes in Accounting Policies, not yet adopted

Business combinations, consolidated financial statements and non-controlling interest

In January 2009, the CICA issued Section 1582, Business Combinations, which replaces former guidance on business combinations. Section 1852 establishes principles and requirements of the acquisition method for business combinations and related disclosures. In addition, the CICA issued Sections 1601, Consolidated Financial Statements, and 1602, Non-Controlling Interests, which replace the existing guidance. Section 1601 establishes standards for the preparation of consolidated financial statements, while section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination.

These statements apply prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011 with earlier application permitted.

The Company has determined that there will be no impact of the adoption of these sections on its financial statements.

International Financial Reporting Standards ("IFRS")

In February 2008, The CICA Accounting Standards Board ("AcSB") confirmed the changeover to International Financial Reporting Standards ("IFRS") from Canadian GAAP will be required for publicly accountable enterprises effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will adopt IFRS effective July 1, 2011 and will be required to restate, for comparative purposes, amounts reported by the Company for its year ended June 30, 2011. The Company does anticipate a significant increase in disclosure resulting from the adoption of IFRS as well as certain presentation differences. The Company has begun assessing the adoption of IFRS for 2012 and has discussed its plan in the Company's Management's Discussion and Analysis for the year ended June 30, 2011.

MOSQUITO CONSOLIDATED GOLD MINES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

3. MARKETABLE SECURITIES

The Company has the following marketable securities:

	2011		2010	
	Number of Shares	Amount	Number of Shares	Amount
Golden Cariboo Resources Inc.	4,300	\$ 946	4,300	\$ 602
IEMR Resources Inc.	1,000,000	130,000	1,000,000	300,000
Bakerville Gold Mines Ltd.	18	33	18	14
Mega Precious Metals Inc.	300,000	133,500	250,000	55,000
Running Fox Resource Corp.	3,000,000	525,000	-	-
Salmon River Resources Ltd.	100,000	36,000	100,000	13,000
Trade Winds Ventures Inc.	20,000	4,700	20,000	3,000
		\$ 830,179		\$ 371,616

Under adoption of the CICA Handbook Section 3855, the Company has classified its marketable securities as available-for-sale. As at June 30, 2011, these marketable securities were recorded at a fair value of \$830,179 (2010 - \$371,616), and an unrealized loss of \$586,437 (2010 - \$14,351) resulting from revaluation was included in other comprehensive income (loss).

4. INVESTMENT

The investment consists of the following items:

	2011	2010
Vicore Mining Developments Ltd.		
Investment at cost	\$ 150,000	\$ 150,000
Share of equity accounted losses	(69,306)	(69,306)
	80,694	80,694
Impairment loss	(80,693)	(80,693)
	\$ 1	\$ 1

In previous years the Company purchased a 30% interest in Vicore Mining Developments Ltd. ("Vicore") for \$150,000. The investment was accounted for under the equity method. Due to Vicore's recurring losses, during the period ended June 30, 2006, management determined that the investment was impaired and the investment was written down to \$1 resulting in a loss of \$80,693.

During the year ended June 30, 2011, the Company advanced \$148,583 to Vicore. Part of the advances was offset by the purchase of equipment for \$30,000 from Vicore and \$18,067 expenses incurred on behalf of the Company. The net advances in the amount of \$100,516 were written off due to Vicore's recurring losses.

MOSQUITO CONSOLIDATED GOLD MINES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

5. PROPERTY, PLANT AND EQUIPMENT

June 30, 2011	Cost	Accumulated Amortization	Net Book Value
Aircraft	\$ 214,970	\$ (145,716)	\$ 69,254
Land and building	980,380	(68,728)	911,652
Office equipment and furniture	206,365	(194,150)	12,215
Rigs, mine, field and shop equipment and related vehicles	7,351,355	(4,899,968)	2,451,387
	<u>\$ 8,753,070</u>	<u>\$ (5,308,562)</u>	<u>\$ 3,444,508</u>

June 30, 2010	Cost	Accumulated Amortization	Net Book Value
Aircraft	\$ 214,970	\$ (116,035)	\$ 98,935
Land and building	679,109	(59,482)	619,627
Mine equipment under capital lease	294,694	(189,447)	105,247
Office equipment and furniture	203,740	(189,429)	14,311
Rigs, mine, field and shop equipment and related vehicles	6,714,644	(4,010,021)	2,704,623
	<u>\$ 8,107,157</u>	<u>\$ (4,564,414)</u>	<u>\$ 3,542,743</u>

During the year ended June 30, 2011, the Company wrote off \$370,895 property, plant and equipment with an accumulated amortization of \$189,389.

MOSQUITO CONSOLIDATED GOLD MINES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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6. MINERAL PROPERTIES

Title to mining claims involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mining claims. The Company has investigated title to all of its mining claims and to the best of its knowledge title to its claims are in good standing. The Company holds interest in the following mineral properties:

June 30, 2011	Note 6	June 30, 2010	Additions	Disposals / Write-downs	June 30, 2011
Cariboo Property, BC, Canada					
Exploration costs	(a)	\$ 1	\$ -	\$ -	\$ 1
Lavery & Cummins Properties, Ontario, Canada					
Exploration costs	(b)	1	929	(929)	1
Brett Property, BC, Canada					
Exploration costs	(c)	1	-	(1)	\$ -
Boise County, Idaho, USA					
Acquisition costs	(d)	-	415,160	-	415,160
Cumo Molybdenum Property, Idaho, USA					
Acquisition costs		113,330	29,525	-	142,855
Drilling costs		7,609,472	765,523	-	8,374,995
Geologists costs		1,166,727	517,028	-	1,683,755
Environmental study		449,841	833,029	-	1,282,870
Assays		234,190	9,379	-	243,569
Other exploration costs		737,728	526,457	-	1,264,185
	(e)	10,311,288	2,680,941	-	12,992,229
Pine Tree Property, Nevada, USA					
Acquisition costs		546,845	23,725	-	570,570
Drilling costs		5,499,644	130,518	-	5,630,162
Geologists costs		866,365	30,940	-	897,305
Assays		241,363	49,996	-	291,359
Other exploration costs		684,188	22,466	-	706,654
Sale option payments		(500,000)	-	-	(500,000)
	(f)	7,338,405	257,645	-	7,596,050
Blackpoint Property, Nevada, USA					
Exploration costs	(g)	1	6,746	(6,746)	1
Motley Property, Idaho, USA					
Exploration costs	(h)	1	4,936	(4,936)	1
Spring Creek Property, Idaho, USA					
Exploration costs	(i)	1	39,777	(39,777)	1
Spruce Mountain Property, Nevada, USA					
Exploration costs	(k)	1	678	(678)	1
Copper Chief Property, Nevada, USA					
Exploration costs	(l)	1	5,979	(5,979)	1
		\$ 17,649,701	\$ 3,412,791	\$ (59,046)	\$ 21,003,446

MOSQUITO CONSOLIDATED GOLD MINES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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6. MINERAL PROPERTIES (continued)

June 30, 2010	Note 6	June 30, 2009	Additions / (Disposals)/ (Write-downs)	June 30, 2010
Cariboo Property, BC, Canada				
Exploration costs	(a)	\$ 1	\$ -	\$ 1
Lavery & Cummins Properties, Ontario, Canada				
Exploration costs	(b)	1	-	1
Brett Property, BC, Canada				
Exploration costs	(c)	1	-	1
Cumo Molybdenum Property, Idaho, USA				
Acquisition costs		82,674	30,656	113,330
Drilling costs		5,133,072	2,476,400	7,609,472
Geologists costs		518,151	648,576	1,166,727
Environmental study		392,927	56,914	449,841
Assays		146,174	88,016	234,190
Other exploration costs		591,647	146,081	737,728
	(e)	6,864,645	3,446,643	10,311,288
Pine Tree Property, Nevada, USA				
Acquisition costs		521,180	25,665	546,845
Drilling costs		5,499,644	-	5,499,644
Geologists costs		807,877	58,488	866,365
Assays		237,348	4,015	241,363
Other exploration costs		649,920	34,268	684,188
Sale option payments		-	(500,000)	(500,000)
	(f)	7,715,969	(377,564)	7,338,405
Blackpoint Property, Nevada, USA				
Exploration costs	(g)	1	-	1
Motley Property, Idaho, USA				
Exploration costs	(h)	1	-	1
Spring Creek Property, Idaho, USA				
Acquisition costs		109,051	(109,050)	-
Staking costs	(i)	44,427	(44,427)	-
		153,478	(153,477)	1
Statlu Aggregate Property, BC, Canada				
Exploration costs	(j)	73,989	(73,989)	-
Spruce Mountain Property, Nevada, USA				
Exploration costs	(k)	1	-	1
Copper Chief Property, Nevada, USA				
Exploration costs	(l)	1	-	1
		\$ 14,808,088	\$ 2,841,613	\$ 17,649,701

MOSQUITO CONSOLIDATED GOLD MINES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

6. MINERAL PROPERTIES (continued)

a. Cariboo Gold Quartz Property, British Columbia, Canada

The Company presently has two separate option agreements with Bakerville Gold Mines Limited ("Bakerville") (formally International Wayside Gold Mines Limited) with respect to the Mosquito Creek Property and the Cariboo Gold Quartz Property. These properties are located in the Cariboo Mining District of British Columbia, Canada.

Under the option agreement dated October 1994, the Company has granted Bakerville the right to earn a 50% interest in the Cariboo Gold Quartz Property in consideration of 600,000 common shares and commitment of exploration and development work. In order to maintain this agreement in good standing, Bakerville is required to incur \$500,000 exploration expenditures each year until a bankable feasibility study is presented. This agreement is still in effect.

Under the second agreement dated August 22, 2003, Bakerville has earned another 50% in the Cariboo Gold Quartz Property and a 100% in the Mosquito Creek Property excluding the placer mining rights in consideration of:

- \$5,500,000 cash payments as follows:
 - \$50,000 on the signing of the agreement (completed);
 - \$450,000 on or before September 15, 2003 (completed);
 - \$500,000 on or before August 31, 2004 (completed);
 - \$500,000 on or before August 31, 2005 (completed);
 - \$500,000 on or before August 31, 2006 (completed); and,
 - \$3,500,000 on or before December 31, 2006 (completed).
- Prior to the exercise of the option, the Company has received a 5% net smelter return ("NSR") in the amount of \$241,342 derived from bulk samples extracted from the properties in two stages.
- Upon exercise of the option by Bakerville during the year ended June 30, 2007, the Company's NSR reverts to 3% and Bakerville becomes responsible to satisfy the 10% net profits interest in relation to the properties.

b. Lavery and Cummins Properties, 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 with a fair value of \$8,700 as finder's fee.

During the year ended June 30, 2008, the Company wrote down the property to a nominal value of \$1.

MOSQUITO CONSOLIDATED GOLD MINES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

6. MINERAL PROPERTIES (continued)

b. Laverty and Cummins Properties, Red Lake, Ontario, Canada (continued)

By way of an option agreement dated January 26, 2009, subsequently amended on March 11, 2009, the Company optioned the Laverty Property to Mega Precious Metals Inc. ("Mega") (formerly Skybridge Development Corp. ("Skybridge")) in consideration of:

- \$500,000 cash payments as follows:
 - \$100,000 on the signing of the agreement (completed);
 - \$100,000 12 month anniversary date (completed);
 - \$100,000 24 month anniversary date (completed);
 - \$100,000 36 month anniversary date;
 - \$200,000 48 month anniversary date.

- 250,000 shares of Skybridge and 500,000 shares of Mega as follows:
 - 250,000 shares on the signing of the agreement (completed);
 - 100,000 shares 12 month anniversary date (completed);
 - 100,000 shares 24 month anniversary date (completed);
 - 100,000 shares 36 month anniversary date;
 - 200,000 shares 48 month anniversary date.

- 1,500,000 exploration expenditures as follows:
 - \$250,000 prior to the 12 month anniversary date (completed);
 - \$250,000 prior to the 24 month anniversary date (completed);
 - \$250,000 prior to the 36 month anniversary date;
 - \$250,000 prior to the 48 month anniversary date;
 - \$500,000 prior to the 60 month anniversary date.

The Company retains a 2% NSR from the product extracted from ore mined from the property.

During the year ended June 30, 2011, \$100,000 payment and 200,000 shares valued at \$145,000, totaled \$245,000 (2010: \$100,000) was recorded as a gain as the property had been written to \$1.

The Cummins Property consists of 5 patented mineral claims located in McElroy Township, approximately 10 kilometers southwest of Larder Lake, Ontario. Mosquito has a 100% interest in the project and has not performed any work to date.

c. Brett Property, British Columbia, Canada

During the year ended December 31, 2002, the Company acquired a 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 Property to Running Fox Resource Corp ("Running Fox") for 200,000 shares of Running Fox, at a fair value of \$80,000 and Running Fox to incur \$500,000 in exploration expenditures. During the year ended December 31, 2004, Running Fox incurred the required exploration expenditures and earned its 50% interest.

MOSQUITO CONSOLIDATED GOLD MINES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

6. MINERAL PROPERTIES (continued)

c. Brett Property, British Columbia, Canada (continued)

During the year ended June 30, 2008, the Company wrote down the property to a nominal value of \$1.

On January 25, 2011, the Company entered into an agreement with Running Fox whereby Running Fox earned the remaining 50% interest of the property in consideration of \$1,000,000 cash and 3,000,000 shares at fair value of \$900,000, totaling \$1,900,000. During the year ended June 30, 2011, \$1,899,999 was recorded as a gain on disposition of mineral property.

Running Fox agreed to be responsible for a 2% NSR over certain claims retained by Vicore pursuant to an agreement dated January 29, 2003.

The Company retains a NSR on the following scale tied to the price per ounce of gold:

- US\$500 – 2% NSR;
- US\$501 to \$1,000 – 3% NSR;
- US\$1,001 to US\$1,500 – 5% NSR;
- US\$1,501 to US\$2,000 – 6% NSR;
- US\$2,001 or more – 8% NSR.

d. Boise Property, Idaho USA

On July 8, 2010, the Company entered into an option agreement, subsequently amended on July 5, 2011, to purchase certain mineral claims located in Boise County, Idaho, USA in consideration of US\$1200,000 cash payment as follows:

- US\$400,000 on the closing date (completed);
- US\$100,000 on or before July 8, 2011 (paid subsequent to year-end);
- US\$300,000 on or before August 8, 2011 (paid subsequent to year-end);
- US\$400,000 on or before the 24 month anniversary of the closing date.

Boise Property is considered as part of the Cumo Project (Note 6(e)) by the management.

e. Cumo Molybdenum Property, Idaho, USA

On October 13, 2004, the Company completed an option 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:

- Advance royalty payments as follows:
 - US\$10,000 upon signing (completed);
 - US\$10,000 after 60 days (completed);
 - US\$5,000 after 6 months (completed);
 - US\$20,000 1st year anniversary (completed);
 - US\$20,000 2nd year anniversary (completed);
 - US\$15,000 3rd year anniversary (completed);
 - US\$15,000 every 6 months thereafter (up-to-date).

These payments are to be credited against a 1.5% NSR which reduces to 0.5% NSR after payments of US \$3,000,000.

6. MINERAL PROPERTIES (continued)

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

- 300,000 shares as follows:
 - 90,000 shares after 60 days (completed);
 - 90,000 shares after 9 months (completed);
 - 120,000 shares after 18 months (completed).
- Work requirement as follows:
 - US\$25,000 during the first year (completed);
 - at least US\$50,000 each year thereafter (up-to-date).

On January 21, 2005, the Company entered into an option agreement with Kobex Resources Ltd. ("Kobex"), whereby Kobex could acquire a 100% interest in the Cumo Molybdenum Property and another property in 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 shares and \$10,000,000 of work expenditure commitment. On October 6, 2006, Kobex surrendered all rights and interests in the Cumo Molybdenum Property to the Company.

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

On May 10, 2005, the Company entered into an option agreement to purchase certain unpatented mineral claims located in Mineral County, Nevada, USA known as the "Pine Tree Property". Under the terms of the Agreement, the Company would earn a 100% undivided interest (subject to a 2% NSR) in the Pine Tree Property in consideration of:

- Advance royalty payments as follows:
 - US\$10,000 within 7 days after signing (completed);
 - US\$10,000 upon the approval by the TSX-V (completed);
 - US\$25,000 on or before 1st anniversary (completed);
 - US\$35,000 on or before 2nd anniversary (completed);
 - US\$50,000 on or before 3rd anniversary (completed);
 - US\$125,000 on or before 4th anniversary (completed);
 - US\$25,000 on or before 5th anniversary (completed);
 - US\$25,000 each year thereafter until a total of US\$2,000,000 has been paid after which the 2% NSR shall be reduced to a 0.5% NSR. On June 25, 2010, the Company entered into an option agreement with IEMR Resources Inc. who agreed to be responsible for these obligations (up-to-date).
- 300,000 shares as follows:
 - 50,000 shares upon approval by the TSX-V (completed);
 - 50,000 shares on or before 1st anniversary (completed);
 - 60,000 shares on or before 2nd anniversary (completed);
 - 60,000 shares on or before 3rd anniversary (completed);
 - 80,000 shares on or before 4th anniversary (completed).
- US\$450,000 exploration expenditures as follows:
 - \$50,000 on or before 1st anniversary (completed);
 - \$100,000 on or before 2nd anniversary (completed);
 - \$100,000 on or before 3rd anniversary (completed);
 - \$100,000 on or before 4th anniversary (completed);
 - \$100,000 on or before 5th anniversary (completed).

MOSQUITO CONSOLIDATED GOLD MINES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

6. MINERAL PROPERTIES (continued)

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

On June 25, 2010, the Company entered an option agreement with IEMR Resources Inc. (formerly, Trans National Minerals Inc.) ("IEMR"). Pursuant to the agreement, IEMR was granted an option to purchase a 100% interest in Pine Tree Property in consideration of:

- \$1,000,000 cash payments as follows:
 - \$200,000 on closing, June 25, 2010(completed);
 - \$200,000 on or before 1st anniversary (completed subsequent to 2011 year end);
 - \$200,000 on or before 2nd anniversary;
 - \$200,000 on or before 3rd anniversary;
 - \$200,000 on or before 4th anniversary.

- 5,000,000 common shares as follows:
 - 1,000,000 on closing, June 25, 2010(completed);
 - 1,000,000 on or before 1st anniversary (completed subsequent to 2011 year end);
 - 1,000,000 on or before 2nd anniversary;
 - 1,000,000 on or before 3rd anniversary;
 - 1,000,000 on or before 4th anniversary.

- IEMR must incur aggregate \$3,000,000 exploration expenditures on the property on or before the 4th anniversary, subject to minimum expenditures of \$500,000 being incurred each year (up-to-date)

During the option period, IEMR will also be responsible for making advance royalty payments of \$25,000 per year to the holders of the NSR.

g. Blackpoint Property, Nevada, USA

The Company staked claims which cover the Blackpoint exploration property near Eureka, Nevada.

During the year ended June 30, 2008, the Company wrote down the property to a nominal value of \$1.

h. Motley Property, Idaho, USA

On March 9, 2007, the Company entered into an agreement to purchase four unpatented claims located in the state of Idaho, USA, known as the "Motley Property". Under the terms of the Agreement, the Company acquired a 100% undivided interest in the Property for 100,000 common shares with a fair value of \$167,000 plus a 1% NSR to the vendors and a finder's fees of 10,000 common shares with a fair value of \$16,700.

During the year ended June 30, 2009, the Company wrote down the property to a nominal value of \$1 as it has no current exploration plans.

Motley Property is considered as part of the Spring Creek Project (Note 6(i)) by the management

MOSQUITO CONSOLIDATED GOLD MINES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

6. MINERAL PROPERTIES (continued)

i. Spring Creek Property, Idaho, USA

The Company staked claims in Montana and Idaho, USA.

During the year ended June 30, 2010, the Company wrote down the property to a nominal value of \$1 as it had no current exploration costs.

j. Statlu Aggregate Property, BC, 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 gravel from the property to be mined and sold.

On May 25, 2007, the Company and the vendor agreed that the Company had earned a 50% ownership in the Project and that the vendor had the option to re-acquire 100% of Company's interest for monthly payments of \$10,000 totaling \$250,000. \$250,000 was fully paid and the property was sold as at June 30, 2010.

k. Spruce Mountain Property, Nevada, USA

On May 19, 2006, the Company entered into an agreement to purchase 53 patented claims located in Spruce Mountain, Elko County, Nevada, USA. Under the terms of the Agreement, the Company earned a 100% undivided interest in the Property in consideration of cash payment of US\$550,000.

During the year ended June 30, 2010, the Company wrote down the property to a nominal value of \$1 as it had no current exploration plans.

l. Copper Chief Property, Nevada, USA

The Company staked claims known as "Copper Chief", in Mina, Nevada. These claims are approximately 4 miles north of the Pine Tree Project (Note 6f).

During the year ended June 30, 2010, the Company wrote down the property to a nominal value of \$1 as it has no current exploration plans.

MOSQUITO CONSOLIDATED GOLD MINES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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7. RELATED PARTY TRANSACTIONS

The following table summarizes transactions with related parties:

	2011	2010
Deferred exploration costs	\$ 149,069	\$ -
Equipment rental, utilities and telephone	18,067	-
General support and corporate development	18,449	-
Management fees	246,000	156,000
Purchase of equipment	30,000	-
Wages	120,240	-
	<u>\$ 581,825</u>	<u>\$ 156,000</u>

During the year ended June 30, 2011:

- (i) The Company entered into a management service agreement with IEMR, a shareholder and a company with a common director. Under the agreement, the Company agreed to manage, direct, supervise and implement exploration programs on the Pine Tree Property for a fee based on 10% of all exploration costs including any overruns up to but not exceeding 15%. Kirkness also entered into a contract to provide drilling services to IEMR. Billings by Kirkness also would qualify as the exploration costs under the agreement.

The Company and Kirkness earned \$225,906 management fees and \$2,259,054 drilling revenue from IEMR. As of June 30, 2011, accounts receivable and other receivables included \$924,080 owing from IEMR.

- ii) The Company entered into a management agreement with a company owned by the president. The terms of the agreement require the Company to pay a monthly fee of \$12,500 (plus 13% HST) and a one time bonus payment of \$45,000 (plus 13% HST).
- iii) \$17,248 owing to a company with a common director was included in accounts payable and accrued liabilities.
- iv) \$123,806 (2010: \$131,799) was owed to directors, companies owned by the president and other related parties as at June 30, 2011.

Related party transactions are in the ordinary course of business and are measured at the exchange amounts, being the amounts agreed to by the related parties. The amounts due to related parties are without interest or stated terms of repayment

MOSQUITO CONSOLIDATED GOLD MINES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

8. SHARE CAPITAL

(a) Authorized – unlimited common shares without par value

(b) Issued and outstanding:

	Number of Shares	Amount
Balance, June 30, 2009	58,922,849	\$ 38,426,438
For cash:		
Pursuant to private placement \$0.60 (Note 8(b)(i))	500,000	300,000
Pursuant to private placement at \$1.00 (Note 8(b)(ii))	5,134,700	5,134,700
Pursuant to finder's fee for private placement, shares (Note 8(b)(ii))	6,936	6,936
Pursuant to share issuance cost of finder's fee shares and warrants (Note 8(b)(ii))	-	(47,438)
Pursuant to share issuance costs and finder's fee for private placement, cash	-	(396,170)
Pursuant to exercise of options at \$0.35	310,000	108,500
Pursuant to exercise of options at \$0.36	31,250	11,250
Pursuant to exercise of warrants at \$0.45	1,454,999	654,750
Pursuant to exercise of warrants at \$0.30	2,810,274	843,082
Reclassification from contributed surplus on exercise of options	-	354,528
Balance, June 30, 2010	69,171,008	45,396,576
For cash:		
Pursuant to exercise of options at \$0.35	54,000	18,900
Pursuant to exercise of warrants at \$0.45	1,251,857	563,336
Pursuant to exercise of warrants at \$0.30	8,824,091	2,647,227
Reclassification from contributed surplus on exercise of options	-	93,326
Balance, June 30, 2011	79,300,956	\$ 48,719,365

During the year ended June 30, 2011:

(i) The expiry date of share purchase warrants to purchase a total of 5,262,116 common shares at \$1.25 each was extended from March 26, 2011 to September 26, 2011.

During the year ended June 30, 2010:

(i) The Company completed a non-brokered private placement of 500,000 common shares at \$0.60 per share for total proceeds of \$300,000.

(ii) The Company completed a non-brokered private placement of 5,134,700 common shares at \$1.00 per unit for total proceeds of \$5,134,700, where each unit consists of one common share of the Company and one transferable share purchase warrant having a one year term for the purchase of one further common share of the Company at the exercise price of \$1.25 per share. In connection with this private placement, the Company paid finders' fees consisting of \$355,194 in cash, and 6,936 shares and 127,416 share purchase warrants at a fair value of \$40,502. The Company incurred other fees totaling \$40,976 for the placement.

MOSQUITO CONSOLIDATED GOLD MINES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

8. SHARE CAPITAL (continued)

(c) Stock options

The Company may grant incentive stock options to its officers, directors, and consultants. The maximum number of common shares reserved for issuance shall be 10% of the issued and outstanding common shares. No more than 5% of the issued shares may be issued to any eligible person other than a consultant in any 12 month period unless disinterested shareholder approval has been obtained. No more than 2% of the issued shares may be issued to any one consultant in any 12 month period. No more than 2% of the issued shares may be issued to all employees in the aggregate conducting investor relations activities in any 12 month period.

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 discounted market price as calculated and defined in accordance with the policies of the TSX Venture Exchange (the "Exchange"). Options granted must be exercised no later than 10 years commencing from the later of the date of grant or such lesser period as determined by the Board. Options shall terminate automatically or 90 days after the optionees no longer act as officers, directors or consultants of the Company. In the case of death, options shall terminate within one year from the event.

Once approved, all options are considered vested and are exercisable at any time, except for options granted to employees or consultants conducting investor relation activities. Options granted to employees or consultants conducting investor relations activities must vest in stages over 12 months with no more than one quarter of the options vesting in any 3 month period.

A summary of the status of the Company's outstanding and exercisable stock options as at June 30, 2011 and June 30, 2010 and changes during the years then ended are as follows:

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Life
Balance, June 30, 2009	3,174,000	\$0.35	4.05 years
Granted	3,280,000	\$0.43	
Exercised	(341,250)	\$0.35	
Expired / cancelled	-		
Balance, June 30, 2010	6,112,750	\$0.39	3.70 years
Granted	1,056,850	\$0.77	
Exercised	(54,000)	\$0.35	
Expired / cancelled	(340,000)	\$0.59	
Balance, June 30, 2011	6,775,600	\$0.44	3.90 years

MOSQUITO CONSOLIDATED GOLD MINES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

8. SHARE CAPITAL (continued)

(c) Stock options (continued)

The following table provides detailed information about stock options outstanding at June 30, 2011:

Options Outstanding	Exercise Price	Expiry Date
495,000	\$0.35	June 2, 2013
2,225,000	\$0.35	October 30, 2013
2,668,750	\$0.36	July 17, 2014
480,000	\$0.70	December 9, 2014
50,000	\$1.18	January 18, 2015
856,850	\$0.80	August 4, 2015
6,775,600		

(d) Share purchase warrants outstanding

A summary of the status of the Company's outstanding warrants as at June 30, 2011 and June 30, 2010 and changes during the years then ended are as follows:

	Warrants Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Life
Balance, June 30, 2009	20,154,971	\$0.81	1.1 years
Granted	5,262,116	\$1.25	
Exercised	(4,265,273)	\$0.35	
Expired / cancelled	(5,798,750)	\$2.00	
Balance, June 30, 2010	15,353,064	\$0.64	0.56 years
Granted	-	\$ -	
Exercised	(10,075,948)	\$0.32	
Expired / cancelled	(15,000)	\$0.45	
Balance, June 30, 2011	5,262,116	\$1.25	0.24 years

The following share purchase warrants were outstanding as at June 30, 2011:

Warrants Outstanding	Exercise Price	Expiry Date
5,262,116	\$1.25	September 26, 2011 (Note 8(b)(i)) *

* Warrants expired unexercised subsequent to year end.

MOSQUITO CONSOLIDATED GOLD MINES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

8. SHARE CAPITAL (continued)

(e) Stock-based compensation

During the year ended June 30, 2011, the fair value of stock options granted to directors, employees and consultants was \$665,127 (2010: \$1,403,836) and included in contributed surplus. The amount is management's estimate of the fair value of the stock options vested in the year. The following assumptions were used for the Black-Scholes valuation of stock options granted during 2011 and 2010:

	2011	2010
Risk free interest rate	2.13% - 2.73%	2.7%
Expected life	5 years	5 years
Expected volatility	73% - 82%	93%
Dividend yield	0%	0%

(f) Contributed surplus

The following table reconciles the Company's contributed surplus:

Balance, June 30, 2009	\$ 6,081,185
Add: Stock options granted	1,403,836
Finder's fees warrants granted	40,502
Less: Reclassification to common shares on exercise of options	<u>(354,528)</u>
Balance, June 30, 2010	7,170,995
Add: Stock options granted	665,127
Less: Reclassification to common shares on exercise of options	<u>(93,326)</u>
Balance, June 30, 2011	<u>\$ 7,742,796</u>

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9. INCOME TAXES

The actual income tax provision differs from the expected amount calculated by applying the Canadian federal and provincial statutory tax rates to the Company's income (loss) before income taxes from Canadian operations. The components of these differences are as follows:

	2011		2010	
Loss before income taxes	\$	(2,133,012)	\$	(3,494,304)
Statutory tax rate		32.80%		29.25%
Expected income tax recovery	\$	(699,628)	\$	(1,022,083)
Decrease in income tax recovery resulting from items deductible and not deductible for income tax purposes		304,849		177,652
Change in statutory tax rate		(202,741)		65,119
Change in valuation allowance		597,520		779,312
Future income tax recovery	\$	-	\$	-

The significant components of the Company's future income taxes are as follows:

	2011		2010	
Future income tax assets				
Non-capital and net capital losses	\$	4,240,579	\$	3,638,757
Mineral properties		(801,636)		(816,397)
Property, plant and equipment and other		(193,396)		(174,333)
		3,245,547		2,648,027
Valuation Allowance		(3,245,547)		(2,648,027)
Net future income tax assets (liabilities)	\$	-	\$	-

The Company has non-capital loss of \$6,438,329 in its Canadian operations and \$7,720,178 in its United States operations for income tax purposes which are available to reduce future taxable income. Due to the uncertainty regarding their realization, the potential future income tax benefits of the loss carry forward have not been reflected in these financial statements and a full valuation allowance has been taken.

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10. SEGMENTED DISCLOSURES

Summarized financial information for the geographical segments are as follows:

June 30, 2011	Canada	USA	Total
Loss for the year	\$ (428,672)	\$ (1,704,340)	\$ (2,133,012)
Mineral properties	3	21,003,443	21,003,446
Other assets	1,693,032	4,758,543	6,451,576
	\$ 1,693,035	\$ 25,761,987	\$ 27,455,022

June 30, 2010	Canada	USA	Total
Loss for the year	\$ (2,623,839)	\$ (870,465)	\$ (3,494,304)
Mineral properties	3	17,649,698	17,649,701
Other assets	4,192,992	3,797,367	7,990,359
	\$ 4,192,995	\$ 21,447,065	\$ 25,640,060

11. CAPITAL MANAGEMENT

The Company manages its capital structure, which is substantially represented by its cash resources and share capital, and makes adjustments to it depending on the funds available to the Company for acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage. As such, the Company is dependent on external financing to fund its activities. In order to carry out its planned exploration and pay for on-going general and administrative expenses, the Company will use existing working capital and expects to raise additional amounts through related party loans or private placements of its common shares as needed. The Company will focus its drilling activities on the Cumo property as the drilling result for this property has been encouraging.

Management reviews its capital management approach on an on-going basis. The Company is not subject to externally imposed capital requirements and there were no significant changes in its approach to capital management during the year ended June 30, 2011.

12. COMMITMENTS

- (i) The Company has leased its office space for two years and seven months from September 2009 to March 31, 2012. The lease provides for payment of maintenance, insurance, utilities and tax costs in addition to base rent. Future aggregate payments as at June 30, 2011 totaled \$21,694.
- (ii) In addition, the Company is committed to agreements with related parties outlined in Note 7.

13. CONTINGENT LIABILITIES

- a) Essex Insurance Company asserted a claim for unpaid premiums of US\$66,475 against the Company. The case was dismissed on December 28, 2010 and a settlement was entered pursuant to which Essex Insurance Company paid the Company C\$15,030 / US\$15,000.
- b) Liberty Mutual Insurance Company asserted a claim against the Company for unpaid premium of US\$142,374 plus interest, costs of suit and attorney's fees. The amount in dispute was included in accounts payable and accrued liabilities. Management is in the process of settling the matter without further litigation.
- c) The lawsuit against the party from whom the Company was purchased is ongoing at this time. The Company asserts a claim of US\$100,000 against the party for money claimed to have been wrongfully diverted from the Company shortly before the closing of the sale.
- d) The Idaho Conservation League, Idaho Rivers United and the Golden Eagle Audubon Society are challenging the United States Forest Services' ("USFS") approval of the exploration program on the Company's Cumo Molybdenum Property. No claims are against the Company. However, if the claims against the USFS are successful, the exploration program could be interrupted or limited in scope. The case is in its early stages and the unfavorable outcome is neither probable nor remote.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash, accounts receivable, other receivables, HST / GST recoverable, accounts payable, accrued liabilities and due to related parties. Cash and marketable securities are carried at fair value using a level 1 fair value measurement. The fair values of accounts receivable, other receivables, HST / GST recoverable, accounts payable, accrued liabilities and due to related parties approximated their carrying values due to the short-term nature of these instruments.

The Company is engaged primarily in the mineral exploration business and manages related industry risk directly. The Company is potentially at risk for environmental reclamation and fluctuations in commodity-based market prices associated with mineral property interests. Management is of the opinion that the Company addresses environmental risk and compliance in accordance with industry standards and specific project environmental requirements. There is no certainty that all environmental risks and contingencies have been addressed.

The Company is exposed in varying degrees to a variety of financial instrument related risks as follows:

Interest Risk

The amounts due to related parties are non interest bearing. The Company does not have other financial liabilities. Therefore interest rate risk is minimal.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk includes cash, accounts receivable, other receivables and HST / GST recoverable. The credit risk with respect to its cash is minimized as cash placed with major financial institutions. To reduce credit risk of accounts receivable and other receivables, the Company regularly reviews their collectability and establishes an allowance based on its best estimate of potentially uncollectible amounts. HST / GST recoverable is due from the Government of Canada and therefore, the credit risk exposure is low.

Foreign exchange risk

Foreign exchange risk is the risk that the Company will be subject to foreign currency fluctuations in satisfying obligations related to its foreign activities. The Company operates primarily in Canada and the United States. The Company did not management currency risks through hedging or other currency management tools. Management believes that the Company's future exposure to currency risk is not significant.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company requires funds to finance its business development activities. In addition, the Company, from time to time, needs to raise equity financing to carry out its exploration programs. There is no assurance that financing will be available or, if available, that such financings will be on reasonable terms

15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The following significant non-cash transactions have been excluded from the statements of cash flows:

2011

The Company received 200,000 shares valued at \$145,000 in connection with the sale of Laverty Property to Mega (Note 6(b)).

The Company received 3,000,000 shares valued at \$900,000 in connection with the sale of Brett Property to Running Fox (Note 6(c)).

2010

The Company received 1,000,000 shares valued at \$300,000 in connection with the sale of Pine Tree Property to IEMR (Note 6(f)).

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16. SUBSEQUENT EVENTS

- (i) On August 24, 2011, the Company has finalized a mineral property purchase agreement with Urastar Gold Corp. ("Urastar"). Pursuant to the agreement, Urastar agreed to purchase a 100% interest in the Blackpoint gold-silver property located in the major Battle Mountain-Eureka Gold Trend of Nevada. The definitive agreement allows Urastar to earn a 100% interest in Blackpoint by making the following payments consisting of cash and shares over a 5 year period:

	Cash Payments	Common Shares
On Signing LOI	\$ 25,000	Nil
At closing	225,000	250,000
Year 1 from Closing	350,000	250,000
Year 2 from Closing	1,000,000	250,000
Year 3 from Closing	1,500,000	250,000
Year 4 from Closing	2,500,000	250,000
Year 5 from Closing	4,400,000	250,000
	<u>\$ 10,000,000</u>	<u>1,500,000</u>

Upon the commencement of the commercial production, Urastar shall pay the Company the royalty, being equal to 2.5% of net smelter returns.

Subsequent to 2011 year end, \$250,000 was paid and 250,000 shares were issued by Urastar.

- (ii) On July 15, 2011, the Company announced that its offering of up to 4,000,000 units at \$0.75 per unit for a total of up to \$3,000,000, where each unit consists of one common share of the Company and one non-transferable share purchase warrant having a three year term for the purchase of one further common share of the Company at the exercise price of \$0.85 per share.

On August 25, 2011, the Company has closed the 1st tranche of the above private placement of 2,490,649 units for gross proceeds of \$1,867,987. The agents were paid an aggregate fee of \$66,296, 102,986 share purchase warrants exercisable at \$0.85 for three years and 14,592 units, comprised of one share and one share purchase warrant exercisable at \$0.85 for three years.

- (ii) Subsequent to June 30, 2011, the Company received US\$200,000 cash and 1,000,000 shares related to the Pine Tree Property option agreement from IEMR. The payment was scheduled to be paid on June 25, 2011 pursuant to the option agreement.