

MOSQUITO CONSOLIDATED GOLD MINES LTD.

FOR THREE MONTHS ENDED SEPTEMBER 30, 2011

Management Discussion and Analysis (MD&A) Form 51-102F1

The following management discussion and analysis of the results of operations and financial conditions (“MD&A”) for Mosquito Consolidated Gold Mines Ltd. (the “Company” or “Mosquito”) should be read in conjunction with the audited financial statements for the year ended June 30, 2011 and the related notes therein. The financial information in this MD&A is derived from the Company’s unaudited financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”). The effective date of this MD&A is December 29, 2011. Additional information on the Company is available on SEDAR at www.sedar.com and on the Company’s website at www.mosquitogold.com

OVERVIEW

Business of Mosquito

Mosquito is an exploration stage company engaged in the acquisition, exploration and development of mineral properties of merit in Canada and the United States with the aim of developing them to a stage where they can be exploited at a profit or to arrange joint ventures whereby other companies provide funding for development and exploitation.

Forward looking statements

Certain information included in this discussion may constitute forward-looking statements. Forward-looking statements are based on current expectations and entail various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different than those expressed or implied. The Company disclaims any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

Trends

The mineral exploration industry has been through a very difficult period with low prices for both precious and base metals. Lack of interest may lead to low market capitalizations and major mining companies found it was easier to grow by purchasing companies or mines rather than explore for them. This, in turn, led to downsizing of major mining company exploration staff and many professionals took early retirement or left the industry to pursue other careers. As a result of these trends, there are few, good base-metal or gold-silver projects at a late stage of development and a shortage of experienced exploration personnel. With improving metal prices and increasing demand, especially from Asia, supply difficulties may occur in the future and there is a discernible need for good exploration projects based on sound geological work. At the same time, environmental groups have successfully lobbied for more wilderness areas and parks where exploration and mining activities are not allowed. Native groups are actively pursuing land claims and there is a rise of militant national and religious groups in many parts of the world. These issues tend to restrict the areas where mineral exploration and development of new

mines can occur. This should make areas permissive to exploration more attractive. As junior companies (many of which are staffed by former large company geologists) find it easier to raise funds, they are beginning to seek properties of merit to explore.

Risks and uncertainties

The Company is subject to a number of risks and uncertainties, the significant of which are discussed below. Additional risks and uncertainties not presented may also impact the Company's financial results in the future.

Industry

Mosquito is engaged in the exploration of mineral properties, an inherently risky business. There is no assurance that a mineral deposit will ever be discovered and economically produced. Most exploration projects do not result in the discovery of commercially mineable ore deposits.

Reserve and mineralization estimates

The estimation of reserves and mineralization is a subjective process and the accuracy of any such estimates is a function of the quality of available data and of engineering and geological interpretation and judgment. No assurances can be given that the volume and grade of reserves recovered and rates of production will not be less than anticipated.

Gold and metal prices

The price of gold is affected by numerous factors beyond the control of the Company including central bank sales, producer hedging activities, the relative exchange rate of the U.S. dollar with other major currencies, demand, political, economic conditions and production levels. In addition, the price of gold has been volatile over short periods of time due to speculative activities. The prices of other metals and mineral products that the Company may explore all have the same or similar price risk factors.

Cash flows and additional funding requirements

Mosquito has not commenced operations as yet. If any of the Company's exploration programs are successful and optionees of properties complete their earn-in, the Company would have to provide its share of ongoing exploration and development costs in order to maintain its interest in the projects, or be reduced to a royalty interest. Additional capital would be required to put a property into commercial production. The sources of funds currently available to the Company are the sale of marketable securities, sale of equity capital or the offering of an interest in its projects to another party.

Exchange rate fluctuations

Fluctuations in currency exchange rates, principally the Canadian/U.S. dollar exchange rate, can significantly impact cash flows. The exchange rate has varied substantially over time. Most of the Company's exploration expenses are in U.S.A and in U.S. dollars. Fluctuations in exchange rates may give

rise to foreign currency exposure, either favorable or unfavorable, which may impact financial results. The Company does not engage in currency hedging to offset any risk of exchange rate fluctuation.

Environmental

Mosquito's exploration and development activities are subject to extensive laws and regulations governing environment protection. The Company is also subject to various reclamation-related conditions. Although the Company closely follows and believes it is operating in compliance with all applicable environmental regulations, there can be no assurance that all future requirements will be obtainable on reasonable terms. Failure to comply may result in enforcement actions causing operations to cease or be curtailed and may include corrective measures requiring capital expenditures.

Laws and regulations

Mosquito's exploration activities are subject to extensive federal, provincial, state and local laws and regulations governing prospecting, development, production, exports, taxes, labour standards, occupational health and safety, mine safety and other matters in all the jurisdictions it operates in. Such laws and regulations are subject to change, can become more stringent and compliance can therefore become more costly. The Company applies the expertise of its management, its advisors, its employees and contractors to ensure compliance with current laws and relies on its land man in Australia and legal council in both Canada and the United States.

Title to mineral properties

While the Company has investigated title to its mineral properties, this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects. Unresolved native land claim issues in British Columbia and Australia may affect the Company's properties in these jurisdictions in the future.

Possible Dilution to Present and Prospective Shareholders

The Company's plan of operation, in part, contemplates the financing of the conduct of its business by the issuance of cash, securities of the Company, or a combination of the two, and possibly, incurring debt. Any transaction involving the issuance of previously authorized but unissued shares of common stock, or securities convertible into common stock, would result in dilution, possibly substantial, to present and prospective holders of common stock. The Company may seek a joint venture partner to fund in whole or in part exploration projects. This dilutes the Company's interest in properties it has acquired. This dilution of interest in properties is done to spread or minimize the risk and to expose the Company to more exploration plays but means that any profit that might result from a possible discovery would be shared with the joint venture partner. There is no guarantee that the Company can find a joint venture partner for any property.

Material Risk of Dilution Presented by of Issuance of Outstanding Share Purchase Options and Warrants and Mineral Property

As of November 29, 2011 there were share purchase options outstanding allowing the holders of these options to purchase 6,769,350 common shares and share purchase warrants outstanding allowing the holders to purchase 2,608,227 common shares.

Given the fact that as of November 29, 2011, there were 81,812,447 shares of common stock outstanding, the exercise of all of the existing share purchase options and warrants would result in further dilution to the existing shareholders and could depress the price of the Company's shares. These shares may be issued and could depress the price of the Company's shares.

Dependence on management

The Company strongly depends on the business and technical expertise of its management and there is little possibility that this dependence will decrease in the near term.

Conflict of Interest

Some of the Company's directors and officers are directors and officers of other natural resource or mining-related companies. These associations may give rise from time to time to conflicts of interest. As a result of which, the Company may miss the opportunity to participate in certain transactions and may have a material, adverse effect on its financial position.

Trading Volume

The relatively low trading volume of the Company's shares reduces the liquidity of an investment in the Company's shares.

Volatility of Share Price

Market prices for shares of early stage companies are often volatile. Factors such as announcements of mineral discoveries, financial results, and other factors could have a significant effect on the price of the Company's shares.

Competition

There is competition from other mining exploration companies with operations similar to those of the Company's. Many of the mining companies with which the Company competes have operations and financial strength greater than that of the Company.

Mineral Projects – USA

Pine Tree – Nevada

The property consists of 61 claims (510 hectares) located in the Pilot Mountains, Mineral County, western Nevada. Situated five miles east of the town of Mina, Nevada, half way between the cities of

Reno and Las Vegas, the Pine Tree Project lies in an area that is host to several active small-scale mines and operations, as well as significant historical past producers. These include the Santa Fe gold mine located approximately 14 miles north of the project, which was operated by Homestake and produced approximately 750,000 ounces of gold between 1988 and 1993 and the Candelaria Mine, located approximately 15 miles to the south of the project, currently owned by Silver Standard Resources, which produced 68 million ounces of silver between 1970 and 1999. The primary target being sought on the project by Mosquito is a large (+200 million ton) copper-molybdenum-rhenium porphyry deposit, with potential gold, silver and tungsten by-products.

Mosquito has an option to purchase the Pine Tree Project through a combination of cash and share payments (totaling 300,000 shares) to the two project vendors 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).

Originally staked in the 1950s, over 2,310 feet of historical underground drifting and 1,492 feet of diamond drilling in two holes were completed on the project at an estimated present day cost of \$1.25 million. Mosquito believes, based on results from the limited past exploration programs on the Pine Tree Project, that previous owners did not recognize the potential for a significantly sized deposit.

In March 2006, the Company, after spending approximately U.S.\$ 600,000, completed the stage 1 program on the property, Work consisted of surface and underground mapping, sampling of all known mineralized zones and showings, cleaning and gaining access to all underground workings and the drilling of five diamond drill holes totaling 4455 feet (1358 meters). Results have confirmed the presence of the previously unrecognized copper-molybdenum porphyry system. In addition the presence of by product elements such as gold silver, rhenium, indium and gallium make this extremely attractive. The Northern most hole (PT07-12 intersected 395.94 meters (1299 feet) grading 1.01% Copper equivalent. The program outlined a mineralized zone 1150 meters long 1100 meters wide ranging in thickness from 130 to 400 meters. The zone is open in all directions, especially to the north where alteration and mineralization indicate that the northern most hole (PT07-12) is located on the southern edge of the system.

As a result of the success of the stage 1 program the Company commenced a stage 2 program with a budget of \$3,500,000 to continue drilling to the north and east to follow and thus expand the thick mineralized zone encountered in stage 1.

The table below lists the location and orientation of the drill holes. All holes have been surveyed down the hole using a Flex-It survey instrument.

Hole	Northing	Easting	Elevation	dip	azimuth	Length
Number	feet	Feet	feet	degrees	degrees	feet
PT06-06	100,670	199,610	7105	-90	000	670
PT06-07	101,175	199,165	7170	-70	041	1536
PT09-08	101,592	198,160	6715	-60	195	595

PT06-09	101,425	198,380	6840	-60	116	782
PT06-10	101,315	200,015	7485	-90	000	1417
PT07-11	101,774	199,734	7436	-90	000	2009
PT07-12	102,196	199,651	7388	-70	026	2371.5
PT07-13	103,622	199,311	6721	-70	177	1028 abandoned
PT07-14	103,637	199,310	6723	-70	098	1183.5 to be continued
PT07-15	101317	200013	7485	-70	066	1327 completed
PT08-16	101778	199232	7435	-70	000	796.50 abandoned
PT08-17	102223	199665.20	7379	-70	000	2249 completed
PT08-18	101970	199120	7120	-90	000	687 abandoned
PT08-19	100929	201173	7735	-90	000	925 completed
PT08-20	100929	201172	7735	-65	045	1159.50 completed
PT08-21	100929	201175	7735	-65	271	998 completed

Full summary of the analytical results are outlined below. Mineralization consists of copper, molybdenum, gold, silver, rhenium, indium and gallium. As a result of the multi-element nature of the mineralization, it was decided to calculate a copper equivalent for the intercepts. The presence of the by-product elements gold, silver, rhenium, indium and gallium is very significant in terms of the development of the property

Hole#	from meters	To meters	Length (m)	Cu Equiv. %	Cu %	MoS2 %	Re (ppb)	Au (Gms/T)	Ag (Gms/T)	In (Gms/T)	Ga (Gms/T)
PT06-06	57.0	204.2	147.2	0.82	0.11	0.041	68	0.028	2.64	0.43	18.15
including	110.	121.9	11.0	1.34	0.18	0.075	105	09	5.32	1.18	21.98

	1311	201.8	70.7	1.08	0.11	0.065	103	0.031	2.48	0.46	17.14
Hole#	from meters	To meters	Length (m)	Cu Equiv. %	Cu %	MoS2 %	Re (ppb)	Au (Gms/T)	Ag (Gms/T)	In (Gms/T)	Ga (Gms/T)

PT06-07	140.8	459.0	318.2	0.81	0.08	0.043	61	0.044	1.58	0.31	17.99
Including	225.2	451.7	226.5	1.01	0.11	0.055	81	0.045	1.99	0.40	19.80
or	385.9	449.7	63.9	1.55	0.14	0.095	134	0.054	2.49	0.42	24.75
PT06-09	84.1	238.5	154.4	0.78	0.02	0.032	70	0.022	1.81	0.48	16.60
Including	102.4	238.5	136.1	0.85	0.09	0.047	70	0.022	1.92	0.53	16.62
or	117.0	186.2	69.2	1.14	0.09	0.070	110	0.022	2.24	0.76	18.16
PT06-10	166.4	404.2	234.1	0.92	0.09	0.051	70	0.066	1.46	0.30	18.34
Including	270.1	284.7	34.7	1.16	0.10	0.069	90	0.055	1.02	0.13	21.06
or	343.5	400.5	57.0	1.09	0.17	0.056	70	0.066	2.22	0.69	20.14

PT07-11	225.9	609.8	383.9	1.01	0.11	0.059	100	NA	1.71	0.21	17.99
Including	334.4	609.8	249.8	1.37	0.16	0.085	150	NA	2.30	0.28	18.40
or	470.0	609.8	113.4	1.72	0.18	0.114	200	NA	1.76	0.28	18.3
PT07-12	319.74	715.67	395.94	1.01	0.08	0.062	103	NA	0.74	0.23	18.58
including	477.93	622.40	144.48	1.50	0.10	0.101	170	NA	0.95	0.30	19.82
PT07-15	137.16	374.29	237.13	0.61	0.08	0.030	22	NA	1.38	0.28	15.24
including	153.01	178.61	25.6	0.88	0.01	0.061	13	NA	0.35	0.06	15.11
	304.8	254.18	49.38	0.98	0.18	0.047	41	NA	2.59	0.78	18.25
PT08-17	318.21	667.50	349.3	0.90	0.07	0.056	52	NA	0.51	0.14	17.07
including	318.21	420.62	102.41	1.42	0.01	0.110	41	NA	0.33	0.04	14.47
PT08-19	137.16	215.19	68.88	1.9	0.24	0.003	9	NA	191.11	0.42	17.62
including	236.5	246.9	10.38	10.69	0.83	0.001	0.002	0.45	152.2	0.06	13.36
PT08-20	137.16	215.19	6.07	0.71	0.61	0.008	0.01	NA	6.74	1.29	19.72

							2					
PT08-21	137.16	215.19	74.98	0.41	0.29	0.003	0.003	3	NA	2.29	0.32	16.69
including	137.16	215.19	36.58	0.47	0.37	0.003	1	0.004	NA	3.57	0.47	16.43

Almost the entire core is sampled and cut in half using a diamond saw. Half the core is sent for analysis the other half has been kept and stored at the core facility located on site. Following cutting the samples are delivered directly by Mosquito personnel to ALS Chemex in Reno, a fully accredited analytical laboratory. They are first analyzed for 47 elements using a four (4) acid digestion with analysis by Inductively Coupled Argon Plasma Optical Mass Spectrometer (ICPMS) and for gold using a 50 gram fire assay with an Atomic Absorption (AA) finish. Copper and Molybdenum bearing samples are then checked by using a larger 5 gram sample and analyzed using a pressed power pellet X-Ray Fluorescence Spectroscopy (XRF).

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 acquired an option to purchase 100% interest in Pine Tree Property. In order to maintain the option in good standing, IEMR is required to make the following payments and share issuance to the Company:

	Cash payment	Share Issuance
On the Effective Date	\$200,000	1,000,000 common shares
On or before the first anniversary of the Effective Date	\$200,000	1,000,000 common shares
On or before the second anniversary of the Effective Date	\$200,000	1,000,000 common shares
On or before the third anniversary of the Effective Date	\$200,000	1,000,000 common shares
On or before the fourth anniversary of the Effective Date	\$200,000	1,000,000 common shares
Total	\$1,000,000	5,000,000 common shares

In addition, IEMR must incur aggregate exploration and development expenditures on the property of three million (\$3,000,000) dollars on or before the fourth anniversary date of the Effective Date, subject to minimum expenditures of five hundred thousand (\$500,000) dollars being incurred each year on or before the applicable anniversary date of the Effective Date.

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

During the 2010-2011 IEMR completed a total of nine diamond drill holes for 5,652.7 meters (18545.6 feet) and will complete the first resource calculation on the property.

CUMO Deposit – Idaho

The CUMO Project is situated in the mountains of south-central Idaho, approximately 15 miles northeast of the town of Idaho City. Good all weather highway and logging roads provide easy access to the project from Idaho City.

Geologically, the CUMO Project is situated along the northeast trending Trans-Challis Structural Zone in a complex assemblage of Tertiary age felsic dykes and stocks that intrude quartz monzonite of the Idaho batholith. Between 1973 and 1981 AMAX drilled 26 holes totaling 30,821 feet and in 1982, produced a computer generated Kriged block model for the project, estimating geological reserves of 1.387 billion tons of 0.093% MoS₂ at a cut-off grade of 0.05% MoS₂. A higher-grade core zone of 444 million tons of 0.135% MoS₂ at a 0.10% MoS₂ cut-off was also included in this estimate. It should be noted that any reserve/resource estimate referred to are historic and as such, in accordance to NI 43-101, Section 2.4, should be used only as an indicator of the potential of the property. In 1997, the Project was staked by Cumo Molybdenum Mining Inc. who optioned the Project to Mosquito in the fall of 2004. 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.

* 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 may acquire a 100% interest in two Company properties, the Cumo Molybdenum Property located in Boise County, Idaho and the Trikey Copper-Gold Property in Queensland, Australia. Under the terms of the Agreement, Kobex would earn a 100% undivided interest in 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 Trikey property and in consideration of the surrender of the Trikey property, the Company agreed to reduce all cash payments and expenditures to be made on the Cumo property by 25% and the amount of expenditures was extended by one year.

Kobex had not issued the shares or made the required cash payments during the period ended July 31, 2006. In the quarter ended September 30, 2006 Kobex surrendered all rights and interests in the Cumo Property to the Company.

The Company took over control of the 2006 Cumo Drill program from Kobex Resources Ltd. Since then the Company has completed five holes with two currently drilling. The exploration program is under the direction of Shaun M Dykes, M. Sc(eng), P.Geo . a former Director and Exploration manger

The table below lists the location and orientation of the current drill holes. All holes are being surveyed down the hole using a Reflex survey instrument.

Hole	Northing	Easting	Elevation	dip	azimuth	Length
Number	feet	feet	feet	degrees	degrees	Feet
27-06	120,016.7	220,160.3	6351.4	-90	na	1849
28-06	119,531.6	220,796.4	6321.1	-90	na	1711

29-07	120,016.7	220,160.3	6343.3	-70	140	2281.7
30-07	119,585.8	219750.7	6213.1	-90	000	2416
31-07	120,016.7	220,160.3	6326.4	-70	045	2104
32-07	119,480.0	220,720.3	6316	-70	190	2044
33-07	118585.3	221,268.9	6798	-90	na	2095 suspended
34-07	118530.5	220,343.8	6512	-70	095	1769 suspended
35-08	118658.3	220487.4	6534.	-90	na	2817 completed
36-08	119266.8	219322.9	6457	-90	na	2488 completed
37-08	119755.7	221220.4	6341	-70	335	2195 completed
38-08	118658.3	220487.4	6534	-70	180	2445 completed
39-08	118872.7	220777.6	6466	-90	na	2688 completed
40-08	119539.8	220816.8	6321	-70	225	2252 completed
41-08	119545.7	219005.8	6247	-90	na	3018 completed
42-08	118711.9	219886.6	6544	-70	270	2707 stopped (winter)
43-08	120515.6	220178.6	6198	-80	040	1313 stopped by fault
44-08	118068.1	221448.9	6733	-65	075	3047 completed
45-08	119802.3	218821.4	6183	-80	330	1796 stopped (winter)
46-09	118,917.9	220,813.2	6575.1	-70	110	959 abandoned
47-09	120,741.3	219,432.5	5827	-70	270	2530 completed
48-09	120,741.3	219,432.5	5827	-70	305	2576 completed
49-09	118,881.6	221,719.8	6668	-90	na	2847 completed
50-09	121,752.9	219,929.4	5885	-75	270	1826 completed
51-09	121,752.9	219,929.4	5885	-90	na	1583.5 completed

52-09	118,585.3	221,268.9	6798	-75	020	2772 completed
53-09	119,802.3	218,821.4	6183	-75	015	2461 completed
54-09	119,802.3	218,821.4	6183	-75	015	2471 completed
55-10	117,559.6	218422.4	6724.2	-65	0	2479 completed
56-10	117,559.9	218421.8	6724.2	-65	305	1294 completed
57-10	117,559.3	218422.2	6724.2	-90	na	534 stopped (winter)

During the 2011 exploration season was limited due to the delays in receiving permits. Only two core holes were completed in 2011:

Hole # 58-11 - stopped at a depth of 1885 feet due to bad ground conditions.

Hole # 59-11 - stopped on Dec. 15th at a depth of 1907 feet due to winter permit restrictions.

No assays have been received to date for holes 58-11 or 59-11.

Assay results for holes 27 to 57 include:

Hole 27-06: 563.6 meters (1729.0 feet) grading 0.085% MoS₂ (0.108% MoS₂ Eq)

Or 328.9 meters (1079.0 feet) grading 0.111% MoS₂ (0.132% MoS₂ Eq)

Hole 28-06: 563.6 meters (1729.0 feet) grading 0.085% MoS₂ (0.108% MoS₂ Eq)

Or 328.9 meters (1079.0 feet) grading 0.111% MoS₂ (0.132% MoS₂ Eq)

Hole 29-07 614.1 meters (2040.0 feet) grading 0.103% MoS₂ (0.129% MoS₂ Eq)

Including 377.2 meters (1253.0 feet) grading 0.130% MoS₂ (0.150% MoS₂ Eq)

Hole 30-07 715.1 meters (2346.0 feet) grading 0.107% MoS₂ (0.132% MoS₂ Eq)

Including 246.1 meters (807.5 feet) grading 0.185% MoS₂ (0.207% MoS₂ Eq)

Hole 31-07 634.6 meters (2082.0 feet) grading 0.063% MoS₂ (0.086% MoS₂ Eq)

Including 231.7 meters (760.0 feet) grading 0.081% MoS₂ (0.104% MoS₂ Eq)

Hole 32-07 610.8 meters (2004.0 feet) grading 0.115% MoS₂ (0.143% MoS₂ Eq)

Including 70.1 meters (230.0 feet) grading 0.168% MoS₂ (0.192% MoS₂ Eq)

Hole 35-07 668.3 meters (2220.0 feet) grading 0.066% MoS₂ (0.089% MoS₂ Eq)

Including 273.9 meters (910.0 feet) grading 0.095% MoS₂ (0.114% MoS₂ Eq)

Hole 36-08 477.9 meters (1568.0 feet) grading 0.102% MoS₂ (0.123% MoS₂ Eq)

Including 303.9 meters (997.0 feet) grading 0.133% MoS₂ (0.153% MoS₂ Eq)

Hole 37-08 642.7 meters (2135.0 feet) grading 0.085% MoS₂ (0.107% MoS₂ Eq)

Including 406.4 meters (1350.0 feet) grading 0.104% MoS₂ (0.122% MoS₂ Eq)

Hole 38-08 692.3 meters (2271.0 feet) grading 0.029% MoS₂ (0.045% MoS₂ Eq)

Including 100.6 meters (330.0 feet) grading 0.045% MoS₂ (0.056% MoS₂ Eq)

Hole 39-08 724.8 meters (2378.0 feet) grading 0.101% MoS₂ (0.110% MoS₂ Eq)

Including 236.5 meters (776.0 feet) grading 0.143% MoS₂ (0.148% MoS₂ Eq)

Hole 40-08 668.2 meters (2192.0 feet) grading 0.114% MoS₂ (0.140% MoS₂ Eq)

Including 515.1 meters (1690.0 feet) grading 0.129% MoS₂ (0.154% MoS₂ Eq)

Hole 41-08 603.5 meters (1980.0 feet) grading 0.074% MoS₂(0.081% MoS₂ Eq.)

Including 164.6 meters (540.0 feet) grading 0.107% MoS₂(0.120% MoS₂ Eq)

Hole 42-08 657.5 meters (2157.0 feet) grading 0.044% MoS₂(0.061% MoS₂ Eq)

Including 224.6 meters (737.0 feet) grading 0.063% MoS₂ (0.073% MoS₂ Eq)

Hole 43-08 346.9 meters (1138.0 feet) grading 0.057% MoS₂ (0.077% MoS₂ Eq)

Including 48.8 meters (160.0 feet) grading 0.075% MoS₂ (0.093% MoS₂ Eq)

Hole 44-08 522.7 meters (1715 feet) grading 0.029% MoS₂ (0.037% MoS₂ Eq)

Including 39.6 meters (130 feet) grading 0.055% MoS₂ (0.063% MoS₂ Eq.)

Hole 45-08 495.6 meters (1626 feet) grading 0.021% MoS₂ and 0.15% Cu

Including 239.6 meters (786 feet) grading 0.033% MoS₂ and 0.18% Cu

Hole 47-09 598.59 meters (1812 feet) grading 0.18% Cu and 0.056% MoS₂

Including 303.9 meters (1123.5 feet) grading 0.19% Cu and 0.071% MoS₂

Hole 48-09 440.9 meters (1446.5 feet) grading 0.18% Cu and 0.053% MoS₂

Including 323.1 meters (1060 feet) grading 0.17% Cu and 0.057% MoS₂

Hole 49-09	457.2 meters (1500 feet) grading 0.07% Cu and 0.093% MoS ₂
Including	274.31 meters (900 feet) grading 0.06% Cu and 0.105% MoS ₂
Hole 50-09	217.8 meters (714.5 feet) grading 0.15% Cu and 0.026% MoS ₂
Including	71.5 meters (234.5 feet) grading 0.14% Cu and 0.051% MoS ₂
Hole 51-09	320 meters (1050 feet) grading 0.15% Cu and 0.037% MoS ₂
Including	112.8 meters (370 feet) grading 0.15% Cu and 0.105% MoS ₂
Hole 52-09	426.7 meters (1400 feet) grading 0.06% Cu and 0.103% MoS ₂
Including	259.1 meters (850 feet) grading 0.05% Cu and 0.141% MoS ₂
Hole 53-09	509.3 meters (1671 feet) grading 0.19% Cu and 0.091% MoS ₂
Including	292.1 meters (961 feet) grading 0.15% Cu and 0.115% MoS ₂
Hole 57-09	57.9 meters (190 feet) grading 0.02% Cu and 0.070% MoS ₂
Hole 55-10	58 meters (190 feet) grading 0.05% Cu and 0.107% MoS ₂
Including	3 meters (10 feet) grading 0.15% Cu, 0.025% MoS ₂ , 68.8 grams Ag/T and 2.15 grams Au/ton

The entire core was sampled and cut in half using a diamond saw. Half the core is sent for analysis and the other half has been kept and stored at the core facility located in nearby Garden Valley. Following cutting the samples are delivered directly by Mosquito personnel to ALS Chemex in Elko, Nevada, a fully accredited analytical laboratory. They are first analyzed for 47 elements using a four (4) acid digestion with analysis by Inductively Coupled Argon Plasma Optical Mass Spectrometer (ICP-MS). Copper and Molybdenum bearing samples are then checked by using a larger 5 gram sample and analyzed using pressed powder pellet X-Ray Fluorescence Spectroscopy (XRF). In addition duplicates, blanks, and standards are analyzed to ensure analytical accuracy and reproducibility. All rejects are being kept for further analysis and for use in metallurgical testing.

In November 2009 Mosquito announced the results of an independent NI 43-101 compliant Preliminary Economic Assessment (“PEA”) managed by Ausenco Minerals Canada Inc. (Ausenco), a Vancouver-based engineering firm with corporate headquarters in Brisbane, Australia. Based on a pre-tax financial model (earnings before interest, tax, depreciation and amortization) and using a long-term, base-metal price scenario, Ausenco’s study showed the CUMO project having a Net Present Value (NPV) of US\$16 Billion for a 150,000 short tons per day ore production rate and US\$10 Billion for a 100,000 short tons per day ore production rate. Corresponding Internal Rates of Return (IRR) were 36% and 29% respectively – significantly above the minimum 12.5% to 15% IRR typically required for United States-based projects to be considered for production – and straight-line payback periods for startup capital costs were 2.3 and

3.0 years respectively. These very substantial figures indicate that Mosquito should be developing CUMO toward an initial ore production rate of between 100,000 and 150,000 short tons per day. Complete details of the study are available at www.Mosquitogold.com.

Subsequent to year end 2010, Mosquito purchased approximately 100 acres of Private land next to the Cumo deposit and started drilling Hole10-55 on this property to test the down dip extension of the main zone and to obtain geotechnical information about rock strength and fracture orientation.

On February 14, 2011 U.S. Forest service approved a new Plan of Operations for the CuMo Project. The permit approval will allow Mosquito to build up to 10.2 miles of temporary roads and drill up to 256 two-inch-diameter exploratory holes from 137 drill sites over a five-year period. The actual amount of road and drill hole construction will depend on results encountered as the exploration proceeds. Mosquito stated that it expects that the actual road miles and number of drill holes will be substantially less than the upper limit described in the Environmental Assessment. Exploration to date indicates only a small portion of the potential of the property has been explored so far, and additional drill roads will be required in order to access the entire deposit area.

Subsequent to this approval, on April 6, 2011, a local group of environmentalists appealed the decision to grant the plan of operations. On May 17, 2011, the appeal was rejected by US Forest Service allowing further development to proceed. This is part of the regular process in regards to applying and receiving. The permit documentation and approval of the Plan of Operations and the rejection of the subsequent appeal was accomplished through several consultant firms and lawyers based in Boise Idaho.

During the year ending June 30, 2011, the Company announced an updated 43-101 compliant indicated and in inferred resource estimate for the CUMO Property. The results significantly expanded the overall mineral resource and further confirmed that the CUMO is the largest un-mined open pit accessible primary molybdenum project. Snowden Mining Industry Consultants (Snowden), an independent, internationally recognized mineral industry consultant, calculated the estimate.

The NI 43-101 calculation confirms that the CUMO deposit contains:

Indicated Classification: 2.03 billion tons with

2.14 billion Pounds of molybdenum oxide (MoO_3),

3.27 billion lbs of Copper (Cu),

140.7 million ounces of silver (Ag) and

158.2 million lbs of tungsten (W)

Plus and additional, Inferred Classification 3.95 billion tons with

2.34 billion Pounds of molybdenum oxide (MoO_3),

5.55 billion lbs of Copper (Cu),

242.5 million ounces of silver (Ag) and

90.9 million lbs of tungsten (W)

A technical report detailing the resource estimate has been filed at www.sedar.com.

The resource is divided into three components based on a Recovered metal value cutoff grade. These are estimates of what may be considered waste, stockpile and run of mill.

1) Indicated Resource Estimate (Effective Date: June 30, 2011)

Cutoff		Grade > Cutoff				Contained Metal					Recov.	Recov. Lbs
		RCV	millions	MoS2	Cu	Ag	W	Million	Million	Million	Million	Million
\$US	(tons)	(%)	(%)	(g/t)	(ppm)	lbs. Mo	lbs MoO3	lbs Cu	oz Ag	lbs W	Equiv	Equiv
<5*	158.60	0.006	0.05	1.76	15.20	12.0	17.9	144.3	8.2	4.8	0.08	0.20
5-20	1,012.51	0.035	0.09	2.67	34.70	428.9	643.3	1821.4	78.7	70.3	0.31	0.73
>=20	881.2	0.094	0.08	2.15	47.37	988.5	1482.7	1325.7	55.1	83.5	0.68	1.60

2) Inferred Resource Estimate (Effective Date: June 30, 2011)

Cutoff		Grade > Cutoff				Contained Metal					Recov.	Recov. Lbs
		RCV	millions	MoS2	Cu	Ag	W	Million	Million	Million	Million	Million
\$US	(tons)	(%)	(%)	(g/t)	(ppm)	lbs. Mo	lbs MoO3	lbs Cu	oz Ag	lbs W	Equiv	Equiv
<5*	2,609.30	0.002	0.05	1.53	1.43	48.5	72.8	2407.1	116.1	7.5	0.09	0.22
5-20	2,212.09	0.030	0.07	2.15	13.53	806.2	1209.4	3046.8	138.6	59.9	0.26	0.61
>=20	702.9	0.085	0.07	1.94	17.27	713.2	1069.7	926.9	39.7	24.8	0.61	1.44

Notes: RCV is a recovered metal value based on the grade and tonnage estimates described above.

\$2.50 RCV cutoff was chosen as the base cutoff grade for comparison of global resource as it is the lowest cutoff value that has reasonable prospects of economic extraction. especially when current metal prices, (which are significantly higher than those used in the study) are taken into consideration.

Some of the Totals may not sum exactly due to rounding.

Due to TSX exchange rules only the cutoff can be reported prior to feasibility, not the actual values.

Copper equivalent (Cu. Equiv.) and molybdenite equivalent (MoS₂ Equiv.) are based on the following metal prices (all in US\$): Copper \$2.10/lb, Molybdenum Oxide (\$16/lb), Silver \$0.35/gram and Tungsten \$0.22/gram.(\$7.00 per lb). Other factors include 1% = 20 pounds; 1 ppm = 1 gm/T; 1000 ppb =1 ppm = 1 gm/T.

Molybdenum is sold as either ferro-molybdenite or molybdenum oxide.

The price used in these estimates is \$16 per pound Molybdenum oxide.

To obtain the amount of molybdenum oxide that can be produced from MoS₂, the following is required: convert MoS₂ to Mo by dividing MoS₂ by 1.6681 then convert to MoO₃ (Molybdenum Oxide) by multiplying by 1.5. Therefore the amount of molybdenum oxide is pounds MoS₂ times 1.5 / 1.6681.

Estimated metallurgical recoveries used in the calculations are as follows for each metal zone. Recoveries are slightly lower than those currently reported by SGS in their recent metallurgical study, as they have been adjusted by Ausenco to reflect losses anticipated during the cleaning and roasting stages.

TABLE 4

Zone	Cu%	MoS ₂ %	Ag %	W %
weathered	60%	80%	70%	35%
Cu-Ag	68%	85%	73%	35%
Cu-Mo	87%	92%	78%	35%
Mo	80%	95%	55%	35%
Footwall	80%	95%	55%	35%

Formulas :

Recovery (recv) for a metal is taken from the above table for each assay/block in a particular zone and is value percentage/100

$$RCV = ((Cu * 20 * \$ * recv) + ((MoS_2 * 20 * (1.5 / 1.6681) * \$ (MoO_3) * recv) + (Ag * \$ * recv) + (W * \$ * recv))$$

$$\text{Recovered Cu. Equiv.} = RCV / (\$(Copper) * 20)$$

$$\text{Recovered MoS}_2 \text{ Equiv.} = RCV / ((1.6681 / 1.5) * \$ (MoO_3) * 20)$$

Blackpoint - Nevada

The Blackpoint property covers an area of 410 hectares in Eureka County, Nevada, approximately eight miles northeast of the town of Eureka. Situated within the major Battle Mountain-Eureka Gold Trend of central Nevada, the project is located northeast of the past producing Ruby Hill Gold Mine, which produced approximately 135,000 ounces of gold annually between 1997 and 2002. The project hosts a silica-sericite (or "low-sulfidation") epithermal gold system with extensive silica-sericite alteration and scattered gold values, indicating that the observed surface exposure is located in the barren cap part of the system above the high grade gold bearing boiling zone. The proposed target is a typical high grade Carlin type sedimentary-hosted deposit beneath the surface exposed cap rocks.

The property has a long history dating back to 1864. Available records indicate production between 1933 and 1941, from the near surface zones on the property, grading 400 gms Ag/ton to 3,700 gms Ag/T (12 to 108 ounces per ton) which was sent to a mill located at McGill, Nevada. Exploration in 1971 concentrated on surface sampling and several short drill holes. Past work conducted in the 1980s consisted of surface mapping, sampling and a few short diamond drill holes drilled along the outer edge of the mineralizing system, which failed to intersect any significant gold values. Mosquito has completed its limited exploration work on the Blackpoint Project. During the Year 2008, management wrote down the carrying value of the property to a nominal amount.

On July 15, 2011, the Company entered an option to purchase agreement with UraStar Energy Inc. ("UraStar") (TSXV: URS) to sell a 100% interest in the BlackPoint gold-silver property.

Pursuant to the Option Agreement, UraStar can earn a 100% interest in Blackpoint by making the following payments consisting of cash and shares over a 5 year period:

<u>Time</u>	<u>Cash (USD) Payments</u>	<u>Common Shares</u>
On Signing LOI	\$25,000.00	Nil
At Closing	\$225,000	250,000 shares
Year 1 from Closing	\$350,000	250,000 shares
Year 2 from Closing	\$ 1,000,000	250,000 shares
Year 3 from Closing	\$ 1,500,000	250,000 shares
Year 4 from Closing	\$ 2,500,000	250,000 shares
<u>Year 5 from Closing</u>	<u>\$ 4,400,000</u>	<u>250,000 shares</u>
<u>TOTALS</u>	<u>\$10,000,000 CASH PAYMENTS</u>	<u>1,500,000 SHARES</u>

Spruce Mountain Molybdenum Project, Elko, Nevada, USA

In May 2006 the Company signed a purchase agreement for 53 patented claims on Spruce Mountain, Elko County, Nevada. The property covers a large molybdenum porphyry system containing silver, rhenium and copper. The Project is situated forty miles (65 kilometers) south of the town of Wells, Nevada, 25 miles north of Currie and 8 miles east of Highway 93. Access to the property is excellent with numerous roads and 4x4 trails throughout the area. Rail lines are located within 25 miles of the property to the north, northeast and south.

Spruce Mountain has been known for many years to host significant lead-silver mineralization which was mined between 1869 and the late 1930's. In 1977, during exploration for more lead-silver mineralization, Freeport Exploration Company discovered molybdenum-silver mineralization associated with a large intrusion known as the Spence porphyry. Several significant drill intersections were obtained between 1977 and 1982 by Amax. However with low molybdenum prices the property was returned to the original owners. In 1984 Santa Fe Mining optioned the property and by the end of 1985 had drilled 25 holes totaling 10,000 feet. This exploration encountered gold bearing quartz stockwork veins up to 80 feet thick. Santa Fe however, felt the drilling had not proven up sufficient mineralization to warrant further work and dropped the option.

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

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. The company staked 299 additional claims to cover the numerous quartz veins that have been identified in the area of the property.

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.

The Motley property is included as part of the Spring Creek Project by the management

Spring Creek Project, Idaho, USA

Between 2007 and 2008, the Company staked several claims in Montana and Idaho, USA that adjoin the Motley property. Collectively these are referred to as the Spring Creek Project.

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.

Copper Chief, 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.

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

Boise Property, USA

On July 8, 2010, the Company entered into a Property Option Agreement to purchase the certain mineral claims located in Boise County, Idaho, USA. These patent mineral claims are part of the CuMo deposit. In order to maintain the Option in good standing, the Company shall be required to pay the vendor Option Payments in the amount of US\$ 1,200,000 on the following dates:

- i) US \$400,000 on the Closing date (paid)
- ii) US \$400,000 on or before the first anniversary of the Closing date (paid); and
- iii) US \$400,000 on or before the second anniversary of the Closing date.

Payment of the Option payments may be accelerated at the Company's option.

Kirkness Diamond Drilling Co. Inc.

On July 9, 2007 Mosquito acquired all assets of Kirkness Diamond Drilling of Carson City for U.S.\$3 million. The purchase was made because there was a shortage of drilling services available in North America which limited the Company's ability to complete its exploration programs. The Kirkness drills are being scheduled for various company projects and client contracts. Kirkness will remain a diamond drill contactor in addition to supplying drills for Mosquito's projects.

Mineral Projects - Canada

Mosquito Mine –Cariboo Gold Quartz Mine. Wells B.C.

The Company was created in 1971 with the primary objective of establishing a mining complex on the former producing mines known as Island Mountain Mine and Cariboo Gold Quartz Mine, which are located near Wells B.C. This was accomplished in 1980 when the Mosquito Mine commenced production. The mine operated in a production, development or exploration mode until 1994 when an agreement was reached with International Wayside Gold Mines Ltd. ("WGM"). From 1994 to the present the Cariboo Gold Quartz claims have been actively developed by WGM with the purpose to develop an economically feasible mine.

Mosquito presently has two separate agreements with WGM. In an October 1994 agreement, WGM earned the right to earn a 50% interest in the Cariboo Gold Quartz claim group. In order to maintain this agreement WGM must spend \$500,000 per year until a bankable feasibility study is presented. This agreement is still in effect.

In a second agreement dated August 22, 2003, Mosquito completed a Property Option Agreement for the Cariboo Gold Project with International Wayside Gold Mines Ltd. This Agreement replaces an earlier agreement between the Parties dated January 25, 1999, as amended by agreement dated January 24, 2002 (collectively the "Previous Option Agreement") pursuant to which the Mosquito granted to Wayside an option to purchase a 50% interest in and to the Cariboo Gold Quartz mineral claims and a 100% interest in and to the Island Mountain Mineral Claims and the Mosquito Creek Mineral Claims (collectively the Properties)

Wayside will also have the exclusive right to extract at any time prior to the exercise of the Option, a bulk sample (the "Bulk Sample") from the Properties with limits on the tons of ore and ounces of gold mined. Mosquito will be entitled to receive a royalty (the "Bulk Sample Royalty") of 5% of "Net Smelter Returns" (as hereinafter defined) derived from the Bulk Sample. On exercise of the Option, Mosquito's royalty will revert to a 3% Net Smelter Return.

In order to exercise the second agreement Option, Wayside must make the following cash payments to Mosquito:

\$ 50,000, on the signing of the Agreement (paid);
\$ 450,000 on or before August 31, 2003, (paid)
\$ 500,000 on or before August 31, 2004; (paid)
\$ 500,000 on or before August 31, 2005; (paid)
\$ 500,000 on or before August 31, 2006; (paid) and
\$ 3,500,000 on or before December 31, 2006. (paid)

The payments listed above have been paid in full. Presently Mosquito now retains a 3% net smelter royalty and the 50% interest described above as per the October 1994 Agreement . The royalty gives Mosquito 3% of gross revenues from all minerals produced from the property less smelter charges and transportation costs to a smelter.

On December 5, 2011 entered an agreement whereby it will sell to Barkerville Gold Mines Ltd. ("Barkerville") all residual property interest owned by Mosquito in the Cariboo District near Wells B.C. for \$5,000,000.00 (Five Million Dollars). These interests include a 50% Interest in Cariboo Gold Quartz Property, placer mining rights on Mosquito Creek and a 3% Net Smelter Return royalty on Cariboo Gold Quartz Mine Property, Island Mountain Mine Property and Mosquito Creek Mine Property.

Barkerville Gold Mines Ltd. has entered into a financing of greater than \$10,000,000 which is scheduled to close on or before January 31, 2012. This financing has designated that \$5,000,000 shall be used to pay the Purchase Price. The transaction is subject to approval by the TSX Venture Exchange and the approval by the Board of Directors of Mosquito of the transaction and the fairness opinion of the transaction.

Brett Claim Group

On January 30, 2003, Mosquito Consolidated Gold Mines Ltd. completed an agreement to acquire a 100% interest in the Brett #1 and Brett #2 mineral claims located in the Vernon Mining District of British Columbia for a consideration of 300,000 shares of the Company.

On May 10, 2004, Running Fox Resource Corp. (RUN-TSX) and Mosquito entered into an Option Agreement on the Brett Property. Running Fox was required to issue 200,000 common shares of their Company and spend \$500,000 on exploration expenditures over one year to earn a 50% interest in the Property. Upon earn-in, the Parties were to enter into a Joint Venture Agreement with Mosquito being Operator for as long as Mosquito maintains a 50% interest. Running Fox earned a 50% in the project in 2004. During the Year 2008, management wrote down the carrying value of the property to a nominal amount.

On January 25, 2011, the Company entered into an agreement with Running Fox Resources Ltd. whereby the Company sold, subject to a net smelter royalty, the Company's 50-per-cent interest in the Brett property located near Vernon, B.C.

Running Fox Resources agreed to pay the Company \$1-million as follows: \$50,000 on signing, \$450,000 within one business day of regulatory acceptance by the TSX Venture Exchange and \$500,000 within 30 days of the TSX-V acceptance date, and three million common shares within 10 business days of TSX-V acceptance. As of May 24, the above amounts were fully paid and shares were issued. In addition the Company retains a sliding-scale royalty on the property based on the price of gold as follows:

- Gold price up to \$500 per ounce -- 2-per-cent net smelter royalty;
- Gold price between \$501 and \$1,000 per ounce -- 3-per-cent NSR.
- Gold price between \$1001 and \$1,500 per ounce -- 5-per-cent NSR.
- Gold price between \$1501 and \$2,000 per ounce -- 6-per-cent NSR.
- Gold price over \$2,001 per ounce -- 8-per-cent NSR.

Laverty Lake – Red Lake, Ontario

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 “Laverty 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.

By way of an option agreement dated January 26, 2009, subsequently amended on March 11, 2009, the Company optioned the Lavery 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.

Lavery Property is located 1 mile west of the town of Red Lake, Ontario and consists of six (6) patented Claims (KRL 5136-8 and 6979-81) on the boundary between Heyson and Dome Townships. The property is located within the heavily explored Red Lake gold camp. Several mines have and are still operating in

the area, with Goldcorp's Red Lake Mine and Placer Dome's Campbell Red Lake Mine being the most prolific producers at the present time.

Numerous shafts have been sunk in the immediate vicinity and the old Howey and Hasaga mines are located less than 1.5 miles away. These mines produced approximately 640,000 ounces between 1930 and 1950. The claims were first worked in 1930 with the 15,318 feet of diamond drilling done by Lavery Red Lake Mines Ltd in 1947 and 1950-51. Coin Lake Gold Mines Ltd completed an IP survey in the 1970's. In 1981 Camflo Mines completed 8,661 feet of diamond drilling and a geophysical survey. Finally in 1990 Lavery Red Lake Resources Ltd drilled 2,015' in 4 holes.

Mineralization consists of narrow blue gray quartz veins and veinlets. Two styles of mineralization were identified: the quartz vein/veinlets in an almost east west trending zone drilled in the 1950's with assays ranging from 0.06 oz Au/ton to 1.1 oz Au/ton over a 2 to 3 foot average width (up to 36.8 feet wide). The second style was drilled by Camflo in 1981 into a north-northwest trending diabase dyke, which was traced for a length of 800 feet with widths between 15 to 42 feet (average 25 feet). All drill holes gave results which ranged from 0.04 to 0.185 oz Au/ton over widths up to 7.5 feet (longer widths of lower grade were intersected ranging up to 42 feet). Mineralization was disseminated throughout the dyke and associated with varying amounts of chalcopyrite.

Mosquito feels that the property has the potential to host a significant gold deposit, especially considering its location in the Red Lake Gold Camp. No significant exploration was completed on this project by Mosquito in the past year. During the Year 2008, management wrote down the carrying value of the property to a nominal amount as it does not have an immediate work program for the property.

Cummins Property – Larder Lake, Ontario

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.

The property is located 850 meters from the Cathroy Larder Mine, which yielded approx. 10,000 ounces of gold. The property is underlain by the same units that host the mine. A 60 feet deep shaft is located on the property.

In 1996, a program consisting geological mapping, geochemistry and geophysics (IP, magnetometer, VLF-EM) was completed by McElroy Minerals Inc. A 17 hole-2230 meter diamond drill program was recommended as a result of the program but was not initiated.

The property is still at the grass roots stage with several structural and geophysical targets identified. The property is located within a major gold bearing belt and has structural and geophysical features that indicate the potential for gold mineralization, however insufficient work has been done in order to define the nature, size and extent of any mineralization. No significant exploration was completed on this project by Mosquito in the past year.

Statlu Creek Gravel Deposit – Mission B.C.

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 License of Occupation or June 1, 2008, whichever is earlier,
2. Monthly payment on the 15th thereafter until the \$250,000 is paid.
3. If the vendor fails to make the payments to the Company, then a 50/50 joint venture is formed.

The Company has received the full payment from the vendor and has no interest in the property.

Additional information about the Company is available on SEDAR at www.sedar.com.

International Financial Reporting Standards ("IFRS")

Effective January 1, 2011 Canadian publicly listed entities were required to prepare their financial statements in accordance with IFRS. Due to the requirement to present comparative financial information, the Company's effective transition date is July 1, 2010. As the Company's fiscal year ended on June 30, 2011, the three months ended September 30, 2011 is the Company's first reporting period under IFRS.

(a) First-time adoption of IFRS – exemptions applied

IFRS 1, which governs the first-time adoption of IFRS, generally requires accounting policies to be applied retrospectively to determine the opening statement of financial position on the company's transition date. However, IFRS 1 also dictates certain mandatory exemptions and allows certain optional exemptions from full retrospective application on the transition to IFRS. In preparing its transition date financial statements the Company has applied the following mandatory exemptions:

The estimates established by the Company in accordance with IFRS at the date of transition are consistent with the estimates made for the same date in accordance with Canadian GAAP, after adjustments made to reflect any difference in accounting principles, if applicable.

Financial assets and liabilities that have been de-recognized under previous GAAP have not been recognized under IFRS.

The Company also chosen to apply the following exemption under IFRS:

Financial instruments

The Company has elected to apply an exemption under IFRS 1 to designate its investments classified as held-for-trading under the previous GAAP to fair value through profit or loss under IFRS.

Share-based payment transactions

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 Share-based Payment to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to July 1, 2010.

Business combinations

IFRS 1 encourages, but does not require, a first-time adopter to apply IFRS 3 retrospectively to business combinations that occurred before the Company's IFRS transition date, and to restate all business combinations in accordance with IFRS. The Company has elected not to apply IFRS 3 to its acquisition of Kirkness Diamond Drilling Co. Inc., which occurred before July 1, 2010, the IFRS transition date.

Functional Currency

As a result of the Canadian GAAP to IFRS adjustment discussed later in this note, the functional currency for Kirkness is US dollar. The presentation currency of Kirkness upon consolidation will be the Canadian dollar. IAS 21 requires, when a subsidiary has a functional currency that is different from the presentation currency, to have all foreign exchange amounts arising on the translation of that subsidiary to be recorded as other comprehensive income or loss, and accumulated in a separate component of equity. However, a first-time adopter need not comply with these requirements for cumulative translation differences that existed at the date of transition to IFRS.

Under this exemption, the cumulative translation differences for Kirkness is deemed to be \$nil at July 1, 2010.

(b) Reconciliation from Canadian GAAP to IFRS

IFRS employs a conceptual framework that is similar to Canadian GAAP. However, few differences exist in certain matters of recognition, measurement and disclosure. While adoption of IFRS has not changed the Company's actual cash flows, it has resulted in changes to the Company's reported financial position and results of operations. In order to allow the users of the financial statements to better understand these changes, the Company's Canadian GAAP statement of operations, statement of comprehensive profit, statement of financial position and statement of cash flows for the quarter ended September 30, 2010 and the year ended June 30, 2011 have been reconciled to IFRS, with the resulting differences explained.

(i) Functional Currency

IFRS: A company's functional currency is determined primarily based on the currency in which the company generates and expends its cash, via revenues, costs of sales, and expenses. Additional secondary considerations of the functional currency are the source of the company's equity financing, the currency in which receipts from operations are retained, the amount of control a parent exercises over its subsidiary, and the amount and nature of a subsidiary's transactions with its parent.

Based on these indicators, a subsidiary can be considered to have a functional currency that is different than the currency in which the financial statements are presented in upon consolidation ("the Presentation Currency"). The subsidiary translates all assets and liabilities from its functional currency to the presentation currency using the foreign exchange rate in effect at the date of that statement of financial position. Income and expenses are translated at the rate in effect at the date of transactions (in practice, an average for the period is acceptable if exchange rate fluctuations are minimal). All resulting exchange differences are recorded as other comprehensive income or loss, and accumulated as a separate item in the statement of financial position.

Canadian GAAP: A Company with a subsidiary who reports in a separate currency has to first determine if the subsidiary is integrated or self-sustaining. An integrated subsidiary is translated using the temporal method, with all monetary balance sheet items translated at the exchange rate in effect at the balance sheet date. Non-monetary balance sheet items are translated using historical rates. Revenue and expense items should be translated in a manner that produces substantially the same reporting currency amounts that would have resulted had the underlying transactions been translated on the dates they occurred. Depreciation or amortization of assets translated at historical exchange rates should be translated at the same exchange rates as the assets to which they relate. All foreign exchange amounts are recorded as an item in the statement of operations.

Adjustment impact

As a result of the above adjustment, the Company has recognized differences in the following balance sheet items as a result of their translation using historical rates under Canadian GAAP versus the closing rates in effect at the statement of financial position dates: prepaid expenses, property, plant and equipment, contractors' bonds and mineral properties. The Company has also recognized adjustments to amortization in its statement of operations

As a result of the above adjustment, the foreign exchange arising on the translation of Kirkness is now recorded as a component of other comprehensive income or loss, with the balance accumulated as "cumulative translation", a component of equity. This changes the foreign exchange amount on the statement of operations, the translation adjustment on the statement of comprehensive income or loss, and the amount of deficit and accumulated translation amounts on the statement of financial position.

The impact of the adjustment from CGAAP to IFRS had an extremely immaterial impact on the statement of financial position as at July 1, 2010, as a result, no reconciling adjustments are required.

(ii) Mineral properties

Due to the adjustments to reclamation provision discussed below, the cost of property plant and equipment is different in accordance with IFRS than in accordance with Canadian GAAP. Please refer to Note 8 for the breakdown of capitalized reclamation costs on a property-by-property basis.

(iii) Provision for environmental rehabilitation

IFRS: A provision for environmental rehabilitation is recognized when a reliable estimate can be made of the amount of the obligation. Under IFRS, except in extremely rare cases, an entity will be able to determine a range of possible outcomes and can therefore make an estimate of the obligation that is sufficiently reasonable to use in recognizing a provision.

Canadian GAAP: A provision for environmental rehabilitation is recognized in the period in which it is incurred when a reasonable estimate of the amount can be made. If a reasonable estimate cannot be made in the period the provision for environmental rehabilitation is incurred, the liability shall be recognized when a reasonable amount of the estimation can be made. Under Canadian GAAP, when there is significant uncertainty about the timing of any rehabilitation amounts due to the unknown timeline of exploration work on mineral properties and reasonable estimates of rehabilitation amounts cannot be made. Consequently, provisions for environmental rehabilitation cannot be recognized.

As a result of this difference, the Company recognized a reclamation provision equal to the fair value of the maximum estimated reclamation costs at the end of each of its reporting periods. Please refer to Note 8 for the breakdown of the reclamation provision on a property-by-property basis.

(iv) Cancellation of options

CGAAP: The total amount of compensation cost recognized for an award of stock-based employee compensation should be based on the number of instruments that eventually vest.

IFRS: If a grant of equity instruments is cancelled or settled during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied) the entity shall account for the cancellation or settlement as an acceleration of vesting, and shall therefore recognize immediately the amount that otherwise would have been recognized for services received over the remainder of the vesting period.

The Company granted options to a consultant who was performing investor relations services during the year ended June 30, 2011. These options vested over a nine-month period. During that same period, the options were cancelled. At the cancellation date, there remained options that had not yet vested. Under GAAP, stock-based compensation is recorded based only on the options that are vested at the cancellation date. Under IFRS, stock-based compensation is recognized for the entire number of options, as their vesting is accelerated upon cancellation.

This has resulted in increased stock-based compensation expense under IFRS of \$22,802 for the year ended June 30, 2011, and a corresponding increase in contributed surplus as at June 30, 2011.

(v) Reclassification of amounts due from related parties

IFRS: An entity shall not offset assets and liabilities or income and expenses, unless required or permitted by an IFRS. IAS 24 does not permit the offsetting of amounts due to and owing from related parties.

Canadian GAAP: Similar amounts can be netted against each other for related party payables and receivables.

This has resulted in an increase to amounts owing from related parties and amounts due to related parties of \$153,891 as at July 1, 2010, of \$240,766 as at September 30, 2010 and of \$246,627 as at June 30, 2011.

(vi) Impairment

IFRS: If indication of impairment is identified, the asset's carrying value is compared to the asset's discounted cash flows. If the discounted cash flows are less than the carrying value, the asset is impaired by an amount equal to the difference between the discounted cash flows and the carrying value.

Canadian GAAP: If indication of impairment is identified, the asset's carrying value is compared to the asset's undiscounted cash flows. If the undiscounted cash flows are less than the carrying value, the asset is impaired by an amount equal to the difference between the discounted cash flows and the carrying value.

The Company completed an impairment review of its assets at July 1, 2010, September 30, 2010 and June 30, 2011 and concluded that the assets were not impaired in accordance with IFRS.

(vii) Transitional Financial impact

The table below outlines adjustments to the Company's assets, liabilities and equity on adoption of IFRS at September 30, 2011 for comparative purposes (unaudited):

	June 30, 2011	September 30, 2010	July 1, 2010
	\$	\$	\$
Total assets under Canadian GAAP	27,455,022	24,926,534	25,640,060
Adjustments – Due from related parties	246,627	240,766	153,891
Adjustments -- Prepaid expenses	(3,794)	-	-
Adjustments -- Property, plant and equipment	(124,039)	-	-
Adjustments -- Contractor bonds	(262)	-	-
Adjustments – Exploration and evaluation assets	60,189	65,689	65,869
Total assets under IFRS	27,633,743	25,232,989	25,859,820
Total liabilities under Canadian GAAP	1,596,520	957,567	956,699
Adjustments – Due to related parties	246,627	240,766	153,891
Adjustments -- Unearned revenue	(7,838)	-	-
Adjustments – Reclamation provision	60,189	65,689	65,869
Total liabilities under IFRS	1,895,498	1,264,022	1,176,459
Total equity under Canadian GAAP	25,858,502	23,968,967	24,683,361
Adjustments -- Reserves	22,802	-	-
Adjustments – Cumulative translation adjustments	(126,376)	(564,315)	-
Adjustments – deficit	(16,683)	564,315	-
Total equity under IFRS	25,738,245	23,968,967	24,683,361

Results of Operations for three months ended September 30, 2011 and 2010

The Company's unaudited financial statements for three months ended September 30, 2011 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), applicable to a going concern which assumes that the Company will continue operations and will be able to realize its assets and discharge its liabilities in the normal course of business. The financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the Company is unable to continue operations or does not receive continued financial support from its shareholders and financial communities.

The following is a discussion and analysis of the results of operation and the financial condition of the Company for three months ended September 30, 2011 and 2010 along with certain factors that may affect the Company's prospective financial condition and results of operations. The discussion and analysis contains forward-looking statements that involve risks and uncertainties. Actual events could differ from those anticipated in these forward-looking statements.

Selected Information:

	September 30, 2011	September 30, 2010
Drilling revenue	1,012,541	-
Management fees	-	-
Other revenue	6,826	-
Drilling operating costs	(1,044,897)	-
Consulting	16,500	45,923
Investor relations	33,686	29,702
Management fees	52,500	39,000
Professional fees	77,476	168,094
Stock-based compensation	-	606,430
Travel and business promotion	76,656	143,033
Write-down of mineral properties	-	-
Write-off of property, plant and equipment	-	-
Gain on sale of mineral properties	313,059	-
Write-off related party loan	-	-
Loss for the period	(362,321)	(778,159)
Basic and diluted income (loss) per share	0.00	(0.02)
Working capital, (deficiency)	1,554,195	1,108,964
Mineral properties, property, plant and equip.	25,580,816	22,860,002
Shareholder equity	27,155,922	23,968,967

The loss for three months ended September 30, 2011 was \$362,321, compared to loss of \$778,159 in three months ended September 30, 2010 was primarily due to:

- 1 Reduced consulting, professional, travel and promotional fees
- 2 Increased gain on sale of mineral properties
- 3 Reduced stock-based compensation

The Company's cash position during three months ended September 30, 2011 increased by \$236,595 mainly due to the cash received from financing activity.

Summary of quarterly results:

	30 Sep 11	30 Jun 11	31 Mar 11	31 Dec 10	30 Sep 10	30 Jun 10	31 Mar 10	31 Dec 09
Revenue	1,012,541	214,023	1,483,116	739,416	-	-	-	-
Net income (loss)	(362,321)	572,558	126,212	(1,489,38)	(778,159)	(625,174)	(604,040)	(729,389)
Gain (loss) per share	\$0.00	\$0.01	\$0.01	(\$0.02)	(\$0.02)	(\$0.01)	(&0.01)	(\$0.01)

Significant accounting policies

Basis of consolidation

These interim consolidated financial statements have been prepared by the management in accordance with IFRS. 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.

Estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates, assumptions and judgments that affect the application of policies and reported amounts of assets and liabilities and disclosures of assets and liabilities at the date of the financial statements, along with reported amounts of expenses and net losses during the period. Significant areas requiring the use of management estimates and assumptions relate to the valuation of marketable securities, the recoverability of GST/HST receivable, the recoverability of exploration and evaluation assets, deferred income assets and liabilities, the reclamation provision and the assumptions used in valuing options in share-based compensation calculations. Actual results could differ from those estimates.

Foreign currency translation

The Canadian dollar is considered to be the functional currency and the presentation currency of the Company and all of its subsidiaries, with the exception of Kirkness Diamond Drilling Co., Inc. ("Kirkness").

For Mosquito and its subsidiaries (with the exception of Kirkness) transactions denominated in currencies other than the Canadian Dollar are translated using the exchange rate in effect on the transaction date or at an average rate. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the balance sheet date. Non-monetary items are translated at historical rates. Exchange gains or losses on translation are recorded in the consolidated statements of operations and comprehensive loss.

The United States ("US") dollar is considered to be the functional currency of Kirkness. Its presentation currency, upon consolidation with the company, is the Canadian dollar. Kirkness translates all of its assets and liabilities from its functional currency to the presentation currency using the closing rate in effect at the date of that statement of financial position. Income and expenses are translated at the rate in effect at the date of transactions (in practice, an average for the period is acceptable if exchange rate fluctuations are minimal). All resulting exchange differences are recorded as other comprehensive income or loss, and accumulated as a separate item in the statement of financial position.

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	5 to 7 years	straight line or
Equipment and related vehicles	20%	declining balance method
Office equipment and furniture	5 to 7 years	straight line or 30% declining balance method
Vehicles	20%	declining balance method

Exploration and evaluation assets

Costs related to mineral activities are capitalized as tangible or intangible assets on a property-by-property basis. Examples of such costs include acquisition of rights to explore, gathering exploration data through geological, geochemical and geophysical studies, drilling, trenching, sampling, activities in relation to evaluating technical feasibility and commercial viability of extraction, and administration costs directly attributable to the mining properties. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in the statement of loss and comprehensive loss. Once the technical feasibility and commercial viability of a mineral project is demonstrable, exploration and evaluation assets are reclassified to intangible assets, mining property, plant and equipment and other tangible assets.

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's long-lived assets are reviewed for an indication of impairment at each financial reporting date or at any time if an indicator of impairment is considered to exist. If any such indication exists, an estimate of the recoverable amount is undertaken, being the higher of an asset's fair value less costs to sell and value in use. If the asset's carrying amount exceeds its recoverable amount, then an impairment loss is recognized in the profit or loss.

If there is a future change in the estimate of the recoverable amount, partial or full amount of the impairment is reversed. An impairment loss with respect to goodwill is never reversed.

Reclamation provision

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or straight line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

Provisions

Provisions are recognized when present legal or constructive obligations exist as a result of a past event where it is probable that an outflow of resources embodying economic benefits will be required to

settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation.

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.

Share-based payments

The share option plan allows employees and consultants to acquire shares of the Company. The fair value of the options is measured at grant date and each tranche is recognized on a straight line basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Income tax

The income tax expense for the period comprises current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity. In this case the tax is also recognized directly in equity.

Current income tax

Current income tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred income tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted on the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or tax expense in the statement of equity in which case the related deferred tax is also recognized in equity in which case the related deferred tax is also recognized in equity, respectively.

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.

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.

The Company incurred expenditures for various services provided by directors and officers and corporations controlled by directors and officers of the Company during the year as follows:

	September 30,	September 30,
General support and corporate	9,296	
Purchase of equipment	-	-
Wage	30,000	30,000
Exploration and evaluation expenditure	23,542	
Consulting fees	-	-
Management fees	57,675	42450
Telephone and website	-	-
Professional fees	-	-

(1) 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.

During the three months ended September 30, 2011, the Company and Kirkness received \$98,430 in expense reimbursement from IEMR (three months ended September 30, 2010: \$nil). As of September 30, 2011, accounts receivable and other receivables included \$893,654 owing from IEMR. As of June 30, 2011, accounts receivables and other receivables included \$924,080 owing from IEMR

(2) 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).

Financial instruments

Financial instruments are defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Company recognizes financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument.

Financial assets are classified into the following categories at their initial recognition:

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in the active market. Financial assets in this category includes taxes receivable and are initially measured

at fair value and subsequently at amortized cost less any impairment. Taxes receivable is assessed for evidence of impairment at each reporting date, with any impairment recognized in earnings for that period.

Financial assets at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchases and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy. They are initially recorded at their fair market value. They are subsequently measured at their fair market value, with gains or losses recognized in the income statement.

Held-to-maturity investments

An instrument is classified as held-to-maturity if it is a non-derivative financial asset with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. They are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at amortized cost using the effective interest method. A gain or loss is recognized in profit or loss when the financial asset or financial liability is derecognized or impaired, and through the amortization process.

Available-for-sale

An instrument classified as available-for-sale is a non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. They are initially recorded at their fair market value. They are subsequently measured at their fair market value, with gains or losses recognized in the statement of other comprehensive income.

Financial liabilities are classified into the following categories at their initial recognition:

Financial liabilities at fair value through profit or loss

Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchases and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy. Financial liabilities are designated at fair value through profit or loss if the Company manages such investments and makes purchases and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy. They are initially recorded at their fair market value. They are subsequently measured at their fair market value, with gains or losses recognized in the income statement.

Financial liabilities measured at amortized cost

Financial liabilities are measured at amortized cost and are initially recognized at fair value. Subsequent to initial measurement, financial liabilities measured at amortized cost are carried at amortized cost using the effective interest method.

The Company accounts for its financial instruments as follows:

Cash	Fair value through profit or loss
Amounts receivable	Loans and receivables
GST/HST receivable	Loans and receivables
Marketable securities	Available-for-sale
Investment	Available-for-sale
Reclamation bonds	Available-for-sale
Contractors' bonds	Available-for-sale
Accounts payable and accrued	Financial liabilities measured at amortized
Due to related parties	Financial liabilities measured at amortized

For all of the above financial instruments (with the exception of Marketable Securities), the carrying value approximates the fair value.

Fair Value Disclosures

Fair value measurement disclosures require 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 adoption of this standard is consistent with the financial instrument disclosure standards in IFRS.

Future Changes in Accounting Policies, not yet adopted

The International Accounting Standards Board (IASB) issued the following standards which are relevant but have not yet been adopted by the Company: IFRS 9, Financial Instruments, IFRS 10, Consolidated Financial Statement, and IFRS 11 – Joint Arrangement, IFRS 12 – Disclosure of Interest in Other Entities, IFRS 13 – Fair Value Measurement.

The following is a brief summary of the new standards:

- (i) IFRS 9 – Financial instruments (“IFRS 9”) was issued by the IASB in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013.
- (ii) IFRS 10 – Consolidated financial statements (“IFRS 10”) was issued by the IASB in May 2011. IFRS 10 is a new standard which identifies the concept of control as the determining factor in assessing whether an entity should be included in the consolidated financial statements of the parent company. Control is comprised of three elements: power over an investee; exposure to variable returns from an investee; and the ability to use power to affect the reporting entity’s returns. IFRS 10 is effective for annual period beginning on or after January 1, 2013. Earlier adoption is permitted.
- (iii) IFRS 11 – Joint arrangements (“IFRS 11”) was issued by the IASB in May 2011. IFRS 11 is a new standard which focuses on classifying joint arrangements by their rights and obligations rather than their legal form. Entities are classified into two groups: parties having rights to the assets and obligations for the liabilities of an arrangement, and rights to the net assets of an arrangement. Entities in the former case account for assets, liabilities, revenues and expenses in accordance with the arrangement, whereas entities in the later case account for the arrangement using the equity method. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.
- (iv) IFRS 12 – Disclosure of interests in other entities (“IFRS 12”) was issued by the IASB in May 2011. IFRS 12 is a new standard which provides disclosure requirements for entities reporting interest in other entities, including joint arrangements, special purpose vehicles, and off balance sheet vehicles. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.
- (v) IFRS 13 – Fair value measurement (“IFRS 13”) was issued by the IASB in May 2011. IFRS 13 is a new standard which provides a precise definition of fair value and a single source of fair value measurement considerations for use across IFRSs. The key points of IFRS 13 are as follows:
 - fair value is measured using the price in a principal market for the asset or liability, in

the absence of a principal market, the most advantageous market;

- financial assets and liabilities with offsetting positions in market risks or counterparty credit risks can be measured on the basis of an entity's net risk exposure;
- disclosures regarding the fair value hierarchy has been moved from IFRS 7 to IFRS 13, and further guidance has been added to the determination of classes of assets and liabilities;
- a quantitative sensitivity analysis must be provided for financial instruments measured at fair value;
- a narrative must be provided discussing the sensitivity of fair value measurements categorized under Level 3 of the fair value hierarchy to significant unobservable inputs;
- and information must be provided on an entity's valuation processes for fair value measurements categorized under Level 3 of the fair value hierarchy.

IFRS 13 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

IAS 1 – Presentation of financial statements ("IAS 1") was amended by the IASB in June 2011 in order to align the presentation of items in other comprehensive income with US GAAP standards. Items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012.

Off-balance sheet items

The Company does not have any off-balance sheet items.

Oversight Role of the Audit Committee

The Audit Committee fulfills its role of ensuring the integrity of the reported information through its review of the interim and unaudited financial statements prior to their submission to the Board of Directors for approval. The Audit Committee meets with management quarterly to review the financial statements including the MD&A and to discuss other financial, operating and internal control matters. For each audit, the external auditors prepare a report for members of the Audit Committee summarizing key areas, significant issues and material control weaknesses encountered, if any.

Management's Responsibility for Financial Information

The Company's financial statements and the other financial information included in this management report are the responsibility of the Company's management, and have been examined and approved by the Board of Directors. The financial statements were prepared by management in accordance with generally accepted Canadian accounting principles and include certain amounts based on management's best estimates using careful judgment. The selection of accounting principles and methods is management's responsibility.

Management recognizes its responsibility for conducting the Company's affairs in a manner to comply with the requirements of applicable laws and established financial standards and principles, and for maintaining proper standards of conduct in its activities.

The Board of Directors supervises the financial statements and other financial information through its audit committee, which is comprised of a majority of non-management directors.

This committee's role is to examine the financial statements and recommend that the Board of Directors approve them, to examine the internal control and information protection systems and all other matters relating to the Company's accounting and finances. In order to do so, the audit committee meets annually with the external auditors, with or without the Company's management, to review their respective audit plans and discuss the results of their examination. This committee is responsible for recommending the appointment of the external auditors or the renewal of their engagement.

Other requirements:

Share capital:

- 1 Authorized: unlimited number of common shares without par value
- 2 As at November 29, 2011, there were 81,812,447 common shares issued and outstanding
- 3 As at November 29, 2011, there were 6,769,350 incentive stock options outstanding.
- 4 As at November 29, 2011, there were 2,608,227 share purchase warrants outstanding.

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.

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.

Cautionary Note Regarding Forward-Looking Statements

Certain statements contained in the foregoing Management's Discussion and Analysis and elsewhere constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth above.