

MOSQUITO CONSOLIDATED GOLD MINES LIMITED

\$0.78; TSX-V: MSQ)

Recommendation

Speculative Buy

Risk

High

Price (September 23, 2009)

\$0.78

52-Week Range

\$0.99 - \$0.175

Intrinsic Value Per Share

\$1.80 - \$2.30

Target Price

12 Months: \$2.00

24 Months: \$3.00

Shares O/S

49.75 million

Market Cap

\$38.8 million

Average Daily Volume

50-day: 67,900

200-day: 62,700

Year-End

June 30

Salient Statistics

Book Value Per Share \$0.33

Price/Book Value 2.4x

Properties Per Share \$0.36

Cash (Est.) (mill) \$3.0

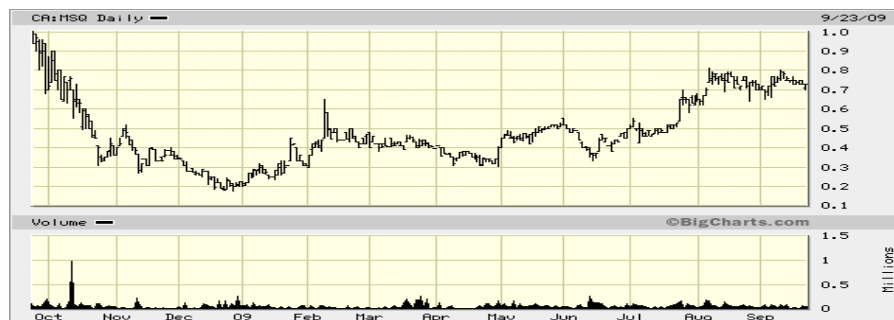
Cash Per Share \$0.08

Monthly "Burn" (Est.) \$175,000

Analysts

Eric Eng, B.A. MBA

Bob Weir, B.Sc., B.Comm, CFA



Data Source: www.BigCharts.com

UPFRONT

Focused primarily on molybdenum and copper and, to a lesser extent gold, this company is on the move.

RECOMMENDATION

We recommend the shares of Mosquito Consolidated Gold Mines Limited ("Mosquito" or the "Company") to risk-tolerant investors for long-term participation in an advancing junior mining exploration company.

PROFILE

Mosquito is a Canadian junior mining company focusing on mineral properties in the USA (Idaho and Nevada), Canada (British Columbia and Ontario), and Australia. The Company holds a diverse portfolio of precious and base metals projects with long-life mines and multi-billion-dollar resources.

HIGHLIGHTS

- Inferred Resources upgraded to Indicated Resources.
- NI 43-101 resource estimate on the CUMO project substantially increased: to 2.55 billion tons from 1.72 billion.
- Good results from the first hole of the 2009 diamond drilling program at the CUMO project: Hole 47 intersected 1,123.5 feet, grading equivalent 0.89% copper and 0.079% molybdenum.
- Ausenco Minerals of Vancouver engaged to produce an NI 43-101 compliant Preliminary Economic Assessment for the CUMO project.
- International Energy and Mineral Resources Investment (Hong Kong) Company Ltd. (IEMR) acquired 9 million shares (15.36%) at \$0.35 in cash per share, improving the Company's liquidity position and spreading the financing risk in terms of cost sharing.
- The Company is preparing to begin a feasibility study for CUMO in 2010, with production expected to commence five to seven years later.

eResearch Corporation
56 Temperance Street
Suite 501
Toronto, ON M5H 3V5
Telephone: 416-643-7650
Toll Free: 877-856-0765

THE COMPANY

Mosquito is a Canadian junior mining company focusing on mineral properties in the USA (Idaho and Nevada), Canada (British Columbia and Ontario), and Australia. The Company holds a diverse portfolio of precious and base metals projects with long-life mines and multi-billion dollar resources.

Mosquito has four molybdenum projects in the USA, including the CUMO project in Idaho - considered to be the largest, un-mined, open-pit, accessible molybdenum deposit in the world. The Company also has significant gold projects in historically prolific regions in B.C., Ontario and Nevada

Management and members of the Board of Directors have extensive backgrounds in mining as well as decades of experience in the technical aspects of mine development and operations.

PROPERTY SUMMARY

Figure 1: Mosquito's Properties (USA and Canada)



Source: The Company.

(Note: The TriKay (Australia) and Red Lake properties were optioned out in early 2009)

Mosquito currently holds interests in eight major properties.

The Company's primary focus is on developing the CUMO and Pine Tree projects. The expectation is that feasibility reports on these properties will be completed in 2012-2013, with production commencing three years later. In the near term, work on other properties is likely to be modest. Mosquito is considering selling or entering into joint ventures on some properties.

Our Major Projects section on page 11 concentrates on the CUMO and Pine Tree properties. A list of the Company's other properties is provided on page 15.

INVESTMENT CONSIDERATIONS

(1) Strengths

- Diversified portfolio of high-return precious and base metals, significant exposure to gold.
- The Company has strategically built a portfolio of projects which have long-life mines and are located in mining-friendly environments with significantly low political risk. Although Mosquito's immediate focus is on developing the CUMO and Pine Tree projects, other projects (including the Australian property) provide the Company with substantial asset value that could be monetized.
- Substantial increase in resource estimate for the CUMO project from 1.72 billion tons (Inferred) to 3.96 tons (Indicated and Inferred). The CUMO project contains potentially the largest, un-mined, open-pit molybdenum deposit in the world, and is potentially the world's lowest-cost and largest producer of molybdenum.
- The Company is proceeding well to achieving an NI 43-101 resource estimate for the Pine Tree project (late 2009) and starting a feasibility study for the CUMO project in 2010.
- The Company has obtained sufficient funds to finance the two flagship projects to the feasibility stage and also keep other projects in good standing over the next 12 months.
- Strong management team with significant mining industry experience. This is evidenced by the Company's ability to focus on projects with significant potential, to obtain financing despite the early 2009 credit market crisis, and to joint venture with financially stronger partners.

(2) Challenges

- Substantial capital expenditures will be required over the next few years to complete technical reports and/or feasibility reports on the CUMO and Pine Tree properties as follows: (i) \$10-12 million for CUMO and \$1.5 million for Pine Tree over the next 12 months; and (ii) \$25-35 million for CUMO and \$2 million for Pine Tree over the next 24 months.
- A reversal in the recovery of commodity prices could have a negative impact on investors' interest in the mining industry, and that could restrict the Company's access to the capital market. This risk is offset by Chinese partners, who are looking long term and at the low cost of production.
- The mining industry is facing increasing operating costs (cash burn rate) and material costs, which could result in higher project costs than previously estimated and could delay project completion time. However, metal prices have always tended to offset these higher costs, as well as technological innovation. For example, at the large-scale open-pit mines, mining costs/ton of material are substantially lower than they were 15 years ago, due to economies of scale and innovation.
- Any delay in the completion of a feasibility study (for the CUMO project) or unfavourable NI 43-101 resource estimates (for the Pine Tree project) could cause difficulties for the Company in obtaining the funds needed to bring its two flagship properties into production.

VALUATION

1. Peer Comparison: Property Valuation Approach

This method determines an appropriate valuation for the shares of Mosquito, based the following:

- (1) Current and expected market value of the Company;
- (2) Book value of the mineral properties and expected capital expenditures within the next 12 months;
- (3) Debt outstanding; and
- (4) Expected number of shares to be issued to finance capital expenditures.

Our selection of peers includes Northern Dynasty Minerals Ltd. (Northern), Adanac Molybdenum Corporation (Adanac), Moly Mines Ltd. (Moly Mines), General Moly Inc. (General Moly), and Thompson Creek Metals Inc. (Thompson Creek).

Northern Dynasty Minerals Ltd (NDM: TSX-V) has invested approximately US\$160 million on its copper-gold-molybdenum projects in Alaska. In 2007, Northern formed a 50:50 partnership with Anglo American plc, which will invest US\$1.425 billion to bring the Pebble project into production. Two major deposits discovered on Northern's properties are: (1) Pebble West, with a 4.1-billion-tonne open-pit deposit; and (2) Pebble East, with a 3.9-billion-tonne underground deposit. Co-product revenues for the Pebble project are expected to be in the range of 60% copper, 30% gold, and 10% molybdenum.

Adanac Molybdenum Corporation (AUA: TSX-V) aims to become the world's first new large-scale primary producer of molybdenum in 25 years. The flagship project is the Ruby Creek project, British Columbia, which contains a newly estimated 275 million tonnes of mineral resources (144 tonnes at the time of our June 2008 *Initiating Report*). The company is currently procuring equipment and advancing development with the goal of bringing Ruby Creek into production in late 2010. Financing is expected to be approximately US\$640 million to achieve production at Ruby Creek.

General Moly, Inc. (GMO: TSX-V), formerly Idaho General Mines, is a U.S.-based molybdenum mineral development, exploration and mining company. The company's primary asset, its 80% interest in the Mt. Hope project located in central Nevada, is considered one of the world's largest and highest-grade molybdenum deposits. Production is expected in 2013. The deposit contains 1.3 billion lbs of proven and probable reserves.

Moly Mines Ltd. (MOL: TAX/ASX), is an Australian corporation with a 100% interest in the Spinifex Ridge project, one of the largest molybdenum deposits in Australia. The Spinifex Ridge contains over 1 billion tonnes of mineral resource (652 million tonnes of Measured and Indicated and 399 million tonnes of Inferred).

Thompson Creek Metals Inc.(TCM: TSX), owns the Thompson Creek open-pit molybdenum mine and mill in Idaho, a 75% share of the Endako open-pit mine, mill and roasting facility in northern British Columbia, and a metallurgical roasting facility in Langeloth, Pennsylvania. Thompson Creek is also developing the Davidson high-grade underground molybdenum project near Smithers, B.C. Total mineral resources exceed 1.4 billion lbs of molybdenum, including 500 billion lbs of proven and probable mineral reserves.

Table 1: Corporate Comparison	(All values in thousands except per share and the ratio value)					
(CS\$ = US\$1)	Mosquito Consolidated	Northern Dynasty	Adanac Molybdenum	Moly Mines Ltd.	General Moly Inc	Thompson Creek Metals Inc.
Financial Statement Date:	MSQ: TSX-V	NDM:TSX-V	AUA: TSX-V	MOL: TSX-V	TCM: TSX	MSQ: TSX-V
Corporate:	March-09	June-09	July-09	June-09	March-09	March-09
Share Price (Sept. 22, 2009)	C\$ 0.73	C\$ 8.14	C\$ 0.09	C\$ 1.15	C\$ 3.70	C\$ 13.45
Shares O/S	49,833	92,953	114,581	93,996	72,377	123,093
Market Cap	C\$ 36,378.0	C\$ 756.6	C\$ 10.7	C\$ 108.1	C\$ 267.8	C\$ 1,655.6
Mineral Properties:						
Book Value (Cost) (1)	C\$ 17,860	C\$ 161,532	C\$ 140,239	C\$ 176,099	C\$ 95,894	C\$ 711,700
Market Value	C\$ 28,981	C\$ 756,407	-C\$ 10,955	C\$ 94,415	C\$ 147,838	C\$ 1,252,201
Difference	C\$ 11,122	C\$ 594,875	-C\$ 151,194	-C\$ 81,684	C\$ 51,944	C\$ 540,501
Property Ratio	1.62	4.68	-0.08	0.54	1.54	1.76
Peer Average (excludes Adanac)	2.13					
Adjusted Book Value (Cost)(1)	C\$ 27,259					
Adjusted Property Ratio	1.68					
Selected Ratio	5.00					
Common Equity (Per Statements)	C\$ 16,488					
Adjusted Common Equity (Selected Ratio)(2)	C\$ 107,725					
Equity Per Share (Per Statements)	C\$ 0.33					
Adjusted Equity Per Share (Selected Ratio) (3)	C\$ 1.80					

Note 1: Book Value is adjusted for debt and Adjusted Book Value is adjusted for expected capex over the next 12 months less depreciation.

Note 2: Shareholders' Equity is adjusted for additional equity (estimate) issued to finance capital expenditures over the next 12 months.

Note 3: Adjusted Equity Per Share is calculated on shares O/S (March, 2009) and estimated new shares issued over the next 12 months.

Source: eResearch

Analysis

Mosquito's Property Ratio drops to 1.62x from 4.75x (at the time of our *Initiating Report*), while the peer group average, which excludes Adanac (see why below), decreases to 2.13x from 6.42x. The ratio declines reflect the adverse stock market conditions since mid-2008.

Although Adanac is near production, this company is encountering uncertainties with respect to securing the required US\$680 million in financing to bring its Ruby Creek project into production in 2009. Adanac's resources do not contain sufficient tons to support low-cost mining operations; however, CUMO does not face the same problem since its tonnage is 10 times larger than that of Adanac. The property ratio for Adanac reflects a sharp drop in the stock price of this company from \$0.42 (at the time of our *Initiating Report* on Mosquito) to \$0.09. Accordingly, we are omitting this company from the peer average.

We strongly believe that Mosquito's stock is undervalued as its current Property Ratio does not reflect its inherent value, which is supported by the Company's following fundamental strengths:

- (1) The Company has a solid financing capability, as it has obtained sufficient financing to bring the CUMO project to the feasibility stage (expected in 2010).
- (2) Deposits found at the CUMO and Pine Tree projects are estimated to be of higher grades than Northern Dynasty's, and have potentially much lower costs than General Moly since CUMO is only 23% drilled.
- (3) The size of mineral resources increased significantly from 1.72 million tons (at the time of our *Initiating Report*) to 2.55 billion tons at the time of this report.

- (4) By-products from CUMO and Pine Tree are expected to generate sufficient revenues to cover the production costs of these two projects.

Although commodity prices have not fully recovered, financial markets are improving and investors are showing increased interest in the junior mining sector. As a result, we believe that junior mining companies having projects with good potential for exploration and development potential, should perform well over the next 12 months.

With Mosquito advancing its mining objectives, we believe it will be able to restore the Property Ratio it previously had, being in the 4.50x – 5.00x range, and similar to that of Northern Dynasty. On this basis, Mosquito's shares would trade in the \$1.57 to \$1.80 range.

2. Peer Comparison: Enterprise Valuation (EV) Approach

This methodology uses the same companies as the Property Valuation approach.

In our EV approach, we use only resources reported for the CUMO property, since the NI 43-101 resource estimate for the Pine Tree property will not be available until late 2009. We calculate Mo and Mo-equivalent based on all other metals that are reported in the resource estimates on these properties. The average Mo equivalent (%) column reflects higher-grade cutoff for Mo-equivalent and is based on the following (conservative) assumptions:

- Copper \$2.10/pound (currently \$2.75/lb);
- Molybdenum \$16.00/pound (long-term outlook is \$25-\$35/pound) (currently \$15.00/lb);
- Silver \$12.00/ounce (currently \$16.85); and
- Gold \$900/ounce (currently \$1,013/oz).

TABLE 2: Enterprise Value (EV) and Resources Data

(Market price as of September 22, 2009)

Company	Stock Symbol	Stock Price	Shares O/S (M)	Market Cap (M)	EV (M)	Mo (M lbs)	Mo Equiv (M lbs)	Avg. Mo Equiv (%)	EV (\$)/Mo Equiv (lb)
CUMO	MSQ	\$0.73	49.8	\$36	\$36	2,729	3,479	0.060	\$0.010
Ore (1)						1,814	2,145	0.074	\$0.017
Stockpile (2)						1,034	1,598	0.042	\$0.023
Northern Dynasty Minerals Ltd.	NDM	\$8.14	93.0	\$757	\$712	4,053	17,272	0.104	\$0.041
Adanac Molybdenum Corp.	AUA	\$0.09	114.6	\$10	\$43	296	296	0.063	\$0.146
Moly Mines Ltd.	MOL	\$1.15	94.0	\$108	\$59	993	1,268	0.055	\$0.047
General Moly Inc.	GMO	\$3.70	72.4	\$268	\$297	1,574	1,574	0.068	\$0.189
Thompson Creek Metals Inc.	TCM	\$13.45	123.1	\$1,656	\$1,404	1,419	1,419	0.079	\$0.990
Peer Average						1,700	3,549	0.069	\$0.279

(1) CUMO ore is material run during initial 40 years of production.

(2) Stockpile is stored and then is milled after all ore has been processed.

Equiv = Equivalent

Source: The Company and eResearch

Analysis

Mosquito has the EV/Mo equivalent quotient at \$0.010 (the quotient measures the value of 1 lb of Mo equivalent in dollar terms), which is the lowest in the group. We take into account the different stages of the development for each company in the table. However, with the quotient of \$0.010, there is potential for the quotient to move up significantly once the feasibility study for the CUMO project is completed.

We realize that Northern Dynasty has the largest molybdenum deposits. However, as with Mosquito, a substantial portion of the resources is Inferred. And, also like Mosquito, Northern Dynasty is in the exploration stage and requires substantial external financing to fund its capital expenditures. Unlike Mosquito, Northern Dynasty has some Measured and Indicated resources (993 million lbs). However, a large portion of the deposits is underground, making the operating costs higher than Mosquito's. Also, since the deposit is located in the harsh environment of Alaska rather than Idaho, this will result in operating and capital expenditures much higher than CUMO, in the order of two to three times.

The EV/Mo-equivalent for Moly Mines (at \$0.047) suggests that the market takes into account the fact that this company is expected to be in production within the next 12 months. Should Mosquito complete a feasibility study on CUMO in 2012-2013, we would expect its EV/Mo-equivalent quotient to approach \$0.050. At this level, and at an average Mo equivalent of 0.074% (Mosquito higher-grade zone), the potential EV for Mosquito is expected to approach \$165 million, assuming 100% equity financing. We also assume at least an additional 20 million shares will be issued at the current price to finance the proposed capital program over the next 12 months. Discounting the 2013 EV of \$165 million over three years at 10% gives a net present value of \$125 million.

Accordingly, we calculate the EV per share for Mosquito to be \$1.80 and, if the value of the Pine Tree project is added into the EV per share, this value could be in the \$2.20-\$2.30 range.

The EV/Mo-equivalent quotients for General Moly (\$0.181) and Thompson Creek (\$1.011) reflect that General Moly has completed a bankable feasibility study on the Mt. Hope project while Thompson Creek is currently in production. Thompson Creek has the highest EV/Mo quotient, reflecting good margins, large deposits, and substantial potential free cash flows. Importantly, Thompson Creek is Mosquito's neighbour. Although we do not expect Mosquito to attain this quotient in three years time, it is possible that its EV/Mo quotient could match General Moly's when the feasibility study is completed, and could overtake General Moly's once the CUMO project is generating free cash flows.

3. Conclusion

Based on our two methodologies, we are setting our 12-month Target Price for Mosquito at \$2.00 per share (average of the two methodologies). This price is lower than our Target Price of \$3.60 set out in our *Initiating Report* of June 2008 and reflects the impact of the severe global financial crisis, its debilitating effect on commodity prices, and the subsequent slow world economic recovery.

When the Preliminary Economic Assessment is released, depending upon its contents, which we assume will be favourable, the stock should receive a boost. If it is really good, the stock could hit \$3.00.

The NI 43-101 on Pine Tree could give added impetus or, at least, provide support to the higher target.

FINANCIAL REVIEW & OUTLOOK

Fiscal Year End: June 30

Revenues: Mosquito has generated some revenues from Kirkness Drilling Company, a drilling company that was acquired for \$3 million in September 2007. For the nine months to March 31, 2009, revenues from Kirkness were \$3.3 million.

Cash: At June 30, 2009, the cash balance was \$223,967. However, the current cash balance is over \$3.0 million due to the cash investment from EIMR, which closed at the end of June 2009.

Burn Rate: The average monthly burn rate for the nine months ending March 2009 was \$180,000 a moderate increase from 2008, reflecting the ongoing exploration activities on the CUMO and Pine Tree projects. We expect this rate to remain at this level or increase slightly over the next 12 months, as the Company moves towards the feasibility report phase of the CUMO project.

Exploration Expenditures: Drilling operating expenses are a large budget item, due to the drilling activities at the CUMO project. Over \$3.6 million was spent in the nine months ended March 2009 (\$400,000 per month). The future capital expenditure budget is as follows:

- Next 12 months: \$10-12 million for the CUMO project and \$1.5 million for the Pine Tree project; and
- Next 24 months: \$25-35 million for the CUMO project and \$3.5 million for the Pine Tree project.

Financing: To date, the Company's capex has been well financed with a combination of equity through private placements, and options and warrants exercised. Over \$9 million in cash was raised during the nine months ended June 2009 (excluding over \$3.0 million in cash investment from the EIMR). This record is impressive, demonstrating the ability of management to obtain financing despite the difficult credit market conditions..

Given the current cash balance, we expect the Company to continue to raise capital through private investments and/or JV partnerships. We are confident that the Company should be able to obtain financing. Our expectation is based on: (1) the gradual improvement being experienced in financial markets, and (2) the ability of management (based on past performance).

TABLE 3: SELECTED FINANCIAL INFORMATION

	9 months		Year ended	Year ended	12 months	12 months
	31-Mar 2009	31-Mar 2008	30-Jun 2007	30-Jun 2008	30-Jun 2009E	30-Jun 2010E
Statement of Income/(Loss):						
Revenue	3,485,333	3,771,656	-	2,429,567	4,600,000	4,600,000
Drilling Operating Expense	(3,634,885)	(5,013,342)	-	(3,081,905)	(4,700,000)	(5,000,000)
General & Administrative Expense	(1,613,781)	(1,278,739)	(948,831)	(1,610,595)	(2,100,000)	(2,100,000)
Amortization	(611,484)	(356,171)	(97,416)	(602,518)	(650,000)	(650,000)
Stock-based Compensation	(1,218,074)	(591,920)	(2,345,489)	(1,757,684)	(1,220,000)	(1,220,000)
Other Non-Cash Expense				(430,141)		
Operating Income	(3,592,891)	(3,468,516)	(3,391,736)	(5,053,276)	(4,070,000)	(4,370,000)
Interest Income	80,248	103,528	116,990	144,139	107,007	107,007
Interest Expense			(4,830)	(23,774)		
Loss Bef. non-Recurring Items	(3,512,643)	(3,364,988)	(3,279,576)	(4,932,911)	(3,962,993)	(4,262,993)
Gain on Sales	34,650	-	-	(354,385)	34,650	-
Gain on Sale of Property	-	-	3,822,973	-	-	-
Account Receivable Write-Off	-	-	-	24,972	-	-
Loss of Drilling Equipment	-	-	-	(282,361)	-	-
Gains (Write-Down)	(357,377)	(169,921)	-	(557,208)	(357,377)	-
Write-Off of Mineral Property	-	-	(31,232)	(354,009)	-	-
Future Income Tax Recovery	-	-	-	445,276	-	-
Net Income/(Loss)	(3,835,370)	(3,534,909)	512,165	(6,010,626)	(4,285,720)	(4,262,993)
Total Shares Outstanding	49,752,848	34,170,327	27,502,877	35,326,627	49,752,848	70,000,000
Weighted Avg. Shares O/S	41,961,588	32,036,602	26,772,710	33,772,710	41,961,588	59,876,424
Earnings (Loss) Per Share	(0.09)	(0.11)	(0.13)	(0.15)	(0.10)	(0.07)
Statement of Cash Flow:						
Net Income (Loss)	(3,835,370)	(3,534,909)	512,165	(5,656,241)	(4,285,720)	(4,262,993)
All Non-Cash Items	2,186,935	1,118,012	(1,348,836)	3,360,718	2,192,727	1,870,000
Cash Flow from Operations	(1,648,435)	(2,416,897)	(836,671)	(2,295,523)	(2,092,993)	(2,392,993)
Exploration Expenditures	(2,523,870)	(7,649,047)	(1,995,002)	(7,069,024)	(3,000,000)	(12,000,000)
Acquisition of Properties/Equipmt.			(1,574,923)	(5,129,565)		
Other Investing & Non-Recurring		(18,265)	4,020,384	17,702		
Free Cash Flow	(4,172,305)	(10,084,209)	(386,212)	(14,476,410)	(5,092,993)	(14,392,993)
Working Capital Changes	7,069,213	(154,732)	105,368	1,003,329	6,122,124	(1,985,438)
Debt Financing				(54,560)		
Equity Financing	3,787,898	9,579,695	1,683,200	11,039,818	7,287,898	15,000,000
Due to related party	(6,810,388)	88,059	(401,926)	49,048	(6,810,388)	
Change in Cash	(125,582)	(571,187)	1,000,430	(2,438,775)	1,506,641	(1,378,431)
Cash, Beginning of the Period	349,549	2,788,324	1,787,894	2,788,324	349,549	1,856,190
Cash, End of the Period	223,967	2,217,137	2,788,324	349,549	1,856,190	477,759
Balance Sheet:						
	As At March 31 2009	2008	30-Jun 2007	30-Jun 2008	30-Jun 2009E	30-Jun 2010E
Cash	223,967	2,217,137	2,788,324	349,549	1,856,190	477,759
Marketable Securities	5,640	372,100	542,343	187,958	5,640	300,000
Other Current Assets	7,101,622	1,382,782	271,014	1,392,431	7,100,000	4,000,000
Mineral Properties	13,788,475	8,373,623	4,687,517	11,458,532	13,808,532	25,158,532
Plant and Equipment	4,071,276	4,673,009	1,066,238	4,926,405	4,900,000	4,900,000
Reclamation Deposits	65,440	76,003	57,738	65,440	65,000	60,000
Total Assets	25,256,420	17,094,654	9,413,174	18,380,315	27,735,362	34,896,291
Debt/Due to Related Parties	78,066	191,988	61,042	294,728	78,066	191,988
Other Current Liabilities	8,690,285	1,153,717	239,889	2,120,469	8,690,000	5,000,000
Total Liabilities	8,768,351	1,345,705	300,931	2,415,197	8,768,066	5,191,988
Shareholders' Equity	16,488,069	15,748,949	9,112,243	15,965,118	18,967,296	29,704,303
Total Liabilities & Equity	25,256,420	17,094,654	9,413,174	18,380,315	27,735,362	34,896,291
Book Value (S.E.) Per Share	\$0.33	\$0.46	\$0.33	\$0.45	\$0.38	\$0.42

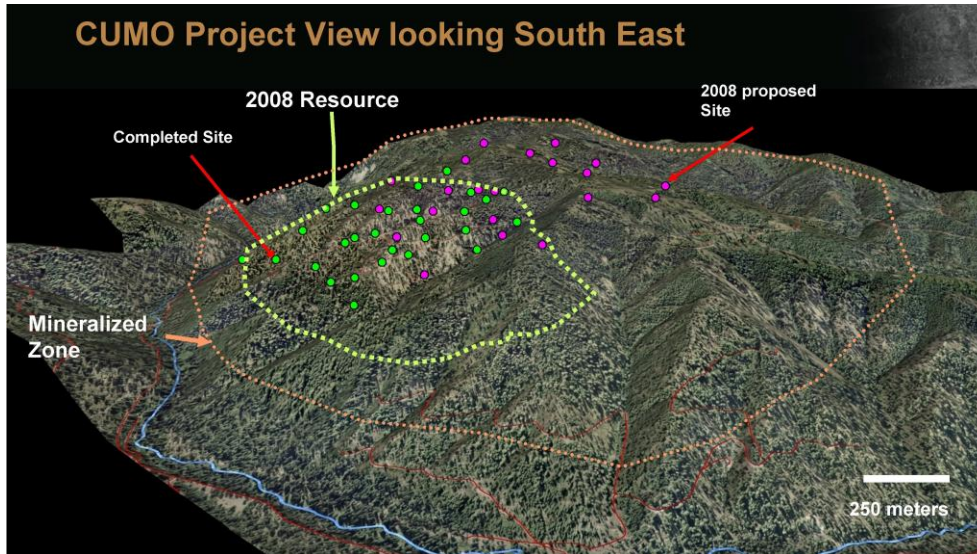
Source: The Company and eResearch; E = Estimate

COMMENT: Based on Mosquito's current cash balance and market fundamentals, we believe the Company is in a good position to finance its exploration activities over the next two years. Beyond this period, Mosquito's financing capability would depend on the results of NI 43-101 resource estimates on Pine Tree and the completion of a feasibility study on the CUMO project.

MAJOR PROJECTS

1. CUMO Deposit - Idaho, USA

Figure 2: CUMO Property



Source: The Company

Mosquito holds a 100% interest in the CUMO property in Idaho. The value of this property lies in the fact that it is considered to be the largest, un-mined, open-pit molybdenum deposit in the world, with only 23% of the deposit drilled to date (20% at the time of our *Initiating Report*). An NI 43-101 Technical Report was produced in May 2009, showing a significant increase in the size and the grade of resources from the March 2008 NI 43-101 Technical Report.

CUMO Deposit Facts		Initiating Report		Currently Update Report	
		Indicated	Inferred	Indicated	Inferred
Molybdenum oxide (MoO ₃)	Billion of lbs	0	2.89	1.84	2.29
Copper (Cu)	Billion of lbs	0	3.41	2.21	3.66
Silver (Ag)	Millions of oz	0	148.9	95.0	158.5
Tungsten (W)	Millions of lbs	0	185.0	127.3	175.5

Source: Company Presentation

Resource estimate for the CUMO project, confirmed by the May 2009 NI 43-101, is 1.44 billion tons of Indicated and 2.52 billion tons of Inferred, totalling 3.96 billion tons, compared with 1.72 billion tons of Inferred as reported in our *Initiating Report*.

In addition to molybdenum, valuable by-products such as copper, silver, rhenium, and sulphuric acid are also significant for the CUMO project. It is expected that that these by-products could provide enough revenues to cover the entire production costs of the project, and thus making CUMO potentially one of the world's lowest-cost producers.

Metal Recoveries at CUMO

CUMO	% Recoveries in Oxides	% Recoveries Cu-Ag Domain	% Recoveries Cu-Mo Domain	% Recoveries in Mo Domain
Molybdenum oxide	80.0	85.0	92.0	95.0
Copper (Cu)	60.0	68.0	87.0	80.0
Silver (Ag)	70.0	73.0	78.0	55.0
Tungsten (W)	35.0	35.0	35.0	35.0

Source: The NI 43-101 Report on the CUMO project, May 1, 2009

The metal recovery for molybdenum and copper - CUMO major deposits - is relatively high.

The May 2008 Technical Report recommends that the CUMO project be advanced to the feasibility stage and proposes a two-year program with an estimated cost of US\$47 million.

COMMENT: *The new NI 43-101 resource estimate for the CUMO property considerably enhances the intrinsic value of the project and makes it more attractive to long-term, high-risk investors. It supports our opinion that the Company's stock is significantly undervalued. We believe the new resource estimate also provides the Company with more options with respect to obtaining financing for the feasibility stage of the project.*

The CUMO deposit is about 60 kilometres northeast of Boise, the capital city of Idaho, USA, and is situated in a historic lode gold camp with a recorded production of 2.8 million ounces. The CUMO property is also approximately 60 miles from the Thompson Creek mine, which has produced molybdenum concentrates since 1983 and has a reserve estimate of 213 million pounds. The property has easy access to highway and other service roads, with electricity and water nearby. These factors substantially reduce the Company's risk and costs of building infrastructure. As the project is located in one of the poorest counties in Idaho, and since a mine would greatly benefit the communities, the Company is benefiting from the support of the local governments.

In our *Initiating Report*, we presented the estimated net present value (NVP) of the CUMO project provided by the Company. Based on feasibility studies on other projects such as Mt. Hope in Nevada (General Moly), Galore Creek in B.C. (NovaGold), Mineral Park in Nevada (Mercator Minerals) and Petaquilla in Panama (Petaquilla Minerals), the Company calculated preliminary numbers for the CUMO project as follows:

- The mine would have a life of 40 years at 150,000 tons per day (tpd);
- Metal recovery would be molybdenum 90%, copper 60%, silver 50%, rhenium 95%, and tungsten 40%;
- Capital costs starting at US\$825 million, adding US\$600 million for each 50,000 tpd;
- Operating costs would be US\$5/ton;
- An average after-tax profit of \$1.7 billion per year could be generated, or NVP of almost US\$30 billion, assuming a 5% discounted cash flow rate and a 5% interest rate.

However, in light of the new resource estimate, we believe that the expected NPV is significantly increased. In the table below, columns B, C, and D remain unchanged from the *Initiating Report*. We have added column A (our own estimate) to reflect the new resource estimate on the CUMO project.

Table 4: Comparison of Current Molybdenum Projects

Comparison	CUMO (est)(2)	CUMO (est)(1)	Mineral Park	Mt. Hope
	A	B	C	D
Millions of tons of MO equivalent	2,550	1,720	520	1,157
Value per ton	\$30	\$31	\$25	\$34
Gross metal value	\$76,500	\$53,119	\$13,300	\$39,338
Mining rate: tons per day (proposed)	150,000	150,000	50,000	60,000
Operating cost/ton	\$5.0	\$5.0	\$6.0	\$7.5
Stage	Advanced Exploration	Exploration	Construction	Construction

(1) Estimated by the Company in 2008 that was presented in our Initiating Report

(2) Estimated by eResearch based on the new resource estimate

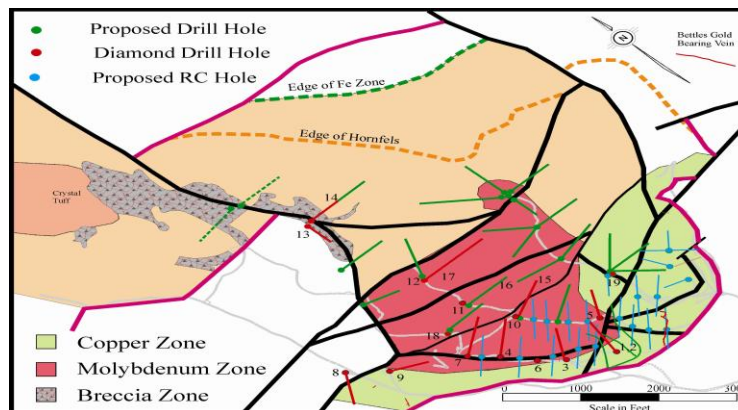
Source: The Company and e Research

Other positive developments achieved on the CUMO project by the Company since our *Initiating Report* are as follows:

- Successfully completed the 2008 drill program, gathering sufficient data for a new resource estimate and the feasibility stage;
- Successfully converted, as planned, Inferred Resources to Indicated Resources, and increased the overall size of the resources;
- Started the 2009 drilling program, with excellent results from the first hole as previously indicated;
- Approximately \$6.0 million in expenditures has been spent on the project to date; and
- In August 2008 the Company engaged three firms, Ausenco, SGS Metallurgy (Vancouver), and Forsgren Associates Inc. (Idaho) to complete a Preliminary Economic Assessment in fall 2009 and continue to feasibility, expected to be completed in 2012-2013, with production expected to commence three years later.

COMMENT: With a substantial increase in the size of mineral resources on the CUMO project from 1.72 billion tons (Inferred) to 2.55 billion tons (5100 billion lbs of MO equivalent) (Indicated and Inferred), and the fact that the Company has obtained sufficient funds to carry the project to the feasibility stage, we have revised our property valuation and have raised the intrinsic value of the property (see the Valuation Section). We maintain our opinion that the Company's stock could provide significant potential for long-term investors.

2. Pine Tree - Nevada, USA

Figure 3: Pine Tree Property

Source: The Company

The Pine Tree property, 100%-owned by Mosquito, consists of 61 claims (510 hectares) and is situated in an area that is host to several active small-scale mines and operations, as well as significant historical past producers.

- The Santa Fe gold mine, located 14 miles north of the project, produced approximately 750,000 oz of gold between 1988 and 1993.
- The Candelaria mine, is located 15 miles south of the project, produced 68 million oz of silver between 1970 and 1999.

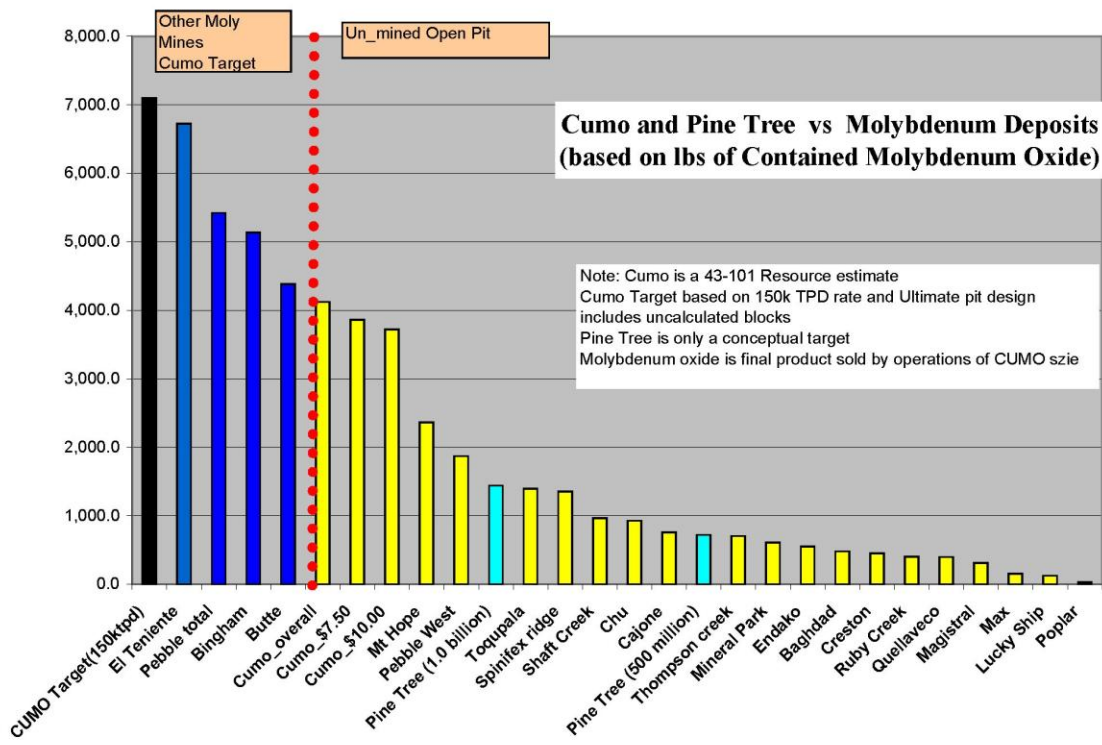
Mosquito's primary target on this project is a potential over 500-million to over 1-billion-ton copper-molybdenum-rhenium porphyry deposit, with significant potential for gold, silver and tungsten by-products. Potential revenues generated by these by-product elements are expected to cover all of the production costs for molybdenum, making the Pine Tree project potentially one of the lowest-cost producers of copper-molybdenum in North America.

Stage 1 of the Pine Tree program was completed in March 2006, at a total cost of \$600,000. Results have confirmed the presence of a previously unrecognized copper-molybdenum porphyry system, and have also indicated the significant presence of gold, silver, rhenium, indium and gallium, which are important for the development of the property.

As a result of the success of Stage 1, the Company commenced a Stage 2 program with a budget of US\$3.5 million. This stage is focused on drilling to the north and east of the Pine Tree property. The intent is to expand the thick mineralized zone encountered in Stage 1. In addition, some preliminary metallurgical testing will begin, in order to determine metal recoveries from the copper and molybdenum concentrates. The Company expects to achieve the following:

- An NI 43-101 resource estimate is scheduled for late 2010;
- The target is a potential 500 million to 1 billion tons (Indicated and Inferred) of open-pit accessible molybdenum, copper, silver, rhenium and gallium deposit grading 0.5 to 1.0% Cu equivalent;
- A feasibility study is expected in 2013, with production beginning in 2016.

Figure 4: CUMO and Pine Tree Comparison to Other Properties



Cumo Target and Pine Tree Target are conceptual targets based on the geology, alteration, drill holes and blocks not currently included in a 43-101 resource estimate and under section 2,3(a) of Ni instrument 43-101 are considered conceptual and there has been insufficient exploration at this time to define a mineral resource and that it is uncertain if further exploration will result in the target being delineated as a mineral resource

Source: The Company

The potential resource size of the CUMO project suggests the Company’s current stock price is significantly undervalued. Although the Pine Tree project has only a conceptual target, it has great potential to be developed into one of the largest molybdenum mines in North America. The upcoming NI 43-101 resource calculation on the Pine Tree property is expected to indicate at least 500 million tons. This would place the project among the 10 largest molybdenum projects in the world.

COMMENT: We expect a significant increase in the intrinsic value of the Company once an NI 43-101 resource estimate is completed for the Pine Tree project. We also expect an increase in investors’ interest in the Company’s stock once the feasibility study is completed on the CUMO project.

OTHER PROPERTIES

In addition to the CUMO and Pine Tree projects, the Company also owns the following:

1. Spruce Mountain (Molybdenum), Nevada - acquired May 2006
2. Spring Creek (Molybdenum), Idaho - acquired in March 2007
3. Black Point Project (Gold), Nevada
4. Copper Chief, Nevada - acquired in July 2007
5. Brett Property (Gold), British Columbia
6. Cumming Project (Gold), Ontario
7. Statlu Aggregate Property, British Columbia
8. Mosquito Mine (Cariboo Project), British Columbia
9. Red Lake Property, Ontario (optioned to Skybridge Development Corp.)
10. Trikay Deposit, Australia (Optioned to Salmon River Resource Ltd.)

For more on the Company's properties, see our June 2008 *Initiating Report* or the Company's web site at www.mosquitogold.com.

MANAGEMENT & DIRECTORS

For detailed information on Mosquito's Management and Directors, see our *Initiating Report* of June 2008 at www.eresearch.ca, or consult the Company's web site at www.mosquitogold.com.

Notably, there has been no change to the senior management or board of directors team over the past year.

Brian A. McClay, President and Chief Executive Officer.

Mr. McClay has 40 years' experience in the global mining industry. He has led Mosquito for the past 15 years, as President and CEO from 1990 to 2000, and again from 2004 to the present day.

Shaun M. Dykes, M.Sc., P.Geo., Director and Exploration Manager

Ickbal Boga, CA, Director and Chief Financial Officer

Dr. Matt Ball, Ph.D., P.Geo., Director and Sr. Geologist

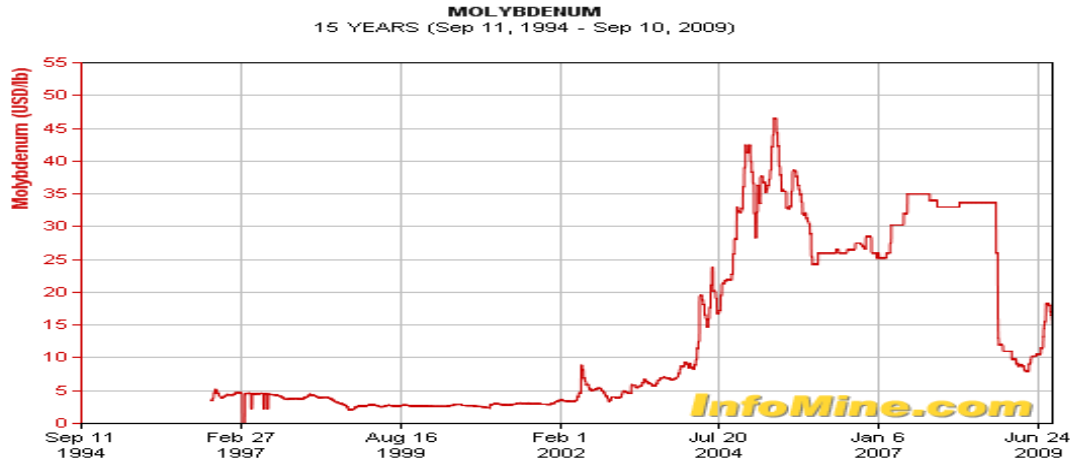
William F. Jefferies, Director and Corporate Secretary

Wayne Ash, P.Eng, Director and Mining Engineer

Patrick Bronson, Director

MOLYBDENUM MARKET ANALYSIS

Figure 5: Historical Molybdenum Prices



Source: Infomine.com

Long-Term Price Outlook

We expect a stable long-term price in the range of \$25-\$35/lb, reflecting the following factors:

- **Increasing demand for molybdenum.** This is largely due to the following factors: (1) growing demand for crude oil and the need to build pipeline systems; (2) the change in the crude oil feed quality that requires additional processing in which molybdenum-based catalysts are used to remove sulfur from petroleum; and (3) higher demand from the principal users of molybdenum (the steel, transportation and construction industries, which account for over 70% of molybdenum consumption) due to rapid industrialization growth in China, Russia, India, and Brazil.
- **Reduction in the world's molybdenum production.** China, the world's third-largest molybdenum producer, has shut down mines in Huludao thereby reducing its production by 40%. China has also imposed export duties and tightened export quotas on molybdenum over the last two years, putting upward pressure on prices.
- **Lack of new primary mining supply.** Approximately 55%-60% of total molybdenum supply, as by-product mining, comes from the larger copper producers, which are known as swing producers. As demand increases, swing producers may not increase their output if copper prices are at a level that does not make economic sense for these producers to increase their copper production. On the other hand, primary producers (Phelps Dodge, Thompson Creek, Endako and China) have not increased their output to a level that could meet high demand. (We see this as a great opportunity for Mosquito.)
- **Roasting capacity bottlenecks.** Before molybdenum is sold, it must be converted to an oxide. The processing of converting to oxide is known as roasting. The world's roasting capacity was more than sufficient to meet demand during the 1998-2008 period. Over the next several years, however, roasting capacity is expected to remain flat, while demand is forecast to increase significantly. Demand is expected to outpace capacity in 2011. This shortage of roasting capacity should put upward pressure on molybdenum prices unless substantial capital expenditures are made.

For a detailed discussion on supply-demand and the market for molybdenum, see our June 2008 *Initiating Report*.

ANALYST CERTIFICATION

Each Research Analyst who was involved in the preparation of this Research Report hereby certifies that:

- (1) the views, opinions, and recommendations expressed in this Research Report reflect accurately the Research Analyst's personal views concerning any and all securities and issuers that are discussed herein and are the subject matter of this Research Report; and
- (2) the fees, earnings, or compensation, in any form, payable to the Research Analyst, is not and will not, directly or indirectly, be related to the specific views, opinions, and recommendations expressed by the Research Analyst in this Research Report.

eResearch analysts on this report:

Eric Eng, BA (Acct., Econ.), MBA - Eric Eng worked at DBRS as an Analyst/Vice President for 10 years. He obtained a BA in Accounting and Economics and a MBA in Finance at the University of Toronto. He joined eResearch in January 2008.

Bob Weir, B. Comm, B.Sc., CFA - Bob Weir has 42 years of investment research and analytical experience in both the equity and fixed-income sectors, and in the commercial real estate industry. He was at Dominion Bond Rating Service (DBRS) from 1994 to 2001, latterly as Executive Vice-President responsible for conducting the day-to-day management affairs of the company. He joined eResearch in 2004.

eRESEARCH ANALYST GROUP

Managing Director, Research Services: Bob Weir, CFA

Financial Services

Robin Cornwell

Biotechnology/Health Care

Scott Davidson

Transportation; Environmental Services; and Industrial Products

Bill Campbell

Mining & Metals

Roy Abraham

George Cargill

Eric Eng

Kirsten Marion

Oliver Schatz

Graham Wilson

Michael Wood

Oil & Gas

Eugene Bukoveczky

Achille Desmarais

Eric Eng

Special Situations

Bill Campbell

Bob Leshchysen

Amy Stephenson

eResearch Disclaimer: *In keeping with the policies of eResearch concerning its strict independence, all of the opinions expressed in this report, including the selection of the 12-month Target Price and the Recommendation (Buy-Hold-Sell) for the Company's shares, are strictly those of eResearch, and are free from any influence or interference from any person or persons at the Company. In the preparation of a research report, it is the policy of eResearch to send a draft copy of the report, without divulging the Target Price or Recommendation or any reference to either in the text of the report, to the Company and to any third party that paid for the report to be written. Comments from Company management are restricted to correcting factual errors, and ensuring that there are no misrepresentations or confidential, non-public information contained in the report. eResearch, in its sole discretion, judges whether to include in its final report any of the suggestions made on its draft report.*

eResearch Recommendation System

Strong Buy:	Expected total return within the next 12 months is at least 40%.
Buy:	Expected total return within the next 12 months is between 10% and 40%.
Speculative Buy:	Expected total return within the next 12 months is substantial, but Risk is High (see below).
Hold:	Expected total return within the next 12 months is between 0% and 10%.
Sell:	Expected total return within the next 12 months is negative.

eResearch Risk Rating System

A company may have some, but not necessarily all, of the following characteristics of a specific risk rating to qualify for that rating:

High Risk:	<p><i>Financial</i> - Little or no revenue and earnings, limited financial history, weak balance sheet, negative free cash flows, poor working capital solvency, no dividends.</p> <p><i>Operational</i> - Weak competitive market position, early stage of development, unproven operating plan, high cost structure, industry consolidating, business model/technology unproven or out-of-date.</p>
Medium Risk:	<p><i>Financial</i> - Several years of revenue and positive earnings, balance sheet in line with industry average, positive free cash flow, adequate working capital solvency, may or may not pay a dividend.</p> <p><i>Operational</i> - Competitive market position and cost structure, industry stable, business model/technology is well established and consistent with current state of industry.</p>
Low Risk:	<p><i>Financial</i> - Strong revenue growth and earnings over several years, stronger than average balance sheet, strong positive free cash flows, above average working capital solvency, company may pay (and stock may yield) substantial dividends or company may actively buy back stock.</p> <p><i>Operational</i> - Dominant player in its market, below average cost structure, company may be a consolidator, company may have a leading market/technology position.</p>

eResearch Disclosure Statement

eResearch is registered with the Ontario Securities Commission as a Securities Adviser and as a Limited Market Dealer. The business activities and operations associated with eResearch's registration as a Securities Adviser are carried out solely by its Research Services division, which provides research and analysis to the investment community. The business activities and operations associated with eResearch's registration as a Limited Market Dealer are carried out solely by its Capital Services division, which engages only in capital market services with Corporate Issuers and Accredited Investors. eResearch does not manage money or trade with the general public which, combined with the full disclosure of all fee arrangements, the strict application of its Best Practices Guidelines, and the creation of an effective "Chinese Wall" between the Research Services and the Capital Services divisions, should eliminate potential conflicts of interest.

eResearch accepts fees from the companies it researches (the "Covered Companies"), and from financial institutions or other third parties. The purpose of this policy is to defray the cost of researching small and medium capitalization stocks which otherwise receive little or no research coverage.

Mosquito Consolidated Gold Mines Limited, to have eResearch conduct research on the Company on an Annual Continual Basis, paid eResearch a fee of \$20,000+GST.

To ensure complete independence and editorial control over its research, eResearch follows certain business practices and compliance procedures. For instance, fees from Covered Companies are due and payable prior to the commencement of research, are accepted only in cash or currency, and not in the form of payment in shares, warrants, convertible securities or options of Covered Companies.

All Analysts are required to sign a contract with eResearch prior to engagement, and agree to adhere at all times to the CFA Institute Code of Ethics and Standards of Professional Conduct. eResearch analysts are compensated on a per-report, per-company basis and not on the basis of his/her recommendations. Analysts are not allowed to accept any fees or other consideration from the companies they cover for eResearch. Analysts are allowed to trade in the shares, warrants, convertible securities or options of companies they cover for eResearch only under strict, specified conditions, which are no less onerous than the guidelines postulated by IIROC. Similarly, eResearch, its officers and directors, are allowed to trade in shares, warrants, convertible securities or options of any of the Covered Companies under identical restrictions.

eResearch makes all reasonable efforts to provide its research, via e-mail, simultaneously to all subscribers. eResearch posts all of its research on its own website (www.eresearch.ca), disseminates its research through its extensive electronic distribution network, and provides notification of its research through newswire agencies.