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**GOSSAN RESOURCES LIMITED**  
**(AN EXPLORATION STAGE COMPANY)**  
**(EXPRESSED IN CANADIAN DOLLARS)**

**INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED**  
**JUNE 30, 2010**

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## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The accompanying unaudited interim financial statements of Gossan Resources Limited were prepared by management in accordance with Canadian generally accepted accounting principles. The most significant of these accounting principles have been set out in the March 31, 2010 audited financial statements. Only changes in accounting policies have been disclosed in these unaudited interim financial statements. Management acknowledges responsibility for the preparation and presentation of the unaudited interim financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the unaudited interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited interim financial statements and (ii) the unaudited interim financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited interim financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited interim financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

### **NOTICE TO READER**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these unaudited interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

# Gossan Resources Limited

## INTERIM BALANCE SHEETS

(EXPRESSED IN CANADIAN DOLLARS)

(PREPARED BY MANAGEMENT)

(UNAUDITED)

|                                                        | June 30,<br>2010    | March 31,<br>2009 |
|--------------------------------------------------------|---------------------|-------------------|
| <b>ASSETS</b>                                          |                     |                   |
| Current                                                |                     |                   |
| Cash                                                   | \$ 339,589          | \$ 496,639        |
| Short term investments                                 | 20,004              | 20,004            |
| Accounts receivable                                    | 7,978               | 13,944            |
| Prepaid expenses                                       | 21,496              | 32,765            |
|                                                        | <b>389,067</b>      | 563,352           |
| Non-Current                                            |                     |                   |
| Mineral properties (Note 5)                            | 4,670,335           | 4,633,552         |
| Investment in The Claims Network (Note 6)              | 406,683             | 363,862           |
| Equipment and furniture (Note 7)                       | 7,934               | 8,523             |
|                                                        | <b>5,084,952</b>    | 5,005,937         |
|                                                        | <b>\$ 5,474,019</b> | \$ 5,569,289      |
| <b>LIABILITIES</b>                                     |                     |                   |
| Current                                                |                     |                   |
| Accounts payable and accrued liabilities               | \$ 85,474           | \$ 66,064         |
| Due to related parties (Note 8)                        | 94,542              | 105,999           |
|                                                        | <b>180,016</b>      | 172,063           |
| Deferred income                                        | <b>200,000</b>      | 200,000           |
|                                                        | <b>380,016</b>      | 372,063           |
| <b>Nature of Operations and Going Concern (Note 1)</b> |                     |                   |
| <b>Commitment (Note 13)</b>                            |                     |                   |
| <b>Subsequent Event (Note 15)</b>                      |                     |                   |
| <b>SHAREHOLDERS' EQUITY</b>                            |                     |                   |
| Share capital (Note 9)                                 | 11,322,864          | 11,322,864        |
| Contributed surplus (Note 11)                          | 1,227,560           | 1,227,560         |
| Deficit                                                | (7,456,421)         | (7,353,198)       |
|                                                        | <b>5,094,003</b>    | 5,197,226         |
|                                                        | <b>\$ 5,474,019</b> | \$ 5,569,289      |

The accompanying notes are an integral part of these unaudited interim financial statements

Approved on Behalf of the Board:

"Douglas Reeson"

Director

"Andrew Thomson"

Director

# Gossan Resources Limited

## INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(EXPRESSED IN CANADIAN DOLLARS)

(PREPARED BY MANAGEMENT)

(UNAUDITED)

| Three months ended June 30,                             | 2010                | 2009               |
|---------------------------------------------------------|---------------------|--------------------|
| <b>EXPENSES</b>                                         |                     |                    |
| Administrative fees                                     | \$ 7,498            | \$ 5,327           |
| Management fees                                         | 41,000              | 29,149             |
| Consulting                                              | 13,293              | 9,996              |
| Office and general                                      | 25,627              | 22,118             |
| Public company costs                                    | 28,852              | 10,824             |
| Investor relations                                      | 17,246              | 17,500             |
| Travel and related                                      | 7,098               | 3,387              |
| Property evaluation costs                               | 4,842               | -                  |
| Stock-based compensation expense (Note 10)              | -                   | (790)              |
| Amortization                                            | 589                 | 611                |
|                                                         | <b>146,045</b>      | <b>98,122</b>      |
| <b>OTHER INCOME</b>                                     |                     |                    |
| Interest and other income                               | -                   | 409                |
|                                                         |                     |                    |
| <b>LOSS BEFORE THE FOLLOWING</b>                        | <b>(146,045)</b>    | <b>(97,713)</b>    |
| Share of TCN profit (Note 6)                            | 42,822              | 39,722             |
|                                                         |                     |                    |
| <b>NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD</b>   | <b>\$ (103,223)</b> | <b>\$ (57,991)</b> |
|                                                         |                     |                    |
| <b>NET LOSS PER SHARE - Basic and diluted (Note 12)</b> | <b>(0.00)</b>       | <b>(0.00)</b>      |
|                                                         |                     |                    |
| Weighted average number of shares outstanding           | 29,117,900          | 29,021,382         |

## INTERIM STATEMENTS OF DEFICIT

(EXPRESSED IN CANADIAN DOLLARS)

(PREPARED BY MANAGEMENT)

(UNAUDITED)

| Three Months ended June 30,  | 2010                  | 2009                  |
|------------------------------|-----------------------|-----------------------|
| Deficit, beginning of period | \$ (7,353,198)        | \$ (6,967,392)        |
| Net loss for the period      | (103,223)             | (57,991)              |
|                              |                       |                       |
| Deficit, end of period       | <b>\$ (7,456,421)</b> | <b>\$ (7,025,383)</b> |

The accompanying notes are an integral part of these unaudited interim financial statements

**Gossan Resources Limited**  
**INTERIM STATEMENTS OF CASH FLOWS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**(PREPARED BY MANAGEMENT)**  
**(UNAUDITED)**

| <b>Three months ended June 30,</b>                  | <b>2010</b>       | <b>2009</b>      |
|-----------------------------------------------------|-------------------|------------------|
| <b>CASH (USED IN) PROVIDED BY:</b>                  |                   |                  |
| <b>OPERATING ACTIVITIES</b>                         |                   |                  |
| Net loss for the period                             | \$ (103,223)      | \$ (57,991)      |
| Amortization                                        | 589               | 611              |
| Share of TCN profit (Note 6)                        | (42,822)          | (39,722)         |
| Stock-based compensation (Note 10)                  | -                 | (790)            |
|                                                     | <b>(145,456)</b>  | <b>(97,892)</b>  |
| Net change in non-cash working capital:             |                   |                  |
| Accounts receivable                                 | 5,966             | (2,114)          |
| Prepaid expenses                                    | 11,269            | 2,432            |
| Accounts payable and accrued liabilities            | 19,411            | 6,540            |
| Due to related parties                              | (11,457)          | (33,362)         |
|                                                     | <b>(120,267)</b>  | <b>(124,396)</b> |
| <b>INVESTING ACTIVITIES</b>                         |                   |                  |
| Expenditures on mineral properties                  | (36,783)          | (191,851)        |
| Proceeds on redemption of short-term investments    | -                 | 250,398          |
|                                                     | <b>(36,783)</b>   | <b>58,547</b>    |
| <b>FINANCING ACTIVITIES</b>                         |                   |                  |
| Issuance of share capital, net of share issue costs | -                 | 3,300            |
| Share to be issued                                  | -                 | 12,900           |
|                                                     | -                 | 16,200           |
| <b>CHANGE IN CASH</b>                               | <b>(157,050)</b>  | <b>(49,649)</b>  |
| <b>CASH, beginning of period</b>                    | <b>496,639</b>    | <b>140,692</b>   |
| <b>CASH, end of period</b>                          | <b>\$ 339,589</b> | <b>\$ 91,043</b> |

The accompanying notes are an integral part of these unaudited interim financial statements

## Gossan Resources Limited

### INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(EXPRESSED IN CANADIAN DOLLARS)

(PREPARED BY MANAGEMENT)

(UNAUDITED)

|                                                    | Share<br>Capital     | Contributed<br>Surplus | Deficit               | Total               |
|----------------------------------------------------|----------------------|------------------------|-----------------------|---------------------|
| <b>Balance, March 31, 2009</b>                     | <b>\$ 11,304,778</b> | <b>\$ 1,204,316</b>    | <b>\$ (6,967,392)</b> | <b>\$ 5,541,702</b> |
| Exercise of stock options - cash                   | 16,200               | -                      | -                     | 16,200              |
| Exercise of stock options - Black-Sholes valuation | 1,886                | (1,886)                | -                     | -                   |
| Fair value of stock options granted                | -                    | 25,130                 | -                     | 25,130              |
| Net loss for the period                            | -                    | -                      | (385,806)             | (385,806)           |
| <b>Balance, March 31, 2010</b>                     | <b>11,322,864</b>    | <b>1,227,560</b>       | <b>(7,353,198)</b>    | <b>5,197,226</b>    |
| Net loss for the period                            | -                    | -                      | (103,223)             | (103,223)           |
| <b>Balance, June 30, 2010</b>                      | <b>\$ 11,322,864</b> | <b>\$ 1,227,560</b>    | <b>\$ (7,456,421)</b> | <b>\$ 5,094,003</b> |

The accompanying notes are an integral part of these unaudited interim financial statements

# **Gossan Resources Limited**

## **NOTES TO INTERIM FINANCIAL STATEMENTS**

**THREE MONTHS ENDED JUNE 30, 2010**

**(EXPRESSED IN CANADIAN DOLLARS)**

**(PREPARED BY MANAGEMENT)**

**(UNAUDITED)**

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### **1. NATURE OF OPERATIONS AND GOING CONCERN**

Gossan Resources Limited (the "Company") is a public corporation that was incorporated federally on June 16, 1980. The Company, directly and through joint ventures is in the business of acquiring and exploring resource properties that it believes contain mineralization. To date, the Company has not earned significant revenues and is considered to be in the exploration and development stage. The Company carries on business in one segment, being the exploration for valuable minerals, exclusively in Canada.

In the opinion of management, all adjustments considered necessary for the fair presentation have been included in these interim financial statements. All amounts in these financial statements are expressed in Canadian dollars.

These interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements.

The ability of the Company to continue as a going concern and the recoverability of amounts shown for mineral properties are dependent upon the discovery of economically recoverable reserves; confirmation of the Company's ownership in the underlying mineral claims; the acquisition of required permits to mine; the ability of the Company to obtain necessary financing to complete exploration and development; and the future profitable production or proceeds from disposition of such properties. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. All of these outcomes are uncertain and taken together cast doubt over the ability of the Company to continue as a going concern.

As the Company has no revenue producing mines, the Company's ability to continue as a going concern is dependent upon its ability to raise funds in the capital markets.

The Company is traded on the TSX Venture Exchange under the symbol "GSS" and on the Frankfurt/Freiverkehr & Xetra Exchanges under the symbol "GSR" (WKN 904435).

### **2. ACCOUNTING POLICIES**

The unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") for interim financial information. Accordingly, they do not include all of the information and notes to the financial statements required by Canadian GAAP for annual financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the three months ended June 30, 2010 may not necessarily be indicative of the results that may be expected for the year ending March 31, 2011.

The balance sheet at March 31, 2010 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by Canadian GAAP for annual financial statements. The unaudited interim financial statements have been prepared by management in accordance with the accounting policies described in the Company's annual audited financial statements for the year ended March 31, 2010, except as noted below. For further information, refer to the audited financial statements and notes thereto for the year ended March 31, 2010.

# Gossan Resources Limited

## NOTES TO INTERIM FINANCIAL STATEMENTS

THREE MONTHS ENDED JUNE 30, 2010

(EXPRESSED IN CANADIAN DOLLARS)

(PREPARED BY MANAGEMENT)

(UNAUDITED)

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### 2. ACCOUNTING POLICIES (Continued)

#### Future Accounting Changes

##### International Financial Reporting Standards ("IFRS")

In January 2006, AcSB formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability. The current conversion timetable calls for financial reporting under IFRS for accounting periods commencing on or after January 1, 2011. On February 13, 2008 the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company is currently assessing the impact of IFRS on its financial statements.

##### Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

The CICA issued three new accounting standards in January 2009: Section 1582, "Business Combinations" ("Section 1582"), Section 1601, "Consolidated Financial Statements" ("Section 1601") and Section 1602, "Non-Controlling interests" ("Section 1602"). These new standards will be effective for fiscal years beginning on or after January 1, 2011. The Company is in the process of evaluating the requirements of the new standards.

Section 1582 replaces section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to International Financial Reporting Standards IFRS 3 - "Business Combinations". The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace section 1600, "Consolidated Financial Statements". Section 1601, establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27 - "Consolidated and Separate Financial Statements" and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

### 3. CAPITAL MANAGEMENT

The Company considers its capital structure to consist of share capital, stock options and warrants. When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. As at June 30, 2010, total shareholders' equity was \$5,094,003 (March 31, 2010 - \$5,197,226).



# Gossan Resources Limited

## NOTES TO INTERIM FINANCIAL STATEMENTS

THREE MONTHS ENDED JUNE 30, 2010

(EXPRESSED IN CANADIAN DOLLARS)

(PREPARED BY MANAGEMENT)

(UNAUDITED)

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### 3. CAPITAL MANAGEMENT (Continued)

The properties in which the Company currently has an interest are in the exploration stage. As such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the three month period ended June 30, 2010. The Company is not subject to externally imposed capital requirements.

### 4. MINERAL PROPERTY AND FINANCIAL RISK FACTORS

#### (a) Mineral Property Risk

The Company's major mineral properties are listed in Note 5. Unless the Company acquires or develops additional material mineral properties, the Company will be mainly dependent upon its existing properties. If no additional major mineral properties are acquired by the Company, any adverse development affecting the Company's existing properties would have a materially adverse effect on the Company's financial condition and results of operations.

#### (b) Financial Risk

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign exchange rate and commodity price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

##### Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, short term investments and accounts receivable. Cash and short term investments consist of cash and term deposits with reputable financial institutions, from which management believes the risk of loss to be minimal.

Financial instruments included in accounts receivable consist of deposits held with service providers. Management believes that credit risk concentration with respect to financial instruments included in accounts receivable is minimal. Other accounts receivable consist of sales tax receivable from government authorities in Canada.

##### Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2010, the Company had cash of \$339,589 (March 31, 2010 - \$496,639) and short-term investments of \$20,004 (March 31, 2010 - \$20,004) to settle current liabilities of \$180,016 (March 31, 2010 - \$172,063). All of the Company's financial liabilities have

# Gossan Resources Limited

## NOTES TO INTERIM FINANCIAL STATEMENTS

THREE MONTHS ENDED JUNE 30, 2010

(EXPRESSED IN CANADIAN DOLLARS)

(PREPARED BY MANAGEMENT)

(UNAUDITED)

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### 4. MINERAL PROPERTY AND FINANCIAL RISK FACTORS (Continued)

contractual maturities of less than 30 days and are subject to normal trade terms, other than Due to related parties which have no fixed terms of repayment (Note 8).

#### (b) Financial Risk (Continued)

##### Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity prices.

##### Interest Rate Risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company regularly monitors the investments it makes and is satisfied with the credit ratings of its banks.

##### Foreign Currency Risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As a result, the Company's exposure to foreign currency risk is minimal.

##### Commodity Price Risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices as it relates to valuable minerals to determine the appropriate course of action to be taken by the Company.

#### (c) Sensitivity Analysis

The Company has, for accounting purposes, designated its cash and short-term investments as held-for-trading, which are measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities, and due to related parties are classified as other financial liabilities which are measured at amortized cost.

As at June 30, 2010, the carrying and fair value amounts of the Company's financial instruments are not materially different.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a three month period.

- i) Held-for-trading assets include investment certificates totaling \$20,004 subject to varying interest rates. Sensitivity to a plus or minus 1% change in rates would affect the reported net income by approximately \$50. Similarly, as at June 30, 2010, reported shareholders' equity would have varied by approximately \$50 as a result of the 1% variance in interest rates.
- ii) The Company does not hold balances in foreign currencies to give rise to exposure to foreign exchange risk.

# Gossan Resources Limited

## NOTES TO INTERIM FINANCIAL STATEMENTS

THREE MONTHS ENDED JUNE 30, 2010

(EXPRESSED IN CANADIAN DOLLARS)

(PREPARED BY MANAGEMENT)

(UNAUDITED)

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#### 4. MINERAL PROPERTY AND FINANCIAL RISK FACTORS (Continued)

##### (c) Sensitivity Analysis (Continued)

iii) Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability from mineral exploration depends upon the world market price of valuable minerals. Commodity prices have fluctuated significantly in recent years. There is no assurance that, even as commercial quantities of minerals may be produced in the future, a profitable market will exist for them.

As of June 30, 2010, the Company is not a producer of valuable minerals. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

iv) Mineral property risk is significant. In particular, if an economic orebody is not found, the Company cannot enter into commercial production and generate sufficient revenues to fund its continuing operations. There can be no assurance that the Company will generate any revenues or achieve profitability or provide a return on investment in the future from any of the properties it may have an interest in.

##### (d) Fair Value Hierarchy and Liquidity Risk Disclosure

The following summarizes the methods and assumptions used in estimating the fair value of the Company's financial instruments where measurement is required. The fair value of cash and short-term financial instruments approximates their carrying amounts due to the relatively short period to maturity. Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment. The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the balance sheet, have been prioritized into three levels as per the fair value hierarchy included in GAAP.

Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities. Level two includes inputs that are observable other than quoted prices included in level one. Level three includes inputs that are not based on observable market data.

|                        | Level 1   | Level 2 | Level 3 |
|------------------------|-----------|---------|---------|
| Cash                   | 339,589   | -       | -       |
| Short term investments | \$ 20,004 | \$ -    | \$ -    |

# Gossan Resources Limited

## NOTES TO INTERIM FINANCIAL STATEMENTS

THREE MONTHS ENDED JUNE 30, 2010

(EXPRESSED IN CANADIAN DOLLARS)

(PREPARED BY MANAGEMENT)

(UNAUDITED)

### 5. MINERAL PROPERTIES

|                          | March 31,<br>2010   | Expenditures     | Grants and<br>Option<br>Payments | Write Downs | June 30,<br>2010    |
|--------------------------|---------------------|------------------|----------------------------------|-------------|---------------------|
| Pipestone Lake           | \$ 1,689,971        | \$ -             | \$ -                             | \$ -        | \$ 1,689,971        |
| Bird River Joint Venture | 811,213             | -                | -                                | -           | 811,213             |
| Inwood                   | 746,336             | 16,699           | -                                | -           | 763,035             |
| Separation Rapids        | 192,176             | -                | -                                | -           | 192,176             |
| Manigotagan Silica       | 719,228             | 20,084           | -                                | -           | 739,312             |
| Sharpe Lake              | 474,626             | -                | -                                | -           | 474,626             |
| Other                    | 2                   | -                | -                                | -           | 2                   |
|                          | <b>\$ 4,633,552</b> | <b>\$ 36,783</b> | <b>\$ -</b>                      | <b>\$ -</b> | <b>\$ 4,670,335</b> |

During the three month period ended June 30, 2010, the Company incurred \$36,783 (June 30, 2009 - \$191,851) of exploration expenditures and also received \$nil (2009 - \$nil) in government grants.

### 6. INVESTMENT IN THE CLAIMS NETWORK INC.

The Claims Network Inc. (TCN) provides the property and casualty insurance industry with valuation information and software systems to facilitate the settlement of insurance claims. In 2002, the Company invested \$455,000 in TCN to hold a 30% equity interest and has appointed two directors. During the 2007 year, TCN redeemed outstanding shares resulting in the Company's interest increasing to 37.04%. During the 2008 fiscal year, TCN redeemed additional shares and made a small share issuance resulting in the Company's interest increasing to 46.71%. As TCN is a private company, there is no liquid market for the shares.

During the current period, management has recorded its investment in TCN using the equity method and accordingly has recognized \$42,822 (June 30, 2009 - \$39,722) as income being the Company's 46.71% proportionate share of TCN's profit, resulting in the carrying value increasing by \$42,822 to \$406,683 (March 31, 2010 - \$363,862).

### 7. EQUIPMENT AND FURNITURE

|                        | Cost             | Accumulated<br>Amortization | Total<br>June 30,<br>2010 | Total<br>March 31,<br>2010 |
|------------------------|------------------|-----------------------------|---------------------------|----------------------------|
| Computer equipment     | \$ 19,599        | \$ 13,550                   | \$ 6,049                  | \$ 6,539                   |
| Computer software      | 7,435            | 7,435                       | -                         | -                          |
| Field equipment        | 1,155            | 906                         | 249                       | 262                        |
| Furniture and fixtures | 5,327            | 3,691                       | 1,636                     | 1,722                      |
|                        | <b>\$ 33,516</b> | <b>\$ 25,582</b>            | <b>\$ 7,934</b>           | <b>\$ 8,523</b>            |

# Gossan Resources Limited

## NOTES TO INTERIM FINANCIAL STATEMENTS

THREE MONTHS ENDED JUNE 30, 2010

(EXPRESSED IN CANADIAN DOLLARS)

(PREPARED BY MANAGEMENT)

(UNAUDITED)

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### 8. RELATED PARTY TRANSACTIONS

During the three month period ended June 30, 2010, a director was paid \$11,445 (June 30, 2009 - \$11,850) for geological field work and is owed \$4,200 (March 31, 2010 - \$2,888) by the Company as at June 30, 2010. Another director and the President was paid \$18,000 (June 30, 2009 - \$18,000) for corporate administration services, and is owed \$11,840 (March 31, 2010 - \$17,143) by the Company as at June 30, 2010. Another former officer charged \$20,000 (June 30, 2009 - \$7,500) for management services, and is owed \$nil (March 31, 2010 - \$10,918) by the Company as at June 30, 2010.

During the period, the Company paid \$3,000 (June 30, 2009 - \$3,000) to a company, beneficially owned by the CFO, to act as Chief Financial Officer of the Company. The CFO is also the president of a firm providing accounting services to the Company. During the period, the Company expensed \$5,498 (June 30, 2009 - \$5,327) for accounting services rendered by this firm. In addition, as at June 30, 2010, this firm was owed \$12,202 (March 31, 2010 - \$8,750).

During the period, fees were paid/accrued to Directors in the amount of \$nil (June 30, 2009 - \$nil) for directors' fees, including committee fees and other board activities. In the current and prior periods, thirty percent of the fees paid to directors were retained by the Company for acquisition of the Company's common shares on the directors' behalf. At June 30, 2010, \$66,300 (March 31, 2010 - \$66,300) was owed in regard to these fees.

These transactions are in the normal course of business and are measured at the exchange amount which is the amount established and agreed to by the parties.

The amounts due to related parties, which totals \$94,542 (March 31, 2010 - \$105,999) are unsecured, non-interest bearing and have no fixed terms of repayment.

### 9. SHARE CAPITAL

(a) AUTHORIZED - Unlimited number of common shares with no par value

(b) ISSUED

|                                                   | SHARES            | AMOUNT               |
|---------------------------------------------------|-------------------|----------------------|
| <b>Balance - March 31, 2010 and June 30, 2010</b> | <b>29,117,900</b> | <b>\$ 11,322,864</b> |

# Gossan Resources Limited

## NOTES TO INTERIM FINANCIAL STATEMENTS

THREE MONTHS ENDED JUNE 30, 2010

(EXPRESSED IN CANADIAN DOLLARS)

(PREPARED BY MANAGEMENT)

(UNAUDITED)

### 10. STOCK OPTIONS

A summary of changes in stock options is as follows:

|                                | NUMBER OF<br>STOCK OPTIONS | WEIGHTED AVERAGE<br>EXERCISE PRICE |
|--------------------------------|----------------------------|------------------------------------|
| Balance - March 31, 2010       | 2,460,000                  | \$0.30                             |
| Forfeited/Cancelled            | (380,000)                  | \$0.29                             |
| <b>Balance - June 30, 2010</b> | <b>2,080,000</b>           | <b>\$0.31</b>                      |

The following table reflects the stock options outstanding as at June 30, 2010:

| Date of Grant      | Exercise<br>Price (\$) | Options<br>Outstanding | Expiry Date        |
|--------------------|------------------------|------------------------|--------------------|
| March 14, 2007     | 0.32                   | 190,000                | September 14, 2010 |
| May 1, 2007        | 0.40                   | 340,000                | May 1, 2011        |
| June 26, 2007      | 0.50                   | 350,000                | June 26, 2011      |
| September 27, 2007 | 0.34                   | 270,000                | September 27, 2011 |
| March 28, 2008     | 0.30                   | 130,000                | March 28, 2012     |
| July 16, 2008      | 0.20                   | 240,000                | March 28, 2013     |
| February 4, 2009   | 0.15                   | 140,000                | March 28, 2011     |
| June 12, 2009      | 0.15                   | 420,000                | March 28, 2012     |
|                    | <b>0.30</b>            | <b>2,080,000</b>       |                    |

Of the options outstanding 2,080,000 (March 31, 2010 - 2,460,000) are exercisable.

### 11. CONTRIBUTED SURPLUS

|                                                   |                     |
|---------------------------------------------------|---------------------|
| <b>Balance - March 31, 2010 and June 30, 2010</b> | <b>\$ 1,227,560</b> |
|---------------------------------------------------|---------------------|

# Gossan Resources Limited

## NOTES TO INTERIM FINANCIAL STATEMENTS

THREE MONTHS ENDED JUNE 30, 2010

(EXPRESSED IN CANADIAN DOLLARS)

(PREPARED BY MANAGEMENT)

(UNAUDITED)

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### 12. BASIC AND DILUTED LOSS PER SHARE

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. Diluted loss per share, which reflects the maximum possible dilution from the potential exercise of warrants and stock options, is the same as basic loss per share for the period ended. The conversion of warrants and stock options to calculate diluted loss per share was not done, because the conversion was anti-dilutive.

### 13. COMMITMENT

By agreement dated June 14, 2007, the Company is committed under an operation lease for its office premises with the following lease payments to the expiration of the lease on September 30, 2012:

|      |    |               |
|------|----|---------------|
| 2011 | \$ | 9,636         |
| 2012 |    | 12,848        |
| 2013 |    | <u>6,424</u>  |
|      | \$ | <u>28,908</u> |

### 14. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current period presentation.

### 15. SUBSEQUENT EVENT

Subsequent to June 30th, 2010, the Company awarded 640,000 incentive stock options exercisable at \$0.15 per common share to officers, directors and consultants. This grant of options is in compliance with the terms of the Company's Stock Option Plan and remains subject to the acceptance of the TSX Venture Exchange.

Furthermore, five officers and directors were granted a total of 560,000 options; an employee was granted 40,000 options; and a consultant was granted 160,000 options. This grant of options was awarded on August 13, 2010 and has an expiry date of March 28, 2014.