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**GOSSAN RESOURCES LIMITED**

**INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTHS ENDED**  
**SEPTEMBER 30, 2007**

**(UNAUDITED)**

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Responsibility for Interim Financial Statements

The accompanying interim financial statements for Gossan Resources Limited have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. The most significant of these accounting principles have been set out in the March 31, 2007 audited financial statements. Only changes in accounting information have been disclosed in these interim financial statements. These statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both the integrity and objectivity of the interim financial statements, management is satisfied that these interim financial statements have been fairly presented.

Auditors' Involvement

The auditors of Gossan Resources Limited have not performed a review of the unaudited interim financial statements for the three and six months ended September 30, 2007 and September 30, 2006.

# Gossan Resources Limited

## INTERIM BALANCE SHEETS

(EXPRESSED IN CANADIAN DOLLARS)

(PREPARED BY MANAGEMENT)

(UNAUDITED)

	September 30, 2007	March 31, 2007
<b>ASSETS</b>		
Current		
Cash	\$ 2,349,629	\$ 56,781
Marketable securities	11,200	24,400
Accounts receivable	5,838	68,943
Prepaid expenses	4,802	11,875
	<b>2,371,469</b>	161,999
Non-Current		
Mineral properties (Note 3)	3,394,524	3,299,000
Investment in The Claims Network (Note 4)	137,229	112,080
Furniture and equipment (Note 5)	14,679	9,452
	<b>3,546,432</b>	3,420,532
	<b>\$ 5,917,901</b>	<b>\$ 3,582,531</b>
<b>LIABILITIES</b>		
Current		
Accounts payable	\$ 63,490	\$ 80,672
Due to related parties	9,200	141,160
	<b>72,690</b>	221,832
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 7)	11,283,778	8,829,441
Contributed surplus	1,165,656	691,820
Deficit	<b>(6,604,223)</b>	<b>(6,160,562)</b>
	<b>5,845,211</b>	3,360,699
	<b>\$ 5,917,901</b>	<b>\$ 3,582,531</b>

Nature of Operations (Note 1)

Approved on Behalf of the Board:

"Douglas Reeson"  
Director

"G. Ryan Cooke"  
Director

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

# Gossan Resources Limited

## INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(EXPRESSED IN CANADIAN DOLLARS)

(PREPARED BY MANAGEMENT)

(UNAUDITED)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2007	2006	2007	2006
<b>EXPENSES</b>				
Administrative fees	\$ 3,113	\$ -	\$ 9,810	\$ -
Management fees	25,840	28,500	56,460	57,000
Consulting	10,744	-	15,244	4,500
Office and general	36,184	31,465	68,750	63,507
Public company expenses	13,838	14,853	36,946	19,348
Investor relations	21,815	11,966	31,973	17,160
Travel and related	7,901	5,703	13,291	13,406
Stock-based compensation expense	54,955	-	236,483	-
Amortization and other	1,568	616	2,207	1,269
	<b>175,958</b>	<b>93,103</b>	<b>471,164</b>	<b>176,190</b>
<b>OTHER INCOME</b>				
Interest and other income	461	-	694	2,396
Gain on sale of marketable securities	-	13,875	1,660	13,875
<b>LOSS BEFORE THE FOLLOWING</b>	<b>\$ (175,497)</b>	<b>\$ (79,228)</b>	<b>\$ (468,810)</b>	<b>\$ (159,919)</b>
Share of TCN profit (Note 4)	18,472	3,950	25,149	16,650
<b>NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>\$ (157,025)</b>	<b>\$ (75,278)</b>	<b>\$ (443,661)</b>	<b>\$ (143,269)</b>
<b>LOSS PER SHARE (basic and diluted)</b>	<b>\$ 0.005</b>	<b>\$ 0.004</b>	<b>\$ 0.016</b>	<b>\$ 0.007</b>

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

# Gossan Resources Limited

## INTERIM STATEMENTS OF CASH FLOWS

(EXPRESSED IN CANADIAN DOLLARS)

(PREPARED BY MANAGEMENT)

(UNAUDITED)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2007	2006	2007	2006
<b>CASH (USED IN) PROVIDED BY:</b>				
<b>OPERATING ACTIVITIES</b>				
Net loss for the period	\$ (157,025)	\$ (75,278)	\$ (443,661)	\$ (143,269)
Amortization and other	1,568	616	2,207	1,269
Gain on sale of marketable securities	-	-	(1,660)	-
Share of TCN profit (Note 4)	(18,472)	(3,950)	(25,149)	(16,650)
Stock-based compensation	54,955	-	236,483	-
Net change in non-cash working capital:				
Accounts receivable	7,431	34,769	63,105	13,558
Prepaid expenses	5,896	27,600	7,073	31,200
Accounts payable	15,398	20,701	(17,181)	(46,197)
Due to related parties	(66,080)	21,500	(131,960)	25,500
	<b>(156,329)</b>	<b>25,958</b>	<b>(310,743)</b>	<b>(134,589)</b>
<b>INVESTING ACTIVITIES</b>				
Proceeds on sale of marketable securities	-	16,800	14,860	16,800
Mineral properties	(71,838)	(156,863)	(95,524)	(444,247)
Acquisition of furniture and equipment	(7,435)	-	(7,435)	-
	<b>(79,273)</b>	<b>(140,063)</b>	<b>(88,099)</b>	<b>(427,447)</b>
<b>FINANCING ACTIVITIES</b>				
Issuance of share capital	11,500	271,250	2,691,690	271,250
Exercise of stock options	-	-	-	-
	<b>11,500</b>	<b>271,250</b>	<b>2,691,690</b>	<b>271,250</b>
<b>(DECREASE) INCREASE IN CASH</b>	<b>(224,102)</b>	<b>157,145</b>	<b>2,292,848</b>	<b>(290,786)</b>
<b>CASH, beginning of period</b>	<b>2,573,731</b>	<b>110,564</b>	<b>56,781</b>	<b>558,495</b>
<b>CASH, end of period</b>	<b>\$ 2,349,629</b>	<b>\$ 267,709</b>	<b>\$ 2,349,629</b>	<b>\$ 267,709</b>

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

# Gossan Resources Limited

## INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(EXPRESSED IN CANADIAN DOLLARS)

(PREPARED BY MANAGEMENT)

(UNAUDITED)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2007	2006	2007	2006
<b>Share Capital</b>				
Balance at beginning of period	\$ 11,269,260	\$ 8,959,378	\$ 8,829,441	\$ 8,959,378
Private placement, net	-	271,250	2,641,240	271,250
Property acquisition	-	5,000	-	5,000
Exercise of stock options - cash	11,500	-	50,450	-
Exercise of stock options - valuation	3,018	-	14,718	-
Issuance of warrants - valuation	-	-	(252,071)	-
<b>Balance at end of period</b>	<b>\$ 11,283,778</b>	<b>\$ 9,235,628</b>	<b>\$ 11,283,778</b>	<b>\$ 9,235,628</b>
<b>Contributed Surplus</b>				
Balance at beginning of period	\$ 1,113,719	\$ 454,180	\$ 691,820	\$ 454,180
Fair value of stock options granted	54,955	-	236,483	-
Exercise of stock options - valuation	(3,018)	-	(14,718)	-
Fair value of warrants issued	-	-	252,071	-
<b>Balance at end of period</b>	<b>\$ 1,165,656</b>	<b>\$ 454,180</b>	<b>\$ 1,165,656</b>	<b>\$ 454,180</b>
<b>Deficit</b>				
Balance at beginning of period	\$ (6,447,198)	\$ (5,971,707)	\$ (6,160,562)	\$ (5,903,716)
Net loss and comprehensive loss for the period	(157,025)	(75,278)	(443,661)	(143,269)
<b>Balance at end of period</b>	<b>\$ (6,604,223)</b>	<b>\$ (6,046,985)</b>	<b>\$ (6,604,223)</b>	<b>\$ (6,046,985)</b>
<b>TOTAL SHAREHOLDER EQUITY, END OF PERIOD</b>	<b>\$ 5,845,211</b>	<b>\$ 3,642,823</b>	<b>\$ 5,845,211</b>	<b>\$ 3,642,823</b>

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

# **Gossan Resources Limited**

## **NOTES TO INTERIM FINANCIAL STATEMENTS**

**SIX MONTHS ENDED SEPTEMBER 30, 2007**

**(EXPRESSED IN CANADIAN DOLLARS)**

**(PREPARED BY MANAGEMENT)**

**(UNAUDITED)**

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### **1. NATURE OF OPERATIONS**

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 stage. It is an exploration enterprise and 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 interim 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, and 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 interim 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.

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

# Gossan Resources Limited

## NOTES TO INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED SEPTEMBER 30, 2007

(EXPRESSED IN CANADIAN DOLLARS)

(PREPARED BY MANAGEMENT)

(UNAUDITED)

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### 2. ACCOUNTING POLICIES

These unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and notes to the financial statements required by Canadian generally accepted accounting principles for annual financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six month period ended September 30, 2007 may not necessarily be indicative of the results that may be expected for the year ending March 31, 2008.

The balance sheet at March 31, 2007 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by Canadian generally accepted accounting principles for complete financial statements. The interim financial statements have been prepared by management in accordance with the accounting policies described in the Company's annual financial statements for the year ended March 31, 2007. For further information, refer to the financial statements and notes thereto included in the Company's annual financial statements for the year ended March 31, 2007.

#### Financial Instruments

##### Financial Instruments, Comprehensive Income (Loss), and Hedges

In January 2005, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook Sections 3855, "Financial Instruments – Recognition and Measurement", 1530, "Comprehensive Income", and 3865, "Hedges". These new standards are effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2006 on a prospective basis; accordingly, comparative amounts for prior periods have not been restated. The Corporation has adopted these new standards effective April 1, 2007.

##### (a) Financial Instruments - Recognition and Measurement

Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented. This Section requires that:

- All financial assets be measured at fair value on initial recognition and certain financial assets to be measured at fair value subsequent to initial recognition;
- All financial liabilities be measured at fair value if they are classified as held for trading purposes. Other financial liabilities are measured at amortized cost using the effective interest method; and
- All derivative financial instruments be measured at fair value on the balance sheet, even when they are part of an effective hedging relationship.

# Gossan Resources Limited

## NOTES TO INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED SEPTEMBER 30, 2007

(EXPRESSED IN CANADIAN DOLLARS)

(PREPARED BY MANAGEMENT)

(UNAUDITED)

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### 2. ACCOUNTING POLICIES (Continued)

#### Financial Instruments (Continued)

##### (b) Comprehensive Income (Loss)

Section 1530 introduces a new requirement to temporarily present certain gains and losses from changes in fair value outside net income. It includes unrealized gains and losses, such as: changes in the currency translation adjustment relating to self-sustaining foreign operations; unrealized gains or losses on available-for-sale investments; and the effective portion of gains or losses on derivatives designated as cash flow hedges or hedges of the net investment in self-sustaining foreign operations.

##### (c) Hedges

Section 3865 provides alternative treatments to Section 3855 for entities which choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guideline 13 "Hedging Relationships", and the hedging guidance in Section 1650 "Foreign Currency Translation" by specifying how hedge accounting is applied and what disclosures are necessary when it is applied.

##### (d) Impact Upon Adoption of Sections 1530, 3855, and 3865

The Corporation has evaluated the impact of sections 1530, 3855 and 3865 on its financial statements and determined that no adjustments are currently required.

#### Accounting Policy Choice for Transaction Costs

On June 1, 2007, the Emerging Issues Committee of the CICA issued Abstract No. 166, Accounting Policy Choice for Transaction Costs (EIC-166). This EIC addresses the accounting policy choice of expensing or adding transaction cost related to the acquisition of financial assets and financial liabilities that are classified as other than held-for-trading. Specifically, it requires that the same accounting policy choice be applied to all similar financial instruments classified as other than held-for-trading, but permits a different policy choice for financial instruments that are not similar. The Company has adopted EIC-166 effective September 30, 2007 and requires retroactive application to all transaction costs accounted for in accordance with CICA Handbook Section 3855, Financial Instruments- Recognition and Measurement. The Company has evaluated the impact of EIC-166 and determined that no adjustments are currently required.



# **Gossan Resources Limited**

## **NOTES TO INTERIM FINANCIAL STATEMENTS**

**SIX MONTHS ENDED SEPTEMBER 30, 2007**

**(EXPRESSED IN CANADIAN DOLLARS)**

**(PREPARED BY MANAGEMENT)**

**(UNAUDITED)**

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### **2. ACCOUNTING POLICIES (Continued)**

#### **Accounting Changes**

In July 2006, the Accounting Standards Board ("AcSB") issued a replacement of The Canadian Institute of Chartered Accountants' Handbook ("CICA Handbook") Section 1506, Accounting Changes. The new standard allows for voluntary changes in accounting policy only when they result in the financial statements providing reliable and more relevant information, requires changes in accounting policy to be applied retrospectively unless doing so is impracticable, requires prior period errors to be corrected retrospectively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. The impact that the adoption of Section 1506 will have on the Company's results of operations and financial condition will depend on the nature of future accounting changes.

#### **Future Accounting Changes**

##### **Capital Disclosures and Financial Instruments – Disclosures and Presentation**

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, Capital Disclosures, Handbook Section 3862, Financial Instruments – Disclosures, and Handbook Section 3863, Financial Instruments – Presentation. These standards are effective for interim and annual financial statements for the Corporation's reporting period beginning on April 1, 2008.

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

The new Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments — Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The Corporation is currently assessing the impact of these new accounting standards on its financial statements.

# Gossan Resources Limited

## NOTES TO INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED SEPTEMBER 30, 2007

(EXPRESSED IN CANADIAN DOLLARS)

(PREPARED BY MANAGEMENT)

(UNAUDITED)

### 3. MINERAL PROPERTIES

	March 31, 2007	Expenditures	Grants and Option Payments	Write Downs	September 30, 2007
Pipestone Lake	\$ 1,662,580	\$ 150	\$ -	\$ -	\$ 1,662,730
Bird River (i)	475,582	1,015	-	-	476,597
Inwood	365,091	20,044	-	-	385,135
Separation Rapids	98,930	24,302	-	-	123,232
Manigotagan Silica (ii)	228,923	62,045	(12,405)	-	278,563
Sharpe Lake	467,891	373	-	-	468,264
Other	3	-	-	-	3
	<b>\$ 3,299,000</b>	<b>\$ 107,929</b>	<b>\$ (12,405)</b>	<b>\$ -</b>	<b>\$ 3,394,524</b>

- (i) During the period, the Company entered into a definitive Option and Joint Venture Agreement on its Bird River Property with Marathon PGM Corporation (MAR-TSX). The Property, encompassing over 7,300 hectares, covers over 21 kilometres of the Bird River Sill Complex. This complex carries significant concentrations of palladium and platinum along with nickel, copper, zinc and chromite. The Bird River Property is located about 40-km east of Lac Du Bonnet, Manitoba and, along the Sill, approximately 6 km west and northwest of Mustang Minerals' Maskwa Deposit and the historic Dumbarton mine.

Under the terms of the Agreement, Marathon PGM ("MPGM") can earn an undivided 50% interest in the Bird River Property by spending \$3.0 million on exploration and making cash payments of \$500,000 to Gossan by April 30, 2011. Thereafter, MPGM can earn a further 15% interest by completing a bankable feasibility study and an additional 5% interest, to a total 70% interest, by arranging project financing. Under certain conditions and subject to regulatory approval, MPGM may elect to issue its common shares in lieu of cash payments. Upon formation of a joint venture, MPGM must also make semi-annual, recoverable, advance payments of \$50,000 until commercial production is achieved. In the first stage of this Agreement, MPGM's work expenditure commitment is \$500,000 of exploration expenditures by April 30, 2008 and an initial cash payment of \$50,000. Gossan paid a finders fee of \$10,000.

- (ii) During the period, the Company received a mineral exploration grant from the Government of Manitoba in the amount of \$12,405 for prior work undertaken on the Manigotagan Silica Project.

# Gossan Resources Limited

## NOTES TO INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED SEPTEMBER 30, 2007

(EXPRESSED IN CANADIAN DOLLARS)

(PREPARED BY MANAGEMENT)

(UNAUDITED)

### 4. 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 prior year, TCN redeemed 19% of their outstanding shares resulting in the Company's interest increasing to 37.04%. As TCN is a private company, there is no liquid market for the shares.

During the six months ended September 30, 2007, management has recorded its investment in TCN using the equity method and accordingly has recognized \$25,149 (September 30, 2006 - \$16,650) as income, representing the Company's proportionate share of TCN's profit, resulting in the carrying value increasing by \$25,149 (September 30, 2006 - \$16,650) to \$137,229 (September 30, 2006 - \$79,595)

### 5. FURNITURE AND EQUIPMENT

	Cost	Accumulated Amortization	Total September 30, 2007	Total March 31, 2007
Computer equipment	\$ 12,275	\$ 6,603	\$ 5,672	\$ 6,675
Computer software	7,435	929	6,506	-
Field equipment	1,155	696	459	509
Furniture and fixtures	4,549	2,507	2,042	2,268
	\$ 25,414	\$ 10,735	\$ 14,679	\$ 9,452

### 6. RELATED PARTY TRANSACTIONS

During the six months ended September 30, 2007, a director was paid or accrued \$20,960 (September 30, 2006 - \$28,160) for geological field work and is owed \$2,400 (September 30, 2006 - \$Nil) by the company as at September 30, 2007. Another director, appointed President October 1, 2004 was paid \$36,000 (September 30, 2006 - \$33,000) for corporate administration services, and is owed \$6,800 (September 30, 2006 - \$30,500) by the company as at September 30, 2007. Another officer charged \$15,000 (September 30, 2006 - \$15,000) for management services, and is owed \$7,500 (September 30, 2006 - \$5,000) The basis of compensation to related parties reflects market rates for similar services.

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

# Gossan Resources Limited

## NOTES TO INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED SEPTEMBER 30, 2007

(EXPRESSED IN CANADIAN DOLLARS)

(PREPARED BY MANAGEMENT)

(UNAUDITED)

### 7. SHARE CAPITAL

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

(b) ISSUED

	SHARES	AMOUNT
Balance - March 31, 2007	21,765,900	\$ 8,829,441
Private placement, net - May 2007	7,000,000	2,641,240
Exercise of options - cash	155,000	50,450
Exercise of options - Black-Scholes valuation	-	14,718
Fair value assigned to warrants issued pursuant to private placement	-	(252,071)
<b>Balance - September 30, 2007</b>	<b>28,920,900</b>	<b>\$ 11,283,778</b>

On May 18, 2007, the company closed a non-brokered private placement financing of \$2,800,000 comprising the sale of 7,000,000 Units at \$0.40 per Unit. Each Unit consists of one common share and one-half of a share purchase warrant. A whole warrant is exercisable over a one year period at \$0.60 per share and callable in certain circumstances if the Company's shares trade at or above \$0.90 for 20 consecutive trading days.

Finders fees of 7% cash (\$158,760) and 7% warrants (396,900 finders warrants) to purchase common shares at \$0.40 per share for a one year period were paid on a portion of the placement. The securities issued under the private placement are subject to a four-month hold period.

### 8. STOCK OPTIONS

The following table reflects the continuity of stock options for the period:

	NUMBER OF STOCK OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Balance - March 31, 2007	2,016,000	\$0.38
Granted	1,138,000	\$0.42
Exercised	(155,000)	\$0.33
Expired	(320,000)	\$0.39
<b>Balance - September 30, 2007</b>	<b>2,679,000</b>	<b>\$0.38</b>

# Gossan Resources Limited

## NOTES TO INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED SEPTEMBER 30, 2007

(EXPRESSED IN CANADIAN DOLLARS)

(PREPARED BY MANAGEMENT)

(UNAUDITED)

### 8. STOCK OPTIONS (Continued)

The following table reflects the continuity of stock options for the period:

<b>Date of Grant</b>	<b>Exercise Price (\$)</b>	<b>Options Outstanding</b>	<b>Expiry Date</b>
August 10, 2006	0.30	100,000	January 16, 2008
December 1, 2004	0.35	120,000	February 28, 2008
November 16, 2006	0.30	40,000	March 31, 2008
July 5, 2005	0.35	157,000	June 30, 2008
September 23, 2005	0.36	90,000	September 30, 2008
March 14, 2007	0.32	160,000	March 14, 2009
November 8, 2005	0.50	190,000	April 30, 2009
March 21, 2006	0.35	60,000	September 21, 2009
October 31, 2006	0.30	434,000	April 30, 2010
March 14, 2007	0.32	190,000	September 14, 2010
May 1, 2007	0.40	420,000	May 1, 2011
June 26, 2007	0.50	430,000	June 26, 2011
September 27, 2007	0.34	288,000	September 27, 2011
	<b>0.38</b>	<b>2,679,000</b>	

On May 1, 2007, the Company granted 420,000 stock options to directors and officers and employees of the Company. The options are exercisable at \$0.40 and expire on May 1, 2011. The resulting fair value of \$88,200 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 85.0%; a risk-free interest rate of 4.50% and an expected average life of 2.7 years. 50,000 of the 420,000 options granted are subject to vesting terms ranging from nine to eighteen months.

On June 26, 2007, the Company granted 430,000 stock options to directors, consultants, and employees. The options vest immediately, are exercisable at \$0.50, and expire on June 25, 2011. The resulting fair value of \$100,190 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 85.0%; a risk-free interest rate of 4.50% and an expected average life of 2.7 years.

On September 27, 2007, the Company granted 288,000 stock options to directors, consultants, and employees. The options vest immediately, are exercisable at \$0.34, and expire on September 27, 2011. The resulting fair value of \$51,552 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 85.0%; a risk-free interest rate of 4.50% and an expected average life of 2.5 years.

# Gossan Resources Limited

## NOTES TO INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED SEPTEMBER 30, 2007

(EXPRESSED IN CANADIAN DOLLARS)

(PREPARED BY MANAGEMENT)

(UNAUDITED)

### 9. WARRANTS

The following table reflects the continuity of warrants for the period:

	NUMBER OF WARRANTS	WEIGHTED AVERAGE EXERCISE PRICE
Balance - March 31, 2007	3,823,776	\$0.62
Granted	3,896,900	\$0.58
Expired	(888,888)	\$0.85
<b>Balance - September 30, 2007</b>	<b>6,831,788</b>	<b>\$0.57</b>

The following table reflects the actual warrants outstanding as of September 30, 2007:

Date of Grant	Exercise Price (\$)	Warrants Outstanding	Expiry Date
November 25, 2005	1.00	888,888	November 25, 2007
May 18, 2007	0.40	396,900	May 18, 2008
May 18, 2007	0.60	3,500,000	May 18, 2008
October 30, 2006	0.35	1,201,000	October 30, 2008
December 28, 2006	0.35	845,000	December 28, 2008
	<b>0.57</b>	<b>6,831,788</b>	

On May 18, 2007, the Company issued 3,500,000 warrants in conjunction with the private placement described in note 7. The warrants are exercisable at \$0.60 and expire on May 18, 2008. A fair value of \$210,000 was estimated using the Black-Scholes pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 0.85%; a risk-free interest rate of 4.50% and an expected average life of 0.83 years.

On May 18, 2007 the Company issued 396,900 warrants as a finders fee in conjunction with the private placement described in note 7. The warrants are exercisable at \$0.40 and expire on May 18, 2008. A fair value of \$42,071 was estimated using the Black-Scholes pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 85%; a risk-free interest rate of 4.50% and an expected average life of 0.83 years.

# **Gossan Resources Limited**

## **NOTES TO INTERIM FINANCIAL STATEMENTS**

**SIX MONTHS ENDED SEPTEMBER 30, 2007**

**(EXPRESSED IN CANADIAN DOLLARS)**

**(PREPARED BY MANAGEMENT)**

**(UNAUDITED)**

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### **10. 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.

### **11. COMPARATIVE INFORMATION**

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