
GOSSAN RESOURCES LIMITED
INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED
SEPTEMBER 30, 2009

(UNAUDITED)

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, 2009 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 ensuring that management fulfills its financial reporting responsibilities and for reviewing and approving the unaudited interim financial statements together with other financial information. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the internal controls over 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 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)

	September 30, 2009	March 31 2009
ASSETS		
Current		
Cash	\$ 198,877	\$ 140,692
Short term investments	673,434	1,326,653
Accounts receivable	62,337	4,048
Prepaid expenses	11,121	12,188
	945,769	1,483,581
Non-Current		
Mineral properties (Note 5)	4,416,974	4,089,541
Investment in The Claims Network (Note 6)	305,859	224,540
Furniture and equipment (Note 7)	9,980	8,973
	4,732,813	4,323,054
	\$ 5,678,582	\$ 5,806,635
LIABILITIES		
Current		
Accounts payable	\$ 104,431	\$ 38,981
Due to related parties (Note 8)	39,489	125,952
	143,920	164,933
Deferred income	150,000	100,000
	293,920	264,933
Nature of Operations and Going Concern (Note 1)		
Commitment (Note 13)		
Subsequent Event (Note 15)		
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	11,322,061	11,304,778
Contributed surplus (Note 11)	1,202,443	1,204,316
Deficit	(7,139,842)	(6,967,392)
	5,384,662	5,541,702
	\$ 5,678,582	\$ 5,806,635

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 September 30,		Six Months Ended September 30,	
	2009	2008	2009	2008
EXPENSES				
Administrative fees	\$ 5,378	\$ 7,734	\$ 10,705	\$ 13,067
Management fees	28,500	25,500	57,649	55,556
Consulting	14,064	6,069	24,060	12,431
Office and general	23,975	25,561	46,093	50,118
Public company costs	44,170	17,900	54,994	25,980
Investor relations	24,263	14,093	41,763	41,562
Travel and related	14,980	10,214	18,367	16,224
Stock-based compensation expense	-	18,703	(790)	19,159
Amortization and other	729	1,968	1,340	3,936
	156,059	127,742	254,181	238,033
OTHER INCOME				
Interest and other income	3	14,865	412	31,430
LOSS BEFORE THE FOLLOWING				
Share of TCN profit (Note 6)	\$ (156,056)	\$ (112,877)	\$ (253,769)	\$ (206,603)
	41,597	6,834	81,319	24,396
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD				
	\$ (114,459)	\$ (106,043)	\$ (172,450)	\$ (182,207)
NET LOSS PER SHARE - Basic and diluted				
	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)
Weighted average number of shares outstanding	29,039,440	29,020,900	29,030,456	29,020,900

INTERIM STATEMENTS OF DEFICIT

(EXPRESSED IN CANADIAN DOLLARS)

(PREPARED BY MANAGEMENT)

(UNAUDITED)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2009	2008	2009	2008
Deficit, beginning of period	\$ (7,025,383)	\$ (7,031,876)	\$ (6,967,392)	\$ (6,955,712)
Net loss for the period	(114,459)	(106,043)	(172,450)	(182,207)
Deficit, end of period	\$ (7,139,842)	\$ (7,137,919)	\$ (7,139,842)	\$ (7,137,919)

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)

	Three Months Ended September 30, 2009		Six Months Ended September 30, 2009	
	2009	2008	2009	2008
CASH (USED IN) PROVIDED BY:				
OPERATING ACTIVITIES				
Net loss for the period	\$ (114,459)	\$ (106,043)	\$ (172,450)	\$ (182,207)
Amortization and other	729	1,968	1,340	3,936
Share of TCN profit (Note 6)	(41,597)	(6,834)	(81,319)	(24,396)
Stock-based compensation	-	18,703	(790)	19,159
	(155,327)	(92,206)	(253,219)	(183,508)
Net change in non-cash working capital:				
Accounts receivable	(56,175)	7,178	(58,289)	1,689
Prepaid expenses	(1,365)	6,257	1,067	12,137
Accounts payable	58,910	49,297	65,450	36,104
Due to related parties	(53,101)	(67,348)	(86,463)	(92,646)
	(207,058)	(96,822)	(331,454)	(226,224)
INVESTING ACTIVITIES				
Expenditures on mineral properties	(135,582)	319,079	(327,433)	101,844
Proceeds on redemption of short-term investments	402,821	(186,732)	653,219	203,083
Acquisition of fixed assets	(2,347)	-	(2,347)	-
Deferred revenue received	50,000	-	50,000	-
	314,892	132,347	373,439	304,927
FINANCING ACTIVITIES				
Issuance of share capital, net of share issue costs	12,900	-	16,200	-
Shares to be issued	(12,900)	-	-	-
	-	-	16,200	-
(DECREASE) INCREASE IN CASH	107,834	35,525	58,185	78,703
CASH, beginning of period	91,043	138,354	140,692	95,176
CASH, end of period	\$ 198,877	\$ 173,879	\$ 198,877	\$ 173,879

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

Gossan Resources Limited

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(EXPRESSED IN CANADIAN DOLLARS)

(PREPARED BY MANAGEMENT)

(UNAUDITED)

	Share Capital	Contributed Surplus	Deficit	Total
Balance, March 31, 2008	\$11,304,778	\$ 1,187,236	\$ (6,955,712)	\$ 5,536,302
Fair value of stock options granted	-	30,239	-	30,239
Fair value of stock options forfeited	-	(13,159)	-	(13,159)
Net loss for the year	-	-	(11,680)	(11,680)
Balance, March 31, 2009	11,304,778	1,204,316	(6,967,392)	5,541,702
Exercise of stock options - cash	16,200	-	-	16,200
Exercise of stock options - Black-Scholes Valuation	1,083	(1,083)	-	-
Fair value of stock options granted	-	25,130	-	25,130
Fair value of stock options forfeited	-	(25,920)	-	(25,920)
Net loss for the period	-	-	(172,450)	(172,450)
Balance, September 30, 2009	\$11,322,061	\$ 1,202,443	\$ (7,139,842)	\$ 5,384,662

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

Gossan Resources Limited

NOTES TO INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED SEPTEMBER 30, 2009

(EXPRESSED IN CANADIAN DOLLARS)

(PREPARED BY MANAGEMENT)

(UNAUDITED)

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 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 unaudited financial statements.

These interim unaudited 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 unaudited 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 Gossan 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".

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 six month period ended September 30, 2009 may not necessarily be indicative of the results that may be expected for the year ending March 31, 2010.

The balance sheet at March 31, 2009 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 unaudited 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, 2009. 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, 2009.

Gossan Resources Limited

NOTES TO INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED SEPTEMBER 30, 2009

(EXPRESSED IN CANADIAN DOLLARS)

(PREPARED BY MANAGEMENT)

(UNAUDITED)

2. ACCOUNTING POLICIES (Continued)

Goodwill and Intangible Assets

In October 2007, the CICA approved Handbook Section 3064, "Goodwill and Intangible Assets" which replaces the existing Handbook Sections 3062, "Goodwill and Other Intangible Assets" and 3450 "Research and Development Costs". This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009, with earlier application encouraged. The standard provides guidance on the recognition, measurement and disclosure requirements for goodwill and intangible assets. The Company adopted this standard on April 1, 2009, with no impact on the Company's interim unaudited financial statements for the six months ended September 30, 2009.

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.

Sections 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.

Gossan Resources Limited

NOTES TO INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED SEPTEMBER 30, 2009

(EXPRESSED IN CANADIAN DOLLARS)

(PREPARED BY MANAGEMENT)

(UNAUDITED)

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 September 30, 2009, total shareholders' equity [managed capital] was \$5,384,662 (March 31, 2009 - \$5,541,702).

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 six months ended September 30, 2009. 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 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, 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.

Gossan Resources Limited

NOTES TO INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED SEPTEMBER 30, 2009

(EXPRESSED IN CANADIAN DOLLARS)

(PREPARED BY MANAGEMENT)

(UNAUDITED)

4. MINERAL PROPERTY AND FINANCIAL RISK FACTORS (Continued)

(b) Financial Risk (Continued)

Credit Risk (Continued)

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 September 30, 2009, the Company had cash of \$198,877 (March 31, 2009 - \$140,692) and a liquid short-term investments of \$673,434 (March 31, 2009 - \$1,326,653) to settle current liabilities of \$143,920 (March 31, 2009 - \$164,933). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

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 September 30, 2009, the carrying and fair value amounts of the Company's financial instruments are not materially different.

Gossan Resources Limited

NOTES TO INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED SEPTEMBER 30, 2009

(EXPRESSED IN CANADIAN DOLLARS)

(PREPARED BY MANAGEMENT)

(UNAUDITED)

4. MINERAL PROPERTY AND FINANCIAL RISK FACTORS (Continued)

(c) Sensitivity Analysis (Continued)

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

- i) Held-for-trading assets include investment certificates totaling \$671,963 subject to varying interest rates. Sensitivity to a plus or minus 1% change in interest rates would affect the reported net income by approximately \$3,300. Similarly, as at September 30, 2009, reported shareholders' equity would have varied by approximately \$3,300.
- ii) The Company does not hold balances in foreign currencies to give rise to exposure to foreign exchange risk.
- 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 September 30, 2009, 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.

5. MINERAL PROPERTIES

	March 31, 2009	Expenditures	Grants and Option Payments	Transfers and Write Downs	September 30, 2009
Pipestone Lake	\$ 1,668,030	\$ 8,679	\$ -	\$ -	\$ 1,676,709
Bird River Joint Venture	629,251	71,197	-	-	700,448
Inwood	563,633	146,555	-	-	710,188
Separation Rapids	135,667	54,640	-	-	190,307
Manigotagan Silica	618,747	45,946	-	-	664,693
Sharpe Lake	474,210	3,598	(3,182)	-	474,626
Other	3	-	-	-	3
	\$ 4,089,541	\$ 330,615	\$ (3,182)	\$ -	\$ 4,416,974

During the period ended September 30, 2009, the Company incurred \$330,615 (September 30, 2008 - \$362,156) of exploration expenditures and has received \$3,182 (September 30, 2008 - \$14,000) in government grants.

Gossan Resources Limited

NOTES TO INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED SEPTEMBER 30, 2009

(EXPRESSED IN CANADIAN DOLLARS)

(PREPARED BY MANAGEMENT)

(UNAUDITED)

5. MINERAL PROPERTIES (Continued)

During the six months ended September 30, 2009, the Company contributed \$70,540 to the Spring 2009 Drill Program at the Bird River Project to hold an approximate 45.4% interest in the Project.

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 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 \$81,319 (September 30, 2008 - \$24,396) as income being the Company's proportionate share of TCN's profit, resulting in the carrying value increasing by \$81,319 to \$305,859 (March 31, 2009 - \$224,540).

7. FURNITURE AND EQUIPMENT

	Cost	Accumulated Amortization	Total September 30, 2009	Total March 31, 2009
Computer equipment	\$ 19,599	\$ 11,851	\$ 7,748	\$ 6,493
Computer software	7,435	7,435	-	-
Field equipment	1,155	861	294	327
Furniture and fixtures	5,327	3,389	1,938	2,153
	\$ 33,516	\$ 23,536	\$ 9,980	\$ 8,973

8. RELATED PARTY TRANSACTIONS

During the three and six months ended September 30, 2009, a director was paid \$12,600 and \$24,450 respectively, (three and six months ended September 30, 2008 - \$15,130 and \$31,470, respectively) for geological field work and is owed \$4,987 (March 31, 2009 - \$4,882) by the Company. Another director, appointed President on October 1, 2004 was paid \$18,000 and \$36,000 respectively (three and six months ended September 30, 2008 - \$18,000 and \$36,000, respectively) for corporate administration services, and is owed \$16,130 (March 31, 2009 - \$24,490) by the Company as at September 30, 2009. Another officer charged \$7,500 and \$15,000 (three and six months ended September 30, 2008 - \$7,500 and \$15,000, respectively) for management services, and is owed \$nil (March 31, 2009 - \$10,000) by the Company as at September 30, 2009. An officer was paid \$1,000 (three and six months ended September 30, 2008 - \$1,500 and \$3,000, respectively) for corporate administration services and is owed \$nil (March 31, 2009 - \$nil) by the Company as at September 30, 2009.

During the three and six months ended September 30, 2009, the Company paid \$3,000 and \$6,000 respectively (September 30, 2008 - \$nil) 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 Gossan. During the three and six months ended September 30, 2009, the Company expensed \$5,378 and \$10,705 for services rendered by this firm. In addition, as at September 30, 2009, this firm was owed \$3,072 (March 31, 2009 - \$10,080).

Gossan Resources Limited

NOTES TO INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED SEPTEMBER 30, 2009

(EXPRESSED IN CANADIAN DOLLARS)

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8. RELATED PARTY TRANSACTIONS (Continued)

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

At September 30, 2009, \$15,300 (March 31, 2009 - \$76,500) was owed in regard to director fees. In the 2009 fiscal year, 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. The amounts due to related parties, which totals \$39,489 (March 31, 2009 - \$125,952) 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
Balance - March 31, 2009	29,020,900	\$ 11,304,778
Exercise of options - cash	97,000	16,200
Exercise of options - Black-Scholes valuation	-	1,083
Balance - September 30, 2009	29,117,900	\$ 11,322,061

10. STOCK OPTIONS

A summary of changes in stock options is as follows:

	NUMBER OF STOCK OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Balance - March 31, 2009	2,521,000	\$0.35
Granted	526,000	\$0.15
Exercised	(97,000)	\$0.17
Expired	(250,000)	\$0.46
Forfeited	(170,000)	\$0.17
Balance - September 30, 2009	2,530,000	\$0.31

On June 12, 2009, the Company granted 86,000 incentive stock options to directors, exercisable at \$0.15 per share, expiring on June 28, 2009. A fair value of \$258 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 85%; a risk-free interest rate of 0.50% and an expected average life of 16 days. These options relate to a thirty percent retention of directors fees by the Company for reinvestment purposes which remained payable from the 2008 fiscal year.

Gossan Resources Limited

NOTES TO INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED SEPTEMBER 30, 2009

(EXPRESSED IN CANADIAN DOLLARS)

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10. STOCK OPTIONS (Continued)

On June 12, 2009, the Company granted 440,000 incentive stock options to directors, officers and consultants exercisable at \$0.15 per share, expiring on March 28, 2012. A fair value of \$23,760 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 85%; a risk-free interest rate of 2.00% and an expected average life of 1.9 years.

The following table reflects the stock options outstanding as at September 30, 2009:

<u>Date of Grant</u>	<u>Exercise Price (\$)</u>	<u>Options Outstanding</u>	<u>Expiry Date</u>
October 31, 2006	0.30	330,000	April 30, 2010
March 14, 2007	0.32	190,000	September 14, 2010
May 1, 2007	0.40	360,000	May 1, 2011
June 26, 2007	0.50	400,000	June 26, 2011
September 27, 2007	0.34	270,000	September 27, 2011
March 28, 2008	0.30	160,000	March 28, 2012
July 16, 2008	0.20	240,000	March 28, 2013
February 4, 2009	0.15	140,000	March 28, 2011
June 15, 2009	0.15	440,000	March 28, 2012
	0.31	2,530,000	

Of the options outstanding 2,530,000 (March 31, 2009 - 2,471,000) are exercisable.

11. CONTRIBUTED SURPLUS

Balance - March 31, 2009	\$ 1,204,316
Fair value of stock options granted	25,130
Fair value of stock option exercised	(1,083)
Fair value of stock options forfeited	(25,920)
Balance - September 30, 2009	\$ 1,202,443

12. BASIC AND DILUTED LOSS PER SHARE

Basic loss per share is computed using the weighted average number of common shares outstanding during the year. 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 year ended. The conversion of warrants and stock options to calculate diluted loss per share was not done, because the conversion was anti-dilutive.

Gossan Resources Limited

NOTES TO INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED SEPTEMBER 30, 2009

(EXPRESSED IN CANADIAN DOLLARS)

(PREPARED BY MANAGEMENT)

(UNAUDITED)

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:

2010	\$	4,800
2011		9,600
2012		<u>9,600</u>
	\$	<u>24,000</u>

14. COMPARATIVE FIGURES

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

15. SUBSEQUENT EVENT

(a) On October 2, 2009 the Company announced that it has engaged T2W Market Liquidity ("T2W") effective October 2, 2009, to provide market liquidity services for its common shares listed on the TSX Venture Exchange ("TSXV"). The term of the engagement is for a minimum of 12 months and is renewable thereafter on a month to month basis. In consideration of the services to be provided, the Company will pay T2W a monthly flat fee of \$2,500 for a minimum of one year. T2W's remuneration is in no way contingent upon the market price or trading volume of Gossan's common shares on the TSXV.