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**GOSSAN RESOURCES LIMITED**  
**INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE AND NINE MONTHS ENDED**  
**DECEMBER 31, 2007**

**(UNAUDITED)**

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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, 2007 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)

	December 31, 2007	March 31, 2007
<b>ASSETS</b>		
Current		
Cash	\$ 264,365	\$ 56,781
Short term investments	1,900,000	-
Marketable securities	11,200	24,400
Accounts receivable	5,687	68,943
Prepaid expenses	4,004	11,875
	<b>2,185,256</b>	161,999
Non-Current		
Mineral properties (Note 3)	3,485,957	3,299,000
Investment in The Claims Network (Note 4)	150,942	112,080
Furniture and equipment (Note 5)	17,902	9,452
	<b>3,654,801</b>	3,420,532
	<b>\$ 5,840,057</b>	<b>\$ 3,582,531</b>
<b>LIABILITIES</b>		
Current		
Accounts payable	\$ 71,045	\$ 80,672
Due to related parties	36,616	141,160
	<b>107,661</b>	221,832
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 7)	11,304,778	8,829,441
Contributed surplus	1,167,487	691,820
Deficit	(6,739,869)	(6,160,562)
	<b>5,732,396</b>	3,360,699
	<b>\$ 5,840,057</b>	<b>\$ 3,582,531</b>

Nature of Operations (Note 1)

Approved on Behalf of the Board:

"Douglas Reeson"

Director

"Andrew Thomson"

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 December 31,		Nine Months Ended December 31,	
	2007	2006	2007	2006
<b>EXPENSES</b>				
Administrative fees	\$ 4,809	\$ -	\$ 14,619	\$ -
Management fees	29,080	28,500	85,540	85,500
Consulting	11,758	-	27,002	-
Office and general	26,572	37,034	95,322	105,041
Public company expenses	17,198	10,286	54,144	29,634
Investor relations	34,646	28,530	66,619	45,690
Travel and related	24,507	15,924	37,798	29,330
Stock-based compensation expense	1,831	35,250	238,314	35,250
Amortization and other	1,755	616	3,962	1,885
	152,156	156,140	623,320	332,330
<b>OTHER INCOME</b>				
Interest and other income	2,797	510	3,491	2,906
Gain on sale of marketable securities	-	10,525	1,660	24,400
<b>LOSS BEFORE THE FOLLOWING</b>	<b>\$ (149,359)</b>	<b>\$ (145,105)</b>	<b>\$ (618,169)</b>	<b>\$ (305,024)</b>
Share of TCN profit (Note 4)	13,713	14,830	38,862	31,480
Write-down of mineral properties	-	(231,303)	-	(231,303)
<b>NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>\$ (135,646)</b>	<b>\$ (361,578)</b>	<b>\$ (579,307)</b>	<b>\$ (504,847)</b>
<b>LOSS PER SHARE (basic and diluted)</b>	<b>\$ 0.005</b>	<b>\$ 0.018</b>	<b>\$ 0.021</b>	<b>\$ 0.026</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 December 31,		Nine Months Ended December 31,	
	2007	2006	2007	2006
<b>CASH (USED IN) PROVIDED BY:</b>				
<b>OPERATING ACTIVITIES</b>				
Net loss for the period	\$ (135,646)	\$ (361,578)	\$ (579,307)	\$ (504,847)
Amortization and other	1,755	616	3,962	1,885
Gain on sale of marketable securities	-	-	(1,660)	-
Write-off of mineral properties	-	231,303	-	231,303
Share of TCN profit (Note 4)	(13,713)	(14,830)	(38,862)	(31,480)
Stock-based compensation	1,831	35,250	238,314	35,250
Net change in non-cash working capital:				
Accounts receivable	151	(12,325)	63,256	1,233
Prepaid expenses	798	3,600	7,871	34,800
Accounts payable	7,555	(55,850)	(9,626)	(76,547)
Due to related parties	27,416	-	(104,544)	-
	<b>(109,853)</b>	<b>(173,814)</b>	<b>(420,596)</b>	<b>(308,403)</b>
<b>INVESTING ACTIVITIES</b>				
Proceeds on sale of marketable securities	-	27,000	14,860	43,800
Mineral properties	(70,433)	(158,091)	(165,957)	(602,338)
Purchase of short term investments	(1,900,000)	-	(1,900,000)	-
Acquisition of furniture and equipment	(4,978)	-	(12,413)	-
	<b>(1,975,411)</b>	<b>(131,091)</b>	<b>(2,063,510)</b>	<b>(558,538)</b>
<b>FINANCING ACTIVITIES</b>				
Issuance of share capital	-	242,400	2,691,690	513,650
Exercise of stock options	-	-	-	-
	-	242,400	2,691,690	513,650
<b>(DECREASE) INCREASE IN CASH</b>	<b>(2,085,264)</b>	<b>(62,505)</b>	<b>207,584</b>	<b>(353,291)</b>
<b>CASH, beginning of period</b>	<b>2,349,629</b>	<b>267,709</b>	<b>56,781</b>	<b>558,495</b>
<b>CASH, end of period</b>	<b>\$ 264,365</b>	<b>\$ 205,204</b>	<b>\$ 264,365</b>	<b>\$ 205,204</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 December 31,		Nine Months Ended December 31,	
	2007	2006	2007	2006
<b>Share Capital</b>				
Balance at beginning of period	\$ 11,283,778	\$ 9,235,628	\$ 8,829,441	\$ 8,959,378
Private placement, net	-	237,400	2,641,240	508,650
Property acquisition	-	-	-	5,000
Property licensing rights	21,000	-	21,000	-
Exercise of stock options -cash	-	-	50,450	-
Exercise of stock options - valuation	-	-	14,718	-
Issuance of warrants - valuation	-	-	(252,071)	-
<b>Balance at end of period</b>	<b>\$ 11,304,778</b>	<b>\$ 9,473,028</b>	<b>\$ 11,304,778</b>	<b>\$ 9,473,028</b>
<b>Contributed Surplus</b>				
Balance at beginning of period	\$ 1,165,656	\$ 454,180	\$ 691,820	\$ 454,180
Fair value of stock options granted	1,831	35,250	238,314	35,250
Exercise of stock options - valuation	-	-	(14,718)	-
Fair value of warrants issued	-	-	252,071	-
<b>Balance at end of period</b>	<b>\$ 1,167,487</b>	<b>\$ 489,430</b>	<b>\$ 1,167,487</b>	<b>\$ 489,430</b>
<b>Deficit</b>				
Balance at beginning of period	\$ (6,604,223)	\$ (6,046,985)	\$ (6,160,562)	\$ (5,903,716)
Net loss and comprehensive loss for the period	(135,646)	(361,578)	(579,307)	(504,847)
<b>Balance at end of period</b>	<b>\$ (6,739,869)</b>	<b>\$ (6,408,563)</b>	<b>\$ (6,739,869)</b>	<b>\$ (6,408,563)</b>
<b>TOTAL SHAREHOLDER EQUITY, END OF PERIOD</b>	<b>\$ 5,732,396</b>	<b>\$ 3,553,895</b>	<b>\$ 5,732,396</b>	<b>\$ 3,553,895</b>

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

# **Gossan Resources Limited**

## **NOTES TO INTERIM FINANCIAL STATEMENTS**

**NINE MONTHS ENDED DECEMBER 31, 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

NINE MONTHS ENDED DECEMBER 31, 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 nine month period ended December 31, 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

NINE MONTHS ENDED DECEMBER 31, 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**

**NINE MONTHS ENDED DECEMBER 31, 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

NINE MONTHS ENDED DECEMBER 31, 2007

(EXPRESSED IN CANADIAN DOLLARS)

(PREPARED BY MANAGEMENT)

(UNAUDITED)

### 3. MINERAL PROPERTIES

	March 31, 2007	Expenditures	Grants and Option Payments	Write Downs	December 31, 2007
Pipestone Lake	\$ 1,662,580	\$ 150	\$ -	\$ -	\$ 1,662,730
Bird River (i)	475,582	2,196	-	-	477,778
Inwood (iii)	365,091	41,044	-	-	406,135
Separation Rapids	98,930	30,917	-	-	129,847
Manigotagan Silica (ii)	228,923	81,680	(12,405)	-	298,198
Sharpe Lake	467,891	308	-	-	468,199
Other	3	43,067	-	-	43,070
	\$ 3,299,000	\$ 199,362	\$ (12,405)	\$ -	\$ 3,485,957

- (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.
- (iii) On March 15, 2007, the Company entered into a licensing arrangement for a new magnesium production process, including an option to secure exclusive worldwide rights to the process. A component of the consideration is the conditional payment of 150,000 common shares, of which 100,000 were issued on November 12, 2007 with an assigned fair value of \$21,000.

# Gossan Resources Limited

## NOTES TO INTERIM FINANCIAL STATEMENTS

NINE MONTHS ENDED DECEMBER 31, 2007

(EXPRESSED IN CANADIAN DOLLARS)

(PREPARED BY MANAGEMENT)

(UNAUDITED)

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

During the nine months ended December 31, 2007, management has recorded its investment in TCN using the equity method and accordingly has recognized \$38,862 (December 31, 2006 - \$31,480) as income, representing the Company's proportionate share of TCN's profit, resulting in the carrying value increasing by \$38,862 (December 31, 2006 - \$31,480) to \$150,942 (December 31, 2006 - \$87,945)

### 5. FURNITURE AND EQUIPMENT

	Cost	Accumulated Amortization	Total December 31, 2007	Total March 31, 2007
Computer equipment	\$ 17,253	\$ 7,291	\$ 9,962	\$ 6,675
Computer software	7,435	1,858	5,577	-
Field equipment	1,155	721	434	509
Furniture and fixtures	4,549	2,620	1,929	2,268
	\$ 30,392	\$ 12,490	\$ 17,902	\$ 9,452

### 6. RELATED PARTY TRANSACTIONS

During the nine months ended December 31, 2007, a director was paid or accrued \$15,600 (December 31, 2006 - \$38,960) for geological field work and is owed \$2,750 (December 31, 2006 - \$Nil) by the company as at December 31, 2007. Another director, appointed President October 1, 2004 was paid \$54,000 (December 31, 2006 - \$49,500) for corporate administration services, and is owed \$8,760 (December 31, 2006 - \$38,000) by the company as at December 31, 2007. Another officer charged \$22,500 (December 31, 2006 - \$22,500) for management services, and is owed \$22,500 (December 31, 2006 - \$21,500) 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

NINE MONTHS ENDED DECEMBER 31, 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 of shares issued for licensing rights	100,000	21,000
Fair value assigned to warrants issued pursuant to private placement	-	(252,071)
<b>Balance - December 31, 2007</b>	<b>29,020,900</b>	<b>\$ 11,304,778</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.

On March 15, 2007, the Company entered into a licensing arrangement for a new magnesium production process, including an option to secure exclusive worldwide rights to the process. A component of the consideration is the conditional payment of 150,000 common shares, of which 100,000 were issued on November 12, 2007 with an assigned fair value of \$21,000.

### 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 - December 31, 2007</b>	<b>2,679,000</b>	<b>\$0.38</b>

# Gossan Resources Limited

## NOTES TO INTERIM FINANCIAL STATEMENTS

NINE MONTHS ENDED DECEMBER 31, 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

NINE MONTHS ENDED DECEMBER 31, 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	(1,777,776)	\$0.93
<b>Balance - December 31, 2007</b>	<b>5,942,900</b>	<b>\$0.50</b>

The following table reflects the actual warrants outstanding as of December 31, 2007:

Date of Grant	Exercise Price (\$)	Warrants Outstanding	Expiry Date
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>0.50</b>	<b>5,942,900</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**

**NINE MONTHS ENDED DECEMBER 31, 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.