GOSSAN RESOURCES LIMITED

INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED
DECEMBER 31, 2008

(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, 2008 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 consolidated 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 consolidated financial statements and (ii) the unaudited interim consolidated 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 consolidated 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, 2008		March 31, 2008
ASSETS				
Current				
Cash	**$**	**238,792**	$	95,176
Short-term investments		**1,325,012**		1,941,526
Accounts receivable		**6,230**		9,937
Prepaid expenses		**6,254**		26,586
		1,576,288		2,073,225
Non-Current				
Mineral properties (Note 5)		**3,579,925**		3,475,331
Investment in The Claims Network (Note 6)		**192,646**		150,920
Furniture and equipment (Note 7)		**10,243**		16,147
		3,782,814		3,642,398
	$	**5,359,102**	$	5,715,623
LIABILITIES				
Current				
Accounts payable and accrued liabilities	**$**	**63,611**	$	70,475
Due to related parties		**16,200**		108,846
		79,811		179,321
SHAREHOLDERS' EQUITY				
Share capital (Note 9)		**11,304,778**		11,304,778
Contributed surplus		**1,209,783**		1,187,236
Deficit		**(7,235,270)**		(6,955,712)
		5,279,291		5,536,302
	$	**5,359,102**	$	5,715,623

Nature of Operations (Note 1)
Commitment (Note 13)
Subsequent Events (Note 15)

Approved on Behalf of the Board:

"Douglas Reeson"
Director

"Andrew Thomson"
Director

The accompanying notes are an integral part of these unaudited 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,	
	2008	2007	**2008**	2007
EXPENSES				
Administrative fees	**$ 5,087**	$ 4,809	**$ 18,154**	$ 14,619
Management fees	**25,500**	29,080	**81,056**	85,540
Consulting	**(152)**	11,758	**12,279**	27,002
Office and general	**25,301**	26,572	**75,419**	95,322
Public company expenses	**9,259**	17,198	**35,239**	54,144
Investor relations	**32,696**	34,646	**74,258**	66,619
Travel and related	**9,171**	24,507	**25,395**	37,798
Stock-based compensation expense	**3,388**	1,831	**22,547**	238,314
Amortization and other	**1,968**	1,755	**5,904**	3,962
	112,218	152,156	**350,251**	623,320
OTHER INCOME				
Interest and other income	**(2,464)**	2,797	**28,966**	3,491
Gain on sale of marketable securities	**-**	-	**-**	1,660
LOSS BEFORE THE FOLLOWING	**$ (114,682)**	$ (149,359)	**(321,285)**	(618,169)
Share of TCN profit (Note 6)	**17,331**	13,713	**41,727**	38,862
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	**$ (97,351)**	$ (135,646)	**$ (279,558)**	$ (579,307)
LOSS PER SHARE (basic and diluted)	**$ (0.003)**	$ (0.005)	**$ (0.010)**	$ (0.021)
Weighted average number of shares outstanding	**29,020,900**	28,974,599	**29,020,900**	28,129,129

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,	
	2008	2007	**2008**	2007
CASH (USED IN) PROVIDED BY:				
OPERATING ACTIVITIES				
Net loss for the period	**$ (97,351)**	$ (135,646)	**$ (279,558)**	$ (579,307)
Amortization and other	**1,968**	1,755	**5,904**	3,962
Gain on sale of marketable securities	**-**	-	**-**	(1,660)
Share of TCN profit (Note 6)	**(17,331)**	(13,713)	**(41,727)**	(38,862)
Stock-based compensation	**3,388**	1,831	**22,547**	238,314
Net change in non-cash working capital:				
Accounts receivable	**2,018**	151	**3,707**	63,256
Prepaid expenses	**8,195**	798	**20,332**	7,871
Accounts payable	**(42,967)**	7,555	**(6,863)**	(9,626)
Due to related parties	**-**	27,416	**(92,646)**	(104,544)
	(142,080)	(109,853)	**(368,304)**	(420,596)
INVESTING ACTIVITIES				
Proceeds on sale of marketable securities	**-**	-	**-**	14,860
Mineral properties expenditure	**(206,438)**	(70,433)	**(104,594)**	(165,957)
Proceeds on redemption of short-term investments	**413,431**	-	**616,514**	-
Purchase of short term investments	**-**	(1,900,000)	**-**	(1,900,000)
Acquisition of furniture and equipment	**-**	(4,978)	**-**	(12,413)
	206,993	(1,975,411)	**511,920**	(2,063,510)
FINANCING ACTIVITIES				
Issuance of share capital	**-**	-	**-**	2,691,690
INCREASE (DECREASE) IN CASH	**64,913**	(2,085,264)	**143,616**	207,584
CASH, beginning of period	**173,879**	2,349,629	**95,176**	56,781
CASH, end of period	**$ 238,792**	$ 264,365	**$ 238,792**	$ 264,365

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

Gossan Resources Limited

INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(EXPRESSED IN CANADIAN DOLLARS)

(PREPARED BY MANAGEMENT)

(UNAUDITED)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2008	2007	**2008**	2007
Share Capital				
Balance at beginning of period	**$ 11,304,778**	$ 11,283,778	**$ 11,304,778**	$ 8,829,441
Private placement, net	**-**	-	**-**	2,641,240
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)
Balance at end of period	**$ 11,304,778**	$ 11,304,778	**$ 11,304,778**	$ 11,304,778
Contributed Surplus				
Balance at beginning of period	**$ 1,206,395**	$ 1,165,656	**$ 1,187,236**	$ 691,820
Fair value of stock options granted	**3,388**	1,831	**22,547**	238,314
Exercise of stock options - valuation	**-**	-	**-**	(14,718)
Fair value of warrants issued	**-**	-	**-**	252,071
Balance at end of period	**$ 1,209,783**	$ 1,167,487	**$ 1,209,783**	$ 1,167,487
Deficit				
Balance at beginning of period	**$ (7,137,919)**	$ (6,604,223)	**$ (6,955,712)**	$ (6,160,562)
Net loss and comprehensive loss for the period	**(97,351)**	(135,646)	**(279,558)**	(579,307)
Balance at end of period	**$ (7,235,270)**	$ (6,739,869)	**$ (7,235,270)**	$ (6,739,869)
TOTAL SHAREHOLDERS' EQUITY, END OF PERIOD	**$ 5,279,291**	$ 5,732,396	**$ 5,279,291**	$ 5,732,396

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

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".

2. BASIS OF PRESENTATION AND 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, 2008 may not necessarily be indicative of the results that may be expected for the year ending March 31, 2009.

The balance sheet at March 31, 2008 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, 2008. 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, 2008.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (Continued)

Capital Disclosures and Financial Instruments - Disclosures and Presentation

On December 1, 2006, the CICA issued three new accounting standards: Capital Disclosures (Handbook Section 1535), Financial Instruments - Disclosures (Handbook Section 3862), and Financial Instruments - Presentation (Handbook Section 3863). These new standards became effective for the Company on April 1, 2008.

Capital Disclosures

Handbook 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 Company has included disclosures recommended by the new Handbook section in Note 3 to these unaudited interim financial statements.

Financial Instruments

Handbook 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 Company has included disclosures recommended by the new Handbook section in Note 4 to these unaudited interim financial statements.

General Standard of Financial Statement Presentation

In June 2007, the CICA amended Handbook Section 1400, Going Concern, to assess an entity's ability to continue as a going concern and disclose any material uncertainties that cast doubt on its ability to continue as a going concern. Section 1400 is effective for interim and annual reporting periods beginning on or after January 1, 2008. The application of this new standard had no impact on the Company's unaudited interim financial statements as at and for the three and nine months ended December 31, 2008.

Future Accounting Changes

International Financial Reporting Standards ("IFRS")

In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian generally accepted accounting principles 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.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (Continued)

Goodwill and Intangible Assets

In November 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 is currently assessing the impact of this new accounting standard on its financial statements.

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.

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

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

There were no changes in the Company's approach to capital management during the three and nine months ended December 31, 2008. 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.

4. PROPERTY AND FINANCIAL RISK FACTORS (Continued)

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 and cash equivalents, short term investments and accounts receivable. Cash and cash equivalents and short term investments consist of cash on hand and term deposits with reputable financial institutions, from which management believes the risk of loss to be minimal.

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

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 December 31, 2008, the Company had cash and cash equivalents of $238,792 (March 31, 2008 - $95,176) and a liquid short-term investments of $1,325,012 (March 31, 2008 - $1,941,526) to settle current liabilities of $79,811 (March 31, 2008 - $179,321). 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.

(i) 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.

(ii) 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.

4. PROPERTY AND FINANCIAL RISK FACTORS (Continued)

b) Financial Risk

Market Risk (continued)

(iii) 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.

Sensitivity Analysis

The Company has, for accounting purposes, designated its cash and cash equivalents 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 December 31, 2008, the carrying and fair value amounts of the Company's financial instruments are not materially different.

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

i) Held-for-trading assets include investment certificates totalling $1,321,963 subject to varying interest rates. Sensitivity to a plus or minus 1% change in rates would affect the reported net income by approximately $9,900. Similarly, as at December 31, 2008, reported shareholders' equity would have varied by approximately $9,900 as a result of the 1% variance in interest rates.

ii) The Company does not hold balances in foreign currencies to give rise to exposure to foreign exchange risk.

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 December 31, 2008, 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.

(EXPRESSED IN CANADIAN DOLLARS)

5. MINERAL PROPERTIES

	March 31, 2008	Expenditures	Grants and Option Payments	Write Downs	December 31, 2008
Pipestone Lake	$ 1,663,030	$ 5,000	$ -	$ -	**$ 1,668,030**
Bird River (i)	477,446	151,803	(500,000)	-	**129,249**
Inwood	444,048	140,874	(14,000)	-	**570,922**
Separation Rapids	128,834	6,219	-	-	**135,053**
Manigotagan Silica	293,849	312,948	(15,383)	-	**591,414**
Sharpe Lake	468,121	6,022	-	-	**474,143**
Other	3	11,111	-	-	**11,114**
	$ 3,475,331	$ 633,977	$ (529,383)	$ -	**$ 3,579,925**

(i) On August 25, 2008, Marathon triggered the formation of a joint venture by making a $400,000 cash payment to Gossan and having expended in excess of $3 million on the Bird River Project. Upon Marathon expending $3 million on the Project, both parties each had a double deemed joint venture interest of $6 million for the purposes of calculating dilution. Gossan currently owns a 47% interest in the project and has contributed $149,237 to the joint venture's work program. If Gossan fails to contribute to three successive work programs, or is diluted to a ten percent equity interest in the Project, Gossan's interest will be reduced to a 3% net smelter return royalty. On each March 30th and September 30th from and after the date of the Option Exercise Notice to the date of Commencement of Commercial Production, Marathon is required to make advance net profits or advance NSR royalty payments to Gossan in the amount of $50,000 as long as Marathon remains the manager of 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 prior year, TCN redeemed outstanding shares resulting in the Company's interest increasing to 37.04%. In the current 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 nine months ended December 31, 2008, management has recorded its investment in TCN using the equity method and accordingly has recognized $41,727 (December 31, 2007 - $38,862) as income, representing the Company's proportionate share of TCN's profit, resulting in the carrying value increasing by $41,727 (December 31, 2007 - $38,862) to $192,646 (December 31, 2007 - $150,942).

(EXPRESSED IN CANADIAN DOLLARS)

7. FURNITURE AND EQUIPMENT

	Cost	Accumulated Amortization	**Total December 31, 2008**	Total March 31, 2008
Computer equipment	$ 17,253	$ 10,065	**$ 7,188**	$ 9,275
Computer software	7,435	6,272	**1,163**	4,647
Field equipment	1,155	807	**348**	409
Furniture and fixtures	4,549	3,005	**1,544**	1,816
	$ 30,392	$ 20,149	**$ 10,243**	$ 16,147

8. RELATED PARTY TRANSACTIONS

During the nine months ended December 31, 2008, a director was paid or accrued $40,740 for geological field work (December 31, 2007 - $15,600) and is owed $3,050 as at December 31, 2008 (December 31, 2007 - $2,750) by the Company. Another director, appointed President on October 1, 2004 was compensated $54,000 for corporate administration services (December 31, 2007 - $54,000) and is owed $1,800 at December 31, 2008 (December 31, 2007 - $8,760). An officer of the Company charged $22,500 for management services (December 31, 2007 - $22,500) and is owed $2,500 as of December 31, 2008 (December 31, 2007 - $22,500). Another officer charged $3,000 for secretarial administrative services (December 31, 2007 - $nil) and is owed $nil as of December 31, 2008 (December 31, 2007 - $nil).

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).

During fiscal 2008, fees were paid to Directors in the amount of $36,000 for director's fees (December 31, 2007 - $30,000) and $18,000 (December 31, 2007 - $14,000) for committee and other board activities. In the current year, thirty percent of the fees paid to directors were retained by the Company for acquisition of the Company's common shares on the director's behalf. At December 31, 2008, $16,200 (December 31, 2007 - $Nil) was owed in regard to Directors fees.

The amounts due to related parties, which totals $16,200 (March 31, 2008 -$108,846) 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 and December 31, 2008	**29,020,900**	**$ 11,304,778**

(EXPRESSED IN CANADIAN DOLLARS)

10. 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, 2008	2,579,000	$0.38
Granted	270,000	$0.20
Cancelled	(61,000)	$0.44
Expired	(247,000)	$0.28
Balance - December 31, 2008	**2,541,000**	**$0.36**

The following table reflects the stock options outstanding as at December 31, 2008:

Date of Grant	Exercise Price ($)	Options Outstanding	Expiry Date	Weighted Average Remaining Contractual Life (years)
March 14, 2007	0.32	160,000	March 14,2009	0.01
November 8, 2005	0.50	190,000	April 30, 2009	0.02
March 21, 2006	0.35	60,000	September 21, 2009	0.02
October 31, 2006	0.30	434,000	April 30, 2010	0.23
March 14, 2007	0.32	190,000	September 14, 2010	0.13
May 1, 2007	0.40	400,000	May 1, 2011	0.37
June 26, 2007	0.50	400,000	June 26, 2011	0.39
September 27, 2007	0.34	277,000	September 27, 2011	0.30
March 28, 2008	0.30	160,000	March 28, 2012	0.20
July 16, 2008	0.20	270,000	March 28, 2013	0.45
	0.36	**2,541,000**		**2.12**

11. WARRANTS

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

	NUMBER OF WARRANTS	WEIGHTED AVERAGE EXERCISE PRICE
Balance - March 31, 2008	5,942,900	$0.50
Expired	(5,942,900)	$0.50
Balance - December 31, 2008	**-**	**$ -**

(EXPRESSED IN CANADIAN DOLLARS)

12. BASIC AND DILUTED LOSS PER SHARE

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

13. COMMITMENT

By agreement dated June 14, 2008, the Company is committed under an operating lease for its office premises with the following minimum annual lease payments to the expiration of the lease on September 30, 2012:

2009	$	4,800
2010		9,600
2011		9,600
2012		9,600
	$	33,600

14. COMPARATIVE INFORMATION

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

15. SUBSEQUENT EVENTS

(a) Subsequent to period end, the Company issued 140,000 incentive stock options to officers and directors of the Company, exercisable at $0.15 for a period of 2.2 years, expiring on March 28, 2011.

(b) Subsequent to period end, the Company appointed a Chief Financial officer and Corporate Secretary who is a principal of a firm to which the Company outsources its accounting function. During the period from April 1, 2008 to December 31, 2008, the Company was charged $23,608 for accounting services from this firm.