MANAGEMENT RESPONSIBILITY LETTER

Management is responsible for the preparation of the financial statements and other financial information relating to the Company included in these financial statements. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and necessarily include amounts based on estimates and judgments of management.

Meyers Norris Penny, our independent auditors, are engaged to express a professional opinion on the financial statements. Their examination is conducted in accordance with Canadian generally accepted auditing standards and includes tests and other procedures which allow the auditors to report whether the financial statements prepared by management are presented fairly in accordance with Canadian generally accepted accounting principles.

The Board of Directors must ensure that management fulfils its responsibilities for financial reporting. In furtherance of the foregoing, the Board of Directors has appointed an Audit Committee composed of three directors, two of whom are independent. The Audit Committee meets with the independent auditors to discuss the results of their audit report prior to submitting the financial statements to the Board of Directors for its consideration and approval for issuance to shareholders. On the recommendation of the Audit Committee, The Board of Directors has approved the Company's financial statements.

"Douglas Reeson"	"Richard Stefanyshyn"
President and C.E.O	Corporate Secretary

AUDITORS' REPORT

To the Shareholders
Gossan Resources Limited

We have audited the balance sheets of Gossan Resources Limited as at March 31, 2007 and 2006 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Gossan Resources Limited as at March 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP

Winnipeg, Manitoba
July 16, 2007

Chartered Accountants

Comments for U.S. Readers

In the United States, reporting standards for auditors require the addition of an explanatory paragraph following the opinion paragraph when there are substantial uncertainties about the Company's ability to continue as a going concern, as referred to in Note 1 to these financial statements. Our report to the shareholders dated July 16, 2007, is expressed in accordance with Canadian reporting standards, which do not permit a reference to such matters in the auditors' report when the facts are adequately disclosed in the financial statements.

Meyers Norris Penny LLP

Winnipeg, Manitoba
July 16, 2007

Chartered Accountants

GOSSAN RESOURCES LIMITED
BALANCE SHEETS
AS AT MARCH 31, 2007 AND 2006

	2007	2006 (Restated Note 9)
ASSETS		
Current Assets		
Cash	$ 56,781	$ 558,495
Marketable securities (Note 10)	24,400	76,000
Accounts receivable	68,943	20,497
Prepaid expenses	11,875	37,200
	161,999	692,192
Non-Current		
Mineral properties (Note 3)	3,299,000	2,918,580
Investment in The Claims Network (Note 4)	112,080	62,945
Furniture and equipment (Note 5)	9,452	9,641
	3,420,532	2,991,166
	$ 3,582,531	$ 3,683,358
LIABILITIES		
Current Liabilities		
Accounts payable	$ 80,672	$ 113,516
Due to related parties (Note 6)	141,160	60,000
	221,832	173,516
Going Concern (Note 1)		
Subsequent Events (Note 7 e)		
SHAREHOLDERS' EQUITY		
Share Capital (Note 7)	$ 8,829,441	$ 8,418,091
Contributed Surplus (Note 7)	691,820	454,180
Deficit	(6,160,562)	(5,362,429)
	3,360,699	3,509,842
	$ 3,582,531	$ 3,683,358

APPROVED ON BEHALF OF THE BOARD:

"Douglas Reeson" DIRECTOR

"G. Ryan Cooke" DIRECTOR

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

GOSSAN RESOURCES LIMITED
STATEMENTS OF OPERATIONS AND DEFICIT
FOR THE YEARS ENDED MARCH 31, 2007 AND 2006

	2007	2006 (Restated Note 9)
EXPENSES		
Investor relations	$ 65,237	$ 59,392
Management fees	134,000	135,900
Office and general	148,878	141,344
Public company expenses	102,669	101,283
Travel and related	35,467	35,682
Stock-based compensation expense	135,340	152,900
Interest expense	14,191	-
Amortization and other	2,609	2,526
	638,391	629,027
OTHER INCOME		
Interest and other income	3,007	7,935
Gain on sale of marketable securities	24,550	-
	27,557	7,935
OTHER EXPENSES		
Abandonments and write-offs (Note 3)	231,634	184,909
Write-down of marketable securities (Note 10)	4,800	-
	236,434	184,909
LOSS, before the following	$ (847,268)	$ (806,001)
Share of TCN Profit (Note 4)	49,135	30,175
Future income tax recovery (Note 8)	-	260,000
NET LOSS, for the year	$ (798,133)	$ (515,826)
DEFICIT, beginning of year (Note 9)	$ (5,362,429)	$ (5,127,890)
Prior period adjustment (Note 9)	-	281,287
DEFICIT, beginning of year, restated	-	(4,846,603)
DEFICIT, end of year	$ (6,160,562)	$ (5,362,429)
LOSS PER SHARE (Basic and diluted)	(0.037)	(0.024)

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

GOSSAN RESOURCES LIMITED
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2007 AND 2006

	2007	2006 (Restated Note 9)
Net Loss for the year	$ (798,133)	$ (515,826)
Less: non - cash charges		
Amortization	2,609	2,526
Gain on sale of marketable securities	(24,550)	-
Write off mineral properties	231,634	184,909
Write-down of marketable securities	4,800	-
Future income tax recovery	-	(260,000)
Share of TCN profit	(49,135)	(30,175)
Stock-based compensation	135,340	152,900
	(497,435)	(465,666)
Changes in non-cash working capital components		
Increase in accounts receivable	(48,446)	(11,614)
Decrease (Increase) in prepaid expenses	25,325	(24,000)
Increase (Decrease) in accounts payable	(32,844)	83,482
Increase in due to related parties	81,160	60,000
	25,195	107,868
Cash flows from operating activities	(472,240)	(357,798)
INVESTING ACTIVITIES		
Mineral properties	(607,054)	(347,638)
Purchases of furniture & equipment	(2,420)	(2,564)
Proceeds on sale of marketable securities	71,350	-
	(538,124)	(350,202)
FINANCING ACTIVITIES		
Issuance of capital stock	508,650	880,250
Net (decrease) increase in cash	(501,714)	172,250
Cash, beginning of year	558,495	386,245
Cash, end of year	$ 56,781	$ 558,495

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

GOSSAN RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2007 AND 2006

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 financial statements. All amounts in the financial statements are expressed in Canadian dollars.

The 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 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. *SIGNIFICANT ACCOUNTING POLICIES*

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, and include the following significant accounting policies:

(a) **Mineral Properties**

Costs of acquisition and maintenance of interests of non-producing mineral properties together with direct exploration and development expenditures less related recoveries, partial sales and option payments received are deferred in the accounts. At such time as the Company loses or abandons title or its interest in any property, the accumulated expenditures on such property are charged to income in that year. If any property reaches commercial production, the applicable deferred expenditures will be amortized against related production revenues on a unit of production basis.

The amounts shown for mineral properties represent costs incurred to date and do not necessarily represent present or future values. Periodically, a determination will be made by management as to the status of each property. Where a property shows no promise from prior exploration results and is dormant, the claims may be allowed to lapse. At management's discretion, the claims will be written off or written down to a nominal value where an interest in the claims remains. Management will also periodically determine where an exploration property is impaired whether the carrying value of such property should be written down.

2. *SIGNIFICANT ACCOUNTING POLICIES (continued)*

(b) **Furniture and Equipment**

Furniture and equipment are stated at cost less accumulated amortization. Amortization is recorded on the declining balance basis at rates designed to amortize the cost of the furniture and equipment over their estimated useful lives, based on the following annual rates:

Equipment	20%
Computer equipment	30%
Furniture and fixtures	20%

(c) **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes. Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where necessary. Amortization is based on the estimated useful lives of the furniture and equipment. Other significant areas requiring the use of estimates include the determination of impairment of mineral properties and asset retirement obligations. Although these estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future, actual results could differ from the estimates.

(d) **Investment in The Claims Network Inc. (TCN)**

The Company accounts for its long-term investment in The Claims Network Inc. using the equity accounting method to the extent that the Company has significant influence over the investee's strategic operating, financing and investing policies. Under the equity method, the Company's proportionate share of income or loss is included in the statement of operations and any dividends received are recorded as a reduction to the investment. The carrying value of the investment is periodically reviewed to ensure that there is no permanent impairment.

(e) **Stock-based Compensation and Other Stock-based Payments**

All stock-based awards made to employees and non-employees are measured and recognized using a fair value based method. The Company uses the Black-Scholes method of calculating stock based compensation. The Company measures stock-based compensation on the date of the grant and recognizes this cost over the vesting period, if any, in the results from operations, with offsetting credit to contributed surplus. When stock options are exercised the consideration paid together with the amount previously recognized in contributed surplus is recorded as share capital. In the event that vested options expire, previously recognized compensation expense associated with such stock options is not reversed. In the event that unvested options are cancelled, previously recognized compensation expense associated with such stock options is reversed.

2. *SIGNIFICANT ACCOUNTING POLICIES (continued)*

(f) Basic and Diluted Loss per Share

Basic loss per share is calculated using the weighted average number of shares outstanding during the respective fiscal years. Diluted earnings per share reflect the potential dilution that could occur if potentially dilutive securities were exercised or converted to common shares. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method. Fully diluted amounts are not presented when the effect of the computations are anti-dilutive due to the losses incurred. Accordingly, in such circumstances, there is no difference in the amounts presented for basic and diluted loss per share.

(g) Income taxes

The Company accounts for income taxes using the asset and liability method. Under this method, future income tax assets and liabilities are determined based on the differences between the carrying amount of the assets and the liabilities on the balance sheet and their corresponding tax values. Future income tax assets and liabilities are measured using the substantively enacted tax rates expected to be in effect when the temporary differences are likely to reverse. The amount of future income tax assets recognized is limited to the amount that is, in management's estimation, more likely than not to be realized

(h) Impairment of long-lived assets

The Company assesses the impairment of long-lived assets, which consist primarily of mineral properties, and furniture and equipment, whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of assets to be held and used are measured by a comparison of the carrying value of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the amount of the impairment is measured by the amount by which the carrying amount of the asset exceeds its fair value. Discounted cash flows are used to measure the fair value of long lived assets.

(i) Asset Retirement Obligations

The fair value of a liability or an asset retirement obligation is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The estimate excludes the residual value of the related assets. The associated retirement costs are capitalized as part of the carrying amount of the long lived assets and amortized over the life of the asset. The amount of liability is subject to re-measurement at each reporting period.

At the present time, the Company has concluded that there are no asset retirement obligations associated with any of the properties.

(j) Government Assistance

The Company periodically applies for financial assistance under available government incentive programs. All government assistance received is reflected as a reduction to the related asset category.

(k) Revenue Recognition

The Company recognizes interest income on its cash and cash equivalents on an accrual basis at the stated rates over the term to maturity. Revenue from investments is recognized when it is sold and it is deemed collectible.

2. ***SIGNIFICANT ACCOUNTING POLICIES (continued)***

(l) **Flow-through Shares**

The resource expenditure deductions for income tax purposes related to exploratory and development activities funded by flow-through share arrangements are renounced to investors in accordance with tax legislation. Under the liability method of accounting for income taxes, the future income taxes related to the temporary difference arising at the renunciation date are recorded at the time together with a corresponding reduction to the carrying value of the shares issued.

(m) **Joint Ventures**

The Company's exploration and development activities are conducted jointly with others. These financial statements reflect only the Company's proportionate interest in such activities.

(n) **Marketable Securities**

The Company values marketable securities at the lower of cost or market. Warrants are valued using the Black-Scholes pricing model

(o) **Financial Instruments**

In January 2005, the Canadian Institute of Chartered Accountants issued new recommendations for the recognition and measurement of financial instruments, and amendments to the existing presentation and disclosure standards, effective for financial statements with fiscal years beginning on or after October 1, 2006. Section 3855 Financial Instruments – Recognition and Measurement establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. Section 3861 Financial Instruments – Disclosure and Presentation discusses the presentation and disclosure of these items. The application of hedge accounting is covered in Section 3865 Hedges. Section 1530 Comprehensive Income establishes standards for reporting and displaying certain gains and losses, such as unrealized gains and losses related to hedges or other derivative instruments, outside of net income, in a statement of comprehensive income. Section 3251 Equity establishes standards for the presentation of equity and changes in equity, including changes arising from those items recorded in comprehensive income. There have also been numerous consequential amendments made to other Sections. Transitional provisions are complex and vary based on type of financial instruments under consideration. The Company has not yet determined the effect of these new standards on its financial statements for the year ended March 31, 2008 or for the quarter ended June 30, 2007.

3. *MINERAL PROPERTIES*

	2006	Expenditures	Grants & Option payments	Write Downs	2007
Pipestone Lake	1,662,580	-	-	-	1,662,580
Bird River	447,467	68,115	(40,000)	-	475,582
Inwood	163,396	208,209	(6,514)	-	365,091
Separation Rapids	92,160	6,770	-	-	98,930
Manigotagan Silica	91,559	137,364	-	-	228,923
Sharpe Lake	431,148	48,934	(12,191)	-	467,891
Alto-Gardner	30,267	201,367	-	(231,634)	-
Other	3	-	-	-	3
Balance, end of year	2,918,580	670,759	(58,705)	(231,634)	$ 3,299,000

	2005	Expenditures	Grants & Option payments	Write Downs	2006
Pipestone Lake	1,660,558	2,022	-	-	1,662,580
Bird River	490,949	6,518	(50,000)	-	447,467
Inwood	155,206	8,190	-	-	163,396
Separation Rapids	89,100	3,060	-	-	92,160
Angelina/Bissett area	223,106	26,353	(84,350)	(165,109)	-
Manigotagan Silica	49,769	41,790	-	-	91,559
Sharpe Lake	143,362	306,657	(18,871)	-	431,148
Alto-Gardner	-	30,267	-	-	30,267
Other	19,801	2	-	(19,800)	3
Balance, end of year	2,831,851	424,859	(153,221)	(184,909)	$ 2,918,580

During the 2007 fiscal year, the Company incurred $670,759 of exploration expenditures and property acquisition costs. Gossan also received a $40,000 net option payment, and two government exploration grants totalling $18,705, which reduced the carrying value of its Mineral Properties by $58,705. These carrying values were further reduced by a write down of $231,634 during the year (2006 - $184,909).

On March 26, 2007 the Company entered into a definitive option and joint venture agreement on its Bird River Property with Marathon PGM Corporation (“MPGM”). Under the terms of the agreement, Marathon PGM can earn an undivided 50% interest in the property by spending $3.0 million on exploration and making cash payments of $500,000 to the Company 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. In the first stage of the agreement, MPGM’s work commitment is $500,000 of exploration expenditures by April 30, 2008 and an initial cash payment of $50,000. A $10,000 finder’s fee was paid in connection with the transaction.

On June 5, 2006 the Company entered into an agreement and acquired the remaining 50.1% interest, to hold 100%, in the Separation Rapids Property from Angus & Ross Canada Ltd. for 25,000 common shares having a fair value of $5,000.

The Pipestone Lake project is a 50% joint venture with Cross Lake Mineral Explorations Inc.

3. *MINERAL PROPERTIES (continued)*

During the past fiscal year, a 27-hole drill program was completed at the Inwood property. In addition Watts Griffis McOuat have been retained to conduct a NI-43-101 compliant resources tonnage calculation.

During the summer of 2006 a field program expanding the geochem grid at the Sharpe Lake Property was undertaken with the goal of identifying drill targets on the Bear showing.

During the year the Company conducted a 23-hole drill program on the Manigotagan Silica Property and samples have been sent for testing.

On March 3, 2006, the Company sold its interest in the Angelina Property to Marum Resources Inc. ("Marum") for 500,000 common shares of Marum, 400,000 warrants to acquire Marum common shares at $0.15 per common share, expiring March 3, 2008, and a 2.0% Net Smelter Return. A valuation of $76,000 was placed on the shares and warrants based on market value of the shares of $60,000 and a Black-Scholes calculation (Volatility 75%, Risk free interest 3.5%, Expected life 2 years, Dividends nil) placing a value on the warrants of $16,000. During the year the Company sold 390,000 shares for net proceeds of $71,350.

On December 19, 2006 the Company returned the optioned Alto-Gardner property to the optioners and as a result wrote off all exploration expenditures incurred.

4. *INVESTMENT IN THE CLAIMS NETWORK INC.*

The Claims Network (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 the TCN to hold a 30% equity interest and has appointed two directors. During the year TCN redeemed 19% of their outstanding shares resulting in the Company's interest increasing to 37.04%. As TCN is a private company, there is no liquid market for the shares.

During the current year management has recorded its investment in TCN using the equity method and accordingly has recognized $49,135 as income being the Company's 37.04% proportionate share of TCN's profit ($30,175 in 2006), resulting in the carrying value increasing by $49,135 to $112,080 ($62,945 in 2006).

5. *FURNITURE AND EQUIPMENT*

March 31, 2007

	Cost	Accumulated Amortization	Net Book Value
Computer equipment	$ 12,275	$ 5,600	$ 6,675
Field equipment	1,155	646	509
Furniture and fixtures	4,549	2,281	2,268
	$ 17,979	$ 8,527	$ 9,452

March 31, 2006

	Cost	Accumulated Amortization	Net Book Value
Computer equipment	$ 9,855	$ 3,777	$ 6,078
Field equipment	1,155	427	728
Furniture and fixtures	4,549	1,714	2,835
	$ 15,559	$5,918	$ 9,641

6. *RELATED PARTY TRANSACTIONS*

During the year ended March 31, 2007, a director was paid $48,020 for geological field work ($40,340 in 2006); and another director, appointed President October 1, 2004 was compensated $86,000 for corporate administration services ($86,000 in 2006), of which $42,660 was owing at March 31, 2007. An officer of the Company charged $4,658 for legal and administrative services ($10,274 in 2006) and another officer charged $30,000 for management services ($30,000 in 2006). 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).

On March 30, 2007, $50,000 was advanced from a director to the Company. The amount was unsecured and non-interest bearing, it was repaid May 15, 2007.

During fiscal 2007, fees were paid to Directors in the amount of $30,000 for director’s fees (2006 – $24,000) and $14,000 for committee and other board activities (2006 – $26,000). One-half of the fees paid to directors are retained by the Company for acquisition of the Company’s common shares on the director’s behalf. At March 31, 2007, $48,500 was owed in regard to these fees. The amounts due to related parties, which totals $141,160 are unsecured, non-interest bearing and have no fixed terms of repayment.

7. *SHARE CAPITAL*

(a) Authorized
Unlimited common shares with no par value

(b) Issued	**Shares**	**$**
Balance, April 1, 2005	17,418,124	$ 7,767,601
Issued pursuant to:		
Exercise of January 2005 warrants	175,000	61,250
Private Placement November 2005	1,777,776	717,200
Future income tax on flow-through (Note 9)	-	(260,000)
Exercise of stock options	324,000	132,040
Balance, April 1, 2006	19,694,900	8,418,091
Issued pursuant to:		
Property acquisition (Note 3)	25,000	5,000
Private Placement October 2006	1,201,000	297,400
Allocation to warrants	-	(60,050)
Private Placement December 2006	845,000	211,250
Allocation to warrants	-	(42,250)
Balance, March 31, 2007	21,765,900	$ 8,829,441

During the fiscal year ending March 31, 2007, $508,650, net of commissions, was raised by way of two non-brokered private placements in October and December 2006. See subsequent events note 7(e).

The October 2006 private placement consisted of 1,201,000 units at 25 cents per unit, for net proceeds of $297,400. Each unit consisted of one common share and one share purchase warrant exercisable over a two-year period at $0.35 per unit.

On December 28, 2006, the Company closed a private placement consisting of 845,000 units at 25 cents per unit, for net proceeds of $211,250. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one common share for $0.35 over a two year period.

The November 25, 2005 private placement consisted of 1,777,776 units at a price of $0.45 per unit for net proceeds of $717,200. Each unit consists of one flow-through common share and one-half Series A warrant and one-half Series B warrant. Each whole Series A warrant entitles the holder to acquire one common share for $0.75 in the first year, and thereafter for $1.00 in the second year. Each whole Series B warrant entitles the holder to acquire one common share for $0.85 until May 30, 2007.

(c) Stock Options and Warrants

At March 31, 2007 the following stock options and warrants were outstanding as set out in the tables below:

Warrants				
Series	Issue Date	Number	Weighted Average Price -$	Expiry Date
MAY - 07	November 25, 2005	888,888	0.85	May 30, 2007
NOV - 07	November 25, 2005	888,888	1.00	November 25, 2007
OCT - 08	October 30, 2006	1,201,000	0.35	October 30, 2008
DEC - 08	December 28, 2006	845,000	0.35	December 28, 2008
Total Warrants		3,823,776	0.62	

7. *SHARE CAPITAL(continued)*

(c) Stock Options and Warrants (continued)

The following table reflects the continuity of warrants issued for the year ended March 31, 2007.

Balance	Warrants			Balance	Warrants			Balance
March 31, 2005	Issued	Exercised	Expired	March 31, 2006	Issued	Exercised	Expired	March 31, 2007
2,110,000	1,777,776	175,000	nil	3,712,776	2,046,000	nil	1,935,000	3,823,776

	Options			
	Date of Grant	# of Options	Weighted Average Price - $	Expiry Date
	November 8, 2005	230,000	0.40	April 30, 2007
	December 29, 2004	60,000	0.30	May 31, 2007
	July 6, 2005	50,000	0.35	June 30, 2007
	September 23, 2005	50,000	0.36	September 30, 2007
	November 8, 2005	20,000	0.40	October 1, 2007
	August 10, 2006	100,000	0.30	January 16, 2008
	December 1, 2004	120,000	0.35	February 28, 2008
	March 21, 2006	10,000	0.35	March 21, 2008
	November 16, 2006	40,000	0.30	March 31, 2008
	July 6, 2005	176,000	0.35	June 30, 2008
	September 23, 2005	90,000	0.36	September 30, 2008
	March 14, 2007	160,000	0.32	March 14, 2009
	November 8, 2005	190,000	0.50	April 30, 2009
	March 21, 2006	60,000	0.35	September 21, 2009
	October 31, 2006	470,000	0.30	April 30, 2010
	March 14, 2007	190,000	0.32	September 14, 2010
	Total Options	2,016,000	0.35	

Pursuant to the CICA standard of accounting for stock-based compensation (note 2), the fair value of the 680,000 (980,000 in 2006) new stock options granted, in the amount of $135,340 ($152,900 in 2006) has been recorded as an expense in the year. Vesting periods of options is determined at the time of granting of the options at the discretion of the board of directors. All options were fully vested and exercisable at March 31, 2007.

The fair value of stock options granted was estimated using the Black-Scholes option pricing model on the date of grant with the following weighted average assumptions:

	2007	2006
Expected stock price volatility	85.0%	85.0%
Expected option life	2.90 yrs	2.44 yrs
Risk free interest rate	4.00%	3.50%
Expected dividend yield	nil	nil

7. *SHARE CAPITAL(continued)*

(c) Stock Options and Warrants (continued)

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate. Therefore, the existing models do not necessarily provide a reliable single measure of the value of the Company's stock options.

The following table reflects the continuity of options granted under the Plan for the year ended March 31, 2007.

Balance March 31, 2005	Options Granted	Options Exercised	Options Expired	Balance March 31, 2006	Options Granted	Options Exercised	Options Expired	Balance March 31, 2007
1,340,000	980,000	324,000	260,000	1,736,000	960,000	nil	680,000	2,016,000

(d) Contributed Surplus		**$**
Balance, April 1, 2005	$	331,520
Stock-based compensation		152,900
Options exercised		(30,240)
Balance, March 31, 2006		454,180
Stock-based compensation		135,340
Warrants issued		102,300
Balance, March 31, 2007	$	691,820

(e) Subsequent Events

Subsequent to year-end, on May 18, 2007, the Company completed a private placement of 7,000,000 units for net proceeds of $2,641,240. Each unit consisted of one common share and one-half common share purchase warrant, each whole warrant allowing the holder to purchase one common share at a price of $0.60 for a period of one year.

Also, subsequent to year-end, 117,000 common share were issued as the result of stock options exercised. Proceeds from the exercise were $38,950.

Subsequent to year-end, on June 26, 430,000 stock options were granted exercisable at $0.50 expiring at various terms.

8. *INCOME TAXES*

The following table reconciles the expected income tax recovery at the statutory income tax rate to the amounts recognized in the statement of operations.

	2007	**2006**
Loss before income taxes as reflected in the statement of operations	(798,133)	(775,826)
Expected income tax recovery at statutory rate	(287,328)	(279,297)
Permanent difference due to stock based compensation	48,722	56,573
Write down of marketable securities	1,728	-
Non-taxable portion of capital gains	(4,419)	-
Permanent difference due to equity income	(17,689)	(11,165)
Impact of enacted rate differences and other temporary difference not recognized in year	46,729	38,552
Change in valuation allowance	212,257	(64,663)
Actual income taxes (recovery)	-	(260,000)

The following table reflects the future income tax asset

	2007	**2006**
Future income tax asset		
Non-capital loss carry-forwards for Canadian purposes	546,985	475,985
Excess of undepreciated capital cost over net book value of fixed assets	6,225	6,122
Share issue cost	18,741	28,449
Excess of book value of Mineral Properties over tax value	(368,862)	(95,210)
	203,089	415,346
Less: Valuation allowance	(203,089)	(415,346)
	-	-

8. *INCOME TAXES (continued)*

The valuation allowance reflects the Company's estimate that the tax assets will likely not be realized and consequently have not been recorded in these financial statements.

As at March 31, 2007, the following amounts are available to be applied against future years' income for tax purposes.
No amounts have been recorded in the financial statements to recognize this potential benefit.

Canadian exploration expenditures		$1,377,516
Canadian development expenditures		128,459
Foreign exploration and development expense		583,931
Share issue costs		57,665
Non-capital losses (expiring 2008 to 2027)	2008	47,832
	2009	130,717
	2010	174,590
	2014	349,466
	2015	214,617
	2026	320,133
	2027	445,677
		$3,830,603

9. *PRIOR PERIOD ADJUSTMENT*

During fiscal 2006, flow-through shares with associated renounced expenditures in the amount of $800,000 were issued, which funds were required to be spent on qualifying Canadian Exploration Expenditures. Upon renunciation, completed after December 31, 2005, the Company will no longer have the ability to use the expenditures for tax purposes and the Company was required to record a future tax liability of approximately $260,000. However, since the Company has unused tax losses and resource pools in excess of the renunciation, the future tax liability becomes a future tax recovery upon the reversal of the related valuation allowance. A prior period adjustment was made to record this transaction and the 2006 financial statements were restated accordingly. In addition, flow through shares were issued in December 2002 and December 2003, requiring a further prior period adjustment for the future tax recovery.

As a result of the above corrections, a future income tax recovery of $260,000 was recorded, share capital decreased by $260,000, and deficit and loss for the year ended March 31, 2006 decreased by $260,000. For the years prior to 2006 share capital decreased by $281,287 and the deficit decreased by $281,287. The change in deficit and results of operations has been restated as follows:

Deficit, March 31, 2006, as previously stated	$ 5,903,716
Increase in future income tax recovery	(260,000)
Prior period adjustment (2002 and 2003 flow through shares)	(281,287)
Deficit, March 31, 2006, as restated	$ 5,362,429

10. *MARKETABLE SECURITIES*

On March 3, 2006, the Company sold its interest in the Angelina Property to Marum Resources Inc. for 500,000 common shares of Marum, 400,000 warrants to acquire Marum common shares at $0.15 per common share and a 2.0% Net Smelter Return. A valuation of $76,000 was placed on the shares and warrants based on market value of the shares of $60,000 and a Black-Scholes calculation (Volatility 75%, Risk free interest 3.5%, Expected life 2 years, Dividends nil) placing a value on the warrants of $16,000.

During the year the Company sold 390,000 shares to hold 110,000 at March 31, 2007. Marketable securities are recorded at cost; $13,200 for common shares, and $11,200 deemed value for the warrants. The market value of the common shares at March 31, 2007 was $13,750. The deemed value of the warrants were written down by $4,800. Subsequent to the year-end the remaining 110,000 shares were sold.

11. C*OMMITMENTS*

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

2008	$ 9,600
2009	9,600
2010	9,600
2011	9,600
2012	9,600
	$48,000

12. *FAIR VALUE OF FINANCIAL INSTRUMENTS*

The Company's financial instruments consist of cash, accounts receivable, marketable securities, accounts payable and due to related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from the financial instruments. The fair value of these instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

13. *DIFFERENCES BETWEEN CANADIAN AND U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES AND PRACTICES*

The financial statements have been prepared in accordance with accounting principles and practices generally accepted in Canada (Canadian generally accepted accounting principles GAAP) which differ in certain respects from those principals and practices that the Company would have followed had its financial statements been prepared in accordance with principals and practices generally accepted in the United States of America (U.S. generally accepted accounting principles GAAP).

Under U.S. generally accepted accounting principles, the accounting treatment would differ as follows:

Under Canadian GAAP, the Company records its investments using the lower of cost or market method. In addition, if there is a loss other than temporary, the investment is written down to recognize the loss. However, under U.S. GAAP, marketable equity securities that are available-for-sale are recognized at market value with any unrealized gains or losses recognized in other comprehensive income, except if there is a loss other than temporary, which is directly recognized as a loss. For purposes of reconciling U.S. GAAP, the Company would record a charge to other comprehensive income of $550 in the year ended March 31, 2007.

Under Canadian income tax legislation, the Company is permitted to issue shares whereby the Company agrees to incur Canadian Exploration Expenditures (as defined in the Canadian Income Tax Act) and renounce the related income tax deductions to the investors. Under Canadian GAAP, the full amount of funds received from flow-through share issuances are recorded as share capital. Under U.S. GAAP, the premium paid for the flow-through shares in excess of market value is credited to liabilities and included in income when the related tax benefits are renounced by the Company.

Under U.S. GAAP the statements of operations and cash flow would disclose cumulative amounts since inception.

Furthermore, under U.S. GAAP, and notwithstanding that there is not a specific requirement to segregate the funds pursuant to the flow-through agreements, the flow through funds which are unexpended at the balance sheet date are separately classified as restricted cash. As at March 31, 2007 there were no unexpended flow-through funds (2006 - $575,000).

Exploration costs are expensed as incurred. As a result, under U.S. generally accepted accounting principles, there is a greater expense in earlier periods and fewer write-downs in subsequent periods than under Canadian generally accepted accounting principles.

Had the company followed U.S. generally accepted accounting principles in accounting for the exploration costs, the effect on the financial statements would have been as follows:

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13. *DIFFERENCES BETWEEN CANADIAN AND U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES AND PRACTICES (continued)*

	2007	2006	2005
Statements of operations and deficit		(Restated)	
Net loss under Canadian GAAP	$ (798,133)	$ (479,826)	$ (772,200)
Fair value of marketable securities under U.S. GAAP	550	-	-
Write down of mineral properties under Canadian generally accepted accounting principles	231,634	184,909	296,906
Write down of acquisition costs under U.S. generally accepted accounting principles	(612,054)	(271,638)	(444,549)
Net loss under U.S. generally accepted accounting principles	$ (1,178,003)	$(566,555)	$ (919,843)
Basic net loss per common share under U.S. GAAP	$ (0.06)	$ (0.04)	$ (0.07)
Diluted net loss per common share under U.S. generally accepted accounting principles	$ (0.04)	$ (0.04)	$ (0.06)

Balance Sheets	2007	2006	2005
(a) Effect on mineral properties			
Mineral properties under Canadian GAAP	$ 3,299,000	$ 2,918,580	$ 2,831,851
Adjustment for capitalization of exploration costs			
Current year differences	(380,420)	(86,729)	(147,643)
Prior year accumulated differences	(2,918,580)	(2,831,851)	(2,684,208)
Mineral properties under U.S. GAAP	$ -	$ -	$ -
(b) Effect on marketable securities			
Marketable securities under Canadian GAAP	$ 24,400	$ 76,000	-
Adjustment for fair value	550	-	-
Marketable securities under U.S. GAAP	$ 24,950	$ 76,000	-

13. *DIFFERENCES BETWEEN CANADIAN AND U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES AND PRACTICES (continued)*

(b) Effect on shareholders' equity

Shareholders' equity under Canadian GAAP	$ 3,360,699	$ 3,509,842	$ 3,252,518
Current year difference	(379,870)	(86,729)	(147,643)
Prior year accumulated differences	(2,918,580)	(2,831,851)	(2,684,208)
Shareholders' equity under U.S. GAAP	$ 62,249	$ 591,262	$ 420,667

Also, the impact on the statement of cash flows would be as follows:

As a result of the treatment of mining interests under item (a) above, cash expended for the exploration costs would have been classified under US GAAP as an operating activity rather than an investing activity.

Also US GAAP requires disclosure of combined financial information with regard to the equity investment in The Claims Network Inc. The combined information is as follows:

	2007	**2006**
Cash	174,697	660,644
Marketable securities	24,400	76,000
Prepaids	15,409	37,200
Accounts receivable	196,292	134,034
Mining properties	3,299,000	2,918,580
Future income tax	33,400	296,000
Fixed assets	20,551	21,568
Accounts payable	(270,454)	(206,125)
Share Capital	9,495,189	9,166,839
	12,988,484	13,104,740
Revenue	837,836	815,710
Expenses	(1,355,708)	(1,341,382)
Loss	517,872	525,672

13. *DIFFERENCES BETWEEN CANADIAN AND U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES AND PRACTICES (continued)*

Impact of recent United States accounting pronouncements:

Stock-based compensation

During 2004, FASB issued revised Statement of Financial Accounting Standards No. 123R, *"Share-Based Payment"* ("SFAS123R"). This amended statement eliminates the alternative to use the intrinsic value method of accounting pursuant to APB 25 as was provided in the original issue of SFAS 123. Accordingly, public entities are required to use the fair value method of accounting for stock-based compensation and other share-based payments. As disclosed in note 7, the Company currently applies a fair value based methodology to stock-based compensation. Adoption of this amended US standard is not expected to result in a material difference between Canadian GAAP and US GAAP.

Non-monetary exchanges

During 2004, FASB issued SFAS 153 *"Exchanges of Non-monetary Assets"*, which amends APB 29, "Accounting for Non-monetary Transactions", to eliminate the exception for non-monetary exchanges of similar productive assets and replaces it with a general exception for exchanges on non-monetary assets that do not have commercial substance. Adoption of this standard is not expected to have a material effect on the Company's financial statements.

Variable interest entities

During the year, FASB issued FIN 46R, *"Consolidation of Variable Interest Entities"*. Pursuant to FIN 46R, under US GAAP the Company is required to consolidate variable interest entities ("VIEs") where the Company is the entity's Primary Beneficiary. A VIE is an entity in which equity investors do not have the characteristics of a controlling financial interest nor have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The Primary Beneficiary is the party that has exposure to a majority of the expected losses and/or expected residual returns of the VIE. Adoption of this standard is not expected to have a material effect on the Company's financial statements.

Accounting for uncertainty in income taxes

In June 2006, FASB issued FIN 48, *"Accounting for Uncertainty in Income Taxes"*. The interpretation clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes". Specifically, the pronouncement prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The interpretation also provides guidance on the related derecognition, classification, interest and penalties, accounting for interim periods, disclosure and transition of uncertain tax position. The interpretation is effective for fiscal years beginning after December 15, 2006. The adoption of FIN 48 is not expected to have a material impact on the Company's financial position, results of operations or cash flows; however the Company is still analysing the effects of FIN 48.