GOSSAN RESOURCES LIMITED
(EXPRESSED IN CANADIAN DOLLARS)

FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2008 AND 2007

MANAGEMENT'S RESPONSIBILITY LETTER

Management acknowledges responsibility for the preparation and presentation of the 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. 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 LLP, our independent auditors, is 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 approval. On the recommendation of the Audit Committee, the Board of Directors has approved the Company's financial statements.

"Douglas Reeson"	"Andrew Thomson"
President and C.E.O.	Director

To the Shareholders
Gossan Resources Limited

We have audited the balance sheet of Gossan Resources Limited as at March 31, 2008 and 2007 and the statements of loss and comprehensive loss and cash flows for the year 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 audit.

We conducted our audit 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, 2008 and 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP

Winnipeg, Manitoba
July 29, 2008

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 29, 2008, 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 29, 2008

Chartered Accountants

Gossan Resources Limited

(EXPRESSED IN CANADIAN DOLLARS)

BALANCE SHEETS

As at March 31,		**2008**		2007
ASSETS				
Current				
Cash	**$**	**95,176**	$	56,781
Short term investments		**1,941,526**		-
Marketable securities (Note 3)		**-**		24,400
Accounts receivable		**9,937**		68,943
Prepaid expenses		**26,586**		11,875
		2,073,225		161,999
Non-Current				
Mineral properties (Note 4)		**3,475,331**		3,299,000
Investment in The Claims Network (Note 5)		**150,920**		112,080
Furniture and equipment (Note 6)		**16,147**		9,452
		3,642,398		3,420,532
	$	**5,715,623**	$	3,582,531
LIABILITIES				
Current				
Accounts payable	**$**	**70,475**	$	80,672
Due to related parties (Note 7)		**108,846**		141,160
		179,321		221,832
SHAREHOLDERS' EQUITY				
Share capital (Note 8)		**11,304,778**		8,829,441
Contributed surplus (Note 11)		**1,187,236**		691,820
Deficit		**(6,955,712)**		(6,160,562)
		5,536,302		3,360,699
	$	**5,715,623**	$	3,582,531

See accompanying notes to financial statements

Nature of Operations and Going Concern (Note 1)
Commitment (Note 14)

Approved on Behalf of the Board:

"Douglas Reeson"
Director

"Andrew Thomson"
Director

Gossan Resources Limited

STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(EXPRESSED IN CANADIAN DOLLARS)

For the years ended March 31,	2008	2007
EXPENSES		
Administrative fees	$ 27,643	$ -
Management fees	131,040	134,000
Consulting	57,843	-
Office and general	124,330	148,878
Public company expenses	142,761	102,669
Investor relations	85,180	65,237
Travel and related	37,221	35,467
Interest expense	-	14,191
Stock-based compensation expense (Note 9)	258,063	135,340
Amortization and other	5,717	2,609
	869,798	638,391
OTHER INCOME		
Interest and other income	37,286	3,007
Gain on sale of marketable securities	1,322	24,550
LOSS BEFORE THE FOLLOWING	(831,190)	(610,834)
Share of TCN profit (Note 5)	38,840	49,135
Write-down of mineral properties	-	(231,634)
Write-down of marketable securities (Note 3)	(2,800)	(4,800)
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	$ (795,150)	$ (798,133)
NET LOSS PER SHARE - Basic and diluted (Note 12)	$ 0.03	$ 0.04
Weighted average number of shares outstanding	28,003,985	20,480,179

See accompanying notes to financial statements

Gossan Resources Limited

STATEMENTS OF CASH FLOWS

(EXPRESSED IN CANADIAN DOLLARS)

For the years ended March 31,	2008	2007
CASH (USED IN) PROVIDED BY:		
OPERATING ACTIVITIES		
Net loss for the year	$ (795,150)	$ (798,133)
Amortization and other	5,717	2,609
Gain on sale of marketable securities	(1,322)	(24,550)
Write-off of mineral properties	-	231,634
Write-down of marketable securities (Note 3)	2,800	4,800
Share of TCN profit (Note 5)	(38,840)	(49,135)
Stock-based compensation (Note 9)	258,063	135,340
Accrued interests	(21,526)	-
Net change in non-cash working capital:		
Accounts receivable	59,006	(48,446)
Prepaid expenses	(14,711)	25,325
Accounts payable	(10,197)	(32,844)
Due to related parties	(32,314)	81,160
	(588,474)	(472,240)
INVESTING ACTIVITIES		
Proceeds on sale of marketable securities	67,922	71,350
Purchase of marketable securities	(45,000)	-
Expenditures on mineral properties	(155,331)	(607,054)
Purchase of short term investments	(1,920,000)	-
Acquisition of furniture and equipment	(12,412)	(2,420)
	(2,064,821)	(538,124)
FINANCING ACTIVITIES		
Issuance of share capital, net of share issue costs	2,641,240	508,650
Exercise of stock options	50,450	-
	2,691,690	508,650
INCREASE (DECREASE) IN CASH	38,395	(501,714)
CASH, beginning of year	56,781	558,495
CASH, end of year	$ 95,176	$ 56,781
SUPPLEMENTARY INFORMATION		
Shares issued as payment on mineral properties (Note 4(iii)(iv))	$ 21,000	$ 5,000

See accompanying notes to financial statements

Gossan Resources Limited

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(EXPRESSED IN CANADIAN DOLLARS)

For the years ended March 31,	2008	2007
Share Capital		
Balance at beginning of year	**$ 8,829,441**	$ 8,418,091
Private placement, net	**2,641,240**	508,650
Property acquisition	**-**	5,000
Fair value of shares issued for licensing rights	**21,000**	-
Exercise of stock options -cash	**50,450**	-
Exercise of stock options - Black-Scholes valuation	**14,718**	-
Fair value assigned to warrants issued pursuant to private placements	**(252,071)**	(102,300)
Balance at end of year	**$ 11,304,778**	$ 8,829,441
Contributed Surplus		
Balance at beginning of year	**$ 691,820**	$ 454,180
Fair value of stock options granted	**258,063**	135,340
Fair value of stock options exercised	**(14,718)**	-
Fair value of warrants issued	**252,071**	102,300
Balance at end of year	**$ 1,187,236**	$ 691,820
Deficit		
Balance at beginning of year	**$ (6,160,562)**	$ (5,362,429)
Net loss and comprehensive loss for the year	**(795,150)**	(798,133)
Balance at end of year	**$ (6,955,712)**	$ (6,160,562)
TOTAL SHAREHOLDER EQUITY, END OF YEAR	**$ 5,536,302**	**$ 3,360,699**

See accompanying notes to financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Gossan Resources Limited (the "Company") is a public corporation that was incorporated federally on June 16, 1980. The Company, directly and through joint ventures is in the business of acquiring and exploring resource properties that it believes contain mineralization. To date, the Company has not earned significant revenues and is considered to be in the exploration and development stage. It is an exploration and development 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 these financial statements are expressed in Canadian dollars.

These 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; 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 is made as to the status of each property by completing an impairment test of undiscounted cash flows and assessing the net recoverable amount. Where a property shows no promise from prior exploration results and is dormant, the claims may be allowed to lapse. Claims will be written off or written down to a nominal value where an interest in the claims remains. Periodically, the Company assesses whether the exploration property is impaired when 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%
Computer software	100%
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, asset retirement obligations and the valuation of stock-based securities. 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. These estimates are reviewed periodically and as adjustments become necessary, they are reported in earnings in the period in which they become known.

(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 an 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 forfeited, previously recognized compensation expense associated with such stock options is reversed.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. If the undiscounted value of the future cash flows is less than the carrying amount of the asset, impairment is recognized.

(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.

(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 may be conducted jointly with others. These financial statements reflect only the Company's proportionate interest in such activities.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) **Financial Instruments**

The Company holds various financial instruments. The nature of these instruments and the Company's operations expose the Company to commodity price risk and credit risk. The Company manages its exposure to the extent practical.

Commodity Price Risk

The Company will be subject to commodity price risk for the delivery of gold, platinum group and base metals. The Company may manage and minimize the risk by entering into various joint operating agreements with subparticipants. As at March 31, 2008, the Company has not entered into any commodity contracts.

Credit Risk

Substantially all of the Company's accounts receivable are from working interest partners in the mining industry and, as such, the Company is exposed to all the risks associated with that industry. At March 31, 2008 substantially all of the Company's cash was held at one financial institution and, as such the Company is exposed to concentration of credit risk.

Fair Value of Financial Instruments

The carrying values of current financial assets and liabilities including cash, short-term investments, marketable securities, accounts receivable and accounts payable, approximates their fair value due to short-term nature of these instruments.

The fair value of the amounts due to related parties cannot be determined with sufficient reliability as these instruments are not traded in an organized financial market.

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 Company has adopted these new standards effective April 1, 2007.

(i) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) **Financial Instruments (Continued)**

(ii) 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.

(iii) 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.

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

Upon adoption of these new standards, the Company has designated its cash, short-term investments and marketable securities as held-for-trading, which are measured at fair value. Accounts receivable is classified as loans and receivables, which are measured at amortized cost. Accounts payable and due to related parties are classified as other financial liabilities, which are measured at amortized cost.

All derivative instruments, including embedded derivatives, are recorded in the balance sheet and statement of operations at fair value unless exempted from derivative treatment as a normal purchase and sale. All changes in their fair value are recorded in operations.

The valuation techniques used to determine the fair value of financial instruments have remained substantially the same despite the adoption of these new accounting standards.

Transaction costs related to held-for-trading financial assets are expensed as incurred. Transaction costs related to loans and receivables and other financial liabilities are netted against the carrying value of the asset or liability and amortized over the expected life of the instrument using the effective interest rate method.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) **Short-term investments**
Short-term investments are comprised of guaranteed investment certificates and term deposits with initial terms to maturity of over ninety days but less than one year.

(p) **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 costs 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 required.

(q) **Accounting Changes**
In July 2006, the Accounting Standards Board ("AcSB") issued a replacement of the 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.

(r) **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 Company'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 Company is currently assessing the impact of these new accounting standards on its financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Future Accounting Changes (Continued)

International Financial Reporting Standards ("IFRS")

In January 2006, AcSB formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability. The current conversion timetable calls for financial reporting under IFRS for accounting periods commencing on or after January 1, 2011. On February 13, 2008 the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company is currently assessing the impact of IFRS on its financial statements.

Goodwill and Intangible Assets

In October 2007, the CICA approved Handbook Section 3064, "Goodwill and Intangible Assets" which replaces the existing Handbook Sections 3062, "Goodwill and Other Intangible Assets" and 3450 "Research and Development Costs". This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009, with earlier application encouraged. The standard provides guidance on the recognition, measurement and disclosure requirements for goodwill and intangible assets. The Company is currently assessing the impact of this new accounting standard on its financial statements.

3. MARKETABLE SECURITIES

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 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 (expected dividend yield of 0%; expected volatility of 75%; a risk-free interest rate of 3.5% and an expected average life of 2.6 years) placing a value on the warrants of $16,000.

During the prior year, the Company sold 390,000 shares to hold 110,000 shares at March 31, 2007 realizing a gain of $24,550. As at March 31, 2007, marketable securities were 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 in the prior year.

During the current year, the Company exercised 300,000 warrants and sold 410,000 shares realizing a gain of $1,322 for proceeds of $67,922. As at March 31, 2008, all common shares of Marum were sold. The 100,000 remaining warrants expired on March 3, 2008 and the remaining value of the warrants were written off by $2,800.

(EXPRESSED IN CANADIAN DOLLARS)

4. **MINERAL PROPERTIES**

	March 31, 2007	Expenditures	Grants and Option Payments	Write Downs	March 31, 2008
Pipestone Lake (i)	**$ 1,662,580**	**$ 450**	**$ -**	**$ -**	**$ 1,663,030**
Bird River (ii)	**475,582**	**1,864**	**-**	**-**	**477,446**
Inwood (iii)	**365,091**	**78,957**	**-**	**-**	**444,048**
Separation Rapids (iv)	**98,930**	**29,904**	**-**	**-**	**128,834**
Manigotagan Silica (v)	**228,923**	**77,331**	**(12,405)**	**-**	**293,849**
Sharpe Lake	**467,891**	**230**	**-**	**-**	**468,121**
Other	**3**	**-**	**-**	**-**	**3**
	$ 3,299,000	**$ 188,736**	**$ (12,405)**	**$ -**	**$ 3,475,331**

	March 31, 2006	Expenditures	Grants and Option Payments	Write Downs	March 31, 2007
Pipestone Lake (i)	$ 1,662,580	$ -	$ -	$ -	$ 1,662,580
Bird River (ii)	447,467	68,115	(40,000)	-	475,582
Inwood (iii)	163,396	208,209	(6,514)	-	365,091
Separation Rapids (iv)	92,160	6,770	-	-	98,930
Manigotagan Silica (v)	91,559	137,364	-	-	228,923
Sharpe Lake	431,148	48,934	(12,191)	-	467,891
Alto-Gardner (vi)	30,267	201,367	-	(231,634)	-
Other	3	-	-	-	3
	$ 2,918,580	$ 670,759	$ (58,705)	$ (231,634)	$ 3,299,000

During the 2008 fiscal year, the Company incurred $188,736 of exploration expenditures and property acquisition costs of which $21,000 was paid through the issue of 100,000 common shares. Gossan also received a $12,405 government exploration grant, which reduced the carrying value of its Mineral Properties by the same amount.

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

(ii) On March 26, 2007, the Company entered into an Option and Joint Venture Agreement on its Bird River Property ("The Property") with Marathon PGM Corporation (MAR-TSX). The Property, encompassing over 7,000 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 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.

4. MINERAL PROPERTIES (Continued)

(ii) (continued) Under the terms of the Agreement, Marathon PGM Corporation ("MPGM") 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. 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. A $10,000 finders fee was paid in connection with the transaction. The first stage of this Agreement was completed subsequent to year end (Note 15).

On November 1, 2007, MPGM finalized an Option and Joint Venture Agreement on the adjacent Ore Fault Property held by Bird River Inc. to explore and potentially acquire the property, subject to a 1% NSR. The Ore Fault Property is part and subject to the Company and MPGM Agreement.

(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 up to 150,000 common shares related to specific measurable events. On November 12, 2007, 100,000 common shares were issued with an assigned fair value of $21,000 related to the completion of Phase I of the arrangement.

(iv) 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.

(v) During the year, 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.

(vi) 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.

5. 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 current year, management has recorded its investment in TCN using the equity method and accordingly has recognized $38,840 (2007 - $49,135) as income being the Company's 46.71% proportionate share of TCN's profit, resulting in the carrying value increasing by $38,840 to $150,920 (2007 - $112,080).

(EXPRESSED IN CANADIAN DOLLARS)

6. FURNITURE AND EQUIPMENT

	Cost	Accumulated Amortization	Total March 31, 2008	Total March 31, 2007
Computer equipment	**$ 17,253**	**$ 7,978**	**$ 9,275**	$ 6,675
Computer software	**7,435**	**2,788**	**4,647**	-
Field equipment	**1,155**	**746**	**409**	509
Furniture and fixtures	**4,549**	**2,733**	**1,816**	2,268
	$ 30,392	**$ 14,245**	**$ 16,147**	$ 9,452

7. RELATED PARTY TRANSACTIONS

During the year ended March 31, 2008, a director was paid $37,020 (2007 - $48,020) for geological field work and is owed $4,116 (2007 - $Nil) by the Company as at March 31, 2008. Another director, appointed President on October 1, 2004 was paid $92,000 (2007 - $86,000) for corporate administration services, and is owed $33,439 (2007 - $42,660) by the Company as at March 31, 2008. Another officer charged $30,000 (2007 - $30,000) for management services, and is owed $8,216 (2007 - $Nil) as at March 31, 2008. Another director was paid $1,575 (2007 - $Nil) as a salary and is owed $1,575 (2007 - $Nil) by the Company as at March 31, 2008.

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 2008, fees were paid to Directors in the amount of $36,000 for director's fees (2007 – $30,000) and $18,000 (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 March 31, 2008, $61,500 (2007 - $48,500) was owed in regard to these fees.

The amounts due to related parties, which totals $108,846 (2007 - $141,160) are unsecured, non-interest bearing and have no fixed terms of repayment.

(EXPRESSED IN CANADIAN DOLLARS)

8. SHARE CAPITAL

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

(b) ISSUED

	SHARES		AMOUNT
Balance - March 31, 2006	19,694,900	$	8,418,091
Property acquisition (Note 4 (iv))	25,000		5,000
Private placement, net - October 2006 (i)	1,201,000		297,400
Fair value assigned to warrants (i)	-		(60,050)
Private placement, net December 2006 (ii)	845,000		211,250
Fair value assigned to warrants (ii)	-		(42,250)
Balance - March 31, 2007	21,765,900		8,829,441
Private placement, net - May 2007 (iii)	7,000,000		2,641,240
Fair value assigned to warrants (iii)	-		(252,071)
Exercise of options - cash	155,000		50,450
Exercise of options - Black-Scholes valuation	-		14,718
Fair value of shares issued for licensing rights (Note 4(iii))	100,000		21,000
Balance - March 31, 2008	**29,020,900**	**$**	**11,304,778**

(i) In October 2006, the Company closed a private placement consisting 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.

(ii) 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.

(iii) 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.

(EXPRESSED IN CANADIAN DOLLARS)

9. STOCK OPTIONS

A summary of changes in stock options is as follows:

	NUMBER OF STOCK OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Balance - March 31, 2006	1,736,000	$0.39
Granted (i)	960,000	$0.31
Expired	(680,000)	$0.31
Balance - March 31, 2007	2,016,000	$0.38
Granted (ii)(iii)(iv)(v)	1,298,000	$0.41
Exercised	(155,000)	$0.33
Expired	(580,000)	$0.36
Balance - March 31, 2008	**2,579,000**	**$0.38**

(i) During the year ended March 31, 2007, the fair value of stock options granted was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: expected dividend yield of 0%; expected volatility of 85.0%; a risk-free interest rate of 4.00% and an expected average life of 2.9 years. During the prior fiscal year, 960,000 options were granted and an amount of $135,340 was recorded as an expense.

(ii) 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.

(iii) 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.

(iv) 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.

(v) On March 28, 2008, the Company granted 160,000 stock options to directors and consultants. The options vest immediately, are exercisable at $0.30, and expire on March 28, 2012. The resulting fair value of $18,720 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 3.00% and an expected average life of 2.6 years.

(EXPRESSED IN CANADIAN DOLLARS)

9. STOCK OPTIONS (Continued)

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

Date of Grant	Exercise Price ($)	Options Outstanding	Expiry Date
July 6, 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
March 28, 2008	0.30	160,000	March 28, 2012
	0.38	**2,579,000**	

Of the options outstanding 2,569,000 (2007 - 2,016,000) are exercisable.

10. WARRANTS

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

	NUMBER OF WARRANTS	WEIGHTED AVERAGE EXERCISE PRICE
Balance - March 31, 2006	3,712,776	$0.62
Granted	2,046,000	$0.35
Expired	(1,935,000)	$0.35
Balance - March 31, 2007	3,823,776	$0.62
Granted (i)(ii)	3,896,900	$0.58
Expired	(1,777,776)	$0.93
Balance - March 31, 2008	**5,942,900**	**$0.50**

(EXPRESSED IN CANADIAN DOLLARS)

10. WARRANTS (Continued)

The following table reflects the actual warrants outstanding as of March 31, 2008:

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
	$0.50	**5,942,900**	

(i) On May 18, 2007, the Company issued 3,500,000 warrants in conjunction with the private placement described in Note 8(b)(iii). 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.

(ii) On May 18, 2007 the Company issued 396,900 warrants as a finders fee in conjunction with the private placement described in Note 8(b)(iii). 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.

11. CONTRIBUTED SURPLUS

	$
Balance - March 31, 2006	$ 454,180
Fair value of stock options granted	135,340
Warrants issued	102,300
Balance - March 31, 2007	691,820
Fair value of stock options granted	258,063
Fair value of stock options exercised	(14,718)
Fair value of warrants issued	252,071
Balance - March 31, 2008	**$ 1,187,236**

(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 year. Diluted loss per share, which reflects the maximum possible dilution from the potential exercise of warrants and stock options, is the same as basic loss per share for the year ended. The conversion of warrants and stock options to calculate diluted loss per share was not done, because the conversion was anti-dilutive.

13. INCOME TAXES

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

		2008		2007
Loss before income taxes as reflected in the statement of operation	**$**	**(795,150)**	$	(798,133)
Expected income tax recovery at statutory rate		**(281,086)**		(287,328)
Permanent difference due to stock-based compensation		**91,225**		48,722
Non-taxable portion of capital gains		**(233)**		(4,419)
Permanent difference due to equity income		**(13,730)**		(17,689)
Other temporary differences not recognized in year		**9,218**		22,073
Change in valuation allowance		**194,606**		238,641
Actual income taxes	**$**	**-**	$	-

The following table reflects the future income tax assets (liabilities):

		2008		2007
Future income tax asset (liability)				
Non-capital loss carry-forwards for Canadian purposes	**$**	**790,568**	$	634,452
Excess of undepreciated capital cost over net book value of furniture and equipment		**7,213**		5,555
Share issue costs		**36,832**		-
Excess of book value of Mineral Properties over tax value		**(350,637)**		(350,637)
		483,976		289,370
Less: Valuation allowance		**(483,976)**		(289,370)
	$	**-**	$	-

(EXPRESSED IN CANADIAN DOLLARS)

13. INCOME TAXES (Continued)

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

As at March 31, 2008, 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 these potential benefits.

Canadian earned depletion base		$ 128,459
Canadian exploration expenditures		1,553,847
Foreign exploration and development expense		583,931
Share issue costs		127,008
Non-capital losses (expiring 2009 to 2028)	2009	346,743
	2010	130,717
	2014	189,741
	2015	630,851
	2026	374,962
	2027	465,666
	2028	587,418
		$ 5,119,343

14. COMMITMENT

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

2009	$ 9,600
2010	9,600
2011	9,600
2012	9,600
	$ 38,400

15. SUBSEQUENT EVENT NOTE

Subsequent to the year end, Marathon PGM Corporation completed the first stage of the Option and Joint Venture Agreement on the Bird River Property which consisted of a work expenditure commitment of $500,000 and a cash payment of $50,000.

16. COMPARATIVE FIGURES

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

17. 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:

Before April 1, 2007, under Canadian GAAP, the Company recorded its investments using the lower of cost or market method. In addition, if there was a loss other than temporary, the investment was 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.

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, 2008 there were no unexpended flow-through funds (2007 - $Nil).

Under U.S. GAAP, 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:

(EXPRESSED IN CANADIAN DOLLARS)

17. DIFFERENCES BETWEEN CANADIAN AND U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES AND PRACTICES (Continued)

Statements of loss and comprehensive loss	2008	2007	2006 (Restated)
Net loss under Canadian GAAP	**$ (795,150)**	$ (798,133)	$ (479,826)
Fair value of marketable securities under U.S. GAAP	**(550)**	550	-
Write-down of mineral properties under Canadian GAAP	**-**	231,634	184,909
Write-down of acquisition costs under U.S. GAAP	**(176,331)**	(612,054)	(271,638)
Net loss under U.S. GAAP	**$ (972,031)**	$ (1,178,003)	$ (566,555)
Basic and diluted net loss per common share under U.S. GAAP	**$ (0.04)**	$ (0.06)	$ (0.04)

Balance Sheets	2008	2007	2006
(a) Effect on mineral properties			
Mineral properties under Canadian GAAP	**$ 3,475,331**	$ 3,299,000	$ 2,918,580
Adjustment for capitalization of exploration costs			
Current year differences	**(176,331)**	(380,420)	(86,729)
Prior year accumulated differences	**(3,299,000)**	(2,918,580)	(2,831,851)
Mineral properties under U.S. GAAP	**$ -**	$ -	$ -
(b) Effect on marketable securities	**$ -**	$ 24,400	$ 76,000
Adjustment for fair value	**(550)**	550	-
Marketable securities under U.S. GAAP	**$ (550)**	$ 24,950	$ 76,000
(c) Effect on shareholders' equity			
Shareholders' equity under Canadian GAAP	**$ 5,536,302**	$ 3,360,699	$ 3,509,842
Current year difference	**(176,881)**	(379,870)	(86,729)
Prior year accumulated differences	**(3,298,450)**	(2,918,580)	(2,831,851)
Shareholders' equity under U.S. GAAP	**$ 2,060,971**	$ 62,249	$ 591,262

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 U.S. GAAP as an operating activity rather than an investing activity.

(EXPRESSED IN CANADIAN DOLLARS)

17. DIFFERENCES BETWEEN CANADIAN AND U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES AND PRACTICES (Continued)

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

	2008	2007	2006
Cash	**$ 259,724**	$ 174,697	$ 660,644
Short term investments	**1,941,526**	-	-
Marketable securities	**-**	24,400	76,000
Prepaid expenses	**31,034**	15,409	37,200
Accounts receivable	**164,449**	196,292	134,034
Mining properties	**3,475,331**	3,299,000	2,918,580
Future income tax	**12,400**	33,400	296,000
Fixed assets	**32,006**	20,551	21,568
Accounts payable	**(243,260)**	(270,454)	(206,125)
Share capital	**(11,685,239)**	(9,495,189)	(9,166,839)
	$ (6,012,029)	$ (6,001,894)	$ (5,228,938)
Revenue	**$ 900,565**	$ 837,836	$ 815,710
Expenses	**(1,651,403)**	(1,355,708)	(1,341,382)
Loss	**$ (750,838)**	$ (517,872)	$ (525,672)

Recent US GAAP accounting pronouncements

In March 2005, the FASB ratified a consensus reached by the EITF on Issue No. 4-6 entitled “Accounting for Stripping Costs Incurred during Production in the Mining Industry.” This consensus affects the accounting for costs of removing overburden and waste materials during the production phase of a mine. The consensus requires that stripping costs are to be accounted for as variable production costs and charged to operations during the period that the stripping costs are incurred. This consensus is required to be adopted in the fiscal year ending January 31, 2007. This consensus has had no effect in the current fiscal year since the Company is not yet in the production phase.

In May 2005, the FASB issued SFAS 154 Accounting Changes and Error Corrections, effective for accounting changes and error corrections made in fiscal years beginning after December 15, 2005, has been introduced and requires, unless impracticable, retroactive application as the required method for reporting changes in accounting principles in the absence of transitional provisions specific to the newly adopted accounting principle.

In July 2006, the FASB issued FASB Interpretation No.48, "Accounting for Uncertainty in Income Taxes" (FIN 48). FIN 48 prescribes a recognition threshold and 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 derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective in fiscal years beginning after December 15, 2006. The provisions of FIN 48 are to be applied to all tax positions upon initial adoption, with the cumulative effect adjustment reported as an adjustment to the opening balance of retained earnings. The Company does not expect a material effect on the financial statements from the adoption of this standard.

17. DIFFERENCES BETWEEN CANADIAN AND U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES AND PRACTICES (Continued)

In September 2006, the FASB issued Statement 157 "Fair Value Measurements". Statement 157 will become effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. The Company is currently evaluating the potential impact, if any, that the adoption of Statement 157 "Fair Value Measurements" will have on the financial statements.

In December 2007, the FASB issued SFAS No. 141(R), "Business Combinations", which requires the acquiring entity in a business combination to recognize and measure all assets and liabilities assumed in the transaction and any non-controlling interest in acquiree at fair value as of the acquisition date. SFAS No. 141(R) also establishes guidance for the measurement of the acquirer shares issued in consideration for a business combination, the recognition of contingent consideration, the accounting treatment pre-acquisition gain and loss contingencies, the treatment of acquisition related costs, and the recognition of changes in the acquirer's income tax valuation allowance and deferred taxes. SFAS No. 141(R) is effective for fiscal years beginning after December 15, 2008 and is to be applied prospectively as of the beginning of the fiscal year in which the statements is applied.

Early adoption is not permitted. SFAS No. 141(R) will be effective for the Company beginning with the 2009 fiscal year. The Company is evaluating the potential impact of SFAS No. 141(R), if any, on its financial statements.

In December 2007, the FASB issued SFAS No. 160, "Non-controlling Interest in Consolidated Financial Statements - an amendment of ARB 51", which establishes accounting and reporting standards that required non-controlling interests to be reported as a component of equity. SFAS No. 160 also requires that changes in a parent's ownership interest while the parent retains its controlling interest be accounted for as equity transactions and that any retained non-controlling equity investments upon deconsolidation of a subsidiary be initially measured at fair value. SFAS No. 160 is effective for fiscal years beginning after December 15, 2008 and is to be applied prospectively as of the beginning of the fiscal year in which the statement is applied. SFAS No. 160 will be effective for the Company beginning with the 2009 fiscal year. The Company is evaluating the potential impact of SFAS No. 160, if any, on the Company's financial instruments but, at minimum it would required the reclassifying of the non-controlling interests from liabilities to a component of equity.

In February 2007, the FASB issued Statement 159 "Fair Value Option". Statement 159 will become effective for financial statements issued for fiscal years beginning November 15, 2007, and interim periods within those fiscal years. This statement permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This statement is expected to expand the use of fair value measurement for accounting for financial instruments. The Company is currently evaluating potential impact, if any, that the adoption of statement 159 "Fair Value Option" will have on the statements.