GOSSAN RESOURCES LIMITED
(EXPRESSED IN CANADIAN DOLLARS)

FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2009 AND 2008

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"
President and C.E.O.

"Andrew Thomson"
Director

Auditors' Report

To the Shareholders of Gossan Resources Limited:

We have audited the balance sheets of Gossan Resources Limited as at March 31, 2009 and 2008 and the statements of loss and comprehensive loss, statements of changes in shareholders' equity, 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 the Company as at March 31, 2009 and 2008 and the results of its operations for the years then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP

Winnipeg, Manitoba

July 24, 2009

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 24, 2009, 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 24, 2009

Chartered Accountants

Gossan Resources Limited

BALANCE SHEETS

(EXPRESSED IN CANADIAN DOLLARS)

As at March 31,	2009	2008
ASSETS		
Current		
Cash	**$ 140,692**	$ 95,176
Short term investments	**1,326,653**	1,941,526
Accounts receivable	**4,048**	9,937
Prepaid expenses	**12,188**	26,586
	1,483,581	2,073,225
Non-Current		
Mineral properties (Note 6)	**4,089,541**	3,475,331
Investment in The Claims Network (Note 7)	**224,540**	150,920
Furniture and equipment (Note 8)	**8,973**	16,147
	4,323,054	3,642,398
	$ 5,806,635	$ 5,715,623
LIABILITIES		
Current		
Accounts payable	**$ 38,981**	$ 70,475
Due to related parties (Note 9)	**125,952**	108,846
	164,933	179,321
Deferred income (Note 6)	**100,000**	-
	264,933	179,321
Nature of Operations and Going Concern (Note 1)		
Commitment (Note 16)		
Subsequent Events (Note 17)		
SHAREHOLDERS' EQUITY		
Share capital (Note 10)	**11,304,778**	11,304,778
Contributed surplus (Note 13)	**1,204,316**	1,187,236
Deficit	**(6,967,392)**	(6,955,712)
	5,541,702	5,536,302
	$ 5,806,635	$ 5,715,623

See accompanying notes to financial statements

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,	2009	2008
EXPENSES		
Administrative fees	**$ 31,778**	$ 27,643
Management fees	**119,056**	131,040
Consulting	**31,399**	57,843
Office and general	**106,306**	124,330
Public company costs	**114,153**	142,761
Investor relations	**92,314**	85,180
Travel and related	**34,809**	37,221
Stock-based compensation expense (Note 11)	**17,080**	258,063
Amortization and other	**7,952**	5,717
	554,847	869,798
OTHER INCOME		
Interest and other income	**30,963**	37,286
Gain on sale of marketable securities	**-**	1,322
Gain on formation of joint venture (Note 6)	**450,000**	-
LOSS BEFORE THE FOLLOWING	**(73,884)**	(831,190)
Share of TCN profit (Note 7)	**73,620**	38,840
Write-down of mineral properties	**(11,416)**	-
Write-down of marketable securities (Note 5)	**-**	(2,800)
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	**$ (11,680)**	$ (795,150)
NET LOSS PER SHARE - Basic and diluted (Note 14)	**$ 0.00**	$ (0.03)
Weighted average number of shares outstanding	**29,020,900**	28,003,985

See accompanying notes to financial statements

Gossan Resources Limited

STATEMENTS OF CASH FLOWS

(EXPRESSED IN CANADIAN DOLLARS)

For the years ended March 31,	2009	2008
CASH (USED IN) PROVIDED BY:		
OPERATING ACTIVITIES		
Net loss for the year	$ (11,680)	$ (795,150)
Amortization and other	7,952	5,717
Gain on sale of marketable securities	-	(1,322)
Write-down of mineral properties	11,416	-
Write-down of marketable securities (Note 5)	-	2,800
Share of TCN profit (Note 7)	(73,620)	(38,840)
Stock-based compensation (Note 11)	17,080	258,063
Accrued interest	(4,690)	(21,526)
	(53,542)	(590,258)
Net change in non-cash working capital:		
Accounts receivable	5,889	59,006
Prepaid expenses	14,398	(14,711)
Accounts payable	(31,494)	(10,197)
Due to related parties	17,106	(32,314)
	(47,643)	(588,474)
INVESTING ACTIVITIES		
Proceeds on sale of marketable securities	-	67,922
Purchase of marketable securities	-	(45,000)
Expenditures on mineral properties	(625,626)	(155,331)
Purchase of short term investments	(305,437)	(1,920,000)
Proceeds on redemption of short-term investments	925,000	-
Acquisition of furniture and equipment	(778)	(12,412)
Deferred revenue received	100,000	-
	93,159	(2,064,821)
FINANCING ACTIVITIES		
Issuance of share capital, net of share issue costs	-	2,641,240
Exercise of stock options	-	50,450
	-	2,691,690
INCREASE IN CASH	45,516	38,395
CASH, beginning of year	95,176	56,781
CASH, end of year	$ 140,692	$ 95,176
SUPPLEMENTARY INFORMATION		
Shares issued as payment on mineral properties (Note 6(iii))	$ -	$ 21,000

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,	2009	2008
Share Capital		
Balance at beginning of year	**$ 11,304,778**	$ 8,829,441
Private placement, net	**-**	2,641,240
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)
Balance at end of year	**$ 11,304,778**	$ 11,304,778
Contributed Surplus		
Balance at beginning of year	**$ 1,187,236**	$ 691,820
Fair value of stock options granted	**30,239**	258,063
Fair value of stock options exercised	**-**	(14,718)
Fair value of warrants issued	**-**	252,071
Fair value of stock options forfeited	**(13,159)**	-
Balance at end of year	**$ 1,204,316**	$ 1,187,236
Deficit		
Balance at beginning of year	**$ (6,955,712)**	$ (6,160,562)
Net loss and comprehensive loss for the year	**(11,680)**	(795,150)
Balance at end of year	**$ (6,967,392)**	$ (6,955,712)
TOTAL SHAREHOLDERS' EQUITY, END OF YEAR	**$ 5,541,702**	**$ 5,536,302**

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, and at least annually, 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. When discounted cash flows cannot be determined to assess the impairment, the property will be written down to its estimated fair value. 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.

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 at least annually, 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 periodically 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. When discounted cash flows can not be determined to assess the impairment, the property will be written down to its estimated fair value.

(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. Under joint venture accounting, the Company is required to proportionately consolidate its percentage ownership of the assets, liabilities, revenues, expenses, and cashflows of its joint venture. These financial statements reflect only the Company's proportionate interest in the Bird River joint venture.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) **Financial Instruments**
The Company has, for accounting purposes, designated its cash and cash equivalents and short-term investments as held-for-trading, which are measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and 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.

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.

Comprehensive income (loss) 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.

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

<u>Capital Disclosures</u>
Handbook Section 1535 specifies the disclosure of (i) an entity's objectives. policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Company has included disclosures recommended by the new Handbook section in Note 3 to these financial statements.

<u>Financial Instruments</u>
Handbook Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments - Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has included disclosures recommended by the new Handbook section in Note 4 to these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) **Changes in accounting policies (Continued)**

Capital Disclosures and Financial Instruments - Disclosures and Presentation (Continued)

General Standard of Financial Statement Presentation
In June 2007, the CICA amended Handbook Section 1400, Going Concern, to assess an entity's ability to continue as a going concern and disclose any material uncertainties that cast doubt on its ability to continue as a going concern. Section 1400 is effective for interim and annual reporting periods beginning on or after January 1, 2008. The application of this new standard had no impact on the Company's financial statements for the period ended March 31, 2009.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities
In January 2009, the CICA approved EIC 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal years ending on or after January 20, 2009. The Company has evaluated the new section and determined that adoption of this new requirement will have no impact on the Company's financial statements.

Mining exploration costs
On March 27, 2009, the Emerging Issues Committee of the CICA approved an abstract EIC-174 Mining Exploration Costs, which provides guidance on capitalization of exploration costs related to mining properties in particular, and on impairment of long-lived assets in general. The EIC is effective for financial statements issued on or after March 27, 2009 and as such applies to the Company's deferred exploration expenditure costs as at March 31, 2009. The Company has evaluated the new section and determined that adoption of this new requirement had no impact on the Company's financial statements.

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) **Future Accounting Changes (Continued)**

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

The CICA issued three new accounting standards in January 2009: Section 1582, "Business Combinations" ("Section 1582"), Section 1601, "Consolidated Financial Statements" ("Section 1601") and Section 1602, "Non-Controlling interests" ("Section 1602"). These new standards will be effective for fiscal years beginning on or after January 1, 2011. The Company is in the process of evaluating the requirements of the new standards.

Sections 1582 replaces section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to International Financial Reporting Standards IFRS 3 - "Business Combinations". The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace section 1600, "Consolidated Financial Statements". Section 1601, establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27 - "Consolidated and Separate Financial Statements" and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

3. CAPITAL MANAGEMENT

The Company considers its capital structure to consist of share capital, stock options and warrants. When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. As at March 31, 2009, total shareholders' equity [managed capital] was $5,541,702 (March 31, 2008 - $5,536,302).

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

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

There were no changes in the Company's approach to capital management during the year ended March 31, 2009. The Company is not subject to externally imposed capital requirements.

4. MINERAL PROPERTY AND FINANCIAL RISK FACTORS

(a) Mineral Property Risk

The Company's major mineral properties are listed in Note 6. Unless the Company acquires or develops additional material mineral properties, the Company will be mainly dependent upon its existing properties. If no additional major mineral properties are acquired by the Company, any adverse development affecting the Company's properties would have a materially adverse effect on the Company's financial condition and results of operations.

(b) Financial Risk

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, market risk (including interest rate, foreign exchange rate and commodity price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Credit Risk
Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, short term investments and accounts receivable. Cash and short term investments consist of cash and term deposits with reputable financial institutions, from which management believes the risk of loss to be minimal.

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

Liquidity Risk
The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2009, the Company had cash of $140,692 (2008 - $95,176) and a liquid short-term investments of $1,326,653 (2008 - $1,941,526) to settle current liabilities of $164,933 (2008 - $179,321). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market Risk
Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity prices.

<u>Interest Rate Risk</u>

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company regularly monitors the investments it makes and is satisfied with the credit ratings of its banks.

4. MINERAL PROPERTY AND FINANCIAL RISK FACTORS (Continued)

(b) Financial Risk (Continued)

Market Risk (Continued)

Foreign Currency Risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As a result, the Company's exposure to foreign currency risk is minimal.

Commodity Price Risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices as it relates to valuable minerals to determine the appropriate course of action to be taken by the Company.

(c) Sensitivity Analysis

The Company has, for accounting purposes, designated its cash and short-term investments as held-for-trading, which are measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities, and due to related parties are classified as other financial liabilities which are measured at amortized cost.

As at March 31, 2009, the carrying and fair value amounts of the Company's financial instruments are not materially different.

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

i) Held-for-trading assets include investment certificates totaling $1,321,963 subject to varying interest rates. Sensitivity to a plus or minus 1% change in rates would affect the reported net income by approximately $13,000. Similarly, as at March 31, 2009, reported shareholders' equity would have varied by approximately $13,000 as a result of the 1% variance in interest rates.

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

iii) Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability from mineral exploration depends upon the world market price of valuable minerals. Commodity prices have fluctuated significantly in recent years. There is no assurance that, even as commercial quantities of minerals may be produced in the future, a profitable market will exist for them.

As of March 31, 2009, the Company is not a producer of valuable minerals. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

iv) Mineral property risk is significant. In particular, if an economic orebody is not found, the Company cannot enter into commercial production and generate sufficient revenues to fund its continuing operations. There can be no assurance that the Company will generate any revenues or achieve profitability or provide a return on investment in the future from any of the properties it may have an interest in.

(EXPRESSED IN CANADIAN DOLLARS)

5. 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 previous 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 $2,800 carrying value of the expired warrants was written off.

6. MINERAL PROPERTIES

	March 31, 2008	Expenditures	Grants and Option Payments	Transfers and Write Downs	March 31, 2009
Pipestone Lake (i)	**$ 1,663,030**	**$ 5,000**	**$ -**	**$ -**	**$ 1,668,030**
Bird River (ii)	**477,446**	**2,164**	**-**	**(479,610)**	**-**
Bird River Joint Venture (ii)	**-**	**149,641**	**-**	**479,610**	**629,251**
Inwood (iii)	**444,048**	**145,001**	**(14,000)**	**(11,416)**	**563,633**
Separation Rapids (iv)	**128,834**	**6,833**	**-**	**-**	**135,667**
Manigotagan Silica	**293,849**	**340,281**	**(15,383)**	**-**	**618,747**
Sharpe Lake	**468,121**	**6,089**	**-**	**-**	**474,210**
Other	**3**	**-**	**-**	**-**	**3**
	$ 3,475,331	**$ 655,009**	**$ (29,383)**	**$ (11,416)**	**$ 4,089,541**

	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)	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

During the 2009 fiscal year, the Company incurred $655,009 (2008 - $188,736) of exploration expenditures and also received $29,383 (2008 - $12,405) in government grants, which reduced the carrying value of its Mineral Properties by the same amount.

6. MINERAL PROPERTIES (Continued)

(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.

Under the terms of the Agreement, Marathon PGM Corporation ("Marathon") earned an undivided 50% interest in the Bird River Project ("Project") by spending $3.0 million on exploration and acquisition costs and cash payments of $500,000 to the Company. Thereafter, Marathon elected not to 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, Marathon may elect to issue its common shares in lieu of cash payments. Upon formation of a joint venture, Marathon must also make semi-annual, recoverable, advance payments of $50,000 until commercial production is achieved. A $10,000 finders fee was paid in connection with the transaction.

On November 1, 2007, Marathon 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 Marathon Agreement.

On August 25, 2008, Marathon triggered the formation of a joint venture by making the final $400,000 cash payment to Gossan (the remaining portion of the $500,000 trigger payment) and having expended in excess of $3 million on the Bird River Project. At year end, Gossan owns an approximate 47% interest in the project and it has contributed $149,641 to the joint venture's work program. If Gossan fails to contribute to three successive work programs, or is diluted to a ten percent equity interest in the Project, Gossan's interest will be reduced to a 3% net smelter return royalty. On each March 30th and September 30th from and after the date of the Option Exercise Notice to the date of Commencement of Commercial Production, Marathon is required to make advance net profits or advance NSR royalty payments to Gossan in the amount of $50,000 as long as Marathon remains the manager of the Project.

As a result of the formation of the joint venture, a gain in the amount of $450,000 was recorded to reflect cash payments made directly from Marathon to Gossan as stated in the joint venture agreement. Additionally, two of the semi-annual $50,000 advance net profit payments were received in the year and are currently shown as deferred income. Additionally, the percentage ownership of the joint venture is subject to change based on its contributions to the joint venture's work program.

Subsequent to the fiscal 2009 year-end on May 11, 2009, the Company contributed $70,540 to the Spring 2009 Drill Program at the Bird River Project to hold an approximate 45.4% interest in the Project.

(EXPRESSED IN CANADIAN DOLLARS)

6. MINERAL PROPERTIES (Continued)

(iii) On March 15, 2007, the Company entered into a licensing arrangement for a new magnesium production process ("the Zuliani Process"), including an option to secure exclusive worldwide rights to the Zuliani 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. In fiscal 2009, an industrial research grant was received from the Government of Manitoba in the amount of $14,000 (2008 - $nil) for work undertaken on the Zuliani Process.

(iv) During the current year, the Company received a mineral exploration grant from the Government of Manitoba in the amount of $15,383 (2008 - $12,405) for prior work undertaken on the Manigotagan Silica Project.

7. INVESTMENT IN THE CLAIMS NETWORK INC.

The Claims Network Inc. (TCN) provides the property and casualty insurance industry with valuation information and software systems to facilitate the settlement of insurance claims. In 2002, the Company invested $455,000 in TCN to hold a 30% equity interest and has appointed two directors. During the 2007 year, TCN redeemed outstanding shares resulting in the Company's interest increasing to 37.04%. During the 2008 year, TCN redeemed additional shares and made a small share issuance resulting in the Company's interest increasing to 46.71%. As TCN is a private company, there is no liquid market for the shares.

During the current year, management has recorded its investment in TCN using the equity method and accordingly has recognized $73,620 (2008 - $38,840) as income being the Company's 46.71% proportionate share of TCN's profit, resulting in the carrying value increasing by $73,620 to $224,540 (2008 - $150,920).

8. FURNITURE AND EQUIPMENT

	Cost	**Accumulated Amortization**	**Total March 31, 2009**	Total March 31, 2008
Computer equipment	**$ 17,253**	**$ 10,760**	**$ 6,493**	$ 9,275
Computer software	**7,435**	**7,435**	**-**	4,647
Field equipment	**1,155**	**828**	**327**	409
Furniture and fixtures	**5,327**	**3,174**	**2,153**	1,816
	$ 31,170	**$ 22,197**	**$ 8,973**	$ 16,147

9. RELATED PARTY TRANSACTIONS

During the year ended March 31, 2009, a director was paid $53,578 (2008 - $37,020) for geological field work and is owed $4,882 (2008 - $4,116) by the Company as at March 31, 2009. Another director, appointed President on October 1, 2004 was paid $82,000 (2008 - $92,000) for corporate administration services, and is owed $24,490 (2008 - $33,439) by the Company as at March 31, 2009. Another officer charged $30,000 (2008 - $30,000) for management services, and is owed $10,000 (2008 - $8,216) by the company as at March 31, 2009. An officer was paid $3,500 (2008 - $1,575) for corporate admin services and is owed $nil (2008 - $1,575) by the Company as at March 31, 2009.

(EXPRESSED IN CANADIAN DOLLARS)

9. RELATED PARTY TRANSACTIONS (Continued)

During the year, the Company paid $2,000 (2008 - $nil) to a company, beneficially owned by the CFO, to act as Chief Financial Officer of the Company. The CFO is also the president of a firm providing accounting services to Gossan. During the year, the Company expensed $29,092 for services rendered by this firm. In addition, as at March 31, 2009, this firm was owed $10,080 and this amount was included in accounts payable and accrued liabilities.

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

During fiscal 2008, fees were paid to Directors in the amount of $36,000 (2008 – $36,000) for director's fees and $15,000 (2008 – $18,000) 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, 2009, $76,500 (2008 - $61,500) was owed in regard to these fees.

The amounts due to related parties, which totals $125,952 (2008 - $108,846) are unsecured, non-interest bearing and have no fixed terms of repayment.

10. SHARE CAPITAL

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

(b) ISSUED

	SHARES		AMOUNT
Balance - March 31, 2007	21,765,900	$	8,829,441
Private placement, net - May 2007 (i)	7,000,000		2,641,240
Fair value assigned to warrants (i)	-		(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 6(iii))	100,000		21,000
Balance - March 31, 2008	29,020,900		11,304,778
Balance - March 31, 2009	**29,020,900**	**$**	**11,304,778**

(i) 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 were subject to a four-month hold period.

(EXPRESSED IN CANADIAN DOLLARS)

11. STOCK OPTIONS

A summary of changes in stock options is as follows:

	NUMBER OF STOCK OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Balance - March 31, 2007	2,016,000	$0.38
Granted (i)(ii)(iii)(iv)	1,298,000	$0.41
Exercised	(155,000)	$0.33
Expired	(580,000)	$0.36
Balance - March 31, 2008	2,579,000	$0.38
Granted (v)(vi)	410,000	$0.18
Forfeited	(61,000)	$0.44
Expired	(407,000)	$0.34
Balance - March 31, 2009	**2,521,000**	**$0.35**

(i) 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 expired 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 were subject to vesting terms ranging from nine to eighteen months. For the year ended March 31, 2009, the impact on expenses was $740 (2008 - $87,601).

(ii) 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 expired 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.

(iii) 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.

(iv) 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.

(v) On July 16, 2008, the Company granted 270,000 stock options to directors and consultants. The options are exercisable at $0.20 and expire on March 28, 2013. The resulting fair value of $24,030 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 3.0% and an expected average life of 3.0 years. 150,000 of the 270,000 options granted are subject to vesting terms ranging from six to twelve months. For the year ended March 31, 2009, the impact on expenses was $22,919.

(EXPRESSED IN CANADIAN DOLLARS)

11. STOCK OPTIONS (Continued)

(vi) On February 4, 2009, the Company granted 140,000 stock options to directors and an officer. The options vest immediately, are exercisable at $0.15, and expire on March 28, 2011. The resulting fair value of $6,580 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 2.00% and an expected average life of 1.7 years.

The following table reflects the stock options outstanding as at March 31, 2009:

Date of Grant	Exercise Price ($)	Options Outstanding	Expiry Date
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	400,000	May 1, 2011
June 26, 2007	0.50	400,000	June 26, 2011
September 27, 2007	0.34	277,000	September 27, 2011
March 28, 2008	0.30	160,000	March 28, 2012
July 16, 2008	0.20	270,000	March 28, 2013
February 4, 2009	0.15	140,000	March 28, 2011
	0.35	**2,521,000**	

Of the options outstanding 2,471,000 (2008 - 2,569,000) are exercisable.

12. WARRANTS

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

	NUMBER OF WARRANTS	WEIGHTED AVERAGE EXERCISE PRICE
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
Expired	(5,942,900)	$0.50
Balance - March 31, 2009	**-**	**$0.00**

(i) On May 18, 2007, the Company issued 3,500,000 warrants in conjunction with the private placement described in Note 10(b)(i). 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 10(b)(i). 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.

(EXPRESSED IN CANADIAN DOLLARS)

13. CONTRIBUTED SURPLUS

	$
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
Fair value of stock options granted	30,239
Fair value of stock options forfeited	(13,159)
Balance - March 31, 2009	**$ 1,204,316**

14. 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.

(EXPRESSED IN CANADIAN DOLLARS)

15. 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.

		2009		2008
Loss before income taxes as reflected in the statement of operation	**$**	**(11,680)**	$	(795,150)
Expected income tax recovery at statutory rate		**(3,676)**		(281,086)
Permanent difference due to stock-based compensation		**5,375**		91,225
Non-taxable portion of capital gains		**-**		(233)
Permanent difference due to equity income		**(23,168)**		(13,730)
Other temporary differences not recognized in year		**24,238**		9,218
Change in valuation allowance		**(278,672)**		194,606
Capital gain from expiration of warrants		**55,760**		-
Change in prior year estimates		**220,143**		-
Actual income taxes	**$**	**-**	$	-

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

		2009		**2008**
Future income tax asset (liability)				
Non-capital loss carry-forwards for Canadian purposes	**$**	**801,912**	$	790,568
Excess of undepreciated capital cost over net book value of furniture and equipment		**8,862**		7,213
Share issue costs		**30,498**		36,832
Excess of book value of Mineral Properties over tax value		**(522,762)**		(350,637)
		318,510		483,976
Less: Valuation allowance		**(318,510)**		(483,976)
	$	**-**	$	-

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, 2009, the following amounts are available to be applied against future years' income for tax purposes.

(EXPRESSED IN CANADIAN DOLLARS)

15. INCOME TAXES (Continued)

No amounts have been recorded in the financial statements to recognize these potential benefits.

Canadian earned depletion base		$ 128,459
Canadian exploration expenditures		1,440,995
Foreign exploration and development expense		583,931
Share issue costs		112,956
Non-capital losses (expiring 2010 to 2028)	2010	147,806
	2014	390,923
	2015	383,862
	2026	491,126
	2027	511,190
	2028	625,853
		$ 4,817,101

16. COMMITMENT

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

2010	$ 9,600
2011	9,600
2012	9,600
	$ 28,800

17. SUBSEQUENT EVENTS

(a) Subsequent to the year-end, 190,000 stock options with an exercise price of $0.50 expired on April, 30, 2009 and 170,000 stock options were forfeited.

(b) On May 15, 2009 a former Director and consultant to the Company exercised 11,000 stock options for proceeds of $3,300.

(c) On June 15, 2009, the Company announced it has awarded 526,000 incentive stock options to officers, directors and consultants of the Company. The options are exercisable at $0.15 per common share. Five officers and directors were granted a total of 280,000 options and a consultant was granted 160,000 options. This grant of options has an expiry date of March 28, 2012. Five directors were also granted 86,000 options, expiring on June 28, 2009, all of which have been exercised. The fair value of the 612,000 options is approximately $50,000.

(d) On May 11, 2009, the Company contributed $70,540 to the Spring 2009 Drill Program at the Bird River Project to hold an approximate 45.4% interest in the Project with joint venture partner Marathon PGM Corporation.

18. COMPARATIVE FIGURES

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

19. 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 principles and practices that the Company would have followed had its financial statements been prepared in accordance with principles 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, 2009 there were no unexpended flow-through funds (2008 - $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.

Under U.S. GAAP, unvested options forfeited, and previously recognised as an expense, can not be reversed.

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)

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

Statements of loss and comprehensive loss	**2009**	2008	2007
Net loss under Canadian GAAP	**$ (11,680)**	$ (795,150)	$ (798,133)
Fair value of marketable securities under U.S. GAAP	**-**	(550)	550
Write-down of mineral properties under Canadian GAAP	**11,416**	-	231,634
Write-down of acquisition costs under U.S. GAAP	**(625,626)**	(176,331)	(612,054)
Net loss under U.S. GAAP	**$ (625,890)**	$ (972,031)	$ (1,178,003)
Basic and diluted net loss per common share under U.S. GAAP	**$ (0.02)**	$ (0.04)	$ (0.06)

Balance Sheets	**2009**	2008	2007
(a) Effect on mineral properties			
Mineral properties under Canadian GAAP	**$ 4,089,541**	$ 3,475,331	$ 3,299,000
Adjustment for capitalization of exploration costs			
Current year differences	**(614,210)**	(176,331)	(380,420)
Prior year accumulated differences	**(3,475,331)**	(3,299,000)	(2,918,580)
Mineral properties under U.S. GAAP	**$ -**	$ -	$ -
(b) Effect on marketable securities	**$ -**	$ -	$ 24,400
Adjustment for fair value	**-**	(550)	550
Marketable securities under U.S. GAAP	**$ -**	$ (550)	$ 24,950
(c) Effect on shareholders' equity			
Shareholders' equity under Canadian GAAP	**$ 5,541,702**	$ 5,536,302	$ 3,360,699
Current year difference	**(614,210)**	(176,881)	(379,870)
Prior year accumulated differences	**(3,475,331)**	(3,298,450)	(2,918,580)
Shareholders' equity under U.S. GAAP	**$ 1,452,161**	$ 2,060,971	$ 62,249

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)

19. 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:

	2009	2008	2007
Cash	**$ 390,323**	$ 259,724	$ 174,697
Short term investments	**1,326,653**	1,941,526	-
Marketable securities	**-**	-	24,400
Prepaid expenses	**17,625**	31,034	15,409
Accounts receivable	**279,769**	164,449	196,292
Mining properties	**4,089,541**	3,475,331	3,299,000
Future income tax	**300**	12,400	33,400
Fixed assets	**27,633**	32,006	20,551
Accounts payable	**(263,354)**	(243,260)	(270,454)
Share capital	**(11,685,239)**	(11,685,239)	(9,495,189)
	$ (5,816,749)	$ (6,012,029)	$ (6,001,894)
Revenue	**$ 1,259,121**	$ 900,565	$ 837,836
Expenses	**(1,186,810)**	(1,651,403)	(1,355,708)
Loss	**$ 72,311**	$ (750,838)	$ (517,872)

Recent US GAAP accounting pronouncements:

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. The application of this had no impact on the Company's financial statements for the period ended March 31, 2009.

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 application of this had no impact on the Company's financial statements.

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

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 2010 fiscal year.

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 2010 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 expanded the use of fair value measurement for accounting for financial instruments. The application of this had no impact on the Company's financial statements for the period ended March 31, 2009.

In June 2008, the FASB issued EITF Issue No. 07-05, "Determine whether an instrument (or Embedded Feature) is indexed to an Equity's Own Stock" ("EITF 07-05"). EITF 07-05 provides guidance on determining whether an equity-linked financial instrument, or embedded feature, is indexed to an entity with an exercise price that is different from the entity's functional currency cannot be classified as equity. EITF 07-05 is effective for financial statements issued for fiscal years beginning after December 15, 2008. The Company is currently evaluating the potential impact, if any, that the adoption of EITF 07-05 will have on its financial statements.

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

In June 2008, the FASB issued Staff Position ("FSP") EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities." Securities participating in dividends with common stock according to a formula are participating securities. This FSP determined unvested shares of restricted stock and stock units with non-forfeitable rights to dividends are participating securities. Participating securities require the "two-class" method to be used to calculate basic earnings per share. This method lowers basic earnings per common share. This FSP takes effect in the first quarter of fiscal years beginning after December 15, 2008 and will be applied retrospectively for all periods presented. It will be effective for the Company on April 1, 2009. The Company does not expect FSP EITF 03-6-1 to have a material effect on its financial statements.

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles" ("SFAS 162"). SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP. SFAS 162 is effective 60 days following the Securities and Exchange Commission's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, "The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles." The Company is currently evaluating the potential impact of the adoption of SFAS 162.

In March 2008, FASB issued Statement 161, "Disclosures about Derivative Instruments and Hedging Activities", an amendment of FASB Statement 133. The statement requires qualitative disclosures about the objectives and strategies for using derivatives, qualitative data about the fair value of gains or losses on derivative contracts, and details of credit-risk related contingent features in their position. The statement also requires the disclosure of the location and amounts of derivative instruments in the financial statements. The statement is effective for fiscal years and interim periods beginning on or after November 15, 2008. The Company does not expect the adoption of this statement to have a material impact on the consolidated financial statements.

In December 2008, FASB issued FSP FAS 132(R)-1, "Employers' Disclosures about Post-retirement Benefit Plan assets" which provides guidance on disclosures about plan assets of a defined benefit pension or other post-retirement plans. This statement is effective for fiscal years ending after December 15, 2009. The Company does not expect the adoption of this statement will have any effect on the consolidated financial statements.

PRESENTATION

There are different presentations between Canadian and US GAAP which are as follows:
i) Under U.S. GAAP, there is no difference between net income and other comprehensive income.
ii) No subtotal is permitted under U.S. GAAP within cashflow from operations on the statement of cashflows