GOSSAN RESOURCES LIMITED

Management Discussion and Analysis
March 31, 2007

Gossan Resources Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE PERIOD ENDING MARCH 31ST, 2007

This Management Discussion and Analysis ("MD&A") reviews the financial condition and results of operations of Gossan Resources Limited ("Gossan" or the "Company") for the Annual Period ending March 31, 2007. The MD&A was prepared as of July 27, 2007 and should be read in conjunction with the audited annual financial statements for the year ended March 31, 2007, including the notes thereto. These financial statements are filed on the SEDAR website www.sedar.com , where additional disclosure relating to the Company can also be located.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern. All amounts are denominated in Canadian dollars.

Overview

Gossan is a mineral exploration company listed on the TSX Venture Exchange as a Tier 2 company and trading under the stock symbol "GSS". Gossan also trades on the Frankfurt-Freiverkehr & Xetra Exchanges under the symbol "GSR". The Company is primarily engaged in the business of exploration and development of mineral resources. Its diverse portfolio is comprised of properties hosting gold, platinum group and base metals; the specialty metals, tantalum, cesium, titanium, vanadium and chromite; as well as a deposit of magnesium-rich dolomite and a silica sand prospect. None of Gossan's properties are currently in production. All of the properties are located in Manitoba and northwestern Ontario.

Results of Operations

The net loss for the three months ending March 31, 2007 was $293,286 as compared to $63,922 for the three months ending March 31, 2006. The increase of $229,364 primarily reflects the restatement of the prior year to include a Future income tax recovery of $260,000 related to the issuance of flow-through shares. Administrative expenses increased by $129,283 compared to the prior year due primarily to an increase in non-cash stock-based compensation of $88,760 and a non-recurring interest charge of $14,191 related to the look-back provisions pertaining to the timing of a flow-through exploration expenditures. Administrative expenses for the 2007 year were $638,391 compared to $629,027 in the prior year. During the quarter, non-cash write-downs of mineral properties decreased by $165,109.

The net loss for the year ended March 31, 2007 was $ 798,133 as compared to $ 515,826 for the year ended March 31, 2006. The increase of $ 282,307 primarily is the result of a non-cash future income tax recovery of $260,000 recorded in 2006 as a result of flow-through shares issued in December of 2005. Mineral property write-offs increased $46,725; offset by a gain on sale of marketable securities of $24,550; and an increase in the non-cash share of The Claims Networks (TCN) net income of $18,960. For additional information refer to the Supplemental Information section of this MD&A for detailed expense analysis.

The net loss for the year ended March 31, 2006 was $515,826 as compared to $772,200 for the year ended March 31, 2005. The increase of $ 256,374 primarily was the result of a non-cash future income tax recovery of $260,000 recorded in 2006 as a result of flow-through shares issued in December of 2005. Otherwise the net loss remained relatively constant although there were variances in certain expense categories. In 2006, Administrative expenses, inclusive of stock-based compensation, increased by $168,458 to $629,027 although a substantial component of which were non-cash charges. In 2006, Mineral property write-offs declined by $111,997 to $184,909. In 2006 the Company also recorded a non-cash mark-up in the equity value of its investment in The Claims Network Inc. of $30,175 as compared to a non-cash write-down of $17,052 in 2005. Significant changes in administrative expense categories included: Stock-based compensation which increased $72,300 to $152,900; Investor Relations which increased $18,735 to $59,392; Management fees which increased $64,800 to $135,900; Public Company expenses which including directors fees increased by $57,649 to $101,283; and these increases were partially offset by a decrease in Travel expenses of $33,724 to $35,682.

The net loss for the year ended March 31, 2005 was $772,200 as compared to $984,953 for the year ended March 31, 2004. Non-cash write-downs of mineral properties in 2005 and a reduction in the carrying value of the Company's investment in The Claims Network Inc. recorded in 2004 were significant components of each year's loss. The decreased loss of $212,753 primarily reflects changes in the following expense categories: Stock-based compensation which decreased $170,320 to $80,600; Investor Relations which decreased $27,128 to $40,657; Public Company expenses which decreased $26,454 to $43,634; and these decreases are partially offset by an increase in Management fees of $40,600 to $71,100. Exploration and property acquisition expenditures during the year ending March 31, 2005 were $410,749 compared to $426,180 in the same period last year.

Currently, Gossan's property portfolio consists of two components. The Sharpe Lake, and Bird River Properties each have significant exploration targets for precious metals. These properties are being explored and their land packages tailored in order to make them attractive joint-venture candidates. On March 26, 2007 the Company entered into an option and joint venture agreement on the Bird River Property with Marathon PGM Corporation. The second component of the property portfolio consists of specialty metal and industrial mineral properties. The primary focus amongst these properties is the Inwood Magnesium Project and the Manigotagan Silica Project with the Company progressing through a series of programs which could lead to the completion of scoping or pre-feasibility studies. On-going advancement of exploration and development at the Company's properties is dependent upon a future financing.

The Bird River Property which covers over 21 kilometres of the Bird River Sill Complex is comprised of the Western (Ward's) Extension and 4 separate faulted blocks of the Sill – the National Ledin, the Chrome and its Extension, the Peterson and the Page Blocks. This complex carries significant concentrations of palladium and platinum along with nickel, copper, zinc and chromite. The Bird River Property is located about 40 km east of Lac Du Bonnet, Manitoba and, along the Sill, approximately 6 km west and northwest of Mustang Minerals' Maskwa Deposit.

On March 26, 2007 the Company entered into an option and joint venture agreement on the Bird River Property with Marathon PGM Corporation (Marathon). Under the terms of the agreement, Marathon 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, Marathon can earn a further 15% interest by completing a bankable feasibility study and an additional %5 interest, to a total 70% interest, by arranging project financing. In the first stage of the agreement, Marathon's work commitment is $500,000 of exploration expenditures by April 30, 2008 and an initial cash payment of $50,000. A $10,000 finder's fee was paid in connection with the transaction.

Marathon has started a detailed compilation of historical work and has mobilized geological staff to the Bird River Sill. Initially, prospecting will be the main focus of work, which will verify some of the airborne geophysical targets and evaluate the numerous occurrences. Marathon's prospecting has yielded positive initial results, as a number of rock samples collected over a strike length of 100 metres exhibit high values of PGM and variable nickel and copper values. Collected at Ward's in the far western end of the Bird Rriver Property, some 21 km west of the Page Block, the chemistry of the samples clearly demonstrates that PGM mineralization is known to occur in multiple environments over the entire property. For further information refer to NR-07-09 dated June 11, 2007.

Prior to finalizing the Marathon agreement, Gossan entered into an Option Agreement to acquire the 431-hectare Star Property which is adjacent on three sides to Gossan's Bird River Sill Property, just to the west of the Page and Peterson Blocks. The Star Property is comprised of three claims – the Galaxy, the UFO, and the Quasar. The Peterson Block is known to extend westward from Gossan's ground onto the Galaxy claim where a limited small-core drill program encountered 0.44 metres assaying 3.79% nickel, 0.8gpt platinum, 3.5gpt palladium, 0.16% copper and 0.12% cobalt. This acquisition is particularly important in light of a new magmatic model for the emplacement of the Page and Peterson Blocks.

A theory which postulates a new magmatic model for the emplacement of the Chrome, Page, Peterson and the National-Ledin Blocks of the Bird River Sill (BRS) is one of the recent findings of the Joint Industry-Government-University Mapping Program of the Bird River Sill. The new model was developed by Caroline Mealin B.Sc. under the supervision of Robert Linnen, PhD., and Shoufa Lin, PhD., all of the University of Waterloo. It was published in November of 2006. Management believes that future exploration on the property will be significantly affected by Mealin's new theory.

This new magmatic model has important economic considerations in that the feeder system for the Page, Peterson and Chrome Blocks may be located at the western end of the Page Block. This area and its related faults provide an ideal location for the investigation of economic concentrations of nickel, copper and PGEs.

Previous studies have treated the BRS as a single continuous intrusion that was block faulted. The 2006 summer mapping program, in conjunction with total field magnetics, failed to find any evidence to support the existence of these faults. Accordingly an alternative theory is proposed for the segmentation of the blocks of the BRS, based on field observations and preliminary geochemical interpretation. The blocks of the BRS are best explained if there were initially separate magmatic intrusions (i.e., the BRS does not represent a single, continuous intrusion). A preliminary magmatic model for the emplacement of the Chrome, Page, Peterson and National- Ledin Blocks is presented at www.gossan.ca/jigu.pdf.

According to this model, the properties were fed from a large, primitive mantle-derived, lower magma chamber. It is proposed that the Page, Peterson and Chrome Blocks are separate intrusions but part of a single conduit system. The Page intrusion, stratigraphically the lowest chamber, was first to crystallize and form massive chromite layers. At least one successive injection of magma broke up part of the chromite layers producing chromite 'pebbles'. The larger pebbles remained close to the feeder dyke and the smaller chromite pebbles were deposited stratigraphically on top of existing chromite layers further east on the Page Block becoming rounded and partially resorbed in the process. A successive magma pulse, either the same or following the injection that produced the chromite pebbles, was injected into the stratigraphically higher chamber of the Chrome Block carrying clasts from the Page Block and depositing them near the feeder dyke in the eastern edge of the Chrome property. The magma remained relatively uncontaminated as it moved through the conduit system. It is hypothesized that the Peterson Block is a small, separate offshoot of the feeder dyke between the Chrome and Page Blocks. It is also hypothesized that the National-Ledin Block shares the same lower magma chamber as the other three intrusions.

During the spring and summer of 2006, Gossan received a considerable amount of new data on the Bird River Property. This data was provided by the Company's former joint venture partner, North American Palladium Ltd.'s wholly-owned subsidiary, Lac des Iles Mines Ltd.("LDI"). Between March 14, 2005 and March 27, 2006, LDI conducted: a 750 line-km, high resolution, time domain, electromagnetic and magnetic survey using Geotech's helicopter-borne "dream-catcher" VTEM System; an initial 8-hole diamond drill program, totaling 934 metres, highlighted by hole BR-05-02, located on the Page Block, that intersected 13.75 meters of 1.077% nickel and 0.501% copper; a 37.8 line-km, deep penetrating, large loop, surface pulse DEEP EM survey along 2.6-km of the Sill on the Page and Peterson Blocks; and a second drill program at the eastern end of the Property. The second drill program consisted of ten holes, totaling 1,365 metres, of which five holes encountered significant sulphide mineralization, highlighted by hole BR-06-10 that intersected 8.7 metres of 0.924% nickel and 0.400% copper. During the life of the agreement, LDI made payments to Gossan totalling $100,000 and incurred $805,500 of expenditures conducting these exploration programs. LDI is re-focusing its exploration activities on more advanced properties that are closer to a possible production decision.

Gossan's management believes there are other untested priority targets at the Peterson and Page Blocks and further west on the Property which currently encompasses 7,301 hectares (18,040 acres) covering over 21 kilometres of the Bird River Sill Complex and the western portion of the Bird River Volcanic Belt.

The 17,414-hectare (43,030-acre) Sharpe Lake Property covers 40-km of the Stull Lake-Wunnummin Fault Zone (SWFZ), a major gold metallotect, which is the western strike-extension of the deformation zone that transects the Monument Bay-Twin Lakes area where Rolling Rock Resources Corporation (formerly held by a Wolfden-Bema Gold Joint-venture) is developing a high-grade gold resource. Gossan's property is comprised of three exploration permits and 6 claims located 560-km northeast of Winnipeg.

In the fall of 2006, Gossan completed a MMI geochemical program to expand the survey area at the Bear Showing with the goal of identifying additional drill targets. Based on the success of last summer's program which identified a favourable a gold-copper MMI geochemical anomaly, a two phase program was conducted over the winter. In March 2006, a geophysical program was undertaken consisting of a 30.7-line km induced polarization – resistivity survey and a 48-line km magnetic survey. In January 2006, a 50.4-km grid was cut on 200m spacing at the Bear Showing and additional claims, totaling 799 hectares, were staked outside the existing exploration permit immediately to the south of the showing. The Sharpe Lake Property and its Bear Showing is the subject of a recent National Instrument 43-101 Report which was filed with SEDAR on October 27, 2006. The Report compiles the work that has been conducted on the property and recommends a drill program to investigate gold mineralization at the Bear Showing at the west end of Sharpe Lake. Gossan intends to seek a joint venture partner to undertake the drill program. With a minimum strike length of six kilometres bounded by bifurcations of the SWFZ, a major crustal break, the Bear zone is considered a high priority target for economic gold deposits.

Early in 2006, the Company announced the acquisition of the gold prospective Alto-Gardnar Property northeast of Dryden, Ontario. In May 2006, an excavator was used to expose a 10-metre wide shear zone hosting a gold-bearing vein system over a 300+ metre length. This zone was previously outlined by a historic series of trenches, a small pit and a large open cut that were the source of a 125-ton bulk sample taken in 1940. Regrettably, a field program comprised of detailed geological mapping, channel sampling, prospecting and three shallow drill holes conducted during the summer of 2006 failed to encounter economic widths or grades of mineralization and the property has been returned to the optionors. Accordingly, a write down of $231,634 to Mineral properties was incurred.

At the Angelina Gold Property, located in the Rice Lake belt near Bissett, Manitoba, Gossan conducted a summer field program during August 2005 which was not encouraging and the Company decided to joint venture or sell the Property and others in the area. On March 6, 2006, Gossan announced an agreement providing for Marum Resources Inc. to purchase a 100% interest in 16 claims comprising the Angelina property by paying to Gossan 500,000 common shares of Marum and issuing to Gossan 400,000 share purchase warrants exercisable for two years at a price of $0.15 per share. Gossan shall retain a 2.0% net smelter return royalty on production from the property, subject to a buy-back of one half of the royalty (1.0%) for a cash payment of $1,000,000.

During the 2006 fiscal year, the Angelina and Bissett area Properties were written down by $165,109 to nil. At the 2007 year end, the marketable securities received from the Marum sale are held on the balance sheet at a value of $24,400. During the year, Marum shares were sold for proceeds of $71,350 resulting in a $24,550 gain on sale of marketable securities. Gossan will continue to participate in the Rice Lake Gold belt through NSR interests in three properties – the Angelina, the Topo and the Vena.

The 1,635 hectare (4,040 acre) Inwood Magnesium Property is located in south-central Manitoba, 80-km north of Winnipeg. In total Gossan's regional land package covers 6,253 hectares (15,451 acres) as its strategy is to hold all of the area's near-surface beds of high-purity dolomite that are well above the water table. In order to prepare the property as an attractive target for a major producer or a joint-venture partner, the current phase of activity is the finalization of a National Instrument 43-101 resource report based on a 27 hole drill program which was completed in May of 2006 and the assessment of a new magnesium extraction process.

The Inwood Magnesium Project is being advanced on the expectation of higher magnesium prices and the development of more efficient magnesium extraction processes. Magnesium extraction technology will be the future focus of this project. Gossan is examining new technology being developed by Mintek and has also acquired the option on the worldwide rights to another alternative magnesium extraction process.

On March 15, 2007, Gossan entered into a licensing arrangement for a new high efficiency magnesium production process being developed by Douglas J. Zuliani. Gossan controls large deposits of high grade dolomite and silica sand in Manitoba, Canada, both key raw materials used in magnesium metal production. Zuliani who holds a Ph.D. in Metallurgical Engineering from the University of Toronto, has over twenty years of experience in magnesium technology and business development. From 1985 to 2000, he held a number of senior executive positions with Timminco Ltd., an internationally recognized leader in the production of high purity magnesium using the Pidgeon silicothermic vacuum reduction process which recovers magnesium metal from briquettes containing ferrosilicon and calcined dolomite. As part of their agreement, Gossan retains an option to secure exclusive worldwide rights to the process.

Zuliani's technology is projected to significantly reduce the direct operating cost of magnesium metal production by as much as 25% compared to a typical Chinese Pidgeon process plant which, with China producing over 80% of the world's magnesium, has now become the industry norm. The new process is based on an efficient adaptation of the original Pechiney and Alcoa Magnatherm process which still remains the only successfully proven high temperature method for producing magnesium metal by silicothermic vacuum reduction of molten slag containing magnesia. By using an enhanced Magnatherm approach, the process can employ low cost hydro electricity abundantly available in Manitoba as its principal energy source.

The Zuliani process is designed to achieve operating cost savings by process efficiency improvements that significantly reduce both energy and key raw material requirements. These enhancements to the traditional Magnatherm method should materially improve both magnesium recovery and silicon reduction efficiency without the need for a vacuum. Energy use is reduced by development of a technically straightforward method that will ensure highly efficient condensation of liquid magnesium metal thereby avoiding the need to melt solid magnesium which has been a major problem for both the Pidgeon and Magnatherm processes. The Zuliani process can be commercialized in 10,000 tonne per annum production increments which will reduce initial investment risk and allow expansion of production capacity in tune with market demand.

In order to prove out the technology prior to commercialization, Gossan is undertaking a three phase evaluation process. Initially thermodynamic modelling is being used to verify the process fundamentals. The second phase will involve final bench scale testing and thereafter a third phase of pilot plant testing to demonstrate commercial viability. Gossan may seek a joint venture partner to assist in the pilot plant testing and subsequent commercialization of the process.

Mintek, a leading, South African-based, mineral and metallurgical technology firm is developing an advanced thermal process for the production of magnesium based on silicothermic reduction of calcined dolomite, called the Mintek Thermal Magnesium Process. This new technology is potentially superior to both the Pidgeon and the Magnetherm conventional vacuum processes as it operates at atmospheric pressure and at higher temperatures for better recoveries and throughputs. This new technology is continuous rather than batch and it can provide for substantially larger production units than the Magnetherm process, with expected improvements to capital and operating costs. Manitoba Hydro’s low-cost industrial electricity rates should also provide this energy-intensive project with a significant cost advantage. Hatch, a Montreal-based engineering firm has been providing the Company with guidance in regard to Mintek’s technology.

On May 13, 2006, the Gossan completed a 27-hole drill program, totaling 496.2 metres, on its Inwood Magnesium Dolomite Property. Watts, Griffis McQuat (WGM) have been retained to undertake a National Instrument 43-101 Report resource calculation based on the results from the current drill program and 25 holes previously drilled on the Property. Previous drilling of 20 holes and surface mapping by the Manitoba Geological Survey on the Property outlined a non-compliant NI-43-101 historic resource of 67 million tonnes of high-purity magnesium dolomite (21.6% MgO with less than 0.23% residue) and inferred an additional 33 million tonnes of similar material (Bamburak & Gale-1993). Gossan also completed a 5-hole program in 2003.

The current drill program was conducted at a grid spacing of 200x200 metres over an area of approximately 80 hectares. In this area, the Manitoba Geological Survey identified a non-compliant NI-43-101 historic proven geological reserve of 20.6 million tones and some additional adjacent inferred tonnage. The current program targeted the Fisher Branch Formation which typically outcrops at surface and extends to a depth of about 12-15 metres. Some of the holes also investigated the underlying Upper and Lower Stonewall Formations down to the Lower T Marker, a depth of about 25 metres.

On November 3, 2006 Gossan announced the initial findings of the Watts, Griffis, McOuat National Instrument 43-101 Report on the Inwood Dolomite Project. WGM’s resource estimates for two zones of high-purity magnesium dolomite are summarized in the table below.

Formation and zone	Resource Classification	Tonnage	Grade MgO (wt%)	Grade CaO (wt%)
Fisher Branch	Measured	34,783,000	21.18%	30.84%
Fisher Branch	Inferred	132,009,000	21.32%	30.78%

The Inwood Property hosts a very large deposit as the Measured Resource alone would be capable of sustaining a substantial production facility of 80,000 tonnes of magnesium per year for about 35 years (subject to a positive feasibility study).

An initial environmental study has been conducted at the Inwood Property. No endangered species were identified in the assessment of the natural environment. Portions of the Inwood Property are part of a wildlife management area. It is Gossan’s intention to replenish similar natural environment should production proceed on these portions of the Property. The cost of acquiring replacement land is not considered material to the project. The current drill program was conducted in an area of the property which is unaffected by wildlife management practices.

At Manigotagan, about 170 km northeast of Winnipeg, Gossan consolidated its land position covering a silica sand deposit on the east shore of Lake Winnipeg by acquiring two adjacent Quarry Leases in August 2005 and applying for two additional Quarry Leases which were approved in July 2007. The expanded property now encompasses 297-hectares. At the eastern end of the newly acquired ground, the silica sands of the Winnipeg Formation are exposed on surface at a small quarry on the Seymourville Road. Previously, a total of 18 holes have been drilled on the property of which 8 holes have outlined an area of interest which runs westward from the quarry along a weak ridge for approximately 2300 metres. This limited amount of drilling indicates that the width of the formation may vary from about 100m to as much as 250m which provides the potential to be economically significant. The holes within this area encountered silica sand in thicknesses varying between 6.4m and 18.0m under overburden of 0.0m at the quarry to 8.6m on Gossan’s original ground.

A drill program consisting of 23 holes was conducted at the Manigotagan Silica Property in December 2006. A drill rig capable of both core and auger drilling was utilized. Although the auger drilling method proved to be the better of the two methods, neither method provided good sample recoveries. Sample preparation and analysis takes considerable time and results from the program are expected to be released shortly. In June of 2007, two shallow pits were excavated at the east end of the property to provide additional sample material.

Silica sand from the property has previously been subjected to a variety of tests that indicate it is of a high purity with few contaminants and that it is similar to the silica sands previously quarried at nearby Black Island. A composite of 19 samples returned a silica content of 94.2% without sizing or treatment. Sizing, washing or other simple treatments would significantly improve the purity. Tests to date indicate that these silica sands appear to meet metallurgical requirements and may potentially be of use as frac sand in shallow gas wells. Further testing is underway and additional testing will be required which will lead to a scoping study giving initial consideration to markets and logistics.

In the summer of 2004, a field program was conducted at the Separation Rapids Specialty Metal Project by Gossan’s joint venture partner, Angus & Ross PLC. On the south side of the property a promising multi-element geochemical soil anomaly was identified adjacent to Avalon Venture Ltd.’s Big Whopper property. Results of 4 diamond drill holes in the northern portion of the property were disappointing and the joint venture reduced its land position to 528-hectares. In June 2006 Gossan entered into an agreement to increase its interest in the Property to a 100% holding by acquiring the 50.1% interest in the property held by joint venture partner, Angus & Ross PLC, in exchange for 25,000 common shares of Gossan stock and other consideration. The transaction closed during the quarter. This joint venture interest was previously held by The Tantalum Mining Corporation of Canada, “TANCO”, a wholly-owned subsidiary of the Cabot Corporation. The Property which is prospective for tantalum, cesium and lithium is located 58 kilometres north of Kenora, Ontario.

Gossan is conducting a line cutting and Enzyme Leach geochemical survey on the Separation Rapids Property this summer and based upon the results will consider a drill program this fall.

Our 50% joint-venture partner in the Pipestone Lake Deposit, Cross Lake Mineral Explorations Inc., is a wholly-owned private corporation of the Cross Lake First Nation. It has been involved in protracted negotiations with the Federal and Provincial governments and Manitoba Hydro to settle the Nelson River Flood Agreement. Development of the Pipestone Lake Deposit has been stalled pending this settlement.

As a result, Gossan has decided to offer the 3584-hectare Pipestone Lake Property for sale. Cross Lake Mineral Explorations Inc. has a 120 day first right of refusal on any proposed sale. Gossan has appointed a representative to assist in the negotiations for the development or sale of this property. The representative is entitled to a completion fee.

The Pipestone Lake property is located in north central Manitoba, approximately 150km south of Thompson. At the Pipestone Lake's Areas 1 and 2, drilling to date has outlined an a non-compliant NI-43-101 historic indicated resource of 156.8 million tonnes grading 5.56% TiO_2, 28.11% Fe_2O_3 and 0.22% vanadium pentoxide (Reedman & Associates-1998). More infill drilling could significantly increase the resource.

Gossan also has a direct investment in The Claims Network (TCN), a web-based technology company with an extensive product data library, engaged in providing the Property and Causality Insurance Industry with loss assessment information. TCN currently has adequate cash to pursue and develop its business. Gossan completed its purchase of a 30% equity interest in TCN in July 2002. In prior years Gossan's investment in TCN had been recorded using the cost method of accounting. TCN's business continues to grow and develop. TCN also continues to expense software development costs. In fiscal 2005, management significantly reduced the carrying value of Gossan's investment in TCN to reflect a change in accounting treatment from the cost method to the equity method. During the year ending March 31, 2007 the Company established a non-cash mark-up of $49,135 in its investment to reflect Gossan's share of TCN's profits during the period resulting in the carrying value of the TCN investment being increased to $112,080 at the end of the period. Although the business continues to grow and remains profitable, it is unlikely that the recent rapid rate of increase in revenue and profits is sustainable. During the year, Gossan's equity interest in TCN increased to 37% as a result of a mandatory share buyback under the terms of TCN's shareholders agreement.

In the future, TCN provides Gossan with a potential source of funding via dividends or sale. It also provides the opportunity to spin-off TCN to Gossan's shareholders in the event TCN went public. This non-mining asset and its potential value allowed the Company to raise funds through a difficult junior resource market and keep its portfolio of mining properties intact.

Liquidity and Capital Resources

Equity financing over the past two years has allowed the Company to maintain adequate working capital as well as fund its various exploration activities. Gossan's cash position at March 31, 2007 was $56,781 and all liabilities totaled $221,832. The Company had a working capital deficit of $59,833 at March 31, 2007 compared with a surplus of $518,676 at March 31, 2006. The Company completed the first tranche of a financing on September 29, 2006 for net proceeds of $271,250 which closed with a second tranche of $29,000 on October 30, 2006. A third financing was completed December 28, 2006 for net proceeds of $211,250. Subsequent to year-end, on May 18, 2007, the Company completed a private placement of 7,000,000 units for net proceeds of $2,641,240.

During the year ending March 31, 2006 the Company received net proceeds of $880,250 from the issuance of common shares through a private placement and the exercising of warrants and stock options.

On November 25, 2005, the Company closed an $800,000 Private placement consisting of 1,777,777 units; each unit consisting of one flow-through common share and one-half Series A warrant and one-half Series B warrant. Each whole Series A warrant entitles the holder to acquire one common share for $0.75 in the first year, and thereafter for $1.00 in the second year. Each whole Series B warrant entitles the holder to acquire one common share for $0.85 until May 30, 2007.

The Company will continue rely on financings in the future in order to advance its exploration properties and replenish its working capital. Although at some point, certain mineral properties, such as the Inwood Magnesium Project or the Company's interest in The Claims Network could be sold or spun-off to Gossan's existing shareholders to generate cash, equity financing activities will remain the single major source of cash flow for the Company. The Company is still in the development stage without revenues from operations and remains dependent on equity financings. The Company needs to complete future financings in order to advance its exploration properties and continue to replenish its working capital.

Share Capitalization

The Company is authorized to issue an unlimited number of Common Shares of which 21,765,900 were outstanding as at March 31, 2007. An additional 5,839,776 common shares were reserved for issuance in relation to warrants and stock options as at March 31, 2007.

On May 18, 2007, the Company completed a private placement of 7,000,000 units at $0.40 per unit for net proceeds of $2,641,240. 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 in regard to the financing.

As at July 27, 2007, there were 28,882,900 Common Shares outstanding and 38,193,688 shares on a fully diluted basis.

Selected Annual Information

The following selected financial information is derived from the financial statements of the Company and should be read in conjunction with such statements, including the notes thereto:

Statement of Operations and Deficit Data

Audited for the Year ending March 31	2007	2006	2005
	($)	($)	($)
Revenue – other	27,557	7,935	2,327
Administrative expenses	503,051	476,127	379,969
Stock Option Compensation expense	135,340	152,900	80,600
Mineral properties written off	231,634	184,909	296,906
Write-down of marketable securities	4,800	-	-
Investment mark-up (write-down) – TCN	49,135	30,175	(17,052)
Future income tax recovery	-	260,000	-
Loss for the year	798,133	515,826	772,200
Loss per Common Share (basic and fully diluted)	0.037	0.024	0.048

Balance Sheet Data

Audited for the Year ending March 31	2007	2006	2005
	($)	($)	($)
Total Assets	3,582,531	3,683,358	3,282,552
Long term liabilities	Nil	Nil	Nil
Total liabilities	221,832	173,516	30,034
Cash Dividends	Nil	Nil	Nil

Quarterly Information

The following is a summary of selected financial information of the Company for the quarterly periods indicated:

2007 Unaudited	**1st Quarter** ($)	**2nd Quarter** ($)	**3rd Quarter** ($)	**4th Quarter** ($)
Revenue – other	2,396	13,875	11,035	251
Administrative expenses	83,087	93,103	115,890	210,971
Stock Option Compensation expense	Nil	Nil	35,250	100,090
Mineral properties written off	Nil	Nil	231,303	331
Investment mark-up (write-down) – TCN	12,700	3,950	14,830	17,655
Loss for the quarter	67,991	75,278	361,578	293,286
Loss per common share (basic & fully diluted)	0.004	0.004	0.018	0.014

2006 Unaudited	**1st Quarter** ($)	**2nd Quarter** ($)	**3rd Quarter** ($)	**4th Quarter** ($)
Revenue – other	1,210	716	219	5,790
Administrative expenses	87,108	101,266	123,305	164,448
Stock Option Compensation expense	Nil	73,710	67,860	11,330
Mineral properties written off	Nil	Nil	19,800	165,109
Investment mark-up (write-down) – TCN	(3,345)	12,345	9,000	12,175
Future income tax recovery	Nil	Nil	Nil	260,000
Loss for the quarter	88,243	161,915	201,746	63,922
Loss per common share (basic & fully diluted)	0.005	0.009	0.010	0.003

2005 Unaudited				
Revenue – other	517	369	-	1,441
Administrative expenses	100,265	77,433	71,448	130,823
Stock Option Compensation expense	Nil	Nil	46,600	34,000
Mineral properties written off	Nil	Nil	Nil	296,906
Investment write-down – TCN	Nil	Nil	Nil	17,052
Loss for the quarter	99,748	77,064	118,048	478,781
Loss per common share (basic & fully diluted)	0.007	0.006	0.007	0.028

Over the past eight quarters administrative expenses have ranged between $83,087 and $123,305, except for the Fourth Quarters which are seasonally higher (2007-$210,971 and 2006-$ 164,448). Stock-based compensation expense for options generally occurs in the quarter that stock options are granted. This non-cash expense is significant to the magnitude of the Company's loss and may be somewhat greater around the time of the Company's Annual Shareholders' Meeting when a larger number of options may be granted. Mineral properties are written off from time to time when the management believes their value is impaired. Future income tax recoveries may be material and they are booked in the quarter following the issuance of flow-through shares. For additional information regarding period to period variations, kindly refer to the Results of Operations and other sections of this MD&A.

Transactions with Related Parties

The following is a summary of the related party transactions of the Company during the year ended March 31, 2007:

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

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

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

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

The basis of compensation to related parties reflects market rates for similar services and they are measured at the exchange amount (the amount established and agreed to by the parties).

Supplemental Information:

Expense comparisons for the years ended March 31

	March 2007	March 2006
INVESTOR RELATIONS		
Canada (Press releases etc)	$ 12,734	$ 17,392
IR in Europe	14,500	17,490
Website/Conventions	38,003	24,510
	$ 65,237	$ 59,392
OFFICE AND GENERAL		
Wages and benefits	$ 93,587	$ 85,768
Rent	14,554	13,201
Insurance	16,425	16,690
Office supplies & equipment	4,534	3,687
Professional fees	4,658	8,486
Telephone	11,777	6,764
Misc (courier etc)	3,343	6,748
	$ 148,878	$ 141,344
PUBLIC COMPANY EXPENSES		
Transfer Agent fees	$ 11,377	$ 8,782
TSX Venture Exchange	8,858	7,236
AGM costs	9,692	6,263
Directors fees	44,000	50,000
Professional fees	24,231	14,962
Other (SEDAR etc)	4,511	14,040
	$ 102,669	$ 101,283
TRAVEL AND RELATED		
Domestic	$ 20,722	$ 24,526
United States	6,101	6,216
Other	8,644	4,940
	$ 35,467	$ 35,682

Changes in Accounting Policies

The Company has adopted no new accounting policies during the past fiscal year.

Critical Accounting Estimates

Critical accounting estimates used in the preparation of the financial statements include the Company's estimate of recoverable value on its mineral properties as well as the value of stock-based compensation. Both of these estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control.

The Company's recorded value of its mineral properties is based on historical costs that it expects to be recovered in the future. The Company operates in an industry that is exposed to a number of risks and uncertainties, including exploration risk, development risk, commodity price risk, operating risk, ownership, funding, and currency risk, as well as environmental risk. All of these factors are potentially subject to significant change, out of the Company's control, however such changes are not determinable. Failure to conduct additional work on its exploration properties may result in their loss. Accordingly, there is always the potential for a material adjustment to the value assigned to mineral properties.

The factors affecting stock-based compensation include the use of a Black-Scholes option pricing model which has its limitations and the use of estimates when stock options might be exercised and stock price volatility. While these factors could have a material impact on stock-based compensation expense and hence the results of operations, stock-based compensation is a non-cash item and there would be no impact on the Company's financial condition.

Risks and Uncertainties

Mineral exploration is a speculative venture. There is no certainty that expenditure on exploration and development will result in the discovery of an economic ore body. At the present time, the Company does not hold any interest in a mining property in production. The Company's viability and potential success lie in its ability to develop, exploit and generate revenue out of mineral deposits. Revenues, profitability and cash flow from any future mining operations involving the Company will be influenced by precious, and other base metal prices and by the relationship of such prices to production costs. Such prices have fluctuated widely and are affected by numerous factors beyond the Company's control.

The Company has limited financial resources and there is no assurance that additional funding will be available to it for further exploration and development of its projects or to fulfill its obligations under applicable agreements. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the property interests of the Company with the possible dilution or loss of such interests.

The Company needs to complete a financing in order to advance its exploration properties and replenish its working capital.

Gossan is very dependent upon the personal efforts and commitment of its existing management who are not full-time employees of the Company. To the extent that management's services would be unavailable for any reason, the Company's operations could be disrupted.

Disclosure Controls

Gossan is a relatively small public company with six directors, two full-time staff, and three non-full-time officers that has three joint ventures and, from time to time utilizes outside independent geological, metallurgical and engineering consultants. All new financial disclosure is reviewed by management, the audit committee and the board of directors prior to dissemination. The Company has an audit committee charter and the audit committee meets with the Company's auditor independent of management. All new disclosure pertaining to resource properties is National Instrument 43-101 compliant and reviewed by: the Qualified Person responsible for the supervision of the technical information being reported upon; the lead director – exploration; and management, prior to dissemination. The Company does not currently have a formal disclosure policy. Management believes that at its current stage of development the Company's disclosure controls and procedures are effective and adequate at this time.

Internal Controls

Gossan is a relatively small public company with five directors, two full-time staff, and three non-full-time officers that has three joint ventures and, from time to time utilizes outside independent geological, metallurgical and engineering consultants. All new financial disclosure is reviewed by management, the audit committee and the board of directors prior to dissemination. The Company has an audit committee charter and the audit committee meets with the auditor, including a session without management present, at least once a year.

Due to the limited number of transactions and the basic nature of these transactions, it is not practical to assess the Company's internal controls against common criteria. Currently the primary control is the requirement for two signatures on cheques written by the Company. Gossan has a Controller who is responsible for the Company's financial administration, including payables and cheque preparation, however has no cheque signing authority. Management believes that the Company's internal controls are effective and adequate at this time. No changes in the issuer's internal control over financial reporting occurred during the issuer's most recent interim period that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

Forward Looking Statements

This MD&A includes certain "forward-looking statements" within the meaning of applicable Canadian securities legislation. All statements, other than statements of historical facts, included in this MD&A that address activities, events or developments that the Company expects or anticipates will or may occur in the future, including such things as future business strategy, competitive strengths, goals, expansion and growth of the Company's businesses, operations, plans and other such matters are forward-looking statements. When used in this MD&A, the words "estimate", "plan", "anticipate", "expect", ‘‘intend’’, "believe" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, risks related to joint venture operations, actual results of current exploration activities, changes in project parameters as plans continue to be refined, unavailability of financing, fluctuations in precious and/or base metals prices and other factors. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Richard Stefanyshyn
Secretary-Treasurer and CFO
Gossan Resources Limited

Winnipeg, Canada
July 27, 2007