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GOSSAN RESOURCES LIMITED  
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
THREE MONTHS ENDED JUNE 30, 2011  
(EXPRESSED IN CANADIAN DOLLARS)  
(UNAUDITED)

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## **MANAGEMENT'S RESPONSIBILITY LETTER**

Management acknowledges responsibility for the preparation and presentation of the unaudited condensed interim consolidated 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 unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting, using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the unaudited condensed interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited condensed interim financial statements and (ii) the unaudited condensed interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited condensed interim consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

## **NOTICE TO READER**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

# Gossan Resources Limited

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars)

(Unaudited)

As at	June 30, 2011	March 31, 2011 (Note 15)	April 1, 2010 (Note 15)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	\$ 23,156	\$ 67,602	\$ 496,639
Short term investments	20,004	20,003	20,004
Accounts receivable	33,098	74,776	13,944
Prepaid expenses	13,428	13,125	32,765
Assets held-for-sale (Note 14)	655,834	688,801	-
	745,520	864,307	563,352
<b>Non-Current</b>			
Investment in the Claims Network Inc.	-	-	363,862
Equipment (Note 6)	5,743	6,164	8,523
	5,743	6,164	372,385
	\$ 751,263	\$ 870,471	\$ 935,737
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	\$ 64,479	\$ 89,096	\$ 66,064
Due to related parties (Note 12)	155,873	105,873	105,999
Liabilities held-for-sale (Note 14)	279,920	341,605	-
	500,272	536,574	172,063
Deferred income	300,000	300,000	200,000
	800,272	836,574	372,063
Nature of Operations and Going Concern (Note 1)			
Commitment (Note 13)			
Subsequent Event (Note 17)			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital (Note 7)	11,354,448	11,340,594	11,322,864
Contributed surplus (Note 9)	1,326,520	1,267,490	1,227,560
Deficit	(12,729,977)	(12,574,187)	(11,986,750)
	(49,009)	33,897	563,674
	\$ 751,263	\$ 870,471	\$ 935,737

See accompanying notes to these unaudited condensed interim consolidated financial statements.

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**Gossan Resources Limited****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS****(Expressed in Canadian Dollars)****(Unaudited)**

<b>Three Months Ended June 30,</b>	<b>2011</b>	<b>2010</b> <b>(Note 15)</b>
<b>Expenses</b>		
Exploration expenditures (Note 5)	\$ 39,699	\$ 36,783
General and administrative (Note 11)	148,818	146,045
<b>Net loss from continuing operations</b>	<b>(188,517)</b>	<b>(182,828)</b>
Net income from discontinued operations (Note 14)	32,727	42,822
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (155,790)</b>	<b>\$ (140,006)</b>
<b>Basic and diluted net loss and comprehensive loss per share (Note 10)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>Basic and diluted net loss per share - Continuing operations (Note 10)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>Basic and diluted net income per share - Discontinued operations (Note 10)</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>
<b>Weighted average number of common shares outstanding</b>	<b>29,277,900</b>	<b>29,117,900</b>

*See accompanying notes to these unaudited condensed interim consolidated financial statements.*

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**Gossan Resources Limited****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS****(Expressed in Canadian Dollars)****(Unaudited)**

<b>Three Months Ended June 30,</b>	<b>2011</b>	<b>2010</b>
<b>Cash (used in) provided by:</b>		
<b>Operating Activities</b>		
Net loss from continuing operations	\$ (188,517)	\$ (182,828)
Adjustment for:		
Amortization	421	589
Stock-based compensation	62,480	-
Non-cash working capital items:		
Accounts receivable	45,678	5,966
Prepaid expenses	(303)	11,269
Accounts payable and accrued liabilities	(24,609)	19,411
Due to related parties	50,000	(11,457)
	<b>(54,850)</b>	<b>(157,050)</b>
<b>Financing Activities</b>		
Issuance of share capital	10,404	-
<b>Net change in cash from continuing operations</b>	<b>(44,446)</b>	<b>(157,050)</b>
<b>Cash, beginning of period</b>	<b>67,602</b>	<b>496,639</b>
<b>Cash, end of period</b>	<b>\$ 23,156</b>	<b>\$ 339,589</b>

*See accompanying notes to these unaudited condensed interim consolidated financial statements.*

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**Gossan Resources Limited****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY****(Expressed in Canadian Dollars)****(Unaudited)**

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	<b>Share Capital</b>	<b>Contributed Surplus</b>	<b>Deficit</b>	<b>Total</b>
<b>Balance, April 1, 2010</b>	<b>\$ 11,322,864</b>	<b>\$ 1,227,560</b>	<b>\$ (11,986,750)</b>	<b>\$ 563,674</b>
Net loss and comprehensive loss for the period	-	-	(140,006)	(140,006)
<b>Balance, June 30, 2010</b>	<b>11,322,864</b>	<b>1,227,560</b>	<b>(12,126,756)</b>	<b>423,668</b>
Exercise of stock options - cash	13,500	-	-	13,500
Exercise of stock options - Black-Scholes valuation	4,230	(4,230)	-	-
Fair value of share-based payment	-	44,160	-	44,160
Net loss and comprehensive loss for the period	-	-	(447,431)	(447,431)
<b>Balance, March 31, 2011</b>	<b>11,340,594</b>	<b>1,267,490</b>	<b>(12,574,187)</b>	<b>33,897</b>
Exercise of stock options - cash	10,404	-	-	10,404
Exercise of stock options - Black-Scholes valuation	3,450	(3,450)	-	-
Stock-based compensation	-	62,480	-	62,480
Net loss and comprehensive loss for the period	-	-	(155,790)	(155,790)
<b>Balance, June 30, 2011</b>	<b>\$ 11,354,448</b>	<b>\$ 1,326,520</b>	<b>\$ (12,729,977)</b>	<b>\$ (49,009)</b>

*See accompanying notes to these unaudited condensed interim consolidated financial statements.*

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# Gossan Resources Limited

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED JUNE 30, 2011

(Expressed in Canadian Dollars)

(Unaudited)

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### 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. Through its subsidiary, the Claims Network Inc. ("TCN"), a web-based technology company, the Company is also engaged in the business of providing the Property and Casualty Insurance Industry with loss assessment information. To date, the Company and is considered to be in the exploration and development stage.

The Company's head office is located at 171 Donald Street, Suite 404, Winnipeg, Manitoba, Canada, R3C 1M4.

In the opinion of management, all adjustments considered necessary for the fair presentation have been included in these unaudited condensed interim consolidated financial statements. All amounts in these unaudited interim condensed consolidated financial statements are expressed in Canadian dollars.

These unaudited interim condensed consolidated financial statements have been prepared on the basis of a going concern, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company has not earned significant revenues other than sales revenue earned from its subsidiary, TCN. 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 unaudited interim condensed consolidated 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.

As the Company has no revenue producing mines, the Company's ability to continue as a going concern is dependent upon its ability to raise funds in the capital markets, or through the sale of assets, net cash flows from operations from its subsidiary.

The Company is traded on the TSX Venture Exchange under the symbol "GSS" and on the Frankfurt/Freiverkehr & Xetra Exchanges under the symbol "GSR" (WKN 904435).

The unaudited condensed consolidated interim financial statements were approved by the Board of Directors on September 28, 2011.

Gossan is at an early stage of development and as is common with many exploration companies, it raises financing for its exploration and acquisition activities in discrete tranches. The Company had working capital of \$245,248 at June 30, 2011 (March 31, 2011 - of \$327,733, April 1, 2010 - of \$391,289). At June 30, 2011, the Company did not have sufficient funds to finance its current exploration plans but expects to be a going concern for the next twelve months. Further financing will be required for operations beyond the next twelve months. While there is no assurance these funds can be raised, the Company believes such financing will be available as required. The Company's discretionary exploration activities do have considerable scope for flexibility in terms of the amount and timing of exploration expenditure, and expenditures may be adjusted accordingly.

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# Gossan Resources Limited

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED JUNE 30, 2011

(Expressed in Canadian Dollars)

(Unaudited)

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### 2. Significant Accounting Policies

(a) *Conversion to International Financial Reporting Standards ("IFRS")*

These are the Company's first financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). Previously, the Company prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). The disclosures required by the provisions of IFRS 1, "First-time adoption of International Financial Reporting Standards," explaining how the transition to IFRS has affected the reported financial performance, cash flows and financial position of the Company, are presented in Note 15.

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The accounting policies set out below have been applied consistently to all periods presented in these unaudited condensed consolidated interim financial statements. They also have been applied in preparing an opening IFRS balance sheet at April 1, 2010 (Note 15) for the purposes of the transition to IFRS, as required by IFRS 1, First Time Adoption of International Financial Reporting Standards ("IFRS 1").

These unaudited condensed consolidated interim financial statements have been prepared on the basis of IFRS standards that are expected to be effective or available for early adoption by the Company on March 31, 2012, the Company's first annual reporting date under IFRS. The Company has made certain assumptions about the accounting policies expected to be adopted when the first IFRS annual financial statements are prepared for the year ended March 31, 2012.

(b) *Basis of Presentation*

These unaudited condensed consolidated interim financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments. In addition, these unaudited condensed consolidated interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

In the preparation of these unaudited condensed consolidated interim financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the period. Actual results could differ from these estimates. Of particular significance are the estimates and assumptions used in the recognition and measurement of items included in note 2(s).

(c) *Basis of Consolidation*

The condensed interim consolidated financial statements include the accounts of Gossan Resources Limited and its controlled subsidiary, The Claims Network Inc. Subsidiaries are consolidated from the date on which control is transferred to the Company and are no longer consolidated from the date that control ceases. All significant intercompany balances and transactions have been eliminated upon consolidation. The Company owns 66.34% of The Claims Network Inc., a private company. The remaining 33.66% is privately held. The Company records the minority interest in The Claims Network on the balance sheet of assets-held-for-sale (Note 14) and adjusts income to reflect the minority interests' shares in net income.



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# Gossan Resources Limited

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED JUNE 30, 2011

(Expressed in Canadian Dollars)

(Unaudited)

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### 2. Significant Accounting Policies (Continued)

#### (d) Revenue Recognition

Revenue is recognized when the underlying services have been performed and there is a reasonable expectation of collection. 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.

#### (e) 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.

#### (f) Financial Assets

The Company's financial instruments consist of the following financial assets and liabilities, classified as follows:

Cash	Fair value through profit and loss ("FVTPL")
Short term investments	Fair value through profit and loss ("FVTPL")
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities

#### Fair Value Through Profit and Loss

Financial assets are classified as FVTPL when acquired principally for the purpose of trading, if so designated by management (fair value option), or if they are derivative assets that are not part of an effective and designated hedging relationship. Financial assets classified as FVTPL are measured at fair value, with changes recognized in the statements of income (loss).

The Company does not currently hold any derivative instruments or apply hedge accounting.

#### Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

#### Available-for-sale Financial Assets

Available-for-sale ("AFS") financial assets are non-derivative financial assets that are either designated as available-for-sale or not classified in any of the other financial asset categories. Changes in the fair value of AFS financial assets other than impairment losses are recognized as other comprehensive income and classified as a component of equity. AFS assets include investments in listed equity of other entities.

Management assesses the carrying value of AFS financial assets at least annually and any impairment charges are recognized in profit or loss. When financial assets classified as available-for-sale are sold, the accumulated fair value adjustments recognized in other comprehensive income are included in profit and loss.

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# Gossan Resources Limited

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED JUNE 30, 2011

(Expressed in Canadian Dollars)

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### 2. Significant Accounting Policies (Continued)

(f) *Financial Assets (Continued)*

Other Financial Liabilities

Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition.

Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- the likelihood that the borrower will enter bankruptcy or financial re-organization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

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# Gossan Resources Limited

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED JUNE 30, 2011

(Expressed in Canadian Dollars)

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### 2. Significant Accounting Policies (Continued)

#### (g) Financial Instruments Recorded at Fair Value

Financial instruments recorded at fair value on the condensed consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As of June 30, 2011, March 31, 2011 and April 1, 2010, the fair values of cash, short-term investments, accounts receivable and accounts payable and other liabilities approximate their carrying value due to their short term nature.

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. In addition, long-lived assets that are not amortized are subject to an annual impairment assessment. In the case of exploration and evaluation assets, impairment reviews are carried out on a property-by-property basis, with each capitalized property representing a potential cash-generating unit. As at June 30, 2011, all exploration and evaluation costs have been expensed as incurred and no amounts have been capitalized.

#### Fair Value Hierarchy and Liquidity Risk Disclosure

The following summarizes the methods and assumptions used in estimating the fair value of the Company's financial instruments where measurement is required. The fair value of cash and short term financial instruments approximates their carrying amounts due to the relatively short period to maturity. Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment. The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the balance sheet, have been prioritized into three levels as per the fair value hierarchy.

Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities. Level two includes inputs that are observable other than quoted prices included in level one. Level three includes inputs that are not based on observable market data.

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Cash	\$ 23,156	\$ -	\$ -
Short term investments	\$ 20,004	\$ -	\$ -
Accounts receivable	\$ -	\$ 33,098	\$ -
Accounts payable and accrued liabilities	\$ 64,479	\$ -	\$ -

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# Gossan Resources Limited

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED JUNE 30, 2011

(Expressed in Canadian Dollars)

(Unaudited)

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### 2. Significant Accounting Policies (Continued)

#### (h) *Exploration and Evaluation Expenditures*

The Company expenses exploration and evaluation expenditures as incurred. Exploration and evaluation expenditures include acquisition costs of mineral properties, property option payments and evaluation activity.

Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

#### (i) *Flow-through Shares*

Flow-through shares are a unique Canadian tax incentive. Under IAS 8, the Company may apply judgment on accounting policies in the absence of specific guidance within IFRS. Therefore, the Company has adopted a policy whereby flow-through proceeds are allocated between the offering of the common shares and the sale of tax benefits when the common shares are offered. The allocation is made based on the difference between the quoted price of the common shares and the amount the investor pays for the flow-through shares. A future tax liability is recognized for the premium paid (if any) by the investors and is then recognized as a future income tax recovery in the period of renunciation if the Company has sufficient unrealized tax losses and deductions.

#### (j) *Joint Ventures*

A joint venture can take the form of a jointly controlled entity, jointly controlled operation or jointly controlled asset. All joint ventures involve a contractual arrangement that establishes joint control. A jointly controlled entity is an entity in which the Company shares joint control over the strategic, financial and operating decisions with one or more venturers through the establishment of a corporation, partnership or other entity. A jointly controlled operation involves the use of the assets and resources of the venturers rather than the establishment of a corporation, partnership or other entity. The operation incurs its own expenses and liabilities and raises its own finances. A jointly controlled asset involves joint control of one or more of the assets acquired or contributed for the purpose of the joint venture. Each venturer takes on a share of the output from the assets and bears an agreed share of the expenses.

These financial statements reflect only the Company's proportionate interest in the Bird River and Pipestone Lake properties. The Company's proportionate share of the assets, liabilities, revenues, expenses, and cash flows of the properties are included in the consolidated financial statements. Where the Company transacts with the properties, it eliminates unrealized profits and losses to the extent of its own interest.

#### (k) *Cash*

Cash includes cash on hand, and on deposit with a Chartered bank in Canada.

#### (l) *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:

Computer equipment	30%
Computer software	100%
Field equipment	20%
Furniture and fixtures	20%

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## Gossan Resources Limited

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED JUNE 30, 2011

(Expressed in Canadian Dollars)

(Unaudited)

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#### 2. Significant Accounting Policies (Continued)

##### (m) Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

The Company had no material provisions for the three months ended June 30, 2011.

##### (n) Restoration, Rehabilitation and Environmental Obligations

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pretax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage that is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

##### (o) Share-based Payment Transactions

The fair value of equity-settled share options granted to employees is recognized as an expense over the vesting period with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

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# Gossan Resources Limited

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THREE MONTHS ENDED JUNE 30, 2011

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### 2. Significant Accounting Policies (Continued)

#### (p) *Income Taxes*

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

#### (q) *Loss Per Share*

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share, which reflects the maximum possible dilution from the potential exercise of warrants and stock options, is the same as basic loss per share for the year ended.

#### (r) *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.

#### (s) *Significant Accounting Judgments and Estimates*

The preparation of these unaudited condensed consolidated interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These unaudited condensed consolidated interim financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the unaudited condensed consolidated interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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# Gossan Resources Limited

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED JUNE 30, 2011

(Expressed in Canadian Dollars)

(Unaudited)

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### 2. Significant Accounting Policies (Continued)

#### (s) Significant Accounting Judgments and Estimates (Continued)

##### Critical Accounting Estimates

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- the recoverability of amounts receivable that are included in the unaudited condensed consolidated interim statements of financial position;
- the inputs used in accounting for share-based payment transactions in profit or loss in prior periods;
- no material restoration, rehabilitation and environmental cost, based on the facts and circumstances that existed during the period; and
- Management's position that there is no income tax considerations required within these unaudited condensed consolidated interim financial statements.

##### Critical Accounting Judgments

The categorization of financial assets and liabilities requires management to make judgments and assessments.

#### (t) Future Accounting Changes

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after December 31, 2010 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded from the table below. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

- (i) IAS 1 – Presentation of financial statements (“IAS 1”) was amended by the IASB in June 2011 in order to align the presentation of items in other comprehensive income with US GAAP standards. Items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012.
- (ii) IFRS 9 – Financial instruments (“IFRS 9”) was issued by the IASB in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. IASB has proposed to move the effective date of IFRS 9 to January 1, 2015.
- (iii) IFRS 10 – Consolidated financial statements (“IFRS 10”) was issued by the IASB in May 2011. IFRS 10 is a new standard which identifies the concept of control as the determining factor in assessing whether an entity should be included in the consolidated financial statements of the parent company. Control is comprised of three elements: power over an investee; exposure to variable returns from an investee; and the ability to use power to affect the reporting entity's returns. IFRS 10 is effective for annual period beginning on or after January 1, 2013. Earlier adoption is permitted.

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#### 2. Significant Accounting Policies (Continued)

##### (t) Future Accounting Changes (Continued)

- (iv) IFRS 11 – Joint arrangements (“IFRS 11”) was issued by the IASB in May 2011. IFRS 11 is a new standard which focuses on classifying joint arrangements by their rights and obligations rather than their legal form. Entities are classified into two groups: parties having rights to the assets and obligations for the liabilities of an arrangement, and rights to the net assets of an arrangement. Entities in the former case account for assets, liabilities, revenues and expenses in accordance with the arrangement, whereas entities in the latter case account for the arrangement using the equity method. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.
- (v) IFRS 12 – Disclosure of interests in other entities (“IFRS 12”) was issued by the IASB in May 2011. IFRS 12 is a new standard which provides disclosure requirements for entities reporting interests in other entities, including joint arrangements, special purpose vehicles, and off balance sheet vehicles. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.
- (vi) IFRS 13 – Fair value measurement (“IFRS 13”) was issued by the IASB in May 2011. IFRS 13 is a new standard which provides a precise definition of fair value and a single source of fair value measurement considerations for use across IFRSs. The key points of IFRS 13 are as follows:
- fair value is measured using the price in a principal market for the asset or liability, or in the absence of a principal market, the most advantageous market;
  - financial assets and liabilities with offsetting positions in market risks or counterparty credit risks can be measured on the basis of an entity’s net risk exposure;
  - disclosures regarding the fair value hierarchy has been moved from IFRS 7 to IFRS 13, and further guidance has been added to the determination of classes of assets and liabilities;
  - a quantitative sensitivity analysis must be provided for financial instruments measured at fair value;
  - a narrative must be provided discussing the sensitivity of fair value measurements categorised under Level 3 of the fair value hierarchy to significant unobservable inputs;
  - and information must be provided on an entity’s valuation processes for fair value measurements categorized under Level 3 of the fair value hierarchy.

IFRS 13 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

##### (u) Presentation and Functional Currency

The Company's presentation currency is in Canadian (“CDN”) dollar and the functional currency of its operations is the CDN dollar as it was assessed by management that the CDN dollar is the currency of the primary economic environment in which the Company operates.

##### (v) Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.



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### 3. Capital Management

The Company manages its capital with the following objectives:

- To ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- To maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by Management and the Board of Directors on an ongoing basis.

The Company considers its capital to be shareholders' equity, comprising share capital, contributed surplus, and deficit, which at June 30, 2011, totalled \$(49,009) (March 31, 2011 - a surplus of \$33,897 and April 1, 2010 - surplus of \$563,674)

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating and capital expenditures, and other investing and financing activities. The forecast is updated based on activities related to its mineral properties. Selected information is provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the three months ended June 30, 2011. The Company is not subject to externally imposed capital requirements.

### 4. Mineral Property and Financial Risk Factors

#### a) Mineral Property Risk

The Company's major mineral properties are listed in Note 5. Unless the Company acquires or develops additional material mineral properties, the Company will be mainly dependent upon its existing properties. If no additional major mineral properties are acquired by the Company, any adverse development affecting the Company's properties would have a materially adverse effect on the Company's financial condition and consolidated results of operations.

#### b) Financial Risk

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign currency rate, commodity and equity 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 are held with select major Canadian chartered banks, from which management believes the risk of loss to be minimal.

Management believes that the credit risk with respect to financial instruments included in accounts receivable is minimal. Other accounts receivable consist of sales tax receivable from government authorities in Canada. Accounts receivable are in good standing as of June 30, 2011.

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### 4. Mineral Property and Financial Risk Factors (Continued)

#### b) Financial Risk (Continued)

##### Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at June 30, 2011, the Company had cash from continuing and discontinued operations of \$310,664 (March 31, 2011 - \$412,548 and April 1, 2010 - \$496,639) to settle current liabilities of \$500,272 (March 31, 2011 - \$536,574 and April 1, 2010 - \$172,063). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity.

##### Market Risk

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

##### *Interest Rate Risk*

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in guaranteed investment certificates or interest-bearing accounts of major Canadian chartered banks. The Company regularly monitors compliance to its cash management policy.

##### *Foreign Currency Risk*

The Company's functional and reporting 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.

##### *Price Risk*

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. 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 they relate to gold, vanadium, titanium, base metals, PGE's, magnesium, aluminum, proppant sand, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

# Gossan Resources Limited

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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### 4. Mineral Property and Financial Risk Factors (Continued)

#### b) Financial Risk (Continued)

##### Sensitivity Analysis

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

- (i) The Company has no term debt and receives low interest rates on its cash balances. As such the Company does not have significant interest rate risk.
- (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 June 30, 2011, 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. 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.

### 5. Exploration Expenditures

	Historical Expenditures, March 31, 2011	Current Expenditures	Option Payments and Grants	Historical Expenditures, June 30, 2011
Pipestone Lake	\$ 1,729,126	\$ 4,880	\$ -	\$ 1,734,006
Bird River	\$ 877,579	\$ -	\$ -	\$ 877,579
Inwood	\$ 785,102	\$ 19,827	\$ -	\$ 804,929
Separation Rapids	\$ 192,176	\$ -	\$ -	\$ 192,176
Manigotagan Silica	\$ 747,911	\$ 4,992	\$ -	\$ 752,903
Sharpe Lake	\$ 480,469	\$ -	\$ -	\$ 480,469
Vermillion	\$ -	\$ 10,000	\$ -	\$ 10,000
Other	\$ 2	\$ -	\$ -	\$ 2
	\$ 4,812,365	\$ 39,699	\$ -	\$ 4,852,064

For a description of these exploration properties, please see Note 5 of the Company's March 31, 2011 audited annual consolidated financial statements

# Gossan Resources Limited

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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### 5. Exploration Expenditures (Continued)

		Historical Expenditures, March 31, 2010	Current Grants and Expenditures	Option Payments	Historical Expenditures, June 30, 2010
Pipestone Lake	\$ 1,689,971	\$ -	\$ -	\$ -	\$ 1,689,971
Bird River	811,213	-	-	-	811,213
Inwood	746,336	16,699	-	-	763,035
Separation Rapids	192,176	-	-	-	192,176
Manigotagan Silica	719,228	20,084	-	-	739,312
Sharpe Lake	474,626	-	-	-	474,626
Other	2	-	-	-	2
	<b>\$ 4,633,552</b>	<b>\$ 36,783</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,670,335</b>

### 6. Equipment

#### COST

	Computer Equipment	Computer Software	Field Equipment	Furniture and Fixtures	Total
Balance, April 1, 2010	\$ 19,599	\$ 7,435	\$ 1,155	\$ 5,327	\$ 33,516
Balance, June 30, 2010	\$ 19,599	\$ 7,435	\$ 1,155	\$ 5,327	\$ 33,516
Balance, March 31, 2011	\$ 19,599	\$ 7,435	\$ 1,155	\$ 5,327	\$ 33,516
Balance, June 30, 2011	\$ 19,599	\$ 7,435	\$ 1,155	\$ 5,327	\$ 33,516

#### ACCUMULATED DEPRECIATION

	Computer Equipment	Computer Software	Field Equipment	Furniture and Fixtures	Total
Balance, April 1, 2010	\$ 13,060	\$ 7,435	\$ 893	\$ 3,605	\$ 24,993
Depreciation for the period	\$ 490	\$ -	\$ 13	\$ 86	\$ 589
Balance, June 30, 2010	\$ 13,550	\$ 7,435	\$ 906	\$ 3,691	\$ 25,582
Depreciation for the period	\$ 1,473	\$ -	\$ 39	\$ 258	\$ 1,770
Balance, March 31, 2011	\$ 15,023	\$ 7,435	\$ 945	\$ 3,949	\$ 27,352
Depreciation for the period	\$ 342	\$ -	\$ 10	\$ 69	\$ 421
Balance, June 30, 2011	\$ 15,365	\$ 7,435	\$ 955	\$ 4,018	\$ 27,773

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**Gossan Resources Limited****NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****THREE MONTHS ENDED JUNE 30, 2011****(Expressed in Canadian Dollars)****(Unaudited)**

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**6. Equipment (Continued)*****CARRYING AMOUNTS***

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	<b>Computer Equipment</b>	<b>Computer Software</b>	<b>Field Equipment</b>	<b>Furniture and Fixtures</b>	<b>Total</b>
At April 1, 2010	\$ 6,539	\$ -	\$ 262	\$ 1,722	\$ 8,523
At June 30, 2010	\$ 6,049	\$ -	\$ 249	\$ 1,636	\$ 7,934
At March 31, 2011	\$ 4,576	\$ -	\$ 210	\$ 1,378	\$ 6,164
At June 30, 2011	\$ 4,234	\$ -	\$ 200	\$ 1,309	\$ 5,743

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**7. Share Capital**

## a) Authorized share capital

At June 30, 2011, the authorized share capital consisted of unlimited number of common shares. The common shares do not have a par value.

## b) Common shares issued

At June 30, 2011, the issued share capital amounted to \$11,354,448. The change in issued share capital for the periods was as follows:

	<b>Number of Common Shares</b>	<b>Amount</b>
Balance, April 1, 2010 and June 30, 2010	29,117,900	\$ 11,322,864
Exercise of options - cash	90,000	13,500
Exercise of options - Black-Scholes valuation	-	4,230
Balance, March 31, 2011	29,207,900	\$ 11,340,594
Exercise of options - cash	70,000	10,404
Exercise of options - Black-Scholes valuation	-	3,450
<b>Balance, June 30, 2011</b>	<b>29,277,900</b>	<b>\$ 11,354,448</b>

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## Gossan Resources Limited

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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#### 8. Stock Options

The following table reflects the continuity of stock options for the period ended June 30, 2011:

	Number of Stock Options	Weighted Average Exercise Price (\$)
Balance, April 1, 2010	2,460,000	0.30
Granted	640,000	0.15
Exercised	(90,000)	0.15
Expired	(370,000)	0.41
Cancelled	(730,000)	0.34
Balance, March 31, 2011	1,910,000	0.25
Granted (i)(ii)	840,000	0.17
Exercised	(70,000)	0.15
Expired	(380,000)	0.45
<b>Balance, June 30, 2011</b>	<b>2,300,000</b>	<b>0.19</b>

- (i) On June 24, 2011, the Company granted 690,000 incentive stock options to officers, directors and consultants of the Company. The options are exercisable at \$0.17 per share, expire on March 26, 2015, and vest immediately upon grant. The resulting fair value of \$58,650 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 85%; a risk-free interest rate of 2.0% and an expected average life of 2.6 years.
- (ii) On June 24, 2011, the Company granted 150,000 incentive stock options an officer of the Company. The options are exercisable at \$0.17 per share, expire on March 26, 2016, and vest immediately upon grant. The resulting fair value of \$13,500 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 85%; a risk-free interest rate of 2.0% and an expected average life of 3.0 years.
- (iii) On May 26, 2011, the Company amended the contractual life of 50,000 options, exercisable at \$0.20 per share, previously granted to a director. The option lives were reduced to May 26, 2012. The incremental fair value of the option modification was determined to be \$1,750 and recorded as reduction of share-based payments in the period of modification. The resulting fair value 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 3.0% and an expected life of 0.6 years.
- (iv) On May 26, 2011, the Company amended the contractual life of 110,000 options, exercisable at \$0.15 per share, previously granted to a director. The option lives were reduced to May 26, 2012. The incremental fair value of the option modification was determined to be \$7,920 and recorded as a reduction of share-based payments in the period of modification. The resulting fair value 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 2.0% and an expected life of 1.0 years.

The resulting fair value for the above noted stock options is included in general and administrative expense on the Company's interim consolidated statements of loss and comprehensive loss

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**Gossan Resources Limited****NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****THREE MONTHS ENDED JUNE 30, 2011****(Expressed in Canadian Dollars)****(Unaudited)**

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**8. Stock Options (Continued)**

The following table reflects the actual stock options issued, outstanding and exercisable as of June 30, 2011:

<b>Expiry Date</b>	<b>Exercise Price (\$)</b>	<b>Weighted Average Remaining Contractual Life (years)</b>	<b>Number of Options Outstanding</b>
September 27, 2011	0.34	0.24	170,000
March 28, 2012	0.30	0.75	130,000
March 28, 2012	0.15	0.75	350,000
May 26, 2012	0.20	0.91	50,000
May 26, 2012	0.15	0.91	110,000
March 28, 2013	0.20	1.75	190,000
March 28, 2014	0.15	2.75	460,000
March 26, 2015	0.17	3.74	690,000
March 26, 2016	0.17	4.74	150,000
	0.19	2.36	2,300,000

**9. Contributed Surplus**

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Balance - April 1, 2010	1,227,560
Fair value of stock options granted	44,160
Fair value of stock options exercised	(4,230)
Balance - March 31, 2011	1,267,490
Fair value of stock options granted	62,480
Fair value of stock options exercised	(3,450)
<b>Balance - June 30, 2011</b>	<b>1,326,520</b>

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**10. Net Loss per Common Share**

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

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### 11. General and Administrative

Three Months Ended June 30,	2011	2010
Administrative fees	\$ 5,144	\$ 7,498
Management fees	23,755	41,000
Consulting	3,000	13,293
Office and general	26,934	25,627
Public company costs	(567)	28,852
Investor relations	20,010	17,246
Travel and related	7,641	7,098
Property evaluation costs	-	4,842
Stock-based compensation	62,480	-
Amortization	421	589
	<b>\$ 148,818</b>	<b>\$ 146,045</b>

### 12. Related Party Balances and Transactions

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

Gossan entered into the following transactions with related parties:

	Notes	Three Months Ended June 30,	
		2011	2010
CEO fees	(i)	\$ 18,000	\$ 18,000
Consulting fees paid to Directors	(ii)	5,755	-
Marrelli CFO Outsource Syndicate Inc. ("Marrelli")	(iii)	3,000	3,000
Marrelli Support Services ("MSSI")	(iv)	5,144	5,498

(i) Chief Executive Officer fees for the period.

(ii) Directors of Gossan. Fees relate to consulting services provided.

(iii) The Chief Financial Officer ("CFO") of Gossan is the president of Marrelli. Fees related to the CFO function performed.

(iv) The CFO of Gossan is the president of MSSI. Fees related to accounting services provided by MSSI.

In addition to amounts noted above, amounts due to related parties total \$155,873 (March 31, 2011 - \$105,873) are unsecured, non-interest bearing and have no fixed terms of repayment. During the three months ended June 30, 2011, a Director of the Company advanced \$50,000 to the Company (three months ended June 30, 2010 - \$nil) under the same terms.

Related party transactions conducted in the normal course of operations are measured at the exchange value (the amount established and agreed to by the related parties).

Remuneration of Directors and key management personnel of the Company was as follows:

Three Months Ended June 30,	2011	2010
Share-based payments	\$ 49,200	\$ -



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### 13. Contingencies and Commitments

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:

2012	\$	9,636
2013	\$	6,424
	\$	16,060

### 14. Assets Held-For-Sale

Gossan holds a 66.34% controlling equity interest in The Claims Network Inc. (TCN), a service provider to the property and casualty insurance industry. TCN is a web-based enterprise engaged in providing the insurance industry with contents loss valuations, on-site claims reporting of losses, and content claims software.

Subsequent to June 30, 2011, the Company received an offer for the sale of its entire 66.34% equity interest for a net sale price of \$1.4 million. Prior to closing, which is expected in early-November, TCN has the right, within the terms of the offer, to declare a dividend whereby Gossan could receive up to \$115,030. The transaction is subject to a first right of refusal by existing TCN shareholders, the execution of a definitive agreement with the offeror and the approval of the TSX Venture Exchange, if necessary.

Accordingly, the corresponding assets and liabilities have been classified as being held-for-sale as at June 30, 2011, and the comparative figures have been amended to reflect the re-classification.

The following tables set forth the balance sheets, statements of income and cash flows associated with assets classified as assets held for sale as at June 30, 2011.

#### Condensed Interim Statements of Financial Position

As at	June 30, 2011	March 31, 2011
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 287,208	\$ 344,946
Short term investments	7,408	7,405
Accounts receivable	331,499	307,799
Prepaid expenses	5,663	5,109
	631,778	665,259
Equipment and furniture	24,056	23,542
<b>TOTAL ASSETS</b>	<b>\$ 655,834</b>	<b>\$ 688,801</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and other liabilities	\$ 84,850	\$ 158,587
	1,787	1,787
<b>Future income tax liability</b>	<b>1,787</b>	<b>1,787</b>
<b>Minority interest</b>	<b>193,283</b>	<b>181,231</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 279,920</b>	<b>\$ 341,605</b>

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**14. Assets Held-For-Sale (Continued)****Condensed Interim Statements of Income**

<b>Three Months Ended June 30,</b>	<b>2011</b>	<b>2010</b>
<b>Revenue from Operations</b>		
Assessment revenue	\$ 510,996	\$ -
Direct expenses	(372,612)	-
<b>Gross Margin</b>	<b>138,384</b>	<b>-</b>
<b>Expenses</b>		
General and administrative	80,305	-
<b>Operating loss before the following items</b>	<b>58,079</b>	<b>-</b>
Share of TCN profit	-	42,822
Minority interest in net income	(12,052)	-
<b>Net income before income taxes</b>	<b>46,027</b>	<b>42,822</b>
Income taxes	(13,300)	-
<b>Net income before taxes for the period</b>	<b>\$ 32,727</b>	<b>\$ 42,822</b>

**Condensed Interim Statements of Cash Flows**

<b>Three Months Ended June 30,</b>	<b>2011</b>	<b>2010</b>
<b>Operating Activities</b>		
<b>Net income</b>	<b>\$ 32,727</b>	<b>\$ 42,822</b>
Adjustment for:		
Depreciation	1,100	-
Minority interest in net income	12,052	-
Share of TCN profit	-	(42,822)
Non-cash working capital items:		
Accounts receivable	(27,700)	-
Prepaid expenses	(554)	-
Accounts payable and accrued liabilities	(73,749)	-
	<b>(56,124)</b>	<b>-</b>
<b>Investing Activities</b>		
Acquisition of furniture and equipment	(1,614)	-
<b>Net change in cash</b>	<b>(57,738)</b>	<b>-</b>
<b>Cash, beginning of period</b>	<b>344,946</b>	<b>-</b>
<b>Cash, end of period</b>	<b>\$ 287,208</b>	<b>\$ -</b>

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# Gossan Resources Limited

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED JUNE 30, 2011

(Expressed in Canadian Dollars)

(Unaudited)

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### 15. Conversion to IFRS

(i) *Overview*

These are the Company's first unaudited condensed interim consolidated financial statements prepared in accordance with IAS 34, using accounting policies consistent with IFRS.

The accounting policies described in Note 2 have been selected to be consistent with IFRS as is expected to be effective or available for early adoption on March 31, 2012, the Company's first annual IFRS reporting date. These policies have been applied in the preparation of these unaudited condensed consolidated interim financial statements, including all comparative information.

(ii) *First-time Adoption of IFRS*

The adoption of IFRS requires the application of IFRS 1, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS as effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment.

The Company has elected to apply the following optional exemptions in its preparation of an opening IFRS statement of financial position as at April 1, 2010, the Company's "Transition Date".

- To apply IFRS 2 Share-based Payments only to equity instruments that were issued after November 7, 2002 and had not vested by the Transition Date.
- To apply IFRS 3 Business Combinations prospectively from the Transition Date, therefore not restating business combinations that took place prior to the Transition Date.
- To apply the transition provisions of IFRIC 4 Determining whether an Arrangement Contains a Lease, therefore determining if arrangements existing at the Transition Date contain a lease based on the circumstances existing at that date.
- To apply IAS 23 Borrowing Costs prospectively from the transition date. IAS 23 requires the capitalization of borrowing costs directly attributable to the acquisition, production or construction of certain assets.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS statement of financial position as at the Transition Date are consistent with those that were made under Canadian GAAP.

The Company's Transition Date IFRS unaudited statement of financial position is included as comparative information in the unaudited condensed consolidated interim statements of financial position in these financial statements.

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# Gossan Resources Limited

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED JUNE 30, 2011

(Expressed in Canadian Dollars)

(Unaudited)

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### 15. Conversion to IFRS (Continued)

#### (iii) *Changes to Accounting Policies*

The following summarizes the significant changes to the Company's accounting policies on adoption of IFRS.

#### (a) Impairment of (non-financial) Assets

IFRS requires a write down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Current Canadian GAAP requires a write down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

The Company's accounting policies related to impairment of non-financial assets have been changed to reflect these differences. There is no impact on the unaudited condensed consolidated interim financial statements.

#### (b) Decommissioning Liabilities (Asset Retirement Obligations)

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while current Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions.

The Company's accounting policies related to decommissioning liabilities have been changed to reflect these differences. There is no impact on the unaudited condensed consolidated interim financial statements.

#### (c) Exploration and evaluation

On transition to IFRS, the Company elected to expense acquisition costs as incurred as part of exploration and evaluation expenditures. Previously, the Company's Canadian GAAP policy was to capitalize acquisition costs, and exploration and evaluation expenditures.

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**Gossan Resources Limited****NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****THREE MONTHS ENDED JUNE 30, 2011****(Expressed in Canadian Dollars)****(Unaudited)**

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**15. Conversion to IFRS (Continued)**

(c) Exploration and Evaluation (Continued)

**Impact on Condensed Interim Consolidated Statements of Financial Position**

	<b>As at March 31, 2011</b>	<b>As at June 30, 2010</b>	<b>As at April 1, 2010</b>
Adjustment to mineral resource properties	\$ (4,812,365)	\$ (4,670,335)	\$ (4,633,552)
Adjustment to deficit	\$ (4,812,365)	\$ (4,670,335)	\$ (4,633,552)

**Impact on Condensed Consolidated Interim Statements of Loss and Comprehensive Loss**

	<b>Year Ended March 31, 2011</b>	<b>Three Months Ended June 30 2010</b>
Adjustment to exploration expenditures	\$ (178,813)	\$ (36,783)

(iv) *Presentation*

Certain amounts in the unaudited condensed consolidated interim statements of financial position, statements of loss and comprehensive loss and statements of cash flows have been reclassified to conform to the presentation adopted under IFRS.

# Gossan Resources Limited

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED JUNE 30, 2011

(Expressed in Canadian Dollars)

(Unaudited)

### 15. Conversion to IFRS (Continued)

(v) Reconciliation between IFRS and Canadian GAAP

The April 1, 2010 Canadian GAAP balance sheet has been reconciled to IFRS as follows:

	April 1, 2010		
	Canadian GAAP	Effect of transition to IFRS	IFRS
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	\$ 496,639	\$ -	\$ 496,639
Short term investments	20,004	-	20,004
Accounts receivable	13,944	-	13,944
Prepaid costs	32,765	-	32,765
	563,352	-	563,352
Mineral properties (Note 15(iii)(c))	4,633,552	(4,633,552)	-
Investment in The Claims Network	363,862	-	363,862
Furniture and equipment	8,523	-	8,523
<b>TOTAL ASSETS</b>	<b>\$ 5,569,289</b>	<b>\$ (4,633,552)</b>	<b>\$ 935,737</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	\$ 66,064	\$ -	\$ 66,064
Due to related parties	105,999	-	105,999
	172,063	-	172,063
Deferred income	200,000	-	200,000
<b>TOTAL LIABILITIES</b>	<b>372,063</b>	<b>-</b>	<b>372,063</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	11,322,864	-	11,322,864
Contributed surplus	1,227,560	-	1,227,560
Deficit (Note 15(iii)(c))	(7,353,198)	(4,633,552)	(11,986,750)
<b>Total shareholders' equity</b>	<b>5,197,226</b>	<b>(4,633,552)</b>	<b>563,674</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 5,569,289</b>	<b>\$ (4,633,552)</b>	<b>\$ 935,737</b>

# Gossan Resources Limited

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED JUNE 30, 2011

(Expressed in Canadian Dollars)

(Unaudited)

### 15. Conversion to IFRS (Continued)

(v) *Reconciliation between IFRS and Canadian GAAP (continued)*

The March 31, 2011 Canadian GAAP balance sheet has been reconciled to IFRS as follows:

	March 31, 2011		
	Canadian GAAP	Effect of Transition to IFRS	IFRS
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	\$ 67,602	\$ -	\$ 67,602
Short term investments	20,003	-	20,003
Accounts receivable	74,776	-	74,776
Prepaid expenses	13,125	-	13,125
Assets held-for-sale	688,801	-	688,801
	864,307	-	864,307
Mineral properties (Note 15(iii)(c))	4,812,365	(4,812,365)	-
Furniture and equipment	6,164	-	6,164
<b>TOTAL ASSETS</b>	<b>\$ 5,682,836</b>	<b>\$ (4,812,365)</b>	<b>\$ 870,471</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ 89,096	\$ -	\$ 89,096
Due to related parties	105,873	-	105,873
Liabilities held-for-sale	341,605	-	341,605
	536,574	-	536,574
Deferred income	300,000	-	300,000
<b>TOTAL LIABILITIES</b>	<b>836,574</b>	<b>-</b>	<b>836,574</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	11,340,594	-	11,340,594
Contributed surplus	1,267,490	-	1,267,490
Deficit (Note 15(iii)(c))	(7,761,822)	(4,812,365)	(12,574,187)
<b>Total shareholders' equity</b>	<b>4,846,262</b>	<b>(4,812,365)</b>	<b>33,897</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 5,682,836</b>	<b>\$ (4,812,365)</b>	<b>\$ 870,471</b>

# Gossan Resources Limited

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED JUNE 30, 2011

(Expressed in Canadian Dollars)

(Unaudited)

### 15. Conversion to IFRS (Continued)

(v) *Reconciliation between IFRS and Canadian GAAP (continued)*

The June 30, 2010 Canadian GAAP balance sheet has been reconciled to IFRS as follows:

	June 30, 2010		
	Canadian GAAP	Effect of Transition to IFRS	IFRS
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	\$ 339,589	\$ -	\$ 339,589
Short term investments	20,004	-	20,004
Accounts receivable	7,978	-	7,978
Prepaid expenses	21,496	-	21,496
	389,067	-	389,067
Mineral resource properties (Note 15(iii)(c))	4,670,335	(4,670,335)	-
Assets held-for-sale	406,683	-	406,683
Furniture and equipment	7,934	-	7,934
<b>TOTAL ASSETS</b>	<b>\$ 5,474,019</b>	<b>\$ (4,670,335)</b>	<b>\$ 803,684</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ 85,474	\$ -	\$ 85,474
Due to related parties	94,542	-	94,542
	180,016	-	180,016
Deferred income	200,000	-	200,000
<b>TOTAL LIABILITIES</b>	<b>380,016</b>	<b>-</b>	<b>380,016</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	11,322,864	-	11,322,864
Contributed surplus	1,227,560	-	1,227,560
Deficit (Note 15(iii)(c))	(7,456,421)	(4,670,335)	(12,126,756)
<b>Total shareholders' equity</b>	<b>5,094,003</b>	<b>(4,670,335)</b>	<b>423,668</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 5,474,019</b>	<b>\$ (4,670,335)</b>	<b>\$ 803,684</b>



# Gossan Resources Limited

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED JUNE 30, 2011

(Expressed in Canadian Dollars)

(Unaudited)

### 15. Conversion to IFRS (Continued)

(v) *Reconciliation between IFRS and Canadian GAAP (continued)*

The Canadian GAAP interim statement of loss and comprehensive loss for the three month period ended June 30, 2010 has been reconciled to IFRS as follows:

	<b>Three Months Ended June 30, 2010</b>		
	<b>Canadian GAAP</b>	<b>Effect of Transition to IFRS</b>	<b>IFRS</b>
<b>Expenses</b>			
Exploration expenditures (Note 15(iii)(c))	\$ -	\$ 36,783	\$ 36,783
General and administrative	146,045	-	146,045
<b>Operating loss before the following items</b>	<b>(146,045)</b>	<b>(36,783)</b>	<b>(182,828)</b>
Net income from discontinued operations (Note 14)	42,822	-	42,822
<b>Net loss and comprehensive loss for the period</b>	<b>(103,223)</b>	<b>(36,783)</b>	<b>(140,006)</b>
<b>Basic and diluted net loss per share</b>	<b>\$ (0.00)</b>		<b>\$ (0.00)</b>

The Canadian GAAP statement of loss and comprehensive loss for the year ended March 31, 2011 has been reconciled to IFRS as follows:

	<b>Year ended March 31, 2011</b>		
	<b>Canadian GAAP</b>	<b>Effect of Transition to IFRS</b>	<b>IFRS</b>
<b>Revenues</b>			
Assessment revenue	\$ 783,918	\$ -	\$ 783,918
Direct expenses	(587,544)	-	(587,544)
<b>Gross margin</b>	<b>196,374</b>	<b>-</b>	<b>196,374</b>
<b>Expenses</b>			
Exploration expenditures (Note 15(iii)(c))	-	178,813	178,813
General and administrative	686,910	-	686,910
<b>Operating loss before the following items</b>	<b>(490,536)</b>	<b>(178,813)</b>	<b>(669,349)</b>
Interest income	38	-	38
Gain on joint venture	49,427	-	49,427
Share of TCN profit	77,357	-	77,357
<b>Loss before income taxes</b>	<b>(363,714)</b>	<b>(178,813)</b>	<b>(542,527)</b>
Income tax expense	(25,978)	-	(25,978)
<b>Net loss before minority interest</b>	<b>(389,692)</b>	<b>(178,813)</b>	<b>(568,505)</b>
Minority interest in net loss	(18,932)	-	(18,932)
<b>Net loss and comprehensive loss</b>	<b>\$ (408,624)</b>	<b>\$ (178,813)</b>	<b>\$ (587,437)</b>
<b>Basic and diluted net loss per share</b>	<b>\$ (0.01)</b>		<b>\$ (0.02)</b>

# Gossan Resources Limited

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS THREE MONTHS ENDED JUNE 30, 2011 (Expressed in Canadian Dollars) (Unaudited)

### 15. Conversion to IFRS (Continued)

(v) *Reconciliation between IFRS and Canadian GAAP (continued)*

The Canadian GAAP interim statement of cash flows for the three months ended June 30, 2010 has been reconciled to IFRS as follows:

	<b>Three months ended June 30, 2010</b>		
	<b>Canadian GAAP</b>	<b>Effect of transition to IFRS</b>	<b>IFRS</b>
<b>Operating</b>			
<b>Net income (loss)</b>	\$ (103,223)	\$ (36,783) <sup>(1)</sup>	\$ (140,006)
Adjustment for:			
Depreciation	589	-	589
Stock-based compensation	-	-	-
Share of TCN profit	(42,822)	-	(42,822)
Non-cash working capital items:			
Accounts receivable	5,966	-	5,966
Prepaid expenses	11,269	-	11,269
Accounts payable and accrued liabilities	19,411	-	19,411
Due to related parties	(11,457)	-	(11,457)
<b>Net used in operating activities</b>	(120,267)	(36,783)	(157,050)
<b>Investing</b>			
Expenditures on mineral properties	(36,783)	36,783	-
<b>Net change in cash</b>	(157,050)	-	(157,050)
<b>Cash, beginning of period</b>	496,639	-	496,639
<b>Cash, end of period</b>	\$ 339,589	\$ -	\$ 339,589

<sup>(1)</sup> Refer to Canadian GAAP statement of interim comprehensive loss for the three-month period ended June 30, 2010 reconciled to IFRS in Note 15(v) above.

# Gossan Resources Limited

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED JUNE 30, 2011

(Expressed in Canadian Dollars)

(Unaudited)

### 15. Conversion to IFRS (Continued)

(v) *Reconciliation between IFRS and Canadian GAAP (continued)*

The Canadian GAAP statement of cash flows for the year ended March 31, 2011 has been reconciled to IFRS as follows:

	Year ended March 31, 2011		
	Canadian GAAP	Effect of Transition to IFRS	IFRS
<b>Operating</b>			
<b>Net loss</b>	\$ (408,624)	\$ (178,813) <sup>(1)</sup>	\$ (587,437)
Adjustment for:			
Depreciation	4,560	-	4,560
Minority interest in net loss	18,932	-	18,932
Future income tax expense	1,787	-	1,787
Gain on joint venture	(49,427)	49,427	-
Share of TCN profit	(77,357)	-	(77,357)
Stock-based compensation	44,160	-	44,160
Accrued interest	(2)	-	(2)
Non-cash working capital items:			
Accounts receivable	123,870	-	123,870
Prepaid expenses	19,181	-	19,181
Accounts payable and accrued liabilities	7,995	-	7,995
Due to related parties	(126)	-	(126)
<b>Net cash used in operating activities</b>	(315,051)	(129,386)	(444,437)
<b>Investing activities</b>			
Acquisition of TCN, net of cash assumed	403,691	-	403,691
Cash dividend paid to TCN minority shareholders	(155,651)	-	(155,651)
Expenditures on mineral properties (Note 15(iii)(c))	(129,386)	129,386	-
Acquisition of furniture and equipment	(1,194)	-	(1,194)
Deferred income received	100,000	-	100,000
<b>Net cash used in investing activities</b>	217,460	129,386	346,846
<b>Financing activity</b>			
Issuance of share capital	13,500	-	13,500
<b>Net cash provided by financing activities</b>	13,500	-	13,500
<b>Net change in cash</b>	(84,091)	-	(84,091)
<b>Cash, beginning of period</b>	496,639	-	496,639
<b>Cash, end of period</b>	\$ 412,548	\$ -	\$ 412,548

<sup>(1)</sup> Refer to Canadian GAAP statement of interim comprehensive loss for the year ended March 31, 2011 reconciled to IFRS in Note 15(v) above.

### 16. Comparative Figures

Certain comparative amounts have been reclassified to conform to current financial statement presentation.

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## **Gossan Resources Limited**

### **NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**THREE MONTHS ENDED JUNE 30, 2011**

**(Expressed in Canadian Dollars)**

**(Unaudited)**

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#### **17. Subsequent Event**

In September 2011, the Company received an offer for the sale of its entire 66.3% equity interest in TCN for a net sale price of \$1.4 million. Prior to closing, which is expected in early-November, TCN has the right, within the terms of the offer, to declare a dividend whereby the Company could receive up to \$115,030. The transaction is subject to a first right of refusal by existing TCN shareholders, the execution of a definitive agreement with the offeror and the approval of the TSX Venture Exchange, if necessary. No assurance can be provided that the transaction will close.