GOSSAN RESOURCES LIMITED

(AN EXPLORATION STAGE COMPANY)

(EXPRESSED IN CANADIAN DOLLARS)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED
December 31, 2010
(UNAUDITED)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim consolidated financial statements of Gossan Resources Limited were prepared by management in accordance with Canadian generally accepted accounting principles. The most significant of these accounting principles have been set out in the March 31, 2010 audited financial statements. Only changes in accounting policies have been disclosed in these unaudited interim consolidated financial statements. Management acknowledges responsibility for the preparation and presentation of the unaudited 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.

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 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 interim consolidated financial statements and (ii) the unaudited 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 interim consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited 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 interim 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 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 interim consolidated financial statements, they must be accompanied by a notice indicating that the interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited 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 interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim consolidated financial statements by an entity's auditor.

Gossan Resources Limited
INTERIM CONSOLIDATED BALANCE SHEETS
(EXPRESSED IN CANADIAN DOLLARS)
(PREPARED BY MANAGEMENT)
(UNAUDITED)

	December 31, 2010	March 31, 2010
ASSETS		
Current		
Cash	$ 713,014	$ 496,639
Short term investments	27,408	20,004
Accounts receivable	392,085	13,944
Prepaid expenses	13,903	32,765
	1,146,410	563,352
Non-Current		
Mineral properties (Note 5)	4,795,104	4,633,552
Investment in The Claims Network (Note 1)	-	363,862
Equipment and furniture (Note 6)	31,142	8,523
	4,826,246	5,005,937
	$ 5,972,656	$ 5,569,289
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 210,771	$ 66,064
Due to related parties (Note 7)	117,641	105,999
Shareholder loan (Note 7)	100,000	-
Income tax payable	3,705	-
Future income tax liability	300	-
	432,417	172,063
Deferred income	250,000	200,000
	682,417	372,063
Minority Interest (Note 1)	314,604	-
Nature of Operations and Going Concern (Note 1)		
Commitments (Note 12)		
Subsequent Events (Note 14)		
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	11,322,864	11,322,864
Contributed surplus (Note 10)	1,271,720	1,227,560
Deficit	(7,618,949)	(7,353,198)
	4,975,635	5,197,226
	$ 5,972,656	$ 5,569,289

The accompanying notes are an integral part of these unaudited interim consolidated financial statements

Approved on Behalf of the Board:

"Douglas Reeson"
Director

"Andrew Thomson"
Director

Gossan Resources Limited
INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS)
(PREPARED BY MANAGEMENT)
(UNAUDITED)

	Three Months Ended December 31, 2010	Three Months Ended December 31, 2009	Nine Months Ended December 31, 2010	Nine Months Ended December 31, 2009
REVENUE FROM OPERATIONS				
Assessment revenue	**$ 332,689**	**$ -**	**$ 332,689**	**$ -**
Direct expenses	**244,800**	**-**	**244,800**	**-**
GROSS MARGIN	**87,889**	**-**	**87,889**	**-**
EXPENSES				
Office and general	**47,538**	23,891	**94,446**	69,984
Administrative fees	**5,368**	5,350	**18,116**	16,055
Management fees	**21,000**	29,500	**83,750**	87,149
Professional and consulting	**11,964**	7,559	**37,210**	31,619
Public company costs	**25,346**	22,327	**86,340**	77,321
Investor relations	**12,016**	17,182	**52,280**	58,945
Travel and related	**9,229**	3,348	**18,208**	21,715
Property evaluation costs	**-**	**-**	**6,615**	-
Advertising and promotion	**6,784**	**-**	**6,784**	**-**
Stock-based compensation expense (Note 9)	**-**	-	**44,160**	(790)
Amortization	**3,376**	728	**4,556**	2,068
	142,621	109,885	**452,465**	364,066
OTHER EXPENSES (INCOME)				
Other income and interest	**(7)**	(1)	**(7)**	(413)
Bank charges and interest	**805**	**-**	**805**	**-**
Gain on joint venture	**(7,636)**	-	**(27,738)**	-
	135,783	109,884	**425,525**	363,653
LOSS BEFORE THE FOLLOWING	**(47,894)**	(109,884)	**(337,636)**	(363,653)
Share of TCN profit (Note 1)	**30,533**	38,238	**84,736**	119,557
Income tax expense	**(3,705)**	**-**	**(3,705)**	-
NET LOSS BEFORE MINORITY INTEREST	**(21,066)**	(71,646)	**(256,605)**	(244,096)
MINORITY INTEREST IN NET INCOME	**(9,146)**	**-**	**(9,146)**	**-**
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	**$ (30,212)**	$ (71,646)	**$ (265,751)**	$ (244,096)
NET LOSS PER SHARE - Basic and diluted (Note 11)	**$ 0.00**	$ 0.00	**$ (0.01)**	$ (0.01)
Weighted average number of shares outstanding	**29,117,900**	29,117,900	**29,117,900**	29,059,870

The accompanying notes are an integral part of these unaudited interim consolidated financial statements

Gossan Resources Limited
INTERIM CONSOLIDATED STATEMENTS OF DEFICIT
(EXPRESSED IN CANADIAN DOLLARS)
(PREPARED BY MANAGEMENT)
(UNAUDITED)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2010	2009	**2010**	2009
Deficit, beginning of period	**$(7,588,737)**	$(7,139,842)	**$(7,353,198)**	$(6,967,392)
Net loss for the period	**(30,212)**	(71,646)	**(265,751)**	(244,096)
Deficit, end of period	**$(7,618,949)**	$(7,211,488)	**$(7,618,949)**	$(7,211,488)

The accompanying notes are an integral part of these unaudited interim consolidated financial statements

Gossan Resources Limited
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)
(PREPARED BY MANAGEMENT)
(UNAUDITED)

	Three Months Ended December 31, 2010	Three Months Ended December 31, 2009	Nine Months Ended December 31, 2010	Nine Months Ended December 31, 2009
CASH (USED IN) PROVIDED BY:				
OPERATING ACTIVITIES				
Net loss for the period	**$ (30,212)**	$ (71,646)	**$ (265,751)**	$ (244,096)
Amortization	**3,376**	728	**4,556**	2,068
Minority interest - TCN	**9,146**	-	**9,146**	-
Gain on Joint Venture	**(7,636)**	-	**(27,738)**	-
Share of TCN profit	**(30,533)**	(38,238)	**(84,736)**	(119,557)
Stock-based compensation (Note 9)	**-**	-	**44,160**	(790)
Income tax expense	**3,705**	-	**3,705**	-
	(52,154)	(109,156)	**(316,658)**	(362,375)
Net change in non-cash working capital:				
Accounts receivable	**112,966**	42,437	**117,155**	(15,852)
Short term investment	**(3)**	-	**(3)**	-
Prepaid expenses	**29,826**	(31,728)	**23,511**	(30,661)
Accounts payable and accrued liabilities	**(32,850)**	(36,075)	**(27,854)**	29,375
Due to related parties	**14,174**	(24,189)	**11,642**	(110,652)
	71,959	(158,711)	**(192,207)**	(490,165)
INVESTING ACTIVITIES				
Expenditures on mineral properties	**(66,218)**	(74,612)	**(142,484)**	(402,045)
Cash paid for business acquisition (Note1)	**(172,484)**	-	**(172,484)**	**-**
Proceeds on redemption of short-term investments	**-**	653,430	**-**	1,306,649
Acquisition of fixed assets	**(2,625)**	-	**(2,625)**	(2,347)
Deferred revenue received	**-**	-	**50,000**	50,000
	(241,327)	578,818	**(267,593)**	952,257
FINANCING ACTIVITIES				
Issuance of share capital, net of share issue costs	**-**	-	**-**	16,200
Proceeds from shareholder loan	**100,000**	-	**100,000**	-
CHANGE IN CASH	**(69,368)**	420,107	**(359,800)**	478,292
Cash acquired on change of control of TCN (Note 1)	**576,175**	-	**576,175**	**-**
CASH, beginning of period	**206,207**	198,877	**496,639**	140,692
CASH, end of period	**$ 713,014**	$ 618,984	**$ 713,014**	$ 618,984

The accompanying notes are an integral part of these unaudited interim consolidated financial statements

Gossan Resources Limited

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(EXPRESSED IN CANADIAN DOLLARS)
(PREPARED BY MANAGEMENT)
(UNAUDITED)

	Share Capital	Contributed Surplus	Deficit	Total
Balance, March 31, 2009	**$ 11,304,778**	**$ 1,204,316**	**$ (6,967,392)**	**$ 5,541,702**
Exercise of stock options - cash	16,200	-	-	16,200
Exercise of stock options - Black-Scholes valuation	1,886	(1,886)	-	-
Fair value of stock options granted	-	25,130	-	25,130
Net loss for the year	-	-	(385,806)	(385,806)
Balance, March 31, 2010	**11,322,864**	**1,227,560**	**(7,353,198)**	**5,197,226**
Fair value of stock options granted	-	44,160	-	44,160
Net loss for the period	-	-	(265,751)	(265,751)
Balance, December 31, 2010	**$ 11,322,864**	**$ 1,271,720**	**$ (7,618,949)**	**$ 4,975,635**

The accompanying notes are an integral part of these unaudited interim consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Gossan Resources Limited (the “Company”) is a public corporation that was incorporated federally on June 16, 1980. The Company, directly and through joint ventures is in the business of acquiring and exploring resource properties that it believes contain mineralization. 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 Casulty Insurance Industry with loss assessment information. To date, the Company has not earned significant revenues other than sales revenue earned from its subsidiary, TCN and is considered to be in the exploration and development stage.

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

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements.

The ability of the Company to continue as a going concern and the recoverability of amounts shown for mineral properties are dependent upon the discovery of economically recoverable reserves; confirmation of the Company’s ownership in the underlying mineral claims; the acquisition of required permits to mine; the ability of the Company to obtain necessary financing to complete exploration and development; and the future profitable production or proceeds from disposition of such properties. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. All of these outcomes are uncertain and taken together cast doubt over the ability of the Company to continue as a going concern.

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 and 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).

Acquisition of Control of The Claims Network Inc. ("TCN")

On October 31, 2010, the Company increased its holdings in TCN from 46.71% to 66.34% by means of the acquisition of additional common shares in the privately held company for cash consideration of $172,484. Prior to this acquisition, the Company accounted for its investment as an equity interest, recognizing its proportionate share of TCN's operational results up to the change of control of October 31, 2010. Accordingly, during the three and nine months ended December 31, 2010, the Company has recorded $30,533 and $84,736 respectively as its proportionate share of TCN's non-consolidated operational results up to October 31, 2010 (three and nine months ended December 31, 2009 - $38,238 and $119,557) .

As of October 31, 2010, the Company ownership increased to 66.34%, with the remaining 33.66% being privately held. The Company records the minority interest in TCN on the balance sheet and adjusts income(loss) to reflect the minority interests' share in net income(loss). The acquisition has been accounted for using the purchase method with operating results included in the Company's earnings from the date of acquisition.

(EXPRESSED IN CANADIAN DOLLARS)

1. NATURE OF OPERATIONS AND GOING CONCERN (CONTINUED)

The purchase price allocation is as follows:

Cash	$	113,103
Short term investments		1,453
Accounts receivables		96,678
Prepaid expense		913
Furniture & Equipment		4,819
Payables		(44,482)
Net assets acquired	**$**	**172,484**
Consideration		
Cash consideration	**$**	**172,484**

2. ACCOUNTING POLICIES

The unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") for interim financial information. Accordingly, they do not include all of the information and notes to the financial statements required by Canadian GAAP for annual financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the three and nine months ended December 31, 2010 may not necessarily be indicative of the results that may be expected for the year ending March 31, 2011.

The balance sheet at March 31, 2010 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by Canadian GAAP for annual financial statements. The unaudited interim consolidated financial statements have been prepared by management in accordance with the accounting policies described in the Company's annual audited financial statements for the year ended March 31, 2010, except as noted below. For further information, refer to the audited financial statements and notes thereto for the year ended March 31, 2010.

2. ACCOUNTING POLICIES (Continued)

Basis of Consolidation

The interim consolidated financial statements include the accounts of the 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 Inc. on the balance sheet and adjusts income to deduct the minority interest share of net income.

Revenue Recogntion

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

Future Accounting Changes

International Financial Reporting Standards ("IFRS")

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

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

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

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

3. CAPITAL MANAGEMENT

The Company 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 equity, comprising share capital, contributed surplus, accumulated other comprehensive loss and deficit which at December 31, 2010 totaled $4,975,635 (March 31, 2010 - $5,197,226).

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 and nine months ended December 31, 2010. The Company is not subject to any 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 existing properties would have a materially adverse effect on the Company's financial condition and results of operations.

(b) **Financial Risk**

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

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

4. MINERAL PROPERTY AND FINANCIAL RISK FACTORS (Continued)

Credit Risk

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

Financial instruments included in accounts receivable consist of trade receivables, and deposits held with service providers. Management believes trade receivables counterparty risk amongst TCN's clients is mitigated as the property and casualty insurance sector is a regulated industry, and credit risk concentration with respect to financial instruments included in accounts receivable is acceptable. Other accounts receivable consist of sales tax receivable from government authorities in Canada.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2010, the Company had cash of $713,014 (March 31, 2010 - $496,639) and short-term investments of $27,408 (March 31, 2010 - $20,004) to settle current liabilities of $432,417 (March 31, 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, other than due to related parties and loan payable to related party which have no fixed terms of repayment (Note 8).

Market Risk

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

i) Interest Rate Risk

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

ii) Foreign Currency Risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The maintains a US dollar account to support the operations of its subsidiary, TCN. Management believes Company's exposure to foreign currency risk is minimal.

iii) Commodity Price Risk

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

4. MINERAL PROPERTY AND FINANCIAL RISK FACTORS (Continued)

(c) Sensitivity Analysis

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

As at December 31, 2010, the carrying and fair value amounts of the Company's financial instruments are not materially different.

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

i) Held-for-trading assets include investment certificates totaling $27,408 subject to varying interest rates. Sensitivity to a plus or minus 1% change in rates would affect the reported net income by approximately $206. Similarly, as at December 31, 2010, reported shareholders' equity would have varied by approximately $206 as a result of the 1% variance in interest rates.

ii) The Company holds a balance of $99,565 ($95,525USD) in a USD account to support the operations of its subsidiary, TCN. Sensitivity to a plus or minus 1% change in foreign exchange rates would affect the reported net income by approximately $955. Similarly, as at December 31, 2010, reported shareholders' equity would have varied by approximately $955 as a result of the 1% variance in foreign exchange rates.

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 December 31, 2010, the Company is not a producer of valuable minerals. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

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

(EXPRESSED IN CANADIAN DOLLARS)

4. MINERAL PROPERTY AND FINANCIAL RISK FACTORS (Continued)

(d) **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 included in GAAP.

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.

	Level 1	Level 2	Level 3
Cash	$ 713,014	$ -	$ -
Short term investments	$ 27,408	$ -	$ -
Accounts receivable	$ 392,085	$ -	$ -

5. MINERAL PROPERTIES

	March 31, 2010	Expenditures	Grants and Option Payments	Write Downs	December 31, 2010
Pipestone Lake (i)	$ 1,689,971	$ 37,667	$ -	$ -	$ 1,727,638
Bird River Joint Venture (ii)	811,213	44,475	-	-	855,688
Inwood	746,336	47,080	-	-	793,416
Separation Rapids	192,176	-	-	-	192,176
Manigotagan Silica	719,228	26,611	-	-	745,839
Sharpe Lake	474,626	5,719	-	-	480,345
Other	2	-	-	-	2
	$ 4,633,552	$ 161,552	$ -	$ -	$ 4,795,104

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

(ii) The Bird River project is a joint venture with the Stillwater Mining Company which acquired Marathon PGM Corporation, the former partner, in late 2010. The percentage ownership of the joint venture is subject to change based on the contributions to the joint venture's work programs. The Company currently owns an approximate 45% interest in the project.

During the nine month period ended December 31, 2010, the Company incurred $161,552 (December 31, 2009 - $405,227) of exploration and development expenditures and received $nil (2009 - $3,182) in government grants.

(EXPRESSED IN CANADIAN DOLLARS)

6. EQUIPMENT AND FURNITURE

	Cost	Accumulated Amortization	Total December 31, 2010	Total March 31, 2010
Computer equipment	$ 46,678	$ 33,271	$ 13,407	$ 6,539
Computer software	21,763	17,274	4,489	-
Field equipment	1,155	1,155	-	262
Furniture and fixtures	31,552	18,306	13,246	1,722
Leasehold improvement	900	900	-	-
	$ 102,048	$ 70,906	$ 31,142	$ 8,523

7. RELATED PARTY TRANSACTIONS

During the three and nine months ended December 31, 2010, a director and the President was paid/accrued $18,000 and $54,000 respectively (December 31, 2009 - $18,000 and $54,000 respectively) for corporate administration services, and in the third quarter this related party advanced a total of $100,000 to the Company, which bears no interest and has no fixed term of repayment. The director and President is owed $144,140 (March 31, 2010 - $17,143) by the Company as at December 31, 2010.

During the three and nine months ended December 31, 2010, the lead director for exploration was paid/accrued $5,722 and $26,880 respectively (December 31, 2009 - $15,321 and $39,762 respectively) for geological field work and is owed $5,198 (March 31, 2010 - $2,888) by the Company as at December 31, 2010.

During the three and nine months ended December 31, 2010, a former officer charged $nil and $20,000 respectively (December 31, 2009 - $7,500 and $22,500 respectively) for management services, and is owed $nil (March 31, 2010 - $10,918) by the Company as at December 31, 2010.

During the three and nine months ended December 31, 2010, the Company paid/accrued $3,000 and $9,000 respectively (December 31, 2009 - $3,000 and $9,000 respectively) to a company, beneficially owned by the CFO, to act as Chief Financial Officer of the Company. The CFO is also the president of a firm providing accounting services to the Company. During the three and nine months ended December 31, 2010, the Company expensed $5,368 and $18,096 respectively (December 31, 2009 - $5,350 and $16,055 respectively) for accounting services rendered by this firm. In addition, as at December 31, 2010, this firm was owed $2,003 (March 31, 2010 - $8,750).

During the three and nine months ended December 31, 2010, fees were paid/accrued to Directors in the amount of $nil (December 31, 2009 – $nil) for directors' fees, including committee fees and other board activities. In the current and prior periods, thirty percent of the fees paid to directors were retained by the Company for acquisition of the Company's common shares on the directors' behalf. At December 31, 2010, $66,300 (March 31, 2010 - $66,300) was owed in regard to directors' fees.

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

The amounts due to related parties and shareholder loan, which total $217,641 (March 31, 2010 - $105,999) are unsecured, non-interest bearing and have no fixed terms of repayment.

(EXPRESSED IN CANADIAN DOLLARS)

8. SHARE CAPITAL

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

(b) ISSUED

	SHARES	AMOUNT
Balance - March 31, 2010 and December 31, 2010	**29,117,900**	**$ 11,322,864**

On August 27, 2010, the directors of the Company approved the adoption of a shareholders rights plan (the "Plan"). Under the plan, existing shareholders of the Company were granted Rights to acquire one additional common share for each share currently held as at that date (a "Right') at a purchase price that is subject to certain future adjustments. The Rights were granted for no cash or non-cash consideration. The Rights are attached to each share as long as the plan remains in effect, and Rights will be similarly attached, for no additional consideration, to any common shares issued by the Company in the future, so long as the Plan remains in effect.

The Right is triggered only if a party acquires or announces its intention to acquire 20% or more of the outstanding shares of the Company and this proposed acquisition does not meet the Permitted Bid requirements set forth within the Plan. Under the Plan, only bids that meet certain specific requirements intended to protect the interests of all shareholders will qualify as Permitted Bids. Permitted Bids must be made to all shareholders of the Company, must remain open for 60 days and must be made by way of a take-over bid circular prepared in compliance with applicable securities laws.

The Rights, once triggered, allow shareholders, other than the take-over bidder, to purchase one common share of the Company for each common share held at a 50% discount to the then current market price. The plan was ratified by shareholders on September 30, 2010 and has been accepted by the TSX Venture Exchange.

9. STOCK OPTIONS

A summary of changes in stock options is as follows:

	NUMBER OF STOCK OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Balance - March 31, 2010	**2,460,000**	**$0.30**
Granted (i)	640,000	$0.15
Forfeited/Cancelled	(1,020,000)	$0.34
Balance - December 31, 2010	**2,080,000**	**$0.19**

(i) On August 13, 2010, the Company granted 640,000 stock options to officers, directors and consultants. The options are exercisable at $0.15 and expire on March 28, 2014. The resulting fair value of $44,160 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 2.5 years. The options vested immediately upon grant. For the three and nine months ended December 31, 2010, the impact on expenses was $nil and $44,160 respectively

(EXPRESSED IN CANADIAN DOLLARS)

9. STOCK OPTIONS (Continued)

The following table reflects the stock options outstanding as at December 31, 2010:

Date of Grant	Exercise Price ($)	Options Outstanding	Expiry Date
February 4, 2009	0.15	90,000	March 28, 2011
May 1, 2007	0.40	190,000	April 28, 2011
June 26, 2007	0.50	220,000	June 26, 2011
September 27, 2007	0.34	220,000	September 27, 2011
March 28, 2008	0.30	130,000	March 28, 2012
June 12, 2009	0.15	350,000	March 28, 2012
July 16, 2008	0.20	240,000	March 28, 2013
August 13, 2010	0.15	640,000	March 28, 2014
	0.19	**2,080,000**	

Of the options outstanding, 2,080,000 (March 31, 2010 - 2,460,000) are exercisable.

10. CONTRIBUTED SURPLUS

Balance - March 31, 2010	$ 1,227,560
Fair value of stock options granted (Note 10 (i))	44,160
Balance - March 31, 2010 and December 31, 2010	**$ 1,271,720**

11. BASIC AND DILUTED LOSS PER 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 period ended. The conversion of warrants and stock options to calculate diluted loss per share was not done, because the conversion was anti-dilutive.

12. COMMITMENTS AND CONTINGENCIES

(i) 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:

2011	$ 3,212
2012	12,848
2013	6,424
	$ 22,484

(ii) In the normal course of operations, the Company is subject to routine claims and litigation incidental to its business. As at December 31, 2010, there are no material claims registered against the Company.

13. COMPARATIVE FIGURES

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

14. SUBSEQUENT EVENTS

i) On February 4, 2011, the Company received an initial dividend from its subsidiary TCN. The payment was comprised of a regular dividend of $0.02 per TCN share and a special dividend of $0.06 per TCN share, totaling $306,749 in aggregate to the Company.

ii) Subsequent to December 31, 2010, the shareholder loan was fully repaid by the Company.