



RESOURCES LIMITED

Management Discussion and Analysis
September 30, 2007

Gossan Resources Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE PERIOD ENDING SEPTEMBER 30ST, 2007

This Management Discussion and Analysis ("MD&A") reviews the financial condition and results of operations of Gossan Resources Limited ("Gossan" or the "Company") for the interim period ending September 30, 2007. The MD&A was prepared as of November 27, 2007 and should be read in conjunction with the audited annual financial statements for the year ended March 31, 2007, including the notes thereto and the related MD&A. These financial statements are filed on the SEDAR website www.sedar.com, where additional disclosure relating to the Company can also be located.

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

Overview

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

Gossan held its Annual and Special Shareholders Meeting on September 25, 2007. The proposed management slate of Directors – Messrs Douglas Reeson, Charles de Chezelles, Louis Chastko, Ryan Cooke, James Masleck and Andrew Thomson - were elected to the Board. Mr. Thomson, who is a new Director, is the President of Soltoro Ltd., a TSX.V-listed company which is actively exploring in Mexico for gold, silver and copper. Shareholders also approved the appointment of Meyers Norris Penny LLP, Chartered Accountants, as auditors of the Company and ratified Gossan's existing Stock Option Plan.

At a Directors Meeting on September 27, 2007, Messrs Douglas Reeson, Richard Stefanyshyn, and Carl Chester were appointed officers and Ryan Cooke was designated Lead Director – Exploration. An Audit Committee, comprised of Messrs Thomson, Cooke and Masleck, and a Corporate Governance, Compensation and Nominating Committee, comprised of Messrs de Chezelles, Masleck, and Thomson were also formed.

Results of Operations

The net loss for the three months ending September 30, 2007 was \$157,025 as compared to \$75,278 for the three months ending September 30, 2006. The increase of \$81,747 primarily reflects a non-cash increase in stock-based compensation of \$54,955. Administrative expenses of \$175,958, otherwise increased by \$26,792 compared to the prior year due primarily to an increase of \$10,744 in consulting fees, primarily related to the examination of new potential properties, and an increase in investor relations expenses of \$9,849. For additional information refer to the Supplemental Information section of this MD&A for detailed expense analysis.

The net loss for the six months ending September 30, 2007 was \$443,661 as compared to \$143,269 for the six months ending September 30, 2006. The increase of \$300,269 primarily reflects a non-cash increase in stock-based compensation of \$236,483. Administrative expenses of \$471,164, otherwise increased by \$58,491 compared to the prior year due primarily to: an increase of \$10,744 in consulting fees, mainly related to the examination of new potential properties; an increase in investor relations expenses of \$14,813; an increase of \$18,613 in public company expenses related to the private placement in the first quarter; and an increase in administrative fees of \$9,810 of which a major component was related to flow-through funds accounting. The non-cash share of The Claims Networks (TCN) net income was \$25,149 compared with \$16,650 last year. For additional information refer to the Supplemental Information section of this MD&A for detailed expense analysis.

The net loss for the year ended March 31, 2007 was \$798,133 as compared to \$515,826 for the year ended March 31, 2006. The increase of \$282,307 primarily is the result of a non-cash future income tax recovery of \$260,000 recorded in 2006 as a result of flow-through shares issued in December of 2005. In 2007, mineral property write-offs increased by \$46,725; offset by a gain on sale of marketable securities of \$24,550; and an increase in the non-cash share of The Claims Networks (TCN) net income of \$18,960. Administrative expenses for the 2007 year were \$638,391 compared to \$629,027 in the prior year. Non-cash stock-based compensation in 2007 was \$135,340 (2006 - \$152,900).

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

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

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

advancement of exploration and development at the Company's properties is dependent upon future financings.

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

On March 26, 2007 the Company entered into an option and joint venture agreement on the Bird River Property with Marathon PGM Corporation (Marathon). Under the terms of the agreement, Marathon can earn an undivided 50% interest in the property by spending \$3.0 million on exploration and making cash payments of \$500,000 to the Company by April 30, 2011. Thereafter, Marathon can earn a further 15% interest by completing a bankable feasibility study and an additional 5% interest, to a total 70% interest, by arranging project financing. In the first stage of the agreement, Marathon's work commitment is \$500,000 of exploration expenditures by April 30, 2008 and an initial cash payment of \$50,000. A \$10,000 finder's fee was paid in connection with the transaction.

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

Marathon recently announced the Option & Joint Venture of the adjacent 446-hectare Ore Fault Property held by Bird River Mines Inc. (BRMI-CNQ). Marathon is planning to launch a major drilling program on these properties in early January with the goal of developing a NI 43-101 resource. After freeze-up, a ground IP geophysics program will be conducted on selected grids on the Page Block, Galaxy occurrence, and Coppermine Zone to assist in defining drill targets. For further information refer to NR-07-15 dated November 1, 2007.

Marathon's goal to develop NI 43-101 compliant resources at the Bird River Property is based on the potential demonstrated from past production and the presence of multiple untested geophysical anomalies. Both the Page Block and Coppermine Zones have PGM and base metal mineralization, based on Marathon's prospecting to date on the Bird River property. Drilling in January 2008 will focus on targets identified through prospecting, geophysical surveying and drilling by previous operators. At the Page Block a number of historical drill holes over a strike length of a kilometre show mineralization open along strike and to a depth of over 200 metres. A drilling program is being designed in order to confirm historical holes and to allow drill density sufficient to build an NI 43-101 compliant resource.

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

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

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

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

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

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

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

In the fall of 2006, Gossan completed a MMI geochemical program to expand the survey area at the Bear Showing with the goal of identifying additional drill targets. Based on the success of last summer's program which identified a favourable a gold-copper MMI geochemical anomaly, a two phase program was conducted over the winter. In March 2006, a geophysical program was undertaken consisting of a

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

Early in 2006, the Company announced the acquisition of the gold prospective Alto-Gardnar Property northeast of Dryden, Ontario. In May 2006, an excavator was used to expose a 10-metre wide shear zone hosting a gold-bearing vein system over a 300+ metre length. This zone was previously outlined by a historic series of trenches, a small pit and a large open cut that were the source of a 125-ton bulk sample taken in 1940. Regrettably, a field program comprised of detailed geological mapping, channel sampling, prospecting and three shallow drill holes conducted during the summer of 2006 failed to encounter economic widths or grades of mineralization and the property has been returned to the optionors. Accordingly, a write down of \$231,634 to Mineral properties was incurred in fiscal 2007.

On March 6, 2006, Gossan announced an agreement providing for Marum Resources Inc. to purchase a 100% interest in 16 claims comprising the Angelina property, located in the Rice Lake belt near Bissett, Manitoba, by paying to Gossan 500,000 common shares of Marum and issuing to Gossan 400,000 share purchase warrants exercisable for two years at a price of \$0.15 per share. Gossan shall retain a 2.0% net smelter return royalty on production from the property, subject to a buy-back of one half of the royalty (1.0%) for a cash payment of \$1,000,000.

In the 2007 fiscal year, Marum shares were sold for proceeds of \$71,350 resulting in a \$24,550 gain on sale of marketable securities and during the first quarter of fiscal 2008, the balance of the Marum shares were sold for proceeds of \$14,860 resulting in a gain of \$1,660. At the end of the first quarter of fiscal 2008, the warrants to purchase Marum common shares received from the sale of the Angelina Property are held on the balance sheet at a value of \$11,200. Gossan will continue to participate in the Rice Lake Gold belt through NSR interests in three properties – the Angelina, the Topo and the Vena.

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

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

On March 15, 2007, Gossan entered into a licensing arrangement for a new high efficiency magnesium production process being developed by Douglas J. Zuliani. Gossan controls large deposits of high grade dolomite and silica sand in Manitoba, Canada, both key raw materials used in magnesium metal production. Zuliani, who holds a Ph.D. in Metallurgical Engineering from the University of Toronto, has over twenty years of experience in magnesium technology and business development. From 1985 to

2000, he held a number of senior executive positions with Timminco Ltd., an internationally recognized leader in the production of high purity magnesium using the Pidgeon silicothermic vacuum reduction process which recovers magnesium metal from briquettes containing ferrosilicon and calcined dolomite. As part of their agreement, Gossan retains an option to secure exclusive worldwide rights to the process.

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

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

In order to prove out the technology prior to commercialization, Gossan is undertaking a three phase evaluation process. Initially thermodynamic modelling was successfully used to verify the process fundamentals – see below. The second phase which will involve final bench scale testing is currently being sourced and contracted. Thereafter a third phase of pilot plant testing will be required to demonstrate commercial viability. Gossan may seek a joint venture partner to assist in the pilot plant testing and subsequent commercialization of the process.

On September 25, 2007, Gossan announced favourable results from a chemical thermodynamic study of the Zuliani Process to extract magnesium metal from dolomite. Dr. Arthur Pelton, of THERMFACT Ltd. and a Professor at Ecole Polytechnique in Montreal completed the study. THERMFACT is a co-developer of the world leading FactSage integrated thermodynamic databank system which calculates the conditions for multiphase, multi-component equilibria in complex gas-slag-metal systems.

The FactSage study has confirmed the process thermodynamics for the Zuliani technology including the vapour pressure of magnesium as a function of process temperature and operating conditions, the slag – metal reactions and the formation of by-products. Pelton's Report (the "Report") recommends proceeding to Phase 2 – Bench Scale Testing, which is now in the planning stage with facilities being sourced and contracted. For further information refer to NR-07-13 dated September 25, 2007.

FactSage Thermodynamic Study Highlights:

1. The main conclusion from the Report confirms that the Zuliani Process (the "Process") is capable of producing magnesium vapour at atmospheric pressure in the desired temperature range of 1550-1650°C. As such the Process will not require the use of a vacuum.
2. Assuming a properly designed liquid phase condenser, the Report confirms that molten magnesium condensation is feasible with the Process. The FactSage thermodynamic model was used to assess the

composition of the magnesium vapour phase. Based on this assessment, provided the dolomite is of sufficient purity, the Report concludes that the Process is capable of producing 99.8% commercial grade magnesium metal. Valuable thermodynamic data pertaining to the condensation of molten magnesium metal was provided in the Report to assist in the design of the Process' liquid phase condenser used to recover molten magnesium.

3. Based on the FactSage thermodynamic analysis, the Report develops an optimum process route to produce magnesium at high vapour pressure with minimized raw material consumption. The Report indicates that under these conditions the Process operates at a high thermodynamic efficiency. Although the study focused principally on Process thermodynamics, the Report also indicates that it is expected that the Process will demonstrate excellent kinetics for producing magnesium compared to other thermal magnesium processes using dolomite and ferrosilicon.

4. The optimum composition of the Process slag to maintain acceptable physical properties, fluidity and reactivity is identified in the Report. The recommended principle slag constituents are widely available for commercial use. The Process temperature at which the slag becomes fully molten is confirmed at 1550C which is inline with the aim Process temperature range for magnesium production at atmospheric pressure.

5. The Report confirms that for the optimum process route, the Process has the capability of producing potentially attractive commercial by-products. However, under certain conditions there is a risk that the by-products may contain some impurities that may limit commercial pricing and sales. The extent of this by-product contamination risk is unknown at present due to uncertainties in the FactSage thermodynamic data base used in these by-product calculations. The Report indicates that these impurities are already present in the commercial specifications of the specified by-product material. As such, they are of limited concern provided the impurity levels are maintained within commercially acceptable limits. To mitigate the potential risk, FactSage analysis was used to develop three by-product process options that would limit the percentage of these potential impurities in the by-product material. The Report identifies these by-product process options and recommends that the Phase 2 bench-scale testing be conducted to clarify these uncertainties.

Dr. Pelton is a co-founder of the FactSage system, which is among the world's largest database computing systems in chemical thermodynamics. FactSage has more than 200 industrial and 200 academic users worldwide. Dr. Pelton recently received a \$600,000 NSERC-CRD grant in collaboration with General Motors to develop databases for the thermodynamic and volumetric properties of magnesium alloys for purposes of evaluating the potential for new magnesium alloys. He also recently developed software dedicated to simulate the phase transformations during casting of magnesium alloys.

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

On May 13, 2006, the Gossan completed a 27-hole drill program, totaling 496.2 metres, on its Inwood Magnesium Dolomite Property. Watts, Griffis McQuat (WGM) have been retained to undertake a

National Instrument 43-101 Report resource calculation based on the results from the current drill program and 25 holes previously drilled on the Property.

The 2006 drill program was conducted at a grid spacing of 200x200 metres over an area of approximately 80 hectares. The current program targeted the Fisher Branch Formation which typically outcrops at surface and extends to a depth of about 12-15 metres. Some of the holes also investigated the underlying Upper and Lower Stonewall Formations down to the Lower T Marker, a depth of about 25 metres.

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

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

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

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

At the Manigotagan Silica Property, Gossan has completed an initial series of tests on various sized sub-samples of Manigotagan silica sand and the results have exceeded all of the minimum standards for frac sand used by the oil and gas industry. This analysis, known as Proppant Testing, was conducted by PropTester Inc. of Cypress, Texas using the American Petroleum Institute's standards for the following tests: Sieve analysis (particle distribution and MPD), Crush test (crush resistance), Krumbein shape factors (roundness and sphericity), Densities (bulk and specific gravity), Photomicrographs, Acid Solubility (12:3 HCl:HF), Turbidity (silt and fine particulates), as well as, PropTester's PT Crush Profile.

A drill program consisting of 23 holes was conducted at the Manigotagan Silica Property in December 2006. The drill program was successful in outlining the edge of two zones of silica sand with a thickness exceeding 8 metres and an average thickness of 11.5 metres. The two zones, with lengths known to exceed 400m and 600m, are both open on two or more sides. The ratio of overburden above the two zones of silica sand is less than 1:1. However, the extent of the silica sand potentially of use as frac sand cannot be reliably determined. A drill rig capable of both core and auger drilling was utilized in anticipation of difficult conditions for sample recovery. Although the auger drilling method proved to be the better of the two methods, neither method provided good sample recoveries. A sonic drill, which should be capable of achieving NI 43-101 standards for sample recovery, will be utilized in the future.

In June of 2007, two shallow pits were excavated at the east end of the property to provide additional sample material. Further, more extensive, testing is currently underway. Additional analysis and a subsequent sonic drill program may lead to a scoping study giving initial consideration to markets and logistics. Gossan has received several inquiries from potential purchasers of silica sand over the past year.

Gossan is continuing to consolidate its land position covering its silica sand deposit at Manigotagan on the east shore of Lake Winnipeg. In July 2007, the Company was awarded the registration of two additional Quarry Leases. This property, which now encompasses 297 hectares, is directly across from Black Island where silica sand was extensively quarried prior to the island becoming a Provincial Park.

Manigotagan silica sand has potential uses in foundries and smelters; in the production of float or container glass; and in the oil & gas industry as frac sand. Silica sand from the property has been subjected to a variety of tests that indicate it is of a high purity with few contaminants and that it is similar to the silica sands previously quarried at nearby Black Island. A prior composite of 19 samples, returned a silica content of 94.2% without sizing or treatment. Sizing, washing or other simple treatments significantly improve the purity. Tests to date indicate that a component of these silica sands meet the requirements for frac sand in shallow gas wells and metallurgical flux.

The 432-hectare Separation Rapids Specialty Minerals Project is located 58 km north of Kenora, Ontario in the highly prospective English River greenstone belt, which hosts lithium, tantalum and cesium mineralization. The Property is situated immediately adjacent to the east of Avalon Ventures Ltd.'s Big Whopper property, one of the largest rare metal pegmatite deposits in the world.

In June 2006 Gossan entered into an agreement to increase its ownership in the Separation Rapids Property to a 100% interest by acquiring the 50.1% interest in the property previously held by joint venture partner, Angus & Ross PLC in exchange for 25,000 common shares of Gossan stock and other consideration. Recently, in the summer of 2007, Gossan conducted a field program at the Property comprised of line cutting and an Enzyme Leach geochemical survey to follow-up on a promising multi-element geochemical soil anomaly that was previously identified in 2004. The 2007 geochemical survey identified anomalous zones and a follow-up drill program is being considered.

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

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

The Pipestone Lake property is located in north central Manitoba, approximately 150km south of Thompson. At the Pipestone Lake's Areas 1 and 2, drilling to date has outlined an a non-compliant NI-43-101 historic indicated resource of 156.8 million tonnes grading 5.56% TiO₂, 28.11% Fe₂O₃ and 0.22% vanadium pentoxide (Reedman & Associates-1998). More infill drilling could significantly increase the resource.

G. Ryan Cooke, P.Geo., Gossan's Lead Director – Exploration is the Company's Qualified Person and he has reviewed and approved the technical contents of this MD&A.

Gossan also has a direct investment in The Claims Network (TCN), a web-based technology company with an extensive product data library, engaged in providing the Property and Causality Insurance Industry with loss assessment information. TCN currently has adequate cash to pursue and develop its business. Gossan completed its purchase of a 30% equity interest in TCN in July 2002. During the quarter ending September 30, 2007 the Company established a non-cash mark-up of \$18,472 (2006 -

\$3,950) in its investment to reflect Gossan's share of TCN's profits during the period resulting in the carrying value of the TCN investment being increased to \$137,229 at the end of the period. The business continues to grow and remains profitable. During 2007, Gossan's equity interest in TCN increased to 37% as a result of a mandatory share buyback under the terms of TCN's shareholders agreement. A similar increase in Gossan's equity interest in TCN is anticipated in the next few months.

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

Liquidity and Capital Resources

At September 30, 2007, the Company had working capital of \$2,298,779 which reflects an improvement \$2,358,612 since March 31, 2007. This improvement primarily reflects the completion of a \$2,800,000 private placement on May 18, 2007, offset by the Company's ongoing expenses. At September 30, 2007 Gossan had a cash position of \$2,349,629 up from \$56,781 at the 2007 fiscal year end.

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

Share Capitalization

The Company is authorized to issue an unlimited number of Common Shares of which 28,920,900 were outstanding as at September 30, 2007. An additional 9,510,788 common shares were reserved for issuance in relation to warrants and stock options as at September 30, 2007.

On May 18, 2007, the Company completed a private placement of 7,000,000 units at \$0.40 per unit for net proceeds of \$2,641,240. Each Unit consists of one common share and one-half of a share purchase warrant. A whole warrant is exercisable over a one year period at \$0.60 per share and callable in certain circumstances if the Company's shares trade at or above \$0.90 for 20 consecutive trading days. Finders fees of 7% cash (\$158,760) and 7% warrants (396,900 finders warrants) to purchase common shares at \$0.40 per share for a one year period were paid in regard to the financing.

As at November 27, 2007, there were 29,020,900 Common Shares outstanding and 37,642,800 shares on a fully diluted basis.

Selected Annual Information

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

Statement of Operations and Deficit Data

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

Balance Sheet Data

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

Selected Quarterly Information

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

2008 Unaudited	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	(\$)	(\$)	(\$)	(\$)
Revenue – other	1,893	461		
Administrative expenses	113,678	121,003		
Stock Option Compensation expense	181,528	54,955		
Mineral properties written off	Nil	Nil		
Investment mark-up (write-down) – TCN	6,677	18,472		
Loss for the quarter	286,636	157,025		
Loss per common share (basic & fully diluted)	0.01	0.005		
2007 Unaudited	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	(\$)	(\$)	(\$)	(\$)
Revenue – other	2,396	13,875	11,035	251
Administrative expenses	83,087	93,103	115,890	210,971
Stock Option Compensation expense	Nil	Nil	35,250	100,090
Mineral properties written off	Nil	Nil	231,303	331
Investment mark-up (write-down) – TCN	12,700	3,950	14,830	17,655
Loss for the quarter	67,991	75,278	361,578	293,286
Loss per common share (basic & fully diluted)	0.004	0.004	0.018	0.014
2006 Unaudited	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	(\$)	(\$)	(\$)	(\$)
Revenue – other	1,210	716	219	5,790
Administrative expenses	87,108	101,266	123,305	164,448
Stock Option Compensation expense	Nil	73,710	67,860	11,330
Mineral properties written off	Nil	Nil	19,800	165,109
Investment mark-up (write-down) – TCN	(3,345)	12,345	9,000	12,175
Future income tax recovery	Nil	Nil	Nil	260,000
Loss for the quarter	88,243	161,915	201,746	63,922
Loss per common share (basic & fully diluted)	0.005	0.009	0.010	0.003

Over the past eight quarters administrative expenses have ranged between \$83,087 and \$123,305, except for the Fourth Quarters which are seasonally higher (2007-\$210,971 and 2006-\$ 164,448). Stock-based compensation expense for options generally occurs in the quarter that stock options are granted. This non-cash expense is significant to the magnitude of the Company's loss and may be somewhat greater around the time of the Company's Annual Shareholders' Meeting when a larger number of options may be granted. Mineral properties are written off from time to time when the management believes their

value is impaired. Future income tax recoveries may be material and they are booked in the quarter following the issuance of flow-through shares. For additional information regarding period to period variations, kindly refer to the Results of Operations and other sections of this MD&A.

Transactions with Related Parties

The following is a summary of the related party transactions of the Company during the interim period ended September 30, 2007:

During the interim period ended September 30, 2007, a director was paid \$20,960 for geological field work (\$28,160 in 2006) and is owed \$2,400 at September 30, 2007 (\$nil in 2006); and another director, appointed President October 1, 2004 was compensated \$36,000 for corporate administration services (\$33,000 in 2006) and is owed \$6,800 at September 30, 2007 (\$30,500 in 2006). An officer of the Company charged \$15,000 for management services (\$15,000 in 2006) and is owed \$7,500 at September 30, 2007 (\$5,000 in 2006). The basis of compensation to related parties reflects market rates for similar services.

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

Supplemental Information:

Expense comparisons for the interim period ended September 30

	September 2007	September 2006
INVESTOR RELATIONS		
Canada (Press releases etc)	\$ 2,962	\$ 4,843
IR in Europe	14,000	-
Website/Conventions	15,011	12,317
	<u>\$ 31,973</u>	<u>\$ 17,160</u>
OFFICE AND GENERAL		
Wages and benefits	\$ 46,458	\$ 41,807
Rent	7,581	7,549
Insurance	7,934	8,050
Office supplies & equipment	694	3,289
Telephone	2,860	2,618
Misc (courier etc)	3,223	194
	<u>\$ 68,750</u>	<u>\$ 63,507</u>
PUBLIC COMPANY EXPENSES		
Transfer Agent fees	\$ 7,118	\$ 5,379
TSX Venture Exchange	15,255	538
Other (SEDAR etc)	14,573	13,431
	<u>\$ 36,946</u>	<u>\$ 19,348</u>
TRAVEL AND RELATED		
		-
Domestic	\$ 13,291	\$ 11,462
United States	-	-
Other	-	1,944
	<u>\$ 13,291</u>	<u>\$ 13,406</u>

Changes in Accounting Policies

To date, Gossan has not earned significant revenues from its exploration properties and is thus considered to be in the development stage. Gossan was incorporated in 1980. In regard to CICA Accounting Guideline 11 (AcG11), management believes it is not appropriate to disclose cumulative-from-inception accounts.

Financial Instruments, comprehensive income (loss), and hedges

In January 2005, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook Sections 3855, Financial Instruments - Recognition and Measurement", 1530, "Comprehensive Income", and 3865, "Hedges". These new standards are effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2006 on a prospective basis; accordingly, comparative amounts for prior periods have not been restated. The Company has adopted these new standards effective January 1, 2007.

(a) Financial instruments - recognition and measurement

Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented. This Section requires that:

All financial assets be measured at fair value on initial recognition and certain financial assets to be measured at fair value subsequent to initial recognition;

All financial liabilities be measured at fair value if they are classified as held for trading purposes. Other financial liabilities are measured at amortized cost using the effective interest method; and

All derivative financial instruments be measured at fair value on the balance sheet, even when they are part of an effective hedging relationship.

(b) Comprehensive income (loss)

Section 1530 introduces a new requirement to temporarily present certain gains and losses from changes in fair value outside net income. It includes unrealized gains and losses, such as: changes in the currency translation adjustment relating to self-sustaining foreign operations; unrealized gains or losses on available-for-sale investments; and the effective portion of gains or losses on derivatives designated as cash flow hedges or hedges of the net investment in self-sustaining foreign operations.

(c) Hedges

Section 3865 provides alternative treatments to Section 3855 for entities which choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guideline 13 "Hedging Relationships", and the hedging guidance in Section 1650 "Foreign Currency Translation" by specifying how hedge accounting is applied and what disclosures are necessary when it is applied.

(d) Impact upon adoption of Sections 1530, 3855 and 3865

The Company has evaluated the impact of these new standards on its financial statements and determined that no adjustments are currently required. The adoption of these Handbook Sections had no impact on opening deficit.

Future accounting changes

Capital Disclosures and Financial Instruments - Disclosures and Presentation

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, Capital Disclosures, Handbook Section 3862, Financial Instruments - Disclosures, and Handbook Section 3863, Financial Instruments - Presentation. These new standards are effective for interim and annual financial statements for the Company's reporting period beginning on January 1, 2008.

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

The new Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments - Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The Company is currently assessing the impact of these new accounting standards on its financial statements.

Critical Accounting Estimates

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

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

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

Risks and Uncertainties

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

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

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

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

Disclosure Controls

All new financial disclosure is reviewed by management, the audit committee and the board of directors prior to dissemination. The Company has an audit committee charter and the audit committee meets with the Company's auditor independent of management. All new disclosure pertaining to resource properties is National Instrument 43-101 compliant and reviewed by: the Qualified Person responsible for the supervision of the technical information being reported upon; the lead director – exploration; and management, prior to dissemination. The Company does not currently have a formal disclosure policy. Management believes that at its current stage of development the Company's disclosure controls and procedures are effective and adequate at this time.

Internal Controls

All new financial disclosure is reviewed by management, the audit committee and the board of directors prior to dissemination. The Company has an audit committee charter and the audit committee meets with the auditor, including a session without management present, at least once a year.

Gossan, as of April 1, 2007, utilizes a service organization to perform the majority of its financial reporting functions and also provides administrative banking services. Due to the limited number of transactions and the basic nature of these transactions, it is not practical to assess the Company's internal controls against common criteria for larger corporations. Currently the primary control is the requirement for two signatures on cheques written by the Company supported by the use of an independent service organization to perform the majority of the Company's financial reporting functions. Management believes that the Company's internal controls are adequate at this time to be considered effective. Prior to April 1, 2007, Gossan utilized an internal Controller who was responsible for the Company's financial administration, including payables and cheque preparation; however the Controller had no cheque signing authority.

Management is responsible for certifying the design of the Company's internal control over financial reporting as required by Multilateral Instrument 52-109; Certification of Disclosure in Issuers Annual and Interim Filings; and CSA staff notice 52-316 Certification.

The design of Internal Control over Financial Reporting (ICFR) is intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable Canadian GAAP. ICFR should include those policies and procedures that establish the following: maintenance of records in reasonable detail, that accurately and fairly reflect the transactions and dispositions of the Company's assets; reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with applicable Canadian GAAP; receipts and expenditures are only being made in accordance with authorizations of management and the Board of Directors; reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements. Because of its inherent limitations, ICFR may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to

the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management, including the Chief Executive Officer and Chief Financial Officer, has assessed the design of the Company's internal controls over financial reporting as of September 30, 2007, pursuant to the requirements of Multilateral Instrument 52-109. The Company has designed appropriate internal controls over financial reporting for the nature and size of its business, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP except as noted herein. The Company uses a service organization to perform the majority of its financial reporting functions including the recording of transactions, the reconciliation of accounts and the preparation of financial statements. Controlling and monitoring processes performed by the service organization are as important as controlling and monitoring processes performed within the Company. Management currently monitors the work performed by the service organization through the review of financial statements and other financial information and discussions with the staff of the service organization. Though these monitoring controls do provide some assurance, they lack a sufficient level of precision to ensure all errors are prevented or detected.

In 2006 and 2007 the particular service organization has been attempting to obtain an Auditors report of controls as a service organization, however there is no guarantee that this will be obtained. It is intended that this report, once obtained, will provide information for management to assess whether internal controls at the service organization are sufficient, as well as indicating whether they are designed and operating effectively. There have been no changes in ICFR during the quarter ended September 30, 2007 that have materially affected, or are reasonably likely to materially affect the Company's ICFR.

Forward Looking Statements

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

Richard Stefanyshyn
Secretary-Treasurer and CFO
Gossan Resources Limited
Winnipeg, Canada
November 27, 2007