



RESOURCES LIMITED

NEWS RELEASE 13-01

## **Gossan and Owner of High Efficiency Magnesium Production Process Fail to Conclude Definitive Agreement**

March 4, 2013 – **Gossan Resources Limited** (GSS-TSX.V & GSR-Frankfurt/Freiverkehr & Xetra) holds a large, NI 43-101, high-purity, magnesium-rich dolomite deposit near Inwood Manitoba. The Inwood Magnesium Project has been advanced over the past several years based on the expectation for higher magnesium prices and the development of more efficient magnesium extraction processes.

On March 7, 2007, Gossan entered into a Memorandum of Understanding to collaborate on the development of a new high efficiency magnesium production process being developed by Douglas J. Zuliani with an option to acquire a 100% interest in the worldwide rights to the technology. In September 2007, Gossan announced the successful completion of thermodynamic modeling of the Zuliani Process by Dr. Arthur Pelton of Thermfact utilizing the world leading FactSage system. Thereafter, three phases of progressive bench scale testing were conducted at Process Research Ortech with favourable results announced in May 2009, September 2009, and April 2010. However it was not possible to conduct further testing to advance the process due to the scarce availability of a specialized furnace. Over the past three years, Gossan has held numerous negotiations with Dr. Zuliani concerning the possible purchase of the technology and retention of Dr. Zuliani as a consultant, as well as, a revenue sharing model. During this period, the Company was not able to complete its due diligence to its satisfaction nor reach a final agreement that was in the interest of the Company. On March 1, 2013, the Company was advised by Dr. Zuliani that he would not accept Gossan's latest offer pertaining to the ongoing development and commercialization of the Zuliani Process for the primary production of magnesium metal and the original agreement (the 2007 Memorandum of Understanding) had expired. Dr. Zuliani advised that he remains open to consideration of another offer.

At the current time considerable uncertainty has developed regarding the outlook and future of the magnesium market. In January 2013, the USGS reported that magnesium production declined in 2012 from 771 to 750 thousand metric tonnes. China produces about 85% of the world's magnesium. As of January 1, 2013, China dropped its 10% export duty on magnesium ingot which has resulted in a softening of magnesium prices. Industry commentators had expected that if the export duty was eliminated to satisfy a WTO ruling, it would be effectively and simultaneously replaced by other WTO-acceptable taxes. To date China has not introduced any new taxes affecting the magnesium industry which as a result has clouded the outlook for magnesium prices. However on February 19, 2013, it was reported that the Tax Policy Division of the Chinese Ministry of Finance will in the future introduce a levy on carbon dioxide emissions for collection by local taxation authorities. The implications of this future potential tax, if introduced, are unknown.

The USGS also reported a significant shift in magnesium production within China in order to significantly reduce production costs by utilizing re-cycled waste residual gas from coking operations as a fuel source rather than coal. As coal is a major input cost, the effect on Chinese production costs could be significant and when coupled with the elimination of the 10% export duty would materially erode the expected direct costs savings of magnesium production in Canada using the Zuliani Process in comparison to direct cost of Chinese magnesium ingot landed in western markets. The viability of utilizing the Zuliani Process in emerging markets is harder to assess.

Gossan Resources Limited is engaged in mineral exploration and development in Manitoba and northwestern Ontario. It has a well-diversified portfolio of properties hosting gold, platinum group and base metals, as well as the specialty and minor metals, vanadium, titanium, tantalum, lithium and chromium. The Company also has a large deposit of magnesium-rich dolomite and a silica frac sand deposit. The company trades on the TSX Venture and the Frankfurt/Freiverkehr & Xetra Exchanges and has 33,170,400 common shares outstanding.

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