



Dear Shareholders,

The past year has been extraordinarily challenging for junior resource companies. Commodity prices have been in decline reflecting a slowdown in the Chinese economy; uncertainty about the European economy, the sustainability of its debt loads and the Euro's future; the effects of monetary easing and its potential reduction; and a slow economic recovery in the United States. Commodity-related share prices have reflected this environment where even the shares of major metal producers have been in decline.

Over the past year, Gossan continued to pursue the development of the Inwood-Zuliani Magnesium Project and the Manigotagan Silica Frac Sand Project. While the Company was unable to acquire the rights to the Zuliani high-efficiency primary magnesium process; it was successful in negotiating the sale of its frac sand property. The Company continues to husband its cash resources while evaluating new projects.

Although Gossan's considerable exposure within the magnesium industry last year attracted investment interest in our project, it failed to deliver a partner. In China, the world's dominant magnesium producer, a trend developed utilizing waste coke oven gases to reduce costs and, at year-end, China eliminated its export tax on magnesium. As a result, magnesium prices declined materially reducing the potential cost savings of the Zuliani Process. Despite long and intensive negotiations, the Company was not able to complete the due diligence required to reach a final new agreement with the developer of the Zuliani technology that was in the interest of the Company.

A major accomplishment during the year was the negotiation of the sale of the Manigotagan Silica Frac Sand Project to Claim Post Resources Inc. Gossan has been seeking a joint-venture partner or a purchaser for the Project since completing a marketing study in late 2010. Claim Post holds the adjacent property and a consolidation of the two properties should improve the viability of a frac sand operation. Gossan now holds an equity stake in Claim Post and will receive minimum property payments of \$1,330,000 cash, as well as, a significant royalty interest on future production.

The Company has a wholly-owned nickel-PGM resource on the Bird River Sill that was developed with our former joint venture partners - Stillwater Mining and Marathon PGM - who incurred over \$4.7 million of exploration and acquisition expenditures at the project over the past few years. Management believes higher nickel prices and consolidation of the adjacent deposits on the Bird River Sill are required to improve the economics in order to proceed to development.

In Manitoba, there remain considerable challenges in the consultation and engagement process with First Nations. Despite our efforts, we have made limited progress in advancing Gossan's Pipestone and Sharpe Lake Projects.

I would like to thank Gossan's officers, directors, staff and consultants for their efforts and the Company's shareholders for their continuing support. I would like to express my appreciation to the Company's Directors for waiving their directors' fee compensation for the past fiscal year in order to preserve the Company's cash resources. The Company continues to resist the erosion of shareholder value from dilutive share offerings. Gossan remains a unique exploration Company focused on developing resource deposits in Manitoba.

August 29, 2013

Douglas Reeson
President & Director