
GOSSAN RESOURCES LIMITED
CONDENSED INTERIM FINANCIAL STATEMENTS
THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

MANAGEMENT'S RESPONSIBILITY LETTER

Management acknowledges responsibility for the preparation and presentation of the unaudited condensed interim financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting, using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

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

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

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of management. The unaudited condensed interim financial statements have not been reviewed by the Company's auditors.

Gossan Resources Limited
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
(Unaudited)

As at	September 30, 2016	March 31, 2016
ASSETS		
Current Assets		
Cash	\$ 96,719	\$ 243,338
Short term investments	20,029	20,029
Accounts receivable	10,522	8,132
Prepaid expenses	8,803	17,605
Marketable securities (Note 6)	60,000	60,000
	196,073	349,104
Non-Current		
Restricted cash (Note 5)	207,401	207,401
Equipment (Note 8)	817	959
	208,218	208,360
	\$ 404,291	\$ 557,464
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 44,005	\$ 44,777
Due to related parties (Note 14)	113,115	105,352
	157,120	150,129
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	11,851,494	11,851,494
Contributed surplus	1,556,747	1,556,747
Deficit	(13,161,070)	(13,000,906)
	247,171	407,335
	\$ 404,291	\$ 557,464

See accompanying notes to these unaudited condensed interim financial statements.

Nature of Operations and Going Concern (Note 1)
Contingencies and Commitments (Note 13)

Approved on Behalf of the Board:

"Douglas Reeson"
Director

"Andrew Thomson"
Director

Gossan Resources Limited**CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Expressed in Canadian Dollars)

(Unaudited)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2016	2015	2016	2015
Expenses				
Exploration and evaluation expenditures (Note 7)	\$ 19,465	\$ 1,714	\$ 23,562	\$ 9,924
General and administrative (Note 12)	76,389	72,786	136,602	125,551
Net loss before the following	(95,854)	(74,500)	(160,164)	(135,475)
Gain on disposition of mineral property interest	-	-	-	25,000
Fair value adjustment on marketable securities	(80,000)	(40,000)	-	(60,000)
Net loss and comprehensive loss	\$ (175,854)	\$ (114,500)	\$ (160,164)	\$ (170,475)
Basic and diluted net loss and comprehensive loss per share (Note 11)	\$ (0.01)	\$ 0.00	\$ 0.00	\$ (0.01)
Weighted average number of common shares outstanding	33,170,400	33,170,400	33,170,400	33,170,400

See accompanying notes to these unaudited condensed interim financial statements.

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

For the Six Months Ended September 30,	2016	2015
Cash (used in) provided by:		
Operating Activities		
Net loss for the period	\$ (160,164)	\$ (170,475)
Adjustment for:		
Depreciation	142	204
Fair value adjustment on marketable securities	-	60,000
Gain on disposition of mineral property interest	-	(25,000)
Stock-based compensation	-	1,178
Non-cash working capital items:		
Accounts receivable	(2,390)	6,655
Prepaid expenses	8,802	(4,559)
Accounts payable and accrued liabilities	(772)	(16,215)
Due to related parties	7,763	(13,699)
	(146,619)	(161,911)
Investing Activities		
Change in restricted cash	-	(5,348)
Net change in cash	(146,619)	(167,259)
Cash, beginning of period	243,338	550,791
Cash, end of period	\$ 96,719	\$ 383,532

See accompanying notes to these unaudited condensed interim financial statements.

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

	Share Capital	Warrant Reserve	Contributed Surplus	Deficit	Total
Balance, March 31, 2015	\$ 11,851,494	\$ -	\$ 1,544,555	\$ (12,658,696)	\$ 737,353
Stock-based compensation	-	-	1,178	-	1,178
Net loss and comprehensive loss for the period	-	-	-	(170,475)	(170,475)
Balance, September 30, 2015	11,851,494	-	1,545,733	(12,829,171)	568,056
Balance, March 31, 2016	\$ 11,851,494	\$ -	\$ 1,556,747	\$ (13,000,906)	\$ 407,335
Net loss and comprehensive loss for the period	-	-	-	(160,164)	(160,164)
Balance, September 30, 2016	\$ 11,851,494	\$ -	\$ 1,556,747	\$ (13,161,070)	\$ 247,171

See accompanying notes to these unaudited condensed interim financial statements.

Gossan Resources Limited
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS
SIX MONTHS ENDED SEPTEMBER 30, 2016
(Expressed in Canadian Dollars)
(Unaudited)

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. To date, the Company is considered to be in the exploration and evaluation stage.

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

These unaudited condensed interim financial statements have been prepared on the basis of a going concern, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company has not earned significant revenues. The ability of the Company to continue as a going concern is dependent upon the discovery of economically recoverable reserves; confirmation of the Company's ownership in the underlying mineral claims; the acquisition of required permits to mine; the ability of the Company to obtain necessary financing to complete exploration and development; and the future profitable production or proceeds from disposition of such properties. These unaudited condensed interim 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 indicate the existence of material uncertainties that cast significant doubt over the ability of the Company to continue as a going concern.

As the Company has no revenue producing mines, the Company's ability to continue as a going concern is dependent upon its ability to raise funds in the capital markets, or through the sale of assets. The Company is in the exploration and evaluation stage and as is common with many exploration companies, it raises financing for its exploration and acquisition activities in discrete tranches. The Company had working capital of \$38,953 at September 30, 2016 (March 31, 2016 - \$198,975). At September 30, 2016, the Company had sufficient funds to finance its current exploration plans and administrative expenses and expects to be a going concern for the next twelve months. Further financing will be required for operations beyond the next twelve months and there is no assurance these funds can be raised. The Company's discretionary exploration activities do have considerable scope for flexibility in terms of the amount and timing of exploration expenditures, and expenditures may be adjusted accordingly.

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). To the Company's knowledge, significant shareholders of the Company (defined as those holding greater than 10%) include only the Company's chief executive officer, Mr. Douglas Reeson, who held 15.4% of the Company's issued and outstanding common shares as at September 30, 2016.

The financial statements were approved by the Board of Directors on November 29, 2016.

2. Accounting Policies

a) Statement of Compliance

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

Gossan Resources Limited

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED SEPTEMBER 30, 2016

(Expressed in Canadian Dollars)

(Unaudited)

2. Accounting Policies (Continued)

b) Basis of Presentation

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

In the preparation of these unaudited condensed interim financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the unaudited condensed interim financial statements and the reported amounts of expenses during the period. Actual results could differ from these estimates.

c) New Accounting Standards Adopted

In December 2014 the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendments form a part of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The new standard was adopted April 1, 2016, with no impact upon the unaudited condensed interim financial statements.

d) Future Accounting Changes

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2016 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine the impact on the Company.

- (i) IFRS 9 - Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted. The Company is currently assessing the impact of this pronouncement.
- (ii) In January 2016, the IASB issued IFRS 16, Leases (IFRS 16). IFRS 16 is effective for periods beginning on or after January 1, 2019, with early adoption permitted. IFRS 16 eliminates the current dual model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. The Company is currently assessing the impact of this pronouncement.

There are no other relevant IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

Gossan Resources Limited

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED SEPTEMBER 30, 2016

(Expressed in Canadian Dollars)

(Unaudited)

3. Capital Management

The Company manages its capital with the following objectives:

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

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

The Company considers its capital to be shareholders' equity, comprising share capital, contributed surplus, and deficit, which at September 30, 2016, totalled \$247,171 (March 31, 2016 - \$407,335).

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 six months ended September 30, 2016. The Company is not subject to externally imposed capital requirements.

4. Mineral Property and Financial Risk Factors

a) Mineral Property Risk

The Company's major mineral properties are listed in Note 7. Unless the Company acquires or develops additional material mineral properties, the Company will be mainly dependent upon its existing properties. If no additional major mineral properties are acquired by the Company, any adverse development affecting the Company's properties would have a materially adverse effect on the Company's financial condition and results of operations.

b) Financial Risks

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

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

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, short term investments and accounts receivable. Cash and short term investments are held with select major Canadian chartered banks, from which management believes the risk of loss to be minimal.

Management believes that the credit risk with respect to financial instruments included in accounts receivable is minimal. Accounts receivable consists of sales tax receivable from government authorities in Canada. Accounts receivable are in good standing as of September 30, 2016.

Gossan Resources Limited

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED SEPTEMBER 30, 2016

(Expressed in Canadian Dollars)

(Unaudited)

4. Mineral Property and Financial Risk Factors (Continued)

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at September 30, 2016, the Company had cash of \$96,719 (March 31, 2016 - \$243,338) to settle current liabilities of \$157,120 (March 31, 2016 - \$150,129). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity.

Market Risk

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

Interest Rate Risk

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

Foreign Currency Risk

The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As a result, the Company's exposure to foreign currency risk is minimal.

Price Risk

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

Gossan Resources Limited

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED SEPTEMBER 30, 2016

(Expressed in Canadian Dollars)

(Unaudited)

4. Mineral Property and Financial Risk Factors (Continued)

b) Financial Risk (Continued)

Sensitivity Analysis

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

- (i) The Company has no term debt and receives low interest rates on its cash balances. As such the Company does not have significant interest rate risk.
- (ii) The Company does not hold balances in foreign currencies to give rise to exposure to foreign exchange risk.
- (iii) Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability from mineral exploration depends upon the world market price of valuable minerals. Commodity prices have fluctuated significantly in recent years. There is no assurance that, even as commercial quantities of minerals may be produced in the future, a profitable market will exist for them.

As of September 30, 2016, the Company is not a producer of valuable minerals. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

- (iv) Mineral property risk is significant. In particular, if an economic orebody is not found, the Company cannot enter into commercial production and generate sufficient revenues to fund its continuing operations. There can be no assurance that the Company will generate any revenues or achieve profitability or provide a return on investment in the future from any of the properties it may have an interest in.
- (v) A variance of 10% in the market value of the Company's marketable securities would affect the Company's loss and comprehensive loss by \$6,000.

5. Restricted Cash

On March 7, 2012, the Company closed the sale of its Equity interest in The Claims Network ("TCN") for a sale price of \$1,510,000. Of the \$1,510,000 gross proceeds, a restricted cash escrow of \$200,000 was established pertaining to specific contingencies for a period of five years. The balance includes interest earned of \$7,401.

6. Marketable Securities

The Company holds 4,000,000 (March 31, 2016 - 4,000,000) common shares of Claim Post Resources Inc. The securities have been designated as financial assets 'at fair value through profit or loss' ("FVTPL"), and are measured at fair value on each reporting period. Any changes in market value are recorded on the Company's statement of earnings (loss) and comprehensive earnings (loss). As at September 30, 2016, the marketable securities held had a fair market value of \$0.015 per share, or \$60,000 in aggregate. (March 31, 2016 - \$0.015).

Gossan Resources Limited

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED SEPTEMBER 30, 2016

(Expressed in Canadian Dollars)

(Unaudited)

7. Exploration and Evaluation Expenditures

	Historical Expenditures, March 31, 2016	Current Expenditures	Historical Expenditures, September 30, 2016
Pipestone Lake (i)	\$ 1,803,260	\$ -	\$ 1,803,260
Bird River (ii)	902,277	2,921	905,198
Inwood	1,132,590	2,708	1,135,298
Separation Rapids	193,689	750	194,439
Manigotagan Silica (iii)	785,058	3,294	788,352
Sharpe Lake	482,474	-	482,474
Sturgeon Lake (iv)	12,800	13,889	26,689
Other	3	-	3
	\$ 5,312,151	\$ 23,562	\$ 5,335,713

In addition to the above expenditures, during the six months ended September 30, 2016, the Company incurred \$nil in evaluation expenditures on prospective property interests.

	Historical Expenditures, March 31, 2015	Current Expenditures	Historical Expenditures, September 30, 2015
Pipestone Lake (i)	\$ 1,800,832	\$ -	\$ 1,800,832
Bird River (ii)	894,036	8,150	902,186
Inwood	1,132,521	-	1,132,521
Separation Rapids	192,176	-	192,176
Manigotagan Silica (iii)	784,923	135	785,058
Sharpe Lake	482,391	-	482,391
Other	3	-	3
	\$ 5,286,882	\$ 8,285	\$ 5,295,167

In addition to the above expenditures, during the six months ended September 30, 2015, the Company incurred \$1,639 in evaluation expenditures on prospective property interests.

- (i) The Pipestone project is a 50% joint operation with Cross Lake Mineral Explorations Inc.
- (ii) The Bird River project is wholly-owned by the Company. Prior to March 24, 2012, the project was held pursuant to a joint venture agreement with Stillwater Mining Company ("Stillwater") who acquired the interest from Marathon PGM Corporation.

Gossan Resources Limited

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED SEPTEMBER 30, 2016

(Expressed in Canadian Dollars)

(Unaudited)

7. Exploration and Evaluation Expenditures (Continued)

- (iii) On June 18, 2013, the Company closed a purchase and sale agreement to vend its Manigotagan Silica Frac Sand Project, comprised of 9 quarry leases located near Seymourville Manitoba, to Claim Post Resources Inc. ("Claim Post") (CPS-TSX.V). Gossan had been seeking a joint-venture partner or a purchaser for the Project since completing a marketing study in late 2010. In 2012, Claim Post acquired the adjacent Seymourville Property to the south and announced plans to develop a frac sand operation. The consolidation of the two properties should improve the viability of the project.

Under the terms of the agreement, Gossan has received 3,000,000 common shares of Claim Post (ascribed a fair value of \$95,000) and two cash payments totalling \$700,000, of which \$350,000 was recognized in the Company's March 31, 2014 audited financial statements and \$350,000 was recognized in the Company's March 31, 2015 audited financial statements. Consideration for this purchase and sale agreement is recognized in the Company's statement of earnings (loss) and comprehensive earnings (loss) as a gain on disposition of mineral property interest when it is received, or where the receipt of which is certain. One further cash payment totalling \$430,000 was initially due on June 18, 2015, however, the Company amended the agreement to provide an extension in the due date of the \$430,000 payment for 6 months to December 18, 2015, subject to interest at 1% per month, and a payment of 1,000,000 common shares of Claim Post (received June 25, 2015, and ascribed a fair value of \$25,000 upon receipt), as well as an increase in the advance royalty provisions.

To date, Claim Post has not made the \$430,000 property payment with interest nor the first advance royalty payment of \$50,000 which were all due on December 18, 2015. Claim Post did not make the second advance royalty payment of \$50,000 due on June 18, 2016. Claim Post's total indebtedness to Gossan as at March 31, 2016 was \$521,972, growing to \$587,610 after the missed June 18, 2016 payment. Gossan remains in ongoing discussions with Claim Post to find a satisfactory resolution. Currently Claim Post does not have adequate financial resources to make the overdue payments

Under the terms of the amended agreement an initial annual advance royalty payment of \$50,000 payable as of June 18, 2016, became a semi-annual advance royalty payment of \$50,000 payable as of December 18, 2015. All frac sand produced, sold and paid from the nine Manigotagan leases is subject to a \$1.00 per tonne production royalty payable quarterly and all other products are subject to a \$0.50 per tonne production royalty. Although the royalty is solely payable on production from the Manigotagan leases, the agreement also provides for a minimum production royalty from both the Manigotagan and the adjacent Seymourville Property held by Claim Post, based on their relative remaining mining reserves of frac sand with Gossan's Manigotagan Property having a deemed minimum mineable reserve of 6 million tonnes of frac sand. Claim Post can acquire one-half of Gossan's production royalty interest for \$1.5 million at any time after making all of the required property payments.

- iv) On July 28, 2016, the Company acquired 15 claims in the zinc-rich polymetallic Sturgeon Lake Greenstone Belt in northwestern Ontario. In November 2015, the Company staked three claims and subsequently acquired an additional 12 claims from Excalibur Resources Ltd. along with a significant amount of exploration data. Recent work now in the possession of Gossan includes: a VTEM electromagnetic geophysical survey by Geotech Ltd.; an Enzyme Leach geochem survey and a Soil Gas Hydrocarbon geochem survey, both processed by Actlabs; and results from a limited drill program on the eastern portion of the acquired claims. In September 2016, the Company initiated a geochemical survey on the property.

Gossan Resources Limited

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED SEPTEMBER 30, 2016

(Expressed in Canadian Dollars)

(Unaudited)

8. Equipment

COST

	Computer Equipment	Computer Software	Field Equipment	Furniture and Fixtures	Total
Balance, March 31, 2016 and September 30, 2016	\$ 19,599	\$ 7,435	\$ 1,155	\$ 5,327	\$ 33,516

ACCUMULATED DEPRECIATION

	Computer Equipment	Computer Software	Field Equipment	Furniture and Fixtures	Total
Balance, March 31, 2016	\$ 18,967	\$ 7,435	\$ 1,115	\$ 5,040	\$ 32,557
Depreciation for the period	94	-	6	42	142
Balance, September 30, 2016	\$ 19,061	\$ 7,435	\$ 1,121	\$ 5,082	\$ 32,699

CARRYING AMOUNTS

	Computer Equipment	Computer Software	Field Equipment	Furniture and Fixtures	Total
At March 31, 2016	\$ 632	\$ -	\$ 40	\$ 287	\$ 959
At September 30, 2016	\$ 538	\$ -	\$ 34	\$ 245	\$ 817

9. Share Capital

a) Authorized share capital

At September 30, 2016, the authorized share capital consisted of an unlimited number of common shares. The common shares do not have a par value.

b) Common shares issued

At September 30, 2016, the issued share capital amounted to \$11,851,494. There was no change in share capital during the period.

	Number of Common Shares	Amount
Balance, March 31, 2016 and September 30, 2016	33,170,400	\$ 11,851,494
Balance, March 31, 2015 and September 30, 2015	33,170,400	\$ 11,851,494

Gossan Resources Limited
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS
SIX MONTHS ENDED SEPTEMBER 30, 2016
(Expressed in Canadian Dollars)
(Unaudited)

10. Stock Options

The following table reflects the continuity of stock options for the six months ended September 30, 2016 and 2015:

	Number of Stock Options	Weighted Average Exercise Price (\$)
Balance, March 31, 2016	1,750,000	0.08
Expired/Cancelled	(260,000)	0.14
Balance, September 30, 2016	1,490,000	0.07

	Number of Stock Options	Weighted Average Exercise Price (\$)
Balance, March 31, 2015	1,820,000	0.12
Granted	1,130,000	0.05
Expired	(1,020,000)	0.09
Balance, September 30, 2015	2,950,000	0.10

As at September 30, 2016, all options were exercisable.

The following table reflects the actual stock options issued and outstanding as of September 30, 2016:

Expiry Date	Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)	Number of Options Outstanding
March 21, 2017	0.05	0.72	320,000
March 21, 2017	0.16	0.47	150,000
March 21, 2017	0.12	0.47	80,000
September 21, 2017	0.12	0.98	160,000
September 22, 2017	0.05	0.98	150,000
March 18, 2021	0.05	4.47	630,000
	0.07	2.38	1,490,000

Gossan Resources Limited

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED SEPTEMBER 30, 2016

(Expressed in Canadian Dollars)

(Unaudited)

11. Net Loss per Common Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. Diluted loss per share is the same as basic loss per share for the three and six months ended September 30, 2016 and 2015.

12. General and Administrative

	Three Months Ended September 30,		Six Months Ended September 30,	
	2016	2015	2016	2015
Administrative fees	\$ 6,070	\$ 6,091	\$ 11,426	\$ 11,300
Management fees	21,000	21,000	42,000	42,000
Office and general	22,186	22,465	43,369	39,595
Public company costs	16,822	23,260	26,824	30,375
Investor relations	8,637	(750)	9,804	250
Travel and related	1,603	618	3,037	649
Stock-based compensation	-	-	-	1,178
Depreciation	71	102	142	204
	\$ 76,389	\$ 72,786	\$ 136,602	\$ 125,551

13. Contingencies and Commitments

By agreement dated September 17, 2012, the Company is committed under an operating lease for its office premises with the following lease payments to the expiration of the lease on September 30, 2017.

2017	6,457
2018	6,457
	\$ 12,914

Gossan Resources Limited

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED SEPTEMBER 30, 2016

(Expressed in Canadian Dollars)

(Unaudited)

14. Related Party Balances and Transactions

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

The Company entered into the following transactions with related parties:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2016	2015	2016	2015
Chief Executive Officer ("CEO") fees	(i) \$ 18,000	\$ 18,000	\$ 36,000	\$ 36,000
Marrelli Support Services Inc.	(ii) \$ 9,069	\$ 8,838	\$ 17,425	\$ 17,047

- (i) CEO fees for the period. As at September 30, 2016, \$52,260 (March 31, 2016 - \$40,135) was included in due to related parties with respect to fees and reimbursable expenditures.
- (ii) During the three and six months ended September 30, 2016, the Company expensed \$9,069 and \$17,425, respectively, (three and six months ended September 30, 2015 - \$8,838 and \$17,047, respectively) to Marrelli Support Services Inc. ("Marrelli Support") and DSA Corporate Services Inc. (the "DSA"), together known as the "Marrelli Group" for:
- (i) Robert D.B. Suttie to act as Chief Financial Officer ("CFO") of the Company;
 - (ii) Bookkeeping and office support services;
 - (iii) Corporate filing services

The Marrelli Group is also reimbursed for out of pocket expenses.

Both Marrelli Support and DSA are private companies. Robert Suttie is the Vice-President of Marrelli Support.

As of September 30, 2016 the Marrelli Group was owed \$2,605, (March 31, 2016 - \$6,967) and these amounts were included in due to related parties.

- (iii) For the three and six months ended September 30, 2016, \$nil in directors fees were incurred (three months ended September 30, 2015 - \$nil), As at September 30, 2016, \$63,050 (March 31, 2016 - \$63,050) was outstanding in regard to current and prior years retained directors fees, of which \$45,800 (March 31, 2016 - \$45,800) was held for the purchase of the Company's common shares. An additional \$17,250 (March 31, 2016 - \$17,250) was included in due to related parties with respect to prior years directors fees to be settled in cash.

The above noted transactions are in the normal course of business and are measured at the exchange amount, as agreed to by the parties, and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

15. Subsequent Event

On November 16, 2016, Gossan announced it had entered into an Exclusive Supply Agreement with Sediment Research & Minerals Ltd. ("SRML") for the provision of high-purity dolomite. SRML has identified several markets for dolomite and also has access to a process with the potential to extract magnesium oxide from dolomite in a green-friendly manner.

SRML intends to utilize its proprietary processes to develop a set of high-value by-products, to be trade named SRMLstone, SRMLcrush and SRMLslab. Markets for these innovative specialty products include agriculture, aquaculture, human & animal healthcare, mineral development & tailings remediation and wallboard construction.

Under the terms of the exclusive supply agreement, Gossan will receive a production royalty on all dolomite quarried and sold of \$1.00 per tonne for products with a price of less than \$70 per tonne and a royalty of 2% for products with a price of \$70 per tonne or greater. Gossan will also retain an equity interest in the project.