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GOSSAN RESOURCES LIMITED  
CONDENSED INTERIM FINANCIAL STATEMENTS  
THREE AND NINE MONTHS ENDED DECEMBER 31, 2015 AND 2014  
(EXPRESSED IN CANADIAN DOLLARS)  
(UNAUDITED)

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## **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	December 31, 2015	March 31, 2015
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 324,274	\$ 550,791
Short term investments	20,029	20,029
Accounts receivable	7,817	11,288
Prepaid expenses	6,425	6,285
Marketable securities (Note 6)	20,000	75,000
	<b>378,545</b>	<b>663,393</b>
<b>Non-Current</b>		
Restricted cash (Note 5)	205,348	200,000
Equipment (Note 8)	1,061	1,367
	<b>206,409</b>	<b>201,367</b>
	<b>\$ 584,954</b>	<b>\$ 864,760</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 42,948	\$ 55,677
Due to related parties (Note 14)	62,207	71,730
	<b>105,155</b>	<b>127,407</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 9)	11,851,494	11,851,494
Contributed surplus	1,545,733	1,544,555
Deficit	(12,917,428)	(12,658,696)
	<b>479,799</b>	<b>737,353</b>
	<b>\$ 584,954</b>	<b>\$ 864,760</b>

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) EARNINGS AND COMPREHENSIVE (LOSS) EARNINGS

(Expressed in Canadian Dollars)

(Unaudited)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2015	2014	2015	2014
<b>Expenses</b>				
Exploration and evaluation expenditures (Note 7)	\$ 2,415	\$ 10,205	\$ 12,339	\$ 15,159
General and administrative (Note 12)	65,842	73,912	191,393	201,279
<b>Net loss before the following</b>	<b>(68,257)</b>	<b>(84,117)</b>	<b>(203,732)</b>	<b>(216,438)</b>
Gain on disposition of mineral property interest (Note 7(iii))	-	350,000	25,000	350,000
Fair value adjustment on marketable securities	(20,000)	(105,000)	(80,000)	90,000
<b>Net (loss) earnings and comprehensive (loss) earnings</b>	<b>\$ (88,257)</b>	<b>\$ 160,883</b>	<b>\$ (258,732)</b>	<b>\$ 223,562</b>
<b>Basic and diluted net (loss) earnings and comprehensive (loss) earnings per share (Note 11)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Weighted average number of common shares outstanding</b>	<b>33,170,400</b>	<b>33,170,400</b>	<b>33,170,400</b>	<b>33,170,400</b>

See accompanying notes to these unaudited condensed interim financial statements.

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

<b>For the Nine Months Ended December 31,</b>	<b>2015</b>	<b>2014</b>
<b>Cash (used in) provided by:</b>		
<b>Operating Activities</b>		
Net (loss) earnings for the period	\$ (258,732)	\$ 223,562
Adjustment for:		
Depreciation	306	438
Fair value adjustment on marketable securities	80,000	(90,000)
Gain on disposition of mineral property interest	(25,000)	(350,000)
Stock-based compensation	1,178	-
Non-cash working capital items:		
Accounts receivable	3,471	343,443
Prepaid expenses	(140)	(5,037)
Accounts payable and accrued liabilities	(12,729)	(8,808)
Due to related parties	(9,523)	(50,413)
	<b>(221,169)</b>	<b>63,185</b>
<b>Financing Activities</b>		
Proceeds received on disposition of mineral property interest	-	350,000
	-	350,000
<b>Investing Activities</b>		
Change in restricted cash	(5,348)	-
<b>Net change in cash</b>	<b>(226,517)</b>	<b>413,185</b>
<b>Cash, beginning of period</b>	<b>550,791</b>	<b>194,711</b>
<b>Cash, end of period</b>	<b>\$ 324,274</b>	<b>\$ 607,896</b>

See accompanying notes to these unaudited condensed interim financial statements.

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

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	<b>Share Capital</b>	<b>Warrant Reserve</b>	<b>Contributed Surplus</b>	<b>Deficit</b>	<b>Total</b>
<b>Balance, March 31, 2014</b>	\$ 11,851,494	\$ -	\$ 1,544,555	\$ (12,636,038)	\$ 760,011
Net earnings and comprehensive earnings for the period	-	-	-	223,562	223,562
<b>Balance, December 31, 2014</b>	11,851,494	-	1,544,555	(12,412,476)	983,573
<b>Balance, March 31, 2015</b>	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	-	-	-	(258,732)	(258,732)
<b>Balance, December 31, 2015</b>	<b>\$ 11,851,494</b>	<b>\$ -</b>	<b>\$ 1,545,733</b>	<b>\$ (12,917,428)</b>	<b>\$ 479,799</b>

*See accompanying notes to these unaudited condensed interim financial statements.*

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**Gossan Resources Limited**  
**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**  
**NINE MONTHS ENDED DECEMBER 31, 2015**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

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**1. Nature of Operations and Going Concern**

Gossan Resources Limited ("Gossan" or "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 \$273,390 at December 31, 2015 (March 31, 2015 - \$535,986). At December 31, 2015, 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 13.44% of the Company's issued and outstanding common shares as at December 31, 2015.

The financial statements were approved by the Board of Directors on February 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").

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# Gossan Resources Limited

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

NINE MONTHS ENDED DECEMBER 31, 2015

(Expressed in Canadian Dollars)

(Unaudited)

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### 2. Significant Accounting Policies (Continued)

#### b) Basis of Presentation

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

In the preparation of these 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 financial statements and the reported amounts of expenses during the period. Actual results could differ from these estimates.

#### c) New Accounting Standards Adopted

- (i) IAS 24 'Related Party Disclosures' amendments clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. The Company adopted this standard, effective April 1, 2015, with no impact upon its 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, 2015 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.



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# Gossan Resources Limited

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

NINE MONTHS ENDED DECEMBER 31, 2015

(Expressed in Canadian Dollars)

(Unaudited)

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### 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 December 31, 2015, totalled \$479,799 (March 31, 2015 - \$737,353).

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating and capital expenditures, and other investing and financing activities. The forecast is updated based on activities related to its mineral properties. Selected information is provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the three and nine months ended December 31, 2015. 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 December 31, 2015.

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# Gossan Resources Limited

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

NINE MONTHS ENDED DECEMBER 31, 2015

(Expressed in Canadian Dollars)

(Unaudited)

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### 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 December 31, 2015, the Company had cash of \$324,274 (March 31, 2015 - \$550,791) to settle current liabilities of \$105,155 (March 31, 2015 - \$127,407). 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, 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, generally, to determine the appropriate course of action to be taken by the Company.

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# Gossan Resources Limited

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

NINE MONTHS ENDED DECEMBER 31, 2015

(Expressed in Canadian Dollars)

(Unaudited)

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### 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 if commercial quantities of minerals may be produced in the future, a profitable market will exist for them.

As of December 31, 2015, 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 \$2,000.

### 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.

### 6. Marketable Securities

The Company holds 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 December 31, 2015, the marketable securities held had a fair market value of \$20,000 (March 31, 2015 - \$75,000).

## Gossan Resources Limited

### NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

NINE MONTHS ENDED DECEMBER 31, 2015

(Expressed in Canadian Dollars)

(Unaudited)

#### 7. Exploration and Evaluation Expenditures

	Historical Expenditures, March 31, 2015	Current Expenditures	Historical Expenditures, December 31, 2015
Pipestone Lake	\$ 1,800,832	\$ 2,402	\$ 1,803,234
Bird River	894,036	8,150	902,186
Inwood	1,132,521	69	1,132,590
Separation Rapids	192,176	1,500	193,676
Manigotagan Silica	784,923	135	785,058
Sharpe Lake	482,391	83	482,474
Other	3	-	3
	<b>\$ 5,286,882</b>	<b>\$ 12,339</b>	<b>\$ 5,299,221</b>

*In addition to the above expenditures, during the nine months ended December 31, 2015, the Company incurred \$nil in evaluation expenditures on prospective property interests.*

	Historical Expenditures, March 31, 2014	Current Expenditures	Historical Expenditures, December 31, 2014
Pipestone Lake (i)	\$ 1,800,832	\$ -	\$ 1,800,832
Bird River (ii)	888,254	1,593	889,847
Inwood	1,129,160	3,361	1,132,521
Separation Rapids	192,176	-	192,176
Manigotagan Silica (iii)	784,143	-	784,143
Sharpe Lake	481,163	98	481,261
Other	3	-	3
	<b>\$ 5,275,731</b>	<b>\$ 5,052</b>	<b>\$ 5,280,783</b>

*In addition to the above expenditures, during the nine months ended December 31, 2014, the Company incurred \$10,107 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.

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## Gossan Resources Limited

### NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

NINE MONTHS ENDED DECEMBER 31, 2015

(Expressed in Canadian Dollars)

(Unaudited)

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#### 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. 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. 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, now becomes 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.

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 Seymourville Properties 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.

# Gossan Resources Limited

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

NINE MONTHS ENDED DECEMBER 31, 2015

(Expressed in Canadian Dollars)

(Unaudited)

### 8. Equipment

#### *COST*

	Computer Equipment	Computer Software	Field Equipment	Furniture and Fixtures	Total
Balance, March 31, 2015 and December 31, 2015	\$ 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, 2015	\$ 18,699	\$ 7,435	\$ 1,095	\$ 4,920	\$ 32,149
Depreciation for the period	201	-	15	90	306
Balance, December 31, 2015	\$ 18,900	\$ 7,435	\$ 1,110	\$ 5,010	\$ 32,455

#### *CARRYING AMOUNTS*

	Computer Equipment	Computer Software	Field Equipment	Furniture and Fixtures	Total
At March 31, 2015	\$ 900	\$ -	\$ 60	\$ 407	\$ 1,367
At December 31, 2015	\$ 699	\$ -	\$ 45	\$ 317	\$ 1,061

### 9. Share Capital

#### a) Authorized share capital

At December 31, 2015, 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 December 31, 2015, the issued share capital amounted to \$11,851,494. There was no change in share capital in the current period.

	Number of Common Shares	Amount
Balance, March 31, 2015 and December 31, 2015	33,170,400	\$ 11,851,494
Balance, March 31, 2014 and December 31, 2014	33,170,400	\$ 11,851,494

**Gossan Resources Limited**  
**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**  
**NINE MONTHS ENDED DECEMBER 31, 2015**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

**10. Stock Options**

The following table reflects the continuity of stock options for the nine months ended December 31, 2015 and 2014:

	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
<b>Balance, December 31, 2015</b>	<b>1,930,000</b>	<b>0.10</b>

	Number of Stock Options	Weighted Average Exercise Price (\$)
Balance, March 31, 2014	2,620,000	0.13
Expired	(100,000)	0.17
<b>Balance, December 31, 2014</b>	<b>2,520,000</b>	<b>0.13</b>

As at December 31, 2015, all options were exercisable.

- (i) On June 25, 2015, the Company granted 580,000 incentive stock options to officers, directors and an employee of the Company. The options are exercisable at \$0.05 per share, expire September 22, 2015, and vest immediately upon grant. The resulting fair value of \$58 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility from 85%; a risk-free interest rate of 0.62% and an expected life of 0.25 years. During the nine months ended December 31, 2015, \$58 was charged to the Company's statement of loss and comprehensive loss.
- (ii) On June 25, 2015, the Company granted 400,000 incentive stock options to officers, directors and an employee of the Company. The options are exercisable at \$0.05 per share, expire March 22, 2016, and vest immediately upon grant. The resulting fair value of \$400 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility from 85%; a risk-free interest rate of 0.62% and an expected life of 0.70 years. During the nine months ended December 31, 2015, \$400 was charged to the Company's statement of loss and comprehensive loss.
- (iii) On June 25, 2015, the Company granted 150,000 incentive stock options to a director of the Company. The options are exercisable at \$0.05 per share, expire September 22, 2017, and vest immediately upon grant. The resulting fair value of \$720 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility from 85%; a risk-free interest rate of 0.62% and an expected life of 2.15 years. During the nine months ended December 31, 2015, \$720 was charged to the Company's statement of loss and comprehensive loss.

**Gossan Resources Limited**  
**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**  
**NINE MONTHS ENDED DECEMBER 31, 2015**  
(Expressed in Canadian Dollars)  
(Unaudited)

**10. Stock Options (Continued)**

The following table reflects the actual stock options issued and outstanding as of December 31, 2015:

<b>Expiry Date</b>	<b>Exercise Price (\$)</b>	<b>Weighted Average Remaining Contractual Life (years)</b>	<b>Number of Options Outstanding</b>
March 15, 2016	0.08	0.21	410,000
March 21, 2016	0.16	0.24	70,000
March 21, 2016	0.12	0.24	70,000
March 22, 2016	0.05	0.22	400,000
March 25, 2016	0.16	0.23	80,000
March 26, 2016	0.17	0.24	100,000
March 21, 2017	0.16	1.22	280,000
March 21, 2017	0.12	1.22	80,000
September 21, 2017	0.12	1.73	290,000
September 22, 2017	0.05	1.73	150,000
	<b>0.10</b>	<b>0.73</b>	<b>1,930,000</b>

**11. Net Loss per Common Share**

Basic earnings (loss) per share is computed using the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is the same as basic earnings (loss) per share for the three and nine months ended December 31, 2015 and 2014.

**12. General and Administrative**

	<b>Three Months Ended December 31,</b>		<b>Nine Months Ended December 31,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Administrative fees	\$ 5,182	\$ 5,043	\$ 16,482	\$ 14,674
Management fees	21,000	21,000	63,000	63,000
Consulting	-	3,000	-	9,000
Office and general	21,606	13,554	61,201	50,555
Public company costs	11,704	20,303	42,079	46,111
Investor relations	3,145	10,866	3,395	16,246
Travel and related	3,103	-	3,752	1,255
Stock-based compensation	-	-	1,178	-
Depreciation	102	146	306	438
	<b>\$ 65,842</b>	<b>\$ 73,912</b>	<b>\$ 191,393</b>	<b>\$ 201,279</b>



**Gossan Resources Limited**  
**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**  
**NINE MONTHS ENDED DECEMBER 31, 2015**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

**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.

2016	3,228
2017	12,913
2018	6,457
	\$ 22,598

**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:

		<b>Three Months Ended December 31,</b>		<b>Nine Months Ended December 31,</b>	
		<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Chief Executive Officer ("CEO") fees	(i) \$	<b>18,000</b>	\$ 18,000	<b>\$ 54,000</b>	\$ 54,000
Consulting fees paid to Directors	(ii) \$	-	-	-	-
Marrelli Support Services Inc.	(iii) \$	<b>9,035</b>	\$ 8,644	<b>\$ 26,082</b>	\$ 31,674

- (i) CEO fees for the period. As at December 31, 2015, \$28,187 (March 31, 2015 - \$9,560) was included in due to related parties with respect to fees and reimbursable expenditures.
- (ii) Consulting fees paid to Directors relate to evaluation, geological and community engagement consulting services. As at December 31, 2015, \$nil (March 31, 2015 - \$nil) was included in due to related parties with respect to these fees.
- (iii) During the three and nine months ended December 31, 2015, the Company expensed \$9,035 and \$26,082 respectively, (three and nine months ended December 31, 2014 - \$8,644 and \$31,674, 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 (from March 28, 2014; Carmelo Marrelli prior to March 28, 2014) 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. Carmello Marrelli is the President Marrelli Support and corporate secretary and sole director of DSA.

As of December 31, 2015, the Marrelli Group was owed \$1,970, (March 31, 2015 - \$7,150) and these amounts were included in due to related parties.

- (iv) For the three and nine months ended December 31, 2015, \$nil in directors fees were incurred (three and nine months ended December 31, 2014 - \$nil), As at December 31, 2015, \$32,050 (March 31, 2015 - \$32,050) was outstanding in regard to prior years retained directors fees held for the purchase of the Company's common shares. An addiitonal \$nil (March 31, 2015 - \$22,000) was included in due to related parties with respect to prior years directors fees to be settled in cash.

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**Gossan Resources Limited**  
**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**  
**NINE MONTHS ENDED DECEMBER 31, 2015**  
**(Expressed in Canadian Dollars)**  
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**14. Related Party Balances and Transactions (Continued)**

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.

Other remuneration of Directors and Officers of the Company was as follows:

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Stock-based payments	\$ -	\$ -	\$ 1,178	\$ -

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