



RESOURCES LIMITED

**Management Discussion and Analysis  
1<sup>st</sup> Quarter 2012 - Ending June 30, 2011**

# Gossan Resources Limited

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE 1<sup>ST</sup> QUARTER ENDING JUNE 30<sup>TH</sup>, 2011

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 June 30, 2011. The MD&A was prepared as of September 28, 2011 and should be read in conjunction with the related interim financial statements, including the notes thereto, and the audited annual financial statements, including the notes thereto, for the year ended March 31, 2011, including the notes thereto, and the related MD&A. These financial statements are filed on the SEDAR website [www.sedar.com](http://www.sedar.com) where additional disclosure relating to the Company can also be located.

On April 1, 2011, Gossan adopted International Financial Reporting Standards ("IFRS"). The unaudited condensed consolidated interim financial statements for the three months ended June 30, 2011, have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"), using accounting policies consistent with IFRS. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Readers of this MD&A should refer to "Change in Accounting Policies" below for a discussion of IFRS and its effect on the Corporation's financial presentation.

The comparative financial information of fiscal year 2011 in this MD&A has been restated to conform to IFRS, unless otherwise stated.

### 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" (WKN 904435). The Company is primarily engaged in the business of exploration and development of mineral resources. Gossan has a well-diversified portfolio of properties hosting gold, platinum group and base metals, as well as the specialty and minor metals, vanadium, titanium, chromium, tantalum and lithium. The Company also has a large deposit of magnesium-rich dolomite, the world-wide rights to the Zuliani magnesium production process, and a silica frac sand deposit. None of Gossan's properties are currently in production. All of the properties are located in Manitoba and northwestern Ontario.

Gossan also holds a 66.34% controlling equity interest in The Claims Network Inc. (TCN), a service provider to the property and casualty insurance industry. TCN is a web-based enterprise engaged in providing the insurance industry with contents loss valuations, on-site claims reporting of losses, and content claims software. TCN is a successful enterprise that is growing, profitable and generating cash. On September 23, 2011, Gossan announced it had received an offer to purchase its equity interest in TCN.

### Results of Operations

On October 31, 2010, Gossan increased its equity ownership in The Claims Network from 46.71% to 66.34%. As this is a control position in TCN, Gossan's financial statements reflected the full results of The Claims Network on a consolidated basis from November 1, 2010, to March 31, 2011 when the classification of TCN was changed to assets/liabilities held-for-sale and discontinued operations, due a potential sale of this investment. Prior to November 1, 2010, the equity method of accounting was utilized. There is no adjustment of the prior comparative period(s) and as a result comparative information may be of limited analytical value.

The net loss and comprehensive loss for the three months ending June 30, 2011 was \$155,790 as compared to a net loss and comprehensive loss of \$140,006 for the three months ending June 30, 2010. The increase in the net loss and comprehensive loss of \$15,784 primarily reflects a reduction in net income from discontinued operations from \$42,822 to \$32,727 at TCN. Exploration expenditures increased by \$2,916 to \$39,699. The \$2,773 increase in general and administrative expenses primarily reflects generally lower administrative expenses offset by an increase of \$62,480 in stock-based compensation from the prior year. Lower administrative fees reflect reductions in management fees, consulting and public company costs.

The net loss and comprehensive loss for the year ending March 31, 2011 was \$408,624 as compared to a net loss and comprehensive loss of \$385,806 for the year ending March 31, 2010. The increase in the net loss and comprehensive loss of \$22,818 primarily reflects: the consolidation pick-up of \$196,374 in TCN's gross margin; an increase in net administrative expenses of \$73,692 primarily reflecting the related consolidated administrative expenses of TCN; a \$61,965 reduction in the share of TCN profit, reflecting the accounting change to consolidation; a \$25,978 income tax charge, reflecting the TCN consolidation; and a reduction of \$21,315 in the gain on the Bird River joint venture. Non-cash stock-based compensation expense increased by \$19,030. The consolidation of TCN also resulted in a minority interest allocation of net income of \$18,932.

The net loss and comprehensive loss for the year ending March 31, 2010 was \$385,806 as compared to a net loss and comprehensive loss of \$11,680 for the year ending March 31, 2009. The increase in the loss of \$374,126 primarily reflects: an increase in net administrative expenses of \$31,291; a decrease in interest and other income of \$30,546 due to near-zero interest rates; a smaller gain on the Bird River Joint Venture which decreased to \$70,742 from \$450,000 in the prior year; and an increase of \$65,702 in the non-cash equity gain from The Claims Network. The increase in administrative expenses primarily reflects: an increase in Public company costs – Professional fees of \$67,505 due to greater legal, audit and one-time tax review fees as well as the initiation of market-making liquidity services; offset by lower costs in most other expense categories. The write down of mineral properties declined to \$2,099 compared to \$11,416 in the prior period. For additional information refer to the Supplemental Information section of this MD&A for detailed expense analysis.

The net loss and comprehensive loss for the year ending March 31, 2009 was \$11,680 as compared to \$795,150 for the year ending March 31, 2008. The decrease of \$783,470 reflects lower administrative expenses of \$314,951 and a gain on the formation of the Bird River Joint Venture of \$450,000. Office and general expenses declined by \$18,024 and consulting fees declined by \$26,444. Public company expenses declined by \$28,608 due to the payment of listing and other fees associated with a private placement in the prior period. Stock-based compensation was lower by \$240,983 in the current period. For additional information refer to the Supplemental Information section of this MD&A for detailed expense analysis.

### **Mineral Properties**

Currently, Gossan's property portfolio consists of two components. The Sharpe Lake, Bird River, and the new Vermillion Properties have significant exploration targets for precious and base metals. Gossan continues to look for a joint venture partner for the Sharpe Lake Property. On March 26, 2007 the Company entered into an option and joint venture agreement on the Bird River Property with Marathon PGM Corporation and a joint venture was triggered on August 25, 2008. Stillwater Mining Company acquired Marathon PGM in late 2010 and has continued as Gossan's partner. 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 development programs which could lead to the completion of scoping or pre-feasibility studies. The Company is conducting an ongoing evaluation of the Zuliani Process for the production of magnesium metal from dolomite. Gossan is also assessing the market in the oil and gas sector for proppant frac sand and considering the development of the Manigotagan Silica Sand

Project through joint venture. The continuing advancement of exploration and development at the Company's properties is dependent upon future financings.

#### Bird River Project

The Bird River Property which covers over 9,000 hectares along 22 kilometres of the Bird River Sill Complex is comprised of the Western (Ward's - Coppermine) Extension and 4 separate blocks of the Sill – the National Ledin, the Chrome and its Extension, the Peterson and the Page Blocks, along with the Ore Fault Zone. 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, immediately adjacent to the west and northwest of Mustang Minerals' Makwa (formerly Maskwa) Deposit. The Makwa Deposit has a NI 43-101 probable reserve of 9.855 million tonnes grading 0.54% Ni; 0.11% Cu; 0.02% Co; and 0.434 gpt palladium and platinum.

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 earned an undivided 50% interest in the Bird River Project by spending \$3.0 million on exploration and acquisition costs and making cash payments of \$500,000 to the Company. In the fall of 2010, Marathon was acquired by Stillwater Mining Company ("Stillwater").

On August 25, 2008, Marathon triggered the formation of a joint venture by making the final \$400,000 cash payment to the Company - the remaining portion of the \$500,000 trigger payment - and having expended in excess of \$3 million on the Bird River Project, including the acquisition of the Ore Fault property. The Company's percentage ownership of the joint venture is subject to change based on its contributions to the joint venture's work programs. As at June 30, 2011, the Company owns an approximate 45% interest in the project and it has contributed \$279,759 to the joint venture's work programs. If the Company fails to contribute to three successive work programs, or is diluted to a ten percent equity interest in the Project, the Company's interest will be reduced to a 3% net smelter return royalty. On each March 30th and September 30th, from August 25, 2008 to the date of Commencement of Commercial Production, Stillwater, formerly Marathon, is required to make non-refundable advance payments of a net profits interest or an NSR royalty to the Company in the amount of \$50,000 as long as Stillwater remains the manager of the Project.

As a result of the formation and the subsequent activity of the joint venture, the Company has received six semi-annual \$50,000 non-refundable advance payments to date and this \$300,000 non-refundable balance is recorded as a liability on the balance sheet as Deferred income.

On August 19, 2008, Marathon advised that it had finalized the acquisition the Ore Fault Property from Bird River Mines Inc. by making a final cash payment of \$1,450,000. The Ore Fault Property is within the area of influence and is part of the Gossan-Marathon Joint Venture. The 446-hectare Ore Fault Property is located adjacent to the Page Block at the eastern end of Gossan's Bird River Property and immediately north of Mustang Minerals' Maskwa Property. Bird River Mines Inc. will retain a 1% net smelter return royalty in the Ore Fault Property. For further information refer to NR-08-11 dated August 19, 2008.

Mineralization at the Page Block has been historically known to occur along the base of the Bird River Sill. In light of a number of historical holes that intersected mineralization, Marathon's objective of drilling the Page block is to create sufficient drill intersection density to enable the calculation of an initial NI 43-101 compliant resource. In 2001, Manitoba Industry, Trade and Mines conducted a re-assaying program of core from the Page Block – drilled by Hudson Bay Mining and Smelting Co., Ltd. in 1954 - that identified a 4.6 metre section of drill core grading 1.43% nickel, 1.38% copper and 1.6gpt palladium. In 2005 and 2006, North American Palladium Ltd. drilled nine holes in this area which encountered significant sulphide mineralization. This program was highlighted by hole BR-05-02 that intersected 13.75 meters of 1.08% nickel; 0.50% copper; 0.27gpt platinum; and 0.73gpt palladium at a depth of 47.7

metres, as well as, hole BR-06-10 that intersected 8.7 metres of 0.92% nickel; 0.40% copper; 0.26gpt platinum; and 0.89gpt palladium at a depth of 77.9 metres. This mineralized zone is open along strike and at depth. Mineralization at the Page Block consists of disseminated, blebby and locally net textured sulphides (pyrrhotite, chalcopyrite +/- pyrite) along the base of the Bird River Sill and in underlying mafic and ultramafic volcanics.

During the summer and fall of 2007, Marathon undertook a detailed compilation of historical work and conducted a prospecting program on the Bird River Sill. Marathon's prospecting has yielded positive initial results, as a number of rock samples collected over a strike length of 800 metres exhibit high values of PGM and variable nickel and copper values. These samples were 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.

On January 7, 2008, Marathon announced the Option & Joint Venture of the adjacent 446-hectare Ore Fault Property held by Bird River Mines Inc. (BRMI-CNQ). The Ore Fault Property lies within the area of influence and is part of the Gossan-Marathon Option and Joint Venture Agreement. The two properties together are referred to as the Bird River Project. Marathon undertook a major drilling program on both of the Bird River properties during the winter and into the spring of 2008 with the goal of developing a NI 43-101 resource. After freeze-up, a ground IP geophysics program was conducted on selected grids on the Page Block, the Galaxy occurrence, and the Ore fault North Zone to assist in defining drill targets. For further information refer to NR-07-15 dated November 1, 2007 and NR-08-01 dated February 28, 2008. The Bird River Project's winter drill program was completed in April, 2008. It was comprised of 38 holes (6,938m). At the Page Block, 13 holes (2,047m) were drilled and 4 holes (582.4m) were drilled at the Galaxy occurrence. At the Ore Fault Property which is part of the Gossan – Marathon joint venture, 21 holes (4,308m) were drilled in two stages at the Ore Fault North Zone.

Results from the 13 holes drilled at the Page Block during the winter of 2008 confirm historic drill results and expand the known dimensions of the Page Zone mineralization. Multiple stacked sulphide lenses of Ni-Cu-PGM mineralization characterize the Page Zone. Semi-massive to massive sulphide lenses as in Hole MP-08-08, typically have higher metal values and require more definition. Historically, exploration at the Page Block was focused along the contact on the northern margin of the Bird River Sill. The current drill program has established that the Page Zone is actually much wider than previously known with thicker intersections of mineralization located to the south. The mineralization outlined to date dips to the south at a shallow angle making it ideal for potential extraction by open pit mining. Currently the maximum thickness of the mineralized sequence is known to be 180m and it remains open down dip to the south. Highlights of the drill program include Hole MP-08-08 with a 15.5m intersection of Ni-Cu-PGM mineralization grading 0.81% Nickel, 0.35% Copper, and 0.67gpt PGM and Gold in a sulphide lens and Hole MP-08-03 with a 47.34m interval grading 0.35% Nickel, 0.11% Copper and 0.344gpt PGM and Gold which demonstrates the potential for open-pit mining. For further information refer to NR-08-04 dated May 12, 2008 and NR-08-07 dated May 26, 2008. A drill program on the Page Block comprised of five holes totaling 437 metres was completed in February 2009.

The area just west of the Page and Peterson Blocks, which includes the Galaxy Showing and a 600 metre long EM and magnetic anomaly, was examined during the winter of 2008 by ground IP geophysics and a limited 4-hole drill program which did not intersect economic mineralization. Prospecting has shown the EM anomaly to be mineralized with grab samples assaying up to 1.13% copper and 2gpt gold. In 2002, a limited shallow small-core drill program conducted by prospectors at the Galaxy Showing encountered 0.44 metres assaying 3.79% nickel; 0.8gpt platinum; 3.5gpt palladium; 0.16% copper; and 0.12% cobalt.

Marathon's geological interpretation from the Ore Fault North Zone (OFNZ) drilling reveals that there are two mineralized systems. Ni-Cu-PGM sulphide mineralization is hosted within north-west trending and moderately dipping (~50 to 70 degrees west) ultramafic units of the Bird River Sill and north trending VMS-type Zn-Ag-Cu mineralization hosted within near vertical quartz veins and associated chlorite-garnet schist. In the winter of 2008, a total of 21 holes (4,308 m) were drilled in two stages at the Ore

Fault North Zone. Highlights of the drill program included Hole MF0807 with 17.5m true width of the lower Zn-Cu-Ag mineralization grading 0.03% Ni, 0.74% Cu, 4.61% Zn, and 51.1gpt Ag and a 53m intersection of the upper Ni-Cu-PGM mineralization grading 0.82% Nickel, 0.25% Copper and 1.15gpt PGM and Gold in a sulphide lens within hole MP0810. For further information refer to NR-08-03 dated April 23, 2008, NR-08-08 dated May 28, 2008 and NR-08-09 dated July 16, 2008.

Marathon completed a Crone geophysical down-hole survey on 8 holes at the OFNZ. The down-hole survey is a widely used exploration tool to assist in detection of off-hole mineralization. The results of the Crone survey will be used to target drill locations in future programs. A grouping of geophysical anomalies elsewhere on the Ore Fault Property was tested with four drill holes in the Winter 2009 drill program.

On January 15, 2009, the Company announced initial resource estimates for the Page Block and Ore Fault North Zones. The NI 43-101 compliant resource estimates were completed by independent mining consultants and Qualified Persons, F.H. Brown C.P.G., Pr.Sci.Nat., and Antoine Yassa, P.Geo. of P&E Mining Consultants Inc., of Brampton, Ontario ("P&E") (see NR-09-01 dated January 15, 2009).

### Page Block Mineral Resource at US\$12.00/tonne NSR Cut-Off

|           |                    |           |           |           |             |             |             |             | Contained Metals<br>Base Metals lbs x 1,000,000<br>Precious Metals ozs x 1,000 |     |     |      |             |
|-----------|--------------------|-----------|-----------|-----------|-------------|-------------|-------------|-------------|--|-----|-----|------|-------------|
| Category  | Tonnes<br>(x1,000) | Ni<br>(%) | Cu<br>(%) | Zn<br>(%) | Ag<br>(gpt) | Au<br>(gpt) | Pt<br>(gpt) | Pd<br>(gpt) | Ni   | Cu  | Zn  | Ag   | PGM<br>+ Au |
| Indicated | 1,498              | 0.32      | 0.13      | 0.01      | 0.90        | 0.02        | 0.07        | 0.28        | 10.6   | 4.3 | 0.3 | 41.0 | 17.8        |
| Inferred  | 261                | 0.27      | 0.09      | 0.01      | 0.80        | 0.02        | 0.07        | 0.25        | 1.6  | 0.5 | 0.0 | 7.1  | 2.8         |

### Ore Fault North Zone Mineral Resource at US\$12.00/tonne NSR Cut-Off

|                   |                    |           |           |           |             |             |             |             | Contained Metals<br>Base Metals lbs x 1,000,000<br>Precious Metals ozs x 1,000 |      |      |       |            |
|-------------------|--------------------|-----------|-----------|-----------|-------------|-------------|-------------|-------------|--|------|------|-------|------------|
| Category          | Tonnes<br>(x1,000) | Ni<br>(%) | Cu<br>(%) | Zn<br>(%) | Ag<br>(gpt) | Au<br>(gpt) | Pt<br>(gpt) | Pd<br>(gpt) | Ni   | Cu   | Zn   | Ag    | PGM<br>+Au |
| Ni Zone           |                    |           |           |           |             |             |             |             |  |      |      |       |            |
| Indicated         | 905                | 0.37      | 0.24      | 0.20      | 8.20        | 0.02        | 0.09        | 0.37        | 7.4  | 4.8  | 4.0  | 237.9 | 13.9       |
| Inferred          | 2,509              | 0.35      | 0.19      | 0.08      | 7.10        | 0.01        | 0.10        | 0.40        | 19.6   | 10.8 | 4.6  | 573.6 | 41.7       |
| Zn and<br>Cu Zone |                    |           |           |           |             |             |             |             |  |      |      |       |            |
| Indicated         | 28                 | 0.04      | 0.48      | 1.39      | 59.10       | 0.07        | 0.01        | 0.06        | 0.0  | 0.3  | 0.9  | 52.6  | 0.1        |
| Inferred          | 341                | 0.06      | 0.47      | 2.02      | 44.50       | 0.06        | 0.01        | 0.08        | 0.5  | 3.5  | 15.2 | 487.9 | 1.66       |

1. Mineral resources which are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues.

2. The quantity and grade of reported inferred resources in this estimation are uncertain in nature and there has been insufficient exploration to define these inferred resources as an indicated or measured mineral resource and it is uncertain if further exploration will result in upgrading them to an indicated or measured mineral resource category.

P & E Mining Consultants Inc. (P&E) estimated these new resources, including the 2008 drilling results, using an average internal NSR cut-off of US\$12.00 per tonne (based on processing costs of US\$11.00/t and G&A costs of US\$1.00/t). Mining costs of US\$1.50/rock tonne were used in a pit optimization. Metal prices used in P&E's estimate were Ni US\$12.52/lb, Cu US\$3.18/lb, Zn US\$1.29/lb, Ag US\$13.28/oz, Au US\$716.00/oz, Pt US\$1,345.00/oz and Pd US\$345.00/oz. The metal prices utilized were based on the 36-month trailing average metal prices as at December 2008.

Tonnages were calculated using a bulk density of 2.96 tonnes per cubic metre as determined from ten samples taken by Eugene Puritch, P.Eng. of P&E during a site visit in May 2008. Model grade blocks were sized at 20.0 m wide by 20.0 m long by 10.0 m high. Inverse distance squared (ID<sup>2</sup>) interpolation was used to determine grade block values. Potentially economic resources were constrained within an optimized pit shell.

The summary of the NI43-101 technical report outlining the resource estimates has been filed on SEDAR by Marathon.

Current metal prices are in general reasonably similar to their 36-month trailing average price as at December 2008. The use of lower or higher metal prices would have the effect of reducing or increasing the size of the estimated resource. Inclusion of exploration results since 2008 could improve the quality and size of the resource.

On February 27, 2009, the Company announced the completion of the first phase of the 2009 drilling program with a total of 971 m drilled in 7 holes designed to enhance the two known resources. Two holes (534 m) were drilled at the Ore Fault North Zone and five holes (437 m) were drilled at the Page Block. All of these holes are within the current resource pit shell and will add to the existing resource base. Highlights of the drill program included a 2.8 m intersection of Ni-Cu-PGM mineralization grading 2.66% nickel, 2.10% copper, 15.25 gpt silver and 2.03 gpt PGM + gold in a sulphide lens at the Page Block within hole MP-09-17 and a 2.5 m intersection of Cu-Zn-Ag mineralization grading 2.23% zinc, 0.74% copper and 50.47 gpt silver in a sulphide lens at the Ore Fault Zone within hole MF-09-27. Four additional holes were also drilled to test other geophysical anomalies elsewhere on the Ore Fault Property. For further information refer to NR-09-06 dated March 11, 2009.

**Assay Results – Ore Fault North Zone and the Page Block  
– 2009 Phase 1 Winter Drill Program**

| Hole              | From (m) | To (m) | True Width (m) | Pd (gpt) | Pt (gpt) | Gold (gpt) | Total PGM + Gold (gpt) | Silver (gpt) | Zinc (%) | Cu (%) | Ni (%) |
|-------------------|----------|--------|----------------|----------|----------|------------|------------------------|--------------|----------|--------|--------|
| <b>Ore Fault</b>  |          |        |                |          |          |            |                        |              |          |        |        |
| MF-09-27          | 95       | 99.3   | 4.3            | 0.46     | 0.11     | 0.02       | 0.59                   | 1.83         | 0.03     | 0.15   | 0.45   |
| MF-09-27          | 158      | 186    | 28.0           | 0.52     | 0.12     | 0.02       | 0.66                   | 2.54         | 0.01     | 0.16   | 0.41   |
| Including         | 158      | 159.9  | 1.9            | 0.46     | 0.09     | 0.01       | 0.56                   | 0.84         | 0.01     | 0.08   | 1.15   |
| MF-09-27          | 271      | 276    | 5.0            | 0.82     | 0.17     | 0.07       | 1.06                   | 9.75         | 0.28     | 0.27   | 0.39   |
| MF-09-27          | 277      | 299.2  | 17.0           | 0.01     | 0.01     | 0.04       | 0.05                   | 19.06        | 1.39     | 0.35   | 0.02   |
| Including         | 284.6    | 287.8  | 2.5            | 0.01     | 0.01     | 0.21       | 0.23                   | 50.47        | 2.23     | 0.74   | 0.01   |
| Including         | 294.2    | 299.2  | 4.0            | 0.01     | 0.01     | 0.02       | 0.04                   | 27.16        | 3.17     | 0.51   | 0.02   |
| MF-09-26          | 117      | 129.3  | 12.3           | 0.52     | 0.14     | 0.07       | 0.73                   | 2.25         | Tr       | 0.13   | 0.33   |
| MF-09-26          | 134.1    | 140.0  | 5.0            | Tr       | Tr       | Tr         | Tr                     | 13.73        | 3.79     | 0.56   | Tr     |
| <b>Page Block</b> |          |        |                |          |          |            |                        |              |          |        |        |
| MP-09-14          | 31       | 41.6   | 10.6           | 0.41     | 0.10     | 0.04       | 0.55                   | 1.17         | 0.01     | 0.31   | 0.42   |
| MP-09-15          | 70.2     | 76     | 5.8            | 0.38     | 0.09     | 0.02       | 0.49                   | 2.58         | 0.02     | 0.20   | 0.34   |
| MP-09-17          | 16.1     | 18.9   | 2.8            | 1.66     | 0.34     | 0.03       | 2.03                   | 15.25        | 0.03     | 2.10   | 2.66   |
| MP-09-17          | 27.5     | 29.4   | 1.9            | 0.83     | 0.18     | 0.01       | 1.02                   | 3.20         | 0.01     | 0.53   | 1.47   |
| MP-09-18          | 6.7      | 14     | 7.3            | 0.30     | 0.07     | 0.02       | 0.39                   | 1.08         | 0.01     | 0.18   | 0.31   |

(1) MP-09-16 intersected no significant values

(2) tr” denotes trace concentrations

On June 12, 2009, the Company announced the completion of a 6 hole, 549 metre drill program on the Coppermine Zone located at the western end of the Bird River Project. Lenses of sulphides were intersected in 5 holes with assay results outlined below:

**Assay Results – Coppermine Zone – 2009 Spring Drill Program**

| Hole     | From (m) | To (m) | True Width (m) | Pd (gpt) | Pt (gpt) | Au (gpt) | Total PGM + Gold (gpt) | Cu (%) | Ni (%) |
|----------|----------|--------|----------------|----------|----------|----------|------------------------|--------|--------|
| MC-09-01 | 51       | 57     | 6              | 0.46     | 0.21     | 0.13     | 0.79                   | 0.23   | 0.13   |
| MC-09-02 | 71       | 77     | 6              | 0.32     | 0.15     | 0.06     | 0.52                   | 0.16   | 0.11   |
| MC-09-03 | 44.5     | 50     | 5.5            | 0.35     | 0.17     | 0.16     | 0.68                   | 0.71   | 0.07   |
| MC-09-04 | 31       | 33     | 2              | 1.38     | 0.37     | 0.20     | 1.95                   | 0.36   | 0.02   |
| MC-09-04 | 59       | 67     | 8              | 0.03     | 0.01     | 0.09     | 0.13                   | 0.36   | 0.02   |
| MC-09-06 | 15       | 37     | 22             | 0.51     | 0.30     | 0.11     | 0.92                   | 0.20   | 0.11   |
| MC-09-06 | 21       | 29     | 8              | 0.87     | 0.50     | 0.16     | 1.53                   | 0.29   | 0.19   |

(1) MC-09-05 intersected no significant values

The Coppermine drill results identified a more favourable palladium to platinum ratio of 2.27 compared to 4.35 at the eastern end of the property. Marathon has identified an 800 metre long mineralized strike length at the Coppermine Zone. A single hole at the Coppermine Zone was drilled by Canex Placer Ltd in 1973 which contained a 12.2 m intersection grading 0.24 % nickel, 0.42 % copper, 1.02 gpt platinum and 1.19 gpt palladium. Additional prospecting was carried out by Marathon along strike from this hole, yielding a total of 77 grab samples, of which 20 returned values of greater than 0.5 gpt platinum plus palladium, including 8 samples in the range of 1-3 gpt platinum plus palladium (please see Gossan news release 07-09 of June 11, 2007).

Prior to its acquisition by Stillwater Mining Company, Marathon continued prospecting at the Page Block and Ore Fault Zones to follow up on geophysical anomalies. The 22 km long section of stratigraphy separating the Coppermine and Ore Fault Zones is highly prospective and warrants future drilling. Reinterpretation of the Page and Ore Fault drill databases and re-logging of select Ore Fault and Page holes from as far back as the 1970's will assist in further refinement of the model of mineralization. Gossan contributed to the Winter, Spring, and Fall 2010 Programs which continued this work. In the fall of 2010, a trenching program was conducted between the Ore Fault Zone and the Page Block and the Zn-Cu-Ag mineralized zone was extended 150 metres to the north. Based on drilling up to 2008, over 5 million tonnes of in-pit resource has been successfully delineated at the Ore Fault and Page Zones.

In February 2011, Mustang Minerals announced that it was acquiring a used grinding and milling system to help reduce the capital costs of putting its Maskwa Deposit into production. Mustang also confirmed that it was completing a final feasibility study on the Maskwa Deposit in 2011. Mustang Minerals' Maskwa Property is located immediately adjacent to the south and east of Gossan's Bird River Property.

In September 2011, Stillwater proposed a program to be conducted during the fall of 2011 and the winter of 2012, which would entail: GPS location of historic drill holes; the preparation of a new revised ore resource calculation for the Page Block using a new geological model and data from drill holes completed after the last resource calculation; and a drill program to be undertaken after freeze-up, likely in February of 2012.

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 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](http://www.gossan.ca/jigu.pdf).

### Sharpe Lake Gold Property

The 16,615-hectare (41,055-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 Mega Precious Metals (formerly Rolling Rock Resources and prior thereto a Wolfden-Bema Gold Joint Venture) is developing a high-grade gold resource. The Mega Precious Metals NI 43-101 compliant estimate of measured and indicated resource is 2.4 million tonnes grading 7.61 gpt gold containing 592,093 ounces and an inferred resource of 6.1 million tonnes grading 6.01 gpt gold for a further of 1,187,091 ounces of contained gold. Gossan's property, located 550-km northeast of Winnipeg, is comprised of three expired exploration permits. The Company has re-applied for these exploration permits and their grant remains pending the completion of government consultation with local First Nations. In July of 2011, Gossan and government officials met with First Nation representatives for the purpose of consultation on these permit renewals.

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 the prior year's summer 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 National Instrument 43-101 Report which was filed with SEDAR. 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.

### Rice Lake Gold Royalties

The Company no longer holds any properties in the Rice Lake Gold belt near Bissett, Manitoba. However, Gossan will continue to participate in the Rice Lake Gold belt through NSR interests in two properties – the Angelina and the Topo. The NSR on the Vena property has been extinguished, resulting in a write down of Other Properties by \$1.00 in the 2010 fiscal year.

### Inwood Magnesium Project

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 6,231 hectares (13,396 acres). Its land position is designed 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 Company completed a National Instrument 43-101 resource report based on a 27-hole drill program which was completed in May of 2006. Now the current focus of the Project is the assessment of a new magnesium production process.

The Inwood Magnesium Project is being advanced based on the expectation for higher magnesium prices and the development of more efficient magnesium extraction processes. Magnesium extraction technology will be the future focus of this project. Gossan has also acquired the option on the worldwide rights to the Zuliani Process, an alternative magnesium extraction process. Magnesium prices which increased dramatically in 2008, have softened and stabilized around US \$1.50 per pound. Based on the increase in magnesium production costs in China due to higher energy, raw material and labour costs, it is expected that the current price of magnesium will become the new floor price going forward for the foreseeable future.

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 Magnetherm 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 Magnetherm approach, the process can utilize 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 Magnetherm 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 Magnetherm processes. Based on current information, Gossan intends to commercialize the Zuliani process in approximately 10,000 tonne per annum production increments which will reduce initial investment risk and allow expansion of production capacity in line with market demand.

In order to prove out the technology prior to commercialization, Gossan is undertaking a four phase evaluation process. Initially thermodynamic modelling was successfully used to verify the process fundamentals. The second phase which involved three phases of bench scale testing was contracted at Process Research ORTECH Inc. of Mississauga (PRO). The third phase will involve larger scale batch laboratory testing. Thereafter a fourth 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 modeling 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 has been 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 1550° C which is in line with the aim Process temperature range for magnesium production at atmospheric pressure.
5. The Report confirms that for certain process methods, 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.

Dr. Pelton is a co-founder of the FactSage system, which is among the world’s largest database computing systems in metallurgical 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.

On May 13, 2008, Gossan announced that CANMET Materials Technology Laboratory (CANMET-MTL) of Ottawa, Canada, would conduct bench scale testing of the Zuliani Process to extract magnesium metal from dolomite. The CANMET bench scale tests have been deferred as bench scale and other testing being conducted at ORTECH are progressing satisfactorily.

October 2, 2008, the Company announced it had retained Hatch of Montreal, Canada, to provide engineering process support for the Inwood Magnesium Project. The agreement covers a 5-phase work program culminating with the opening of a Certificate of Authorization file with the Manitoba government for construction and environmental approvals for a production facility at Inwood, located in south-central Manitoba. The initial phases of work will encompass a review of the Zuliani Process technology and the Pelton Thermodynamic Study conducted by THERMFACT using the Magnetherm and Pidgeon Processes as benchmarks. Phase 2 will focus on the evaluation of the planned bench scale test work including a review of the proposed test plan and testing protocols for the work at ORTECH. These two phases will be conducted concurrently. Phases 3-5 are comprised of: an assessment of future pilot plant testing requirements; a Scoping Study providing general capital and operating cost estimates, infrastructure requirements, initial site planning, and a magnesium market study; and assistance in preparing the application for a Certificate of Authorization for construction and environmental approvals for a production facility. Gossan is currently reassessing its engineering needs for the project.

On May 11, 2009, Gossan announced favourable results from its Phase I bench scale testing of the Zuliani Process for the production of magnesium metal from calcined dolomite. The tests were conducted by Process Research Ortech (PRO) of Mississauga, Ontario. A key finding of the final PRO Report for Phase I was that 98.9% of the magnesium contained within calcined dolomite samples was volatilized under the desired experimental conditions. Volatilization, in this case, measures the proportion of magnesium metal that has been released from the calcined dolomite and represents the likely highest possible recovery rate. PRO conducted 8 bench scale tests in Phase I.

The Phase II bench scale testing by Process Research Ortech (PRO) confirmed the earlier conclusions from FactSage modeling that the Zuliani Process (the "Process") will produce magnesium metal under atmospheric conditions thereby avoiding the complexities and added costs associated with operating under vacuum as is required by the Pidgeon and Magnetherm processes. In addition, the Process is being configured to enable either a batch or a continuous operating mode to maximize productivity and efficiency.

On April 27, 2010, Gossan announced the results of the Phase III bench scale tests at Process Ortech. The Phase III tests used a larger sample size in newly designed test equipment. A total of six tests were conducted in this program. Initially during this series of tests, a number of issues specific to the design of the new bench scale test equipment were identified and equipment improvements were made as the tests have progressed. The Phase III bench scale results confirm that the Zuliani Process produces magnesium metal under atmospheric conditions at exceptionally high raw material efficiencies.

On September 16, 2011, Dr. Zuliani issued a report comparing Process efficiencies as determined by previous thermodynamic modeling with a mass balance constructed from the latest results of the Phase III bench scale tests conducted at PRO. Zuliani concluded that the agreement between thermodynamic modeling and the experimental mass balance was excellent and confirmed that the model provides an accurate representation of the Process in actual practise. Zuliani's report was subsequently reviewed by Dr. Arthur Pelton of THERMFACT on September 23, 2011. In his summary, Professor Pelton agreed with the report's findings and conclusions and further concluded that based on these latest results, the Process is well conceived and has a very good chance of success.

Gossan is currently planning the next stage of testing of the Zuliani Process with the objective of materially increasing the scale of the tests to investigate and optimize the efficiencies of the process. This scale-up requires specialized equipment which is scarce, and difficult to source. PRO recently acquired a specialized furnace from a sale of CANMET's Ottawa laboratory surplus equipment. The parties are now exploring if this furnace can be adapted for scale-up tests in a cost effective manner. In order to meet its needs, Gossan is continuing to seek alternative scale-up options that can provide the required furnace and related facilities in a timely and cost effective manner.

Based on FactSage modeling work by Dr. Pelton, the Zuliani Process has demonstrated calcined dolomite and silicon efficiencies both over 92%. At these efficiencies, raw material consumption is about 20% and 30% lower than for a typical Pidgeon plant operating in China. These findings imply exceptionally high raw material utilization efficiency and gives further credence to the Zuliani Process ultimately providing the lowest operating cost per pound of magnesium produced by a material margin.

The table below compares the typical Chinese Pidgeon Process with expected Zuliani Process raw material utilizations based on the latest bench scale test results and FactSage thermodynamic modeling.

| <b>Kg per kg Mg ingot</b> | <b>Zuliani Process</b> | <b>Chinese Pidgeon Plant***</b> | <b>% Improvement</b> |
|---------------------------|------------------------|---------------------------------|----------------------|
| Ferrosilicon (75%)*       | 0.81                   | 1.20                            | 32.5%                |
| Calcined Dolomite**       | 4.40                   | 5.74                            | 23.3%                |

\* ferrosilicon is the reducing agent required for the production of magnesium metal

\*\* calcined dolomite is the Mg containing feed material produced from dolomite ore

\*\*\* S. Ramakrishnan, P. Koltun. Resources, Conservation and Recycling 42 (2004) 49-64

At a price of \$1,500 per ton, ferrosilicon represents the single largest cost item in the production of magnesium metal, based on current test and modeling results the Zuliani Process would have a ferrosilicon related cost advantage of more than \$485 per ton of magnesium ingot compared to Chinese produced magnesium. In addition, since the Zuliani Process has demonstrated efficient magnesium production at atmospheric conditions the process avoids the complexities and added costs associated with operating under vacuum as is required by the Chinese Pidgeon Process. Atmospheric magnesium production is also expected to facilitate direct production of molten magnesium metal without the added cost and yield losses associated with melting and refining of solid crude magnesium as produced with the Pidgeon Process.

When all factors are considered including prevailing dolomite & ferrosilicon costs, labor rates, energy prices and overseas freight, the direct cost of magnesium ingot produced with the Zuliani Process is expected to be about 30% less than the direct cost of Chinese magnesium ingot landed in western markets, subject to confirmation of the process at commercial scale.

Based on the extensive bench scale trials and thermodynamic modeling completed to date and the dominance of Chinese Pidgeon Process magnesium, Gossan expects commercialization of the Zuliani Process will provide the Company with a significant operating cost advantage in all international magnesium markets.

The higher raw material efficiencies coupled with the use of hydro electricity would lower the environmental impact of magnesium production dramatically. Gossan has contracted Process Ortech to undertake a Carbon Emission Study for the Zuliani Process. Cap and Trade legislation pertaining to Green House Gas emissions in North America is widely anticipated to be introduced and mandated in the near future. This legislation may have a material effect on the project's economics.

Dr. R. Sridhar, Ph.D., and Dr. V. I. Lakshmanan, Ph.D., of Process Research Ortech (PRO) supervised the Phase I - III Technical Reports on the Zuliani Process.

Process Research ORTECH Inc. (PRO), a private corporation formed from ORTECH, an Ontario Government crown corporation established 80 years ago, provides extensive facilities and services to develop bench scale, pilot, pre-commercialization plant environment to industries in the mining, metallurgical, environment, energy and specialty chemicals sectors with emphasis on clean technologies and renewable energy. Its 40,000 sq. foot industrial facility is equipped with the necessary regulatory and environmental permits and supports a number of diverse initiatives and customers simultaneously. PRO's

capabilities to support the mining and metallurgical sector include Mineral Processing, Hydrometallurgy and Pyro-metallurgy.

On February 2, 2011, the European Commission released a Communication identifying magnesium as one of 14 critical raw materials to the European Union. These materials are deemed critical due to the risks of supply shortage and their high impacts on the economy. The supply risk is mainly due to geographic concentration of production, often compounded by low substitutability and low recycling rates.

In May of 2011, Gossan hosted a booth and representatives attended the World Magnesium Conference in Prague.

In the fall of 2008, Gossan retained Dr. Dieter Ksinsik, Ph.D., to conduct a site inspection and an economic assessment of the Selkirk Smelter owned by Manitoba Hydro. A long-term lease on the Selkirk Smelter was being offered by Manitoba Hydro. Dr. Ksinsik's assessment considered the use of the smelter for the production of ferro-silicon and also as a pilot plant facility for the production of magnesium. Ferro-silicon is a primary input to the production of magnesium. The study concluded that the long-idle specific-purpose facility should not be leased.

Mintek, a leading, South African-based, mineral and metallurgical technology firm has also been developing an advanced thermal process for the production of magnesium based on silicothermic reduction of calcined dolomite, called the Mintek Thermal Magnesium Process. Mintek has claimed that this new technology is potentially superior to both the Pidgeon and the Magnetherm conventional vacuum processes as it is designed to operate at atmospheric pressure and at higher temperatures for better recoveries and throughputs. This new technology is being designed to be a continuous rather than batch-feed process which could provide for substantially larger production units than the Magnetherm process, with expected improvements to capital and operating costs. 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 metres, on its Inwood Magnesium Dolomite Property. Watts, Griffis McQuat (WGM) were retained to undertake a National Instrument 43-101 Report resource calculation based on the results from the 2006 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 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, McQuat National Instrument 43-101 Report on the Inwood Dolomite Project. Gossan subsequently received a revised National Instrument 43-101 Report from Watts, Griffis and McQuat reflecting the elimination of certain core intersections that were partially outside the mineralized zone and the utilization of a more sophisticated block modeling technique. Total residue for the Fisher Branch resource was reduced to 0.34 %. The total resource remained basically unchanged but due to the use of block modeling, a portion of the tonnage shifted from measured to indicated.

The Inwood Property hosts a very-large, high-quality deposit as the final Measured Resource alone would be capable of sustaining a very substantial production facility of 80,000 tonnes of magnesium per year for about 30 years (subject to a positive feasibility study). The final report estimated the Fisher Branch resource as follows:

| Formation and zone | Resource Classification | Tonnage     | Grade MgO (wt%) | Grade CaO (wt%) |
|--------------------|-------------------------|-------------|-----------------|-----------------|
| Fisher Branch      | Measured                | 28,819,000  | 21.15%          | 30.91%          |
| Fisher Branch      | Indicated               | 5,057,000   | 21.40%          | 30.66%          |
| Fisher Branch      | Inferred                | 131,236,000 | 21.64%          | 30.51%          |

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 Fisher Branch resource is in an area of the property which is not within a wildlife management area.

During the fall of 2008, a 5-tonne bulk sample was extracted from the Inwood Property. The bulk sample has been crushed, bagged and stored for future use in testing of the Zuliani Production Process.

#### Manigotagan Silica – Frac Sand - Property

At the Manigotagan Silica Property, Gossan has completed a 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 ISO or 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 ratio of overburden above the two zones of silica sand is less than 1:1. 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. Management determined that a sonic drill, which should be capable of achieving NI 43-101 standards for sample recovery, would be used in future drill programs.

In June of 2007, two shallow pits were excavated at the east end of the property to provide additional sample material for testing.

In May of 2008, Gossan conducted a 26-hole sonic drill program to test the eastern border of the Property towards an open pit where the silica sand formation outcrops near surface; to assess the known area of the silica formation to the south; and to investigate the southern portion of the Property. Boart Longyear was the drill contractor. This initial program of sonic drilling has yielded near-perfect 10-foot core sections with excellent recovery. The improved quality of the sampling will have important implications for the economic assessment the Property. A number of holes could not be completed to depth. The deposit mainly consists of white silica sand, however some coloured sands have been encountered. The colouring appears to be caused by coatings on the silica sand grains. Methods for removing the coloured coating are being investigated and results to date are encouraging. Three holes drilled in the southern portion of the Property outside the known area of mineralization did not identify commercial values of silica.

Drilling at Manigotagan has been successful in outlining substantial zones of silica sand with a thickness exceeding 5 metres and ranging to over 15 metres. Two zones, with lengths known to exceed 400m and 600m, are both open on one or more sides. The deposit has been outlined in three drill programs totalling over 60 holes.

In February 2009, a substantial number of additional silica sand samples were sent to laboratories for attrition scrubbing in preparation for further analysis.

Initial testing for use as frac sand in the Spring of 2009, conducted by PropTester Inc., resulted in samples of 20/40 mesh silica sand meeting ISO standards for quality 20/40 mesh Proppant – class ISO 7K Proppant. Samples of 30/50 mesh silica sand also achieved ISO standards for quality 30/50 mesh Proppant – class ISO 6K Proppant. Subsequently, improvements were made in the sample preparation process with the result of consistent ISO 8K and 9K Proppant ratings for the 20/40 and 30/50 mesh fractions. Testing has continued on an ongoing basis with the 40/70 and 70/140 mesh fraction also attaining consistent ISO 9K Proppant ratings. Pressure conductivity tests have also been conducted on samples of the 40/70 and 70/140 mesh fractions with positive results.

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 two additional Quarry Leases. On July 30, 2009, Gossan acquired a 0.5% production royalty that was payable on future revenues from the Manigotagan Property to hold a clear 100% interest. This property, which currently encompasses 306 hectares, is directly across from Black Island where silica sand was extensively quarried prior to the island becoming a Provincial Park. On June 3, 2010, the Company was granted an additional lease of highly prospective ground covering 9.1 hectares.

Manigotagan silica sand 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. An initial analysis of 19 samples returned average silica content of 94.2% SiO<sub>2</sub> without sizing or treatment. Sizing, washing or other simple treatments significantly improve the purity. An analysis of 9 washed and scrubbed samples provided an average silica grade of 99.0% SiO<sub>2</sub>.

On October 19, 2010, the Company reported that it had been advised to pursue development of its Manigotagan Silica Sand Project as improving market conditions for frac sand proppant, used in the oil and gas industry, will accommodate the entry of an additional new producer. World Industrial Minerals of Arvada, Colorado, has completed a marketing study on high-purity Manigotagan silica sand that makes five recommendations: investigate the feasibility of establishing a processing plant at mine site, railhead and harbor in Selkirk, MB; initiate a review and time line of required extraction and processing permits; complete a NI 43-101 report on the deposit; and initiate a prefeasibility study on the Project's economics.

The marketing study establishes that the highest and best use of Manigotagan silica sand is as frac sand proppant used in the oil and gas sector. Demand for frac sand proppant is rebounding as the technology of drilling multi-fraced horizontal oil and gas wells utilizes large amounts of frac sand proppant. Market demand in 2010 is estimated around 8 million metric tonnes. The study provides an analysis of the 17 companies producing frac sand proppant in North America and an assessment of candidates suitable for a strategic partnership in Gossan's Project.

The study concluded that Manigotagan silica sand meets the specifications and appears suitable for the following markets: frac sand proppant, fiberglass, recreation, metallurgical, construction, filtration, and well pack. The silica sand is not suitable for the following markets: foundry, flat glass, container glass, specialty glass, ceramics, filler, ferrosilicon, silicon metal and lascar due to its relatively high iron content of 0.2% and the sandblast market due to its granular shape. The study recommends additional test work to determine if iron levels can be reduced in order to compete in additional markets. In markets other than frac sand proppant, transportation costs would limit the market size to southern Manitoba.

Gossan is actively examining the potential for development of the Manigotagan Frac Sand Deposit and discussing the potential joint venture of the Property. The Company has received several inquiries from potential frac sand purchasers over the past few months.

#### Separation Rapids Property

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 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 field program was conducted in the fall of 2008.

During July 2009, the Company undertook a 3-man field program at the property that included prospecting, line cutting, local geological mapping of newly-found outcrops, and the collection of 173 soil samples, 28 grab samples and 10 channel samples.

Prospecting and geological mapping identified a 50m to 100m wide zone with multiple, east-west trending, sub-parallel pegmatite sill-like bodies that range in width from a few centimetres to more than 5 metres. There is significant over-burden between outcrops and the zone trends into a peat bog at its eastern end. Three or perhaps four pegmatites within this zone have strike lengths greater than 25m and a width of at least a metre. A channel sample taken from the 5+ metre wide pegmatite assayed 0.86% lithium over 90cm. Two of the other pegmatites assayed 1.42% lithium in an 80cm channel sample and 0.80% lithium in a grab sample. Amongst the other assayed grab samples, the best returns were 0.50% and 0.95% lithium.

The soil sampling program utilized Soil Gas Hydrocarbon (SGH) Geochemistry that was analyzed by Activation Laboratories (Actlabs) of Ancaster, Ontario. SGH is a deep penetrating geochemistry that allows for analysis from various types of media. This technique was utilized to allow a potentially prospective 400m long peat bog to be sampled and analyzed along with regular soil samples from the remainder of the grid. Actlabs' SGH analysis identified a strong Level 5 lithium anomaly below the peat bog approximately 100m east of, and along strike of, the most eastern exposures of the three widest pegmatite sills that returned some of the highest lithium values from channel and grab samples. Soil Gas Hydrocarbon Geochemistry has not previously been utilized to target a Rare-Element Pegmatite. For additional information about Actlabs' SGH Geochemistry and Quality Assurance visit [www.actlabs.com](http://www.actlabs.com). In addition, TSL Laboratories of Saskatoon, Saskatchewan undertook Multi-element ICP-MS Analysis on 39 samples using multiacid digestion of which 10 over-limit samples were assayed solely for Lithium. For additional information on TSL Labs visit [www.tslabs.com](http://www.tslabs.com).

Management believes the highest and best use for material from the Separation Rapids Property may be as an input to the glass industry.

#### Pipestone Property

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. Gossan remains engaged in continuing discussions regarding the development and/or sale of its mineral rights at the 3584-hectare Pipestone Property in an effort to move this project forward.

In October of 2009, the Company retained Hayles Geoscience Surveys Ltd. to conduct a survey of all of the 144 historic drill hole site locations and the grid which was originally cut at the Pipestone Lake

Property in 1994. The purpose of the survey was to provide the joint venture with an accurate map on which to base a future NI 43-101 resource calculation. Hayles Geoscience used survey quality GPS instrumentation to record the location of each hole. The crew, which included members of the Cross Lake First Nation, was able to record the locations of 8 drill holes and a portion of the western end of the grid before the programme was terminated.

On June 11, 2010, Gossan management met with representatives of the Cross Lake First Nation to discuss and plan an orientation session for the Band Council about mining in general and the Pipestone Lake Deposit, specifically.

In October of 2010, Gossan again retained Hayles Geoscience Surveys Ltd. to complete a survey of all of the historic drill hole site locations and the grid at the Pipestone Vanadium Project. Hayles Geoscience used survey-quality GPS instrumentation to record the location of 105 holes. A total of 37 holes were inaccessible as they were drilled from ice over the lake or were flooded over by currently higher water levels. Hayles Geoscience reported that the baseline remains in reasonable condition but that some sections of baseline and the cross gridlines require re-cutting. The current program, which was originally initiated in the Fall of 2009, has resulted in a complete digital data base geo-referencing the grid, the drill hole locations, and the ground magnetic survey onto a topographical base.

Gossan continues to engage in further consultation with its partner, the Cross Lake First Nation, in regard to the development of the Pipestone Vanadium Project. This is a very timely moment in the commodity cycle of vanadium with new electrical storage applications potentially requiring a number of new vanadium mines. In February 2011, Gossan management met in Cross Lake with the Chief and Band Council of the Cross Lake First Nation and presented an all day orientation session about exploration & mining in general and how it relates to the Pipestone Lake Deposit specifically. Several meetings have been conducted over the summer of 2011 with representatives of the Cross Lake First Nation and the Manitoba government to investigate a means to resolving some of the historical issues which have been a barrier to the development of the Pipestone Project.

A field program to re-cut and clear some sections of the baseline and gridlines was conducted in the summer of 2011.

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% TiO<sub>2</sub>, 28.11% Fe<sub>2</sub>O<sub>3</sub> and 0.22% vanadium pentoxide and an inferred resource of 150 million tonnes at a similar grade. The mineral resources at Pipestone Lake were estimated by Reedman & Associates in a report prepared for the Company in 1998 but should not be relied upon as the report was not compliant with NI 43-101 and has not been verified by a Qualified Person under the Instrument. More drilling could significantly increase the resource.

Currently, vanadium is mostly used – about 85% - in the steel industry as a strengthener. Various nations are mandating stronger steel rebar in construction and building codes, likely increasing vanadium demand. Vanadium may also play an important new role in electrical storage technology which could substantially increase demand for this metal. In lithium-based auto batteries, the use of a vanadium phosphate cathode material can materially increase energy storage and lead to a 20%+ increase in an electric car's travelling range. Another potential large-scale use of vanadium is in grid-scale electrical storage of renewable energy – wind, solar and hydro – using re-dox flow batteries. Vanadium re-dox batteries could substantially lower power utilities' capital costs as they allow for electricity to be generated and transmitted in off-peak hours and then stored locally to satisfy the following day's peak power demand.

The USGS estimated mine production of vanadium metal at 55,500 tonnes in 2008 and 54,000 tonnes in 2009. Most of the metal is produced as a byproduct of the iron ore or uranium industries. As production is typically sold on a spot basis, the price of vanadium has been highly volatile. Some forecasters are highly optimistic about the demand for vanadium as a green metal with forecasts of new green demand in

2014 from auto batteries of 14,000+ tonnes and from grid redox storage of 6,000+ tonnes taking total estimated demand to over 95,000 tonnes. Any substantial increase in green demand would lead to the need for new primary vanadium producers with production sold on long-term contracted prices.

Paints, paper and plastics are the main uses of titanium dioxide. Potential future green uses of titanium dioxide include pliable solar panels.

MaryAnn Mihychuk, P.Geo., a Gossan Director is the Company's Qualified Person and she has reviewed and approved the technical contents of the mineral properties in this MD&A.

#### The Claims Network

The Claims Network Inc. is a service provider to the property and casualty insurance industry. TCN is a web-based enterprise engaged in providing the insurance industry with on-site claims reporting of losses, contents loss valuations, and content claims software.

On October 31, 2010, Gossan increased its equity ownership in The Claims Network from 46.71% to 66.34%. As this is a control position in TCN, Gossan's financial statements reflected the full results of The Claims Network on a consolidated basis from November 1, 2010, to March 31, 2011 when the classification of TCN was changed to assets/liabilities held-for-sale and discontinued operations, due a potential sale of this investment. Prior to November 1, 2010, the equity method of accounting was utilized. There is no adjustment of the prior comparative period(s) and as a result comparative information may be of limited analytical value.

On September 23, 2011, Gossan received an offer for the sale of its entire 66.34% equity interest in The Claims Network Inc. (TCN) for a net sale price of \$1.4 million. Prior to closing, which is expected in early-November, TCN has the right, within the terms of the offer, to declare a dividend whereby Gossan could receive up to \$115,030. The transaction is subject to a first right of refusal by existing TCN shareholders, the execution of a definitive agreement with the offeror and the approval of the TSX Venture Exchange, if necessary. No assurance can be provided that the transaction will close.

TCN has representatives across Canada that can be dispatched to loss sites to take immediate inventories of damaged contents. In terms of its assessment services, the Company values insurance claims losses using its highly trained staff and its extensive proprietary data library of product specifications and price information. TCN has also initiated marketing to insurance companies in the USA.

Selected audited financial information for The Claims Network Inc. is provided below:

|                      | 2007       | 2008      | 2009      | 2010      |
|----------------------|------------|-----------|-----------|-----------|
| Total Revenue        | \$ 900,565 | 1,259,121 | 1,933,452 | 1,874,012 |
| Net Income after tax | 83,152     | 157,611   | 298,271   | 229,324   |
| Return on Sales      | 9.2%       | 12.5%     | 15.2%     | 12.2%     |
| Working Capital      | \$ 259,569 | 426,479   | 721,584   | 949,091   |

In 2010 and into the spring of 2011, the insurance industry experienced a lower volume of reported claims which has been reflected in TCN's current results. For the unaudited six-months to June 30, 2011, TCN's total revenue was \$923,267 compared to \$862,406 in the comparative period. Over this summer, sales have materially improved. Working capital declined to \$535,505 at June 30, 2011, primarily reflecting the payment of a dividend. On February 1, 2011, TCN declared a cash dividend of \$462,400 resulting in the receipt of \$306,749 by Gossan.

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 2007, Gossan's equity interest in TCN increased to 37% and in 2008 the interest increased to 47% as a result of mandatory share buybacks under the terms of TCN's shareholders agreement. Effective October 31, 2010, Gossan acquired additional shares in TCN on a secondary basis increasing its equity interest to a controlling 66.34%, subject to an existing shareholders' agreement. On September 23, 2011, Gossan received an offer for the sale of its entire 66.34% equity interest in TCN with closing expected in early-November. No assurance can be provided that the transaction will close.

### **Liquidity and Capital Resources**

At June 30, 2011, the Company had working capital of \$245,248 which reflects a deterioration of \$82,485 since March 31, 2010. This deterioration primarily reflects: exploration, process evaluation and property payments of \$39,699; the Company's ongoing administrative expenses; and the inclusion of TCN's assets/liabilities held-for-sale. At June 30, 2011, Gossan had a cash and short term investment position of \$43,160 down from \$87,605 at the 2011 fiscal year end.

The Company believes it has adequate cash resources for its current administrative needs however Gossan will continue to 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 Bird River Project, 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.

The Company's ability to raise additional funds and its future performance is largely tied to the financial markets related to junior exploration companies. Financial markets remain volatile in Canada, reflecting ongoing concerns about the stability of the global economy with weak growth prospects. As well, concern about global growth, currency values and other issues has led to sustained volatility in the commodity markets. Uncertainty in the credit markets has also led to increased difficulties in raising funds. As a result, the Company may have difficulties raising equity financing for the purposes of mineral exploration and development, particularly without excessively diluting the present shareholders of the Company. With continued market volatility and slower economic growth, the Company's strategy is to joint venture projects where possible; spend its funds in a prudent manner; and scale back on its exploration programs and focus on development projects while maintaining the Company's flow-through commitment, if any (currently \$nil). The Company believes this strategy may enable it to meet these near-term challenges. The Company still has a strong belief in the exploration potential of its properties and hopes to emerge in a solid financial position once the economy moves into the next upturn of the commodity cycle.

On February 1, 2011, TCN declared a cash dividend resulting in the receipt of \$306,749 by Gossan.

### **Share Capitalization**

The Company is authorized to issue an unlimited number of Common Shares of which 29,277,900 were outstanding as at June 30, 2011. An additional 2,300,000 common shares were reserved for issuance in relation to stock options as at June 30, 2011, resulting in 31,577,900 shares on a fully diluted basis. The Company has no warrants outstanding.

On August 13, 2010, the Company granted 640,000 stock options to officers, directors and consultants. The options are exercisable at \$0.15 per share and expire on March 28, 2014.

During the 2011 fiscal year, 90,000 stock options were exercised; 370,000 stock options expired; and 730,000 stock options were cancelled.

During the 2012 fiscal year to date, 840,000 options were granted, 70,000 stock options were exercised; 380,000 stock options expired; and 730,000 stock options were cancelled.

As at the date of this MD&A, there were 29,277,900 Common Shares outstanding and 31,577,900 shares on a fully diluted basis.

On October 2, 2009, Gossan engaged T2W Market Liquidity (“T2W”) to provide market liquidity services for its common shares listed on the TSX Venture Exchange. The term of the engagement is for a minimum of 12 months and is renewable thereafter on a month to month basis. T2W is a Mississauga-based private company which is in the business of providing market liquidity services to listed issuers (please see Gossan news release 09-12 of October 2, 2009).

The market liquidity services to be provided include: maintaining a consistent and reasonable bid and offer spread for the common shares of Gossan; maintaining a reasonable board lot size for the bids and offer; and maintaining reasonable open orders at depth behind the best bid and offer.

T2W is entirely independent of the Company and will at all times be trading as principal for its own account and using its own capital. T2W’s experienced trading staff will use their knowledge and discretion in providing these services and no assurance has been made as to any particular effect or result regarding the market for the Company’s common shares. T2W has covenanted to operate in accordance with best trading practices at all times.

### Selected Quarterly Information

A summary of selected information for each of the eight most recent quarters is as follows:

| Three Months Ended | Accounting Policies | Total Revenue (\$) | Profit or loss |                                    | Total Assets (\$)        |
|--------------------|---------------------|--------------------|----------------|------------------------------------|--------------------------|
|                    |                     |                    | Total (\$)     | Per Share (Basic and Diluted) (\$) |                          |
| 2011-June 30       | IFRS                | 510,996            | (155,790)      | (0.01)                             | 751,263                  |
| 2011-March 31      | IFRS                | 451,229            | (160,134)      | (0.1)                              | 870,471                  |
| 2010-December 31   | IFRS                | 332,689            | (95,398)       | (0.0)                              | 1,177,552                |
| 2010-September 30  | IFRS                | -                  | (191,899)      | (0.1)                              | 700,455                  |
| 2010-June 30       | IFRS                | -                  | (140,006)      | (0.02)                             | 803,684                  |
| 2010-March 31      | Canadian GAAP       | 4                  | (385,806)      | (0.01)                             | 5,569,289 <sup>(1)</sup> |
| 2009-December 31   | Canadian GAAP       | 1                  | (71,646)       | (0.00)                             | 5,546,672                |
| 2009-September 30  | Canadian GAAP       | 3                  | (114,459)      | (0.00)                             | 5,678,582                |

(1) Total assets on April 1, 2010 under IFRS was \$935,737.

Over the past eight quarters net administrative expenses have typically ranged between \$100,000-\$150,000, except for the Fourth Quarters which are seasonally higher between \$200,000-\$235,000. Stock-based compensation expense for stock options, which is highly material, 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 or when expiring options are replaced. Trading blackout periods for insiders may also affect the timing of option grants. Future income tax recoveries may be material and they are booked in the quarter following the issuance of flow-through shares. In

fiscal 2011, there was a gain on the joint venture of \$49,427 (2010 - \$70,742). The Company also has \$300,000 of non-refundable deferred revenue carried as a liability on the balance sheet. In the third fiscal quarter of 2011, Gossan commenced the consolidation of its subsidiary, The Claims Network Inc. through to March 31, 2011 and thereafter TCN is reflected as assets/liabilities held-for-sale and discontinued operations. For additional information regarding period to period variations, kindly refer to the Results of Operations and other sections of this MD&A.

### Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

### Dividends

The Company has neither declared nor paid any dividends on its Common Shares. The Company intends to retain its earnings, if any, to finance growth and expand its operation and does not anticipate paying any dividends on its Common Shares in the foreseeable future.

### Transactions with Related Parties

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

Gossan entered into the following transactions with related parties:

|                                       | Notes | Three Months Ended<br>June 30, |           |
|---------------------------------------|-------|--------------------------------|-----------|
|                                       |       | 2011                           | 2010      |
| CEO fees                              | (i)   | \$ 18,000                      | \$ 18,000 |
| Consulting fees paid to Directors     | (ii)  | 5,755                          | -         |
| Marrelli CFO Outsource Syndicate Inc. | (iii) | 3,000                          | 3,000     |
| Marrelli Support Services ("MSSI")    | (iv)  | 5,144                          | 5,498     |

- (i) Chief Executive Officer fees for the period.
- (ii) Directors of Gossan. Fees relate to consulting services provided.
- (iii) The Chief Financial Officer ("CFO") of Gossan is the president of Marrelli. Fees related to the CFO function performed.
- (iv) The CFO of Gossan is the president of MSSI. Fees related to accounting services provided by MSSI.

In addition to amounts noted above, amounts due to related parties total \$155,873 (March 31, 2011 - \$105,873) are unsecured, non-interest bearing and have no fixed terms of repayment. During the three months ended June 30, 2011, a Director of the Company advanced \$50,000 to the Company (three months ended June 30, 2010 - \$nil) under the same terms.

Related party transactions conducted in the normal course of operations are measured at the exchange value (the amount established and agreed to by the related parties).

Remuneration of Directors and key management personnel of the Company was as follows:

| Three Months Ended June 30, | 2011      | 2010 |
|-----------------------------|-----------|------|
| Share-based payments        | \$ 49,200 | \$ - |

### *Impact of Adopting IFRS on the Corporation's Accounting Policies*

Effective the first quarter of fiscal 2012, the Corporation began preparing its financial statements in accordance with IFRS. Reconciliations, descriptions and explanations of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Corporation are provided in Note 15, "Conversion to IFRS" to the unaudited condensed consolidated interim financial statements for the three months ended June 30, 2011. This note also includes reconciliations of equity and comprehensive income (loss) for comparative periods reported under Canadian GAAP with amounts reported for those periods under IFRS.

The Corporation has changed certain accounting policies to be consistent with IFRS as it is expected to be effective or available on March 31, 2012, the Corporation's first annual IFRS reporting date. The changes to its accounting policies have resulted in certain changes to the recognition and measurement of assets, liabilities, equity, revenue and expenses within its financial statements.

The following summarizes the significant changes to the Corporation's accounting policies on adoption of IFRS.

**(a) Impairment of non-financial assets**

IFRS requires a write down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Current Canadian GAAP requires a write down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

The Corporation's accounting policies related to impairment of non-financial assets have been changed to reflect these differences. There was no impact on the unaudited condensed consolidated interim financial statements as there were no impairment indicators on the Transition Date. The Company expenses all acquisition and exploration costs prior to development of a property. The resulting effect was to eliminate the carrying value of all deferred property-related expenditures classified under GAAP as Mineral Properties.

**(b) Decommissioning Liabilities (Asset Retirement Obligations)**

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while current Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions.

The Corporation's accounting policies related to decommissioning liabilities have been changed to reflect these differences. There is no impact on the unaudited condensed consolidated interim financial statements as there was no legal or constructive obligation on the Transition Date.

**(c) Income Taxes**

Under Canadian GAAP, the Company has recognized deferred tax on temporary differences arising on acquisition of assets where the carrying amount of the assets acquired exceeded the tax base.

IFRS provides for a specific exemption from recording a deferred tax liability on initial recognition when the transaction is not a business combination and at the time of the transaction, affects neither accounting profit/loss nor tax profit/loss. As the acquisition of certain interest in exploration properties meet the IFRS exemption criteria, the recognition of deferred tax liabilities in relation to these assets acquired under Canadian GAAP is reversed under IFRS.

***Impact of Adopting IFRS on the Corporation's Business***

The adoption of IFRS has resulted in some changes to the Corporation's accounting systems and business processes. However, the impact has been minimal. The Corporation has not identified any contractual arrangements that are significantly impacted by the adoption of IFRS.

The Corporation's staff and advisers involved in the preparation of financial statements have been appropriately trained on the relevant aspects of IFRS and the changes to accounting policies.

The Board of Directors and Audit Committee have been regularly updated throughout the Corporation's IFRS transition process, and are aware of the key aspects of IFRS affecting the Corporation.

### **Future accounting changes**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after December 31, 2010 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded from the table below. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

(i) IAS 1 – Presentation of financial statements (“IAS 1”) was amended by the IASB in June 2011 in order to align the presentation of items in other comprehensive income with US GAAP standards. Items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012.

(ii) IFRS 9 – Financial instruments (“IFRS 9”) was issued by the IASB in October 2010 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. 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, 2013. IASB has proposed to move the effective date of IFRS 9 to January 1, 2015.

(iii) IFRS 10 – Consolidated financial statements (“IFRS 10”) was issued by the IASB in May 2011. IFRS 10 is a new standard which identifies the concept of control as the determining factor in assessing whether an entity should be included in the consolidated financial statements of the parent company. Control is comprised of three elements: power over an investee; exposure to variable returns from an investee; and the ability to use power to affect the reporting entity's returns. IFRS 10 is effective for annual period beginning on or after January 1, 2013. Earlier adoption is permitted.

(iv) IFRS 11 – Joint arrangements (“IFRS 11”) was issued by the IASB in May 2011. IFRS 11 is a new standard which focuses on classifying joint arrangements by their rights and obligations rather than their legal form. Entities are classified into two groups: parties having rights to the assets and obligations for the liabilities of an arrangement, and rights to the net assets of an arrangement. Entities in the former case account for assets, liabilities, revenues and expenses in accordance with the arrangement, whereas entities in the latter case account for the arrangement using the equity method. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

(v) IFRS 12 – Disclosure of interests in other entities (“IFRS 12”) was issued by the IASB in May 2011. IFRS 12 is a new standard which provides disclosure requirements for entities reporting interests in

other entities, including joint arrangements, special purpose vehicles, and off balance sheet vehicles. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

(vi) IFRS 13 – Fair value measurement (“IFRS 13”) was issued by the IASB in May 2011. IFRS 13 is a new standard which provides a precise definition of fair value and a single source of fair value measurement considerations for use across IFRSs. The key points of IFRS 13 are as follows:

- fair value is measured using the price in a principal market for the asset or liability, or in the absence of a principal market, the most advantageous market;
- financial assets and liabilities with offsetting positions in market risks or counterparty credit risks can be measured on the basis of an entity’s net risk exposure;
- disclosures regarding the fair value hierarchy has been moved from IFRS 7 to IFRS 13, and further guidance has been added to the determination of classes of assets and liabilities;
- a quantitative sensitivity analysis must be provided for financial instruments measured at fair value;
- a narrative must be provided discussing the sensitivity of fair value measurements categorised under Level 3 of the fair value hierarchy to significant unobservable inputs;
- and information must be provided on an entity’s valuation processes for fair value measurements categorized under Level 3 of the fair value hierarchy.

IFRS 13 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

### **Critical Accounting Estimates**

Critical accounting estimates used in the preparation of the financial statements include the Company’s estimate of the recoverability of amounts receivable and 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. Also of a critical nature are management’s position that there are no income tax considerations nor material restoration, rehabilitation and environmental costs

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.

### **Capital Management and Risk Management**

#### **a) Mineral Property Risk**

The Company's major mineral properties are listed in Note 5. 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 consolidated results of operations.

#### **b) Financial Risk**

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. Other accounts receivable consist of sales tax receivable from government authorities in Canada. Accounts receivable are in good standing as of June 30, 2011.

#### 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 June 30, 2011, the Company had cash from continuing and discontinued operations of \$310,664 (March 31, 2011 - \$412,548 and April 1, 2010 - \$496,639) to settle current liabilities of \$500,272 (March 31, 2011 - \$536,574 and April 1, 2010 - \$172,063). 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 vanadium, titanium, base metals, PGE's, gold, magnesium, aluminum, proppant sand, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

#### **Sensitivity Analysis**

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a three-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 June 30, 2011, 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.

#### Financial Instruments Recorded at Fair Value

Financial instruments recorded at fair value on the condensed consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As of June 30, 2011, March 31, 2011 and April 1, 2010, the fair values of cash, short-term investments, accounts receivable and accounts payable and other liabilities approximate their carrying value due to their short term nature.

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. In addition, long-lived assets that are not amortized are subject to an annual impairment assessment. In the case of exploration and evaluation assets, impairment reviews are carried out on a property-by-property basis, with each capitalized property representing a potential cash-generating unit. As at June 30, 2011, all exploration and evaluation costs have been expensed as incurred and no amounts have been capitalized.

#### Fair Value Hierarchy and Liquidity Risk Disclosure

The following summarizes the methods and assumptions used in estimating the fair value of the Company's financial instruments where measurement is required. The fair value of cash and short term financial instruments approximates their carrying amounts due to the relatively short period to maturity. Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment. The methods and assumptions used to develop fair value measurements, for those financial instruments where

fair value is recognized in the balance sheet, have been prioritized into three levels as per the fair value hierarchy.

Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities. Level two includes inputs that are observable other than quoted prices included in level one. Level three includes inputs that are not based on observable market data.

|  |    | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> |
|--|----|----------------|----------------|----------------|
| Cash                                     | \$ | 23,156         | \$ -           | \$ -           |
| Short term investments                   | \$ | 20,004         | \$ -           | \$ -           |
| Accounts receivable                      | \$ | -              | \$ 33,098      | \$ -           |
| Accounts payable and accrued liabilities | \$ | 64,479         | \$ -           | \$ -           |

### **Disclosure and Internal Financial Controls**

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 audited annual 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 audited annual financial statements and (ii) the audited annual 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 audited annual financial statements. Management is reassessing disclosure and internal controls within TCN and identifying required improvements, if any.

In contrast to the certificate required under Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (MI 52-109), the Company utilizes the Venture Issuer Basic Certificate which does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in MI 52-109. In particular, the certifying officers filing the Certificate are not making any representations relating to the establishment and maintenance of:

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in MI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

### **Risks and Uncertainties**

Mineral exploration is a speculative venture. There is no certainty that expenditures 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. Adverse commodity price will affect the ability to complete equity and other financing. 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.

The Company's ability to raise additional funds and its future performance is largely tied to the financial markets related to junior exploration companies. Current financial markets are likely to be volatile in Canada for the remainder of the calendar year and potentially into 2011, reflecting ongoing concerns about the stability of the global economy and weakening global growth prospects. As well, concern about global growth has led to sustained drops in the commodity markets. Unprecedented uncertainty in the credit markets has also led to increased difficulties in raising funds. As a result, the Company may have difficulties raising equity financing for the purposes of mineral exploration and development, particularly without excessively diluting the present shareholders of the Company. With continued market volatility and slower economic growth, the Company's strategy is to joint venture projects were possible; spend its funds in a prudent manner; and scale back on its exploration programs while maintaining the Company's flow-through commitment, if any (currently \$nil). The Company believes this strategy may enable it to meet these near-term challenges. The Company still has a strong belief in the exploration potential of its properties and hopes to emerge in a solid financial position once the economy moves into the next upturn of the commodity cycle.

The Company is highly dependent upon the management and staff of TCN as well as industry factors affecting the volume of insurance claims that TCN may be retained to process.

In the normal course of operations, the Company is subject to routine claims and litigation incidental to its business.

### **Cautionary Note Regarding Forward-Looking Information**

Except for statements of historical fact relating to Gossan, certain information contained in this MD&A constitutes "forward-looking information" under Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to the potential of the Company's properties; the future price of precious, base and specialty metals; success of exploration activities; cost and timing of future exploration and development; requirements for additional capital and other statements relating to the financial and business prospects of the Company. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".

Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, and are inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to: unexpected events and delays during permitting; the possibility that future exploration results will not be consistent with the Company's expectations; timing and availability of external financing on acceptable terms and in light of the current decline in global liquidity and credit availability; the uncertainty of conducting activities within a joint venture structure; future prices of precious, base and specialty metals; currency exchange rates; government regulation of mining operations; failure of equipment or processes to operate as anticipated; risks inherent in precious and base metals exploration and development including environmental hazards, industrial accidents, unusual or unexpected geological formations; and uncertain political and economic environments. Although management of Gossan has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, 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 information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.