



RESOURCES LIMITED

**Management Discussion and Analysis  
For The Year Ending March 31, 2013**

# Gossan Resources Limited

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDING MARCH 31<sup>st</sup>, 2013

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 audited annual period ending March 31, 2012. The MD&A was prepared as of July 29, 2013 and should be read in conjunction with the related audited annual financial statements, including the notes thereto, and the audited annual financial statements for the year ended March 31, 2012, 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 audited annual financial statements for the period ended March 31, 2013 and March 31, 2012, have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

### Overview

Gossan 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. None of Gossan's properties are currently in production. All of the properties are located in Manitoba and northwestern Ontario. Gossan is listed on the TSX Venture Exchange as a Tier 2 company and trades under the stock symbol "GSS". Gossan also trades on the Frankfurt-Freiverkehr & Xetra Exchanges under the symbol "GSR" (WKN 904435).

On June 25, 2013 the Company announced the sale of its Manigotagan silica frac sand deposit, located near Seymourville, Manitoba.

On March 6, 2012, Gossan sold its 66.3% controlling equity interest in The Claims Network Inc. (TCN), a service provider to the property and casualty insurance industry, for \$1.5 million. 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.

### Results of Operations

The net loss and comprehensive loss for the three months ending March 31, 2013 was \$119,081 as compared to net earnings and comprehensive earnings of \$1,110,656 for the three months ending March 31, 2012. The increase in the net loss and comprehensive loss of \$1,229,737 primarily reflects: an increase in exploration & evaluation expenditures of \$12,736; a reduction in general and administrative expenses of \$33,178; and offsetting changes – in the prior period – of \$350,000 in recovery/gain on the Bird River Joint Venture, a gain on the sale of interest in TCN of \$873,836, and \$26,343 in net income from discontinued operations. General and administrative expenses were \$81,545 compared to \$114,723 in the comparative quarter. This reduction was mainly as a result of decreases in management fees of \$49,800 and public company expenses of \$110,925, reflecting cost controls and the directors waiving director fees for fiscal 2013; and offsetting changes in the prior period associated with the sale of TCN.

The net loss and comprehensive loss for the year ending March 31, 2013 was \$777,805 as compared to a net earnings and comprehensive earnings of \$590,877 for the year ending March 31, 2012. The increase in the net loss and comprehensive loss of \$1,368,682 primarily reflects changes – in the prior period - of \$350,000 in recovery/gain on the Bird River Joint Venture, a gain on the sale of interest in TCN of \$873,836, and \$221,464 in net income from discontinued operations. Exploration and evaluation expenditures increased by \$20,021 to \$266,015 in the current period. General and administrative expenses were \$511,790 compared to \$608,429 in the comparative period. The decrease of \$96,639 was mainly as a result of: lower management fees of \$31,800; reduced public company expenses

of \$73,389, reflecting cost controls and the directors waiving director fees for fiscal 2013; lower IR and travel costs; offset by adjustments – in the prior period – relating to the sale of TCN. For additional information refer to the Supplemental Information section of this MD&A for detailed expense analysis.

The net earnings and comprehensive earnings for the year ending March 31, 2012 was \$590,877 as compared to a net loss and comprehensive loss of \$587,437 for the year ending March 31, 2011. The improvement in the net earnings and comprehensive earnings of \$1,178,314 primarily reflects an increase in the net earnings from continuing operations of \$1,070,957 and an increase of \$107,357 in net income from discontinued operations at TCN from \$114,107 to \$221,464. There were also non-recurring gains of \$873,836 on the sale of the Company's interest in The Claims Network and an increase in the recovery/gain on the Bird River Joint Venture of \$300,573. Exploration expenditures increased by \$67,181 to \$245,994. The \$51,271 increase in general and administrative expenses primarily reflects non-cash Stock-based compensation which increased by \$28,370 to \$72,530. The change in administration expenses also reflects a reduction in consulting fees of \$17,281. Net earnings from discontinued operations at TCN increased by \$107,357 to \$221,464.

The net loss and comprehensive loss for the year ending March 31, 2011, under previous Canadian accounting principles, was \$408,624 as compared to a net loss and comprehensive loss of \$385,806 for the year ending March 31, 2010, under previous Canadian accounting principles. 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.

## **Mineral Properties**

Currently, Gossan's property portfolio consists of two components. The Bird River and Sharpe Lake Properties have significant exploration targets for precious and base metals. The second component of the property portfolio consists of specialty metal and industrial mineral properties. Gossan continues to look for a joint venture partners for these properties. On June 25, 2013 the Company announced the sale of its Manigotagan silica frac sand deposit, located near Seymourville, Manitoba. None of Gossan's properties are currently in production. 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 Block - 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.

As of March 24, 2012, Gossan holds a 100% interest in the Bird River Project as Stillwater Canada Inc. (Stillwater) resigned as Manager and withdrew from the Bird River Property Option and Joint Venture Agreement (originally with Marathon PGM) dated March 29, 2007.

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. As a result of the formation and the subsequent activity of the joint venture, Gossan received seven semi-annual \$50,000 non-refundable advance payments and this \$350,000 non-refundable balance has been recorded as a gain on the Bird River Joint Venture in the 2012 fiscal year.

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' Makwa (formerly Maskwa) Property. Bird River Mines Inc. retains 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 was 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., a former joint venture partner, drilled nine holes in this area which encountered significant sulphide mineralization. This program was highlighted by hole BR-05-02 that intersected 13.75 metres 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 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. The Ore Fault Property lies within the area of influence and became 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, 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.

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 of 2009.

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). The summary of the NI 43-101 technical report outlining the resource estimates has been filed on SEDAR by Marathon PGM on February 26, 2009.

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

									Contained Metals Base Metals lbs x 1,000,000 Precious Metals ozs x 1,000				
Category	Tonnes (x1,000)	Ni (%)	Cu (%)	Zn (%)	Ag (gpt)	Au (gpt)	Pt (gpt)	Pd (gpt)	Ni	Cu	Zn	Ag	PGM + 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 Base Metals lbs x 1,000,000 Precious Metals ozs x 1,000				
Category	Tonnes (x1,000)	Ni (%)	Cu (%)	Zn (%)	Ag (gpt)	Au (gpt)	Pt (gpt)	Pd (gpt)	Ni	Cu	Zn	Ag	PGM + 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 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, based on drill results up to the end of 2008, 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.

Current metal prices have changed from 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 and value of the estimated resource. Inclusion of exploration results conducted 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
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(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 NR-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 assisted 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. Results from the best trench graded 0.22% copper; 0.22% zinc; and 12.5gpt silver over 3.0 metres. 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 October 2011, Stillwater conducted a GPS hole location program of historic drill holes and a new revised internal ore resource calculation for the Page Block, using a new geological model and data from drill holes completed after the last resource calculation, was initiated but not completed.

Gossan's Bird River Property is located immediately adjacent to Mustang Minerals' Makwa Property. Mustang is in the process of completing a final feasibility study on the Makwa Deposit which hosts 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 February 2, 2011, Mustang Minerals announced that it was acquiring a used grinding and milling system to help reduce the capital costs of putting its Makwa Deposit into production. On December 1, 2011, Mustang announced that key components of the feasibility study are being completed and that flow sheet and plant design will commence following successful completion of metallurgical work.

As of March 24, 2012, Gossan holds a 100% interest in the Property. During the term of the Joint Venture, Stillwater and formerly Marathon PGM made payments to Gossan of \$850,000 and incurred over \$4.7 million of exploration and acquisition expenditures at the Bird River Project over a 5 year period.

During 2006, Gossan received a substantial amount of data on the Bird River Property provided by the Company's former joint venture partner, North American Palladium Ltd.'s wholly-owned subsidiary, Lac des Iles Mines Ltd. ("LDI"). Between March 14, 2005 and March 27, 2006, LDI conducted: a 750 line-km, high resolution, time domain, electromagnetic and magnetic survey using Geotech's helicopter-borne "dream-catcher" VTEM System; an initial 8-hole diamond drill program, totaling 934 metres, highlighted by hole BR-05-02, located on the Page Block, that intersected 13.75 meters of 1.077% nickel and 0.501% copper; a 37.8 line-km, deep penetrating, large loop, surface pulse DEEP EM survey along 2.6-km of the Sill on the Page and Peterson Blocks; and a second drill program at the eastern end of the Property. The second drill program consisted of ten holes, totaling 1,365 metres, of which five holes encountered significant sulphide mineralization, highlighted by hole BR-06-10 that intersected 8.7 metres of 0.924% nickel and 0.400% copper. During the life of the agreement, LDI made payments to Gossan totalling \$100,000 and incurred \$805,500 of expenditures conducting these exploration programs.

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, Ph.D., and Shoufa Lin, Ph.D., 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).

From June 4 to 25, 2012, the Company provided Michel Houlé, Ph.D., P.Geo., Geological Survey of Canada, access to the Bird River Property and its core facility to research and test the new geological model of multiple igneous bodies instead of one single fault displaced intrusion and its implication for exploration. The goal will be to build the stratigraphic context of these igneous bodies and their relationships with the Chrome, Nickel sulfides and PGE mineralization.

Going forward, higher nickel prices and consolidation of the adjacent deposits along the Bird River Sill would improve the economic prospects of the Bird River Project.

#### 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 gold resource. The Mega Precious Metals NI 43-101 compliant estimate of measured and indicated resource is 2.9 million ounces of contained gold at a grade of 1.3 gpt 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. Officials of the Manitoba government are continuing to meet with First Nations representatives in an effort to conclude the consultation process.

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.

Upon the award of the three exploration permits under application, the Company intends to seek a joint venture partner to conduct a drilling program at the Sharpe Lake Property.

#### Rice Lake Gold Royalties

The Company holds two net smelter return royalties in the Rice Lake Gold belt near Bissett, Manitoba. Gossan holds NSR interests on two gold properties – the Angelina held by Strikepoint Gold Inc. and the Topo held by Golden Pocket Resources Ltd.

#### Inwood Magnesium Project & The Zuliani Process

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. The current focus of the Project is the assessment of a new magnesium production process.

On March 7, 2007, Gossan entered into a Memorandum of Understanding to collaborate on the development of a new high efficiency magnesium production process being developed by Douglas J. Zuliani with an option to acquire a 100% interest in the worldwide rights to the technology. In September 2007, Gossan announced the successful completion of thermodynamic modeling of the Zuliani Process by Dr. Arthur Pelton of Thermfact utilizing the world leading FactSage system. Thereafter three phases of progressive bench scale testing were conducted at Process Research Ortech with favourable results announced in May 2009, September 2009, and April 2010. However it was not possible to conduct further testing to advance the process due to the scarce availability of a specialized furnace. Over the past three years, Gossan has held numerous negotiations with Dr. Zuliani. Management believed it had negotiated the business terms for a new agreement for the ongoing development and commercialization of the Zuliani Process with Dr. Zuliani in late 2011. However details of the agreement could not be finalized and Dr. Zuliani proposed an entirely new agreement in October 2012. Subsequently, various other business terms were discussed, including Gossan's purchase of the technology and retention of Dr. Zuliani as a consultant, as well as, a revenue sharing model. During this period, the Company was not able to complete its due diligence to its satisfaction nor reach an agreement that was in the interest of the Company. On March 1, 2013, the Company was advised by Dr. Zuliani that he would not accept Gossan's latest offer pertaining to the ongoing development and commercialization of the Zuliani Process for the primary production of magnesium metal and the original agreement, the 2007 Memorandum of Understanding, had expired.

At the current time considerable uncertainty has developed regarding the outlook and future of the magnesium market. In January 2013, the USGS reported that magnesium production declined in 2012 from 771 to 750 thousand metric

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

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

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 100,000 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. The area provides typical habitat for garter snakes and grouse amongst other species. Portions of the Inwood Property are part of a wildlife management area. It is Gossan's intention to replenish similar natural environment should production need to 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.

In February of 2012, the Company initiated a sampling and assay program on a number of previously untested holes that the Manitoba Geological Survey had previously drilled in the Inwood area.

The Peguis First Nation has filed a Treaty Land Entitlement (TLE) in a large area in southeastern Manitoba which includes the Inwood area. Gossan has initiated an engagement process with the Peguis First Nation (PFN). The PFN

is considered a pro-business band and their potential involvement could lead to additional support for the Inwood Project.

Gossan contracted Jim Collinson, the former Canada's head of delegation to the OECD High Level Committee on Environment and Economy and the President of the UNESCO World Heritage Committee, to conduct a site visit at Inwood, which took place May 3, 2012 to study all environmental factors pertaining to the Inwood Property and to prepare a report.

The Company continues to assess other economic uses for the Inwood dolomite and to seek competitive high-efficiency magnesium production processes.

#### Pipestone Property

Our 50% joint-venture partner in the Pipestone 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 georeferencing 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 and fall 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. During the program the Resource Rangers recut approximately 17 km of the grid, including sections of the 10.2 km baseline.

During the fall of 2011, Gossan intensified its engagement activities with the Cross Lake First Nation and the local community. Gossan held information meetings at Cross Lake in October and November of 2011. Further discussions were held in Winnipeg later in November with representatives of the Cross Lake Band Council and the Chiefs of the Pimicikamak Four Councils in regard to advancing the development of the Pipestone Vanadium Project.

On March 21<sup>st</sup> & 22<sup>nd</sup>, 2012, Gossan was involved in further engagement at Cross Lake and was a participant at the community's annual Career Day

The Pipestone Lake Property is located in north central Manitoba, approximately 150km south of Thompson and 550km north of Winnipeg. 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 62,400 tonnes in 2011 and 63,000e tonnes in 2012. 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 rapidly increasing forecasts of new green demand from auto batteries for electric vehicles and from grid-scale redox storage batteries. Any substantial increase in green demand would lead to the need for new primary vanadium producers with production sold on long-term contracted prices. The change in the pricing mechanism would also improve the ability of financing new vanadium mines.

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

The Company is continuing to encourage engagement with the Cross Lake Band Council and the Chiefs of the Pimicikamak Four Councils in regard to advancing the development of the Pipestone Vanadium Project. Gossan also supports government consultation with the CLFN. The Company is conducting a re-assessment of the Project's data package.

#### 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 Rare Metals Inc.'s Big Whopper property, one of the largest rare metal pegmatite deposits in the world.

On October 20, 2011, Avalon Rare Metals announced that it had received an expression of interest from an industrial minerals company and that it had resumed work at the Big Whopper. Ongoing work included a review of local infrastructure requirements and preparation of the applications for the necessary operating permits.

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 solely be as an input to the glass industry. No fieldwork is currently being planned at the Property. There is no current activity at the adjacent Big Whopper deposit.

#### Manigotagan Silica Frac Sand Property

On June 25, 2013 the Company announced the sale of its Manigotagan silica frac sand deposit.

The Manigotagan Property is located 170 km northeast of Winnipeg where Gossan held a silica sand deposit at Seymourville, on the east shore of Lake Winnipeg, directly across from Black Island where silica sand was extensively quarried prior to the island becoming a Provincial Park.

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

Under the terms of the agreement, Gossan has received 1,000,000 shares of Claim Post to be followed by 4 additional property payments on a semi-annual basis with a maximum cash value of \$1,330,000, as well as, a royalty interest. On December 18, 2013, Gossan will receive an additional 2,000,000 shares of Claim Post or a cash payment of \$200,000, at Claim Post's option. In 2014, Claim Post is required to make two cash payments of \$350,000 each and a final cash payment in 2015 of \$430,000.

An initial annual advance royalty payment of \$50,000 becomes payable as of June 18, 2016, unless the operation has commenced commercial production resulting in the payment of production royalties. All frac sand produced, sold and paid from the nine Manigotagan leases is subject to a \$1.00 per tonne production royalty payable quarterly and all other products are subject to a \$0.50 per tonne production royalty. Although the royalty is solely payable on production from the Manigotagan leases, the agreement also provides for a minimum production royalty from both the Manigotagan and Seymourville Properties based on their relative remaining mining reserves of frac sand with Gossan's

Manigotagan Property having a deemed minimum mineable reserve of 6 million tonnes of frac sand. Claim Post can acquire one-half of Gossan's production royalty interest for \$1.5 million at any time after making all of the required property payments.

Previously, Gossan had 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 306-hectare 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.

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.

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 strong as the technology of drilling multi-fracked horizontal oil and gas wells utilizes large amounts of frac sand proppant. 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 lascas 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 likely limit the market size to southern Manitoba.

Gossan will continue to participate in the frac sand industry through its share ownership in Claim Post Resources, future cash property payments, and a significant production royalty.

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.

#### East Mining Corporation

On October 24, 2011, Gossan announced it had signed a Letter of Intent (LOI) with East Mining Company SA ("EMC") of Athens, Greece, to investigate and examine the possibilities of acquiring mineral projects within Europe, on a non-exclusive basis, and initially to assess three potential projects in Greece. To date, EMC has not been awarded a mineral resource license. The situation in Greece has deteriorated and economically-attractive mineral resource licenses are not readily available. Gossan is proceeding to wind up its interest in EMC.

#### The Claims Network

On March 6, 2012, Gossan sold its 66.34% controlling equity interest in The Claims Network Inc. (TCN), a service provider to the property and casualty insurance industry for \$1.5 million. Under the terms of the sale agreement, a restricted cash escrow of \$200,000 has been established pertaining to specific contingencies. 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 (see NR-12-03 dated March 7, 2012).

Gossan has held its investment in TCN under a number of different accounting treatments over time and as a result comparative information may be of limited analytical value.

#### **Liquidity and Capital Resources**

At March 31, 2013, the Company had working capital of \$629,594 which reflects a reduction of \$681,696 since March 31, 2012. This reduction primarily reflects exploration, process evaluation, property payments and property evaluation costs of \$266,015 and the Company's on-going administrative expenses. At March 31, 2013, Gossan had a cash and short term investment position of \$715,704 down from \$1,599,869 at year-end, in part reflecting a reduction in accounts payable and due to related parties. As at March 31, 2013, accounts payable and accrued liabilities were \$61,548 and amounts due to related parties were \$30,943.

On October 24, 2011, Gossan announced that it is undertaking a non-brokered private placement of up to \$860,000 of units (the “Units”), subject to the approval of the TSX Venture Exchange. Each Unit consists of one common share and one common share purchase warrant at a price of \$0.16 per Unit. Each warrant entitles the holder thereof to purchase one additional common share of Gossan at an exercise price of \$0.24 per share during the period ending November 29, 2013. All securities issued in the course of the Offering are subject to a regulatory hold period of four months and one day, and a voluntary hold period on the common shares for a further 8 months or one year in total. The principals of East Mining Company participated in the private placement. Proceeds of the Units may be used to complete a proposed investment in East Mining Company (NR-11-05 dated October 24, 2011) and will be used for general working capital purposes. The private placement was closed in two tranches.

On November 22, 2011, Gossan closed the first tranche of the private placement totaling 2,695,000 Units and \$431,200. No fees were paid pertaining to the placement of the first tranche. On December 29, 2011, Gossan closed the second tranche and completed the private placement in an aggregate of 3,772,500 Units, totaling \$603,600, subject to regulatory approval. Insiders acquired 657,500 Units of the private placement for a total of \$105,200. No fees were paid in regard to the placement of the issue. The private placement was closed in two tranches (see NR-11-08 of December 30, 2011).

The Company believes it has adequate cash resources for its current exploration, evaluation and 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 or the Inwood Magnesium Project 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 exploration and evaluation 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 and debt issues in Europe. 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. 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.

## **Share Capitalization**

The Company is authorized to issue an unlimited number of Common Shares of which 33,170,400 were outstanding as at March 31, 2013. An additional 3,772,500 common shares were reserved for issuance in relation to warrants issued in the 2011 private placement and 2,940,000 common shares were reserved for issuance in relation to stock options as at March 31, 2013, resulting in 39,882,900 shares on a fully diluted basis.

On December 29, 2011, Gossan closed the second tranche and completed a private placement in an aggregate of 3,772,500 Units, totaling \$603,600, subject to regulatory approval. Insiders acquired 657,500 Units of the private placement for a total of \$105,200. No fees were paid in regard to the placement of the issue. The private placement was closed in two tranches (see NR-11-08 of December 30, 2011).

During the 2012 fiscal year, 990,000 options were granted, 110,000 stock options were exercised; and 1,010,000 stock options expired.

On February 7, 2012, Gossan issued 50,000 common shares reflecting the achievement of certain milestones under the Zuliani Agreement.

On April 13, 2012, Gossan awarded 860,000 incentive stock options to officers, directors and consultants of the Company with expiry dates of September 21, 2015 to March 21, 2017.

On August 20, 2012, 30,000 stock options were exercised for proceeds of \$4,800.

On October 1, 2012, the Company awarded 620,000 incentive stock options exercisable at \$0.12 per common share to officers, directors, employees, and consultants with various expiry dates from June 21, 2013 to September 21, 2017. On October 31, 2012, the Company awarded 120,000 incentive stock options to a consultant with an expiry date of March 28, 2014.

As at the date of this MD&A, there were 33,170,400 Common Shares outstanding and 39,442,900 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 NR-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 Annual Information**

The following is selected financial data derived from the audited financial statements of the Company for the years ended March 31, 2013, 2012 and 2011.

	<b>Year ended March 31, 2013</b>	<b>Year ended March 31, 2012</b>	<b>Year ended March 31, 2011</b>
	<b>(IFRS)</b>	<b>(“IFRS”)</b>	<b>(“IFRS”)</b>
Net earnings (loss) and other comprehensive earnings (loss) per share (basic and diluted)	(\$777,805) (\$0.02)	\$590,877 \$0.02	(\$587,437) (\$0.02)
Mineral property interests	\$nil	\$nil	\$nil
Total assets	\$724,872	\$1,660,856	\$870,471
Total liabilities	\$92,491	\$345,091	\$836,574

## 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 (\$)	Earnings or (loss)		Total Assets (\$)
			Total (\$)	Per Share (Basic and Diluted) (\$)	
2013-March 31	IFRS	-	(119,081)	(0.01)	724,872
2012-December 31	IFRS	-	(260,356)	(0.01)	865,520
2012-September 30	IFRS	-	(143,524)	(0.01)	1,078,700
2012-June 30	IFRS	-	(254,844)	(0.01)	1,326,638
2012-March 31	IFRS	-	1,110,656	0.03	1,660,856
2011-December 31	IFRS	-	(319,822)	(0.01)	1,247,726
2011-September 30	IFRS	-	(44,167)	(0.01)	1,019,056
2011-June 30	IFRS	-	(155,790)	(0.01)	751,263
2011-March 31	IFRS	-	(160,134)	(0.01)	870,471
2010-December 31	IFRS	-	(95,398)	(0.01)	782,741
2010-September 30	IFRS	-	(191,899)	(0.01)	700,455
2010-June 30	IFRS	-	(140,006)	(0.01)	803,684
2010-March 31	Canadian GAAP	-	(385,806)	(0.01)	5,569,289 <sup>(1)</sup>

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

Over the past eight quarters net administrative expenses have typically ranged between \$100,000-\$160,000, and are currently trending to lower levels. Earnings in 2012-Q4 were unusually high primarily as a result of the gains on the sale of the Company's interest in The Claims Network and on the Bird River Joint Venture. 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, if any. In the third fiscal quarter of 2011, Gossan commenced the consolidation of its then subsidiary, The Claims Network Inc. through to March 31, 2011 and thereafter, until its sale, 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:

For the annual period ended March 31,		2013		2012
CEO fees	(i)	\$	70,200	\$ 107,000
Consulting fees paid to Directors	(ii)	\$	41,981	\$ 29,460
Marrelli Support Services ("MSSI")	(iii)	\$	41,638	\$ 48,489
Directors fees	(iv)	\$	-	\$ 39,000

(i) Chief Executive Officer fees for the period.

(ii) Directors of Gossan. Fees relate to consulting services provided for geological and community engagement services. As at March 31, 2013, \$10,977 (2012 - \$10,442) was included in due to related parties.

(iii) The Chief Financial Officer ("CFO") of Gossan is the president of MSSI. Fees are related to accounting services provided by MSSI and the CFO function performed. As of March 31, 2013, \$9,916 (2012 - \$9,000) was included in due to related parties.

(iv) During fiscal 2013, fees were paid/accrued to Directors in the amount of nil (2012 - \$39,000) for directors fees, including committee fees and other board activities. In the current year, nil % (2012 - 25%) of the fees paid to directors were retained by the Company for acquisition of the Company's common shares on the directors' behalf. As at March 31, 2013, \$10,500 (2012 - \$74,911) was outstanding in regard to retained directors' fees.

As at March 31, 2013, the Chief Executive Officer had advanced \$nil (2012 - \$100,000) to the Company for general working capital purposes. The advances are unsecured, non-interest bearing and due upon demand. All amounts were repaid during the period.

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).

Share-based remuneration to Directors and key management personnel of the Company was as follows:

For the interim period ended March 31,		2013		2012
Share-based payments		\$	64,200	\$ 59,250

### **New Accounting Standards Adopted**

IAS 1, Presentation of Financial Statements, was amended to require an entity to group items presented in other comprehensive income into those that: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit or loss. The amendment is applicable for annual periods beginning on or after July 1, 2012. This has changed the Company's current presentation of items in other comprehensive income; however, it has not affected the measurement or recognition of such items.

## Future Accounting Changes

The following standards have not yet been adopted and are being evaluated to determine their impact on the Company.

(i) 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. The IASB has proposed to move the effective date of IFRS 9 to January 1, 2015.

(ii) 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 periods beginning on or after January 1, 2013. Earlier adoption is permitted.

(iii) 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.

(iv) 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.

(v) 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 categorized 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.

(vi) In addition, there have been amendments to existing standards, including IAS 27, Separate Financial Statements (IAS 27), and IAS 28, Investments in Associates and Joint Ventures (IAS 28). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13.

### **Critical Accounting Estimates**

The preparation of the consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- the recoverability of amounts receivable that are included in the statements of financial position;
- the inputs used in accounting for share based payment transactions in earnings (loss) in prior periods;
- no material restoration, rehabilitation and environmental cost, based on the facts and circumstances that existed during the period; and
- management's position that there is no income tax considerations required within these financial statements.

### **Critical Accounting Judgments**

The categorization of financial assets and liabilities requires management to make judgments and assessments.

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

The Company manages its capital with the following objectives:

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

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

The Company considers its capital to be shareholders' equity, comprising share capital, contributed surplus, and deficit, which at March 31, 2013, totalled \$632,381 (March 31, 2012 – \$1,315,765).

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating and capital expenditures, and other investing and financing activities. The forecast is updated based on activities related to its mineral properties. Selected information is provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the year ended March 31, 2013. The Company is not subject to externally imposed capital requirements.

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 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 March 31, 2013.

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 March 31, 2013, the Company had a cash from continuing operations of \$495,700 (March 31, 2012 - \$1,379,865) to settle current liabilities of \$92,491 (March 31, 2012 - \$345,091). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity.

Market Risk

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

### *Interest Rate Risk*

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

### *Foreign Currency Risk*

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

### *Price Risk*

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, as they relate to gold, vanadium, titanium, base metals, PGE's, magnesium, aluminum, 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 one year 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 March 31, 2013, 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 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 March 31, 2013 and March 31, 2012, the fair values of cash and restricted cash, short-term investments, accounts receivable, accounts payable and accrued liabilities, and due to related parties 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 March 31, 2013, 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	\$ 495,700	-	-
Restricted Cash	\$ 200,000	-	-
Short term investments \$	\$ 20,004	-	-

#### 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 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 financial statements and (ii) the 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 financial statements.

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, reflecting ongoing concerns about the stability of the global economy and weak 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 where 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.

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.