
GOSSAN RESOURCES LIMITED
FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2014 AND 2013
(EXPRESSED IN CANADIAN DOLLARS)

MANAGEMENT'S RESPONSIBILITY LETTER

Management acknowledges responsibility for the preparation and presentation of the financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and necessarily include amounts based on estimates and judgments of management.

MNP LLP, our independent auditors, is engaged to express a professional opinion on the financial statements. Their examination is conducted in accordance with Canadian generally accepted auditing standards and includes tests and other procedures which allow the auditors to report whether the financial statements prepared by management are presented fairly in accordance with IFRS.

The Board of Directors must ensure that management fulfils its responsibilities for financial reporting. In furtherance of the foregoing, the Board of Directors has appointed an Audit Committee composed of three directors, two of whom are independent. The Audit Committee meets with the independent auditors to discuss the results of their audit report prior to submitting the financial statements to the Board of Directors for its approval. On the recommendation of the Audit Committee, the Board of Directors has approved the Company's financial statements.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

"Douglas Reeson"
President and C.E.O.

"Andrew Thomson"
Director

To the Shareholders of Gossan Resources Limited:

We have audited the accompanying financial statements of Gossan Resources Limited, which comprise the statements of financial position as at March 31, 2014 and 2013, the statements of earnings (loss) and comprehensive earnings (loss), cash flows and changes in shareholders' equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Gossan Resources Limited as at March 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that the Company has incurred ongoing operating losses and negative cash flows from operations. These conditions, along with other matters as set forth in Note 1, indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Winnipeg, Manitoba

July 22, 2014

MNP LLP

Chartered Accountants

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

As at March 31,	2014	2013
ASSETS		
Current Assets		
Cash	\$ 194,711	\$ 495,700
Short term investments	20,004	20,004
Accounts receivable	354,853	6,381
Prepaid expenses	1,000	-
Marketable securities (Note 6)	105,000	-
	675,568	522,085
Non-Current		
Restricted cash (Note 5)	200,000	200,000
Equipment (Note 7)	1,951	2,787
	201,951	202,787
	\$ 877,519	\$ 724,872
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 53,641	\$ 61,548
Due to related parties (Note 13)	63,867	30,943
	117,508	92,491
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	11,851,494	11,851,494
Warrant reserve (Note 10)	-	120,071
Contributed surplus	1,544,555	1,421,931
Deficit	(12,636,038)	(12,761,115)
	760,011	632,381
	\$ 877,519	\$ 724,872

See accompanying notes to these financial statements.

Nature of Operations and Going Concern (Note 1)
Contingencies and Commitments (Note 15)
Subsequent Event (Note 16)

Approved on Behalf of the Board:

"Douglas Reeson"
Director

"Andrew Thomson"
Director

Gossan Resources Limited**STATEMENTS OF EARNINGS(LOSS) AND COMPREHENSIVE EARNINGS(LOSS)****(Expressed in Canadian Dollars)**

For the Years Ended March 31,	2014	2013
Expenses		
Exploration and evaluation expenditures (Note 6)	\$ 9,546	\$ 266,015
General and administrative (Note 12)	320,377	511,790
Net loss before the following	(329,923)	(777,805)
Gain on disposition of mineral property interest (Note 6)	445,000	-
Fair value adjustment on marketable securities (Note 6)	10,000	-
Net earnings (loss) and comprehensive earnings (loss)	125,077	(777,805)
Basic and diluted net earnings (loss) and comprehensive earnings (loss) per share (Note 11)	\$ 0.00	\$ (0.02)
Basic and diluted net earnings (loss) per share (Note 11)	\$ 0.00	\$ (0.02)
Weighted average number of common shares outstanding	33,170,400	33,158,679

See accompanying notes to these financial statements.

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

For the Years Ended March 31,	2014	2013
Cash (used in) provided by:		
Operating Activities		
Net earnings (loss) for the year	\$ 125,077	\$ (777,805)
Adjustment for:		
Depreciation	836	1,688
Fair value adjustment on marketable securities (Note 6)	(10,000)	-
Gain on disposition of mineral property interest (Note 6)	(445,000)	-
Stock-based compensation	2,553	89,621
Non-cash working capital items:		
Accounts receivable	1,528	26,802
Prepaid expenses	(1,000)	23,329
Accounts payable and accrued liabilities	(7,907)	(73,636)
Due to related parties	32,924	(178,964)
	(300,989)	(888,965)
Financing Activities		
Issuance of share capital - net of costs of issue	-	4,800
Net change in cash	(300,989)	(884,165)
Cash, beginning of year	495,700	1,379,865
Cash, end of year	\$ 194,711	\$ 495,700

See accompanying notes to these financial statements.

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

	Share Capital	Warrant Reserve	Contributed Surplus	Deficit	Total
Balance, March 31, 2012	\$ 11,844,894	\$ 120,071	\$ 1,334,110	\$ (11,983,310)	\$ 1,315,765
Exercise of stock options - cash	4,800	-	-	-	4,800
Exercise of stock options - Black-Scholes valuation	1,800	-	(1,800)	-	-
Stock-based compensation	-	-	89,621	-	89,621
Net loss and comprehensive loss for the year	-	-	-	(777,805)	(777,805)
Balance, March 31, 2013	\$ 11,851,494	\$ 120,071	\$ 1,421,931	\$ (12,761,115)	\$ 632,381
Stock-based compensation	-	-	2,553	-	2,553
Expiry of warrants	-	(120,071)	120,071	-	-
Net earnings and comprehensive earnings for the year	-	-	-	125,077	125,077
Balance, March 31, 2014	\$ 11,851,494	\$ -	\$ 1,544,555	\$ (12,636,038)	\$ 760,011

See accompanying notes to these financial statements.

Gossan Resources Limited
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2014 AND 2013
(Expressed in Canadian Dollars)

1. Nature of Operations and Going Concern

Gossan Resources Limited (the "Company") is a public corporation that was incorporated federally on June 16, 1980. The Company, directly and through joint ventures, is in the business of acquiring and exploring resource properties that it believes contain mineralization. To date, the Company is considered to be in the exploration and evaluation stage.

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

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

As the Company has no revenue producing mines, the Company's ability to continue as a going concern is dependent upon its ability to raise funds in the capital markets, or through the sale of assets. The Company is in the exploration and evaluation stage and as is common with many exploration companies, it raises financing for its exploration and acquisition activities in discrete tranches. The Company had working capital of \$558,060 at March 31, 2014 (March 31, 2013 - \$429,594). At March 31, 2014, the Company had sufficient funds to finance its current exploration plans and administrative expenses and expects to be a going concern for the next twelve months. Further financing will be required for operations beyond the next twelve months and there is no assurance these funds can be raised. The Company's discretionary exploration activities do have considerable scope for flexibility in terms of the amount and timing of exploration expenditures, and expenditures may be adjusted accordingly.

The Company is traded on the TSX Venture Exchange under the symbol "GSS" and on the Frankfurt/Freiverkehr & Xetra Exchanges under the symbol "GSR" (WKN 904435).

The financial statements were approved by the Board of Directors on July 22, 2014.

2. Significant Accounting Policies

a) Statement of Compliance

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and their interpretations adopted by the International Accounting Standards Board ("IASB") and the Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the Handbook of the Canadian Institute of Chartered Accountants.

b) Basis of Presentation

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

In the preparation of these financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the period. Actual results could differ from these estimates. Of particular significance are the estimates and assumptions used in the recognition and measurement of items included in note 2(s).

Gossan Resources Limited
NOTES TO FINANCIAL STATEMENTS
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(Expressed in Canadian Dollars)

2. Significant Accounting Policies (Continued)

c) Revenue Recognition

Revenue is recognized when the underlying services have been performed and there is a reasonable expectation of collection. The Company recognizes interest income on its cash and cash equivalents on an accrual basis at the stated rates over the term to maturity. Revenue from investments is recognized when it is sold and it is deemed collectible.

d) Short Term Investments

Short term investments are comprised of guaranteed investment certificates and term deposits with initial terms to maturity of over ninety days but less than one year.

e) Financial Instruments

The Company's financial instruments consist of the following financial assets and liabilities, classified as follows:

Cash and restricted cash	Fair value through profit and loss ("FVTPL")
Short term investments and marketable securities	FVTPL
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Due to related parties	Other financial liabilities

Fair Value Through Profit and Loss

Financial assets are classified as FVTPL when acquired principally for the purpose of trading, if so designated by management (fair value option), or if they are derivative assets that are not part of an effective and designated hedging relationship. Financial assets classified as FVTPL are measured at fair value, with changes recognized in the statements of earnings (loss). Transaction costs related to financial instruments which are classified as FVTPL are recognized in profit or loss when incurred. The Company applies trade date accounting for the recognition of the purchase or sale of financial instruments.

The Company does not currently hold any derivative instruments or apply hedge accounting.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Available-for-sale Financial Assets

Available-for-sale ("AFS") financial assets are non-derivative financial assets that are either designated as available-for-sale or not classified in any of the other financial asset categories. Changes in the fair value of AFS financial assets other than impairment losses are recognized as other comprehensive income and classified as a component of equity. AFS assets include investments in listed equity of other entities.

Management assesses the carrying value of AFS financial assets at least annually and any impairment charges are recognized in profit or loss. When financial assets classified as AFS are sold, the accumulated fair value adjustments recognized in other comprehensive income are included in earnings (loss).

Gossan Resources Limited
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2014 AND 2013
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2. Significant Accounting Policies (Continued)

e) Financial Instruments (Continued)

Other Financial Liabilities

Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition.

Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

f) Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the instruments have been negatively impacted. Evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- the likelihood that the borrower will enter bankruptcy or financial re-organization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the instrument at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

g) 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).

Gossan Resources Limited
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2014 AND 2013
(Expressed in Canadian Dollars)

2. Significant Accounting Policies (Continued)

g) Financial Instruments Recorded at Fair Value (Continued)

As of March 31, 2014, and March 31, 2013, the fair values of 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, 2014, 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. 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 statement of financial position, have been prioritized into three levels as per the fair value hierarchy.

	Level 1	Level 2	Level 3
Cash	\$ 194,711	\$ -	\$ -
Restricted cash	\$ 200,000	\$ -	\$ -
Short term investments	\$ 20,004	\$ -	\$ -
Marketable securities	\$ 105,000	\$ -	\$ -

h) Exploration and Evaluation Expenditures

The Company expenses exploration and evaluation expenditures as incurred. Exploration and evaluation expenditures include acquisition costs of mineral properties, property option payments and evaluation activity.

Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

i) Flow-through Shares

Flow-through shares are a unique Canadian tax incentive. Under IAS 8, the Company may apply judgment on accounting policies in the absence of specific guidance within IFRS. Therefore, the Company has adopted a policy whereby flow-through proceeds are allocated between the offering of the common shares and the sale of tax benefits when the common shares are offered. The allocation is made based on the difference between the quoted price of the common shares and the amount the investor pays for the flow-through shares. A deferred tax liability is recognized for the premium paid (if any) by the investors and is then recognized as a deferred income tax recovery in the period of renunciation if the Company has sufficient unrealized tax losses and deductions.

Gossan Resources Limited
NOTES TO FINANCIAL STATEMENTS
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(Expressed in Canadian Dollars)

2. Significant Accounting Policies (Continued)

j) Joint Operations

The Company's Pipestone Lake property is conducted through a joint operation, whereby the Company shares joint control over the strategic, financial and operating decisions. A joint operation involves the use of the assets and resources of the joint operators and incurs its own expenses and liabilities. These financial statements reflect only the Company's proportionate interest in the joint operation. The Company's proportionate share of the expenses and cash flows of the property are included in the financial statements as described in Note 6. There are no assets, liabilities or revenues associated with this property.

k) Cash

Cash includes cash on hand, and on deposit with a Chartered bank in Canada.

l) Equipment

Furniture and equipment are stated at cost less accumulated depreciation. Depreciation is recorded on the declining balance basis at rates designed to depreciate the cost of the equipment over their estimated useful lives, based on the following annual rates:

Computer equipment	30%
Computer software	100%
Field equipment	20%
Furniture and fixtures	20%

m) Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

The Company had no material provisions for the years ended March 31, 2014 or 2013.

Gossan Resources Limited
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2014 AND 2013
(Expressed in Canadian Dollars)

2. Significant Accounting Policies (Continued)

n) Restoration, Rehabilitation and Environmental Obligations

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pretax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage that is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Company has no material restoration, rehabilitation and environmental obligations as the disturbance to date is minimal.

o) Share-based Payment Transactions

The fair value of equity-settled share options granted to employees is recognized as an expense over the vesting period with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

p) Income Taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, that asset is not recognized.

Gossan Resources Limited
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2014 AND 2013
(Expressed in Canadian Dollars)

2. Significant Accounting Policies (Continued)

q) Earnings (Loss) Per Share

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the earnings (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share, which reflects the maximum possible dilution from the potential exercise of warrants and stock options, is the same as basic loss per share for the years ended March 31, 2014 and 2013.

r) Government Assistance

The Company periodically applies for financial assistance under available government incentive programs. All government assistance received is reflected as a reduction to the related asset category.

s) Significant Accounting Judgments and Estimates

The preparation of these 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 financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the 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.

Critical Accounting Estimates

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 profit or loss;
- 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

- (i) Impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less cost to sell and its value in use. The fair value less cost to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less the incremental costs for disposing of the asset. If there is no binding sale agreement or active market for an asset, fair value less cost to sell is based on the best information available to reflect the amount that an entity could obtain, at the end of the reporting period, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from management's best estimates of the future cash flows associated with a particular asset, and do not include restructuring activities that the company is not yet committed to or significant future investments that will enhance the asset's performance or value. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model, the expected future cash inflows and the growth rate used for extrapolation purposes.

Gossan Resources Limited
NOTES TO FINANCIAL STATEMENTS
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2. Significant Accounting Policies (Continued)

s) Significant Accounting Judgments and Estimates (Continued)

Critical Accounting Judgments (Continued)

- (ii) Management assesses the fair value of stock options granted and share purchase warrants issued using the Black-Scholes option pricing model. Measurement inputs include the Company's share price on the measurement date, the exercise price of the option or warrant, the expected volatility of the Company's shares, the expected life of the options or warrants, expected dividends and the risk-free rate of return. The Company estimates the volatility based on historical shares prices in the publicly-traded market. The expected life on the options or warrants, are based on the historical experience and the estimates of the holder's behavior. Dividends are not factored in as the Company does not expect to pay dividends in the foreseeable future. Management also makes an estimate of the number of options that will be forfeited and the rate is adjusted to reflect the actual number of options that actually vest.
- (iii) Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by tax authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.
- (iv) The Company accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized based on deductible or taxable temporary differences between the carrying amounts and tax bases of the assets and liabilities. Deferred tax assets and liabilities are measured using substantially enacted tax rates expected to apply in the years in which the temporary differences are expected to reverse. If the estimates and assumptions are modified in the future, the Company may be required to reduce or increase the value of deferred tax assets or liabilities resulting in, where applicable, an income tax expense or recovery. The Company regularly evaluates deferred tax assets and liabilities.
- (v) Estimates and judgments are inherent in the on-going assessment of the recoverability of some accounts receivable. The Company maintains an allowance for doubtful accounts to reflect expected credit losses. The Company is not able to predict changes in financial conditions of its customers and the Company's judgment related to the recoverability of accounts receivable may be materially impacted if the financial condition of the Company's customers deteriorates.
- (vi) No provision has been established for asset retirement obligations as management believes that there has been no significant site disturbance to date that would require a provision to be established. The ultimate retirement costs are uncertain and cost estimates can vary in response to many factors including changes in relevant regulatory requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditure can also change, for example in response to a change in reserves. As a result, there could be significant adjustments to any provisions established which would affect future financial results.

t) New Accounting Standards Adopted

- (i) 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. The Company adopted this standard, effective April 1, 2013, with no impact on its financial statements.

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2. Significant Accounting Policies (Continued)

t) New Accounting Standards Adopted (Continued)

- (ii) 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. As a result of applying this standard on April 1, 2013, the Company’s Pipestone Lake property was classified as a joint operation, and is accounted for using the proportionate consolidation method. This resulted in no change to the accounting for this property.
- (iii) 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. The Company adopted this standard, effective April 1, 2013, with no impact on its financial statements.
- (iv) 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 have 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. The Company adopted this standard, effective April 1, 2013, with no impact on its financial statements, except for expanded disclosure on fair value measurement.

- (v) IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended by the IASB in June 2011. As a result of the amendment, items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. At April 1, 2013, the Company adopted this pronouncement and there was no material impact on the Company’s financial statements.

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2. Significant Accounting Policies (Continued)

t) New Accounting Standards Adopted (Continued)

- (vi) IAS 28 - Investments in Associates and Joint Ventures ("IAS 28") was issued by the IASB in May 2011 and supersedes IAS 28 - Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 defines significant influence as the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. IAS 28 also provides guidance on how the equity method of accounting is to be applied and also prescribes how investments in associates and joint ventures should be tested for impairment. On April 1, 2013, the Company adopted this pronouncement and there was no material impact on the Company's financial statements.

u) Future Accounting Changes

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2014 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine the impact on the Company.

- (i) IFRS 9 - Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted. The Company is currently assessing the impact of this pronouncement.
- (ii) IAS 32 - Financial Instruments: Presentation ("IAS 32") was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014. The Company is currently assessing the impact of this pronouncement.
- (iii) IFRS 2 'Share-based Payments' is an amendment to clarify the definition of vesting conditions and separately define a performance condition and a service condition. The amendments are effective for a share-based payment transaction for which the grant date is on or after July 1, 2014.
- (iv) IAS 24 'Related Party Disclosures' amendments clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. The amendments will only affect disclosure and are effective for annual periods beginning on or after July 1, 2014.

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2. Significant Accounting Policies (Continued)

u) Future Accounting Changes (Continued)

(v) IAS 36 'Impairment of Assets' was amended to require disclosure of the recoverable amount of impaired assets and requires additional disclosures about the measurement of the recoverable amount when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount. The amendments will only affect disclosure and are effective for annual periods beginning on or after January 1, 2014.

v) Presentation and Functional Currency

The Company's presentation currency is the Canadian ("CDN") dollar and the functional currency of its operations is the CDN dollar as it was assessed by management that the CDN dollar is the currency of the primary economic environment in which the Company operates.

w) Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

3. Capital Management

The Company manages its capital with the following objectives:

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

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

The Company considers its capital to be shareholders' equity, comprising share capital, contributed surplus, warrant reserve, and deficit, which at March 31, 2014, totalled \$760,011 (2013 - \$632,381).

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, 2014. The Company is not subject to externally imposed capital requirements.

4. Mineral Property and Financial Risk Factors

a) Mineral Property Risk

The Company's major mineral properties are listed in Note 6. 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.

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4. Mineral Property and Financial Risk Factors (Continued)

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. Accounts receivable consists of sales tax receivable from government authorities in Canada, and sales proceeds from the sale of property interests, as described in Note 6(iv). Accounts receivable are in good standing as of March 31, 2014.

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, 2014, the Company had cash of \$194,711 (2013 - \$495,700) to settle current liabilities of \$117,508 (2013 - \$92,491). 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.

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4. Mineral Property and Financial Risk Factors (Continued)

b) Financial Risk (Continued)

Sensitivity Analysis

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

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

As of March 31, 2014, the Company is not a producer of valuable minerals. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

- (iv) Mineral property risk is significant. In particular, if an economic orebody is not found, the Company cannot enter into commercial production and generate sufficient revenues to fund its continuing operations. There can be no assurance that the Company will generate any revenues or achieve profitability or provide a return on investment in the future from any of the properties it may have an interest in.
- (v) A variance of 10% in the market value of the Company's marketable securities would affect the Company's earnings (loss) and comprehensive earnings (loss) by \$10,500.

5. Restricted Cash

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

6. Exploration and Evaluation Expenditures

	Historical Expenditures, March 31, 2013	Current Expenditures	Historical Expenditures, March 31, 2014
Pipestone Lake (i)	\$ 1,810,376	\$ (9,544)	\$ 1,800,832
Bird River (ii)	884,007	4,247	888,254
Inwood (iii)	1,121,864	7,296	1,129,160
Separation Rapids	192,176	-	192,176
Manigotagan Silica (iv)	780,968	3,175	784,143
Sharpe Lake	481,066	97	481,163
Other	2	1	3
	\$ 5,270,459	\$ 5,272	\$ 5,275,731

In addition to the above expenditures, during the year ended March 31, 2014, the Company incurred \$4,274 in evaluation expenditures on prospective property interests.

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6. Exploration and Evaluation Expenditures (Continued)

	Historical Expenditures, March 31, 2012	Current Expenditures	Historical Expenditures, March 31, 2013
Pipestone Lake (i)	\$ 1,798,011	\$ 12,365	\$ 1,810,376
Bird River (ii)	878,216	5,791	884,007
Inwood (iii)	921,484	200,380	1,121,864
Separation Rapids	192,176	-	192,176
Manigotagan Silica (iv)	769,697	11,271	780,968
Sharpe Lake	480,646	420	481,066
Other	2	-	2
	\$ 5,040,232	\$ 230,227	\$ 5,270,459

In addition to the above expenditures, during the year ended March 31, 2013, the Company incurred \$35,788 in evaluation expenditures on prospective property interests.

- (i) The Pipestone project is a 50% joint operation with Cross Lake Mineral Explorations Inc.
- (ii) The Bird River project is wholly-owned by the Company. Prior to March 24, 2012, the project was held pursuant to a joint venture agreement with Stillwater Mining Company ("Stillwater") who acquired the interest from Marathon PGM Corporation. As a result of the formation and the subsequent activity of the joint venture, the Company recorded gains in the amount of \$570,169 in prior years.
- (iii) On March 15, 2007, the Company entered into a licensing arrangement for a new magnesium production process ("the Zuliani Process"), including an option to secure exclusive worldwide rights to the Zuliani Process. A component of the consideration is the conditional payment of up to 150,000 common shares related to specific measurable events. On November 12, 2007, 100,000 common shares were issued with an assigned fair value of \$21,000 related to the completion of Phase I of the arrangement. On February 7, 2012, the Company issued 50,000 common shares, ascribed a fair value of \$7,500, related to the completion of Phase 2. In fiscal 2009, an industrial research grant was received from the Government of Manitoba in the amount of \$14,000 for work undertaken on the Zuliani Process.

On March 1, 2013, the Company was advised by Dr. Zuliani that he would not accept the Company'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.

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6. Exploration and Evaluation Expenditures (Continued)

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

Under the terms of the agreement, Gossan received 1,000,000 shares of Claim Post (ascribed a fair value of \$25,000) to be followed by 4 additional property payments on a semi-annual basis with a maximum cash value of \$1,130,000, as well as, a royalty interest. On December 18, 2013, Gossan received an additional 2,000,000 shares of Claim Post under the terms of the agreement (ascribed a fair value of \$70,000). In 2014, Claim Post is required to make two cash payments of \$350,000 each and a final cash property payment in 2015 of \$430,000. On June 13, 2014, the Company received the first of the two \$350,000 payments. Consideration for this purchase and sale agreement shall be recognized in the Company's statement of earnings (loss) and comprehensive earnings (loss) as a gain on disposition of mineral property interest when it is received, or where the receipt of which is certain.

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.

The 3,000,000 common shares received to date, with a fair value of \$95,000 and the \$350,000 payment received in June 2014 have been recorded as a gain on disposition of mineral property interest on the Company's statements of earnings (loss) and comprehensive earnings (loss). The underlying marketable securities have been designated as financial assets 'at fair value through profit or loss' ("FVTPL"), and are measured at fair value on each reporting period. Any changes in market value are recorded on the Company's statement of earnings (loss) and comprehensive earnings (loss). As at March 31, 2014, the marketable securities held had a fair market value of \$105,000.

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7. Equipment

COST

	Computer Equipment	Computer Software	Field Equipment	Furniture and Fixtures	Total
Balance, March 31, 2012, 2013, and 2014	\$ 19,599	\$ 7,435	\$ 1,155	\$ 5,327	\$ 33,516

ACCUMULATED DEPRECIATION

	Computer Equipment	Computer Software	Field Equipment	Furniture and Fixtures	Total
Balance, March 31, 2012	\$ 16,395	\$ 7,435	\$ 987	\$ 4,224	\$ 29,041
Depreciation for the year	1,372	-	40	276	1,688
Balance, March 31, 2013	\$ 17,767	\$ 7,435	\$ 1,027	\$ 4,500	\$ 30,729
Depreciation for the year	548	-	40	248	836
Balance, March 31, 2014	\$ 18,315	\$ 7,435	\$ 1,067	\$ 4,748	\$ 31,565

CARRYING AMOUNTS

	Computer Equipment	Computer Software	Field Equipment	Furniture and Fixtures	Total
At March 31, 2013	\$ 1,832	\$ -	\$ 128	\$ 827	\$ 2,787
At March 31, 2014	\$ 1,284	\$ -	\$ 88	\$ 579	\$ 1,951

8. Share Capital

a) Authorized share capital

At March 31, 2014, the authorized share capital consisted of an unlimited number of common shares. The common shares do not have a par value.

b) Common shares issued

At March 31, 2014, the issued share capital amounted to \$11,851,494. There was no change in share capital in the current year.

	Number of Common Shares	Amount
Balance, March 31, 2012	33,140,400	\$ 11,844,894
Exercise of options - cash	30,000	4,800
Exercise of options - Black-Scholes valuation	-	1,800
Balance, March 31, 2013 and 2014	33,170,400	\$ 11,851,494

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9. Stock Options

The following table reflects the continuity of stock options for the year ended March 31, 2014 and 2013:

	Number of Stock Options	Weighted Average Exercise Price (\$)
Balance, March 31, 2012	1,780,000	0.17
Granted (i)(ii)(iii)(iv)(v)(vi)	1,600,000	0.14
Expired	(410,000)	0.17
Exercised	(30,000)	0.16
Balance, March 31, 2013	2,940,000	0.15
Granted (vii)(viii)	700,000	0.07
Expired or forfeited	(1,020,000)	0.15
Balance, March 31, 2014	2,620,000	0.13

As at March 31, 2014, all options were exercisable.

- (i) On April 13, 2012, the Company granted 200,000 incentive stock options to an investor relations consultant of the Company. The options are exercisable at \$0.16 per share, expire on September 21, 2015, and vest at a rate of 25% every three months. The resulting fair value of \$12,000 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 85%; a risk-free interest rate of 1.2% and an expected average life of 2.3 years. During the year ended March 31, 2013, \$12,000 was charged to the Company's statement of earnings (loss) and comprehensive earnings (loss).
- (ii) On April 13, 2012, the Company granted 250,000 incentive stock options to consultants, officers and directors of the Company. The options are exercisable at \$0.16 per share, expire on September 21, 2015, and vest immediately upon grant. The resulting fair value of \$15,000 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 85%; a risk-free interest rate of 1.2% and an expected average life of 2.3 years. During the year ended March 31, 2013, \$15,000 was charged to the Company's statement of earnings (loss) and comprehensive earnings (loss).
- (iii) On April 13, 2012, the Company granted 130,000 incentive stock options to consultants, officers and directors of the Company. The options are exercisable at \$0.16 per share, expire on March 21, 2016, and vest immediately upon grant. The resulting fair value of \$8,320 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 85%; a risk-free interest rate of 1.2% and an expected average life of 2.6 years. During the year ended March 31, 2013, \$8,320 was charged to the Company's statement of earnings (loss) and comprehensive earnings (loss).
- (iv) On April 13, 2012, the Company granted 280,000 incentive stock options to consultants, officers and directors of the Company. The options are exercisable at \$0.16 per share, expire on March 21, 2017, and vest immediately upon grant. The resulting fair value of \$19,600 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 85%; a risk-free interest rate of 1.2% and an expected average life of 3.1 years. During the year ended March 31, 2013, \$19,600 was charged to the Company's statement of earnings (loss) and comprehensive earnings (loss).

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9. Stock Options (Continued)

- (v) On October 1, 2012, the Company granted 600,000 incentive stock options to officers and directors and 20,000 incentive options to consultants of the Company. The options are exercisable at \$0.12 per share, have expiry dates from June 21, 2013 to September 21, 2017, and vest immediately upon grant. The resulting fair value of \$33,440 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility from 55% to 85%; a risk-free interest rate of 1.2% and expected lives from 0.7 years to 3.1 years. During the year ended March 31, 2013, \$33,440 was charged to the Company's statement of earnings (loss) and comprehensive earnings (loss).
- (vi) On October 31, 2012, the Company granted 120,000 incentive stock options to a consultant of the Company. The options are exercisable at \$0.12 per share, expire on March 28, 2014, and vest one quarter every three months from the date of the grant. The resulting fair value of \$1,800 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 55%; a risk-free interest rate of 1.2% and an expected average life of 1.2 years. During the year ended March 31, 2014, \$540 (2013 - \$1,261) was charged to the Company's statement of earnings (loss) and comprehensive income (loss).
- (vii) On March 14, 2014, the Company granted 290,000 incentive stock options to an officer, directors and an employee of the Company. The options are exercisable at \$0.05 per share, expire March 16, 2015, and vest immediately upon grant. The resulting fair value of \$829 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility from 85%; a risk-free interest rate of 1.0% and an expected life of 0.87 years. During the year ended March 31, 2014, \$829 was charged to the Company's statement of earnings (loss) and comprehensive earnings (loss).
- (viii) On March 14, 2014, the Company granted 410,000 incentive stock options to an officer, directors and an employee of the Company. The options are exercisable at \$0.08 per share, expire March 15, 2016, and vest immediately upon grant. The resulting fair value of \$1,184 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility from 85%; a risk-free interest rate of 1.0% and an expected life of 1.5 years. During the year ended March 31, 2014, \$1,185 was charged to the Company's statement of earnings (loss) and comprehensive earnings (loss).

The following table reflects the actual stock options issued and outstanding as of March 31, 2014:

Expiry Date	Weighted Average		Number of Options Outstanding
	Exercise Price (\$)	Remaining Contractual Life (years)	
March 16, 2015	0.05	0.96	290,000
March 26, 2015	0.17	0.99	460,000
September 21, 2015	0.16	1.48	360,000
September 21, 2015	0.12	1.48	80,000
March 15, 2016	0.08	1.96	410,000
March 21, 2016	0.16	1.98	70,000
March 21, 2016	0.12	1.98	70,000
March 25, 2016	0.16	1.99	80,000
March 26, 2016	0.17	1.99	150,000
March 21, 2017	0.16	2.98	280,000
March 21, 2017	0.12	2.98	80,000
September 21, 2017	0.12	3.48	290,000
	0.13	1.86	2,620,000

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10. Warrants

The following table reflects the continuity of warrants for the years ended March 31, 2014 and 2013:

	Number of Warrants	Weighted Average Exercise Price (\$)
Balance, March 31, 2012, and March 31, 2013	3,772,500	0.24
Expired	(3,772,500)	0.24
Balance, March 31, 2014	-	-

11. Net Earnings (Loss) per Common Share

Basic earnings (loss) per share is computed using the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is the same as basic earnings (loss) per share for the years ended March 31, 2014 and 2013.

12. General and Administrative

	2014	2013
Administrative fees	\$ 30,211	\$ 29,638
Management fees	84,000	82,200
Consulting	12,000	15,654
Office and general	94,403	97,043
Public company costs	75,898	128,106
Investor relations	17,028	62,602
Travel and related	3,448	5,238
Stock-based compensation	2,553	89,621
Depreciation	836	1,688
	\$ 320,377	\$ 511,790

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13. Related Party Balances and Transactions

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.

The Company entered into the following transactions with related parties:

		2014	2013
Chief Executive Officer ("CEO") fees	(i)	\$ 72,000	\$ 70,200
Consulting fees paid to Directors	(ii)	\$ 3,600	\$ 41,981
Marrelli Support Services Inc.	(iii)	\$ 42,210	\$ 41,638

- (i) CEO fees for the period. As at March 31, 2014, \$44,147 (March 31, 2013 - \$nil) was included in due to related parties with respect to fees and reimbursable expenditures.
- (ii) Consulting fees paid to Directors relate to evaluation, geological and community engagement consulting services. As at March 31, 2014, \$nil (March 31, 2013 - \$10,977) was included in due to related parties with respect to these fees.
- (iii) During the year ended March 31, 2014, the Company expensed \$42,210 (2013 - \$41,638) to Marrelli Support Services Inc. ("Marrelli Support") and DSA Corporate Services Inc. (the "DSA"), together known as the "Marrelli Group" for:
 - (i) Carmelo Marrelli (to March 28, 2014) and Robert D.B. Suttie (from March 28, 2014) to act as Chief Financial Officer ("CFO") of the Company;
 - (ii) Bookkeeping and office support services;

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

Both Marrelli Support and DSA are private companies. Carmelo Marrelli is the president of Marrelli Support and corporate secretary and sole director of DSA.

As of March 31, 2014, the Marrelli Group was owed \$9,670, (2013 - \$9,916) and these amounts were included in due to related parties.

- (iv) As at March 31, 2014, \$10,050 (2013 - \$10,050) was outstanding from prior years in regard to retained directors fees held for the purchase of the Company's common shares. The Company's directors have elected to waive their directors fees for fiscal 2014 and 2013, amounting to \$44,000 and \$45,000, respectively.

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

To the Company's knowledge, the Company's issued and outstanding common shares are widely held.

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

	2014	2013
Stock-based payments	\$ 1,900	\$ 64,200

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14. Income Taxes

The following table reconciles the expected income tax expense (recovery) at the Canadian combined federal and provincial statutory income tax rate to the amount recognized in the statements of earnings (loss) and comprehensive earnings (loss).

	2014	2013
Earnings (loss) before income taxes	\$ 125,077	\$ (777,805)
Expected income tax expense (recovery) at statutory rate of 27.00% (2013 - 27.00%)	33,771	(210,007)
Permanent difference due to stock-based compensation	689	24,259
Permanent difference due to capital gains	15,750	-
Tax benefits not recognized	(50,210)	185,748
Income tax expense (recovery)	\$ -	\$ -

Unrecognized Deferred Tax Assets

The following table reflects the gross unused tax losses and deductible temporary differences for which deferred tax assets have not been recognized in the financial statements:

	2014	2013
Non-capital loss carry-forwards for Canadian purposes	\$ 3,768,166	\$ 3,522,705
Exploration expenditures	2,944,706	3,380,160
Financing costs	3,617	5,425
Tax value in excess of carrying value of capital assets	42,192	41,356

The Company's non-capital losses expire as follows:

2015	383,862
2026	491,126
2027	511,190
2028	625,853
2030	443,986
2031	388,762
2033	422,062
2034	255,461
	<u>\$ 3,522,302</u>

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15. Contingencies and Commitments

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

2015	12,913
2016	12,913
2017	12,913
2018	6,457

\$ 45,196

- (ii) The Company has signed an agreement for the rental of a core storage facility. The Company is committed to lease payments amounting to \$3,000 to the expiration of the lease on January 31, 2015.

16. Subsequent Event

On June 13, 2014, the Company received an initial \$350,000 cash payment under the terms of the sale of the Company's Manigotagan Silica Frac Sand Project, as described in note 6(iv). Claim Post is required to make two further cash payments totalling \$780,000 in aggregate. On December 18, 2014, a cash payment of \$350,000 is payable, and on June 18, 2015, a final payment of \$430,000 is due. These amounts will be recognized in the Company's statements of earnings (loss) and comprehensive earnings (loss) when collection is certain.

As at July 22, 2014, the 3,000,000 Claim Post common shares received in connection with this agreement had a market value of \$285,000.

17. Comparative Figures

Certain comparative figures have been reclassified to conform with current year financial statement presentation.