
GOSSAN RESOURCES LIMITED
CONDENSED INTERIM FINANCIAL STATEMENTS
THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

MANAGEMENT'S RESPONSIBILITY LETTER

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

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

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

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

NOTICE TO READER

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

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

As at	September 30, 2017	March 31, 2017
ASSETS		
Current Assets		
Cash	\$ 149,893	\$ 228,798
Funds held in trust (Note 6)	787,356	-
Short term investments	20,229	20,229
Accounts receivable	8,243	5,981
Prepaid expenses	9,733	17,757
Marketable securities (Note 5)	900	105,360
	\$ 976,354	\$ 378,125
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 25,820	\$ 41,875
Due to related parties (Note 12)	216,503	209,524
	242,323	251,399
Non-refundable advance royalty payments (Note 6)	200,000	-
	442,323	251,399
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	11,877,488	11,851,494
Contributed surplus	1,591,862	1,556,747
Deficit	(12,935,319)	(13,281,515)
	534,031	126,726
	\$ 976,354	\$ 378,125

See accompanying notes to these condensed interim financial statements.

Nature of Operations and Going Concern (Note 1)
Subsequent Event (Note 12)

Approved on Behalf of the Board:

"Douglas Reeson"
Director

"Andrew Thomson"
Director

Gossan Resources Limited

CONDENSED INTERIM STATEMENTS OF EARNINGS (LOSS) AND COMPREHENSIVE EARNINGS (LOSS)

(Expressed in Canadian Dollars)

(Unaudited)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2017	2016	2017	2016
Expenses				
Exploration and evaluation expenditures (Note 6)	\$ 40,961	\$ 19,465	\$ 104,134	\$ 23,562
General and administrative (Note 10)	64,230	76,389	165,007	136,602
Net loss before the following	(105,191)	(95,854)	(269,141)	(160,164)
Gain on disposition of mineral property interest	587,356	-	587,356	-
Gain on disposition of marketable securities	890	-	35,424	-
Fair value adjustment on marketable securities	(7,339)	(80,000)	(7,443)	-
Net income (loss) and comprehensive income (loss)	\$ 475,716	\$ (175,854)	\$ 346,196	\$ (160,164)
Basic and diluted net income (loss) and comprehensive				
income (loss) per share (Note 9)	\$ 0.01	\$ (0.01)	\$ 0.01	\$ 0.00
Weighted average number of common				
shares outstanding	33,219,960	33,170,400	33,172,878	33,170,400

See accompanying notes to these condensed interim financial statements.

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

For the Six Months Ended September 30,	2017	2016
Cash (used in) provided by:		
Operating Activities		
Net income (loss) for the period	\$ 346,196	\$ (160,164)
Adjustment for:		
Depreciation	-	142
Fair value adjustment on marketable securities	7,443	-
Gain on sale of of mineral property interest	(587,356)	-
Gain on disposition of marketable securities (Note 6)	(35,424)	-
Stock-based compensation	40,609	-
Non-cash working capital items:		
Accounts receivable	(2,262)	(2,390)
Prepaid expenses	8,024	8,802
Accounts payable and accrued liabilities	(16,055)	(772)
Due to related parties	6,979	7,763
Financing Activities		
Issuance of share capital	20,500	-
Investing Activities		
Change in funds in trust	(787,356)	-
Proceeds received on disposition of marketable securities	140,620	-
Proceeds received on sale of mineral property interest, net of costs	779,177	-
Net change in cash	(78,905)	(146,619)
Cash, beginning of period	228,798	243,338
Cash, end of period	\$ 149,893	\$ 96,719

See accompanying notes to these condensed interim financial statements.

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

	Share Capital	Warrant Reserve	Contributed Surplus	Deficit	Total
Balance, March 31, 2016	\$ 11,851,494	\$ -	\$ 1,556,747	\$ (13,000,906)	\$ 407,335
Net loss and comprehensive loss for the period	-	-	-	(160,164)	(160,164)
Balance, September 30, 2016	\$ 11,851,494	\$ -	\$ 1,556,747	\$ (13,161,070)	\$ 247,171
Balance, March 31, 2017	\$ 11,851,494	\$ -	\$ 1,556,747	\$ (13,281,515)	\$ 126,726
Exercise of stock options - cash	20,500	-	-	-	20,500
Exercise of stock options - Black-Scholes valuation	5,494	-	(5,494)	-	-
Share based payments	-	-	40,609	-	40,609
Net loss and comprehensive loss for the period	-	-	-	346,196	346,196
Balance, September 30, 2017	\$ 11,877,488	\$ -	\$ 1,591,862	\$ (12,935,319)	\$ 534,031

See accompanying notes to these condensed interim financial statements.

Gossan Resources Limited
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS
SIX MONTHS ENDED SEPTEMBER 30, 2017
(Expressed in Canadian Dollars)
(Unaudited)

1. Nature of Operations and Going Concern

Gossan Resources Limited (the "Company") is a public corporation that was incorporated federally on June 16, 1980. The Company, directly and through joint arrangements, 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 \$734,031 at September 30, 2017 (March 31, 2017 - \$126,726). At September 30, 2017, the Company had sufficient funds to finance its current discretionary exploration plans and administrative expenses and expects to be a going concern for the next twelve months. Further financing will be required for operations beyond the next twelve months and there is no assurance these funds can be raised. The Company's discretionary exploration activities do have considerable scope for flexibility in terms of the amount and timing of exploration expenditures, and expenditures may be adjusted accordingly.

The Company is traded on the TSX Venture Exchange under the symbol "GSS" and on the Frankfurt/Freiverkehr & Xetra Exchanges under the symbol "GSR" (WKN 904435). To the Company's knowledge, significant shareholders of the Company (defined as those holding greater than 10%) include only the Company's chief executive officer, Mr. Douglas Reeson, who holds 18.7% of the Company's issued and outstanding common shares.

The financial statements were approved by the Board of Directors on November 29, 2017.

2. Accounting Policies

a) Statement of Compliance

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

Gossan Resources Limited

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED SEPTEMBER 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

2. Accounting Policies (Continued)

b) Basis of Presentation

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

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

c) Future Accounting Changes

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

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

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

Gossan Resources Limited

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED SEPTEMBER 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

3. Capital Management

The Company manages its capital with the following objectives:

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

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

The Company considers its capital to be shareholders' equity, comprising share capital, contributed surplus, and deficit, which at September 30, 2017, totalled a shareholder deficiency of \$534,031 (March 31, 2017 - shareholders equity of \$126,726).

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating and capital expenditures, and other investing and financing activities. The forecast is updated based on activities related to its mineral properties. Selected information is provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the six months ended September 30, 2017. 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.

b) Financial Risks

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

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

Credit Risk

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

Management believes that the credit risk with respect to financial instruments included in accounts receivable is minimal. Accounts receivable consists of sales tax receivable from government authorities in Canada. Accounts receivable are in good standing as of September 30, 2017.

Gossan Resources Limited

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED SEPTEMBER 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

4. Mineral Property and Financial Risk Factors (Continued)

b) Financial Risks (Continued)

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at September 30, 2017, the Company had cash of \$169,358 (March 31, 2017 - \$228,798) to settle current liabilities of \$242,323 (March 31, 2017 - \$150,129). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity.

Market Risk

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

Interest Rate Risk

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

Foreign Currency Risk

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

Price Risk

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

Gossan Resources Limited

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED SEPTEMBER 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

4. Mineral Property and Financial Risk Factors (Continued)

b) Financial Risk (Continued)

Sensitivity Analysis

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

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

As of September 30, 2017, the Company is not a producer of valuable minerals. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

- (iv) Mineral property risk is significant. In particular, if an economic orebody is not found, the Company cannot enter into commercial production and generate sufficient revenues to fund its continuing operations. There can be no assurance that the Company will generate any revenues or achieve profitability or provide a return on investment in the future from any of the properties it may have an interest in.
- (v) A variance of 10% in the market value of the Company's marketable securities would affect the Company's loss and comprehensive loss by \$90.

5. Marketable Securities

The Company holds 10,000 (March 31, 2017 - 2,634,000) common shares of Claim Post Resources Inc. The securities have been designated as financial assets 'at "FVTPL", and are measured at fair value on each reporting period. Any changes in market value are recorded on the Company's statement of earnings (loss) and comprehensive earnings (loss). As at September 30, 2017, the marketable securities held had a fair market value \$0.09 per share, or \$900 in aggregate (March 31, 2017 - \$0.04 per share, or \$105,360 in aggregate). During the six months ended September 30, 2017, the Company sold 2,624,000 common shares for gross proceeds of \$140,620, resulting in a gain on disposition of \$35,424.

Gossan Resources Limited

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED SEPTEMBER 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

6. Exploration and Evaluation Expenditures

	Historical Expenditures, March 31, 2017	Current Expenditures	Historical Expenditures, September 30, 2017
Pipestone Lake (i)	\$ 1,803,433	\$ 1,200	\$ 1,804,633
Bird River (ii)	908,403	507	908,910
Inwood	1,137,447	13,903	1,151,350
Separation Rapids	200,039	400	200,439
Manigotagan Silica (iii)	788,352	-	788,352
Sharpe Lake	483,274	-	483,274
Sturgeon Lake (iv)	81,582	20,116	101,698
Royalties	4	-	4
	\$ 5,402,534	\$ 36,126	\$ 5,438,660

In addition to the above expenditures, during the six months ended September 30, 2017, the Company incurred \$68,008 in evaluation expenditures on prospective property interests.

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

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

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

Gossan Resources Limited

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED SEPTEMBER 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

6. Exploration and Evaluation Expenditures (Continued)

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

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

On September 15, 2017, the Company received payments totalling \$787,356, inclusive of the outstanding final property payment of \$430,000, four advance royalty payments totalling \$200,000 in aggregate, and \$157,356 of interest retroactive from their original due dates.

Under the terms of the revised agreement, semi-annual advance royalty payments of \$50,000 each are payable as of June 18th and December 18th of each year. All frac sand produced, sold and paid from the nine Manigotagan leases is subject to a \$1.00 per tonne production royalty payable quarterly and all other products are subject to a \$0.50 per tonne production royalty. Although the royalty is solely payable on production from the Manigotagan leases, the agreement also provides for a minimum production royalty from both the Manigotagan and the adjacent Seymourville properties held by Claim Post, based on their relative mining reserves of frac sand at the time of permitting. Claim Post can acquire one-half of Gossan's production royalty interest for \$1.5 million during the three years after commencing commercial production and \$2 million for a further two years.

The advance royalty payments are non-refundable and the next semi-annual advance royalty payment of \$50,000 is due on December 18, 2017.

- iv) On July 28, 2016, the Company acquired 15 claims in the zinc-rich polymetallic Sturgeon Lake Greenstone Belt in northwestern Ontario. In November 2015, the Company staked three claims and subsequently acquired an additional 12 claims from Excalibur Resources Ltd. along with a significant amount of exploration data. Recent work now in the possession of Gossan includes: a VTEM electromagnetic geophysical survey by Geotech Ltd.; an Enzyme Leach geochem survey and a Soil Gas Hydrocarbon geochem survey, both processed by Actlabs; and results from a limited drill program on the eastern portion of the acquired claims. In September 2016, the Company conducted a geochemical survey on the property. The property has been permitted for a winter drill program with up to 20 drill pad locations.
- v) On November 16, 2016, Gossan announced it had entered into an Exclusive Supply Agreement with Sediment Research & Minerals Ltd. ("SRML") for the provision of high-purity dolomite. SRML has identified several markets for dolomite and also has access to a process with the potential to extract magnesium oxide from dolomite in a green-friendly manner.

Gossan Resources Limited
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS
SIX MONTHS ENDED SEPTEMBER 30, 2017
(Expressed in Canadian Dollars)
(Unaudited)

6. Exploration and Evaluation Expenditures (Continued)

v) (Continued)

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

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

7. Share Capital

a) Authorized share capital

At September 30, 2017, the authorized share capital consisted of an unlimited number of common shares. The common shares do not have a par value.

b) Common shares issued

At September 30, 2017, the issued share capital amounted to \$23,702,988. There was no change in share capital during the period.

	Number of Common Shares	Amount
Balance, March 31, 2017	33,170,400	\$ 11,851,494
Exercise of options	410,000	25,994
Balance, and September 30, 2017	33,580,400	11,877,488
Balance, March 31, 2016 and September 30, 2016	33,170,400	\$ 11,851,494

Gossan Resources Limited
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SIX MONTHS ENDED SEPTEMBER 30, 2017
(Expressed in Canadian Dollars)
(Unaudited)

8. Stock Options

The following table reflects the continuity of stock options for the six months ended September 30, 2017 and 2016:

	Number of Stock Options	Weighted Average Exercise Price (\$)
Balance, March 31, 2017	1,260,000	0.06
Granted	1,190,000	0.08
Expired	(310,000)	0.06
Exercised	(410,000)	0.05
Balance, September 30, 2017	1,730,000	0.07

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

As at September 30, 2017, 1,850,000 options were exercisable.

- (i) On April 3, 2017, the Company granted 450,000 incentive stock options to officers, directors and an employee of the Company. The options are exercisable at \$0.08 per share, expire September 21, 2018. The resulting fair value of \$13,275 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 1.27% and an expected life of 1.24 years.
- (ii) On April 3, 2017, the Company granted 540,000 incentive stock options to officers, directors and an employee of the Company. The options are exercisable at \$0.08 per share, expire March 21, 2020.. The resulting fair value of \$20,574 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 1.25% and an expected life of 2.18 years. .
- (iii) April 11, 2017, the Company granted 100,000 incentive stock options to a employees and consultants of the Company. The options are exercisable at \$0.08 per share, expire September 21, 2018. The resulting fair value of \$2,950 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 1.27% and an expected life of 1.24 years.
- (iv) On April 11, 2017, the Company granted 100,000 incentive stock options to consultants and employees of the Company. The options are exercisable at \$0.08 per share, expire March 21, 2020. The resulting fair value of \$3,810 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 1.25% and an expected life of 2.18 years.

Gossan Resources Limited

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED SEPTEMBER 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

8. Stock Options (Continued)

The following table reflects the actual stock options issued and outstanding as of September 30, 2017:

Expiry Date	Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)	Number of Options Outstanding
March 18, 2021	0.05	3.47	540,000
September 21, 2018	0.08	0.98	450,000
September 21, 2018	0.08	0.98	100,000
March 21, 2020	0.08	2.47	540,000
March 21, 2020	0.08	2.47	100,000
	0.07	1.82	1,730,000

9. Net Loss per Common Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. Diluted loss per share is the same as basic loss per share for the three and six months ended September 30, 2017 and 2016.

10. General and Administrative

	Three Months Ended September 30,		Six Months Ended September 30,	
	2017	2016	2017	2016
Administrative fees	\$ 5,542	\$ 6,070	\$ 10,993	\$ 11,426
Management fees	21,000	21,000	42,000	42,000
Office and general	13,206	22,186	27,889	43,369
Public company costs	11,061	16,822	29,297	26,824
Investor relations	12,774	8,637	13,024	9,804
Travel and related	647	1,603	1,195	3,037
Stock-based compensation	-	-	40,609	-
Depreciation	-	71	-	142
	\$ 64,230	\$ 76,389	\$ 165,007	\$ 136,602

Gossan Resources Limited
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS
SIX MONTHS ENDED SEPTEMBER 30, 2017
(Expressed in Canadian Dollars)
(Unaudited)

11. Related Party Balances and Transactions

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

The Company entered into the following transactions with related parties:

		Three Months Ended		Six Months Ended	
		September 30,		September 30,	
		2017	2016	2017	2016
Chief Executive Officer ("CEO") fees	(i) \$	18,000	18,000	\$ 36,000	\$ 36,000
Marrelli Support Services Inc.	(ii) \$	8,542	9,069	\$ 16,993	\$ 17,425
Consulting fees paid to Directors	(iv) \$	4,200	-	\$ 9,175	-

- (i) CEO fees for the period. As at September 30, 2017, \$133,000 (March 31, 2017 - \$111,020) was included in due to related parties with respect to fees, reimbursable expenditures, and an advance of \$50,000.
- (ii) During the three and six months ended September 30, 2017, the Company expensed \$8,542 and \$16,993, (three and six months ended September 30, 2016 - \$9,069 and \$17,425, respectively) to Marrelli Support Services Inc. ("Marrelli Support") and DSA Corporate Services Inc. (the "DSA"), together known as the "Marrelli Group" for:
- (i) Robert D.B. Suttie to act as Chief Financial Officer ("CFO") of the Company;
 - (ii) Bookkeeping and office support services;
 - (iii) Corporate filing services

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

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

As of September 30, 2017 the Marrelli Group was owed \$2,569, (March 31, 2017 - \$7,454) and these amounts were included in due to related parties.

Gossan Resources Limited
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS
SIX MONTHS ENDED SEPTEMBER 30, 2017
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(Unaudited)

11. Related Party Balances and Transactions (Continued)

- (iii) For the three and six months ended September 30, 2017, \$nil in directors fees were incurred (three and six months ended September 30, 2016 - \$nil), As at September 30 2017, \$73,250 (March 31, 2017 - \$91,050) was outstanding in regard to current and prior years directors fees, of which \$47,500 (March 31, 2017 - \$59,800) was held for the purchase of the Company's common shares. An additional \$25,750 (March 31, 2017 - \$31,250) was included in due to related parties with respect to prior years directors fees to be settled in cash.
- (iv) Directors of Gossan. Fees relate to consulting services provided for evaluation, geological and community engagement services. As at September 30, 2017, \$4,975 (March 31, 2017 - \$3,600) was included in due to related parties.

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.

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

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

	Three Months Ended September 30, 2017		Six Months Ended September 30, 2017	
	2017	2016	2017	2016
Stock-based payments	\$ -	\$ -	\$ 20,538	\$ -

12. Subsequent Event

On November 24, 2017, the Company granted 830,000 incentive stock options to officers, directors, employees and consultants of the Company. Five officers and directors were granted a total of 800,000 stock options exercisable at \$0.08 per share with expiries of June 25, 2019 for 340,000 options; March 18, 2021 for 100,000 options; and March 29, 2022 for 360,000 options. Employees and consultants were granted a total of 30,000 stock options exercisable at \$0.08 per share with an expiry of March 29, 2022.