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GOSSAN RESOURCES LIMITED  
CONDENSED INTERIM FINANCIAL STATEMENTS  
THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020  
(EXPRESSED IN CANADIAN DOLLARS)  
(UNAUDITED)

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## **MANAGEMENT'S RESPONSIBILITY LETTER**

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

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

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

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

### **NOTICE TO READER**

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

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

As at	September 30, 2020	March 31, 2020
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 146,141	\$ 27,219
Accounts receivable	18,730	56,648
Prepaid expenses	6,287	2,965
	<b>\$ 171,158</b>	<b>\$ 86,832</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 11)	\$ 310,225	\$ 254,155
<b>SHAREHOLDERS' DEFICIENCY</b>		
Share capital (Note 6)	12,234,668	11,902,903
Contributed surplus	1,685,285	1,636,187
Deficit	(14,059,020)	(13,706,413)
	<b>(139,067)</b>	<b>(167,323)</b>
	<b>\$ 171,158</b>	<b>\$ 86,832</b>

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

Nature of Operations and Going Concern (Note 1)

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

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>Expenses</b>				
Exploration and evaluation expenditures (Note 5)	\$ 218,898	\$ 628	\$ 219,145	\$ 1,921
General and administrative (Note 9)	85,270	53,585	133,462	101,190
<b>Net loss and comprehensive loss</b>	<b>\$ (304,168)</b>	<b>\$ (54,213)</b>	<b>\$ (352,607)</b>	<b>\$ (103,111)</b>
<b>Basic and diluted net loss and</b>				
<b>comprehensive loss per share (Note 10)</b>	<b>\$ (0.01)</b>	<b>\$ -</b>	<b>\$ (0.01)</b>	<b>\$ -</b>
<b>Weighted average number of</b>				
<b>common shares outstanding</b>	<b>34,518,311</b>	<b>33,585,956</b>	<b>34,173,105</b>	<b>33,583,162</b>

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

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

<b>For the Six Months Ended September 30,</b>	<b>2020</b>	<b>2019</b>
<b>Cash (used in) provided by:</b>		
<b>Operating Activities</b>		
Net loss for the period	\$ (352,607)	\$ (103,111)
Shares issued for exploration and evaluation expenditures	178,500	-
Stock-based compensation	21,787	-
Non-cash working capital items:		
Accounts receivable	37,918	47,111
Prepaid expenses	(3,322)	(6,955)
Accounts payable and accrued liabilities	56,070	15,661
	<b>(61,654)</b>	<b>(47,294)</b>
<b>Financing Activities</b>		
Issuance of share capital	180,576	12,000
	<b>180,576</b>	<b>12,000</b>
<b>Net change in cash</b>	<b>118,922</b>	<b>(35,294)</b>
<b>Cash, beginning of period</b>	<b>27,219</b>	<b>81,895</b>
<b>Cash, end of period</b>	<b>\$ 146,141</b>	<b>\$ 46,601</b>

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

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

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	<b>Share Capital</b>	<b>Contributed Surplus</b>	<b>Deficit</b>	<b>Total</b>
Balance, March 31, 2019	\$ 11,882,963	\$ 1,632,127	\$ (13,528,870)	\$ (13,780)
Exercise of stock options - cash	12,000	-	-	12,000
Exercise of stock options - Black-Scholes valuation	7,940	(7,940)	-	-
Net loss and comprehensive loss for the period	-	-	(103,111)	(103,111)
<b>Balance, September 30, 2019</b>	<b>\$ 11,902,903</b>	<b>\$ 1,624,187</b>	<b>\$ (13,631,981)</b>	<b>\$ (104,891)</b>
Balance, March 31, 2020	11,902,903	1,636,187	(13,706,413)	(167,323)
Shares issued on private placement	182,800	-	-	182,800
Cost of issue	(26,124)	-	-	(26,124)
Fair value of warrants issued	(32,904)	32,904	-	-
Fair value of finders warrants issued	(9,779)	9,779	-	-
Shares issued for exploration and evaluation expenditures	178,500	-	-	178,500
Exercise of stock options - cash	23,900	-	-	23,900
Exercise of stock options - Black-Scholes valuation	15,372	(15,372)	-	-
Stock-based compensation	-	21,787	-	21,787
Net loss and comprehensive loss for the period	-	-	(352,607)	(352,607)
<b>Balance, September 30, 2020</b>	<b>\$ 12,234,668</b>	<b>\$ 1,685,285</b>	<b>\$ (14,059,020)</b>	<b>\$ (139,067)</b>

See accompanying notes to these condensed interim financial statements.

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**Gossan Resources Limited**  
**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**  
**SIX MONTHS ENDED SEPTEMBER 30, 2020**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

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

General

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 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 17.39% of the Company's issued and outstanding common shares. Mr. Reeson holds these shares for investment purposes. In the future, subject to applicable law, he may acquire or dispose of securities of Gossan, on the open market or through private transactions, depending upon a number of factors, including but not limited to general market and economic conditions, personal affairs and estate planning and other available investment opportunities.

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

Going Concern

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on the basis of accounting principles applicable to 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 may 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 deficiency of \$139,067 at September 30, 2020 (March 31, 2020 - working capital deficiency of \$167,323). The ability of the Company to carry out its planned business objectives is dependent on its ability to raise adequate financing from lenders, shareholders and other investors and/or generate operating profitability and positive cash flow. There can be no assurances that the Company will continue to obtain the additional financial resources necessary and/or achieve profitability or positive cash flows. The outbreak of COVID-19, has resulted in global equity markets experiencing significant volatility and weakness. In the event that it impacts the Company's ability to obtain adequate financing, the Company may be required to curtail operations, exploration, and development activities and there could be significant uncertainty whether the Company would continue as a going concern and realize its assets and settle its liabilities and commitments in the normal course of business.

As at September 30, 2020, the Company does not have sufficient cash on hand to meet operational expenses for the next twelve months. The Company plans to raise additional capital to execute its business plan, however the Company may increase or decrease expenditures as necessary to adjust to a changing capital market environment.

The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. If management is unsuccessful in securing capital, the Company's assets may not be realized, or its liabilities discharged at their carrying amounts and these differences could be material.

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# Gossan Resources Limited

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED SEPTEMBER 30, 2020

(Expressed in Canadian Dollars)

(Unaudited)

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### 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").

The financial statements were approved by the board of directors on November 30, 2020.

#### 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.

### 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, 2020, totalled a deficiency of \$139,067 (March 31, 2020 - shareholders' deficiency of \$167,323).

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, 2020. The Company is not subject to externally imposed capital requirements.

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**Gossan Resources Limited**  
**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**  
**SIX MONTHS ENDED SEPTEMBER 30, 2020**  
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**4. Mineral Property and Financial Risk Factors**

a) Mineral Property Risk

The Company's major mineral properties are listed in Note 5. Unless the Company acquires or develops additional material mineral properties, the Company will be mainly dependent upon its existing properties. If no additional major mineral properties are acquired by the Company, any adverse development affecting the Company's properties would have a materially adverse effect on the Company's financial condition and results of operations.

b) Financial 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, 2020.

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, 2020, the Company had cash of \$146,141 (March 31, 2020 - \$27,219) to settle current liabilities of \$310,225 (March 31, 2020 - \$254,155). 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.

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# Gossan Resources Limited

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED SEPTEMBER 30, 2020

(Expressed in Canadian Dollars)

(Unaudited)

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### 4. Mineral Property and Financial Risk Factors (Continued)

#### *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 relevant commodity prices and the stock market to determine the appropriate course of action to be taken by the Company.

#### **Sensitivity Analysis**

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

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

As of September 30, 2020, 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.

**Gossan Resources Limited**  
**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**  
**SIX MONTHS ENDED SEPTEMBER 30, 2020**  
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(Unaudited)

**5. Exploration and Evaluation Expenditures**

	Historical Expenditures, March 31, 2020	Current Expenditures	Historical Expenditures, September 30, 2020
Pipestone Lake (i)	\$ 1,816,275	\$ -	\$ 1,816,275
Bird River (ii)	917,534	-	917,534
Gander Gold Property (vii)	-	204,637	204,637
Inwood	1,221,819	1,799	1,223,618
Separation Rapids	212,915	-	212,915
Sturgeon Lake (iv)	633,839	-	633,839
Royalties	4	-	4
Manigotagan Silica (iii)	792,368	-	792,368
Sharpe Lake	483,341	-	483,341
	<b>\$ 6,078,095</b>	<b>\$ 206,436</b>	<b>\$ 6,284,531</b>

*In addition to the above expenditures, during the six months ended September 30, 2020, the Company incurred \$12,709 in evaluation expenditures on prospective property interests.*

	Historical Expenditures, March 31, 2019	Current Expenditures	Historical Expenditures, September 30, 2019
Pipestone Lake (i)	\$ 1,815,428	\$ -	\$ 1,815,428
Bird River (ii)	916,814	720	917,534
Inwood	1,200,341	355	1,200,696
Separation Rapids	212,915	-	212,915
Sturgeon Lake	629,935	-	629,935
Royalties	4	-	4
Manigotagan Silica (iii)	792,368	-	792,368
Sharpe Lake	483,341	-	483,341
	<b>\$ 6,051,146</b>	<b>\$ 1,075</b>	<b>\$ 6,052,221</b>

*In addition to the above expenditures, during the six months ended September 30, 2019, the Company incurred \$8,295 in evaluation expenditures on prospective property interests.*

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

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# Gossan Resources Limited

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED SEPTEMBER 30, 2020

(Expressed in Canadian Dollars)

(Unaudited)

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### 5. 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., now Canadian Premium Sand Inc. ("Canadian Premium") (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. 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. These payments were held in trust until January 19, 2018, at which time they were released to the Company's treasury upon registration of title of the Claim Post interests which were recorded as a gain on disposition of mineral property on the statement of loss and comprehensive loss.

Under the terms of the revised agreement, semi-annual advance royalty payments of \$50,000 each are payable as of June 18<sup>th</sup> and December 18<sup>th</sup> of each year these royalty payments are recorded as a gain on disposition of mineral property. 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 Canadian Premium, based on their relative mining reserves of frac sand at the time of permitting. Canadian Premium 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. The most recent semi-annual advance royalty payment of \$50,000, that was due on June 18, 2020, was received. The next advance royalty payment is due on December 18, 2020.

- 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. During the winter of 2018, a preliminary drill program was completed, in relation to which, the Company received \$100,000 of grant funding from Ontario's Junior Exploration Assistance Program under the Northern Ontario Heritage Fund. Subsequently, in the fall of 2018, a gravity survey was conducted on the property.

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**5. Exploration and Evaluation Expenditures (Continued)**

- 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.

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.

- vi) The Company no longer holds mineral rights at the Sharpe Lake Property and its interest in the Manigotagen property is solely a Production Royalty with advance payments of \$50,000 semi-annually.
- vii) On August 31, 2020, the Company entered into a mineral property acquisition agreement to acquire a 100% interest in the Gander Gold Property located just outside Gander, Newfoundland from an arm's length party. The 9,050-hectare property is immediately adjacent to the Queensway property along the Central Newfoundland Gold Belt. Under the terms of the agreement, the Company will issue, 2.1 million common shares of the Company (issued, and ascribed a fair value of \$178,500); reimburse staking costs of \$21,125; and grant a 2% net smelter returns royalty, subject to re-purchase of 1% of the NSR for \$1,000,000.

**6. Share Capital**

- a) Authorized share capital

At September 30, 2020, 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, 2020, the issued share capital amounted to \$12,234,668.

	Number of Common Shares	Amount
<b>Balance, September 30, 2019</b>	<b>33,827,900</b>	<b>\$ 11,902,903</b>
Balance, March 31, 2020	33,827,900	\$ 11,902,903
Issued on private placement, net of costs of issue	3,656,000	156,676
Fair value of warrants issued	-	(32,904)
Fair value of finders warrants issued	-	(9,779)
Issued on acquisition of exploration property (Note 5(vii))	2,100,000	178,500
Exercise of options	425,000	39,272
<b>Balance, September 30, 2020</b>	<b>40,008,900</b>	<b>\$ 12,234,668</b>

On August 21, 2020, the Company completed a non-brokered private placement offering (the "Offering") of 3,400,000 units ("Units") of the Company at a purchase price of \$0.05 per Unit, for aggregate gross proceeds of \$170,000. Each Unit consists of one common share ("Common Share") in the capital of the Company and one-half of one Common Share purchase warrant (each whole warrant, a "Warrant"). Each Warrant is exercisable to acquire one Common Share at a price of \$0.08 for a period of two years from the closing date of the Offering. Total cash costs of issue were \$13,324.

The Chief Executive Officer of the Company, subscribed for an aggregate of 200,000 Units pursuant to the Offering.

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**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**  
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**6. Share Capital (Continued)**

The Company issued 256,000 finders warrants (the "Finder Warrants") . Each Finder Warrant entitles the holder thereof to acquire one Unit at a price of \$0.05 per Unit for a period of two years from the closing date of the Offering. The Units underlying the Finder Warrants consist of one Common Share and one-half of one Warrant, exercisable at a price of \$0.08 per Common Share for a period of two years from the date of issuance. Additionally, the Company paid the finder a commission of 256,000 Units. Each unit consisted of one Common Share of the Company with an aggregate fair value of \$12,800, and one half warrant with the same terms as those issued in the underlying private placement.

The resulting 1,828,000 warrants issued in conjunction with this private placement were valued at \$32,904, estimated using the relative value method, using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility from 85%; a risk-free interest rate of 0.28% and an expected life of 2 years.

The 256,000 Finders Warrants were valued at \$9,779, estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility from 85%; a risk-free interest rate of 0.28% and an expected life of 2 years.

**7. Stock Options**

The following table reflects the continuity of stock options for the six months ended September 30, 2020 and 2019:

	Number of Stock Options	Weighted Average Exercise Price (\$)
Balance, March 31, 2019	2,490,000	0.07
Expired	(340,000)	0.08
<b>Balance, September 30, 2019</b>	<b>2,150,000</b>	<b>0.07</b>
Balance, March 31, 2020	1,600,000	0.07
Granted	875,000	0.06
Exercised	(425,000)	0.06
Cancelled	(150,000)	0.095
<b>Balance, September 30, 2020</b>	<b>1,900,000</b>	<b>0.06</b>

- (i) On July 24, 2020, the Company granted 150,000 incentive stock options to officers and directors of the Company. The options are exercisable at \$0.0525 per share and expire September 21, 2023. The resulting fair value of \$4,575 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility from 85%; a risk-free interest rate of 0.24% and an expected life of 2.20 years.
- (ii) On July 24, 2020, the Company granted 300,000 incentive stock options to officers, directors and consultants of the Company. The options are exercisable at \$0.0525 per share, expire March 22, 2022. The resulting fair value of \$7,470 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility from 85%; a risk-free interest rate of 0.24% and an expected life of 1.30 years. 200,000 of these options were granted to consultants and are subject to quarterly vesting over a period of one year from the date of grant.
- (iii) On August 14, 2020, the Company granted 210,000 incentive stock options to officers and directors of the Company. The options are exercisable at \$0.07 per share and expire September 23, 2022. The resulting fair value of \$6,027 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility from 85%; a risk-free interest rate of 0.24% and an expected life of 1.6 years.

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**7. Stock Options (Continued)**

- (iii) On August 14, 2020, the Company granted 215,000 incentive stock options to officers and directors of the Company. The options are exercisable at \$0.07 per share, expire September 23, 2023. The resulting fair value of \$6,966 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility from 85%; a risk-free interest rate of 0.24% and an expected life of 2.10 years.

The following table reflects the stock options issued and outstanding as of September 30, 2020:

<b>Expiry Date</b>	<b>Exercise Price (\$)</b>	<b>Weighted Average Remaining Contractual Life (years)</b>	<b>Number of Options Outstanding</b>
March 18, 2021	0.08	0.46	70,000
March 18, 2021	0.05	0.46	210,000
March 22, 2022	0.0525	1.47	300,000
March 29, 2022	0.08	1.49	320,000
September 22, 2022	0.07	1.98	210,000
March 21, 2023	0.06	2.47	55,000
September 21, 2023	0.0525	2.98	150,000
September 23, 2023	0.07	2.98	215,000
March 29, 2024	0.07	3.47	280,000
September 21, 2024	0.06	3.98	90,000
	<b>0.06</b>	<b>2.12</b>	<b>1,900,000</b>

**8. Warrants**

	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price (\$)</b>
<b>Balance, March 31, 2019 and September 30, 2019</b>	-	-
Balance, March 31, 2020	-	-
Issued (Note 6(b))	2,084,000	0.08
<b>Balance, September 30, 2020</b>	<b>2,084,000</b>	<b>0.08</b>

The following table reflects the warrants issued and outstanding as of September 30, 2020:

<b>Expiry Date</b>	<b>Exercise Price (\$)</b>	<b>Number of Warrants Outstanding</b>
August 21, 2022	0.08	1,828,000
August 21, 2022	0.05	256,000
	<b>0.08</b>	<b>2,084,000</b>

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**9. General and Administrative**

	Three Months Ended September 30,		Six Months Ended September 30,	
	2020	2019	2020	2019
Administrative fees	\$ 4,767	\$ 10,746	\$ 9,909	\$ 16,114
Management fees	21,000	21,135	42,000	42,135
Office and general	19,840	13,239	29,926	28,435
Public company costs	10,557	4,409	21,991	9,850
Investor relations	6,500	3,458	7,030	3,678
Travel and related	819	598	819	978
Share-based compensation	21,787	-	21,787	-
	<b>\$ 85,270</b>	<b>\$ 53,585</b>	<b>\$ 133,462</b>	<b>\$ 101,190</b>

**10. 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, 2020 and 2019. During the three and six months ended September 30, 2020 and 2019, shares issuable on exercise of all the outstanding stock options were not included in the computation of diluted loss per share as the effect would have been anti-dilutive.

**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 September 30,		Six Months Ended September 30,	
	2020	2019	2020	2019
Chief Executive Officer ("CEO") fees	(i) \$ 18,000	\$ 18,000	\$ 36,000	\$ 36,000
Marrelli Support Services Inc.	(ii) \$ 7,768	\$ 13,881	\$ 15,910	\$ 22,248

(i) As at September 30, 2020, \$146,820 (March 31, 2020 - \$126,480) was included in accounts payable and accrued liabilities with respect to CEO fees and reimbursable expenditures. The Company also received \$25,000 in working capital advances from the Company's CEO during the six months ended September 30, 2020.

(ii) During the three and six months ended September 30, 2020, the Company expensed \$7,768 and \$15,910, respectively (three and six months ended September 30, 2019 - \$13,881 and \$22,248, 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 President of Marrelli Support.

As of September 30, 2020, the Marrelli Group was owed \$14,218 (March 31, 2020 - \$23,208) and these amounts were included in accounts payable and accrued liabilities.

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**11. Related Party Balances and Transactions (Continued)**

- (iii) For the three and six months ended September 30, 2020, \$nil in directors fees were incurred (three months ended September 30, 2019 - \$nil), As at September 30, 2020, \$43,183 (March 31, 2020 - \$67,082) was outstanding in regard to current and prior years directors fees, of which \$22,117 (March 31, 2020 - \$46,016) was held for the purchase of the Company's common shares. An additional \$21,066 (March 31, 2020 - \$21,066) was included in accounts payable and accrued liabilities with respect to prior years directors fees to be settled in cash. The Company directors waived their fiscal 2019 directors fees which would have amounted to \$38,000. During fiscal years ended March 31, 2013 and 2014, the Company's directors also waived their annual fees.
- (iv) Directors of Gossan. Fees relate to consulting services provided for evaluation, geological and community engagement services. As at September 30, 2020, \$3,000 (March 31, 2020 - \$3,000) was included in accounts payable and accrued liabilities.

See also Note 6(b).

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		Six Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Share-based payments	\$ 20,058	\$ -	\$ 20,058	\$ -