
GOSSAN RESOURCES LIMITED
CONDENSED INTERIM FINANCIAL STATEMENTS
THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2023
(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, 2023 | March 31, 2023 |
|--|-------------------------------|---------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 413,589 | \$ 131,186 |
| Accounts receivable (Note 5) | 121,661 | 156,990 |
| Prepaid expenses | 30,170 | 36,054 |
| Marketable securities (Note 6(ii)) | 9,000 | - |
| | \$ 574,420 | \$ 324,230 |
| LIABILITIES | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 60,213 | \$ 140,853 |
| Due to related parties (Note 12) | 99,389 | 103,460 |
| | 159,602 | 244,313 |
| SHAREHOLDERS' EQUITY | | |
| Share capital (Note 7(b)) | 15,281,657 | 15,281,657 |
| Contributed surplus | 2,413,166 | 2,413,166 |
| Deficit | (17,280,005) | (17,614,906) |
| | 414,818 | 79,917 |
| | \$ 574,420 | \$ 324,230 |

See accompanying notes to these condensed interim financial statements.

Nature of Operations and Going Concern (Note 1)

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, | |
|--|-------------------------------------|---------------------|-----------------------------------|---------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Expenses | | | | |
| Exploration and evaluation expenditures (Note 6) | \$ 14,260 | \$ 210,722 | \$ 26,751 | \$ 704,681 |
| General expenses (Note 10) | 90,323 | 110,446 | 147,348 | 209,542 |
| Net loss before the following | (104,583) | (321,168) | (174,099) | (914,223) |
| Gain on disposition of mineral property interest (Note 6(iii)) | 10,500 | - | 510,500 | - |
| Fair value adjustment on marketable securities (note 6(ii)) | (1,500) | - | (1,500) | - |
| Net loss (earnings) and comprehensive earnings (loss) | \$ (95,583) | \$ (321,168) | \$ 334,901 | \$ (914,223) |
| Basic and diluted net earnings (loss) and comprehensive earnings (loss) per share (Note 11) | \$ 0.00 | \$ 0.00 | \$ 0.01 | \$ (0.01) |
| Weighted average number of common shares outstanding | 66,801,651 | 66,432,347 | 66,801,651 | 65,137,004 |

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, | 2023 | 2022 |
|--|-------------------|--------------------|
| Cash (used in) provided by: | | |
| Operating Activities | | |
| Net earnings (loss) for the period | \$ 334,901 | \$ (914,223) |
| Fair value adjustment on marketable securities | 1,500 | - |
| Gain on disposition of property interest | (510,500) | - |
| Share-based compensation | - | 9,386 |
| Non-cash working capital items: | | |
| Accounts receivable | 35,329 | 225,215 |
| Prepaid expenses | 5,884 | (252,931) |
| Accounts payable and accrued liabilities | (80,640) | (104,028) |
| Due to related parties | (4,071) | - |
| | (217,597) | (1,036,581) |
| Financing Activities | | |
| Issuance of share capital | - | 903,725 |
| Investing Activities | | |
| Proceeds received on sale of mineral property interest | 500,000 | - |
| Net change in cash and cash equivalents | 282,403 | (132,856) |
| Cash and cash equivalents, beginning of period | 131,186 | 491,932 |
| Cash and cash equivalents, end of period | \$ 413,589 | \$ 359,076 |

See accompanying notes to these condensed interim financial statements.

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

| | Share Capital | Contributed Surplus | Deficit | Total |
|--|--------------------------|--------------------------------|------------------------|-------------------|
| Balance, March 31, 2022 | \$ 14,565,919 | \$ 2,212,551 | \$ (16,428,859) | \$ 349,611 |
| Shares issued on private placement | 866,675 | - | - | 866,675 |
| Fair value of warrants issued | (78,780) | 78,780 | - | - |
| Exercise of stock options - cash | 24,416 | (8,166) | - | 16,250 |
| Share-based compensation | - | 9,386 | - | 9,386 |
| Exercise of warrants | 33,868 | (13,068) | - | 20,800 |
| Net loss and comprehensive loss for the period | - | - | (914,223) | (914,223) |
| Balance, September 30, 2022 | \$ 15,412,098 | \$ 2,279,483 | \$ (17,343,082) | \$ 348,499 |
| Balance, March 31, 2023 | \$ 15,281,657 | \$ 2,413,166 | \$ (17,614,906) | \$ 79,917 |
| Net earnings and comprehensive earnings for the period | - | - | 334,901 | 334,901 |
| Balance, September 30, 2023 | \$ 15,281,657 | \$ 2,413,166 | \$ (17,280,005) | \$ 414,818 |

See accompanying notes to these condensed interim financial statements.

Gossan Resources Limited
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS
SIX MONTHS ENDED SEPTEMBER 30, 2023
(Expressed in Canadian Dollars)
(Unaudited)

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, there is one significant shareholder of the Company (defined as those holding greater than 10%). The Sprott Foundation, an entity controlled by Mr. Eric Sprott, holds 11.83%, for investment purposes.

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 of \$414,818 at September 30, 2023 (March 31, 2023 - working capital of \$79,917). 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. Rising inflation & interest rates have 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, 2023, 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.

Gossan Resources Limited

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED SEPTEMBER 30, 2023

(Expressed in Canadian Dollars)

(Unaudited)

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 29, 2023.

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.

Adoption of New Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Company has adopted all the new and amended standards which are relevant and are effective for annual financial periods beginning on or after April 1, 2023. The adoption of these standards does not have any material effect on the financial performance or position of the Company.

IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements (Amendments)

In February 2021, the International Accounting Standards Board (IASB) issued amendments to IAS 1 Presentation of Financial Statements which were incorporated into Part I of the CPA Canada Handbook - Accounting and IFRS Practice Statement 2 Making Materiality Judgements in June 2021.

The amendments help entities provide accounting policy disclosures that are more useful to primary users of financial statements by:

- Replacing the requirement to disclose "significant" accounting policies under IAS 1 with a requirement to disclose "material" accounting policies. Under this, an accounting policy would be material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that primary users of general purpose financial statements make on the basis of those financial statements.
- Providing guidance in IFRS Practice Statement 2 to explain and demonstrate the application of the four-step materiality process to accounting policy disclosures.

The amendments, which should be applied prospectively, are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. Once the entity applies the amendments to IAS 1, it is also permitted to apply the amendments to IFRS Practice Statement 2. The Company adopted this standard on April 1, 2023, with no impact to its condensed interim financial statements.

Gossan Resources Limited

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED SEPTEMBER 30, 2023

(Expressed in Canadian Dollars)

(Unaudited)

2. Significant Accounting Policies (Continued)

b) Basis of Presentation (Continued)

Adoption of New Accounting Policies (Continued)

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment)

In February 2021, the International Accounting Standards Board (IASB) issued amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which were incorporated into Part I of the CPA Canada Handbook - Accounting in June 2021.

The amendments introduce a new definition of 'accounting estimates' to replace the definition of 'change in accounting estimates' and also include clarifications intended to help entities distinguish changes in accounting policies from changes in accounting estimates.

The amendments are effective for annual periods beginning on or after January 1, 2023. The Company adopted this standard on April 1, 2023, with no impact to its condensed interim financial statements.

Standards Issued But Not Yet Effective

The Company has not adopted the following standards and interpretations applicable to the Company that have been issued but not yet effective:

IAS 1 Presentation of Financial Statements (Amendment)

In October 2022, the International Accounting Standards Board (IASB) issued amendments to IAS 1 which were incorporated into Part I of the CPA Canada Handbook - Accounting in December 2022. The amendments require an entity to disclose, in specified circumstances, information in the notes that enables financial statement users to understand the risk that non-current liabilities with covenants could become repayable within 12 months after the reporting period. As part of the amendments, a provision was added to clarify that only covenants that an entity must comply with on or before the reporting date would affect a liability's classification as current or non-current, even if compliance with the covenant is only assessed after the entity's reporting date. Covenants which an entity must comply with after the reporting date would not affect classification of a liability as current or non-current at the reporting date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted. The Company will evaluate the impact, if any, on its financial statements prior to the effective date of January 1, 2024.

Gossan Resources Limited

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED SEPTEMBER 30, 2023

(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, 2023, totalled \$414,818 (March 31, 2023 - \$79,917).

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, 2023. 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 7. 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 and cash equivalents, and accounts receivable. Cash and cash equivalents 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 advance royalty payments received after year end. Accounts receivable are in good standing as of September 30, 2023. See Note 5.

The Company's maximum exposure to credit risk as at September 30, 2023 is the carrying value of cash and cash equivalents and accounts receivable of \$535,250 (March 31, 2023 - \$288,176).

Gossan Resources Limited

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED SEPTEMBER 30, 2023

(Expressed in Canadian Dollars)

(Unaudited)

4. Mineral Property and Financial Risk Factors (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, 2023, the Company had cash of \$413,589 (March 31, 2023 - \$131,186) to settle current liabilities of \$159,602 (March 31, 2023 - \$244,313). 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.

b) Financial Risk (Continued)

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 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 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.

Gossan Resources Limited

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED SEPTEMBER 30, 2023

(Expressed in Canadian Dollars)

(Unaudited)

4. Mineral Property and Financial Risk Factors (Continued)

Sensitivity Analysis (Continued)

(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, 2023, 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.

5. Accounts Receivable

| | September 30, 2023 | March 31, 2023 |
|--|-------------------------------|-------------------|
| Due from Canada Premium Sand (Note 6(iii)) | \$ - | \$ 50,000 |
| Harmonized sales tax receivable | 121,661 | 106,990 |
| | \$ 121,661 | \$ 156,990 |

Gossan Resources Limited

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED SEPTEMBER 30, 2023

(Expressed in Canadian Dollars)

(Unaudited)

6. Exploration and Evaluation Expenditures

| | Historical Expenditures, March 31, 2023 | Current Expenditures | Historical Expenditures, September 30, 2023 |
|----------------------------|--|-------------------------|--|
| Pipestone Lake (i) | \$ 1,816,297 | \$ - | \$ 1,816,297 |
| Bird River (ii) | 918,964 | 1,991 | 920,955 |
| Gander Gold Property (vii) | 739,996 | 24,760 | 764,756 |
| Inwood | 1,368,009 | - | 1,368,009 |
| Separation Rapids | 212,915 | - | 212,915 |
| Sturgeon Lake (iv) | 2,701,242 | - | 2,701,242 |
| Royalties | 4 | - | 4 |
| Manigotagan Silica (iii) | 796,434 | - | 796,434 |
| Sharpe Lake (vi) | 483,341 | - | 483,341 |
| | \$ 9,037,202 | \$ 26,751 | \$ 9,063,953 |

In addition to the above expenditures, during the six months ended September 30, 2023, the Company incurred \$nil in evaluation expenditures on prospective property interests.

| | Historical Expenditures, March 31, 2022 | Current Expenditures | Historical Expenditures, September 30, 2022 |
|----------------------------|--|-------------------------|--|
| Pipestone Lake (i) | \$ 1,816,297 | \$ - | \$ 1,816,297 |
| Bird River (ii) | 918,262 | 702 | 918,964 |
| Gander Gold property (vii) | 311,302 | 285,029 | 596,331 |
| Inwood | 1,357,494 | 9,743 | 1,367,237 |
| Separation Rapids | 212,915 | - | 212,915 |
| Sturgeon Lake | 2,277,192 | 409,207 | 2,686,399 |
| Royalties | 4 | - | 4 |
| Manigotagan Silica (iii) | 796,434 | - | 796,434 |
| Sharpe Lake (vi) | 483,341 | - | 483,341 |
| | \$ 8,173,241 | \$ 704,681 | \$ 8,877,922 |

In addition to the above expenditures, during the six months ended September 30, 2022, 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, 2023
(Expressed in Canadian Dollars)
(Unaudited)

6. Exploration and Evaluation Expenditures (Continued)

(ii) (Continued)

On April 13, 2023, the Company entered into an Asset Sale Agreement and a Net Smelter Royalty ("NSR") Agreement (collectively the "Agreements") with Grid Metals Corp. ("Grid") to transfer the Company's 100% interest on the Company's Bird River Claims.

- (a) \$500,000 cash payment on Closing (received April 17, 2023);
- (b) 1,500,000 Shares of Grid on Closing, subject to regulatory resale restrictions and an escrow;
- (c) \$300,000 cash payment on the first anniversary date from Closing;
- (d) \$300,000 cash payment on the second anniversary date from Closing;
- (e) the NSR; and
- (f) A \$300,000 Deferred Cash Payment upon the occurrence of the Deferred Payment Event.

Upon the completion of points (a) to (e), the Company will transfer the title to the Bird River Claims to Grid. Grid retains the option to accelerate the completion of points (a) to (e), and the transfer of title at its sole discretion. On April 17, 2023 the Company received the initial payment (a). Payments on (b), (c), (d), and (f) have not yet been recognized as revenue.

The 1,500,000 shares of Grid are subject to an initial statutory hold period of four months and one day from closing of the transaction. Thereafter, they will be released from escrow in monthly tranches of 75,000 shares over twenty months. The shares will be recognized on the Company's statements of loss (income) and comprehensive loss (income) as they are received from escrow. In September 2023, the Company received the initial 75,000 shares from escrow which were ascribed a fair value of \$10,500, recognized as a gain on disposition of mineral property interest on the Company's statements of earnings(loss) and comprehensive earnings (loss). As at September 30, 2023, the fair value of the shares declined to \$9,000, resulting in a \$1,500 loss being charged to change in fair value of marketable securities on the Company's statements of earnings(loss) and comprehensive earnings(loss) for the three and six months ended September 30, 2023.

NSR is defined as a 2% net smelter returns royalty on minerals produced from the Bird River Claims, to be granted by Grid to the Company pursuant to, and on the terms and conditions set out in, the NSR Agreement.

Deferred Payment Event is defined as the commencement of Commercial Production by Grid or any affiliate for precious, base, industrial and / or rare earth minerals on the Bird River Claims.

Commercial Production is defined as:

- (i) if a mill is located on the Bird River Claims, the last day of a period of 30 consecutive days in which, for not less than 20 days, the mill processed ore from the Bird River Claims at the rate of at least 50% of its rated capacity; or
 - (ii) if a mill is not located on the Bird River Claims, and the Bird River Claims form all or part of an active mine plan operated by the Purchaser, the last day of a period of 15 consecutive days during which ore has been shipped from the Bird River Claims for the purpose of earning revenues.
- (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.

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

6. Exploration and Evaluation Expenditures (Continued)

(iii) (Continued)

Under the terms of the agreement, Gossan received 3,000,000 common shares of Claim Post (ascribed a fair value of \$95,000) and two initial cash payments totalling \$700,000. Consideration for this purchase and sale agreement is recognized in the Company's statement of loss and comprehensive 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 18th and December 18th of each year and 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 \$50,000 advance royalty payment due on June 18, 2023 was received during the period. The next payment is due December 18, 2023.

iv) On July 28, 2016, the Company acquired 15 claims at Glitter Lake, 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. In the fall of 2018, a gravity survey was conducted on the property. In the fall of 2021, a prospecting program and an additional gravity survey were completed. In December 2021, the Company initiated a winter drill program at the property which concluded in the spring of 2022. Additional geological and assay work was subsequently conducted throughout fiscal 2023.

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, including any purchased from other sources, by 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 any project.

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6. Exploration and Evaluation Expenditures (Continued)

- vi) The Company no longer holds mineral rights at the Sharpe Lake Property and its interest in the Manigotagan 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 Newfoundland Gold Corp.'s Queensway property along the Central Newfoundland Gold Belt. Under the terms of the agreement, the Company issued 2.1 million common shares of the Company (issued, and ascribed a fair value of \$178,500); reimburse staking costs of \$21,125; and granted a 2% net smelter returns royalty ("NSR"), subject to re-purchase of 1% of the NSR for \$1,000,000. In the fall of 2021, a LiDAR survey was completed and in 2022, an airborne geophysical program, and a till sample geochemical program were conducted.

7. Share Capital

- a) Authorized share capital

At September 30, 2023, 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, 2023, the issued share capital amounted to \$15,281,657 (March 31, 2023 - \$15,281,657).

| | Number of Common Shares | Amount |
|---|-------------------------------|----------------------|
| Balance, March 31, 2022 | 60,759,400 | \$ 14,565,919 |
| Issued on private placement, net of costs of issue | 5,500,000 | 866,675 |
| Fair value of warrants issued | - | (78,780) |
| Exercise of options | 186,251 | 24,416 |
| Exercise of warrants | 356,000 | 33,868 |
| Balance, September 30, 2022 | 66,801,651 | \$ 15,412,098 |
| Balance, March 31, 2023 and September 30, 2023 | 66,801,651 | \$ 15,281,657 |

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8. Stock Options

The following table reflects the continuity of stock options for the six months ended September 30, 2023 and 2022:

| | Number of Stock Options | Weighted Average Exercise Price (\$) |
|------------------------------------|----------------------------|---|
| Balance, March 31, 2022 | 3,877,500 | 0.16 |
| Exercised | (186,251) | 0.09 |
| Expired | (451,249) | 0.08 |
| Balance, September 30, 2022 | 3,240,000 | 0.14 |
| Balance, March 31, 2023 | 2,720,000 | 0.14 |
| Expired | (1,010,000) | 0.21 |
| Balance, September 30, 2023 | 1,710,000 | 0.12 |

The following table reflects the stock options issued and outstanding as of September 30, 2023:

| Expiry Date | Exercise Price (\$) | Weighted Average Remaining Contractual Life (years) | Number of Options Outstanding |
|--------------------|------------------------|--|-------------------------------------|
| March 21, 2024 | 0.24 | 0.47 | 350,000 |
| March 29, 2024 | 0.07 | 0.50 | 250,000 |
| September 21, 2024 | 0.06 | 0.98 | 90,000 |
| September 21, 2024 | 0.10 | 0.98 | 580,000 |
| March 25, 2025 | 0.10 | 1.47 | 440,000 |
| | 0.12 | 0.93 | 1,710,000 |

On October 7, 2021, the Company implemented, with the approval of the TSX Venture Exchange, a new fixed stock option plan, allowing for a maximum of 5,750,000 shares reserved for issuance upon exercise of stock options. As at September 30, 2023, the Company has 1,710,000 stock options outstanding, representing 2.6% of the issued and outstanding shares.

9. Warrants

| | Number of Warrants | Weighted Average Exercise Price (\$) |
|------------------------------------|-----------------------|---|
| Balance, March 31, 2022 | 8,999,000 | 0.09 |
| Issued | 2,750,000 | 0.24 |
| Exercised | (356,000) | 0.08 |
| Balance, September 30, 2022 | 11,393,000 | 0.20 |
| Balance, March 31, 2023 | 7,230,000 | 0.27 |
| Expired | (4,480,000) | 0.29 |
| Balance, September 30, 2023 | 2,750,000 | 0.24 |

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9. Warrants (Continued)

The following table reflects the warrants issued and outstanding as of September 30, 2023:

| Expiry Date | Exercise Price (\$) | Number of Warrants Outstanding |
|--------------|---------------------|--------------------------------|
| May 13, 2024 | 0.24 | 2,750,000 |
| | 0.24 | 2,750,000 |

10. General Expenses

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|--------------------------|-------------------------------------|-------------------|-----------------------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Administrative fees | \$ 11,180 | \$ 4,469 | \$ 21,873 | \$ 9,580 |
| Management fees | 24,000 | 24,000 | 48,000 | 48,000 |
| Office and general | 8,632 | 15,534 | 21,373 | 29,567 |
| Public company costs | 36,106 | 45,850 | 37,231 | 86,219 |
| Investor relations | 6,474 | 11,440 | 14,017 | 21,038 |
| Travel and related | 3,931 | 5,009 | 4,854 | 5,752 |
| Share-based compensation | - | 4,144 | - | 9,386 |
| | \$ 90,323 | \$ 110,446 | \$ 147,348 | \$ 209,542 |

11. Net Loss per Common Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the year. Diluted loss per share is the same as basic loss per share for the three and six months ended September 30, 2023 and 2022. During the six months ended September 30, 2023 and 2022, 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.

12. 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, | |
|--|-------------------------------------|-----------|-----------------------------------|-----------|
| | 2023 | 2022 | 2023 | 2022 |
| Chief Executive Officer ("CEO") fees (i) | \$ 12,000 | \$ 12,000 | \$ 24,000 | \$ 24,000 |
| Current Chief Financial Officer ("CFO") fees (ii) | \$ 5,250 | \$ - | \$ 10,500 | \$ - |
| Former Chief Financial Officer ("CFO") fees (ii) | \$ - | \$ 12,000 | \$ - | \$ 24,000 |
| Directors fees (iii) | \$ - | \$ - | \$ - | \$ - |
| Consulting fees paid to directors (ii) and (iv) | \$ - | \$ - | \$ - | \$ 945 |
| Consulting fees paid to family members of a director (v) | \$ - | \$ 11,836 | \$ - | \$ 19,686 |

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12. Related Party Balances and Transactions (Continued)

- (i) During the three and six months ended September 30, 2023, the Company expensed \$12,000 and \$24,000, respectively (three and six months ended September 30, 2022 - \$12,000 and \$24,000, respectively) for consulting services to a company controlled by the Company's CEO. As at September 30, 2023, \$18,042 (March 31, 2023 - \$6,010) was included in accounts payable and accrued liabilities with respect to these fees.
- (ii) During the three and six months ended September 30, 2023, the Company expensed \$11,180 and \$21,873, respectively (three and six months ended September 30, 2022 - \$5,110 and \$9,579 respectively) to Marrelli Support Services Inc. ("Marrelli Support") and DSA Corporate Services Inc. ("DSA"), together known as the "Marrelli Group" for:
 - (i) Robert D.B. Suttie, President of Marrelli Support, to act as Chief Financial Officer ("CFO") of the Company from December 31, 2022;
 - (ii) Bookkeeping and office support services;
 - (iii) Regulatory filing services

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

As of September 30, 2023, the Marrelli Group was owed \$4,213 (March 31, 2023 - \$16,812). These amounts are included in accounts payable and accrued liabilities.

Effective December 31, 2022, Mr. Douglas Reeson stepped down from the positions of CFO, and director, remaining with the Company as a consultant. During the three and six months ended September 30, 2023, the Company expensed \$nil for services rendered as CFO and \$12,000 and \$24,000, respectively in the capacity of consultant. (Three and six months ended September 30, 2022 - \$12,000 and \$24,000, respectively, for services rendered as CFO and \$nil in the the capacity as a consultant. As at September 30, 2023, \$10,010 (March 31, 2023 - \$6,010) was included in due to related parties with respect former CFO's fees and reimbursable expenditures.

- (iii) For the three and six months ended September 30, 2023, \$nil in directors fees were incurred (September 30, 2022 - \$nil). As at September 30, 2023, \$63,680 (March 31, 2023 - \$60,680) was outstanding in regard to current and prior years' directors fees, of which \$19,025 (March 31, 2023 - \$19,675) was held for the purchase of the Company's common shares. An additional \$44,655 (March 31, 2023 - \$41,005) was included in accounts payable and accrued liabilities with respect to current and prior years directors fees to be settled in cash.
- (iv) Consulting fees paid to directors of the Company relate to consulting services provided for evaluation, geological and community engagement services. As at September 30, 2023, \$nil (March 31, 2023 - \$31,402) was included in accounts payable and accrued liabilities.
- (v) Consulting fees paid to family members of a director relate to fees charged for geological services. As at September 30, 2023, \$nil (March 31, 2023 - \$nil) was included in accounts payable and accrued liabilities.
- (vi) During the three and six months ended September 30, 2023, the Company expensed \$nil (three and six months ended September 30, 2022 - \$3,694 and \$8,367, respectively) in share-based compensation to Directors and Officers of the Company.

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.