



RESOURCES LIMITED

NEWS RELEASE 08-13

## **Gossan Retains Hatch to provide Engineering Process Support for the Inwood Magnesium Project**

October 2, 2008 – **Gossan Resources Limited** (GSS-TSX.V & GSR-Frankfurt/Freiverkehr & Xetra) has retained Hatch of Montreal, Canada, to provide engineering process support for the Inwood Magnesium Project. The agreement covers a 5-phase work program culminating with the opening of a Certificate of Authorization file with the Manitoba government for construction and environmental approvals for a production facility at Inwood, located in south-central Manitoba.

The initial phases of work will encompass a review of the Zuliani Process technology and the Pelton Thermodynamic Study conducted by THERMFACT. Use of the Magnetherm Process will also be considered. Phase 2 will focus on the evaluation of the planned bench scale test work including a review of the proposed test plan and testing protocols. These two phases will be conducted concurrently and are expected to be completed by year-end.

Phases 3-5 are comprised of: an assessment of future pilot plant testing requirements; a Scoping Study providing general capital and operating cost estimates, infrastructure requirements, initial site planning, and a market study of magnesium; and assistance in preparing the application for a Certificate of Authorization for construction and environmental approvals for a production facility.

Douglas Reeson, CEO of Gossan stated, "Hatch is a credible advisor that will conduct a rigorous assessment of Gossan's Inwood Magnesium Project. Hatch is another component - along with our large high-purity deposit, the Zuliani Production Process, and very competitively priced hydro-electricity in Manitoba – in building this Project into one capable of attracting a senior partner."

Development of the Inwood Magnesium Project is being advanced based on ongoing high magnesium prices – currently US \$2.00 per pound - and the development of a more efficient magnesium extraction process. Gossan holds the option on the worldwide rights to the Zuliani process - a new high-efficiency modified magnesium production process. Testing of this technology is the current focus of this project.

The new process being developed by Douglas Zuliani is designed to achieve operating cost savings by process efficiency improvements that significantly reduce both energy and key raw material requirements. These enhancements to the traditional Magnetherm method should materially improve both magnesium recovery and silicon reduction efficiency without the need for a vacuum. Energy use is reduced by development of a technically straightforward method

that will ensure highly efficient condensation of liquid magnesium metal. Low cost hydro electricity is abundantly available in Manitoba. For further information refer to Gossan NR-07-02 dated March 16, 2007.

In order to prove out the technology prior to commercialization, Gossan is undertaking a three phase evaluation process. Initially thermodynamic modelling was successfully used to verify the process fundamentals (NR-07-13 of September 25, 2007). The second phase, which will involve bench scale testing, is currently being prepared at the CANMET Materials Technology Laboratory in Ottawa (NR-08-05 of May 13, 2008). Thereafter a third phase of pilot plant testing will be required to demonstrate commercial viability. Gossan will seek a joint venture partner to assist in the pilot plant testing and subsequent commercialization of the process.

Gossan has selected the CANMET Materials Technology Laboratory (CANMET-MTL) of Ottawa, Canada, to conduct initial bench scale testing of the Zuliani Process to extract magnesium metal from dolomite. CANMET-MTL is undertaking several bench scale tests to confirm process thermodynamics and kinetics for the Zuliani technology including determining the vapour pressure of magnesium as a function of process temperature and operating conditions, the slag – metal reactions and the formation of by-products. Equipment required to conduct the bench scale tests has been designed and is in the process of being fabricated. A bulk sample of up to 5-tonnes of dolomite is being extracted at the Inwood Property for use in the current and future tests. Additional dolomite is being sourced from other commercial operations for inclusion in the current bench scale tests in order to broaden the testing of the technology. The bench scale tests are expected to be completed before year end.

The Inwood Property hosts a very-large, high-purity deposit as the Measured Resource alone would be capable of sustaining a very substantial production facility of 80,000 tonnes of magnesium per year for about 30 years (subject to a positive feasibility study). Watts, Griffis and McOuat Limited (WGM), consulting geologists, have calculated a number of Mineral Resource Estimates for high purity dolomite at the Inwood Property. WGM estimated a Measured Resource of 28.8 million tonnes grading 21.15% MgO for the flat lying Fisher Branch dolomite formation which outcrops on the Inwood Property with little or no overburden and averages a true thickness of about 12 metres.

The price of magnesium has increased considerably since 2006. During 2007, free market prices in Canada and Europe increased sharply from US \$0.95 per pound to US \$1.80 per pound. The current price is US \$2.00 per pound. Corresponding prices in the USA are significantly higher due to varied tariff protections against certain Chinese and Russian producers. An analysis of operating and transportation costs indicates that the cost to produce and ship magnesium from China – the world's dominant producer – has increased significantly over the last two years, and as a result, magnesium prices are likely to remain firm. Demand for magnesium is expected to remain strong particularly from the auto industry where high gasoline prices are leading to the design of lighter more fuel efficient vehicles.

Hatch, a global leader, provides consulting in process engineering, technologies, procurement, and project and construction management to three market sectors: Mining & Metals, Energy and Infrastructure. With a network of more than 8,700 professionals and 60 offices worldwide, Hatch currently has more than \$50 billion of capital projects under management in more than 125 countries.

Gossan Resources Limited is engaged in mineral exploration and development in Manitoba and northwestern Ontario. It has a well-diversified portfolio of properties hosting gold, platinum group and base metals, as well as the specialty and minor metals, tantalum, lithium, chromium,

titanium and vanadium. The Company also has a large deposit of magnesium-rich dolomite, the world-wide rights to the Zuliani magnesium production process, and a silica sand deposit. Gossan trades on the TSX Venture and the Frankfurt/Freiverkehr & Xetra Exchanges and has 29,020,900 common shares outstanding.

**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION** Except for statements of historical fact relating to the Company, certain information contained herein constitutes "forward-looking statements". Forward-looking statements are frequently characterized by words such as "plan," "expect," "project," "intend," "believe," "anticipate" and other similar words, or statements that certain events or conditions "may" or "will" occur. Forward-looking statements are based on the opinions and estimates of management at the date the statements are made and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These risks and uncertainties include but are not limited to those identified and reported in Management's Discussion and Analysis for the interim period ended June 30, 2008. Circumstances or management's estimates or opinions could change, and management disclaims any obligation to revise or update forward-looking statements, whether for new information, future events or otherwise. The reader is cautioned not to place undue reliance on forward-looking statements.

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**The TSX Venture Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of this news release.**

For further information, please bookmark [www.gossan.ca](http://www.gossan.ca) or contact:

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