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**MAWSON RESOURCES LIMITED**

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
MAY 31, 2015 AND 2014

*(Expressed in Canadian Dollars)*

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## Independent Auditor's Report

To the Shareholders of Mawson Resources Limited

We have audited the accompanying consolidated financial statements of Mawson Resources Limited, which comprise the consolidated statements of financial position as at May 31, 2015 and May 31, 2014, and the consolidated statements of comprehensive loss, consolidated statements changes in equity and consolidated statements of cash flows for the years ended May 31, 2015 and May 31, 2014, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

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

### Auditor's Responsibility

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

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

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

#### D+H Group LLP Chartered Accountants

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A B.C. Limited Liability Partnership  
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 Understanding, Advising, Guiding

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mawson Resources Limited as at May 31, 2015 and May 31, 2014, and its financial performance and its cash flows for the years ended May 31, 2015 and May 31, 2014 in accordance with International Financial Reporting Standards.

Vancouver, B.C.  
August 27, 2015

***“D&H Group LLP”***

**Chartered Professional Accountants**

**MAWSON RESOURCES LIMITED**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
*(Expressed in Canadian Dollars)*

	Note	May 31, 2015 \$	May 31, 2014 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		4,371,419	5,376,279
Amounts receivable		27,557	42,270
GST/VAT receivable		32,167	48,163
Prepaid expenses and deposits		<u>45,171</u>	<u>41,919</u>
<b>Total current assets</b>		<u>4,476,314</u>	<u>5,508,631</u>
<b>Non-current assets</b>			
Investments	4	65,751	124,794
Property, plant and equipment	5	230,532	261,798
Exploration and evaluation assets	6	<u>11,975,725</u>	<u>10,014,927</u>
<b>Total non-current assets</b>		<u>12,272,008</u>	<u>10,401,519</u>
<b>TOTAL ASSETS</b>		<u>16,748,322</u>	<u>15,910,150</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		<u>326,446</u>	<u>459,385</u>
<b>TOTAL LIABILITIES</b>		<u>326,446</u>	<u>459,385</u>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	7	39,225,378	36,233,702
Share-based payments reserve		6,069,717	6,016,717
Deficit		(28,121,867)	(26,107,345)
Accumulated other comprehensive loss		<u>(751,352)</u>	<u>(692,309)</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<u>16,421,876</u>	<u>15,450,765</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<u>16,748,322</u>	<u>15,910,150</u>

Events after the Reporting Period - See Note 13.

These consolidated financial statements were approved for issue by the Board of Directors on August 27, 2015 and are signed on its behalf by:

/s/ Michael Hudson  
Michael Hudson  
Director

/s/ Nick DeMare  
Nick DeMare  
Director

*The accompanying notes are an integral part of these consolidated financial statements.*

**MAWSON RESOURCES LIMITED**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
*(Expressed in Canadian Dollars)*

	Note	Year Ended	
		May 31, 2015 \$	May 31, 2014 \$
<b>Expenses</b>			
Accounting and administration		77,699	114,078
Audit		45,982	55,417
Corporate development		31,110	72,077
Depreciation		31,266	35,160
General exploration		58,253	158,912
Investor relations		28,625	36,000
Legal		208,518	92,180
Management fees		177,000	162,000
Office and sundry		122,689	166,280
Professional fees		557,487	589,956
Regulatory fees		30,334	27,663
Rent		54,643	134,386
Salaries and benefits		207,446	202,648
Shareholder costs		15,873	14,840
Share-based compensation	7(d)	53,000	855,800
Transfer agent		8,587	12,885
Travel		316,665	328,167
		<u>2,025,177</u>	<u>3,058,449</u>
<b>Loss before other items</b>		<u>(2,025,177)</u>	<u>(3,058,449)</u>
<b>Other items</b>			
Interest and other income		72,845	118,782
Impairment of exploration and evaluation assets	6	-	(238,443)
Foreign exchange		454	26,592
Court judgment and associated costs	6(a)	(62,644)	-
		<u>10,655</u>	<u>(93,069)</u>
<b>Net loss for the year</b>		<u>(2,014,522)</u>	<u>(3,151,518)</u>
<b>Other comprehensive loss</b>		<u>(59,043)</u>	<u>(6,559)</u>
<b>Comprehensive loss for the year</b>		<u>(2,073,565)</u>	<u>(3,158,077)</u>
<b>Basic and diluted loss per common share</b>		<u>\$(0.03)</u>	<u>\$(0.05)</u>
<b>Weighted average number of common shares outstanding</b>		<u>71,250,245</u>	<u>63,434,522</u>

*The accompanying notes are an integral part of these consolidated financial statements.*

**MAWSON RESOURCES LIMITED**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
*(Expressed in Canadian Dollars)*

<b>Year Ended May 31, 2015</b>						
	<b>Share Capital</b>		<b>Share-Based Payments Reserve \$</b>	<b>Deficit \$</b>	<b>Accumulated Other Comprehensive Loss \$</b>	<b>Total Equity \$</b>
	<b>Number of Shares</b>	<b>Amount \$</b>				
<b>Balance at May 31, 2014</b>	65,425,728	36,233,702	6,016,717	(26,107,345)	(692,309)	15,450,765
Common shares issued for:						
Cash - private placement	9,124,243	3,011,000	-	-	-	3,011,000
Share issue costs	-	(19,324)	-	-	-	(19,324)
Share-based compensation	-	-	53,000	-	-	53,000
Unrealized loss on investments	-	-	-	-	(59,043)	(59,043)
Net loss for the year	-	-	-	(2,014,522)	-	(2,014,522)
<b>Balance at May 31, 2015</b>	<b>74,549,971</b>	<b>39,225,378</b>	<b>6,069,717</b>	<b>(28,121,867)</b>	<b>(751,352)</b>	<b>16,421,876</b>

<b>Year Ended May 31, 2014</b>						
	<b>Share Capital</b>		<b>Share-Based Payments Reserve \$</b>	<b>Deficit \$</b>	<b>Accumulated Other Comprehensive Loss \$</b>	<b>Total Equity \$</b>
	<b>Number of Shares</b>	<b>Amount \$</b>				
<b>Balance at May 31, 2013</b>	56,081,311	32,086,361	5,160,917	(22,955,827)	(685,750)	13,605,701
Common shares issued for:						
Cash - private placement	9,344,417	4,204,988	-	-	-	4,204,988
Share issue costs	-	(57,647)	-	-	-	(57,647)
Share-based compensation	-	-	855,800	-	-	855,800
Unrealized loss on investments	-	-	-	-	(6,559)	(6,559)
Net loss for the year	-	-	-	(3,151,518)	-	(3,151,518)
<b>Balance at May 31, 2014</b>	<b>65,425,728</b>	<b>36,233,702</b>	<b>6,016,717</b>	<b>(26,107,345)</b>	<b>(692,309)</b>	<b>15,450,765</b>

*The accompanying notes are an integral part of these consolidated financial statements.*

**MAWSON RESOURCES LIMITED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*(Expressed in Canadian Dollars)*

	<b>Year Ended May 31.</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>Operating activities</b>		
Net loss for the year	(2,014,522)	(3,151,518)
Adjustments for:		
Depreciation	31,266	35,160
Share-based compensation	53,000	855,800
Impairment of exploration and evaluation assets	-	238,443
Recovery of general exploration costs	-	(16,603)
	<u>(1,930,256)</u>	<u>(2,038,718)</u>
Changes in non-cash working capital items:		
Decrease (increase) in amounts receivable	14,713	(17,577)
Decrease in GST/VAT receivables	15,996	4,316
(Increase) decrease in prepaid expenses and deposits	(3,252)	29,077
Increase in accounts payable and accrued liabilities	407	105,179
	<u>27,864</u>	<u>120,995</u>
<b>Net cash used in operating activities</b>	<u>(1,902,392)</u>	<u>(1,917,723)</u>
<b>Investing activity</b>		
Expenditures on exploration and evaluation assets	<u>(2,094,144)</u>	<u>(2,062,852)</u>
<b>Net cash used in investing activity</b>	<u>(2,094,144)</u>	<u>(2,062,852)</u>
<b>Financing activities</b>		
Issuance of common shares	3,011,000	4,204,988
Share issue costs	<u>(19,324)</u>	<u>(57,647)</u>
<b>Net cash provided by financing activities</b>	<u>2,991,676</u>	<u>4,147,341</u>
<b>Net change in cash</b>	(1,004,860)	166,766
<b>Cash at beginning of year</b>	<u>5,376,279</u>	<u>5,209,513</u>
<b>Cash at end of year</b>	<u>4,371,419</u>	<u>5,376,279</u>

**Supplemental cash flow information - Note 11.**

*The accompanying notes are an integral part of these consolidated financial statements.*

**MAWSON RESOURCES LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MAY 31, 2015 AND 2014**  
*(Expressed in Canadian Dollars)*

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**1. Nature of Operations**

Mawson Resources Limited (the “Company”) was incorporated on March 10, 2004 under the provisions of the Company Act (British Columbia). The Company is listed and trades on the Toronto Stock Exchange (“TSX”) under the symbol “MAW”. The Company’s head office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia V6E 3V7 Canada.

The Company is a resource company engaged in the acquisition and exploration of unproven mineral interests. As at May 31, 2015 the Company has not earned any production revenue, nor found proved reserves on any of its unproven mineral interests. On the basis of information to date, the Company has not yet determined whether these properties contain economically recoverable ore reserves. The underlying value of the exploration and evaluation assets is entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete development and upon future profitable production. Exploration and evaluation assets represent costs incurred to date, less amounts depreciated and/or written off, and do not necessarily represent present or future values.

The Company’s operations are funded from equity financings which are dependent upon many external factors and may be difficult to impossible to secure or raise when required. Although management considers that the Company has adequate resources to maintain its core operations and planned exploration programs on its existing exploration and evaluation assets for the next twelve months, the Company recognizes that exploration expenditures may change with ongoing results and, as a result, it may be required to obtain additional financing. While the Company has been successful in securing financings in the past there can be no assurance that it will be able to do so in the future.

**2. Basis of Preparation**

*Statement of Compliance*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

*Basis of Measurement*

The Company’s consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain financial assets and financial liabilities to fair value.

*Details of the Group*

In addition to the Company, the consolidated financial statements include all subsidiaries. Subsidiaries are all corporations over which the Company is able, directly or indirectly, to control financial and operating policies, which is the authority usually connected with holding majority voting rights. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. Inter-company transactions and balances are eliminated upon consolidation. They are de-consolidated from the date that control by the Company ceases.

As at May 31, 2015 and 2014 the subsidiaries of the Company were:

<u>Company</u>	<u>Location of Incorporation</u>	<u>Ownership Interest</u>
Mawson AB	Sweden	100%
Mawson Oy	Finland	100%
Kay Metals Ltd.	Barbados	100%

**MAWSON RESOURCES LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MAY 31, 2015 AND 2014**  
*(Expressed in Canadian Dollars)*

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**3. Summary of Significant Accounting Policies**

*Critical Judgments and Sources of Estimation Uncertainty*

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

*Critical Judgments*

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

- (i) The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.
- (ii) Management is required to assess the functional currency of each entity of the Company. In concluding that the Canadian dollar is the functional currency of the parent and its subsidiary companies, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates. As no single currency was clearly dominant the Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.
- (iii) Management is required to assess impairment in respect of intangible exploration and evaluation assets. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful and some assets are likely to become impaired in future periods.
- (iv) Although the Company takes steps to verify title to exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.
- (v) The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's estimate of future profits or losses adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the jurisdictions in which the Company operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized to the extent of the amount expected to be utilized. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances. Details of these can be found in Note 9.

*Estimation Uncertainty*

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

**MAWSON RESOURCES LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MAY 31, 2015 AND 2014**  
*(Expressed in Canadian Dollars)*

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**3. Summary of Significant Accounting Policies (continued)**

- (i) Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.
- (ii) The assessment of any impairment of exploration and evaluation assets, and property, plant and equipment is dependent upon estimates of the recoverable amount that take into account factors such as reserves, economic and market conditions and the useful lives of assets. As a result of this assessment, management has carried out an impairment test on all of the Company's exploration and evaluation assets and an impairment charge of \$238,443 was made in fiscal 2014. In fiscal 2015 management concluded there were no impairment indicators and no impairment charge was required.

***Cash and Cash Equivalents***

Cash includes cash on hand and demand deposits. Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The Company is not exposed to significant credit or interest rate risk although cash is held in excess of federally insured limits with a major financial institution. As at May 31, 2015 and 2014 the Company did not have any cash equivalents.

***Amounts Receivable***

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Receivables are classified as loans and receivables. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

***Accounts Payable and Accrued Liabilities***

Payables are obligations to pay for materials or services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Payables are classified as other financial liabilities initially at fair value and are subsequently measured at amortized cost using the effective interest method.

***Exploration and Evaluation Assets***

The Company is in the exploration stage with respect to its investment in exploration and evaluation assets and accordingly follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral properties and crediting all proceeds received against the cost of the related properties. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral properties are charged to operations at the time of any abandonment, or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to a mineral property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farmout of the property result in a revised estimate of the recoverable amount, but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

**MAWSON RESOURCES LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MAY 31, 2015 AND 2014**  
*(Expressed in Canadian Dollars)*

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**3. Summary of Significant Accounting Policies (continued)**

The Company recognizes in income costs recovered on mineral properties when amounts received or receivable are in excess of the carrying amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets.

All capitalized exploration and evaluation expenditures are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that an exploration expenditure is not expected to be recovered, it is charged to the results of operations.

***Property, Plant and Equipment***

Property, plant and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Property, plant and equipment are depreciated annually on a straight-line basis over the estimated useful life of the assets, at a rate of 5% for the condominium and 20% for office furniture and equipment, field equipment and vehicles.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the consolidated statement of comprehensive income or loss.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

The Company compares the carrying value of property, plant and equipment to estimated net recoverable amounts, based on estimated future cash flows, to determine whether there is any indication of impairment whenever events or circumstances warrant.

***Impairment of Assets***

At each financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is determined as the price that would be received to sell an asset in an orderly transaction between market participants. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

**MAWSON RESOURCES LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MAY 31, 2015 AND 2014**  
*(Expressed in Canadian Dollars)*

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**3. Summary of Significant Accounting Policies (continued)**

***Decommissioning Provision***

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral interest by or on behalf of the Company. Costs for restoration of site damage which is created on an ongoing basis during exploration and evaluation are provided for at their net present values and charged against profits in the period such exploration and evaluation occurs. Discount rates using a risk-free rate that reflects the time value of money are used to calculate the net present value. The related liability is adjusted each period for the unwinding of the discount rate and for changes to the current market-based discount rate and amount or timing of the underlying cash flows needed to settle the obligation. As at May 31, 2015 and 2014 the Company does not have any decommissioning obligations.

***Financial Instruments***

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through comprehensive income (loss). Cash is classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost. Amounts receivable are classified as loans and receivables.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. Investments in common shares are classified as available-for-sale.

Transaction costs associated with financial assets at FVTPL are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities.

Financial liabilities classified as FVTPL are measured at fair value with unrealized gains and losses recognized through comprehensive income (loss). At May 31, 2015 and 2014 the Company has not classified any financial liabilities as FVTPL.

***Share Capital***

Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and share options are recognized as a deduction from equity, net of any related income tax effects.

**MAWSON RESOURCES LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MAY 31, 2015 AND 2014**  
*(Expressed in Canadian Dollars)*

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**3. Summary of Significant Accounting Policies (continued)**

***Equity Financing***

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. Units typically comprise a certain number of common shares and share purchase warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the terms of the transaction. The Company adopted a residual value method with respect to the measurement of common shares and share purchase warrants issued as private placement units. The fair value of the common shares issued in the private placements is determined by the closing quoted bid price on the price reservation date, if applicable, or the announcement date. The balance, if any, is allocated to the attached share purchase warrants.

***Share-Based Payment Transactions***

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of share options granted is recognized as a share-based compensation expense with a corresponding increase in the equity settled share-based payments reserve in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

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

Equity-settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

***Current and Deferred Income Taxes***

The tax expense comprises current and deferred tax. Tax is recognized separately in the statement of comprehensive loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

***Current Tax***

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

***Deferred Tax***

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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**3. Summary of Significant Accounting Policies (continued)**

Deferred income tax relating to items recognized directly in equity or other comprehensive income (“OCI”) is recognized in equity or OCI and not in the statement of comprehensive loss.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

***Loss Per Share***

Basic loss per share is computed by dividing loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the “if converted” method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted loss per share.

***Foreign Currency Translation***

***Functional and Presentation Currency***

The financial statements of each of the Company’s subsidiaries are prepared in the local currency of their home jurisdictions. Consolidation of each subsidiary includes re-measurement from the local currency to the subsidiary’s functional currency. Each subsidiary’s functional currency, being the currency of the primary economic environment in which the subsidiary operates, is the Canadian dollar. The consolidated financial statements are presented in Canadian dollars.

Exchange rates published by the Bank of Canada were used to translate subsidiary financial statements into the consolidated financial statements. Income and expenses for each statement of comprehensive loss presented are translated using the rates prevailing on the transaction dates. All resulting foreign exchange differences are recognized in comprehensive loss.

***Foreign Currency Transactions***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in comprehensive loss.

***Accounting Standards and Interpretations Issued but Not Yet Adopted***

As at the date of these financial statements, the following standards have not been applied in these financial statements:

- (i) IFRS 9 Financial Instruments; tentatively effective for annual periods beginning on or after January 1, 2018. IFRS 9 replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortized cost and fair value. IFRS 9 prohibits reclassifications except in rare circumstances when the entity’s business model changes. The new standard removes the requirement to separate embedded derivatives from financial asset hosts. It requires a hybrid contract to be classified in its entirety at either amortized cost or fair value.

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**3. Summary of Significant Accounting Policies (continued)**

- (ii) IFRS 15 Revenue from Contracts with Customers; is effective for annual periods beginning on or after January 1, 2017. IFRS 15 specifies how and when to recognize revenue as well as requires entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, Revenue, IAS 11, Construction Contracts, and a number of revenue-related interpretations. The new standard will apply to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts.

Management is currently assessing the impact of these new standards on the Company's accounting policies and financial statement presentation.

**4. Investments**

<b>As at May 31, 2015</b>				
	<b>Number</b>	<b>Cost \$</b>	<b>Accumulated Unrealized Loss \$</b>	<b>Carrying Value \$</b>
Common shares				
Hansa Resources Limited ("Hansa")	3,500,000	715,000	(662,500)	52,500
Kingsman Resources Limited ("Kingsman")*	75,000	45,000	(40,875)	4,125
Thomson Resources Ltd. ("Thomson")	600,000	<u>16,603</u>	<u>(7,477)</u>	<u>9,126</u>
		<u>776,603</u>	<u>(710,852)</u>	<u>65,751</u>

\* formerly Tumi Resources Limited

<b>As at May 31, 2014</b>				
	<b>Number</b>	<b>Cost \$</b>	<b>Accumulated Unrealized Loss \$</b>	<b>Carrying Value \$</b>
Common shares				
Hansa	3,500,000	715,000	(610,000)	105,000
Kingsman	75,000	45,000	(34,125)	10,875
Thomson	600,000	<u>16,603</u>	<u>(7,684)</u>	<u>8,919</u>
		<u>776,603</u>	<u>(651,809)</u>	<u>124,794</u>

- (a) The carrying values of the investments were determined using quoted market values.
- (b) In March 2014 the Company disposed of exploration data previously developed by the Company to Thomson for 600,000 Thomson common shares. The estimated value of the Thomson common shares on disposition was \$16,603, and was accounted for as a credit to general exploration expenses.

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**5. Property, Plant and Equipment**

Cost:	Office Furniture and Equipment				
	Condominium \$	Equipment \$	Field Equipment \$	Vehicles \$	Total \$
Balance at May 31, 2013 and 2014	248,450	29,744	74,069	158,504	510,767
Disposal	-	(19,286)	-	-	(19,286)
Balance at May 31, 2015	<u>248,450</u>	<u>10,458</u>	<u>74,069</u>	<u>158,504</u>	<u>491,481</u>
<b>Accumulated Depreciation:</b>					
Balance at May 31, 2013	(30,024)	(16,532)	(20,015)	(147,238)	(213,809)
Depreciation	<u>(12,424)</u>	<u>(4,469)</u>	<u>(13,287)</u>	<u>(4,980)</u>	<u>(35,160)</u>
Balance at May 31, 2014	(42,448)	(21,001)	(33,302)	(152,218)	(248,969)
Depreciation	<u>(12,424)</u>	<u>(5,580)</u>	<u>(12,585)</u>	<u>(677)</u>	<u>(31,266)</u>
Disposal	-	19,286	-	-	19,286
Balance at May 31, 2015	<u>(54,872)</u>	<u>(7,295)</u>	<u>(45,887)</u>	<u>(152,895)</u>	<u>(260,949)</u>
<b>Carrying Value:</b>					
Balance at May 31, 2014	<u>206,002</u>	<u>8,743</u>	<u>40,767</u>	<u>6,286</u>	<u>261,798</u>
Balance at May 31, 2015	<u>193,578</u>	<u>3,163</u>	<u>28,182</u>	<u>5,609</u>	<u>230,532</u>

**6. Exploration and Evaluation Assets**

	As at May 31, 2015			As at May 31, 2014		
	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$
Finland						
Gold Projects	2,086,965	9,828,636	11,915,601	2,002,170	7,978,393	9,980,563
Sweden						
Other Projects	<u>58,780</u>	<u>1,344</u>	<u>60,124</u>	<u>33,020</u>	<u>1,344</u>	<u>34,364</u>
	<u>2,145,745</u>	<u>9,829,980</u>	<u>11,975,725</u>	<u>2,035,190</u>	<u>7,979,737</u>	<u>10,014,927</u>

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**6. Exploration and Evaluation Assets (continued)**

	<u>Finland</u>	<u>Sweden</u>	
	<u>Gold Projects \$</u>	<u>Other Projects \$</u>	<u>Total \$</u>
<b>Balance at May 31, 2013</b>	7,846,210	400,529	8,246,739
<b>Exploration costs</b>			
Assays	218,317	-	218,317
Consulting	111,243	-	111,243
Core logging	34,783	-	34,783
Drilling	239,281	-	239,281
Exploration site	33,727	1,764	35,491
Field equipment	62,915	-	62,915
Field workers	130,135	-	130,135
Fuel	28,027	-	28,027
Geochemical	3,341	-	3,341
Geological	507,757	11,823	519,580
Maps	2,767	1,048	3,815
Salaries and benefits	416,114	22,440	438,554
Travel	39,738	5,430	45,168
Vehicle rental	57,216	5,763	62,979
	<u>1,885,361</u>	<u>48,268</u>	<u>1,933,629</u>
<b>Acquisition costs</b>			
Mining rights	250,315	-	250,315
Permits	-	33,020	33,020
Recoveries	-	(210,333)	(210,333)
	<u>250,315</u>	<u>(177,313)</u>	<u>73,002</u>
<b>Impairment</b>	<u>(1,323)</u>	<u>(237,120)</u>	<u>(238,443)</u>
<b>Balance at May 31, 2014</b>	<u>9,980,563</u>	<u>34,364</u>	<u>10,014,927</u>
<b>Exploration costs</b>			
Assays	243,675	-	243,675
Consulting	53,065	-	53,065
Core logging	24,129	-	24,129
Drilling	303,950	-	303,950
Exploration site	15,622	-	15,622
Field equipment	182,318	-	182,318
Field workers	118,896	-	118,896
Fuel	39,636	-	39,636
Geological	388,428	-	388,428
Salaries and benefits	354,390	-	354,390
Travel	34,263	-	34,263
Vehicle rental	91,871	-	91,871
	<u>1,850,243</u>	<u>-</u>	<u>1,850,243</u>
<b>Acquisition costs</b>			
Mining rights	57,470	25,760	83,230
Deposit	27,325	-	27,325
	<u>84,795</u>	<u>25,760</u>	<u>110,555</u>
<b>Balance at May 31, 2015</b>	<u>11,915,601</u>	<u>60,124</u>	<u>11,975,725</u>

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**6. Exploration and Evaluation Assets (continued)**

(a) *Finland*

As at May 31, 2015 the Company holds a total of 27 claims and exploration permits which have been granted, reserved or are under application in Finland.

The Company has been dealing with certain Finnish environmental authorities in regards to issues arising from the Company's hand dug trenches at Rompas, Finland, completed during the 2010 and 2011 work programs. The main issue involved claims that the Company's hand dug trenches have affected the nature conservation values of the area where the work was undertaken. On December 31, 2014 the Company received notification of a ruling by the Kemi-Tornio District Court in Finland. The Company was found to be not guilty of the original basis for the case, being the nature conservation crime associated with the destruction of specific endangered plant species. Additionally, associated compensation requests were rejected. However, the Company's hand dug trenches were found to have diminished the representativeness and diversity of the nature conservation values where some of the hand digging took place. A corporate fine of 5,000 Euros was imposed on the Company. During fiscal 2015 the Company paid a total of \$62,644 for the fine and indemnity and associated court costs.

During fiscal 2014 the Company surrendered an exploration permit in Finland and recorded an impairment charge of \$1,323 in exploration and evaluation assets.

(b) *Sweden*

As at May 31, 2015 the Company holds a total of 6 claims and 1 exploration permit application in Sweden.

During fiscal 2014 the Company surrendered certain exploration permits in Sweden and recorded an impairment charge of \$237,120 in exploration and evaluation assets.

**7. Share Capital**

(a) *Authorized Share Capital*

The Company's authorized share capital consists of an unlimited number of common shares without par value. All issued common shares are fully paid.

(b) *Reconciliation of Changes in Share Capital*

(i) During fiscal 2015 the Company completed a non-brokered private placement of 9,124,243 units of the Company at \$0.33 per unit for gross proceeds of \$3,011,000 with each unit consisting of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share at a price of \$0.50 for a period of two years expiring October 10, 2016. The Company incurred \$19,324 for legal and filing costs associated with the private placement.

(ii) During fiscal 2014 the Company completed a non-brokered private placement of 9,344,417 units of the Company at \$0.45 per unit for gross proceeds of \$4,204,988 with each unit consisting of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share at a price of \$0.65 for a period of two years from closing. The private placement was completed in two tranches. The Company incurred \$57,647 for legal and filing costs associated with the private placement.

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7. **Share Capital** (continued)

(c) *Warrants*

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at May 31, 2015 and 2014 and the changes for the years ended on those dates, is as follows:

	<u>2015</u>		<u>2014</u>	
	<b>Number</b>	<b>Weighted Average Exercise Price \$</b>	<b>Number</b>	<b>Weighted Average Exercise Price \$</b>
Balance, beginning of year	4,672,208	0.65	4,920,667	0.86
Issued	4,562,120	0.50	4,672,208	0.65
Expired	-		<u>(4,920,667)</u>	0.86
Balance, end of year	<u>9,234,328</u>	0.58	<u>4,672,208</u>	0.65

The following table summarizes information about the number of common shares reserved pursuant to the Company's warrants outstanding and exercisable at May 31, 2015:

<b>Number</b>	<b>Exercise Price \$</b>	<b>Expiry Date</b>
2,855,208	0.65	August 2, 2015
1,817,000	0.65	September 9, 2015
<u>4,562,120</u>	0.50	October 10, 2016
<u>9,234,328</u>		

See also Note 13(i).

(d) *Share Option Plan*

The Company has established a rolling share option plan (the "Plan") in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The minimum exercise price of the options is set at the Company's closing share price on the day before the grant date, less allowable discounts. Options granted may be subject to vesting provisions as determined by the Board of Directors and have a maximum term of ten years.

During fiscal 2015 the Company granted share options to purchase 380,000 (2014 - 3,890,000) common shares and recorded compensation expense of \$53,000 (2014 - \$855,800).

The fair value of share options granted during fiscal 2015 and 2014 is estimated using the Black-Scholes option pricing model using the following assumptions:

	<u>2015</u>	<u>2014</u>
Risk-free interest rate	1.22%	1.42%
Estimated volatility	70% - 75%	80%
Expected life	3 years	3 years
Expected dividend yield	0%	0%
Estimated forfeiture rate	0%	0%

The weighted average fair value of all share options granted during fiscal 2015 was \$0.14 (2014 - \$0.22) per option.

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**7. Share Capital (continued)**

Option-pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide a reliable measure of the fair value of the Company's share options.

A summary of the Company's share options at May 31, 2015 and 2014 and the changes for the years ended on those dates, is as follows:

	2015		2014	
	Number of Options Outstanding	Weighted Average Exercise Price \$	Number of Options Outstanding	Weighted Average Exercise Price \$
Balance, beginning of year	4,435,000	0.62	2,513,000	1.04
Granted	380,000	0.40	3,890,000	0.52
Expired	<u>(515,000)</u>	1.36	<u>(1,968,000)</u>	0.95
Balance, end of year	<u>4,300,000</u>	0.51	<u>4,435,000</u>	0.62

The following table summarizes information about the share options outstanding and exercisable at May 31, 2015:

Number	Exercise Price \$	Expiry Date
100,000	0.65	May 1, 2016
3,820,000	0.52	October 7, 2016
300,000	0.45	September 16, 2017
<u>80,000</u>	0.20	November 7, 2017
<u>4,300,000</u>		

See also Note 13(ii).

**8. Related Party Disclosures**

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Certain of these entities transacted with the Company during the reporting period.

(a) *Transactions with Key Management Personnel*

During fiscal 2015 and 2014 the following amounts were incurred with respect to the Company's President, Chief Financial Officer ("CFO") and Vice-President of Exploration:

	2015 \$	2014 \$
Management fees	177,000	162,000
Professional fees	200,589	229,940
Rent for apartment	-	43,449
Share-based compensation	<u>-</u>	<u>264,000</u>
	<u>377,589</u>	<u>699,389</u>

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**8. Related Party Disclosures** (continued)

Professional fees of \$170,589 (2014 - \$197,462) have been capitalized to exploration and evaluation assets based on the nature of the expenditure.

As at May 31, 2015, \$61,475 (2014 - \$43,000) of the above amounts remained unpaid and has been included in accounts payable and accrued liabilities.

The Company has a management agreement with the President which provides that in the event the President's services are terminated without cause or upon a change of control of the Company, a termination payment of two years of compensation, at \$15,000 per month, is payable. If the termination had occurred on May 31, 2015, the amount payable under the agreement would be \$360,000.

(b) *Transactions with Other Related Parties*

(i) During fiscal 2015 and 2014 the following amounts were incurred with respect to non-executive directors and/or officers of the Company:

	2015 \$	2014 \$
Salaries	77,000	57,000
Professional fees	120,000	120,000
Share-based compensation	-	389,400
	<u>197,000</u>	<u>566,400</u>

As at May 31, 2015, \$25,500 (2014 - \$25,000) of the above amounts remained unpaid and has been included in accounts payable and accrued liabilities.

(ii) During fiscal 2015 the Company incurred a total of \$44,030 (2014 - \$52,900) with Chase Management Ltd. ("Chase"), a private corporation owned by the CFO of the Company, for accounting and administration services provided by Chase personnel, excluding the CFO, and \$4,020 (2014 - \$4,020) for rent. As at May 31, 2015, \$3,800 (2014 - \$6,670) remained unpaid and has been included in accounts payable and accrued liabilities.

(c) During fiscal 2015 the Company recovered \$75,101 (2014 - \$108,300) for shared office personnel and costs from public companies with common directors and officers. As at May 31, 2015, \$6,888 (2014 - \$13,785) of the amount remained outstanding and has been included in amounts receivable.

(d) During fiscal 2015 the Company incurred \$4,018 (2014 - \$nil) for shared office administration costs with a public company with common directors and officers. As at May 31, 2015, \$90 (2014 - \$nil) of the amount remained outstanding and has been included in accounts payable and accrued liabilities.

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**9. Income Taxes**

Deferred income tax assets and liabilities of the Company as at May 31, 2015 and 2014, are as follows:

	2015 \$	2014 \$
Deferred income tax assets (liabilities)		
Losses carried forward	4,321,400	4,091,300
Other	<u>24,700</u>	<u>23,400</u>
	4,346,100	4,114,700
Valuation allowance	<u>(4,346,100)</u>	<u>(4,114,700)</u>
Net deferred income tax asset	<u>-</u>	<u>-</u>

The recovery of income taxes shown in the consolidated statements of comprehensive loss differs from the amounts obtained by applying statutory rates to the loss before provision for income taxes due to the following:

	2015 \$	2014 \$
Income tax rate reconciliation		
Combined federal and provincial income tax rate	<u>26.0%</u>	<u>26.0%</u>
Expected income tax recovery	523,800	819,400
Effect of income tax rate changes	-	62,800
Foreign income tax rate differences	(59,000)	(72,400)
Non-deductible share-based compensation	(13,800)	(222,500)
Other	5,000	5,000
Unrecognized benefit of income tax losses	<u>(456,000)</u>	<u>(592,300)</u>
Actual income tax recovery	<u>-</u>	<u>-</u>

As at May 31, 2015, the Company has non-capital losses of approximately \$7,940,200 (2014 - \$7,032,400) and accumulated pools of approximately \$126,000 (2014 - \$134,400) for Canadian income tax purposes and are available to reduce taxable income of future years. The non-capital losses expire commencing in 2026 through 2035. The Company's subsidiary in Sweden has losses for income tax purposes of approximately \$7,910,000 (2014 - \$8,615,100) which may be carried forward indefinitely. The Company's subsidiary in Finland has losses for income tax purposes of approximately \$2,583,600 (2014 - \$1,837,600) which expire commencing in 2022 through 2025.

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**10. Financial Instruments and Risk Management**

*Categories of Financial Assets and Financial Liabilities*

Financial instruments are classified into one of the following categories: FVTPL; held-to-maturity investments; loans and receivables; and available-for-sale. The carrying values of the Company's financial instruments are classified into the following categories:

<b>Financial Instrument</b>	<b>Category</b>	<b>May 31, 2015 \$</b>	<b>May 31, 2014 \$</b>
Cash	FVTPL	4,371,419	5,376,279
Amounts receivable	Loans and receivables	27,557	42,270
Investments	Available-for-sale	65,751	124,794
Accounts payable and accrued liabilities	Other liabilities	(326,446)	(459,385)

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities and time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The recorded amounts for amounts receivable and accounts payable and accrued liabilities approximate their fair value due to their short-term nature. The recorded amounts for cash and investments approximate their fair value. The Company's fair value of cash and investments under the fair value hierarchy are measured using Level 1 inputs.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

*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 amounts receivable. Management believes that the potential loss related to the credit risk included in cash and amounts receivable is remote.

*Liquidity Risk*

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that it will have sufficient liquidity to meet its obligations. All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period. The following table is based on the contractual maturity dates of financial assets and the earliest date on which the Company can be required to settle financial liabilities.

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**10. Financial Instruments and Risk Management (continued)**

<b>Contractual Maturity Analysis at May 31, 2015</b>					
	<b>Less than 3 Months \$</b>	<b>3 - 12 Months \$</b>	<b>1 - 5 Years \$</b>	<b>Over 5 Years \$</b>	<b>Total \$</b>
Cash	4,371,419	-	-	-	4,371,419
Amounts receivable	27,557	-	-	-	27,557
Investments	-	-	65,751	-	65,751
Accounts payable and accrued liabilities	(326,446)	-	-	-	(326,446)

  

<b>Contractual Maturity Analysis at May 31, 2014</b>					
	<b>Less than 3 Months \$</b>	<b>3 - 12 Months \$</b>	<b>1 - 5 Years \$</b>	<b>Over 5 Years \$</b>	<b>Total \$</b>
Cash	5,376,279	-	-	-	5,376,279
Amounts receivable	42,270	-	-	-	42,270
Investments	-	-	124,794	-	124,794
Accounts payable and accrued liabilities	(459,385)	-	-	-	(459,385)

*Market Risk*

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

(a) Interest Rate Risk

The Company is exposed to interest rate risk to the extent that the cash bears floating rates of interest. The interest rate risk on cash and on the Company's obligations are not considered significant.

(b) Foreign Currency Risk

The Company's functional currency is the Canadian dollar and major transactions are transacted in Canadian Dollars, Euros and Swedish Kronors ("SEK"). The Company maintains Euros bank accounts in Finland, SEK bank accounts in Sweden, and a US Dollar bank account in Canada to support the cash needs of its foreign operations. Management believes the foreign exchange risk related to currency conversions is minimal and therefore does not hedge its foreign exchange risk. At May 31, 2015, 1 Canadian Dollar was equal to 0.73 Euro, 6.86 SEK and 0.80 US Dollar.

Balances are as follows:

	<b>Euros</b>	<b>Swedish Kronors</b>	<b>US Dollars</b>	<b>CDN \$ Equivalent</b>
Cash	27,621	303,412	97,970	204,529
Amounts receivable	36,723	3,212	-	50,774
Accounts payable and accrued liabilities	<u>(146,475)</u>	<u>(175,001)</u>	<u>(130)</u>	<u>(226,324)</u>
	<u>(82,131)</u>	<u>131,623</u>	<u>97,840</u>	<u>28,979</u>

Based on the net exposures as of May 31, 2015 and assuming that all other variables remain constant, a 10% fluctuation on the Canadian Dollar against the Euro, SEK and US Dollar would result in the Company's net loss being approximately \$3,000 higher (or lower).

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**10. Financial Instruments and Risk Management (continued)**

*Capital Management*

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as share capital, cash and cash equivalents and short-term investments. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

**11. Supplemental Cash Flow Information**

During fiscal 2015 and 2014 non-cash activities were conducted by the Company as follows:

	2015 \$	2014 \$
Operating activity		
Decrease in accounts payable and accrued liabilities	<u>(133,346)</u>	<u>(56,221)</u>
Investing activity		
Change to exploration and evaluation assets	<u>133,346</u>	<u>56,221</u>

**12. Segmented Information**

The Company operates in one reportable segment, the exploration and development of unproven exploration and evaluation assets. As at May 31, 2015 and 2014 the Company's exploration and evaluation assets are located in Finland and Sweden and its corporate assets, comprising mainly of cash, are located in Canada. The Company is in the exploration stage and has no reportable segment revenues or operating results.

The Company's total assets are segmented geographically as follows:

	<u>As at May 31, 2015</u>				
	Canada \$	Sweden \$	Finland \$	Peru \$	Total \$
Current assets	4,328,289	46,473	101,552	-	4,476,314
Investments	65,751	-	-	-	65,751
Property, plant and equipment	4,706	6,034	26,214	193,578	230,532
Exploration and evaluation assets	<u>-</u>	<u>60,124</u>	<u>11,915,601</u>	<u>-</u>	<u>11,975,725</u>
	<u>4,398,746</u>	<u>112,631</u>	<u>12,043,367</u>	<u>193,578</u>	<u>16,748,322</u>

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**12. Segmented Information (continued)**

	<b>As at May 31, 2014</b>				
	<b>Canada</b>	<b>Sweden</b>	<b>Finland</b>	<b>Peru</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Current assets	5,053,386	85,184	370,061	-	5,508,631
Investments	124,794	-	-	-	124,794
Property, plant and equipment	8,743	8,253	38,800	206,002	261,798
Exploration and evaluation assets	-	34,364	9,980,563	-	10,014,927
	<u>5,186,923</u>	<u>127,801</u>	<u>10,389,424</u>	<u>206,002</u>	<u>15,910,150</u>

**13. Events after the Reporting Period**

Subsequent to May 31, 2015:

- (i) the Company received conditional approval from the TSX to extend the term of an aggregate of 4,672,208 common share purchase warrants that were issued in connection with the non-brokered private placement of 9,344,417 units conducted in fiscal 2014. Each warrant currently entitles holders to purchase one common share of the Company at an exercise price of \$0.65 per common share until August 2, 2015, as to 2,855,208 warrants and until September 9, 2015, as to 1,817,000 warrants. The Company has proposed to extend the warrants by one year. All other terms of the warrants will remain the same. Insiders of the Company hold 3,667,000 warrants, therefore, pursuant to TSX policies, the Company will seek disinterested shareholder approval at the next annual meeting of shareholder; and
- (ii) share options to purchase 30,000 common shares at \$0.52 expired without exercise.