
MAWSON RESOURCES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2008 AND 2007

AUDITORS' REPORT

To the Shareholders of
Mawson Resources Limited

We have audited the consolidated balance sheets of Mawson Resources Limited as at May 31, 2008 and 2007 and the consolidated statements of loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2008 and 2007 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, B.C.
August 25, 2008

"D&H Group LLP"
Chartered Accountants

MAWSON RESOURCES LIMITED
CONSOLIDATED BALANCE SHEETS
AS AT MAY 31

	2008	2007
	\$	\$
A S S E T S		
CURRENT ASSETS		
Cash and cash equivalents	12,321,736	16,357,415
Amounts receivable	382,567	256,431
Prepaid expenses and deposits	29,488	15,558
Unproven mineral interests held for sale (Note 3(b))	<u>1,630,000</u>	<u>-</u>
	14,363,791	16,629,404
CAPITAL ASSETS , net of accumulated depreciation of \$60,847 (2007 - \$10,645)	253,130	127,733
UNPROVEN MINERAL INTERESTS (Note 3)	<u>4,539,081</u>	<u>3,910,171</u>
	<u><u>19,156,002</u></u>	<u><u>20,667,308</u></u>

L I A B I L I T I E S

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	<u>473,396</u>	<u>287,042</u>

S H A R E H O L D E R S ' E Q U I T Y

SHARE CAPITAL (Note 4)	22,644,773	22,428,835
CONTRIBUTED SURPLUS (Note 6)	3,223,392	3,081,492
DEFICIT	<u>(7,185,559)</u>	<u>(5,130,061)</u>
	<u>18,682,606</u>	<u>20,380,266</u>
	<u><u>19,156,002</u></u>	<u><u>20,667,308</u></u>

SUBSEQUENT EVENTS (Notes 3(b) and 3(c))

APPROVED BY THE DIRECTORS

"Michael Hudson" , Director

"Nick DeMare" , Director

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

MAWSON RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT
FOR THE YEARS ENDED MAY 31

	2008 \$	2007 \$
EXPENSES		
Accounting and administrative	27,200	25,650
Audit	28,752	1,894
Corporate development	24,348	50,655
Depreciation	50,202	7,674
Due diligence	199,579	-
General exploration	345,379	284,983
Investor relations	62,000	67,834
Legal	82,569	14,972
Management fees	145,585	59,687
Office and sundry	30,355	29,902
Professional fees	144,078	130,205
Regulatory fees	89,099	14,872
Shareholder costs	31,752	12,898
Stock-based compensation (Note 5)	176,900	2,555,275
Transfer agent	9,332	13,272
Travel	164,863	160,061
	<u>1,611,993</u>	<u>3,429,834</u>
LOSS BEFORE OTHER ITEMS	<u>(1,611,993)</u>	<u>(3,429,834)</u>
OTHER ITEMS		
Interest and other income	603,479	438,439
Foreign exchange	70,810	(68,346)
Write-down of unproven mineral interests (Note 3(b))	(1,117,794)	-
	<u>(443,505)</u>	<u>370,093</u>
NET LOSS FOR THE YEAR	(2,055,498)	(3,059,741)
DEFICIT - BEGINNING OF YEAR	<u>(5,130,061)</u>	<u>(2,070,320)</u>
DEFICIT - END OF YEAR	<u><u>(7,185,559)</u></u>	<u><u>(5,130,061)</u></u>
LOSS PER SHARE - BASIC AND DILUTED	<u><u>\$(0.06)</u></u>	<u><u>\$(0.10)</u></u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED	<u><u>36,375,695</u></u>	<u><u>30,791,600</u></u>

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

MAWSON RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31

	2008 \$	2007 \$
CASH PROVIDED FROM (USED FOR)		
OPERATING ACTIVITIES		
Net loss for the year	(2,055,498)	(3,059,741)
Adjustment for items not involving cash		
Depreciation	50,202	7,674
Stock-based compensation	176,900	2,555,275
Write-down of unproven mineral interests	<u>1,117,794</u>	<u>-</u>
	(710,602)	(496,792)
Increase in amounts receivable	(126,136)	(180,959)
Increase in prepaid expenses and deposits	(13,930)	(4,615)
Increase in accounts payable and accrued liabilities	<u>15,520</u>	<u>27,379</u>
	<u>(835,148)</u>	<u>(654,987)</u>
INVESTING ACTIVITIES		
Expenditures on unproven mineral interests	(3,205,870)	(1,881,251)
Purchase of capital assets	<u>(175,599)</u>	<u>(116,364)</u>
	<u>(3,381,469)</u>	<u>(1,997,615)</u>
FINANCING ACTIVITIES		
Issuance of common shares	180,938	10,596,895
Share issue costs	<u>-</u>	<u>(564,950)</u>
	<u>180,938</u>	<u>10,031,945</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(4,035,679)	7,379,343
CASH AND CASH EQUIVALENTS- BEGINNING OF YEAR	<u>16,357,415</u>	<u>8,978,072</u>
CASH AND CASH EQUIVALENTS- END OF YEAR	<u><u>12,321,736</u></u>	<u><u>16,357,415</u></u>
CASH AND CASH EQUIVALENTS COMPRISES:		
Cash	239,823	757,100
Short-term deposits	<u>12,081,913</u>	<u>15,600,315</u>
	<u><u>12,321,736</u></u>	<u><u>16,357,415</u></u>

SUPPLEMENTAL CASH FLOW INFORMATION (Note 11)

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

MAWSON RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2008 AND 2007

1. NATURE OF OPERATIONS

The Company is a resource company engaged in the acquisition and exploration of unproven mineral interests and is considered a development stage company as defined by Accounting Guidelines No. 11 of the Canadian Institute of Chartered Accountants (“CICA”) Handbook. As at May 31, 2008, the Company has not earned any production revenue, nor found proved reserves on any of its unproven mineral interests.

The Company is in the process of exploring and evaluating its mineral properties. On the basis of information to date, it has not yet determined whether these properties contain economically recoverable ore reserves. The underlying value of the mineral properties and related deferred costs 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. The amounts shown as unproven mineral interests represent net costs to date, less amounts written off, and do not necessarily represent present or future values.

Management considers that the Company has adequate resources to maintain its core operations and planned exploration programs for the 2009 fiscal year. However, 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. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”) and include the accounts of the Company and its wholly-owned Swedish subsidiaries, Mawson Sweden AB and Mawson Energi AB. Intercompany balances and transactions are eliminated on consolidation.

Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Significant areas requiring the use of management estimates relate to the determination of environmental obligations, impairment of mineral claims and deferred exploration expenditures and the related rates of depletion and amortization. Actual results could differ from these estimates.

Cash and Cash Equivalents

Cash and cash equivalents consists of cash and money market instruments with terms to maturity not exceeding 90 days at date of acquisition. The Company is not exposed to significant credit or interest rate risk although cash and cash equivalents are held in excess of federally incurred limits with major financial institutions.

Unproven Mineral Interests

Acquisition and exploration costs directly relating to unproven mineral interests are deferred until the mineral interests to which they relate is placed into production, sold or abandoned. The deferred costs will be amortized over the life of the orebody following commencement of production or written off if the property is sold or abandoned. Administration costs and other exploration costs that do not relate to any specific property are expensed as incurred.

MAWSON RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2008 AND 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

On a periodic basis, management reviews the carrying values of deferred unproven mineral interest acquisition and exploration expenditures with a view to assessing whether there has been any impairment in value. Management takes into consideration various information including, but not limited to, results of exploration activities conducted to date, estimated future metal prices, and reports and opinions of outside geologists, mine engineers and consultants. When it is determined that a project or interest will be abandoned or its carrying value has been impaired, a provision is made for any expected loss on the project or interest.

Although the Company has taken steps to verify title to mineral interests in which it has an interest, according to the usual industry standards for the stage of exploration of such interests, these procedures do not guarantee the Company's title. Such interests may be subject to prior agreements or transfers and title may be affected by undetected defects.

From time to time, the Company acquires or disposes of interests pursuant to the terms of option agreements. Options are exercisable entirely at the discretion of the optionee and, accordingly, are recorded as mineral interests costs or recoveries when the payments are made or received.

Capital Assets

Capital assets, which are comprised of a vehicle, equipment and tools, are recorded at cost less accumulated depreciation calculated using the straight-line method over its estimated useful life of five years.

Asset Retirement Obligations

The fair value of a liability for an asset retirement obligation is recognized when a reasonable estimate of fair value can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is allocated to expenses using a systematic and rational method and is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and revisions to either timing or the amount of the original estimate of the undiscounted cash flow. As at May 31, 2008, the Company does not have any asset retirement obligations.

Impairment of Long-Lived Assets

Long-lived assets are assessed for impairment when events and circumstances warrant. The carrying value of a long-lived asset is impaired when the carrying amount exceeds the estimated undiscounted net cash flow from use and fair value. In that event, the amount by which the carrying value of an impaired long-lived asset exceeds its fair value is charged to earnings.

Stock-Based Compensation

Stock-based compensation is accounted for at fair value as determined by the Black-Scholes option pricing model using amounts that are believed to approximate the volatility of the trading price of the Company's stock, the expected lives of awards of stock-based compensation, the fair value of the Company's stock and the risk-free interest rate. The estimated fair value of awards of stock-based compensation are charged to expense as awards vest, with offsetting amounts recognized as contributed surplus.

MAWSON RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2008 AND 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Translation of Foreign Currencies

Integrated foreign operations are translated using the temporal method. Under this method, the Company translates monetary items at the rate of exchange in effect at the balance sheet date. Non-monetary items are translated at average rates in effect during the period in which they were earned or incurred. Revenues and expenses are translated at average rates in effect during the period except for depreciation and amortization which are translated at historical rates. Gains and losses resulting from the fluctuation of foreign exchange rates have been included in the determination of income.

Income Taxes

Future income tax liabilities and assets are recognized for the estimated income tax consequences attributable to differences between the amounts reported in the consolidated financial statements and their respective tax bases, using substantially enacted income tax rates. The effect of a change in income tax rates on future income tax liabilities and assets is recognized in income in the period that the change occurs. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes only if it is more likely than not that they can be realized.

Loss Per Share

Basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year. 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 loss 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 by application of the treasury stock method. Basic and diluted loss per share are the same as the effect of potential issuances of shares under warrants or share option arrangements would be anti-dilutive.

Financial Instruments

Effective June 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530, Comprehensive Income, Section 3251, Equity, Section 3855, Financial Instruments - Recognition and Measurement, Section 3861, Financial Instruments - Disclosure and Presentation and Section 3865, Hedges. These sections apply to fiscal years beginning on or after October 1, 2006 and provide standards for recognition, measurement, disclosure and presentation of financial assets, financial liabilities, and non-financial derivatives, and describe when and how hedge accounting may be applied. Section 1530 provides standards for the reporting and presentation of comprehensive income, which is defined as the change in equity, from transactions and other events and circumstances from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with generally accepted accounting principles. A statement of comprehensive income has not been presented as no components of comprehensive income have been identified and therefore have not affected the current or comparative period balances on the financial statements. Under these new standards, all financial instruments are classified into one of the following five categories: held for trading, held-to-maturity investments, loans and receivables, available for sale assets or other financial liabilities. All financial instruments, including derivatives, are included on the balance sheet and are measured at fair market value upon inception with the exception of certain related party transactions. Subsequent measurement and recognition of change in the fair value of financial instruments depends on their initial classification.

MAWSON RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2008 AND 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Held-for-trading financial investments are measured at fair value and all gains and losses are included in operations in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet. Loans and receivables, investments held to maturity and other financial liabilities are measured at amortized cost using the effective interest method. Gains and losses upon inception, derecognition, impairment write downs and foreign exchange translation adjustments are recognized immediately. Transaction costs related to financings will be expensed in the period incurred.

Upon adoption of this new standard the Company has designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Amounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

New Accounting Pronouncements

Assessing Going Concern

The Accounting Standards Board (“AcSB”) amended CICA Handbook Section 1400, to include requirements for management to assess and disclose an entity’s ability to continue as a going concern. This section applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008.

Financial Instruments

The AcSB issued CICA Handbook Section 3862, Financial Instruments - Disclosures, which requires entities to provide disclosures in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity’s financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. The principles in this section complement the principles for recognizing, measuring and presenting financial assets and financial liabilities in Section 3855, Financial Instruments - Recognition and Measurement, Section 3863, Financial Instruments - Presentation, and Section 3865, Hedges. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

The AcSB issued CICA Handbook Section 3863, Financial Instruments - Presentation, which is to enhance financial statement users’ understanding of the significance of financial instruments to an entity’s financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and nonfinancial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

Capital Disclosures

The AcSB issued CICA Handbook Section 1535, which establishes standards for disclosing information about an entity’s capital and how it is managed. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

The Company is currently assessing the impact of the above new accounting standards on the Company’s financial position and results of operations.

MAWSON RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2008 AND 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

International Financial Reporting Standards (“IFRS”)

In 2006, the AcSB published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada’s own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011, will require the restatement for comparative purposes of amounts reported by the Company for the year May 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

3. UNPROVEN MINERAL INTERESTS

	2008			2007		
	Acquisition Costs \$	Exploration Expenditures \$	Total \$	Acquisition Costs \$	Exploration Expenditures \$	Total \$
Uranium Projects						
Sweden	164,377	3,012,876	3,177,253	138,147	868,502	1,006,649
Finland	1,781	67,499	69,280	1,781	26,997	28,778
Spain	261,300	901,150	1,162,450	158,175	256,767	414,942
Gold Projects Sweden						
Vargbäcken	-	-	-	-	1,254,285	1,254,285
Stenbergget	-	-	-	11,161	487,275	498,436
Staked Claims	-	-	-	274,527	313,034	587,561
Base Metals Projects						
Sweden	4,303	125,795	130,098	45,055	74,465	119,520
	431,761	4,107,320	4,539,081	628,846	3,281,325	3,910,171

(a) Uranium Projects

Sweden

The Company has staked a total of 37 uranium exploration permits, covering approximately 43,820 hectares, and three uranium exploration applications, covering approximately 3,015 hectares, in northern Sweden.

On February 21, 2007, the Company entered into an agreement with Widerange Corporation Pty Ltd. (“Widerange”), whereby the Company granted Widerange an option to earn an initial 51% interest on eight of the 37 exploration permits, under which the Company received payment of US \$50,000 and Widerange agreed to incur a total of US \$1 million over a four year period. Widerange subsequently assigned its option interest to Hodges Resources Ltd. (“Hodges”) and, on April 22, 2007, the Company and Hodges entered into an option and joint venture agreement whereby Hodges could earn the initial 51% interest by incurring, or paying directly to the Company, a minimum US\$100,000 in year one (incurred), US\$200,000 in year two, US\$300,000 in year three and US\$400,000 in year four. Upon earning the 51% interest, Hodges could then increase its interest to 75% by funding a bankable feasibility study.

MAWSON RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2008 AND 2007

3. UNPROVEN MINERAL INTERESTS (continued)

Finland

The Company has been granted six claim reservations, covering approximately 477 hectares, in various areas of Finland.

Spain

The Company either holds or has applied for eleven exploration permit applications covering approximately 82,056 hectares.

(b) Gold Projects

(i) *NAN Agreements*

The Company previously entered into various agreements with Sierra Peru Pty Ltd. ("Sierra Peru") and North Atlantic Natural Resources AB ("NAN"), whereby Sierra Peru's option interests over mineral permits held by NAN, were assigned for no consideration to the Company. The mineral permits are located in the Skellefte Mining District, Sweden. The option interests assigned are as follows:

- Vargbäcken Mining Permit - The Company may acquire up to a 100% interest in a mining permit (the "Vargbäcken Mining Permit"), comprising 20.5 hectares.
- Stenberget Exploration Permit - The Company may acquire up to a 100% interest in an exploration permit (the "Stenberget Exploration Permit"), comprising 645.5 hectares.

On June 26, 2007, the Company entered into an agreement whereby the Company agreed to purchase all of NAN's remaining interests in the Vargbäcken Mining Permit and the Stenberget Mining Permit, subject to a 2% NSR royalty, for \$250,000. In January 2008, the Company paid the \$250,000 and completed the agreement.

Sierra Peru is a private corporation whose principals are directors and officers of the Company.

(ii) *Staked Claims*

The Company has staked 14 exploration permits in Northern Sweden covering approximately 67,459 hectares.

On April 5, 2006, the Company signed a letter of understanding with Hansa Resources Limited ("Hansa") (formerly First Fortune Investments Inc.) giving Hansa the right to explore and develop certain of the Company's exploration claims portfolio in the Skellefte mining district of Northern Sweden. A definitive option and joint venture agreement (the "Hansa Option") was entered into by the Company and Hansa on August 24, 2006. The Hansa Option covered 53,197 hectares within eight individual exploration claims. Under the terms of the Hansa Option, Hansa could earn a 70% interest in the subject claims by incurring \$2.5 million in exploration expenditures over four years, with minimum expenditures of \$300,000 in both years one and two. Upon incurring the \$2.5 million, Hansa could then exercise the option for its 70% interest, for no additional consideration.

MAWSON RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2008 AND 2007

3. UNPROVEN MINERAL INTERESTS (continued)

On August 1, 2007, the Company entered into an agreement with Hansa whereby the Company agreed to sell all of its gold exploration permits and 11 of its base metals exploration permits, including the eight exploration claims covered by the Hansa Option (the “Hansa Properties”), to Hansa for \$250,000 cash and 6,000,000 common shares of Hansa (the “Hansa Consideration”). The Company will retain a 2% NSR royalty on all properties not included in the agreement with NAN. A formal agreement was signed on April 10, 2008.

On July 25, 2008, the Company and Hansa completed the sale of the Hansa Properties and the Company received the Hansa Consideration. The Company has reclassified the Hansa Properties as “Unproven Mineral Interests Held for Sale” and has recorded a write-down of \$1,117,794 to reflect the estimated fair value of the Hansa Consideration as at May 31, 2008.

(c) Base Metals Projects

The Company has staked 19 exploration permits in northern Sweden covering approximately 16,446 hectares. See also Note 3(b).

On January 31, 2006, the Company signed a letter agreement (the “Storbodsund LA”) with Independence Group NL (“Independence”). Under the terms of the Storbodsund LA, Independence could earn a 70% interest in three exploration permits covering 6,960 hectares by incurring expenditures of AUS \$2 million over four years. Upon incurring the AUS \$2 million, Independence could then exercise the option by paying the Company AUS \$300,000. On July 7, 2008 Independence informed the Company that it had elected to withdraw from the Storbodsund LA.

4. SHARE CAPITAL

Authorized: unlimited common shares without par value

Issued:	2008		2007	
	Shares	Amount \$	Shares	Amount \$
Balance, beginning of year	36,158,680	22,428,835	28,182,500	12,010,640
Issued during the year				
For cash				
- private placements	-	-	4,600,000	8,690,000
- exercise of warrants	241,875	120,938	2,406,180	1,279,895
- exercise of options	100,000	60,000	970,000	627,000
Reallocation from contributed surplus on exercise of options	-	35,000	-	386,250
	341,875	215,938	7,976,180	10,983,145
Less: share issue costs	-	-	-	(564,950)
	341,875	215,938	7,976,180	10,418,195
Balance, end of year	36,500,555	22,644,773	36,158,680	22,428,835

MAWSON RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2008 AND 2007

4. SHARE CAPITAL (continued)

- (a) During fiscal 2007, the Company completed:
- (i) a non-brokered private placement for 600,000 units, at a price of \$1.15 per unit, for gross proceeds of \$690,000. Each unit consisted of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at a price of \$1.50 per share on or before December 27, 2008. The Company paid a finders' fee of \$33,000 and incurred \$4,450 of costs associated with the private placement; and
 - (ii) a non-brokered private placement of 4,000,000 units, at a price of \$2.00 per unit, for gross proceeds of \$8,000,000. Each unit consisted of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at a price of \$2.75 per share on or before February 6, 2009. The warrants are subject to a forced conversion provision which will come into effect once the shares trade at a weighted average price of \$3.50 per share for 20 consecutive trading days. The Company paid finders' fees of \$498,500 and incurred \$30,000 of costs associated with the private placement.
- (b) A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at May 31, 2008 and 2007 and the changes for the years ending on those dates is as follows:

	<u>2008</u>		<u>2007</u>	
	Warrants Outstanding	Weighted Average Exercise Price \$	Warrants Outstanding	Weighted Average Exercise Price \$
Balance, beginning of year	5,765,067	1.89	5,871,248	1.06
Issued	-	-	2,299,999	2.59
Exercised	(241,875)	0.50	(2,406,180)	0.53
Expired	<u>(3,223,193)</u>	1.50	<u>-</u>	-
Balance, end of year	<u><u>2,299,999</u></u>	2.59	<u><u>5,765,067</u></u>	1.89

The following table summarizes information about the number of common shares reserved pursuant to the warrants outstanding and exercisable at May 31, 2008:

Exercise Price \$	Number	Expiry Date
1.50	299,999	December 27, 2008
2.75	<u>2,000,000</u>	February 6, 2009
	<u><u>2,299,999</u></u>	

MAWSON RESOURCES LIMITED
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FOR THE YEARS ENDED MAY 31, 2008 AND 2007

5. STOCK OPTIONS AND STOCK-BASED COMPENSATION

The Company has established a rolling stock 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 exercise price of the options is set at the Company's closing share price on the day before the grant date, less allowable discounts.

During fiscal 2008, the Company granted 165,000 (2007 - 2,440,000) stock options to the Company's directors, employees and consultants and recorded compensation expense of \$85,000 (2007 - \$2,364,600). The Company also recorded additional compensation expense of \$91,900 (2007 - \$190,675) on stock options vesting.

The fair value of stock options granted to directors, employees and consultants is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions used for the grants made:

	<u>2008</u>	<u>2007</u>
Risk-free interest rate	2.64% - 4.62%	3.84% - 4.15%
Estimated volatility	88% - 97%	76% - 120%
Expected life	2 years - 3 years	3 years
Expected dividend yield	0%	0%

The weighted average fair value of all stock options granted during fiscal 2008 to the Company's directors, employees and consultants was \$0.52 (2007 - \$1.05) per share.

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 reliable measure of the fair value of the Company's stock options.

A summary of the Company's stock options at May 31, 2008 and 2007, and the changes for fiscal 2008 and 2007, is presented below:

	<u>2008</u>		<u>2007</u>	
	Options Outstanding	Weighted Average Exercise Price \$	Options Outstanding	Weighted Average Exercise Price \$
Balance, beginning of year	3,548,250	1.38	2,078,250	0.80
Granted	165,000	1.35	2,440,000	1.59
Exercised	<u>(100,000)</u>	0.60	<u>(970,000)</u>	0.65
Balance, end of year	<u><u>3,613,250</u></u>	1.40	<u><u>3,548,250</u></u>	1.38

MAWSON RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2008 AND 2007

5. STOCK OPTIONS AND STOCK-BASED COMPENSATION (continued)

The following table summarizes information about the stock options outstanding and exercisable at May 31, 2008:

Number Outstanding	Number Exercisable	Exercise Price \$	Expiry Date
200,000	200,000	0.50	November 9, 2008
163,250	163,250	0.40	July 15, 2009
800,000	800,000	1.15	February 2, 2009
565,000	565,000	0.80	June 22, 2009
50,000	50,000	0.88	July 12, 2009
65,000	65,000	1.15	December 2, 2009
225,000	225,000	1.30	December 15, 2009
1,380,000	1,380,000	2.10	April 16, 2010
65,000	37,500	1.50	November 6, 2010
<u>100,000</u>	<u>100,000</u>	1.25	January 11, 2011
<u><u>3,613,250</u></u>	<u><u>3,585,750</u></u>		

6. CONTRIBUTED SURPLUS

The Company's contributed surplus at May 31, 2008 and 2007, and the changes for fiscal 2008 and 2007, is presented below:

	2008 \$	2007 \$
Balance, beginning of year	3,081,492	912,467
Stock-based compensation on stock options (Note 5)	176,900	2,555,275
Stock options exercised	<u>(35,000)</u>	<u>(386,250)</u>
Balance, end of year	<u><u>3,223,392</u></u>	<u><u>3,081,492</u></u>

7. RELATED PARTY TRANSACTIONS

During fiscal 2008, the Company:

- i) incurred a total of \$96,600 (2007 - \$37,650) for accounting, administration, professional fees and rent provided by certain directors of the Company;
- ii) incurred \$258,000 (2007 - \$192,000) for management and professional fees provided by Sierra Peru, of which \$112,415 (2007 - \$132,313) was capitalized to unproven mineral interests and \$145,585 (2007 - \$59,687) charged to management fees;
- iii) incurred \$12,000 (2007 - \$12,000) for shared administration and other costs with Tumi Resources Limited ("Tumi"), a public company with common directors and officer; and
- iv) was reimbursed \$50,721 (2007 - \$nil) for shared office personnel from Tumi.

As at May 31, 2008, \$21,400 (2007 - \$34,834) was outstanding to the related parties and was included in accounts payable and accrued liabilities.

MAWSON RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2008 AND 2007

7. RELATED PARTY TRANSACTIONS (continued)

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

See also Note 3(b)(i).

8. INCOME TAXES

Future income tax assets and liabilities of the Company as at May 31, 2008 and 2007 are as follows:

	2008	2007
	\$	\$
Future income tax assets		
Losses carried forward	999,300	671,500
Other	<u>224,000</u>	<u>338,600</u>
	1,223,300	1,010,100
Valuation allowance	<u>(1,223,300)</u>	<u>(1,010,100)</u>
Net future income tax asset	<u><u>-</u></u>	<u><u>-</u></u>

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

	2008	2007
	\$	\$
Income tax rate reconciliation		
Combined federal and provincial income tax rate	<u>33.03%</u>	<u>34.12%</u>
Expected income tax recovery	678,900	1,066,000
Foreign income tax rate differences	(18,900)	(16,100)
Non-deductible stock-based compensation	(58,400)	(871,900)
Other	103,100	81,700
Unrecognized benefit of income tax losses	<u>(704,700)</u>	<u>(259,700)</u>
Actual income tax recovery	<u><u>-</u></u>	<u><u>-</u></u>

As at May 31, 2008, the Company has non-capital losses of approximately \$2.4 million and accumulated pools of approximately \$224,000 for Canadian income tax purposes and are available to reduce taxable income of future years. The non-capital losses expire commencing in 2014 through 2028. The Company's subsidiaries in Sweden have losses for income tax purposes of approximately \$746,000 (SEK 4,504,000) which may be carried forward indefinitely.

MAWSON RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2008 AND 2007

9. SEGMENTED INFORMATION

The Company is involved in mineral exploration and development activities in Europe. The Company is in the exploration stage and accordingly, has no reportable segment revenues or operating results for fiscal 2008 and 2007.

	2008				Total
	Corporate	Mineral Operations			
	Canada	Sweden	Spain	Finland	
	\$	\$	\$	\$	\$
Current assets	12,199,125	2,164,666	-	-	14,363,791
Capital assets	13,688	239,442	-	-	253,130
Unproven mineral interests	-	3,307,351	1,162,450	69,280	4,539,081
	<u>12,212,813</u>	<u>5,711,459</u>	<u>1,162,450</u>	<u>69,280</u>	<u>19,156,002</u>
	2007				
	Corporate	Mineral Operations			Total
	Canada	Sweden	Spain	Finland	
	\$	\$	\$	\$	\$
Current assets	15,971,222	658,182	-	-	16,629,404
Capital assets	15,747	111,986	-	-	127,733
Unproven mineral interests	-	3,466,451	414,942	28,778	3,910,171
	<u>15,986,969</u>	<u>4,236,619</u>	<u>414,942</u>	<u>28,778</u>	<u>20,667,308</u>

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of financial instruments at May 31, 2008 and 2007, were estimated based on relevant market information and the nature and terms of financial instruments. Management is not aware of any factors which would significantly affect the estimated fair market amounts, however, such amounts have not been comprehensively revalued for purposes of these financial statements. Disclosure subsequent to the balance sheet dates and estimates of fair value at dates subsequent to May 31, 2008 and 2007, may differ significantly from that presented.

Fair value approximates the amounts reflected in the financial statements for cash, amounts receivable and accounts payable and accrued liabilities.

The Company may be subject to currency risk due to the fluctuations of exchange rates between the Canadian dollar and other foreign currencies. However, the Company is not subject to significant interest and credit risks arising from these instruments.

MAWSON RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2008 AND 2007

11. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash activities were conducted by the Company as follows:

	2008	2007
	\$	\$
Financing activities		
Common shares issued for non-cash consideration	35,000	386,250
Contributed surplus	<u>(35,000)</u>	<u>(386,250)</u>
	<u>-</u>	<u>-</u>
Investing activity		
Expenditures on unproven mineral interests	<u>(291,969)</u>	<u>(121,135)</u>
Operating activities		
Increase in accounts payable and accrued liabilities	<u>291,969</u>	<u>121,135</u>
Other supplemental cash flow information:		
	2008	2007
	\$	\$
Interest paid in cash	<u>-</u>	<u>-</u>
Income taxes paid in cash	<u>-</u>	<u>-</u>

MAWSON RESOURCES LIMITED
CONSOLIDATED SCHEDULE OF UNPROVEN MINERAL INTERESTS
FOR THE YEARS ENDED MAY 31

	2008					2007	
	Sweden			Spain	Finland	Total	Total
	Held For Sale	Uranium Projects	Other Projects	Uranium Projects	Uranium Projects		
	\$	\$	\$	\$	\$	\$	\$
BALANCE - BEGINNING OF YEAR	2,436,604	1,006,649	23,198	414,942	28,778	3,910,171	1,907,785
EXPENDITURES							
Assays	-	-	-	-	-	-	16,926
Camp costs	-	41,109	-	-	-	41,109	29,199
Consulting	6,867	152,570	79,149	443,425	1,587	683,598	301,993
Database	-	5,021	-	7,794	3,466	16,281	6,916
Drilling	-	1,104,986	-	-	-	1,104,986	614,683
Equipment rental	-	33,977	-	-	-	33,977	14,512
Exploration site	696	95,630	8,659	27,268	7,842	140,095	49,149
Freight	-	-	-	-	-	-	10,702
Fuel	982	21,519	1,310	9,283	-	33,094	21,322
Geochemical	2,544	99,015	-	18,316	-	119,875	147,560
Geological	5,205	302,384	-	41,759	24,343	373,691	448,022
Maps	4,675	-	487	7,804	1,300	14,266	3,718
Salaries	-	146,268	-	48,500	-	194,768	19,571
Site preparation	2,664	50,757	-	-	-	53,421	35,643
Supplies	-	4,815	-	-	-	4,815	22,704
Travel	6,232	73,647	16,270	37,760	1,964	135,873	63,322
Vehicle rental	7,625	12,676	1,025	2,474	-	23,800	21,512
	<u>37,490</u>	<u>2,144,374</u>	<u>106,900</u>	<u>644,383</u>	<u>40,502</u>	<u>2,973,649</u>	<u>1,827,454</u>
ACQUISITION COSTS							
Acquisition	250,000	-	-	-	-	250,000	-
Permits	23,701	26,230	-	103,125	-	153,056	232,122
Option payment received	-	-	-	-	-	-	(57,190)
	<u>273,701</u>	<u>26,230</u>	<u>-</u>	<u>103,125</u>	<u>-</u>	<u>403,056</u>	<u>174,932</u>
INCURRED DURING THE YEAR	<u>311,191</u>	<u>2,170,604</u>	<u>106,900</u>	<u>747,508</u>	<u>40,502</u>	<u>3,376,705</u>	<u>2,002,386</u>
BALANCE BEFORE THE FOLLOWING	2,747,795	3,177,253	130,098	1,162,450	69,280	7,286,876	3,910,171
WRITEDOWN	(1,117,795)	-	-	-	-	(1,117,795)	-
RECLASSIFICATION	<u>(1,630,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,630,000)</u>	<u>-</u>
BALANCE - END OF YEAR	<u>-</u>	<u>3,177,253</u>	<u>130,098</u>	<u>1,162,450</u>	<u>69,280</u>	<u>4,539,081</u>	<u>3,910,171</u>