

MAWSON RESOURCES LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED MAY 31, 2013

Background

This discussion and analysis of financial position and results of operation is prepared as at August 26, 2013, and should be read in conjunction with the audited consolidated financial statements and the accompanying notes for the years ended May 31, 2013 and 2012 of Mawson Resources Limited ("Mawson" or the "Company"). The following disclosure and associated financial statements are presented in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis ("MD&A") are quoted in Canadian dollars. Additional information relevant to the Company can be found on the SEDAR website at www.sedar.com and the Company's website at www.mawsonresources.com.

This MD&A contains certain statements that may constitute "forward-looking statements". Forward-looking statements include but are not limited to, statements regarding future anticipated exploration programs and the timing thereof, and business and financing plans. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions, or which by their nature refer to future events. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results may differ materially from those in forward looking statements as a result of various factors, including, but not limited to, the Company's ability to identify one or more economic deposits on its properties, to produce minerals from its properties successfully or profitably, to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies.

Historical results of operations and trends that may be inferred from this MD&A may not necessarily indicate future results from operations. In particular, the current state of the global securities markets may cause significant reductions in the price of the Company's securities and render it difficult or impossible for the Company to raise the funds necessary to continue operations.

All of the Company's public disclosure filings, including its most recent management information circular, Annual Information Form, material change reports, press releases and other information, may be accessed via www.sedar.com or the Company's website at www.mawsonresources.com and readers are urged to review these materials, including the technical reports filed with respect to the Company's mineral properties.

Company Overview

The Company's common shares trade on the Toronto Stock Exchange ("TSX") under the symbol "MAW", on the Frankfurt Open Market under the trading symbol "MXR" and on the OTC Pinksheets under the symbol MWSNF.PK.

Mawson is a resource acquisition and development company with precious and base metal interests in Scandinavia, with a focus on the Rompas gold and uranium project in northern Finland.

Mawson's exploration focus in Scandinavia is on the Rompas gold and uranium project in Finland. Mawson is managed by resource industry professionals with significant exploration and capital market expertise.

During fiscal 2013 the Company achieved many major milestones, which included:

- The completion of two drill programs at Rompas at its flagship gold property in Finland. The first drill program at South Rompas included the highlight of 6 metres at 617g/t gold from 7 metres in drill hole ROM0011 which includes 1 metre at 3,540g/t gold from 11 metres depth. The second drill program, conducted over the winter (December 2012-January 2013) confirmed the presence and variable continuity within metabasalts of high grade, nuggety gold at both North and South Rompas and included results from North Rompas of 0.4m @ 395 g/t Au and 0.41% U₃O₈ in drillhole ROM0052 and at South Rompas the top 24% all assays from trenches and drilling now grade 100g/t or more.

- Discovery of a “new” Rompas-style system at Rajapalot, located 8km to the east of the initial Rompas discovery. To date, 52 samples from Rajapalot average 152.8g/t gold and range from 0.001g/t to 2,817g/t gold. These results not only demonstrate the scale, prospectivity and extremely high-grade nature of the Rompas-Rajapalot area, but of potentially greater interest is the context of this new discovery with the larger Rompas-Rajapalot project area.
- At this very early stage of exploration, Mawson now has indications of a mineral system that has deposited high-grade gold within an area approaching 10km by 10km. This is significant on a global scale.

During fiscal 2013 the Company received \$3,871,199 proceeds from the issuance of 3,747,058 common shares on the exercise of warrants and options.

In July 2013 the Company announced its intention to conduct a non-brokered private placement of up to 9,333,333 units at \$0.45 per unit for gross proceeds of up to \$4,200,000. As of the date of this MD&A the Company has completed the first tranche of 5,710,417 units for \$2,569,687.

Change of Officers

In February 2013 Dr. Nick Cook accepted the role of Vice-President of Exploration. Dr. Cook obtained his Bachelor of Science with Honours (Geology) from the University of Otago in 1985, then a PhD (Geology) from the University of New England in 1994. He has over 18 years of global experience in exploration and exploration-focused research geology. For the last two years he has been an exploration consultant to a variety of companies, while previously he concentrated on project generation and exploration of gold and base metal properties.

Mr. Terry Lees, who previously held the position of Vice President of Exploration, moved to the role of Principal Geologist for Mawson with particular focus of searching for new gold and copper properties in Sweden

Exploration Projects

Finland

In Finland, as at the date of this MD&A, the Company has 108 granted claims at Rompas and 13 granted claims at Rumavuoma totalling 10,580 hectares and 1,292 hectares respectively. The Company has staked additional claim applications and reservations in the Rompas area for a total landholding of approximately 87,480 hectares with potential for gold. In addition the Company holds 6 granted applications and 7 reservation application for 368,936 hectares, as shown in the Table 1.

Table 1. Status of Mawson’s Claims in Finland.

	Number of Claims	Number of Reservations	Area (ha)	Status
Rompas Trend				
Rompas	108	-	10,580	Granted Claims
Rompas	710	-	63,468	Applied Claims
Rumavuoma	13	-	1,292	Granted Claims
Mustavaara		1	12,140	Applied Reservation
Finland Other				
	-	6	103,796	Granted Reservations
	-	7	265,140	Applied Reservations
Total	831	14	456,416	

Rompas-Rajapalot Gold and Uranium Project

The Rompas-Rajapalot project is a new discovery in Northern Finland where high-grade gold and uranium have been found within an area approaching 10km by 10km.

The initial discovery area, Rompas, is a hydrothermal vein style system defined over a 6.0 kilometres strike and 200-250 metres width. Exploration on the project started in May 2010. During that year, 80 channel samples averaged 0.59 metres @ 203.66 g/t gold and 0.86% uranium oxide and during 2011 the weighted average of all 74 channel intervals was 1.40 m @ 51.9 g/t gold and 0.13 % uranium oxide. Unrepresentative grab sample results include values up to 33,200ppm gold and 56.6% uranium oxide at Rompas.

From mid-2011 to the end of the period Mawson has drilled 8,164 metres in 90 holes at Rompas. This has comprised 2,462.8 metres in 29 drill holes at North Rompas; 2,436.2 metres in 29 drill holes in the northern block at South Rompas; 2,504.3 metres in 24 holes within the southern block at South Rompas; and 761.5 metres in 8 drill holes at Northern Rajapalot.

In August 2012, results from the first drill program at Rompas returned 6 metres at 617 g/t gold in drill hole ROM0011 including 1 metre at 3,540 g/t gold and 1 metre at 114.5 g/t gold in drill hole ROM0015. These results confirmed the significance of the hundreds of bonanza grade surface occurrences that were channel sampled during 2010 and 2011.

A second drill program commenced in December 2012. At North Rompas the best results include 0.4 metres at 395 g/t gold and 0.41% U_3O_8 from 41.0 metres in drill hole ROM0052, the most southerly drillhole of the program; and 1.1 metres at 9.8 g/t gold and 0.16% U_3O_8 from 78.5 metres in drill hole ROM0053.

To date, the most encouragement has come from the northern block of South Rompas, with both prospect scale shallow drilling and trenching defining a coherent mineralized sequence. South Rompas is characterized by gold mineralization constrained to one specific host rock type (metabasalt) within a broader uranium halo. Within this halo the:

- Top 24% of all trench and drill assays above the lower cut of 0.5 g/t Au or 100 ppm U_3O_8 , have a grade of 100 g/t or more and the top 24% of all intersections have a grade of 0.42% U_3O_8 or higher.
- Top 25% of drill intersections only have a grade of 7.7 g/t or higher.
- Highest grade drill hole intersection is 3,540 g/t gold over 1 metre. The highest grade uranium intersection is 3.6% U_3O_8 over 0.6 m in a trench. The highest grade drill intersection grade of 0.7% U_3O_8 over 1.0 metres;
- Mineralization in the vein system, to date, is characterized by narrow intersection widths of 1-2 metres with an average of 0.9 metre thickness.
- Drilling, to date, has been shallow with 46% of intersections at 20 metres down hole depth or less.
- 11 out of 13 holes drilled in 2013 winter drill program at South Rompas had at least one intersection that exceeded lower cut 0.5 g/t gold or 100 ppm U_3O_8 .

Mawson is now evaluating further drilling or bulk sampling programs in order to best determine the gold grade in this nuggetty and high-grade gold system.

In September 2012, Mawson announced a new discovery at the Rajapalot area located 8 kilometres to the east of the Rompas trend. The style of mineralization at Rajapalot is predominately sulphidic and of a disseminated or replacement style, which differs from the vein style observed at Rompas. Highlights from this work include prospecting grab samples taken from outcrop that returned 2,817g/t gold, 2,196g/t gold, 1,245g/t gold, 933g/t gold, 151g/t gold and 135.5g/t gold. A total of 52 grab samples from the Rajapalot prospect to date average 152.8g/t gold and range from 0.001g/t to 2,817g/t gold.

Discovery grab samples from the Rajapalot project have returned gold mineralization from three distinct areas, namely the Palokas, Joki and Rumajärvi prospects. The areas were targeted with regional geophysics and surface soil geochemistry. Rumajarvi lies 1.5 kilometres south of Palokas, while Joki is located 1 kilometre southeast of Palokas. Each prospect area is characterized by minor outcrop on a topographic high, within a predominantly swampy terrain and therefore very little in situ bedrock has been located. Little outcrop has been found between the prospect areas. As the same mineralized rock types occur in outcrop, the glacial boulders sampled and reported here are considered to be proximal to their source. All samples are prospecting grab samples. These are selective by nature and are unlikely to represent average grades on the property

The extensive data collected from Rompas during the last 3 field seasons has provided an excellent understanding of the exploration potential. Mawson has collected a total of 2,808 surficial soil and till samples over an area exceeding 55 km by 30 km. Sample spacing has ranged from 1 km to 250 metres. Known gold mineralization correlates well with surficial soil anomalies and many untested surface targets remain over a larger area.

Surface prospecting, using radiometric methods as a pathfinder for gold, have defined high-grade gold mineralization over a 100 km² area, where less than 5% of rock outcrops. Mawson's geochemical rock chip, grab and channel sample database over this large area now contains 1,171 samples which average 212 g/t gold and 0.8% U_3O_8 . Of the 1,171 samples, 84 samples assay more than 100 g/t gold. Gold values range from 33,320 g/t gold to <0.001 g/t gold and U_3O_8 values from 49.5% to <4 ppm. Channel samples are considered representative of the in-situ mineralization sampled, while grab samples are selective by nature and are unlikely to represent average grades on the property.

The completion of a LIDAR airborne survey at the end of 2012 gave Mawson's field geologists the ability to prospect and map Rompas much more rapidly and effectively. With this new technology, outcrops that previously took weeks to locate and then map in 2011 and 2012, can now be identified and mapped in days.

Other sampling programs include a heavy mineral orientation program at South and North Rompas. Five non-selective, 5 litre heavy mineral samples were collected, with one from South Rompas returning one of the largest accumulations of gold nuggets ever identified within a heavy mineral sample from the Fennoscandian Shield. This sample contained 5,000 gold nuggets, with 40-50 gold grains in the 0.5-2 mm fraction. Other samples included one sample up-ice direction with 18 nuggets, 100 m north-west of the last outcrop in North Rompas. The three other samples contained 100, 1,000 and 100 nuggets respectively. Eighty additional regional heavy mineral samples have been collected and will be processed to further test this as a suitable method for locating further blind gold mineralization.

All the geochemical programs in combination with other datasets suggests Rompas is shaping up at all scales with 58 gold anomalous target areas from surficial sampling and prospecting identified within the broad Rompas area for follow up during the 2013 field season.

The host sequence to the Rompas mineralisation comprise a package of amphibolite facies metamorphosed basalts, clastic sediments, carbonate rocks and reduced shales of the Paleoproterozoic Peräpohja Schist Belt in southern Lapland. Mineralized intersections to date are largely within metabasaltic rocks. Field geologists have successfully mapped the metabasalts at North and South Rompas and can recognise them quickly in drill core.

Detailed field mapping and logging of drill core indicate the gold and uraninite at Rompas is hosted by carbonate-quartz-calcisilicate veins and their related alteration selvages. The calcisilicate veins comprise carbonate, quartz, amphibole and pyroxene with highly variable amounts and distribution of uraninite and gold. Alteration of the host rock marginal to the veins comprises biotite, amphibole and some K-feldspar. The gold and uraninite are typically found intimately associated at North and South Rompas, although rare elevated U intersections contain little or no gold. The carbonate veins within the host clastic sequence appear identical to those within the metabasalts, indicating perhaps a structural or wall rock control on the precipitation of the gold and uraninite. Further work to identify the controls on mineralisation is being conducted in association with the Geological Survey of Finland ("GTK").

Importantly, about 90% of the Rompas-Rajapalot project area is below soil and till cover which, at up to 5 metres thick, is too thick for the discovery of near-surface radiometric occurrences and exploration is at its very earliest of stages.

At this very early stage of exploration, Mawson has now identified a mineral system that has deposited high-grade gold within an area approaching 10km by 10km. This is very significant on a global scale.

A NI 43-101 technical report dated August 26, 2013 on the Rompas property is filed on www.sedar.com.

Environment

For the 10,580 hectares at Rompas, the Company is entitled to 100% of the mineral rights over the entire claim with certain limitations on exploration methods that can be completed in Natura 2000 areas (an EU biodiversity program) within the exploration claims, including no drilling or trenching due to the presence of specific flora. Mawson is entitled to apply for a modification of this decision by conducting an environmental program (a Natura 2000 assessment) to address these observations in order to obtain permission to conduct drilling and trenching in these areas. Approximately 80% of Mawson's highest priority targets at Rompas are within European Union defined biodiversity areas (Natura 2000) where the Company is not yet permitted to drill. Natura 2000 defined areas cover 30% of Northern Finland. These targets include the extensive disseminated style mineralization discovered in 2012 at Rajapalot.

Mawson commissioned Golder Associates of Finland to complete a year-long Natura 2000 Assessment that mapped and reported in detail the floral distribution and natural habitat types of the area. The assessment also defines the impact that Mawson's exploration work will have on the biodiversity values. The key consultant who performed all the mapping was one of the biologists who mapped the Rompas Natura 2000 area when it was defined in the late 1990s. He is widely considered as the biodiversity expert for the project area. The report stated that at this stage of

exploration, a managed program will have no significant environmental effects on the area. The Company formally submitted the study to the competent authority, the Centre for Economic Development, Transport and the Environment in Lapland on June 26, 2013. ELY have up to six months to comment on the report, and provide their feedback to the mining authorities (TUKES). TUKES are the ultimate decision-makers to modify Mawson's claims to allow drilling in the Natura 2000 areas. The Company does not expect a decision before early 2014.

Over the last year Mawson has also commissioned the GTK to complete a detailed first stage of a base line geochemical water survey. The aim of the study was to investigate the pre-exploration state of the area. Groundwater, surface water (streams), stream sediments and mosses were studied. Groundwater samples were collected from the wells of the study area, including drilled wells, excavated wells and springs used as household water. Samples of stream water and organic stream sediments were collected from streams in a natural state. Samples of mosses were also collected. Physical-chemical properties (anions and elements) and concentrations of radon (Rn-222) of waters, and elements of the stream sediments and mosses were analyzed. It was found surface, groundwater and moss quality was good and elemental concentrations can be regarded as background values, while variations can be interpreted to be related to the natural variation in the area. Follow-up surveys will be carried out at three year intervals.

Additionally, the Company has continued to regularly meet all stakeholders including local groups, municipalities and administrative bodies to update them on the Company's work plans. For the most part the stakeholders have been supportive of the Company's work programs and how it has dealt with compliance issues, however there have been some objections and opposition to the Company's work plans and environmental efforts. The Company has been dealing with certain Finnish environmental authorities in regards to certain issues raised as a result of the Company's hand dug trenches at Rompas, completed during the 2010 and 2011 work programs. The first issue involves applying for specific permits to explore on decree-based areas, where exploration is a permitted act. The second issue involves claims that the Company's hand dug trenches from 2010 and 2011 have affected the nature values of an area. The Company's position is that its work programs have had no material impact on the nature values and the Company has engaged various third party studies to demonstrate this to be the case.

A Recent Chronology (April 09, 2012 to Current):

June 26, 2013: Mawson announced the Kaita discovery made within the first days of the 2013 field season after targeting gold-anomalous surface reconnaissance sampling and LIDAR (Laser Imaging Detection and Ranging) - identified topographic highs. To date, the discovery consists of 26 surface mineralized sites (11 with visible gold) within an area defined by 415 metres strike and 40 metres width. A majority of the area has not yet been surface prospected. Kaita is parallel to and located 900 metres south south-east of the South Rompas drill area and extends the Rompas vein trend to at least 6.5 kilometres. Channel sampling has already commenced at Kaita and assays are awaited.

Visible gold in the field has been observed in both uraninite and within carbonate. Biotite-rich alteration, of the same style as Rajapalot, has also been observed. Kaita is located outside the Natura 2000 biodiversity areas with large areas of thin till cover within the Company's 100% owned exploration claims. The area has been confirmed by a biologist to contain low value (young) forest and no significant plant species. The Company has prioritized this area to map, prospect, channel sample and define drill targets over the coming months.

May 21, 2013: Mawson announced results from a 48.3 km of magnetic and 35.3 km of electromagnetic ("EM") ground-based geophysical surveys at Rajapalot. The most significant feature identified is a 300 m long by 30 m wide conductor under the widest zone of continuous gold mineralization found at Rompas to date at Palokas, where rock chip sampling across a strongly altered outcrop averaged 13.4 g/t gold and 226 ppm uranium over 9 m. In total at Palokas, 17 grab samples from a 170 m by 55 m area averaged 20.7 g/t gold with a maximum of 85.0 g/t gold and minimum of 0.0 g/t gold. The style of mineralization is sulphidic and of a disseminated or replacement style which is amenable to EM geophysics and differs from the low sulphide, vein style observed at original Rompas discovery area. A more widely spaced regional airborne EM survey flown over a broader area also shows a coincident conductor at Palokas and suggests this conductor continues to further mineralized areas over a strike of 2.5 km to the Rumajarvi prospect area where 32 grab samples over a 700 m by 250 m area averaged 85.6 g/t gold with a maximum of 1,380.0 g/t gold and minimum of 0.0 g/t gold.

April 03, 2013: Mawson announced the second batch of drill results from the 2013 winter drilling program at the North Rompas, South Rompas and North Rajapalot prospects in Finland. Results from the remaining 29 holes of a 51 diamond drill hole program were reported. The best intersection returned is 0.5 metres at 148 g/t gold and 0.42% U₃O₈ from 16.5 metres depth in drill hole ROM0074 at South Rompas.

Key points:

- Highlight results are 0.5 metres at 148 g/t gold and 0.42% U₃O₈ from 16.5 metres in drill hole ROM0074 and 1.4 metres at 17.6 g/t gold and 0.03% U₃O₈ from 5.8 metres in drill hole ROM0079 from South Rompas.
- At South Rompas, drilling has clearly defined a gold-mineralized envelope.
- At Rajapalot, drilling has intersected broad low-grade gold zone, 8 kilometres east of the Rompas trend.
- In total 51 drill holes have been completed this winter at Rompas-Rajapalot, with 29 drill holes for 2,462 metres drilled at North Rompas; 14 holes for 753 metres at South Rompas and 8 holes for 762 metres at North Rajapalot.

Eight drill holes from North Rompas are reported, namely holes ROM0061 to ROM0068. Holes ROM0061 - ROM0063 were drilled on wider cross sections at 100-200 metres spacing while holes ROM0064 to ROM0068 were drilled on 40-50 metre spaced crossed sections. Fourteen drill holes are reported from South Rompas, namely holes ROM0069 to ROM0082. These holes were drilled on 10-15 metre spaced crossed sections. Eight drill holes are reported from North Rajapalot, namely holes PAL001 to PAL007.

Drilling at North Rajapalot encountered low grade mineralization, as evidenced in PAL0003 and PAL0003B which respectively intersected 2.5 metres at 0.3 g/t Au and 3.1 metres at 0.4 g/t Au. Although sub-economic, this additional information will help understand the controls and distribution of gold mineralization in this virgin area, located 8 kilometers east of Rompas.

At Rompas, the highest grade gold mineralization occurs in individual structures which may have a small horizontal footprint, perhaps less than the current drill spacing, within the much larger mineralized envelope. To date, drilling has not defined the scale, orientation or the continuity of the high grade gold within the broader mineralized envelope. The true thicknesses of the high grade structures remain unknown. However, down hole radiometric measurements are a good proxy for gold mineralization, and indicate that there are continuous zones of higher radioactivity with variable grades of gold mineralized structures, which now need to be tested via bulk sampling.

February 28, 2013: Mawson announced maiden drill results from the winter 2013 drilling program at the North Rompas prospect in Northern Finland. Results from 20 holes from a 29 diamond drill hole program are presented here. The best intersection returned to date is 0.4 metres at 395 g/t gold and 0.41% U₃O₈ from 41.0 metres depth in drill hole ROM0052.

Key points:

- Highlight results are 0.4 metres at 395 g/t gold and 0.41% U₃O₈ from 41.0 metres in drill hole ROM0052, the most southerly drillhole of the program; and 1.1 metres at 9.8 g/t gold and 0.16% U₃O₈ from 78.5 metres in drill hole ROM0053.
- Program is the first drill test of the North Rompas prospect area.
- Early days with only 120 metres of strike tested down to an average of 60 metres vertically over the 1 kilometre strike of known surface geochemical anomalism at North Rompas.
- Mineralization intersected at North Rompas is of similar style to that drilled five kilometres south at South Rompas, characterised by hydrothermal calc-silicate veining and alteration. Gold is associated with some calc-silicate veins and appears to have a nuggetty distribution. Gold is restricted to a basaltic host rock.
- New style of uranium-only mineralization discovered, as evidenced in ROM0047 where 4.2 metres for 306 ppm U₃O₈ was drilled.
- In total 51 drill holes have been completed this winter at Rompas-Rajapalot, with 29 drill holes for 2462.8 metres drilled at North Rompas; 14 holes for 752.6 metres at South Rompas and 8 holes for 761.5 metres at North Palokas. Geochemical results for 30 drill holes awaited.
- Securing permits to test the best geological targets within the entire mineralized trend at Rompas-Rajapalot remains a priority.

Twenty-one drill holes are reported from North Rompas in this release, namely holes ROM0040 to ROM0060. Holes ROM0040 to ROM0057 were drilled in a 120 metre long by 85 metre wide zone down to, on average, 60 metres vertical depth on 20-25 m spaced crossed sections. Holes ROM0058 - ROM0060 were drilled on a wider cross section 60 metres to the north (ROM0059 was abandoned due to drilling complications). The aim of the program was to understand the distribution of gold relative to the surface trench sampling. The distribution of gold is similar to that seen at South Rompas and appears nuggetty in its distribution. Visible gold was noted 6 times while visible uraninite

was noted nine times in the reported holes. Eight holes remain to be reported from North Rompas and uraninite has been noted at four locations within these holes. Drilling at North Rompas also encountered a new style of uranium-only mineralization, as evidenced in ROM0047 where 4.2 metres for 306 ppm U_3O_8 was drilled with no evidence for gold mineralization. Although sub-economic, this additional information will help understand the controls and distribution of gold and uranium mineralization, and the association of uranium as a pathfinder for gold. The nature of high grade gold mineralization means that individual structures may have a small horizontal footprint, perhaps less than the current drill spacing, within the much larger mineralized envelope. To date, drilling has not defined the scale, orientation nor continuity of the high grade structures and true thickness is unknown, although gold mineralization is restricted to a basaltic host rock.

This drill program has provided the first opportunity to sample continuously across the mineralized “footprint” at North Rompas. Drilling has confirmed the width and scale of an 80 metre wide hydrothermal veined mineral system with a defined hanging wall and footwall. The zone is variably but consistently calc-silicate (actinolite/tremolite and calcite) veined with multiple zones up to 10-20m wide hosting up to 30% veining. Mineralized veins are texturally and compositionally similar to those that are not mineralized.

As drilling progress has been fast, winter drilling has been halted until the Company is able to review all results. In total 51 drill holes have been completed, with 29 drill holes for 2462.8 metres drilled at North Rompas; 14 holes for 752.6 metres were drilled at South Rompas to test previous high grade drill results; and 8 holes for 761.5 metres were drilled at North Palokas to test blind geophysical anomalies adjacent to the Hirvimaa prospect. Geochemical results are awaited from the remaining 30 drill holes.

January 14, 2013: Mawson announced they had discovered further gold mineralization at the Rajapalot project in Northern Finland with grab samples returning up to 1,520 g/t gold. Mineralization has now been discovered within an area of 4 square kilometres at Rajapalot, which lies 8 kilometres east of the initial Rompas gold discovery.

Highlights from the new results include:

- Discovery of new prospect area, Hirvimaa, located 1 kilometre north of previously known mineralization, where 17 surface grab samples returned up to 1,520 g/t gold (minimum 0.0 g/t gold) and 17,300 ppm uranium (minimum 0.1 ppm uranium) and averaged 55.5 g/t gold and 2,246 ppm uranium.
- Rock chip sampling across a strongly altered outcrop at the Palokas prospect averaged 13.4 g/t gold and 226 ppm uranium over 9 metres. Mineralization is sampled to the overburden contact in both directions. This is the widest zone of continuous gold mineralization found at Rompas-Rajapalot to date. Additionally, the style of mineralization is more sulphidic and of a disseminated or replacement style, which differs from the vein style observed at Rompas. A 1.4 kilometre by 1 kilometre ground based electromagnetic and magnetic geophysical survey is currently underway to test this area and determine extensions of this zone undercover.
- Results from limited channel sampling at Hirvimaa returned up to 2.0m at 21.5 g/t gold and 44 ppm uranium.
- In total, 80 grab samples from the Rajapalot prospect to date average 152.0 g/t gold and 3,248 ppm uranium and range from 0.001g/t to 2,817 g/t gold and 0.1 to 81,900 ppm uranium.

October 29, 2012: Mawson discovered bonanza gold grades at the Rajapalot prospect in Finland, returning up to 2,817g/t gold from prospecting grab samples within 3 areas separated by many kilometres. Rajapalot is located 8 kilometres to the east of the Rompas gold project in Northern Finland. Highlights from this work included:

- Prospecting grab samples taken from outcrop returned 2,817g/t gold, 2,196g/t gold, 1,245g/t gold, 933g/t gold, 151g/t gold and 135.5g/t gold amongst 36 new grab samples.
- 52 samples from the Rajapalot prospect to date average 152.8g/t gold and range from 0.001g/t to 2,817g/t gold.

October 17, 2012: Mawson announced that 110 granted exploration claims that cover a surface area of 10,580 hectares at Mawson’s Rompas gold project in northern Finland came into legal force following the completion of a standard appeal process.

September 4, 2012: Mawson announced results from a new gold discovery at Rajapalot located eight kilometres to the east of the Rompas project in Northern Finland. Key points of the announcement were:

- A new gold discovery, located 8 kilometres east of the Rompas gold project in Finland, from an initial 18 grab sample exploration program.

- The samples taken from outcrop and boulders averaged 11.0g/t gold and ranged from 0.001g/t to 85g/t gold within 3 separate prospect areas separated by many kilometres.
- Together with Rompas, the discovery provides further evidence for a large new gold camp in Finland;
- Fourteen sample results remain to be received, of which 5 contain visible gold.

Discovery grab samples returned gold mineralization from three distinct areas, namely the Palokas, Joki and Rumajärvi prospects. The areas were targeted with regional geophysics and surface soil geochemistry. Rumajarvi lies 1.5 kilometres south of Palokas, while Joki is located 1 kilometre southeast of Palokas. Each prospect area is characterized by minor outcrop on a topographic high, within a predominantly swampy terrain, and therefore very little in situ bedrock has been located. Little outcrop has been found between the prospect areas. As the same mineralized lithologies occur in outcrop, the glacial boulders sampled and reported here are considered to be proximal to their source. The current highlight is the Palokas area where two grab samples from adjacent outcrops returned 85.0g/t gold and 66.3g/t gold. Results for only 18 grab samples to date have been received from the 32 samples submitted. Grab samples are selective by nature and are unlikely to represent average grades on the property.

The discoveries are located within the hinge of a complex fold structure within quartzitic and basaltic rocks. The style of mineralization in the Joki area is similar to Rompas and consists of calc-silicate veins in albitized quartzites and basalts, with more pyrite and magnetite than observed in Rompas. Mineralization in Palokas and Rumajarvi appears to be a new style and consists of highly altered quartzites with albite, carbonate, amphibole, sericite and biotite with disseminated and stockworks of pyrite. Gold mineralization appears to be disseminated within the host rock, with no obvious associated calc-silicate veining.

August 20, 2012: Mawson announced final results from 16 holes from the of 39 diamond holes for 4,187 m Phase 1 drilling program. New results released included 1 metre at 4.3 g/t gold from 17 metres depth and 1 metre at 3.2 g/t gold from 68 metres in drill hole ROM0037 (all drilled at South Rompas).

Although the program only tested a small proportion of the 6 kilometre strike of mineralization down to an average depth of 50 metres, some spectacular drill discoveries were made. Drilling tested only two small windows, with drilling along the remainder of the trend awaiting further permitting. In total 39 holes for 4,187.8 metres were drilled at South Rompas in two small areas: the North (24.8 hectares) and South Blocks (18.9 hectares). The North Block corresponds to significant surface mineralization and was drill tested with 15 holes for 1,683.6 metres over a 160 metre strike. Ten holes drilled in the North Block returned gold of >0.5 g/t over one metre or better. Drilling in the South Block was of a lower priority, as it tested the southern extension of the interpreted mineralized trend under soil cover. Twenty-four holes for 2,504.3 metres were drilled over 240 metres of strike, two of which returned gold of >0.5 g/t over one metre or better. A majority of drilling in the South Block was designed in an east-west traverse in order to understand the geology beneath glacial soils, and investigate nearby geophysical anomalies.

Compilation of drilling data has led to an improved understanding of the Rompas mineral system. Drilling confirmed the width and scale of a >100 metre wide hydrothermal veined mineral system with a defined hanging wall and footwall. The zone is variably but consistently calc-silicate (actinolite/tremolite and calcite) veined with multiple zones up to 20 metres wide hosting 20% to 30% veining. Some veins host significant gold with visible gold noted in 12 drill holes. Mineralized veins are similar in texture and composition to those that are not mineralized. Recent research has defined an altered mafic volcanic as host to mineralization and delineated a geochemical halo which has the capability to show the extent of the high grade gold envelope. Although bonanza gold grades may not be continuous at the scale of current drilling (20 to 40 metre spaced sections), this envelope enables better drill targeting at both prospect scale and within individual high grade structures.

Work completed in the summer program included 62 line kilometres of geophysical surveying (gradient array induced polarization) over the Rompas trend; a 1,200 sample soil grid and rock chip program over the prospective sequence in the Rompas trend and regional prospecting.

As a result of the prospecting work, a new area of Rompas-style mineralization has been discovered at Rajapalot, 8 kilometres east of Rompas. Visible gold and uraninite has been found within carbonate veins within albitized basalt in 3 sites (2 boulders, one outcrop) over an 800 metre trend where 36 radioactive spots have been identified to date. All radioactive sites have been discovered under thin soil, and to date only a few of been exposed. This trend lies within a broader 5 kilometre long anomalous area where 96 radioactive sites have been located where the rocks contain uraninite within in albitized, sericitized, sulphide-bearing and variably amphibole altered quartzites. Reconnaissance grab sampling of some areas has been undertaken, work continues and results of sampling are awaited.

July 10, 2012: Mawson announced results from a further 9 drill holes from the Rompas gold project in Northern Finland. The highlight result was 1 metre at 114.5 g/t gold from 44 metres depth in drill hole ROM0015.

Phase 1 drilling was completed at South Rompas for a total of 39 diamond holes for 4,178 metres. Drilling during this Phase 1 program tested two small windows of the larger 6 kilometre mineralized strike at Rompas. Drilling in other areas awaits further permitting. Assay results reported on this date were from 9 drill holes: ROM0015, ROM0017, ROM0018 and ROM0022 from the northern block of South Rompas and ROM0023, ROM0026, ROM0027, ROM0029 and ROM0030 from the southern block of South Rompas. Results from a total of 24 from 39 drill holes have now been released.

The northern block of South Rompas corresponds to significant surface mineralization and has now been drill tested over a 160 metre strike. All 4 holes reported in this release from the northern block returned gold >0.5 g/t over one metre or better. In contrast, the southern block tested the southern extension of the interpreted mineralized trend under soil cover and has now been drill tested over 240 metres of strike. Holes reported from the southern block did not return mineralization above 0.5 g/t gold. Drilling was completed on 20 to 40 metres spaced sections with drill holes averaging 100 metre depth, with 1 to 4 holes drilled on each section. Holes were drilled at 45 degrees to the west and east.

This drill program has provided the first opportunity to sample continuously across the mineralized “footprint”. Drilling has confirmed the width and scale of a >100 metre wide hydrothermal veined mineral system with a defined hanging wall and footwall. The zone is variably but consistently calc-silicate (actinolite/tremolite and calcite) veined with multiple zones up to 20m wide hosting 20% to 30% veining. Some veins host significant visible gold. Mineralized veins are texturally and compositionally similar to those that are not mineralized. The calc-silicate veins are thought to have formed during an early structural event and have been deformed by later geological events.

May 31, 2012: Mawson announced the first drill results from the Rompas gold project in Northern Finland. Results from 14 holes from a planned 39 diamond drill hole program (these were all drilled at what is now known as ‘South Rompas’). The best result returned is 6 metres at 617 g/t gold from 7 metres depth in drill hole ROM0011. Key points were:

- Highlight - 6 metres at 617g/t gold from 7 metres in drill hole ROM0011 which included 1 metre at 3,540g/t gold from 11 metres depth. This was the best result from surface sampling or drilling ever sampled at the Rompas property to date.
- Drill definition of a greater than 100m wide gold anomalous zone characterised by hydrothermal calc-silicate veining and alteration. Gold is associated with some calc-silicate veins.
- First drill testing of the Rompas project with a small percentage of the six kilometre long mineralized trend drill tested to date.
- Securing permits to test the best geological targets within the entire mineralized trend at Rompas now becomes even more of a priority (*note - drilling is required within Natura 2000 zones*).

April 9, 2012: Mawson announced that a second diamond drill rig was mobilized to the Rompas gold project in Northern Finland, in order to complete the 3,000 metre drill program before spring breakup. The rocks drilled were predominately biotite bearing calc-silicates which vary from biotite-tremolite schists to more massive tremolite-carbonate rocks. Common carbonate-actinolite veins with minor quartz and biotite selvages variably cut the host rock. Visible gold has been noted within centimetre wide zones within 6 of the 11 holes drilled to date.

Sweden

Mawson holds 15 granted claims through Sweden for a total of 53,815 hectares considered prospective for copper and gold. In addition the company holds 9 claim applications for 43,850 hectares considered prospective for copper and gold. The Company is exploring all these properties through the 2013 summer with 4 geologists to significantly rationalize the portfolio.

Future Developments

Upcoming future developments include:

- A 827 line-km helicopter-borne VTEM Plus electromagnetic, magnetics and radiometric geophysical survey over the Rajapalot area.
- Extensive soil and heavy mineral geochemical sampling.
- Shallow hand-held bedrock sampling traverses across the Rompas-Rajapalot project area to map and sample the mineralized sequence undercover.
- Structural geological investigations of orientation and continuity of gold at South and North Rompas.
- Application of improved technologies including using new LIDAR data that will make targeting of the limited outcrop much more effective and rapid, essentially completing prospecting work that once took from weeks to a few days.
- Metallurgical test work on both the Rompas vein and Rajapalot disseminated gold styles.
- Extensive geological research work to better understand the formation, timing and controls of gold and uranium mineralization in conjunction with the Geological Survey of Finland.
- Diamond drilling and RC drilling is planned towards the end of summer after geophysical and geochemical programs have been completed.

Qualified Person

The qualified person for Mawson's projects, Mr. Michael Hudson, the Company's President and CEO, a Fellow of the Australasian Institute of Mining and Metallurgy, has reviewed and verified the contents of this document.

Selected Financial Data

The following selected financial information is derived from the audited annual consolidated financial statements of the Company.

	Years Ended May 31,		
	2013 \$	2012 \$	2011 \$
Operations:			
Revenues	Nil	Nil	Nil
Expenses	(2,540,237)	(3,681,835)	(3,240,316)
Other items	112,473	(2,058,330)	(8,326)
Deferred income taxes	(30,000)	(33,300)	103,800
Net loss	(2,457,764)	(5,773,465)	(3,144,842)
Other comprehensive gain (loss)	(210,250)	(224,200)	646,473
Comprehensive loss	(2,668,014)	(5,997,665)	(2,498,369)
Basic and diluted loss per share	(0.04)	(0.11)	(0.07)
Dividends per share	Nil	Nil	Nil
Balance Sheet:			
Working capital	4,947,254	6,807,693	13,012,489
Total assets	14,016,128	13,111,477	22,041,969
Total long-term liabilities	Nil	Nil	Nil

The following selected financial information is derived from the unaudited condensed consolidated interim financial statements of the Company.

	Fiscal 2013				Fiscal 2012			
	May 31 2013 \$	Feb 28 2013 \$	Nov 30 2012 \$	Aug 31 2012 \$	May 31 2012 \$	Feb 29 2012 \$	Nov 30 2011 \$	Aug 31 2011 \$
Operations:								
Revenues	Nil							
Expenses	(574,673)	(670,567)	(649,549)	(645,448)	(1,315,654)	(984,309)	(603,462)	(778,410)
Other items	44,585	22,172	38,995	6,721	(1,985,507)	(50,797)	(7,212)	(14,814)
Deferred income tax	(50,000)	13,400	(5,400)	12,000	8,850	(1,650)	500	(41,000)
Net loss	(580,088)	(634,995)	(615,954)	(626,727)	(3,292,311)	(1,036,756)	(610,174)	(834,224)
Other comprehensive (loss) income, net	(41,625)	(121,025)	(131,600)	84,000	(102,350)	(5,850)	(2,000)	(114,000)
Comprehensive loss	(621,713)	(756,020)	(747,554)	(542,727)	(3,394,661)	(1,042,606)	(612,174)	(948,224)
Basic and diluted loss per share	(0.01)	(0.01)	(0.01)	(0.01)	(0.06)	(0.02)	(0.01)	(0.02)
Dividends per share	Nil							

Balance Sheet:								
Working capital	4,947,254	6,305,321	7,946,641	5,534,536	6,807,693	9,120,965	10,348,937	11,792,166
Total assets	14,016,128	14,937,634	15,552,720	12,269,199	13,111,477	20,823,319	20,986,972	21,513,030
Total long-term liabilities	Nil							

Results of Operations

Three Months Ended May 31, 2013 Compared to Three Months Ended May 31, 2012

During the three months ended May 31, 2013 (the “2013 Quarter”) the Company reported a net loss of \$580,088 compared to a net loss of \$3,292,311 for the three months ended May 31, 2012 (the “2012 Quarter”) a decrease in loss of \$2,712,223. The primary factor for the decrease in loss is attributed to the recognition in the 2012 Quarter of the \$2,015,500 write-down of the Company’s investment in common shares of European Uranium Resources Ltd. (“European Uranium”) as a result of the significant decrease in the trading price of the European Uranium shares and costs associated with the plan of arrangement (the “Arrangement”) to distribute the shares of Darwin Resources Corp. (“Darwin”) and European Uranium to the Company’s shareholders.

Year Ended May 31, 2013 Compared to Year Ended May 31, 2012

During fiscal 2013 the Company reported a net loss of \$2,457,764 (\$0.04 per share), a decrease of \$3,315,701 from the net loss of \$5,773,465 (\$0.11 per share) for fiscal 2012. The primary factor for the decrease is attributed to the recognition of the \$2,015,500 write-down of investment in European Uranium and costs associated with the Arrangement during fiscal 2012.

Total expenses decreased by \$1,141,598, from \$3,681,835 during fiscal 2012 to \$2,540,237 during fiscal 2013. Specific expenses of note during fiscal 2013 are as follows:

- incurred a total of \$113,319 (2012 - \$80,592) for accounting and administrative services and rent of which \$47,805 (2012 - \$74,600) was provided by Chase Management Ltd. (“Chase”), a private corporation owned by a director of the Company and \$65,514 (2012 - \$5,992) was provided by external accounting services in Sweden and Finland;
- incurred legal fees of \$262,459, primarily for legal work to review claims applications in Finland and addressing Natura 2000 environmental requirements compared to legal fees of \$605,166 during fiscal 2012 which were primarily for the Company’s Arrangement and the sale of the Uranium Assets;
- incurred general exploration expenditures of \$530,653 (2012 - \$443,048) relating to ongoing general exploration and property due diligence. Fluctuations in general exploration expenditures is primarily affected by allocations to direct property costs;
- incurred \$284,880 (2012 - \$316,710) for travel expenses, primarily for ongoing international travel by Company management, personnel and contract geologists to oversee the Company’s properties and exploration programs and for general corporate and financing activities;
- incurred audit fees of \$83,356 (2012 - \$84,772) for the audit of the Company’s year-end financial statements;
- the Company retained Mining Interactive Corp. (“Mining Interactive”) and Albis Capital Corporation (“Albis”) to provide market awareness and investor relations activities. During fiscal 2013 the Company paid Mining Interactive \$28,000 (2012 - \$42,000) and Albis \$36,000 (2012 - \$10,500). Effective January 31, 2013 the Company terminated its arrangement with Mining Interactive;
- incurred \$402,749 (2012 - \$442,748) for professional services, which includes \$258,803 (2012 - \$199,480) for professional fees charged by current and former directors and officers and \$143,946 (2012 - \$243,268) for professional fees charged by others for administrative and financial consulting;
- incurred \$162,000 (2012 - \$162,000) for management fees charged through Sierra Peru Pty (“Sierra”) for remuneration of Mr. Michael Hudson as the Company’s President and CEO;
- incurred corporate development expenses of \$72,198 (2012 - \$184,339) for participation at international and investment conferences and implementation of market awareness programs. During fiscal 2013 the Company has scaled back its corporate development programs during this current economic period;
- incurred salaries and benefits of \$146,712 (2012 - \$179,623) for staff in the mining offices in Finland and Sweden. During fiscal 2012 the Company also incurred salaries and benefits of \$161,206 for staff in the mining office in Peru. With the disposition of Darwin at the end of fiscal 2012 the Company no longer has any activities in Peru; and
- recorded share-based compensation of \$71,000 (2012 - \$456,450) on the granting of share options.

During fiscal 2013 the Company received \$3,871,199 (2012 - \$349,200) from the exercise of warrants and share options. No financings were conducted by the Company during fiscal 2013 or 2012. All proceeds were allocated to general working capital and utilized to advance exploration and cover corporate overhead.

As the Company is in the exploration stage of investigating and evaluating its unproven mineral interests, it has no revenue. Interest income is generated from cash on deposit with the Bank of Montreal and short-term money market instruments issued by major financial institutions. During fiscal 2013 the Company reported interest and other income of \$122,532 as compared to \$130,567 during fiscal 2012.

The Company's holdings in the common shares of a number of publicly held companies have been designated as available-for-sale for accounting purposes and are measured at fair value resulting in a comprehensive loss of \$210,250, net of deferred income tax of \$30,000, during fiscal 2013 compared to a comprehensive loss of \$224,200, net of deferred income tax recovery of \$33,300, during fiscal 2012.

During fiscal 2013 the Company incurred a total of \$3,347,324 (2012 - \$3,077,421) on the acquisition, exploration and evaluation of its unproven resource assets, of which \$2,956,768 (2012 - \$2,344,704) was incurred on its Finnish Projects and \$390,556 (2012 - \$732,717) on its other projects. Details of the exploration activities conducted during fiscal 2013 are described in "Exploration Projects" in this MD&A.

Financial Condition / Capital Resources

As at May 31, 2013, the Company had working capital of \$4,947,254. In addition, in July 2013 the Company announced its intention to conduct a non-brokered private placement of up to 9,333,333 units of the Company at \$0.45 per unit for gross proceeds of up to \$4,200,000 with each unit to consist of one common share and one-half share purchase warrant. Each whole warrant will entitle the holder to purchase an additional common share at a price of \$0.65 for a period of two years. On August 2, 2013 the Company completed the first tranche of the private placement for 5,710,417 units for gross proceeds of \$2,569,687. The Company believes that it has sufficient financial resources to conduct anticipated exploration programs and meet anticipated corporate administration costs for the upcoming twelve month period. However, exploration activities may change due to ongoing results and recommendations, or the Company may acquire additional properties, which may entail significant funding or exploration commitments. The Company may be required to obtain additional financing. The Company has relied solely on equity financing to raise the requisite financial resources. While it has been successful in the past, there can be no assurance that the Company will be successful in raising future financing should the need arise.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Proposed Transactions

There are no proposed transactions.

Critical Accounting Estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. A detailed summary of all the Company's significant accounting policies is included in Note 3 to the May 31, 2013 annual consolidated financial statements.

Changes in Accounting Policies

There are no changes in accounting policies.

Related Parties 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 2013 and 2012 the following amounts were incurred with respect to the Company's President, current and former Vice-President of Exploration and Chief Financial Officer ("CFO"):

	2013 \$	2012 \$
Management fees	162,000	162,000
Professional fees	216,024	215,322
Rent for apartment	22,421	-
Share-based compensation	30,000	-
	<u>430,625</u>	<u>377,322</u>

As at May 31, 2013, \$2,500 (2012 - \$17,254) 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 \$13,500 per month, is payable. If the termination had occurred on May 31, 2013, the amount payable under the agreement would be \$324,000.

(b) *Transactions with Other Related Parties*

(i) During fiscal 2013 and 2012 the following amounts were incurred with respect to non-executive directors of the Company:

	2013 \$	2012 \$
Professional fees	120,000	98,750
Share-based compensation	-	81,000
	<u>120,000</u>	<u>179,750</u>

As at May 31, 2013, \$20,000 (2012 - \$18,750) of the above amounts remained unpaid and has been included in accounts payable and accrued liabilities.

(ii) During fiscal 2013 the Company incurred a total of \$43,200 (2012 - \$69,800) 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 \$4,605 (2012 - \$4,800) for rent. As at May 31, 2013, \$3,670 (2012 - \$5,600) remained unpaid and has been included in accounts payable and accrued liabilities.

(c) During fiscal 2013 the Company incurred \$11,822 (2012 - \$6,270) for shared administration costs with public companies with common directors and officers. As at May 31, 2013, \$nil (2012 - \$5,611) of the amount remained unpaid and has been included in accounts payable and accrued liabilities.

(d) During fiscal 2013 the Company recovered \$72,836 (2012 - \$nil) for shared office personnel and costs from public companies with common directors and officers. As at May 31, 2013, \$13,505 (2012 - \$nil) of the amount remained outstanding and has been included in amounts receivable.

Risks and Uncertainties

The Company competes with other mining companies, some of which have greater financial resources and technical facilities, for the acquisition of mineral concessions, claims and other interests, as well as for the recruitment and retention of qualified employees.

The Company believes that it is in compliance in all material regulations applicable to its exploration activities. The Company is dealing with certain Finnish environmental authorities in regards to certain issued raised on the Rompas

property. See also “Exploration Projects - Finland - Environment”. Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted. Before production can commence on any properties, the Company must obtain regulatory and environmental approvals. There is no assurance that such approvals can be obtained on a timely basis or at all. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations.

The Company’s material mineral properties are located in Scandinavia and consequently the Company is subject to certain risks, including currency fluctuations which may result in the impairment or loss of mining title or other mineral rights, and mineral exploration and mining activities may be affected in varying degrees by governmental regulations relating to the mining industry.

Investor Relations Activities

The Company provides information packages to investors; the package consists of materials filed with regulatory authorities. The Company updates its website (www.mawsonresources.com) on a continuous basis. Effective November 1, 2004 the Company retained Mining Interactive to provide market awareness and investor relations activities. During fiscal 2013 the Company paid Mining Interactive a total of \$28,000 (2012 - \$42,000). The arrangement with Mining Interactive was terminated effective January 31, 2013.

Effective February 8, 2012 the Company retained Albis to provide market awareness and investor relations activities. During fiscal 2013 the Company paid Albis a total of \$36,000 (2012 - \$10,500). The arrangement may be cancelled by either party on 30 days notice.

Outstanding Share Data

The Company’s authorized share capital is unlimited common shares without par value. As at August 26, 2013 there were 61,791,727 issued and outstanding common shares. In addition, there were 2,513,100 share options outstanding, at exercise prices ranging from \$0.65 to \$2.35 per share and 7,775,875 warrants outstanding at exercise prices ranging from \$0.65 to \$0.857 per share.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to permit timely decisions regarding public disclosure.

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company’s disclosure controls and procedures. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer has concluded that the Company’s disclosure controls and procedures, as defined in National Instrument 52-109 - Certification of Disclosure in Issuer’s Annual and Interim Filings (“52-109”), are effective to ensure that the information required to be disclosed in reports that are filed or submitted under Canadian Securities legislation are recorded, processed, summarized and reported within the time period specified in those rules. In conducting the evaluation it has become apparent that management relies upon certain informal procedures and communication, and upon “hands-on” knowledge of senior management. Management intends to formalize certain of its procedures. Due to the small staff, however, the Company will continue to rely on an active Board and management with open lines of communication to maintain the effectiveness of the Company’s disclosure controls and procedures. Lapses in the disclosure controls and procedures could occur and/or mistakes could happen. Should such occur, the Company will take whatever steps necessary to minimize the consequences thereof.

Internal Controls and Procedures over Financial Reporting

Management is also responsible for the design of the Company’s internal control over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

In the course of evaluating internal controls over financial reporting as at May 31, 2013 management has identified the following reportable deficiencies:

- (a) there is limited segregation of duties which could result in a material misstatement in the Company's financial statements. Given the Company's limited staff level, certain duties within the accounting and finance department cannot be properly segregated. However, none of these segregation of duty deficiencies resulted in material misstatement to the financial statements as the Company relies on certain compensating controls, including periodic substantive review of the financial statements by the Chief Executive Officer, Audit Committee and Board of Directors.
- (b) when required, the Company records complex and non-routine transactions. These are sometimes extremely technical in nature and require an in-depth understanding of IFRS. The Company's accounting staff have only a fair and reasonable knowledge of the rules related to IFRS and the transactions may not be recorded correctly, potentially resulting in material misstatements of the financial statements of the Company.

To address this risk, the Company consults with its third party advisors as needed in connection with the recording and reporting of complex and non-routine transactions.

It should be noted that a control system, no matter how well conceived or operated, can only provide reasonable assurance, not absolute assurance, that the objectives of the control system are met. The control framework the officers used to design the Company's internal control over financial reporting is the *Internal Control - Integrated Framework* ("COSO Framework") published by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission.

The Company is required to disclose herein any change in the Company's internal control over financial reporting that occurred during the year beginning on June 1, 2012 and ending on May 31, 2013 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. No material changes in the Company's internal control over financial reporting were identified during such period that has materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.