
MAWSON RESOURCES LIMITED

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
AUGUST 31, 2014

(Unaudited - Expressed in Canadian Dollars)

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed consolidated interim financial statements they must be accompanied by a notice indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's auditors have not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

MAWSON RESOURCES LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian Dollars)

	Note	August 31, 2014 \$	May 31, 2014 \$
ASSETS			
Current assets			
Cash		4,565,126	5,376,279
Amounts receivable		30,058	42,270
GST/VAT receivable		58,980	48,163
Prepaid expenses and deposits		<u>45,016</u>	<u>41,919</u>
Total current assets		<u>4,699,180</u>	<u>5,508,631</u>
Non-current assets			
Investments	5	107,638	124,794
Property, plant and equipment	6	254,516	261,798
Exploration and evaluation assets	7	<u>10,506,983</u>	<u>10,014,927</u>
Total non-current assets		<u>10,869,137</u>	<u>10,401,519</u>
TOTAL ASSETS		<u>15,568,317</u>	<u>15,910,150</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		<u>596,002</u>	<u>459,385</u>
TOTAL LIABILITIES		<u>596,002</u>	<u>459,385</u>
SHAREHOLDERS' EQUITY			
Share capital	8	36,233,702	36,233,702
Share-based payments reserve		6,016,717	6,016,717
Deficit		(26,568,639)	(26,107,345)
Accumulated other comprehensive loss		<u>(709,465)</u>	<u>(692,309)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>14,972,315</u>	<u>15,450,765</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>15,568,317</u>	<u>15,910,150</u>

Events after the Reporting Period - see Note 13

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on October 10, 2014 and are signed on its behalf by:

/s/ Michael Hudson
Michael Hudson
Director

/s/ Nick DeMare
Nick DeMare
Director

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

MAWSON RESOURCES LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited - Expressed in Canadian Dollars)

	Note	Three Months Ended	
		August 31	
		2014	2013
		\$	\$
Expenses			
Accounting and administration		22,422	35,147
Audit and related		16,937	20,575
Corporate development		2,421	9,299
Depreciation		7,282	8,643
General exploration		20,157	74,385
Investor relations		8,500	9,000
Legal		22,637	28,071
Management fees		42,000	40,500
Office and sundry		17,838	32,595
Professional fees		129,873	139,877
Regulatory fees		13,285	15,035
Rent		12,454	40,675
Salaries and benefits		52,552	97,130
Shareholder costs		3,596	4,096
Transfer agent		1,077	1,233
Travel		95,856	99,061
		<u>468,887</u>	<u>655,322</u>
Loss before other items		<u>(468,887)</u>	<u>(655,322)</u>
Other items			
Interest and other income		24,265	27,051
Impairment of exploration and evaluation assets	7	-	(94,894)
Foreign exchange		(16,672)	8,698
		<u>7,593</u>	<u>(59,145)</u>
Net loss for the period		(461,294)	(714,467)
Other comprehensive loss		<u>(17,156)</u>	<u>-</u>
Comprehensive loss for the period		<u>(478,450)</u>	<u>(714,467)</u>
Basic and diluted loss per common share		<u>\$(0.01)</u>	<u>\$(0.01)</u>
Weighted average number of common shares outstanding		<u>65,425,728</u>	<u>57,921,334</u>

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

MAWSON RESOURCES LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited - Expressed in Canadian Dollars)

Three Months Ended August 31, 2014						
	Share Capital		Share-Based Payments Reserve \$	Deficit \$	Accumulated Other Comprehensive Loss \$	Total Equity \$
	Number of Shares	Amount \$				
Balance at May 31, 2014	65,425,728	36,233,702	6,016,717	(26,107,345)	(692,309)	15,450,765
Unrealized loss on investments	-	-	-	-	(17,156)	(17,156)
Net loss for the period	-	-	-	(461,294)	-	(461,294)
Balance at August 31, 2014	65,425,728	36,233,702	6,016,717	(26,568,639)	(709,465)	14,972,315

Three Months Ended August 31, 2013						
	Share Capital		Share-Based Payments Reserve \$	Deficit \$	Accumulated Other Comprehensive Loss \$	Total Equity \$
	Number of Shares	Amount \$				
Balance at May 31, 2013	56,081,311	32,086,361	5,160,917	(22,955,827)	(685,750)	13,605,701
Common shares issued for:						
Cash - private placement	5,710,417	2,569,688	-	-	-	2,569,688
Share issue costs	-	(26,446)	-	-	-	(26,446)
Net loss for the period	-	-	-	(714,467)	-	(714,467)
Balance at August 31, 2013	61,791,728	34,629,603	5,160,917	(23,670,294)	(685,750)	15,434,476

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

MAWSON RESOURCES LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian Dollars)

	Three Months Ended	
	August 31,	
	2014	2013
	\$	\$
Operating activities		
Net loss for the period	(461,294)	(714,467)
Adjustments for:		
Depreciation	7,282	8,643
Impairment of exploration and evaluation assets	-	94,894
	<u>(454,012)</u>	<u>(610,930)</u>
Changes in non-cash working capital items:		
Decrease in amounts receivable	12,212	11,009
Increase in GST/VAT receivable	(10,817)	(28,791)
(Increase) decrease in prepaid expenses and deposits	(3,097)	7,097
Increase in accounts payable and accrued liabilities	51,662	37,723
	<u>49,960</u>	<u>27,038</u>
Net cash used in operating activities	<u>(404,052)</u>	<u>(583,892)</u>
Investing activity		
Expenditures on exploration and evaluation assets	<u>(407,101)</u>	<u>(359,220)</u>
Net cash used in investing activity	<u>(407,101)</u>	<u>(359,220)</u>
Financing activities		
Issuance of share capital	-	2,569,688
Share issue costs	-	(26,446)
Net cash provided by financing activities	<u>-</u>	<u>2,543,242</u>
Net change in cash	(811,153)	1,600,130
Cash at beginning of period	<u>5,376,279</u>	<u>5,209,513</u>
Cash at end of period	<u>4,565,126</u>	<u>6,809,643</u>

Supplemental cash flow information - Note 11

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

MAWSON RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED AUGUST 31, 2014
(Unaudited - Expressed in Canadian Dollars)

1. Nature of Operations

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

The Company is a resource company engaged in the acquisition and exploration of unproven mineral interests. As at August 31, 2014 the Company has not earned any production revenue, nor found proved reserves on any of its unproven mineral interests. On the basis of information to date, the Company has not yet determined whether these properties contain economically recoverable ore reserves. The underlying value of the exploration and evaluation assets is entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete development and upon future profitable production. Exploration and evaluation assets represent costs incurred to date, less amounts depreciated and/or written off, and do not necessarily represent present or future values.

The Company's operations are funded from equity financings which are dependent upon many external factors and may be difficult to impossible to secure or raise when required. Although management considers that the Company has adequate resources to maintain its core operations and planned exploration programs on its existing exploration and evaluation assets for the next twelve months, the Company recognizes that exploration expenditures may change with ongoing results and, as a result, it may be required to obtain additional financing. While the Company has been successful in securing financings in the past there can be no assurance that it will be able to do so in the future. See also Note 13(a).

2. Basis of Preparation

Statement of Compliance

These condensed consolidated interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"), and in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended May 31, 2014, which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies followed in these condensed consolidated interim financial statements are consistent with those applied in the Company's consolidated financial statements for the year ended May 31, 2014.

Basis of Presentation

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

3. Significant Accounting Policies

The preparation of financial data is based on accounting principles and practices consistent with those to be used in the preparation of the audited annual consolidated financial statements as at May 31, 2014. The accompanying unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended May 31, 2014.

MAWSON RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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4. Subsidiaries

The subsidiaries of the Company are as follows:

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

5. Investments

<u>As at August 31, 2014</u>				
<u>Number</u>	<u>Cost</u>	<u>Accumulated Unrealized Loss</u>	<u>Carrying Value</u>	
	<u>\$</u>	<u>\$</u>	<u>\$</u>	
Common shares				
Hansa Resources Limited ("Hansa")	3,500,000	715,000	(627,500)	87,500
Tumi Resources Limited ("Tumi")	75,000	45,000	(38,250)	6,750
Thomson Resources Ltd. ("Thomson")	600,000	16,603	(3,215)	13,388
	<u>776,603</u>	<u>(668,965)</u>	<u>107,638</u>	
<u>As at May 31, 2014</u>				
<u>Number</u>	<u>Cost</u>	<u>Accumulated Unrealized Loss</u>	<u>Carrying Value</u>	
	<u>\$</u>	<u>\$</u>	<u>\$</u>	
Common shares				
Hansa	3,500,000	715,000	(610,000)	105,000
Tumi	75,000	45,000	(34,125)	10,875
Thomson	600,000	16,603	(7,684)	8,919
	<u>776,603</u>	<u>(651,809)</u>	<u>124,794</u>	

The carrying values of the investments were determined using quoted market values.

MAWSON RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED AUGUST 31, 2014
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6. Property, Plant and Equipment

Cost:	Condominium	Office Furniture and Equipment	Field Equipment	Vehicles	Total
	\$	\$	\$	\$	\$
Balance at May 31, 2013 and 2014 and August 31, 2014	<u>248,450</u>	<u>29,744</u>	<u>74,069</u>	<u>158,504</u>	<u>510,767</u>
Accumulated Depreciation:					
Balance at May 31, 2013	(30,024)	(16,532)	(20,015)	(147,238)	(213,809)
Depreciation	<u>(12,424)</u>	<u>(4,469)</u>	<u>(13,287)</u>	<u>(4,980)</u>	<u>(35,160)</u>
Balance at May 31, 2014	(42,448)	(21,001)	(33,302)	(152,218)	(248,969)
Depreciation	<u>(3,106)</u>	<u>(1,186)</u>	<u>(2,313)</u>	<u>(677)</u>	<u>(7,282)</u>
Balance at August 31, 2014	<u>(45,554)</u>	<u>(22,187)</u>	<u>(35,615)</u>	<u>(152,895)</u>	<u>(256,251)</u>
Carrying Value:					
Balance at May 31, 2014	<u>206,002</u>	<u>8,743</u>	<u>40,767</u>	<u>6,286</u>	<u>261,798</u>
Balance at August 31, 2014	<u>202,896</u>	<u>7,557</u>	<u>38,454</u>	<u>5,609</u>	<u>254,516</u>

7. Exploration and Evaluation Assets

	As at August 31, 2014			As at May 31, 2014		
	Acquisition Costs	Deferred Exploration Costs	Total	Acquisition Costs	Deferred Exploration Costs	Total
	\$	\$	\$	\$	\$	\$
Finland						
Gold Projects	2,021,358	8,437,751	10,459,109	2,002,170	7,978,393	9,980,563
Sweden						
Other Projects	<u>32,412</u>	<u>1,344</u>	<u>33,756</u>	<u>33,020</u>	<u>1,344</u>	<u>34,364</u>
	<u>2,053,770</u>	<u>8,439,095</u>	<u>10,492,865</u>	<u>2,035,190</u>	<u>7,979,737</u>	<u>10,014,927</u>

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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7. **Exploration and Evaluation Assets (continued)**

	<u>Finland</u>	<u>Sweden</u>	
	Gold Projects \$	Other Projects \$	Total \$
Balance at May 31, 2013	<u>7,846,210</u>	<u>400,529</u>	<u>8,246,739</u>
Exploration costs			
Assays	218,317	-	218,317
Consulting	111,243	-	111,243
Drilling	239,281	-	239,281
Exploration site	33,727	1,764	35,491
Field equipment	62,915	-	62,915
Field workers	130,135	-	130,135
Fuel	28,027	-	28,027
Geochemical	3,341	-	3,341
Geological	507,757	11,823	519,580
Logging	34,783	-	34,783
Maps	2,767	1,048	3,815
Salaries and benefits	416,114	22,440	438,554
Travel	39,738	5,430	45,168
Vehicle rental	57,216	5,763	62,979
	<u>1,885,361</u>	<u>48,268</u>	<u>1,933,629</u>
Acquisition costs			
Mining rights	250,315	-	250,315
Permits	-	33,020	33,020
Recoveries	-	(210,333)	(210,333)
	<u>250,315</u>	<u>(177,313)</u>	<u>73,002</u>
Impairment	<u>(1,323)</u>	<u>(237,120)</u>	<u>(238,443)</u>
Balance at May 31, 2014	<u>9,980,563</u>	<u>34,364</u>	<u>10,014,927</u>
Exploration costs			
Assays	65,938	-	65,938
Consulting	14,080	-	14,080
Exploration site	1,321	-	1,321
Field equipment	48,048	-	48,048
Field workers	70,076	-	70,076
Fuel	8,871	-	8,871
Geological	114,037	-	114,037
Logging	7,101	-	7,101
Salaries and benefits	103,937	-	103,937
Travel	13,572	-	13,572
Vehicle rental	12,377	-	12,377
	<u>459,358</u>	<u>-</u>	<u>459,358</u>
Acquisition costs			
Mining rights	33,306	-	33,306
Recoveries	-	(608)	(608)
	<u>33,306</u>	<u>(608)</u>	<u>32,698</u>
Balance at August 31, 2014	<u>10,473,227</u>	<u>33,756</u>	<u>10,506,983</u>

MAWSON RESOURCES LIMITED
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FOR THE THREE MONTHS ENDED AUGUST 31, 2014
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7. Exploration and Evaluation Assets (continued)

(a) *Finland*

As at August 31, 2014 the Company holds a total of 121 granted claims, 710 claim applications, 9 claim reservations, 4 granted exploration permits and 3 exploration permit applications in Finland.

The Company has been dealing with certain Finnish environmental authorities in regards to issues arising from the Company's hand dug trenches at Rompas, Finland, completed during the 2010 and 2011 work programs. The main issue involves claims that the Company's hand dug trenches have affected the nature values of the area where the work was undertaken. The Company has recently been informed that the investigative process is complete and the matter has been forwarded to trial, to be heard in the third quarter of 2014. The Company believes that the claims are without merit and will vigorously defend itself and its employees.

(b) *Sweden*

As at August 31, 2014 the Company holds a total of 3 claims in Sweden.

8. Share Capital

(a) *Authorized Share Capital*

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

(b) *Reconciliation of Changes in Share Capital*

There were no equity financings conducted by the Company during the three months ended August 31, 2014. See also Note 13(a).

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

- (i) on August 2, 2013 the Company completed the first tranche of the private placement and issued 5,710,417 common shares and 2,855,208 warrants entitling the holder to purchase an additional common share at a price of \$0.65 expiring August 2, 2015.
- (ii) on September 9, 2013 the Company completed the final tranche of the private placement and issued 3,634,000 common shares and 1,817,000 warrants entitling the holder to purchase an additional common share at a price of \$0.65 expiring September 9, 2015.

During fiscal 2014 the Company incurred \$57,647 for legal and filing costs associated with the private placement.

MAWSON RESOURCES LIMITED
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FOR THE THREE MONTHS ENDED AUGUST 31, 2014
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8. Share Capital (continued)

(c) *Warrants*

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at August 31, 2014 and 2013 and the changes for the three months ended on those dates, is as follows:

	2014		2013	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance, beginning of period	4,672,208	0.65	4,920,667	0.86
Issued	-	-	2,855,208	0.65
Balance, end of period	4,672,208	0.65	7,775,875	0.78

The following table summarizes information about the number of common shares reserved pursuant to the Company's warrants outstanding and exercisable at August 31, 2014:

Number	Exercise Price \$	Expiry Date
2,855,208	0.65	August 2, 2015
1,817,000	0.65	September 9, 2015
4,672,208		

See also Note 13(a).

(d) *Share Option Plan*

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

No share options were granted during the three months ended August 31, 2014 or 2013.

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

MAWSON RESOURCES LIMITED
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8. Share Capital (continued)

A summary of the Company's share options at August 31, 2014 and 2013 and the changes for the three months ended on those dates, is as follows:

	2014		2013	
	Number of Options Outstanding	Weighted Average Exercise Price \$	Number of Options Outstanding	Weighted Average Exercise Price \$
Balance, beginning of period	4,435,000	0.62	2,513,000	1.04
Expired	<u>(285,000)</u>	1.51	<u>-</u>	-
Balance, end of period	<u>4,150,000</u>	0.56	<u>2,513,000</u>	1.04

The following table summarizes information about the share options outstanding and exercisable at August 31, 2014:

Number	Exercise Price \$	Expiry Date
100,000	1.30	May 5, 2015
100,000	1.24	May 29, 2015
100,000	0.65	May 1, 2016
<u>3,850,000</u>	0.52	October 7, 2016
<u>4,150,000</u>		

See also Note 13(b).

9. Related Party Disclosures

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

(a) *Transactions with Key Management Personnel*

During the three months ended August 31, 2014 and 2013 the following amounts were incurred with respect to the Company's President, Chief Financial Officer ("CFO") and Vice-President of Exploration:

	2014 \$	2013 \$
Management fees	42,000	40,500
Professional fees	59,181	55,979
Rent for apartment	<u>-</u>	<u>15,346</u>
	<u>101,181</u>	<u>111,825</u>

Professional fees of \$51,681 (2013 - \$48,479) have been capitalized to exploration and evaluation assets based on the nature of the expenditure.

As at August 31, 2014, \$48,262 (2013 - \$32,199) of the above amounts remained unpaid and has been included in accounts payable and accrued liabilities.

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9. Related Party Disclosures (continued)

The Company has a management agreement with the President which provides that in the event the President's services are terminated without cause or upon a change of control of the Company, a termination payment of two years of compensation, at \$15,000 per month, is payable. If the termination had occurred on August 31, 2014, the amount payable under the agreement would be \$360,000.

(b) *Transactions with Other Related Parties*

(i) During the three months ended August 31, 2014 and 2013 the following amounts were incurred with respect to non-executive directors and/or officers of the Company:

	2014 \$	2013 \$
Salaries	16,250	14,250
Professional fees	<u>30,000</u>	<u>30,000</u>
	<u>46,250</u>	<u>44,250</u>

As at August 31, 2014, \$25,000 (2013 - \$27,500) of the above amounts remained unpaid and has been included in accounts payable and accrued liabilities.

(ii) During the three months ended August 31, 2014 the Company incurred a total of \$17,000 (2013 - \$15,300) 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 \$1,005 (2013 - \$1,005) for rent. As at August 31, 2014, \$14,170 (2013 - \$8,470) remained unpaid and has been included in accounts payable and accrued liabilities.

(c) During the three months ended August 31, 2014 the Company recovered \$27,159 (2013 - \$31,607) for shared office personnel and costs from public companies with common directors and officers. As at August 31, 2014, \$5,000 (2013 - \$3,250) of the amount remained outstanding and has been included in amounts receivable.

10. Financial Instruments and Risk Management

Categories of Financial Assets and Financial Liabilities

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

Financial Instrument	Category	August 31, 2014 \$	May 31, 2014 \$
Cash	FVTPL	4,565,126	5,376,279
Amounts receivable	Loans and receivables	30,058	42,270
Investments	Available-for-sale	107,638	124,794
Accounts payable and accrued liabilities	Other liabilities	(596,002)	(459,385)

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

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

MAWSON RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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11. Financial Instruments and Risk Management (continued)

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

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

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

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

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and amounts receivable. Management believes that the potential loss related to the credit risk included in cash and amounts receivable is remote.

Liquidity Risk

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

Contractual Maturity Analysis at August 31, 2014					
	Less than 3 Months \$	3 - 12 Months \$	1 - 5 Years \$	Over 5 Years \$	Total \$
Cash	4,565,126	-	-	-	4,565,126
Amounts receivable	30,058	-	-	-	30,058
Investments	-	-	107,638	-	107,638
Accounts payable and accrued liabilities	(596,002)	-	-	-	(596,002)

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

Market Risk

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

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10. Financial Instruments and Risk Management (continued)

(a) Interest Rate Risk

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

(b) Foreign Currency Risk

The Company's functional currency is the Canadian dollar and major transactions are transacted in Canadian Dollars, Euros and Swedish Kronors ("SEK"). The Company maintains Euros bank accounts in Finland, SEK bank accounts in Sweden, and a US Dollar bank account in Canada to support the cash needs of its foreign operations. Management believes the foreign exchange risk related to currency conversions is minimal and therefore does not hedge its foreign exchange risk. At August 31, 2014, 1 Canadian Dollar was equal to 0.70 Euros, 6.43 SEK and 0.92 US Dollars.

Balances are as follows:

	Euros	Swedish Kronors	US Dollars	CDN \$ Equivalent
Cash	96,504	154,194	107,523	278,716
Amounts receivable	51,958	49,137	-	81,868
Accounts payable and accrued liabilities	<u>(309,859)</u>	<u>(237,013)</u>	<u>(2,070)</u>	<u>(481,766)</u>
	<u>(161,397)</u>	<u>(33,682)</u>	<u>105,453</u>	<u>(121,182)</u>

Based on the net exposures as of August 31, 2014 and assuming that all other variables remain constant, a 10% fluctuation on the Canadian Dollar against the Euros, SEK and US Dollar would result in the Company's net loss being approximately \$4,500 higher (or lower).

Capital Management

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

11. Supplemental Cash Flow Information

During the three months ended August 31, 2014 and 2013 non-cash activities were conducted by the Company as follows:

	2014 \$	2013 \$
Operating activity		
Increase in accounts payable and accrued liabilities	<u>238,967</u>	<u>273,313</u>
Investing activity		
Additions to exploration and evaluation assets	<u>(238,967)</u>	<u>(273,313)</u>

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12. Segmented Information

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

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

	As at August 31, 2014				
	Canada	Sweden	Finland	Peru	Total
	\$	\$	\$	\$	\$
Current assets	4,439,860	32,390	226,930	-	4,699,180
Investments	107,638	-	-	-	107,638
Property, plant and equipment	7,943	7,191	36,486	202,896	254,516
Exploration and evaluation assets	-	33,756	10,473,227	-	10,506,983
	<u>4,555,441</u>	<u>73,337</u>	<u>10,736,643</u>	<u>202,896</u>	<u>15,568,317</u>
	As at May 31, 2014				
	Canada	Sweden	Finland	Peru	Total
	\$	\$	\$	\$	\$
Current assets	5,053,386	85,184	370,061	-	5,508,631
Investments	124,794	-	-	-	124,794
Property, plant and equipment	8,743	8,253	38,800	206,002	261,798
Exploration and evaluation assets	-	34,364	9,980,563	-	10,014,927
	<u>5,186,923</u>	<u>127,801</u>	<u>10,389,424</u>	<u>206,002</u>	<u>15,910,150</u>

13. Events after the Reporting Period

- (a) On October 10, 2014 the Company completed a non-brokered private placement of 9,124,243 units of the Company at \$0.33 per unit for gross proceeds of \$3,011,000 with each unit consisting of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share at a price of \$0.50 for a period of two years expiring October 10, 2016.
- (b) Subsequent to August 31, 2014 the Company granted share options to a consultant to purchase 300,000 common shares at an exercise price of \$0.45 expiring September 16, 2017.