MAWSON RESOURCES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
MAY 31, 2013 AND 2012

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Mawson Resources Limited

We have audited the accompanying consolidated financial statements of Mawson Resources Limited, which comprise the consolidated statements of financial position as at May 31, 2013 and May 31, 2012, and the consolidated statements of comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended May 31, 2013 and May 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

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D+H Group LLP
Chartered Accountants

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mawson Resources Limited as at May 31, 2013 and May 31, 2012, and its financial performance and its cash flows for the years ended May 31, 2013 and May 31, 2012 in accordance with International Financial Reporting Standards.

"D&H Group LLP"

Vancouver, B.C.
August 26, 2013

Chartered Accountants

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

	Note	May 31, 2013 $	May 31, 2012 $
ASSETS			
Current assets			
Cash	4	5,209,513	7,351,494
Amounts receivable	5	77,172	153,039
Prepaid expenses and deposits		70,996	83,121
Total current assets		5,357,681	7,587,654
Non-current assets			
Investments	6	114,750	358,000
Property, plant and equipment	7	296,958	264,900
Exploration and evaluation assets	8	8,246,739	4,900,923
Total non-current assets		8,658,447	5,523,823
TOTAL ASSETS		14,016,128	13,111,477
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		410,427	779,961
TOTAL LIABILITIES		410,427	779,961
SHAREHOLDERS' EQUITY			
Share capital	9	32,086,361	28,176,662
Share-based payments reserve		5,160,917	5,128,417
Deficit		(22,955,827)	(20,498,063)
Accumulated other comprehensive loss		(685,750)	(475,500)
TOTAL SHAREHOLDERS' EQUITY		13,605,701	12,331,516
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		14,016,128	13,111,477

Event after the reporting period - Note 15

These consolidated financial statements were approved for issue by the Board of Directors on August 26, 2013 and are signed on its behalf by:

/s/ ***Michael Hudson***	/s/ ***Nick DeMare***
Michael Hudson	Nick DeMare
Director	Director

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

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

	Note	Year Ended May 31, 2013 $	Year Ended May 31, 2012 $
Expenses			
Accounting and administration		113,319	80,592
Audit		83,356	84,772
Corporate development		72,198	184,339
Depreciation		32,520	61,519
General exploration		530,653	443,048
Investor relations		64,000	52,500
Legal		262,459	605,166
Management fees		162,000	162,000
Office and sundry		169,959	227,139
Professional fees		402,749	442,748
Regulatory fees		35,973	88,747
Rent		74,647	54,030
Salaries and benefits		146,712	340,829
Shareholder costs		24,429	25,411
Share-based compensation	9(d)	71,000	456,450
Transfer agent		9,383	55,835
Travel		284,880	316,710
		2,540,237	3,681,835
Loss before other items		(2,540,237)	(3,681,835)
Other items			
Interest and other income		122,532	130,567
Impairment of exploration and evaluation assets	8(c)	(1,508)	(21,810)
Write-down of investment	8(a)	-	(2,015,500)
Foreign exchange		(5,551)	(65,587)
Unrealized loss on held-for-trading investments		(3,000)	(86,000)
		112,473	(2,058,330)
Loss before deferred income tax		(2,427,764)	(5,740,165)
Deferred income tax		(30,000)	(33,300)
Net loss for the year		(2,457,764)	(5,773,465)
Other comprehensive loss, net of deferred income tax		(210,250)	(224,200)
Comprehensive loss for the year		(2,668,014)	(5,997,665)
Basic and diluted loss per common share		$(0.04)	$(0.11)
Weighted average number of common shares outstanding		54,629,403	51,806,037

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

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

	Year Ended May 31, 2013					
	Share Capital					
	Number of Shares	Amount $	Share-Based Payments Reserve $	Deficit $	Accumulated Other Comprehensive Loss $	Total Equity $
Balance at May 31, 2012	52,224,253	28,176,662	5,128,417	(20,498,063)	(475,500)	12,331,516
Common shares issued for:						
Cash - exercise of share options	110,000	49,200	-	-	-	49,200
Cash - exercise of warrants	3,747,058	3,821,999				3,821,999
Share-based compensation	-	-	71,000	-	-	71,000
Transfer on exercise of share options	-	38,500	(38,500)	-	-	-
Unrealized loss on available-for-sale investments	-	-	-	-	(240,250)	(240,250)
Deferred income tax on unrealized loss on available-for-sale investments	-	-	-	-	30,000	30,000
Net loss for the year	-	-	-	(2,457,764)	-	(2,457,764)
Balance at May 31, 2013	56,081,311	32,086,361	5,160,917	(22,955,827)	685,750	13,605,701

	Year Ended May 31, 2012					
	Share Capital					
	Number of Shares	Amount $	Share-Based Payments Reserve $	Deficit $	Accumulated Other Comprehensive Loss $	Total Equity $
Balance at May 31, 2011	51,645,753	31,913,205	4,907,116	(14,724,598)	(251,300)	21,844,423
Common shares issued for:						
Cash - exercise of share options	553,500	319,020	-	-	-	319,020
Cash - exercise of warrants	25,000	30,000	-	-	-	30,000
Share-based compensation	-	-	456,450	-	-	456,450
Transfer on exercise of share options	-	235,149	(235,149)	-	-	-
Unrealized loss on available-for-sale investments	-	-	-	-	(257,500)	(257,500)
Deferred income tax on unrealized loss on available-for-sale investments	-	-	-	-	33,300	33,300
Return of capital on Spin-Out (Note 1)	-	(4,320,712)	-	-	-	(4,320,712)
Net loss for the year	-	-	-	(5,773,465)	-	(5,773,465)
Balance at May 31, 2012	52,224,253	28,176,662	5,128,417	(20,498,063)	(475,500)	12,331,516

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

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

	Year Ended May 31	
	2013 $	2012 $
Operating activities		
Net loss for the year	(2,457,764)	(5,773,465)
Adjustments for:		
Depreciation	32,520	61,519
Share-based compensation	71,000	456,450
Unrealized loss on held-for-trading investments	3,000	86,000
Write-down of investment	-	2,015,500
Impairment of exploration and evaluation assets	1,508	21,810
Deferred income tax	30,000	33,300
	(2,319,736)	(3,098,886)
Changes in non-cash working capital items:		
Decrease (increase) in amounts receivable	75,867	(13,449)
Decrease (increase) in prepaid expenses and deposits	12,125	(23,958)
Increase (decrease) in accounts payable and accrued liabilities	(162,838)	388,467
	(74,846)	351,060
Net cash used in operating activities	(2,394,582)	(2,747,826)
Investing activities		
Expenditures on exploration and evaluation assets	(3,554,020)	(2,685,992)
Additions to property, plant and equipment	(64,578)	(5,837)
Disposal of cash from Plan of Arrangement	-	(525,000)
Net cash used in investing activities	(3,618,598)	(3,216,829)
Financing activity		
Issuance of share capital	3,871,199	349,020
Net cash provided by financing activity	3,871,199	349,020
Net change in cash	(2,141,981)	(5,615,635)
Cash at beginning of year	7,351,494	12,967,129
Cash at end of year	5,209,513	7,351,494

Supplemental cash flow information - Note 13

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

1. Nature of Operations

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

The Company is a resource company engaged in the acquisition and exploration of unproven mineral interests. As at May 31, 2013 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.

On November 30, 2011 the Company announced it would conduct a spin-out of its Peruvian assets (the "Spin-Out") that would reorganize the business and capital structure of the Company into two separate public companies to allow the Company to focus on the development of its flagship Rompas property in Finland. Pursuant to the proposed Spin-Out, the Company transferred all of the outstanding shares of Mawson Peru S.A.C., ("Mawson Peru") and its option to earn a 100% interest in Altynor Peru S.A.C. ("Altynor Peru") to a newly incorporated subsidiary, Darwin Resources Corp. ("Darwin"). The Company also completed the sale of its non-core mineral properties in Sweden and Finland for common shares of European Uranium Resources Ltd. ("European Uranium"). See also Notes 8(a) and 8(b).

On April 30, 2012 the Company completed the Plan of Arrangement under which the Company's shareholders received 17,408,070 common shares of Darwin and 10,727,969 common shares of European Uranium, on a basis of one-third Darwin common share and one-fifth European Uranium common share for each Company common share held. The distribution of the Darwin and European Uranium common shares to the shareholders of the Company at the closing date via a return of capital of the Company was recorded in the amount of $4,320,712.

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 15.

2. Basis of Preparation

Statement of Compliance

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

Basis of Measurement

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

2. Basis of Preparation (continued)

Details of the Group

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

As at May 31, 2013 and 2012 the subsidiaries of the Company were:

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

3. Summary of Significant Accounting Policies

Critical Judgments and Sources of Estimation Uncertainty

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

Critical Judgments

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

(i) The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.

(ii) Management is required to assess the functional currency of each entity of the Company. In concluding that the Canadian dollar is the functional currency of the parent and its subsidiary companies, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates. As no single currency was clearly dominant the Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.

(iii) Management is required to assess impairment in respect of intangible exploration and evaluation assets. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful and some assets are likely to become impaired in future periods.

3. Summary of Significant Accounting Policies (continued)

(iv) Although the Company takes steps to verify title to exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Estimation Uncertainty

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

(i) Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

(ii) The assessment of any impairment of exploration and evaluation assets, and property, plant and equipment is dependent upon estimates of the recoverable amount that take into account factors such as reserves, economic and market conditions and the useful lives of assets. As a result of this assessment, management has carried out an impairment test on all of the Company's exploration and evaluation assets and an impairment charge of $1,508 (2012 - $21,810) was made.

Cash and Cash Equivalents

Cash includes cash on hand and demand deposits. Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The Company is not exposed to significant credit or interest rate risk although cash is held in excess of federally insured limits with a major financial institution. As at May 31, 2013 and 2012 the Company did not have any cash equivalents.

Amounts Receivable

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

Accounts Payable and Accrued Liabilities

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

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

3. Summary of Significant Accounting Policies (continued)

Exploration and Evaluation Assets

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

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

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

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

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

Property, Plant and Equipment

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

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

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

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

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

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

3. Summary of Significant Accounting Policies (continued)

Impairment of Assets

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

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

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

Decommissioning Provision

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral interest by or on behalf of the Company. Costs for restoration of site damage which is created on an ongoing basis during exploration and evaluation are provided for at their net present values and charged against profits in the period such exploration and evaluation occurs. Discount rates using a risk-free rate that reflects the time value of money are used to calculate the net present value. The related liability is adjusted each period for the unwinding of the discount rate and for changes to the current market-based discount rate and amount or timing of the underlying cash flows needed to settle the obligation. As at May 31, 2013 and 2012 the Company does not have any decommissioning obligations.

Financial Instruments

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

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

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

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

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

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

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

3. Summary of Significant Accounting Policies (continued)

Financial liabilities classified as FVTPL are measured at fair value with unrealized gains and losses recognized through comprehensive income (loss). At May 31, 2013 and 2012 the Company has not classified any financial liabilities as FVTPL.

Share Capital

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

Equity Financing

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

Share-Based Payment Transactions

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

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

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

Current and Deferred Income Taxes

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

Current Tax

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

3. Summary of Significant Accounting Policies (continued)

Deferred Tax

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

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

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

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

Loss Per Share

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

Foreign Currency Translation

Functional and Presentation Currency

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

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

Foreign Currency Transactions

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

(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

Accounting Standards and Interpretations Issued but Not Yet Adopted

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

(i) IFRS 9 *Financial Instruments* (New; to replace IAS 39); effective for annual periods beginning on or after January 1, 2015.

(ii) IFRS 10 *Consolidated Financial Statements*; effective for annual periods beginning on or after January 1, 2013. Early application is permitted. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidated - Special Purpose Entities*.

(iii) IFRS 11 *Joint Arrangements*; effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. IFRS 11 supersedes the current IAS 31 *Interest in Joint Ventures* and SIC-13 *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*.

(iv) IFRS 12 *Disclosure of Interest in Other Entities*; effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity.

(v) IFRS 13 *Fair Value Measurements*; to be applied for annual periods beginning on or after January 1, 2013. Earlier application is permitted. IFRS 13 defines fair value, sets out in a single IFRS, a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements).

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

4. Cash

	May 31, 2013 $	May 31, 2012 $
Cash on hand	883,767	1,591,169
Demand deposits	4,325,746	5,760,325
	5,209,513	7,351,494

5. Amounts Receivable

	May 31, 2013 $	May 31, 2012 $
GST / HST receivable	6,300	63,717
Foreign value added taxes receivable	46,179	68,251
Other	24,693	21,071
	77,172	153,039

(Expressed in Canadian Dollars)

6. Investments

	As at May 31, 2013				
	Number	Cost $	Accumulated Compre-hensive Loss $	Accumulated Gain $	Carrying Value $
Available-for-sale investments:					
Common shares					
Hansa Resources Limited ("Hansa")	3,500,000	715,000	(610,000)	-	105,000
Tumi Resources Limited ("Tumi")	75,000	45,000	(35,250)	-	9,750
		760,000	(645,250)	-	114,750

	As at May 31, 2012				
	Number	Cost $	Accumulated Compre-hensive Loss $	Accumulated Gain $	Carrying Value $
Available-for-sale investments:					
Common shares					
Hansa	3,500,000	715,000	(382,500)	-	332,500
Tumi	75,000	45,000	(22,500)	-	22,500
FVTPL investments:					
Warrants					
Tumi	75,000	-	-	3,000	3,000
		760,000	(405,000)	3,000	358,000

(a) As at May 31, 2013 the quoted market value of the 3,500,000 common shares of Hansa was $105,000 (2012 - $332,500).

(b) In March 2009 the Company purchased 75,000 units of Tumi at a cost of $45,000. Each unit comprised one common share and one share purchase warrant, with each warrant entitling the Company to purchase an additional common share at an exercise price of $1.00 per share. The Tumi warrants expired on March 25, 2013. At the time of purchase the Company assigned a $45,000 fair value to the common shares and $nil fair value to the warrants.

As at May 31, 2013 the quoted market value of the 75,000 common shares of Tumi was $9,750 (2012 - $22,500).

(Expressed in Canadian Dollars)

7. Property, Plant and Equipment

Cost:	**Condominium** $	**Office Furniture and Equipment** $	**Field Equipment** $	**Vehicles** $	**Total** $
Balance at May 31, 2011	248,450	106,945	33,689	158,504	547,588
Additions	-	11,158	-	-	11,158
Disposals	-	(86,569)	(13,740)	-	(100,309)
Balance at May 31, 2012	248,450	31,534	19,949	158,504	458,437
Additions	-	10,458	54,120	-	64,578
Write-off	-	(12,248)	-	-	(12,248)
Balance at May 31, 2013	248,450	29,744	74,069	158,504	510,767

Accumulated Depreciation:	**Condominium** $	**Office Furniture and Equipment** $	**Field Equipment** $	**Vehicles** $	**Total** $
Balance at May 31, 2011	(5,176)	(57,426)	(18,894)	(120,156)	(201,652)
Depreciation	(12,424)	(21,970)	(5,033)	(22,092)	(61,519)
Disposals	-	62,659	6,975	-	69,634
Balance at May 31, 2012	(17,600)	(16,737)	(16,952)	(142,248)	(193,537)
Depreciation	(12,424)	(4,654)	(10,452)	(4,990)	(32,520)
Write-off	-	12,248	-	-	12,248
Balance at May 31, 2013	(30,024)	(9,143)	(27,404)	(147,238)	(213,809)

Carrying Value:	**Condominium** $	**Office Furniture and Equipment** $	**Field Equipment** $	**Vehicles** $	**Total** $
Balance at May 31, 2012	230,850	14,797	2,997	16,256	264,900
Balance at May 31, 2013	218,426	20,601	46,665	11,266	296,958

(Expressed in Canadian Dollars)

8. Exploration and Evaluation Assets

	Finland	Sweden		Peru	
	Gold Projects $	Uranium Projects $	Other Projects $	Gold/Copper Projects $	Total $
Balance at May 31, 2011	2,882,494	4,209,283	7,191	685,530	7,784,498
Exploration costs					
Assays	113,474	-	-	7,858	121,332
Consulting	563,320	-	-	85,955	649,275
Database	197	-	-	-	197
Drilling	610,465	-	-	-	610,465
Environmental	-	-	-	14,220	14,220
Exploration site	117,969	1,134	-	85,639	204,742
Field equipment	43,279	-	-	-	43,279
Field workers	-	-	-	5,757	5,757
Fuel	11,350	-	-	8,018	19,368
Geochemical	146,205	-	-	-	146,205
Geological	287,848	-	-	19,487	307,335
Maps	3,627	-	-	306	3,933
Salaries and benefits	333,267	-	-	275,309	608,576
Travel	9,515	-	-	24,582	34,097
VAT	-	-	-	43,004	43,004
Vehicle rental	43,775	-	-	15,780	59,555
	2,284,291	1,134	-	585,915	2,871,340
Acquisition costs					
Mining rights	-	-	-	131,168	131,168
Permits	60,413	3,019	11,481	-	74,913
	60,413	3,019	11,481	131,168	206,081
Disposal (Note 8(a))	(327,594)	(4,204,372)	(4,607)	-	(4,536,573)
Spin-out (Note 8(b))	-	-	-	(1,402,613)	(1,402,613)
Impairments (Note 8(c))	(10,162)	(9,064)	(2,584)	-	(21,810)
	(337,756)	(4,213,436)	(7,191)	(1,402,613)	(5,960,996)
Balance at May 31, 2012	4,889,442	-	11,481	-	4,900,923
Exploration costs					
Assays	540,088	-	-	-	540,088
Consulting	170,585	-	-	-	170,585
Database	-	-	11,915	-	11,915
Drilling	500,339	-	-	-	500,339
Exploration site	49,220	-	1,694	-	50,914
Field equipment	37,412	-	-	-	37,412
Field workers	122,320	-	-	-	122,320
Geological	488,519	-	8,478	-	496,997
Logging	164,235	-	-	-	164,235
Maps	32,745	-	12,038	-	44,783
Salaries and benefits	282,882	-	57,229	-	340,111
Travel	11,777	-	8,342	-	20,119
Vehicle rental	2,382	-	2,567	-	4,949
	2,402,504	-	102,263	-	2,504,767
Acquisition costs					
Mining rights	554,264	-	-	-	554,264
Permits	-	-	288,293	-	288,293
	554,264	-	288,293	-	842,557
Impairments (Note 8(c))	-	-	(1,508)	-	(1,508)
Balance at May 31, 2013	7,846,210	-	400,529	-	8,246,739

8. Exploration and Evaluation Assets (continued)

(a) On February 29, 2012 the Company completed the sale of its wholly-owned Swedish subsidiary, T&M Resources AB ("T&M"), which was incorporated to hold the non-core mineral interests of the Company, comprising the Hotagen, Duobblon, Kapell and Aronsjö projects in Sweden and the Riutta, Asento and Nuottijärvi projects in Finland (collectively the "Uranium Assets"). Under the sale agreement, European Uranium (formerly Tournigan Energy Ltd.) purchased T&M for consideration of 10,727,969 common shares of European Uranium, at a fair value of $4,536,573. The Company subsequently recorded a $2,015,500 impairment of its investment in the common shares of European Uranium to reflect the fair value of $2,521,073 prior to the distribution under the Plan of Arrangement.

(b) Mawson Peru also held option agreements with the shareholders of Altynor Peru whereby the Company could acquire a 100% ownership interest in Altynor Peru by making payments totalling US $600,000, of which US $50,000 has been paid and US $550,000 is payable on receipts of permits to drill. Altynor Peru holds an option to purchase a 100% undivided interest in nine exploration permits (the "Alto Quemado Property") from Alto Quemado Mining Company S.A.C. On February 27, 2012 the Company transferred all of the outstanding shares of Mawson Peru and its option to earn a 100% interest in Altynor Peru to Darwin, which formed part of the distribution under the Plan of Arrangement.

(c) As at May 31, 2013 the Company maintained the following:

(i) ***Finland***

On April 30, 2010 the Company entered into a purchase and sale agreement with Areva Resources Finland OY ("Areva Finland"), whereby the Company paid $1,403,956 to purchase 170 claims or claim applications in Finland. The Company also holds or has made claim applications in various areas of Finland.

During fiscal 2012 the Company surrendered certain claims in Finland and recorded an impairment charge of $10,162 in exploration and evaluation assets.

As at May 31, 2013 the Company holds a total of 122 claims, 710 claim applications and 14 claim reservations in Finland.

(ii) ***Sweden***

Uranium Properties

During fiscal 2009 the Company and Hodges Resources Ltd. ("Hodges") entered into an option and joint venture agreement whereby Hodges has now earned a 51% interest in eight exploration permits. Hodges may increase its interest to 75% by funding a bankable feasibility study.

During fiscal 2012 the Company surrendered certain uranium claims in Sweden and recorded an impairment charge of $9,064 in exploration and evaluation assets.

Other Properties

On January 4, 2010 the Company entered into an option agreement to acquire up to a 100% interest in three exploration licenses (the "Orrbacken Project") in Sweden. The Company could acquire an initial 90% interest in the Orrbacken Project by paying a total of SEK 1,600,000 over four years. Upon acquisition of the 90% interest, the Company had the right to purchase the remaining 10% interest for SEK 5,000,000.

(Expressed in Canadian Dollars)

8. Exploration and Evaluation Assets (continued)

On January 11, 2010 the Company subsequently entered into an agreement whereby the optionee could earn a 70% interest (the "Interest") in the Company's acquired interest in the Orrbacken Project by spending AUS $2,000,000 over five years. In January 2013 both the Company and the optionee withdrew from the option agreement.

During fiscal 2013 the Company surrendered certain other exploration permits in Sweden and recorded an impairment charge of $1,508 (2012 - $2,584) in exploration and evaluation assets.

As at May 31, 2013 the Company holds a total of 15 claims and 9 claim applications in Sweden.

(d) 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, Finland, 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.

9. Share Capital

(a) *Authorized Share Capital*

As at May 31, 2013 and 2012 the Company's authorized share capital consisted 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 fiscal 2013 or fiscal 2012. See also Note 15.

(c) *Warrants*

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at May 31, 2013 and 2012 and the changes for the years ended on those dates, is as follows:

	2013		2012	
	Number	Weighted Average Exercise Price $	Number	Weighted Average Exercise Price $
Balance, beginning of year	8,797,137	0.93	7,537,012	1.09
Exercised	(3,747,058)	1.02	(25,000)	1.20
Adjustment on Plan of Arrangement	-	-	1,285,125	-
Expired	(129,412)	1.02	-	-
Balance, end of year	4,920,667	0.857	8,797,137	0.93

(Expressed in Canadian Dollars)

9. Share Capital (continued)

The following table summarizes information about the number of common shares reserved pursuant to the Company's warrants outstanding and exercisable at May 31, 2013:

Number	Exercise Price $	Expiry Date
4,920,667	0.857	May 12, 2014

(d) *Share Option Plan*

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

During fiscal 2013 the Company granted 150,000 (2012 - 445,000) share options and recorded share-based compensation expense of $71,000 (2012 - $456,450).

The fair value of share options granted during fiscal 2013 and 2012 is estimated using the Black-Scholes option pricing model using the following assumptions:

	2013	2012
Risk-free interest rate	1.11% - 1.14%	1.34% - 1.87%
Estimated volatility	80% - 86%	86% - 135%
Expected life	3 years	3 years
Expected dividend yield	0%	0%
Estimated forfeiture rate	0%	0%

The weighted average fair value of all share options granted during fiscal 2013 was $0.47 (2012 - $1.03) per option.

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

A summary of the Company's share options at May 31, 2013 and 2012 and the changes for the years ended on those dates, is as follows:

	2013		2012	
	Number of Options Outstanding	Weighted Average Exercise Price $	Number of Options Outstanding	Weighted Average Exercise Price $
Balance, beginning of year	2,473,000	1.02	2,611,500	0.84
Granted	150,000	0.93	445,000	1.49
Exercised	(110,000)	0.45	(553,500)	0.58
Expired	-	-	(30,000)	0.61
Balance, end of year	2,513,000	1.04	2,473,000	1.02

(Expressed in Canadian Dollars)

9. Share Capital (continued)

The following table summarizes information about the share options outstanding and exercisable at May 31, 2013:

Number	Exercise Price $	Expiry Date
1,768,000	0.82	October 18, 2013
150,000	2.35	February 14, 2014
220,000	1.72	August 2, 2014
100,000	1.30	May 5, 2015
125,000	1.24	May 29, 2015
50,000	1.49	August 9, 2015
100,000	0.65	May 1, 2016
2,513,000		

(e) See also Note 15.

10. Related Party Disclosures

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

(a) *Transactions with Key Management Personnel*

During fiscal 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	216,204	215,322
Rent for apartment	22,421	-
Share-based compensation	30,000	-
	430,625	377,322

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 incurred on May 31, 2013, the amount payable under the agreement would be $324,000.

(Expressed in Canadian Dollars)

10. Related Party Disclosures (continued)

(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
	120,000	179,750

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.

11. Income Taxes

Deferred income tax assets and liabilities of the Company as at May 31, 2013 and 2012, are as follows:

	2013 $	2012 $
Deferred income tax assets (liabilities)		
Losses carried forward	3,820,000	3,040,500
Temporary difference on held-for-trading investments	-	(800)
Other	6,800	11,900
	3,826,800	3,051,600
Valuation allowance	(3,826,800)	(3,051,600)
Net deferred income tax asset	-	-

(Expressed in Canadian Dollars)

11. Income Taxes (continued)

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

	2013 $	2012 $
Income tax rate reconciliation		
Combined federal and provincial income tax rate	25.0%	25.9%
Expected income tax recovery	606,900	1,486,700
Taxable capital gain on spin-out	-	(585,900)
Effect of income tax rate changes	(44,300)	(83,800)
Foreign income tax rate differences	2,200	13,400
Non-deductible share-based compensation	(17,800)	(118,200)
Unrealized gain (loss) on held-for-trading investments	-	(22,300)
Other	2,600	(19,500)
Unrecognized benefit of income tax losses	(549,600)	(670,400)
Actual income tax recovery	-	-

As at May 31, 2013, the Company has non-capital losses of approximately $6,197,100 (2012 - $4,880,600) and accumulated pools of approximately $101,100 (2012 - $47,600) for Canadian income tax purposes and are available to reduce taxable income of future years. The non-capital losses expire commencing in 2014 through 2032. The Company's subsidiary in Sweden has losses for income tax purposes of approximately $7,794,500 (2012 - $6,700,000) which may be carried forward indefinitely. The Company's subsidiary in Finland has losses for income tax purposes of approximately $900,900 (2012 - $238,000) which expire commencing in 2022 through 2023.

12. 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	May 31, 2013 $	May 31, 2012 $
Cash	FVTPL	5,209,513	7,351,494
Amounts receivable	Loans and receivables	77,172	153,039
Investments - common shares	Available-for-sale	114,750	355,000
Investments - warrants	FVTPL	-	3,000
Accounts payable and accrued liabilities	Other liabilities	(410,427)	(779,961)

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.

(Expressed in Canadian Dollars)

12. 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 May 31, 2013				
	Less than 3 Months $	3 - 12 Months $	1 - 5 Years $	Over 5 Years $	Total $
Cash	5,209,513	-	-	-	5,209,513
Amounts receivable	77,172	-	-	-	77,172
Investments - common shares	-	-	114,750	-	114,750
Accounts payable and accrued liabilities	(410,427)	-	-	-	(410,427)

	Contractual Maturity Analysis at May 31, 2012				
	Less than 3 Months $	3 - 12 Months $	1 - 5 Years $	Over 5 Years $	Total $
Cash	7,351,494	-	-	-	7,351,494
Amounts receivable	153,039	-	-	-	153,039
Investments - common shares	-	-	355,000	-	355,000
Investments - warrants	-	-	3,000	-	3,000
Accounts payable and accrued liabilities	(779,961)	-	-	-	(779,961)

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.

12. 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 May 31, 2013, 1 Canadian Dollar was equal to 0.74 Euros, 6.39 SEK and 0.97 US Dollars.

Balances are as follows:

	Finland Euros	Swedish Kronors	United States Dollars	CDN $ Equivalent
Cash	61,598	298,023	8,519	138,662
Amounts receivable	36,711	47,413	-	57,029
Accounts payable and accrued liabilities	(192,809)	(513,252)	(493)	(341,382)
	(94,500)	(167,816)	8,026	(145,691)

Based on the net exposures as of May 31, 2013 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 $13,000 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.

(Expressed in Canadian Dollars)

13. Supplemental Cash Flow Information

During fiscal 2013 and 2012 non-cash activities were conducted by the Company as follows:

	2013 $	2012 $
Operating activity		
Increase in accounts payable and accrued liabilities	210,233	416,929
Investing activity		
Additions to exploration and evaluation assets	(210,233)	(416,929)
Financing activities		
Issuance of share capital	38,500	235,149
Share-based payments reserve	(38,500)	(235,149)
	-	-

14. Segmented Information

The Company operates in one reportable segment, the exploration and development of unproven exploration and evaluation assets. As at May 31, 2013 and 2012 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 May 31, 2013				
	Canada $	Sweden $	Finland $	Peru $	Total $
Current assets	5,158,638	56,113	142,930	-	5,357,681
Investments	114,750	-	-	-	114,750
Property, plant and equipment	57,931	14,706	5,895	218,426	296,958
Exploration and evaluation assets	-	400,529	7,846,210	-	8,246,739
	5,331,319	471,348	7,995,035	218,426	14,016,128

	As at May 31, 2012				
	Canada $	Sweden $	Finland $	Peru $	Total $
Current assets	7,222,800	209,589	155,265	-	7,587,654
Investments	358,000	-	-	-	358,000
Property, plant and equipment	7,409	26,641	-	230,850	264,900
Exploration and evaluation assets	-	11,481	4,889,442	-	4,900,923
	7,588,209	247,711	5,044,707	230,850	13,111,477

15. Event after the Reporting Period

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.