

# MAWSON RESOURCES LIMITED

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED AUGUST 31, 2013

### Background

This discussion and analysis of financial position and results of operation is prepared as at October 11, 2013, and should be read in conjunction with the unaudited condensed consolidated interim financial statements and the accompanying notes for the three months ended August 31, 2013 of Mawson Resources Limited ("Mawson" or the "Company"). The following disclosure and associated financial statements are presented in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all dollar figures included therein and in the following management's discussion and analysis ("MD&A") are quoted in Canadian dollars.

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

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

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

### Company Overview

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

Mawson is an exploration and development company with precious and base metal interests in Scandinavia. Mawson's exploration focus in Scandinavia is on the Rompas gold and uranium project in Finland. Mawson is managed by resource industry professionals with significant exploration and capital market expertise.

Mawson's recent major milestones include:

- Discovery of a disseminated style system at Rajapalot within a 4 square kilometre area, located 7 km to the east of the initial Rompas vein-style discovery. Mawson announced the first core sampling from the Palokas prospect, within the Rajapalot area, in October 2013. Drill hole PRAJ0003 intersected 9 metres at 10.2 g/t gold from surface, including 3 metres at 27.5 g/t gold. Additionally, results from the VTEM airborne electrical geophysical survey at Rajapalot indicates that mineralization discovered in PRAJ0003 is coincident with a conductor that extends for more than 500 metres through an area with <1% outcrop. This is the first core test of the disseminated style of gold mineralization at the Rompas project. Over the broader area at Rajapalot 52 grab samples from Rajapalot average 152.8 g/t gold and range from 0.001 g/t to 2,817 g/t gold. Although grab samples are selective by nature and are unlikely to represent average grades on the property these results not only demonstrate the scale, prospectivity and extremely high-grade nature of the Rompas-Rajapalot area, but of potentially greater interest is the context of this new discovery with the larger Rompas-Rajapalot project area.

- The completion of two drill programs at the initial Rompas vein-style discovery over the last year. The first drill program at South Rompas included the highlight of 6 metres at 617 g/t gold from 7 metres in drill hole ROM0011 which includes 1 metre at 3,540 g/t gold from 11 metres depth. The second drill program, conducted over the winter (December 2012 - January 2013) confirmed the presence and variable continuity within metabasalts of high grade, nuggety gold at both North and South Rompas and included results from North Rompas of 0.4 m at 395 g/t Au and 0.41% U<sub>3</sub>O<sub>8</sub> in drill hole ROM0052 and at South Rompas the top 24% all assays from trenches and drilling now grade 100 g/t or more.
- At this very early stage of exploration, Mawson now has indications of a mineral system that has deposited high-grade gold within an area approaching 10 km by 10 km. This is significant on a global scale.

In September 2013 the Company closed a non-brokered private placement of 9,344,417 units at \$0.45 per unit for gross proceeds of \$4,204,988. Each unit consists of one common share of Mawson and one-half of one non-transferable common share purchase warrant. Each whole warrant is exercisable to acquire one additional common share of Mawson at a price of \$0.65 for a period of two years.

## Exploration Projects

### *Finland*

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

Status of Mawson's Claims in Finland.

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

### *Rompas-Rajapalot Gold and Uranium Project*

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

The initial discovery area, Rompas, is a hydrothermal vein style system defined over a 6.0 kilometres strike and 200-250 metres width. Exploration on the project started in May 2010. During that year, 80 channel samples averaged 0.59 metres at 203.66 g/t gold and 0.86% U<sub>3</sub>O<sub>8</sub> and during 2011 the weighted average of all 74 channel intervals was 1.40 m at 51.9 g/t gold and 0.13 % U<sub>3</sub>O<sub>8</sub>. Unrepresentative grab sample results include values up to 33,200 ppm gold and 56.6% uranium oxide at Rompas.

From mid-2011 to the end of the period Mawson has drilled 8,164.8 metres in 90 holes at Rompas, comprising 2,462.8 metres in 29 drill holes at North Rompas; 2,436.2 metres in 29 drill holes in the northern block at South Rompas; 2,504.3 metres in 24 holes within the southern block at South Rompas; and 761.5 metres in 8 drill holes at Northern Rajapalot.

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

A second drill program commenced in December 2012. At North Rompas the best results include 0.4 metres at 395 g/t gold and 0.41% U<sub>3</sub>O<sub>8</sub> from 41.0 metres in drill hole ROM0052, the most southerly drillhole of the program; and 1.1 metres at 9.8 g/t gold and 0.16% U<sub>3</sub>O<sub>8</sub> from 78.5 metres in drill hole ROM0053.

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

- Top 24% of all trench and drill assays above the lower cut of 0.5 g/t Au or 100 ppm U<sub>3</sub>O<sub>8</sub>, have a grade of 100 g/t or more and the top 24% of all intersections have a grade of 0.42% U<sub>3</sub>O<sub>8</sub> or higher.
- Top 25% of drill intersections only have a grade of 7.7 g/t or higher.
- Highest grade drill hole intersection is 3,540 g/t gold over 1 metre. The highest grade uranium intersection is 3.6% U<sub>3</sub>O<sub>8</sub> over 0.6 m in a trench. The highest grade drill intersection grade of 0.7% U<sub>3</sub>O<sub>8</sub> over 1.0 metres;
- Mineralization in the vein system, to date, is characterized by narrow intersection widths of 1-2 metres with an average of 0.9 metre thickness.
- Drilling, to date, has been shallow with 46% of intersections at 20 metres down hole depth or less.
- 11 out of 13 holes drilled in 2013 winter drill program at South Rompas had at least one intersection that exceeded lower cut 0.5 g/t gold or 100 ppm U<sub>3</sub>O<sub>8</sub>.

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

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

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

In October 2013, Mawson announced the first core test of the disseminated style of gold mineralization from the Palokas prospect intersected 9 metres at 10.2 g/t gold from surface, including 3 metres at 27.5 g/t gold in hole PRAJ0003. Palokas is part of the Rajapalot area, located 7 kilometres east of our drilling in the vein style mineralization at Rompas. In addition results from a recent VTEM airborne electrical geophysical survey at Rajapalot indicates that mineralization discovered in PRAJ0003 is coincident with a conductor that extends for more than 500 metres through an area with <1% outcrop. As of the date of this MD&A, sampling is continuing at Palokas with six holes completed to date and assays pending.

This result has validated Mawson's prior limited surface sampling, with hole PRAJ0003 producing the widest and most consistent gold grades at Rompas to date. In context with the extensive VTEM geophysical anomaly, Palokas forms a strong exploration target.

Fine disseminated gold mineralization in PRAJ0003 occurs within calcsilicate-biotite-tourmaline-pyrrhotite rocks in a contact zone between mafic rocks and relatively oxidized quartzites. The true thicknesses of the mineralized interval in PRAJ0003 is interpreted to be approximately 80% of the sampled thickness. PRAJ0003 was slightly offset from a previous sampled rock chip panel sample which averaged 13.4 g/t gold and 226 ppm uranium over 9 metres where mineralization was sampled to the overburden contact in both directions. Previous surface rock chip grab sampling within an area of 170 metres by 55 metres at Palokas averaged 20.7 g/t gold and 0.13% U<sub>3</sub>O<sub>8</sub> and ranged from <0.01 g/t to 85.0 g/t Au and 2.5 ppm to 1.51% U<sub>3</sub>O<sub>8</sub> (see news release January 14, 2013). Grab samples are selective

by nature and are unlikely to represent average grades on the property. To date, no multi-element assays have been received from PRAJ0003.

Sampling is being completed with an environmentally-sensitive hand portable low impact diamond drill core sampler. The Finnish mining authority ("TUKES") has confirmed that this form of exploration is considered minor sampling as stated in Mawson's current claim permit guidelines. Palokas is located in an European Union ("EU") defined biodiversity Natura 2000 area. At this stage of permitting the Company is entitled to 100% of the mineral rights, with certain limitations on exploration methods that can be completed including no larger scale drilling or mechanical trenching. Mawson has applied for a modification of this decision by conducting an environmental program (a Natura 2000 assessment) to address these observations in order to obtain permission to conduct larger scale drilling in these areas and a decision is not expected until Q1 2014. The year-long Natura 2000 assessment mapped and reported in detail the floral distribution and natural habitat types of the area. The assessment also defined the impact that Mawson's exploration work will have on the biodiversity values. The key consultant who performed all the mapping was one of the biologists who mapped the Natura 2000 area when it was defined in the late 1990s. He is widely considered as the biodiversity expert for the project area. The report stated that, at this stage of exploration, a managed program will have no significant environmental effects on the area. The Company formally submitted the study to the competent authority, the Centre for Economic Development, Transport and the Environment in Lapland ("ELY") on June 26, 2013. ELY have up to six months to comment on the Natura 2000 assessment report, and provide their feedback to TUKES. TUKES are the ultimate decision-makers to modify Mawson's claims to allow drilling in the Natura 2000 areas.

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

Surface prospecting, using radiometric methods as a pathfinder for gold, have defined high-grade gold mineralization over a 100 km<sup>2</sup> area, where less than 5% of rock outcrops. Mawson's geochemical rock chip, grab and channel sample database over this large area now contains 1,171 samples which average 212 g/t gold and 0.8% U<sub>3</sub>O<sub>8</sub>. Of the 1,171 samples, 84 samples assay more than 100 g/t gold. Gold values range from 33,320 g/t gold to <0.001 g/t gold and U<sub>3</sub>O<sub>8</sub> values from 49.5% to <4 ppm. Channel samples are considered representative of the in situ mineralization sampled, while grab samples are selective by nature and are unlikely to represent average grades on the property.

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

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

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

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

Detailed field mapping and logging of drill core indicate the gold and uraninite at Rompas is hosted by carbonate-quartz-calcisilicate veins and their related alteration selvages. The calcisilicate veins comprise carbonate, quartz, amphibole and pyroxene with highly variable amounts and distribution of uraninite and gold. Alteration of the host rock marginal to the veins comprises biotite, amphibole and some K-feldspar. The gold and uraninite are

typically found intimately associated at North and South Rompas, although rare elevated U intersections contain little or no gold. The carbonate veins within the host clastic sequence appear identical to those within the metabasalts, indicating perhaps a structural or wall rock control on the precipitation of the gold and uraninite. Further work to identify the controls on mineralization is being conducted in association with the Geological Survey of Finland (“GTK”).

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

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

A NI 43-101 technical report dated August 26, 2013 on the Rompas property is filed on [www.sedar.com](http://www.sedar.com).

## **Environment**

For the 10,580 hectares at Rompas, the Company is entitled to 100% of the mineral rights over the entire claim with certain limitations on exploration methods that can be completed in Natura 2000 areas (an EU biodiversity program) within the exploration claims, including no drilling or trenching due to the presence of specific flora. Mawson is entitled to apply for a modification of this decision by conducting an environmental program (a Natura 2000 assessment) to address these observations in order to obtain permission to conduct drilling and trenching in these areas. Approximately 80% of Mawson’s highest priority targets at Rompas are within EU defined biodiversity areas (Natura 2000) where the Company is not yet permitted to drill. Natura 2000 sites cover about 10% of Finland and approximately 30% of Northern Finland. Natura 2000 is the centrepiece of EU nature and biodiversity policy. It is an EU-wide ecological network of nearly 26,000 sites in the 27 EU countries, established under the 1992 Habitats Directive and covering almost 18% of the EU's land area. The aim of the network is to assure the long-term survival of Europe’s most valuable and threatened species and habitats. Natura 2000 is not a system of strict nature reserves where all human activities are excluded. Whereas the network will certainly include nature reserves, most of the land is likely to continue to be privately-owned and the emphasis will be on ensuring that future management is sustainable, both ecologically and economically.

Mawson commissioned Golder Associates of Finland to complete a year-long Natura 2000 assessment that mapped and reported in detail the floral distribution and natural habitat types of the area. The assessment also defines the impact that Mawson’s exploration work will have on the biodiversity values. The key consultant who performed all the mapping was one of the biologists who mapped the Rompas Natura 2000 area when it was defined in the late 1990s. He is widely considered as the biodiversity expert for the project area. The report stated that at this stage of exploration, a managed program will have no significant environmental effects on the area. The Company formally submitted the study to the competent authority, ELY on June 26, 2013. ELY have up to six months to comment on the report, and provide their feedback to TUKES. The Company does not expect a decision before early 2014.

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

Additionally, the Company has continued to regularly meet all stakeholders including local groups, municipalities and administrative bodies to update them on the Company’s work plans. For the most part the stakeholders have been supportive of the Company’s work programs and how it has dealt with compliance issues, however there have been some objections and opposition to the Company’s work plans and environmental efforts. The Company has been dealing with certain Finnish environmental authorities in regards to certain issues raised as a result of the Company’s hand dug trenches at Rompas, completed during the 2010 and 2011 work programs. The first issue involves applying for specific permits to explore on decree-based areas, where exploration is a permitted act. The second issue involves claims that the Company’s hand dug trenches from 2010 and 2011 have affected the nature values of an area. The

Company's position is that its work programs have had no material impact on the nature values and the Company has engaged various third party studies to demonstrate this to be the case.

### *Sweden*

As at August 31, 2013, Mawson holds 7 claims and 1 claim application in Sweden. During the first quarter, Mawson Energi AB relinquished or wrote off many of their Swedish claims in order to concentrate on the developing prospectivity at Rompas.

### *Future Developments*

Upcoming future developments at Rompas include:

- Twenty-four shallow, small diameter diamond core holes within the Palokas prospect at Rajapalot over 150 metres of strike to test the non-vein, disseminated style of mineralization for the first time. Each diamond core hole will average 15 metres depth and will be completed with an environmentally-sensitive hand portable low impact core sampler that has been tested extensively within the Kaita prospect over the last few months. TUKES has confirmed that this form of exploration is considered minor sampling as stated in Mawson's current claim permit guidelines;
- One thousand metres of diamond drilling at the Kaita prospect to test the prospect for the first time;
- Eight hundred metres of RC drilling at South Rompas to collect metallurgical and bulk samples to better determine gold grades within the nuggetty vein system;
- Two longitudinal diamond drill holes for 250 metres at South Rompas to test for different structural controls on gold mineralization;
- Shallow diamond drill traverses to test regional key trends at Rompas, to further test some of the 98% of the 100 square km Rompas property that remains unknown under thin soil cover.
- Extensive geological research work to better understand the formation, timing and controls of gold and uranium mineralization in conjunction with the GTK.

### **Qualified Person**

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

### **Selected Financial Data**

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

	Fiscal 2014	Fiscal 2013				Fiscal 2012		
	Aug 31 2013 \$	May 31 2013 \$	Feb 28 2013 \$	Nov 30 2012 \$	Aug 31 2012 \$	May 31 2012 \$	Feb 29 2012 \$	Nov 30 2011 \$
<b>Operations:</b>								
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Expenses	(655,322)	(574,673)	(670,567)	(649,549)	(645,448)	(1,315,654)	(984,309)	(603,462)
Other items	(59,145)	44,585	22,172	38,995	6,721	(1,985,507)	(50,797)	(7,212)
Deferred income tax	Nil	(50,000)	13,400	(5,400)	12,000	8,850	(1,650)	500
Net loss	(714,467)	(580,088)	(634,995)	(615,954)	(626,727)	(3,292,311)	(1,036,756)	(610,174)
Other comprehensive (loss) income, net	Nil	(41,625)	(121,025)	(131,600)	84,000	(102,350)	(5,850)	(2,000)
Comprehensive loss	(714,467)	(621,713)	(756,020)	(747,554)	(542,727)	(3,394,661)	(1,042,606)	(612,174)
Basic and diluted loss per share	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.06)	(0.02)	(0.01)
Dividends per share	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>Balance Sheet:</b>								
Working capital	6,457,266	4,947,254	6,305,321	7,946,641	5,534,536	6,807,693	9,120,965	10,348,937
Total assets	15,945,706	14,016,128	14,937,634	15,552,720	12,269,199	13,111,477	20,823,319	20,986,972
Total long-term liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

## Results of Operations

### *Three Months Ended August 31, 2013 Compared to Three Months Ended May 31, 2013*

During the three months ended August 31, 2013 (“Q1”) the Company reported a net loss of \$714,467 compared to a net loss of \$580,088 for the three months ended May 31, 2013 (the “Q4”) an increase in loss of \$134,379. The primary factor for the increase in loss in Q1 compared to Q4, is attributed to a \$94,894 impairment of exploration and evaluation assets in Q1 compared to a \$1,508 impairment in Q4.

### *Three Months Ended August 31, 2013 Compared to Three Months Ended August 31, 2012*

During the three month period ended August 31, 2013 (the “2013 period”) the Company reported a net loss of \$714,467 (\$0.01 per share), an increase of \$87,740 from the net loss of \$626,727 (\$0.01 per share) for the three months ended August 31, 2012 (the “2012 period”). The primary factor for the increase is attributed to a \$94,894 impairment of exploration and evaluation assets in the 2013 period.

Total expenses increased by \$9,874, from \$645,448 during the 2012 period to \$655,322 during the 2013 period. Specific expenses of note during the 2013 period are as follows:

- incurred a total of \$15,300 (2012 - \$11,000) for accounting and administrative services provided by Chase Management Ltd. (“Chase”), a private corporation owned by a director of the Company and \$19,847 (2012 - \$14,600) provided by external accounting services in Sweden and Finland;
- incurred legal fees of \$96,013 (2012 - \$57,676) for legal work to review claims applications in Finland and address Natura 2000 environmental requirements;
- incurred general exploration expenditures of \$102,677 (2012 - \$143,935) relating to ongoing general exploration and property due diligence in Sweden and Finland. Fluctuations in general exploration expenditures is primarily affected by allocations to direct property costs;
- incurred \$101,344 (2012 - \$98,925) for travel expenses, primarily for ongoing international travel by Company management, personnel and contract geologists to oversee the Company’s exploration and evaluation assets;
- incurred audit fees of \$20,575 (2012 - \$8,200) for the audit of the Company’s year-end financial statements; The change between the 2013 period and the 2012 period was solely due to the timing of billings;
- the Company had retained Albis Capital Corporation (“Albis”) and Mining Interactive Corp. (“Mining Interactive”) to provide market awareness and investor relations activities. Effective January 31, 2013 the Company terminated its arrangement with Mining Interactive. During the 2013 period the Company paid Albis \$9,000 (2012 - \$9,000) and Mining Interactive \$nil (2012 - \$10,500);
- incurred \$71,935 (2012 - \$59,446) for professional services, which includes \$37,500 (2012 - \$56,172) for professional fees charged by current and former directors and officers and \$34,435 (2012 - \$3,274) for professional fees charged by others for administrative and financial consulting;
- incurred \$40,500 (2012 - \$40,500) for management fees charged through Sierra Peru Pty (“Sierra”) for remuneration of Mr. Michael Hudson as the Company’s President and CEO;
- incurred corporate development expenses of \$9,995 (2012 - \$36,861) for participation at international and investment conferences and implementation of market awareness programs. During the 2013 period the Company has scaled back its corporate development programs during this current economic period;
- incurred salaries and benefits of \$68,838 (2012 - \$32,042) for staff in the mining offices in Finland and Sweden. Fluctuations in salaries and benefits is affected by allocations to direct property costs in Finland and Sweden;
- incurred rent expenses of \$40,675 (2012 - \$18,024). During the 2013 period the Company paid accommodations for the Vice-President of Exploration to live in Finland to oversee the Company’s exploration and evaluation assets in Finland; and
- recorded share-based compensation of \$nil (2012 - \$41,000) on the granting of share options.

As the Company is in the exploration stage of investigating and evaluating its unproven mineral interests, it has no revenue. Interest income is generated from cash on deposit with the Bank of Montreal and short-term money market instruments issued by major financial institutions. During the 2013 period the Company reported interest and other income of \$27,051 as compared to \$22,407 during the 2012 period.

## Financing

On August 2, 2013 the Company completed the first tranche of the private placement and issued 5,710,417 units for gross proceeds of \$2,569,687. On September 9, 2013 the Company completed the final tranche of the private placement for 3,634,000 units for gross proceeds of \$1,635,300. All proceeds were allocated to general working capital and utilized to advance exploration and cover corporate overhead. The Company did not conduct any financings during the 2012 period.

During the 2012 period the Company received \$8,200 from the exercise of share options. No options were exercised during the 2013 period.

## Investments

The Company's holdings in the common shares of publicly held companies have been designated as available-for-sale for accounting purposes and are measured at fair value. As at August 31, 2013 the quoted market value of the 3,500,000 Hansa common shares was \$105,000 and the 75,000 Tumi common shares was \$9,750.

## Exploration and Evaluation Assets

	As at August 31 2013			As at May 31 2013		
	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$
Finland - Gold Projects	1,751,855	6,617,098	8,368,953	1,751,855	6,094,355	7,846,210
Sweden - Other Projects	110,483	94,709	205,192	298,266	102,263	400,2529
	<u>1,862,338</u>	<u>6,711,807</u>	<u>8,574,145</u>	<u>2,050,121</u>	<u>6,196,618</u>	<u>8,246,739</u>

During the 2013 period the Company incurred a total of \$561,689 (2012 - \$682,584) on the acquisition, exploration and evaluation of its unproven resource assets, of which \$522,743 (2012 - \$570,177) was incurred on its Finnish Projects and \$38,946 (2012 - \$112,407) on its Swedish projects. In addition during the 2013 period the Company recovered \$139,389 on mining permits relinquished on its Swedish projects and recorded an impairment of \$94,894 on its exploration and evaluation assets in Sweden. Details of the exploration activities conducted during the 2013 period are described in "Exploration Projects" in this MD&A.

## Cash Flows

During the 2013 period cash increased by \$1,600,130. Operations utilized \$583,892, investing activities for expenditures on exploration and evaluation assets utilized \$359,220 and financing activities from equity financing generated \$2,543,242.

During the 2012 period cash decreased by \$1,526,492. Operations utilized \$569,390, investing activities for additions to property, plant and equipment and expenditures on exploration and evaluation assets utilized \$965,302, investing activities from the exercise of share options generated \$8,200.

## Financial Condition / Capital Resources

As at August 31, 2013 the Company had cash resources of \$6,809,643, an increase of \$1,600,130 from \$5,209,513 as at May 31, 2013. The increase in cash resources is attributed to the proceeds received from the equity financing and partially offset by the use of cash in operating and investing activities during the three months ended August 31, 2013.

As at August 31, 2013, the Company had working capital of \$6,457,266. In addition, on September 9, 2013 the Company completed the final tranche of a private placement for 3,634,000 units for gross proceeds of \$1,635,300. The Company believes that it has sufficient financial resources to conduct anticipated exploration programs and meet anticipated corporate administration costs for the upcoming twelve month period. However, exploration activities may change due to ongoing results and recommendations, or the Company may acquire additional properties, which may entail significant funding or exploration commitments. The Company may be required to obtain additional financing. The Company has relied solely on equity financing to raise the requisite financial resources. While it has



been successful in the past, there can be no assurance that the Company will be successful in raising future financing should the need arise.

### **Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

### **Proposed Transactions**

There are no proposed transactions.

### **Critical Accounting Estimates**

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

### **Changes in Accounting Policies**

There are no changes in accounting policies.

### **Related Parties Disclosures**

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

#### **(a) *Transactions with Key Management Personnel***

During the three months ended August 31, 2013 and 2012 the following amounts were incurred with respect to the Company's President, Chief Financial Officer ("CFO"), current Vice-President of Exploration, and former Vice-President of Exploration:

	<b>2013</b>	<b>2012</b>
	\$	\$
Management fees	40,500	40,500
Professional fees	55,979	54,336
Rent for apartment	15,346	-
	<u>111,825</u>	<u>94,836</u>

As at August 31, 2013, \$32,199 (2012 - \$30,934) of the above amounts remained unpaid.

The Company has a management agreement with the President, which provides that in the event the President's services are terminated without cause or upon a change of control of the Company, a termination payment of two years of compensation, at \$13,500 per month, is payable. If the termination had occurred on August 31, 2013, the amount payable under the agreement would be \$324,000.

(b) *Transactions with Other Related Parties*

- (i) During the three months ended August 31, 2013 and 2012 the following amounts were incurred with respect to non-executive directors of the Company:

	2013 \$	2012 \$
Salaries	14,250	-
Professional fees	30,000	41,000
Share-based compensation	-	1,200
	<u>44,250</u>	<u>42,200</u>

As at August 31, 2013, \$27,500 (2012 - \$12,500) of the above amounts remained unpaid.

- (ii) During the three months ended August 31, 2013 the Company incurred a total of \$15,300 (2012 - \$11,000) 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 (2012 - \$1,200) for rent. As at August 31, 2013, \$8,470 (2012 - \$5,400) remained unpaid .
- (c) During the three months ended August 31, 2013 the Company recovered \$31,607 (2012 - \$nil) for shared office personnel and costs from public companies with common directors and officers. As at August 31, 2013, \$3,250 (2012 - \$nil) of the amount remained outstanding.

### **Risks and Uncertainties**

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

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

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

### **Investor Relations Activities**

The Company provides information packages to investors; the package consists of materials filed with regulatory authorities. The Company updates its website ( [www.mawsonresources.com](http://www.mawsonresources.com) ) on a continuous basis.

Effective February 8, 2012 the Company retained Albis to provide market awareness and investor relations activities. During the 2013 period the Company paid Albis a total of \$9,000. The arrangement may be cancelled by either party on 30 days notice.

### **Outstanding Share Data**

The Company’s authorized share capital is unlimited common shares without par value. As at October 11 2013 there were 65,425,728 issued and outstanding common shares. In addition, there were 6,403,000 share options outstanding,

at exercise prices ranging from \$0.52 to \$2.35 per share and 9,592,875 warrants outstanding at exercise prices ranging from \$0.65 to \$0.857 per share.

### **Disclosure Controls and Procedures**

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

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer has concluded that the Company's disclosure controls and procedures, as defined in National Instrument 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings ("52-109"), are effective to ensure that the information required to be disclosed in reports that are filed or submitted under Canadian Securities legislation are recorded, processed, summarized and reported within the time period specified in those rules. Management relies upon certain informal procedures and communication, and upon "hands-on" knowledge of senior management. Due to the small staff, however, the Company will continue to rely on an active Board and management with open lines of communication to maintain the effectiveness of the Company's disclosure controls and procedures.

### **Internal Controls and Procedures over Financial Reporting**

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

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

- (a) there is limited segregation of duties which could result in a material misstatement in the Company's financial statements. Given the Company's limited staff level, certain duties within the accounting and finance department cannot be properly segregated. However, none of these segregation of duty deficiencies resulted in material misstatement to the financial statements as the Company relies on certain compensating controls, including periodic substantive review of the financial statements by the Chief Executive Officer, Audit Committee and Board of Directors.
- (b) on occasion, the Company undertakes complex and non-routine transactions. These are sometimes extremely technical in nature and require an in-depth understanding of IFRS. The Company's accounting staff have a reasonable knowledge of the rules related to IFRS but may not have the in-depth understanding required to properly account for these non-routine transactions. To address this risk, the Company consults with its third party advisors as needed in connection with the recording and reporting of complex and non-routine transactions.

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

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