
MAWSON RESOURCES LIMITED

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
NOVEMBER 30, 2016

(Unaudited - Expressed in Canadian Dollars)

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

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

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

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

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

	Note	November 30, 2016 \$	May 31, 2016 \$
ASSETS			
Current assets			
Cash		3,185,107	4,087,254
Amounts receivable		14,529	7,623
GST/VAT receivable		21,817	32,096
Prepaid expenses and deposits		<u>71,689</u>	<u>109,366</u>
Total current assets		<u>3,293,142</u>	<u>4,236,339</u>
Non-current assets			
Investments		38,813	95,953
Property, plant and equipment	4	23,413	25,115
Exploration and evaluation assets	5	14,822,607	14,094,717
Deferred share issue costs	12	<u>2,699</u>	<u>-</u>
Total non-current assets		<u>14,887,532</u>	<u>14,215,785</u>
TOTAL ASSETS		<u>18,180,674</u>	<u>18,452,124</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		<u>286,104</u>	<u>246,058</u>
TOTAL LIABILITIES		<u>286,104</u>	<u>246,058</u>
SHAREHOLDERS' EQUITY			
Share capital	6	42,327,191	42,327,191
Share subscriptions received	12	276,000	-
Share-based payments reserve		6,949,017	6,071,217
Deficit		(31,594,348)	(29,471,192)
Accumulated other comprehensive loss		<u>(63,290)</u>	<u>(721,150)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>17,894,570</u>	<u>18,206,066</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>18,180,674</u>	<u>18,452,124</u>

Events after the Reporting Period - see Note 12

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on January 11, 2017 and are signed on its behalf by:

/s/ Michael Hudson
Michael Hudson
Director

/s/ Nick DeMare
Nick DeMare
Director

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

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

	Note	Three Months Ended November 30		Six Months Ended November 30	
		2016 \$	2015 \$	2016 \$	2015 \$
Expenses					
Accounting and administration	7(b)(ii)	24,225	26,247	45,811	47,388
Audit		29,070	41,220	29,070	41,220
Corporate development		12,184	22,646	12,184	34,938
Depreciation	4	2,836	2,836	5,672	5,672
General exploration		18,093	11,365	38,563	21,013
Legal		10,111	15,431	10,436	16,536
Management fees	7(a)	45,000	45,000	90,000	90,000
Office and sundry		12,511	25,797	28,443	38,308
Professional fees	7	75,483	89,334	123,553	174,373
Regulatory fees		3,461	3,403	11,200	11,084
Rent		18,202	12,213	36,085	23,345
Salaries and benefits	7(b)(i)	49,686	53,924	70,226	97,505
Share-based compensation	6(d)	877,800	-	877,800	-
Shareholder costs		8,355	5,799	10,590	8,299
Transfer agent		4,171	465	4,679	1,556
Travel		85,316	61,980	162,007	106,854
		<u>1,276,504</u>	<u>417,660</u>	<u>1,556,319</u>	<u>718,091</u>
Loss before other items		<u>(1,276,504)</u>	<u>(417,660)</u>	<u>(1,556,319)</u>	<u>(718,091)</u>
Other items					
Gain on sale of property, plant and equipment	4	-	-	-	99,235
Realized loss on sale of investment	8	(575,000)	-	(575,000)	-
Interest and other income		5,782	7,775	14,221	18,072
Foreign exchange		(2,682)	(2,004)	(6,058)	21,336
		<u>(571,900)</u>	<u>5,771</u>	<u>(566,837)</u>	<u>138,643</u>
Net loss for the period		<u>(1,848,404)</u>	<u>(411,889)</u>	<u>(2,123,156)</u>	<u>(579,448)</u>
Other comprehensive income (loss)		<u>617,198</u>	<u>(9,375)</u>	<u>657,860</u>	<u>3,237</u>
Comprehensive loss for the period		<u>(1,231,206)</u>	<u>(421,264)</u>	<u>(1,465,296)</u>	<u>(576,211)</u>
Basic and diluted loss per common share		<u>\$(0.02)</u>	<u>\$(0.01)</u>	<u>\$(0.02)</u>	<u>\$(0.01)</u>
Weighted average number of common shares outstanding		<u>90,307,863</u>	<u>74,549,971</u>	<u>90,307,863</u>	<u>74,549,971</u>

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

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

Six Months Ended November 30, 2016

	Share Capital		Share Subscriptions Received	Share-Based Payments Reserve	Deficit	Accumulated Other Comprehensive (Loss) Income	Total Equity
	Number of Shares	Amount \$					
Balance at May 31, 2016	90,307,863	42,327,191	-	6,071,217	(29,471,192)	(721,150)	18,206,066
Share subscriptions received	-	-	276,000	-	-	-	276,000
Share-based compensation	-	-	-	877,800	-	-	877,800
Unrealized income on investments	-	-	-	-	-	47,860	47,860
Reclassification of adjustment on sale of investment	-	-	-	-	-	610,000	610,000
Net loss for the period	-	-	-	-	(2,123,156)	-	(2,123,156)
Balance at November 30, 2016	90,307,863	42,327,191	276,000	6,949,017	(31,594,348)	(63,290)	17,894,570

Six Months Ended November 30, 2015

	Share Capital		Share Subscriptions Received	Share-Based Payments Reserve	Deficit	Accumulated Other Comprehensive (Loss) Income	Total Equity
	Number of Shares	Amount \$					
Balance at May 31, 2015	74,549,971	39,225,378	-	6,069,717	(28,121,867)	(751,352)	16,421,876
Share subscriptions received	-	-	1,379,078	-	-	-	1,379,078
Unrealized income on investments	-	-	-	-	-	3,237	3,237
Net loss for the period	-	-	-	-	(579,448)	-	(579,448)
Balance at November 30, 2015	74,549,971	39,225,378	1,379,078	6,069,717	(28,701,315)	(748,115)	17,224,743

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

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

	Six Months Ended November 30.	
	2016 \$	2015 \$
Operating activities		
Net loss for the period	(2,123,156)	(579,448)
Adjustments for:		
Depreciation	5,672	5,672
Share-based compensation	877,800	-
Realized loss on sale of investment	575,000	-
Gain on sale of property, plant and equipment	-	(99,235)
Changes in non-cash working capital items:		
Amounts receivable	(6,906)	644
GST/VAT receivables	10,279	(5,322)
Prepaid expenses and deposits	37,677	8,261
Accounts payable and accrued liabilities	13,797	(7,881)
Net cash used in operating activities	<u>(609,837)</u>	<u>(677,309)</u>
Investing activities		
Expenditures on exploration and evaluation assets	(701,641)	(671,268)
Proceeds on sale of investment	140,000	-
Additions to property, plant and equipment	(3,970)	-
Proceeds on sale of property, plant and equipment	-	292,813
Net cash used in investing activities	<u>(565,611)</u>	<u>(378,455)</u>
Financing activities		
Share subscriptions received	276,000	1,379,078
Deferred share issue costs	(2,699)	(13,476)
Net cash provided by financing activities	<u>273,301</u>	<u>1,365,602</u>
Net change in cash	(902,147)	(309,838)
Cash at beginning of period	<u>4,087,254</u>	<u>4,371,419</u>
Cash at end of period	<u>3,185,107</u>	<u>4,681,257</u>

Supplemental cash flow information - Note 10

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

MAWSON RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED NOVEMBER 30, 2016
(Unaudited - Expressed in Canadian Dollars)

1. Nature of Operations

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

The Company is a resource company engaged in the acquisition and exploration of unproven mineral interests. As at November 30, 2016 the Company has not earned any production revenue, nor found proved reserves on any of its unproven mineral interests. On the basis of information to date, the Company has not yet determined whether these properties contain economically recoverable ore reserves. The underlying value of the exploration and evaluation assets is entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete development and upon future profitable production. Exploration and evaluation assets represent costs incurred to date, less amounts depreciated and/or written off, and do not necessarily represent present or future values.

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

See also Note 12.

2. Basis of Preparation

Statement of Compliance

These condensed consolidated interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”), and in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”). These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended May 31, 2016, which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies followed in these condensed consolidated interim financial statements are consistent with those applied in the Company’s consolidated financial statements for the year ended May 31, 2016.

Basis of Presentation

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

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

MAWSON RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED NOVEMBER 30, 2016
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3. Subsidiaries

The subsidiaries of the Company are:

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

4. Property, Plant and Equipment

Cost:	Condominium \$	Office Furniture and Equipment \$	Field Equipment \$	Vehicles \$	Total \$
Balance at May 31, 2015	248,450	10,458	74,069	158,504	491,481
Disposal	<u>(248,450)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(248,450)</u>
Balance at May 31, 2016	-	10,458	74,069	158,504	243,031
Additions	<u>-</u>	<u>-</u>	<u>3,970</u>	<u>-</u>	<u>3,970</u>
Balance at November 30, 2016	<u>-</u>	<u>10,458</u>	<u>78,039</u>	<u>158,504</u>	<u>247,001</u>
Accumulated Depreciation:					
Balance at May 31, 2015	(54,872)	(7,295)	(45,887)	(152,895)	(260,949)
Depreciation	-	(2,587)	(8,130)	(1,122)	(11,839)
Disposal	<u>54,872</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,872</u>
Balance at May 31, 2016	-	(9,882)	(54,017)	(154,017)	(217,916)
Depreciation	<u>-</u>	<u>(60)</u>	<u>(5,164)</u>	<u>(448)</u>	<u>(5,672)</u>
Balance at November 30, 2016	<u>-</u>	<u>(9,942)</u>	<u>(59,181)</u>	<u>(154,465)</u>	<u>(223,588)</u>
Carrying Value:					
Balance at May 31, 2016	<u>-</u>	<u>576</u>	<u>20,052</u>	<u>4,487</u>	<u>25,115</u>
Balance at November 30, 2016	<u>-</u>	<u>516</u>	<u>18,858</u>	<u>4,039</u>	<u>23,413</u>

In June 2015 the Company sold its condominium for net proceeds of \$292,813 and recorded a gain of \$99,235.

5. Exploration and Evaluation Assets

	<u>As at November 30, 2016</u>			<u>As at May 31, 2016</u>		
	<u>Acquisition Costs \$</u>	<u>Deferred Exploration Costs \$</u>	<u>Total \$</u>	<u>Acquisition Costs \$</u>	<u>Deferred Exploration Costs \$</u>	<u>Total \$</u>
Finland						
Gold Projects	2,297,379	12,516,939	14,814,318	2,171,008	11,915,420	14,086,428
Sweden						
Other Projects	<u>7,548</u>	<u>741</u>	<u>8,289</u>	<u>7,548</u>	<u>741</u>	<u>8,289</u>
	<u>2,304,927</u>	<u>12,517,680</u>	<u>14,822,607</u>	<u>2,178,556</u>	<u>11,916,161</u>	<u>14,094,717</u>

MAWSON RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED NOVEMBER 30, 2016
(Unaudited - Expressed in Canadian Dollars)

5. Exploration and Evaluation Assets (continued)

	<u>Finland</u>	<u>Sweden</u>	
	Gold Projects \$	Other Projects \$	Total \$
Balance at May 31, 2015	11,915,601	60,124	11,975,725
Exploration costs			
Assays	66,074	-	66,074
Consulting	5,510	-	5,510
Core logging	96,966	-	96,966
Drilling	1,090,413	-	1,090,413
Exploration site	3,092	741	3,833
Field equipment	12,932	-	12,932
Fuel	24,889	-	24,889
Geological	180,117	-	180,117
Geophysics	139,530	-	139,530
Salaries and benefits	396,784	-	396,784
Travel	8,158	-	8,158
Vehicle rental	62,319	-	62,319
	<u>2,086,784</u>	<u>741</u>	<u>2,087,525</u>
Acquisition costs			
Mining rights	84,043	4,856	88,899
Recoveries	-	(25,821)	(25,821)
	<u>84,043</u>	<u>(20,965)</u>	<u>63,078</u>
Impairment	<u>-</u>	<u>(31,611)</u>	<u>(31,611)</u>
Balance at May 31, 2016	<u>14,086,428</u>	<u>8,289</u>	<u>14,094,717</u>
Exploration costs			
Assays	24,762	-	24,762
Consulting	27,293	-	27,293
Core logging	26,533	-	26,533
Drilling	207,838	-	207,838
Exploration site	3,683	-	3,683
Field equipment	2,095	-	2,095
Field workers	14,583	-	14,583
Fuel	2,293	-	2,293
Geological	85,760	-	85,760
Geophysics	54,636	-	54,636
Salaries and benefits	149,475	-	149,475
Vehicle rental	2,568	-	2,568
	<u>601,519</u>	<u>-</u>	<u>601,519</u>
Acquisition costs			
Mining rights	126,371	-	126,371
Balance at November 30, 2016	<u>14,814,318</u>	<u>8,289</u>	<u>14,822,607</u>

(a) ***Finland***

As at November 30, 2016 the Company holds a total of 16 claims and exploration permits which have been granted, reserved or are under application in Finland.

MAWSON RESOURCES LIMITED
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5. Exploration and Evaluation Assets (continued)

(b) *Sweden*

As at November 30, 2016 the Company holds two claims in Sweden.

6. Share Capital

(a) *Authorized Share Capital*

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

(b) *Equity Financings*

(i) There were no equity financings completed by the Company during the six months ended November 30, 2016. See also Note 12(a).

(ii) During fiscal 2016 the Company completed a non-brokered private placement of 15,720,392 units of the Company at \$0.20 per unit for gross proceeds of \$3,144,078 with each unit consisting of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share at a price of \$0.30 for a period of two years expiring December 2, 2017. The Company incurred \$40,765 for legal and filing costs associated with the private placement. Directors, officers and related entities of the Company acquired 8,060,000 units of this private placement.

The Company also issued 37,500 finders units, having the same terms as the private placement units, at an ascribed value of \$7,500. The fair value of the underlying warrants to the finder's units was estimated to be \$1,500, using the Black-Scholes option pricing model. The assumptions used were: a risk-free interest rate of 0.61%; expected volatility of 86.5%; an expected life of 2 years; a dividend yield of 0%; and an expected forfeiture rate of 0%.

(c) *Warrants*

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at November 30, 2016 and 2015 and the changes for the six months ended on those dates, is as follows:

	2016		2015	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance, beginning of period	17,113,272	0.45	9,234,328	0.58
Expired	<u>(4,672,208)</u>	0.65	<u>-</u>	-
Balance, end of period	<u>12,441,064</u>	0.37	<u>9,234,328</u>	0.58

During the six months ended November 30, 2016 the Company received all approvals to extend the expiry dates on warrants to purchase 4,562,120 common shares of the Company expiring October 10, 2016, to a revised expiry date of January 10, 2017. All other terms of the warrants remain the same.

MAWSON RESOURCES LIMITED
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(Unaudited - Expressed in Canadian Dollars)

6. 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 November 30, 2016:

Number	Exercise Price \$	Expiry Date
4,562,120	0.50	January 10, 2017
<u>7,878,944</u>	0.30	December 2, 2017
<u>12,441,064</u>		

See also Note 12.

(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 the six months ended November 30, 2016 the Company granted share options to purchase 4,620,000 common shares and recorded compensation expense of \$877,800. The fair value of share options granted during the six months ended November 30, 2016 is estimated using the Black-Scholes option pricing model using the following assumptions: risk-free interest rate of 0.53%; estimated volatility of 83%; expected life of three years; expected dividend yield of 0%; estimated forfeiture rate of 0%. The weighted average fair value of all share options granted during the six months ended November 30, 2016 was \$0.19 per option.

No share options were granted during the six months ended November 30, 2015.

A summary of the Company's share options at November 30, 2016 and 2015 and the changes for the six months ended on those dates, is as follows:

	<u>2016</u>		<u>2015</u>	
	Number of Options Outstanding	Weighted Average Exercise Price \$	Number of Options Outstanding	Weighted Average Exercise Price \$
Balance, beginning of period	4,170,000	0.51	4,300,000	0.51
Granted	4,620,000	0.35	-	-
Expired	<u>(3,790,000)</u>	0.52	<u>(30,000)</u>	0.52
Balance, end of period	<u>5,000,000</u>	0.35	<u>4,270,000</u>	0.50

The following table summarizes information about the share options outstanding and exercisable at November 30, 2016:

Number	Exercise Price \$	Expiry Date
300,000	0.45	September 16, 2017
80,000	0.20	November 7, 2017
<u>4,620,000</u>	0.35	September 23, 2019
<u>5,000,000</u>		

MAWSON RESOURCES LIMITED
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7. Related Party Disclosures

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

(a) *Transactions with Key Management Personnel*

During the six months ended November 30, 2016 and 2015 the following amounts were incurred with respect to the Company's Chief Executive Officer ("CEO"), President, and Chief Financial Officer ("CFO"):

	2016 \$	2015 \$
Management fees	90,000	90,000
Professional fees	97,760	67,000
Share-based compensation	<u>342,000</u>	<u>-</u>
	<u>529,760</u>	<u>157,000</u>

Professional fees of \$85,760 (2015 - \$52,000) have been capitalized to exploration and evaluation assets based on the nature of the expenditure.

As at November 30, 2016, \$nil (May 31, 2016 - \$13,989) of the above amounts remained unpaid and has been included in accounts payable and accrued liabilities.

The Company has a management agreement with the CEO which provides that in the event the CEO's services are terminated without cause or upon a change of control of the Company, a termination payment of two years compensation, at \$15,000 per month, is payable. If the termination had occurred on November 30, 2016, the amount payable under the agreement would be \$360,000.

(b) *Transactions with Other Related Parties*

(i) During the six months ended November 30, 2016 and 2015 the following amounts were incurred with respect to non-executive directors and/or officers of the Company:

	2016 \$	2015 \$
Salaries and benefits	40,500	40,500
Professional fees	27,000	60,000
Fees and compensation	24,391	-
Share-based compensation	<u>342,000</u>	<u>-</u>
	<u>433,891</u>	<u>100,500</u>

Fees and compensation of \$20,641 have been capitalized to exploration and evaluation assets based on the nature of the expenditure.

As at November 30, 2016, \$nil (May 31, 2016 - \$9,000) of the above amounts remained unpaid and has been included in accounts payable and accrued liabilities.

(ii) During the six months ended November 30, 2016 the Company incurred a total of \$28,200 (2015 - \$29,550) 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 \$2,010 (2015 - \$2,010) for rent. As at November 30, 2016, \$4,570 (May 31, 2016 - \$335) remained unpaid and has been included in accounts payable and accrued liabilities.

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7. Related Party Disclosures (continued)

During the six months ended November 30, 2016 the Company also recorded \$19,000 (2015 - \$nil) for share-based compensation for share options granted to Chase.

- (c) During the six months ended November 30, 2016 the Company recovered \$35,725 (2015 - \$26,596) for shared office personnel and costs from public companies with common directors and officers. As at November 30, 2016, \$13,838 (May 31, 2016 - \$6,888) of the amount remained outstanding and has been included in amounts receivable.
- (d) See also Note 6(b)(ii).

8. Sale of Investment

On September 27, 2016 the Company sold 3,500,000 common shares of Hansa Resources Limited for \$140,000 and recorded a realized loss of \$575,000.

9. 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	November 30, 2016 \$	May 31, 2016 \$
Cash	FVTPL	3,185,107	4,087,254
Amounts receivable	Loans and receivables	14,529	7,623
Investments	Available-for-sale	38,813	95,953
Accounts payable and accrued liabilities	Other liabilities	(286,104)	(246,058)

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.

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:

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9. Financial Instruments and Risk Management (continued)

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 November 30, 2016				
	Less than 3 Months	3 - 12 Months	1 - 5 Years	Over 5 Years	Total
	\$	\$	\$	\$	\$
Cash	3,185,107	-	-	-	3,185,107
Amounts receivable	14,529	-	-	-	14,529
Investments	-	-	38,813	-	38,813
Accounts payable and accrued liabilities	(286,104)	-	-	-	(286,104)

	Contractual Maturity Analysis at May 31, 2016				
	Less than 3 Months	3 - 12 Months	1 - 5 Years	Over 5 Years	Total
	\$	\$	\$	\$	\$
Cash	4,087,254	-	-	-	4,087,254
Amounts receivable	7,623	-	-	-	7,623
Investments	-	-	95,953	-	95,953
Accounts payable and accrued liabilities	(246,058)	-	-	-	(246,058)

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.

(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 November 30, 2016, 1 Canadian Dollar was equal to 0.70 Euro, 6.87 SEK and 0.74 US Dollar.

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9. Financial Instruments and Risk Management (continued)

Balances are as follows:

	Euros	Swedish Kronors	US Dollars	CDN \$ Equivalent
Cash	102,836	131,191	294,950	564,585
Amounts receivable	12,961	4,627	-	19,189
Accounts payable and accrued liabilities	<u>(158,167)</u>	<u>(134,370)</u>	<u>(3,007)</u>	<u>(249,576)</u>
	<u>(42,370)</u>	<u>1,448</u>	<u>291,943</u>	<u>334,198</u>

Based on the net exposures as of November 30, 2016 and assuming that all other variables remain constant, a 10% fluctuation on the Canadian Dollar against the Euro, SEK and US Dollar would result in the Company's net loss being approximately \$33,000 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.

10. Supplemental Cash Flow Information

During the six months ended November 30, 2016 and 2015 non-cash activities were conducted by the Company as follows:

	2016 \$	2015 \$
Operating activity		
Accounts payable and accrued liabilities	<u>26,249</u>	<u>43,897</u>
Investing activity		
Exploration and evaluation assets	<u>(26,249)</u>	<u>(43,897)</u>

11. Segmented Information

The Company operates in one reportable segment, the exploration and development of unproven exploration and evaluation assets. 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.

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11. Segmented Information (continued)

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

	As at November 30, 2016			
	Canada	Sweden	Finland	Total
	\$	\$	\$	\$
Current assets	3,053,353	21,804	217,985	3,293,142
Investments	38,813	-	-	38,813
Property, plant and equipment	1,569	-	21,844	23,413
Exploration and evaluation assets	-	8,289	14,814,318	14,822,607
Deferred share issue costs	2,699	-	-	2,699
	<u>3,096,434</u>	<u>30,093</u>	<u>15,054,147</u>	<u>18,180,674</u>
	As at May 31, 2016			
	Canada	Sweden	Finland	Total
	\$	\$	\$	\$
Current assets	3,717,511	50,231	468,597	4,236,339
Investments	95,953	-	-	95,953
Property, plant and equipment	2,614	5,538	16,963	25,115
Exploration and evaluation assets	-	8,289	14,086,428	14,094,717
	<u>3,816,078</u>	<u>64,058</u>	<u>14,571,988</u>	<u>18,452,124</u>

12. Events after the Reporting Period

- (a) On December 2, 2016 the Company completed a non-brokered private placement of 15,000,000 units of the Company at \$0.40 per unit for gross proceeds of \$6,000,000 with each unit consisting of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share at a price of \$0.60 for a period of two years expiring December 2, 2018.

As at November 30, 2016 the Company had received share subscriptions totalling \$276,000 and incurred share issue costs of \$2,699 on this private placement.

- (b) On January 10, 2017 warrants to purchase 4,562,120 common shares of the Company at an exercise price of \$0.50 per share expired without exercise.