
MAWSON GOLD LIMITED

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
AUGUST 31, 2021

(Unaudited - Expressed in Canadian Dollars)

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

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

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

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

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

	Note	August 31, 2021 \$	May 31, 2021 \$
ASSETS			
Current assets			
Cash		5,374,715	7,386,407
GST/VAT receivable		90,026	125,168
Prepaid expenses and deposits		<u>153,787</u>	<u>154,806</u>
Total current assets		<u>5,618,528</u>	<u>7,666,381</u>
Non-current assets			
Investments	4	3,718,256	2,985,916
Property, plant and equipment	5	172,997	128,226
Exploration and evaluation assets	6	45,001,575	44,066,309
Bonds		<u>237,272</u>	<u>115,458</u>
Total non-current assets		<u>49,130,100</u>	<u>47,295,909</u>
TOTAL ASSETS		<u>54,748,628</u>	<u>54,962,290</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		<u>600,413</u>	<u>972,079</u>
TOTAL LIABILITIES		<u>600,413</u>	<u>972,079</u>
SHAREHOLDERS' EQUITY			
Share capital	7	88,720,662	88,720,662
Share-based payments reserve		9,243,029	9,182,529
Deficit		<u>(43,815,476)</u>	<u>(43,912,980)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>54,148,215</u>	<u>53,990,211</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>54,748,628</u>	<u>54,962,290</u>

Nature of Operations - see Note 1

Events after the Reporting Period - see Note 12

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on October 14, 2021 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 GOLD LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited - Expressed in Canadian Dollars)

	Note	Three Months Ended	
		August 31	
		2021	2020
		\$	\$
Expenses			
Accounting and administration	8(b)	29,703	32,695
Audit		32,965	21,321
Corporate advisory fees		-	353,853
Corporate development		54,584	62,429
Depreciation	5	11,408	3,753
Director and officer compensation	8(a)	79,360	76,500
General exploration		4,894	24,095
Legal		119,056	62,693
Office and sundry		78,992	39,743
Professional fees		85,892	37,259
Regulatory fees		20,990	18,703
Rent		33,564	39,807
Share-based compensation	7(d)	60,500	128,253
Shareholder costs		3,998	4,489
Transfer agent		3,662	5,428
Travel		27,967	8,419
		<u>647,535</u>	<u>919,440</u>
Loss before other items		<u>(647,535)</u>	<u>(919,440)</u>
Other items			
Interest income		10,477	44,953
Foreign exchange		2,222	(32,746)
Unrealized gain (loss) on investments		732,340	(574,493)
		<u>745,039</u>	<u>(562,286)</u>
Net income (loss) and comprehensive income (loss) for the period		<u>97,504</u>	<u>(1,481,726)</u>
Basic and diluted income (loss) per common share		<u>\$0.00</u>	<u>\$(0.01)</u>
Weighted average number of common shares outstanding		<u>255,853,662</u>	<u>254,738,340</u>

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

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

Three Months Ended August 31, 2021					
Share Capital		Share-Based Payments Reserve \$	Deficit \$	Total Equity \$	
Number of Shares	Amount \$				
Balance at May 31, 2021	255,853,662	88,720,662	9,182,529	(43,912,980)	53,990,211
Share-based compensation - share options		60,500	-		60,500
Net income for the period	-	-	-	97,504	97,504
Balance at August 31, 2021	255,853,662	88,720,662	9,243,029	(43,815,476)	54,148,215

Three Months Ended August 31, 2020					
Share Capital		Share-Based Payments Reserve \$	Deficit \$	Total Equity \$	
Number of Shares	Amount \$				
Balance at May 31, 2020	253,757,842	88,122,934	9,115,859	(40,971,899)	56,266,894
Common shares issued for:					
- warrants	1,208,320	234,195	-	-	234,195
Transfer on exercise of broker warrants	-	40,583	(40,583)	-	-
Share-based compensation - share options	-	-	128,253	-	128,253
Net loss for the period	-	-	-	(1,481,726)	(1,481,726)
Balance at August 31, 2020	254,966,162	88,397,712	9,203,529	(42,453,625)	55,147,616

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

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

	Three Months Ended	
	August 31,	
	2021	2020
	\$	\$
Operating activities		
Net income (loss) for the period	97,504	(1,481,726)
Adjustments for:		
Depreciation	11,408	3,753
Share-based compensation	60,500	128,253
Unrealized (gain) loss on investments	(732,340)	574,493
Changes in non-cash working capital items:		
Amounts receivable	-	(42,345)
GST/VAT receivable	35,142	51,523
Prepaid expenses and deposits	1,019	(538,067)
Accounts payable and accrued liabilities	289,968	(154,120)
Net cash used in operating activities	(236,799)	(1,458,236)
Investing activities		
Expenditures on exploration and evaluation assets	(1,596,900)	(889,559)
Additions to property, plant and equipment	(56,179)	(20,861)
Additions to bonds	(121,814)	-
Refund of bonds	-	7,121
Net cash used in investing activities	(1,774,893)	(903,299)
Financing activity		
Issuance of common shares	-	234,195
Net cash provided by financing activity	-	234,195
Net change in cash	(2,011,692)	(2,127,340)
Cash at beginning of period	7,386,407	18,906,515
Cash and cash equivalents at end of period	5,374,715	16,779,175
Cash and cash equivalents comprises:		
Cash	5,374,715	779,175
Short-term investment certificates	-	16,000,000
	5,374,715	16,779,175

Supplemental cash flow information - Note 10

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

MAWSON GOLD LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED AUGUST 31, 2021
(Unaudited - Expressed in Canadian Dollars)

1. Nature of Operations and Name Change

Mawson Gold Limited (the “Company”) was incorporated on March 10, 2004 under the provisions of the Company Act (British Columbia). On July 31, 2020 the Company changed its name from Mawson Resources Limited to Mawson Gold Limited. The Company is listed and trades on the Toronto Stock Exchange (“TSX”) under the symbol “MAW”. The Company’s head office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia, V6E 3V7, Canada.

The Company is a resource company engaged in the acquisition and exploration of unproven mineral interests. As at August 31, 2021 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.

As at August 31, 2021 the Company had working capital in the amount of \$5,018,115. These condensed consolidated interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business operations for the foreseeable future. To date the Company has not earned any revenue and is considered to be in the exploration stage. 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.

These condensed consolidated interim financial statements do not reflect any adjustments related to conditions that occurred subsequent to August 31, 2021.

In March 2020 the World Health Organization (“WHO”) declared the outbreak of a novel coronavirus, identified as “COVID-19”, as a global pandemic. In order to combat the spread of COVID-19 governments worldwide have enacted emergency measures including travel bans, legally enforced or self-imposed quarantine periods, social distancing and business and organization closures. These measures have caused material disruptions to businesses, governments and other organizations resulting in an economic slowdown and increased volatility in national and global equity and commodity markets. The Company has implemented COVID-19 safe plans and will continue to monitor the impact of the COVID-19 outbreak, the duration and impact which is unknown at this time, as is the efficacy of any intervention. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.

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, 2021, 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, 2021.

MAWSON GOLD LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED AUGUST 31, 2021
(Unaudited - Expressed in Canadian Dollars)

2. Basis of Preparation (continued)

Basis of Measurement

The Company's condensed consolidated interim financial statements have been prepared on the historical cost basis except for the revaluation of certain financial assets and financial liabilities to fair value. These condensed consolidated interim financial statements are presented in Canadian dollars unless otherwise stated.

3. Subsidiaries

The subsidiaries of the Company are:

<u>Company</u>	<u>Location of Incorporation</u>	<u>Ownership Interest</u>
Clonbinane Goldfield Pty Ltd. ("Clonbinane")	Australia	100%
Mawson AB	Sweden	100%
Mawson Queensland Pty Ltd.	Australia	100%
Mawson Oy	Finland	100%
Mawson Resources USA Inc.	United States	100%
M2 Resources Corp. (holding company)	Canada	100%
Mawson Victoria Pty Ltd.	Australia	100%
Melbourne Gold Limited (inactive)	Canada	100%
Southern Cross Gold Pty Ltd. (holding company)	Australia	100%

4. Investments

<u>As at August 31, 2021</u>				
	<u>Number</u>	<u>Cost</u>	<u>Unrealized</u>	<u>Carrying</u>
		<u>\$</u>	<u>Gain (Loss)</u>	<u>Value</u>
			<u>\$</u>	<u>\$</u>
Common shares				
Nagambie Resources Limited ("Nagambie")	50,000,000	1,572,500	2,139,569	3,712,069
Kingsmen Resources Limited ("Kingsmen")	37,500	45,000	(38,813)	6,187
		<u>1,617,500</u>	<u>2,100,756</u>	<u>3,718,256</u>

<u>As at May 31, 2021</u>				
	<u>Number</u>	<u>Cost</u>	<u>Unrealized</u>	<u>Carrying</u>
		<u>\$</u>	<u>Gain (Loss)</u>	<u>Value</u>
			<u>\$</u>	<u>\$</u>
Common shares				
Nagambie	50,000,000	1,572,500	1,407,791	2,980,291
Kingsmen	37,500	45,000	(39,375)	5,625
		<u>1,617,500</u>	<u>1,368,416</u>	<u>2,985,916</u>

- (a) Pursuant to a subscription agreement dated March 24, 2020 the Company subscribed for 50,000,000 ordinary shares of Nagambie (the "Nagambie Shares"). As consideration for the acquisition of the Nagambie Shares the Company issued Nagambie 8,500,000 common shares of the Company, at a fair value of \$1,572,500. As long as the Company continues to hold the Nagambie Shares it maintains a right of refusal to take up or match proposals being considered over a 3,600 square kilometre tenement package held by Nagambie.
- (b) The carrying values of the investments were determined using quoted market values.

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5. Property, Plant and Equipment

Cost:	Field Equipment \$	Vehicles \$	Total \$
Balance at May 31, 2020	152,971	233,027	385,998
Additions	<u>-</u>	<u>72,183</u>	<u>72,183</u>
Balance at May 31, 2021	152,971	305,210	458,181
Additions	<u>-</u>	<u>56,179</u>	<u>56,179</u>
Balance at August 31, 2021	<u>152,971</u>	<u>361,389</u>	<u>514,360</u>
Accumulated Depreciation:			
Balance at May 31, 2020	(91,254)	(203,111)	(294,365)
Depreciation	<u>(13,245)</u>	<u>(22,345)</u>	<u>(35,590)</u>
Balance at May 31, 2021	(104,499)	(225,456)	(329,955)
Depreciation	<u>(1,176)</u>	<u>(10,232)</u>	<u>(11,408)</u>
Balance at August 31, 2021	<u>(105,675)</u>	<u>(235,688)</u>	<u>(341,363)</u>
Carrying Value:			
Balance at May 31, 2021	<u>48,472</u>	<u>79,754</u>	<u>128,226</u>
Balance at August 31, 2021	<u>47,296</u>	<u>125,701</u>	<u>172,997</u>

6. Exploration and Evaluation Assets

	<u>As at August 31, 2021</u>			<u>As at May 31, 2021</u>		
	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$
Finland						
Rompas-Rajapalot	3,367,194	36,595,601	39,962,795	3,349,056	36,133,018	39,482,074
Australia						
Sunday Creek	749,402	1,685,999	2,435,401	735,677	1,298,127	2,033,804
Redcastle	38,606	1,452,977	1,491,583	36,782	1,406,671	1,443,453
Whroo JV	95,917	187,974	283,891	94,851	185,255	280,106
Mount Isa SE	<u>274,246</u>	<u>553,659</u>	<u>827,905</u>	<u>273,250</u>	<u>553,622</u>	<u>826,872</u>
	<u>4,525,365</u>	<u>40,476,210</u>	<u>45,001,575</u>	<u>4,489,616</u>	<u>39,576,693</u>	<u>44,066,309</u>

MAWSON GOLD LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED AUGUST 31, 2021
(Unaudited - Expressed in Canadian Dollars)

6. Exploration and Evaluation Assets (continued)

	Finland	Australia				Total \$
	Rompas- Rajapalot \$	Sunday Creek \$	Redcastle \$	Whroo JV \$	Mount Isa SE \$	
Balance at May 31, 2020	33,750,489	672,126	1,158	1,159	574,706	34,999,638
Exploration costs						
Assays	446,132	-	-	-	-	446,132
Consulting	216,432	-	-	-	-	216,432
Drilling	2,990,622	537,171	391,192	58,604	314,563	4,292,152
Exploration site	18,898	22,076	27,259	5,718	5,432	79,383
Field workers	89,265	-	-	-	-	89,265
Field equipment	16,334	28,509	36,615	804	6,015	88,277
Fuel	20,790	-	-	-	-	20,790
Geochemical	26,520	176,778	67,409	16,829	-	287,536
Geological	141,152	288,269	268,614	20,917	60,431	779,383
Geophysics	449,667	172,747	565,768	76,758	-	1,264,940
Preliminary economic assessment	56,232	-	-	-	-	56,232
Salaries and benefits	1,033,936	18,462	33,232	4,466	4,272	1,094,368
Travel	6,100	12,977	13,740	-	17,881	50,698
Vehicle rental	37,312	21,513	1,684	-	-	60,509
Government assistance	(97,721)	-	-	-	(191,150)	(288,871)
	5,451,671	1,278,502	1,405,513	184,096	217,444	8,537,226
Acquisition costs						
Mining rights	279,914	-	-	-	-	279,914
Payments	-	47,940	-	94,851	-	142,791
Permitting	-	35,236	36,782	-	34,722	106,740
	279,914	83,176	36,782	94,851	34,722	529,445
Balance at May 31, 2021	39,482,074	2,033,804	1,443,453	280,106	826,872	44,066,309
Exploration costs						
Assays	54,636	-	-	-	-	54,636
Consulting	99,280	23,688	20,214	-	-	143,182
Drilling	23,333	246,430	-	-	-	269,763
Environmental	-	-	1,905	-	-	1,905
Exploration site	7,092	28,323	10,293	1,328	37	47,073
Field workers	9,073	-	-	-	-	9,073
Field equipment	1,669	6,878	-	1,391	-	9,938
Fuel	1,983	-	-	-	-	1,983
Geochemical	3,620	68,712	1,183	-	-	73,515
Geological	52,880	-	-	-	-	52,880
Geophysics	5,349	1,669	1,252	-	-	8,270
Salaries and benefits	199,330	6,600	302	-	-	206,232
Travel	662	277	1,676	-	-	2,615
Vehicle rental and other	3,676	5,295	9,481	-	-	18,452
	462,583	387,872	46,306	2,719	37	899,517
Acquisition costs						
Mining rights	18,138	-	-	-	-	18,138
Permitting	-	13,725	1,824	1,066	996	17,611
	18,138	13,725	1,824	1,066	996	35,749
Balance at August 31, 2021	39,962,795	2,435,401	1,491,583	283,891	827,905	45,001,575

MAWSON GOLD LIMITED
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FOR THE THREE MONTHS ENDED AUGUST 31, 2021
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6. Exploration and Evaluation Assets (continued)

(a) ***Rompas -Rajapalot, Finland***

As at August 31, 2021 the Company holds a total of 15 claims and exploration permits (the Rompas-Rajapalot Gold Project") which have been granted or are under application in northern Finland.

(b) ***Sunday Creek, Australia***

Pursuant to an acquisition agreement, dated March 24, 2020, the Company acquired 100% of the shares in Clonbinane (the "Clonbinane Acquisition"), from Nagambie. As consideration the Company paid Nagambie a total of \$454,480 (AUD \$528,880) cash, issued 1,000,000 common shares of the Company at a fair value of \$185,000 and incurred legal fees of \$35,786 (collectively the "Clonbinane Purchase Price").

On closing Clonbinane's sole assets comprised mineral tenements (the "Sunday Creek Prospect") located in the central Victoria goldfields of Australia, environmental bonds over the tenements and cash. The Company determined that the Clonbinane Acquisition was an acquisition of a group of assets. Accordingly, the \$675,266 Clonbinane Purchase Price was allocated based on their fair values, as follows:

		\$
Cash		762
Exploration and evaluation assets		649,679
Bonds		24,825
		675,266

(c) ***Redcastle, Australia***

On March 24, 2020 the Company entered into an option and joint venture agreement pursuant to which the Company has the right to earn up to a 70% joint venture interest in Nagambie's Redcastle gold property located in Victoria, Australia by incurring the following exploration expenditures on the Redcastle property:

- (i) AUD \$100,000 in the first year;
- (ii) an additional AUD \$150,000 in the second year to earn an initial 25% interest;
- (iii) an additional AUD \$250,000 in the third year to earn an additional 25% interest; and
- (iv) an additional AUD \$500,000 by the fifth year to earn the remaining 20% interest.

The Company has advised Nagambie that it has incurred the requisite total exploration expenditures to earn the 70% interest in the Redcastle property and is preparing the formal report to submit to Nagambie. Upon acceptance of the report a joint venture between the parties will be formed. Nagambie may then contribute its 30% share of further exploration expenditures or, if it chooses to not contribute, dilute its interest. Should Nagambie's interest be reduced to less than a 5% interest, it will be deemed to have forfeited its interest in the joint venture to the Company in exchange for a 1.5% net smelter return royalty ("NSR") on gold revenue. Should Nagambie be granted the NSR the Company will have the right to acquire the NSR for AUD \$4,000,000.

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6. Exploration and Evaluation Assets (continued)

(d) ***Whroo JV, Australia***

On March 24, 2020 the Company entered into an option agreement with Nagambie pursuant to which the Company had the right to earn up to a 70% interest in Nagambie's Doctors Gully property located in Victoria, Australia. On October 13, 2020 the parties entered into an amended and restated option agreement (the "Whroo JV Agreement") on the Doctors Gully property and additional exploration licences (collectively the "Whroo JV").

Pursuant to the Whroo JV Agreement the Company has the option to earn up to a 70% joint venture interest in the Whroo JV by incurring the following exploration expenditures: AUD \$400,000 in the first year, being December 2, 2021, and an additional AUD \$500,000 in year two to earn an initial 25% interest, an additional AUD \$1,600,000 (cumulative AUD \$2,500,000) in years three and four to earn a 60% interest. Upon the Company earning its 60% interest either party may provide notice to the other to form a joint venture ("JV") under which the percentage ownership of each of Nagambie and the Company will be 40% and 60%, respectively. If Nagambie elects not to form a JV at 40%, the Company then has the option, but not the obligation, to invest a further AUD \$1,500,000 (cumulative AUD \$4,000,000) of exploration expenditures over two years, to earn a 70% interest in the Whroo JV. Once the Company earns a 70% interest a joint venture between the parties will be automatically formed. Nagambie may then contribute its 30% interest ownership with further exploration expenditures or, if it chooses to not contribute, dilute its interest. Should Nagambie's interest be reduced to less than a 5% interest, it will be deemed to have forfeited its interest in the Whroo JV to the Company in exchange for a 1.5% NSR on gold revenue. Should Nagambie be granted the NSR, the Company will have the right to acquire the NSR for AUD \$4,000,000.

The Company has made an initial payment of \$94,851 (AUD \$100,000) to Nagambie and will have subsequent payments of AUD \$50,000 on the second, third and fourth anniversaries from December 2, 2020. The Company has the option to accelerate its spending to achieve its various percentage ownership interests in the Whroo JV.

(e) ***Mount Isa SE, Australia***

As of August 31, 2021 the Company holds seven exploration prospecting licenses ("EPMs") (collectively "Mount Isa SE") in the Mount Isa Mineral District, Queensland, Australia.

(f) ***Western USA, Oregon***

Effective December 27, 2017, as amended, the Company entered into an agreement whereby it was granted the option to lease and to conduct exploration on mineral rights ("WUSA") located in Oregon, USA. Pursuant to the agreement the Company had agreed to pay an annual option to lease payments (adjusted for inflation) of:

Option Year 1 - US \$5 per acre, which the Company paid \$124,270 (US \$100,000);
Option Year 2 - to begin January 1, 2021, with payments of US \$25,000 on or before August 1, 2020 and US \$75,000 on or before February 1, 2021; and
Option Year 3 - US \$25 per acre.

The option lease payments will be determined by the acreage retained as determined by the Company. The Company is also required to expend minimum annual exploration expenditures as follows:

Option Year 1 - US \$500,000, which was met as at November 30, 2018;
Option Year 2 - US \$750,000 of which a minimum of US \$200,000 shall be completed on or before December 31, 2020 and the remaining US \$550,000 on or before December 31, 2021;
Option Year 3 - US \$1,000,000; and
Option Year 4 - US \$1,000,000.

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6. Exploration and Evaluation Assets (continued)

In the past the Company had received extensions to the option agreement while the Company continued its efforts to identify a partner or a farm-out arrangement. During fiscal 2020 the Company determined to impair all capitalized expenditures on the WUSA property and, accordingly, recorded an impairment of \$885,119 for all acquisition and exploration amounts incurred as at May 31, 2020.

On July 27, 2020 the Company entered into an agreement with Aguila American Gold Ltd. (“Aguila”), a publicly traded company with a director in common, whereby it granted Aguila the right to earn up to an 80% interest in the WUSA property. Aguila could earn an initial 51% interest (the “Initial Interest”) by funding a minimum of US \$200,000 in exploration expenditures by December 31, 2020 and making payment of US \$25,000 (paid) option lease payment to the optionor. Aguila has earned the Initial Interest and can earn an additional 29% interest by funding a further US \$1,000,000 in exploration expenditures by December 31, 2022 and continuing to make all further option lease payments.

(g) ***Commitments***

For the next fiscal year:

- (i) the Sunday Creek mineral tenements require annual concession payments totaling approximately AUD \$3,100 and work commitments totaling approximately AUD \$109,900;
- (ii) the Redcastle mineral tenements requires annual concession payments totaling approximately AUD \$700 and work commitments totaling approximately AUD \$25,200; and
- (iii) the Mount Isa SE mineral tenements require annual concession payments totalling approximately AUD \$41,200 and work commitments totalling approximately AUD \$542,500.

Australia tenement spending commitments are subject to renegotiation when an application for a mining lease and/or renewal of exploration permits are made or at other times and are subject to whether the Company decides to continue a tenement’s rights until its expiry. Due to the nature of the Company’s activities, it is difficult to accurately forecast the amount of future expenditure that will be necessary to incur in order to maintain present interests past the next fiscal year.

7. Share Capital

(a) ***Authorized Share Capital***

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

(b) ***Reconciliation of Changes in Share Capital***

The Company did not conduct any equity financings during the three months ended August 31, 2021 or during fiscal 2021.

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7. **Share Capital** (continued)

(c) *Warrants*

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at August 31, 2021 and 2020 and the changes for the three months ended on those dates, is as follows:

	<u>2021</u>		<u>2020</u>	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance, beginning of period	53,752,309	0.34	55,043,129	0.34
Warrants exercised	<u>-</u>	-	<u>(1,208,320)</u>	0.19
Balance, end of period	<u>53,752,309</u>	0.34	<u>53,834,809</u>	0.34

The following table summarizes information about the number of common shares reserved pursuant to the Company's warrants outstanding and exercisable at August 31, 2021:

Number	Exercise Price \$	Expiry Date
1,265,160	0.185	October 30, 2021
24,337,124	0.24	October 30, 2021
24,286,000	0.45	May 20, 2022
2,428,600	0.35	May 20, 2022
1,430,000	0.45	May 27, 2022
<u>5,425</u>	0.45	May 27, 2022
<u>53,752,309</u>		

(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 which, when combined with the number of common shares issued under the Restricted Share Unit Plan adopted in Note 7(e), 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 three months ended August 31, 2021 the Company granted share options to purchase a total of 550,000 (2020 - 1,387,520) common shares and recorded compensation expense of \$60,500 (2020 - \$128,253) on the granting and vesting of these options.

The fair value of share options granted and vested during the three months ended August 31, 2021 and 2020 is estimated using the Black-Scholes option pricing model using the following assumptions:

	<u>2021</u>	<u>2020</u>
Risk-free interest rate	0.67%	0.26% - 0.31%
Estimated volatility	69%	71% - 74%
Expected life	3 years	2 years - 3 years
Expected dividend yield	0%	0%
Estimated forfeiture rate	0%	0%

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7. Share Capital (continued)

The weighted average grant date fair value of all share options granted during the three months ended August 31, 2021 \$0.11 (2020 - \$0.16) per share option.

A summary of the Company's share options at August 31, 2021 and 2020 and the changes for the three months ended on those dates, is as follows:

	2021		2020	
	Number of Options Outstanding	Weighted Average Exercise Price \$	Number of Options Outstanding	Weighted Average Exercise Price \$
Balance, beginning of period	12,567,520	0.27	11,935,000	0.25
Granted	550,000	0.245	1,387,520	0.38
Expired / cancelled	-	-	(400,000)	0.39
Balance, end of period	<u>13,117,520</u>	0.27	<u>12,922,520</u>	0.26

The following table summarizes information about the share options outstanding and exercisable at August 31, 2021:

Number Outstanding	Number Exercisable	Exercise Price \$	Expiry Date
170,000	170,000	0.30	November 1, 2021
487,520	487,520	0.35	June 9, 2022
6,225,000	6,225,000	0.23	January 15, 2023
200,000	200,000	0.275	April 23, 2023
100,000	100,000	0.355	May 21, 2023
800,000	200,000	0.38	June 1, 2023
100,000	100,000	0.50	August 5, 2023
200,000	200,000	0.48	October 14, 2023
150,000	150,000	0.37	January 18, 2024
4,035,000	4,035,000	0.275	February 12, 2024
100,000	100,000	0.26	March 9, 2024
<u>550,000</u>	<u>550,000</u>	0.245	August 9, 2024
<u>13,117,520</u>	<u>12,517,520</u>		

See also Note 12(b).

(e) *Restricted Share Units ("RSU") Plan*

On November 6, 2018 the Company adopted a restricted share unit plan (the "RSU Plan"). The RSU Plan provides for the issuance of up to 2,000,000 restricted share units (the "RSUs"). Under the RSU Plan, RSUs may be granted to directors, officers, employees and consultants of the Company (excluding investor relations consultants) as partial compensation for the services they provide to the Company. The RSU Plan is a fixed number plan, and the number of common shares issued under the RSU Plan, when combined with the number of stock options available under the Company's share option plan, will not exceed 10% of the Company's outstanding common shares.

No RSUs were awarded during the three months ended August 31, 2021 or 2020.

See also Note 12(a).

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8. Related Party Disclosures

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Company's Board of Directors and its executive officers.

(a) *Transactions with Key Management Personnel*

During the three months ended August 31, 2021 and 2020 the following compensation amounts were incurred:

	2021 \$	2020 \$
Professional fees and salaries	<u>163,775</u>	<u>168,113</u>

During the three months ended August 31, 2021 the Company allocated the \$163,775 (2020 - \$168,113) professional fees and salaries based on the nature of the services provided: expensed \$79,360 (2020 - \$76,500) to directors and officers compensation and capitalized \$84,415 (2020 - \$91,613) to exploration and evaluation assets. As at August 31, 2021 \$61,794 (May 31, 2021 - \$59,434) remained unpaid and has been included in accounts payable and accrued liabilities.

The Company has a management agreement with its Chairman and 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 and six months of compensation is payable. If the termination had occurred on August 31, 2021 the amount payable under the agreement would be \$420,000. On September 7, 2021 the CEO voluntarily resigned as CEO of the Company but remains as Chairman and a director. The Company is currently renegotiating terms of his compensation.

The Company has a management agreement with its Chief Geologist which provides that in the event the Chief Geologist's services are terminated without cause or upon a change of control of the Company, a termination payment of twelve months of compensation is payable. If the termination had occurred on August 31, 2021 the amount payable under the agreement would be AUD \$220,008.

(b) During the three months ended August 31, 2021 the Company incurred a total of \$16,000 (2020 - \$21,000) 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 (2020 - \$1,005) for rent. As at August 31, 2021 \$8,170 (May 31, 2021 - \$4,170) remained unpaid and has been included in accounts payable and accrued liabilities.

(c) During the three months ended August 31, 2021 the Company purchased a vehicle for \$56,179 from a private corporation controlled by the CEO of the Company.

9. Financial Instruments and Risk Management

Categories of Financial Assets and Financial Liabilities

Financial instruments are classified into one of the following categories: fair value through profit or loss ("FVTPL"); amortized cost; and fair value through other comprehensive income ("FVOCI"). The carrying values of the Company's financial instruments are classified into the following categories:

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9. Financial Instruments and Risk Management (continued)

Financial Instrument	Category	August 31, 2021 \$	May 31, 2021 \$
Cash	FVTPL	5,374,715	7,386,407
Investments	FVTPL	3,718,256	2,985,916
Bonds	Amortized cost	237,272	115,458
Accounts payable and accrued liabilities	Amortized cost	(600,413)	(972,079)

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 accounts payable and accrued liabilities approximate their fair value due to their short-term nature. The recorded amounts for cash, investments and bonds 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. Management believes that the potential loss related to the credit risk included in cash is remote.

Liquidity Risk

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

	Contractual Maturity Analysis at August 31, 2021				
	Less than 3 Months \$	3 - 12 Months \$	1 - 5 Years \$	Over 5 Years \$	Total \$
Cash	5,374,715	-	-	-	5,374,715
Investments	-	-	3,718,256	-	3,718,256
Bonds	-	-	237,272	-	237,272
Accounts payable and accrued liabilities	(600,413)	-	-	-	(600,413)

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9. Financial Instruments and Risk Management (continued)

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. The Company maintains foreign currency bank accounts to support the cash needs of its foreign operations. Management believes the foreign exchange risk related to currency conversions is minimal and therefore does not hedge its foreign exchange risk. At August 31, 2021, 1 Canadian Dollar was equal to 1.08 AUD Dollar, 0.67 Euro, 6.83 SEK, and 0.79 US Dollar.

Balances are as follows:

	AUD Dollars	Euros	Swedish Kronors	US Dollars	CDN \$ Equivalent
Cash	466,837	37,238	63,212	79,813	598,119
GST/VAT receivable	47,050	29,298	1,845	-	87,563
Bonds	25,000	110,000	64,130	32,077	115,458
Accounts payable and accrued liabilities	<u>(30,588)</u>	<u>(272,738)</u>	<u>(14,375)</u>	<u>(1,355)</u>	<u>(439,214)</u>
	<u>508,299</u>	<u>(96,202)</u>	<u>114,812</u>	<u>110,535</u>	<u>361,926</u>

Based on the net exposures as of August 31, 2021 and assuming that all other variables remain constant, a 10% fluctuation on the Canadian Dollar against the Euro, SEK, AUD Dollar and US Dollar would result in the Company's net income being approximately \$171,000 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.

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10. Supplemental Cash Flow Information

During the three months ended August 31, 2021 and 2020 non-cash activities were conducted by the Company as follows:

	2021 \$	2020 \$
Operating activity		
Accounts payable and accrued liabilities	<u>661,634</u>	<u>330,559</u>
Investing activity		
Exploration and evaluation assets	<u>(661,634)</u>	<u>(330,559)</u>
Financing activities		
Issuance of share capital	-	40,583
Share-based payments reserve	<u>-</u>	<u>(40,583)</u>
	<u>-</u>	<u>-</u>

11. Segmented Information

The Company operates in one reportable segment, the exploration and development of unproven exploration and evaluation assets. The Company is in the exploration stage and has no reportable segment revenues or operating results.

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

	As at August 31, 2021					
	Canada \$	Finland \$	Australia \$	USA \$	Sweden \$	Total \$
Current assets	4,923,796	207,009	478,009	-	9,714	5,618,528
Investments	3,718,256	-	-	-	-	3,718,256
Property, plant and equipment	-	81,825	91,172	-	-	172,997
Exploration and evaluation assets	-	39,962,795	5,038,780	-	-	44,001,575
Bonds	<u>-</u>	<u>164,215</u>	<u>23,200</u>	<u>40,472</u>	<u>9,385</u>	<u>237,272</u>
	<u>8,642,052</u>	<u>40,415,844</u>	<u>5,631,161</u>	<u>40,472</u>	<u>19,099</u>	<u>54,748,628</u>

	As at May 31, 2021					
	Canada \$	Finland \$	Australia \$	USA \$	Sweden \$	Total \$
Current assets	6,692,414	262,450	699,838	-	11,679	7,666,381
Investments	2,985,916	-	-	-	-	2,985,916
Property, plant and equipment	-	89,600	38,626	-	-	128,226
Exploration and evaluation assets	-	39,482,074	4,584,235	-	-	44,066,309
Bonds	<u>-</u>	<u>44,118</u>	<u>23,284</u>	<u>38,723</u>	<u>9,333</u>	<u>115,458</u>
	<u>9,678,330</u>	<u>39,878,242</u>	<u>5,345,983</u>	<u>38,723</u>	<u>21,012</u>	<u>54,962,290</u>

12. Events after the Reporting Period

- (a) On September 14, 2021 the Company awarded 700,000 RSUs to directors and officers of the Company. The RSUs vested immediately and the Company issued 700,000 common shares and recognized \$154,000 as share-based compensation expense.

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12. Events after the Reporting Period (continued)

- (b) On September 14, 2021 the Company granted 250,000 share options to a director of the Company at an exercise price of \$0.22 per common share expiring September 14, 2024.
- (c) See also Note 8(a).