MAWSON RESOURCES LIMITED

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
AUGUST 31, 2013

(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.

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

	Note	August 31, 2013 $	May 31, 2013 $
ASSETS			
Current assets			
Cash	5	6,809,643	5,209,513
Amounts receivable	6	94,954	77,172
Prepaid expenses and deposits		63,899	70,996
Total current assets		6,968,496	5,357,681
Non-current assets			
Investments	7	114,750	114,750
Property, plant and equipment	8	288,315	296,958
Exploration and evaluation assets	9	8,574,145	8,246,739
Total non-current assets		8,977,210	8,658,447
TOTAL ASSETS		15,945,706	14,016,128
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		511,230	410,427
TOTAL LIABILITIES		511,230	410,427
SHAREHOLDERS' EQUITY			
Share capital	10	34,629,603	32,086,361
Share-based payments reserve		5,160,917	5,160,917
Deficit		(23,670,294)	(22,955,827)
Accumulated other comprehensive loss		(685,750)	(685,750)
TOTAL SHAREHOLDERS' EQUITY		15,434,476	13,605,701
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		15,945,706	14,016,128

Events after the reporting period - Note 15

These consolidated financial statements were approved for issue by the Board of Directors on October 11, 2013 and are signed on its behalf by:

*/s/ **Michael Hudson***
Michael Hudson
Director

*/s/ **Nick DeMare***
Nick DeMare
Director

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

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

	Note	Three Months Ended August 31 2013 $	Three Months Ended August 31 2012 $
Expenses			
Accounting and administration	11(b)(ii)	35,147	25,600
Audit		20,575	8,200
Corporate development		9,995	36,861
Depreciation		8,643	7,912
General exploration		102,677	143,935
Investor relations		9,000	19,500
Legal		96,013	57,676
Management fees	11	40,500	40,500
Office and sundry		29,616	27,610
Professional fees	11	71,935	59,446
Regulatory fees		15,035	21,515
Rent		40,675	18,024
Salaries and benefits		68,838	32,042
Shareholder costs		4,096	4,861
Share-based compensation	10	-	41,000
Transfer agent		1,233	1,841
Travel		101,344	98,925
		655,322	645,448
Loss before other items		(655,322)	(645,448)
Other items			
Interest and other income		27,051	22,407
Impairment of exploration and evaluation assets	9	(94,894)	-
Foreign exchange		8,698	(14,186)
Unrealized loss on held-for-trading investments		-	(1,500)
		(59,145)	6,721
Loss before deferred income taxes		(714,467)	(638,727)
Deferred income taxes		-	12,000
Net loss for the period		(714,467)	(626,727)
Other comprehensive income, net of deferred income taxes		-	84,000
Comprehensive loss for the period		(714,467)	(542,727)
Basic and diluted loss per common share		$(0.01)	$(0.01)
Weighted average number of common shares outstanding		57,921,334	52,233,697

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

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

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

	Three Months Ended August 31, 2012					
	Share Capital					
	Number of Shares	Amount $	Share-Based Payments Reserve $	Deficit $	Accumulated Other Comprehensive Loss $	Total Equity $
Balance at May 31, 2012	52,224,253	28,176,662	5,128,417	(20,498,063)	(475,500)	12,331,516
Common shares issued for:						
Cash - exercise of share options	10,000	8,200	-	-	-	8,200
Share-based compensation	-	-	41,000	-	-	41,000
Transfer to common shares on exercise of share options	-	6,500	(6,500)	-	-	-
Unrealized gain on available-for-sale investments	-	-	-	-	96,000	96,000
Deferred income tax expense on unrealized gain on available-for-sale investments	-	-	-	-	(12,000)	(12,000)
Net loss for the period	-	-	-	(626,727)	-	(626,727)
Balance at August 31, 2012	52,234,253	28,191,362	5,162,917	(21,124,790)	(391,500)	11,837,989

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

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

	Three Months Ended August 31, 2013 $	Three Months Ended August 31, 2012 $
Operating activities		
Net loss for the period	(714,467)	(626,727)
Adjustments for:		
Depreciation	8,643	7,912
Share-based compensation	-	41,000
Impairment of exploration and evaluation assets	94,894	-
Unrealized loss on held-for-trading investments	-	1,500
Deferred income tax	-	(12,000)
	(610,930)	(588,315)
Changes in non-cash working capital items:		
Decrease (increase) in amounts receivable	(17,782)	68,881
Decrease in prepaid expenses and deposits	7,097	26,535
Increase (decrease) in accounts payable and accrued liabilities	37,723	(76,491)
	27,038	18,925
Net cash used in operating activities	(583,892)	(569,390)
Investing activities		
Expenditures on exploration and evaluation assets	(359,220)	(954,844)
Additions to property, plant and equipment	-	(10,458)
Net cash used in investing activities	(359,220)	(965,302)
Financing activities		
Issuance of share capital	2,569,688	8,200
Share issue costs	(26,446)	-
Net cash provided by financing activities	2,543,242	8,200
Net change in cash	1,600,130	(1,526,492)
Cash at beginning of period	5,209,513	7,351,494
Cash at end of period	6,809,643	5,825,002

Supplemental cash flow information - Note 13

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

1. Nature of Operations

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

The Company is a resource company engaged in the acquisition and exploration of unproven mineral interests. As at August 31, 2013 the Company has not earned any production revenue, nor found proved reserves on any of its unproven mineral interests. On the basis of information to date, the Company has not yet determined whether these properties contain economically recoverable ore reserves. The underlying value of the exploration and evaluation assets is entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete development and upon future profitable production. Exploration and evaluation assets represent costs incurred to date, less amounts depreciated and/or written off, and do not necessarily represent present or future values.

The Company's operations are funded from equity financings which are dependent upon many external factors and may be difficult to impossible to secure or raise when required. Although management considers that the Company has adequate resources to maintain its core operations and planned exploration programs on its existing exploration and evaluation assets for the next twelve months, the Company recognizes that exploration expenditures may change with ongoing results and, as a result, it may be required to obtain additional financing. While the Company has been successful in securing financings in the past, there can be no assurance that it will be able to do so in the future. See also Note 15.

2. Basis of Preparation

Statement of Compliance

These 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, 2013, 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, 2013.

Basis of Presentation

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

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

3. Significant Accounting Policies

The preparation of financial data is based on accounting principles and practices consistent with those to be used in the preparation of the audited annual consolidated financial statements as at May 31, 2013. The accompanying unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended May 31, 2013.

(Unaudited - Expressed in Canadian Dollars)

4. Subsidiaries

As at August 31, 2013 and May 31, 2013 the subsidiaries of the Company are as follows:

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

5. Cash

	August 31, 2013 $	May 31, 2013 $
Cash on hand	6,809,643	883,767
Demand deposits	-	4,325,746
	6,809,643	5,209,513

6. Amounts Receivable

	August 31, 2013 $	May 31, 2013 $
HST receivable	3,883	6,300
Foreign value added taxes receivable	77,387	46,179
Other	13,684	24,693
	94,954	77,172

7. Investments

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

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

(Unaudited - Expressed in Canadian Dollars)

7. Investments (continued)

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

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

8. Property, Plant and Equipment

Cost:	Condominium $	Office Furniture and Equipment $	Field Equipment $	Vehicles $	Total $
Balance at May 31, 2012	248,450	31,534	19,949	158,504	458,437
Additions	-	10,458	54,120	-	64,578
Disposals	-	(12,248)	-	-	(12,248)
Balance at May 31, 2013 and August 31, 2013	248,450	29,744	74,069	158,504	510,767
Accumulated Depreciation:					
Balance at May 31, 2012	(17,600)	(16,737)	(16,952)	(142,248)	(193,537)
Depreciation	(12,424)	(4,654)	(10,452)	(4,990)	(32,520)
Disposals	-	12,248	-	-	12,248
Balance at May 31, 2013	(30,024)	(9,143)	(27,404)	(147,238)	(213,809)
Depreciation	(3,106)	(1,486)	(2,804)	(1,247)	(8,643)
Balance at August 31, 2013	(33,130)	(10,629)	(30,208)	(148,485)	(222,452)
Carrying Value:					
Balance at May 31, 2013	218,426	20,601	46,665	11,266	296,958
Balance at August 31, 2013	215,320	19,115	43,861	10,019	288,315

9. Exploration and Evaluation Assets

	As at August 31, 2013			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	400,529
	1,862,338	6,711,807	8,574,145	2,050,121	6,196,618	8,246,739

(Unaudited - Expressed in Canadian Dollars)

9. Exploration and Evaluation Assets (continued)

	Finland	Sweden	
	Gold Projects $	Other Projects $	Total $
Balance at May 31, 2012	4,889,442	11,481	4,900,923
Exploration costs			
Assays	540,088	-	540,088
Consulting	170,585	-	170,585
Database	-	11,915	11,915
Drilling	500,339	-	500,339
Exploration site	49,220	1,694	50,914
Field equipment	37,412	-	37,412
Field workers	122,320	-	122,320
Geological	488,519	8,478	496,997
Logging	164,235	-	164,235
Maps	32,745	12,038	44,783
Salaries and benefits	282,882	57,229	340,111
Travel	11,777	8,342	20,119
Vehicle rental	2,382	2,567	4,949
	2,402,504	102,263	2,504,767
Acquisition costs			
Mining rights	554,264	-	554,264
Permits	-	288,293	288,293
	554,264	288,293	842,557
Impairment	-	(1,508)	(1,508)
Balance at May 31, 2013	7,846,210	400,529	8,246,739
Exploration costs			
Assays	46,529	-	46,529
Consulting	40,901	-	40,901
Drilling	6,699	-	6,699
Exploration site	13,469	2,152	15,621
Field equipment	21,489	-	21,489
Field workers	72,820	-	72,820
Fuel	3,647	-	3,647
Geological	187,930	11,823	199,753
Logging	656	-	656
Maps	2,644	-	2,644
Salaries and benefits	105,367	16,576	121,943
Travel	16,531	5,510	22,041
Vehicle rental	4,061	2,885	6,946
	522,743	38,946	561,689
Acquisition costs			
Recoveries	-	(139,389)	(139,389)
Impairment	-	(94,894)	(94,894)
Balance at August 31, 2013	8,368,953	205,192	8,574,145

9. Exploration and Evaluation Assets (continued)

(a) As at August 31, 2013 the Company maintained the following:

(i) ***Finland***

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

As at August 31, 2013 the Company holds a total of 121 claims, 710 claim applications and 7 claim reservations in Finland.

(ii) ***Sweden***

During the three months ended August 31, 2013 the Company surrendered certain exploration permits in Sweden and recorded an impairment charge of $94,894 in exploration and evaluation assets.

As at August 31, 2013 the Company holds a total of 7 claims and 1 claim application in Sweden.

(b) The Company has been dealing with certain Finnish environmental authorities in regards to certain issues raised as a result of the Company's hand dug trenches at Rompas, Finland, completed during the 2010 and 2011 work programs. The first issue involves applying for specific permits to explore on decree-based areas, where exploration is a permitted act. The second issue involves claims that the Company's hand dug trenches from 2010 and 2011 have affected the nature values of an area. The Company's position is that its work programs have had no material impact on the nature values and the Company has engaged various third party studies to demonstrate this to be the case.

10. Share Capital

(a) *Authorized Share Capital*

As at August 31, 2013 and May 31, 2013 the Company's authorized share capital consisted of an unlimited number of common shares without par value. All issued common shares are fully paid.

(b) *Reconciliation of Changes in Share Capital*

In July 2013 the Company announced its intention to conduct a non-brokered private placement of up to 9,344,417 units of the Company at $0.45 per unit for gross proceeds of up to $4,204,987. 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 with each unit consisting of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share at a price of $0.65 expiring August 2, 2015.

During the three months ended August 31, 2013 the Company incurred $26,446 for legal and filing costs associated with the private placement.

Subsequent to August 31, 2013 the Company closed the final tranche of this private placement. See also Note 15(a).

There were no equity financings conducted by the Company during fiscal 2013.

(Unaudited - Expressed in Canadian Dollars)

10. Share Capital (continued)

(c) *Warrants*

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

	2013		2012	
	Number	Weighted Average Exercise Price $	Number	Weighted Average Exercise Price $
Balance, beginning of period	4,920,667	0.857	8,797,137	0.93
Issued	2,855,208	0.65	-	-
Balance, end of period	7,775,875	0.78	8,797,137	0.93

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

Number	Exercise Price $	Expiry Date
4,920,667	0.857	May 12, 2014
2,855,208	0.65	August 2, 2015
7,775,875		

See also Note 15(a).

(d) *Share Option Plan*

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

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

During the three months ended August 31, 2012 the Company granted 50,000 share options and recorded share-based compensation expense of $41,000.

The fair value of share options granted during the three months ended August 31, 2012 is estimated using the Black-Scholes option pricing model using the following assumptions:

	2012
Risk-free interest rate	1.14%
Estimated volatility	86%
Expected life	3 years
Expected dividend yield	0%
Estimated forfeiture rate	0%

The weighted average fair value of all share options granted during the three months ended August 31, 2012 was $0.82 per option.

(Unaudited - Expressed in Canadian Dollars)

10. Share Capital (continued)

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

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

	2013		2012	
	Number of Options Outstanding	Weighted Average Exercise Price $	Number of Options Outstanding	Weighted Average Exercise Price $
Balance, beginning of period	2,513,000	1.04	2,473,000	1.02
Granted	-	-	50,000	1.49
Exercised	-	-	(10,000)	0.82
Balance, end of period	2,513,000	1.04	2,513,000	1.03

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

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

See also Note 15(b)

11. Related Party Disclosures

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

(a) *Transactions with Key Management Personnel*

During the three months ended August 31, 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:

	2013 $	2012 $
Management fees	40,500	40,500
Professional fees	55,979	54,336
Rent for apartment	15,346	-
	111,825	94,836

(Unaudited - Expressed in Canadian Dollars)

11. Related Party Disclosures (continued)

As at August 31, 2013, $32,199 (2012 - $30,934) of the above amounts remained unpaid and has been included in accounts payable and accrued liabilities.

The Company has a management agreement with the President, which provides that in the event the President's services are terminated without cause or upon a change of control of the Company, a termination payment of two years of compensation, at $13,500 per month, is payable. If the termination had incurred on 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
	44,250	42,200

As at August 31, 2013, $27,500 (2012 - $12,500) of the above amounts remained unpaid and has been included in accounts payable and accrued liabilities.

(ii) During the three months ended August 31, 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 and has been included in accounts payable and accrued liabilities.

(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 and has been included in amounts receivable.

12. Financial Instruments and Risk Management

Categories of Financial Assets and Financial Liabilities

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

Financial Instrument	Category	August 31, 2013 $	May 31, 2013 $
Cash	FVTPL	6,809,643	5,209,513
Amounts receivable	Loans and receivables	94,954	77,172
Investments	Available-for-sale	114,750	114,750
Accounts payable and accrued liabilities	Other liabilities	(511,230)	(410,427)

(Unaudited - Expressed in Canadian Dollars)

12. Financial Instruments and Risk Management (continued)

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:

Credit Risk

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

Liquidity Risk

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

	Contractual Maturity Analysis at August 31, 2013				
	Less than 3 Months $	3 - 12 Months $	1 - 5 Years $	Over 5 Years $	Total $
Cash	6,809,643	-	-	-	6,809,643
Amounts receivable	94,954	-	-	-	94,954
Investments	-	-	114,750	-	114,750
Accounts payable and accrued liabilities	(511,230)	-	-	-	(511,230)

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

12. 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 and major transactions are transacted in Canadian Dollars, Euros and Swedish Kronors ("SEK"). The Company maintains Euros bank accounts in Finland, SEK bank accounts in Sweden, and a US Dollar bank account in Canada to support the cash needs of its foreign operations. Management believes the foreign exchange risk related to currency conversions is minimal and therefore does not hedge its foreign exchange risk. At August 31, 2013, 1 Canadian Dollar was equal to 0.72 Euros, 6.30 SEK and 0.95 US Dollars.

Balances are as follows:

	Finland Euros	**Swedish Kronors**	**United States Dollars**	**CDN $ Equivalent**
Cash	108,017	1,202,930	14,911	356,661
Amounts receivable	47,989	67,251	-	77,326
Accounts payable and accrued liabilities	(218,283)	(543,587)	-	(389,455)
	(62,277)	726,594	14,911	44,532

Based on the net exposures as of August 31, 2013 and assuming that all other variables remain constant, a 10% fluctuation on the Canadian Dollar against the Euros, SEK and US Dollar would result in the Company's net loss being approximately $4,000 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.

(Unaudited - Expressed in Canadian Dollars)

13. Supplemental Cash Flow Information

During the three months ended August 31, 2013 and 2012 non-cash activities were conducted by the Company as follows:

	2013 $	2012 $
Operating activity		
Increase in accounts payable and accrued liabilities	273,313	144,669
Investing activity		
Additions to exploration and evaluation assets	(273,313)	(144,669)
Financing activities		
Issuance of share capital	-	6,500
Share-based payments reserve	-	(6,500)
	-	-

14. Segmented Information

The Company operates in one reportable segment, the exploration and development of unproven exploration and evaluation assets. As at August 31, 2013 the Company's exploration and evaluation assets are located in Finland and Sweden and its corporate assets, comprising mainly of cash, are located in Canada. The Company is in the exploration stage and has no reportable segment revenues or operating results.

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

	As at August 31, 2013				
	Canada $	Sweden $	Finland $	Peru $	Total $
Current assets	6,533,883	203,675	230,938	-	6,968,496
Investments	114,750	-	-	-	114,750
Property, plant and equipment	54,500	13,091	5,404	215,320	288,315
Exploration and evaluation assets	-	205,192	8,368,953	-	8,574,145
	6,703,133	421,958	8,605,295	215,320	15,945,706

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

15. Event after the Reporting Period

(a) 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 with each unit consisting of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share at a price of $0.65 expiring September 9, 2015.

(b) On October 7, 2013 the Company granted share options to purchase a total of 3,890,000 common shares of the Company at an exercise price of $0.52 per common share for a period of three years.