
MAWSON GOLD LIMITED

(formerly Mawson Resources Limited)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
AUGUST 31, 2020

(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 (formerly *Mawson Resources Limited*)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian Dollars)

	Note	August 31, 2020 \$	May 31, 2020 \$
ASSETS			
Current assets			
Cash and cash equivalents		16,779,175	18,906,515
Accrued interest		42,345	-
GST/VAT receivable		92,038	143,561
Prepaid expenses and deposits	4	<u>679,268</u>	<u>141,201</u>
Total current assets		<u>17,592,826</u>	<u>19,191,277</u>
Non-current assets			
Investments	5	2,441,491	3,015,984
Property, plant and equipment	6	108,741	91,633
Exploration and evaluation assets	7	35,558,638	34,999,638
Bonds		<u>121,480</u>	<u>128,601</u>
Total non-current assets		<u>38,230,350</u>	<u>38,235,856</u>
TOTAL ASSETS		<u>55,823,176</u>	<u>57,427,133</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		<u>675,560</u>	<u>1,160,239</u>
TOTAL LIABILITIES		<u>675,560</u>	<u>1,160,239</u>
SHAREHOLDERS' EQUITY			
Share capital	8	88,397,712	88,122,934
Share-based payments reserve		9,203,529	9,115,859
Deficit		<u>(42,453,625)</u>	<u>(40,971,899)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>55,147,616</u>	<u>56,266,894</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>55,823,176</u>	<u>57,427,133</u>

Nature of Operations and Name Change - Note 1

Event after the Reporting Period - Note 13

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on October 13, 2020 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 (formerly *Mawson Resources Limited*)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited - Expressed in Canadian Dollars)

	Note	Three Months Ended August 31	
		2020 \$	2019 \$
Expenses			
Accounting and administration	9(b)	32,695	25,695
Audit		21,321	17,000
Corporate advisory fees	4	353,853	-
Corporate development		62,429	16,881
Depreciation	6	3,753	5,854
Directors and officers compensation	9(a)	76,500	82,320
General exploration		24,095	-
Legal		62,693	51,772
Office and sundry		39,743	28,670
Professional fees		37,259	59,212
Regulatory fees		18,703	10,526
Rent		39,807	35,720
Salaries and benefits		-	20,569
Share-based compensation	8(d)	128,253	-
Shareholder costs		4,489	9,797
Transfer agent		5,428	568
Travel		8,419	61,066
		<u>919,440</u>	<u>425,650</u>
Loss before other items		<u>(919,440)</u>	<u>(425,650)</u>
Other items			
Interest income		44,953	5,894
Foreign exchange		(32,746)	(15,628)
Unrealized loss on investments		<u>(574,493)</u>	<u>(20,763)</u>
		<u>(562,286)</u>	<u>(30,497)</u>
Net loss and comprehensive loss for the period		<u>(1,481,726)</u>	<u>(456,147)</u>
Basic and diluted loss per common share		<u>\$(0.01)</u>	<u>\$(0.00)</u>
Weighted average number of common shares outstanding		<u>254,738,340</u>	<u>142,391,593</u>

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

MAWSON GOLD LIMITED (formerly *Mawson Resources Limited*)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited - Expressed in Canadian Dollars)

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

Three Months Ended August 31, 2019					
	Share Capital		Share-Based Payments Reserve \$	Deficit \$	Total Equity \$
	Number of Shares	Amount \$			
Balance at May 31, 2019	142,391,593	62,499,444	7,969,961	(38,570,559)	31,898,846
Net loss for the period	-	-	-	(456,147)	(456,147)
Balance at August 31, 2019	142,391,593	62,499,444	7,969,961	(39,026,706)	31,442,699

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MAWSON GOLD LIMITED (formerly *Mawson Resources Limited*)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian Dollars)

	Three Months Ended August 31,	
	2020 \$	2019 \$
Operating activities		
Net loss for the period	(1,481,726)	(456,147)
Adjustments for:		
Depreciation	3,753	5,854
Share-based compensation	128,253	-
Unrealized loss on investments	574,493	20,763
Changes in non-cash working capital items:		
Amounts receivable	(42,345)	-
GST/VAT receivable	51,523	212,088
Prepaid expenses and deposits	(538,067)	41,281
Accounts payable and accrued liabilities	(154,120)	(281,571)
Net cash used in operating activities	<u>(1,458,236)</u>	<u>(457,732)</u>
Investing activities		
Exploration and evaluation assets expenditures	(889,559)	(669,187)
Additions to property, plant and equipment	(20,861)	-
Refund of bonds	7,121	-
Net cash used in investing activities	<u>(903,299)</u>	<u>(669,187)</u>
Financing activity		
Issuance of common shares	234,195	-
Net cash provided by financing activity	<u>234,195</u>	<u>-</u>
Net change in cash	(2,127,340)	(1,126,919)
Cash at beginning of period	<u>18,906,515</u>	<u>1,839,544</u>
Cash and cash equivalents at end of period	<u>16,779,175</u>	<u>712,625</u>
Cash and cash equivalents comprises:		
Cash	779,175	712,625
Short-term investment certificates	<u>16,000,000</u>	<u>-</u>
	<u>16,779,175</u>	<u>712,625</u>

Supplemental cash flow information - Note 11

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

MAWSON GOLD LIMITED (formerly *Mawson Resources Limited*)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED AUGUST 31, 2020
(Unaudited - Expressed in Canadian Dollars)

1. Nature of Operations and Name Change

Mawson Resources 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, 2020 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, 2020 the Company had working capital in the amount of \$16,917,266. 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.

On March 11, 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 as recommended by the Finnish and Australian governments. The Company 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.

These condensed consolidated interim financial statements do not reflect any adjustments related to conditions that occurred subsequent to August 31, 2020.

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, 2020, 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, 2020

MAWSON GOLD LIMITED (formerly *Mawson Resources Limited*)
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2. Basis of Preparation (continued)

Adoption of New Accounting Standard

Effective June 1, 2020 the Company adopted the Amendments to IFRS 3 - *Definition of a Business*, which clarifies the definition of a business for the purpose of determining whether a transaction should be accounted for as an asset acquisition or a business combination. The amendments:

- clarify the minimum attributes that the acquired assets and activities must have to be considered a business;
- remove the assessment of whether market participants can acquire the business and replace missing inputs or processes to enable them to continue to produce outputs;
- narrow the definition of a business and the definition of outputs; and
- add an optional concentration test that allows a simplified assessment of whether an acquired set of activities and assets is not a business.

There was no impact on the Company's condensed consolidated interim financial statements upon the adoption of the amendments of this standard.

Basis of Measurement

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.

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%

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4. Prepaid Expenses and Deposits

	August 31, 2020 \$	May 31, 2020 \$
Corporate advisory fees	498,213	-
Deposit	63,432	-
Other	<u>117,623</u>	<u>141,201</u>
	<u>679,268</u>	<u>141,201</u>

On April 24, 2020 the Company engaged an arm's length Swiss consulting firm ("Consultant") to provide strategic consulting, media and business development services for a period of one month under which it paid \$122,410 (the "Initial Agreement"). On May 22, 2020 the Company agreed to amend and extend the services of the Consultant for a period of one year, expiring May 21, 2021, for an additional fee of EUR 450,000 (the "Amended Agreement"). During the three months ended August 31, 2020 the Company paid the Consultant the payment of \$695,216 (EUR 450,000) of which \$183,853 has been expensed as corporate advisory fees during the three months ended August 31, 2020 and \$498,213 was included in prepaid expenses and deposits as at August 31, 2020. On June 1, 2020 the Company granted stock options to the Consultant to purchase 800,000 shares of the Company at \$0.38 per share, expiring June 1, 2023. 200,000 options vested immediately and the remaining 600,000 options are subject to vesting provisions.

5. Investments

	<u>As at August 31, 2020</u>			
	Number	Cost \$	Unrealized Gain (Loss) \$	Carrying Value \$
Common shares				
Nagambie Resources Limited ("Nagambie")	50,000,000	1,572,500	835,053	2,407,553
Kingsmen Resources Limited ("Kingsmen")	37,500	45,000	(39,375)	5,625
Thomson Resources Ltd. ("Thomson")	600,000	<u>16,603</u>	<u>11,710</u>	<u>28,313</u>
		<u>1,634,103</u>	<u>807,388</u>	<u>2,441,491</u>
	<u>As at May 31, 2020</u>			
	Number	Cost \$	Unrealized Gain (Loss) \$	Carrying Value \$
Common shares				
Nagambie Resources Limited ("Nagambie")	50,000,000	1,572,500	1,427,702	3,000,202
Kingsmen Resources Limited ("Kingsmen")	37,500	45,000	(39,188)	5,812
Thomson Resources Ltd. ("Thomson")	600,000	<u>16,603</u>	<u>(6,633)</u>	<u>9,970</u>
		<u>1,634,103</u>	<u>1,381,881</u>	<u>3,015,984</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, which are subject to voluntary trading restrictions to be released in four equal tranches over a 22 month period. 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.

MAWSON GOLD LIMITED (formerly Mawson Resources Limited)
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6. Property, Plant and Equipment

Cost:	Field Equipment \$	Vehicles \$	Total \$
Balance at May 31, 2019	106,051	233,027	339,078
Additions	<u>46,920</u>	<u>-</u>	<u>46,920</u>
Balance at May 31, 2020	152,971	233,027	385,998
Additions	<u>-</u>	<u>20,861</u>	<u>20,861</u>
Balance at August 31, 2020	<u>152,971</u>	<u>253,888</u>	<u>406,859</u>
Accumulated Depreciation:			
Balance at May 31, 2019	(85,477)	(190,079)	(275,556)
Depreciation	<u>(5,777)</u>	<u>(13,032)</u>	<u>(18,809)</u>
Balance at May 31, 2020	(91,254)	(203,111)	(294,365)
Depreciation	<u>(1,153)</u>	<u>(2,600)</u>	<u>(3,753)</u>
Balance at August 31, 2020	<u>(92,407)</u>	<u>(205,711)</u>	<u>(298,118)</u>
Carrying Value:			
Balance at May 31, 2020	<u>61,717</u>	<u>29,916</u>	<u>91,633</u>
Balance at August 31, 2020	<u>60,564</u>	<u>48,177</u>	<u>108,741</u>

7. Exploration and Evaluation Assets

	<u>As at August 31, 2020</u>			<u>As at May 31, 2020</u>		
	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$
Finland						
Rompas-Rajapalot	3,096,619	31,041,729	34,138,348	3,069,142	30,681,347	33,750,489
Australia						
Sunday Creek	665,549	89,881	755,430	652,501	19,625	672,126
Redcastle and Doctor's Gully	13,489	68,120	81,609	-	2,317	2,317
Mount Isa SE	<u>240,098</u>	<u>343,153</u>	<u>583,251</u>	<u>238,528</u>	<u>336,178</u>	<u>574,706</u>
	<u>4,015,755</u>	<u>31,542,883</u>	<u>35,558,638</u>	<u>3,960,171</u>	<u>31,039,467</u>	<u>34,999,638</u>

MAWSON GOLD LIMITED (formerly Mawson Resources Limited)
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7. **Exploration and Evaluation Assets (continued)**

	Finland	Australia			USA	Total
	Rompas- Rajapalot \$	Sunday Creek \$	Redcastle and Doctor's Gully \$	Mount Isa SE \$	WUSA, Oregon \$	
Balance at May 31, 2019	<u>28,904,128</u>	<u>-</u>	<u>-</u>	<u>449,582</u>	<u>871,972</u>	<u>30,225,682</u>
Exploration costs						
Assays	290,986	-	-	-	-	290,986
Consulting	161,951	-	-	-	-	161,951
Core logging	647	-	-	-	-	647
Drilling	2,819,739	-	-	-	-	2,819,739
Exploration site	979	-	-	-	7,782	8,761
Field equipment	8,964	-	-	-	-	8,964
Field workers	73,647	-	-	-	-	73,647
Fuel	14,798	-	-	-	-	14,798
Geological	196,584	19,625	2,317	30,636	4,031	253,193
Geophysics	322,328	-	-	-	-	322,328
Salaries and benefits	735,098	-	-	-	-	735,098
Surveying	-	-	-	150,188	-	150,188
Travel	-	-	-	-	564	564
Vehicle rental	27,184	-	-	-	770	27,954
Government assistance	(131,767)	-	-	(86,900)	-	(218,667)
	<u>4,521,138</u>	<u>19,625</u>	<u>2,317</u>	<u>93,924</u>	<u>13,147</u>	<u>4,650,151</u>
Acquisition costs						
Mining rights	325,223	2,822	-	31,200	-	359,245
Acquisition agreement	-	649,679	-	-	-	649,679
	<u>325,223</u>	<u>652,501</u>	<u>-</u>	<u>31,200</u>	<u>-</u>	<u>1,008,924</u>
Impairment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(885,119)</u>	<u>(885,119)</u>
Balance at May 31, 2020	<u>33,750,489</u>	<u>672,126</u>	<u>2,317</u>	<u>574,706</u>	<u>-</u>	<u>34,999,638</u>
Exploration costs						
Assays	6,937	-	-	-	-	6,937
Consulting	51,073	-	-	-	-	51,073
Drilling	7,610	-	-	-	-	7,610
Exploration site	600	42,279	20,374	492	-	63,745
Field workers	13,437	-	-	-	-	13,437
Field equipment	1,779	7,086	11,180	-	-	20,045
Fuel	893	-	-	-	-	893
Geochemical	1,719	-	-	-	-	1,719
Geological	47,804	16,817	32,262	6,483	-	103,366
Geophysics	56,949	-	-	-	-	56,949
Preliminary economic assessment	29,800	-	-	-	-	29,800
Salaries and benefits	168,264	-	-	-	-	168,264
Travel	-	2,394	307	-	-	2,701
Vehicle rental	2,908	1,680	1,680	-	-	6,268
Government assistance	(29,391)	-	-	-	-	(29,391)
	<u>360,382</u>	<u>70,256</u>	<u>65,803</u>	<u>6,975</u>	<u>-</u>	<u>503,416</u>
Acquisition costs						
Mining rights	27,477	8,240	3,052	-	-	38,769
Permitting	-	4,808	10,437	1,570	-	16,815
	<u>27,477</u>	<u>13,048</u>	<u>13,489</u>	<u>1,570</u>	<u>-</u>	<u>55,584</u>
Balance at August 31, 2020	<u>34,138,348</u>	<u>755,430</u>	<u>81,609</u>	<u>583,251</u>	<u>-</u>	<u>35,558,638</u>

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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(Unaudited - Expressed in Canadian Dollars)

7. Exploration and Evaluation Assets (continued)

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

As at August 31, 2020 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 Prospect, 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 two mineral tenements (the “Sunday Creek Prospect”) located in the central Victoria goldfields of Australia, environmental bonds over the tenements and cash. The Company considers that the Clonbinane Acquisition is an acquisition of a group of assets. Accordingly the \$675,266 Clonbinane Purchase Price has been allocated based on their fair values, as follows:

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

(c) ***Redcastle and Doctor’s Gully Option Agreements, Australia***

On March 24, 2020, the Company entered into option and joint venture agreements pursuant to which the Company has the right to earn up to 70% joint venture interests in each of Nagambie’s Redcastle and Doctor’s Gully gold properties located in Victoria, Australia by incurring the following exploration expenditures on the each of the properties:

- (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.

Once the Company earns the 70% interest 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 per property.

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

The Company holds five exploration prospecting licenses (“EPMs”) (collectively “Mount Isa SE”) in the Mount Isa Mineral District, Queensland, Australia. The Mount Isa SE EPMs require annual concession payments totalling approximately AUD \$26,500 and work commitments totalling approximately AUD \$280,000 between fiscal 2023 and 2024.

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7. Exploration and Evaluation Assets (continued)

(e) ***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 has been 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.

In the past the Company has received extensions to the option agreement and expects to continue to receive cooperation from the optionor while the Company continues its efforts to identify a partner or a farm-out arrangement. During fiscal 2020 the Company has determined to impair all capitalized expenditures on the WUSA property and, accordingly, has 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 may earn an initial 51% interest by funding a minimum of US \$200,000 in exploration expenditures by December 31, 2020 and payment of US \$25,000 (paid by Aguila) option lease payment to the optionor. Aguila can then earn an additional 29% interest by funding a further US \$1,000,000 in exploration expenditures by December 31, 2022 and making all required option lease payments.

8. 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***

Three Months Ended August 31, 2020

During the three months ended August 31, 2020 the Company did not conduct any equity financings.

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8. Share Capital (continued)

Fiscal 2020

- (i) On October 30, 2019 the Company completed a private placement financing of 49,376,749 units, at a price of \$0.16 per unit for gross proceeds of \$7,900,280. Each unit comprised one common share and one-half warrant. Each whole warrant entitles the holder to purchase an additional common share at a price of \$0.24 per share until October 30, 2021. Director and officers of the Company and/or private corporations controlled by directors or officers of the Company participated for 825,000 common shares of this private placement.

The Company paid total cash commissions and finders' fees of \$364,757 and issued 2,279,730 share purchase warrants (the "Broker Warrants"). Each Broker Warrant entitles the holder to purchase an additional common share at a price of \$0.185 per share until October 30, 2021. The value assigned to the Broker Warrants was \$91,189. The weighted average fair value of the Broker Warrants issued was \$0.04 per warrant. The fair value of the Broker Warrants has been estimated using the Black-Scholes option pricing model. The assumptions used were: a risk-free interest rate of 1.57%; expected volatility of 63%; an expected life of 2 years; a dividend yield of 0%; and an expected forfeiture rate of 0%.

The Company incurred a total of \$231,008 for legal and other costs associated with this private placement financing.

- (ii) An existing shareholder of the Company elected to exercise its participation right to maintain its pro-rata ownership in the Company and, on April 8, 2020 the Company completed a private placement of 615,000 common shares of the Company at \$0.17 per common share for proceeds of \$104,550.

- (iii) On May 20, 2020 the Company completed a public offering totalling 48,572,000 units of the Company at \$0.35 per unit for gross proceeds of \$17,000,200. Each unit consisted of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share of the Company at a price of \$0.45 on or before May 20, 2022. The Company paid total cash commissions and finders' fees of \$850,010 and issued 2,428,600 share purchase warrants (the "Broker Warrants"). Each Broker Warrant entitles the holder to purchase an additional common share at a price of \$0.35 per share until May 20, 2022. The value assigned to the Broker Warrants was \$340,004. The weighted average fair value of the Broker Warrants issued was \$0.14 per warrant. The fair value of the Broker Warrants has been estimated using the Black-Scholes option pricing model. The assumptions used were: a risk-free interest rate of 0.28%; expected volatility of 72%; an expected life of 2 years; a dividend yield of 0%; and an expected forfeiture rate of 0%.

The Company incurred a total of \$369,744 for legal and other costs associated with this private placement financing.

- (iv) On May 27, 2020 the Company completed a non-brokered private placement of 2,860,000 units of the Company at \$0.35 per unit for gross proceeds of \$1,001,000 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 \$0.45 on or before May 27, 2020. The Company paid total finders' fees of \$1,898 cash and issued 5,425 finder's warrants (the "Finder's Warrants"). Each Finder's Warrant entitles the holder to purchase an additional common share at a price of \$0.45 per share until May 27, 2022. The value assigned to the Finder's Warrants was \$705. The fair value of the Finder's Warrants has been estimated using the Black-Scholes option pricing model. The assumptions used were: a risk-free interest rate of 0.27%; expected volatility of 72%; an expected life of 2 years; a dividend yield of 0%; and an expected forfeiture rate of 0%.

- (v) See also Notes 5(a) and 7(b).

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8. Share Capital (continued)

(c) *Warrants*

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at August 31, 2020 and 2019 and the changes for the three months ended on those dates, is as follows:

	2020		2019	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance, beginning of period	55,043,129	0.34	25,286,635	0.58
Warrants exercised	<u>(1,208,320)</u>	0.19	<u>-</u>	-
Balance, end of period	<u>53,834,809</u>	0.34	<u>25,286,635</u>	0.58

The following table summarizes information about the number of common shares reserved pursuant to the Company's warrants outstanding and exercisable at August 31, 2020:

Number	Exercise Price \$	Expiry Date
1,265,160	0.185	October 30, 2021
24,419,624	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>53,834,809</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, 2020 the Company granted share options to purchase a total of 1,387,520 common shares and recorded compensation expense of \$128,253 on the vesting of these options. See also Note 4.

No share options were granted during the three months ended August 31, 2019.

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

Risk-free interest rate	0.26% - 0.31%
Estimated volatility	71% - 74%
Expected life	2 years - 3 years
Expected dividend yield	0%
Estimated forfeiture rate	0%

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8. Share Capital (continued)

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

A summary of the Company's share options at August 31, 2020 and, 2019 and the changes for the three months ended on those dates, is as follows:

	2020		2019	
	Number of Options Outstanding	Weighted Average Exercise Price \$	Number of Options Outstanding	Weighted Average Exercise Price \$
Balance, beginning of period	11,935,000	0.25	10,270,000	0.33
Granted	1,387,520	0.38	-	-
Expired / cancelled	(400,000)	0.39	-	-
Forfeited	-	-	(490,000)	0.275
Balance, end of period	12,922,520	0.26	9,780,000	0.32

The following table summarizes information about the share options outstanding and exercisable at August 31, 2020:

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
6,730,000	6,730,000	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
4,335,000	4,335,000	0.275	February 12, 2024
12,922,520	12,322,520		

(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 granted during the three months ended August 31, 2020.

During fiscal 2020 the Company granted 300,000 RSUs. The RSUs vested immediately and the Company issued one common share for each RSU granted. During fiscal 2020 the Company recognized \$69,000 as share-based compensation expense.

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9. 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, 2020 the Company incurred a total of \$168,113 (2019 - \$159,033) to key management personnel for salaries and fees which have been allocated based on the nature of the services provided: expensed \$76,500 (2019 - \$82,320) to directors and officers compensation and capitalized \$91,613 (2019 - \$76,713) to exploration and evaluation assets. As at August 31, 2020 \$56,670 (May 31, 2020 - \$142,125) 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, 2020 the amount payable under the agreement would be \$420,000.

The Company has a management agreement with its Chief Geologist and former President 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, 2020 the amount payable under the agreement would be AUD \$220,008.

(b) During the three months ended August 31, 2020 the Company incurred a total of \$21,000 (2019 - \$13,500) 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 (2019 - \$1,005) for rent. As at August 31, 2020 \$12,670 (May 31, 2020 - \$4,170) remained unpaid and has been included in accounts payable and accrued liabilities.

(c) See also Note 8(b).

10. 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:

Financial Instrument	Category	August 31, 2020 \$	May 31, 2020 \$
Cash and cash equivalents	FVTPL	16,779,175	18,906,515
Accrued interest	Amortized cost	42,345	-
Investments	FVTPL	2,441,491	3,015,984
Bonds	Amortized cost	121,480	128,601
Accounts payable and accrued liabilities	Amortized cost	(675,560)	(1,160,239)

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.

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10. Financial Instruments and Risk Management (continued)

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities and time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The recorded amounts for accrued interest, accounts payable and accrued liabilities approximate their fair value due to their short-term nature. The recorded amounts for cash and cash equivalents, investments and bonds approximate their fair value. The Company's fair value of cash and cash equivalents, 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, 2020				
	Less than 3 Months \$	3 - 12 Months \$	1 - 5 Years \$	Over 5 Years \$	Total \$
Cash and cash equivalents	16,779,175	-	-	-	16,779,175
Accrued interest	42,345	-	-	-	42,345
Investments	-	-	2,441,491	-	2,441,491
Bonds	-	-	121,480	-	121,480
Accounts payable and accrued liabilities	(675,560)	-	-	-	(675,560)

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.

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10. Financial Instruments and Risk Management (continued)

(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, 2020, 1 Canadian Dollar was equal to 1.04 AUD Dollar, 0.64 Euro, 6.63 SEK, and 0.77 US Dollar.

Balances are as follows:

	AUD Dollars	Euros	Swedish Kronors	US Dollars	CDN \$ Equivalent
Cash	203,444	104,102	107,863	149,921	569,250
GST/VAT receivable	16,281	13,090	4,957	-	36,856
Bonds	25,000	30,000	64,133	32,077	121,480
Accounts payable and accrued liabilities	<u>(63,725)</u>	<u>(286,007)</u>	<u>(16,685)</u>	<u>-</u>	<u>(510,677)</u>
	<u>181,000</u>	<u>(138,815)</u>	<u>160,268</u>	<u>181,998</u>	<u>216,909</u>

Based on the net exposures as of August 31, 2020 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 loss being approximately \$10,000 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.

11. Supplemental Cash Flow Information

During the three months ended August 31, 2020 and 2019 non-cash activities were conducted by the Company as follows:

	2020 \$	2019 \$
Operating activity		
Accounts payable and accrued liabilities	<u>330,559</u>	<u>226,033</u>
Investing activity		
Exploration and evaluation assets	<u>(330,559)</u>	<u>(226,033)</u>
Financing activities		
Issuance of share capital	40,583	-
Share-based payments reserve	<u>(40,583)</u>	<u>-</u>
	<u>-</u>	<u>-</u>

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12. 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, 2020					
	Canada	Finland	Australia	USA	Sweden	Total
	\$	\$	\$	\$	\$	\$
Current assets	16,971,373	236,157	202,837	165,252	17,207	17,592,826
Investments	2,441,491	-	-	-	-	2,441,491
Property, plant and equipment	-	60,857	47,884	-	-	108,741
Exploration and evaluation assets	-	34,138,348	1,420,290	-	-	35,558,638
Bonds	-	46,893	23,078	41,834	9,675	121,480
	<u>19,412,864</u>	<u>34,482,255</u>	<u>1,694,089</u>	<u>207,086</u>	<u>26,882</u>	<u>55,823,176</u>
	As at May 31, 2020					
	Canada	Finland	Australia	USA	Sweden	Total
	\$	\$	\$	\$	\$	\$
Current assets	18,635,032	340,953	32,518	174,593	8,181	19,191,277
Investments	3,015,984	-	-	-	-	3,015,984
Property, plant and equipment	-	49,288	42,345	-	-	91,633
Exploration and evaluation assets	-	33,750,489	1,249,149	-	-	34,999,638
Bonds	-	45,613	29,440	44,225	9,323	128,601
	<u>21,651,016</u>	<u>34,186,343</u>	<u>1,353,452</u>	<u>218,818</u>	<u>17,504</u>	<u>57,427,133</u>

13. Event after the Reporting Period

On October 6, 2020 the Company issued 15,000 common shares for proceeds of \$3,450 on the exercise of share options.