MAWSON RESOURCES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
MAY 31, 2011 and 2010

D+H Group LLP
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Mawson Resources Limited

We have audited the accompanying consolidated financial statements of Mawson Resources Limited, which comprise the consolidated balance sheets as at May 31, 2011 and 2010, the consolidated statements of loss and comprehensive loss, consolidated statements of deficit and accumulated other comprehensive loss and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mawson Resources Limited as at May 31, 2011, and 2010, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, B.C.
August 26, 2011

"*D&H Group LLP*"
Chartered Accountants

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MAWSON RESOURCES LIMITED
CONSOLIDATED BALANCE SHEETS
AS AT MAY 31

	2011 $	2010 $
A S S E T S		
CURRENT ASSETS		
Cash and cash equivalents	1,047,217	7,532,677
Short-term deposits (Note 3)	11,919,912	2,000,000
Amounts receivable	177,739	128,106
Prepaid expenses	65,167	20,907
	13,210,035	9,681,690
INVESTMENTS (Note 4)	701,500	663,544
PROPERTY AND EQUIPMENT (Note 6)	345,936	140,921
UNPROVEN MINERAL INTERESTS (Note 5)	7,784,498	5,653,454
	22,041,969	16,139,609
L I A B I L I T I E S		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	197,546	211,740
S H A R E H O L D E R S' E Q U I T Y		
SHARE CAPITAL (Note 7)	31,913,205	24,718,992
CONTRIBUTED SURPLUS (Note 9)	4,907,116	3,686,406
DEFICIT	(14,828,398)	(11,579,756)
ACCUMULATED OTHER COMPREHENSIVE LOSS	(147,500)	(897,773)
	21,844,423	15,927,869
	22,041,969	16,139,609

SUBSEQUENT EVENTS (Note 16)

APPROVED BY THE DIRECTORS

"Michael Hudson" , Director

"Nick DeMare" , Director

The accompanying notes and schedule are an integral part of these consolidated financial statements.

MAWSON RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF
LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED MAY 31

	2011 $	2010 $
EXPENSES		
Accounting and administrative	36,800	28,650
Audit	30,345	28,780
Corporate development	139,974	24,169
Depreciation	52,272	58,010
General exploration	576,220	614,754
Investor relations	42,000	49,500
Legal	2,650	42,187
Management fees	193,000	206,251
Office and sundry	27,365	32,888
Professional fees	186,468	208,930
Regulatory fees	22,022	18,210
Rent	21,293	23,140
Salaries and benefits	118,838	-
Shareholder costs	16,008	7,734
Stock-based compensation (Note 8)	1,591,000	135,489
Transfer agent	10,710	6,666
Travel	173,351	130,620
	3,240,316	1,615,978
LOSS BEFORE THE FOLLOWING	(3,240,316)	(1,615,978)
OTHER ITEMS		
Recovery of expenses (Note 10(iv))	40,624	-
Loss on sale of available-for-sale investments (Notes 4(a) and 4(b))	(219,318)	-
Interest and other income	114,511	26,140
Unrealized gain (loss) on held-for-trading investments	53,000	(120,000)
Gain (loss) on sale of equipment	5,926	(3,290)
Write-down of unproven mineral interests (Note 5)	-	(1,455,423)
Foreign exchange	(3,069)	(34,116)
	(8,326)	(1,586,689)
NET LOSS FOR THE YEAR	(3,248,642)	(3,202,667)
OTHER COMPREHENSIVE GAIN (LOSS)	750,273	(528,845)
COMPREHENSIVE LOSS FOR THE YEAR	(2,498,369)	(3,731,512)
LOSS PER SHARE - BASIC AND DILUTED	$(0.07)	$(0.08)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED	47,438,905	38,245,041

The accompanying notes and schedule are an integral part of these consolidated financial statements.

MAWSON RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF DEFICIT AND ACCUMULATED OTHER COMPREHENSIVE LOSS
FOR THE YEARS ENDED MAY 31

	2011 $	2010 $
DEFICIT - BEGINNING OF YEAR	(11,579,756)	(8,377,089)
NET LOSS FOR THE YEAR	(3,248,642)	(3,202,667)
DEFICIT - END OF YEAR	(14,828,398)	(11,579,756)
ACCUMULATED OTHER COMPREHENSIVE LOSS - BEGINNING OF YEAR	(897,773)	(368,928)
UNREALIZED GAIN (LOSS) ON AVAILABLE-FOR-SALE INVESTMENTS	496,809	(528,845)
RECLASSIFICATION OF ADJUSTMENT ON SALE OF INVESTMENTS	253,464	-
ACCUMULATED OTHER COMPREHENSIVE LOSS - END OF YEAR	(147,500)	(897,773)

The accompanying notes and schedule are an integral part of these consolidated financial statements.

MAWSON RESOURCES LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MAY 31

	2011 $	2010 $
CASH PROVIDED FROM (USED FOR)		
OPERATING ACTIVITIES		
Net loss for the year	(3,248,642)	(3,202,667)
Adjustment for items not involving cash		
Depreciation	52,272	58,010
Stock-based compensation	1,591,000	135,489
Write-down of unproven mineral interests	-	1,455,423
Gain (loss) on sale of equipment	(5,926)	3,290
Unrealized loss (gain) on held-for-trading investments	(53,000)	120,000
Loss on sale of available-for-sale investments	219,318	-
	(1,444,978)	(1,430,455)
Increase in amounts receivable	(49,633)	(6,646)
Increase in prepaid expenses	(44,260)	(2,215)
Decrease in accounts payable and accrued liabilities	(39,694)	(4,175)
	(1,578,565)	(1,443,491)
INVESTING ACTIVITIES		
Expenditures on unproven mineral interests	(2,105,544)	(1,873,650)
Proceeds on sale of investments	545,999	-
Property and equipment additions	(276,341)	(13,060)
Proceeds on disposition of equipment	24,980	2,336
Short-term deposits	(9,919,912)	(2,000,000)
	(11,730,818)	(3,884,374)
FINANCING ACTIVITIES		
Issuance of common shares	6,846,870	1,362,042
Share issue costs	(22,947)	(33,801)
	6,823,923	1,328,241
DECREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(6,485,460)	(3,999,624)
CASH AND CASH EQUIVALENTS- BEGINNING OF YEAR	7,532,677	11,532,301
CASH AND CASH EQUIVALENTS- END OF YEAR	1,047,217	7,532,677
CASH AND CASH EQUIVALENTS COMPRISES:		
Cash	1,047,217	666,265
Short-term deposits	-	6,866,412
	1,047,217	7,532,677

SUPPLEMENTAL CASH FLOW INFORMATION (Note 15)

The accompanying notes and schedule are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS

The Company is a resource company engaged in the acquisition and exploration of unproven mineral interests and is considered a development stage company as defined by Accounting Guideline No. 11 of the Canadian Institute of Chartered Accountants ("CICA") Handbook. As at May 31, 2011, the Company has not earned any production revenue, nor found proved reserves on any of its unproven mineral interests.

The Company is in the process of exploring and evaluating its mineral properties. On the basis of information to date, it has not yet determined whether these properties contain economically recoverable ore reserves. The underlying value of the mineral properties and related deferred costs 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. The amounts shown as unproven mineral interests represent net costs to date, less amounts written off, and do not necessarily represent present or future values.

Management considers that the Company has adequate resources to maintain its core operations and planned exploration programs for the 2012 fiscal year. However, 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.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") and include the accounts of the Company and its wholly-owned subsidiaries, Mawson Energi AB, Mawson Peru S.A.C. and Kay Metals Ltd. Intercompany balances and transactions are eliminated on consolidation.

Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the assessment of recoverability and impairment of amounts capitalized as unproven mineral interests, determination of environmental obligations, depreciation of property and equipment, determination of the fair value of stock options and financial instruments, and the estimation of future income tax asset valuation allowances. Actual results could differ from these estimates.

Cash and Cash Equivalents

Cash and cash equivalents consists of cash and money market instruments with terms to maturity not exceeding 90 days at the date of acquisition. The Company is not exposed to significant credit or interest rate risk although cash and cash equivalents are held in excess of federally insured limits with major financial institutions.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Unproven Mineral Interests

Acquisition and exploration costs directly relating to unproven mineral interests are deferred until the mineral interests to which they relate is placed into production, sold or abandoned. The deferred costs will be amortized over the life of the orebody following commencement of production or written off if the property is sold or abandoned. Administration costs and other exploration costs that do not relate to any specific property are expensed as incurred.

On a periodic basis, management reviews the carrying values of deferred unproven mineral interest acquisition and exploration expenditures with a view to assessing whether there has been any impairment in value. Management takes into consideration various information including, but not limited to, results of exploration activities conducted to date, estimated future metal prices, and reports and opinions of outside geologists, mine engineers and consultants. When it is determined that a project or interest will be abandoned or its carrying value has been impaired, a provision is made for any expected loss on the project or interest.

Although the Company has taken steps to verify title to mineral interests in which it has an interest, according to the usual industry standards for the stage of exploration of such interests, these procedures do not guarantee the Company's title. Such interests may be subject to prior agreements or transfers and title may be affected by undetected defects.

From time to time, the Company acquires or disposes of interests pursuant to the terms of option agreements. Options are exercisable entirely at the discretion of the optionee and, accordingly, are recorded as mineral interests costs or recoveries when the payments are made or received.

Property and Equipment

Property and equipment, which comprise a condominium, office furniture and equipment, field equipment and a vehicle, are recorded at cost less accumulated depreciation calculated using the straight-line method over their estimated useful lives as a rate of 4% for the condominium and 20% for office furniture and equipment, field equipment and vehicle.

Asset Retirement Obligations

The fair value of a liability for an asset retirement obligation is recognized when a reasonable estimate of fair value can be made. An asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, an asset retirement cost is allocated to expenses using a systematic and rational method and is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of the undiscounted cash flows. As at May 31, 2011, the Company has determined that it does not have any material asset retirement obligations.

Impairment of Long-Lived Assets

Long-lived assets are assessed for impairment when events and circumstances warrant. The carrying value of a long-lived asset is impaired when the carrying amount exceeds the estimated undiscounted net cash flows from use and fair value. In that event, the amount by which the carrying value of an impaired long-lived asset exceeds its fair value is charged to earnings.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Stock-Based Compensation

Stock-based compensation is accounted for at fair value as determined by the Black-Scholes option pricing model using amounts that are believed to approximate the volatility of the trading price of the Company's stock, the expected lives of awards of stock-based compensation, the fair value of the Company's stock and the risk-free interest rate. The estimated fair value of awards of stock-based compensation are charged to expense over the period earned, with offsetting amounts recognized as contributed surplus.

Translation of Foreign Currencies

Integrated foreign operations are translated using the temporal method. Under this method, the Company translates monetary items at the rate of exchange in effect at the balance sheet date. Non-monetary items are translated at average rates in effect during the period in which they were earned or incurred. Revenues and expenses are translated at average rates in effect during the period except for depreciation and amortization which are translated at historical rates. Gains and losses resulting from fluctuations of foreign exchange rates have been included in the determination of income.

Income Taxes

Future income tax liabilities and assets are recognized for the estimated income tax consequences attributable to differences between the amounts reported in the consolidated financial statements and their respective tax bases, using substantially enacted income tax rates. The effect of a change in income tax rates on future income tax liabilities and assets is recognized in income in the period that the change occurs. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes only if it is more likely than not that they can be realized.

Loss Per Share

Basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year. The computation of diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. The dilutive effect of convertible securities is reflected in diluted loss per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted loss per share by application of the treasury stock method. Basic and diluted loss per share are the same as the effect of potential issuances of shares under warrants and share option arrangements would be anti-dilutive.

Financial Instruments

Under Section 3251, *Equity* and Section 3855, *Financial Instruments - Recognition and Measurement,* all financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale assets or other financial liabilities. All financial instruments, including derivatives, are included on the balance sheet and are measured at fair market value upon inception with the exception of certain related party transactions. Subsequent measurement and recognition of change in the fair value of financial instruments depends on their initial classification. Held-for-trading financial instruments are measured at fair value and all gains and losses are included in operations in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Loans and receivables, held- to-maturity investments and other financial liabilities are measured at amortized cost using the effective interest method. Gains and losses upon inception, derecognition, impairment write-downs and foreign exchange translation adjustments are recognized immediately. Transaction costs related to financial instruments will be expensed in the period incurred.

The Company has designated its cash and cash equivalents, short-term deposits and warrants held as held-for-trading, and its investments in common shares as available-for-sale, which are measured at fair value. Amounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

Comprehensive Income

Section 1530, *Comprehensive Income*, provides standards for the reporting and presentation of comprehensive income, which is defined as the change in equity from transactions and other events and circumstances from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with generally accepted accounting principles.

Assessing Going Concern

Section 1400, *General Standards of Financial Statement Presentation*, was amended to include requirements for management to make an assessment of a company's ability to continue as a going concern and to use the going concern basis in the preparation of the financial statements unless management either intends to liquidate the company or to cease trading, or has no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon a company's ability to continue as a going concern, those uncertainties should be disclosed. The Company has performed such an assessment and has concluded that it is appropriate to present these consolidated financial statements using the going concern assumption.

Financial Instruments

Section 3862, *Financial Instruments - Disclosures*, requires entities to provide disclosures in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. The principles in this section complement the principles for recognizing, measuring and presenting financial assets and financial liabilities in Section 3855, *Financial Instruments - Recognition and Measurement*, Section 3863, *Financial Instruments - Presentation*, and Section 3865, *Hedges*. Disclosure requirements pertaining to Section 3862 are contained in Note 13.

Section 3863, *Financial Instruments - Presentation*, enhances financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Disclosures

Section 1535, *Capital Disclosures*, establishes standards for disclosing information about an entity's capital and how it is managed. Disclosure requirements pertaining to Section 1535 are contained in Note 14.

Adoption of New Accounting Standards

Goodwill and Intangible Assets

The Accounting Standards Board ("AcSB") issued Section 3064, *Goodwill and Intangible Assets*, which replaces Section 3062, *Goodwill and Other Intangible Assets*, and Section 3450, *Research and Development Costs*. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008.

The adoption of Section 3064 did not have an impact on the Company's financial position and results of operations.

Financial Instruments

During 2009 the CICA amended Section 3862, *Financial Instruments – Disclosures*, to require disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

- Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - inputs that are not based on observable market data.

Effective June 1, 2009 the Company adopted the new recommendations. The additional disclosures as a result of the amended Section 3862 are contained in Note 13.

Future Accounting Policies

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

The CICA issued three new accounting standards in January 2009: Section 1582, *Business Combinations,* Section 1601, *Consolidated Financial Statements,* and Section 1602, *Non-Controlling Interests*. These new standards will be effective for fiscal years beginning on or after January 1, 2011. The Company is in the process of evaluating the requirements of the new standards.

Section 1582 replaces Section 1581, *Business Combinations,* and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3, *Business Combinations*. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace Section 1600, *Consolidated Financial Statements*. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS lAS 27, *Consolidated and Separate Financial Statements,* and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

The Company does not anticipate the new accounting standards to have an impact on the Company's consolidated financial statements.

3. SHORT-TERM DEPOSITS

	2011 $	2010 $
Redeemable GIC due April 26, 2011 at cost plus accrued interest at 1.05% per annum	-	2,000,000
Redeemable GIC due January 10, 2012 at cost plus accrued interest at 1.32% per annum	2,320,774	-
Redeemable GIC due November 21, 2011 at cost plus accrued interest at 1.40% per annum	4,921,162	-
Redeemable GIC due November 29, 2011 at cost plus accrued interest at prime less 1.80% per annum	4,677,976	-
	11,919,912	2,000,000

All of the GIC's are redeemable after 30 days from purchase.

4. INVESTMENTS

	2011				
	Number	Cost $	Accumulated Compre-hensive Gain (Loss) $	Accumulated Gain $	Carrying Value $
Available-for-sale investments					
Common shares					
Hansa Resources Limited ("Hansa")	3,500,000	715,000	(155,000)	-	560,000
Tumi Resources Limited ("Tumi")	300,000	45,000	7,500	-	52,500
Held-for-trading investments					
Warrants					
Hansa	1,000,000	-	-	80,000	80,000
Tumi	300,000	-	-	9,000	9,000
		760,000	(147,500)	89,000	701,500

4. **INVESTMENTS** (continued)

	2010				
	Number	Cost $	Accumulated Compre-hensive Gain (Loss) $	Accumulated Gain $	Carrying Value $
Available-for-sale investments					
Common shares					
Hodges	1,000,000	50,317	90,727	-	141,044
Hansa	7,000,000	1,430,000	(975,000)	-	455,000
Tumi	300,000	45,000	(13,500)	-	31,500
Held-for-trading investments					
Warrants					
Hansa	1,000,000	-	-	30,000	30,000
Tumi	300,000	-	-	6,000	6,000
		1,525,317	(897,773)	36,000	663,544

(a) During fiscal 2009 the Company received 1,000,000 common shares of Hodges, at a fair value of $50,317, from the disposition of certain of its unproven mineral interests, as described in Note 5(a). During fiscal 2011 the Company sold its investment in Hodges for $195,999 and recorded a realized gain of $145,682.

(b) The investment in Hansa comprises:

(i) 6,000,000 common shares received, at a fair value of $1,380,000, as partial consideration on the Company's disposition of certain of its unproven mineral interests; and

(ii) the purchase of 1,000,000 units of Hansa at a cost of $50,000. Each unit comprised one common share and one share purchase warrant. One warrant entitles the Company to purchase an additional common share at an exercise price of $0.10 expiring April 1, 2011. At the time of the purchase the Company assigned a $50,000 fair value to the common shares and $nil fair value to the warrants.

During fiscal 2011 the Company sold 3,500,000 common shares of Hansa for $350,000 and recorded a realized loss of $365,000.

As at May 31, 2011, the quoted market value of the 3,500,000 common shares of Hansa was $560,000 and the fair value of the Hansa warrants was determined to be $80,000, estimated using the Black-Scholes option pricing model with the following assumptions: dividend yield - 0%; expected volatility - 112%; a risk-free interest rate of 1.25%; and an expected life of ten months.

During fiscal 2011, Hansa extended the term of the share purchase warrants by one year to now expire on April 1, 2012.

(c) During fiscal 2009 the Company purchased 300,000 units of Tumi at a cost of $45,000. Each unit comprised one common share and one share purchase warrant, with each warrant entitling the Company to purchase an additional common share at an exercise price of $0.25 per share expiring on March 25, 2012. The Company may be forced to exercise the warrants if the common shares trade on a weighted average price of $0.40 per common share for a period of 20 consecutive trading days. At the time of purchase the Company assigned a $45,000 fair value to the common shares and $nil fair value to the warrants.

4. INVESTMENTS (continued)

As at May 31, 2011, the quoted market value of the 300,000 common shares of Tumi was $52,500 and the fair value of the Tumi warrants was determined to be $9,000, estimated using the Black-Scholes option pricing model with the following assumptions: dividend yield - 0%; expected volatility - 79%; a risk-free interest rate of 1.25%; and an expected life of ten months.

5. UNPROVEN MINERAL INTERESTS

	2011			2010		
	Acquisition Costs $	**Exploration Expenditures $**	**Total $**	**Acquisition Costs $**	**Exploration Expenditures $**	**Total $**
Uranium Properties (a)						
Sweden	359,318	3,849,965	4,209,283	259,343	3,847,712	4,107,055
Finland	1,464,772	1,417,722	2,882,494	1,436,512	91,920	1,528,432
Other Properties (b)						
Sweden	4,607	2,584	7,191	4,607	2,584	7,191
Peru	72,483	613,047	685,530	10,776	-	10,776
	1,901,180	5,883,318	7,784,498	1,711,238	3,942,216	5,653,454

(a) Uranium Properties

Sweden

The Company and Hodges have entered into an option and joint venture agreement whereby Hodges issued 1,000,000 common shares of its share capital to the Company, at a fair value of $50,317, and agreed to incur, or pay directly to the Company, a minimum US $550,000 to earn a 51% interest in eight exploration permits. During fiscal 2011 Hodges incurred the minimum US $550,000 and earned its 51% interest. Hodges may increase its interest to 75% by funding a bankable feasibility study.

As at May 31, 2011, the Company maintains a total of 25 uranium claims or claim applications in Sweden.

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.

Spain

During fiscal 2010 the Company surrendered its mineral exploration licenses in Spain and accordingly wrote-off $1,318,999 in acquisition costs and exploration expenditures.

5. UNPROVEN MINERAL INTERESTS (continued)

(b) Other Properties

Sweden

On January 4, 2010, the Company entered into an option agreement to acquire up to a 100% interest in three exploration licenses (the "Orrbacken Project") in Sweden. The Company can acquire an initial 90% interest in the Orrbacken Project by paying a total of SEK 1,600,000, as follows:

Date	SEK	
On signing	200,000	(paid)
On first anniversary	200,000	(paid)
On second anniversary	300,000	
On third anniversary	400,000	
On fourth anniversary	500,000	
	1,600,000	

Upon acquisition of the 90% interest, the Company has the right to purchase the remaining 10% interest for SEK 5,000,000.

On January 11, 2010, the Company entered into an agreement whereby the optionee could earn a 70% interest (the "Interest") in the Company's acquired interest in the Orrbacken Project by spending AUS $2,000,000 over five years. The optionee will also pay AUS $300,000 to the Company upon the transfer of the Interest.

During fiscal 2010 the Company surrendered certain exploration permits in Northern Sweden and accordingly wrote-off $136,424 in acquisition costs and exploration expenditures

As at May 31, 2011, the Company holds four base metal exploration permits in Sweden.

Peru

The Company has entered into option agreements with the shareholders of Altynor Peru S.A.C. ("Altynor Peru") whereby the Company can acquire a 100% ownership interest in Altynor Peru by making payments totalling US $600,000 of which US $50,000 has been paid and US $550,000 is payable on receipts of permits to drill.

Altynor Peru holds an option to purchase a 100% undivided interest in nine exploration permits (the "Alto Quemado Property") from Alto Quemado Mining Company S.A.C. ("Alto Quemado"). Altynor Peru must make payments totalling Euro 2.56 million to acquire 100% of the mining rights from Alto Quemado. Alto Quemado retains a 3% net smelter return which Altynor Peru may purchase. If production is not achieved within four years another payment of Euro 2.56 million is due. Upon acquiring the 100% interest in Altynor Peru the Company will also pay the shareholders of Altynor Peru a success fee of US $900,000, in cash or common shares of the Company, should Altynor Peru exercise its option on the Alto Quemado Property.

As at May 31, 2011, the Company also staked twenty claim applications.

6. PROPERTY AND EQUIPMENT

	2011 $	2010 $
Condominium	248,450	-
Office furniture and equipment	154,238	81,091
Field equipment	33,689	33,689
Vehicles	111,211	211,028
	547,588	325,808
Less accumulated amortization	(201,652)	(184,887)
	345,936	140,921

During fiscal 2011 the Company purchased a 100% interest in Kay Metals Ltd. ("Kay Metals") from Tumi , a public company with directors and officers in common, for $248,450 (US $250,000). The only asset of Kay Metals is the condominium in Peru.

7. SHARE CAPITAL

Authorized: unlimited common shares without par value

Issued:

	2011		2010	
	Shares	Amount $	Shares	Amount $
Balance, beginning of year	42,697,253	24,718,992	38,000,555	23,390,751
Issued during the year				
For cash				
private placement	7,000,000	5,530,000	4,696,698	1,362,042
exercise of stock options	1,018,500	538,370	-	-
exercise of warrants	930,000	778,500	-	-
Reallocation from contributed surplus on exercise of stock options	-	370,290	-	-
	8,948,500	7,217,160	4,696,698	1,362,042
Less share issue costs	-	(22,947)	-	(33,801)
	8,948,500	7,194,213	4,696,698	1,328,241
Balance, end of year	51,645,753	31,913,205	42,697,253	24,718,992

(a) During fiscal 2011 the Company completed a private placement for 7,000,000 units at $0.79 per unit for gross proceeds of $5,530,000. Each unit comprised 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 $1.20 per share on or before October 25, 2012.

The Company paid a cash finder's fee of $4,740 and filing fees of $18,207 relating to this financing.

(b) During fiscal 2010 the Company completed a non-brokered private placement of 4,696,698 common shares and 4,217,042 share purchase warrants for gross proceeds of $1,362,042 with Areva NC. Each warrant entitles Areva NC to purchase an additional common share at an exercise price of $1.00 on or before May 12, 2014. The Company incurred share issue costs of $33,801 related to this financing.

7. SHARE CAPITAL (continued)

(c) A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at May 31, 2011 and 2010, and the changes for the years ended on those dates is as follows:

	2011		2010	
	Number	Weighted Average Exercise Price $	Number	Weighted Average Exercise Price $
Balance, beginning of year	4,967,012	0.96	750,000	0.75
Issued	3,500,000	1.20	4,217,012	1.00
Exercised	(930,000)	0.84	-	-
Balance, end of year	7,537,012	1.09	4,967,012	0.96

The following table summarizes information about the number of common shares reserved pursuant to warrants outstanding at May 31, 2011:

Number	Exercise Price $	Expiry Date
4,217,012	1.00	May 12, 2014
3,320,000	1.20	October 25, 2012
7,537,012		

8. STOCK OPTIONS AND STOCK-BASED COMPENSATION

The Company has established a rolling stock 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.

During fiscal 2011 the Company granted 2,150,000 (2010 - 480,000) stock options to its directors, employees and consultants and recorded compensation expense of $1,591,000 (2010 - $127,700). In addition the Company recorded compensation expense of $nil (2010 - $7,789) on the vesting of stock options previously granted.

The fair value of stock options granted and vested during fiscal 2011 and 2010 is estimated using the Black-Scholes option pricing model using the following assumptions:

	2011	2010
Risk-free interest rate	1.16% - 1.89%	1.64% - 2.31%
Estimated volatility	134% - 138%	138% - 150%
Expected life	3 years	2 years - 3 years
Expected dividend yield	0%	0%
Expected forfeiture rate	0%	0%

8. STOCK OPTIONS AND STOCK-BASED COMPENSATION (continued)

The weighted average fair value of all stock options granted during fiscal 2011 was $0.74 (2010 - $0.27) per option.

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 stock options.

A summary of the Company's stock options at May 31, 2011 and 2010, and the changes for the years ended on those dates, is presented below:

	2011		2010	
	Options Outstanding	Weighted Average Exercise Price $	Options Outstanding	Weighted Average Exercise Price $
Balance, beginning of year	1,600,000	0.52	3,523,250	1.25
Granted	2,150,000	0.93	480,000	0.35
Exercised	(1,018,500)	0.53	-	-
Expired	(120,000)	0.77	(2,403,250)	0.83
Balance, end of year	2,611,500	0.84	1,600,000	0.52

The following table summarizes information about the stock options outstanding and exercisable at May 31, 2011:

Number Outstanding and Exercisable	Exercise Price $	Expiry Date
275,000	0.50	May 19, 2012
106,500	0.32	March 5, 2013
100,000	0.41	May 3, 2013
1,980,000	0.82	October 18, 2013
150,000	2.35	February 14, 2014
2,611,500		

See also Note 16.

9. CONTRIBUTED SURPLUS

The Company's contributed surplus at May 31, 2011 and 2010, and the changes for the years ended on those dates, is presented below:

	2011 $	2010 $
Balance, beginning of year	3,686,406	3,550,917
Stock-based compensation on stock options (Note 8)	1,591,000	135,489
Stock options exercised	(370,290)	-
Balance, end of year	4,907,116	3,686,406

10. RELATED PARTY TRANSACTIONS

During fiscal 2011 the Company:

i) incurred $131,600 (2010 - $125,950) for accounting, administration, professional fees and rent provided by certain directors of the Company or private corporations owned by the directors;
ii) incurred $193,000 (2010 - $227,750) for management fees provided by a private corporation owned by officers of the Company, of which $nil (2010 - $21,499) was capitalized to unproven mineral interests and $193,000 (2010 - $206,251) was charged to management fees. The management agreement provides that in the event 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 May 31, 2011, the amount payable under the agreement would be $324,000;
iii) incurred $11,550 (2010 - $5,900) for shared administration and other costs with Tumi; and
iv) recovered $40,624 (2010 - $nil) for shared office personnel and costs from Tasman Metals Ltd., a public company with common directors and officers.

As at May 31, 2011, $27,850 (2010 - $4,400) of the above amounts was included in accounts payable and accrued liabilities.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

See also Note 6.

11. INCOME TAXES

Future income tax assets and liabilities of the Company as at May 31, 2011 and 2010, are as follows:

	2011 $	2010 $
Future income tax assets (liabilities)		
Losses carried forward	2,121,700	1,952,800
Temporary difference on held-for-trading investments	(22,300)	(9,000)
Other	15,800	43,500
	2,115,200	1,987,300
Valuation allowance	(2,115,200)	(1,987,300)
Net future income tax asset	-	-

11. INCOME TAXES (continued)

The recovery of income taxes shown in the consolidated statements of loss and comprehensive loss differs from the amounts obtained by applying statutory rates to the loss before provision for income taxes due to the following:

	2011 $	2010 $
Income tax rate reconciliation		
Combined federal and provincial income tax rate	27.42%	29.38%
Expected income tax recovery	891,000	740,900
Effect of income tax rate changes	(84,600)	(34,900)
Foreign income tax rate differences	6,200	(17,100)
Non-deductible stock-based compensation	(436,300)	(39,800)
Unrealized gain (loss) on held-for-trading investments	14,500	(35,300)
Other	(73,200)	75,000
Unrecognized benefit of income tax losses	(317,600)	(888,800)
Actual income tax recovery	-	-

As at May 31, 2011, the Company has non-capital losses of approximately $5,435,500 and accumulated pools of approximately $77,400 for Canadian income tax purposes and are available to reduce taxable income of future years. The non-capital losses expire commencing in 2014 through 2031. The Company's subsidiary in Sweden has losses for income tax purposes of approximately $2,555,600 which may be carried forward indefinitely. The Company's subsidiary in Peru has losses for income tax purposes of approximately $115,000 which expire in 2016.

12. SEGMENTED INFORMATION

The Company is involved in mineral exploration and development activities in Scandinavia and Peru. 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:

	2011				
	Corporate	Mineral Operations			Total
	Canada $	Sweden $	Finland $	Peru $	$
Current assets	12,641,154	425,856	-	143,025	13,210,035
Investments	701,500	-	-	-	701,500
Property and equipment	14,033	70,927	-	260,976	345,936
Unproven mineral interests	-	4,216,474	2,882,494	685,530	7,784,498
	13,356,687	4,713,257	2,882,494	1,089,531	22,041,969

12. SEGMENTED INFORMATION (continued)

	2010				
	Corporate	Mineral Operations			Total
	Canada $	Sweden $	Finland $	Peru $	$
Current assets	9,402,767	225,599	-	53,324	9,681,690
Investments	663,544	-	-	-	663,544
Property and equipment	16,038	124,883	-	-	140,921
Unproven mineral interests	-	4,114,246	1,528,432	10,776	5,653,454
	10,082,349	4,464,728	1,528,432	64,100	16,139,609

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Categories of Financial Assets and Financial Liabilities

Under Canadian GAAP financial instruments are classified into one of the following five categories: held for trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities. The carrying values of the Company's financial instruments, which are the same as their fair values, are classified into the following categories:

Financial Instrument	Category	2011 $	2010 $
Cash and cash equivalents	Held-for-trading	1,047,217	7,532,677
Short-term deposits	Held-for-trading	11,919,912	2,000,000
Investments - common shares	Available-for-sale	612,500	627,544
Investments - warrants	Held-for-trading	89,000	36,000
Amounts receivable	Loans and receivables	177,739	128,106
Accounts payable and accrued liabilities	Other liabilities	(197,546)	(211,740)

The recorded amounts for cash and cash equivalents, short-term deposits, amount receivable and accounts payable and accrued liabilities approximate their fair value due to their short-term nature. The Company's carrying value and fair value of cash and cash equivalents, short-term deposits and common shares investments under the fair value hierarchy is measured using Level 1 inputs. The Company's carrying value and fair value of warrant investments under the fair value hierarchy is measured using Level 2 inputs.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due. The Company prepares expenditure budgets which are regularly monitored and updated as considered necessary. To facilitate its exploration program and ongoing corporate, general and administrative overhead, the Company raises funds through private equity placements, public offerings and option agreements with third parties. As at May 31, 2011, the Company's financial liabilities consist of accounts payable and accrued liabilities.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to short term interest rates through the interest earned on cash balances. The Company has significant cash balances. From time to time, the Company invests its excess cash in money market instruments issued by major financial institutions. The term of such instruments does not exceed 90 days and as such the interest rate risk is immaterial.

Foreign Currency Exchange Rate Risk

Foreign currency rate risk is the risk that the fair value of financial instruments or future cash flows will fluctuate as a result of changes in foreign exchange rates.

The Company's functional currency is the Canadian dollar and major transactions are transacted in Canadian Dollars and Swedish Kronors ("SEK"). The Company maintains SEK bank accounts in Sweden and US Dollars and Soles in Peru to support the cash needs of its foreign operations. Management believes the foreign exchange risk related to currency conversions are minimal and therefore does not hedge its foreign exchange risk.

At May 31, 2011, 1 Canadian Dollar was equal to 6.37 SEK, 1.03 US Dollar and 2.86 Peruvian Soles.

Balances are as follows:

	Swedish Kronors	United States Dollars	Peru Soles	CDN $ Equivalent
Cash	1,718,379	634	354,932	394,479
Amounts receivable	924,974	-	53,478	163,906
Accounts payable and accrued liabilities	(849,572)	-	(36,691)	(146,200)
	1,793,781	634	371,719	412,185

Based on the net exposures as of May 31, 2011, and assuming that all other variables remain constant, a 10% fluctuation on the Canadian Dollar against the SEK, US Dollar and Peruvian Soles would result in the Company's net loss being approximately $37,000 higher (or lower).

14. CAPITAL MANAGEMENT

The Company's objective when managing capital, defined as equity, is to safeguard the entity's ability to continue as a going concern, so that it can continue to acquire and explore mineral interests. The Company funds all administration and exploration programs from the issue of shares, generally through private placements. The Company prepares a budget for seasonal exploration programs and initiates equity offerings to ensure sufficient funds for each season's programs. If the Company is unsuccessful in raising sufficient capital, exploration programs are extended, delayed or cancelled. In order to conserve cash, the Company may issue shares to pay for properties and compensate directors, employees and contractors through the award of stock options.

Any cash raised that is surplus to immediate requirements is invested in low-risk liquid instruments which may include bankers' acceptances or guaranteed investment certificates.

The Company is not subject to any externally imposed capital requirements.

15. SUPPLEMENTAL CASH FLOW INFORMATION

During fiscal 2011 and 2010 non-cash activities were conducted by the Company as follows:

	2011 $	2010 $
Operating activity		
(Decrease) increase in accounts payable and accrued liabilities	25,500	(39,669)
Investing activity		
Expenditures on unproven mineral interests	(25,500)	39,669

Other supplemental cash flow information:

	2011 $	2010 $
Interest paid in cash	-	-
Income taxes paid in cash	-	-

16. SUBSEQUENT EVENTS

Subsequent to May 31, 2011, the Company:

(i) granted stock options to consultants to purchase up to 220,000 common shares of the Company at an exercise price of $1.72 per share on or before August 2, 2014; and

(ii) issued 25,000 common shares for $20,500 on the exercise of stock options.

MAWSON RESOURCES LIMITED
CONSOLIDATED SCHEDULE OF UNPROVEN MINERAL INTERESTS
FOR THE YEARS ENDED MAY 31, 2011 AND 2010

	2011					2010
	Sweden		Finland	Peru		
	Uranium Projects	Other Projects	Uranium Projects	Gold/Copper Projects	Total	Total
	$	$	$	$	$	$
BALANCE - BEGINNING OF YEAR	4,107,055	7,191	1,528,432	10,776	5,653,454	5,265,296
EXPENDITURES						
Assays	-	-	-	17,854	17,854	-
Consulting	-	-	400,434	116,245	516,679	14,691
Database	-	-	2,446	-	2,446	2,060
Drilling	-	-	-	-	-	72,998
Exploration site	14,984	-	83,144	98,666	196,794	14,984
Field equipment	-	-	30,903	19,045	49,948	-
Field workers	-	-	-	17,342	17,342	-
Fuel	2,013	-	12,619	4,499	19,131	7,462
Geochemical	3,479	-	208,229	-	211,708	8,144
Geological	2,253	-	264,457	46,729	313,439	75,356
Logging	-	-	-	-	-	14,133
Maps	-	-	4,234	-	4,234	3,747
Mining rights	-	-	-	91,704	91,704	-
Salaries and benefits	18,890	-	238,254	101,563	358,707	54,576
Travel	8,223	-	57,654	16,994	82,871	27,837
VAT	-	-	-	49,586	49,586	-
Vehicle rental	2,332	-	23,428	22,044	47,804	21,925
	52,174	-	1,325,802	602,271	1,980,247	317,913
ACQUISITION COSTS						
Staking fees	-	-	-	20,382	20,382	10,776
Permits	50,054	-	28,260	-	78,314	1,514,892
Option payment	-	-	-	52,101	52,101	-
	50,054	-	28,260	72,483	150,797	1,525,668
	102,228	-	1,354,062	674,754	2,131,044	1,843,581
BALANCE BEFORE THE FOLLOWING	4,209,283	7,191	2,882,494	685,530	7,784,498	7,108,877
WRITE-OFF	-	-	-	-	-	(1,455,423)
BALANCE - END OF YEAR	4,209,283	7,191	2,882,494	685,530	7,784,498	5,653,454