MAWSON RESOURCES LIMITED

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
AUGUST 31, 2011

(Unaudited - Expressed in Canadian Dollars)

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

	Note	August 31, 2011 $	May 31, 2011 $ *(Note 15)*	June 1, 2010 $ *(Note 15)*
ASSETS				
Current assets				
Cash and cash equivalents		447,628	1,047,217	7,532,677
Short-term investments	4	11,403,925	11,919,912	2,000,000
Amounts receivable	5	200,124	177,739	128,106
Prepaid expenses and deposits		37,620	65,167	20,907
Total current assets		12,089,297	13,210,035	9,681,690
Non-current assets				
Investments	6	510,500	701,500	663,544
Property, plant and equipment	7	338,337	345,936	140,921
Exploration and evaluation assets	8	8,574,896	7,784,498	5,653,454
Total non-current assets		9,423,733	8,831,934	6,457,919
TOTAL ASSETS		21,513,030	22,041,969	16,139,609
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		297,131	197,546	211,740
TOTAL LIABILITIES		297,131	197,546	211,740
SHAREHOLDERS' EQUITY				
Share capital	9	31,949,955	31,913,205	24,718,992
Share-based payments reserve		5,190,066	4,907,116	3,686,406
Deficit		(15,621,622)	(14,828,398)	(11,579,756)
Accumulated other comprehensive loss		(302,500)	(147,500)	(897,773)
TOTAL SHAREHOLDERS' EQUITY		21,215,899	21,844,423	15,927,869
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		21,513,030	22,041,969	16,139,609

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on November 14, 2011 and are signed on its behalf by:

/s/ Michael Hudson	*/s/ Nick DeMare*
Michael Hudson	Nick DeMare
Director	Director

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

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

	Note	Three Months Ended August 31 2011 $	Three Months Ended August 31 2010 $ (Note 15)
Expenses			
Accounting and administration		25,200	11,500
Audit		16,637	-
Corporate development		39,461	7,283
Depreciation		14,687	11,192
General exploration		147,515	109,711
Investor relations		10,500	10,500
Legal		2,591	363
Management fees		48,000	48,750
Office and sundry		18,493	5,654
Professional fees		43,692	67,434
Regulatory fees		14,902	8,108
Rent		6,060	4,800
Salaries and benefits		35,811	16,916
Shareholder costs		1,502	5,322
Share-based compensation	9(d)	299,200	-
Transfer agent		1,481	1,216
Travel		44,482	33,092
		770,214	341,841
Loss before other items		(770,214)	(341,841)
Other items			
Recovery of expenses		-	40,624
Gain on sale of property, plant and equipment		-	6,873
Interest and other income		38,686	13,878
Foreign exchange (loss) gain		(25,696)	9,564
Unrealized loss on held-for-trading investments		(36,000)	(25,100)
		(23,010)	45,839
Net loss for the period		(793,224)	(296,002)
Other comprehensive loss		(155,000)	(117,614)
Comprehensive loss for the period		(948,224)	(413,616)
Basic and diluted loss per common share		$(0.02)	$(0.01)
Weighted average number of common shares outstanding		51,649,642	42,697,253

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

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

Three Months Ended August 31, 2011

	Share Capital					
	Number of Shares	Amount $	Share-Based Payments Reserve $	Deficit $	Accumulated Other Comprehensive Loss $	Total Equity $
Balance on June 1, 2011	51,645,753	31,913,205	4,907,116	(14,828,398)	(147,500)	21,844,423
Common shares issued for:						
Cash - exercise of share options	25,000	20,500	-	-	-	20,500
Share-based compensation	-	-	299,200	-	-	299,200
Transfer to common shares on exercise of share options	-	16,250	(16,250)	-	-	-
Unrealized holding loss on available-for-sale investment	-	-	-	-	(155,000)	(155,000)
Net loss for the period	-	-	-	(793,224)	-	(793,224)
Balance at August 31, 2011	51,670,753	31,949,955	5,190,066	(15,621,622)	(302,500)	21,215,899

Three Months Ended August 31, 2010

	Share Capital					
	Number of Shares	Amount $	Share-Based Payments Reserve $	Deficit $	Accumulated Other Comprehensive Loss $	Total Equity $
Balance on June 1, 2010	42,697,253	24,718,992	3,686,406	(11,579,756)	(897,773)	15,927,869
Unrealized holding loss on available-for-sale investment	-	-	-	-	(117,614)	(117,614)
Net loss for the period	-	-	-	(296,002)	-	(296,002)
Balance at August 31, 2010	42,697,253	24,718,992	3,686,406	(11,875,758)	(1,015,387)	15,514,253

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

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

	Three Months Ended August 31, 2011 $	Three Months Ended August 31, 2010 $
Operating activities		
Net loss for the period	(793,224)	(296,002)
Adjustments for:		
Depreciation	14,687	11,192
Share-based compensation	299,200	-
Unrealized loss on held-for-trading investments	36,000	25,100
Gain on sale of property, plant and equipment	-	(6,873)
	(443,337)	(266,583)
Changes in non-cash working capital items:		
(Increase) decrease in amounts receivable	(22,385)	58,605
Decrease (increase) in prepaid expenses and deposits	27,547	(7,796)
Increase (decrease) in accounts payable and accrued liabilities	65,979	(5,008)
	71,141	45,801
Net cash used in operating activities	(372,196)	(220,782)
Investing activities		
Short-term investments	515,987	(2,862,423)
Expenditures on exploration and evaluation assets	(756,792)	(620,620)
Additions to property, plant and equipment	(7,088)	-
Proceeds on sale of property, plant and equipment	-	24,980
Net cash used in investing activities	(247,893)	(3,458,063)
Financing activities		
Issuance of share capital	20,500	-
Net cash provided by financing activities	20,500	-
Net change in cash and cash equivalents	(599,589)	(3,678,845)
Cash and cash equivalents at beginning of period	1,047,217	7,532,677
Cash and cash equivalents at end of period	447,628	3,853,832

Cash and cash equivalents comprise:		
Cash	447,628	386,640
Short-term investments	-	3,467,192
	447,628	3,853,832

Supplemental cash flow information (See Note 12)

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

1. NATURE OF OPERATIONS

Mawson Resources Limited (the "Company") was originally incorporated on March 10, 2004 under the provisions of the Company Act (British Columbia). The Company is listed and traded 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, 2011 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 amortized and/or written off, and do not necessarily represent present or future values.

The Company's ability to continue as a going concern is dependent upon the ability of the Company to obtain the necessary financing to develop properties and to establish future profitable production. 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.

2. BASIS OF PREPARATION AND ADOPTION OF IFRS

Statement of Compliance and Conversion to International Financial Reporting Standards

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. These condensed consolidated interim financial statements represent the Company's initial presentation of its results and financial position under IFRS. These condensed consolidated interim financial statements for the three months ended August 31, 2011 have been prepared in accordance with IAS 34 *Interim Financial Reporting* and IFRS 1 *First-time Adoption of IFRS* along with the accounting policies the Company expects to adopt in its May 31, 2012 financial statements. Those accounting policies are based on the IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations that the Company expects to be applicable at that time. The policies set out below were consistently applied to all the periods presented unless otherwise noted below.

As these are the Company's first condensed consolidated interim financial statements prepared in accordance with IFRS, the Company's disclosures exceed the minimum requirements under IAS 34. The Company has elected to exceed the minimum requirements in order to present the Company's accounting policies in accordance with IFRS and the additional disclosures required under IFRS, which also highlight the changes from the Company's 2010 annual consolidated financial statements prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). In 2012 and beyond, the Company may not provide the same amount of disclosure in the Company's condensed consolidated interim financial statements under IFRS as the reader will be able to refer to the annual consolidated financial statements which will be prepared in accordance with IFRS.

The Company's consolidated financial statements were previously prepared in accordance with Canadian GAAP. Canadian GAAP differs in some respects from IFRS. In preparing these condensed consolidated interim financial statements, management has amended certain accounting and valuation methods previously applied in the Canadian GAAP financial statements to comply with IFRS. The comparative figures for May 31, 2011, August 31, 2010 and June 1, 2010 were restated to reflect these adjustments.

2. BASIS OF PREPARATION AND ADOPTION OF IFRS (continued)

Note 15 presents reconciliations and descriptions of the effects of the transition from Canadian GAAP and IFRS on the statement of financial position and statement of comprehensive loss as at June 1, 2010 and as at, and for the year ended May 31, 2011 and as at, and for the three months ended August 31, 2010.

These condensed consolidated interim financial statements are prepared on a going concern basis.

Basis of Presentation

The Company's condensed consolidated interim financial statements have been prepared on the historical cost basis except for the revaluation of certain financial assets and financial liabilities to fair value.

The preparation of financial statements in accordance with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities 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 judgments 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.

Accounting Standards and Interpretations Issued but Not Yet Adopted

The following accounting standards, amendments and interpretations have been issued but are not effective until annual periods beginning after January 1, 2011, unless otherwise indicated, earlier application is permitted. As at the date of these financial statements, the following standards, amendments and interpretations have not been applied in these financial statements.

(i) IFRS 1 *First-time Adoption of International Financial Reporting Standards, Amendments Regarding Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*; effective for annual periods beginning on or after July 1, 2011.

(ii) IFRS 7 *Financial Instruments: Disclosures, Amendments Regarding Disclosures - Transfers of Financial Assets*; effective for annual periods beginning on or after July 1, 2011.

(iii IFRS 9 *Financial Instruments* (New; to replace IAS 39); effective for annual periods beginning on or after January 1, 2013.

(iv) IFRS 10 *Consolidated Financial Statements*; effective for annual periods beginning on or after January 1, 2013. Early application is permitted. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidated - Special Purpose Entities*.

(v) IFRS 11 *Joint Arrangements*; effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. IFRS supersedes the current IAS 31 *Interest in Joint Ventures* and SIC-13 *Jointly Controlled Entities - Non-Monetary Contributions by Ventures*.

(vi) IFRS 12 *Disclosure of Interest in Other Entities*; effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity.

(Unaudited - Expressed in Canadian Dollars)

2. BASIS OF PREPARATION AND ADOPTION OF IFRS (continued)

(vii) IFRS 13 *Fair Value Measurements*; to be applied for annual periods beginning on or after January 1, 2013. Earlier application is permitted. IFRS 13 defines fair value, sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements).

(viii) IAS 12 *Income Taxes, Amendments Regarding Deferred Tax: Recovery of Underlying Assets*; effective for annual periods beginning on or after January 1, 2012.

Management is currently assessing the impact of these new standards on the Company's accounting policies and financial statement presentation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Details of the Group

In addition to the Company, the condensed consolidated interim financial statements include all subsidiaries. Subsidiaries are all corporations over which the Company is able, directly or indirectly, to control financial and operating policies, which is the authority usually connected with holding majority voting rights. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. Inter-company transactions and balances are eliminated upon consolidation. They are de-consolidated from the date that control by the Company ceases.

As at August 31, 2011 the subsidiaries of the Company are as follows:

Company	Location	Ownership Interest
Mawson Energi AB	Sweden	100%
Mawson Peru S.A.C.	Peru	100%
Kay Metals Ltd.	Barbados	100%

Use of Estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Examples of significant estimates made by management include the determination of recoverability of amounts capitalized to exploration and evaluation assets, property, plant and equipment lives, estimating the fair values of financial instruments, impairment of long-lived assets, decommissioning provisions, valuation allowances for deferred income tax assets and assumptions used for share-based compensation. Actual results may differ from those 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 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.

Amounts Receivable

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Receivables are classified as loans and receivable. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Payable and Accrued Liabilities

Payables are obligations to pay for materials or services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Payables are classified as other financial liabilities initially at fair value and subsequently measured at amortized cost using the effective interest method.

Exploration and Evaluation Assets

The Company is in the exploration stage with respect to its investment in exploration and evaluation assets and accordingly follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral properties and crediting all proceeds received against the cost of the related properties. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral properties are charged to operations at the time of any abandonment, or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to a mineral property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farmout of the property result in a revised estimate of the recoverable amount, but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

The Company recognizes in income costs recovered on mineral properties when amounts received or receivable are in excess of the carrying amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets.

All capitalized exploration and evaluation expenditure is monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditure is not expected to be recovered, it is charged to the results of operations.

Property, Plant and Equipment

Property, plant and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Property, plant and equipment are depreciated annually on a straight-line basis over the estimated useful life of the assets, at a rate of 4% for the condominium and 20% for office furniture and equipment, field equipment and vehicle.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the condensed consolidated statement of comprehensive income or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of plant and equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

The Company compares the carrying value of property, plant and equipment to estimated net recoverable amounts, based on estimated future cash flows, to determine whether there is any indication of impairment whenever events or circumstances warrant.

Impairment of Assets

At each financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Decommissioning Provision

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral interest by or on behalf of the Company. Costs for restoration of site damage which is created on an ongoing basis during exploration and evaluation are provided for at their net present values and charged against profits in the period such exploration and evaluation occurs. Discount rates using a risk-free rate that reflects the time value of money are used to calculate the net present value. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. As at August 31, 2011 the Company does not have any decommissioning obligations.

Financial Instruments

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss.

Financial assets classified as fair value through profit or loss are measured at fair value with unrealized gains and losses recognized through comprehensive loss. Cash and cash equivalents, short-term investments and investments in warrants are classified as fair value through profit or loss.

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost. Amounts receivable are classified as loans and receivables.

Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. Investments in common shares are classified as available-for-sale.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Transaction costs associated with fair value through profit or loss are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial liabilities are initially recorded at fair value and designated upon inception as fair value through profit or loss or other financial liabilities.

Financial liabilities classified as other financial liabilities are measured at amortized cost. Account payables and accrued liabilities are classified as other financial liabilities.

Financial liabilities classified as fair value through profit or loss are measured at fair value with unrealized gains and losses recognized through comprehensive loss. At August 31, 2011 the Company has not classified any financial liabilities as fair value through profit or loss.

Share Capital

Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and share options are recognized as a deduction from equity, net of any related income tax effects.

Share-Based Payment Transactions

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of share options granted is recognized as a share-based compensation expense with a corresponding increase in the equity settled share-based payments reserve in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

For employees the fair value is measured at grant date and each tranche is recognized separately on a straight line basis over the period during which the share options vest. The fair value of the share options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the share options were granted. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Equity-settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

Current and Deferred Income Taxes

The tax expense comprises current and deferred tax. Tax is recognized separately in the statement of comprehensive loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Deferred Tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Loss Per Share

Basic loss per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. 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 earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method.

Foreign Currency Translation

Functional and Presentation Currency

The financial statements of each of the Company's subsidiaries are prepared in the local currency of their home jurisdictions. Consolidation of each subsidiary includes re-measurement from the local currency to the subsidiary's functional currency. Each subsidiary's functional currency, being the currency of the primary economic environment in which the subsidiary operates, is the Canadian dollar. The condensed consolidated interim financial statements are presented in Canadian dollars.

Exchange rates published by the Bank of Canada were used to translate subsidiary financial statements into the consolidated financial statements. Income and expenses for each statement of comprehensive loss presented are translated using the rates prevailing on the transaction dates. All resulting foreign exchange differences are recognized in comprehensive loss.

Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in comprehensive loss.

(Unaudited - Expressed in Canadian Dollars)

4. SHORT-TERM INVESTMENTS

	August 31, 2011 $	May 31, 2011 $
Redeemable GICs		
Due January 10, 2012 at cost plus accrued interest at 1.32% per annum	2,328,456	2,320,774
Due November 21, 2011 at cost plus accrued interest at 1.40% per annum	4,938,400	4,921,162
Due November 29, 2011 at cost plus accrued interest at prime less 1.80% per annum	4,137,069	4,677,976
	11,403,925	11,919,912

All of the GICs are redeemable after 30 days from the date of purchase.

5. AMOUNTS RECEIVABLE

	August 31, 2011 $	May 31, 2011 $
Value added taxes receivables	24,979	28,642
Other	175,145	149,097
	200,124	177,739

6. INVESTMENTS

	August 31, 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	(295,000)	-	420,000
Tumi Resources Limited (“Tumi”)	300,000	45,000	(7,500)	-	37,500
Held-for-trading investments					
Warrants					
Hansa	1,000,000	-	-	50,000	50,000
Tumi	300,000	-	-	3,000	3,000
		760,000	(302,500)	53,000	510,500

(Unaudited - Expressed in Canadian Dollars)

6. INVESTMENTS (continued)

	May 31, 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

(a) As at August 31, 2011, the quoted market value of the 3,500,000 common shares of Hansa was $420,000 and the fair value of the Hansa warrants was determined to be $50,000, estimated using the Black-Scholes option pricing model with the following assumptions: dividend yield - 0%; expected volatility - 110%; a risk-free interest rate of 1.07%; and an expected life of seven months.

The Hansa warrants are exercisable at a price of $0.10 per share and expire on April 1, 2012.

(b) In March 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 at 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.

As at August 31, 2011, the quoted market value of the 300,000 common shares of Tumi was $37,500 and the fair value of the Tumi warrants was determined to be $3,000, estimated using the Black-Scholes option pricing model with the following assumptions: dividend yield - 0%; expected volatility - 81%; a risk-free interest rate of 1.07%; and an expected life of seven months.

(Unaudited - Expressed in Canadian Dollars)

7. PROPERTY, PLANT AND EQUIPMENT

Cost:	**Condominium** $	**Office Furniture and Equipment** $	**Field Equipment** $	**Vehicles** $	**Total** $
Balance at June 1, 2010	-	81,091	33,689	211,028	325,808
Additions	248,450	78,804	-	-	327,254
Disposals	-	(5,657)	-	(99,817)	(105,474)
Balance at May 31, 2011	248,450	154,238	33,689	111,211	547,588
Additions	-	7,088	-	-	7,088
Balance at August 31, 2011	248,450	161,326	33,689	111,211	554,676

Accumulated Depreciation::	**Condominium** $	**Office Furniture and Equipment** $	**Field Equipment** $	**Vehicles** $	**Total** $
Balance at June 1, 2010	-	79,231	15,898	89,758	184,887
Depreciation	5,176	21,184	3,415	22,497	52,272
Disposal	-	(4,711)	-	(30,796)	(35,507)
Balance at May 31, 2011	5,176	95,704	19,313	81,459	201,652
Depreciation	3,106	4,660	1,308	5,613	14,687
Balance at August 31, 2011	8,282	100,364	20,621	87,072	216,339

Carrying Value:	**Condominium** $	**Office Furniture and Equipment** $	**Field Equipment** $	**Vehicles** $	**Total** $
Balance at June 1, 2010	-	1,860	17,791	121,270	140,921
Balance at May 31, 2011	243,274	58,534	14,376	29,752	345,936
Balance at August 31, 2011	240,168	60,962	13,068	24,139	338,337

(Unaudited - Expressed in Canadian Dollars)

8. EXPLORATION AND EVALUATION ASSETS

	Sweden		Finland	Peru	
	Uranium Projects $	Other Projects $	Gold/Uranium Projects $	Gold/Copper Projects $	Total $
Balance at June 1, 2010	4,107,055	7,191	1,528,432	10,776	5,653,454
Exploration costs					
Assays	-	-	-	17,854	17,854
Consulting	-	-	400,434	116,245	516,679
Database	-	-	2,446	-	2,446
Exploration site	14,984	-	83,144	98,666	196,794
Field equipment	-	-	30,903	19,045	49,948
Field workers	-	-	-	17,342	17,342
Fuel	2,013	-	12,619	4,499	19,131
Geochemical	3,479	-	208,229	-	211,708
Geological	2,253	-	264,457	46,729	313,439
Maps	-	-	4,234	-	4,234
Mining rights	-	-	-	91,704	91,704
Salaries and benefits	18,890	-	238,254	101,563	358,707
Travel	8,223	-	57,654	16,994	82,871
VAT	-	-	-	49,586	49,586
Vehicle rental	2,332	-	23,428	22,044	47,804
	52,174	-	1,325,802	602,271	1,980,247
Acquisition costs					
Staking fees	-	-	-	20,382	20,382
Permits	50,054	-	28,260	-	78,314
Option payment	-	-	-	52,101	52,101
	50,054	-	28,260	72,483	150,797
Balance at May 31, 2011	4,209,283	7,191	2,882,494	685,530	7,784,498
Exploration costs					
Assays	-	-	-	3,023	3,023
Consulting	-	-	182,673	23,123	205,796
Database	-	-	200	-	200
Exploration site	723	-	28,627	24,700	54,050
Field equipment	-	-	39,194	-	39,194
Field workers	-	-	-	2,829	2,829
Fuel	-	-	3,097	3,067	6,164
Geochemical	-	-	37,055	-	37,055
Geological	-	-	153,170	1,959	155,129
Maps	-	-	2,749	-	2,749
Mining rights	-	-	-	91,529	91,529
Salaries and benefits	-	-	82,756	45,641	128,397
Travel	-	-	2,431	4,099	6,530
VAT	-	-	-	14,332	14,332
Vehicle rental	-	-	27,566	3,210	30,776
	723	-	559,518	217,512	777,753
Acquisition costs					
Staking fees	-	-	-	12,569	12,569
Permits	76	-	-	-	76
	76	-	-	12,569	12,645
Balance at August 31, 2011	4,210,082	7,191	3,442,012	915,611	8,574,896

(Unaudited - Expressed in Canadian Dollars)

8. EXPLORATION AND EVALUATION ASSETS (continued)

(a) ***Sweden***

Uranium Properties

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 August 31, 2011, the Company maintains a total of 15 uranium claims or claim applications in Sweden.

Other Properties

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.

As at August 31, 2011, the Company holds three base metal exploration permits in Sweden.

(b) ***Finland***

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

As at August 31, 2011 the company holds a total of 856 claims or claim applications in Finland.

(c) ***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.

(Unaudited - Expressed in Canadian Dollars)

8. EXPLORATION AND EVALUATION ASSETS (continued)

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 August 31, 2011, the Company also maintains 13 claim applications.

9. CAPITAL

(a) *Authorized Share Capital*

As at August 31, 2011 the Company's authorized share capital consisted of an unlimited number of common shares without par value. All issued common shares are fully paid.

(b) *Reconciliation of Changes in Share Capital*

Common shares issued:	**Number of Shares**	**Amount $**
Balance at June 1, 2010	42,697,253	24,718,992
Shares issued for cash		
Private placements	7,000,000	5,530,000
Exercise of share options	1,018,500	538,370
Exercise of warrants	930,000	778,500
Transfer to common shares on exercise of share options	-	370,290
Share issue costs	-	(22,947)
Balance at May 31, 2011	51,645,753	31,913,205
Shares issued for cash		
Exercise of share options	25,000	20,500
Transfer to common shares on exercise of share options	-	16,250
Balance at August 31, 2011	51,670,753	31,949,955

During the fiscal year ended May 31, 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.

(Unaudited - Expressed in Canadian Dollars)

9. CAPITAL (continued)

(c) *Warrants*

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at August 31, 2011 and 2010 and the changes for the three months ended on those dates is as follows:

	2011		2010	
	Number	Weighted Average Exercise Price $	Number	Weighted Average Exercise Price $
Balance, beginning and end of period	7,537,012	1.09	4,967,012	0.96

The following table summarizes information about the number of common shares reserved pursuant to the Company's warrants outstanding and exercisable at August 31, 2011:

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

(d) *Share Option Plan*

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

During the three months ended August 31, 2011 the Company granted 220,000 share options to its consultants and recorded compensation expense of $299,200. No share options were granted during the three months ended August 31, 2010.

The fair value of share options granted during the three months ended August 31, 2011 is estimated using the Black-Scholes option pricing model using the following assumptions:

Risk-free interest rate	1.87%
Estimated volatility	135%
Expected life	3 years
Expected dividend yield	0%
Expected forfeiture rate	0%

The weighted average fair value of all share options granted during the three months ended August 31, 2011 to the Company's consultants was $1.36 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 reliable measure of the fair value of the Company's share options.

(Unaudited - Expressed in Canadian Dollars)

9. CAPITAL (continued)

A summary of the Company's share options at August 31, 2011 and 2010 and the changes for the three months ending on those dates, is as follows:

	2011		2010	
	Number of Options Outstanding	Weighted Average Exercise Price $	Number of Options Outstanding	Weighted Average Exercise Price $
Balance, beginning of period	2,611,500	0.84	1,600,000	0.52
Granted	220,000	1.72	-	-
Exercised	(25,000)	0.82	-	-
Expired	-	-	(40,000)	0.32
Balance, end of period	2,806,500	0.91	1,560,000	0.52

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

Number	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
1,955,000	0.82	October 18, 2013
150,000	2.35	February 14, 2014
220,000	1.72	August 2, 2014
2,806,500		

10. RELATED PARTY TRANSACTIONS AND BALANCES

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Certain of these entities transacted with the Company during the reporting period. The terms of conditions of the transactions with key management personnel and those entities were no more favourable than those available, or which might reasonably be expected to be available, for similar transactions with non-related entities on an arm's length basis.

(a) *Transactions with Key Management Personnel*

During the three months ended August 31, 2011 the Company paid a total of $48,000 (2010 - $48,750) to the current President and Chief Executive Officer and the former Vice-President, Exploration of the Company for their services in their capacities as officers of the Company. In addition the Company paid $26,400 (2010 - $12,700) to Chase Management Ltd., a private corporation owned by the Chief Financial Officer of the Company, for accounting, secretarial and management services and rent provided.

(b) *Transactions with Other Related Parties*

During the three months ended August 31, 2011 the Company incurred a total of $22,500 (2010 - $15,050) for director fees, for non-management directors of the Company.

During the three months ended August 31, 2011 the Company paid $3,300 (2010 - $3,300) to Tumi, a public company with certain directors in common, for allocation of the services of the Corporate Secretary of the Company.

(Unaudited - Expressed in Canadian Dollars)

10. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

As at August 31, 2011, $25,000 (2010 - $18,300) of the above amounts remained unpaid and has been included in accounts payable and accrued liabilities.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Categories of Financial Assets and Financial Liabilities

Financial instruments are classified into one of the following four categories: fair value through profit or loss ("FVTPL"); held-to-maturity investments; loans and receivables; and available-for-sale. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instrument	Category	August 31, 2011 $	May 31, 2011 $
Cash and cash equivalents	FVTPL	447,628	1,047,217
Short-term investments	FVTPL	11,403,925	11,919,912
Investments - common shares	Available-for-sale	457,500	612,500
Investments - warrants	FVTPL	53,000	89,000
Amounts receivable	Loans and receivables	200,124	177,739
Accounts payable and accrued liabilities	Other liabilities	(297,131)	(197,546)

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, 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 cash and cash equivalents, short-term investment, amounts receivable and accounts payable and accrued liabilities approximate their fair value due to their short-term nature. The recorded amount for the investment approximates its fair value. The Company's fair value of cash and cash equivalents, short-term investments and investments under the fair value hierarchy are measured using Level 1 inputs.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents, short-term investment and amounts receivable. Management believes that the credit risk concentration with respect to financial instruments included in cash and cash equivalents, short-term investments and amounts receivable is remote.

(Unaudited - Expressed in Canadian Dollars)

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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, 2011				
	Less than 3 Months $	3 - 12 Months $	1 - 5 Years $	Over 5 Years $	Total $
Cash and cash equivalents	447,628	-	-	-	447,628
Short term investments	-	11,403,925	-	-	11,403,925
Investments - common shares	457,500	-	-	-	457,500
Investments - warrants	-	53,000	-	-	53,000
Amounts receivable	200,124	-	-	-	200,124
Accounts payable and accrued liabilities	(297,131)	-	-	-	(297,131)

	Contractual Maturity Analysis at May 31, 2011				
	Less than 3 Months $	3 - 12 Months $	1 - 5 Years $	Over 5 Years $	Total $
Cash and cash equivalents	1,047,217	-	-	-	1,047,217
Short term investments	-	11,919,912	-	-	11,919,912
Investments - common shares	612,500	-	-	-	612,500
Investments - warrants	-	89,000	-	-	89,000
Amounts receivable	177,739	-	-	-	177,739
Accounts payable and accrued liabilities	(197,546)	-	-	-	(197,546)

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 and cash equivalents bear floating rates of interest. The interest rate risk on cash and cash equivalents and short-term investments and on the Company's obligations are not considered significant.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(b) Foreign Currency Risk

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 August 31, 2011, 1 Canadian Dollar was equal to 6.48 SEK, 1.02 US Dollar and 2.79 Peruvian Soles.

Balances are as follows:

	Swedish Kronors	United States Dollars	Peru Soles	CDN $ Equivalent
Cash	1,357,339	1,088	44,905	226,627
Amounts receivable	1,156,743	-	27,374	188,321
Accounts payable and accrued liabilities	(972,784)	-	(35,644)	(162,897)
	1,541,298	1,088	36,635	252,051

Based on the net exposures as of August 31, 2011 and assuming that all other variables remain constant, a 10% fluctuation on the Canadian Dollar against the SEK, US Dollar and Peruvian Sole would result in the Company's net loss being approximately $23,000 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 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.

12. SUPPLEMENTAL CASH FLOW INFORMATION

During the three months ended August 31, 2011 and 2010 non-cash activities were conducted by the Company as follows:

	2011 $	2010 $
Operating activity		
Increase (decrease) in accounts payable and accrued liabilities	33,606	(122,756)
Investing activity		
Additions to exploration and evaluation assets	(33,606)	122,756

(Unaudited - Expressed in Canadian Dollars)

13. SEGMENTED INFORMATION

The Company operates in one reportable segment, the exploration and development of unproven exploration and evaluation assets. As at August 31, 2011 the Company's exploration and evaluation assets are located in Scandinavia and Peru and its corporate assets, comprising mainly of cash, are located in Canada. The Company is in the exploration stage and has no reportable segment revenues or operating results.

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

	August 31, 2011				
	Corporate	Mineral Operations			Total
	Canada $	Sweden $	Finland $	Peru $	 $
Current assets	11,663,762	399,639	-	25,896	12,089,297
Investments	510,500	-	-	-	510,500
Property, plant and equipment	12,377	61,182	-	264,778	338,337
Exploration and evaluation assets	-	4,217,273	3,442,012	915,611	8,574,896
	12,186,639	4,678,094	3,442,012	1,206,285	21,513,030

	May 31, 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, plant and equipment	14,033	70,927	-	260,976	345,936
Exploration and evaluation assets	-	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

15. TRANSITION TO IFRS

The Company's financial statements for the year ending May 31, 2012 will be the first annual financial statements that comply with IFRS and these condensed consolidated interim financial statements were prepared as described in Note 2, including the application of IFRS 1. IFRS 1 requires an entity to adopt IFRS in its first annual financial statements prepared under IFRS by making an explicit and unreserved statement, in those financial statements, of compliance with IFRS. The Company will make this statement when it issues its May 31, 2012 annual consolidated financial statements.

IFRS 1 also requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was June 1, 2010 (the "transition date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be May 31, 2011. However, it also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adoption.

Initial elections upon IFRS adoption

Set forth below are the IFRS 1 applicable exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS.

IFRS Exemption options

1. Share-based payments - IFRS 2 *Share-Based Payments* encourages application of its provisions to equity instruments granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had not vested by the transition date. The Company has chosen to apply the exemption under IFRS 1 and applied IFRS 2 for all equity instruments granted after November 7, 2002 that had not vested by the transition date.

IFRS Mandatory exceptions

Hindsight is not used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any differences in accounting policies.

Reconciliations of Canadian GAAP to IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. The Company's first time adoption of IFRS did not have an effect on the total operating, investing and financing cash flows. The following represents the reconciliations from Canadian GAAP to IFRS for the respective periods noted for equity and comprehensive loss.

(Unaudited - Expressed in Canadian Dollars)

15. TRANSITION TO IFRS (continued)

Reconciliation of Assets, Liabilities and Equity

	As at June 1, 2010		
	Canadian GAAP $	Effect of Transition to IFRS $	IFRS $
ASSETS			
Current assets			
Cash and cash equivalents	7,532,677	-	7,532,677
Short-term investments	2,000,000	-	2,000,000
Amounts receivable	128,106	-	128,106
Prepaid expenses and deposits	20,907	-	20,907
Total current assets	9,681,690	-	9,681,690
Non-current assets			
Investments	663,544	-	663,544
Property, plant and equipment	140,921	-	140,921
Exploration and evaluation assets	5,653,454	-	5,653,454
Total non-current assets	6,457,919	-	6,457,919
TOTAL ASSETS	16,139,609	-	16,139,609
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	211,740	-	211,740
TOTAL LIABILITIES	211,740	-	211,740
SHAREHOLDERS' EQUITY			
Share capital	24,718,992	-	24,718,992
Share-based payments reserve	3,686,406	-	3,686,406
Deficit	(11,579,756)	-	(11,579,756)
Accumulated other comprehensive income	(897,773)	-	(897,773)
TOTAL SHAREHOLDERS' EQUITY	15,927,869	-	15,927,869
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	16,139,609	-	16,139,609

(Unaudited - Expressed in Canadian Dollars)

15. TRANSITION TO IFRS (continued)

Reconciliation of Assets, Liabilities and Equity (continued)

	As at August 31, 2010		
	Canadian GAAP $	Effect of Transition to IFRS $	IFRS $
ASSETS			
Current assets			
Cash and cash equivalents	3,853,832	-	3,853,832
Short-term investments	4,862,423	-	4,862,423
Amounts receivable	69,501	-	69,501
Prepaid expenses and deposits	28,703	-	28,703
Total current assets	8,814,459	-	8,814,459
Non-current assets			
Investments	520,830	-	520,830
Property, plant and equipment	111,622	-	111,622
Exploration and evaluation assets	6,315,842	-	6,315,842
Total non-current assets	6,948,294	-	6,948,294
TOTAL ASSETS	15,762,753	-	15,762,753
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	248,500	-	248,500
TOTAL LIABILITIES	248,500	-	248,500
SHAREHOLDERS' EQUITY			
Share capital	24,718,992	-	24,718,992
Share-based payments reserve	3,686,406	-	3,686,406
Deficit	(11,875,758)	-	(11,875,758)
Accumulated other comprehensive income	(1,015,387)	-	(1,015,387)
TOTAL SHAREHOLDERS' EQUITY	15,514,253	-	15,514,253
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	15,762,753	-	15,762,753

(Unaudited - Expressed in Canadian Dollars)

15. TRANSITION TO IFRS (continued)

Reconciliation of Assets, Liabilities and Equity (continued)

	As at May 31, 2011		
	Canadian GAAP $	Effect of Transition to IFRS $	IFRS $
ASSETS			
Current assets			
Cash and cash equivalents	1,047,217	-	1,047,217
Short-term investments	11,919,912	-	11,919,912
Amounts receivable	177,739	-	177,739
Prepaid expenses and deposits	65,167	-	65,167
Total current assets	13,210,035	-	13,210,035
Non-current assets			
Investments	701,500	-	701,500
Property, plant and equipment	345,936	-	345,936
Exploration and evaluation assets	7,784,498	-	7,784,498
Total non-current assets	8,831,934	-	8,831,934
TOTAL ASSETS	22,041,969	-	22,041,969
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	197,546	-	197,546
TOTAL LIABILITIES	197,546	-	197,546
SHAREHOLDERS' EQUITY			
Share capital	31,913,205	-	31,913,205
Share-based payments reserve	4,907,116	-	4,907,116
Deficit	(14,828,398)	-	(14,828,398)
Accumulated other comprehensive income	(147,500)	-	(147,500)
TOTAL SHAREHOLDERS' EQUITY	21,844,423	-	21,844,423
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	22,041,969	-	22,041,969

(Unaudited - Expressed in Canadian Dollars)

15. TRANSITION TO IFRS (continued)

Reconciliation of Comprehensive Loss

	Three Months Ended August 31, 2010		
	Canadian GAAP $	Effect of Transition to IFRS $	IFRS $
Expenses			
Accounting and administration	11,500	-	11,500
Corporate development	7,283	-	7,283
Depreciation	11,192	-	11,192
General exploration	109,711	-	109,711
Investor relations	10,500	-	10,500
Legal	363	-	363
Management fees	48,750	-	48,750
Office and sundry	5,654	-	5,654
Professional fees	67,434	-	67,434
Regulatory fees	8,108	-	8,108
Rent	4,800	-	4,800
Salaries and benefits	16,916	-	16,916
Shareholder costs	5,322	-	5,322
Transfer agent	1,216	-	1,216
Travel	33,092	-	33,092
	341,841	-	341,841
Loss before other items	(341,841)	-	(341,841)
Other items			
Recovery of expenses	40,624	-	40,624
Gain on sale of property plant and equipment	6,873	-	6,873
Interest and other income	13,878	-	13,878
Foreign exchange	9,564	-	9,564
Unrealized loss on held-for-trading investments	(25,100)	-	(25,100)
	45,839	-	45,839
Net loss for the period	(296,002)	-	(296,002)
Other comprehensive loss	(117,614)	-	(117,614)
Comprehensive loss for the period	(413,616)	-	(413,616)

(Unaudited - Expressed in Canadian Dollars)

15. TRANSITION TO IFRS (continued)

Reconciliation of Comprehensive Loss (continued)

	Year Ended May 31, 2011		
	Canadian GAAP $	Effect of Transition to IFRS $	IFRS $
Expenses			
Accounting and administration	36,800	-	36,800
Audit	30,345	-	30,345
Corporate development	139,974	-	139,974
Depreciation	52,272	-	52,272
General exploration	576,220	-	576,220
Investor relations	42,000	-	42,000
Legal	2,650	-	2,650
Management fees	193,000	-	193,000
Office and sundry	27,365	-	27,365
Professional fees	186,468	-	186,468
Regulatory fees	22,022	-	22,022
Rent	21,293	-	21,293
Salaries and benefits	118,838	-	118,838
Shareholder costs	16,008	-	16,008
Share-based compensation	1,591,000	-	1,591,000
Transfer agent	10,710	-	10,710
Travel	173,351	-	173,351
	3,240,316	-	3,240,316
Loss before other items	(3,240,316)	-	(3,240,316)
Other items			
Recovery of expenses	40,624	-	40,624
Interest and other income	114,511	-	114,511
Loss on sale of available-for-sale investments	(219,318)	-	(219,318)
Unrealized gain on held-for-trading investments	53,000	-	53,000
Gain on sale of property plant and equipment	5,926	-	5,926
Foreign exchange	(3,069)	-	(3,069)
	(8,326)	-	(8,326)
Net loss for the year	(3,248,642)	-	(3,248,642)
Other comprehensive loss	750,273	-	750,273
Comprehensive loss for the year	(2,498,369)	-	(2,498,369)

15. TRANSITION TO IFRS (continued)

IFRS Adjustments

Share Based Options

Previously, under Canadian GAAP, the Company used the straight-line method of calculating vested options and the share-based compensation arising therefrom. Under this method, the fair value of share-based awards with graded vesting was calculated as one grant and the resulting fair value was recognised on a straight line basis over the vesting period.

However, IFRS requires that each tranche of an award with different vesting dates be considered a separate grant for the calculation of fair value, and the resulting fair value is recognised over the vesting period of the respective tranche using the graded vesting method.

No adjustments were required for the options granted and the share-based compensation recognized during the three months ended August 31, 2010 and the year ended May 31, 2011.