MAWSON RESOURCES LIMITED

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
AUGUST 31, 2012

(Unaudited - Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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

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

	Note	August 31, 2012 $	May 31, 2012 $
ASSETS			
Current assets			
Cash	5	5,825,002	7,351,494
Amounts receivable	6	84,158	153,039
Prepaid expenses and deposits		56,586	83,121
Total current assets		5,965,746	7,587,654
Non-current assets			
Investments	7	452,500	358,000
Property, plant and equipment	8	267,446	264,900
Exploration and evaluation assets	9	5,583,507	4,900,923
Total non-current assets		6,303,453	5,523,823
TOTAL ASSETS		12,269,199	13,111,477
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		431,210	779,961
TOTAL LIABILITIES		431,210	779,961
SHAREHOLDERS' EQUITY			
Share capital	10	28,191,362	28,176,662
Share-based payments reserve		5,162,917	5,128,417
Deficit		(21,124,790)	(20,498,063)
Accumulated other comprehensive loss		(391,500)	(475,500)
TOTAL SHAREHOLDERS' EQUITY		11,837,989	12,331,516
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		12,269,199	13,111,477

Events after the Reporting Period - See Note 15

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on October 10, 2012 and are signed on its behalf by:

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

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

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

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

	Note	Three Months Ended August 31 2012 $	Three Months Ended August 31 2011 $
Expenses			
Accounting and administration		25,600	25,200
Audit		8,200	16,637
Corporate development		36,861	39,461
Depreciation		7,912	14,687
General exploration		143,935	147,515
Investor relations		19,500	10,500
Legal		57,676	2,591
Management fees		40,500	40,500
Office and sundry		33,484	15,205
Professional fees		59,446	51,192
Regulatory fees		21,515	14,902
Rent		12,150	6,060
Salaries and benefits		32,042	35,811
Shareholder costs		4,861	1,502
Share-based compensation	10(d)	41,000	299,200
Transfer agent		1,841	1,481
Travel		75,376	44,482
Vehicle rentals and fuel		23,549	3,288
		645,448	770,214
Loss before other items		(645,448)	(770,214)
Other items			
Interest and other income		22,407	38,686
Foreign exchange		(14,186)	(25,696)
Unrealized loss on held-for-trading investments		(1,500)	(36,000)
		6,721	(23,010)
Loss before deferred income taxes		(638,727)	(793,224)
Deferred income taxes		12,000	(20,500)
Net loss for the period		(626,727)	(813,724)
Other comprehensive income (loss), net of deferred income taxes		84,000	(134,500)
Comprehensive loss for the period		(542,727)	(948,224)
Basic and diluted loss per common share		$(0.01)	$(0.02)
Weighted average number of common shares outstanding		52,233,697	51,649,642

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, 2012

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

Three Months Ended August 31, 2011

	Share Capital					
	Number of Shares	Amount $	Share-Based Payments Reserve $	Deficit $	Accumulated Other Comprehensive Loss $	Total Equity $
Balance at May 31, 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 loss on available-for-sale investment	-	-	-	-	(155,000)	(155,000)
Deferred income tax recovery on unrealized loss on available-for-sale investments	-	-	-	-	20,500	20,500
Net loss for the period	-	-	-	(813,724)	-	(813,724)
Balance at August 31, 2011	51,670,753	31,949,955	5,190,066	(15,642,122)	(282,000)	21,215,899

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,	
	2012 $	2011 $
Operating activities		
Net loss for the period	(626,727)	(813,724)
Adjustments for:		
Depreciation	7,912	14,687
Share-based compensation	41,000	299,200
Unrealized loss on held-for-trading investments	1,500	36,000
Deferred income tax	(12,000)	20,500
	(588,315)	(443,337)
Changes in non-cash working capital items:		
Decrease (increase) in amounts receivable	68,881	(22,385)
Decrease in prepaid expenses and deposits	26,535	27,547
Decrease (increase) in accounts payable and accrued liabilities	(76,491)	65,979
	18,925	71,141
Net cash used in operating activities	(569,390)	(372,196)
Investing activities		
Expenditures on exploration and evaluation assets	(954,844)	(756,792)
Additions to property, plant and equipment	(10,458)	(7,088)
Net cash provided used in investing activities	(965,302)	(763,880)
Financing activity		
Issuance of share capital	8,200	20,500
Net cash provided by financing activities	8,200	20,500
Net change in cash	(1,526,492)	(1,115,576)
Cash at beginning of period	7,351,494	1,563,204
Cash at end of period	5,825,002	447,628

Supplemental cash flow information - See Note 13

1. Nature of Operations

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

The Company is a resource company engaged in the acquisition and exploration of unproven mineral interests. As at Aguust 31, 2012 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.

On November 30, 2011 the Company announced it would conduct a spin-out of its Peruvian assets (the "Spin-Out") that would reorganize the business and capital structure of the Company into two separate public companies to allow the Company to focus on the development of its flagship Rompas property in Finland. Pursuant to the proposed Spin-Out, the Company transferred all of the outstanding shares of its wholly-owned subsidiary, Mawson Peru S.A.C., ("Mawson Peru") and its option to earn a 100% interest in Altynor Peru S.A.C. ("Altynor Peru") to a newly incorporated subsidiary, Darwin Resources Corp. ("Darwin"). The Company also completed the sale of its non-core mineral properties in Sweden and Finland for common shares of European Uranium Resources Ltd. ("European Uranium"). See also Notes 9(a) and 9(b).

On April 30, 2012 the Company completed the Plan of Arrangement under which the Company's shareholders received 17,408,070 common shares of Darwin and 10,727,969 common shares of European Uranium, on a basis of one-third Darwin common share and one-fifth European Uranium common share for each Company common share held. The distribution of the Darwin and European Uranium common shares to the shareholders of the Company at the closing date via a return of capital of the Company was recorded in the amount of $4,320,712.

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

Statement of Compliance

These condensed consolidated interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"), and in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended May 31, 2012, which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies followed in these condensed consolidated interim financial statements are consistent with those applied in the Company's consolidated financial statements for the year ended May 31, 2012.

(Unaudited - Expressed in Canadian Dollars)

2. Basis of Preparation (continued)

Basis of Presentation

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

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

3. Significant Accounting Policies

The preparation of financial data is based on accounting principles and practices consistent with those to be used in the preparation of the audited annual consolidated financial statements as at May 31, 2012. The accompanying unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended May 31, 2012.

4. Subsidiaries

As at August 31, 2012 and May 31, 2012 the subsidiaries of the Company are as follows:

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

5. Cash

	August 31, 2012 $	May 31, 2012 $
Cash on hand	843,464	1,591,169
Demand deposits	4,981,538	5,760,325
	5,825,002	7,351,494

6. Amounts Receivable

	August 31, 2012 $	May 31, 2012 $
HST receivable	11,993	63,717
Foreign value added taxes receivables	55,633	68,251
Other	16,532	21,071
	84,158	153,039

(Unaudited - Expressed in Canadian Dollars)

7. Investments

	As at August 31, 2012				
	Number	Cost $	Accumulated Compre-hensive Loss $	Accumulated Gain $	Carrying Value $
Available-for-sale investments:					
Common shares					
Hansa Resources Limited ("Hansa")	3,500,000	715,000	(277,500)	-	437,500
Tumi Resources Limited ("Tumi")	300,000	45,000	(31,500)	-	13,500
Held-for-trading investments:					
Warrants					
Tumi	300,000	-	-	1,500	1,500
		760,000	(309,000)	1,500	452,500

	As at May 31, 2012				
	Number	Cost $	Accumulated Compre-hensive Loss $	Accumulated Gain $	Carrying Value $
Available-for-sale investments:					
Common shares					
Hansa Resources Limited ("Hansa")	3,500,000	715,000	(382,500)	-	332,500
Tumi Resources Limited ("Tumi")	300,000	45,000	(22,500)	-	22,500
Held-for-trading investments:					
Warrants					
Tumi	300,000	-	-	3,000	3,000
		760,000	(405,000)	3,000	358,000

(a) As at August 31, 2012 the quoted market value of the 3,500,000 common shares of Hansa was $437,500.

(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 originally entitling the Company to purchase an additional common share at an exercise price of $0.25 per share expiring on March 25, 2012. During fiscal 2012 the expiry date of the Tumi warrants was extended to March 25, 2013. 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, 2012 the quoted market value of the 300,000 common shares of Tumi was $13,500 and the fair value of the Tumi warrants was determined to be $1,500, estimated using the Black-Scholes option pricing model with the following assumptions: dividend yield - 0%; expected volatility - 134%; a risk-free interest rate of 0.98%; and an expected life of seven months.

(Unaudited - Expressed in Canadian Dollars)

8. Property, Plant and Equipment

Cost:	**Condominium** $	**Office Furniture and Equipment** $	**Field Equipment** $	**Vehicles** $	**Total** $
Balance at May 31, 2011	248,450	106,945	33,689	158,504	547,588
Additions	-	11,158	-	-	11,158
Disposals	-	(86,569)	(13,740)	-	(100,309)
Balance at May 31, 2012	248,450	31,534	19,949	158,504	458,437
Additions	-	10,458	-	-	10,458
Write-off	-	(12,248)	-	-	(12,248)
Balance at August 31, 2012	248,450	29,744	19,949	158,504	456,647

Accumulated Depreciation:	**Condominium** $	**Office Furniture and Equipment** $	**Field Equipment** $	**Vehicles** $	**Total** $
Balance at May 31, 2011	(5,176)	(57,426)	(18,894)	(120,156)	(201,652)
Depreciation	(12,424)	(21,970)	(5,033)	(22,092)	(61,519)
Disposals	-	62,659	6,975	-	69,634
Balance at May 31, 2012	(17,600)	(16,737)	(16,952)	(142,248)	(193,537)
Depreciation	(3,106)	(2,400)	(1,159)	(1,247)	(7,912)
Write-off	-	12,248	-	-	12,248
Balance at August 31, 2012	(20,706)	(6,889)	(18,111)	(143,495)	(189,201)

Carrying Value:	**Condominium** $	**Office Furniture and Equipment** $	**Field Equipment** $	**Vehicles** $	**Total** $
Balance at May 31, 2011	243,274	31,354	3,361	67,947	345,936
Balance at May 31, 2012	230,850	14,797	2,997	16,256	264,900
Balance at August 31, 2012	227,744	22,855	1,838	15,009	267,446

(Unaudited - Expressed in Canadian Dollars)

9. Exploration and Evaluation Assets

	Finland	Sweden		Peru	
	Gold Projects $	Uranium Projects $	Other Projects $	Gold/Copper Projects $	Total $
Balance at May 31, 2011	2,882,494	4,209,283	7,191	685,530	7,784,498
Exploration costs					
Assays	113,474	-	-	7,858	121,332
Consulting	563,320	-	-	85,955	649,275
Database	197	-	-	-	197
Drilling	610,465	-	-	-	610,465
Environmental	-	-	-	14,220	14,220
Exploration site	117,969	1,134	-	85,639	204,742
Field equipment	43,279	-	-	-	43,279
Field workers	-	-	-	5,757	5,757
Fuel	11,350	-	-	8,018	19,368
Geochemical	146,205	-	-	-	146,205
Geological	287,848	-	-	19,487	307,335
Maps	3,627	-	-	306	3,933
Salaries and benefits	333,267	-	-	275,309	608,576
Travel	9,515	-	-	24,582	34,097
VAT	-	-	-	43,004	43,004
Vehicle rental	43,775	-	-	15,780	59,555
	2,284,291	1,134	-	585,915	2,871,340
Acquisition costs					
Mining rights	-	-	-	131,168	131,168
Permits	60,413	14,500	-	-	74,913
	60,413	14,500	-	131,168	206,081
Disposal (Note 9(a))	(327,594)	(4,204,372)	(4,607)	-	(4,536,573)
Spin-out (Note 9(b))	-	-	-	(1,402,613)	(1,402,613)
Write-offs (Note 9(c))	(10,162)	(9,064)	(2,584)	-	(21,810)
Balance at May 31, 2012	4,889,442	11,481	-	-	4,900,923
Exploration costs					
Assays	173,933	-	-	-	173,933
Consulting	62,737	-	-	-	62,737
Database	-	1,432	-	-	1,432
Drilling	28,885	-	-	-	28,885
Exploration site	-	1,849	-	-	1,849
Field equipment	15,219	-	-	-	15,219
Field workers	59,749	-	-	-	59,749
Geological	132,174	7,109	-	-	139,283
Logging	27,956	-	-	-	27,956
Maps	202	3,510	-	-	3,712
Salaries and benefits	61,504	20,672	-	-	82,176
Travel	5,869	7,702	-	-	13,571
Vehicle rental	1,949	1,379	-	-	3,328
	570,177	43,653	-	-	613,830
Acquisition costs					
Permits	-	68,754	-	-	68,754
Balance at August 31, 2012	5,459,619	123,888	-	-	5,583,507

9. Exploration and Evaluation Assets (continued)

(a) On February 29, 2012 the Company completed the sale of its wholly-owned Swedish subsidiary, T&M Resources AB ("T&M"), which was incorporated to hold the non-core mineral interests of the Company, comprising the Hotagen, Duobblon, Kapell and Aronsjö projects in Sweden and the Riutta, Asento and Nuottijärvi projects in Finland (collectively the "Uranium Assets"). Under the sale agreement, European Uranium (formerly Tournigan Energy Ltd.) purchased T&M for consideration of 10,727,969 common shares of European Uranium, at a fair value of $4,536,573. The Company subsequently recorded a $2,015,500 write-down of its investment in the common shares of European Uranium to reflect the fair value of $2,521,073 prior to the distribution under the Plan of Arrangement.

(b) Mawson Peru also held option agreements with the shareholders of Altynor Peru whereby the Company could 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. On February 27, 2012 the Company transferred all of the outstanding shares of Mawson Peru and its option to earn a 100% interest in Altynor Peru to Darwin, which formed part of the distribution under the Plan of Arrangement.

(c) As at August 31, 2012 the Company maintained the following:

(i) ***Finland***

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

During fiscal 2012 the Company surrendered certain claims in Finland and wrote-off $10,162 in acquisition costs and exploration expenditures.

As at August 31, 2012 the Company holds a total of 834 claims or claim applications in Finland.

(ii) ***Sweden***

Uranium Properties

During fiscal 2009 the Company and Hodges 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 incurred US $550,000 to earn a 51% interest in eight exploration permits. Hodges may increase its interest to 75% by funding a bankable feasibility study.

During fiscal 2012 the Company surrendered certain uranium claims in Sweden and wrote-off $9,064 in acquisition costs and exploration expenditures.

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 could acquire an initial 90% interest in the Orrbacken Project by paying a total of SEK 1,600,000 over four years. Upon acquisition of the 90% interest, the Company has the right to purchase the remaining 10% interest for SEK 5,000,000.

(Unaudited - Expressed in Canadian Dollars)

9. Exploration and Evaluation Assets (continued)

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 2012 the Company surrendered certain base metal exploration permits in Sweden and wrote-off $2,584 in acquisition costs and exploration expenditures.

10. Share Capital

(a) *Authorized Share Capital*

As at August 31, 2012 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 May 31, 2011	51,645,753	31,913,205
Shares issued for cash		
Exercise of share options	553,500	319,020
Exercise of warrants	25,000	30,000
Transfer to common shares on exercise of share options	-	235,149
Return of capital on spin-out (Note 1)	-	(4,320,712)
Balance at May 31, 2012	52,224,253	28,176,662
Shares issued for cash		
Exercise of share options	10,000	8,200
Transfer to common shares on exercise of share options	-	6,500
Balance at August 31, 2012	52,234,253	28,191,362

(c) *Warrants*

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at August 31, 2012 and 2011, and the changes for the three months ended on those dates, is as follows:

	2012		2011	
	Number	Weighted Average Exercise Price $	Number	Weighted Average Exercise Price $
Balance, beginning and end of period	8,797,137	0.93	7,537,012	1.09

(Unaudited - Expressed in Canadian Dollars)

10. Share Capital (continued)

The following table summarizes information about the number of common shares reserved pursuant to the Company's warrants outstanding and exercisable at August 31, 2012:

Number	Exercise Price $	Expiry Date
3,876,470	1.02	October 25, 2012
4,920,667	0.857	May 12, 2014
8,797,137		

See also Note 15.

(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, 2012 the Company granted 50,000 (2011 - 220,000) share options and recorded share-based compensation expense of $41,000 (2011 - $299,200).

The fair value of share options granted during the three months ended August 31, 2012 and 2011 is estimated using the Black-Scholes option pricing model using the following assumptions:

	2012	2011
Risk-free interest rate	1.14%	1.87%
Estimated volatility	86%	135%
Expected life	3 years	3 years
Expected dividend yield	0%	0%
Expected forfeiture rate	0%	0%

The weighted average fair value of all share options granted during the three months ended August 31, 2012 was $0.82 (2011 - $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.

A summary of the Company's share options at August 31, 2012 and 2011 and the changes for the three months ended on those dates, is as follows:

	2012		2011	
	Number of Options Outstanding	Weighted Average Exercise Price $	Number of Options Outstanding	Weighted Average Exercise Price $
Balance, beginning of period	2,473,000	1.02	2,611,500	0.84
Granted	50,000	1.49	220,000	1.72
Exercised	(10,000)	0.82	(25,000)	0.82
Balance, end of period	2,513,000	1.03	2,806,500	0.91

(Unaudited - Expressed in Canadian Dollars)

10. Share Capital (continued)

The following table summarizes information about the share options outstanding and exercisable at August 31, 2012:

Number	Exercise Price $	Expiry Date
100,000	0.41	May 3, 2013
1,768,000	0.82	October 18, 2013
150,000	2.35	February 14, 2014
220,000	1.72	August 2, 2014
100,000	1.30	May 5, 2015
125,000	1.24	May 29, 2015
50,000	1.49	August 9, 2015
2,513,000		

11. Related Party Disclosures

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

(a) *Transactions with Key Management Personnel*

During the three months ended August 31, 2012 and 2011 the following amounts were incurred with respect to the Company's President, Vice-President of Exploration and Chief Financial Officer ("CFO"):

	2012 $	2011 $
Management fees	40,500	40,500
Professional fees	54,336	53,435
	94,836	93,935

As at August 31, 2012, $30,934 (2011 - $33,162) of the above amounts remained unpaid and has been included in accounts payable and accrued liabilities.

The Company has a management agreement with the President, which provides that in the event the President's services are terminated without cause or upon a change of control of the Company, a termination payment of two years of compensation, at $13,500 per month, is payable. If the termination had incurred on August 31, 2012, the amount payable under the agreement would be $324,000.

(b) *Transactions with Other Related Parties*

During the three months ended August 31, 2012 and 2011 the following amounts were incurred with respect to non-executive directors of the Company:

	2012 $	2011 $
Professional fees	41,000	40,200
Rent	1,200	1,200
	42,200	41,400

(Unaudited - Expressed in Canadian Dollars)

11. Related Party Disclosures (continued)

During the three months ended August 31, 2012 the Company incurred a total of $12,200 (2011 - $18,900) to Chase Management Ltd. ("Chase"), a private corporation owned by the CFO of the Company, for accounting and administration services provided by Chase personnel, excluding the CFO, and for rent.

As at August 31, 2012, $17,900 (2011 - $22,500) of the above amounts remained unpaid and has been included in accounts payable and accrued liabilities.

(c) During the three months ended August 31, 2012 the Company incurred $3,018 (2011 - $3,300) for shared administration costs with a public company with common directors and officers. As at August 31, 2012, $1,000 (2011 - $3,300) of the amount remained unpaid and has been included in accounts payable and accrued liabilities.

12. Financial Instruments and Risk Management

Categories of Financial Assets and Financial Liabilities

Financial instruments are classified into one of the following categories: fair value through profit or loss ("FVTPL"); 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, 2012 $	May 31, 2012 $
Cash	FVTPL	5,825,002	7,351,494
Investments - common shares	Available-for-sale	451,000	355,000
Investments - warrants	FVTPL	1,500	3,000
Amounts receivable	Loans and receivables	84,158	153,039
Accounts payable and accrued liabilities	Other liabilities	(431,210)	(779,961)

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, 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, 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:

12. Financial Instruments and Risk Management (continued)

Credit Risk

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

Liquidity Risk

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

	Contractual Maturity Analysis at August 31, 2012				
	Less than 3 Months $	3 - 12 Months $	1 - 5 Years $	Over 5 Years $	Total $
Cash	5,825,002	-	-	-	5,825,002
Investments - common shares	451,000	-	-	-	451,000
Investments - warrants		1,500	-	-	1,500
Amounts receivable	84,158	-	-	-	84,158
Accounts payable and accrued liabilities	(431,210)	-	-	-	(431,210)

	Contractual Maturity Analysis at May 31, 2012				
	Less than 3 Months $	3 - 12 Months $	1 - 5 Years $	Over 5 Years $	Total $
Cash	7,351,494	-	-	-	7,351,494
Investments - common shares	355,000	-	-	-	355,000
Investments - warrants	-	3,000	-	-	3,000
Amounts receivable	153,039	-	-	-	153,039
Accounts payable and accrued liabilities	(779,961)	-	-	-	(779,961)

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

(a) Interest Rate Risk

The Company is exposed to interest rate risk to the extent that the cash bears floating rates of interest. The interest rate risk on cash and on the Company's obligations are not considered significant.

(b) Foreign Currency Risk

The Company's functional currency is the Canadian dollar and major transactions are transacted in Canadian Dollars, Euros and Swedish Kronors ("SEK"). The Company maintains Euros bank accounts in Finland, SEK bank accounts in Sweden, and US Dollar bank accounts in Canada to support the cash needs of its foreign operations. Management believes the foreign exchange risk related to currency conversions is minimal and therefore does not hedge its foreign exchange risk. At August 31, 2012, 1 Canadian Dollar was equal to 0.81 Euros, 6.71 SEK and 1.01 US Dollars.

(Unaudited - Expressed in Canadian Dollars)

12. Financial Instruments and Risk Management (continued)

Balances are as follows:

	Finland Euros	Swedish Kronors	United States Dollars	CDN $ Equivalent
Cash	148,615	1,669,376	63,844	495,477
Amounts receivable	43,381	123,527	-	71,966
Accounts payable and accrued liabilities	(216,494)	(475,099)	-	(338,081)
	(24,498)	1,317,804	63,844	229,362

Based on the net exposures as of August 31, 2012 and assuming that all other variables remain constant, a 10% fluctuation on the Canadian Dollar against the Euros, SEK and US Dollar would result in the Company's net loss being approximately $21,000 higher (or lower).

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as share capital, cash and cash equivalents and short-term investments. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

13. Supplemental Cash Flow Information

During the three months ended August 31, 2012 and 2011 non-cash activities were conducted by the Company as follows:

	2012 $	2011 $
Operating activity		
Increase in accounts payable and accrued liabilities	144,669	33,606
Investing activity		
Additions to exploration and evaluation assets	(144,669)	(33,606)
Financing activities		
Issuance of share capital	6,500	-
Share-based payments reserve	(6,500)	-
	-	-

(Unaudited - Expressed in Canadian Dollars)

14. Segmented Information

The Company operates in one reportable segment, the exploration and development of unproven exploration and evaluation assets. As at August 31, 2012 the Company's exploration and evaluation assets are located in Finland and Sweden and its corporate assets, comprising mainly of cash, are located in Canada. The Company is in the exploration stage and has no reportable segment revenues or operating results.

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

	As at August 31, 2012				
	Canada $	Sweden $	Finland $	Peru $	Total $
Current assets	5,458,515	268,336	238,895	-	5,965,746
Investments	452,500	-	-	-	452,500
Property, plant and equipment	17,096	22,606	-	227,744	267,446
Exploration and evaluation assets	-	123,888	5,459,619	-	5,583,507
	5,928,111	414,830	5,698,514	227,744	12,269,199

	As at May 31, 2012				
	Canada $	Sweden $	Finland $	Peru $	Total $
Current assets	7,222,800	209,589	155,265	-	7,587,654
Investments	358,000	-	-	-	358,000
Property, plant and equipment	7,409	26,641	-	230,850	264,900
Exploration and evaluation assets	-	11,481	4,889,442	-	4,900,923
	7,588,209	247,711	5,044,707	230,850	13,111,477

15. Events after the Reporting Period

Subsequent to August 31, 2012 the Company issued 3,070,005 common shares on the exercise of warrants for proceeds of $3,131,405.