MAWSON RESOURCES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
MAY 31, 2016 AND 2015

(Expressed in Canadian Dollars)

D&H Group LLP
Chartered Professional Accountants
10th Floor, 1333 West Broadway
Vancouver, BC V6H 4C1

dhgroup.ca
t 604.731.5881
f 604.731.9923

Independent Auditor's Report

To the Shareholders of Mawson Resources Limited

We have audited the accompanying consolidated financial statements of Mawson Resources Limited, which comprise the consolidated statements of financial position as at May 31, 2016 and May 31, 2015, and the consolidated statements of comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended May 31, 2016 and May 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mawson Resources Limited as at May 31, 2016 and May 31, 2015, and its financial performance and its cash flows for the years ended May 31, 2016 and May 31, 2015 in accordance with International Financial Reporting Standards.

"D&H GROUP LLP"

Vancouver, B.C.
August 19, 2016

Chartered Professional Accountants

MAWSON RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Note	May 31, 2016 $	May 31, 2015 $
ASSETS			
Current assets			
Cash		4,087,254	4,371,419
Amounts receivable		7,623	27,557
GST/VAT receivable		32,096	32,167
Prepaid expenses and deposits		109,366	45,171
Total current assets		4,236,339	4,476,314
Non-current assets			
Investments	4	95,953	65,751
Property, plant and equipment	5	25,115	230,532
Exploration and evaluation assets	6	14,094,717	11,975,725
Total non-current assets		14,215,785	12,272,008
TOTAL ASSETS		18,452,124	16,748,322
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		246,058	326,446
TOTAL LIABILITIES		246,058	326,446
SHAREHOLDERS' EQUITY			
Share capital	7	42,327,191	39,225,378
Share-based payments reserve		6,071,217	6,069,717
Deficit		(29,471,192)	(28,121,867)
Accumulated other comprehensive loss		(721,150)	(751,352)
TOTAL SHAREHOLDERS' EQUITY		18,206,066	16,421,876
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		18,452,124	16,748,322

Event after the Reporting Period - see Note 13

These consolidated financial statements were approved for issue by the Board of Directors on August 19, 2016 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 consolidated financial statements.

MAWSON RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Note	Year Ended May 31, 2016 $	Year Ended May 31, 2015 $
Expenses			
Accounting and administration	8(b)(ii)	82,073	77,699
Audit		46,065	45,982
Corporate development		55,135	31,110
Depreciation		11,839	31,266
General exploration		69,125	58,253
Investor relations		-	28,625
Legal		75,556	208,518
Management fees	8(a)	180,000	177,000
Office and sundry		85,921	122,689
Professional fees	8(b)(i)	324,152	557,487
Regulatory fees		20,485	30,334
Rent		59,987	54,643
Salaries and benefits	8(b)(i)	186,871	207,446
Shareholder costs		13,170	15,873
Share-based compensation	7(d)	-	53,000
Transfer agent		9,063	8,587
Travel		237,277	316,665
		1,456,719	2,025,177
Loss before other items		(1,456,719)	(2,025,177)
Other items			
Gain on sale of property, plant and equipment	5	99,235	-
Interest and other income		39,868	72,845
Foreign exchange		(98)	454
Impairment of exploration and evaluation assets	6(b)	(31,611)	-
Court judgment and associated costs	6(a)	-	(62,644)
		107,394	10,655
Net loss for the year		(1,349,325)	(2,014,522)
Other comprehensive gain (loss)		30,202	(59,043)
Comprehensive loss for the year		(1,319,123)	(2,073,565)
Basic and diluted loss per common share		$(0.02)	$(0.03)
Weighted average number of common shares outstanding		82,364,159	71,250,245

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

MAWSON RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

	Year Ended May 31, 2016					
	Share Capital					
	Number of Shares	Amount $	Share-Based Payments Reserve $	Deficit $	Accumulated Other Comprehensive (Loss) Gain $	Total Equity $
Balance at May 31, 2015	74,549,971	39,225,378	6,069,717	(28,121,867)	(751,352)	16,421,876
Common shares issued for:						
Cash - private placement	15,720,392	3,144,078	-	-	-	3,144,078
Finders fee	37,500	6,000	1,500	-	-	7,500
Share issue costs		(48,265)	-	-	-	(48,265)
Unrealized gain on investments	-	-	-	-	30,202	30,202
Net loss for the year	-	-	-	(1,349,325)	-	(1,349,325)
Balance at May 31, 2016	90,307,863	42,327,191	6,071,217	(29,471,192)	(721,150)	18,206,066

	Year Ended May 31, 2015					
	Share Capital					
	Number of Shares	Amount $	Share-Based Payments Reserve $	Deficit $	Accumulated Other Comprehensive Loss $	Total Equity $
Balance at May 31, 2014	65,425,728	36,233,702	6,016,717	(26,107,345)	(692,309)	15,450,765
Common shares issued for:						
Cash - private placement	9,124,243	3,011,000	-	-	-	3,011,000
Share issue costs	-	(19,324)	-	-	-	(19,324)
Share-based compensation	-	-	53,000	-	-	53,000
Unrealized loss on investments	-	-	-	-	(59,043)	(59,043)
Net loss for the year	-	-	-	(2,014,522)	-	(2,014,522)
Balance at May 31, 2015	74,549,971	39,225,378	6,069,717	(28,121,867)	(751,352)	16,421,876

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

MAWSON RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Year Ended May 31,	
	2016 $	2015 $
Operating activities		
Net loss for the year	(1,349,325)	(2,014,522)
Adjustments for:		
Depreciation	11,839	31,266
Share-based compensation	-	53,000
Gain on sale of property, plant and equipment	(99,235)	-
Impairment of exploration and evaluation assets	31,611	-
Changes in non-cash working capital items:		
Amounts receivable	19,934	14,713
GST/VAT receivables	71	15,996
Prepaid expenses and deposits	(64,195)	(3,252)
Accounts payable and accrued liabilities	(81,053)	407
Net cash used in operating activities	(1,530,353)	(1,902,392)
Investing activities		
Expenditures on exploration and evaluation assets	(2,149,938)	(2,094,144)
Proceeds on sale of property, plant and equipment	292,813	-
Net cash used in investing activities	(1,857,125)	(2,094,144)
Financing activities		
Issuance of common shares	3,144,078	3,011,000
Share issue costs	(40,765)	(19,324)
Net cash provided by financing activities	3,103,313	2,991,676
Net change in cash	(284,165)	(1,004,860)
Cash at beginning of year	4,371,419	5,376,279
Cash at end of year	4,087,254	4,371,419

Supplemental cash flow information - Note 11

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

(Expressed in Canadian Dollars)

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 May 31, 2016 the Company has not earned any production revenue, nor found proved reserves on any of its unproven mineral interests. On the basis of information to date, the Company has not yet determined whether these properties contain economically recoverable ore reserves. The underlying value of the exploration and evaluation assets is entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete development and upon future profitable production. Exploration and evaluation assets represent costs incurred to date, less amounts depreciated and/or written off, and do not necessarily represent present or future values.

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

2. Basis of Preparation

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of Measurement

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

Details of the Group

In addition to the Company, the consolidated 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 May 31, 2016 and 2015 the subsidiaries of the Company were:

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

3. Summary of Significant Accounting Policies

Critical Judgments and Sources of Estimation Uncertainty

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Judgments

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

(i) The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.

(ii) Management is required to assess the functional currency of each entity of the Company. In concluding that the Canadian dollar is the functional currency of the parent and its subsidiary companies, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates. As no single currency was clearly dominant the Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.

(iii) Management is required to assess impairment in respect of intangible exploration and evaluation assets. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful and some assets are likely to become impaired in future periods.

(iv) Although the Company takes steps to verify title to exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

(v) The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's estimate of future profits or losses adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the jurisdictions in which the Company operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized to the extent of the amount expected to be utilized. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances. Details of these can be found in Note 9.

Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

3. Summary of Significant Accounting Policies (continued)

(i) Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

(ii) The assessment of any impairment of exploration and evaluation assets, and property, plant and equipment is dependent upon estimates of the recoverable amount that take into account factors such as reserves, economic and market conditions and the useful lives of assets. A impairment charge of $31,611 was made in fiscal 2016 for costs associated with surrendered claims. Management has concluded there were no impairment indicators with respect to other exploration and evaluation assets and property, plant and equipment. In fiscal 2015 management concluded there were no impairment indicators and no impairment charge was required.

Cash and Cash Equivalents

Cash includes cash on hand and demand deposits. Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The Company is not exposed to significant credit or interest rate risk although cash is held in excess of federally insured limits with a major financial institution. As at May 31, 2016 and 2015 the Company did not have any cash equivalents.

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 receivables. 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.

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 are 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.

3. Summary of Significant Accounting Policies (continued)

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 expenditures are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that an 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 5% for the condominium and 20% for office furniture and equipment, field equipment and vehicles.

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 consolidated statement of comprehensive income or loss.

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 of disposal and value in use. Fair value is determined as the price that would be received to sell an asset in an orderly transaction between market participants. 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.

3. Summary of Significant Accounting Policies (continued)

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 each period for the unwinding of the discount rate and for changes to the current market-based discount rate and amount or timing of the underlying cash flows needed to settle the obligation. As at May 31, 2016 and 2015 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 ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through comprehensive income (loss). Cash is classified as FVTPL.

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.

Transaction costs associated with financial assets at FVTPL 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 FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities.

Financial liabilities classified as FVTPL are measured at fair value with unrealized gains and losses recognized through comprehensive income (loss). At May 31, 2016 and 2015 the Company has not classified any financial liabilities as FVTPL.

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.

Equity Financing

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. Units typically comprise a certain number of common shares and share purchase warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the terms of the transaction. The Company adopted a residual value method with respect to the measurement of common shares and share purchase warrants issued as private placement units. The fair value of the

3. Summary of Significant Accounting Policies (continued)

common shares issued in the private placements is determined by the closing quoted bid price on the price reservation date, if applicable, or the announcement date. The balance, if any, is allocated to the attached share purchase warrants.

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.

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.

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 relating to items recognized directly in equity or other comprehensive income ("OCI") is recognized in equity or OCI and not in the statement of comprehensive loss.

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.

3. Summary of Significant Accounting Policies (continued)

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 tax 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 loss attributable 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 loss per share.

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 consolidated 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.

Accounting Standards and Interpretations Issued but Not Yet Adopted

As at the date of these financial statements, the following standard has not been applied in these financial statements:

(i) The completed version of IFRS 9, *Financial Instruments*, was issued in July 2014. The completed standard provides for revised guidance on the classification and measurement of financial assets. It also introduces a new expected credit loss model for calculating impairment for financial assets. The new hedging guidance that was issued in November 2013 is incorporated into this new final standard. This final version of IFRS 9 will be effective for periods beginning on or after January 1, 2018, with early adoption permitted.

Management is currently assessing the impact of this new standard on the Company’s accounting policies and financial statement presentation.

(Expressed in Canadian Dollars)

4. Investments

	As at May 31, 2016			
	Number	**Cost** **$**	**Accumulated Unrealized (Loss) Gain** **$**	**Carrying Value** **$**
Common shares				
Hansa Resources Limited ("Hansa")	3,500,000	715,000	(645,000)	70,000
Kingsmen Resources Limited ("Kingsmen")	37,500	45,000	(41,250)	3,750
Thomson Resources Ltd. ("Thomson")	600,000	16,603	5,600	22,203
		776,603	(680,650)	95,953

	As at May 31, 2015			
	Number	**Cost** **$**	**Accumulated Unrealized Loss** **$**	**Carrying Value** **$**
Common shares				
Hansa	3,500,000	715,000	(662,500)	52,500
Kingsmen	37,500	45,000	(40,875)	4,125
Thomson	600,000	16,603	(7,477)	9,126
		776,603	(710,852)	65,751

The carrying values of the investments were determined using quoted market values.

(Expressed in Canadian Dollars)

5. Property, Plant and Equipment

Cost:	**Condominium** $	**Office Furniture and Equipment** $	**Field Equipment** $	**Vehicles** $	**Total** $
Balance at May 31, 2014	248,450	29,744	74,069	158,504	510,767
Disposal	-	(19,286)	-	-	(19,286)
Balance at May 31, 2015	248,450	10,458	74,069	158,504	491,481
Disposal	(248,450)	-	-	-	(248,450)
Balance at May 31, 2016	-	10,458	74,069	158,504	243,031
Accumulated Depreciation:					
Balance at May 31, 2014	(42,448)	(21,001)	(33,302)	(152,218)	(248,969)
Depreciation	(12,424)	(5,580)	(12,585)	(677)	(31,266)
Disposal	-	19,286	-	-	19,286
Balance at May 31, 2015	(54,872)	(7,295)	(45,887)	(152,895)	(260,949)
Depreciation	-	(2,587)	(8,130)	(1,122)	(11,839)
Disposal	54,872	-	-	-	54,872
Balance at May 31, 2016	-	(9,882)	(54,017)	(154,017)	(217,916)
Carrying Value:					
Balance at May 31, 2015	193,578	3,163	28,182	5,609	230,532
Balance at May 31, 2016	-	576	20,052	4,487	25,115

In June 2015 the Company sold its condominium for net proceeds of $292,813 and recorded a gain of $99,235.

6. Exploration and Evaluation Assets

	As at May 31, 2016			**As at May 31, 2015**		
	Acquisition Costs $	**Deferred Exploration Costs** $	**Total** $	**Acquisition Costs** $	**Deferred Exploration Costs** $	**Total** $
Finland						
Gold Projects	2,171,008	11,915,420	14,086,428	2,086,965	9,828,636	11,915,601
Sweden						
Other Projects	7,548	741	8,289	58,780	1,344	60,124
	2,178,556	11,916,161	14,094,717	2,145,745	9,829,980	11,975,725

(Expressed in Canadian Dollars)

6. Exploration and Evaluation Assets (continued)

	Finland	Sweden	
	Gold Projects $	Other Projects $	Total $
Balance at May 31, 2014	9,980,563	34,364	10,014,927
Exploration costs			
Assays	243,675	-	243,675
Consulting	53,065	-	53,065
Core logging	24,129	-	24,129
Drilling	303,950	-	303,950
Exploration site	15,622	-	15,622
Field equipment	182,318	-	182,318
Field workers	118,896	-	118,896
Fuel	39,636	-	39,636
Geological	388,428	-	388,428
Salaries and benefits	354,390	-	354,390
Travel	34,263	-	34,263
Vehicle rental	91,871	-	91,871
	1,850,243	-	1,850,243
Acquisition costs			
Mining rights	57,470	25,760	83,230
Deposit	27,325	-	27,325
	84,795	25,760	110,555
Balance at May 31, 2015	11,915,601	60,124	11,975,725
Exploration costs			
Assays	66,074	-	66,074
Consulting	5,510	-	5,510
Core logging	96,966	-	96,966
Drilling	1,090,413	-	1,090,413
Exploration site	3,092	741	3,833
Field equipment	12,932	-	12,932
Fuel	24,889	-	24,889
Geological	180,117	-	180,117
Geophysics	139,530	-	139,530
Salaries and benefits	396,784	-	396,784
Travel	8,158	-	8,158
Vehicle rental	62,319	-	62,319
	2,086,784	741	2,087,525
Acquisition costs			
Mining rights	84,043	4,856	88,899
Recoveries	-	(25,821)	(25,821)
	84,043	(20,965)	63,078
Impairment	-	(31,611)	(31,611)
Balance at May 31, 2016	14,086,428	8,289	14,094,717

6. Exploration and Evaluation Assets (continued)

(a) ***Finland***

During fiscal 2015 the Company expensed a total of $62,644 for a 5,000 Euros fine and indemnity and associated court costs in regards to issues arising from past exploration activities conducted on the Rompas property.

As at May 31, 2016 the Company holds a total of 15 claims and exploration permits which have been granted, reserved or are under application in Finland.

(b) ***Sweden***

During fiscal 2016 the Company surrendered certain of its exploration claims in Sweden and recorded an impairment charge of $31,611 in exploration and evaluation assets.

As at May 31, 2016 the Company holds two claims in Sweden.

7. Share Capital

(a) *Authorized Share Capital*

The Company's authorized share capital consists of an unlimited number of common shares without par value. All issued common shares are fully paid.

(b) *Equity Financings*

(i) During fiscal 2016 the Company completed a non-brokered private placement of 15,720,392 units of the Company at $0.20 per unit for gross proceeds of $3,144,078 with each unit consisting of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share at a price of $0.30 for a period of two years expiring December 2, 2017. The Company incurred $40,765 for legal and filing costs associated with the private placement. Directors, officers and related entities of the Company acquired 8,060,000 units of this private placement.

The Company also issued 37,500 finders units, having the same terms as the private placement units, at an ascribed value of $7,500. The fair value of the underlying warrants to the finder's units was estimated to be $1,500, using the Black-Scholes option pricing model. The assumptions used were: a risk-free interest rate of 0.61%; expected volatility of 86.5%; an expected life of 2 years; a dividend yield of 0%; and an expected forfeiture rate of 0%.

(ii) During fiscal 2015 the Company completed a non-brokered private placement of 9,124,243 units of the Company at $0.33 per unit for gross proceeds of $3,011,000 with each unit consisting of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share at a price of $0.50 for a period of two years expiring October 10, 2016. The Company incurred $19,324 for legal and filing costs associated with the private placement. A related entity of the Company acquired 3,030,303 units of this private placement.

(Expressed in Canadian Dollars)

7. Share Capital (continued)

(c) *Warrants*

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at May 31, 2016 and 2015 and the changes for the years ended on those dates, is as follows:

	2016		2015	
	Number	**Weighted Average Exercise Price $**	**Number**	**Weighted Average Exercise Price $**
Balance, beginning of year	9,234,328	0.58	4,672,208	0.65
Issued	7,878,944	0.30	4,562,120	0.50
Balance, end of year	17,113,272	0.45	9,234,328	0.58

During fiscal 2016 the Company extended the expiry dates of the 2,855,208 warrants, from August 2, 2015 to August 2, 2016, and the 1,817,000 warrants, from September 9, 2015 to September 9, 2016. All other terms of the warrants remained the same.

The following table summarizes information about the number of common shares reserved pursuant to the Company's warrants outstanding and exercisable at May 31, 2016:

Number	**Exercise Price $**	**Expiry Date**
2,855,208	0.65	August 2, 2016
1,817,000	0.65	September 9, 2016
4,562,120	0.50	October 10, 2016
7,878,944	0.30	December 2, 2017
17,113,272		

See also Note 13.

(d) *Share Option Plan*

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

No share options were granted during fiscal 2016.

During fiscal 2015 the Company granted share options to purchase 380,000 common shares and recorded compensation expense of $53,000. The fair value of share options granted during fiscal 2015 was estimated using the Black-Scholes option pricing model using the following assumptions: risk-free interest rate of 1.22%; estimated volatility of 70% - 75%; expected life of 3 years; expected dividend yield of 0%; estimated forfeiture rate of 0%. The weighted average fair value of all share options granted during fiscal 2015 was $0.14 per option.

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

(Expressed in Canadian Dollars)

7. Share Capital (continued)

A summary of the Company's share options at May 31, 2016 and 2015 and the changes for the years ended on those dates, is as follows:

	2016		2015	
	Number of Options Outstanding	Weighted Average Exercise Price $	Number of Options Outstanding	Weighted Average Exercise Price $
Balance, beginning of year	4,300,000	0.51	4,435,000	0.62
Granted	-	-	380,000	0.40
Expired	(130,000)	0.62	(515,000)	1.36
Balance, end of year	4,170,000	0.51	4,300,000	0.51

The following table summarizes information about the share options outstanding and exercisable at May 31, 2016:

Number	Exercise Price $	Expiry Date
3,790,000	0.52	October 7, 2016
300,000	0.45	September 16, 2017
80,000	0.20	November 7, 2017
4,170,000		

8. 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 fiscal 2016 and 2015 the following amounts were incurred with respect to the Company's President, Chief Financial Officer ("CFO") and Vice-President of Exploration:

	2016 $	2015 $
Management fees	180,000	177,000
Professional fees	166,064	200,589
	346,064	377,589

Professional fees of $138,064 (2015 - $170,589) have been capitalized to exploration and evaluation assets based on the nature of the expenditure.

As at May 31, 2016 $13,989 (2015 - $61,475) 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 compensation, at $15,000 per month, is payable. If the termination had occurred on May 31, 2016, the amount payable under the agreement would be $360,000.

(Expressed in Canadian Dollars)

8. Related Party Disclosures (continued)

(b) *Transactions with Other Related Parties*

(i) During fiscal 2016 and 2015 the following amounts were incurred with respect to non-executive directors and/or officers of the Company:

	2016 $	2015 $
Salaries	81,000	77,000
Professional fees	101,000	120,000
	182,000	197,000

As at May 31, 2016, $9,000 (2015 - $25,500) of the above amounts remained unpaid and has been included in accounts payable and accrued liabilities.

(ii) During fiscal 2016 the Company incurred a total of $48,550 (2015 - $44,030) with Chase Management Ltd. ("Chase"), a private corporation owned by the CFO of the Company, for accounting and administration services provided by Chase personnel, excluding the CFO, and $4,020 (2015 - $4,020) for rent. As at May 31, 2016, $335 (2015 - $3,800) remained unpaid and has been included in accounts payable and accrued liabilities.

(c) During fiscal 2016 the Company recovered $68,222 (2015 - $75,101) for shared office personnel and costs from public companies with common directors and officers. As at May 31, 2016, $6,888 (2015 - $6,888) of the amount remained outstanding and has been included in amounts receivable.

(d) During fiscal 2016 the Company incurred $1,480 (2015 - $4,018) for shared office administration costs with a public company with common directors and officers. As at May 31, 2016, $nil (2015 - $90) of the amount remained outstanding and has been included in accounts payable and accrued liabilities.

(e) See also Note 7(b).

(Expressed in Canadian Dollars)

9. Income Taxes

Deferred income tax assets and liabilities of the Company as at May 31, 2016 and 2015, are as follows:

	2016 $	2015 $
Deferred income tax assets (liabilities)		
Losses carried forward	5,274,400	4,321,400
Other	32,200	24,700
	5,306,600	4,346,100
Valuation allowance	(5,306,600)	(4,346,100)
Net deferred income tax asset	-	-

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

	2016 $	2015 $
Income tax rate reconciliation		
Combined federal and provincial income tax rate	26.0%	26.0%
Expected income tax recovery	350,800	523,800
Foreign income tax rate differences	(35,500)	(59,000)
Non-deductible share-based compensation	-	(13,800)
Adjustment to prior year provision versus statutory tax return	259,800	-
Other	31,900	5,000
Unrecognized benefit of income tax losses	(607,000)	(456,000)
Actual income tax recovery	-	-

As at May 31, 2016 the Company has non-capital losses of approximately $8,738,100 (2015 - $7,940,200) and accumulated pools of approximately $143,300 (2015 - $126,000) for Canadian income tax purposes and are available to reduce taxable income of future years. The non-capital losses expire commencing in 2026 through 2036. The Company's subsidiary in Sweden has losses for income tax purposes of approximately $8,695,900 (2015 - $7,910,000) which may be carried forward indefinitely. The Company's subsidiary in Finland has losses for income tax purposes of approximately $5,447,200 (2015 - $2,583,600) which expire commencing in 2022 through 2026.

(Expressed in Canadian Dollars)

10. Financial Instruments and Risk Management

Categories of Financial Assets and Financial Liabilities

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

Financial Instrument	**Category**	**May 31, 2016 $**	**May 31, 2015 $**
Cash	FVTPL	4,087,254	4,371,419
Amounts receivable	Loans and receivables	7,623	27,557
Investments	Available-for-sale	95,953	65,751
Accounts payable and accrued liabilities	Other liabilities	(246,058)	(326,446)

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

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

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

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

The recorded amounts for amounts receivable and accounts payable and accrued liabilities approximate their fair value due to their short-term nature. The recorded amounts for cash and investments approximate their fair value. The Company's fair value of cash and investments under the fair value hierarchy are measured using Level 1 inputs.

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

Credit Risk

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

Liquidity Risk

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

10. Financial Instruments and Risk Management (continued)

	Contractual Maturity Analysis at May 31, 2016				
	Less than 3 Months $	**3 - 12 Months $**	**1 - 5 Years $**	**Over 5 Years $**	**Total $**
Cash	4,087,254	-	-	-	4,087,254
Amounts receivable	7,623	-	-	-	7,623
Investments	-	-	95,953	-	95,953
Accounts payable and accrued liabilities	(246,058)	-	-	-	(246,058)

	Contractual Maturity Analysis at May 31, 2015				
	Less than 3 Months $	**3 - 12 Months $**	**1 - 5 Years $**	**Over 5 Years $**	**Total $**
Cash	4,371,419	-	-	-	4,371,419
Amounts receivable	27,557	-	-	-	27,557
Investments	-	-	65,751	-	65,751
Accounts payable and accrued liabilities	(326,446)	-	-	-	(326,446)

Market Risk

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

(a) Interest Rate Risk

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

(b) Foreign Currency Risk

The Company's functional currency is the Canadian dollar and major transactions are transacted in Canadian Dollars, Euros and Swedish Kronors ("SEK"). The Company maintains Euros bank accounts in Finland, SEK bank accounts in Sweden, and a US Dollar bank account in Canada to support the cash needs of its foreign operations. Management believes the foreign exchange risk related to currency conversions is minimal and therefore does not hedge its foreign exchange risk. At May 31, 2016, 1 Canadian Dollar was equal to 0.68 Euro, 6.35 SEK and 0.76 US Dollar.

Balances are as follows:

	Euros	**Swedish Kronors**	**US Dollars**	**CDN $ Equivalent**
Cash	264,313	302,619	309,482	843,565
Amounts receivable	20,202	7,827	-	30,941
Accounts payable and accrued liabilities	(131,164)	(135,376)	-	(214,207)
	153,351	175,070	309,482	660,299

Based on the net exposures as of May 31, 2016 and assuming that all other variables remain constant, a 10% fluctuation on the Canadian Dollar against the Euro, SEK and US Dollar would result in the Company's net loss being approximately $62,000 higher (or lower).

(Expressed in Canadian Dollars)

10. Financial Instruments and Risk Management (continued)

Capital Management

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

11. Supplemental Cash Flow Information

During fiscal 2016 and 2015 non-cash activities were conducted by the Company as follows:

	2016 $	2015 $
Operating activity		
Accounts payable and accrued liabilities	665	(133,346)
Investing activity		
Exploration and evaluation assets	(665)	133,346
Financing activities		
Issuance of share capital	7,500	-
Share issue costs	(7,500)	-
	-	-

12. Segmented Information

The Company operates in one reportable segment, the exploration and development of unproven exploration and evaluation assets. 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 May 31, 2016			
	Canada $	Sweden $	Finland $	Total $
Current assets	3,717,511	50,231	468,597	4,236,339
Investments	95,953	-	-	95,953
Property, plant and equipment	2,614	5,538	16,963	25,115
Exploration and evaluation assets	-	8,289	14,086,428	14,094,717
	3,816,078	64,058	14,571,988	18,452,124

(Expressed in Canadian Dollars)

12. Segmented Information (continued)

	As at May 31, 2015				
	Canada $	**Sweden** $	**Finland** $	**Peru** $	**Total** $
Current assets	4,328,289	46,473	101,552	-	4,476,314
Investments	65,751	-	-	-	65,751
Property, plant and equipment	4,706	6,034	26,214	193,578	230,532
Exploration and evaluation assets	-	60,124	11,915,601	-	11,975,725
	4,398,746	112,631	12,043,367	193,578	16,748,322

13. Event after the Reporting Period

Subsequent to May 31, 2016 warrants to purchase 2,855,208 common shares of the Company, at an exercise price of $0.65 per share, expired without exercise.

MAWSON RESOURCES LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2016

Background

This discussion and analysis of financial position and results of operations is prepared as at August 19, 2016, and should be read in conjunction with the audited consolidated financial statements and the accompanying notes for the years ended May 31, 2016 and 2015 of Mawson Resources Limited ("Mawson" or the "Company"). The following disclosure and associated financial statements are presented in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all dollar figures included therein and in the following management's discussion and analysis ("MD&A") are quoted in Canadian dollars.

Forward Looking Statements

This MD&A contains certain statements that may constitute "forward-looking statements". Forward-looking statements include but are not limited to, statements regarding future anticipated exploration programs and the timing thereof, and business and financing plans. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions, or which by their nature refer to future events. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results may differ materially from those in forward looking statements as a result of various factors, including, but not limited to, capital and other costs varying significantly from estimates, changes in world metal markets, changes in equity markets, planned drill programs and results varying from expectations, delays in obtaining results, equipment failure, unexpected geological conditions, local community relations, dealings with non-governmental organizations, delays in operations due to permit grants, environmental and safety risks, the Company's ability to identify one or more economic deposits on its properties, to produce minerals from its properties successfully or profitably, to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies, and other risks and uncertainties disclosed under the heading "Risk Factors" in the Company's most recent Annual Information Form.

Historical results of operations and trends that may be inferred from this MD&A may not necessarily indicate future results from operations. In particular, the current state of the global securities markets may cause significant reductions in the price of the Company's securities and render it difficult or impossible for the Company to raise the funds necessary to continue operations.

All of the Company's public disclosure filings, including its most recent management information circular, Annual Information Form, material change reports, press releases and other information, may be accessed via www.sedar.com or the Company's website at www.mawsonresources.com and readers are urged to review these materials, including the technical reports filed with respect to the Company's mineral properties.

Company Overview and Highlights

The Company's common shares trade on the Toronto Stock Exchange ("TSX") under the symbol "MAW", on the Frankfurt Open Market under the trading symbol "MXR" and on the OTC Pink under the symbol "MWSNF.PK".

Mawson is an exploration and development company with precious metal interests in the Nordic countries. Mawson's exploration focus is on the Rompas-Rajapalot gold project in Finland. Mawson is managed by resource industry professionals with significant exploration and capital market expertise.

Mawson is focussed on two target areas at Rompas-Rajapalot:

1. A primary target of disseminated gold mineralization at Rajapalot, where discovery of high grade and thick core sample results include 19.5m @ 7.4 g/t gold from 1.3 metres from PRAJ0006 and 5.4m @ 37.6 g/t gold from 2.5 metres from PRAJ0009 (including 1.0m @ 189.0 g/t gold from 6.9 metres) and 12.6m @ 3.6 g/t gold from 6.7 metres in PRAJ0005. This disseminated mineralization is coincident with geophysical

anomalies that extend for more than 4 kilometres. Follow up drilling produced results including 19.6m @ 7.5 g/t gold from 18.1 metres in drill hole PRAJ0107 including 5.0m @ 24.1 g/t gold from 26.7 metres with visible gold present.

2. The Company's secondary target is the Rompas vein-style target area. The first drill program at South Rompas included the highlight of 6 metres at 617 g/t gold from 7 metres in drill hole ROM0011 which includes 1 metre at 3,540 g/t gold from 11 metres depth. The second drill program, conducted over the winter (December 2012 - January 2013) confirmed the presence and variable continuity within metabasalts of high grade, nuggety gold at both North and South Rompas and included results from North Rompas of 0.4 m at 395 g/t gold and 0.41% uranium in drill hole ROM0052 and at South Rompas the top 24% all assays from trenches and drilling now grade 100 g/t or more.

At this very early stage of exploration, Mawson now has indications of a mineral system that has deposited high-grade gold within an area approaching 10 km by 10 km. This is significant on a global scale. An updated NI 43-101 technical report (the "Technical Report") dated August 27, 2014 on the Rompas-Rajapalot property is filed under Mawson's profile on www.sedar.com.

Readers are encouraged to review the complete text of the Technical Report which was prepared and reviewed by Michael Hudson, as the Qualified Person for Mawson's projects. Mr. Hudson is a director, Chairman, President and Chief Executive Officer for Mawson, and a Fellow of the Australasian Institute of Mining and Metallurgy.

The Company raised $3,144,078 through the issuance of common shares in fiscal 2016 and $3,011,000 in fiscal 2015.

Board of Directors

Effective April 4, 2016 Mr. Gil Leathley resigned as a director of the Company. Mr. Leathley remains on the Company's Advisory Board on technical matters.

As of the date of this MD&A the directors and officers of the Company are as follows:

Michael Hudson	Chairman, President, CEO, director
Nick DeMare	CFO, director
David Henstridge	Director
Colin Maclean	Director
Mark Saxon	Director
Gilbert Clark	Director
Nick Cook	V.P. Exploration
Mariana Bermudez	Corporate Secretary

Exploration Projects

Finland

During fiscal 2016 many of the Finland claims expired under the old Finnish mining act conditions and have been re-applied, and in some cases granted, under the new Finnish Mining Act, which came into force July 1, 2012. As at May 31, 2016, the Company holds a total of 2 granted exploration permits, 11 exploration permit applications and 2 reservations.

Status of Mawson's Claims in Finland

	Number	Area (ha)
Exploration Permits*	2	2,469
Exploration Permit Applications	11	20,715
Reservations	2	2,247

* Two under administrative appeal - working under past conditions under enforcement order

Rompas-Rajapalot Gold Project

The Rompas-Rajapalot project is a new discovery in Northern Finland where high-grade gold has been found within an area approaching 10 km by 10 km.

Rajapalot Disseminated Gold Project

Rajapalot is located 8 kilometres to the east of the Rompas vein trend. The style of mineralization at Rajapalot is predominately sulphidic and of a disseminated or replacement style, which differs from the nuggety vein style observed at Rompas. Rajapalot is the primary target area for the Company.

Surface sample highlights from Rajapalot include prospecting grab samples taken from outcrop that returned 2,817 g/t gold, 2,196 g/t gold, 1,245 g/t gold, 933 g/t gold, 151 g/t gold and 135.5 g/t gold. A total of 52 grab samples from the Rajapalot prospect to date average 152.8 g/t gold and range from 0.001 g/t to 2,817 g/t gold. All samples are prospecting grab samples. These are selective by nature and are unlikely to represent average grades on the property.

Discovery grab samples from the Rajapalot project returned gold mineralization from three distinct areas, namely the Palokas, Joki and Rumajärvi prospects. The areas were targeted with regional geophysics and surface soil geochemistry. Rumajärvi lies 1.5 kilometres south of Palokas, while Joki is located 1 kilometre southeast of Palokas. Each prospect area is characterized by minor outcrop on a topographic high, within a predominantly swampy terrain and therefore very little in situ bedrock has been located. Little outcrop has been found between the prospect areas. As the same mineralized rock types occur in outcrop, the glacial boulders sampled and reported here are considered to be proximal to their source.

In October 2013, Mawson announced the first core test of Rajapalot from the Palokas prospect. Drilling intersected 9 metres at 10.2 g/t gold from surface, including 3 metres at 27.5 g/t gold in hole PRAJ0003. Palokas is part of the Rajapalot area, located 7 kilometres east of our drilling in the vein style mineralization at Rompas. Further high grade, thick and near-surface core sample results in November 2013 and January 2014 included:

- 19.5m @ 7.4 g/t gold from 1.3 metres from PRAJ0006;
- 5.4m @ 37.6 g/t gold from 2.5 metres from PRAJ0009 (including 1.0m @ 189.0 g/t gold from 6.9 metres);
- 12.6m @ 3.6 g/t gold from 6.7 metres in PRAJ0005;
- 19.0m @ 2.3 g/t gold from 8.0 metres from PRAJ0022; and
- 8.7m @ 4.6 g/t gold from 16.9 metres from PRAJ0025.

Multi-element analyses from all core sample holes from the Palokas Prospect at Rajapalot (holes PRAJ0003 to PRAJ0025) shows consistently low uranium (weighted average through quoted intersections is 36ppm uranium and 5.2g/t gold) and high cobalt grades associated with gold mineralization. Cobalt also forms a broader halos around lower (>0.1 g/t) grade gold mineralized zones. The low uranium grades drilled at Palokas also support the concept of both gold-rich and uranium-rich styles occurring within the Rompas-Rajapalot mineral field.

In September 2014, the Company was permitted to drill across the entire Palokas trend at Rajapalot in Finland with a hand portable core sampler capable of drilling depths up to 35-40 metres below surface. The program consisted of 33 holes for 1160.5 metres with an average hole depth of only 35.1 metres. Four additional holes did not drill through to basement. The results extended drilled gold mineralization over 1.2 kilometres from Palokas. Across strike width of mineralization increased up to 120 metres, suggesting possible multiple horizons across strike (previous drilled thickness was 20 metres true width at Palokas). All discoveries are blind, and covered by 2-5 metre thick glacial till deposits, and are open along strike and at depth.

Highlighted intersections reported between December 2014 and March 2015 included:

- 2.0m @ 9.1 g/t gold from 25.4 metres from PRAJ0070
- 3.0m @ 5.1 g/t gold from 8.7 metres from PRAJ0073
- 1.0m @ 14.7 g/t gold from 16.3 metres from PRAJ0072
- 3.9m @ 3.2 g/t gold from 23.0 metres in hole PRAJ0076
- 3.4m @ 2.0 g/t gold from 14.0 metres in hole PRAJ0080
- 3.0m @ 1.4 g/t gold from 35.9 metres in hole PRAJ0080
- 0.3m @ 49.6 g/t Au from 17.7 metres in hole PRAJ0097

The bulk weighted average of geochemical data show consistently low grade uranium within all intervals greater than 0.5 g/t gold with averages of 2.9 g/t gold and 26 ppm uranium for drill holes PRAJ0070-PRAJ0096. The true thickness of the mineralized interval is interpreted to be approximately 80% of the sampled thickness. Drilling was performed with a Company-owned and operated, hand portable, low impact rig, below 2-5 metres of glacial till overburden in the vicinity of gold bearing glacial boulders and subcrop.

In March 2015 the results from a pseudo-3D pole-dipole induced polarization ("IP") and resistivity survey at Palokas defined a 600 metre long conductive anomaly extending down plunge from drilled near-surface gold mineralization (ie 19.5 metres @ 7.4 g/t gold from 1.3 metres depth. The thickness of the conductive body increases with depth and is open below the 250 metre investigative depth of the survey. The IP area surveyed commenced more than 250 metres north of Palokas to 500 metres south of the Palokas prospect. Gold at Palokas is associated with pyrrhotite which forms the conductive and chargeable anomaly associated with drilled gold mineralization and has been confirmed by petrophysics. The thickness of the conductive body increases with depth and is open below the 250 metre investigative depth of the survey. The body plunges south and has little or no surface expression where recent near-surface drilling has provided near-miss and thinner mineralized gold hits.

In March 2015 the Company took delivery of a new "Winkie" low impact portable diamond core sampler. This allowed testing to 120 metres down hole. Two drill holes for 180.2 metres were completed in April 2015 before winter access conditions ended, to test the down-dip extensions of the Palokas prospect tested beneath near surface.

Highlight intersections included:

- 19.6m @ 7.5 g/t gold from 18.1 metres in drill hole PRAJ0107 including 5.0m @ 24.1 g/t gold from 26.7 metres with visible gold present; and
- 5.1m @ 3.8 g/t gold from 18.3 metres in drill hole PRAJ0108.

Drilling at Palokas recommenced in August 2015 after the snow melted and the bird nesting exclusion period was over. Drill results coincide with a series of near surface geophysical anomalies and form part of a 3 kilometre target horizon within a broader district of gold mineralization discovered within a 100 km2 area between the Rompas and Rajapalot project areas. Highlight intersections from this program included:

- 19.0 metres @ 5.3 g/t gold from 38.7 metres in drill hole PRAJ0109
- 9.2 metres @ 3.2 g/t gold from 82.0 metres in drill hole PRAJ0110
- 5.8 metres @ 6.2 g/t gold interested from 39.1 metres in drill hole PRAJ0111, including 1 metre @ 19.8 g/t gold from 42.1 metres
- 20.6 metres @ 2.7 g/t gold from 56.8 metres in drill hole PRAJ0113
- 7.0 metres @ 7.2 g/t gold from 61.1 metres in drill hole PRAJ0114

Two Energold Group ("Energold") EGD Series III rigs were mobilized to drill from December 2015 to April 2016 at Rajapalot. The primary target for this program is the Palokas prospect.

In February 2016 drill results from the first four holes from the Palokas prospect and one hole from Hirvimaa became available. All holes at Palokas intersected the mineralized sequence with only lower tenor gold mineralization discovered down dip and along strike from previous drilling, where marginal-style talc alteration predominates. Results from Palokas include 4 metres @ 1.2 g/t gold from 152.0 metres in PAL0009, drilled 65 metres down dip from PRAJ0110 (9.2 metres @ 3.2 g/t gold from 82 meters) and 3.1 metres at 1.4g/t gold from 150.6 metres in PAL0012, drilled 90 metres down dip from PRAJ0117 (2.0 metres @ 2.8 g/t gold from 66.4 meters, 3.0 metres @ 1.6g/t gold from 65.6 metres and 3.0 metres @ 1.9g/t gold from 109.9 metres). Results from the first deep drill hole drilled at Hirvimaa, PAL0008, located 680 metres north of Palokas, include 3.0m @ 1.4g/t gold from 31 metres. Mineralization remains open down plunge to the north and appears to be truncated down-dip and to the south by these new results.

In March 2016, 8.4 metres @ 4.2 g/t gold from 206.0 metres in PAL0016, including 3.4 metres @ 9.5 g/t gold from 211 metres was reported. The true width is interpreted to be approximately 90% of the sampled thickness. PAL0016 was drilled 350 metres along strike from the main Palokas mineralization and is the deepest and best result drilled outside of Palokas to date. Mineralization is hosted in a sericite-quartz-pyrrhotite rock which represents a different style and stratigraphic position to Palokas.

In April 2016, the extension of the Palokas mineralization to north was reported with PAL0019 intersecting the down plunge extension of mineralization, which included 2.9 metres @ 5.9 g/t gold from 176.7 metres, including 1.0 metre @ 16.7 g/t gold from 178.7 metres. Mineralization is hosted within a 40 metre thick chlorite-tourmaline-amphibole-pyrrhotite rock, and is the deepest discovery at Palokas to date. Also reported was PAL0018 (1.0 metre @ 17.9 g/t gold from 172.0 metres) where mineralization is hosted in altered sericitic calcsilicate-bearing albitites interpreted to be 50 metres lower in the stratigraphy than the Palokas mineralization.

Mineralized rocks were drilled over 3.5 kilometres strike during the winter 2016 program. Drill hole PAL0023 (3.0 metres @ 2.1 g/t gold from 84.4 metres) is significant as it is located 2 kilometres from Palokas, and is the most easterly hole drilled along the Palokas target horizon. The main Palokas mineralized position was found within a 100-metre thick hydrothermally altered talc-silicified-pyrrhotite-amphibole rock . The host sequence here is inverted, increasing both complexity and volume of potential host rock within the target area.

After the winter drilling multiple targets remain untested. A thin veneer of glacial soils that average 3-5 metres thick cover 99% of the entire area. In combination with the ubiquitous presence of gold mineralization in both drilling and surface sampling over a large area, many areas remain untested. These include:

- Rumajärvi, located 1,500 metres south of Palokas, where 68 boulders and subcrops >0.1 g/t gold ranged from 0.11 g/t gold to 3,870 g/t gold with an average of 101.4 g/t gold and median of 0.6 g/t gold. Two holes drilled at Rumajärvi failed to find the source of the boulder train.
- Joki, which was not tested during this drill campaign, where 13 boulders and outcrops >0.1 g/t gold ranged from 0.10 g/t gold to 2,871 g/t gold with an average of 518.5 g/t gold and median of 135.5 g/t gold.
- Boardwalk, which was not tested during this drill campaign, where 13 boulders and outcrops >0.1 g/t gold ranged from 0.18 g/t gold to 221 g/t gold with an average of 38.2g/t gold and median of 1.0 g/t gold.

Mawson, in conjunction with all environmental authorities, are ensuring that all parts of these exploration programs are undertaken with minimal environmental impact. Baseline mapping of habitats and vegetation were completed during the summer and autumn. Mapping and identifying the nature values of the area ensures that threatened and endangered species are not negatively affected by exploration activities.

Geochemical sampling and shallow drilling at Rajapalot is also coincident with a versatile time domain electromagnetic ("VTEM") geophysical conductor that extends for more than 500 metres through an area with <1% outcrop, and forms part of a 3.5 kilometre target horizon between basaltic and quartzitic rocks. In addition, gradient array IP, pole-dipole IP and ground magnetic surveys have been completed at Rajapalot. The geophysical surveys tested 5 kilometres of target horizon along strike from the drill area at Palokas. Interpretation of the surveys identified multiple near-surface and high priority targets that extend to depth immediately along strike, and extending up to 4 kilometres from the drilled high grade and thick drill results discovered from surface pole-dipole induced polarization geophysical anomalies extend beyond the 150 metre nominal depth limit of the survey.

Fine disseminated gold mineralization at Palokas occurs within calcsilicate-biotite-tourmaline-pyrrhotite rocks in a contact zone between mafic rocks and relatively oxidized quartzites. The true thicknesses of the mineralized intervals are interpreted to be approximately 80% of the sampled thickness.

During October 2014 the Company announced results from preliminary metallurgical testing on drill core from the Palokas prospect at the Rompas-Rajapalot gold project in Arctic Finland by SGS Mineral Services UK in Cornwall. Excellent gold extraction results of between 95% and 99% (average 97%) were obtained by a combination of gravity separation and conventional cyanidation. Gravity extraction for the four composites responded well with 26-48% gold extraction. Leaching was performed on the pulverised and blended tailings from the three size fractions after gravity extraction. Samples tested are not classified as refractory. Metallurgical test work indicates gold recovery and processing are potentially amenable to conventional industry standards with a viable flowsheet which could include crushing and grinding, gravity recovery, and cyanide leaching with gold recovery via a carbon-in-pulp circuit for production of onsite gold doré.

Rompas Vein Gold Project

The initial discovery area, Rompas, is a hydrothermal vein style system defined over a 6.0 kilometres strike and 200-250 metres width. Exploration on the project started in May 2010. During that year, 80 channel samples averaged 0.59 metres at 203.66 g/t gold and 0.86% uranium and during 2011 the weighted average of all 74 channel intervals was 1.40 m at 51.9 g/t gold and 0.13 % uranium. Unrepresentative grab sample results include values up to 33,200 ppm gold and 56.6% uranium oxide at Rompas.

From mid-2011 Mawson has drilled 8,164.8 metres in 90 holes at Rompas, comprising 2,462.8 metres in 29 drill holes at North Rompas; 2,436.2 metres in 29 drill holes in the northern block at South Rompas; 2,504.3 metres in 24 holes within the southern block at South Rompas; and 761.5 metres in 8 drill holes at Northern Rajapalot.

In August 2012, results from the first drill program at Rompas returned 6 metres @ 617 g/t gold in drill hole ROM0011 including 1 metre @ 3,540 g/t gold and 1 metre @ 114.5 g/t gold in drill hole ROM0015. These results confirmed the significance of the hundreds of high-grade surface occurrences that were channel sampled during 2010 and 2011.

A second drill program commenced in December 2012. At North Rompas the best results include 0.4 metres @ 395 g/t gold and 0.41% uranium from 41.0 metres in drill hole ROM0052, the most southerly drill hole of the program; and 1.1 metres @ 9.8 g/t gold and 0.16% uranium from 78.5 metres in drill hole ROM0053.

Drilling at the Kaita prospect at the most southern end of the Rompas vein system did not intersect mineralization of economic interest. A 13 diamond drill hole program for 784.2 metres campaign was conducted during September-October of 2013. The best diamond drill result was 1m @ 4.9 g/t gold from 49 metres in KD0009. Better surface diamond cut trench results from Kaita included 1.65 metres @ 29.1 g/t gold in TR107465; 1.2 m @ 27 g/t gold in TR118401, 0.4 m @ 132 g/t gold in TR118407 and 1.5 m @ 42.2 g/t gold in TR118425.

With only 450 metres of the plus 6 kilometre vein system sporadically tested to date down to less than 80 metres vertical depth, the most encouragement has come from the northern block of South Rompas vein system, with both prospect scale shallow drilling and trenching defining a coherent mineralized sequence. South Rompas is characterized by gold mineralization constrained to one specific host rock type (metabasalt) within a broader uranium halo. Within this halo the:

- top 24% of all trench and drill assays above the lower cut of 0.5 g/t gold or 100 ppm uranium, have a grade of 100 g/t or more and the top 24% of all intersections have a grade of 0.42% uranium or higher;
- top 25% of drill intersections only have a grade of 7.7 g/t or higher;
- highest grade drill hole intersection is 3,540 g/t gold over 1 metre. The highest grade uranium intersection is 3.6% uranium over 0.6 m in a trench. The highest grade drill intersection grade of 0.7% uranium over 1.0 metres;
- mineralization in the vein system, to date, is characterized by narrow intersection widths of 1-2 metres with an average of 0.9 metre thickness;
- drilling, to date, has been shallow with 46% of intersections at 20 metres down hole depth or less; and
- 11 out of 13 holes drilled in 2013 winter drill program at South Rompas had at least one intersection that exceeded lower cut 0.5 g/t gold or 100 ppm uranium.

The host sequence to the Company's second target area, the Rompas vein-style mineralisation, comprises a package of amphibolite facies metamorphosed basalts, clastic sediments, carbonate rocks and reduced shales of the Paleoproterozoic Peräpohja Schist Belt in southern Lapland. Mineralized intersections to date are largely within metabasaltic rocks. Detailed field mapping and logging of drill core indicate the gold and uraninite at Rompas is hosted by carbonate-quartz-calcsilicate veins and their related alteration selvages. The calcsilicate veins comprise carbonate, quartz, amphibole and pyroxene with highly variable amounts and distribution of uraninite and gold. Alteration of the host rock marginal to the veins comprises biotite, amphibole and some K-feldspar. The gold and uraninite are typically found intimately associated at North and South Rompas, although rare elevated uranium intersections contain little or no gold. The carbonate veins within the host clastic sequence appear identical to those within the metabasalts, indicating perhaps a structural or wall rock control on the precipitation of the gold and uraninite. Further work to identify the controls on mineralization is being conducted in association with the Geological Survey of Finland ("GTK").

After consultation with the mining and environmental authorities a decision was also made to leave handling of the Kairamaat 1 area, which includes the Rompas vein-style prospects, to a later date to allow for additional background data to be collected and further discussions with stakeholders. Therefore at this stage, the Company is focussing its efforts on the Rajapalot project area which it discovered in September 2012.

Rompas-Rajapalot Regional Exploration Project

Over a larger area, the extensive data collected from Rompas during the last four field seasons has provided an excellent understanding of the exploration potential. Mawson has collected a total of 2,808 surficial soil and till samples over an area exceeding 55 km by 30 km. Sample spacing has ranged from 1 km to 250 metres. Known gold mineralization correlates well with surficial soil anomalies and many untested surface targets remain over a larger area.

Surface prospecting, using radiometric methods as a pathfinder for gold, have defined high-grade gold mineralization over a 100 km^2 area, where less than 5% of rock outcrops. Mawson's geochemical rock chip, grab and channel sample database over this large area now contains 1,171 samples which average 212 g/t gold and 0.8% uranium. Of the 1,171 samples, 84 samples assay more than 100 g/t gold. Gold values range from 33,320 g/t gold to <0.001 g/t gold and uranium values from 49.5% to <4 ppm. Channel samples are considered representative of the in situ mineralization sampled, while grab samples are selective by nature and are unlikely to represent average grades on the property.

Importantly, about 90% of the Rompas-Rajapalot project area is below soil and till cover which, at up to five metres thick, is too thick for the discovery of near-surface radiometric occurrences and exploration is at its very earliest of stages.

Rompas-Rajapalot Global Analogues

As a result of the first deep diamond drilling program over the 2016 winter, Mawson has been able to define the Rompas-Rajapalot mineralization as a Paleoproterozoic Lode Gold±Ironstone-Copper system. This well-documented deposit style has contributed more than 200 million ounces of gold at a global scale. The best analogue to Palokas is the Homestake Mine in South Dakota. However, Salobo (Brazil), and the Tanami mines in Australia are also regarded as excellent analogues.

The similarities of Rompas-Rajapalot to the Paleoproterozoic Lode Gold±Ironstone-Copper deposit style include:

- Similar age host rocks and mineralization age.
- A similar tectonostratigraphic setting with a Paleoproterozoic sequence with large layered mafic sequence at the base, mature clastic and carbonate platform sediments, including rocks deposited during the Great Oxidation Event (GOE) transitional into deeper water, reduced facies including carbonaceous rocks.
- Post-peak metamorphic emplacement of large intrusives driving hydrothermal fluids causing metal deposition in a brittle and brittle-ductile regime.
- A strong stratigraphic-structural control including stratabound and fold hinge related mineralization.
- Large retrograde hydrothermal fluid systems carrying significant gold.
- Similar iron and magnesium-rich alteration rock types forming a close association with gold mineralization.

The Rompas-Rajapalot project continues to evolve with significant advances in the understanding of similar structural-stratigraphic and fluid-rock controls on apparently contrasting mineralization styles. The adoption of a "mineral systems" approach combined with the results of the recent winter diamond drilling allows us to interpret the entire new mineralized gold camp that Mawson has defined. This new interpretation has led to the definition of more than 65 kilometres of host stratigraphy in the project area. The Paleoproterozoic Lode Gold±Ironstone-Copper target style is a geological concept and is not necessarily indicative of the mineralization style that will eventually exist on the Property. The exploration programs defined for the rest of 2016 will systematically test some of the target areas, in order to test structural and stratigraphic traps that may host this style of gold mineralization.

Environment and Permitting

The Rompas-Rajapalot project is still in the exploration phase and significant work is required before progression to an advanced exploration project. Finland has rigorous regulatory processes with strict environmental standards and we are committed at this early project stage to work with the regional and national authorities and broader stakeholder groups to develop the project in a responsible way. Mawson has completed three years of flora and water base line studies and environmental impact assessments at Rompas-Rajapalot. The Company looks forward to continuing to work closely with both the mining and environmental authorities and other stakeholders over the coming years to ensure our work is conducted according to sustainable and global best practice methods.

In November 2014, Mawson announced the appointment of environmental specialist, Ms. Noora Raasakka, to the position of Environmental Leader, Finland. Ms. Raasakka is a Forestry Engineer with a Masters Degree in Landscape Management. She has developed strong experience within the Finnish environmental administration, applying environmental legislation towards nature protection. Her most recent role has been with The Centre for Economic Development, Transport and the Environment for Lapland (ELY-Centre) in the Nature Protection Unit as a project manager for a program based on developing biodiversity and ecological connections between Natura 2000 sites.

As Environmental Leader, Ms. Raasakka sets Environmental Policy with senior management, and is responsible for environmental monitoring and management plans. She is responsible for identifying and managing key environmental risks associated with Mawson's projects and for ensuring environmental factors are effectively addressed and managed. Working closely with local communities and government, Ms. Raasakka manages consultants and ensures that environmental criteria are integrated into the design of exploration projects. The role is a key member of the exploration team and she is responsible for ensuring all environmental requirements are delivered on time and within scope.

Mawson carries out its exploration activities in large areas, including areas with a conservation status. Natural regeneration capacity in the northern regions is slower than in the southern regions due to the cold climate and short growing season. All the activities must therefore be carefully and thoughtfully planned to maintain and achieve sustainability.

The Company is committed to carry out all the research measures implemented with special care, according to the national legislation, guidelines and recommendations provided by the environmental administration authorities. In addition, international legislation and in particular the Habitats and Birds Directives guide the Company's operations. As a part of Company's development it also invests in new exploration methods and techniques with less significant impacts. The Company's aim is to carry out all their activities with ecologically, socially and economically sustainable manners. The Company also requires its subcontractors to the corresponding accountability in all their activities.

The main areas of Company's operations, Rompas and Rajapalot, are located on the border of Rovaniemi and Ylitornio municipalities in northern Finland. The Company has completed a variety of nature studies, and also implemented a Natura 2000 impact assessment related to the future and ongoing exploration activities. Currently there exists little scientific research on the impacts of different kinds of exploration methods on nature and the environment in these areas and therefore the Company's exploration activities and their impacts on the natural environment, species and water is monitored continuously. Monitoring activities will provide long-term research information on how sampling and exploration work should be carried out in a sustainable way without causing damage to environmental values.

For the recent core sampling program at Rajapalot, Mawson has completed biological mapping of all areas where drilling will take place, and worked together with all authorities to minimize its impacts, including the capture of all drill cuttings, reduction in total machine weight and the placement of walkways to reduce foot traffic.

Certain areas of the Rompas-Rajapalot areas (namely claim areas Kairamaat 1-3) are defined as European Union Natura 2000 designated areas. Natura 2000 sites cover about 14.6% of Finland and approximately 30% of Northern Finland. Natura 2000 is the centrepiece of EU nature and biodiversity policy. It is an EU-wide ecological network of nearly 26,000 sites in the 27 EU countries, established under the 1992 Habitats Directive and covering almost 18% of the EU's land area. The aim of the network is to assure the long-term survival of Europe's most valuable and threatened species and habitats. Natura 2000 is not a system of strict nature reserves where all human activities are excluded. Whereas the network will certainly include nature reserves, most of the land is likely to continue to be privately-owned and the emphasis will be on ensuring that future management is sustainable, both ecologically and economically.

A decision was made in early July 2014 by the Finnish Safety and Chemical Agency ("TUKES") to grant modified and renewed exploration claims titled Kairamaat 2 and 3 that cover a surface area of 1,462 hectares at Mawson's Rajapalot gold project in northern Finland, that entitles Mawson to deep drill during winter conditions within Natura 2000 biodiversity areas. On May 21, 2015, the Northern Finland Administrative Court (the "Court") comprehensively rejected an initial appeal by the NGO group against the TUKES exploration permit decision. On June 18, 2015, the NGO appealed the Regional Administrative Court's decision to the Supreme Administrative Court. The appeal does not stop Mawson advancing its exploration program. The Company continues to work under an enforcement order of its existing permit conditions, which includes the right to drill with man-portable rigs to test the Palokas gold discovery. A decision from the Supreme Administrative Court is expected to be rendered shortly.

On August 24, 2015 the Company announced that it requested a police investigation into certain accusations made by the Finnish Nature Conservation Association Lapland District ("NGO") in its appeal to Supreme Administrative Court on an earlier ruling made by the Regional Administrative Court in May 2015. The NGO made false claims that the Company had performed deep drilling inside Natura 2000 areas before permitting had been completed. After almost six months after filing the re-appeal and commencement of the police investigation, the NGO retracted their false accusations. Subsequently, the Company was informed by the Rovaniemi Police that the investigation was closed on April 7, 2016. The Company is pleased that the retraction was eventually provided. Unfortunately, Mawson has lost one year of research in the appeal process, and significant employment opportunities because of false allegations. While too late for this current legal process, Mawson also welcomes the Finnish Government's New Governmental Coalition Program, which limits access to the Supreme Administrative Court in environmental and construction matters.

The Company has also been informed of the ELY-Centre ("ELY") decision in a rehabilitation administrative process, for the shallow trenches hand dug by Mawson staff during 2010/2011. The Company has already filled in the trenches as agreed with ELY during July 2015, a two-day process that the Company initiated in 2011, but was stopped from completing at the time, due to an ongoing investigation that eventually took four years. ELY's recent decision found the Company did not cause any significant boreal forest habitat damage. Initial accusations made against the Company were up to 117 hectares of boreal forest habitat damage. This expert decision is also in contrast to the separate criminal court case in 2014, where the Company was found to have diminished the representativeness and diversity of the boreal forest habitat. In addition, it was determined Mawson did not destroy any lady's slipper plants (Cypripedium calceolus (tikankontti) - a type of orchid). Initial accusations of up to 2,241 lady's slipper plants were made widely and publically against the Company. The decision found that a small number of fairy slipper plants (Calypso bulbosa (neidonkenkä) - another type of orchid) may have been damaged by the hand digging, but most digging avoided the fairy slipper plant areas. This compared to initial accusations of damage to up to 160 fairy slipper plants that were made widely and publically.

Mawson is pleased that the ELY decision reflected the closest estimations to fact, and refuted nearly all prior accusations made against the Company, since the hand digging took place in 2010/2011. The Company however has chosen to appeal the ELY decision to the Administrative Court, as ELY concluded that the damage caused to the fairy slipper plants could be considered significant, despite there being no supportive reasoning for this finding and ELY's factual and expert findings suggesting otherwise. Given the past accusations and contrasting findings made against the Company, Mawson has taken this final step to file an appeal to ensure that the final administrative decision best reflects the facts of the case. The appeal to the administrative court will take up to one year to be heard.

Sweden

As at May 31, 2016, the Company holds a total of two claims in Sweden covering 2,416 hectares, prospective for gold.

Future Developments

The exploration program for the remainder of 2016 will consist of:

- Three hundred BOT drill holes at Raja. Drilling will commence at the start of August 2016. The area is located outside Natura 2000 areas, to the east of Palokas. Drillling will take place on a 150 metre grid, with infill drilling at closer spacing based on onsite hand-held XRF analysis and geological logging. This drilling will take place on both Mawson's recently granted exploration permit at Hirvimaa, as well as within an area covered by a landholder permit, received last week. Multiple surface targets remain untested, which include:
    - Raja, located 500 metres east of Joki, where 23 boulders and subcrops extend over 1,500 metres and using a >0.1 g/t gold lower cut, range from 0.1 g/t gold to 236 g/t gold with an average of 22.6 g/t gold and median of 1.0 g/t gold. This area is interpreted as the extension of the Palokas mineralized zone.
- Light-weight, hand-portable "Winkie" diamond drilling down to 100 metres depth, will recommence from late August 2016 at Rajapalot, to test near surface drill targets.
- Field mapping continues within the new target areas.

- Seven hundred BOT drill holes to be drilled at Rajapalot, to aid in targeting gold at the Palokas prospect. This program is subject to final permitting and inside Natura 2000 areas and will commence when frozen ground conditions allow for access from December 2016. The Palokas mineralized position will be systematically tested over 3.5 kilometres strike.
- Larger scale drilling, subject to final permitting and when the ground freezes, from December 2016 to follow up on near surface and the larger scale and systematic BOT drilling programs.
- Continued baseline mapping of species, habitats and vegetation. Up to five biologists have been collecting baseline data for plants, birds and fauna for ongoing environmental studies over the last eight weeks. After two years of detailed biological studies, the Company is now well positioned to complete Natura Assessment for the entire 16,380 hectares of granted exploration permits and application areas.

Qualified Person

The qualified person for Mawson's projects, Mr. Michael Hudson, the Company's President and CEO, a Fellow of the Australasian Institute of Mining and Metallurgy, has reviewed and verified the contents of this document.

Selected Financial Data

The following selected financial information is derived from the audited annual consolidated financial statements of the Company.

	Years Ended May 31,		
	2016 $	2015 $	2014 $
Operations:			
Revenues	Nil	Nil	Nil
Expenses	(1,456,719)	(2,025,177)	(3,058,449)
Other items	107,394	10,655	(93,069)
Deferred income taxes	Nil	Nil	Nil
Net loss	(1,349,325)	(2,014,522)	(3,151,518)
Other comprehensive gain (loss)	30,202	(59,043)	(6,559)
Comprehensive loss	(1,319,123)	(2,073,565)	(3,158,077)
Basic and diluted loss per share	(0.02)	(0.03)	(0.05)
Dividends per share	Nil	Nil	Nil
Balance Sheet:			
Working capital	3,990,281	4,149,868	5,049,246
Total assets	18,452,124	16,748,322	15,910,150
Total long-term liabilities	Nil	Nil	Nil

The following selected financial information is derived from the unaudited condensed consolidated interim financial statements of the Company.

	Fiscal 2016				Fiscal 2015			
	May 31 2016 $	Feb 29 2016 $	Nov 30 2015 $	Aug 31 2015 $	May 31 2015 $	Feb 28 2015 $	Nov 30 2014 $	Aug 31 2014 $
Operations:								
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Expenses	(271,899)	(466,729)	(417,660)	(300,431)	(443,237)	(391,712)	(721,341)	(468,887)
Other items	(43,398)	12,149	5,771	132,872	78,697	(23,022)	(52,613)	7,593
Deferred income tax	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net loss	(315,297)	(454,580)	(411,889)	(167,559)	(364,540)	(414,734)	(773,954)	(461,294)
Other comprehensive income (loss), net	11,638	15,327	(9,375)	12,612	(21,968)	69	(19,988)	(17,156)
Comprehensive loss	(303,659)	(439,253)	(421,264)	(154,947)	(386,508)	(414,665)	(793,942)	(478,450)
Basic and diluted loss per share	(0.00)	(0.01)	(0.01)	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)
Dividends per share	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

	Fiscal 2016				Fiscal 2015			
	May 31 2016 $	Feb 29 2016 $	Nov 30 2015 $	Aug 31 2015 $	May 31 2015 $	Feb 28 2015 $	Nov 30 2014 $	Aug 31 2014 $
Balance Sheet:								
Working capital	3,990,281	4,812,969	4,420,107	3,995,480	4,149,868	4,747,863	5,649,942	4,103,178
Total assets	18,452,124	19,103,495	17,587,205	16,571,469	16,748,322	17,239,539	17,881,022	15,568,317
Total long-term liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Results of Operations

Three Months Ended May 31, 2016 Compared to Three Months Ended May 31, 2015

During the three months ended May 31, 2016 (“Q4/2016”) the Company reported a net loss of $315,297 compared to a net loss of $364,540 for the three months ended May 31, 2015 (“Q4/2015”), a decrease in loss of $49,243. The primary factor for the decrease in loss is attributed to an overall decrease in general and administrative expenses of $171,338 from $443,237 in Q4/2015 to $271,899 in Q4/2016. This decrease was partially offset by the recognition of an impairment of exploration and evaluation assets of $31,611 in Q4/2016 compared to nil in Q4/2015 and a fluctuation in foreign exchange of $86,370 from a foreign exchange loss of $20,998 in Q4/2016 compared to a foreign exchange gain of $65,372 in Q4/2015.

Year Ended May 31, 2016 Compared to Year Ended May 31, 2015

During fiscal 2016 the Company reported a net loss of $1,349,325 ($0.02 per share), a decrease of $665,197 from the net loss of $2,014,522 ($0.03 per share) for fiscal 2015. The primary factors for the decrease are attributed to:

(i) the recognition of a gain in the 2016 period of $99,235 on the sale of the condominium; and
(ii) the overall decrease in general and administrative expenses of $568,458, from $2,025,177 in fiscal 2015 to $1,456,719 in fiscal 2016.

Total expenses decreased by $568,458, from $2,025,177 during fiscal 2015 to $1,456,719 during fiscal 2016. Specific expenses of variance are noted below:

(i) during fiscal 2015 the Company recognized $53,000 in share-based compensation compared to $nil in the fiscal 2016;
(ii) legal fees decreased by $132,962, from $208,518 in fiscal 2015 to $75,556 in fiscal 2016. During fiscal 2015 legal fees were higher due to significant costs incurred for legal representation, court hearings and ongoing appeals with respect to allegations over the Company’s exploration work completed during the 2010/2011 field program;
(iii) during fiscal 2015 the Company paid a total of $62,644 for court judgment and associated costs with respect to the allegations over the Company’s exploration work. See also “Exploration Projects, Finland - Environment and Permitting”;
(iv) corporate development expenses were $24,025 higher during fiscal 2016 compared to fiscal 2015, from $31,110 in fiscal 2015 to $55,135 in fiscal 2016. The increase in 2016 reflected additional international investment conferences attended by the Company;
(v) during fiscal 2015 the Company paid $28,625 to Albis Capital Corp. to provide market awareness and investor relations activities. Effective May 31, 2015 the arrangement with Albis Capital Corp. was mutually terminated and no further investor relations campaigns were conducted;
(vi) professional fees decreased by $233,335, from $557,487 during fiscal 2015 to $324,152 during fiscal 2016, reflecting the restructuring in the compensation of the Company’s general manager in Finland, resulting in a reduction in remuneration of $49,393, and the payment of $160,300 in fiscal 2015 to public relations firms in Finland to represent the Company on Natura 2000 issues on the Rompas-Rajapalot areas;
(vii) incurred travel expenses totalling $237,277 (2015-$316,665). Travel expenses were lower during fiscal 2016 compared to fiscal 2015 due to reduced travel; and
(viii) office expenses decreased by $36,768 from $122,689 in fiscal 2015 to $85,921 in fiscal 2016. During fiscal 2015 the Company engaged additional computer support in Finland.

As the Company is in the exploration stage of investigating and evaluating its unproven mineral interests, it has no source of operating revenue. Interest income is generated from cash on deposit and short-term money market instruments issued by major financial institutions. During fiscal 2016 the Company reported interest income of

$39,868 compared to $65,111 during fiscal 2015, a decrease of $25,243. The decrease is due to lower levels of cash held throughout fiscal 2016 and lower yields obtained.

The Company had previously recorded income from the rental of its condominium in Peru. On August 31, 2014 the Company terminated the rental arrangement on its condominium in Peru. During fiscal 2015 the Company received $7,734 rental income. In June 2015 the Company sold its condominium for net proceeds of $292,813 and recorded a gain of $99,235.

Financings

During fiscal 2016 the Company completed a non-brokered private placement of 15,720,392 units of the Company at $0.20 per unit for gross proceeds of $3,144,078. During fiscal 2015 the Company completed a non-brokered private placement of 9,124,243 units of the Company at $0.33 per unit for gross proceeds of $3,011,000. The net proceeds from these financing have been used to advance exploration work on the Rompas-Rajapalot Project and for general working capital purposes.

Investments

The Company's holdings in the common shares of publicly held companies have been designated as available-for-sale for accounting purposes and are measured at fair value, using quoted values. During fiscal 2016 the Company recorded a comprehensive gain of $30,202 (2015 - loss of $59,043) for the change in the fair values of the investments. As at May 31, 2016 the quoted market value of the investments was $95,953 compared to $65,751 at May 31, 2015.

Exploration and Evaluation Assets

	As at May 31, 2016			As at May 31 2015		
	Acquisition Costs $	Deferred Exploration Costs $	Total $	Acquisition Costs $	Deferred Exploration Costs $	Total $
Finland - Gold Projects	2,171,008	11,915,420	14,086,428	2,086,965	9,828,636	11,915,601
Sweden - Other Projects	7,548	741	8,289	58,780	1,344	60,124
	2,178,556	11,916,161	14,094,717	2,145,745	9,829,980	11,975,725

During fiscal 2016 the Company incurred a total of $2,176,424 (2015 - $1,960,798) on the acquisition, exploration and evaluation of its unproven resource assets, of which $2,170,827 (2015 - $1,935,038) was incurred on its Finnish projects and $5,597 (2015 - $25,760) on its Swedish properties. In addition during fiscal 2016, the Company recovered $25,821 on mining permits relinquished on its Swedish projects and recorded an impairment charge of $31,611 on surrendered exploration claims in Sweden. Details of the exploration activities conducted during fiscal 2016 are described in "Exploration Projects" in this MD&A.

Financial Condition / Capital Resources

As at May 31, 2016, the Company had working capital of $3,990,281. The Company believes that it has sufficient financial resources to conduct anticipated exploration programs and meet anticipated corporate administration costs for the upcoming twelve month period. However, exploration activities may change due to ongoing results and recommendations, or the Company may acquire additional properties, which may entail significant funding or exploration commitments. The Company may be required to obtain additional financing. The Company has relied solely on equity financing to raise the requisite financial resources. While it has been successful in the past, there can be no assurance that the Company will be successful in raising future financing should the need arise.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Proposed Transactions

There are no proposed transactions.

Critical Accounting 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. A detailed summary of all the Company's significant accounting policies is included in Note 3 to the May 31, 2016 annual consolidated financial statements.

Changes in Accounting Policies

There are no changes in accounting policies.

Related Parties 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 fiscal 2016 and 2015 the following amounts were incurred with respect to the Company's President and CEO (Mr. Hudson), CFO (Mr. DeMare) and VP of Exploration (Mr. Cook):

	2016 **$**	**2015** **$**
Management fees - Mr. Hudson	180,000	177,000
Professional fees - Mr. DeMare	28,000	30,000
Professional fees - Mr. Cook	138,064	170,589
	346,064	377,589

Professional fees of $138,064 (2015 - $170,589) have been capitalized to exploration and evaluation assets based on the nature of the expenditure.

As at May 31, 2016, $13,989 (2015 - $61,475) of the above amounts remained unpaid.

The Company has a management agreement with Mr. Hudson, which provides that in the event that Mr. Hudson's services as the Company's President are terminated without cause or upon a change of control of the Company, a termination payment of two years of compensation, at $15,000 per month, is payable. If the termination had occurred on May 31, 2016 the amount payable under the agreement would be $360,000.

(b) *Transactions with Other Related Parties*

(i) During fiscal 2016 and 2015 the following amounts were incurred with respect to the Company's non-executive current and former directors (Messrs. Henstridge, Leathley, Saxon and Maclean) and Corporate Secretary (Ms. Bermudez):

	2016 **$**	**2015** **$**
Salaries - Ms. Bermudez	81,000	77,000
Professional fees - Mr. Henstridge	26,000	30,000
Professional fees - Mr. Leathley (former director)*	23,000	30,000
Professional fees - Mr. Saxon	26,000	30,000
Professional fees - Mr. Maclean	26,000	30,000
	182,000	197,000

* Effective April 4, 2016 Mr. Leathley resigned as a director of the Company

As at May 31, 2016, $9,000 (2015 - $25,500) of the above amounts remained unpaid.

(ii) During fiscal 2016 the Company incurred a total of $48,550 (2015 - $44,030) with Chase Management Ltd. ("Chase"), a private corporation owned by Mr. DeMare, for accounting and administration services provided by Chase personnel, excluding Mr. DeMare, and $4,020 (2015 - $4,020) for rent. As at May 31, 2016, $335 (2015 - $3,800) remained unpaid.

(c) During fiscal 2016 the Company recovered $68,222 (2015 - $75,101) for shared office personnel and costs from Tasman Metals Ltd. ("Tasman"), Tinka Resources Limited and Flinders Resources Limited, public companies with common directors and officers. As at May 31, 2016, $6,888 (2015 - $6,888) of the amount remained outstanding.

(d) During fiscal 2016 the Company incurred $1,480 (2015 - $4,018) for shared office administration costs with Tasman, a public company with common directors and officers. As at May 31, 2015, $nil (2015 - $90) of the amount remained outstanding.

(e) During fiscal 2016 officers and directors of the Company participated in the private placement as follows: Mr. Hudson - 350,000 units; Mr. Cook - 100,000 units; Mr. Leathley - 25,000 units; Mr. Saxon - 80,000 units; and Mr. Clark - 5,000 units.

(f) Sentient Global Resources Fund IV, L.P. participated in private placements conducted by the Company, as to 7,500,000 units in fiscal 2016 and 3,030,303 units in fiscal 2015.

Risks and Uncertainties

The Company competes with other mining companies, some of which have greater financial resources and technical facilities, for the acquisition of mineral concessions, claims and other interests, as well as for the recruitment and retention of qualified employees.

The Company believes that it is in compliance in all material regulations applicable to its exploration activities. The Company is dealing with certain Finnish environmental authorities in regards to certain issues on the Rompas property. See also "Exploration Projects - Finland - Environment and Permitting". Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted. Before production can commence on any properties, the Company must obtain regulatory and environmental approvals. There is no assurance that such approvals can be obtained on a timely basis or at all. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations.

The Company's material mineral properties are located in Scandinavia and consequently the Company is subject to certain risks, including currency fluctuations which may result in the impairment or loss of mining title or other mineral rights, and mineral exploration and mining activities may be affected in varying degrees by governmental regulations relating to the mining industry.

Additional risks and uncertainties relating to the Company and its business can be found in the "Risk Factors" section of the Company's most recent Annual Information Form available at www.sedar.com or the Company's website at www.mawsonresources.com.

Outstanding Share Data

The Company's authorized share capital is unlimited common shares without par value. As at August 19, 2016 there were 90,307,863 issued and outstanding common shares. In addition, there were 4,170,000 share options outstanding, at exercise prices ranging from $0.20 to $0.52 per share and 14,258,064 warrants outstanding at exercise prices ranging from $0.30 to $0.65 per share.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to permit timely decisions regarding public disclosure.

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures, as defined in National Instrument 52-109 - *Certification of Disclosure in Issuer's Annual and Interim Filings* ("52-109"), are effective to ensure that the information required to be disclosed in reports that are filed or submitted under Canadian Securities legislation are recorded, processed, summarized and reported within the time period specified in those rules. Management relies upon certain informal procedures and communication, and upon "hands-on" knowledge of senior management. Due to the small staff, however, the Company will continue to rely on an active Board and management with open lines of communication to maintain the effectiveness of the Company's disclosure controls and procedures.

Internal Control over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of the Company's financial reporting for external purposes in accordance with IFRS. Internal control over financial reporting includes maintaining records that in reasonable detail accurately and fairly reflect the Company's transactions and dispositions of the assets of the Company; providing reasonable assurance that transactions are recorded as necessary for preparation of the Company's consolidated financial statements in accordance with IFRS; providing reasonable assurance that receipts and expenditures are made in accordance with authorizations of management and the directors of the Company; and providing reasonable assurance that unauthorized acquisition, use or disposition of Company's assets that could have a material effect on the Company's consolidated financial statements would be prevented or detected on a timely basis. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of the Company's consolidated financial statements would be prevented or detected.

Management conducted an evaluation of the effectiveness of the Company's internal control over financial reporting based on the framework and criteria established in *Internal Control – Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013). This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as of May 31, 2016.

Changes in Internal Control over Financial Reporting

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Chief Executive Officer and Chief Financial Officer have concluded that there has been no change in the Company's internal control over financial reporting during the fiscal year beginning on June 1, 2015 and ending on May 31, 2016 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.