
MAWSON RESOURCES LIMITED

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED
FEBRUARY 28, 2019

(Unaudited - Expressed in Canadian Dollars)

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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

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

The Company's auditors have not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

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

	Note	February 28, 2019 \$	May 31, 2018 \$
ASSETS			
Current assets			
Cash		6,260,791	11,398,105
Amounts receivable		286	139
GST/VAT receivable		279,927	385,395
Prepaid expenses and deposits		<u>141,696</u>	<u>151,922</u>
Total current assets		<u>6,682,700</u>	<u>11,935,561</u>
Non-current assets			
Investments	4	42,037	29,727
Property, plant and equipment	5	71,277	43,183
Exploration and evaluation assets	6	27,395,601	23,331,209
Other		<u>42,666</u>	<u>-</u>
Total non-current assets		<u>27,551,581</u>	<u>23,404,119</u>
TOTAL ASSETS		<u>34,234,281</u>	<u>35,339,680</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		<u>1,800,335</u>	<u>927,337</u>
TOTAL LIABILITIES		<u>1,800,335</u>	<u>927,337</u>
SHAREHOLDERS' EQUITY			
Share capital	7	62,499,444	62,283,444
Share-based payments reserve		7,969,961	7,125,361
Deficit		(38,035,459)	(34,964,586)
Accumulated other comprehensive loss		<u>-</u>	<u>(31,876)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>32,433,946</u>	<u>34,412,343</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>34,234,281</u>	<u>35,339,680</u>

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on April 11, 2019 and are signed on its behalf by:

/s/ Michael Hudson

Michael Hudson
Director

/s/ Nick DeMare

Nick DeMare
Director

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

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

	Note	Three Months Ended		Nine Months Ended	
		February 28, 2019 \$	February 28, 2018 \$	February 28, 2019 \$	February 28, 2018 \$
Expenses					
Accounting and administration	8(b)	19,671	20,985	72,239	71,240
Audit		7,255	-	42,955	31,885
Corporate advisory fees		-	490,000	-	490,000
Corporate development		66,048	36,878	152,894	92,189
Depreciation	5	5,955	4,174	16,362	12,523
Directors and officers compensation	8(a)	66,724	89,500	254,901	233,132
General exploration	8(a)	5,825	10,724	27,095	53,835
Legal		484,286	34,768	699,409	76,686
Office and sundry		51,851	44,461	102,732	76,695
Professional fees		101,874	67,510	291,540	169,072
Regulatory fees		4,105	16,840	33,382	32,438
Rent		40,902	32,849	111,390	67,068
Salaries and benefits		11,484	18,777	46,887	76,679
Share-based compensation	7(d)	1,036,800	-	1,060,600	84,000
Shareholder costs		7,566	8,345	26,041	16,540
Transfer agent		6,051	8,821	8,448	16,500
Travel		81,453	55,221	227,152	188,467
		<u>1,997,850</u>	<u>939,853</u>	<u>3,174,027</u>	<u>1,788,949</u>
Loss before other items		<u>(1,997,850)</u>	<u>(939,853)</u>	<u>(3,174,027)</u>	<u>(1,788,949)</u>
Other items					
Interest and other income		37,222	34,039	130,264	57,744
Foreign exchange		(11,480)	969	(7,544)	(3,833)
Unrealized gain on investment		9,269	-	12,310	-
		<u>35,011</u>	<u>35,008</u>	<u>135,030</u>	<u>53,911</u>
Net loss for the period		<u>(1,962,839)</u>	<u>(904,845)</u>	<u>(3,038,997)</u>	<u>(1,735,038)</u>
Other comprehensive gain		<u>-</u>	<u>7,845</u>	<u>-</u>	<u>343</u>
Comprehensive loss for the period		<u>(1,962,839)</u>	<u>(897,000)</u>	<u>(3,038,997)</u>	<u>(1,734,695)</u>
Basic and diluted loss per common share		<u>\$(0.01)</u>	<u>\$(0.01)</u>	<u>\$(0.02)</u>	<u>\$(0.02)</u>
Weighted average number of common shares outstanding		<u>141,733,815</u>	<u>124,198,738</u>	<u>141,639,000</u>	<u>111,666,771</u>

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

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

Nine Months Ended February 28, 2019						
	Share Capital		Share-Based Payments Reserve \$	Deficit \$	Accumulated Other Comprehensive (Loss) Gain \$	Total Equity \$
	Number of Shares	Amount \$				
Balance at May 31, 2018	141,591,593	62,283,444	7,125,361	(34,964,586)	(31,876)	34,412,343
Impact of adoption of IFRS 9 on June 1, 2018	-	-	-	(31,876)	31,876	-
Common shares issued for:						
- vesting of restricted share units	800,000	216,000	-	-	-	216,000
Share-based compensation	-	-	844,600	-	-	844,600
Net loss for the period	-	-	-	(3,038,997)	-	(3,038,997)
Balance at February 28, 2019	142,391,593	62,499,444	7,969,961	(38,035,459)	-	32,433,946

Nine Months Ended February 28, 2018						
	Share Capital		Share-Based Payments Reserve \$	Deficit \$	Accumulated Other Comprehensive (Loss) Gain \$	Total Equity \$
	Number of Shares	Amount \$				
Balance at May 31, 2017	105,307,863	48,301,018	6,958,017	(32,523,286)	(26,427)	22,709,322
Common shares issued for:						
- private placements	34,023,285	13,808,150	-	-	-	13,808,150
- share options exercised	80,000	16,000	-	-	-	16,000
- finder's warrants exercised	18,750	5,625	-	-	-	5,625
- warrants exercised	2,161,695	648,509	-	-	-	648,509
Share issue costs	-	(532,479)	-	-	-	(532,479)
Transfer on exercise:						
- share options	-	8,000	(8,000)	-	-	-
- finder's warrants	-	1,500	(1,500)	-	-	-
Share-based compensation on:						
- share options	-	-	84,000	-	-	84,000
- compensation options and finder's warrants	-	-	92,844	-	-	92,844
Unrealized gain on investments	-	-	-	-	343	343
Net loss for the period	-	-	-	(1,735,038)	-	(1,735,038)
Balance at February 28, 2018	141,591,593	62,256,323	7,125,361	(34,258,324)	(26,084)	35,097,276

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

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

	Nine Months Ended	
	February 28, 2019 \$	February 28, 2018 \$
Operating activities		
Net loss for the period	(3,038,997)	(1,735,038)
Adjustments for:		
Depreciation	16,362	12,523
Share-based compensation	844,600	84,000
Restricted share units conversion	216,000	-
Unrealized gain on investments	(12,310)	-
Changes in non-cash working capital items:		
Amounts receivable	(147)	20,520
GST/VAT receivables	105,468	222,383
Prepaid expenses and deposits	10,226	(120,305)
Accounts payable and accrued liabilities	<u>1,154,895</u>	<u>1,065,556</u>
Net cash used in operating activities	<u>(703,903)</u>	<u>(450,361)</u>
Investing activities		
Expenditures on exploration and evaluation assets	(4,346,289)	(3,352,660)
Additions to property, plant and equipment	(44,456)	(32,935)
Other assets	<u>(42,666)</u>	<u>-</u>
Net cash used in investing activities	<u>(4,433,411)</u>	<u>(3,385,595)</u>
Financing activities		
Issuance of share capital	-	14,478,284
Share issue costs	<u>-</u>	<u>(439,635)</u>
Net cash provided by financing activities	<u>-</u>	<u>14,038,649</u>
Net change in cash	(5,137,314)	10,202,693
Cash at beginning of period	<u>11,398,105</u>	<u>4,921,999</u>
Cash at end of period	<u>6,260,791</u>	<u>15,124,692</u>

Supplemental cash flow information - Note 10

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

MAWSON RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED FEBRUARY 28, 2019
(Unaudited - 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 February 28, 2019 the Company has not earned any production revenue, nor found proved reserves on any of its unproven mineral interests. On the basis of information to date the Company has not yet determined whether these properties contain economically recoverable ore reserves. The underlying value of the exploration and evaluation assets is entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete development and upon future profitable production. Exploration and evaluation assets represent costs incurred to date, less amounts depreciated and/or written off, and do not necessarily represent present or future values.

As at February 28, 2019 the Company had working capital in the amount of \$4,882,365. These condensed consolidated interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business operations for the foreseeable future. The Company’s operations are funded from equity financings which are dependent upon many external factors and may be difficult to impossible to secure or raise when required. Although management considers that the Company has adequate resources to maintain its core operations and planned exploration programs on its existing exploration and evaluation assets for the next twelve months, the Company recognizes that exploration expenditures may change with ongoing results and, as a result, it may be required to obtain additional financing. While the Company has been successful in securing financings in the past there can be no assurance that it will be able to do so in the future.

2. Basis of Preparation

Statement of Compliance

These condensed consolidated interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”), and in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”). These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended May 31, 2018, which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies followed in these condensed consolidated interim financial statements are consistent with those applied in the Company’s consolidated financial statements for the year ended May 31, 2018 other than the adoption of IFRS 9 - *Financial Instruments* (“IFRS 9”).

Changes in Accounting Policies - IFRS 9

The Company adopted all of the requirements of IFRS 9 as of June 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward looking “expected loss” impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company’s accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9 management has changed its accounting policy for financial assets retrospectively for assets that continued to be recognized at the date of initial application.

	Original Under IAS 39		New Under IFRS 9	
	Classification	Carrying Amount \$	Classification	Carrying Amount \$
Cash	FVTPL	11,398,105	FVTPL	11,398,105
Accounts receivable	Loans and receivables	139	Amortized cost	139
Investments	Available for sale	29,727	FVTPL	29,727
Accounts payable	Loans and receivables	927,337	Amortized cost	927,337

MAWSON RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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2. Basis of Preparation (continued)

As the standard permits on transition to IFRS 9, the Corporation has not restated prior periods with respect to the new amortized cost measurement for financial assets and impairment requirements.

On transition, the Company's investments previously classified as available-for-sale have been re-designated fair-value through profit and loss financial instruments. The Company has recorded an adjustment, to opening deficit and accumulated other comprehensive loss, on transition for cumulative loss on these instruments of \$31,876.

The adoption of IFRS 9 resulted in no further impact to the opening accumulated deficit or to the opening deficit on June 1, 2018.

Basis of Measurement

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

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

These condensed consolidated interim financial statements are presented in Canadian dollars unless otherwise stated.

3. Subsidiaries

The subsidiaries of the Company are:

<u>Company</u>	<u>Location of Incorporation</u>	<u>Ownership Interest</u>
Mawson AB	Sweden	100%
Mawson Oy	Finland	100%
Mawson Canada Pty Ltd.	Australia	100%
M2 Resources Corp. (holding company)	Canada	100%
Mawson Resources USA Inc.	United States	100%

4. Investments

	<u>As at February 28, 2019</u>			
	<u>Number</u>	<u>Cost</u> <u>\$</u>	<u>Unrealized</u> <u>(Loss) Gain</u> <u>\$</u>	<u>Carrying</u> <u>Value</u> <u>\$</u>
Common shares				
Kingsmen Resources Limited ("Kingsmen")	37,500	45,000	(25,500)	19,500
Thomson Resources Ltd. ("Thomson")	600,000	<u>16,603</u>	<u>5,934</u>	<u>22,537</u>
		<u>61,603</u>	<u>(19,566)</u>	<u>42,037</u>

MAWSON RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED FEBRUARY 28, 2019
(Unaudited - Expressed in Canadian Dollars)

4. Investments (continued)

	As at May 31, 2018			Carrying Value
	Number	Cost	Accumulated Comprehensive (Loss) Gain	
		\$	\$	\$
Common shares				
Kingsmen	37,500	45,000	(38,625)	6,375
Thomson	600,000	16,603	6,749	23,352
		<u>61,603</u>	<u>(31,876)</u>	<u>29,727</u>

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

5. Property, Plant and Equipment

Cost:	Office Furniture and Equipment	Field Equipment	Vehicles	Total
	\$	\$	\$	\$
Balance at May 31, 2017	10,458	79,604	183,156	273,218
Additions	-	22,354	21,219	43,573
Disposal	-	-	(10,961)	(10,961)
Balance at May 31, 2018	10,458	101,958	193,414	305,830
Additions	-	-	44,456	44,456
Balance at February 28, 2019	<u>10,458</u>	<u>101,958</u>	<u>237,870</u>	<u>350,286</u>
Accumulated Depreciation:				
Balance at May 31, 2017	(9,935)	(63,344)	(166,898)	(240,177)
Depreciation	(523)	(15,569)	(9,088)	(25,180)
Disposal	-	-	2,710	2,710
Balance at May 31, 2018	(10,458)	(78,913)	(173,276)	(262,647)
Depreciation	-	(3,591)	(12,771)	(16,362)
Balance at February 28, 2019	<u>(10,458)</u>	<u>(82,504)</u>	<u>(186,047)</u>	<u>(279,009)</u>
Carrying Value:				
Balance at May 31, 2018	-	23,045	20,138	43,183
Balance at February 28, 2019	<u>-</u>	<u>19,454</u>	<u>51,823</u>	<u>71,277</u>

MAWSON RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED FEBRUARY 28, 2019
(Unaudited - Expressed in Canadian Dollars)

6. Exploration and Evaluation Assets

	<u>As at February 28, 2019</u>			<u>As at May 31, 2018</u>		
	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$
Rompas-Rajapalot	2,694,241	23,456,514	26,150,755	2,532,014	20,291,910	22,823,924
Other	<u>302,468</u>	<u>942,378</u>	<u>1,244,846</u>	<u>231,733</u>	<u>275,552</u>	<u>507,285</u>
	<u>2,996,709</u>	<u>24,398,892</u>	<u>27,395,601</u>	<u>2,763,747</u>	<u>20,567,462</u>	<u>23,331,209</u>

MAWSON RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED FEBRUARY 28, 2019
(Unaudited - Expressed in Canadian Dollars)

6. Exploration and Evaluation Assets (continued)

	Rompas- Rajapalot \$	Other \$	Total \$
Balance at May 31, 2017	<u>17,913,344</u>	<u>8,289</u>	<u>17,921,633</u>
Exploration costs			
Assays	482,062	28,787	510,849
Consulting	135,063	-	135,063
Core logging	2,824	-	2,824
Drilling	2,710,747	-	2,710,747
Exploration site	8,068	-	8,068
Field equipment	22,831	1,697	24,528
Field workers	87,059	-	87,059
Fuel	17,477	-	17,477
Geological	271,410	214,412	485,822
Geophysics	127,622	-	127,622
Salaries and benefits	763,817	-	763,817
Travel	9,786	29,915	39,701
Vehicle rental	37,375	-	37,375
	<u>4,676,141</u>	<u>274,811</u>	<u>4,950,952</u>
Acquisition costs			
Mining rights	234,439	108,204	342,643
Option payment	-	124,270	124,270
	<u>234,439</u>	<u>232,474</u>	<u>466,913</u>
Impairment of exploration and evaluation assets	<u>-</u>	<u>(8,289)</u>	<u>(8,289)</u>
Balance at May 31, 2018	<u>22,823,924</u>	<u>507,285</u>	<u>23,331,209</u>
Exploration costs			
Assays	526,392	25,623	552,015
Consulting	164,800	-	164,800
Core logging	12,000	-	12,000
Drilling	919,296	365,765	1,285,061
Exploration site	8,344	904	9,248
Field equipment	8,945	1,800	10,745
Field workers	44,303	-	44,303
Fuel	13,486	-	13,486
Geochemical	27,179	-	27,179
Geological	326,149	246,374	572,523
Geophysics	294,652	-	294,652
Salaries and benefits	793,437	-	793,437
Travel	8,334	17,327	25,661
Vehicle rental	17,287	9,033	26,320
	<u>3,164,604</u>	<u>666,826</u>	<u>3,831,430</u>
Acquisition costs			
Mining rights	162,227	70,735	232,962
Balance at February 28, 2019	<u>26,150,755</u>	<u>1,244,846</u>	<u>27,395,601</u>

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

6. Exploration and Evaluation Assets (continued)

Rompas -Rajapalot

As at February 28, 2019 the Company holds a total of 14 claims and exploration permits (the Rompas-Rajapalot Gold Project") which have been granted or are under application in northern Finland.

Other

Effective December 27, 2017, as amended December 27, 2018 and March 25, 2019, the Company entered into an agreement whereby it was granted the option to lease and to conduct exploration on mineral rights located in Oregon, USA. Pursuant to the agreement the Company has agreed to pay an annual option to lease payments (adjusted for inflation) of:

- Option Year 1 - US \$5/acre, which the Company paid \$124,270 (US \$100,000);
- Option Year 2 - US \$15/acre on or before June 30, 2019; and
- Option Year 3 - US \$25/acre on or before December 27, 2019.

The option lease payments will be determined by the acreage retained as determined by the Company. The Company is also required to expend minimum annual exploration expenditures as follows:

- Option Year 1 - US \$500,000, which has been met as at November 30, 2018;
- Option Year 2 - US \$750,000;
- Option Year 3 - US \$1,000,000; and
- Option Year 4 - US \$1,000,000.

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***

Nine Months Ended February 28, 2019

During the nine months ended February 28, 2019 the Company did not conduct any equity financings.

Fiscal 2018

During fiscal 2018 the Company completed:

- (i) a brokered and non-brokered private placement totalling 15,023,285 units of the Company at \$0.35 per unit for gross proceeds of \$5,258,150. Each unit consisted of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share of the Company at a price of \$0.50 on or before December 8, 2019. The Company paid finders' fees of \$185,046 cash and issued compensation options to acquire 528,702 common shares, at a price of \$0.44 per share on or before December 8, 2019. The Company also issued finder's warrants to acquire 1,290 common shares at a price of \$0.50 on or before December 8, 2019. The total fair value of the compensation options and finder's warrants has been estimated to be \$63,444 using the Black-Scholes option pricing model. The assumptions used were: risk-free interest rate of 1.5%, estimated volatility of 75%; expected life of 2 years; expected dividend yield of 0%; and estimated forfeiture rate of 0%. The Company also incurred \$197,885 for legal and filing costs associated with the private placement.

MAWSON RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED FEBRUARY 28, 2019
(Unaudited - Expressed in Canadian Dollars)

7. Share Capital (continued)

Certain directors and officers of the Company purchased 425,000 units of this offering.

The Company had also entered into a corporate advisory arrangement whereby the Company paid \$85,000 cash and issued 245,000 compensation options under the same terms as the compensation options issued under the private placement. The fair value of the compensation options has been estimated to be \$29,400 using the same Black-Scholes option pricing model assumptions as the compensation and finder's warrants. These amounts were recorded as part of corporate advisory services in the consolidated statements of comprehensive loss.

- (ii) a non-brokered private placement of 19,000,000 units of the Company at \$0.45 per unit for gross proceeds of \$8,550,000 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 \$0.65 on or before February 14, 2020. The Company incurred \$57,938 for legal and filing costs associated with the private placement.

(c) *Warrants*

A summary of the Company's outstanding warrants for the year ended May 31, 2018 and the nine months ended February 28, 2019 is as follows:

	Number	Weighted Average Exercise Price \$
Balance at May 31, 2017	15,378,944	0.45
Issued	17,786,635	0.58
Exercised	(2,180,445)	0.30
Expired	<u>(5,698,499)</u>	0.30
Balance at May 31, 2018 and February 28, 2019	<u>25,286,635</u>	0.58

The following table summarizes information about the number of common shares reserved pursuant to the Company's warrants outstanding and exercisable at February 28, 2019:

Number	Exercise Price \$	Expiry Date
7,500,000	0.60	December 2, 2019
773,702	0.44	December 8, 2019
7,512,933	0.50	December 8, 2019
<u>9,500,000</u>	0.65	February 14, 2020
<u>25,286,635</u>		

During the nine months ended February 28, 2019 the Company extended the expiry date of the 7,500,000 warrants from December 2, 2018 to December 2, 2019. The warrants are now subject to a forced conversion provision which will come into effect once the common shares trade at a weighted average price of \$0.80 per share for 20 consecutive trading days. All other terms of the warrants remained the same.

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7. **Share Capital** (continued)

(d) *Share Option Plan*

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

During the nine months ended February 28, 2019 the Company granted share options to purchase 5,220,000 (2018 - 400,000) common shares and recorded compensation expense of \$844,600 (2018 - \$84,000).

The fair value of share options granted and vested during the nine months ended February 28, 2019 and 2018 is estimated using the Black-Scholes option pricing model using the following assumptions:

	<u>2019</u>	<u>2018</u>
Risk-free interest rate	1.80% - 2.36%	0.79%
Estimated volatility	71% - 79%	85%
Expected life	5 years	3 years
Expected dividend yield	0%	0%
Estimated forfeiture rate	0%	0%

The weighted average grant date fair value of all share options granted during the nine months ended February 28, 2019 was \$0.16 (2018 - \$0.21) per share 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.

A summary of the Company’s share options for the year ended May 31, 2018 and the nine months ended February 28, 2019 is as follows:

	Number of Options Outstanding	Weighted Average Exercise Price \$
Balance at May 31, 2017	5,050,000	0.35
Granted	400,000	0.39
Exercised	(80,000)	0.20
Expired	<u>(300,000)</u>	0.45
Balance at May 31, 2018	5,070,000	0.35
Granted	5,220,000	0.28
Expired/cancelled	<u>(20,000)</u>	0.35
Balance at February 28, 2019	<u>10,270,000</u>	0.31

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7. Share Capital (continued)

The following table summarizes information about the share options outstanding and exercisable at February 28, 2019:

Number Outstanding	Number Exercisable	Exercise Price \$	Expiry Date
4,600,000	4,600,000	0.35	September 23, 2019
50,000	50,000	0.365	May 12, 2020
400,000	400,000	0.39	June 15, 2020
170,000	170,000	0.30	November 1, 2021
4,350,000	4,350,000	0.275	February 12, 2024
<u>700,000</u>	<u>210,000</u>	0.275	February 15, 2024
<u>10,270,000</u>	<u>9,780,000</u>		

(e) *Restricted Share Units ("RSU") Plan*

On November 6, 2018 the Company adopted a restricted share unit plan (the "RSU Plan"). The RSU Plan provides for the issuance of up to 2,000,000 restricted share units (the "RSUs"). Under the RSU Plan, RSUs may be granted to directors, officers, employees and consultants of the Company (excluding investor relations consultants) as partial compensation for the services they provide to the Company. The RSU Plan is a fixed number plan, and the number of common shares issued under the RSU Plan, when combined with the number of stock options available under the Company's share option plan, will not exceed 10% of the Company's outstanding common shares.

On February 12, 2019 the Company granted 800,000 RSUs to certain eligible participants under the Company's recently adopted RSU plan. The RSUs will vest immediately and entitle the holder to receive one share for each RSU granted. During the nine months ended February 28, 2019 the Company recognized \$216,000 as share-based compensation expense as the Company settles the RSUs through equity settlement.

8. Related Party Disclosures

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Company's Board of Directors and its executive officers.

(a) *Transactions with Key Management Personnel*

During the nine months ended February 28, 2019 and 2018 the following compensation amounts were incurred:

	2019 \$	2018 \$
Professional fees and salaries	486,265	446,795
Share-based compensation - share options	612,000	84,000
Share-based compensation - RSUs	<u>175,500</u>	<u>-</u>
	<u>1,273,765</u>	<u>530,795</u>

During the nine months ended February 28, 2019 the Company allocated the \$486,265 (2018 - \$446,795) professional fees and salaries based on the nature of the services provided: expensed \$254,901 (2018 - \$233,132) to directors and officers compensation; \$nil (2018 - \$2,800) to general exploration costs; and capitalized \$231,364 (2018 - \$213,663) to exploration and evaluation assets. As at February 28, 2019, \$45,500 (May 31, 2018 - \$38,294) remained unpaid and has been included in accounts payable and accrued liabilities.

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8. Related Party Disclosures (continued)

The Company has a management agreement with its Chairman and CEO which provides that in the event the CEO's services are terminated without cause or upon a change of control of the Company, a termination payment of two years and six months of compensation, at \$14,000 per month, is payable. If the termination had occurred on February 28, 2019, the amount payable under the agreement would be \$420,000.

- (b) During the nine months ended February 28, 2019 the Company incurred a total of \$44,015 (2018 - \$41,000) 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 3,015 (2018 - \$3,015) for rent. As at February 28, 2019, \$4,170 (May 31, 2018 - \$4,570) remained unpaid and has been included in accounts payable and accrued liabilities.

During the nine months ended February 28, 2019 the Company also recorded \$13,500 for share-based compensation for share options granted to Chase.

- (c) See also Note 7(b).

9. Financial Instruments and Risk Management

Categories of Financial Assets and Financial Liabilities

Financial instruments are classified into one of the following categories: FVTPL; amortized cost; fair value through other comprehensive income ("FVOCI"); and other financial liabilities. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instrument	Category	February 28, 2019 \$	May 31, 2018 \$
Cash	FVTPL	6,260,791	11,398,105
Amounts receivable	Amortized cost	286	139
Investments	FVTPL	42,037	29,727
Accounts payable and accrued liabilities	Amortized cost	(1,800,335)	(927,337)

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.

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9. Financial Instruments and Risk Management (continued)

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.

	Contractual Maturity Analysis at February 28, 2019				
	Less than 3 Months \$	3 - 12 Months \$	1 - 5 Years \$	Over 5 Years \$	Total \$
Cash	6,260,791	-	-	-	6,260,791
Amounts receivable	286	-	-	-	286
Investments	-	-	42,037	-	42,037
Accounts payable and accrued liabilities	(1,800,335)	-	-	-	(1,800,335)

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 February 28, 2019, 1 Canadian Dollar was equal to 0.66 Euro, 6.98 SEK and 0.76 US Dollar.

Balances are as follows:

	Euros	Swedish Kronors	US Dollars	CDN \$ Equivalent
Cash	163,248	106,145	188,231	510,224
VAT receivable	181,306	4,905	-	275,409
Accounts payable and accrued liabilities	<u>(1,135,431)</u>	<u>(13,397)</u>	<u>(1,500)</u>	<u>(1,724,244)</u>
	<u>(790,877)</u>	<u>97,653</u>	<u>(186,731)</u>	<u>(938,611)</u>

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9. Financial Instruments and Risk Management (continued)

Based on the net exposures as of February 28, 2019 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 \$86,000 higher (or lower).

Capital Management

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

10. Supplemental Cash Flow Information

During the nine months ended February 28, 2019 and 2018 non-cash activities were conducted by the Company as follows:

	2019 \$	2018 \$
Operating activity		
Accounts payable and accrued liabilities	<u>281,897</u>	<u>409,590</u>
Investing activity		
Exploration and evaluation assets	<u>(281,897)</u>	<u>(409,590)</u>
Financing activities		
Share-based payments reserve	-	83,344
Share issue costs	-	(92,844)
Issuance of share capital	<u>-</u>	<u>9,500</u>
	<u>-</u>	<u>-</u>

11. Segmented Information

The Company operates in one reportable segment, the exploration and development of unproven exploration and evaluation assets. The Company's primary exploration and evaluation assets are located in Finland 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 February 28, 2019			
	Canada \$	Finland \$	Other \$	Total \$
Current assets	5,777,906	636,685	268,109	6,682,700
Investments	42,037	-	-	42,037
Property, plant and equipment	-	71,277	-	71,277
Exploration and evaluation assets	-	26,150,755	1,244,846	27,395,601
Other	-	-	42,666	42,666
	<u>5,819,943</u>	<u>26,858,717</u>	<u>1,555,621</u>	<u>34,234,281</u>

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11. Segmented Information (continued)

	As at May 31, 2018			
	Canada	Finland	Other	Total
	\$	\$	\$	\$
Current assets	10,904,010	1,010,131	21,420	11,935,561
Investments	29,727	-	-	29,727
Property, plant and equipment	-	43,183	-	43,183
Exploration and evaluation assets	-	22,823,924	507,285	23,331,209
	<u>10,933,737</u>	<u>23,877,238</u>	<u>528,705</u>	<u>35,339,680</u>