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**MAWSON RESOURCES LIMITED**  
*(An Exploration Stage Company)*

INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED AUGUST 31, 2004  
*(Unaudited - Prepared by Management)*

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**MANAGEMENT'S COMMENTS ON UNAUDITED  
INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying unaudited interim consolidated financial statements of Mawson Resources Limited for the three months ended August 31, 2004, have been prepared by and are the responsibility of the Company's management. These statements have not been reviewed by the Company's external auditors.

**MAWSON RESOURCES LIMITED**  
*(An Exploration Stage Company)*  
**INTERIM CONSOLIDATED BALANCE SHEETS**  
*(Unaudited - Prepared by Management)*

	<b>August 31, 2004</b>	<b>May 31, 2004</b>
	\$	\$
<b>A S S E T S</b>		
<b>CURRENT ASSETS</b>		
Cash	91,050	341,955
Amounts receivable	11,037	2,091
Prepaid expense	952	992
	<u>103,039</u>	<u>345,038</u>
<b>CAPITAL ASSET</b> , net of accumulated depreciation of \$16	4,887	-
<b>UNPROVEN MINERAL INTERESTS</b> (Note 3)	167,990	87,394
<b>DEFERRED SHARE ISSUE COSTS</b>	<u>113,213</u>	<u>5,280</u>
	<u><u>389,129</u></u>	<u><u>437,712</u></u>

**LIABILITIES**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities (Notes 3 and 6)	<u>124,225</u>	<u>84,039</u>

**SHAREHOLDERS' EQUITY**

<b>SHARE CAPITAL</b> (Note 5)	66,500	66,500
<b>SPECIAL WARRANTS</b> (Note 4)	298,000	298,000
<b>DEFICIT</b>	<u>(99,596)</u>	<u>(10,827)</u>
	<u>264,904</u>	<u>353,673</u>
	<u><u>389,129</u></u>	<u><u>437,712</u></u>

**NATURE OF OPERATIONS** (Note 1)

**SUBSEQUENT EVENTS** (Notes 4 and 5(b))

APPROVED BY THE DIRECTORS

“Michael Hudson”, Director

“Nick DeMare”, Director

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

**MAWSON RESOURCES LIMITED**  
*(An Exploration Stage Company)*

**INTERIM CONSOLIDATED STATEMENT OF LOSS AND DEFICIT**  
**FOR THE THREE MONTHS ENDED AUGUST 31, 2004**

*(Unaudited - Prepared by Management)*

	\$
<b>EXPENSES</b>	
Accounting and administrative	25,048
Audit	4,836
Bank charges	650
Corporate development	4,656
Depreciation	16
Foreign exchange	927
Legal	18,635
Office and sundry	5,010
Rent	6,239
Travel	20,819
Vehicle rental and costs	1,933
	<u>88,769</u>
<b>NET LOSS FOR THE PERIOD</b>	(88,769)
<b>DEFICIT - BEGINNING OF PERIOD</b>	<u>(10,827)</u>
<b>DEFICIT - END OF PERIOD</b>	<u><u>(99,596)</u></u>
<b>LOSS PER SHARE - BASIC AND DILUTED</b>	<u><u>\$(0.01)</u></u>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED</b>	<u><u>6,650,000</u></u>

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**MAWSON RESOURCES LIMITED**  
*(An Exploration Stage Company)*  
**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED AUGUST 31, 2004**  
*(Unaudited - Prepared by Management)*

	\$
<b>CASH PROVIDED FROM (USED FOR)</b>	
<b>OPERATING ACTIVITIES</b>	
Net loss for the period	(88,769)
Adjustment for item not involving cash	
Depreciation	<u>16</u>
	(88,753)
Increase in amounts receivable	(8,946)
Decrease in prepaid expense	40
Increase in accounts payable and accrued liabilities	<u>40,186</u>
	<u>(57,473)</u>
<b>INVESTING ACTIVITIES</b>	
Purchase of capital asset	(4,903)
Expenditures on unproven mineral interests	<u>(82,977)</u>
	<u>(87,880)</u>
<b>FINANCING ACTIVITY</b>	
Share issue costs	<u>(105,552)</u>
<b>DECREASE IN CASH DURING THE PERIOD</b>	(250,905)
<b>CASH - BEGINNING OF PERIOD</b>	<u>341,955</u>
<b>CASH - END OF PERIOD</b>	<u><u>91,050</u></u>
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>	
Interest paid in cash	<u><u>-</u></u>
Income taxes paid in cash	<u><u>-</u></u>

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**MAWSON RESOURCES LIMITED**  
*(An Exploration Stage Company)*

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED AUGUST 31, 2004**

*(Unaudited - Prepared by Management)*

**1. NATURE OF OPERATIONS**

The Company was incorporated under the Company Act (British Columbia) on March 10, 2004 and was transitioned under the British Columbia Business Corporations Act on April 16, 2004.

The Company is a junior resource company engaged in the acquisition and exploration of unproven mineral interests and is considered a development stage company as defined by Accounting Guidelines No. 11 of the Canadian Institute of Chartered Accountants ("CICA") Handbook. As at August 31, 2004, the Company has not earned any production revenue, nor found proved reserves on any of its mineral interests. On October 28, 2004 the Company completed its initial public offering and on October 29, 2004 the Company listed its common shares on the TSX Venture Exchange (the "TSXV") as a Tier 2 junior mineral exploration company. See also Note 5(b).

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") applicable to a going concern which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. Realization values may be substantially different from the carrying values shown in the consolidated financial statements should the Company be unable to continue as a going concern. The ability of the Company to settle its liabilities as they come due and to fund ongoing operations is dependent upon the ability of the Company to obtain additional funding from equity financing. Failure to continue as a going concern would require restatement of assets and liabilities on a liquidation basis, which could differ materially from the going concern basis.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The interim consolidated financial statements of the Company have been prepared by management in accordance with Canadian GAPP. The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the amounts reported in the interim financial statements and accompanying notes. Actual results could differ from those estimates. The interim consolidated financial statements have, in management's opinion, been properly prepared using careful judgement with reasonable limits of materiality. These interim consolidated financial statements should be read in conjunction with the most recent annual consolidated financial statements. The significant accounting policies follow that of the most recently reported annual financial statements.

*Capital Asset*

Capital asset, which is comprised of a vehicle, is recorded at cost less accumulated depreciation calculated using the straight-line method over its estimated useful life of five years.

*Comparative Figures*

The Company was incorporated on March 10, 2004, and, therefore, had no comparative reporting periods.

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**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED AUGUST 31, 2004**

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**3. UNPROVEN MINERAL INTERESTS**

	\$
Vargbäcken Project	<u>167,990</u>

The Company holds options and staked claims over mineral permits located in the Skellefte Mining District, Sweden, encompassing the Vargbäcken Project.

Option Agreements

The Company has entered into various agreements with Sierra Peru Pty Ltd. ("Sierra Peru") and North Atlantic Natural Resources AB ("NAN"), whereby Sierra Peru's option interests were assigned for no consideration to the Company. Sierra Peru is a private corporation whose principals are directors and officers of the Company. The option interests assigned are as follows:

a) Vargbäcken Mining Permit

The Company may acquire up to a 100% interest in a mining permit (the "Vargbäcken Mining Permit"), comprising 20.5 hectares, as follows:

- i) initial 51% interest by conducting Swedish kronor ("SEK") 4,000,000 (approximately \$720,000) in work expenditures on or before June 28, 2007, and
- ii) an additional 29% interest by conducting a further SEK 8,000,000 (approximately \$1,440,000) in work expenditures on or before June 28, 2009.

Upon earning the 80% interest, NAN has the option to maintain its 20% interest by contributing its share of future costs, or dilute to a 2% net smelter return ("NSR") royalty.

b) Stenberget Exploration Permit

The Company may acquire up to a 100% interest in an exploration permit (the "Stenberget Exploration Permit"), comprising 645.5 hectares, as follows:

- i) initial 51% interest by conducting SEK 4,000,000 (approximately \$720,000) in work expenditures on or before June 28, 2007, and
- ii) an additional 29% interest by conducting a further SEK 8,000,000 (approximately \$1,440,000) in work expenditures on or before June 28, 2009.

Upon earning the 80% interest, NAN has the option to maintain its 20% interest by contributing its share of future costs, or dilute to a 2% net smelter return ("NSR") royalty.

**MAWSON RESOURCES LIMITED**  
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**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED AUGUST 31, 2004**

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**3. UNPROVEN MINERAL INTERESTS (continued)**

Staked Claims

Sierra Peru has also staked and assigned to the Company three exploration permits known as Vinliden, Långtjärn and Granselliden. The Granselliden mineral permit is subject to a 2% NSR, payable to NAN. Sierra Peru has incurred or paid amounts relating to permitting, fees and costs relating to the acquisition of these mineral permits. Sierra Peru has submitted costs totalling \$63,262 for reimbursement. As at August 31, 2004, \$2,942 remained unpaid and is included in accounts payable and accrued liabilities.

The Company has also acquired, by staking, additional exploration permits within the Vargbäcken Project area.

As at August 31, 2004, no exploration activities had commenced on the Vargbäcken Project.

**4. SPECIAL WARRANTS**

On May 31, 2004, the Company completed a private placement of 3,000,000 special warrants (the "Special Warrants"), at a price of \$0.10 per special warrant, for total proceeds of \$300,000. Each Special Warrant is convertible, without additional compensation, into one common share of the Company upon the earlier of the fifth day following the date of approval by the regulatory authorities for the prospectus qualifying the conversion or May 31, 2007. Regulatory approval was received on September 24, 2004 and the special warrants were converted into common shares.

The Company has incurred \$2,000 in legal costs relating to the special warrant financing.

**5. SHARE CAPITAL**

Authorized - unlimited common shares without par value

	Number of Shares	\$
Issued		
Balance, beginning and end of period	<u>6,650,000</u>	<u>66,500</u>

(a) During the period ended May 31, 2004, the Company completed a private placement offering of 6,650,000 common shares, at \$0.01 per share, for proceeds of \$66,500. The 6,650,000 issued common shares will be held in escrow and will be released from escrow on a staged basis once the Company completes its initial public offering.

(b) On August 31, 2004, as amended, the Company and Canaccord Capital Corporation (the "Agent"), entered into an agreement relating to a proposed initial public offering (the "Offering") of 3,625,000 units, at \$0.40 per unit, for gross proceeds of \$1,450,000. Each unit will be comprised of one common share of the Company and one-half non-transferable share purchase warrant. Each whole warrant will entitle the holder to purchase one additional common share at a price of \$0.50 per share

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**5. SHARE CAPITAL** (continued)

for a period of one year from the closing of the Offering (the "Closing"). The Agent will receive a commission of 7.5% of the gross proceeds of the Offering and be granted non-transferable warrants to purchase that amount of common shares of the Company as is equal to 12% of the number of units sold, at \$0.40 per share, for a period of one year from the Closing. The Company has paid the Agent an administration fee of \$10,000 and has agreed to a corporate finance fee of 150,000 units having the same terms as the units sold under the Offering. On October 28, 2004, the Company completed the Offering and on October 29, 2004 its common shares commenced trading on the TSXV.

**6. RELATED PARTY TRANSACTIONS**

During the three months ended August 31, 2004:

- i) the Company incurred \$20,229 for accounting and administration provided by private corporations owned by directors of the Company and Mawson Sweden. As at August 31, 2004, \$7,373 remained outstanding and was included in accounts payable and accrued liabilities; and
- ii) Sierra Peru submitted costs totalling \$16,168 to the Company for reimbursement of travel costs incurred.

See also Note 3.

**7. SEGMENTED INFORMATION**

The Company is involved in mineral exploration and development activities in Sweden. The Company is in the exploration stage and accordingly, has no reportable segment revenues or operating results for the three months ended August 31, 2004.

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

	<u>August 31, 2004</u>			<u>May 31, 2004</u>		
	Corporate (Canada) \$	Mineral Operations (Sweden) \$	Total \$	Corporate (Canada) \$	Mineral Operations (Sweden) \$	Total \$
Current assets	71,326	31,713	103,039	321,888	23,150	345,038
Capital asset	-	4,887	4,887	-	-	-
Unproven mineral interests	-	167,990	167,990	-	87,394	87,394
Deferred costs	113,213	-	113,213	5,280	-	5,280
	<u>184,539</u>	<u>204,590</u>	<u>389,129</u>	<u>327,168</u>	<u>110,544</u>	<u>437,712</u>

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**8. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The carrying value of cash, amounts receivable and accounts payable and accrued liabilities approximate their fair values due to their short term to maturity.

The Company places its cash in financial institutions that are believed to be creditworthy.