ABN: 67 072 595 576

MAWSON WEST LIMITED

Unaudited Consolidated Interim Financial Statements

For the three months ended 31 March 2016

These unaudited condensed consolidated interim financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, this report is to be read in conjunction with the audited annual financial statements of Mawson West Limited for the year ended 31 December 2015, the Company's management's discussion and analysis for the Quarter ended 31 March 2016 and any public announcements made by Mawson West Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001 and applicable securities laws.

These unaudited condensed consolidated interim financial statements for the three months ended 31 March 2016 have been prepared by management and approved by the Audit Committee and the Board of Directors of Mawson West Limited. These unaudited condensed interim financial statements have not been reviewed by the independent auditors of Mawson West Limited.

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED 31 MARCH 2016

MAWSON WEST LIMITED

	Note	Consolidated Three months ended 31 Mar 2016 $'000	31 Mar 2015 $'000
Revenue		9,676	2,055
Cost of sales		(11,908)	(8,565)
Gross loss		(2,232)	(6,510)
General, administrative and marketing		(1,435)	(2,736)
Care and maintenance costs		(37)	-
Other expenses		-	(187)
Exploration expenses		-	(392)
Other income	3	3,296	1
Profit/(loss) on derivative instruments		25	(120)
Foreign exchange (losses)/gains		(73)	28
Operating loss		(456)	(9,916)
Finance income		-	2
Finance expense		(1,421)	-
Loss from operations		(1,877)	(9,914)
Income tax expense		-	(21)
Loss after income tax		(1,877)	(9,935)
Other comprehensive income		3	-
Total comprehensive loss for the period		(1,874)	(9,935)
Net loss attributable to:			
Owners of the parent		(1,569)	(9,020)
Non-controlling interests		(308)	(915)
		(1,877)	(9,935)
Total comprehensive loss attributable to:			
Owners of the parent		(1,566)	(9,020)
Non-controlling interests		(308)	(915)
		(1,874)	(9,935)
Basic loss per share		(0.1) cents	(3.2) cents
Diluted loss per share		(0.1) cents	(3.2) cents

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

MAWSON WEST LIMITED

	Note	Consolidated 31 Mar 2016 $'000	31 Dec 2015 $'000
Current Assets			
Cash and short term deposits	4	1,711	1,493
Trade and other receivables	5	8,620	6,082
Inventories	6	13,834	13,085
Advance tax receivable	7	168	168
Other assets	8	360	1,081
Total Current Assets		24,693	21,909
Non-Current Assets			
Other assets	8	2,696	2,696
Property, plant and equipment	9	12,856	13,292
Mine properties	10	15,378	16,312
Advance tax receivable	7	549	916
Total Non-Current Assets		31,479	33,216
Total Assets		56,172	55,125
Current Liabilities			
Trade and other payables		11,312	15,509
Derivative liabilities		79	105
Loans and borrowings	12	12,763	16,562
Provisions		426	473
Total Current Liabilities		24,580	32,649
Non-Current Liabilities			
Loans and borrowings	12	62,079	51,120
Provisions		6,067	6,036
Total Non-Current Liabilities		68,146	57,156
Total Liabilities		92,726	89,805
Net Liabilities		(36,554)	(34,680)
Equity			
Issued capital	13	215,516	215,516
Reserves		8,821	8,818
Accumulated losses		(243,381)	(241,812)
Parent entity interest		(19,044)	(17,478)
Non-controlling interest		(17,510)	(17,202)
Total Equity		(36,554)	(34,680)

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2016

	Issued capital	Accumulated losses	Reserves	Consolidated Foreign currency translation reserve	Non-controlling interests	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000
For the three months ended 31 March 2016						
Balance at 1 January 2016	215,516	(241,812)	8,835	(17)	(17,202)	(34,680)
Profit for the period	-	(1,569)	-	-	(308)	(1,877)
Other comprehensive income/(loss)	-		-	3	-	3
Total comprehensive income/(loss) for the period	-	(1,569)	-	3	(308)	(1,874)
Shares issued during the period	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-
Balance at 31 March 2016	215,516	(243,381)	8,835	(14)	(17,510)	(36,554)
For the three months ended 31 March 2015						
Balance at 1 January 2015	184,232	(150,568)	9,579	-	(6,753)	36,490
Profit for the period	-	(9,020)	-	-	(915)	(9,935)
Other comprehensive income/(loss)	-	-	-	-	-	-
Total comprehensive income/(loss) for the period	-	(9,020)	-	-	(915)	(9,935)
Shares issued during the period	17,387	-	-	-	-	17,387
Share-based payments		-	69	-	-	69
Balance at 31 March 2015	201,619	(159,588)	9,648	-	7,669	44,010

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED 31 MARCH 2016

	Note	Three months ended 31 Mar 2016 $'000	31 Mar 2015 $'000
Cash Flows from Operating Activities			
Receipts from customers		8,825	3,208
Payments to suppliers and employees		(14,016)	(20,833)
Payments for exploration and evaluation expenditure		-	(392)
Tax paid		-	-
Interest received		-	1
Interest paid		(129)	(1,395)
Net Cash used in Operating Activities		**(5,320)**	**(19,411)**
Cash flows from Investing Activities			
Payments for plant and equipment		(409)	-
Payments for mining development assets		-	(12,531)
Payments for mine properties		(8)	-
Net Cash used in Investing Activities		**(417)**	**(12,531)**
Cash Flows from Financing Activities			
Proceeds from issue of shares		-	17,387
Proceeds from loan facilities		6,000	-
Repayments on finance leases		(200)	-
Repayment of borrowings		(94)	(5,000)
Net Cash provided by Financing Activities		**5,706**	**12,387**
Net Decrease in cash and cash equivalents		**(31)**	**(19,554)**
Cash and cash equivalents at the beginning of period		(3,263)	16,049
Effect of exchange rate fluctuations on the balance of cash held in foreign currencies		(1)	28
Cash and cash equivalents at end of the period	4	**(3,295)**	**(3,533)**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated interim financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The interim financial statements are for the consolidated entity consisting of Mawson West Limited ("Mawson West" or the "Company") and its subsidiaries (the "Group" or the "Consolidated Entity").

(a) Basis of Preparation

Mawson West Limited is a listed public company, incorporated and domiciled in Australia and listed on the Toronto Stock Exchange ("TSX"). During the Quarter ended 31 March 2016, the consolidated entity conducted operations in Australia, Democratic Republic of Congo, Zambia and South Africa.

These consolidated interim financial statements of the consolidated entity for the period ended 31 March 2016 are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 Interim Financial Reporting.

These consolidated interim financial statements do not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report. It is recommended that these interim financial statements be read in conjunction with the annual financial report for the year ended 31 December 2015, and any public announcements made by the Group during the period in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the TSX Listing Rules.

The consolidated interim financial statements are presented in US dollars, which is Mawson West Limited's functional and presentation currency.

Compliance with IFRS
The consolidated interim financial statements of the Group also comply with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board.

New and amended standards adopted by the group
In the Quarter ended 31 March 2016, the group has reviewed all of the new and revised standards and interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2016. As a result of this review the Directors have determined that there is no change necessary to group accounting policies.

Historical cost convention
These consolidated interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

Rounding
The amounts contained in these unaudited interim consolidated financial statements have been rounded to the nearest $1,000 (unless otherwise stated) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the class order applies.

Critical accounting estimates
The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

(b) Going concern

The Group recorded a loss after income tax of $1.9 million, had cash outflows from operating and investing activities of $5.7 million for the Quarter and had a working capital surplus of $0.1 million and a net asset deficiency of $36.6 million at 31 March 2016. In addition the company decided to put its only operating activity into care and maintenance ("C&M") in early March 2016. Further the groups cash flow forecast for the period ending 31 March 2017 show that the group will require additional working capital to enable it to meet its debts as and when they fall due.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Notwithstanding the above, the Directors consider it appropriate to prepare the financial statements on a going concern basis which contemplates the continuity of business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business, based on the following pertinent considerations:

- During the Quarter, funding agreements were signed with Galena, the groups major shareholder, to secure additional funding of up to $20.0 million to enable the group to meet all of its currently forecast operating commitments for at least the next 12 month period;
- In addition, the Company's pre-payment facility with Trafigura has been amended. Under these amendments, principal and interest payments due under the facility will cease until such time as mining operations at the Kapulo mine are recommenced, following which Trafigura will have priority for repayment of the facility from the first US$15.0 million of available cash flow from mining operations, in instalment amounts and times to be based on the calculation of available cash flow;
- The company is in the process of negotiating reduced liabilities with some of its creditors. To date the company has been able to reduce its liabilities with certain creditors by an aggregate amount of $3.3 million. Galena and Trafigura have demonstrated their ongoing support by means of loan deferrals and equity injections in 2015 and during the Quarter.

Should Galena and Trafigura withdraw their financial support and the Directors not be able to secure alternative funding, there is significant uncertainty as to whether the Group would be able to meet its financial obligations as and when they fall due and thus continue as a going concern.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, nor to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including the expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting will, by definition, seldom equal the actual results. The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Exploration and evaluation expenditure
Management determines when an area of interest should be abandoned. When a decision is made that an area of interest is not commercially viable, all costs that have been capitalised in respect of that area of interest are written off. In determining this, assumptions, including the maintenance of title, ongoing expenditure and prospectively are made.

(ii) Impairment of assets
In determining whether the recoverable amount of each cash generating unit is the higher of fair value less costs to sell or value-in-use against which asset impairment is to be considered, the Group undertakes future cash flow calculations which are based on a number of critical estimates and assumptions including, for its assets under construction, forward estimates of:

(i) Mine life including quantities of mineral reserves and resources for which there is a high degree of confidence of economic extraction with given technology;

(ii) Estimated production and sales levels;

(iii) Estimate future commodity prices;

(iv) Future costs of production;

(v) Future capital expenditure;

(vi) Future exchange rates; and/or

(vii) Discount rates applicable to the cash generating unit.

Variations to expected future cash flows, and timing thereof, could result in significant changes to the impairment test results, which in turn could impact future financial results.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(iii) Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees and consultants by reference to the fair value of the equity instruments at the date at which they were granted. The fair value of options granted is determined using a Black-Scholes model.

(iv) Restoration and rehabilitation provisions

The value of the current restoration and rehabilitation provision is based on a number of assumptions including the nature of restoration activities required and the valuation at the present value of a future obligation that necessitates estimates of the cost of performing the work required, the timing of future cash flows and the appropriate discount rate. Additionally current provisions are based on the assumption that no significant changes will occur in relevant legislation covering restoration of mineral properties. A change in any, or a combination, of these assumptions used to determine current provisions could have a material impact to the carrying value of the provision.

(v) Commercial production

The Group assesses the stage of each mine under construction to determine when a mine moves into the production stage being when the mine is substantially complete and ready for its intended use. The criteria used to assess the start date are determined based on the unique nature of each mine construction project, such as the complexity of a plant and its location. The Group considers various relevant criteria to assess when the production phase is considered to commence and all related amounts are reclassified from “Mining development assets” to “Mine Properties”. Some of the criteria used will include but are not limited to, the following:

(i) Level of capital expenditure incurred compared to the original construction cost estimates;

(ii) Completion of a reasonable period of testing of the mine plant and equipment;

(iii) Ability to produce metal in saleable form (within specification); and

(iv) Ability to sustain ongoing production of metal.

When a mine development/construction project moves into production stage, the capitalisation of certain mine development/construction costs ceases and costs are either regarded as forming part of the cost of inventory or expensed, except for costs that qualify for capitalisation relating to mining asset additions or improvements, underground mine development or mineable reserve development. It is also at this point that depreciation/amortisation commences.

(vi) Unit-of-production method of depreciation / amortisation

The Group uses the unit-of-production basis when depreciating/amortising life of mine specific assets, which results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life of mine production. Each item’s economic life, which is assessed annually, has due regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which it is located. These calculations require the use of estimates and assumptions which are dependent on future mining costs.

(vii) Deferred stripping expenditure

The Group defers advanced stripping costs incurred during the production stage of its operations. This calculation requires the use of judgements and estimates such as estimates of future mining costs, tonnes of waste to be removed over the life of the component and economically recoverable reserves extracted as a result. Changes in a mine’s life and design will usually result in changes to the expected stripping ratio (waste to mineral reserves ratio). Changes in other technical or economical parameters that impact reserves will also have an impact on the life of mine ratio even if they do not affect the mine’s design. Changes to the life of the component are accounted for prospectively.

(viii) Inventory

Net realisable value tests are performed at least annually and represent the estimated future sales price of the product based in prevailing spot metals prices at the reporting date, less estimated costs to complete production and bring the product to sale. Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, the number of contained copper tonnes based on assay data, and the estimated recovery percentage based on expected processing method. Stockpile tonnages are verified by periodic surveys.

(ix) Taxes

Judgement is required in determining whether deferred tax assets are recognised on the statement of financial position. Deferred tax assets, including those arising from unutilised tax losses, require management to assess the likelihood that the Group will generate taxable earnings in future periods, in order to utilise recognised deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted.

Additionally, future changes in tax laws in jurisdictions in which the Group operates could limit the ability of the Group to obtain tax deductions in future periods.

3. OTHER INCOME

On March 14, 2016 Societe Petroliere Du Congo SPRL (“**SPC**”), a Trafigura group company supplier, agreed to write off 70% of the balance owed to it by the Company as at February 29, 2016, resulting in a pardon of $3.3 million of debt.

4. CASH AND SHORT TERM DEPOSITS

		Consolidated	
		31 Mar 2016 $'000	31 Dec 2015 $'000
Cash and short term deposits	(i)	1,711	1,493

(i) Cash at bank earns interest at floating rates based on daily bank deposit rates.

There are no restrictions on any cash balances held. Cash is held in US Dollars, Australian Dollars, South African Rand, Canadian Dollars, Congolese Franc and Zambian Kwacha.

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

Cash and short term deposits	(i)	1,711	1,493
Bank overdraft (Note 12)		(5,006)	(4,756)
Cash and cash equivalents		(3,295)	(3,263)

5. TRADE AND OTHER RECEIVABLES

Trade debtors	(i)	3,502	2,251
Other receivables	(ii)	5,118	3,831
		8,620	6,082

Terms relating to the above financial instruments:

(i) Trade and sundry debtors are non-interest bearing and generally 95% of the invoice value is collected within 5 days from the date of sale and the remaining balance is collected once final assays and prices are provided to the Group by the off-take partner. Commodity pricing risk exists on the full invoice value up to the month after month of delivery. Nothing is past due or impaired.

(ii) Other receivables represent VAT amounts to be collected from the DRC Government.

6. INVENTORIES

Ore stockpiles at NRV	5,471	5,409
Copper and silver concentrate at NRV	3,524	2,622
Goods in transit at cost	920	1,396
Consumables and spares at NRV	3,919	3,658
	13,834	13,085

7. ADVANCE TAX RECEIVABLE

Current		
Provisional tax payments	168	168
Non-Current		
Provisional tax payments	549	916
	718	1,084

The advance tax receivable relates to provisional income tax payments made in 2014 in accordance with the DRC legislation. The legislation requires that a provisional tax assessment and payment (if required) be applied to the current year, based on the prior year income tax return. These provisional payments form part of the Company’s ‘credit account’ with the DRC Government and will be recovered against income tax payable over future periods.

7. ADVANCE TAX RECEIVABLE (CONTINUED)

In line with the mining convention that governs the Anvil Mining Congo SA mining rights at Dikulushi and Kapulo, the Company is exempt from paying income taxes on the profits earned by Kapulo for the mine's first five years of production. As such an agreement has been reached with the revenue authorities in the DRC to apply 50% of the employee taxes payable against this tax receivable. During the Quarter, $0.4 million was applied against the tax receivable.

8. OTHER ASSETS

Current			
Prepayments	(i)	147	748
Other		213	333
		360	1,081
Non-Current			
Mining deposits	(ii)	1,219	1,219
VAT receivable	(iii)	1,477	1,477
		2,696	2,696

The VAT balance is made up of the following:

	Consolidated	
	31 Mar 2016 $'000	**31 Dec 2015 $'000**
VAT total	8,907	8,907
Doubtful debts allowance	(7,430)	(7,430)
	1,477	1,477

(i) Prepayments are mainly advance payments to suppliers to supply goods and services.
(ii) Mining deposits are cash deposits held with a financial institution in relation to tenements held in the Democratic Republic of Congo.
(iii) Non-current VAT represents the VAT amounts recoverable from the DRC governments that are expected to be recovered beyond 12 months from balance sheet date. This includes a doubtful debt provision of $7.4 million for amounts determined to not be recoverable as at March 31, 2016 subject to achieving future export revenue. No impairment was recognised during the quarter ended March 31, 2016.

9. PROPERTY, PLANT AND EQUIPMENT

Cost		
Balance at beginning of the period	94,528	26,897
Additions	409	2,257
Transferred from mining development assets	-	67,941
Transfers to mine properties	-	(2,567)
	94,937	94,528
Accumulated depreciation and impairment		
Balance at beginning of the period	(81,236)	(23,343)
Depreciation charge	(845)	(3,218)
Impairment charge	-	(15,742)
Transferred from mining development assets	-	(38,933)
	(82,081)	(81,236)
Net book value at end of period	12,856	13,292

10. MINE PROPERTIES

Cost		
Balance at beginning of the period	194,620	105,003
Additions	8	276
Transferred from mining development assets	-	86,774
Transferred from mine property, plant and equipment	-	2,567
	194,628	194,620
Accumulated amortisation and impairment		
Balance at beginning of the period	(178,308)	(105,003)
Amortisation charge for the year	(942)	(3,185)
Transferred from mining development assets	-	(50,802)
Additional impairment charge for the year	-	(19,318)
	(179,250)	(178,308)
Net book value at end of period	15,378	16,312

11. MINE DEVELOPMENT ASSETS

	Consolidated	
	31 Mar 2016 $'000	31 Dec 2015 $'000
Cost		
Balance at beginning of the period	-	147,830
Additions	-	24,524
Capitalised borrowing costs	-	2,146
Net pre-production sales revenue capitalised	-	(9,462)
Transfers to mine properties	-	(86,774)
Transfers to property, plant and equipment	-	(67,941)
Transferred to inventory	-	(10,323)
	-	-
Impairment		
Balance at beginning of the year	-	(65,000)
Impairment charge for the year	-	(24,735)
Transfers to mine properties	-	50,802
Transfers to property, plant and equipment	-	38,933
	-	-
Net book value at end of period	-	-

Mining development assets represents the investment in the Kapulo project and comprises expenditure in respect of exploration, evaluation and development incurred by the Group, including design and construction costs, previously accumulated and carried forward in relation to areas of interest.

Mine development assets are encumbered to the extent disclosed in Note 12.

12. LOANS AND BORROWINGS

		Consolidated	
		31 Mar 2016 $'000	31 Dec 2015 $'000
Current			
Bank overdraft	(i)	5,006	4,756
Prepayment facility	(ii)	-	9,989
Loan facility	(v)	6,000	-
Promissory Note	(iv)	1,032	1,107
Finance lease liabilities		725	710
		12,763	16,562
Non-Current			
Prepayment facility	(ii)	51,022	40,208
Other loan facility	(iii)	10,620	10,288
Finance lease liabilities		437	624
		62,079	51,120

(i) At the end of the period the Group had drawn $5.0 million on its $5.0 million unsecured bank overdraft facility with BCDC. Interest is payable at the fixed rate of 8.5% per annum.

(ii) Trafigura provided a pre-payment facility of $50.0 million, which was fully drawn down as at December 31, 2014. Interest on the loan is payable quarterly at the rate of 3-month LIBOR plus 7.5% per annum. During December 2015, the pre-payment agreement was amended to extend the maturity date from June 30, 2017 to September 30, 2018 and to defer the first capital repayment from March 31, 2016 to June 30, 2016. The interest payable at December 31, 2015 was also deferred to be paid in two equal instalments on January 31, 2016 and February 29, 2016.

During March 2016, the facility was amended again, whereby, principal and interest payments due under the pre-payment facility will cease until such time as mining operations at the Kapulo mine are recommenced, following which, Trafigura will have priority for repayment of the facility from the first $15.0 million of available cash flow from mining operations.

(iii) In December 2014, the Company entered into the Galena Financing Package with Galena to provide the Company with a $5.0 million unsecured bridge loan and a $10.0 million secured loan facility. The secured loan facility is repayable in full on September 30, 2017, with interest of 12% per annum. The unsecured bridge loan was repaid in full during the year ended December 31, 2015.

(iv) In April 2015, the Company finalised a $15.0 million unsecured loan, bearing 12% interest with Galena maturing May 1, 2016. As part of this transaction, Galena was issued 367,500,000 ordinary share purchase warrants.

In November 2015, shareholders approved the issuance of 367,500,000 ordinary shares, at a price of C$0.05 per share for gross proceeds of C$18.4 million upon exercise of share purchase warrants held by Galena. All of the proceeds were applied to reduce the balance of the loan down to US$1.2 million, for which the Group entered into a promissory note. The note attracts interest at 12% per annum and is repayable in equal monthly installments with the last installment to be paid on October 31, 2016.

(v) On March 2, 2016 the Group announced that it has decided to place Kapulo on C&M. In order to satisfy its current liabilities and place the Kapulo mine on C&M, Galena agreed to provide the Company with an interest free, secured loan of up to $20.0 million. In partial consideration for the loan, the Company has issued Galena warrants exercisable to acquire up to 2,744,200,000 ordinary shares of the Company at an exercise price of C$0.01 per share until December 31, 2017. The warrants will be exercisable pro rata the amount of the loan which is drawn down at the time of exercise.

Secured liabilities and assets pledged as security

The Galena Financing Package and the prepayment agreement is secured by a charge over the assets of Mawson West and its principal operating subsidiary AMC, based in the DRC. Security has also been granted over the shares indirectly held by the Company in AMC. Security granted to Galena as part of the Galena Financing Package is second ranking to the security granted to Trafigura pursuant to the prepayment agreement.

13. ISSUED CAPITAL AND RESERVES

Ordinary shares

Ordinary shares entitle the holder to participate in dividends as declared. All issued shares are fully paid. All shares rank equally with regard to the Company's residual assets. Ordinary shares entitle the holder to one vote, either in person or by proxy, at a meeting of the Company.

	Consolidated			
	Three months ended 31 March 2016		Three months ended 31 March 2015	
	Number	$'000	Number	$'000
Balance at start of period	774,960,935	215,516	214,260,935	184,232
Shares issued pursuant to private placement	-	-	187,200,000	17,387
On issue at end of period	774,960,935	215,516	401,460,935	201,619

Share options and warrants

Options and warrants to subscribe for ordinary shares in the Company have been granted as follows:

Exercise period	Exercise Price	Opening Balance at 1 Jan 2016	Options/ Warrants Issued	Options/ Warrants Exercised/ Cancelled/ Expired	Closing Balance at 31 Mar 2016
On or before 30 November 2016	C$2.00	1,650,000	-	(800,000)	850,000
On or before 29 May 2017	C$2.00	200,000	-	-	200,000
On or before 26 July 2017	C$0.66	2,428,740	-	(1,498,740)	930,000
On or before 30 September 2017	C$0.15	83,333,334	-	-	83,333,334
On or before 31 December 2017	C$0.01	-	2,744,200,000	-	2,744,200,000
On or before 30 November 2020	C$0.03	650,000	-	-	650,000
		88,262,074	2,744,200,000	(2,298,740)	2,830,163,334

Dividends

There were no dividends paid or declared during the three month periods ended 31 March 2016 or 31 March 2015.

14. RELATED PARTY TRANSACTIONS

(a) Identity of related parties

The Group has related party relationships with its controlling shareholder, subsidiaries, and associates and with its key management personnel.

(b) Transactions with Controlling Shareholder

Galena Private Equity Resources Fund LP holds approximately 77.1% of the shares in the Company. Galena is an associated company of Trafigura and SPC, entities which the Company has entered into a number of commercial contracts relating to the Company's operations. These contracts were negotiated and executed on a third party arm's length basis.

Other than the amendments to the pre-payment agreement signed on April 8, 2015, December 28, 2015 and March 2, 2016, the fuel supply and fuel plant supply agreements, the $15 million unsecured loan facility entered on April 30, 2015 and the $20.0 million secured loan facility entered on March 2, 2016, all related party transactions described below with Galena (and its associated companies) were entered into prior to Galena becoming a related party of the Company. The terms of the March 2016 amendments to the pre-payment agreement were reviewed by disinterested Directors of the Board and were found to be on arms-length terms.

Concentrate Offtake Agreement

In April 2014, the Company announced that it had entered into an offtake agreement, through its 90% owned subsidiary AMC, with Trafigura to sell 100% of the copper concentrate produced at the Dikulushi and Kapulo mines for a period up to 48 months from the commencement of commercial production at Kapulo. In December 2014 as part of the Galena Financing Package, the offtake agreement has been extended under an amendment agreement for up to a further 5 years. Trafigura has been given a right to match any third party offtake arrangements for an additional 5 years thereafter.

Under the offtake agreement, generally 95% of the invoice value is collected within 5 days from the date of sale and the remaining balance collected within 90 days from the date of sale.

During the period, copper sales totaling 3,495 tonnes and silver sales totaling 8,593 ounces were completed under the offtake agreement. These sales resulted in net revenue of $9.7 million.

As at March 31, 2016 there is $3.2 million outstanding from Trafigura under the offtake agreement.

Pre-payment Facility

As part of the concentrate offtake arrangement described above, Trafigura provided AMC a pre-payment facility of $50.0 million, which has been fully drawn down. Interest is payable quarterly, at the rate of 3-month LIBOR plus 7.5% per annum. An administration fee of $1.0 million (being 2% of the pre-payment amount) was paid on the first draw-down.

In December 2014, the terms of the pre-payment facility were amended to extend the maturity date and defer a number of principal repayments. On April 8, 2015, the Company announced it had further amended the pre-payment agreement, deferring repayments by 12 months and extending the maturity date from June 30, 2017 to June 30, 2018. On December 28, 2015, the pre-payment agreement was further amended; deferring the interest payment due on December 31, 2015 into two equal instalments to be paid on January 31, 2016 and February 29, 2016. In addition to the deferral of interest payments, principal repayments were deferred by an additional 3 months and the maturity date was extended from June 30, 2018 to September 30, 2018.

In March 2016, the pre-payment facility was amended further. Under these amendments, principal and interest payments due under the facility will cease until such time as mining operations at the Kapulo mine are recommenced, following which, Trafigura will have priority for repayment of the facility from the first $15.0 million of available cash flow from mining operations, in instalment amounts and times to be based on the calculation of available cash flow.

During the Quarter, the Company accrued interest under the facility of $0.8 million and made no interest payments to Trafigura in line with the amendment to the pre-payment facility.

14. RELATED PARTY TRANSACTIONS (CONTINUED)

Refer to Note 12 for the outstanding balance owing under the pre-payment facility as at March 31, 2016 and Note 16 on Subsequent Events.

Fuel Supply Agreement

On September 5, 2014 the Company entered into a 3 year contract with SPC for the supply of fuel to the Company's Dikulushi and Kapulo operations. During the Quarter, the Company entered into transactions under the contract totalling $2.8 million.

On March 23, 2016, SPC agreed to write off 70% of the amount outstanding relating to the fuel supply agreement as at February 29, 2016. In return, the Company settled the remaining balance. The amount written off by SPC amounted to $3.3 million. All future purchases from SPC will be on a pre-payment basis.

During the Quarter, the Company paid SPC $3.7 million, including a final settlement of $1.4 million against outstanding balances as at February 29, 2016.

Fuel Plant Supply Agreement

On September 5, 2014 the Company entered into a lease agreement with SPC for the supply of fuel storage and dispensing equipment. During the three months ended March 31, 2015, the Company made payments under the contract totalling $0.1 million.

On March 23, 2016, SPC agreed to an arrangement whereby the Company will return half of the fuel tankers leased from SPC by the middle of April 2016, whilst the remainder will be returned by the middle of May 2016. In addition to this, the Company paid an amount of $0.3 million in final settlement of the loan balance due to SPC, with the remaining amount of $0.9 million being written off by SPC.

As at March 31, 2016 the Company has outstanding obligations to SPC of $0.9 million.

Facility

In December 2014, as part of the Galena Financing Package, Galena provided the Company with a $10 million secured loan facility. Interest is payable quarterly, at the rate of 12% per annum. The loan was fully drawn down during 2014 financial year. An administration fee of $0.8 million (being 8% of the pre-payment amount) was paid on the first draw-down.

During the Quarter, the Company accrued interest under the facility of $0.4 million and made no interest payments to Galena.

Refer to Note 12 for the outstanding balance owing under the Facility as at March 31, 2016.

Share Purchase Warrants

In May 2015 Galena issued a $15 million unsecured loan to the Company, which was then fully drawn down. In November 2015, a portion of the loan was converted into equity under the terms of the agreement.

As part of issuance of the unsecured loan, Galena was issued 367,500,000 ordinary share purchase warrants with an exercise price of C$0.05 per share (subject to regulatory and shareholder approval) and expiring on December 31, 2017.

On November 11, 2015, the Company announced that on October 26, 2015 shareholders approved the issuance of 367,500,000 ordinary shares, at a price of C$0.05 per share for gross proceeds of C$18.4 million, to Galena upon exercise of share purchase warrants held by Galena.

The shares were issued to Galena on November 9, 2015 and the proceeds were applied against the US$15 million unsecured loan from Galena entered into on April 30, 2015. The proceeds reduced the balance of the loan to US$1.2 million for which the Group entered into a promissory note on November 9, 2015. The note bears an interest rate of

14. RELATED PARTY TRANSACTIONS (CONTINUED)

12.0% per annum, payable in arrears, and is repayable in twelve equal installments subject to a final repayment on October 31, 2016.

During the Quarter, the Company accrued interest under the facility of $0.03 million. Principal repayments of $0.1 million and interest payments of $0.01 million were paid to Galena.

Equity Line

On September 9, 2015, the Company announced that it has executed an equity line subscription agreement with Galena providing for possible additional equity investments in the Company by Galena in an amount up to C$18 million. At December 31, 2015, no funds have been drawn against this equity line.

Care and Maintenance funding

On March 2, 2016 the Group announced that it has decided to place its Kapulo mine on C&M. In order to satisfy its current liabilities and place the Kapulo mine on C&M, Galena provided the Company with an interest free, secured loan for these purposes in an amount up to $20.0 million.

In partial consideration for the loan, the Company has issued Galena warrants exercisable to acquire up to 2,744,200,000 ordinary shares of the Company at an exercise price of C$0.01 per share until December 31, 2017. The warrants will be exercisable pro rata based on the amount of the loan which is drawn down at the time of exercise. The exercise of the warrants is subject to the receipt of disinterested shareholder approval. Upon receiving shareholder approval for the exercise of the warrants, which must be obtained prior to May 15, 2016, Galena will be required to exercise the warrants which are then exercisable within 10 business days and the proceeds of which will be set-off against the loan.

The loan will mature on the date which is six months after Trafigura has been paid the $15 million in terms of the amendment to the pre-payment facility.

In the event that the requisite shareholder approval for the exercise of the warrants is obtained, the exercise of the warrants could result in Galena owning more than 90% of the issued and outstanding ordinary shares of the Company. As such Galena has advised the Group that it intends to consider alternatives for taking the Group private, including the possible acquisition of all of the ordinary shares of the Company not owned by it pursuant to compulsory acquisition provisions available under Australian corporate law in the event that Galena’s ownership of the Company exceeds 90% of the issued and outstanding ordinary shares of the Company.

In the event that shareholder approval for the exercise of the Warrants is not obtained, Galena may, in its sole discretion, declare the loan due and payable, provided that the full amount of the loan is funded prior to Galena so declaring the loan due and payable.

Technical Services Agreement

Following completion of the Galena financing package, the Company initiated negotiations with Trafigura to provide mine project technical consultancy services to the Company including, but not limited to:

- Management support to the Dikulushi and Kapulo operations, in respect of technical matters;
- Technical consulting services to the Dikulushi and Kapulo operations in respect of the technical matters; and
- Advisory services to the Mawson West Board, in respect of various technical matters.

The Technical Services Agreement was finalised and signed on August 27, 2015. During the three month period ended March 31, 2016, Trafigura invoiced the Company $0.4 million for technical services rendered. This amount remains unpaid at March 31, 2016.

(c) Transactions with Other Related Parties

The Group had no transactions with any other related party during the Quarter.

MAWSON WEST LIMITED

15. CONTINGENCIES

As at March 31, 2016, AMC (a subsidiary of Mawson West Limited) had received the following assessments and claims from DRC government authorities:

- An assessment of approximately US$5.5 million from the DRC Ministry of Finance which claims AMC has not paid the appropriate taxes on expatriate employee salaries for employees issued with working visas between 2009 and 2011; and
- A claim of approximately US$0.7 million from the Office De Gestion Du Fret Multimodal ("**OGEFREM**") which claims AMC has not paid the appropriate commissions to OGEFREM for the export of AMC's mining products.

The Company disputes these claims as the majority are without basis. The Company believes, where applicable, all taxes, duties and related declarations have been calculated and either paid or provided for in accordance with applicable law and there is no material liability to the relevant authorities. The Company is presently liaising with the relevant authorities in relation to these matters.

There were no other known contingent liabilities which were not provided for in the financial statements of the Group as at March 31, 2016.

16. SUBSEQUENT EVENTS

Agreements have been signed with group suppliers after the end of the Quarter totalling a further $0.5 million write-off in debts owed.

In April 2016 a third tranche of $3.0 million was drawn on the Galena facility, bringing the total value drawn to date to $9.0 million.

As planned in the C&M scenario, all processing activities at the Kapulo mine has ceased on May 8, 2016.

In May 2016 the Company was informed of a national suspension of VAT refunds by the DRC government subject to finalisation of an internal review.

A shareholder meeting has been convened for 31 May 2016 where shareholders will consider the approval of the exercise of the warrants issued to Galena as part of the recent care and maintenance financing package. If approved by disinterested shareholders, Galena is required to exercise the warrants within 10 business days from date of approval with the proceeds set off against the Galena loan.

Other than the matters disclosed above, since the end of the Quarter and to the date of this report no matter or circumstance has arisen that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.