

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## For the three and nine months ended September 30, 2016

### INTRODUCTION

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This management's discussion and analysis ("**MD&A**") of the consolidated financial position and results of operations of Mawson West Limited and its subsidiary companies (collectively, "**Mawson West**" or the "**Company**") constitutes management's review of the factors that affected the Company's financial and operating performance for the three month period ended September 30, 2016 (the "**Quarter**"), and nine month period ended September 30, 2016 (the "**year to date**"). This is in comparison to the three month period ended September 30, 2015 (the "**Comparable Quarter**") and nine month period ended September 30, 2015 (the "**comparable year to date**"). This MD&A is dated November 11, 2016 and has been prepared with information available as of November 11, 2016.

This MD&A should be read in conjunction with the Company's unaudited consolidated interim financial report for the three month and nine month periods ended September 30, 2016 and the related notes thereto ("**Financial Statements**"), the Company's audited consolidated financial report for the financial year ended December 31, 2015, and the Company's Annual Information Form for the financial year ended December 31, 2015, which have been filed electronically through the System for Electronic Document Analysis and Retrieval ("**SEDAR**") and are available online at [www.sedar.com](http://www.sedar.com). The Financial Statements and the financial information contained in this MD&A have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") in compliance with IFRS as issued by the International Accounting Standards Board. The functional and presentation currency of the Company is US Dollars and all amounts in this MD&A are expressed in US Dollars unless otherwise identified.

This MD&A contains forward-looking information, such as statements regarding potential mineralisation, Mineral Resources, Mineral Reserves and operational and exploration results and future plans and objectives of the Company, that is subject to various risks and uncertainties, including those set forth in "Forward-Looking Statements" and "Risk Factors". There can be no assurance that such information will prove to be accurate, and actual results and future events could differ materially from those anticipated in such information. Readers are cautioned not to place undue reliance on this forward-looking information.

### OVERVIEW

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During the Quarter, the Company's Kapulo and Dikulushi mines remained on care and maintenance ("**C&M**"). C&M activities at the Kapulo mine commenced after the Company ceased mining operations on March 23, 2016 and milling operations on May 8, 2016. The Company made the decision to place the Kapulo mine on C&M due to continued weakness in the price of copper, which resulted in unprofitable and unsustainable mining operations. These circumstances also contributed to a rapid deterioration in the Company's financial position, such that it was having difficulties satisfying its current liabilities in a timely manner. The Dikulushi mine was placed on C&M in the first quarter of 2015.

In order for Mawson West to place the Kapulo mine on C&M and to satisfy its payables, Galena Private Equity Resources Fund LP ("**Galena**") provided the Company with an interest free, secured loan in an amount up to \$20.0 million in March 2016. In partial consideration for the loan, the Company 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.

During the Quarter, a further tranche of \$6.5 million was drawn on the Galena facility, bringing the total value drawn to date to \$19.0 million after the set-off of the ordinary shares issued on June 13, 2016, leaving an undrawn balance available under the facility of \$1.0 million.

On September 9, 2016 Galena provided the Group with a letter of comfort stating their willingness to provide the Group with financial support to enable the Group to continue to meet its financial obligations as and when they fall due. Should Galena and Trafigura withdraw their financial support and the Group 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.

Overall C&M cost was the main contributor to the generation of a \$4.4 million loss after income tax for the Quarter, against a loss after income tax of \$4.3 million for the Comparable Quarter. The Company had cash outflows from operating and investing activities of \$6.5 million for the Quarter (\$1.4 million cash outflow for the Comparable Quarter) and had a net asset deficiency of \$35.3 million at September 30, 2016.

## **SUBSEQUENT EVENTS**

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On October 19, 2016 the Company announced that it was notified by Galena that Galena intends to compulsorily acquire all of the remaining securities in the Company that it does not already own. The compulsory acquisition is being carried out pursuant to the procedure set out in the Australian Corporations Act 2001 which is available to Galena as a result of its ownership of at least 90% by value of all of the securities in the Company that are either shares or convertible into shares. Under the compulsory acquisition, Galena proposes to compulsorily acquire all of the ordinary shares of the Company for consideration of C\$0.01 per share.

The Company has been notified by the TSX that the Continued Listings Committee of the TSX has determined to delist the Company's securities effective at the close of market on November 21, 2016 due to failure by the Company to meet the continued listing requirements of TSX.

Other than the matter disclosed above, 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.

## **OUTLOOK**

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The Company's near term outlook is as follows:

- C&M activities at the Dikulushi and Kapulo mines continue at an approximate cost of \$0.3 million per month. The Kapulo mine is expected to restart operations in September 2017.
- The Company remains dependent upon continued financial support from Galena to maintain its liquidity. Should Galena withdraw their financial support and the Group 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.

## **BUSINESS**

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Mawson West is an Australian-based copper producer, developer and explorer. The ordinary shares of the Company are listed on the Toronto Stock Exchange ("**TSX**") under the symbol "MWE".

Mawson West's focus is on the Democratic Republic of Congo ("**DRC**") and its major asset is its ownership of the tenements which are governed by the Dikulushi Mining Convention and held by its 90% owned subsidiary Anvil Mining Congo SA ("**AMC**"). The tenements cover a land package of approximately 7,300 km<sup>2</sup> and encompass the Company's two main projects, the Dikulushi copper-silver mine ("**Dikulushi Mine**") and the Kapulo copper exploration and development project ("**Kapulo Project**"), as well as multiple exploration targets. The Dikulushi Mining Convention is a mining concession granted by the Government of the DRC on January 31, 1998 and ratified by Presidential Decree issued on February 27, 1998, which sets out the regulatory and fiscal regime applicable to these tenements. Under the Dikulushi Mining Convention, AMC is guaranteed sole and exclusive rights for exploitation of projects governed by the Dikulushi Mining Convention.

Mawson West commenced its activities in the DRC in April 2006 when it entered into a farm-in agreement on the Kapulo Project with Anvil Mining Ltd ("**Anvil**"), the previous owner of AMC, which gave Mawson West the right to earn a 65% interest in the Kapulo Project by spending \$4.0 million on exploration within 4 years. The Company's subsequent exploration work on the Kapulo Project in 2006, 2007 and the first half of 2008 resulted in Mawson West defining over 200,000 tonnes of contained copper. By October 2008 the Company had completed its required expenditure and earned a 65% interest in the Kapulo Project.

In April 2010 the Company acquired Anvil's 90% interest in AMC, being the registered owner of the tenements governed by the Dikulushi Mining Convention, as well as 100% of Anvil Mining Zambia Ltd (now renamed CMCZ Ltd). As AMC is also the owner of the Kapulo Project, the acquisition of AMC also resulted in Mawson West increasing its interest in the Kapulo Project from 65% to 90%. Throughout this period, the Company continued with exploration on the Kapulo Project, including infill, metallurgical, hydrogeological and geotechnical drilling, analysis and test work, and regional exploration.

Following its acquisition of AMC, Mawson West began refurbishing the Dikulushi Mine processing plant and commenced treating the low-grade (1.2% copper) stockpile located at the Dikulushi Mine in July 2010. The processing was commenced on a trial basis to ensure that the plant was fully operational before a contemplated transfer of the plant to the Kapulo Project, and to test whether processing of the low-grade stockpile could be profitable. Profitability of the processing was confirmed taking into account the then current commodity prices. Processing of the low-grade stockpile was completed in February 2012.

Following some exploration success at various satellite deposits around Dikulushi and determining potentially viable options for further production from the Dikulushi deposit, a decision was made to continue to operate the Dikulushi Mine and to establish a new plant at Kapulo.

In July 2011, the Company committed to the development of the Kapulo Project and commenced site earthworks and camp construction at Kapulo shortly thereafter. During Q4 2014, the Company commenced commissioning the Kapulo Project, an open pit mine. In December 2014, the Company issued a Mineral Reserve update for the Kapulo Project. According to the 2014 Technical Report relating to the Kapulo Project, Proved and Probable Mineral Reserves at Kapulo were reported to be 3.942 million tonnes at 3.65% copper, supporting a 6.3 year mine life with approximately 122,000 tonnes total recovered copper in concentrate, with average annual production from Mineral Reserves of approximately 19,400 tonnes of copper in concentrate.

Following positive feasibility study results on the cutback expansion of the Dikulushi Mine, the Company committed to the development of the Dikulushi open pit in August 2011. Proved and Probable Mineral Reserves at Dikulushi as at September 2011 were 539,000 tonnes at 6.1% copper and 182 grams per tonne silver. The Company completed mining the Dikulushi open pit in July 2013 and approximately 85% of the Mineral Reserve was mined through open pit mining methods.

In July 2013, the Company was granted an exploitation permit in relation to the Kazumbula and Kabusanje deposits, located approximately 15 kilometers from the Dikulushi Mine. In June 2014, the Company announced total Measured and Indicated Mineral Resources at Kazumbula and Kabusanje of 551,000 tonnes at 1.74% copper and 45.7 grams per tonne silver, above 1% copper cut-off grade to 80 meters below surface. Preliminary economic evaluations of the Kazumbula and Kabusanje deposits indicate that the economics are not compelling at prevailing metal prices.

In November 2013, the Company made a decision to commence underground mining at the Dikulushi Mine and announced underground Mineral Reserves of 173,000 tonnes at 5.2% copper and 127 grams per tonne silver. Production from Dikulushi underground operations commenced in February 2014.

Following a review of its Dikulushi and Kapulo operations in January 2015, the Company placed the Dikulushi Mine on C&M. The Dikulushi Mineral Reserve, having been based on modifying factors (e.g. ore recovery and dilution factors) that have now been demonstrated to not be applicable, has been written down to nil following the outcome of a detailed mining study. No production or sales are expected from Dikulushi in the immediate future.

Commissioning of the Kapulo Project commenced during the fourth quarter of 2014 with the Company completing the sale of its first pre-production shipment of copper concentrate in April 2015. Commercial production commenced on July 1, 2015.

During the third quarter of 2015 the Company decided to establish a technical and administrative support office in Johannesburg, South Africa. The office was designed to better align the Company's technical, administrative and site operational functions.

On March 2, 2016 the Company announced its decision to place Kapulo on C&M. Mining operations ceased at the end of March 2016, while milling operations continued into early May 2016. The decision was made due to continued weakness in the price of copper, which has resulted in unprofitable and unsustainable mining operations. These circumstances also contributed to a rapid deterioration in the Company's financial position, such that it had difficulties satisfying its payables in a timely manner.

Both operations remain on C&M as at the end of the Quarter.

## **OPERATIONS AND EXPLORATION**

### **Operations**

#### *Kapulo*

The following table sets forth production statistics for the Company's processing of material from Kapulo on a quarterly basis. Commercial production was achieved on July 1, 2015; therefore the statistics for Quarters 1 and 2 of 2015 represent pre-production statistics.

Kapulo	Units	2016	2016	2016	2015	2015	2015	2015
		Q3	Q2	Q1	Q4	Q3	Q2	Q1
Ore processed	dmt	-	44,758	119,277	129,613	133,013	103,706	47,191
Mill feed grade copper	%	-	3.4	4.1	4.2	4.3	5.0	3.7
Mill feed grade silver	g/t	-	4.90	7.79	7.59	6.99	7.19	2.06
Copper produced in concentrate	t	-	1,190	4,278	4,743	4,691	3,628	728
Copper concentrate grade	%	-	31.70	31.79	31.79	32.49	32.20	26.34
Copper recovery	%	-	83.0	86.6	86.4	82.4	70.1	41.9
Silver produced in concentrate	oz	-	4,319	22,526	24,798	22,981	17,566	1,278
Silver recovery	%	-	68.0	75.4	78.4	76.9	73.3	40.8
Copper sales	t	-	2,253	3,495	5,288	3,490	2,565	-
Silver sales	oz	-	3,194	8,562	11,740	5,740	3,936	-

There was no production or sales of metal during the Quarter as the Kapulo mine remains on C&M.

#### *Dikulushi*

There was no production or sales of metal during the Quarter or year to date as the Dikulushi mine remains on C&M.

The following table sets forth production statistics for the Company's processing of material from Dikulushi on a quarterly basis for the last 8 Quarters.

Dikulushi	Units	2016	2016	2016	2015	2015	2015	2015	2014
		Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Ore processed	dmt	-	-	-	-	-	-	15,780	33,118
Mill feed grade copper	%	-	-	-	-	-	-	1.8	1.8
Mill feed grade silver	g/t	-	-	-	-	-	-	27.20	33.53
Copper produced in concentrate	t	-	-	-	-	-	-	256	552
Copper concentrate grade	%	-	-	-	-	-	-	48.75	51.7
Copper recovery	%	-	-	-	-	-	-	91.3	91.5
Silver produced in concentrate	oz	-	-	-	-	-	-	10,929	32,220
Silver recovery	%	-	-	-	-	-	-	79.2	90.2
Copper sales	t	-	-	-	-	-	-	388	909
Silver sales	oz	-	-	-	-	-	-	18,829	42,790

### **Exploration and Resource Definition**

During the Quarter and year to date, there was no expenditure on exploration and resource definition, with the Company's exploration program being reduced with a view to preserving cash.

**FINANCIAL PERFORMANCE AND POSITION**

The selected financial information set forth below includes information which has been extracted from, and should be read in conjunction with, the Financial Statements and the audited consolidated financial statements of the Company for the year ended December 31, 2015 and the related notes thereto.

**Results of Operations**

<i>(in thousands of dollars except as otherwise noted)</i>	<b>Three months ended September</b>		<b>Nine months ended September</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Revenue	-	11,554	16,099	12,655
Gross profit/(loss)	-	279	(7,297)	(791)
General administrative and marketing	(648)	(2,033)	(2,896)	(7,515)
Share-based payments	-	(150)	-	545
Impairment loss	-	-	-	(27,678)
Profit / (loss) on derivative instruments	-	407	25	996
Other	(3,791)	(2,775)	(3,014)	(11,753)
Income tax (expense)/benefit	-	11	-	-
<b>Profit/(Loss) after income tax</b>	<b>(4,439)</b>	<b>(4,261)</b>	<b>(13,181)</b>	<b>(46,196)</b>
Earnings (Loss) per Share (basic) (cents) <sup>1</sup>	(0.2)	(0.9)	(0.8)	(11.5)
Earnings (Loss) per Share (diluted) (cents) <sup>1</sup>	(0.2)	(0.9)	(0.8)	(11.5)
Realised copper price (\$/tonne)	-	5,283	4,699	5,620
Copper sales (tonnes)	-	3,490	5,748	6,422
C1 cost per pound (\$)	-	1.82	2.17	1.95

Note 1: Basic and diluted earnings per share are based on the net result attributable to owners of the parent.

**Three months ended September 30, 2016 compared to the three months ended September 30, 2015**

Major items affecting the financial results of the Company for the Quarter included the following:

1. Revenue

There were no sales during the Quarter after the commencement of C&M at Kapulo in June. This compares with copper sales of 3,490 tonnes and silver sales of 5,740 ounces in the Comparable Quarter, with realised prices of \$5,283 per tonne of copper (\$2.40 per pound) and \$14.87 per ounce of silver, to realise net revenue of \$11.6 million that was capitalised under mine development assets.

2. Gross profit/(loss)

Gross loss for the Quarter was nil, compared with \$0.3 million gross profit for the Comparable Quarter. During the Quarter no product was sold, while during the Comparable Quarter Kapulo achieved commercial production at the beginning of the quarter.

C1<sup>1</sup> costs for the Quarter was nil, compared with C1 costs of \$1.82 (\$1.82 excluding silver credits) during the Comparable Quarter.

3. General administrative and marketing

Costs during the Quarter were \$1.4 million lower than the costs in the Comparable Quarter. The decrease in costs was primarily driven by the reduced activity associated with C&M, as well as other cost reduction measures.

<sup>3</sup> The term "C1 cost" is a non-IFRS financial performance measure reported in this MD&A. See "Non-IFRS Financial Measures".

4. Other

Other significant items for the Quarter included an expense of \$2.1 million related to redundancy payments associated with C&M, barge repairs and site maintenance costs. Further included is \$1.4 million finance expenses largely related to unwinding interest on the Trafigura pre-payment facility. During the Comparable Quarter significant items included the \$2.1 million net finance charges and C&M expenses of \$0.7 million at Dikulushi partly offset by a derivative gain of \$0.4 million.

5. Loss after income tax

Loss after income tax of \$4.4 million, was mainly driven by the C&M costs of \$2.1 million during the Quarter, compared to a loss after income tax of \$4.3 million for the Comparable Quarter which was mainly driven by overhead costs and finance expenses.

Nine months ended September 30, 2016 compared to the nine months ended September 30, 2015

Major items affecting the financial results of the Company for the year to date included the following:

1. Revenue

Revenue for the year to date amounted to \$16.1 million, an increase of \$3.4 million against the comparable year to date, mainly reflecting the production of Kapulo versus the limited production from Dikulushi placed in C&M in January 2015. Sales of copper and silver year to date totalled 5,748 tonnes and 11,756 ounces respectively. The average realised copper price received was \$4,699 per tonne (\$2.13 per pound) and average silver price received was \$15.81 per ounce. This compares with copper sales of 6,442 tonnes and silver sales of 28,505 ounces in the comparable year to date, with realised prices of \$5,620 per tonne of copper (\$2.55 per pound) and \$14.87 per ounce of silver.

2. Gross loss

Gross loss for the year to date totalled \$7.3 million, compared with \$0.8 million loss for the comparable year to date. The year to date gross loss mainly reflects the unprofitability of the Kapulo operations and costs associated with the closure of the site.

3. General administrative and marketing

Costs during the year to date were \$4.6 million lower than the costs in the comparable year to date, primarily as a result of the reduced activity associated with C&M, as well as other cost reduction measures implemented.

4. Impairment charges

There were no impairments recognised during the year to date, following assessments undertaken for potential impairment of asset carrying values. During the comparable year to date, the non-cash expense of \$27.7 million represents the impairment charge of \$24.7 million in relation to the Company's Kapulo Project and followed a review of operating costs in conjunction with deteriorating copper price and a better understanding of the metallurgical domain assumptions and recoveries for the project following a few months of ramp-up, as well as \$2.9 million relating to the recoverability of certain receivables.

5. Other

Other significant items for the year to date included C&M costs at Kapulo of \$5.7 million and finance expenses of \$6.3 million, offset by \$4.9 million write-off of payables due to Trafigura companies and \$4.7 million gain arising from the Trafigura loan revision. During the comparable year to date significant items included C&M costs at Dikulushi of \$8.0 million and a derivative gain of \$1.0 million offset by accretion expense relating to the expected timing of collection of outstanding taxation receivables.

6. Loss after income tax

Loss after income tax of \$13.2 million, mainly driven by a gross loss of \$7.3 million and general administrative expenses of \$2.9 million, compared to a loss after income tax of \$46.2 million for the comparable year to date which comprised of a non-cash impairment charge of \$27.7 million and C&M costs at Dikulushi of \$8.0 million.

**Financial Position**

<i>(in thousands of dollars except as otherwise noted)</i>	<b>As at September 30, 2016</b>	<b>As at December 31, 2015</b>
Cash and short term deposits	729	1,493
Trade and other receivables	5,123	6,082
Inventories	6,523	13,085
Mine properties	15,307	16,312
Property, Plant and Equipment	11,328	13,292
Advanced tax receivable	1,032	1,084
Other assets	6,129	3,777
<b>Total assets</b>	<b>46,171</b>	<b>55,125</b>
Trade and other payables	5,223	15,509
Derivative financial instruments	79	105
Loans and borrowings	69,640	67,682
Provisions	6,512	6,509
<b>Total liabilities</b>	<b>81,454</b>	<b>89,805</b>
<b>Shareholders' equity</b>	<b>(35,283)</b>	<b>(34,680)</b>

A summary of significant balance sheet items is described below:

*Cash and short term deposits*

Cash and short term deposits remained minimal mainly as a result of reduced activity, payment of redundancy expenses as well as other costs associated with mine closure.

*Trade and other receivables*

Trade and other receivables is represented by the outstanding balance of copper and silver in concentrate sales invoiced and VAT input credits receivable which are discounted over the anticipated collection period.

*Inventories*

Inventories have decreased by \$6.6 million, comprising of a decrease of \$2.6 million copper and silver concentrate at Kapulo, a decrease of \$2.9 million relating to ore stockpiles and \$1.1 million relating to goods in transit.

*Property, plant and equipment*

Property, plant and equipment decreased due to normal depreciation associated with use of the assets.

*Other assets*

Other assets is represented by mining rehabilitation deposits in conjunction with VAT input credits receivable which are discounted over the anticipated collection period.

*Trade and other payables*

Trade and other payables decreased by \$10.3 million during the year to date due to payment of outstanding creditors following the receipt of funding from Galena.

*Loans and borrowings*

Loans and borrowings increased mainly due to the funding received from Galena during the Quarter, which was partly offset by the bank overdraft being reduced from \$5.0 million to \$2.5 million in May according to revised terms and conditions.

*Other liabilities*

Provisions have remained unchanged as the employee provisions paid out as part of redundancy packages for corporate and Kapulo employees were offset by additional redundancy provisions and rehabilitation provision adjustments.

## Summary of Quarterly Results

The following table sets out a summary of the quarterly results for the Company for the last 8 quarters.

<i>(in thousands of dollars except as otherwise noted)</i>	2016			2015			2014	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Realised copper price (\$/tonne)	-	4,730	4,703	5,077	5,283	6,041	5,870	6,664
<b>Revenue</b>	-	<b>6,423</b>	<b>9,676</b>	<b>14,424</b>	<b>11,554</b>	<b>(954)</b>	<b>2,055</b>	<b>5,282</b>
Gross profit/(loss)	-	(5,065)	(2,232)	(7,497)	279	(954)	(6,510)	(7,151)
Consolidated Net Profit/(Loss)	(4,439)	(6,865)	(1,877)	(55,497)	(4,261)	(32,000)	(9,935)	(43,286)
Net Profit/(Loss) attributable to Mawson West	(4,074)	(6,293)	(13,774)	(49,751)	(3,778)	(28,695)	(9,020)	(39,425)
<b>Basic attributable (loss)/earnings per share (cents)</b>	<b>(0.2)</b>	<b>(0.6)</b>	<b>(0.1)</b>	<b>(8.2)</b>	<b>(0.9)</b>	<b>(7.1)</b>	<b>(3.2)</b>	<b>(23.7)</b>
<b>Diluted attributable (loss)/earnings per share (cents)</b>	<b>(0.2)</b>	<b>(0.6)</b>	<b>(0.1)</b>	<b>(8.2)</b>	<b>(0.9)</b>	<b>(7.1)</b>	<b>(3.2)</b>	<b>(23.7)</b>
Total Assets				55,125	107,565	105,438	119,068	126,170

Further details regarding the Company's results for the Quarter are discussed throughout this MD&A. Further information on Mawson West's quarterly results can be found in the respective quarterly financial statements and related management discussion and analysis of the Company filed on SEDAR at [www.sedar.com](http://www.sedar.com).

## LIQUIDITY & CAPITAL RESOURCES

As at September 30, 2016, the Company had net cash and cash equivalents of \$1.2 million in overdraft, compared with \$3.1 million in overdraft as at September 30, 2015. The Company remains dependent upon continued financial support from Galena to maintain its liquidity.

Current loans and borrowings outstanding balances are the result of:

- In order to place the Kapulo mine on C&M and to satisfy payables, Galena provided the Company with an interest free, secured loan in an amount up to \$20.0 million in March 2016. In partial consideration for the loan, the Company 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. During the Quarter a further \$6.5 million was drawn on this secured loan, leaving an undrawn balance available of \$1.0 million as at September 30, 2016. The loan will mature on the date which is six months after Trafigura has been paid the \$15.0 million in terms of the amendment to the pre-payment facility. During the second quarter, 1,646,520,000 of the Galena warrants were exercised in accordance with their terms and the terms of the Galena loan such that Galena acquired 1,646,520,000 ordinary shares of the Company at an exercise price of C\$0.01 per share for gross proceeds to Mawson West of C\$16,465,200. The exercise of the warrants followed the receipt of disinterested shareholders' approval for the issuance of the ordinary shares issuable upon exercise of the warrants at the shareholders meeting of the Company held on May 31, 2016. Galena continues to hold warrants exercisable to acquire a balance of 1,097,680,000 ordinary shares of the Company at the exercise price of C\$0.01 per share until December 31, 2017. As a result of the exercise of the warrants, Galena now owns and controls a total of 2,244,050,761 ordinary shares of Mawson West, representing approximately 92.7% of the issued and outstanding ordinary shares of the Company.
- On May 1, 2015 the Company announced that it had obtained the \$15.0 million Unsecured Loan from Galena, 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 \$1.2 million, for which the Company entered into a promissory note. The note attracts interest at 12% per annum and is repayable in equal monthly installments with the last installment on October 31, 2016.
- 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. As part of the offtake arrangements, Trafigura provided a prepayment 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. In 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

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repayment of the facility from the first \$15.0 million of available cash flow from mining operations. As a part of the share issue to Galena in June 2016, \$0.6 million of the Trafigura prepayment facility was repaid.

- 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.
- The Company has access to a \$2.5 million overdraft facility from Banque Commerciale du Congo, of which \$1.9 million was utilized at the end of the Quarter. Interest is payable at the rate of 7.0% per annum. This facility is available for renewal on December 31, 2016.

**Statement of cash flows**

<i>(in thousands of dollars except as otherwise noted)</i>	<b>Three months ended September</b>		<b>Nine months ended September</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Net cash from/(used in) operating activities (i)	(5,699)	(646)	(14,394)	(28,055)
Net cash from/(used in) investing activities (ii)	(823)	(746)	(1,240)	(18,412)
Net cash from/(used in) financing activities (iii)	6,314	-	17,717	27,387

Three months ended September 30, 2016 compared to the three months ended September 30, 2015

- Cash outflow from operating activities was \$5.7 million for the Quarter, compared to cash outflow of \$0.6 million for the Comparable Quarter. The Quarter reflects the utilisation of the Galena funding received to pay overdue suppliers and employee retrenchments. The Comparable Quarter's reduced cash outflow reflects the impact of higher revenues from an increased volume of copper sales.
- Cash outflow from investing activities was \$0.8 million for the Quarter, compared to cash outflow of \$0.7 million for the Comparable Quarter. The outflow of cash during the Quarter related mainly to exploitation permit conversions and the outflow during the Comparable Quarter was the final expenditure of the Kapulo Project which achieved commercial production on July 1, 2015.
- Cash inflow from financing activities was \$6.3 million for the Quarter, compared to cash inflow of nil for the Comparable Quarter. During the Quarter \$6.5 million was drawn on the \$20.0 million Galena secured loan facility and partly offset by settlement payments of finance leases to suppliers.

Nine months ended September 30, 2016 compared to the nine months ended September 30, 2015

- Cash outflow from operating activities was \$14.4 million for the year to date, compared to cash outflow of \$28.1 million for the comparable year to date. The current year to date results mainly reflect the cost impact of placing Kapulo on C&M. The comparable year to date results reflect the cost impact of placing Dikulushi on C&M and restructuring measures at the Kapulo Project and the Perth corporate office.
- Cash outflow from investing activities was \$1.2 million for the year to date, compared to cash outflow of \$18.4 million for the comparable year to date. This outflow of cash during the period is mainly the result of the improvements to the tailings dam at Kapulo in preparation for C&M and exploitation permit conversions. The comparable year to date results included expenditure related to the development of the Kapulo Project.
- Cash inflow from financing activities was \$17.7 million for the year to date, compared to cash inflow of \$27.4 million for the comparable year to date. The inflow of cash mainly reflects the drawdown of \$19.0 million on the \$20.0 million Galena secured loan facility, compared with the drawdown of the \$15.0 million Unsecured Loan from Galena and the Equity Backstop Financing from Galena at the beginning of March 2015 of \$17.4 million.

## **CONTINGENT LIABILITIES**

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As at September 30, 2016, AMC had received the following assessments and claims from DRC government authorities:

- An assessment of approximately \$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.
- A claim of approximately \$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 September 30, 2016.

## **OUTSTANDING SHARE DATA**

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As at the date of this MD&A, the Company had 2,421,480,935 ordinary shares issued and outstanding, as well as 1,183,643,334 ordinary shares issuable upon the exercise of stock options and warrants.

Mawson West has employee incentive schemes under which options may be granted to directors, officers and employees of the Company. Vesting of some of the outstanding options is subject to achievement of specified performance hurdles. As at the date of this MD&A, there were 2,630,000 incentive stock options outstanding with the exercise prices ranging from C\$0.03 to C\$2.00 per share, forming part of the 1,183,643,334 stock options and warrants outstanding.

## **OFF-BALANCE SHEET ARRANGEMENTS**

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The Company has no off-balance sheet arrangements.

## **TRANSACTIONS WITH RELATED PARTIES**

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Galena holds approximately 92.7% of the shares in the Company. Galena is an associated company of Trafigura, Societe Petroliere Du Congo SPRL ("**SPC**") and Edenfield Procurement South Africa (Pty) Limited ("**Edenfield**"), entities with 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 amended prepayment agreement on April 8, 2015, the fuel supply and fuel plant supply agreements and the \$15.0 million Unsecured Loan facility entered on April 30, 2015 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 April 2015 amendment to the prepayment agreement and the fuel supply and fuel plant supply agreements were reviewed by disinterested Directors of the Board and were found to be on arms-length basis.

### **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.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For three and nine months ended September 30, 2016**

During the nine month period, copper sales totaling 5,748 tonnes and silver sales totaling 11,756 ounces were completed under the offtake agreement. These sales resulted in net revenue of \$16.1 million. As at September 30, 2016 there was \$1.9 million trade receivable outstanding from Trafigura under the offtake agreement.

**Prepayment 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 nine month period, the Company accrued interest under the facility of \$0.7 million and made no interest payments to Trafigura in line with the amendment to the pre-payment facility. \$0.6 million was redeemed against the principal of the pre-payment facility owed to Trafigura.

**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 nine month period, the Company entered into transactions under the contract totalling \$3.9 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. Subsequent purchases from SPC have been on a pre-payment basis.

During the nine month period, the Company paid SPC \$4.1 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. On March 23, 2016, SPC agreed to an arrangement whereby the Company returned half of the fuel tankers leased from SPC by the middle of April 2016, whilst the remainder was 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 September 30, 2016 the Company has no outstanding obligations to SPC.

**Facility**

In December 2014, as part of the Galena Financing Package, Galena provided the Company with a \$10.0 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 nine month period, the Company accrued interest under the facility of \$0.9 million and made no interest payments to Galena.

### **Share Purchase Warrants**

In May 2015 Galena issued a \$15.0 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 \$15.0 million unsecured loan from Galena entered into on April 30, 2015. The proceeds reduced the balance of the loan to \$1.2 million for which the Company entered into a promissory note on November 9, 2015. The note bears an interest rate of 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 nine month period, the Company accrued interest under the facility of \$0.1 million. Principal repayments of \$0.1 million and interest payments of \$0.01 million were paid to Galena.

### **Care and Maintenance funding**

On March 2, 2016 the Company announced that it had decided to place its Kapulo mine on C&M. In order to place the Kapulo mine on C&M and to satisfy payables, Galena provided the Company with an interest free, secured loan in an amount up to \$20.0 million in March 2016. In partial consideration for the loan, the Company 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.

During the nine month period, 1,646,520,000 of the Galena warrants were exercised in accordance with their terms and the terms of the Galena loan such that Galena acquired 1,646,520,000 ordinary shares of the Company at an exercise price of C\$0.01 per share for gross proceeds to Mawson West of C\$16,465,200. The exercise of the warrants followed the receipt of disinterested shareholder approval for the issuance of the ordinary shares issuable upon exercise of the warrants at the shareholders meeting of the Company held on May 31, 2016. Galena continues to hold warrants exercisable to acquire a balance of 1,097,680,000 ordinary shares of the Company at the exercise price of C\$0.01 per share until December 31, 2017. As a result of the exercise of the warrants during the Quarter, Galena now owns and controls a total of 2,244,050,761 ordinary shares of Mawson West, representing approximately 92.7% of the issued and outstanding ordinary shares of the Company.

The proceeds from the exercise of the warrants were applied and set-off against the \$12.0 million drawn down under the Galena \$20.0 million loan to the date of the exercise of the warrants and such amount has been repaid and satisfied in full as a result. The balance of proceeds was used to repay an additional \$0.6 million of debt owed to Trafigura under the pre-payment facility.

### **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 nine month period ended September 30, 2016, Trafigura invoiced the Company \$0.2 million for technical services rendered. A write-off of 70% of the cumulative balance of \$0.9 million was agreed to by Trafigura, leaving an amount due of \$0.3 million which remains unpaid at September 30, 2016.

### **Employee Share Purchase Plan**

As at September 30, 2016 there were a number of outstanding loans issued pursuant to the Company's Employee Share Purchase Plan (the "ESP Plan") to related parties as follows:

<b>Participant</b>	<b>Number of Shares</b>	<b>Loan Value</b>
Mark Stowell (Director)	275,000	\$165,000
Anthony Lloyd (Director)	175,000	\$105,000
Glenn Zamudio (Executive)	400,000	\$240,000

The Company implemented the ESP Plan in April 2010 under which it could provide benefits to participants in the form of share-based payment transactions, whereby the participants render services in exchange for rights to acquire shares in the Company. In connection with the issuance of these ESP Plan shares, the Company made interest free, non-recourse loans to each of the participants to enable them to acquire the shares.

In February 2015, in accordance with provisions of their employment agreements with the Company, Mr. Mark Di Silvio and Mr. Gary Brabham were issued with 300,000 and 280,000 Company shares respectively. In connection with the issuance of these shares, the Company made interest free, non-recourse loans to Messrs. Di Silvio and Brabham, in the amounts of C\$228,000 and C\$184,800 respectively, to enable them to acquire the shares. These shares were not issued under the Company's Employee Share Purchase Plan, but were issued subject to the same underlying terms.

In January 2014, the Company also issued 1,734,120 shares to Mr. McFadzean (previous CEO) and 370,000 shares to Mr. Mark Stowell (Director) under the Omnibus Incentive Plan. In connection with the issuance of these shares, the Company made interest free, non-recourse loans to Messrs. McFadzean and Stowell, respectively in the amounts of C\$1,144,519 and C\$244,200, to enable them to acquire the shares.

During the second quarter of 2015, the Company issued 2,500,000 Performance Rights to Mr. Anthony Lloyd (Chairman and acting CEO), 1,750,000 Performance Rights to Mr. Philippe Monier (Director) and 1,750,000 Performance Rights to Mark Stowell (Director) under the Company's Omnibus Incentive Plan. These Performance Rights were subject to time vesting conditions as approved at the Annual General Meeting in May 2015. All Performance Rights vested and ordinary shares were issued during the quarter ending December 31, 2015.

### **CRITICAL ACCOUNTING ESTIMATES**

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Management is required to make various estimates and judgments in determining the reported amounts of assets, liabilities, revenues and expenses for each period represented and in the disclosure of commitments and contingencies. Accounting estimates and judgments are continually re-evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable in the circumstances. A description of the Company's significant accounting policies is included in Note 1 to the audited consolidated financial statements of the Company for the year ended December 31, 2015. Management considers the following to be the accounting policies which reflect its more significant estimates and judgments used in the preparation of the Company's financial statements.

#### **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 capitalized 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.

#### **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 Company 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 Mineral Resources for which there is a high degree of confidence of economic extraction with given technology;
- (ii) Estimate 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.

### **Share-based payment transactions**

The Company 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 which includes estimates of future share price volatility and dividends.

### **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 the relevant legislation governing 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.

### **Commercial production**

The Company assesses the stage of each mine under construction to determine when a mine moves into the production stage. That is 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 Company considers various relevant criteria to assess when the production phase is considered to commence and all related amounts are reclassified from "Mine Development Assets" to "Plant and equipment". 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.

### **Unit-of-production method of depreciation / amortisation**

The Company 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 and are dependent on future mining costs.

### **Deferred stripping expenditure**

The Company 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 mining area 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 mine are accounted for prospectively.

## **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.

## **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 Company 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 Company 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 Company operates could limit the ability of the Company to obtain tax deductions in future periods.

## **NON-IFRS FINANCIAL MEASURES**

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The term "C1 cost" is a non-IFRS financial performance measure reported in this MD&A. C1 costs are direct cash operating costs per pound of copper produced, net of silver by-product credits. Direct cash operating costs per pound include all mining and processing costs, mine site overheads and realisation costs (including transport costs, treatment and refining costs and smelter recovery deductions) through to refined metal. The term C1 cost does not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers.

## **CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION**

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The Company's key accounting policies and the adoption of new and revised accounting standards are provided in Note 1 to the audited consolidated financial statements of the Company for the period ended December 31, 2015. There have been no significant changes in such policies.

## **FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

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The Company's activities expose it to a variety of financial risks: market risk (including commodity risk, foreign exchange risk, equity securities risk and interest rate risk), credit risk and liquidity risk. The Company therefore has an overall risk management program that focuses on the unpredictability of financial and base metal commodity markets and seeks to minimise potential adverse effects on the financial performance of the Company. The Company uses different methods to measure different types of risk to which it is exposed including sensitivity analysis in the case of interest rate, foreign exchange and other price risks and aging analysis for credit risk.

Financial risk management is carried out by the finance department of the Company, under policies approved by the Board of Directors with identification, evaluation and hedging of financial and commodity risks being undertaken in close co-operation with the Company's operating units. The Board is responsible for overall risk management as well as the approval for use of derivative financial instruments and the investment of excess liquidity.

### **Market Risk**

#### *Commodity risk*

The Company is exposed to the risk of fluctuations in prevailing market commodity prices on the mix of mineral products it produces. The Company's policy is to manage these risks through the use of negotiated spot pricing for copper and silver concentrate sales where appropriate. As a result, the Company is not exposed to any material quotational period commodity pricing risk for amounts receivable from customers.

#### *Foreign exchange risk*

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

*Equity securities risk*

The Company is not exposed to significant equity securities price risk. The Company does not hold investments classified in the statement of financial position either as available-for-sale or at fair value through profit or loss.

*Interest rate risk*

The Company's main interest rate risk arises from long-term borrowing through its borrowing facility which is based on LIBOR + 3 months. The Company's borrowings are at variable rate and denominated in US dollars. The Company has not entered into any hedge/interest rate swap instruments to manage interest rate risk exposure.

**Credit Risk**

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted under a financial instrument resulting in a financial loss to the Company and arises from deposits with banks and financial institutions, favourable derivative financial instruments as well as credit exposures to customers including outstanding receivables and committed transactions. Following commencement of the offtake arrangements with Trafigura in April 2015, all copper and silver concentrate is being sold to one customer and the Company has performed a credit assessment of that customer.

The carrying amount the Company's financial assets, represents the maximum credit exposure.

**Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, that as far as possible, it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages liquidity risk by maintaining adequate cash reserves by continuously monitoring forecast and actual cash flows, matching maturity profiles of financial assets and financial liabilities, and by ensuring that surplus funds are generally only invested in instruments that are tradable in highly liquid markets or that can be relinquished with minimal risk of loss.

**MANAGEMENT'S REPORT ON DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING**

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The Company's Chief Executive Officer ("**CEO**") and Chief Financial Officer ("**CFO**") are responsible for establishing and maintaining the Company's disclosure controls and procedures and internal controls over financial reporting.

The Company's disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is communicated to senior management to allow timely decisions regarding the required disclosure. The Company's internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements in compliance with IFRS.

The Company's management are of the opinion that any disclosure controls and processes or internal controls over financial reporting, no matter how well developed and executed, can provide only reasonable and not absolute assurance that the objectives of the control systems are met. The fundamental issue is ensuring all transactions are properly authorized and identified and entered into a well-designed, robust and clearly understood accounting system on a timely basis to minimize risk of inaccuracy, failure to fairly reflect transactions, failure to fairly record transactions necessary to present financial statements in accordance with IFRS, unauthorized receipts and expenditures, or the inability to provide assurance that unauthorized acquisitions or dispositions of assets can be detected. The Company reviews and updates its financial policies and procedures as it continues to grow and develop.

During the Quarter no material changes were made to the Company's disclosure and internal controls over financial reporting. The Company is committed to monitor and improve the control environment on an ongoing basis.

The CEO and CFO believe that the design and operation of its disclosure controls and procedures and internal controls over financial reporting were effective in providing reasonable assurance that material information regarding this report, and annual consolidated financial statements and other disclosures was made known to them on a timely basis and reported as required and that the financial statements present fairly, in all material aspects, the financial condition, results of operations and cash flows of the Company as of December 31, 2015. The CEO and CFO also believe that no material weaknesses exist in the design of the Company's internal controls over financial reporting.

## FORWARD-LOOKING STATEMENTS

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This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information may include, but is not limited to, information with respect to the future financial and operating performance of the Company, its subsidiaries and affiliates, the estimation of Mineral Reserves and Mineral Resources, realization of Mineral Reserve and Mineral Resource estimates, costs and timing of development of the Company's projects, costs and timing of future exploration, timing and receipt of approvals, consents and permits under applicable legislation, results of future exploration and drilling and adequacy of financial resources. Forward-looking information is often characterized by words such as "plan", "expect", "budget", "target", "project", "intend", "believe", "anticipate", "estimate" and other similar words or statements that certain events or conditions "may" or "will" occur.

Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from those expressed or implied by such forward-looking information, including risks associated with investments in publicly listed companies, such as the Company; risks associated with general economic conditions; fluctuations in commodity prices and, in particular, the price of copper; the inherent risks and dangers of mining exploration and operations in general; the possibility that required permits may not be obtained; environmental risks; uncertainty in the estimation of Mineral Resources and Mineral Reserves; risks that the current Inferred Resources at Kapulo will not be converted to Mineral Reserves; general risks associated with the feasibility, development and production of each of the Company's projects; the risk that further funding may be required, but unavailable, for the ongoing exploration, development and production of the Company's projects; changes in government regulations, policies or legislation; unforeseen expenses; fluctuation in the exchange rate of the United States dollar, the Congolese Franc, the Australian dollar or the Canadian dollar; restrictions on the repatriation of earnings by the Company's subsidiaries; litigation risk; risks of being unable to sell production resulting from the development of a project; foreign investment risks in the DRC; changes in laws or regulations of the DRC; future actions by the Government of the DRC; breach of any of the contracts through which the Company holds property rights; defects in or challenges to the Company's property interests; uninsured hazards; disruptions to the Company's supplies or service providers; reliance on key personnel; retention of key employees; absence of dividends; competition; and inability to effect service of process or to enforce judgments within Canada upon and against the directors, officers and experts of the Company. See "Risk Factors".

Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of their experience and their perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, but which may prove to be incorrect. The Company believes that the assumptions and expectations reflected in such forward-looking information are reasonable. Assumptions have been made regarding, among other things: the Company's ability to carry on its exploration; development and production activities; the timely receipt of required approvals; the price of copper; the ability of the Company to operate in a safe, efficient and effective manner; and the ability of the Company to obtain financing as and when required and on reasonable terms.

Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

## TECHNICAL INFORMATION

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The Company has prepared the technical information in this MD&A regarding Dikulushi and Kapulo (the "Technical Information") based on information contained in the technical reports regarding Dikulushi and Kapulo (the "Technical Reports") available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com). Each Technical Report was prepared by or under the supervision of a Qualified Person as defined in National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101"). Readers are encouraged to review the full text of the Technical Reports which qualifies the Technical Information. Readers are advised that Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. The Technical Reports are each intended to be read as a whole, and sections should not be read or relied upon out of context. The Technical Information is subject to the assumptions and qualifications contained in the Technical Reports.

The disclosure of all Technical Information in this MD&A has been prepared under the supervision of Emmanuel Henry, AusIMM, a Qualified Person as defined in NI 43-101. Mr Henry is a full-time employee of Trafigura and is not independent of the Company.

## **RISK FACTORS**

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There are a number of risks that may have a material and adverse impact on the future operating and financial performance of Mawson West and the value of its ordinary shares. These include risks that are widespread and associated with any form of business and specific risks associated with Mawson West's business and its involvement in the exploration and mining industry generally and in the DRC in particular. While most risk factors are largely beyond the control of Mawson West, the Company seeks to mitigate the risks where possible. An investment in the Company's ordinary shares is considered to be speculative due to the nature of Mawson West's business and the present stage of its development.

### **Mining**

Dikulushi and Kapulo account for all of the Company's Mineral Resources and Mineral Reserves. Any adverse development affecting the progress of Dikulushi and/or Kapulo such as, but not limited to, unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage, hiring suitable personnel and engineering contractors, or securing supply agreements on commercially suitable terms, may have a material adverse effect on the Company's financial performance and results of operations.

### **Base metal exploration projects may not be successful and are highly speculative in nature**

The exploration for and development of base metals involves significant risks which even a combination of careful evaluation, experience and knowledge cannot eliminate. While the discovery of a base metal deposit may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish Mineral Reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. Whether a base metal deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of base metals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital. There is no certainty that the expenditures made by the Company the search and evaluation of base metal deposits will result in discoveries of commercial quantities of such metals.

### **There is no assurance as to Mawson West's ability to sustain and expand Mineral Reserves and Resources**

Because mines have limited lives based on Proved and Probable Mineral Reserves, the Company will be required to continually replace and expand its Mineral Reserves as its mines produce copper. The Company's life-of-mine estimates included in this MD&A in respect of Dikulushi and Kapulo may not be correct. The Company's ability to maintain or increase its annual production of copper in the future will be dependent in significant part on its ability to bring new mines into production and/or to expand Mineral Reserves at existing mines.

Feasibility studies may be used to determine the economic viability of a deposit. Many factors are involved in the determination of the economic viability of a deposit including the achievement of satisfactory Mineral Reserve estimates, the level of estimated metallurgical recoveries, capital and operating cost estimates and the estimate of future copper prices. Capital and operating cost estimates are based upon many factors, including anticipated tonnage and grades of ore to be mined and processed, the configuration of the deposit, ground and mining conditions, expected recovery rates of the copper from the ore and anticipated environmental and regulatory compliance costs. Each of these factors involves uncertainties and as a result Mawson West cannot give assurance that its development or exploration projects will become operating mines. If a mine is developed, actual operating results may differ from those anticipated, thereby impacting on the economic viability of the project.

### **Mawson West's Mineral Resources and Reserves are estimates only**

There is no certainty that the Mineral Resources, or any Mineral Reserve, attributable to Mawson West will be realized. Until Mineral Reserves or Mineral Resources are actually mined and processed, the quantity of Mineral Resources and Mineral Reserve grades must be considered as estimates only. In addition, the quantity of Mineral Reserves and Mineral Resources may vary depending on, among other things, metal prices and currency exchange rates. Any material change in the quantity of Mineral Reserves, Mineral Resources, grade or stripping ratio may affect the economic viability of the properties. In addition, there can be no assurance that copper recoveries or other metal recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production.

Results of drilling, metallurgical testing and production and the evaluation of mine plans subsequent to the date of any estimate may require revision of such estimate. The volume and grade of Mineral Reserves mined and processed and recovery rates may not be the same as currently anticipated. Any material reductions in estimates of Mineral Reserves and Mineral Resources, or of the Company's ability to extract these Mineral Reserves, could have a material adverse effect on the Company's results of operations and financial condition. Also, a reduction in estimated Mineral Reserves could require material write-downs in investment in the affected mining property and increased amortization, reclamation and closure changes.

**Inferred Mineral Resources are uncertain and their economic viability cannot be assured**

Inferred Mineral Resources may not be converted into Mineral Reserves as the ability to assess geological continuity is not sufficient to demonstrate economic viability. Due to the uncertainty which may attach to Inferred Mineral Resources, there is no assurance that Inferred Mineral Resources will be upgraded to Mineral Resources with sufficient geological continuity to constitute Proved and Probable Mineral Reserves as a result of continued exploration.

**Mining operations generally involve a high degree of risk**

Mining operations are subject to all the hazards and risks normally encountered in the exploration for and development and production of precious and base metals, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding, variations in grade, deposit size, density and other geological problems, hydrological conditions, metallurgical and other processing problems, mechanical equipment performance problems, the unavailability of materials and equipment including fuel, labour force disruptions, unanticipated transportation costs, unanticipated regulatory changes, unanticipated or significant changes in the costs of supplies including, but not limited to, petroleum, and adverse weather conditions and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Should any of these risks and hazards affect any of Mawson West's proposed mining operations, it may cause the cost of production to increase to a point where it would no longer be economic to produce copper from the Company's Mineral Reserves, which would have a material adverse effect on the financial condition, results of operation, and cash flows of the Company.

**Copper price volatility may affect the future production, profitability, financial position and financial condition of Mawson West**

The development and success of Dikulushi and Kapulo will be primarily dependent on the future price of copper. Copper prices are subject to significant fluctuation and are affected by a number of factors which are beyond the control of the Company. Such factors include, but are not limited to, interest rates, exchange rates, inflation or deflation, fluctuations in the value of the United States dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of major copper-producing countries throughout the world. The price of copper and other base and precious metals has fluctuated widely in recent years, and future serious price declines could cause continued development of, and commercial production from, the Company's properties to be impracticable or uneconomic. Depending on the price of copper and other base metals, projected cash flow from planned mining operations may not be sufficient and the Company could be forced to discontinue development and may lose its interest in, or may be forced to sell, some of its properties. Future production from the Company's mining properties is dependent on copper prices that are adequate to make these properties economically viable.

Furthermore, Mineral Reserve calculations and life-of-mine plans using significantly lower copper prices could result in material write-downs of the Company's investment in mining properties and increased amortization, reclamation and closure charges. In addition to adversely affecting the Company's Mineral Reserve estimates and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

**Foreign investments and operations are subject to numerous risks associated with operating in a foreign jurisdiction**

Mawson West conducts its mining, development and exploration activities entirely in the DRC. Mawson West's foreign mining investments are subject to the risks normally associated with the conduct of business in foreign countries. Some of these risks are more prevalent in countries that are less developed or have emerging economies, such as the DRC. Due to the fact that the DRC is a developing nation, with poor physical and institutional infrastructure, the Company's operations are subject to various increased economic, political and other risks. The occurrence of one or more of these risks could have a material and adverse effect on Mawson West's profitability or the viability of its affected foreign operations, which could have a material and adverse effect on Mawson West's future cash flows, earnings, results of operations and financial condition.

Risks may include, among others, labour disputes, invalidation of governmental orders and permits, corruption, uncertain political and economic environments, sovereign risk, war (including in neighbouring states), civil disturbances and terrorist actions, arbitrary changes in laws or policies, the failure of foreign parties to honour contractual relations, challenges to or reviews of the Company's legal and contractual rights, corruption, foreign taxation, changing tax and royalty regimes, delays in obtaining or the inability to obtain necessary governmental permits, opposition to mining from environmental or other non-governmental organizations, limitations on foreign ownership, limitations on the repatriation of earnings, limitations on copper exports, instability due to economic underdevelopment, inadequate infrastructure and increased financing costs. In addition, the enforcement by the Company of its legal rights to exploit its properties may not be recognized by the government of the DRC or by its court system. These risks may limit or disrupt Mawson West's operations, restrict the movement of funds or result in the deprivation of contractual rights or the taking of property by nationalization or expropriation without fair compensation.

The economy and political system of the DRC should be considered by investors to be less predictable than those in countries in which investors are likely to be resident. The DRC has a history of political instability, significant and unpredictable changes in government policies and laws, war and civil conflict, including current civil unrest, illegal mining activities, lack of law enforcement and labour unrest. The possibility that the current, or a future, government may adopt substantially different policies, take arbitrary action which might halt production, extend to the re-nationalization of private assets or the cancellation of contracts, the cancellation of mining and exploration rights and/or changes in taxation treatment cannot be ruled out, the happening of any of which could result in a material and adverse effect on the Company's results of operations and financial condition.

#### **Mawson West may experience regulatory, consent or permitting delays**

The business of mineral exploration, project development, mining and processing is subject to various national and local laws and plans relating to: permitting and maintenance of title; environmental consents; taxation; employee relations; heritage /historic matters; health and safety; royalties; land acquisition; and other matters.

There is a risk that the necessary permits, consents, authorizations and agreements to implement planned exploration, project development, or mining may not be obtained under conditions or within time frames that make such plans economic, that applicable laws, regulations or the governing authorities will change or that such changes will result in additional material expenditures or time delays.

#### **Mawson West's title to mineral rights could be challenged**

The acquisition and retention of title to mineral rights is a detailed and time consuming process. Title to, and the area of, Mineral Resource claims may be disputed or challenged. The Company's right to explore for, mine, produce and sell copper from Dikulushi and Kapulo is based on the Dikulushi Mining Convention. Should Mawson West's rights under the Dikulushi Mining Convention not be honoured or be unenforceable for any reason, or if any material term of the Dikulushi Mining Convention is unilaterally changed or not honoured, including the boundaries, Mawson West's ability to explore and produce copper in the future would be materially and adversely affected, and this would have a material and adverse effect on the Company's financial performance and results of operations.

#### **Mawson West relies on its management team, and the loss of one or more members of the team may adversely affect the Company**

The success of the operations and activities of Mawson West is dependent to a significant extent on the efforts and abilities of its management. Investors must be willing to rely to a significant extent on management expertise, competence, discretion and judgment. The loss of one or more of these key employees, if not replaced, could adversely affect the Company's profitability, results of operations and financial condition.

#### **Mawson West may continue to incur losses in the future**

The Company placed Dikulushi underground on C&M and only commenced commercial production from Kapulo in 2015. After year-end the Company announced that it will also place Kapulo on C&M. Accordingly, there can be no assurance that the Company will experience positive operating cash flow and that significant losses will not continue to occur in the near future or that the Company will be profitable in the future.

#### **Mawson West may require additional financing**

The Company may require additional financing to further develop its operations and for further acquisitions. Failure to obtain sufficient financing in the future may result in delay or indefinite postponement of the development of the Company's projects. There can be no assurance that equity or debt financing will be available when needed or that, if available, the terms of such financing will be acceptable to the Company.

### **Mawson West has substantial indebtedness**

The Company currently has substantial indebtedness. The risks associated with this indebtedness includes limiting the Company's ability to obtain additional debt financing to fund future working capital, capital expenditures, acquisitions or other general corporate requirements. A substantial portion of the Company's cash flows will be dedicated to debt service payments, increasing the Company's vulnerability to general adverse economic and industry conditions.

### **Mawson West's properties are subject to environmental risks**

Mining operations have inherent risks and liabilities associated with pollution of the environment and the disposal of waste products occurring as a result of mineral exploration and production. Laws and regulations involving the protection and remediation of the environment and the governmental policies for implementation of such laws and regulations are constantly changing and are generally becoming more restrictive. Mawson West cannot give any assurance that, notwithstanding its precautions, breaches of environmental laws (whether inadvertent or not) or environmental pollution will not materially and adversely affect its financial condition and its results from operations.

There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the properties on which the Company holds interests which are unknown to the Company at present and which have been caused by previous or existing owners or operators of the properties. Reclamation costs are uncertain and planned expenditures may differ from the actual expenditures required.

### **Mawson West's insurance coverage does not cover all of its potential losses, liabilities and damages related to its business and certain risks are uninsured or uninsurable**

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes or slowdowns, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment or laws, and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, delays in development or mining, monetary losses and possible legal liability.

Although the Company maintains insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

### **Currency fluctuations may affect the costs that Mawson West incurs in its operations**

Most of the Company's revenue and operating expenses are incurred in United States dollars. From time to time, the Company may raise or borrow funds and will incur expenditure that is denominated in foreign currency. Copper is sold throughout the world, based principally on a U.S. dollar price, but as stated above, a portion of Mawson West's operating expenses are incurred in non-U.S. dollar currencies. The appreciation of non-U.S. dollar currencies in those countries where Mawson West has mining and exploration operations against the U.S. dollar would increase the costs of copper production at such operations which could materially and adversely affect the Company's profitability, results of operation and financial position.

### **A market for Mawson West's shares may not be sustained**

The Company has ordinary shares which are currently listed for trading on the TSX. Some shares are also held on the Company's Australian register. However, an active public trading market for the ordinary shares may not be sustained. If an active public market for the ordinary shares is not sustained, the ability of a purchaser to dispose of the ordinary shares in a timely manner, or at all, may be affected.

### **Trading in Mawson West's shares may be volatile**

The securities of publicly traded companies, particularly those considered to be development stage companies, can experience a high level of price and volume volatility and the value of the Company's securities can be expected to fluctuate depending on various factors, not all of which are directly related to the success of the Company and its

operating performance, underlying asset values or prospects. These include general worldwide economic conditions, changes in government policies, investor perceptions, movements in global interest rates and global stock markets, variations in the operating costs and costs of capital replacement that the Company may require in the future and all market conditions that are specific to the mining industry. There can be no assurance that such fluctuations will not affect the price of the Company's securities.

**There can be no assurance that Mawson West will ever pay dividends**

No dividends on the ordinary shares have been declared or paid to date. The Company anticipates that, for the foreseeable future, it will retain future earnings and other cash resources for the operation and development of its business. Payment of any future dividends will be at the discretion of the Board of Directors after taking into account many factors, including earnings, operating results, financial condition, current and anticipated cash needs, and any restrictions in financing agreements. There can be no assurance in relation to the payment of dividends.

**The issuance of additional equity by Mawson West may depress its share price and will cause dilution**

The Company may undertake additional offerings of ordinary shares and of securities convertible into ordinary shares in the future to satisfy financing requirements. Any increase in the number of ordinary shares issued and outstanding and the possibility of sales of such ordinary shares may depress the price of ordinary shares. In addition, as a result of the issuance of any such additional ordinary shares, the Company's existing shareholders would be diluted.

**It may not be possible to effect service of process and enforce judgments outside of Canada**

The Company and its subsidiaries are incorporated or otherwise organized under the laws of foreign jurisdictions and all but one of the directors and officers of the Company and some or all of the experts named in this MD&A reside outside Canada. In addition, some or all of the assets of those persons and the Company and its subsidiaries are located outside of Canada. Although the Company and its directors that reside outside of Canada have appointed DLA Piper (Canada) LLP, Suite 6000, 1 First Canadian Place, 100 King St W, Toronto, Ontario, Canada, M5X 1E2, as their agent for service of process in Canada, it may not be possible for investors to collect from the Company or enforce judgments obtained in courts in Canada predicated on the civil liability provisions of securities legislation against the Company, its directors and officers and experts. Moreover, it may not be possible for investors to effect service of process within Canada upon the Company's directors, officers and experts.

**Litigation**

All industries, including the mining industry, are subject to legal claims, with and without merit. Legal proceedings may arise from time to time in the course of the Company's business. Such litigation may be brought against the Company or one or more of its subsidiaries in the future from time to time, or the Company or one or more of its subsidiaries may be subject to another form of litigation. Defence and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, should a claim be brought against the Company, the process of defending such claims could take away from management time and effort and the resolution of any particular legal proceeding to which the Company or one or more of its subsidiaries may become subject could have a material effect on the Company's financial position and results of operations.

**Mawson West has a short history of mining operations**

The Company has a short history of mining operations and has not previously conducted underground mining operations. As a result, there is no assurance that it will continue to successfully produce copper or silver, generate revenue, operate profitably or provide a return on investment in the future. Other factors mentioned in this risk factors section of the MD&A may also prevent Mawson West from successfully operating a mine.

**Current global financial conditions**

Current financial conditions globally have been subject to increased volatility. Access to financing has been negatively affected by economic uncertainties resulting from the inability of certain governments to meet their debt payment obligations. These factors may affect the ability of the Company to obtain equity and/or debt financing in the future and, if obtained, on terms favourable to the Company. If these increased levels of volatility and market turmoil continue, the Company's operations could be adversely affected and the Company may not be able to secure appropriate debt or equity financing, any of which could affect the trading price of the Company's securities in an adverse manner and the ability of the Company to continue as a going concern.

**ADDITIONAL INFORMATION**

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Information about Mawson West and its business activities, including its annual financial statements and annual information form, is available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.mawsonwest.com](http://www.mawsonwest.com). Information contained on the Company's website is not incorporated by reference herein and does not form part of this MD&A.