LORNEX CAPITAL INC.

Condensed Interim Consolidated Financial Statements (Unaudited)

Three and Nine Months Ended September 30, 2011 and 2010

(Expressed in Canadian Dollars)

LORNEX CAPITAL INC.

(the “Company”)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and nine months ended September 30, 2011 and 2010

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The management of Lornex Capital Inc. is responsible for the preparation of the accompanying unaudited condensed interim consolidated financial statements. The unaudited condensed interim consolidated financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards for the preparation of condensed interim consolidated financial statements and are in accordance with IAS 34 - Interim Financial Reporting.

The Company’s auditor has not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s auditor.

November 22, 2011

LORNEX CAPITAL INC.

Condensed Interim Consolidated Statements of Financial Position (Unaudited)
(Expressed in Canadian Dollars)

	September 30, 2011	December 31, 2010 (Note 13)	January 1, 2010 (Note 13)
	$	$	$
Assets			
Current:			
Cash	38,757	29,443	19,915
Short-term investments (Note 4)	750,000	900,000	275,000
Amounts receivable (Note 5)	9,857	13,791	4,513
Prepaid expenses and deposits	54,664	58,932	2,000
	853,278	1,002,166	301,428
Equipment (Note 6)	4,503	4,134	-
Reclamation deposit (Note 7)	-	-	5,000
Exploration and evaluation assets (Note 8)	41,936	35,168	25,000
	899,717	1,041,468	331,428
Liabilities			
Current:			
Accounts payable and accrued liabilities	2,069	24,255	21,630
Shareholders' equity			
Share capital (Note 9)	3,813,016	3,619,811	2,633,874
Reserves (Note 9)	152,824	150,737	116,393
Deficit	(3,068,192)	(2,753,335)	(2,440,469)
	897,648	1,017,213	309,798
	899,717	1,041,468	331,428

Nature of Operations (Note 1)
Subsequent Events (Note 14)

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

LORNEX CAPITAL INC.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss (Unaudited)
(Expressed in Canadian Dollars)

	Three months ended September 30, 2011	2010	Nine months ended September 30, 2011	2010
	$	$	$	$
Expenses:				
Consulting fees	1,950	9,250	13,750	28,750
Depreciation	395	116	1,031	231
Management fees	16,200	16,200	48,600	57,600
Office, rent and administration	21,133	21,739	65,517	68,966
Professional fees	5,042	1,796	15,700	9,077
Regulatory fees	2,500	-	10,795	17,251
Share-based payments (Note 9)	9,579	9,471	7,542	31,165
Transfer agent	2,704	2,034	6,761	6,214
Travel, promotion and shareholder communication	14,883	1,328	151,116	10,098
	74,386	61,934	320,812	229,352
Loss before other items	(74,386)	(61,934)	(320,812)	(229,352)
Other items:				
Finance and other costs	(87)	(112)	(331)	(359)
Finance income	2,110	2,560	6,286	3,897
	2,023	2,448	5,955	3,538
Loss and comprehensive loss for the period	(72,363)	(59,486)	(314,857)	(225,814)
Basic and diluted loss per share (Note 9(f))	(0.02)	(0.01)	(0.07)	(0.06)

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

LORNEX CAPITAL INC.

Condensed Interim Consolidated Statements of Changes in Equity (Unaudited)
(Expressed in Canadian Dollars)

		Share capital		Reserves			Deficit	Total shareholders' equity
	Note	Common shares	Amount	Stock options	Warrants	Total		
		#	$	$	$	$	$	$
Balance, January 1, 2010	13	**2,957,500**	**2,633,874**	**116,393**	-	**116,393**	**(2,440,469)**	**309,798**
Comprehensive loss for the period		-	-	-	-	-	(225,814)	(225,814)
Private placement		1,142,222	1,028,000	-	-	-	-	1,028,000
Share issue costs		-	(80,350)	-	-	-	-	(80,350)
Finder's fees		17,772	15,995	-	-	-	-	15,995
Finder's warrants issued		-	(6,666)	-	6,666	6,666	-	-
Exercise of options		54,418	17,958	-	-	-	-	17,958
Share-based payments		-	-	31,165	-	31,165	-	31,165
Fair value of stock options transferred to share capital upon exercise		-	11,198	(11,198)	-	(11,198)	-	-
Balance, September 30, 2010		**4,171,912**	**3,620,009**	**136,360**	**6,666**	**143,026**	**(2,666,283)**	**1,096,752**
Comprehensive loss for the period		-	-	-	-	-	(87,052)	(87,052)
Share issue costs		-	(198)	-	-	-	-	(198)
Share-based payments		-	-	7,711	-	7,711	-	7,711
Balance, December 31, 2010		**4,171,912**	**3,619,811**	**144,071**	**6,666**	**150,737**	**(2,753,335)**	**1,017,213**
Comprehensive loss for the period		-	-	-	-	-	(314,857)	(314,857)
Exercise of options		8,333	2,750	-	-	-	-	2,750
Exercise of warrants		616,667	185,000	-	-	-	-	185,000
Share-based payments		-	-	7,542	-	7,542	-	7,542
Fair value of stock options transferred to share capital upon exercise		-	5,455	(5,455)	-	(5,455)	-	-
Balance, September 30, 2011		**4,796,912**	**3,813,016**	**146,158**	**6,666**	**152,824**	**(3,068,192)**	**897,648**

LORNEX CAPITAL INC.

Condensed Interim Consolidated Statements of Cash Flows (Unaudited)
(Expressed in Canadian Dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
	$	$	$	$
Operating activities:				
Loss for the period	(72,363)	(59,486)	(314,857)	(225,814)
Adjustments for non-cash items:				
Depreciation	395	116	1,031	231
Share-based payments	9,579	9,471	7,542	31,165
Changes in non-cash working capital items:				
Amounts receivable	3,330	(2,980)	3,934	(4,549)
Prepaid expenses and deposits	-	-	4,268	-
Accounts payable and accrued liabilities	(10,114)	(7,950)	(22,186)	(20,513)
	(69,173)	(60,829)	(320,268)	(219,480)
Investing activities:				
Short-term investments	50,000	45,000	150,000	(755,000)
Purchase of equipment	(910)	-	(1,400)	(2,306)
Exploration and evaluation assets	-	-	(6,768)	-
	49,090	45,000	141,832	(757,306)
Financing activities:				
Shares issued for cash	-	-	187,750	1,045,958
Share issue costs	-	-	-	(64,355)
	-	-	187,750	981,603
Increase (decrease) in cash	(20,083)	(15,829)	9,314	4,817
Cash, beginning of period	58,840	40,561	29,443	19,915
Cash, end of period	38,757	24,732	38,757	24,732
Supplemental cash flow information:				
Non-cash financing activities:				
Shares and warrants issued for finders' fees (Note 9)	-	-	-	22,661
Fair value of stock options transferred to share capital upon exercise (Note 9)	-	-	5,455	11,198

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

1. Nature of Operations

The Company was incorporated on July 26, 2000 under the Canada Business Corporations Act and is engaged in the acquisition, exploration and development of mineral properties in Canada. The Company's common shares are traded on the TSX Venture Exchange ("Exchange") under the symbol "LOM". On August 29, 2011, the Company consolidated its capital stock on a three-for-one-basis (Note 9(b)).

The head office, principal address and records office of the Company are located at Suite 507 – 700 West Pender Street, Vancouver, BC, Canada, V6C 1G8. The Company's registered office address is Suite 1780 - 400 Burrard Street, Vancouver, British Columbia, Canada, V6C 3A6.

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain reserves that are economically recoverable. The Company's ability to continue as a going concern and the recoverability of the amounts capitalized for mineral properties and related deferred exploration expenditures are dependent upon the ability of the Company to raise additional financing in order to complete the exploration and development of its resource properties, the discovery of economically recoverable reserves, the attainment of future profitable production or proceeds from disposition of the Company's resource properties. The outcome of these matters cannot be predicted at this time.

Management has estimated that the Company will have adequate funds from existing working capital to meet corporate, administrative and other obligations over the next twelve months. The Company will require additional financing as it determines to acquire additional properties or accelerate its work programs. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on acceptable terms.

2. Significant Accounting Policies

The financial statements were authorized for issue on November 22, 2011 by the Directors of the Company. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Statement of compliance and adoption of International Financial Reporting Standards ("IFRS")

The condensed interim consolidated financial statements of the Company have been prepared in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting" and IFRS 1, "First time adoption of International Financial Reporting Standards ("IFRS")" using accounting policies consistent with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC").

The condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the audited annual financial statements of the Company as at and for the year ended December 31, 2010 prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The basis of presentation of these condensed interim consolidated financial statements is different to that of the Company's most recent annual financial statements due to the first time adoption of IFRS.

The impact of the conversion from GAAP to IFRS is explained in note 13. Note 13 includes reconciliations of the Company's condensed interim consolidated statements of financial position and consolidated statements of loss and comprehensive loss for comparative periods prepared in accordance with GAAP and as previously reported to those prepared and reported in these unaudited condensed interim consolidated financial statements in accordance with IFRS.

2. Significant Accounting Policies - continued

(b) Basis of presentation and consolidation

The condensed interim consolidated financial statements are presented in Canadian dollars unless otherwise noted. The condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Rosswoll Industries Inc., incorporated in British Columbia. All significant intercompany balances and transactions have been eliminated on consolidation.

The condensed interim consolidated financial statements of the Company have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value as explained in note 2(n).

(c) Use of estimates and judgments

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Areas requiring a significant degree of estimation and judgment relate to the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments and share-based payments and other equity-based payments and the estimated useful life and recoverability of equipment. Actual results may differ from those estimates and judgments.

(d) Functional and presentation of foreign currency

The presentation currency and functional currency of the Company and its subsidiary is the Canadian dollar.

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

(f) Short-term investments

Short-term investments consist of investments in guaranteed investment certificates with maturities of more than three months and less than one year.

(g) Equipment

Equipment is carried at acquisition cost less accumulated depreciation. Depreciation is determined at rates which will reduce original cost to estimated residual value over the expected useful life of each asset. The annual rate used to compute depreciation is as follows:

Computer hardware	declining-balance basis	30%
Office equipment	declining-balance basis	20%

2. Significant Accounting Policies - continued

(h) Exploration and evaluation assets

These assets relate to mineral rights acquired and exploration and evaluation expenditures capitalized in respect of projects that are in the exploration or pre-development stage.

Once a right to explore a mineral property has been secured, exploration and evaluation expenditures are capitalized and include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Costs incurred before the Company has obtained the legal rights to explore a mineral property are expensed as incurred.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that mineral property are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective mineral properties.

(i) Decommissioning obligations

The liability for a decommissioning obligation, such as site reclamation costs, is recorded when a legal or constructive obligation exists and is recognized in the period in which it is incurred. The Company records the estimated present value of future cash flows associated with site reclamation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these capitalized decommissioning costs will be amortized to expense over the life of the related assets using the units-of-production method. The liability is accreted to reflect the passage of time and adjusted to reflect changes in the timing and amount of estimated future cash flows.

As at September 30, 2011, December 31, 2010 and January 1, 2010, the Company has determined that it does not have material decommissioning obligations.

(j) Impairment of non-financial assets

The carrying amount of the Company's non-financial assets (which include equipment and exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of income and comprehensive income.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

2. Significant Accounting Policies - continued

(j) Impairment of non-financial assets

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

(k) Share capital

Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity. The proceeds from the exercise of stock options or warrants together with amounts previously recorded over the vesting periods are recorded as share capital. Share capital issued for non-monetary consideration is recorded at an amount based on fair value on the date of issue.

(l) Share-based payments

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(m) Loss per share

The Company calculates basic loss per share using the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding by an amount that assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are applied to repurchase common shares at the average market price for the period in calculating the net dilution impact. Stock options and warrants are dilutive when the Company has income from continuing operations and the average market price of the common shares during the period exceeds the exercise price of the options and warrants.

Due to the losses for the nine months ended September 30, 2011 and 2010, basic loss per share is equal to dilutive loss per share for the periods presented.

(n) Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading in the near future or are designated as such upon initial recognition. They are initially and subsequently recorded at fair value and changes in fair value are recognized in profit or loss for the period.

2. Significant Accounting Policies - continued

(n) Financial instruments

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and such assets are recognized initially at fair value and subsequently on an amortized cost basis using the effective interest method, less any impairment losses. Loans and receivables are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are initially recorded at fair value and subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses.

Non-derivative financial liabilities (excluding financial guarantees) are recorded at the date of obligation at fair value and are subsequently measured at amortized cost using the effective interest method.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether impairment has arisen.

3. Recent Accounting Pronouncements

The following IFRS standards have been recently issued by the International Accounting Standards Board ("IASB"): Amendments to IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments, IFRS 10 Financial Statements and IFRS 13 Fair Value Measurement. The Company is assessing the impact of these new standards, but does not expect them to have a significant effect on the financial statements.

(a) Amendments to IFRS 7, Financial instruments: Disclosures

IFRS 7 Financial Instruments: Disclosures ("IFRS 7") was amended by the IASB in October 2010 and provides guidance on identifying transfers of financial assets and continuing involvement in transferred assets for disclosure purposes. The amendments introduce new disclosure requirements for transfers of financial assets including disclosures for financial assets that are not derecognized in their entirety, and for financial assets that are derecognized in their entirety but for which continuing involvement is retained. The amendments are effective for annual periods beginning on or after July 1, 2011.

(Expressed in Canadian Dollars)

3. Recent Accounting Pronouncements - continued

(b) IFRS 9, Financial instruments

IFRS 9, Financial Instruments ("IFRS 9") was issued by the IASB on November 12, 2009, and will replace IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized costs or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 9 on its financial statements.

(c) IFRS 10, Consolidated financial statements

IFRS 10 Financial Statements ("IFRS 10") provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 (2008). The Company intends to adopt IFRS 10 in its financial statements for the annual period beginning on January 1, 2013 and is currently evaluating the impact on its consolidated financial statements.

(d) IFRS 13, Fair value measurement

IFRS 13, Fair Value Measurement ("IFRS 13") was issued by the IASB on May 12, 2011. The new standard converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.

4. Short-term Investments

September 30, 2011	Maturity	Principal	Accrued interest
		$	$
Guaranteed Investment Certificates			
Prime less 1.95% annual interest rate	May 28, 2012	750,000	2,675

December 31, 2010	Maturity	Principal	Accrued interest
		$	$
Guaranteed Investment Certificates			
Prime less 1.85% annual interest rate	March 22, 2011	100,000	502
Prime less 1.80% annual interest rate	May 5, 2011	800,000	5,058
		900,000	5,560

January 1, 2010	Maturity	Principal	Accrued interest
		$	$
Guaranteed Investment Certificates			
Prime less 1.85% annual interest rate	July 15, 2010	275,000	509
		275,000	509

(Expressed in Canadian Dollars)

5. Amounts Receivable

	September 30, 2011	December 31, 2010	January 1, 2010
	$	$	$
Interest receivable	2,675	5,560	509
GST/HST recoverable	7,182	8,231	4,004
	9,857	13,791	4,513

6. Property, Plant and Equipment

	Computer hardware	Office equipment
	$	$
Costs:		
Balance, January 1, 2010	-	-
Additions	4,864	-
Disposals	-	-
Balance, December 31, 2010	4,864	-
Additions	910	490
Disposals	-	-
Balance, September 30, 2011	5,774	490
Depreciation:		
Balance, January 1, 2010	-	-
Charge for the period	730	-
Eliminated on disposal	-	-
Balance, December 31, 2010	730	-
Charge for the period	998	33
Balance, September 30, 2011	1,728	33
Carrying amounts:		
January 1, 2010	-	-
December 31, 2010	4,134	-
September 30, 2011	4,046	457

7. Reclamation Deposits

	$
Balance, January 1, 2010	5,000
Write-down of reclamation deposit	(5,000)
Balance, September 30, 2011 and December 31, 2010	-

As at September 30, 2011, the Company had reclamation deposits with the Province of British Columbia totalling $Nil (December 31, 2010 - $Nil; January 1, 2010 - $5,000) with regard to the Rosswoll Property.

During the year ended December 31, 2007, the Company terminated the option on the Rosswoll Property. The Company determined that it will not carry out any reclamation work on the property and wrote-off reclamation deposit of $5,000 during the year ended December 31, 2010.

(Expressed in Canadian Dollars)

8. Exploration and Evaluation Assets

	$
Balance, January 1, 2010	25,000
Exploration:	
Consulting and geological fees	982
Equipment and related costs	2,609
Wages and contract work	5,577
Property maintenance costs	1,000
Balance, December 31, 2010	35,168
Exploration:	
Consulting and geological fees	423
Wages and contract work	3,388
Property maintenance costs	2,957
Balance, September 30, 2011	41,936

The Company acquired a 100% interest in the AMI claims by staking and purchase by way of the issuance of 300,000 common shares of the Company valued at $75,000 and a cash payment of $77,030. The property is subject to a 1% NSR royalty.

9. Share Capital and Reserves

(a) Authorized

An unlimited number of common shares without par value.

(b) Issued share capital

On August 29, 2011, the Company consolidated its share capital on a 3 for 1 basis and the 14,390,739 outstanding common shares as at September 30, 2011 were reduced to 4,796,912 common shares. All share and per share information contained in these condensed interim consolidated financial statements reflect the post-consolidated share numbers (December 31, 2010 - 4,171,912; January 1, 2010 – 2,957,500).

(c) Shares issuances

During the nine months ended September 30, 2011, 8,333 common shares of the Company were issued upon the exercise of stock options at $0.33 per share for proceeds of $2,750. As a result of this exercise, $5,455 was transferred from stock options reserve for equity settled share based transactions to share capital.

During the nine months ended September 30, 2011, 616,667 common shares were issued for gross proceeds of $185,000 on the exercise of 616,667 warrants at $0.30 per share.

During the year ended December 31, 2010, the Company completed a non-brokered private placement of 1,142,222 units at a price of $0.90 per unit for gross proceeds of $1,028,000. Each unit consists of one common share and one-half of a common share purchase warrant. Each whole share purchase warrant entitles the holder to purchase an additional common share of the Company at a price of $1.50 per common share expiring March 5, 2012. The share purchase warrants are subject to an acceleration provision whereby if the trading price of the Company's common shares on the Exchange over a period of 10 consecutive trading days exceeds $2.25, the Company may, at its option, provide notice to the warrant holders that the warrants will expire on the date which is 30 days after the date of such notice.

(Expressed in Canadian Dollars)

9. Share Capital and Reserves - continued

(c) Shares issuances - continued

Share issue costs with respect to the private placement totaled $80,548, which included finders' fees of $55,965, 17,772 common shares at a fair value of $15,995 and regulatory expenses of $8,588.

The fair value of the finders' warrants of $6,666 has been charged to share issue costs with a corresponding increase to warrants reserve. The fair value of these finders' warrants was determined using the Black-Scholes option pricing model using the following weighted average assumptions: expected dividend yield - 0%; expected stock price volatility – 127.32%; risk free interest rate – 1.41%; expected life - 2 years. The weighted average fair value of the finders' warrants issued during the year ended December 31, 2010 was $0.75 per share.

During the year ended December 31, 2010, 54,418 common shares of the Company were issued upon the exercise of stock options at $0.33 per share for proceeds of $17,958. As a result of this exercise, $11,198 was transferred from stock options reserve for equity settled share based transactions to share capital.

(d) Warrants

The continuity of share purchase warrants issued and outstanding is as follows:

	Warrants	Weighted Average Exercise Price
	#	$
Balance, January 1, 2010	1,777,778	0.48
Private placement	579,997	1.50
Expired	(444,444)	0.99
Balance, December 31, 2010	1,913,331	0.66
Exercised	(616,667)	0.30
Expired	(716,667)	0.30
Balance, September 30, 2011	579,997	1.50

Share purchase warrants outstanding at September 30, 2011 are as follows:

Warrants	Exercise Price	Expiry Date
#	$	
579,997	1.50	March 5, 2012

(e) Stock options

The Company has an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. Options granted under the plan have a term not to exceed 10 years and vesting periods that range from zero to 18 months.

(Expressed in Canadian Dollars)

9. Share Capital and Reserves - continued

(e) Stock options - continued

The continuity of stock options issued and outstanding is as follows:

	Options Outstanding	Weighted Average Exercise Price
	#	$
Balance, January 1, 2010	295,667	0.33
Granted	78,333	0.93
Exercised	(54,418)	0.33
Forfeited	(20,582)	0.33
Balance, December 31, 2010	299,000	0.48
Exercised	(8,333)	0.33
Balance, September 30, 2011	290,667	0.49

Stock options outstanding at September 30, 2011 are as follows:

Exercise Price	Options Outstanding	Expiry Date	Options Exercisable
$	#		#
0.33	120,666	Sept. 26, 2013	120,667
0.33	91,667	April 17, 2019	91,667
1.05	16,667	January 12, 2020	16,667
0.90	61,667	June 14, 2020	53,959
	290,667		282,960

The Company uses the fair value method of accounting for all stock-based payments to directors, officers, employees and consultants providing similar service. During the nine months ended September 30, 2011, the Company recorded share-based compensation of $7,542 (2010 - $31,165) for stock options granted and vested during the period.

The fair values of the stock options granted were estimated on the respective grant dates using the Black-Scholes option pricing model, with the following weighted average assumptions:

	2011	2010
Risk free interest rate	-	1.77%
Expected dividend yield	-	0%
Expected stock price volatility	-	114%
Expected life	-	3.38 years

The weighted average fair value of options granted during the nine months ended September 30, 2011 was $Nil (2010 - $0.51) per option.

(Expressed in Canadian Dollars)

9. Share Capital and Reserves - continued

(f) Loss per share

Basic loss per share is computed by dividing net loss for the period, applicable to common shareholders, by the weighted average number of common shares outstanding for the period, including contingently issuable shares when the conditions necessary for the issuance have been met. Diluted loss per share is calculated in a similar number except that the weighted average number of common shares outstanding is increased to include potential common shares from the assumed exercise of options, warrants and convertible securities, if dilutive.

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
	$	$	$	$
Loss per share - basic and diluted	0.02	0.01	0.07	0.06
Loss for the period	72,363	59,486	314,857	225,814
	#	#	#	#
Weighted average number of shares outstanding:				
Issued common shares, beginning of period	4,796,912	4,171,912	4,171,912	2,957,500
Options exercised	-	-	8,333	19,734
Warrants exercised	-	-	616,667	-
Private placement	-	-	-	892,304
Weighted average number of shares - basic and diluted	4,796,912	4,171,912	4,796,912	3,869,538

10. Related Party Balances and Transactions

(a) Related party transactions

The Company incurred the following transactions with a company that is controlled by an officer of the Company and with companies having directors in common:

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
	$	$	$	$
Office, rent and administration	16,500	16,500	51,100	49,000
Legal fees	5,043	1,536	7,609	6,223
	21,543	18,036	58,709	55,223

(Expressed in Canadian Dollars)

10. Related Party Balances and Transactions - continued

(b) Compensation of key management personnel

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
	$	$	$	$
Short-term benefits - management fees	16,200	15,600	48,600	57,000
Share-based compensation	7,537	6,882	5,522	23,323
	23,737	22,482	54,122	80,323

The Company's key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and consist of its Directors, Chief Executive Officer and Chief Financial Officer.

(c) Related party balances

The following related party amounts are included in *(i)* accounts payable and accrued liabilities and *(ii)* prepaid expenses and deposits:

	June 30, 2011	December 31, 2010	January 1, 2010
	$	$	$
Companies controlled by a director and officers of the company *(i)*	-	6,048	8,400
Company having directors in common *(ii)*	2,000	2,000	2,000

These transactions are in the normal course of operations and are measured at the fair value amount of consideration established and agreed to by the related parties. Any amounts due to related parties are unsecured, non-interest bearing and have no specific repayment terms.

11. Financial Risk Management

(a) Fair value of financial instruments

The Company's financial instruments consist of cash, short-term investments, amounts receivable and accounts payable and accrued liabilities. Cash and short-term investments are classified as held-for-trading and accordingly carried at its fair value. Amounts receivable are classified as loans and receivables and are carried at their amortized costs. Accounts payable and accrued liabilities are classified as other financial liabilities and are carried at their amortized cost.

The carrying value of the Company's financial assets and liabilities approximates their fair value due to the relatively short periods to maturity of these investments. Fair value estimates are made at a specific point in time based on relevant market information and information about financial instruments. These estimates are subjective and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

11. Financial Risk Management - continued

(a) Fair value of financial instruments - continued

Financial instruments measured at fair value are classified into one of the three levels in the fair value hierarchy according to the relative reliability of the inputs used estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

As at September 30, 2011, December 31, 2010 and January 1, 2010, the Company's cash and short-term investments are classified as Level 1.

(b) Financial Instruments Risk

The Company is exposed in varying degrees to a variety of financial instrument related to risks. The Board approves and monitors the risk management processes:

(i) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is subject to credit risk on the cash balances at the bank, its short-term bank guaranteed investment certificates and amounts receivable. Cash and cash equivalents consisting of Guaranteed Investment Certificates ("GICs") have been invested with Schedule 1 banks or equivalents, with its cash held in Canadian based banking institutions, authorized under the Bank Act to accept deposits, which may be eligible for deposit insurance provided by the Canadian Deposit Insurance Corporation. The receivables consist primarily of GST/HST recoverable of and interest receivable.

(ii) Liquidity Risk

The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due. As at September 30, 2011, the Company had cash and short-term investments of $788,757 to settle current liabilities of $2,069 which mainly consist of accounts payable that are considered short term and settled within 30 days. The Company has sufficient capital to meet its requirements for the next twelve months.

(iii) Market risk

a) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's cash attract interest at floating rates and have maturities of 90 days or less. A change of 100 basis points in the interest rates would not be material to the financial statements.

b) Commodity Price Risk

Commodity price risk is the risk of financial loss resulting from movements in the price of the Company's commodity inputs and outputs. The Company's risk relates primarily to the expected output to be produced at its mineral properties described in note 8 to these consolidated financial statements of which production is not expected in the near future.

12. Capital Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' equity as capital. The management of the capital structure is based on the funds available to the Company in order to support the acquisition, exploration and development of mineral properties and to maintain the Company in good standing with the various regulatory authorities. In order to maintain or adjust its capital structure, the Company may issue new shares or debt or sell assets to settle liabilities.

The properties in which the Company currently has an interest in are in the exploration stage, as such, the Company does not recognize revenue from its exploration properties. The Company's historical sources of capital have consisted of the sale of equity securities and interest income. In order for the Company to carry out planned exploration and development and pay for administrative costs, the Company will spend its working capital and expects to raise additional amounts externally as needed.

The Company has no debt and is not subject to externally imposed capital requirements.

There were no changes in the Company's management of capital during the nine months ended September 30, 2011.

13. Transition to IFRS

The Company adopted IFRS on January 1, 2011, with the transition date of January 1, 2010 representing the Company's opening IFRS balance sheet. As required by IFRS 1, *First-time Adoption of IFRS*, the Company will apply the IFRS in effect as at December 31, 2011 on a full retrospective basis, except where permitted or required under an IFRS 1 exemption.

On adoption of IFRS 1, the Company elected to apply the following exemptions:

IFRS 3 "Business Combinations" has not been applied to acquisitions of subsidiaries or of interests in associates and joint ventures that occurred before January 1, 2010.

IFRS 2 "Share-based Payment" has not been applied to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to January 1, 2010 (date of transition date to IFRS), which have been accounted for in accordance with GAAP.

IAS 16 "Property, Plant and Equipment" allows for property, plant and equipment to continue to be carried at cost less depreciation, same as under GAAP.

IFRS 1 also outlines specific guidelines that a first-time adopter must adhere to under certain circumstances. The Company has applied the following guidelines to its opening balance sheet dated January 1, 2010:

Estimates – In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as at January 1, 2010 are consistent with its previous estimates under GAAP for the same date.

13. Transition to IFRS - continued

In preparing its IFRS interim consolidated financial statements, the Company has adjusted amounts reported previously in financial statements prepared in accordance with GAAP. An explanation of how the transition from previous GAAP to IFRS affected the Company's financial position and results is set out in the following notes and accompanying tables.

(a) Reserves

Under GAAP, amounts recorded in relation to the fair value of stock options granted and warrants issued were recorded to contributed surplus. Under IFRS, these amounts have been reclassified as reserves.

(b) Share-based payments

Under GAAP, the Company recognized an expense related to share-based payments on a straight-line basis through the date of full vesting and did not incorporate a forfeiture multiple on the grant date.

Under IFRS, the Company is required to recognize the expense over the individual vesting periods for the graded vesting awards and estimate a forfeiture rate. Accordingly, upon transition to IFRS, the Company recorded a fair value adjustment of $4,095 as at January 1, 2010 to increase reserves with a corresponding increase in deficit. In addition to the January 1, 2010 adjustment, the IFRS adjustments subsequent to transition decreased reserves and loss by $650 for the year ended December 31, 2010 and by $1,800 for the nine months ended September 30, 2010.

(c) Forfeited or expired options and warrants

Under GAAP, the Company's policy was to leave the value recorded for forfeited or expired unexercised stock options and warrants in contributed surplus.

On transition to IFRS, the Company elected to change its accounting policy for the treatment of forfeited or expired unexercised options and warrants whereby amounts recorded for forfeited or expired unexercised stock options and warrants are transferred to deficit or share capital, respectively.

Accordingly, upon conversion to IFRS, the value assigned to forfeited options of $195,565 has been reclassified from reserves to deficit as at September 30, 2011, December 31, 2010, and January 1, 2010.

LORNEX CAPITAL INC.
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)

Three and nine months ended September 30, 2011 and 2010
(Unaudited)

13. Transition to IFRS - continued

IFRS Reconciliation of Statements of Financial Position

		As at January 1, 2010			As at September 30, 2010			As at December 31, 2010		
	Note	GAAP	Effect of Transition to IFRS	**IFRS**	GAAP	Effect of Transition to IFRS	**IFRS**	GAAP	Effect of Transition to IFRS	**IFRS**
		$	$	**$**	$	$	**$**	$	$	**$**
Assets										
Current:										
Cash		19,915	-	**19,915**	24,732	-	**24,732**	29,443	-	**29,443**
Short-term investments		275,000	-	**275,000**	1,030,000	-	**1,030,000**	900,000	-	**900,000**
Accounts receivable		4,513	-	**4,513**	9,062	-	**9,062**	13,791	-	**13,791**
Prepaid expenses and deposits		2,000	-	**2,000**	2,000	-	**2,000**	58,932	-	**58,932**
		301,428	-	**301,428**	1,065,794	-	**1,065,794**	1,002,166	-	**1,002,166**
Reclamation deposits		5,000	-	**5,000**	5,000	-	**5,000**	-	-	**-**
Exploration and evaluation assets		25,000	-	**25,000**	25,000	-	**25,000**	35,168	-	**35,168**
Property, plant and equipment		-	-	**-**	2,075	-	**2,075**	4,134	-	**4,134**
		30,000	-	**30,000**	32,075	-	**32,075**	39,302	-	**39,302**
		331,428	-	**331,428**	1,097,869	-	**1,097,869**	1,041,468	-	**1,041,468**

(Expressed in Canadian Dollars)

13. Transition to IFRS - continued

IFRS Reconciliation of Statements of Financial Position - continued

		As at January 1, 2010			As at September 30, 2010			As at December 31, 2010		
	Note	GAAP	Effect of Transition to IFRS	**IFRS**	GAAP	Effect of Transition to IFRS	**IFRS**	GAAP	Effect of Transition to IFRS	**IFRS**
		$	$	**$**	$	$	**$**	$	$	**$**
Liabilities										
Current:										
Accounts payable and accrued liabilities		21,630	-	**21,630**	1,117	-	**1,117**	24,255	-	**24,255**
Shareholders' equity										
Share capital		2,633,874	-	**2,633,874**	3,620,009	-	**3,620,009**	3,619,811	-	**3,619,811**
Reserves:										
Stock options	(a)(b)	-	116,393	**116,393**	-	136,360	**136,360**	-	144,071	**144,071**
Warrants	(a)(b)	-	-	**-**	-	6,666	**6,666**	-	6,666	**6,666**
Contributed surplus	(a)(b)(c)	307,863	(307,863)	**-**	336,296	(336,296)	**-**	342,857	(342,857)	**-**
Deficit	(b)(c)	(2,631,939)	191,470	**(2,440,469)**	(2,859,553)	193,270	**(2,666,283)**	(2,945,455)	192,120	**(2,753,335)**
		309,798	-	**309,798**	1,096,752	-	**1,096,752**	1,017,213	-	**1,017,213**
		331,428	-	**331,428**	1,097,869	-	**1,097,869**	1,041,468	-	**1,041,468**

(Expressed in Canadian Dollars)

13. Transition to IFRS - continued

IFRS Reconciliation of Statements of Loss and Comprehensive Loss

		Three months ended September 30, 2010			Nine months ended September 30, 2010			Year ended December 31, 2010		
	Note	GAAP	Effect of Transition to IFRS	**IFRS**	GAAP	Effect of Transition to IFRS	**IFRS**	GAAP	Effect of Transition to IFRS	**IFRS**
		$	$	**$**	$	$	**$**	$	$	**$**
Expenses:										
Depreciation		116	-	**116**	231	-	**231**	730	-	**730**
Consulting fees		9,250	-	**9,250**	28,750	-	**28,750**	40,250	-	**40,250**
Management fees		16,200	-	**16,200**	57,600	-	**57,600**	73,800	-	**73,800**
Office, rent and administration		21,739	-	**21,739**	68,966	-	**68,966**	88,863	-	**88,863**
Professional fees		1,796	-	**1,796**	9,077	-	**9,077**	22,579	-	**22,579**
Regulatory fees		-	-	**-**	17,251	-	**17,251**	16,053	-	**16,053**
Share-based payments	(b)	8,812	659	**9,471**	32,965	(1,800)	**31,165**	39,526	(650)	**38,876**
Transfer agent		2,034	-	**2,034**	6,214	-	**6,214**	6,044	-	**6,044**
Travel, promotion and shareholder communications		1,328	-	**1,328**	10,098	-	**10,098**	27,015	-	**27,015**
		61,275	659	**61,934**	231,152	(1,800)	**229,352**	314,860	(650)	**314,210**
Loss before other items		(61,275)	(659)	**(61,934)**	(231,152)	1,800	**(229,352)**	(314,860)	650	**(314,210)**
Other items:										
Finance and other costs		(112)	-	**(112)**	(359)	-	**(359)**	(430)	-	**(430)**
Finance income		2,560	-	**2,560**	3,897	-	**3,897**	6,774	-	**6,774**
Write-off of reclamation deposits		-	-	-	-	-	-	(5,000)	-	**(5,000)**
		2,448	-	**2,448**	3,538	-	**3,538**	1,344	-	**1,344**
Loss and comprehensive loss for the period		(58,827)	(659)	**(59,486)**	(227,614)	1,800	**(225,814)**	(313,516)	650	**(312,866)**
Basic and diluted loss per share		(0.01)	-	**(0.01)**	(0.06)	-	**(0.06)**	(0.08)	-	**(0.08)**

(Expressed in Canadian Dollars)

13. Transition to IFRS - continued

IFRS Reconciliation of Statements of Cash Flows

		Three months ended September 30, 2010			Nine months ended September 30, 2010			Year ended December 31, 2010		
	Note	GAAP	Effect of Transition to IFRS	**IFRS**	GAAP	Effect of Transition to IFRS	**IFRS**	GAAP	Effect of Transition to IFRS	**IFRS**
		$	$	**$**	$	$	**$**	$	$	**$**
Operating activities:										
Loss for the period		(58,827)	(659)	**(59,486)**	(227,614)	1,800	**(225,814)**	(313,516)	650	**(312,866)**
Adjustments for non-cash items:										
Depreciation		116	-	**116**	231	-	**231**	730	-	**730**
Share-based payments	(b)	8,812	659	**9,471**	32,965	(1,800)	**31,165**	39,526	(650)	**38,876**
Write-off of reclamation deposits		-	-	**-**	-	-	**-**	5,000	-	**5,000**
Change in non-cash working capital items:										
Amounts receivable		(2,980)	-	**(2,980)**	(4,549)	-	**(4,549)**	(9,278)	-	**(9,278)**
Prepaid expenses and deposits		-	-	**-**	-	-	**-**	(56,932)	-	**(56,932)**
Accounts payable and accrued liabilities		(7,950)	-	**(7,950)**	(20,513)	-	**(20,513)**	2,625	-	**2,625**
		(60,829)	-	**(60,829)**	(219,480)	-	**(219,480)**	(331,845)	-	**(331,845)**
Investing activities:										
Short-term investments		45,000	-	**45,000**	(755,000)	-	**(755,000)**	(625,000)	-	**(625,000)**
Equipment		-	-	**-**	(2,306)	-	**(2,306)**	(4,864)	-	**(4,864)**
Exploration and evaluation assets		-	-	-	-	-	-	(10,168)	-	**(10,168)**
		45,000	-	**45,000**	(757,306)	-	**(757,306)**	(640,032)	-	**(640,032)**
Financing activities:										
Shares issued for cash, net of share issue costs		-	-	**-**	981,603	-	**981,603**	981,405	-	**981,405**
Increase (decrease) in cash		(15,829)	-	**(15,829)**	4,817	-	**4,817**	9,528	-	**9,528**
Cash, beginning of period		40,561	-	**40,561**	19,915	-	**19,915**	19,915	-	**19,915**
Cash, end of period		24,732	-	**24,732**	24,732	-	**24,732**	29,443	-	**29,443**

14. Subsequent Events

The following events occurred subsequent to September 30, 2011:

(a) The Company completed a non-brokered private placement of 2,293,750 units at a price of $0.16 per unit for gross proceeds of $367,000. Each unit consists of one common share and one-half of one transferable common share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share of the Company at a price of $0.25 per common share for a period of two years following closing. The warrants are subject to an acceleration provision whereby If at any time from four months and one day after the closing of the financing, the closing price of the Company's common shares on the Exchange over a period of 10 consecutive trading days exceeds $0.35, the Company may, at its option, provide notice to the warrantholders that the warrants will expire on the date which is 30 calendar days after the date of such notice. The Company will pay $29,000 as a finder's fee on this private placement.

(b) The Company granted 214,000 stock options at $0.21 per share to directors, officers and consultants of the Company expiring five years from date of grant.

(c) The Company modified the terms of 257,333 stock options previously granted to certain directors, officers, employees and consultants of the Company. These options had original exercise prices between $0.33 and $0.90 per share with expiry dates between 2013 and 2020 and were re-priced to have an exercise price of $0.21 per share. All other terms of the stock options remain the same. The repricing of options is subject to Exchange approval and in the case of insiders, disinterested shareholder approvals.

(d) The Company has arranged a non-brokered private placement of up to 1,000,000 units at a price of $0.17 per unit. Each unit will consist of one common share and one-half of one transferable common share purchase warrant. Each whole warrant will entitle the holder to purchase an additional common share of the Company at a price of $0.25 per common share for a period of two years following closing. The warrants are subject to an acceleration provision whereby If at any time from four months and one day after the closing of the financing, the closing price of the Company's common shares on the Exchange over a period of 10 consecutive trading days exceeds $0.35, the Company may, at its option, provide notice to the warrantholders that the warrants will expire on the date which is 30 calendar days after the date of such notice. A finder's fee may be paid in accordance with Exchange policies. Closing of the private placement is subject to the acceptance for filing by the Exchange.