

LORNEX CAPITAL INC.

Condensed Interim Consolidated Financial Statements (Unaudited)

Three Months Ended March 31, 2012 and 2011

(Expressed in Canadian Dollars)

LORNEX CAPITAL INC.

(the “Company”)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three months ended March 31, 2012 and 2011

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.

May 29, 2012

LORNEX CAPITAL INC.

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

	March 31, 2012	December 31, 2011
	\$	\$
Assets		
Current:		
Cash and cash equivalents	1,073,157	1,111,857
Amounts receivable	18,031	15,664
Prepaid expenses and deposits	2,000	2,000
	1,093,188	1,129,521
Equipment (Note 3)	3,875	4,177
Exploration and evaluation assets (Note 4)	92,317	88,957
	1,189,380	1,222,655
Liabilities		
Current:		
Accounts payable and accrued liabilities	12,820	15,214
Shareholders' equity		
Share capital (Note 5)	4,191,070	4,175,770
Reserves (Note 5)	161,524	121,963
Deficit	(3,176,034)	(3,090,292)
	1,176,560	1,207,441
	1,189,380	1,222,655

Nature of Operations (Note 1)

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

LORNEX CAPITAL INC.

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

	Three Months Ended March 31,	
	2012	2011
	\$	\$
Administrative Expenses:		
Consulting fees	-	3,000
Depreciation	302	310
Management fees	5,400	16,200
Office, rent and administration (Note 6)	15,508	20,561
Professional fees (Note 6)	310	2,972
Regulatory fees	5,200	5,200
Share-based payments (Note 5)	39,561	(871)
Transfer agent	981	613
Travel, promotion and shareholder communication	20,243	73,251
	<u>87,505</u>	<u>121,236</u>
Loss before other items	(87,505)	(121,236)
Other items:		
Finance costs	(104)	(135)
Finance income	1,867	2,545
	<u>1,763</u>	<u>2,410</u>
Loss and comprehensive loss for the period	<u>(85,742)</u>	<u>(118,826)</u>
Basic and diluted loss per share (Note 5(f))	<u>(0.01)</u>	<u>(0.03)</u>

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

LORNE X CAPITAL INC.

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

	Note	Share capital		Reserves			Deficit	Total shareholders' equity
		Common shares	Amount	Stock options	Warrants	Total		
		#	\$	\$	\$	\$		
Balance, January 1, 2011		4,171,912	3,619,811	111,708	6,666	118,374	(2,720,972)	1,017,213
Comprehensive loss for the period		-	-	-	-	-	(118,826)	(118,826)
Exercise of options	5(c)	8,333	8,205	(5,455)	-	(5,455)	-	2,750
Share-based payments		-	-	(871)	-	(871)	-	(871)
Balance, March 31, 2011		4,180,245	3,628,016	105,382	6,666	112,048	(2,839,798)	900,266
Balance, January 1, 2012		7,090,662	4,175,770	115,297	6,666	121,963	(3,090,292)	1,207,441
Comprehensive loss for the period		-	-	-	-	-	(85,742)	(85,742)
Share-based payments		-	-	39,561	-	39,561	-	39,561
Private placement	5(c)	100,000	17,000	-	-	-	-	17,000
Share issue costs		-	(1,700)	-	-	-	-	(1,700)
Balance, March 31, 2012		7,190,662	4,191,070	154,858	6,666	161,524	(3,176,034)	1,176,560

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

LORNEX CAPITAL INC.

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

	Three Months Ended March 31,	
	2012	2011
	\$	\$
Operating activities:		
Loss for the period	(85,742)	(118,826)
Adjustments for non-cash items:		
Depreciation	302	310
Share-based payments	39,561	(871)
Changes in non-cash working capital items:		
Amounts receivable	(2,367)	(1,403)
Prepaid expenses and deposits	-	4,268
Accounts payable and accrued liabilities	(2,394)	(6,642)
	(50,640)	(123,164)
Investing activity:		
Exploration and evaluation assets	(3,360)	(6,768)
Financing activities:		
Shares issued for cash	17,000	52,750
Share issue costs	(1,700)	-
	15,300	52,750
Decrease in cash and cash equivalents	(38,700)	(77,182)
Cash and cash equivalents, beginning of period	1,111,857	929,443
Cash and cash equivalents, end of period	1,073,157	852,261
Supplemental cash flow information:		
Non-cash financing activities:		
Fair value of stock options transferred to share capital upon exercise (Note 5)	-	5,455

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

LORNE X CAPITAL INC.

Notes to Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)

Three Months Ended March 31, 2012 and 2011
(Unaudited)

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 5(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.

These consolidated financial statements have been prepared using accounting policies applicable to a going concern which assume that the Company will be able to realize assets and discharge liabilities in the normal course of business for the foreseeable future. At March 31, 2012, the Company had not yet achieved profitable operations and had working capital of \$1,080,368 (December 31, 2011 - \$1,114,307) and accumulated deficit of \$3,176,034 (December 31, 2011 - \$3,090,292). 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.

These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Company be unable to continue as a going concern.

2. Basis of Presentation

(a) Statement of compliance

The condensed interim consolidated financial statements of the Company have been prepared in accordance with International Accounting Standards 34, *Interim Financial Reporting* ("IAS 34"), using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The accounting policies and methods of computation applied by the Company in these condensed interim consolidated financial statements are the same as those applied in the Company's annual financial statements as at and for the year ended December 31, 2011. The condensed interim consolidated financial statements do not include all of the information required for full annual financial statements.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on May 29, 2012.

LORNEX CAPITAL INC.

Notes to Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)

Three Months Ended March 31, 2012 and 2011
(Unaudited)

3. Equipment

	Computer hardware	Office equipment
	\$	\$
Costs:		
Balance, December 31, 2010	4,864	-
Additions	911	490
Disposals	-	-
Balance, March 31, 2012 and December 31, 2011	5,775	490
Depreciation:		
Balance, December 31, 2010	730	-
Charge for the period	1,309	49
Balance, December 31, 2011	2,039	49
Charge for the period	280	22
Balance, March 31, 2012	2,319	71
Carrying amounts:		
December 31, 2010	4,134	-
December 31, 2011	3,736	441
March 31, 2012	3,456	419

4. Exploration and Evaluation Assets

A summary of exploration expenditures of the three months ended March 31, 2012 and the year ended December 31, 2011 are as follows:

	\$
Balance, December 31, 2010	35,168
Exploration:	
Consulting and geological fees	47,444
Wages and contract work	3,388
Property maintenance costs	2,957
	53,789
Balance, December 31, 2011	88,957
Exploration:	
Property maintenance costs	3,360
Balance, March 31, 2012	92,317

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.

LORNEX CAPITAL INC.

Notes to Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)

Three Months Ended March 31, 2012 and 2011
(Unaudited)

5. 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. All share and per share information contained in these consolidated financial statements reflect the post-consolidated share numbers. As at March 31, 2012, there were 7,190,622 issued and fully paid common shares (December 31, 2011 - 7,090,622).

(c) Shares issuances

On January 3, 2012, the Company completed a non-brokered private placement of 100,000 units at a price of \$0.17 per unit for gross proceeds of \$17,000. Each unit consisted 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 expiring January 3, 2014. 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 warrant holders that the warrants will expire on the date which is 30 calendar days after the date of such notice. The Company paid a finder's fee of \$1,700 with respect to the private placement.

On November 8, 2011, the Company closed 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 expiring November 8, 2013. 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 warrant holders that the warrants will expire on the date which is 30 calendar days after the date of such notice. The Company incurred regulatory expenses of \$4,246 with respect to the private placement.

During the year ended December 31, 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 year ended December 31, 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.

(d) Warrants

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

	Warrants	Weighted Average
	#	Exercise Price
		\$
Balance, December 31, 2010	1,913,331	0.66
Private placement	1,146,875	0.25
Exercised	(616,667)	0.30
Expired	(716,667)	0.30
Balance, December 31, 2011	1,726,872	0.67
Private placement	50,000	0.25
Expired	(579,997)	1.50
Balance, March 31, 2012	1,196,875	0.25

LORNEX CAPITAL INC.

Notes to Condensed Interim Consolidated Financial Statements
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Three Months Ended March 31, 2012 and 2011
(Unaudited)

5. Share Capital and Reserves - continued

(d) Warrants - continued

Share purchase warrants outstanding at March 31, 2012 are as follows:

Warrants	Exercise Price	Expiry Date
#	\$	
1,146,875	0.25	November 8, 2013
50,000	0.25	January 3, 2014

(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.

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

	Options Outstanding	Weighted Average Exercise Price
	#	\$
Balance, December 31, 2010	299,000	0.43
Granted	214,000	0.21
Exercised	(8,333)	0.33
Forfeited	(33,333)	0.33
Balance, December 31, 2011	471,334	0.21
Granted	185,000	0.245
Balance, March 31, 2012	656,334	0.28

Stock options outstanding at March 31, 2012 are as follows:

Exercise Price	Options Outstanding	Expiry Date	Options Exercisable
\$	#		#
0.21	117,333 ⁽¹⁾	Sept. 26, 2013	117,333
0.21	86,667 ⁽¹⁾	April 17, 2019	86,667
0.21	53,334 ⁽²⁾	June 14, 2020	53,334
0.21	214,000	October 5, 2016	107,000
0.245	185,000	January 5, 2017	185,000
	656,334		549,335

⁽¹⁾ On October 31, 2011, the exercise price of these stock options was amended from \$0.33 to \$0.21 per share.

⁽²⁾ On October 31, 2011, the exercise price of these stock options was amended from \$0.90 to \$0.21 per share.

LORNEX CAPITAL INC.

Notes to Condensed Interim Consolidated Financial Statements
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Three Months Ended March 31, 2012 and 2011
(Unaudited)

5. Share Capital and Reserves - continued

(e) Stock options - continued

During the year ended December 31, 2011, the Company modified the terms of 257,335 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 insiders' options is subject to the approval of disinterested shareholders and acceptance by the Exchange. The repricing of non-insider options resulted in the recognition of approximately \$1,856 of additional share-based compensation during the year ended December 31, 2011.

The Company uses the fair value method of accounting for all share-based payments to directors, officers, employees and consultants providing similar service. During the three months ended March 31, 2012, the Company recorded share-based compensation of \$39,561 (2011 - \$(871)) 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:

	2012	2011
Risk free interest rate	1.10%	-
Expected dividend yield	0%	-
Expected stock price volatility	114.50%	-
Expected life	4.19 years	-

The weighted average fair value of options granted during the three months ended March 31, 2012 was \$0.19 (2011 - \$Nil) per option.

(f) Loss per share

Basic loss per share is computed by dividing net loss for the year, applicable to common shareholders, by the weighted average number of common shares outstanding for the year, 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.

	2012	2011
	\$	\$
Loss per share - basic and diluted	0.01	0.03
Loss for the period	85,742	118,826
	#	#
Weighted average number of shares outstanding:		
Issued common shares, beginning of period	7,090,662	4,171,912
Private placement	97,802	6,204
Weighted average number of shares - basic and diluted	7,188,464	4,178,116

LORNEX CAPITAL INC.

Notes to Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)

Three Months Ended March 31, 2012 and 2011
(Unaudited)

6. Related Party Balances and Transactions

(a) Related party transactions

The Company incurred the following transactions with companies having directors in common:

	2012	2011
	\$	\$
Office, rent and administration	12,400	16,500

(b) Compensation of key management personnel

	2012	2011
	\$	\$
Short-term benefits - management fees	5,400	16,200
Share-based compensation	4,325	(942)
	9,725	15,258

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 prepaid expenses and deposits:

	March 31, 2012	December 31, 2011
	\$	\$
Company having directors in common	2,000	2,000

These transactions occurred in the normal course of operations and were measured at the exchange amounts 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.