

# **LORNEX CAPITAL INC.**

**Condensed Interim Consolidated Financial Statements (Unaudited)**

**Three and Six Months Ended June 30, 2013 and 2012**

**(Expressed in Canadian Dollars)**

# **LORNEX CAPITAL INC.**

**(the “Company”)**

## **CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**Three and six months ended June 30, 2013 and 2012**

### **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.

August 6, 2013

# LORNEX CAPITAL INC.

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

	June 30, 2013	December 31, 2012
	\$	\$
<b>Assets</b>		
Current:		
Cash and cash equivalents	827,161	925,794
Amounts receivable	3,661	10,136
Prepaid expenses and deposits	2,116	2,255
	832,938	938,185
Equipment	2,540	2,968
	835,478	941,153
<b>Liabilities</b>		
Current:		
Accounts payable and accrued liabilities	315	13,242
<b>Shareholders' equity</b>		
Share capital (Note 4)	4,197,736	4,197,736
Reserves (Note 4)	166,347	167,349
Deficit	(3,528,920)	(3,437,174)
	835,163	927,911
	835,478	941,153

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 June 30,		Six months ended June 30,	
	2013	2012	2013	2012
	\$	\$	\$	\$
Administrative Expenses:				
Bank charges	9	46	100	150
Depreciation	214	326	428	628
Exploration and evaluation	-	-	3,360	-
Management fees (Note 5)	16,200	27,000	32,400	32,400
Office, rent and administration (Note 5)	22,953	22,728	44,489	38,236
Professional fees (Note 5)	983	2,560	1,293	2,870
Regulatory fees	2,595	3,102	7,795	8,302
Share-based payments (Note 4)	500	6,579	1,396	46,140
Transfer agent	791	2,498	1,525	3,479
Travel, promotion and shareholder communication	515	2,291	5,721	22,534
	44,760	67,130	98,507	154,739
Loss before other item	(44,760)	(67,130)	(98,507)	(154,739)
Other item:				
Interest income	2,107	2,742	4,363	4,609
Comprehensive loss for the period	(42,653)	(64,388)	(94,144)	(150,130)
Loss per common share – basic and diluted	(0.01)	(0.01)	(0.02)	(0.02)
Weighted average number of common shares outstanding – basic and diluted	7,190,662	7,190,662	7,190,662	7,189,563

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

## LORNEX CAPITAL INC.

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

	Share capital		Reserves			Deficit	Total	
	Notes	Common shares	Amount	Stock options	Warrants	Total	shareholders' equity	
		#	\$	\$	\$	\$	\$	
<b>Balance, December 31, 2011</b>		<b>7,090,662</b>	<b>4,175,770</b>	<b>115,297</b>	<b>6,666</b>	<b>121,963</b>	<b>(3,090,292)</b>	<b>1,207,441</b>
Comprehensive loss for the period		-	-	-	-	-	(150,130)	(150,130)
Share-based payments		-	-	46,140	-	46,140	-	46,140
Private placement	4(c)	100,000	17,000	-	-	-	-	17,000
Share issue costs	4(c)	-	(1,700)	-	-	-	-	(1,700)
<b>Balance, June 30, 2012</b>		<b>7,190,662</b>	<b>4,191,070</b>	<b>161,437</b>	<b>6,666</b>	<b>168,103</b>	<b>(3,240,422)</b>	<b>1,118,751</b>
Comprehensive loss for the period		-	-	-	-	-	(196,752)	(196,752)
Share-based payments		-	-	5,912	-	5,912	-	5,912
Expired finders' warrants	4(c)	-	6,666	-	(6,666)	(6,666)	-	-
<b>Balance, December 31, 2012</b>		<b>7,190,662</b>	<b>4,197,736</b>	<b>167,349</b>	-	<b>167,349</b>	<b>(3,437,174)</b>	<b>927,911</b>
Comprehensive loss for the period		-	-	-	-	-	(94,144)	(94,144)
Share-based payments		-	-	1,396	-	1,396	-	1,396
Forfeited options		-	-	(2,398)	-	(2,398)	2,398	-
<b>Balance, June 30, 2013</b>		<b>7,190,662</b>	<b>4,197,736</b>	<b>166,347</b>	-	<b>166,347</b>	<b>(3,528,920)</b>	<b>835,163</b>

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)

	Six months ended June 30,	
	2013	2012
	\$	\$
Operating activities:		
Loss for the period	(94,144)	(150,130)
Adjustments for non-cash items:		
Depreciation	428	628
Share-based payments	1,396	46,160
Changes in non-cash working capital items:		
Amounts receivable	6,475	6,304
Prepaid expenses and deposits	139	(5,000)
Accounts payable and accrued liabilities	(12,927)	4,682
	(98,633)	(97,376)
Investing activity:		
Exploration and evaluation assets	-	(3,360)
Purchase of equipment	-	(714)
	-	(4,074)
Financing activities:		
Shares issued for cash	-	17,000
Share issue costs	-	(1,700)
	-	15,300
Decrease in cash and cash equivalents	(98,633)	(86,150)
Cash and cash equivalents, beginning of period	925,794	1,111,857
Cash and cash equivalents, end of period	827,161	1,025,707
Cash and cash equivalents are comprised of the following:		
Cash	77,161	(24,293)
Guaranteed Investment Certificates	750,000	1,050,000
	827,161	1,025,707

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

# LORNEX CAPITAL INC.

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

Three and Six Months Ended June 30, 2013 and 2012  
(Unaudited)

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## 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".

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 700 - 1199 West Hastings Street, Vancouver, British Columbia, Canada, V6E 3T5.

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 do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Company be unable to achieve any of the foregoing and continue as a going concern. Any adjustment required to the amounts and reclassification of assets and liabilities may be significant. At June 30, 2013, the Company had not yet achieved profitable operations and had accumulated losses of \$3,528,920 (December 31, 2012 - \$3,437,174).

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. Summary of Significant Accounting Policies

### (a) Basis of presentation and consolidation

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, 2012.

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 Company's annual financial statements for the year ended December 31, 2012.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on August 6, 2013.

### (b) Use of estimates and judgments

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statement and the reported amounts of revenues and expenses during the reporting period. There has been no significant change to the Company's estimation and judgment from those disclosed in note 2 to the audited financial statements for the year ended December 31, 2012.

# LORNEX CAPITAL INC.

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

Three and Six Months Ended June 30, 2013 and 2012  
(Unaudited)

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### 3. Exploration and Evaluation Assets

Cumulative expenditures incurred by the Company on its property are summarized as follows:

	\$
Balance, December 31, 2011	88,957
Exploration:	
Property maintenance costs	3,360
Balance, December 31, 2012	92,317
Exploration:	
Property maintenance costs	3,360
Balance, June 30, 2013	95,667

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.

During the year ended December 31, 2012, certain claims have lapsed and as a result, the Company recognized a full impairment of \$92,317 on the property.

### 4. Share Capital and Reserves

(a) Authorized

An unlimited number of common shares without par value.

(b) Issued share capital

As at June 30, 2013, there were 7,190,622 issued and fully paid common shares (December 31, 2012 - 7,190,622).

(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.



# LORNE X CAPITAL INC.

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

Three and Six Months Ended June 30, 2013 and 2012  
(Unaudited)

## 4. Share Capital and Reserves (Continued)

### (d) Warrants

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

	Warrants #	Weighted Average Exercise Price \$
Balance, December 31, 2011	1,726,872	0.67
Private placement	50,000	0.25
Expired	(579,997) <sup>(1)</sup>	1.50
<b>Balance, June 30, 2013 and December 31, 2012</b>	<b>1,196,875</b>	<b>0.25</b>

<sup>(1)</sup> Of these warrants, 8,886 were finders' warrants with a fair value of \$6,666. During the year ended December 31, 2012, this amount was reclassified from reserves to share capital upon expiry.

Share purchase warrants outstanding at June 30, 2013 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, 2011	471,334	0.21
Granted	185,000	0.245
Balance, December 31, 2012	656,334	0.22
Forfeited	(15,000) <sup>(1)</sup>	0.23
<b>Balance, June 30, 2013</b>	<b>641,334</b>	<b>0.22</b>

<sup>(1)</sup> During the six months ended June 30, 2013, the fair value of 15,000 forfeited options of \$2,398 was reclassified from reserves to deficit.

# LORNEX CAPITAL INC.

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

Three and Six Months Ended June 30, 2013 and 2012  
(Unaudited)

## 4. Share Capital and Reserves (Continued)

### (e) Stock options (Continued)

Stock options outstanding at June 30, 2013 are as follows:

Exercise Price	Options Outstanding	Expiry Date	Options Exercisable
\$	#		#
0.21	117,333 <sup>(1)</sup>	Sept. 26, 2013	117,333
0.21	86,667 <sup>(1)</sup>	April 17, 2019	86,667
0.21	53,334 <sup>(2)</sup>	June 14, 2020	53,334
0.21	209,000	October 5, 2016	209,000
0.245	175,000	January 5, 2017	175,000
	641,334		641,334

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

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

The Company uses the fair value method of accounting for all share-based compensation to directors, officers, employees and consultants providing similar service. During the six months ended June 30, 2013, the Company recorded share-based payments of \$1,396 (2012 - \$46,140) 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:

	2013	2012
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 six months ended June 30, 2013 was \$nil (2012 - \$0.19) per option.

# LORNEX CAPITAL INC.

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

Three and Six Months Ended June 30, 2013 and 2012  
(Unaudited)

## 5. Related Party Balances and Transactions

### (a) Related party transactions

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	\$	\$	\$	\$
Office, rent and administration <sup>(1)</sup>	18,150	21,680	34,450	34,080
Legal fees	805	308	805	308
	18,955	21,988	35,255	34,388

<sup>(1)</sup> Of these fees, \$13,200 (2012 - \$7,200) was allocated to the CFO of the Company.

### (b) Compensation of key management personnel

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	\$	\$	\$	\$
Short-term benefits - management fees <sup>(1)</sup>	23,100	30,600	45,600	39,600
Share-based compensation	420	6,331	1,320	10,656
	23,520	36,931	46,920	50,256

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:

	June 30, 2013	December 31, 2012
	\$	\$
Company having directors and officers in common	2,000	2,000