

LORNEX CAPITAL INC.

Condensed Interim Consolidated Financial Statements (Unaudited)

Three and Six Months Ended June 30, 2014 and 2013

(Expressed in Canadian Dollars)

LORNEX CAPITAL INC.

(the “Company”)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and six months ended June 30, 2014 and 2013

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 12, 2014

LORNEX CAPITAL INC.

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

	June 30, 2014	December 31, 2013
	\$	\$
Assets		
Current:		
Cash and cash equivalents	611,334	746,216
Amounts receivable	3,588	6,659
Prepaid expenses and deposits	7,000	7,000
	621,922	759,875
Equipment	1,810	2,113
	623,732	761,988
Liabilities		
Current:		
Accounts payable and accrued liabilities	552	13,124
Shareholders' equity		
Share capital (Note 4)	4,197,736	4,197,736
Reserves (Note 4)	114,010	117,368
Deficit	(3,688,566)	(3,566,240)
	623,180	748,864
	623,732	761,988

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,	
	2014	2013	2014	2013
	\$	\$	\$	\$
Administrative Expenses:				
Bank charges	62	9	142	100
Consulting fees	25,000	-	25,000	-
Depreciation	152	214	303	428
Management fees (Note 5)	-	16,200	-	32,400
Office, rent and administration (Note 5)	32,431	22,953	65,845	44,489
Professional fees (Note 5)	5,031	983	5,401	1,293
Project evaluation	6,382	-	6,382	-
Regulatory fees	14,353	2,595	20,053	7,795
Share-based payments (Note 4)	20,181	500	24,520	1,396
Transfer agent	1,322	791	2,251	1,525
Travel, promotion and shareholder communication	882	515	882	5,721
	105,796	44,760	150,779	95,147
Loss before other items	(105,796)	(44,760)	(150,779)	(95,147)
Other items:				
Interest income	1,728	2,107	3,935	4,363
Impairment of exploration and evaluation asset	-	-	(3,360)	(3,360)
	1,728	2,107	575	1,003
Comprehensive loss for the period	(104,068)	(42,653)	(150,204)	(94,144)
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	7,190,662

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					shareholders' equity
	Notes	Common	Amount	Stock	Deficit	
		shares		options		
		#	\$	\$	\$	\$
Balance, December 31, 2012		7,090,662	4,197,736	167,349	(3,437,174)	927,911
Comprehensive loss for the period		-	-	-	(94,144)	(94,144)
Share-based payments		-	-	1,396	-	1,396
Forfeited options	4(c)	-	-	(2,398)	2,398	-
Balance, June 30, 2013		7,190,662	4,197,736	166,347	(3,528,920)	835,163
Comprehensive loss for the period		-	-	-	(86,299)	(86,299)
Forfeited options	4(c)	-	-	(48,979)	48,979	-
Balance, December 31, 2013		7,190,662	4,197,736	117,368	(3,566,240)	748,864
Comprehensive loss for the period		-	-	-	(150,204)	(150,204)
Share-based payments		-	-	24,520	-	24,520
Forfeited options	4(c)	-	-	(27,878)	27,878	-
Balance, June 30, 2014		7,190,662	4,197,736	114,010	(3,688,566)	623,180

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,	
	2014	2013
	\$	\$
Operating activities:		
Loss for the period	(150,204)	(94,144)
Adjustments for non-cash items:		
Depreciation	303	428
Share-based payments	24,520	1,396
Changes in non-cash working capital items:		
Amounts receivable	3,071	6,475
Prepaid expenses and deposits	-	139
Accounts payable and accrued liabilities	(12,572)	(12,927)
	(134,882)	(98,633)
Decrease in cash and cash equivalents	(134,882)	(98,633)
Cash and cash equivalents, beginning of period	746,216	925,794
Cash and cash equivalents, end of period	611,334	827,161
Cash and cash equivalents are comprised of the following:		
Cash	11,334	77,161
Guaranteed Investment Certificates	600,000	750,000
	611,334	827,161

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, 2014 and 2013
(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 Canadian Securities 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.

At June 30, 2014, the Company had not yet achieved profitable operations and has accumulated losses of \$3,688,566 (December 31, 2013 -\$3,566,240). As such, there is a material uncertainty related to these events and conditions that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

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.

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

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 critical estimates 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, 2013.

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, 2013.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on August 12, 2014.

LORNEX CAPITAL INC.

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

Three and Six Months Ended June 30, 2014 and 2013
(Unaudited)

2. Summary of Significant Accounting Policies (Continued)

(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, 2013.

3. Exploration and Evaluation Assets

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

	\$
Balance, December 31, 2012	-
Exploration:	
Property maintenance costs	3,360
Impairment	(3,360)
Balance, December 31, 2013	-
Exploration:	
Property maintenance costs	3,360
Impairment	(3,360)
Balance, June 30, 2014	-

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.

On September 10, 2012, certain claims have lapsed and as a result, during six months ended June 30, 2014, the Company recognized an impairment of \$3,360 (2013 - \$3,360) 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, 2014, there were 7,190,622 issued and fully paid common shares (December 31, 2013 - 7,190,622).

LORNEX CAPITAL INC.

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

Three and Six Months Ended June 30, 2014 and 2013
(Unaudited)

4. Share Capital and Reserves (Continued)

(c) Warrants

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

	Warrants #	Weighted Average Exercise Price \$
Balance, December 31, 2012	1,196,875	0.25
Expired	(1,146,875)	0.25
Balance, December 31, 2013	50,000	0.25
Expired	(50,000)	0.25
Balance, June 30, 2014	-	-

(d) 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, 2012	656,334	0.10
Forfeited	(132,333) ⁽¹⁾	0.10
Balance, December 31, 2013	524,001	0.10
Forfeited	(136,667) ⁽²⁾	0.10
Granted	195,000	0.10
Balance, June 30, 2014	582,334	0.10

⁽¹⁾ During the year ended December 31, 2013, the fair value of 132,333 forfeited options of \$51,377 was reclassified from reserves to deficit.

⁽²⁾ During the six months ended June 30, 2014, the fair value of 136,667 forfeited options of \$27,878 was reclassified from reserves to deficit.

LORNEX CAPITAL INC.

Notes to Condensed Interim Consolidated Financial Statements
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Three and Six Months Ended June 30, 2014 and 2013
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4. Share Capital and Reserves (Continued)

(d) Stock options (Continued)

Stock options outstanding at June 30, 2014 are as follows:

Exercise Price	Options Outstanding	Expiry Date	Options Exercisable
\$	#		#
0.10 ⁽¹⁾	71,667	April 17, 2019	71,667
0.10 ⁽¹⁾	31,667	June 14, 2020	31,667
0.10 ⁽¹⁾	204,000	October 5, 2021 ⁽²⁾	204,000
0.10 ⁽¹⁾	80,000	January 5, 2022 ⁽²⁾	80,000
0.10	195,000	March 20, 2024	195,000
	582,334		582,334

⁽¹⁾ During the six months ended June 30, 2014, the exercise price of these stock options was amended to \$0.10 per share. The repricing of insiders' options is subject to disinterested shareholder approval.

⁽²⁾ During the six months ended June 30, 2014, the expiry date of these options was extended for an additional five years.

During the six months ended June 30, 2014, the Company amended the terms of an aggregate of 499,000 stock options previously granted to employees, directors and consultants of the Company. These options had original exercise prices ranging from \$0.21 to \$0.245 per share and were re-priced to have an exercise price of \$0.10 per share. In addition, the expiry date of an aggregate of 374,000 options was extended for an additional five years. Of the options extended, 209,000 expire on October 5, 2021 and 165,000 expire on January 5, 2022.

The modification to stock options, excluding insiders' options, resulted in the recognition of additional share-based payments of \$9,069 during the six months ended June 30, 2014. The fair values of the modified stock options were estimated using the Black-Scholes option pricing model using the following weighted average assumptions: expected dividend yield – 0%; expected stock price volatility – 105.37%; risk-free interest rate – 1.43%; expected life – 4.76 years; and fair value per option - \$0.04.

During the six months ended June 30, 2014, the Company recorded share-based payments of \$15,451 (2013 - \$1,396) for stock options granted during the period.

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

	2014	2013
Risk free interest rate	1.67%	-
Expected dividend yield	0%	-
Expected stock price volatility	105.57%	-
Expected life	5.56 years	-

The weighted average fair value of options granted during the six months ended June 30, 2014 was \$0.08 (2013 - \$nil) per option.

LORNE CAPITAL INC.

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(Expressed in Canadian Dollars)

Three and Six Months Ended June 30, 2014 and 2013
(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,	
	2014	2013	2014	2013
	\$	\$	\$	\$
Office, rent and administration ⁽¹⁾	27,050	18,150	55,650	34,450
Legal fees	-	805	-	805
	27,050	18,955	55,650	35,255

⁽¹⁾ Of these fees, \$15,000 (2013 - \$13,200) was allocated to the CFO of the Company.

(b) Compensation of key management personnel

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	\$	\$	\$	\$
Short-term benefits - management fees ⁽¹⁾	7,500	23,100	15,000	45,600
Share-based compensation	6,603	420	9,193	1,320
	14,103	23,520	24,193	46,920

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, 2014	December 31, 2013
	\$	\$
Company having directors and officers in common	2,000	2,000