

LORNEX CAPITAL INC.

Condensed Interim Consolidated Financial Statements (Unaudited)

Three Months Ended March 31, 2015 and 2014

(Expressed in Canadian Dollars)

LORNEX CAPITAL INC.

(the “Company”)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three months ended March 31, 2015 and 2014

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 21, 2015

LORNE X CAPITAL INC.

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

	March 31, 2015	December 31, 2014
	\$	\$
Assets		
Current:		
Cash and cash equivalents	425,082	503,012
Amounts receivable	6,149	8,590
Prepaid expenses and deposits	17,700	2,000
	448,931	513,602
Equipment	1,400	1,508
	450,331	515,110
Liabilities		
Current:		
Accounts payable and accrued liabilities	15,244	12,693
Shareholders' equity		
Share capital (Note 4)	4,197,736	4,197,736
Reserves (Note 4)	114,441	114,441
Deficit	(3,877,090)	(3,809,760)
	435,087	502,417
	450,331	515,110

Nature of Operations (Note 1)

Subsequent Events (Note 6)

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,	
	2015	2014
	\$	\$
Administrative Expenses:		
Bank charges	335	80
Depreciation	108	151
Office, rent and administration (Note 5)	53,907	33,414
Professional fees (Note 5)	787	370
Regulatory fees	1,500	5,700
Share-based payments (Note 4)	-	4,339
Transfer agent	825	929
Travel, promotion and shareholder communication	49	-
	<u>57,511</u>	<u>44,983</u>
Loss before other items	(57,511)	(44,983)
Other items:		
Interest income	1,041	2,207
Impairment of exploration and evaluation asset	(3,360)	(3,360)
	<u>(2,319)</u>	<u>(1,153)</u>
Comprehensive loss for the period	<u>(59,830)</u>	<u>(46,136)</u>
Loss per common share – basic and diluted	(0.01)	(0.01)
Weighted average number of common shares outstanding – basic and diluted	<u>7,190,662</u>	<u>7,190,662</u>

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 shares	Amount	Stock options reserve	Deficit	
		#	\$	\$	\$	
Balance, December 31, 2013		7,090,662	4,197,736	117,368	(3,566,240)	748,864
Comprehensive loss for the period		-	-	-	(46,136)	(46,136)
Share-based payments		-	-	4,339	-	4,339
Forfeited options	4(c)	-	-	(2,681)	2,681	-
Balance, March 31, 2013		7,190,662	4,197,736	119,026	(3,609,695)	707,067
Comprehensive loss for the period		-	-	-	(237,446)	(237,446)
Share-based payments		-	-	25,296	-	25,296
Forfeited options	4(c)	-	-	(29,881)	29,881	-
Balance, December 31, 2014		7,190,662	4,197,736	114,441	(3,817,260)	494,917
Comprehensive loss for the period		-	-	-	(59,830)	(59,830)
Balance, March 31, 2015		7,190,662	4,197,736	114,441	(3,877,090)	435,087

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,	
	2015	2014
	\$	\$
Operating activities:		
Loss for the period	(59,830)	(46,136)
Adjustments for non-cash items:		
Depreciation	108	151
Share-based payments	-	4,339
Changes in non-cash working capital items:		
Amounts receivable	2,441	(2,180)
Prepaid expenses and deposits	(15,700)	-
Accounts payable and accrued liabilities	(4,949)	444
	(77,930)	(43,382)
Decrease in cash and cash equivalents	(77,930)	(43,382)
Cash and cash equivalents, beginning of period	503,012	746,216
Cash and cash equivalents, end of period	425,082	702,834
Cash and cash equivalents are comprised of the following:		
Cash	5,082	22,834
Guaranteed Investment Certificates	420,000	680,000
	425,082	702,834

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 Months Ended March 31, 2015 and 2014
(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 610 – 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 March 31, 2015, the Company had not yet achieved profitable operations and has accumulated losses of \$3,877,090 (December 31, 2014 -\$3,817,260). 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, 2014.

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, 2014.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on May 21, 2015.

LORNEX CAPITAL INC.

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

Three Months Ended March 31, 2015 and 2014
(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, 2014.

3. Exploration and Evaluation Assets

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

	\$
Balance, December 31, 2013	-
Exploration:	
Property maintenance costs	3,360
Impairment	(3,360)
Balance, December 31, 2014	-
Exploration:	
Property maintenance costs	3,360
Impairment	(3,360)
Balance, March 31, 2015	-

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 three months ended March 31, 2015, the Company recognized an impairment of \$3,360 (2014 - \$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 March 31, 2015, there were 7,190,622 issued and fully paid common shares (December 31, 2014 - 7,190,622).

LORNE CAPITAL INC.

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

Three Months Ended March 31, 2015 and 2014
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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, 2013	50,000	0.25
Expired	(50,000)	0.25
Balance, March 31, 2015 and December 31, 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, 2013	524,001	0.10
Forfeited	(171,667) ⁽¹⁾	0.10
Granted	195,000	0.10
Balance, March 31, 2015 and December 31, 2014	547,334	0.10

⁽¹⁾ During the year ended December 31, 2014, the fair value of 171,667 forfeited options of \$32,562 was reclassified from reserves to deficit.

Stock options outstanding at March 31, 2015 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⁾	184,000	October 5, 2021 ⁽²⁾	184,000
0.10 ⁽¹⁾	75,000	January 5, 2022 ⁽²⁾	75,000
0.10	185,000	March 20, 2024	185,000
	547,334		547,334

LORNEX CAPITAL INC.

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4. Share Capital and Reserves (Continued)

(d) Stock options (Continued)

- (1) During the year ended December 31, 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 year ended December 31, 2014, the expiry date of these options was extended for an additional five years.

During the year ended December 31, 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.

The modification to stock options resulted in the recognition of additional share-based payments of \$14,950 during the year ended December 31, 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 – 97.71%; risk-free interest rate – 1.28%; expected life – 4.06 years; and fair value per option - \$0.04.

During the three months ended March 31, 2015, the Company recorded share-based payments of \$nil (2014 - \$4,339) 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:

	2015	2014
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 three months ended March 31, 2015 was \$nil (2014 - \$0.08) per option.

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 March 31,	
	2015	2014
	\$	\$
Office, rent and administration ⁽¹⁾	33,700	28,600

(1) Of these fees, \$7,500 (2014 - \$6,900) was allocated to the CFO of the Company.

LORNE CAPITAL INC.

Notes to Condensed Interim Consolidated Financial Statements
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(Unaudited)

5. Related Party Balances and Transactions (Continued)

- (b) Compensation of key management personnel

	Three Months Ended March 31,	
	2015	2014
	\$	\$
Short-term benefits - management fees ⁽¹⁾	7,500	6,900
Share-based compensation	-	2,580
	7,500	9,480

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:

	September 30, 2014	December 31, 2014
	\$	\$
Company having directors and officers in common	17,700	2,000

6. Subsequent Events

- (a) On May 4, 2015, the Company closed a non-brokered private placement of 2,060,000 units at a price of \$0.05 per unit for gross proceeds of \$103,000. Each unit consisted of one common share of the Company and one common share purchase warrant. Each warrant entitles the holders to acquire one additional common share of the Company at a price of \$0.7 per share expiring five years from the date of issuance.
- (b) The Company received subscriptions of \$25,000 under the second tranche of the private placement. Note (6(a))