

NORSEMONT CAPITAL INC.

(Formerly “LORNEX CAPITAL INC.”)

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the nine months ended September 30, 2018 and 2017

(Expressed in Canadian Dollars)

NORSEMONT CAPITAL INC.

(the “Company”)

(Formerly “LORNEX CAPITAL INC.”)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Nine months ended September 30, 2018 and 2017

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The management of Norsemont 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 14, 2018

NORSEMONT CAPITAL INC.

(formerly "LORNEX CAPITAL INC.")

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

	September 30, 2018	December 31, 2017
Assets		
Current:		
Cash and cash equivalents	\$ 75,797	\$ 201,705
Interest receivable	68	1,038
GST receivable	2,005	2,007
Prepaid expenses and deposits	2,000	9,525
	<u>79,870</u>	<u>214,275</u>
Equipment (Note 4)	977	1,134
	<u>\$ 80,847</u>	<u>\$ 215,409</u>
Liabilities		
Current:		
Accounts payable	\$ 18,730	\$ 2,753
Accrued liabilities	7,475	9,036
	<u>26,205</u>	<u>11,789</u>
Shareholders' equity		
Share capital (Note 5)	4,668,526	4,633,526
Reserves (Note 5)	241,214	230,635
Deficit	(4,855,098)	(4,660,541)
	<u>54,642</u>	<u>203,620</u>
	<u>\$ 80,847</u>	<u>\$ 215,409</u>

Nature of Operations (Note 1)
Subsequent event note (Note 9)

The condensed interim consolidated financial statements were approved by the Board of Directors on November 14, 2018 and were signed on its behalf by:

"Kant Trivedi"
Director

"Al Larmour"
Director

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

NORSEMONT CAPITAL INC.

(formerly "LORNEX CAPITAL INC.")

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss (Unaudited)

(Expressed in Canadian Dollars)

	Three months ended September		Nine months ended September	
	2018	30, 2017	2018	30, 2017
Administrative Expenses:				
Consulting fees	\$ 31,165	\$ 35,208	\$ 106,165	\$ 95,208
Depreciation (Note 4)	61	52	184	163
Office, rent and administration (Note 6)	11,100	10,257	33,024	30,129
Professional fees (Note 6)	7,470	7,470	22,580	25,465
Regulatory fees	2,047	1,119	9,064	26,463
Share-based payments (Note 5)	-	-	10,579	10,316
Transfer agent and shareholder communication	484	706	4,985	5,029
Travel and promotion	425	-	8,675	-
	52,752	54,812	195,256	192,773
Loss before other items	(52,752)	(54,812)	(195,256)	(192,773)
Other Items:				
Interest income	20	713	906	1,503
Loss on disposal of assets	-	-	(207)	-
	20	713	699	1,503
Comprehensive loss for the period	\$ (52,732)	\$ (54,099)	\$ (194,557)	\$ (191,270)
Loss per common share - basic and diluted	(0.00)	(0.00)	(0.02)	(0.02)
Weighted average number of common shares outstanding - basic and diluted	11,928,162	11,228,162	11,633,290	11,228,162

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

NORSEMONT CAPITAL INC.

(formerly "LORNEX CAPITAL INC.")

Condensed Interim Consolidated Statements of Changes in Equity (Unaudited)

(Expressed in Canadian Dollars)

	Share capital				Total Shareholders' Equity \$
	Common Shares	Amount	Reserves	Deficit	
	#	\$	\$	\$	
Balance, December 31, 2016	11,228,162	4,619,526	220,319	(4,415,269)	424,576
Share-based payments	-	-	10,316	-	10,316
Loss for the period	-	-	-	(191,270)	(191,270)
Balance, September 30, 2017	11,228,162	4,619,526	230,635	(4,606,539)	243,622
Balance, December 31, 2017	11,428,162	4,633,526	230,635	(4,660,541)	203,620
Shares issued for exercise of warrants	500,000	35,000	-	-	35,000
Share-based payments	-	-	10,579	-	10,579
Loss for the period	-	-	-	(194,557)	(194,557)
Balance, September 30, 2018	11,928,162	4,668,526	241,214	(4,855,098)	54,642

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

NORSEMONT CAPITAL INC.

(formerly "LORNEX CAPITAL INC.")

Condensed Interim Consolidated Statements of Cash Flows (Unaudited)

(Expressed in Canadian Dollars)

	Nine months ended September 30,	
	2018	2017
Operating activities:		
Loss for the period	\$ (194,557)	\$ (191,270)
Adjustment for non-cash items:		
Depreciation	184	163
Impairment of exploration and evaluation asset	207	-
Loss on disposal of asset		
Share-based payments	10,579	10,316
Change in non-cash working capital		
Interest receivable	970	448
Goods and services tax receivable	2	13,104
Prepaid expenses and deposits	7,525	-
Accounts payable	15,977	240
Accrued liabilities	(1,561)	(1,744)
Cash used in operating activities	(160,674)	(168,743)
Investing activities:		
Disposed equipment	372	-
Purchased equipment	(607)	-
Cash used in investing activities	(235)	-
Financing activities:		
Warrants exercised	35,000	-
Cash provided by financing activities	35,000	-
Decrease in cash and cash equivalents	(125,909)	(168,743)
Cash and cash equivalents, beginning of period	201,705	414,628
Cash and cash equivalents, end of period	\$ 75,796	\$ 245,885

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

NORSEMONT CAPITAL INC.

(formerly “Lornex Capital Inc.”)

Notes to Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars - Unaudited)

Nine Months Ended September 30, 2018 and 2017

1. Nature of Operations

The Company was incorporated on July 26, 2000 under the Canada Business Corporations Act and continued into British Columbia under the British Columbia Corporations Act on January 30, 2016 as Norsemont Capital Inc. The Company 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 “NOM”.

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.

These condensed interim consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. As at September 30, 2018, the Company had not advanced its property to commercial production and is not able to finance day to day activities through operations. As at September 30, 2018, the Company had working capital of \$53,665 (December 31, 2017 - \$202,486) and an accumulated deficit of \$4,855,098 (December 31, 2017 - \$4,660,541). The Company’s continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds therefrom and/or raise equity capital or borrowings sufficient to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. 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. 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. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its statement of financial position.

2. Basis of Presentation and Significant Accounting Policies

(a) Basis of presentation and consolidation

The unaudited 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 unaudited 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, 2017.

The unaudited 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, 2017.

The unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis and are presented in Canadian dollars.

(b) Significant accounting estimates and judgments

The preparation of the Company’s condensed interim consolidated 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 condensed interim 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, 2017.

NORSEMONT CAPITAL INC.

(formerly “Lornex Capital Inc.”)

Notes to Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars - Unaudited)

Nine Months Ended September 30, 2018 and 2017

3. New Accounting Standards and Interpretations

Financial Instruments

The Company adopted all of the requirements of IFRS 9 Financial Instruments (“IFRS 9”) as of January 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 utilize a revised model for recognition and measurement of financial instruments and a single, forward-looking “expected loss” impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company’s accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application.

The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

The following is the Company’s new accounting policy for financial instruments under IFRS 9:

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of reserves on January 1, 2018.

Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of comprehensive loss in the period in which they arise.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve-month expected credit losses. The Company shall recognize in the consolidated statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of comprehensive loss.

NORSEMONT CAPITAL INC.

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Notes to Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars - Unaudited)

Nine Months Ended September 30, 2018 and 2017

3. New Accounting Standards and Interpretations (Continued)

Accounting Standards Issued But Not Yet Applied

Leases

On January 13, 2016, the IASB published a new standard, IFRS 16, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. The main provision of IFRS 16 is the recognition of lease assets and lease liabilities on the balance sheet by lessees for those leases that were previously classified as operating leases. Under IFRS 16, a lessee is required to do the following: (i) recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, on the balance sheet; and (ii) recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant, as the right-of-use asset is depreciated and the lease liability is accreted using the effective interest method. The new standard also requires qualitative disclosures along with specific quantitative disclosures. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. The Company continues to assess the impact of adopting this standard on its consolidated financial statements.

Other accounting pronouncements with future effective dates are either not applicable or are not expected to have a material impact on the Company's consolidated financial statements.

4. Equipment

	Computer Hardware	Office Equipment	Total
	\$	\$	\$
Costs:			
Balance, December 31, 2017	6,455	490	6,945
Additions	607	-	607
Disposal	(682)	-	(682)
Balance, September 30, 2018	6,380	490	6,870
Depreciation:			
Balance, December 31, 2017	5,437	374	5,811
Disposal of asset	(103)	-	(103)
Charge for the period	167	18	185
Balance, September 30, 2018	5,501	392	5,893
Carrying amounts:			
September 30, 2018	879	98	977
December 31, 2017	1,018	116	1,134

5. Share Capital and Reserves

(a) Authorized

An unlimited number of common shares without par value.

(b) Issued share capital

As at September 30, 2018, there were 11,928,162 issued and fully paid common shares (December 31, 2017 – 11,428,162).

NORSEMONT CAPITAL INC.

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Notes to Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars - Unaudited)

Nine Months Ended September 30, 2018 and 2017

5. Share Capital and Reserves (Continued)

(c) Warrants

During the period ended September 30, 2018, 500,000 warrants with an exercise price of \$0.07 were exercised for proceeds of \$35,000.

On September 4, 2018, the Company announced a 30-day extension of the 738,750 warrants from September 14, 2018 to October 14, 2018. (Note 9).

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

	Warrants	Weighted Average
	#	Exercise Price
		\$
Balance, December 31, 2017	3,098,750	0.12
Exercised	(500,000)	0.07
Balance September 30, 2018	2,598,750	0.14
Weighted average remaining contractual life		1.15 years

Warrants outstanding at September 30, 2018 are as follows:

Exercise Price	Warrants Outstanding	Expiry Date
\$	#	
0.30	738,750	October 14, 2018
0.07	1,860,000	May 4, 2020
	2,598,750	

(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.

During the period ended September 30, 2018, the Company granted 40,000 stock options exercisable at \$0.40 per common share for a period of five years to an officer of the Company.

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Notes to Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars - Unaudited)

Nine Months Ended September 30, 2018 and 2017

5. Share Capital and Reserves (Continued)

(d) Stock options (continued)

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

	Options Outstanding #	Weighted Average Exercise Price \$
Balance December 31, 2017	1,101,000	0.17
Granted	40,000	0.40
Balance September 30, 2018	1,141,000	0.18
Weighted average remaining contractual life		5.79 years

Stock options outstanding at September 30, 2018, are as follows:

Exercise Price \$	Options Outstanding #	Expiry Date	Options Exercisable #
0.10	41,667	April 17, 2019	41,667
0.07	8,333	April 17, 2019	8,333
0.10	8,333	June 14, 2020	8,333
0.07	6,667	June 14, 2020	6,667
0.10	35,000	October 5, 2021	35,000
0.07	114,000	October 5, 2021	114,000
0.10	55,000	January 5, 2022	55,000
0.32	50,000	February 2, 2022	50,000
0.40	40,000	April 27, 2023	40,000
0.10	100,000	March 20, 2024	100,000
0.18	497,000	October 30, 2025	497,000
0.28	185,000	November 2, 2026	185,000
	1,141,000		1,141,000

During the period ended September 30, 2018, the Company recorded share-based payments of \$10,579 (2017 - \$10,316)

The fair value of the stock options granted during the nine months ended September 30, 2018 and 2017, was estimated using the Black-Scholes option pricing model, with the following weighted average assumptions:

	2018	2017
Risk free interest rate	2.18%	1.16%
Expected dividend yield	0%	0%
Expected stock price volatility	82.22%	86.64%
Expected life	5 years	5 years

The weighted average fair value of options granted during the period ended September 30, 2018 and 2017 was \$0.26 and \$0.20 per option, respectively.

(e) Stock option reserve

The stock option reserve records items recognized as share-based compensations until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

NORSEMONT CAPITAL INC.

(formerly "Lornex Capital Inc.")

Notes to Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars - Unaudited)

Nine Months Ended September 30, 2018 and 2017

6. Related Party Balances and Transactions

(a) Related party transactions

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

	Nine Months Ended September 30,	
	2018	2017
	\$	\$
Office, rent and administration	10,847	14,012
Professional fees ⁽¹⁾	7,875	-

⁽¹⁾ Professional fees paid to a company controlled by a former director of the Company for accounting and corporate secretarial services provided.

(b) Compensation of key management personnel

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.

	Nine Months Ended September 30,	
	2018	2017
	\$	\$
Share-based payments	10,579	-

(c) Related party balances

The following related party amounts are included in accounts payables:

	September 30, 2018	December 31, 2017
	\$	\$
Company having directors and officers in common	37	1,845

7. Financial Instruments and Risk Management

a) Fair value of financial instruments

At September 30, 2018, the Company's financial instruments consist of cash and cash equivalents, interest receivable and accounts payable. The carrying value of these financial instruments approximates their fair value due to their short-term nature.

b) Financial instrument risk

The Company's financial instruments are exposed in varying degrees to a variety of financial risks. The Board approves and monitors the risk management processes:

Credit risk

Credit risk exposure primarily arises with respect to the Company's cash and amounts receivables. The Company places its instruments in banks of high credit worthiness within Canada and continuously monitors the collection of other receivables. Credit risk is assessed as low.

NORSEMONT CAPITAL INC.

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Notes to Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars - Unaudited)

Nine Months Ended September 30, 2018 and 2017

7. Financial Instruments and Risk Management (Continued)

b) Financial instrument risk (continued)

Liquidity risk

Liquidity risk is the risk that the Company cannot meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to settle liabilities and obligations when they become due. As at September 30, 2018, the Company had cash, cash equivalents and amounts receivable of \$77,870 (December 31, 2017 - \$204,750) to settle current liabilities of \$26,205 (December 31, 2017 - \$11,789) which primarily consisted of short term accounts payable. Liquidity risk is assessed as low.

Market risk

Market risk consists of currency risk, interest rate risk and other price risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns. The Company has no foreign exchange rate risk as all amounts are denominated in Canadian dollars. The Company also holds no financial instruments that expose it to other price risk.

Interest rate and commodity price risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. 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 is not significantly exposed to interest rate or commodity price risk.

8. 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 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 activities 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 period ended September 30, 2018.

9. Subsequent Event

On October 14, 2018, 738,750 warrants expired unexercised.