

NORSEMONT CAPITAL INC.

Annual Consolidated Financial Statements

Years Ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Norsemont Capital Inc.:

Opinion

We have audited the consolidated financial statements of Norsemont Capital Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive loss, changes in equity (deficit) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 1 to the consolidated financial statements, which indicates that the Company is not able to finance day to day activities through current operations. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Otto Ehinger.



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC
March 28, 2019

NORSEMONT CAPITAL INC.

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	December 31, 2018	December 31, 2017
Assets		
Current:		
Cash and cash equivalents	\$ 20,818	\$ 201,705
Interest receivable	101	1,038
Goods and services tax receivable	2,160	2,007
Prepaid expenses and deposits	2,000	9,525
	<u>25,079</u>	<u>214,275</u>
Equipment	916	1,134
	<u>\$ 25,995</u>	<u>\$ 215,409</u>
Liabilities		
Current:		
Accounts payable	\$ 15,992	\$ 2,753
Accrued liabilities	11,328	9,036
	<u>27,320</u>	<u>11,789</u>
Shareholders' equity (deficiency)		
Share capital (Note 4)	4,668,526	4,633,526
Reserves (Note 4)	231,515	230,635
Deficit	(4,901,366)	(4,660,541)
	<u>(1,325)</u>	<u>203,620</u>
	<u>\$ 25,995</u>	<u>\$ 215,409</u>

Nature of Operations (Note 1)

The consolidated financial statements were approved by the Board of Directors on March 28, 2019 and were signed on its behalf by:

"Allan Larmour"

Director

"Rana Vig"

Director

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

NORSEMONT CAPITAL INC.

Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

	Years Ended December 31,	
	2018	2017
Administrative Expenses:		
Consulting fees	\$ 137,329	\$ 130,208
Depreciation	246	320
Office, rent and administration (Note 5)	45,325	38,941
Professional fees (Note 5)	30,030	32,983
Regulatory fees	11,014	29,063
Share-based payments (Note 4, 5)	10,579	10,316
Transfer agent and shareholder communication	8,308	5,537
Travel and promotion	8,675	-
	<hr/> 251,506	<hr/> 247,368
Loss before other items	(251,506)	(247,368)
Other items:		
Interest income	1,189	2,096
Loss on disposal of assets	(207)	-
	<hr/> 982	<hr/> 2,096
Comprehensive loss for the year	\$ (250,524)	\$ (245,272)
Loss per common share - basic and diluted	<hr/> (0.02)	<hr/> (0.02)
Weighted average number of common shares outstanding - basic and diluted	11,707,614	11,234,189

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

NORSEMONT CAPITAL INC.

Consolidated Statements of Changes in Equity (Deficiency)
(Expressed in Canadian Dollars)

	Share capital				Total Shareholders' Equity (Deficiency)
	Common Shares	Amount	Reserves	Deficit	
	#	\$	\$	\$	
Balance, December 31, 2016	11,228,162	4,619,526	220,319	(4,415,269)	424,576
Shares issued for exercise of warrants Note 4)	200,000	14,000	-	-	14,000
Share-based payments (Note 4)	-	-	10,316	-	10,316
Loss for the year	-	-	-	(245,272)	(245,272)
Balance, December 31, 2017	11,428,162	4,633,526	230,635	(4,660,541)	203,620
Balance, December 31, 2017	11,428,162	4,633,526	230,635	(4,660,541)	203,620
Shares issued for exercise of warrants (Note 4)	500,000	35,000	-	-	35,000
Transfer value of cancelled options	-	-	(9,699)	9,699	-
Share-based payments (Note 4)	-	-	10,579	-	10,579
Loss for the year	-	-	-	(250,524)	(250,524)
Balance, December 31, 2018	11,928,162	4,668,526	231,515	(4,901,366)	(1,325)

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

NORSEMONT CAPITAL INC.

Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Years ended December 31,	
	2018	2017
Operating activities:		
Loss for the year	\$ (250,524)	\$ (245,272)
Adjustment for non-cash items:		
Depreciation	246	320
Loss on disposal of asset	207	-
Share-based payments	10,579	10,316
Change in non-cash working capital		
Interest receivable	937	65
Goods and services tax receivable	(153)	14,659
Prepaid expenses and deposits	7,525	(7,525)
Accounts payable	13,239	718
Accrued liabilities	2,292	476
Cash used in operating activities	(215,652)	(226,243)
Investing activities:		
Proceeds from disposal of equipment	372	-
Equipment purchases	(607)	(680)
Cash used in investing activities	(235)	(680)
Financing activities:		
Proceeds from exercise of warrants	35,000	14,000
Cash provided by financing activities	35,000	14,000
Decrease in cash and cash equivalents	(180,887)	(212,923)
Cash and cash equivalents, beginning of year	201,705	414,628
Cash and cash equivalents, end of year	20,818	201,705
Cash and cash equivalents are made up of the following:		
Cash	5,818	13,705
Term Deposits	15,000	188,000
Total cash and cash equivalents	\$ 20,818	\$ 201,705

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

NORSEMONT CAPITAL INC.

Notes to Consolidated Financial Statements
(Expressed in Canadian Dollars)
Years Ended December 31, 2018 and 2017

1. Nature of Operations

The Company was incorporated on July 26, 2000 under the Canada Business Corporations Act and continued into BC 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 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 December 31, 2018, the Company is not able to finance day to day activities through operations. As at December 31, 2018, the Company had a working capital deficit of \$2,241 (December 31, 2017 - working capital of \$202,486) and an accumulated deficit of \$4,901,366 (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. 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 consolidated statement of financial position.

2. Basis of Presentation and Significant Accounting Policies

(a) Basis of presentation and consolidation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and Interpretations (collectively, "IFRS"), as issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC"). These consolidated financial statements have been prepared on an historical cost basis, except for certain financial instruments which are classified as fair value through profit or loss. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All amounts on the consolidated financial statements are presented in Canadian dollars which is the functional currency of the Company.

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Rosswoll Industries Inc., incorporated in British Columbia. All significant intercompany balances and transactions were eliminated on consolidation.

(b) Financial instruments

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.

NORSEMONT CAPITAL INC.

Notes to Consolidated Financial Statements
(Expressed in Canadian Dollars)
Years Ended December 31, 2018 and 2017

2. Basis of Presentation and Significant Accounting Policies (Continued)

(b) Financial instruments (continued)

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.

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liabilities derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of comprehensive loss.

(c) Mineral property interests

The acquisition costs of mineral property interests and any subsequent exploration and evaluation costs are capitalized until the property to which they relate is placed into production, sold, allowed to lapse or abandoned. Exploration and evaluation costs incurred prior to obtaining ownership, or the right to explore a property, are expensed as incurred as property examination costs. Properties that have close proximity and have the possibility of being developed as a single mine are grouped as projects and are considered separate cash generating units ("CGU") for the purpose of determining future mineral reserves and impairments.

The acquisition costs include the cash consideration paid and the fair market value of any shares issued for mineral property interests being acquired or optioned pursuant to the terms of relevant agreements. Proceeds received from a partial sale or option of a mineral property interest are credited against the carrying value of the property. When the proceeds exceed the carrying costs the excess is recorded in profit or loss in the period in which the excess is received. When all of the interest in a property is sold, subject only to any retained royalty interests which may exist, the accumulated property costs are written-off, with any gain or loss included in profit or loss in the period the transaction takes place. No initial value is assigned to any retained royalty interest. The royalty interest is subsequently assessed for value by reference to developments on the underlying mineral property.

NORSEMONT CAPITAL INC.

Notes to Consolidated Financial Statements

(Expressed in Canadian Dollars)

Years Ended December 31, 2018 and 2017

2. Basis of Presentation and Significant Accounting Policies (Continued)

(c) Mineral property interests (continued)

Management reviews its mineral property interests at each reporting period for signs of impairment and annually after each exploration season to consider if there is impairment in value, taking into consideration current year exploration results and management's assessment of the future probability of profitable operations from the property, or likely gains from the disposition or option of the property. If a property is abandoned, or considered to have no future economic potential, the acquisition and deferred exploration and evaluation costs are written-off to profit or loss.

(d) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, this reversal is recognized in profit or loss.

(ii) Non-financial assets

Non-financial assets are evaluated at each reporting period by management for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present, the recoverable amount of an asset is evaluated at the CGU level, the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in profit or loss to the extent that the carrying amount exceeds the recoverable amount. The Company's mineral property interest impairment policy is more specifically discussed above.

(e) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Common shares issued for consideration other than cash, are valued based on their trading value at the date the shares are issued.

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Share capital is reduced by the average per-common-share carrying amount, with the difference between this amount and the consideration paid, added to or deducted from reserves.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in a private placement to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as reserves.

NORSEMONT CAPITAL INC.

Notes to Consolidated Financial Statements
(Expressed in Canadian Dollars)
Years Ended December 31, 2018 and 2017

2. Basis of Presentation and Significant Accounting Policies (Continued)

(f) Share-based payment transactions

The Company has a stock option plan that provides for the granting of options to officers, directors, consultants and related company employees to acquire shares of the Company. The fair value of the options is measured on the grant date and is recognized as an expense with a corresponding increase in reserves as the options vest. Options granted to employees and others providing similar services are measured on the grant date at the fair value of the instruments issued. Fair value is determined using the Black-Scholes Option Pricing Model taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis.

Options granted to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received. On vesting, share-based payments are recorded as an operating expense and as reserves. When options are exercised, the consideration received is recorded as share capital. When options are cancelled or expired, the initial recorded value is reversed and charged to deficit.

(g) Environmental rehabilitation

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. The estimated costs arising from the future decommissioning of plant and other site preparation work, discounted to their net present value, are determined, and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates, using pretax rates that reflect the time value of money, are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset through amortization using either the unit-of-production or the straight-line method. The related liability is adjusted at each period-end for the unwinding of the discount rate, for changes to the current market-based discount rate and for changes to the amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Company has no known restoration, rehabilitation or environmental costs related to its mineral property interest.

(h) Income taxes

Income tax expense is comprised of current and deferred taxes. Current tax and deferred tax are recognized in profit or loss, except to the extent that they relate to items recognized directly in equity or equity investments.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, plus any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current income tax liabilities and assets, and they relate to income taxes levied by the same tax authority for the same taxable entity. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related income tax benefit will be realized.

NORSEMONT CAPITAL INC.

Notes to Consolidated Financial Statements
(Expressed in Canadian Dollars)
Years Ended December 31, 2018 and 2017

2. Basis of Presentation and Significant Accounting Policies (Continued)

(i) Loss per share

The Company presents basic and diluted loss per share ("LPS") data for its common shares. Basic LPS is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted LPS is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held and for the effects of all dilutive potential common shares related to outstanding stock options and warrants issued by the Company.

(j) Comprehensive loss

Comprehensive loss is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net profit such as unrealized gains or losses on investments classified as FVTOCI, gains or losses on certain derivative instruments and foreign currency gains or losses related to self-sustaining operations. The Company's comprehensive loss and components of other comprehensive income are presented in the consolidated statements of comprehensive loss and the consolidated statements of changes in equity.

(k) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received, and the amount receivable can be measured reliably.

(l) Significant accounting estimates and judgments

The preparation of financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and judgments. Those areas requiring the use of management estimates and judgments include:

Estimates

(i) Fair value measurement of stock-based payments

The Company measures equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option and volatility and making assumptions about them.

(ii) Measurement of deferred tax assets and liabilities

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

NORSEMONT CAPITAL INC.

Notes to Consolidated Financial Statements
(Expressed in Canadian Dollars)
Years Ended December 31, 2018 and 2017

2. Basis of Presentation and Significant Accounting Policies (Continued)

(ii) Measurement of deferred tax assets and liabilities (continued)

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

Judgments

(i) Going concern

Management has applied judgments in the assessment of the Company's ability to continue as a going concern when preparing its consolidated financial statements for the years ended December 31, 2018 and 2017. Management prepares the consolidated financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. As a result of the assessment, management concluded the going concern basis of accounting is appropriate based on its profit and cash flow forecasts and access to replacement financing for the future twelve months.

3. New Accounting Standards and Interpretations

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. The Company has determined that the adoption of the new accounting standard will not have a material impact on the consolidated financial statements.

4. Share Capital and Reserves

(a) Authorized

An unlimited number of common shares without par value.

(b) Issued share capital

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

During the year ended December 31, 2018, 500,000 warrants were exercised for gross proceeds of \$35,000.

During the year ended December 31, 2017, 200,000 warrants were exercised for gross proceeds of \$14,000.

(c) Warrants

During the year ended December 31, 2018, the Company extended the expiry date of 738,750 warrants from September 14, 2018 to October 14, 2018. These warrants expired unexercised. There was no value recorded for the modification as they were equity issued warrants.

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

NORSEMONT CAPITAL INC.

Notes to Consolidated Financial Statements
(Expressed in Canadian Dollars)
Years Ended December 31, 2018 and 2017

4. Share Capital and Reserves (Continued)

	Warrants	Weighted Average Exercise Price
	#	\$
Balance, December 31, 2016	3,298,750	0.12
Exercised	(200,000)	0.07
Balance, December 31, 2017	3,098,750	0.12
Exercised	(500,000)	0.07
Expired	(738,750)	0.30
Balance December 31, 2018	1,860,000	0.07
Weighted average remaining contractual life		1.34 years

Warrants outstanding at December 31, 2018 are as follows:

Exercise Price	Warrants Outstanding	Expiry Date
\$	#	
0.07	1,860,000	May 4, 2020

(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, 2016	1,051,000	0.17
Granted	50,000	0.32
Balance, December 31, 2017	1,101,000	0.17
Granted	40,000	0.40
Cancelled	(60,000)	0.18
Balance, December 31, 2018	1,081,000	0.17
Weighted average remaining contractual life		5.46 years

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4. Share Capital and Reserves (Continued)

(d) Stock options (continued)

Stock options outstanding at December 31, 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 25, 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	437,000	October 30, 2025	437,000
0.28	185,000	November 2, 2026	185,000
	1,081,000		1,081,000

During the year ended December 31, 2018, the Company granted 40,000 (2017 - 50,000) stock options. These options have an exercise price of \$0.40 per share and have an expiry date of April 27, 2023. The Company recorded share-based payments of \$10,579 (2017 - \$10,316) for stock options granted during the year.

The fair values of the stock options granted during the year ended December 31, 2018 and the year ended December 31, 2017 were 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 year ended December 31, 2018 was \$0.26 (2017 - \$0.20) per option.

(e) Stock option reserve

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

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5. Related Party Balances and Transactions

(a) Related party transactions

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

	Year Ended December 31,	
	2018	2017
	\$	\$
Office, rent and administration	18,243	14,012
Professional fees - Accounting and corporate secretarial services ⁽¹⁾	7,875	8,750
	26,118	22,762

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

(b) Compensation of key management personnel

	Year Ended December 31,	
	2018	2017
	\$	\$
Share-based payments	10,579	10,316

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:

	As at December 31,	
	2018	2017
	\$	\$
Company having directors and officers in common	2,000	2,000

The following related party amounts are included in accounts payable:

	As at December 31,	
	2018	2017
	\$	\$
Company having directors and officers in common	100	1,845

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6. Financial Instruments and risk Management

a) Fair value of financial instruments

At December 31, 2018, the Company's financial instruments consist of cash and cash equivalents, interest receivable and accounts payable. The carrying values of these financial instruments approximates their fair values 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 interest receivable. 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.

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 December 31, 2018, the Company had cash, cash equivalents and amounts receivable of \$23,079 to settle current liabilities of \$27,320 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.

7. 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 exploration and development 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 year ended December 31, 2018.

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8. Income Taxes

The following table reconciles the expected income tax expenses (recovery) at the Canadian statutory income tax rates to the amounts recognized in the consolidated statements of loss and comprehensive loss for the years ended December 31, 2018 and December 31, 2017:

	2018	2017
	\$	\$
Loss before income taxes	(250,524)	(245,272)
Canadian statutory tax rate	27.00%	26.00%
Expected income tax recovery	(67,641)	(63,771)
Differences resulting from:		
Non-deductible items	2,738	2,769
Other	(9,663)	41,752
Effect of change in tax rates	(40,097)	-
Change in deferred tax asset not recognized	114,663	19,250
Income tax recovery	-	-

Deferred tax reflects the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and amounts used for tax purposes. Deferred tax assets at December 31, 2018 and December 31, 2017 are comprised of the following:

	2018	2017
	\$	\$
Deferred tax assets - Canada		
Non-capital loss carry-forwards	778,817	678,255
Property and equipment	10,012	9,464
Exploration and evaluation assets	368,262	354,622
Financing costs	91	178
	1,157,182	1,042,519
Deferred tax asset not recognized	1,157,182	1,042,519
Net deferred tax asset	-	-

The Company has non-capital loss carryforwards of \$2,884,506 (2017 – \$2,608,675) which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

	\$
2026	126,327
2027	45,664
2028	199,093
2029	214,600
2030	281,576
2031	363,624
2032	206,382
2033	188,141
2034	263,302
2035	244,042
2036	276,748
2037	234,966
2038	240,041
Total	2,884,506