



NORSEMONT MINING INC.

Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2020 and 2019

(Unaudited - Expressed in Canadian Dollars)

NORSEMONT MINING INC.

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

| | Note | June 30, 2020 | December 31, 2019 |
|--|------|----------------------|-------------------|
| Assets | | | |
| Current | | | |
| Cash and cash equivalents | | \$ 5,076,176 | \$ 260,781 |
| Interest receivable | | 1,252 | - |
| Goods and services tax receivable | | 8,174 | 2,700 |
| Prepaid and deposits | | 3,000 | 2,000 |
| Loan receivable | | 23,500 | - |
| Share subscription receivable | | 305,620 | - |
| | | 5,417,722 | 265,481 |
| Non-current | | | |
| Equipment | | 1,194 | 1,288 |
| Mineral properties | 4 | 5,179,260 | - |
| | | | |
| Total Assets | | \$ 10,598,177 | \$ 266,769 |
| Liabilities | | | |
| Current: | | | |
| Accounts payable and accrued liabilities | 5 | \$ 3,907,744 | \$ 115,815 |
| | | 3,907,744 | 115,815 |
| Non-current: | | | |
| Mineral properties | 4 | 696,100 | - |
| | | 696,100 | - |
| Shareholder's equity (deficiency) | | | |
| Share capital | 6 | 11,743,318 | 5,074,882 |
| Share subscription payable | 6 | 20,000 | - |
| Reserves | 6 | 937,264 | 273,785 |
| Deficit | | (6,706,249) | (5,197,713) |
| | | 5,994,333 | 150,954 |
| | | | |
| | | \$ 10,598,177 | \$ 266,769 |

The consolidated financial statements were approved by the Board of Directors on August 25, 2020 and were signed on its behalf by:

/s/ Allan Larmour
Director

/s/ Charles Ross
Director

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

NORSEMONT MINING INC.

Condensed Interim Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

| | Note | Three months ended June 30, | | Six months ended June 30, | |
|---|------|-----------------------------|-------------|---------------------------|--------------|
| | | 2020 | 2019 | 2020 | 2019 |
| Expenses | | | | | |
| Consulting fees | | \$ 614,509 | \$ 31,164 | \$ 646,087 | \$ 62,329 |
| Depreciation | | 47 | 47 | 94 | 94 |
| Office, rent and administration | 5, 7 | 31,758 | 11,724 | 48,904 | 23,838 |
| Professional fees | 5, 7 | 34,055 | 11,338 | 41,055 | 21,038 |
| Regulatory fees | | 7,810 | 2,350 | 10,159 | 7,217 |
| Share-based payments | 6 | 741,434 | - | 741,434 | - |
| Transfer agent and shareholder communication | | 4,965 | 3,006 | 5,640 | 4,447 |
| Travel | | 86 | 14 | 12,245 | 1,455 |
| Loss before other items | | (1,434,664) | (59,643) | (1,505,618) | (120,418) |
| Foreign exchange loss | | (4,170) | - | (4,170) | - |
| Interest income | | 703 | 26 | 1,252 | 26 |
| Net loss for the period | | (1,438,131) | (59,617) | (1,508,536) | (120,392) |
| Comprehensive loss for the period | | \$ (1,438,131) | \$ (59,617) | \$ (1,508,536) | \$ (120,392) |
| Loss per common share - basic and diluted | | (0.08) | (0.01) | (0.10) | (0.01) |
| Weighted average number of common shares outstanding - basic and diluted | | 17,841,222 | 11,228,162 | 15,636,513 | 12,243,779 |

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

NORSEMONT MINING INC.

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

| | Note | Share capital | | | | | Total Shareholders' Equity (Deficiency) |
|--|------|-------------------|-------------------|-----------------------------|----------------|--------------------|---|
| | | Common Shares | Amount | Share subscriptions payable | Reserves | Deficit | |
| | | # | \$ | | \$ | \$ | |
| Balance, December 31, 2018 | | 11,928,162 | 4,668,526 | - | 231,515 | (4,901,366) | (1,325) |
| Shares issued for private placement | | 1,254,667 | 376,400 | - | - | - | 376,400 |
| Less: Share issuance costs | | - | (1,005) | - | - | - | (1,005) |
| Shares issued for exercise of warrants | | 100,000 | 7,000 | - | - | - | 7,000 |
| Shares issued for exercise of stock options | | 56,667 | 5,217 | - | - | - | 5,217 |
| Fair market value of stock options exercised | | - | 18,744 | - | (18,744) | - | - |
| Fair market value of stock options cancelled | | - | - | - | (35,767) | 35,767 | - |
| Net loss for the period | | - | - | - | - | (120,392) | (120,392) |
| Balance, June 30, 2019 | | 13,339,496 | 5,074,882 | - | 177,004 | (4,985,991) | 265,895 |
| Share-based payments | | - | - | - | 96,781 | - | 96,781 |
| Net loss for the period | | - | - | - | - | (211,722) | (211,722) |
| Balance, December 31, 2019 | | 13,339,496 | 5,074,882 | - | 273,785 | (5,197,713) | 150,954 |
| Shares issued for private placement | 6 | 12,250,000 | 6,459,808 | 20,000 | - | - | 6,479,808 |
| Less: Share issue costs | 6 | 13,076 | (94,391) | - | - | - | (94,391) |
| Shares issued for exercise of warrants | 6 | 1,760,000 | 123,200 | - | - | - | 123,200 |
| Shares issued for exercise of stock options | 6 | 382,333 | 101,863 | - | - | - | 101,863 |
| Share-based payments | 6 | - | - | - | 741,434 | - | 741,434 |
| Fair market value of stock options exercised | 6 | - | 77,955 | - | (77,955) | - | - |
| Fair market value of stock options cancelled | 6 | - | - | - | - | - | - |
| Loss for the period | | - | - | - | - | (1,508,536) | (1,508,536) |
| Balance, June 30, 2020 | | 27,744,905 | 11,743,318 | 20,000 | 937,264 | (6,706,249) | 5,994,333 |

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

NORSEMONT MINING INC.

Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

| | Six months ended June 30, | |
|---|----------------------------------|-------------------|
| | 2020 | 2019 |
| Operating activities: | | |
| Loss for the period | \$ (1,508,536) | \$ (120,392) |
| Adjustment for non-cash items: | | |
| Depreciation | 94 | 94 |
| Loss on disposal of asset | - | 207 |
| Share-based payments | 741,434 | - |
| Changes in working capital items: | | |
| Prepaid expenses and deposits | (1,000) | - |
| Loan receivable | (23,500) | - |
| Interest receivable | (1,252) | 101 |
| Goods and services tax receivable | (5,474) | (964) |
| Accounts payable & accrued liabilities | 3,791,929 | 15,251 |
| Cash provided/(used) in operating activities | 2,993,695 | (105,703) |
| Investing activities: | | |
| Acquisition of mineral properties | (4,483,160) | - |
| Sale of equipment | - | 400 |
| Purchase of equipment | - | (607) |
| Cash used in investing activities | (4,483,160) | (207) |
| Financing activities: | | |
| Shares issued from private placement | 6,459,808 | 380,059 |
| Share issue cost | (94,391) | (4,664) |
| Share subscription receivable | (305,620) | - |
| Share subscription payable | 20,000 | - |
| Shares issued for exercise of warrants | 123,200 | 7,000 |
| Shares issued for exercise of stock options | 101,863 | 5,217 |
| Cash provided by financing activities | 6,304,860 | 387,612 |
| Decrease in cash and cash equivalents | 4,815,395 | 281,702 |
| Cash and cash equivalents, beginning of period | 260,781 | 20,818 |
| Cash and cash equivalents, end of period | 5,076,176 | 302,520 |
| Cash and cash equivalents are made up of the following: | | |
| Cash | 5,076,176 | 302,520 |
| Total cash and cash equivalents | \$ 5,076,176 | \$ 302,520 |

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

NORSEMONT MINING INC.

Notes to Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)
Three and Six Months Ended June 30, 2020 and 2019

1. Nature of Operations

Norsemont Capital Inc. ("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. On February 22, 2020, the Company change its name to Norsemont Mining Inc.

The Company is engaged in the acquisition, exploration, and development of mineral properties. During the three months ended June 30, 2020 the company entered an option agreement to acquire a 100% interest in the Burge Lake Project located in the Province of Quebec. The company also acquired a 100% interest in the Choquelimpie gold and silver project in northern Chile.

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 June 30, 2020, the Company had working capital of \$1,509,978 (December 31, 2019 - working capital of \$149,666) and an accumulated deficit of \$6,706,249 (December 31, 2019 - \$5,197,713). 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.

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.

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 MINING INC.

Notes to Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)
Three and Six Months Ended June 30, 2020 and 2019

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 MINING INC.

Notes to Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)
Three and Six Months Ended June 30, 2020 and 2019

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 MINING INC.

Notes to Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)
Three and Six Months Ended June 30, 2020 and 2019

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 MINING INC.

Notes to Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)
Three and Six Months Ended June 30, 2020 and 2019

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.

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 MINING INC.

Notes to Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)
Three and Six Months Ended June 30, 2020 and 2019

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.

(m) Going concern

Management has applied judgments in the assessment of the Company's ability to continue as a going concern when preparing its condensed interim consolidated financial statements for the period ended June 30, 2020 and 2019. 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

Leases

On January 1, 2019, IFRS 16 *Leases* ("IFRS 16") replaces IAS 17 *Leases* ("IAS 17"). IFRS 16 provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

The Company analyzed its contract to identify whether they contain a lease arrangement for the application of IFRS 16. As the Company is on a short-term lease of 12 months, the Company have not adopted IFRS 16 on its lease.

4. Mineral Properties

a. Canada

| | Balance June 30 2020 | Additions June 30 2020 | Balance December 31 2019 |
|---------------------------|----------------------------|------------------------------|--------------------------------|
| | \$ | \$ | \$ |
| Burge Lake Project | | | |
| Acquisitions costs - cash | 35,000 | 35,000 | - |
| Total | 35,000 | 35,000 | - |

On May 4, 2020, the Company entered into an option agreement with La Croix Exploration Ltd. ("Optionor") to acquire a 100% interest in the Burge Lake project located in the province of Quebec.

In order to exercise the option and to maintain the option in good standing, the Company is required to:

- (a) Pay the Optionor upon signing of the option agreement:
- \$5,000 in cash
 - An additional \$20,000 in cash within 14 days
 - An additional \$10,000 in cash within 90 days
 - An additional \$ 100,000 in cash within 12 months
 - An additional \$ 150,000 in cash within 24 months

NORSEMONT MINING INC.

Notes to Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)
Three and Six Months Ended June 30, 2020 and 2019

4. Mineral Properties (Continued)

a. Canada (Continued)

(b) Incur expenditures on the property as follows:

- \$250,000 within 24 months of the signing of the option agreement

As at June 30, 2020, the Company has paid a total of \$35,000 in cash with respect to the option agreement.

b. Chile

| | Balance June 30 2020 | Additions June 30 2020 | Balance December 31 2019 |
|--------------------------------------|----------------------------|------------------------------|--------------------------------|
| | \$ | \$ | \$ |
| Choquelimpie gold and copper project | | | |
| Acquisitions costs - cash | 5,144,260 | 5,144,260 | - |
| Total | 5,144,260 | 5,144,260 | - |

On April 2, 2020, the Company entered into a binding letter of intent with Tavros Gold Corp. to acquire 100% interest in the Choquelimpie gold and silver project ("Choquelimpie Project") located in Northern Chile.

In order to acquire 100% interest of the Choquelimpie project the following payments, share issuance and events have to be made upon signing of the agreement:

- \$250,000 USD in cash within two business days
- \$250,000 USD in cash on or before May 31, 2020
- Evidence of \$1,500,000 minimum funds raised at a minimum share price of \$0.30 CAD
- \$1,500,000 USD in cash on or before July 15, 2020 ("Closing date")
- Issuance of 15,000,000 shares at \$0.40 on or before July 31, 2020
- \$300,000 USD in cash immediately after closing date
- \$500,000 USD in cash on or before November 30, 2020
- \$500,000 USD in cash on or before November 30, 2021

As at June 30, 2020, the Company has paid a total of \$500,000 USD to Tavros Gold Corp. in respect to the acquisition of the property.

5. Accounts Payable and Accrued Liabilities

| | June 30 2020 | December 31 2019 |
|---------------------|-----------------|---------------------|
| | \$ | \$ |
| Accounts Payable | 74,184 | 86,315 |
| Accrued Liabilities | 3,833,560 | 29,500 |
| Total | 3,907,744 | 115,815 |

Accounts payable mainly consists of consulting fees and corporate expenditures. Accrued liabilities mainly consists of balance pertaining to the acquisition of mineral properties.

NORSEMONT MINING INC.

Notes to Condensed Interim Consolidated Financial Statements
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6. Share Capital and Reserves

(a) Authorized

An unlimited number of common shares without par value.

(b) Issued share capital

- As at June 30, 2020, there were 27,744,906 issued and outstanding common shares (December 31, 2019 – 13,339,496).
- During the six months ended June 30, 2020, the Company issued 8,250,000 units at \$0.40 per unit for gross proceeds of \$3,300,000. Each unit consists of one common share of the Company and one-half of one transferable common share purchase warrant. Each warrant entitles the holder to acquire one share at a price of \$0.75 per warrant share until 5 p.m. Vancouver time on or before June 1, 2021. Total share issuance cost of \$ 16,800 were paid to certain eligible finders in connection with the private placement.
- During the six months ended June 30, 2020, the Company issued 1,975,099 units issued at \$0.75 (tranche 1) per unit for gross proceeds of \$1,481,324. Each unit consists of one common share of the Company and one-half of one transferable common share purchase warrant. Each warrant entitles the holder to acquire one share at a price of \$1.10 per warrant share until 5 p.m. Vancouver time on or before June 14, 2021. Total share issuance cost of \$20,786 were paid to certain eligible finders in connection with the private placement.
- During the six months ended June 30, 2020, the Company issued 2,024,901 units at \$ 0.75 (tranche 2) per unit for gross proceeds of \$1,518,676. Each unit consists of one common share of the Company and one-half of one transferable common share purchase warrant. Each warrant entitles the holder to acquire one share at a price of \$1.10 per warrant share until 5 p.m. Vancouver time on or before June 22, 2021. Total share issuance cost of \$ 46,997 and 13,076 shares valued at \$9,807 were paid and issued to certain eligible finders in connection with the private placement.
- During the six months ended June 30, 2020, a total of 1,760,000 common shares were issued for the exercise of warrants for gross proceeds of \$123,200.
- During the six months ended June 30, 2020, a total of 382,333 common shares were issued for the exercise of options for gross proceeds of \$101,863. As a result, \$77,955 were transferred from contributed surplus to share capital.
- During the year ended December 31, 2019, a total of 100,000 warrants were exercised for gross proceeds of \$7,000.
- During the year ended December 31, 2019, a total of 56,667 stock options were exercised for gross proceeds of \$5,217. There was a fair market value of \$18,744 transferred from reserves to share capital for the exercise cost of the stock options exercised.
- During the year ended December 31, 2019, the Company closed a private placement financing, issuing 1,104,667 units at a price of \$0.30 per unit for gross proceeds of \$331,400. Each unit consisted of one common share in the capital of the Company and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share of the Company at a price of \$0.40 per share for a period of one year from the date of issuance. On June 14, 2019 the second tranche of the private placement closed, issuing 150,000 units at a price of \$0.30 per unit for gross proceeds of \$45,000.

NORSEMONT MINING INC.

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6. Share Capital and Reserves (Continued)

(c) Share subscription payable

The Company recognized \$20,000 share subscription payable for cash received from an exercise of warrant during the period ended June 30, 2020 where corresponding shares were issued subsequent to period end.

(d) Warrants

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

| | Warrants | Weighted Average |
|---|-------------|------------------|
| | # | Exercise Price |
| | | \$ |
| Balance, December 31, 2018 | 1,860,000 | 0.07 |
| Issued | 627,334 | 0.40 |
| Exercised | (100,000) | 0.07 |
| Balance, December 31, 2019 | 2,387,334 | 0.16 |
| Issued | 6,125,001 | 0.86 |
| Exercised | (1,760,000) | 0.07 |
| Balance June 30, 2020 | 6,752,335 | 0.82 |
| Weighted average remaining contractual life | | 0.93 years |

Warrants outstanding at June 30, 2020 are as follows:

| Exercise Price | Warrants Outstanding | Expiry Date |
|----------------|----------------------|---------------|
| \$ | # | |
| 0.40 | 552,334 | May 27, 2021 |
| 0.40 | 75,000 | June 13, 2021 |
| 0.75 | 4,125,000 | June 1, 2021 |
| 1.10 | 987,550 | June 22, 2021 |
| 1.10 | 1,012,451 | June 22, 2021 |
| Total | 6,752,335 | |

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6. Share Capital and Reserves (Continued)

(e) Stock options

The Company has an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. Options granted under the plan have a term not to exceed 10 years and vesting periods that range from zero to 18 months.

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

| | Options Outstanding # | Weighted Average Exercise Price \$ |
|---|-----------------------------|---|
| Balance, December 31, 2018 | 1,081,000 | 0.18 |
| Granted | 510,000 | 0.305 |
| Exercised | (56,667) | 0.09 |
| Cancelled | (210,000) | 0.16 |
| Balance, December 31, 2019 | 1,324,333 | 0.24 |
| Granted | 1,220,000 | 1.18 |
| Exercised | (382,333) | 0.27 |
| Cancelled | - | - |
| Balance, June 30, 2020 | 2,162,000 | 0.24 |
| Weighted average remaining contractual life | | 4.76 years |

Stock options outstanding at June 30, 2020 are as follows:

| Exercise Price \$ | Options Outstanding # | Expiry Date | Options Vested Exercisable # |
|-------------------------|-----------------------------|------------------|------------------------------------|
| 0.32 | 50,000 | February 2, 2022 | 50,000 |
| 0.40 | 40,000 | April 27, 2023 | 40,000 |
| 0.18 | 337,000 | October 30, 2025 | 337,000 |
| 0.28 | 110,000 | November 2, 2026 | 110,000 |
| 0.40 | 40,000 | April 27, 2023 | 40,000 |
| 0.305 | 510,000 | July 2, 2024 | 510,000 |
| 0.490 | 75,000 | May 5, 2025 | 75,000 |
| 0.540 | 100,000 | May 13, 2025 | 100,000 |
| 1.090 | 700,000 | June 8, 2025 | 700,000 |
| 1.730 | 100,000 | June 16, 2025 | 100,000 |
| 1.830 | 200,000 | June 29, 2025 | 200,000 |
| | 2,162,000 | | 2,162,000 |

During the period ended June 30, 2020, the Company granted 1,220,000 (2019 - 510,000) stock options. The Company recorded share-based payments of \$741,434 (2019 - \$96,781) for stock options granted.

NORSEMONT MINING INC.

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6. Share Capital and Reserves (Continued)

(e) Stock options (Continued)

The fair values of the stock options granted during the period ended June 30, 2020 and the year ended December 31, 2019 were estimated using the Black-Scholes option pricing model, with the following weighted average assumptions:

| Grant date: | May 5, 2020 | May 13, 2020 | June 8, 2020 | June 16, 2020 | June 29, 2020 |
|---------------------------------|-------------|--------------|--------------|---------------|---------------|
| Risk free interest rate | 0.40% | 0.37% | 0.48% | 0.38% | 0.36% |
| Expected dividend yield | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Expected stock price volatility | 56.88% | 57.01% | 61.58% | 65.40% | 65.60% |
| Expected life | 5 years | 5 years | 5 years | 5 years | 5 years |

The weighted average fair value of options granted during the period ended June 30, 2020 was \$1.18 (2019 - \$0.19) per option.

(f) 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.

7. Related Party Balances and Transactions

(a) Related party transactions

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

| | Three months ended June 30, | | Six months ended June 30, | |
|----------------------------------|-----------------------------|-------|---------------------------|--------|
| | 2020 | 2019 | 2020 | 2019 |
| | \$ | \$ | \$ | \$ |
| Office, rent and administration | 19,777 | 6,966 | 55,894 | 13,994 |
| Professional fees ⁽¹⁾ | 14,625 | - | 21,975 | - |
| | 34,402 | 6,966 | 77,869 | 13,994 |

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

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.

(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. During the period ended June 30, 2020, the fair value of the share-based compensation granted to key management personnel were \$113,741 (2019 - \$Nil).

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7. Related Party Balances and Transactions (Continued)

(c) Related party balances (Continued)

The following related party amounts are included in prepaid expenses and deposits:

| | June 30, 2020 | December 31, 2019 |
|---|---------------|-------------------|
| | \$ | \$ |
| Company having directors and officers in common | 2,000 | 2,000 |

The following related party amounts are included in accounts payable:

| | June 30, 2020 | December 31, 2019 |
|---|---------------|-------------------|
| | \$ | \$ |
| Company having directors and officers in common | 10,900 | 2,487 |

8. Financial Instruments and risk Management

a) Fair value of financial instruments

At June 30, 2020, the Company's financial instruments consist of cash and cash equivalents 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 June 30, 2020, the Company had cash, cash equivalents and amounts receivable of \$5,076,176 to settle current liabilities of \$3,907,744 which primarily consisted of short-term accounts payable and share subscription 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.

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9. 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 period ended June 30, 2020.

10. Subsequent Events

On July 9, 2020, under the first tranche of \$1.00 round of private placement, the Company issued a total of 1,024,500 units at a price of \$1.00 per unit for gross proceeds of \$1,024,500. Each unit consists of one common share and one-half of common share purchase warrant. Each warrant entitles the holder to acquire one share at a price of \$1.50 on or before July 9, 2021. The company paid a total of \$3,200 in share issuance cost to eligible finders in connection to the offering.

On July 20, 2020, under the second tranche of \$1.00 round of private placement, the Company issued a total of 4,475,500 units at a price of \$1.00 per unit for gross proceeds of \$4,475,500. Each unit consists of one common share and one-half of common share purchase warrant. Each warrant entitles the holder to acquire one share at a price of \$1.50 on or before July 21, 2021. The company paid a total of \$194,460 in share issuance cost to eligible finders in connection to the offering.

Subsequent to the period ended June 30, 2020, 75,000 warrants were exercised at \$ 0.40 for gross proceeds of \$30,000.

On July 16, 2020, the Company completed the acquisition of the Choquelimpie gold and silver project in Chile on the terms of a Share Purchase Agreement ("SPA") dated July 15, 2020, with Tavros Gold Corp. 15,000,000 common shares at \$ 0.40 for total value of \$6,000,000 were issued to Tavros Gold Corp. pursuant to the acquisition agreement of the Choquelimpie gold and silver project in Chile.

On July 27, 2020, 500,000 stock options at \$ 1.94 exercise price were granted to officers and consultants of the company. The stock options were valued \$510,173 and will expire on July 27, 2025.

On July 28, 2020, 200,000 stock options at \$ 2.27 exercise price were granted to officers and consultants of the company. The stock options were valued \$239,279 and will expire on July 28, 2025.

On July 28, 2020, the Company has appointed Bill Koutsouras to the board of directors. In connection with the appointment, the Company granted 250,000 options to Mr. Koutsouras, pursuant to the company's stock option plan. The options are exercisable at \$1.94 per share for a period of five years and will vest in eight equal tranches.

On August 25, 2020 has closed the first tranche of its non-brokered private placement. A total of 817,750 units will be issued at a price of \$1.60 per unit for gross proceeds of \$1,308,400. Each unit consists of one common share in the capital of the company and one transferable common share purchase warrant. Each warrant entitles the holder thereof to acquire one share at a price of \$2.50 per warrant share until 5 p.m. Vancouver time on the date that is 12 months following the closing date, subject to an acceleration provision whereby, if the shares trade at a price on the Canadian Securities Exchange (or such other exchange on which the shares may be traded at such time) of \$3.25 or greater per share for a period of 10 consecutive trading days after four months and one day from the closing of the offering, the company may accelerate the expiry of the warrants by giving notice to the holders thereof (by disseminating a news release advising of the acceleration of the expiry date of warrants) and, in such case, the warrants will expire on the 31st day after the date of such notice. The net proceeds from the offering will be used to finance the company's upcoming work program on the Choquelimpie gold/silver project in Northern Chile and general working capital.

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In connection with the offering, the company shall pay to certain eligible persons finders' fees of \$50,282, equal to 7 per cent of the gross proceeds of the offering raised from subscribers introduced by the finders to the company. All securities to be issued under the offering will be subject to a four-month-and-one-day hold period in accordance with applicable Canadian securities laws.