



NORSEMONT MINING INC.

Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
 CHARTERED PROFESSIONAL ACCOUNTANTS

Independent Auditor's Report

To the Shareholders of Norsemont Mining Inc.:

Opinion

We have audited the consolidated financial statements of Norsemont Mining Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, 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 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which describes events or conditions that 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.

Key Audit Matters

Key audit matters are those matters, that in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our report.

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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 financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the 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.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, 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 Financial Statements

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

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

A handwritten signature in black ink that reads "DMCL." The letters are stylized and connected, with a large 'D' and 'M'.

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

April 27, 2023

NORSEMONT MINING INC.
Consolidated Statements of Financial Position

As at December 31, 2022 and 2021
(Expressed in Canadian Dollars)

	Notes	December 31, 2022	December 31, 2021
		\$	\$
Assets			
Current assets			
Cash		24,507	2,602,049
Amounts receivable		9,875	15,808
Loan receivable		-	23,500
Prepaid expenses and deposits	9	38,047	38,063
Share subscription receivable		-	46,100
		72,429	2,725,520
Non-current			
Mineral properties	3	27,477,053	27,477,053
Property and equipment	4	51,100	88,300
Term deposit		28,750	28,750
		27,556,903	27,594,103
		27,629,332	30,319,623
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	5,9	2,004,340	1,425,378
Notes payable	6,9	240,000	-
Amount owing on mineral properties	3	-	633,900
Convertible debenture	7	1,007,654	-
Lease liability	15	47,800	43,900
		3,299,794	2,103,178
Non-current liabilities			
Lease liability	15	12,100	49,800
		3,311,894	2,152,978
Shareholders' equity			
Share capital	8	45,814,182	44,949,764
Share subscription	8	-	22,500
Reserves	8	1,686,874	1,050,379
Deficit		(23,183,618)	(17,855,998)
		24,317,438	28,166,645
		27,629,332	30,319,623
Nature of operations and going concern			
	1		
Commitments and contingencies			
	13		
Subsequent events			
	17		

The consolidated financial statements were approved by the Board of Directors on April 27, 2023 and were signed on its behalf by:

"Marc Levy"

Director

"Charles Ross"

Director

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

NORSEMONT MINING INC.
Consolidated Statements of Comprehensive Loss

For the years ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

	Notes	Years ended December 31,	
		2022	2021
		\$	\$
Expenses			
Consulting fees		155,000	313,254
Depreciation	4	37,200	25,950
Exploration costs	3	2,734,013	6,215,797
Investor communications		479,854	369,688
Office, rent and administration	9	47,034	170,860
Professional fees	9	172,496	242,931
Regulatory fees		39,912	42,513
Salaries and benefits	9	523,739	430,846
Share-based payments	8,9	1,021,648	1,617,265
Transfer agent fees		36,295	26,029
Travel and other expenses		16,225	10,854
Loss before other items		(5,263,416)	(9,465,987)
Finance costs	6,7,15	(134,329)	(8,000)
Foreign exchange gain (loss)		(14,269)	45,689
Interest income		2,892	2,820
Impairment loss		-	(38,124)
Loss on write-off of loan receivable	9	(31,813)	-
Net loss for the year		(5,440,935)	(9,463,602)
Other comprehensive loss for the year			
Items that may be subsequently reclassified to profit and loss:			
Foreign exchange differences on translation of foreign operations		(130,704)	(113,621)
Net loss and comprehensive loss for the year		(5,571,639)	(9,577,223)
Loss per share			
Loss per common share – basic and diluted		\$(0.10)	\$(0.18)
Weighted average number of shares outstanding – basic and diluted		54,777,557	52,208,138

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

NORSEMONT MINING INC.
Consolidated Statements of Changes in Equity

For the years December 31, 2022 and 2021
(Expressed in Canadian Dollars)

	Note	Share capital		Share subscription payable	Reserves			Total reserves	Deficit	Total
		Number	Amount		Share-based payment	Foreign exchange translation	Convertible debentures			
		#	\$	\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2020		51,860,074	43,433,212	-	1,914,600	-	-	1,914,600	(10,760,261)	34,587,551
Shares issued for exercise of warrants	8	2,123,959	1,516,552	22,500	-	-	-	-	-	1,539,052
Share-based payments	8	-	-	-	1,617,265	-	-	1,617,265	-	1,617,265
Cancelled and expired options and warrants		-	-	-	(2,367,865)	-	-	(2,367,865)	2,368,765	-
Net comprehensive loss		-	-	-	-	(113,621)	-	(113,621)	(9,462,602)	(9,577,223)
Balance, December 31, 2021		53,984,033	44,949,764	22,500	1,164,000	(113,621)	-	1,050,379	(17,855,998)	28,166,645
Balance, December 31, 2021		53,984,033	44,949,764	22,500	1,164,000	(113,621)	-	1,050,379	(17,855,998)	28,166,645
Shares issued for private placement – net of issue cost	8	850,000	335,800	-	-	-	-	-	-	335,800
Shares issued for exercise of warrants	8	80,000	60,000	(22,500)	-	-	-	-	-	37,500
Shares issued for vested RSU	8	349,250	255,039	-	(255,039)	-	-	(255,039)	-	-
Shares issued for settlement of debt	3, 8	284,772	213,579	-	-	-	-	-	-	213,579
Equity component of convertible debenture	7	-	-	-	-	-	113,905	113,905	-	113,905
Share-based payments	8	-	-	-	1,021,648	-	-	1,021,648	-	1,021,648
Cancelled and expired options and warrants	8	-	-	-	(113,315)	-	-	(113,315)	113,315	-
Net comprehensive loss		-	-	-	-	(130,704)	-	(130,704)	(5,440,935)	(5,571,639)
Balance, December 31, 2022		55,548,055	45,814,182	-	1,817,294	(244,325)	113,905	1,686,874	(23,183,618)	24,317,438

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

NORSEMONT MINING INC.
Consolidated Statements of Cash Flows

For the years ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

	Years ended December 31,	
	2022	2021
	\$	\$
Operating activities:		
Loss for the year	(5,440,935)	(9,463,602)
<i>Adjustment for non-cash items:</i>		
Finance costs	134,329	8,000
Depreciation	37,200	25,950
Foreign exchange	14,269	6,222
Impairment loss	-	38,124
Share-based payments	1,021,648	1,617,265
Loss on write-off of loan receivable	31,813	-
<i>Changes in working capital items:</i>		
Prepaid expenses and deposits	16	71,079
Amounts receivable	(2,380)	21,087
Accounts payable and accrued liabilities	(20,816)	1,120,037
Cash used in operating activities	(4,224,856)	(6,555,838)
Financing activities:		
Proceeds from issuance of shares, net of issuance cost	335,800	-
Proceeds from issuance of convertible debentures, net of issuance costs	1,044,285	-
Exercise of warrants	37,500	1,539,052
Share subscription received	46,100	-
Proceeds from promissory notes	240,000	-
Lease liability payments	(44,000)	(25,600)
Cash provided by financing activities	1,659,685	1,513,452
Decrease in cash	(2,565,171)	(5,042,386)
Effect of foreign exchange rate changes	(12,371)	39,467
Cash, beginning of the year	2,602,049	7,604,968
Cash, end of the year	24,507	2,602,049
Non-cash financing activities:		
Shares issued for debt settlement	213,579	-

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

NORSEMONT MINING INC.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

1. Nature of Operations

Norsemont Mining 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. 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 900 – 885 West Georgia Street, Vancouver, British Columbia, Canada, V6C 3H1.

The Company is engaged in the acquisition, exploration and development of mineral properties. The Company’s exploration project is the Choquelimpie Gold and Silver Project (“Choquelimpie Project”) located in Northern Chile.

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, 2022, the Company had working capital deficit of \$3,227,365 (2021 - working capital of \$622,342) and accumulated deficit of \$23,183,618 (2021 - \$17,855,998). The Company’s convertible debentures in the amount of \$950,000 matured in April 2023 and has not been repaid as at the date of the audit report. 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. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

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 a historical cost basis, except for certain financial instruments which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Rosswoll Industries Inc. (“Rosswoll”) and Tavros Gold Corp. (“Tavros”), incorporated in British Columbia. Sociedad Contractual Minera Vilacollo (“SCMV”) is a wholly owned subsidiary of Tavros, incorporated in Chile. All significant intercompany balances and transactions were eliminated on consolidation.

NORSEMONT MINING INC.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

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

(b) Foreign currency translation

The consolidated financial statements are presented in Canadian dollars which is the functional currency and presentation currency of the Canadian parent company. The functional currency of the Company's principal subsidiary, SCMV, is the Chilean pesos.

(i) Transaction and balances

Foreign currency transactions are translated into Canadian dollars using exchange rates in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the relevant functional currency using the exchange rate in effect at the measurement date. Non-monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the historical exchange rate or the exchange rate in effect at the measurement date for items recognized in net loss. Gains and losses arising from foreign exchange are included in the consolidated statements of comprehensive loss.

(ii) Translation to presentation currency

The operating results and statements of financial position of those entities with a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statements of financial position;
- Income and expenses for each statement of comprehensive income are translated at average exchange rates, unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing at the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions; and
- All resulting exchange differences are recognized in other comprehensive income (loss) as a separate component of equity.

On consolidation, exchange differences arising from the translation of foreign operations are recognized in a separate component of equity and foreign currency translation reserve.

(c) Financial instruments

(i) Classification

The Company determines the classification of its financial instruments at initial recognition. On initial recognition, a financial asset is classified in the following categories: at amortized cost, fair value through profit and loss ("FVTPL"), or fair value through other comprehensive income (loss) ("FVOCI"). The classification of financial assets 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 measured at 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 FVOCI.

NORSEMONT MINING INC.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

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

(c) Financial instruments (continued)

(i) Classification (continued)

All financial assets not classified at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

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 elected to measure them at FVTPL.

Financial assets/liabilities	Classification
Cash	FVTPL
Loan receivable	Amortized cost
Accounts payable	Amortized cost
Amounts owing on mineral properties	Amortized cost
Convertible debenture	Amortized cost
Notes payable	Amortized cost
Lease liability	Amortized cost

(ii) 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 credit risk of 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.

NORSEMONT MINING INC.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

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

(c) Financial instruments (continued)

(ii) 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.

(d) Mineral property interests

The acquisition costs of mineral property interests are capitalized until the property to which they relate is placed into production, sold, allowed to lapse, or abandoned. Exploration and evaluation costs are expensed after obtaining ownership, or the right to explore a property. 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.

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.

NORSEMONT MINING INC.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

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

(e) Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and impairment charges. The cost of an item of property and equipment includes the purchase price or construction cost and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use. The cost of property and equipment is amortized on a straight-line basis over the estimated useful life of the related asset. The Company conducts an annual review of residual balances, useful lives and depreciation methods utilized for property and equipment.

(f) Impairment of 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. Assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed. When an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation, depletion and amortization) had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of impairment is recognized as a gain in the statement of comprehensive loss.

(g) 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 the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

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

(h) Share-based payments

(i) Stock Options

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.

(ii) Restricted Share Units (RSU's)

RSUs are equity-settled share-based payments. RSUs are measured at their intrinsic fair value on the date of grant based on the closing price of the Company's shares on the date of grant, and is recognized as share-based compensation expense over the vesting period with a corresponding credit to reserves.

The amount recognized for services received as consideration for the RSUs granted is based on the number of equity instruments that eventually vest. Upon the release of RSUs, the related share reserve is transferred to share capital.

(i) 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.

NORSEMONT MINING INC.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021
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2. Basis of Presentation and Significant Accounting Policies (Continued)

(j) 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.

(k) 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.

(l) 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 FVOCI, 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.

(m) Segment reporting

Operating segments are determined in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the individual or individuals performing the duties associated with the Chief Executive Officer. The Company's operating segments have been identified as the Company's mineral properties and head office.

NORSEMONT MINING INC.

Notes to the Consolidated Financial Statements

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

(n) Leases

At the inception of a lease contract, the Company assesses whether the contract is or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assess whether: (i) the contract involves the use of an identified asset; (ii) the Company has the right to obtain substantially all the economic benefits from the use of the asset throughout the period, and; (iii) the Company has the right to direct the use of the asset.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance expense. The finance expense is charged to the consolidated statement of loss over the lease period. The right-of-use asset is depreciated over the shorter of the asset's useful life or the lease term, on a straight-line basis. The depreciation expense is charged to the consolidated statement of loss. The Company presents right-of-use assets in Property and Equipment on the consolidated statement of financial position.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments: (a) fixed payments (including in-substance fixed payments), (b) less any lease incentives receivable; (c) variable lease payments that are based on an index or a rate; (d) amounts expected to be payable by the lessee under residual value guarantees; (e) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Company's incremental borrowing rate.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the consolidated statement of loss. Short-term leases are leases with a lease term of 12 months or less.

In the statement of cash flows, the Company includes repayments of the principal portion of the lease liabilities under financing activities. Lease payments for short-term leases, lease payment for leases of low-value assets that are not included in the measurement of the lease liability are classified as cash flows from operating activities.

(o) 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 are as follows:

(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.

NORSEMONT MINING INC.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

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

(o) Significant accounting estimates and judgments (continued)

(ii) 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, 2022 and 2021. 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.

(iii) 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.

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.

(iv) Carrying value and the recoverability of mineral properties

Significant judgment is required in determining the carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position based on capitalized acquisition and expenditure costs, facing review for impairment based on factors including the planned exploration budgets and activities, commodity prices, drill results of exploration programs, and strategic direction of the Company.

(p) New Accounting Standards and Interpretations

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or not expected to have a material impact on the Company's financial statements, other than increased disclosure.

NORSEMONT MINING INC.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

3. Mineral Properties

(a) Canada

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 maintain the option in good standing, the Company was required to pay the Optionor an aggregate of \$285,000 (\$135,000 in year 1 and \$150,000 in year 2) and incur exploration expenditures of \$250,000 within two years of signing of the option agreement. As at December 31, 2021, the option agreement was in default as the required payments and exploration expenditures were not met. The property was fully impaired in 2021.

(b) Chile

On July 15, 2020, pursuant to a share purchase agreement (the "Agreement"), the Company acquired all of the issued and outstanding shares of Tavros which included the Choquelimpie Project located in northern Chile. The acquisition did not meet the definition of a business under IFRS 3, therefore, the acquisition of Tavros was accounted for as an acquisition of an exploration and evaluation asset.

The Company acquired the Choquelimpie Project for aggregate consideration of \$5,247,428 which comprised of staged cash payments of US\$3,300,000, a finder's fee of \$550,000 and transaction fees capitalized. In addition, 15,000,000 common shares (the "Shares") of the Company at a fair value of \$22,229,625 were issued. Pursuant to the Agreement, the Shares were held in escrow for a period of two years, and as at December 31, 2022, 6,400,000 shares were released from escrow. During year ended December 31, 2022, the Company fully settled the remaining payable balance of US\$500,000. Of that amount, USD\$329,750 was paid in cash and USD\$170,250 was settled by issuing 284,772 common shares (at a fair value of \$213,579) (Note 8).

(c) Exploration Costs

During the year ended December 31, 2022, the Company incurred exploration costs related to the Choquelimpie Project in Chile, as follows:

	Years ended December 31,	
	2022	2021
	\$	\$
Consulting fees	251,512	357,306
Diamond drilling	-	1,099,234
Field operating costs	181,793	594,635
Field/camp maintenance	12,918	340,908
Geo assays and materials	332,087	817,889
Geophysics campaign	-	233,550
Metallurgy	64,229	-
Mining property and water rights	152,271	156,635
Office and administration	419,042	199,787
Salaries	1,231,225	1,499,714
Sonic drilling	-	651,355
Travel expenses	88,936	264,784
	2,734,013	6,215,797

NORSEMONT MINING INC.

Notes to the Consolidated Financial Statements

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4. Property and Equipment

	Right-of-use asset	Equipment	Total
	\$	\$	\$
Cost			
Balance, December 31, 2020	-	10,022	10,200
Additions (Note 15)	111,300	-	111,300
Balance, December 31, 2021 and December 31, 2022	111,300	10,022	121,322
Accumulated depreciation			
Balance, December 31, 2020	-	7,072	7,072
Depreciation	23,000	2,950	25,950
Balance, December 31, 2021	23,000	10,022	33,022
Depreciation	37,200	-	37,200
Balance, December 31, 2022	60,200	10,022	70,222
Net book value			
December 31, 2021	88,300	-	88,300
December 31, 2022	51,100	-	51,100

The Company entered into new lease agreements during the year ended December 31, 2021 to rent 2 trucks (Note 15). The Right-of-use asset ("ROU") is depreciated using a straight-line method over the lease term of the underlying asset (3 years).

5. Accounts Payable and Accrued Liabilities

	December 31, 2022	December 31, 2021
	\$	\$
Accounts payable	242,650	114,903
Accounts payable – Chile	1,256,050	1,215,593
Accrued liabilities	58,500	41,000
Accrued liabilities due to related parties (Note 9)	391,465	39,498
Interest payable (Note 6, 7)	46,855	-
Payroll liabilities	8,820	14,384
	2,004,340	1,425,378

6. Notes Payable

During the year ended December 31, 2022, the Company issued promissory notes in the aggregate principal amount of \$240,000. The promissory notes bear interest of 12% to 24% per annum and payable on-demand together with the principal amount after one year from the effective date of the notes. The Company recognized interest expense of \$4,855 on the notes (Note 5) during the year ended December 31, 2022 (2021: \$nil). \$136,000 of the promissory notes are issued to a related party (Note 9(d)).

NORSEMONT MINING INC.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021
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7. Convertible Debenture

	\$
Balance, December 31, 2021	-
Issued	1,050,000
Equity portion	(114,529)
Transaction costs	(5,091)
Accretion	77,274
Balance, December 31, 2022	1,007,654

In April 2022, the Company completed a non-brokered private placement of one year convertible debentures (the "Debentures") in the principal amount of \$1,050,000. The Debentures bear interest at 6% per annum, payable on maturity. The Debentures are convertible into units of the Company at a price of \$1.00 per unit, where each unit is comprised of one common share and one half share purchase warrant. Each warrant is exercisable into one additional common share at a price of \$1.25 per share for a period of three years from the date of conversion. Included in the principal amount is \$750,000 from a related party (Note 9).

The Debentures are compound financial instruments which were classified separately as financial liability and equity. At initial recognition, the present value of the liability component was estimated at \$930,380, using a discounted cash flow model method with an expected life of 1 year and a discount rate of 18.57%. The conversion feature is classified as equity and was estimated based on the residual value of \$114,529. This amount is not subsequently remeasured and will remain in equity until the debentures are converted, in which case, the balance recognized in equity will be transferred to share capital. Transaction costs of \$5,715 related to the issuance of the convertible debentures were allocated to the liability (\$5,091) and equity (\$624) components in proportion to the allocation of the gross proceeds.

As at December 31, 2022, included in accounts payable and accrued liabilities was accrued interest on the debentures of \$42,000. (Note 5).

8. Share Capital and Reserves

(a) Authorized

An unlimited number of common shares without par value.

(b) Issued share capital

As at December 31, 2022, there were 55,548,055 (2021 - 53,984,033) issued and outstanding common shares.

Year ended December 31, 2022:

- 850,000 units were issued at \$0.40 per unit for gross proceeds of \$340,000 as part of a private placement financing. Each unit consists of one common share and one half transferrable warrant. Each warrant entitles the holder to acquire one share of the Company at a price of \$0.75 up to two years from the date of the warrant agreement. No value was allocated to the warrants. A total of \$4,200 broker fees were paid as share issuance cost.

NORSEMONT MINING INC.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021
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8. Share Capital and Reserves (Continued)

(b) Issued share capital (Continued)

- 30,000 shares were issued pursuant to shares subscription payable from warrants exercised in the year ended December 31, 2021.
- 50,000 shares were issued pursuant to warrants exercise for gross proceeds of \$37,500
- 284,772 shares were issued pursuant to a settlement of debt (Note 3b) with a fair value of \$213,579.
- 349,250 shares were issued pursuant to vested restricted share units with a fair value of \$255,039 (Note 8e).
- As at December 31, 2022, there were 8,600,000 shares in escrow pursuant to the acquisition of Tavros (Note 3).

Year ended December 31, 2021:

- A total of 2,123,959 common shares were issued pursuant to warrant exercises for gross proceeds of \$1,516,552.
- As at December 31, 2021, a total 30,000 shares were issuable from warrants exercises. These shares were issued in fiscal 2022.

(c) Warrants

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

	Warrants	Weighted Average
	#	Exercise Price
		\$
Balance, December 31, 2020	11,021,292	1.39
Exercised	(2,123,959)	0.71
Balance December 31, 2021	8,897,333	1.54
Issued	425,000	0.75
Exercised	(80,000)	0.75
Expired	(8,817,333)	1.55
Balance December 31, 2022	425,000	0.75
Weighted average remaining contractual life		1.71 years

(d) Stock options

On July 3, 2020, the Company adopted an Omnibus Equity Incentive Plan ("Plan"). The purpose of this Plan is to provide the Company with a share-related mechanism to attract, retain and motivate qualified Directors, Employees and Consultants of the Company and its subsidiaries. As well, such Directors, Employees and Consultants may be granted awards under this Plan by the Board from time to time for their contributions toward the long-term goals and success of the Company and to

NORSEMONT MINING INC.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021
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8. Share Capital and Reserves (Continued)

(d) Stock options (Continued)

enable and encourage such Directors, Employees and Consultants to acquire common shares of the Company as long-term investments and proprietary interests in the Company.

The continuity of stock options outstanding is as follows:

	Options Outstanding #	Weighted Average Exercise Price \$
Balance, December 31, 2020	3,320,000	1.31
Granted	3,175,000	0.75
Forfeited or cancelled	(2,410,000)	1.69
Balance, December 31, 2021	4,085,000	0.65
Granted	300,000	0.74
Expired or cancelled	(85,000)	0.53
Balance, December 31, 2022	4,300,000	0.66
Weighted average remaining contractual life		3.27 years

The weighted average fair value of options granted during the year ended December 31, 2022 was \$0.74 (2021 – \$0.75) per option.

Vested and non-vested stock options outstanding at December 31, 2022 are as follows:

Exercise Price \$	Options Outstanding #	Expiry Date	Vested Options Exercisable #	Non vested Options
0.40	40,000	April 27, 2023	40,000	-
0.305	300,000	July 2, 2024	300,000	-
0.18	305,000	October 30, 2025	305,000	-
0.28	50,000	November 2, 2026	50,000	-
0.49	75,000	May 5, 2025	75,000	-
0.54	100,000	May 13, 2025	100,000	-
0.74	135,000	February 23, 2026	135,000	-
0.70	200,000	February 23, 2026	175,000	25,000
0.56	100,000	March 5, 2026	87,500	12,500
0.60	1,190,000	April 20, 2026	892,500	297,500
0.60	350,000	April 21, 2026	262,500	87,500
0.63	85,000	May 3, 2026	63,750	21,250
0.74	200,000	October 20, 2026	150,000	50,000
1.05	870,000	November 19, 2026	435,000	435,000
0.74	200,000	January 31, 2027	137,500	62,500
0.75	100,000	May 4, 2027	25,000	75,000
	4,300,000		3,233,750	1,066,250

The Company recorded share-based payments of \$707,111 for the year ended December 31, 2022 (2021 - \$1,423,311) for all stock options granted and/or vested during the period.

NORSEMONT MINING INC.

Notes to the Consolidated Financial Statements

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8. Share Capital and Reserves (Continued)

(d) Stock options (continued)

The fair values of the stock options granted during the year ended December 31, 2022 and 2021 were estimated using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

	2022	2021
Risk free interest rate	2.01%	0.88%
Dividend yield	0.00%	0.00%
Stock price volatility	74%	90.79%
Expected life	5 years	5 years

(e) Restricted share units

RSUs granted to directors, officers, and consultants vest over a period of 2 years. The continuity of RSUs issued and outstanding is as follows:

	RSUs Outstanding #	Weighted Average Fair Price \$
Balance, December 31, 2020	-	-
Granted	711,000	0.75
Balance, December 31, 2021	711,000	0.75
Granted	75,000	0.72
Vested and released	(349,250)	0.73
Balance, December 31, 2022	436,750	0.75

The total share-based payments related to RSUs granted and/or vested for year ended December 31, 2022, were \$314,537 (2021 - \$193,954).

(f) Reserves

Share based payments reserve represent the fair value of stock options or warrants until such time that the stock options and warrants are exercised, at which time the corresponding amount will be transferred to share capital. In addition, upon expiry or forfeiture, the fair value of such vested stock options or warrant is reclassified from the reserve to the retained earnings/(deficit) for presentational purposes. Foreign exchange translation reserve represents the accumulated foreign exchange differences from the translation of the financial information of the Company's subsidiaries to the presentation currency of the consolidated financial statements. Convertible debenture reserve represent the equity components of convertible debentures. Upon conversion, the equity component is reclassified from reserve to the retained earnings/ (deficit) for presentation purpose.

(g) Share subscription payable

Share subscriptions consist of shares to be issued for warrant exercise or private placements that were not closed at the end of the period.

NORSEMONT MINING INC.

Notes to the Consolidated Financial Statements

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9. Related Party Balances and Transactions

(a) Related party transactions

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

	Years ended December 31,	
	2022	2021
	\$	\$
Office, rent and administration (1)	76,144	82,305

(1) Shared office, rent and administration expenses are paid to a company with common directors and officers.

(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, CEO and CFO. During the years ended December 31, 2022 and 2021, following amounts of the key management compensation were incurred:

	Years ended December 31,	
	2022	2021
	\$	\$
CEO salary	240,000	247,800
Professional fees (1)	120,000	141,000
Share-based payments	619,483	989,193
	979,483	1,377,993

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

(c) Related party balances

The following related party amounts are included in prepaid expenses and deposits, accounts payable and accrued liabilities, notes payable, and convertible debt.

	December 31, 2022	December 31, 2021
	\$	\$
<i>Included in prepaid expenses and deposits:</i>		
Company having directors and officers in common	15,320	14,716
<i>Included in accounts payable and accrued expenses (Note 5):</i>		
Companies having directors and officers in common	(4,332)	-
Amounts owing to the CFO and CEO of the Company	391,465	39,498
<i>Included in notes payable (note 6)</i>		
Companies having directors and officers in common	(137,154)	-
<i>Included in convertible debt (Note 7):</i>		
Companies having directors and officers in common	(780,000)	-

NORSEMONT MINING INC.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021
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9. Related Party Balances and Transactions (Continued)

(d) Notes payable to a related party

As at December 31, 2022, the Company has an aggregate notes payable outstanding of \$136,000 from a company that has common directors and officers. The notes is unsecured with a one year term and bears interest rate of 24% per annum. As at December 31, 2022, accrued interest on the notes was \$1,154 (2021 – \$nil), which is included in accounts payable and accrued liabilities on the consolidated statements of financial position (Note 6).

(e) Loan receivable to a related party

During the year ended December 31, 2022, the Company has written-off a loan from a related party with principal amount of \$23,500 and interest of \$8,313.

10. Fair Value of Financial Instruments

The Company's financial instruments include cash, amounts receivable, loan receivable, accounts payable, amounts owing on mineral properties, notes payable and convertible debentures. The carrying values of these financial instruments approximate their fair values due to the short-term maturity of the instruments.

The significance of inputs used in making fair value measurements are examined and classified according to a fair value hierarchy. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly, and are based on valuation models and techniques where the inputs are derived from quoted indices. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

During the years ended December 31, 2022 and 2021, there were no transfers of amounts between Level 1, Level 2, and Level 3 of the fair value hierarchy. Cash was recorded using Level 1 input.

11. Risk Management

(a) Credit risk

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk includes cash, amount receivable and loan receivable. The Company's maximum exposure to credit risk is equal to the carrying value of the financial assets. The Company reduces its credit risk by maintaining its bank accounts at large financial institutions. The amount receivable was due from a related party and from the Canada Revenue Agency (GST receivable). Credit risk associated with receivable was considered low.

(b) 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 that it will have sufficient liquidity to settle liabilities and obligations when they become due. As at December 31, 2022, the Company had cash of \$24,507 to settle current liabilities of \$3,299,794. Liquidity risk is assessed as high.

NORSEMONT MINING INC.

Notes to the Consolidated Financial Statements

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11. Risk Management (Continued)

(c) Currency risk

Currency risk is the risk that fair value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to foreign exchange rate risk mainly due to its exploration activities in Chile. The Company manages its risk by using large accredited financial institutions to process its foreign currency transactions ensuring market rate of foreign exchange.

	Canadian dollar value of US dollar balances		Canadian dollar value of Chilean peso balances	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	\$	\$	\$	\$
Cash and equivalents	9	511,199	13,471	317,799
Accounts payable and accrued liabilities	(119,225)	-	(1,315,100)	(1,215,593)
Amount owing on mineral properties	-	(633,900)	-	-
	(119,216)	(122,701)	(1,301,629)	(897,794)

Based on the above net exposures as at December 31, 2022, a 10% appreciation in the US dollar would result in a \$11,922 change in the Company's other comprehensive income (December 31, 2021 - \$12,271). A 10% appreciation in the Chilean peso would result in a \$1,347 change in the Company's income before income taxes (2021 - \$89,780).

(d) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. It arises when the Company invests in interest bearing financial instruments. The Company's notes payable and convertible debt have fixed interest rates. As at December 31, 2022, the Company did not have any financial instruments subject to significant interest rate risk.

12. 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. 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 is not subject to externally imposed capital requirements and there were no changes in the Company's management of capital during the year ended December 31, 2022.

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13. Commitments and Contingencies

As at December 31, 2022, the Company has the following commitments:

	Within 1 year	Within 2 years	Within 3 years	Total
	\$	\$	\$	\$
Accounts payable and accruals (Note 5)	2,004,340	-	-	2,004,340
Notes payable (Note 6)	240,000			240,000
Convertible debentures (note 7) - undiscounted	1,050,000			1,050,000
Lease liability (Note 15) – undiscounted	47,800	18,700	-	66,500
	3,342,140	18,700	-	3,360,840

14. Segment Information

Operating segments are those operations whose operating results are reviewed by the chief operating decision-maker (the individual or individuals performing the duties of the Chief Executive Officer) to make decisions about resources to be allocated to the segments and assess their performance, provided those operations pass certain quantitative thresholds, or are deemed significant by management. In order to determine if operating segments shall be aggregated, management reviews various factors, including economic characteristics, nature of their products, production process, regulatory environment, geographical location and managerial structure. Given the size and current stage of its development, no aggregation of segments was made.

The Company operates in the mining industry in Chile. The Company did not generate revenue and/or production costs in year ended December 31, 2022, and 2021. As at December 31, 2022, the Company's mining properties are located in Chile (Choquelimpie). Other reportable segment consists of head office/corporate functions and Burge Lake Project, as it was fully impaired in 2021.

The following tables summarize segment information of the Company:

	December 31, 2022			December 31, 2021		
	Choquelimpie			Choquelimpie		
	Project	Other	Total	Project	Other	Total
Depreciation	37,200	-	37,200	23,000	2,950	25,950
Exploration cost	2,638,654	95,359	2,734,013	6,028,814	186,983	6,215,797
Share-based payments	-	1,021,648	1,021,648	-	1,617,265	1,617,265
Loss before other items	2,638,654	2,624,762	5,263,416	6,028,814	3,437,173	9,465,987
Impairment loss	-	-	-	-	38,124	38,124
Interest income	-	2,892	2,892	-	2,820	2,820
Net loss for the period	2,638,654	2,802,281	5,440,935	6,028,814	3,434,788	9,463,602

	December 31, 2022			December 31, 2021		
	Choquelimpie			Choquelimpie		
	Project	Other	Total	Project	Other	Total
Mineral property	27,477,053	-	27,477,053	27,477,053	-	27,477,053
Total assets	27,541,633	87,699	27,629,332	28,311,048	2,008,575	30,319,623
Total liabilities	1,315,950	1,995,944	3,311,894	1,943,193	209,785	2,152,978

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15. Lease Liability

The Company entered into a lease agreement to rent a truck for use at its camp at Choquelimpie in Chile. During November 2021, the Company leased a second truck for use at its camp at Choquelimpie. The lease agreements are for the non-cancellable term of 36 months and average total monthly payments of \$3,780. The Company used a 13% incremental borrowing rate to derive its lease liability.

The Company applied an exemption in accordance with IFRS16 with regards to short-term leases. The annual expense is summarized below.

Amounts recognized in statement of financial position are as follows:

	Trucks lease
	\$
Lease liability, January 1, 2021	-
Additions (Note 4)	111,300
Accretion	8,000
Payment	(25,600)
Lease liability, December 31, 2021	93,700
Accretion	10,200
Payment	(44,000)
Lease liability, December 31, 2022	59,900
Lease liability short term	47,800
Lease liability long term	12,100

Amounts recognized in statement of comprehensive loss for the year ended December 31, 2022 are as follows:

	Years ended December 31,	
	2022	2021
	\$	\$
Depreciation expense on ROU (Note 4)	37,200	23,000
Accretion expense on lease liability	10,200	8,000
Short term lease expenses	258,598	286,280
	305,998	317,280

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16. 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, 2022 and December 31, 2021:

	2022	2021
	\$	\$
Loss before income taxes	(5,440,935)	(9,463,602)
Canadian statutory tax rate	27.00%	27.00%
Expected income tax recovery	(1,469,052)	(2,555,173)
Differences resulting from:		
Non-deductible items	276,762	446,342
Other	163,390	-
Change in deferred tax asset not recognized	1,028,900	2,118,511
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, 2022 and December 31, 2021 are comprised of the following:

	2022	2021
	\$	\$
<i>Deferred tax assets</i>		
Non-capital loss carry-forwards	5,151,210	4,087,991
Property and equipment	10,926	10,926
Exploration and evaluation assets	378,555	377,712
Financing costs	52,593	77,556
Convertible debentures	(10,199)	-
	5,583,085	4,554,185
Deferred tax asset not recognized	(5,583,085)	(4,554,185)
Net deferred tax asset	-	-

The Company has non-capital loss carryforwards of \$9,605,713 (2021 – \$8,933,378) 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 as follows: \$1,625,407 between 2026-2033, \$5,115,213 between 2034-2040, \$1,694,193 in 2041 and \$1,170,900 in 2042. The Company also has non-capital loss carryforwards of \$9,472,842 (2021 – \$6,207,331) which may be indefinitely carried forward to apply against future year income tax for Chilean income tax purposes.

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17. Subsequent events

The Company issued promissory notes in the aggregate amount of \$205,000. The notes bear interest of 24% per annum and payable on-demand together with the principal amount after one year from the effective date of the promissory notes.

The Company issued 216,375 shares pursuant to vested restricted share units with a fair value of \$70,376.

The Company received \$100,000 pursuant to an ongoing private placement of \$0.27 per unit. Each unit comprises of one common share and one-half transferrable common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of \$0.45 per warrant and will expire 24 months of the closing date of the private placement financing.

Pursuant to the appointment of a new director of the Company, 300,000 stock options with an exercise price of \$0.31 was granted. The options have vesting period of two years and will expire in five years from the date of grant. In addition, the Company also granted 35,000 restricted share units ("RSUs") to the directors, officers, employees, and consultants of the Company.