

Consolidated Financial Statements of

NORSEMONT MINING INC.

(Unaudited – Prepared By Management)

Three and six months ended December 31, 2006 and 2005

NORSEMONT MINING INC.

(the "Company")

CONSOLIDATED INTERIM FINANCIAL STATEMENTS Three and six months ended December 31, 2006 and 2005

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

"Marc E. Levy"

"Tony M. Ricci"

Marc E. Levy
CEO

Tony M. Ricci
CFO

February 28, 2007

NORSEMONT MINING INC.

Consolidated Balance Sheets
(Expressed in Canadian dollars)

December 31, 2006 and June 30, 2006
(Unaudited – Prepared by Management)

	December 31, 2006	June 30, 2006 (Restated - note 3)
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,658,954	\$ 681,944
Short-term investments (market value, December 31, 2006 - \$4,200,818)	4,185,212	10,095,300
Receivables	514,427	36,594
Prepaid expenses	87,297	69,083
	<u>6,445,890</u>	<u>10,882,921</u>
Furniture, equipment and leasehold improvements (note 4)	274,023	224,435
Mineral properties (note 5)	99,392	99,392
	<u>\$ 6,819,305</u>	<u>\$ 11,206,748</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 810,824	\$ 537,639
Due to related parties	46,111	37,588
	<u>856,935</u>	<u>575,227</u>
Asset retirement obligation	150,000	-
Shareholders' equity:		
Share capital (note 6(b))	26,602,877	25,309,440
Contributed surplus (note 6(e))	4,486,484	4,032,526
Deficit	<u>(25,276,991)</u>	<u>(18,710,445)</u>
	<u>5,812,370</u>	<u>10,631,521</u>
	<u>\$ 6,819,305</u>	<u>\$ 11,206,748</u>

Nature of operations (note 1)
Commitments (note 9)
Subsequent events (note 10)

See accompanying notes to consolidated financial statements.

NORSEMONT MINING INC.

Consolidated Statements of Operations and Deficit
(Expressed in Canadian dollars)

Six months ended December 31, 2006 and 2005
(Unaudited – Prepared by Management)

	Three months ended December 31,		Six months ended December 31,	
	2006	2005	2006	2005
		(Restated - note 3)	(Restated -note 3)	(Restated - notes 3)
Expenses:				
Advertising, promotion and travel				
Incurred	\$ 184,720	\$ 199,628	\$ 269,500	\$ 329,853
Stock-based compensation	-	2,233	(804)	(51)
Amortization	21,061	3,577	27,777	5,218
Accretion of asset retirement obligation	1,000	-	1,000	-
Consulting fees:				
Incurred	129,711	117,709	177,428	182,193
Stock-based compensation	(157,140)	1,023,108	310,113	1,681,373
Foreign exchange gain	(54,714)	-	(39,982)	-
Interest and bank charges	7,991	1,834	8,493	3,488
Management fees:				
Incurred	19,500	36,000	99,000	72,000
Stock-based compensation	191,317	184,728	226,823	195,732
Mineral property exploration expenditures (note 5):				
Incurred	2,745,752	1,420,165	4,271,123	2,478,204
Stock-based compensation	61,969	-	61,969	59,391
Office, rent and administration	83,538	83,180	158,513	126,888
Professional fees:				
Incurred	115,225	(7,480)	144,534	19,577
Stock-based compensation	14,879	206,977	87,680	206,977
Regulatory, transfer agent and shareholder information	24,057	41,167	44,870	120,639
Wages and benefits and directors fees:				
Incurred	124,279	16,900	253,184	27,113
Stock-based compensation	366,302	521,686	639,196	549,558
	<u>3,879,447</u>	<u>3,851,412</u>	<u>6,740,417</u>	<u>6,058,153</u>
Loss before other items	(3,879,447)	(3,851,412)	(6,740,417)	(6,058,153)
Other items:				
Interest and other income	11,900	10,535	27,220	22,704
Gain on short-term investments	86,095	-	146,651	-
	<u>97,995</u>	<u>10,535</u>	<u>173,871</u>	<u>22,704</u>
Loss for the period	(3,781,452)	(3,840,877)	(6,566,546)	(6,035,449)
Deficit, beginning of period				
As previously reported	(14,506,998)	(8,646,188)	(13,137,289)	(8,003,129)
Adjustment related to accounting for stock- based compensation (note 3(b))	(23,420)	(570,849)	(133,406)	(133,406)
Change in accounting for mineral exploration expenditures (note 3(a))	(6,965,121)	(1,696,863)	(5,439,750)	(582,793)
As restated	<u>(21,495,539)</u>	<u>(10,913,900)</u>	<u>(18,710,445)</u>	<u>(8,719,328)</u>
Deficit, end of period	\$ (25,276,991)	\$ (14,754,777)	\$ (25,276,991)	\$ (14,754,777)
Basic and diluted loss per share	\$ (0.15)	\$ (0.19)	\$ (0.26)	\$ (0.30)
Weighted average number of shares outstanding	26,043,919	20,577,192	25,620,393	20,058,405

See accompanying notes to consolidated financial statements.

NORSEMONT MINING INC.

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

Six months ended December 31, 2006 and 2005
(Unaudited – Prepared by Management)

	Three months ended December 31,		Six months ended December 31,	
	2006	2005 (Restated - note 3)	2006 (Restated - note 3)	2005 (Restated - notes 3)
Cash provided by (used in):				
Operations:				
Loss for the period	\$ (3,781,452)	\$ (3,840,877)	\$ (6,566,546)	\$ (6,035,449)
Items not involving cash:				
Amortization	21,061	3,577	27,777	5,218
Accretion of asset retirement obligation	1,000	-	1,000	-
Stock-based compensation	477,327	1,938,732	1,324,977	2,692,980
Shares issued for mineral property	-	-	-	227,500
Changes in non-cash working capital and other items:				
Receivables	(364,359)	(25,220)	(477,833)	(22,230)
Prepaid expenses	(37,111)	-	(18,214)	-
Accounts payable and accrued liabilities	199,748	(94,210)	273,185	322,946
Asset retirement obligation	149,000	-	149,000	-
	(3,334,786)	(2,017,998)	(5,286,654)	(2,809,035)
Investments:				
Short-term investments	3,192,036	-	5,910,088	-
Purchase of furniture and equipment and leasehold improvements	(45,409)	(2,018)	(77,365)	(5,426)
	3,146,627	(2,018)	5,832,723	(5,426)
Financing:				
Issuance of shares, net of share issue costs	333,708	812,155	422,418	1,068,851
Share subscriptions	-	-	-	(1,750)
Due to related parties	(802)	(40,185)	8,523	(10,731)
	332,906	771,970	430,941	1,056,370
Increase (decrease) in cash and cash equivalents	144,747	(1,248,046)	977,010	(1,758,091)
Cash and cash equivalents, beginning of period	1,514,207	1,904,197	681,944	2,414,242
Cash and cash equivalents, end of period	\$ 1,658,954	\$ 656,151	\$ 1,658,954	\$ 656,151
Supplementary information:				
Cash paid during the period:				
Interest	\$ -	\$ -	\$ -	\$ -
Income taxes	-	-	-	-
Non-cash financing activities:				
Reclassification of contributed surplus on exercise of options (note 6(e))	702,625	87,293	871,019	87,293

See accompanying notes to consolidated financial statements.

NORSEMONT MINING INC.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Three and six months ended December 31, 2006 and 2005
(Unaudited – Prepared by Management)

1. Nature of operations:

The Company was incorporated in 1977 under the Company Act of British Columbia. The Company's principal activities include acquiring and developing mineral exploration properties. The Company was listed for trading on the TSX Venture Exchange (the "Exchange") and on August 18, 2003 was transferred and traded on NEX, a separate board of the Exchange. On January 27, 2005, the Company changed its name from Consolidated Norsemont Ventures Ltd. to Norsemont Mining Inc.. On January 27, 2005, the Company was transferred to and currently trades on the Exchange.

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain mineral reserves that are economically recoverable. The underlying value and recoverability of the amounts shown for mineral properties is dependent upon the ability of the Company to complete exploration and development and discover economically recoverable reserves and upon future profitable production or proceeds from disposition of the Company's mineral properties. Failure to discover economically recoverable reserves will require the Company to write-off costs capitalized to-date.

2. Significant accounting policies:

(a) Basis of consolidation:

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. They include the accounts of the Company and its wholly-owned subsidiary, Norsemont Peru S.A.C., incorporated in Peru. All intercompany amounts and transactions have been eliminated on consolidation.

(b) Cash and cash equivalents:

Cash and cash equivalents consist of highly liquid short-term investments that are readily convertible to known amounts of cash and have maturities of three months or less when acquired.

(c) Short-term investments:

Short-term investments are marketable securities that will be realized beyond three months. Short-term investments are recorded at lower of cost and market.

(d) Furniture, equipment and leasehold improvements:

Furniture, equipment and leasehold improvements are carried at cost less accumulated amortization. Amortization is determined at rates which will reduce original cost to estimated residual value over the useful life of each asset. The annual rates used to compute amortization are as follows:

Asset	Basis	Rate
Computers	Declining-balance	30% per annum
Furniture and office equipment	Declining-balance	20% per annum
Leasehold improvements	Straight-line	Lesser of useful life and term of lease

NORSEMONT MINING INC.

Notes to Consolidated Financial Statements
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2. Significant accounting policies (continued):

(e) Mineral properties:

The Company retroactively changed its accounting policy for mineral property exploration expenditures in its quarter ended December 31, 2006 (Note 3(a)). The Company expenses, as incurred, exploration expenditures, periodic option payments related to mineral properties and administrative and land use costs incurred prior to commercial feasibility of mining operations being established. Mineral property acquisition expenditures under which the Company acquired a percentage ownership interest in a mineral property continue to be capitalized.

The Company incurs value added tax (VAT) in Peru. VAT paid related to mineral property costs is often recoverable only once the Company reaches the production stage. If there is uncertainty of recovery, the VAT payments are expensed. VAT payments recoverable before production under Peru laws are recorded in receivables, net of an allowance for uncollectibility. Included in accounts receivable is \$483,387 of VAT as of December 31, 2006 (June 30, 2006- Nil).

(f) Impairment of long-lived assets:

The Company assesses the impairment of long-lived assets, which consist of mineral property interests (including deferred exploration costs) and equipment, whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of a long-lived asset is then determined by a comparison of the carrying value of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the amount of the impairment is measured by the amount by which the carrying amount of the asset exceeds its fair value.

(g) Asset retirement obligations:

The fair value of a liability for an asset retirement obligation, such as site reclamation costs, is recognized in the period in which it is incurred if a reasonable estimate of the fair value of the costs to be incurred can be made. The Company is required to record the estimated present value of future cash flows associated with site reclamation as a liability when the liability is incurred and increase the carrying value of the related assets for that amount. Subsequently, these capitalized asset retirement costs will be amortized to expense over the life of the related assets using the unit-of-production method. At the end of each period, the liability is increased to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying any initial fair value measurements (additional asset retirement costs).

NORSEMONT MINING INC.

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2. Significant accounting policies (continued):

(h) Stock-based compensation:

The Company has a stock-based compensation plan which is described in note 6(c). The Company accounts for all stock-based payments and awards under the fair value based method.

Under the fair value based method, stock-based payments to non-employees are measured at the fair value of the consideration received, or the fair value of the equity instruments issued, or liabilities incurred, whichever is more reliably measurable. The fair value of stock-based payments to non-employees is periodically re-measured until counterparty performance is complete, and any change therein is recognized over the vesting period of the award and in the same manner as if the Company had paid cash instead of paying with or using equity instruments. The cost of stock-based payments to non-employees that are fully vested and non-forfeitable at the grant date is measured and recognized at that date.

Compensation cost attributable to awards to employees is measured at fair value at the grant date and recognized over the vesting period. Compensation cost attributable to awards to employees that call for settlement in cash or other assets is measured at intrinsic value and recognized over the vesting period. Changes in intrinsic value between the grant date and the measurement date result in a change in the measure of compensation cost. Compensation cost is generally recognized on a straight-line basis over the vesting period.

During the six months ended December 31, 2006 and 2005, the Company granted stock options to directors, officers, employees and non-employees as set out in note 6(c).

(i) Earnings (loss) per share:

The Company calculates basic earnings (loss) per share using the weighted average number of common shares outstanding during the period excluding escrowed shares for which the release is subject to the satisfaction of performance criteria. Diluted net earnings (loss) per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are applied to repurchase common shares at the average market price for the period in calculating the net dilution impact. Stock options and warrants are dilutive when the Company has income from continuing operations and the average market price of the common shares during the period exceeds the exercise price of the options and warrants.

(j) Foreign currency transactions:

The functional currency of the Company and its subsidiary is the Canadian dollar. Monetary assets and liabilities denominated in foreign currency are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet date. Non-monetary items are translated at rates of exchange in effect when the amounts were acquired or obligations incurred. Revenue and expenses are translated at rates in effect at the time of the transaction. Foreign exchange gains and losses are recognized in the determination of net earnings (loss) in the period in which they arise.

NORSEMONT MINING INC.

Notes to Consolidated Financial Statements
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Three and six months ended December 31, 2006 and 2005
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2. Significant accounting policies (continued):

(k) Measurement uncertainty:

The presentation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Significant areas requiring the use of estimates include the assessment of impairment of long-lived assets including mineral properties and deferred exploration costs, amortization periods of furniture, equipment and leasehold improvements, valuation of stock-based compensation, and the estimation of future income tax asset valuation allowances. Actual results could differ from those estimates.

(l) Comparative figures:

Certain comparative figures have been reclassified to conform to the presentation adopted in the current period.

3. Change in mineral property accounting policy and adjustment related to accounting for stock-based compensation:

(a) Mineral properties change in accounting policy:

The Company changed its accounting policy for mineral property exploration expenditures in its quarter ended December 31, 2006. Prior to September 30, 2006, mineral property acquisition and exploration expenditures were capitalized on a property by property basis. The Company is in the process of filing a registration statement on Form 20-F with the Securities and Exchange Commission in the United States. As a result, in order to minimize the differences between Canadian and US GAAP, the Company changed its policy, on a retroactive basis, to expense, as incurred, exploration expenditures, periodic option payments related to mineral properties and administrative and land use costs incurred prior to commercial feasibility of mining operations being established. Mineral property acquisition expenditures continue to be capitalized. As a result of this change, deficit as at June 30, 2006 increased by \$5,439,750 (June 30, 2005 - \$582,793) and net loss increased by \$2,451,223 for the six months ended December 31, 2005 and by \$1,337,153 for the three months ended December 31, 2005 and mineral property costs decreased by \$5,439,750 at June 30, 2006 to \$99,392.

(b) Adjustment related to accounting for stock-based compensation:

The Company has restated its consolidated financial statements for the three months ended September 30, 2006, for the six months ended December 31, 2005 and for the year ended June 30, 2005 as previously presented to reflect changes related to the recognition of compensation expense for stock options granted to directors, officers, employees and non-employees of the Company. As a result of this restatement, deficit as at June 30, 2006 increased by \$133,406 (June 30, 2005 - \$133,406), net loss increased by \$1,843,245 for the three months ended December 31, 2005 and \$2,280,689 for the six months ended December 31, 2005, contributed surplus increased by \$177,626 at June 30, 2006 all as compared to amounts previously reported.

NORSEMONT MINING INC.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Three and six months ended December 31, 2006 and 2005
(Unaudited – Prepared by Management)

3. Change in mineral property accounting policy and adjustment related to accounting for stock-based compensation (continued):

The combined effect of (a) and (b) above was to increase the net loss for the three months ended December 31, 2005 by \$3,180,398 to \$3,840,877 and the net loss per share increased by \$0.16 to \$0.19 per share. . The net loss for the six months ended December 31, 2005 increased by \$4,731,912 to \$6,035,449 and net loss per share increased by \$0.23 to \$0.30 per share.

4. Furniture, equipment and leasehold improvements:

December 31, 2006	Cost	Accumulated amortization	Net book value
Computers	\$ 92,842	\$ 38,318	\$ 54,524
Furniture and office equipment	258,594	58,889	199,705
Leasehold improvements	26,942	7,148	19,794
	\$ 378,378	\$ 104,355	\$ 274,023

June 30, 2006	Cost	Accumulated amortization	Net book value
Computers	\$ 57,541	\$ 11,544	\$ 45,997
Furniture and office equipment	174,639	19,293	155,346
Leasehold improvements	26,941	3,849	23,092
	\$ 259,121	\$ 34,686	\$ 224,435

5. Mineral properties and continuity of mineral property exploration expenditures:

	December 31, 2006	June 30, 2006
Mineral property acquisition costs - Amata (b)	\$ 99,392	\$ 99,392

Continuity of mineral properties expenditures by year and cumulative is as follows:

	Peru		B.C., Canada		Total
	Constancia (a)	Amata (b)	Nome #1 (c)	Joss'alun (d)	
Balance, June 30, 2005	\$ 499,780	\$ -	\$ 1	\$ 83,012	\$ 582,793
Option related payments	1,270,735	-	-	-	1,270,735
Exploration and related costs	3,435,721	233,513	3,360	-	3,672,594
	4,706,456	233,513	3,360	-	4,943,329
Balance, June 30, 2006	5,206,236	233,513	3,361	83,012	5,526,122
Option related payments	341,940	-	-	-	341,940
Exploration and related costs	3,966,338	24,814	-	-	3,991,152
	4,308,278	24,814	-	-	4,333,092
Balance, December 31, 2006	\$ 9,514,514	\$ 258,327	\$ 3,361	\$ 83,012	\$ 9,859,214

NORSEMONT MINING INC.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Three and six months ended December 31, 2006 and 2005
(Unaudited – Prepared by Management)

5. Mineral properties and continuity of mineral property exploration expenditures (continued):

(a) Constancia property, Peru:

On February 9, 2005, the Company signed an agreement with Rio Tinto Mining and Exploration Ltd. ("Rio Tinto") whereby the Company may acquire up to a 70% interest in the Constancia copper-gold-molybdenum porphyry deposit located in Chumbivilcas Province, Peru. This includes an initial option to acquire an undivided 51% interest in the Constancia project by making property payments of US\$5,000,000, completing work expenditures of US\$7,800,000 and issuing 1,250,000 common shares of the Company (or cash in lieu of shares) over a period of nearly five years, ending October 31, 2009.

Upon exercise of the initial option, Rio Tinto has the right to claw back an undivided 17% interest, provided global reserve estimates contained in the property are not less than four million tonnes (8,818 million pounds) of copper, by paying the Company up to 300% of the Company's net cash payments on the project. If Rio Tinto does not exercise its claw back right, the Company may acquire an additional 9% interest for US\$3,750,000 or an additional 19% interest for US\$8,000,000.

The Company issued 150,000 common shares as finder's fee at a fair value of \$96,000 in connection with this transaction.

The cash payment, share issuance and work expenditure schedule is as follows:

Option exercise schedule	Cash (US\$)	Exploration expenditures (US\$)	Shares
On signing of LOI	\$ 10,000 ⁽¹⁾	\$ -	-
45 days following LOI	90,000 ⁽¹⁾	-	-
April 20, 2005	150,000 ⁽¹⁾	-	-
June 30, 2005	-	-	250,000 ⁽²⁾
October 2005	200,000 ⁽¹⁾	500,000 ⁽³⁾	-
April 2006	250,000 ⁽¹⁾	500,000 ⁽³⁾	-
June 30, 2006	-	-	250,000 ⁽²⁾
October 2006	300,000 ⁽¹⁾	500,000 ⁽³⁾	-
April 20, 2007	400,000	-	-
June 30, 2007	-	-	250,000
October 2007	500,000	1,300,000	-
April 2008	500,000	1,000,000	-
June 30, 2008	-	-	250,000
October 2008	750,000	1,500,000	-
October 2009	1,850,000	2,500,000	250,000
Total	\$ 5,000,000	\$ 7,800,000	1,250,000

⁽¹⁾ Paid.

⁽²⁾ Issued.

⁽³⁾ Incurred; the Company expended \$4,159,278 for exploration during the six months ended December 31, 2006.

NORSEMONT MINING INC.

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Three and six months ended December 31, 2006 and 2005
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5. Mineral properties and continuity of mineral property exploration expenditures (continued):

(b) Amata property, Peru:

On September 5, 2005, the Company signed a letter agreement with Rio Tinto Mining and Exploration Ltd. whereby the Company acquired a 100% interest in 13 mineral properties known as the Amata Project in southern Peru plus property studies, for a total consideration of US \$80,000, which was paid as of June 30, 2006. The Company expended \$24,814 for exploration during the six months ended December 31, 2006.

(c) Nome #1 Claims:

During the year ended June 30, 1995, the Company entered into an option agreement to acquire a 40% interest in the Nome 1-2 mineral claims, Laird Mining Division, British Columbia, Canada for a total consideration of 100,000 common shares of the Company. The vendors retained a 1.5% net smelter return royalty. During the year ended June 30, 2004, the Company abandoned its option and the Company wrote down the costs associated with the Nome #1 and #2 properties. The Company subsequently acquired a 100% interest in Nome #1 by staking.

(d) Joss'alun Copper Property:

On June 18, 2004, the Company entered into an option agreement with Copper Ridge Exploration Inc. ("Copper Ridge"), whereby the Company could earn a 51% interest in the Joss'alun Copper Property, Atlin Mining Division, BC, Canada. Under the terms of the Agreement, the Company would acquire a 51% undivided interest in the property for consideration of \$5,000 in cash, 300,000 treasury shares and \$900,000 of work expenditure commitment as follows:

Option exercise schedule	Shares	Cash	Exploration expenditures
On signing of Agreement	-	\$ 5,000 ⁽¹⁾	\$ -
Regulatory approval	50,000 ⁽¹⁾	-	-
December 31, 2004	50,000 ⁽¹⁾	-	55,000 ⁽²⁾
December 31, 2005	100,000	-	195,000
December 31, 2006	100,000	-	250,000
December 31, 2007	-	-	400,000
Total	300,000	\$ 5,000	\$ 900,000

⁽¹⁾ Shares issued with a fair value of \$29,000 and cash paid.

The Company could have earned an additional 9% interest for a total 60% interest, by completing an additional \$1.1 million in exploration expenditures over a subsequent two-year period, for a total of \$2 million in exploration expenditures. The Company could have also earned an additional 15% interest for a total 75% interest, by completing a feasibility study and issuing an additional 250,000 shares of the Company. The property is subject to a 1.0% net smelter return royalty in favour of the previous owners half of which can be purchased by Copper Ridge for \$250,000.

During the year ended June 30, 2006, the Company terminated the option agreement.

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5. Mineral properties and continuity of mineral property exploration expenditures (continued):

- (e) Corcovado property, Province of Chubut, Argentina:

On March 14, 2003, the Company signed an option agreement with IMA Explorations Inc. (now Golden Arrow Resources Corporation) whereby the Company may acquire a 75% undivided interest in Expediente No. 13892/02 (Corcovado property) located in the Province of Chubut, Argentina by issuing 800,000 shares of the Company over 24 months and incurring \$1,260,000 in exploration and/or development expenditures over 4 years. The completion of the agreement is subject to approval by regulatory authorities. No shares have been issued to date and no exploration expenditures have been incurred.

6. Share capital:

- (a) Authorized:

Unlimited number of common shares without par value (2005 - 100,000,000)

- (b) Issued and outstanding:

	Number of shares	Amount
Balance, June 30, 2005	19,120,125	\$ 10,893,340
Issued for cash pursuant to:		
Private placement	3,500,000	14,000,000
Exercise of options	494,850	324,067
Exercise of warrants	1,490,403	1,135,330
Issued on acquisition of mineral property (note 5(a))	500,000	745,000
Share issue costs	-	(1,788,297)
Balance, June 30, 2006	25,105,378	25,309,440
Issued for cash pursuant to:		
Exercise of options	1,007,250	1,287,249
Exercise of warrants	5,625	6,188
Balance, December 31, 2006	26,118,253	\$ 26,602,877

During the six-month period ended December 31, 2006, 1,007,250 common shares were issued for gross proceeds of \$416,230 on exercise of options. In addition, a reclassification of \$871,019 from contributed surplus to share capital was recorded on the exercise of these options.

During the six month period ended December 31, 2006, 5,625 common shares were issued for gross proceeds of \$6,188 on exercise of warrants.

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6. Share capital (continued):

(b) Issued and outstanding (continued):

During the year ended June 30, 2006, the Company completed a non-brokered private placement of 3,500,000 units at \$4.00 per unit for gross proceeds of \$14,000,000. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole share purchase warrant entitles the holder to acquire one additional common share at an exercise price of \$4.75 per common share for a period of two years expiring January 19, 2008. If the closing price of the Company's share is \$6.00 or higher for 10 consecutive trading days, the Company may give notice of an accelerated expiry date. The Company paid cash of \$1,120,000 and issued 350,000 share purchase warrants exercisable at a price of \$4.75 per share for a period of two years expiring January 19, 2008, as finder's fees on this private placement.

During the year ended June 30, 2006, the Company issued 250,000 shares with a fair value of \$0.91 per share and 250,000 shares with a fair value of \$2.07 per share pursuant to the Constancia property option agreement (note 5(a)).

During the year ended June 30, 2006, 1,490,403 common shares were issued for gross proceeds of \$1,135,330 on exercise of warrants.

During the year ended June 30, 2006, 494,850 common shares were issued for gross proceeds of \$130,496 on exercise of options. In addition, a reclassification of \$193,571 from contributed surplus to share capital was recorded on the exercise of these options.

(c) Stock options:

The Company established a stock option plan under which the Company may grant incentive stock options for the purchase of common shares of the Company to its officers, directors, and consultants. Stock options are non-transferable and the aggregate number of shares that may be reserved for issuance pursuant to stock options may not exceed certain levels and may not exceed 5% to any individual (maximum of 2% to any consultant). Shareholders approved an increase in the authorized number of common shares that may be granted under the plan from 2,735,445 to 4,106,963 on December 6, 2005 and from 4,106,963 to 5,222,526 on November 29, 2006. The exercise price of stock options is determined by the Board of Directors of the Company at the time of grant, but cannot be less than market price on the Exchange, less permissible discounts. Options have a maximum term of five years and terminate on the date of termination of the optionee's employment, except in the case of death, in which case the options terminate 120 days after the event. If terminated with cause, any outstanding options held by the optionee on the day of termination shall be cancelled. Vesting of options is made during periodic intervals approved by the Exchange, namely 12.5% of the options upon date of grant and 12.5% every three months thereafter. Once vested, options are exercisable at any time.

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6. Share capital (continued):

(c) Stock options (continued):

A summary of the status of the options outstanding follows:

	Number of options	Weighted average exercise price
Balance, June 30, 2005	2,101,100	\$ 0.27
Granted	2,285,000	1.78
Exercised	(494,850)	(0.26)
Cancelled/expired	(437,500)	(0.26)
Balance, June 30, 2006	3,453,750	1.29
Granted	2,140,000	1.73
Exercised	(1,007,250)	(0.41)
Cancelled/expired	(112,500)	(2.25)
Balance, December 31, 2006	4,474,000	\$ 1.67

The following table summarizes the stock options outstanding and exercisable at December 31, 2006:

Number of shares	Exercise price	Expiry date	Exercisable
39,600	\$0.19	June 10, 2009	39,600
10,000	\$0.19	June 16, 2009	10,000
170,000	\$0.26	November 22, 2009	170,000
100,000	\$0.50	February 1, 2010	100,000
150,000	\$0.76	March 7, 2010	150,000
95,000	\$0.80	June 19, 2010	83,125
118,750	\$0.80	July 5, 2010	89,063
35,000	\$0.80	July 24, 2010	26,250
481,250	\$1.00	July 28, 2010	360,938
199,400	\$1.06	August 17, 2010	149,550
260,000	\$1.33	August 21, 2010	195,000
140,000	\$2.38	September 9, 2010	105,000
300,000	\$4.00	April 13, 2011	112,500
125,000	\$2.00	April 3, 2011	46,875
110,000	\$2.70	May 8, 2011	41,250
150,000	\$2.00	July 7, 2011	37,500
530,000	\$2.00	July 24, 2011	132,500
1,460,000	\$1.60	December 10, 2011	182,500
4,474,000			2,031,651

During the three and six month period ended December 31, 2006, \$477,327 and \$1,324,977, respectively (2005 – 1,938,732 and \$2,692,980) in compensation expense under the fair-value-based method was recorded in the consolidated statements of operations and deficit.

NORSEMONT MINING INC.

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6. Share capital (continued):

(c) Stock options (continued):

The compensation costs reflected in these consolidated financial statements were calculated using the Black-Scholes option pricing model using the following weighted average assumptions:

	2006	2005
Risk free interest rate	3.92%	3.79%
Expected dividend yield	0%	0%
Stock price volatility	87%	91%
Expected life of options	3.35 years	3.62 years

The weighted average fair value of options granted during the six month period ended December 31, 2006 was \$0.91 (2005 - \$2.69) per option.

(d) Warrants:

The continuity of share purchase warrants for December 31, 2006 is as follows:

Exercise price	Expiry date	June 30, 2006	Issued	Exercised	Expired	December 31, 2006
\$ 1.10	May 16, 2007	3,147,125	-	5,625	-	3,141,500
\$ 4.75	Jan 19, 2008	2,100,000	-	-	-	2,100,000
		5,247,125	-	-	-	5,241,500

The continuity of share purchase warrants for June 30, 2006 is as follows:

Exercise price	Expiry date	June 30, 2005	Issued	Exercised	Expired	June 30, 2006
\$ 0.30	Aug 13, 2005	477,500	-	(307,500)	(170,000)	-
\$ 0.35	Nov 17, 2005	364,150	-	(344,150)	(20,000)	-
\$ 1.10	May 16, 2007	3,985,878	-	(838,753)	-	3,147,125
\$ 4.75	Jan 19, 2008	-	2,100,000	-	-	2,100,000
		4,827,528	2,100,000	(1,490,403)	(190,000)	5,247,125

(e) Contributed surplus:

	December 31, 2006	June 30, 2006
Balance, beginning of period	\$ 4,032,526	\$ 334,265
Stock-based compensation	1,324,977	3,272,777
Brokers' warrants issued	-	619,055
Transfer to share capital on exercise of options	(871,019)	(193,571)
Balance, end of period	\$ 4,486,484	\$ 4,032,526

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6. Share capital (continued):

(f) Shareholder rights plan:

The directors of the Company approved the adoption of a shareholder rights plan, dated May 29, 2006, (the "Rights Plan"). The objective of the Board of Directors in adopting this Plan is to achieve full and fair value for the Company's shareholders in the event of an unsolicited take-over bid for the Company. The rights become exercisable only when a person or party acquires or announces its intention to acquire 20 per cent or more of the outstanding shares of the Company without complying with certain provisions of the Rights Plan. Each right would entitle each holder of common shares (other than the acquiring person or party) to purchase additional common shares of the Company at a 50 per cent discount to the market price at the time.

7. Related party transactions:

During the six month period ended December 31, 2006, the Company entered into the following transactions with related parties:

- (a) Paid or accrued \$99,000 (2005 - \$72,000) for management fees to companies controlled by directors of the Company.
- (b) Paid \$ 90,489 (2005 - \$nil) for wages and benefits to a director and officer of the Company. A portion of these costs has been included in mineral properties and deferred exploration costs.
- (c) Paid or accrued \$20,848 (2005 - \$19,577) for legal fees to a company controlled by an officer of the Company.
- (d) The Company paid \$20,000 (2005 - \$nil) for consulting fees to a director of the Company. These costs have been included in mineral properties and deferred exploration costs.
- (e) Paid or accrued \$58,000 (2005 - \$12,697) for accounting fees to a company controlled by a director and officer of the Company.
- (f) The Company paid \$nil (2005 - \$42,251) for consulting fees to a former director of the Company. These costs have been included in mineral properties and deferred exploration costs.

8. Financial instruments:

(a) Fair values of financial instruments:

For certain of the Company's financial instruments, including cash and cash equivalents, short-term investments, receivables and accounts payable and accrued liabilities, the carrying amounts approximate fair value due to their immediate or short-term maturity.

(b) Foreign currency risk:

The Company conducts a major part of its business in US dollars and Peruvian New Sol and therefore is affected by variations in exchange rates. The Company does not have foreign currency hedges in place and does not actively manage this risk.

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8. Financial instruments (continued):

(c) Credit risk:

Credit risk reflects the risk that the Company may be unable to recover contractual receivables. The Company does not have significant receivables and no one account represents a concentration of credit risk. The Company employs established credit approval practices to mitigate this risk.

9. Commitments:

The Company has signed a Vancouver office premise lease for approximately \$8,100 per month commencing May 1, 2006, increasing to \$10,500 per month January 1, 2007 and expiring December 31, 2009. There is also a Peru office lease for US\$1,200 per month commencing March 16, 2006 and expires March 15, 2007. The Company also has various commitments as described in note 5 related to mineral properties and exploration costs.

10. Subsequent events:

The following events occurred subsequent to December 31, 2006:

- (a) 257,500 common shares were issued on exercise of options for gross proceeds of \$131,600.
- (b) 2,516,875 common shares were issued on exercise of warrants for gross proceeds of \$2,768,563.