



NORSEMONT MINING INC.

MANAGEMENT DISCUSSION AND ANALYSIS
For the three months ended September 30, 2006 and 2005

Dated November 28, 2006

NORSEMONT MINING INC.

Management Discussion & Analysis
Three months ended September 30, 2006 and 2005

1.1 Date

This Management's Discussion and Analysis ("MD&A") of Norsemont Mining Inc. ("Norsemont" or the "Company") has been prepared by management as of November 28, 2006 and should be read in conjunction with the unaudited interim consolidated financial statements and related notes thereto of the Company, as at and for the three months ended September 30, 2006 and 2005 and with the audited consolidated financial statements and related notes thereto of the Company, as at and for the years ended June 30, 2006 and 2005 which were prepared in accordance with Canadian Generally Accepted Accounting principles. The Company is presently a "Venture Issuer", as defined in NI 51-102.

This MD&A may contain "forward-looking statements" which reflect the Company's current expectations regarding the future results of operations, performance and achievements of the Issuer, including potential business or mineral property acquisitions and negotiation and closing of future financings. The Issuer has tried, wherever possible, to identify these forward-looking statements by, among other things, using words such as "anticipate," "believe," "estimate," "expect" and similar expressions. The statements reflect the current beliefs of the management of the Company, and are based on currently available information. Accordingly, these statements are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Issuer to differ materially from those expressed in, or implied by, these statements.

The Company undertakes no obligation to publicly update or review the forward-looking statements whether as a result of new information, future events or otherwise.

Historical results of operations and trends that may be inferred from the following discussions and analysis may not necessarily indicate future results from operations.

1.2 Over-all Performance

The Company was originally incorporated as a specialty limited company, under the name Loreda mining Corporation NPL pursuant to the British Columbia Company Act on June 10, 1977, with an authorized capital of 100,000,000 common shares without par value. The Company changed its name from Loreda Mining Inc. Norsemont Mining Corporation on January 21, 1981 and to International Norsemont Ventures Ltd. on October 24, 1991. On September 28, 1999, the Company consolidated its capital on a 5 old for 1 new basis and changed its name to Consolidated Norsemont Ventures Ltd. On January 27, 2005, the Company changed its name to Norsemont Mining Inc.

The Issuer has one wholly-owned subsidiary, Norsemont Peru S.A.C. ("Norsemont Peru"), located at Calle Aristedes Alijovin # 431, Miraflores Lima, Peru.

The Company is a natural resource company engaged in the acquisition and exploration of natural resource properties. The Company has an interest in several resource properties in Peru and intends to seek and acquire additional properties worthy of exploration and development.

As at the date hereof, the Company has mining interests in Peru and entered into the following agreements:

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Constancia Property, Peru

On February 9, 2005, the Company signed an agreement with Rio Tinto Mining and Exploration Ltd. ("Rio Tinto") whereby Norsemont 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 of copper (8.8 billion lbs.), by paying the Company up to 300% of the Company's net cash payments (work expenditures and share issuances) 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 deemed value of \$96,000 in connection with this transaction.

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

Option Exercise Schedule	Shares	Cash US\$	Exploration Expenditures US\$
On signing of LOI	—	⁽¹⁾ \$10,000	—
45 days following LOI	—	⁽¹⁾ \$90,000	—
April 20, 2005	—	⁽¹⁾ \$150,000	—
June 30, 2005	⁽²⁾ 250,000	—	—
October, 2005	—	⁽¹⁾ \$200,000	⁽³⁾ \$500,000
April, 2006	—	⁽¹⁾ \$250,000	⁽³⁾ \$500,000
June 30, 2006	⁽²⁾ 250,000	—	—
October, 2006	—	⁽⁴⁾ \$300,000	⁽³⁾ \$500,000
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	250,000	\$1,850,000	\$2,500,000
Total	1,250,000	\$5,000,000	\$7,800,000

⁽¹⁾ Paid

⁽²⁾ Issued

⁽³⁾ Incurred; the Company expended \$1,426,562 for exploration during the three months ended September 30, 2006.

⁽⁴⁾ Paid subsequent to September 30, 2006.

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Update on the Property:

An independent technical report on the Constancia Copper Molybdenum Porphyry Property is available on the Sedar website at www.sedar.com.

An independent mineral resource estimate has been completed on the Constancia and San Jose Zones of the Constancia Project in Southern Peru. The report estimates an **Inferred Resource of 103.9 million tonnes grading 0.537% copper**, 0.014% molybdenum and 3.9 g/t silver (0.67% Cu-Equivalent) at a cutoff grade of 0.2% copper, as well as an **Indicated Resource of 57.7 million tonnes grading 0.589% copper**, 0.015% molybdenum and 4.1 g/t silver (0.73% Cu-Equivalent) at a cutoff grade of 0.2% copper (Table 1). The resource estimate for the Constancia Property also contains small amounts of gold (~0.06 g/t), which has not been reported in the resource table.

Copper equivalent values are estimated using long-term metal prices including: Copper US\$1.20 per lb, Molybdenum US\$8.00 per lb, and Silver US\$7.50 per oz. Adjustment factors to account for differences in relative metallurgical recoveries will depend upon the completion of definitive metallurgical testing. Cu-Equivalent equals Cu per cent plus Mo percent times (8.00/1.20) plus Ag grams per tonne times 0.24/(1.20*22.05).

The Inferred Resources at a 0.2% copper cutoff contains 1.23 billion pounds of copper, 32 million pounds of molybdenum and 13.0 million ounces of silver. The Indicated Resources at a 0.2% copper cutoff totals 749 million pounds of copper, 19 million pounds of molybdenum and 7.6 million ounces of silver (Table 2).

Copper composites were capped at 4.5% Cu, molybdenum composites were capped at 0.20% Mo, and silver composites were capped at 65 g/t during interpolation. Composites were capped during interpolation because composites are approximately equal to assays.

The resource estimate for the Constancia Property was tabulated under the current topography surface with copper as the primary element. Copper, molybdenum and silver grades were interpolated using a grade-block model utilizing an inverse distance squared method. Table 1 includes resources from the San Jose and Constancia Zones. The resources for the Constancia Property are classified as Indicated and Inferred and are based on a maximum (true) distance of 70 metres from the closest sample. Indicated resources were defined using a 30 metre range in areas of close spaced drilling. Indicated Resources have not been defined at the San Jose Zone.

Table 1: Initial Resources Estimate, Constancia Project, September 2006

Cut-off Grade	Tonnes	Copper Grade	Molybdenum Grade	Silver Grade
(% Cu)	(Million)	(% Cu)	(% Mo)	(g/t Ag)
Indicated Resources				
0.5	30.1	0.802	0.015	4.8
0.4	39.5	0.718	0.015	4.5
0.3	50.4	0.638	0.015	4.2
0.25	54.6	0.610	0.015	4.2

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0.2	57.7	0.589	0.015	4.1
Inferred Resources				
0.5	45.1	0.775	0.014	4.9
0.4	63.7	0.678	0.014	4.5
0.3	87.7	0.588	0.014	4.1
0.25	98.2	0.555	0.014	3.9
0.2	103.9	0.537	0.014	3.9

Table 2: Contained Metal, Constancia Project, September 2006

Resource Category	Copper (million lbs)	Molybdenum (million lbs)	Silver (million oz)
Indicated	749	19.1	7.6
Inferred	1,230	32.1	13.0

The Constancia Project is located between Xstrata Resources' Tintaya Mine and Las Bambas copper project in Southern Peru. Norsemont Mining may earn up to 70% of the Constancia Project from Rio Tinto by way of project expenditures, cash payments and the issue of common stock, the details of which can be found on the company's website (www.norsemont.com). Mitsui Mining retains a 30% interest in the project.

Independent geologist James A. McCrea, P. Geo and a Qualified Person as defined by National Instrument (NI) 43-101, was responsible for the mineral resource estimate dated September 26, 2006. Mr. McCrea has read and approved the contents of this report. The resource estimate has components of both Indicated and Inferred Mineral Resources, consistent with the CIM definitions referred to in NI 43-101. This estimate will be filed in a Technical Report compliant with NI 43-101 on SEDAR within 45 days from date of this report. Mineral resources which are not mineral reserves have not demonstrated economic viability. Norsemont is not aware of any environmental, permitting, legal, title, taxation, socio-political, marketing or other issues which may materially affect its estimate of mineral resources.

Quality Control

The resource estimate is based upon 95 diamond drill holes totaling 24,994 metres completed by Rio Tinto and Norsemont through to the end of August 2006. Norsemont has completed 72 holes and Rio Tinto had previously drilled 23 holes that are included in this resource estimation.

The core from Rio Tinto's 2004 drilling was sent to and analyzed at ALS Chemex Laboratories in Lima for copper, molybdenum, gold and silver. Core samples were cut with a diamond saw, with one-half of the core placed in sealed bags, and shipped to ALS Chemex Assay Labs in Lima, Peru. The Rio Tinto program includes an extensive quality control program for assaying which includes the systematic use of standards, blanks, and field duplicate samples. Secondary laboratories are also used for check assaying. Drill core was sampled each 2m after logging. Some sample length changes were made when lithological or mineralogical boundaries were important and sample lengths met those boundaries. In general, contacts between high grade and low-grade samples (visually estimated) correspond with the sample boundaries. In some visually determined low copper

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grade intervals, sample length was increased to 3-metres. Half core was sampled after it was symmetrically cut with a core saw.

The drilling program and geological studies during 2005 and 2006 at the Constancia project for Norsemont were supervised by Dr. Thomas A. Henriksen, P. Geo., Norsemont's Qualified Person as defined by NI 43-101, who has reviewed and approved the information contained in this report. A plan map with drill hole locations and the resource outline is available on Norsemont's website at www.norsemont.com.

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.

Appointments

Effective August 4, 2006, Mr. Robert Baxter has joined the Company as President, Director and General Manager of Norsemont Peru S.A.C.. Mr. Baxter will assume responsibility for the general operations of the Company and will oversee the technical and developmental aspects of its projects in Peru. Mr. Baxter has 22 years of experience in the mining industry, principally in Latin America.

Effective October 19, 2006, A. Paul Gill has resigned from the board to pursue other business interests and Mr. Tony M. Ricci was appointed to the board of directors to fill the resulting vacancy. Mr. Ricci is the Chief Financial Officer of the Company. Mr. Ricci is a Chartered Accountant with over 18 years of practice experience, mainly with public companies listed on Canadian and US stock exchanges. His expertise involves auditing and corporate structure advice including the structuring of subsidiaries in Latin America. He has also acted as a director of other TSX Venture Exchange ("Exchange") listed companies. Mr. Ricci provides Norsemont with extensive experience in the areas of Corporate Finance, acquisitions, financial reporting, corporate governance and accounting, and corporate structure advice.

1.3 Selected Annual Information

	2006	2005	2004
	\$	\$	\$
Revenues (interest and other investment income/gains)	169,820	5,753	Nil
Net loss	5,134,160	614,566	247,718
Loss per share, basic and diluted	0.23	0.04	0.02
Total assets	16,602,278	3,094,290	122,131
Total long-term financial liabilities	Nil	Nil	Nil
Cash dividends declared	Nil	Nil	Nil

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During fiscal 2004, the common shares of the Company commenced trading on the NEX while the Company was in the process completing a property acquisition for its reactivation plan and transfer of listing to Tier 2 of the Exchange. NEX is a separate board of the Exchange for companies which were previously listed on the Exchange which have failed to maintain compliance with the ongoing financial listing standards of the Exchange. NEX was created so publicly listed shell companies may still continue to trade their securities while they seek and undertake transactions to complete their reactivation.

During fiscal 2005, the Company completed its reactivation plan through the resource property acquisitions. As a result, effective October 27, 2004, the Company's listing was transferred from NEX to the Exchange under a Tier 2 issuer classification.

During 2006, on September 9, 2005, the Company's name was changed from Consolidated Norsemont Ventures Ltd. to Norsemont Mining Inc. and effective November 9, 2005, the Company's Tier classification changed from Tier 2 to Tier 1 of the Exchange. The Company continues to focus the majority of its exploration efforts in Peru for the purpose of acquiring, exploring and developing high-grade copper, gold and silver projects. *See 1.2 Over-all Performance.*

1.4 Results of Operations

During the period, the Company reported a loss of \$1,369,710 or \$0.05 per share compared to a loss of \$643,059 or \$0.03 per share during the same period in the previous year, representing an increase in loss by \$726,651. The increase in loss was primarily attributable to an increase in stock-based compensation by \$700,222, a general increase in expenditures by \$93,495 offset by an increase in interest and other investment income by \$3,150 and a recorded gain on short-term investments of \$60,556. The increase in general expenses by \$93,495 was mainly due to the Company's corporate operations in Vancouver as well as corporate and exploration operations in Peru. In addition, there was an increase in expenditure levels resulting from the establishment of offices in Lima, Peru and hiring of additional personnel.

Total revenues during the period ended September 30, 2006 were \$75,875 compared to \$12,169 during the same period in the previous year. Revenues during the current period were derived from gain on sale of investments of \$60,556 and interest and investment income of \$15,319. Revenues during the same period in the prior fiscal year were all derived from interest income.

The Company recognizes compensation expense for all stock options granted using the fair value based method of accounting and recognized over the vesting period. Any cash paid on the exercise of stock options is added to the stated value of common shares. The increase in stock-based compensation by \$700,222 was a result of stock-based compensation of \$957,636 recorded during the period as compared to \$257,414 recorded during the same period in the prior fiscal year.

General and administrative expenses excluding stock based compensation increased by \$93,495, from \$394,454 during the period ended September 30, 2005 to \$487,949 during the period ended September 30, 2006. The increase in administrative expenses resulted from increases in amortization by \$5,075, foreign exchange loss by \$14,732, management fees by \$43,500, office rent and administration by \$31,267, professional fees by \$2,252 and wages and benefits by \$118,692 offset by a decrease in advertising, promotion and travel by \$45,445, consulting fees by \$16,767, interest and bank charges by \$1,152 and regulatory, transfer agent and shareholder information by \$58,659.

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The increase in amortization by 5,075 resulted from the purchase of various computers, equipment and furniture and leasehold improvements during the fourth quarter of the prior fiscal year, for both the corporate offices in Vancouver and Peru.

The Company's reporting currency is the Canadian dollar while it conducts a major part of its business in US dollars and Peruvian New Sol. As a result, the Company incurred foreign exchange loss of \$14,732 during the period. No foreign exchange loss was in the same period in the prior fiscal year as general and administrative operations in Peru commenced in the latter part of the prior fiscal year.

Management fees increased by \$43,500 due to an increase in monthly fees paid to the Company's CEO and director by \$4,500 pursuant to a management services agreement dated July 1, 2006 and monthly fees of \$10,000 paid to the Company's CEO commencing July 1, 2006.

The increase in office, rent and administration by \$31,267 was a result of the Company's signing of a lease agreement for its office premises in Vancouver for \$8,112 per month and another lease agreement for its office premises in Lima, Peru for US\$1,200 per month. The Company also incurred other expenses such as liability insurance, equipment and computer maintenance, telephone and internet, printing and supplies.

Professional fees increased by \$2,252 as a result of accounting and legal fees paid by Norsemont Peru in the aggregate amount of \$25,000 offset by a decrease in legal and accounting expenses in the corporate offices in Vancouver by \$23,000 as certain accounting and administration duties, including regulatory and corporate filings and continuous disclosure obligations with regulatory authorities, were handled in-house.

Wages and benefits and directors' fees increased by \$118,692, which comprised of \$71,704 paid in Peru and \$57,200 paid in Vancouver. The increase in wages and benefits and directors' fees paid in Peru was a result of an employment agreement entered into by the Company with the President and director of the Company. The President is in charge of the over-all management of the Company's exploration projects in Peru. In addition, there was an increase in finance and administrative staff in Peru in support of its increasing corporate and exploration operations. No such fees or expenses were incurred in the same period in the prior fiscal year as Norsemont Peru wasn't established yet then. The increase in wages and benefits and directors' fees in the Vancouver office was a result of an increase in middle and senior management staffing to provide more strength and support across the Company's executive teams. The Company paid \$10,213 for wages in the Vancouver office for the same period in the prior fiscal year.

Advertising, promotion and travel decreased by \$45,445 as there were no mining conferences or road shows scheduled during the period. However, the Company has signed up to participate to several North American and European mining conferences in the next quarter.

The decrease in consulting fees by \$16,767 was a result of various due diligence carried out by the Company during the same period in the prior fiscal year in relation to potential property acquisitions and various corporate opportunities.

During the period, the Company has not entered into agreements to acquire interests in resource properties and related private placement financings. Hence, the decrease in regulatory, transfer agent and shareholder information by \$58,659. During the same period in the prior fiscal year, the Company paid \$79,472 for Exchange fees in connection with resource property acquisition agreements and private placement financings. In addition,

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shareholder information costs decreased as a result of fees paid during the same period in the prior fiscal year to various media publishers for increased investor awareness and wide distribution of the Company's press releases.

1.5 Summary of Quarterly Results

The following is a summary of certain consolidated financial information concerning the Company for each of the last eight reported quarters:

Quarter ended	Mineral Properties & Deferred Exploration \$	Revenues \$	Net Loss \$	Loss per share \$
September 30, 2006	1,433,365	75,875	1,369,710	0.05
June 30, 2006	2,584,073	71,262	2,716,764	0.12
March 31, 2006	420,106	75,853	1,113,858	0.05
December 31, 2005	1,337,153	10,536	660,479	0.03
September 30, 2005	1,153,590	12,169	643,059	0.03
June 30, 2005	316,502	4,570	383,786	0.02
March 31, 2005	141,059	513	89,813	0.01
December 31, 2004	25,012	467	93,317	0.01

During the most recent six fiscal quarters, the Company has focused the majority of its exploration efforts in Peru for the purpose of acquiring, exploring and developing high-grade copper, gold and silver projects. See 1.2 *Overall Performance*.

1.6/1.7 Liquidity and Capital Resources

The Company reported working capital of \$8,525,726 at September 30, 2006 compared to working capital of \$10,307,694 at June 30, 2006, representing a decrease in working capital by \$1,781,968. As at September 30, 2006, the Company had net cash on hand of \$1,514,207 compared to \$681,944 at June 30, 2006. Net cash on hand increased by \$832,263, resulting from inflows of cash of \$88,710 from the exercise of options, \$9,325 from related parties, \$2,718,052 from partial termination of short-term investments less cash utilized for operations of \$518,503, deferred exploration costs of \$1,433,365 and purchase of furniture and equipment and leasehold improvements of \$31,956.

Current assets excluding cash at September 30, 2006 decreased by \$2,531,469, from \$10,200,977 at June 30, 2006 to \$7,669,508 at September 30, 2006. The decrease in current assets is attributable to a partial redemption in short-term investments of \$2,718,052, increase in receivables by \$205,480 which resulted mainly from VAT recoverable in Peru partially offset by a decrease in prepaid expenses by \$18,897.

Current liabilities as at September 30, 2006 increased by \$82,762, from \$575,227 at June 30, 2006 to \$657,989 at September 30, 2006. The increase in current liabilities is mainly attributable to an increase in accounts

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payable and accrued liabilities by \$73,437 as a result of outstanding payables to various exploration vendors and an increase to due to related parties by \$9,325.

The following shows the Company's contractual obligations as at September 30, 2006:

Contractual Obligations	Total \$	1-3 years \$	3-5 years \$	More than 5 years \$
Mineral property interests ⁽¹⁾	4,300,000	2,450,000	1,850,000	Nil
Lease commitments ⁽²⁾	412,958	349,988	62,970	Nil

⁽¹⁾ Option payments on the Constancia property; amounts in US dollars. In addition, the Company is required to incur exploration expenditures in order to exercise its option to purchase an interest in the mineral property. See 1.2 *Over-all Performance – Constancia Property, Peru*.

⁽²⁾ The Company has entered into lease agreements for its corporate office premises in Vancouver, B.C. and Lima, Peru.

The Company may earn up to 70% of the Constancia property by way of project expenditures, cash payments and the issuance of common stock. Mitsui Mining retains a 30% interest in the project. See 1.2 *Over-all Performance – Constancia Property, Peru*. As at September 30, 2006, the Company incurred expenses of \$6,588,578 on the Constancia property, of which an aggregate of \$4,706,456 was incurred during the year ended June 30, 2006, comprising of options payments in cash of \$525,735, in shares of \$745,000 and exploration expenses of \$3,435,721 and \$1,426,562 was incurred during the period ended September 30, 2006, all of which relate to exploration expenses.

The Company also has a 100% interest in 13 mineral properties known as the Amata project. See 1.2 *Over-all Performance – Amata Property, Peru*. As at September 30, 2006, the Company incurred expenses of \$339,708 on the Amata property, of which \$332,905 was spent during fiscal 2006 which comprised of cash acquisition payments of \$99,392 and exploration expenses of \$233,513 and \$6,803 in exploration expenses was incurred during the period ended September 30, 2006.

Net changes in non-cash working capital balances utilized \$113,145 of cash for the period ended September 30, 2006, decreasing cash utilized in operating activities to \$518,503. During the same period in the prior fiscal year, net changes in non-cash working capital balances generated 468,451 of cash, decreasing cash utilized in operating activities to \$87,807.

During the period, the Company made a partial redemption of \$2,718,052 from short-term investments, utilized an aggregate of \$1,433,365 of its cash for deferred exploration costs and utilized \$31,956 of its cash for the purchase of furniture and equipment. During the same period in the prior fiscal year, the Company utilized net cash of \$830,539 for mineral properties and deferred exploration costs and utilized \$3,408 of cash for the purchase of office equipment.

During the period, the Company generated net cash of \$88,710 through the exercise of 84,000 options at a price of \$0.19 per share, 87,500 options at a price of \$0.26 per share and 50,000 options at a price of \$1.00 per share 221,500. During the same period in the prior fiscal year, the Company generated net cash of \$117,478

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from the exercise of 6,500 options at a price of \$0.26 per share and exercises of 307,500 warrants at a price of \$0.30 per share and 67,250 warrants at a price of \$0.35 per share.

Financing for the Company's operations was funded primarily from non-brokered private placements carried out during fiscal 2006 of 3,500,000 units at \$4.00 per unit for gross proceeds of \$14,000,000 and during fiscal 2005 of 600,000 units at \$0.20 per unit for gross proceeds of \$120,000, 880,000 units at \$0.25 per unit for gross proceeds of \$220,000 and 3,985,878 units at \$0.80 per unit for gross proceeds of \$3,188,703.

The other sources of funds potentially available to the Company are through the exercise of outstanding 3,147,125 share purchase warrants at a price of \$1.10 per share which expire May 16, 2007 and 2,100,000 share purchase warrants at a price of \$4.75 per share which expire January 19, 2008 and an aggregate of 2,180,319 stock options with exercise prices ranging from \$0.10 to \$2.00 per share expiring between March 23, 2009 to July 24, 2011. However, there can be no assurance that any of these outstanding convertible securities will be exercised, particularly if the trading price of the common shares on the Exchange does not exceed, by a material amount and for a reasonable period, the exercise price of such convertible securities at some time prior to their expiry dates.

Although the Company presently has sufficient funds to continue to meet its anticipated ongoing operations, the Company will have additional capital requirements in excess of its currently available resources to carry out any programs of work on the mineral properties and will therefore be required to raise additional funds. In addition, if the Company's plans change, its assumptions change or prove inaccurate, or its capital resources in addition to projected cash flow, if any, prove to be insufficient to fund operations, the Company may be required to seek additional financing. Although the Company has previously been successful in raising the funds required for its operations, there can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Company in the future.

The Company has not had a history of operations or earnings and its overall success will be affected by its current or future business activities. The Company is in the process of acquiring and exploring its interests in resource properties and has not yet determined whether these properties contain mineral deposits that are economically recoverable. The recoverability of expenditures incurred to earn an interest in these resource properties are dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, obtaining necessary financing to explore and develop the properties, and upon future profitable production or proceeds from disposition of the resource properties.

1.8 Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

1.9 Transactions with Related Parties

During the period ended September 30, 2006, the Company entered into the following transactions with related parties:

- (1) paid or accrued \$79,500 (2005 - \$36,000) for management fees to companies controlled by directors and officers of the Company.
- (2) Paid \$33,775 (2005 - \$nil) for wages and benefits to a director and officer of the Company.

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- (3) Paid or accrued \$2,394 (2005 - \$13,757) for legal fees to a company controlled by an officer of the Company.
- (4) 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.
- (5) Paid or accrued \$nil (2005 - \$10,000) for accounting fees to a company controlled by an officer of the Company.
- (6) The Company paid \$nil (2005 - \$5,786) for consulting fees to a director of the Company. These costs have been included in mineral properties and deferred exploration costs.
- (7) The Company paid \$nil (2005 - \$24,557) for consulting fees to a former director of the Company. These costs have been included in mineral properties and deferred exploration costs.

1.10 Fourth Quarter and Subsequent Events

The following events occurred subsequent to September 30, 2006:

- (1) The Company received Exchange acceptance on the repricing of employees and consultants options to purchase 125,000 common shares, from \$4.00 per share to \$2.00 per share.
- (2) 785,750 common shares were issued on exercise of options for gross proceeds of \$327,520.
- (3) 5,625 common shares were issued on exercise of warrants for gross proceeds of \$5,625.

1.11 Proposed Transactions

There are no proposed transactions presently underway.

1.12 Critical Accounting Estimates

Not applicable to Venture Issuers.

1.13 Changes in Accounting Policies including Initial Adoption

There were no changes in accounting policies.

1.14 Financial Instruments and Other Instruments

1. 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.

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2. Foreign currency risk

The Company conducts a major part of its business in US dollars and Peruvian New Sol 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.

3. 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 further mitigate this risk.

1.15 Other Requirements

Additional Disclosure Requirements:

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Company's Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure. Management of the Company, with the participation of the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as at September 30, 2006 as required by Canadian securities laws. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer, have concluded that, as of September 30, 2006, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws and that material information is accumulated and communicated to management of the Company, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow for accurate disclosure to be made on a timely basis.

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. The Chief Executive Officer and Chief Financial Officer have also concluded that there has been no change in the Company's internal control over financial reporting during the three months ended September 30, 2006 that has materially affected, or is reasonably likely to affect, the Company's internal control over financial reporting.

Summary of Outstanding Share Data:

The Company's issued and outstanding share capital as at September 30, 2006 is as follows:

1. Authorized

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

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2. 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	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	221,500	144,645
Balance, September 30, 2006	25,326,878	\$ 25,454,085

3. Stock options

The following table summarizes the stock options outstanding and exercisable at September 30, 2006:

Number of Shares	Exercise Price	Expiry Date	Exercisable
300,000	\$0.10	March 23, 2009	300,000
39,600	\$0.19	June 10, 2009	39,600
20,000	\$0.19	June 16, 2009	20,000
365,000	\$0.26	November 22, 2009	365,000
100,000	\$0.50	February 1, 2010	87,500
150,000	\$0.76	March 7, 2010	131,250
95,000	\$0.80	June 19, 2010	71,250
300,000	\$0.80	July 5, 2010	187,500
35,000	\$0.80	July 24, 2010	21,875
573,750	\$1.00	July 28, 2010	358,594
206,400	\$1.06	August 17, 2010	129,000
260,000	\$1.33	August 21, 2010	162,500
140,000	\$2.38	September 9, 2010	87,500
300,000	\$4.00	April 13, 2011	75,000
125,000	\$4.00	April 3, 2011	31,250
110,000	\$2.70	May 8, 2011	27,500
150,000	\$2.00	July 7, 2011	18,750
530,000	\$2.00	July 24, 2011	66,250
3,799,750			2,180,319

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4. Warrants

The following warrants were outstanding at September 30, 2006. Each warrant entitles the holder to purchase one common share of the Company as follows:

Number of Shares	Exercise Price	Expiry Date
3,147,125	\$1.10	May 16, 2007
2,100,000	\$4.75	January 19, 2008

Additional Sources of Information:

Additional disclosures pertaining to the Company's technical report, management information circulars, material change reports, press releases and other information are available on the SEDAR website at www.sedar.com or on the Company's website www.norsemont.com.