

NORSEMONT MINING INC.

MANAGEMENT DISCUSSION AND ANALYSIS
For the three and six months ended December 31, 2007

Dated February 13, 2008

NORSEMONT MINING INC.

Management Discussion & Analysis

For the three and six months ended December 31, 2007 and 2006

This Management's Discussion and Analysis ("MD&A") of Norsemont Mining Inc. ("Norsemont", the "Issuer" or the "Company") has been prepared by management as of February 13, 2008 and should be read in conjunction with the unaudited consolidated interim financial statements and related notes thereto of the Company, as at and for the period ended December 31, 2007 and 2006 and the annual consolidated financial statements, filed in September 2007, for the year ended June 30, 2007. The interim unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles applicable in Canada. References to dollars (\$) in this discussion and analysis and the interim, unaudited Consolidated Financial Statements are to Canadian Dollars, unless otherwise noted.

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 Company 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 Company 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.

Additional disclosures pertaining to the Company's technical reports, 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.

Overview

Norsemont is a Canadian public company engaged in the acquisition, exploration and development of natural resource properties. Effective April 5, 2007, the Company's common shares commenced trading on the Toronto Stock Exchange ("TSX") under the same trading symbol "NOM". Before April 5, 2007, the Company was a "Venture Issuer", as defined in National Instrument 51-102, and traded on the TSX Venture Exchange. Effective August 28, 2007, the Company's common shares were listed and commenced trading on the Bolsa de Valores de Lima (Lima Stock Exchange) under the same symbol "NOM".

The Company has a controlling interest in the Constancia Project, in Peru, held through its wholly-owned subsidiary, Norsemont Peru S.A.C. ("Norsemont Peru") located in Lima.

Constancia Project, Peru

On February 9, 2005, the Company signed an agreement with Rio Tinto Mining and Exploration Ltd. ("Rio Tinto") whereby Norsemont had a right to acquire up to a 70% interest in the Constancia copper-molybdenum porphyry deposit located in Chumbivilcas Province, Peru (Constancia Project). This included 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

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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. On November 29, 2007, the Company, having met all requirements, exercised the initial option.

Under same agreement, upon exercise of the initial option, Rio Tinto had a 60-day right to claw back an undivided 17% interest, if in the reasonable opinion of Rio Tinto global resource estimates for 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 (including cash payments, work expenditures and share issuances) on the project. Subsequent to the quarter end, Rio Tinto notified the Company that it would not be exercising its claw back right. Also subsequent to the quarter end, the Company has exercised the final option of the agreement notifying Rio Tinto that it will acquire the final 19% interest in Constantia for US\$8,000,000.

Upon commencement of commercial production at Constantia, the Company is required to also make a final, one-time payment of US\$500,000 to Rio Tinto.

In addition, upon commercial production, the Company will pay a net smelter return royalty of 0.5% with a cap of US\$10 million to the previous underlying owners.

An independent technical report on the Constancia project dated May 9, 2007 prepared by Snowden Mining Industry Consultants Inc. is available on the Sedar website at www.sedar.com. The report stated an indicated resource of 70 million tonnes grading 0.53% copper, 0.013% molybdenum and 4.0 g/t silver (0.65% Cu-Equivalent) at a cutoff grade of 0.2% copper and an Inferred Resource of 250.2 million tonnes grading 0.51% copper, 0.013% molybdenum and 4.5 g/t silver (0.64% Cu-Equivalent) at a cutoff grade of 0.2% copper.

In May 2007, Norsemont Peru renewed its surface rights lease agreements with two Peruvian communities to gain access to the surface of the Constancia Property for its mining exploration activities for a total cash monthly lease cost of \$US3,200. The two leases have twelve-month terms expiring April 24, 2008 and May 6, 2008 and are renewable at the end of each term for another twelve months. In addition to making cash rental payments to the communities, the Company is obligated to provide educational assistance, medical and veterinary services as well as an irrigation system in each of the communities. Costs associated to this have been included in mineral property exploration expenditures.

Update on the Constancia Project:

In October 2007, the Company announced results from the ongoing Phase III drill program at the Constancia project. Up to the date of reporting, Norsemont had completed approximately 17,000 meters of drilling on the Constancia project thus far during 2007. The majority of the drilling has been infill drilling.

In November 2007, Norsemont Peru entered into a Mining Concessions Transfer Agreement and Assignment of Contractual Positions with Mitsui Mining and Smelting Company Limited Sucursal Del Peru ("Mitsui"). Pursuant to the agreement, Mitsui transferred all of its 30% interest in the Constancia property to Norsemont Peru with no further obligation to Mitsui or the underlying owners of the property, for a total consideration of US\$9,800,000, payable over a twenty-month period with the final payment due on or before June 30, 2009. Combined with the Company's option over Rio Tinto's 70% interest in the Constancia project, the agreement provides Norsemont with control of 100% of the Constancia Project.

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In April 2007, the Company appointed SRK Chile to conduct a scoping study at the pre-feasibility level on the Constanca project. On November 5, 2007, the Company announced the findings of the SRK scoping study. The scoping study considers an open pit mining operation using a standard milling and froth flotation plant to produce high grade copper and molybdenite concentrates. For economic evaluation purposes, the scoping study focused on three operating scenarios: a 30,000 tonne per day (t/d) stand-alone case (SA), a 30,000 t/d expandable to 55,000 t/d case (EX), and a 55,000 t/d stand-alone case (SA). Based on the current resource, the corresponding life of mine (LOM) for the 30,000 t/d and 55,000 t/d stand alone cases are 20 and 12 years, respectively.

Estimated production for the 55,000 t/d SA case is approximately 112,218 tonnes per year of copper recovered over the first five years, with a LOM annual average production of 90,411 tonnes. For the 30,000 t/d SA case estimated production is 72,814 tonnes per year of copper recovered during the first five years, with a LOM annual average of 53,598 tonnes. Based on a discount rate of 8 percent and a payback period which incorporates a two year start up, the Constanca project's ungeared Internal Rate of Return (IRR) and corresponding Net Present Value (NPV) for the three operating scenarios are as follows:

Description	30,000 t/d SA		30,000 t/d EX		55,000 t/d	
	Without Contingency	With 25% Cont.	Without Cont.	With 25% Cont.	Without Cont.	With 25% Cont.
NPV @ 8%	\$473M	\$404M	\$467M	\$396M	\$618M	\$530M
IRR	26.7%	21.4%	26.1%	20.9%	31.8%	25.3%
Payback	4 years	5 years	4 years	5 years	3 years	4 years

Note: The cash flow values presented account for post tax and royalty payments.

The cash flow analysis used long-term price assumptions of \$1.80 per lb Cu, \$12 per lb Mo, and \$11 per oz Ag. To provide an appreciation of the influence of metal prices to the project cash flow, a sensitivity analysis has been conducted modifying the copper price. The results of the sensitivity analysis based on copper prices at \$1.60 per lb, \$1.80 per lb and \$2.00 per lb are as follows:

Description	30,000 t/d SA			30,000 t/d EX			55,000 t/d		
	\$1.60	\$1.80	\$2.00	\$1.60	\$1.80	\$2.00	\$1.60	\$1.80	\$2.00
NPV @ 8%	\$255M	\$404M	\$552M	\$247M	\$396M	\$544M	\$345M	\$530M	\$715M
IRR	17%	21.4%	25.5%	16.5%	20.9%	24.9%	19.9%	25.3%	30.3%
Payback	6 years	5 years	4 years	6 years	5 years	4 years	5 years	4 years	3 years

Note: 1. Cash flow values are presented accounting for a 25% overall contingency and discount rate of 8%.

2. The cash flow values presented account for post tax and royalty payments.

Cash operating costs net of credits are estimated at \$0.74 per lb over the 20-year project life for the 30,000 t/d SA case and \$0.67 per lb over the 12-year project life for the 55,000 t/d SA case. Capital expenditure estimates (inclusive of a 25 percent

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contingency) for the three operating scenarios are US\$605.6M, US\$617.3M and US\$739.7M for the 30,000 t/d SA, 30,000 t/d EX to 55,000 t/d and 55,000 t/d SA, respectively.

Based on the positive results of the scoping study, in November, Norsemont announced that it will advance the Constancia project to feasibility. In this regard, the Company has selected GRD Minproc and Knight Piesold to conduct a definitive feasibility study expected to be completed in mid 2009.

Results of Operations

During the current quarter, the Company reported a loss and comprehensive loss of \$9,897,000 or \$0.26 per share compared to a loss of \$3,781,000 or \$0.15 per share during the same period in the previous year, representing an increased loss of \$6,116,000. The increase in loss was attributable to three-fold increase in exploration expenses and mineral property acquisition costs in the current quarter over the comparable quarter in 2006. During the six months ended December 31, 2007, the Company reported a loss and comprehensive loss of \$14,423,000 or \$0.40 per share compared to a loss of \$6,567,000 or \$0.26 per share during the same period in the previous year, attributable, in the main, to the same increased exploration expenses and acquisition costs at Constancia and a fair value impairment charge to short term investments and increased overhead.

Exploration expenses in the current quarter of \$8,235,000 versus \$2,746,000 charged in the comparable quarter of 2006 reflect the costs incurred to advance Constancia project through finalizing the SRK scoping study, extensive drilling, option payments and mineral and surface rights acquisitions. Approximately \$4,200,000 of the \$8,235,000 represents payments made to earn into the Constancia project costs of mineral rights and surface rights in the current quarter. Exploration expenses in the six month period ended December 31, 2007 of \$10,908,000 versus \$4,271,000 charged in the comparable period of 2006 again reflect the costs incurred to advance Constancia project through the scoping study, drilling, option payments and mineral and surface rights acquisitions. Costs are expected to increase in the coming quarters as the definitive feasibility study and step-out drilling commence.

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

	Constancia	Peru Amata	B.C., Canada Nome Claims	Total
Balance, June 30, 2006	\$ 5,206,236	\$ 233,513	\$ 83,012	\$ 5,616,908
Option related payments	1,179,559	-	-	1,179,559
Exploration and related costs	7,446,689	91,762	-	7,538,451
Balance, June 30, 2007	13,832,484	325,275	83,012	14,334,918
Option related payments	4,938,025	-	-	4,938,025
Exploration and related costs	5,970,292	-	-	5,970,292
Balance, December 31, 2007	\$ 24,740,801	\$ 325,275	\$ 83,012	\$ 25,243,235

As noted above, in the current quarter, Norsemont Peru entered into a Mining Concessions Transfer Agreement and Assignment of Contractual Positions with Mitsui Mining and Smelting Company in which Mitsui transferred all of its 30% interest in the Constancia property to Norsemont Peru with no further obligation to Mitsui or the underlying owners of the property, for a total consideration of US\$9,800,000. The Canadian dollar equivalent of \$9,261,000 has been reported in

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mineral properties on the balance sheet as at December 31, 2007. The remaining short and long term liability associated with this purchase has also been reported on the balance sheet as at December 31, 2007.

In both the current quarter and six months ended December 31, 2007 professional fees increased over their comparable quarters by increased legal, accounting and tax work related to regulatory filings paid by the Company in Canada and Peru. These fees are not expected to increase in the near term.

The majority of the increase in reported wages and benefits and directors' fees in the current quarter compared to the prior year relates to the addition of executive remuneration that was previously recorded as management fees, bonus payment to key members of management in Peru and to retrenched personnel in Vancouver. The bonus and retrenchment payments were paid or accrued in December 2007. The six month variance in expenses year-over-year also reflect these same payments and the shift from management fees to wages.

Management fees in the current quarter and six month period have reduced to nil as all management remuneration is reflected in wages and benefits. Expenses in the comparable periods of 2006 reflect payments made to management companies providing management services to the Company on a monthly basis. These fees are not expected to be charged in the near term.

Consulting fees have dropped significantly from the previous three and six month reporting periods as much of the project work is now carried out in-house with entrenched personnel.

The increase in office, rent and related administration of \$49,000 resulted from increased office infrastructure in Canada and Peru. The Company maintained a corporate office in Vancouver, Canada and in Lima, Peru. The Company has relocated its head office to Toronto and has incurred nominal moving and service relocation costs. The three and six month variance, year-over-year, also reflects the added administration costs commensurate with heightened exploration activity in Peru.

The Company holds \$7 million invested in short-term investments issued by trusts sponsored and managed by non-bank entities. The underlying security represents secured debt obligations, commonly known as "Asset Backed Commercial Paper" ("ABCP"). In mid August 2007, a number of sponsors of non-bank managed ABCP, including those with which the Company had invested, announced that they could not place ABCP due to unfavourable conditions in the Canadian capital markets. As a result, the ABCP market is currently the subject of an agreement ("the Montreal Accord") signed August 16, 2007 among a number of affected parties and is being overseen by the Pan-Canadian Investors Committee ("Investors Committee"). The Investors Committee updated the marketplace in December 2007 stating that it contemplates the transformation of the investments from cash and equivalents into longer term investments which would closely match the original maturity dates of the underlying assets in the trusts, and the creation of a market for the securities to freely trade. It was also reconfirmed by the Investors Committee that the main issue remains one of liquidity and not a deterioration of the underlying assets.

Management has estimated that the restructured securities will trade freely within nine months. Once the securities commence trading in the market, and management is confident that the value of the underlying assets has been recognized, it is management's intention to dispose of the securities immediately and redeploy the cash to advance the Constancia Project. Although the Investors Committee appears to be making progress on the restructuring, a definitive proposal has not been outlined and there is no certainty that the restructuring will result in a positive outcome. Based on a fair value estimation of the recoverability of the investments, in September 2007, the Company recorded an impairment charge in the amount of \$500,000.

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Management has re-evaluated the situation and determined, in light of the preliminary findings announced by the Investors Committee in December 2007, the fair value of its holdings of ABCP is \$6,500,000 and no additional fair value impairment has been recognized in the current quarter.

Increased charges for amortisation of \$73,000 (2006 - \$21,000) for the three months ended December 31, 2007 and the six months then ended relates to the accelerated depreciation on corporate assets held in Vancouver that were charged to the statement of operations as the head office of the Company was relocated to Toronto. The increased charge also relates to the build up and associated depreciation of assets within the corporate offices, both in Canada and Peru.

Other administration, including regulatory filing fees, have remained relatively stable year-over-year and are expected to remain so. Advertising, promotional and travel fees have diminished and are not expected to reverse in the near term.

The Company recognised an unrealized foreign exchange loss of \$177,000 on the translation of its Peruvian operations and other foreign currency account balances. The Peruvian New Sol strengthened slightly over the Canadian dollar between September and December 2007. In the comparable quarter in 2006, the company recognized a \$55,000 translation gain on the translation of its Peruvian and other foreign denominated balances. Depending on the net asset position of the Company's operating subsidiary, Norsemont Peru, and the value of the U.S. dollars and Peruvian New Sol versus the Canadian dollar, the Company will continue to recognize fluctuating foreign exchange gains and losses.

The fair value of the stock options granted and vesting in the current quarter was \$570,000, up from \$477,000 in the comparable quarter in 2006 resulting from the fair value of 125,000 options granted in the quarter but more significantly, the fair value recalculation of options vested during the current period to non-employee service providers.

During the current quarter, the Company adopted a Restricted Stock Unit (RSU) Plan ("the Plan"), approved by the Board of Directors in September 2007 and by shareholders in November 2007. The RSUs may be granted to employees, officers, directors or other persons, other than the Chairman and the CEO, as determined to be in the best interests of the Company by the Board of Directors. The RSU plan has a term of 10 years, subject to amendment of the term by the Board of Directors. In the current quarter 60,000 RSUs were issued to employees in Peru. The fair value of the grants has been charged to the statement of operations through either exploration expense or wages and benefits depending on the individual's assignment.

The purpose of the RSU plan is to attract and to encourage the continued employment and service of, and maximum efforts by, officers, key employees and directors of the Corporation by offering those persons an opportunity to acquire or increase a direct proprietary interest in the operations and future success of the Corporation. In the judgment of the Board of Directors, an initial or increased grant under the Plan will be a valuable incentive and will ultimately benefit the shareholders of the Corporation by aligning more closely the interests of participants in the Plan with those of the shareholders. Under the terms of the plan, RSUs are granted to service providers at no cost in consideration for past service or as a performance reward. Upon vesting of the RSUs and upon all the conditions of the grant of RSUs being satisfied, the Corporation shall issue Norsemont common shares to the Service Provider. A Service Provider is not required to pay any fee to receive Norsemont common shares upon vesting.

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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 Property Exploration Expenditures \$	Interest and Other Income \$	Net Loss and Comprehensive loss \$	Loss per share \$
December 31, 2007	8,235,249	76,076	9,896,775	0.26
September 30, 2007	2,784,723	34,300	4,525,754	0.13
June 30, 2007	2,545,601	34,540	7,012,555	0.24
March 31, 2007	1,839,317	77,335	3,057,459	0.12
December 31, 2006	2,807,721	97,995	3,781,452	0.15
September 30, 2006	1,525,371	75,875	2,785,094	0.11
June 30, 2006	1,986,109	71,262	2,414,072	0.09
March 31, 2006	419,625	75,853	1,541,596	0.06
December 31, 2005	1,420,165	10,536	3,840,876	0.19

During the most recent fiscal quarters, the Company has focused its exploration efforts in Peru for the purpose of acquiring, exploring and developing the Constancia project.

Liquidity and Capital Resources

During the current quarter, the Company completed a private placement financing of 6,210,000 special warrants at a price of \$2.90 per special warrant for gross proceeds of \$18,009,000. At the time that the Company obtains clearance on a final prospectus to be filed with the British Columbia Securities Commission, the special warrants will be exchanged, at no additional cost, for one common share of the Company and one-half common share purchase warrant exercisable until November 14, 2009 at a price of \$3.50 per whole warrant. The clearance on the final prospectus is expected in February 2008.

In the quarter ended September 30, 2007, the Company concluded two non-brokered private placement financings for gross proceeds of \$12,720,000. As discussed above, the Company invested \$7 million in short-term ABCP based on professional advice from Canaccord Capital Inc. The Company awaits the restructuring proposal from the Investors Committee. In the meantime, management will investigate opportunities to trade the securities in any new markets being created by brokers, banks or other institutions. There is no certainty of a positive outcome from the Montreal Accord, nor in the creation of liquid alternative markets and therefore, based on a fair value estimation of the recoverability of the investments, the Company recorded an impairment charge in the amount of \$500,000.

The proceeds of \$12,720,000 were from non-brokered private placements of an aggregate of 7,950,000 units. The units were placed at a price of \$1.60 each. Each unit consists of one common share and one-half of one common-share purchase warrant.

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Each whole common-share purchase warrant entitles the holder, on exercise, to acquire one additional common share of the company at an exercise price of \$1.95 within 24 months from the date of issuance of the warrants.

The Company's reported working capital of \$14,185,000 at December 31, 2007 compared to working capital of \$2,227,000 at June 30, 2007, represents an improvement of \$11,958,000 due to the placement of special warrants in the current quarter and the two private placements completed in the first fiscal quarter. As at December 31, 2007, the company held \$13,172,000 in cash and cash equivalents and \$6,500,000 in short-term ABCP securities whereas at June 30, 2007, the Company had net cash on hand of \$1,538,000 and \$1,350,000 of non ABCP securities. In the six months since June 30, 2007, \$10,917,000 was utilised in advancing the Constancia project in Peru.

Current assets excluding cash, as compared to the June 30, year-end position, increased by \$5,760,000, in the main, due to the investment in short-term securities of a portion of the financings proceeds.

Current liabilities as compared to the June 30 year-end have increase due to the accrual set up for payments due to Mitsui within the 2008 calendar year. Payments made or payable to Mitsui are as follows:

- Initial payment of \$US100,000, made in the current quarter, on signature of the public deed of the agreements;
- First payment of \$US700,000 on or before January 31, 2008 which was made subsequent to December 31, 2007;
- Second payment on or before June 30, 2008: \$US2,000,000
- Third payment on or before December 31, 2008: \$US3,000,000
- Final payment on or before June 30, 2009: \$US4,000,000

Subsequent to the quarter end, the Company exercised a final option with Rio Tinto to purchase the remaining 19% of Constancia for US\$8 million. The payment is due in March 2008, however, the Company is negotiating an alternative payment schedule. There is no certainty that a more favourable repayment schedule will be established.

The abovementioned commitments will be financed by cash and short-term investments on hand and potentially by the exercise of warrants currently outstanding or future issuances of shares.

Net changes in non-cash working capital balances utilised \$287,000 in the three month period ended December 31, 2007, excluding the accrual set up recognizing the current liability to Mitsui and overall cash used in operating activities was \$8,186,000. In the comparable period in 2006, non-cash working capital utilized a nominal \$53,000.

During the period, the Company generated net cash of \$16,884,000, almost exclusively through the net proceeds of the private placement of special warrants in November 2007. In the comparable quarter of 2006, the Company did not complete any financings but collected \$333,000 through the exercise of options.

In summary, financing for the Company's operations both in the three and six month periods ending December 31, 2007 was funded primarily from cash on hand at June 30, 2007 and private placements completed in the first and second fiscal quarters.

Other sources of funds potentially available to the Company as of February 13, 2008 are through the exercise of 3,975,000 share purchase warrants at a price of \$1.95 per share expiring in 2009, and through the exercise of an aggregate of 5,553,000 exercisable stock options with exercise prices ranging from \$0.19 to \$4.00 per share expiring between 2009 and 2012. There

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can be no assurance, however, that any or all 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.

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 the Constancia Project 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.

Transactions with Related Parties

During the six months ended December 31, 2007, the Company entered into the following transactions with related parties:

- \$94,000 of director fee was paid to eight directors of the Company.
- \$150,000 was paid to CEO of the Company for management fee.
- \$173,840 was paid for legal fees and expenses to a company controlled by an officer of the Company.
- The Company recovered \$39,000 (2006 - \$nil) for rent and office expenses from companies having directors and officers in common.

Current Quarter Events

The following events occurred during the second fiscal quarter:

- (1) The Company granted incentive stock options to purchase up to 125,000 common shares at an exercise price of \$1.77 per share, to an officer and an employee of the Company.
- (2) In October 2007, the Company announced results from the ongoing Phase III drill program at the Constancia project. Up to the date of reporting, Norsemont had completed approximately 17,000 meters of drilling on the Constancia project thus far during 2007. The majority of the drilling has been infill drilling.

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- (3) In November 2007, Norsemont Peru entered into a Mining Concessions Transfer Agreement and Assignment of Contractual Positions with Mitsui Mining and Smelting Company Limited Sucursal Del Peru (“Mitsui”). Pursuant to the agreement, Mitsui transferred all of its 30% interest in the Constancia property to Norsemont Peru with no further obligation to Mitsui or the underlying owners of the property, for a total consideration of US\$9,800,000, payable over a twenty-month period with the final payment due on or before June 30, 2009. Combined with the Company’s option over Rio Tinto’s 70% interest in the Constancia project, the agreement provides Norsemont with the control of 100% of the Constancia project

Critical Accounting Estimates

The presentation of financial statements 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, impairment of investments, amortization periods of furniture, equipment and leasehold improvements, valuation of stock-based compensation, and the estimation of future income tax assets and valuation allowance. Actual results could differ from those estimates.

The accounting policies described below are considered by management to be essential to the understanding and reasoning used in the preparation of the Company’s financial statements and the uncertainties that could have a bearing on its financial results.

Short-term investments:

As at December 31, 2007, the Company had \$7 million invested in short-term investments issued by trusts, sponsored and managed by non-bank entities. The underlying security represents secured debt obligations, commonly known as “Asset Backed Commercial Paper” (“ABCP”). They typically have terms of less than 365 days and repayment of a maturing ABCP is dependent on the cash generated by the trusts’ underlying assets and the ability of the trusts to issue new ABCP. In mid August 2007, a number of sponsors of non-bank managed ABCP, including those with which the Company had invested, announced that they could not place ABCP due to unfavourable conditions in the Canadian capital markets.

As a result, the ABCP market is currently the subject of an agreement (“the Montreal Accord”) signed August 16, 2007 among a number of affected parties and is being overseen by the Pan-Canadian Investors Committee (“Investors Committee”). The Investors Committee updated the marketplace in December 2007 stating that it contemplates the transformation of the investments from cash and equivalents into longer term investments which would closely match the original maturity dates of the underlying assets in the trusts, and the creation of a market for the securities to freely trade. It was also reconfirmed by the Investors Committee that the main issue appears to remain one of liquidity and not a deterioration of the underlying assets. Management has estimated that the restructured securities will trade freely within nine months. Once the securities commence trading in the market, and management is confident that the value of the underlying assets has been recognized, it is management’s intention to dispose of the securities at the earliest possible opportunity. As a result, the Company continues to reflect these investments as current assets.

Although the Investors Committee appears to be making progress on the restructuring, a definitive proposal has not been outlined and there is no certainty that the restructuring will result in a positive outcome. Management has estimated the fair value of the ABCP held as prescribed by Section 3855 by using a probability weighting cash flow approach, as a valuation

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technique, based on its best estimate of the range of possible outcomes and the expected timing of those outcomes which are then discounted to December 31, 2007. Based on its analysis, management determined, in light of the preliminary findings announced by the Investors Committee in December 2007, the fair value of its holdings of ABCP is \$6,500,000. For the six months ended December 31, 2007 a charge to the statement of operations of \$500,000 was recorded to reflect the fair value impairment.

Although the stated intention of the Investors Committee is to return investors all of their investments, management assigned a 0% probability of recovering 100% of the investment due to evidence suggesting that costs to restructure the trusts, approximating 2%, will be incurred and recovered from the investments. Management then assigned other probabilities to the possible returns and applied a discount rate representing a risk free rate applicable to a 6 month investment plus a premium to represent inherent risk to discount the calculated recovery to December 31, 2007.

This analysis presumes a successful resolution of the Montreal Accord and has been calculated without the benefit of a full understanding of the underlying assets of each of the trusts it holds as this information has not been provided by each trust. These financial statements include financial instruments measured at fair values determined, in full or in part, using a valuation technique based on assumptions that are not supported by observable market prices or rates. While management believes that it has utilized an appropriate methodology to estimate fair value, given the number of uncertainties there can be no assurance that management's estimate of potential recovery is accurate. There can be no assurance that this estimate will be realized or that it will be adequate. It is a reasonable possibility, based on existing knowledge that changes in future conditions in the near term could be material, and material adjustments may be required in future reporting periods

Management will, however, continue to seek all avenues to recovery the full value of the original investments and interest due.

See "Results of Operations", "Liquidity and Capital Resources" and "Current Quarter Events" for a discussion on the Company's ABCP investments.

Asset retirement obligations:

The fair value of a liability for an asset retirement obligation, such as site reclamation costs, is recognised 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. As the Company expenses exploration costs as incurred, asset retirement obligations recognised are also expensed as incurred. 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).

Stock-based compensation:

The Company accounts for all stock-based payments and awards made to employees and non-employees under the fair value based method. Fair value is estimated using the Black-Scholes Option Pricing Model. Option pricing models require the input of highly subjective assumptions including the expected price volatility and the period in which the option will be exercised or the expected life of the options. The estimates concerning volatility are made with reference to historical volatility, which is not necessarily an accurate indicator of future volatility. Changes in the subjective input assumptions can materially affect

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the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

Changes in Accounting Policies including Initial Adoption

Effective July 1, 2007, the Company adopted the provisions of the following new Canadian Institute of Chartered Accountants ("CICA") accounting standards:

(1) Comprehensive Income (Section 1530):

This section describes standards for reporting and disclosing comprehensive income, its components and related changes in equity. Comprehensive income includes net income as well as changes in equity during a period from transactions and events from non-owner sources, such as unrealized gains or losses on available-for-sale financial instruments. Adopting this standard has no impact on the Company's financial statements for the period ended December 31, 2007.

(2) Financial Instruments - Recognition and Measurement (Section 3855):

This section describes the standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. Under the new standard, all financial instruments will be classified as one of the following: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities.

-Held-for-trading financial instruments are measured at fair value. All gains and losses resulting from changes in their fair value are included in net earnings (loss) in the period in which they arise.

-Held-to-maturity investments, loans and receivables, and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost. Amortization of premiums or discounts and transaction costs are amortized into net earnings (loss), using the effective interest method.

-Available-for-sale financial assets are measured at fair value, with unrealized gains and losses recorded in other comprehensive income until the asset is realized, at which time they will be recorded in net earnings (loss). Other than temporary impairments on available-for-sale financial assets are recorded in net earnings (loss).

Upon adoption of these new standards, the Company has designated its investments as available-for-sale assets in accordance with Section 3855. In addition, the Company recorded an other than temporary impairment charge on these investments of approximately \$500,000 in the consolidated statements of operations during the six months ended December 31, 2007.

(3) Financial Instruments - Disclosure and Presentation (Section 3861):

CICA Section 3861 sets out standards which address the presentation of financial instruments and non-financial derivatives, and identifies the related information that should be disclosed. These standards also revise the requirements for entities to provide accounting policy disclosures, including disclosure of the criteria for designating as held-for-trading those financial assets or liabilities that are not required to be classified as held-for-trading; whether categories of normal purchases and sales of financial assets are accounted for at trade date or settlement date; the accounting policy for transaction costs on financial

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assets and financial liabilities classified as other than held-for-trading; and provides several new requirements for disclosure about fair value. Disclosure related to the fair value of the Company's available-for-sale investments is included in note 4 to these financial statements.

The Company's financial instruments include cash and cash equivalents, receivables and accounts payable and accrued liabilities and due to related parties. The fair values of these financial instruments approximate their carrying values because of their short term nature. The Company had no held-to-maturity financial assets for the period ended December 31, 2007. The estimated fair value of the Company's investments approximates their carrying values.

(4) Hedging (Section 3865):

CICA Section 3865 specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. The Company currently does not hold any financial instruments designated for hedge accounting.

Financial Instruments and Other Instruments

(1) 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.

(2) 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.

Future Accounting Policy Changes

The Company will be required to adopt the following new accounting standards under Canadian GAAP for interim and annual financial statements relating to its fiscal year commencing July 1, 2008:

New CICA Accounting Handbook Section 1535, "Capital Disclosures", establishes new standards for disclosing information regarding an entity's capital and how it is managed.

New CICA Accounting Handbook Sections 3862, "Financial Instruments – Disclosures", and 3863, "Financial Instruments – Presentation", replacing Handbook Section 3861, "Financial Instruments – Disclosure and Presentation", revising and enhancing disclosure requirements and presentation requirements.

New CICA Accounting Handbook Section 3031, "Inventories", prescribing the accounting treatment for inventories and providing guidance on the determination of costs and its subsequent recognition as an expense, including any write-down to net realizable value.

The Company will be evaluating the proposed handbook changes and their effect before its fiscal year end.

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Other

Evaluation of Disclosure Controls and Procedures

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 December 31, 2007, as required by Canadian securities laws. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of December 31, 2007, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's annual 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.

Changes in Internal Control over Financial Reporting

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 concluded that there has been no change in the Company's internal control over financial reporting during the period ended December 31, 2007 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Summary of Outstanding Share Data

The Company's issued and outstanding share capital as at the date of this report are as follows:

- (1) Authorised
Unlimited common shares without par value.

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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	1,560,375		2,480,414
Exercise of warrants	3,147,125		3,461,838
Balance, June 30, 2007	29,812,878		31,251,692
Issued for cash pursuant to:			
Private placement	7,950,000		12,720,000
Issue of shares for mineral property	500,000		1,350,000
Share issue costs	-		(220,052)
Transfer from contributed surplus on the exercise of options	-		847,931
Exercise of options	235,000		223,500
Balance, December 31, 2007	38,497,878	\$	46,173,071
Exercise of options	48,000		78,480
Balance, February 13, 2008	38,545,878		46,251,551

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(3) Stock options

The following table summarizes the stock options outstanding and exercisable February 13, 2008:

Number of shares	Exercise price	Expiry date	Exercisable
39,600	\$0.19	June 10, 2009	39,600
100,000	\$0.50	February 1, 2010	100,000
150,000	\$0.76	March 7, 2010	150,000
134,375	\$1.00	July 28, 2010	134,375
161,900	\$1.06	August 17, 2010	161,900
260,000	\$1.33	August 21, 2010	260,000
140,000	\$2.38	September 9, 2010	140,000
300,000	\$4.00	April 13, 2011	300,500
20,000	\$2.00	April 3, 2011	30,000
100,000	\$2.70	May 8, 2011	94,540
150,000	\$2.00	July 7, 2011	137,050
530,000	\$2.00	July 24, 2011	443,887
1,442,000	\$1.60	December 10, 2011	1,265,925
270,000	\$1.60	April 25, 2012	95,678
2,050,000	\$1.62	June 1, 2012	1,841,780
450,000	\$1.57	June 25, 2012	150,000
200,000	\$1.72	July 19, 2012	66,667
300,000	\$1.77	July 26, 2012	100,000
100,000	\$1.53	August 20, 2012	33,333
50,000	\$1.68	September 24, 2012	16,666
125,000	\$1.77	October 1, 2012	41,666
6,982,875			5,553,069

(4) Warrants

The following warrants were outstanding at February 13, 2008. Each warrant entitles the holder to purchase one common share of the Company as follows:

Number of Shares	Exercise Price	Expiry Date
2,475,000	\$1.95	July 20, 2009
1,500,000	\$1.95	September 12, 2009

Special Warrants

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During the current quarter, the Company completed a private placement financing of 6,210,000 special warrants at a price of \$2.90 per special warrant for gross proceeds of \$18,009,000. At the time that the Company obtains clearance on a final prospectus to be filed with the British Columbia Securities Commission, the special warrants will be exchanged, at no additional cost, for one common share of the Company and one-half common share purchase warrant exercisable until November 14, 2009 at a price of \$3.50 per whole warrant. The final prospectus is expected to be filed in February 2007.

Subsequent Events

Subsequent to the quarter end, Rio Tinto notified the Company that it would not be exercising its claw back right on the Constancia Project. Also subsequent to the quarter end, the Company exercised the final option of the agreement notifying Rio Tinto that it will acquire the remaining 19% interest in Constantia for US\$8,000,000. The payment is due in March 2008 however, the Company is negotiating an alternative payment schedule. There is no certainty that a more favourable repayment schedule will be established.

Also subsequent to December 31, 2007, 48,000 common shares were issued for gross proceeds of \$78,000 on exercise of stock options.