

**LAURION  
MINERAL EXPLORATION INC**

**FINANCIAL STATEMENTS FOR  
YEARS ENDED DECEMBER 31, 2016  
AND 2015**



# LAURION MINERAL EXPLORATION INC.

For the Years Ended December 31, 2016 and 2015  
(expressed in Canadian Dollars)

## CONTENTS

	<u>Page</u>
<b>Consolidated Financial Statements</b>	
Auditors' Report	1 - 2
Consolidated Statements of Operations	3
Consolidated Statements of Financial Position	4
Consolidated Statements of Changes in Equity	5
Consolidated Statements of Cash Flows	6
Notes to the Consolidated Financial Statements	7 - 24

# Laurion Mineral Exploration Inc.

Consolidated Statements of Operations  
For the Years Ended December 31, 2016 and 2015  
(expressed in Canadian Dollars)

---

---

	December 31, 2016	December 31, 2015 (see Note 4)
Administrative expenses (Note 5)	\$ (362,072)	\$ (477,386)
Amortization	(1,955)	(2,536)
Gain on settlement of debt (Note 9)	38,726	-
Other income (Note 6)	63	650,064
Exploration expenses (Note 5)	(44,035)	(136,051)
Change in provision (Note 5)	-	709,172
Unrealized loss on investment	(1)	(4,999)
Loss on foreign exchange	(590)	-
<b>Net income (loss) and comprehensive income (loss) for the year</b>	<b>\$ (369,864)</b>	<b>\$ 738,264</b>
Basic income (loss) per share	\$ (0.003)	\$ 0.007
Diluted income (loss) per share	\$ (0.003)	\$ 0.006
Weighted average number of common shares outstanding	105,766,051	105,051,245

---

See accompanying notes

# Laurion Mineral Exploration Inc.

## Consolidated Statements of Financial Position

As at December 31, 2016, 2015 and 2014

(expressed in Canadian Dollars)

	December 31, 2016	December 31, 2015 (see Note 4)	December 31, 2014 (see Note 4)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	\$ 21,483	\$ 105,145	\$ 47,582
Other receivables	11,931	1,499	13,444
Prepaid expenses	2,961	-	915
Investment	-	1	5,000
	<b>36,375</b>	106,645	66,941
<b>Non-current assets</b>			
Property and equipment (Note 7)	2,457	4,412	2,079
	<b>2,457</b>	4,412	2,079
<b>TOTAL ASSETS</b>	<b>\$ 38,832</b>	\$ 111,057	\$ 69,020
<b>EQUITY AND LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables (Note 11)	\$ 596,484	\$ 423,242	\$ 422,899
Provision (Note 15)			709,172
	<b>596,484</b>	423,242	1,132,071
<b>Equity (Deficiency)</b>			
Share capital (Note 9)	13,891,054	13,788,019	13,788,019
Warrants reserve	2,429,274	2,411,947	2,411,947
Share based payments reserve	3,970,155	3,966,120	3,953,518
Deficit	(20,848,135)	(20,478,271)	(21,216,535)
	<b>(557,652)</b>	(312,185)	(1,063,051)
<b>TOTAL EQUITY (DEFICIENCY) AND LIABILITIES</b>	<b>\$ 38,832</b>	\$ 111,057	\$ 69,020

Going concern (Note 1)

Contingencies and Commitments (Note 14)

Subsequent events (Note 16)

Approved by: "Cynthia Le Sueur-Aquin"  
Cynthia Le Sueur- Aquin, CEO

Approved by: "Douglas Bolton"  
Douglas Bolton, CFO

See accompanying notes

# Laurion Mineral Exploration Inc.

## Consolidated Statements of Changes in Equity (Deficiency)

For the Years Ended December 31, 2016 and 2015

(expressed in Canadian Dollars)

	Share capital (Note 9)	Warrants Reserve	Share Based Payments Reserve	Deficit (Note 4)	Total
<b>Balance as at December 31, 2014</b>	\$ 13,788,019	\$ 2,411,947	\$ 3,953,518	\$(21,216,535)	\$ (1,063,051)
Share based payments	-	-	12,602	-	12,602
Net income for the year	-	-	-	738,264	738,264
<b>Balance as at December 31, 2015</b>	13,788,019	2,411,947	3,966,120	(20,478,271)	(312,185)
Share based payments	-	-	4,035	-	4,035
Units issued for cash	12,673	17,327	-	-	30,000
Shares issued for debt	90,362	-	-	-	90,362
Net loss for the year	-	-	-	(369,864)	(369,864)
<b>Balance as at December 31, 2016</b>	\$ 13,891,054	\$ 2,429,274	\$ 3,970,155	\$(20,848,135)	\$ (557,652)

See accompanying notes

# Laurion Mineral Exploration Inc.

## Consolidated Statements of Cash Flows

For the Years Ended December 31, 2016 and 2015

(expressed in Canadian Dollars)

	December 31, 2016	December 31, 2015 (see Note 4)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
<b>Net income (loss)</b>	<b>\$ (369,864)</b>	<b>\$ 738,264</b>
Amortization	1,955	2,536
Gain on settlement of debt	(38,726)	-
Unrealized loss on investment	1	4,999
Change in provision	-	(709,172)
Share-based payments	4,035	12,602
Net changes in non-cash working capital		
Other receivables	(10,432)	11,945
Prepaid expenses	(2,961)	915
Trade and other payables and provision	302,330	343
<b>NET CASH PROVIDED FROM/USED IN OPERATING ACTIVITIES</b>	<b>(113,662)</b>	<b>62,432</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Property and equipment purchase	-	(4,869)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>-</b>	<b>(4,869)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net proceeds on issued units	30,000	-
<b>Net increase (decrease) in cash</b>	<b>(83,662)</b>	<b>57,563</b>
Cash at beginning of year	105,145	47,582
<b>Cash at end of year</b>	<b>\$ 21,483</b>	<b>\$ 105,145</b>

See accompanying notes

# Laurion Mineral Exploration Inc.

Notes to the Consolidated Financial Statements  
For the Years Ended December 31, 2016 and 2015  
(expressed in Canadian Dollars)

## 1. Nature of Operations and Going Concern

### a. Nature of Operations

Laurion Mineral Exploration Inc. (the "Corporation") is focused on the upside of high impact projects with a primary focus on gold and a secondary focus on base metals. The address of the Corporation's registered office is 333 Bay Street, Suite 2400, Toronto, Ontario. The Corporation is a public company listed on the TSX Venture Exchange under the symbol LME and the OTC/PINK under the symbol LMEFF.

The Corporation has key interests in prospective mining properties located in Ontario, Canada. The Corporation holds title and interest in two resource properties, as follows:

- I) The Ishkoday Property ("Ishkoday") is situated in the Onaman-Tashota Greenstone Camp, 220km northeast of Thunder Bay, Ontario. Ishkoday is composed of a 4,442-hectare land package consisting of 20 contiguous mining leases (1,178 hectares) and 17 mining claims totalling 204 units (3,264 hectares) located in Irwin, Walters, Elmhirst and Pifher Townships, 25km northeast of the Town of Beardmore; and
- II) A 2.5% net smelter royalty with respect to precious metals and a 1.5% net smelter royalty with respect to all other metals on the Midlothian Property. The Midlothian Property consists of 11 claims (152 claim units) covering an area of approximately 2,432 hectares, and is located 80km west-southwest of Kirkland Lake and 25km west-southwest of the town of Matachewan.

### b. Going Concern

Going forward, the Corporation is in the process of exploring its core property, the Ishkoday Property. The Corporation has not yet determined whether the property contains economically recoverable resources. The recoverability of the carrying values of mineral exploration properties and deferred exploration costs is dependent upon the discovery of economically recoverable resources, the preservation of the Corporation's interest in the underlying patented leases and mineral claims, the ability of the Corporation to obtain financing necessary to continue the development of the Ishkoday Property, or any of its other properties, or alternatively upon the Corporation's ability to dispose of its interests on an advantageous basis.

These financial statements of the Corporation have been prepared using accounting policies applicable to a going concern, which contemplate the realization of assets and settlement of liabilities in the normal course of business as they fall due for the foreseeable future. For the year ended December 31, 2016, cash used in operation by the Corporation was \$113,662 (2015 - \$587,568) and the Corporation carried an accumulated deficit of \$20,848,135 (2015 - \$20,478,271). Furthermore, the Corporation had not generated revenue from operations.

The Corporation's current liabilities exceeded its current assets by \$560,109 as at December 31, 2016 (2015 - \$316,597). These conditions indicate the existence of material uncertainty that may cast significant doubt about the Corporation's ability to continue as a going concern. In view of these circumstances, the Corporation requires additional immediate financing to settle outstanding debt and to complete its planned exploration and evaluation program on the Ishkoday property, and will continue to explore financing alternatives to raise capital. There can be no assurance that the Corporation will be able to obtain adequate financing in the future or that such financing will be available on acceptable terms or that the Corporation will achieve profitable operation.

These financial statements do not reflect the adjustments to carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the going concern assumption was deemed inappropriate. These adjustments could be material.

# Laurion Mineral Exploration Inc.

Notes to the Consolidated Financial Statements  
For the Years Ended December 31, 2016 and 2015  
(expressed in Canadian Dollars)

## 2. International Financial Reporting Standards (IFRS) Compliance and Adoption

These financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee. These financial statements have been approved by the Board of Directors on April 28, 2017.

## 3. Significant Accounting Policies

### a. Foreign Currency Translation

The functional and presentation currency of Laurion Mineral Exploration Inc. is the Canadian Dollar. Transactions in currencies other than the functional currency are recorded at the rate of exchange prevailing on the date of the transaction. Subsequently, the Corporation translates monetary assets and liabilities that are denominated in foreign currencies at the rate prevailing at each reporting date and non-monetary assets and liabilities at historical exchange rates. Gains and losses on translation are recorded in loss from operations.

### b. Use of Judgments and Estimates

The preparation of financial statements in compliance with IFRS necessitates the Corporation's management to make certain judgments, estimates and assumptions that they consider reasonable. A precise determination of certain assets and liabilities of the Corporation is contingent upon future events and therefore the estimates and approximations have been determined using careful judgment.

The judgments, estimates and assumptions carried out by management relate to the measurement of warrants and share based payments and determination of deferred income taxes.

### c. Financial Instruments

The Corporation classifies its financial assets as financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at acquisition date.

#### Financial Assets at Fair Value Through Profit or Loss

Financial assets at FVTPL are initially recognized at fair value with changes in fair value recorded through the Consolidated Statements of Operations. Cash and investments are included in this category of financial instruments.

#### Financial Instruments Available for Sale

The Corporation does not have any financial instruments available for sale. Changes in the fair value of these investments are recognised as fair value adjustments under other comprehensive income, except for impairment losses and in the case of monetary items such as securities denominated in foreign currency, which are recorded in foreign exchange gains and losses. When these investments are derecognized the cumulative gain or loss previously recognized directly in equity is recognized in profit and loss.

# Laurion Mineral Exploration Inc.

Notes to the Consolidated Financial Statements  
For the Years Ended December 31, 2016 and 2015  
(expressed in Canadian Dollars)

## 3. Significant Accounting Policies (continued)

### c. Financial Instruments (continued)

#### Financial Liabilities

Financial liabilities classified as other financial liabilities consist of trade and other payables and provision. Other financial liabilities are measured at amortized cost using the effective interest method.

#### Transaction Cost

Transaction cost associated with financial assets FVTPL are expensed as incurred while transaction cost associated with all other financial assets are included in the initial carrying amount of the asset.

### d. Property and Equipment

Property and equipment is carried at cost less accumulated depreciation and accumulated impairment losses. Mining equipment is depreciated over its estimated useful life on a declining balance basis at a rate of 30%. Office equipment is depreciated on a declining balance basis at a rate of 45%.

### e. Expenditures on Mineral Properties and Exploration

Direct costs relating to the acquisition, exploration and development of mineral properties, less recoveries, are expensed in the period incurred.

Costs include the cash consideration and the fair market value of any shares issued for the acquisition of mineral properties. Option proceeds received are recorded in the accounts at the time of receipt. Properties acquired under option agreements or by joint ventures, whereby payments are made at the sole discretion of the Corporation, are recorded in the accounts at the time of payment.

### f. Asset Retirement Obligations

The Corporation records the estimated fair value of any asset retirement obligations as a liability in the period in which the related environmental disturbance occurs and the present value of the associated future costs can be reasonably estimated. The fair values of asset retirement obligations are recorded as liabilities on a discounted basis when they are incurred. Amounts recorded for the related assets are increased by the amount of these obligations. Over time, the liabilities will be accreted for the change in their present value and the initial capitalized costs will be depleted and amortized over the useful lives of the related assets. The Corporation has not incurred any asset retirement obligations to date.

### g. Income Taxes

The Corporation uses the asset and liability method of tax allocation for accounting for income taxes. Under this method, deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to be reversed. Deferred income taxes are recorded to recognize tax benefits only to the extent that, based on available evidence, it is probable that they will be realized.

# Laurion Mineral Exploration Inc.

Notes to the Consolidated Financial Statements  
For the Years Ended December 31, 2016 and 2015  
(expressed in Canadian Dollars)

## 3. Significant Accounting Policies (continued)

### h. Income (Loss) Per Share

Basic income (loss) per share is calculated by dividing the income (loss) for the year by the weighted average number of common shares outstanding during the year. The diluted income (loss) per share gives effect to the exercise of any option or warrant for which the exercise price is lower than the average market price during the year. Dilution is calculated based on the net number of common shares issued should these options and warrants be exercised and the proceeds used to purchase common shares at the weighted average market price in the year.

In the current reporting period, the Corporation was in a loss position and therefore its options and warrants were anti-dilutive.

### i. Share Based Payments

The Corporation has a stock option plan that is described in Note 9(e). The granting of stock options represents a benefit given to employees of the Corporation, which include others providing similar services, and non-employees and constitutes additional compensation to be borne by the Corporation.

#### Employees

Share based payments issued to employees and directors are valued at the date of grant using the Black Scholes option pricing model and are included in the Consolidated Statements of Operations over each tranche's vesting period and credited to the share based payments reserve unless it can be directly attributed to exploration and evaluation activities, in which case it is deferred.

#### Non-employees

Share based payments issued to non-employees are valued at the fair value of the goods and services received, unless they cannot be reliably measured, then the Black Scholes option pricing model is used. The expense is included in the Consolidated Statements of Operations over each tranche's vesting period which represents the period over which the services have been received and credited to the share based payments reserve unless it can be directly attributed to exploration and evaluation activities, in which case it is deferred.

#### Acquisitions

Share based payments issued to other entities for acquisition of properties are valued at the bid price on the date of the agreement and included in equity on that day, where the fair value of the goods and services received could not be reliably measured.

### j. Interest

The Corporation classifies interest received and paid as an operating cash flow within the Statements of Cash Flows.

# Laurion Mineral Exploration Inc.

Notes to the Consolidated Financial Statements  
For the Years Ended December 31, 2016 and 2015  
(expressed in Canadian Dollars)

## 3. Significant Accounting Policies (continued)

### k. Flow Through Shares

The Company has financed a portion of its exploration activities through the issuance of flow through shares, which transfer the tax deductibility of exploration expenditures to the investors. Proceeds received on the issuance of such shares have been credited to share capital less the premium paid for the sale of tax deductions.

The issue of flow through shares is in substance an issue of ordinary shares and the sale of tax deductions. The sale of tax deductions is measured using the relative fair value method. At the time the flow through shares are issued, the sale of tax deductions is deferred and is presented as other liabilities in the Consolidated Statements of Financial Position, because the Company has not yet fulfilled its obligation to pass on the tax deductions to the investor. When the Company fulfills its obligation the sale of tax deductions is recognized in the Consolidated Statements of Operations as other income.

The obligation is fulfilled when the eligible expenditures are incurred and there is an intention to renounce the pending expenditures.

### l. Pending Changes in Accounting Policies and Disclosures

The following standards have been issued but are not yet effective:

#### IFRS 9 - Financial Instruments

IFRS 9 replaces the current standard, IAS 39 Financial Instruments: Recognition and Measurement. The new standard replaces the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value. In February 2014 the IASB set January 1, 2018 as the effective date for mandatory application of IFRS 9. The Corporation is currently evaluating the impact of IFRS 9 on its financial statement

## 4. Change in Significant Accounting Policy

Effective January 1, 2016, the Corporation changed its accounting policy from the capitalization of acquisition and exploration costs of mineral properties to the expensing of same.

The Corporation feels that this is a fairer presentation of the Corporation's resource assets in light of the current economic times and will also provide the reader with more relevant information with regards to the Corporation's ongoing exploration and evaluation activities on its mineral property.

The accounting change has been applied retrospectively and, therefore, the comparative figures have been restated to reflect this change. The items affected are: deficit as at January 1, 2015 has been increased from \$17,751,277 to \$21,216,533 to reflect the change prior to fiscal 2015; the net loss for the year ended December 31, 2015 was increased to a net income of \$738,264 to reflect the change prior to fiscal 2015, previously shown as an impairment loss, and the expensing of exploration expenses in 2015. As a result the net loss per share in 2015 of \$0.026 is now showing as a net income per share of \$0.007. The items affected in the Statement of Cash Flows are: the net loss of \$2,726,992 has changed to a net income of \$738,264; the provision for impairment loss has been deleted; the net cash used in operating activities of \$451,517 has changed to a net cash provided by operating activities of \$62,432; capitalized exploration costs has been deleted and the cash flows from investing activities has been reduced by an equal amount.

# Laurion Mineral Exploration Inc.

Notes to the Consolidated Financial Statements  
For the Years Ended December 31, 2016 and 2015  
(expressed in Canadian Dollars)

## 5. Administrative Expenses

Administrative expenses are composed of the following:

<b>For the year ended</b>	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Management fees (Note 11)	\$ 86,198	\$ 49,825
Directors' fees (Note 11)	-	28,800
Office and administrative expenses (Note 11)	37,970	59,856
Professional fees	90,006	178,411
Rent	8,625	4,972
Shareholder information	105,964	102,914
Share based payments	4,035	12,603
Transfer listing and filing fees	16,983	12,705
Travel and automotive	12,291	27,300
	<b>\$ 362,072</b>	<b>\$ 477,386</b>

## 6. Other Income

Other income is composed of the following:

<b>For the year ended</b>	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Interest income	\$ 63	\$ 64
Proceeds on disposition of mineral property (Note 8)	-	650,000
	<b>\$ 63</b>	<b>\$ 650,064</b>

# Laurion Mineral Exploration Inc.

Notes to the Consolidated Financial Statements  
For the Years Ended December 31, 2016 and 2015  
(expressed in Canadian Dollars)

## 7. Property and Equipment

### a. Cost

	Mining Equipment	Office Equipment	Total
December 31, 2014	\$ 21,900	\$ 28,728	\$ 50,628
Additions	-	-	-
December 31, 2015	21,900	28,728	50,628
Additions	-	-	-
<b>December 31, 2016</b>	<b>\$ 21,900</b>	<b>\$ 28,728</b>	<b>\$ 50,628</b>

### b. Accumulated amortization

	Mining Equipment	Office Equipment	Total
December 31, 2014	\$ 21,614	\$ 22,066	\$ 43,680
Additions	86	2,450	2,536
December 31, 2015	21,700	24,516	46,216
Additions	60	1,895	1,955
<b>December 31, 2016</b>	<b>\$ 21,760</b>	<b>\$ 26,411</b>	<b>\$ 48,171</b>

### c. Carrying amount

	Mining Equipment	Office Equipment	Total
December 31, 2015	\$ 200	\$ 4,212	\$ 4,412
<b>December 31, 2016</b>	<b>\$ 140</b>	<b>\$ 2,317</b>	<b>\$ 2,457</b>

# Laurion Mineral Exploration Inc.

Notes to the Consolidated Financial Statements  
For the Years Ended December 31, 2016 and 2015  
(expressed in Canadian Dollars)

## 8. Investment in Mineral Properties and Exploration

### I. The Ishkoday Property

The Ishkoday Property comprises the following acquisitions:

#### 1. The Ishkoday Property

On October 4, 2007, the Corporation entered into an agreement with St. Andrew Goldfields Ltd. for the purchase of a 100% interest in the Ishkoday Property, located 25km northeast of the Town of Beardmore, 220 km northeast of Thunder Bay, Ontario, for a consideration of 500,000 common shares issued at \$0.10 per share.

The Ishkoday Property consists of 15 contiguous mining leases (657 hectares) located in Irwin, Walters, Elmhirst and Pifher Townships.

#### 2. The Ishkoday North Property

On July 7, 2011, the Corporation acquired an undivided 100% interest from two prospectors (collectively, "Bond and Renner"), the Ishkoday North Claims, for a consideration of 800,000 common shares of the Corporation issued at \$0.085 per share.

The Ishkoday North Property is composed of 13 mining claim units aggregating 179 contiguous units covering an area of approximately 2,864 hectares, located in Pifher and Elmhirst Townships. The Ishkoday North Claims are situated to the north and are contiguous with the Ishkoday Property.

#### 3. The Jubilee-Elmhirst Property

On August 30, 2011, the Corporation entered into an option agreement with Jubilee Gold Inc. ("Jubilee") in which the Corporation received an option to acquire up to a 100% interest in 4 mining leases totalling 74 hectares located in Elmhirst Township. The agreement closed on September 9, 2011. The Jubilee-Elmhirst Property is located in Elmhirst Township, contiguous and to the east of the Corporation's Ishkoday Property.

Under the terms of the agreement, the Corporation issued 290,000 common shares, incurred \$500,000 in exploration expenditures and made cash payments totalling \$42,000 (the final \$10,000 has been deferred to December 31, 2017) to acquire a 60% interest in the mining leases by making cash and share payments and incurring exploration expenditures over a 60 month period from the closing date.

The Corporation, in consideration for acting as the operator, is entitled to a management fee equal to 10% of the expenditures it incurs. This management fee will be applied against the required exploration expenditures noted above.

Once the Corporation has earned the 60% interest in the mining leases, the Corporation has an option to acquire an additional 40% interest by making cash payments in the aggregate amount of \$30,000, issuing 160,000 common shares of the Corporation, incurring an additional \$333,333 in exploration expenditures and granting Jubilee a 2% net smelter royalty on production from the leases. The Corporation has the option to purchase 50% of the royalty by paying an additional amount of \$1,000,000.

# Laurion Mineral Exploration Inc.

Notes to the Consolidated Financial Statements  
For the Years Ended December 31, 2016 and 2015  
(expressed in Canadian Dollars)

## 8. Investment in Mineral Properties and Deferred Exploration (continued)

### 4. The Ishkoday East Property

On September 8, 2011, the Corporation entered into an option agreement with Argonaut Gold Inc. ("Argonaut", formerly Prodigy Gold), in which the Corporation received an option to acquire an undivided 100% interest in 3 mineral claims comprising 21 claim units totalling 336 hectares in Walter and Elmhirst Townships. The agreement closed on October 7, 2011. The Ishkoday-East property is located in Elmhirst Township, contiguous to the east of the Corporation's Ishkoday Property.

Under the terms of the agreement, the Corporation issued 500,000 common shares and incurred \$75,000 in exploration expenditures over a 36 month period from the closing date.

The Ishkoday East Property was transferred to Laurion on July 15, 2015.

### 5. The Beauxox Property

On May 7, 2012, Laurion completed a definitive agreement with Beauxox Mines Limited ("Beauxox"), whereby the Corporation received the option to acquire up to a 100% in 1 mining lease, 30 mining claims, covering an area of 447 hectares. The Beauxox property is contiguous to the Corporation's Ishkoday Property north eastern boundary, and is located in the south western quarter of Elmhirst Township.

Pursuant to the terms of the Agreement, Laurion acquired an undivided 100% interest by issuing 4,500,000 common shares and by incurring a total of \$400,000 in exploration expenditures. 90% of the 4,500,000 Common Shares to be issued by Laurion shall be held pursuant to an escrow agreement and released in accordance with a structured schedule over a period of 36 months. The Beauxox property is subject to a 3% net smelter return ("NSR") royalty (the "Royalty") in favour of Beauxox (0.5%), David Malouf (2%) and Regean Gosselin (0.5%). At any time, Laurion may purchase 1.5% of the Royalty for \$1,500,000 or 1% of the Royalty for \$1,000,000. Beginning in the fourth year of the agreement, there shall be an annual advance net smelter return royalty of \$30,000. Laurion shall have the right to waive the advanced royalty payment by committing to execute a minimum of \$300,000 of audited assessment credits on the leases and to renew the leases within two years.

The Beauxox Property was transferred to Laurion on March 1, 2013.

### 6. The Ishkoday South Property

In June 2012, the Corporation staked 1 mineral claim comprising 4 claim units (64 hectares) in Walters Township which is contiguous to the Ishkoday-Hercules Property and to the east of the Ishkoday Property.

# Laurion Mineral Exploration Inc.

Notes to the Consolidated Financial Statements  
For the Years Ended December 31, 2016 and 2015  
(expressed in Canadian Dollars)

## 8. Investment in Mineral Properties and Deferred Exploration (continued)

### II. The Alliance Properties

On July 22, 2014, the Corporation executed a Purchase and Sale Agreement with Kiska Metals Corporation ("Kiska") for the disposition of the Corporation's 51% interest in the Midlothian Project. The Corporation received \$25,000 cash payment plus the return of the 500,000 common shares of the corporation held by Kiska. Pursuant to the agreement, the Corporation will also receive a 2.5% net smelter royalty with respect to precious metals and a 1.5% net smelter royalty with respect to all other metals. Kiska further agrees to incur a minimum of \$2,000,000 of mineral exploration expenditures on or before July 22, 2019 or may elect to make a cash payment equal to the difference between the \$2,000,000 and the actual mineral exploration expenditures incurred. Failure to do so will result in a 100% interest in the property reverting back to the Corporation and Kiska retaining a net smelter royalty of 1%. In addition, the Corporation is to receive \$500,000 upon completion of a mineral resource estimate of at least 500,000 gold equivalent ounces ("GEOs") and an additional \$1,000,000 upon the decision to commence the development and construction of a mine for the project.

In March 2016, Kiska announced that it had entered into an agreement ("Agreement") to sell its non-core Midlothian Project ("Property") to Canadian Gold Miner Corp. ("CGM"), a subsidiary of Transition Metals Corp. Pursuant to this agreement, the Corporation will retain their 2.5% net smelter royalty with respect to precious metals and a 1.5% net smelter royalty with respect to all other metals.

### III. The Bell Mountain Property

On April 24, 2015, the Corporation and Boss Power Corp ("Boss") closed the agreement whereby Boss acquired the Corporation's interest in the Bell Mountain Project. (Note 6)

## 9. Share Capital and Reserves

### a. Authorized

Unlimited	special shares, voting, redeemable, convertible, participating
500,000	class A shares, voting, non-redeemable, convertible, non-participating
Unlimited	common shares

### Issued common shares

	Number of shares	Amount
Balance at December 31, 2015 and 2014	105,051,245	\$ 13,788,019
Issued October 11, 2016	600,000	30,000
Less: Warrant Valuation		(17,327)
Issued October 11, 2016	2,581,757	90,362
<b>Balance at December 31, 2016</b>	<b>108,233,002</b>	<b>\$ 13,891,054</b>

# Laurion Mineral Exploration Inc.

Notes to the Consolidated Financial Statements  
For the Years Ended December 31, 2016 and 2015  
(expressed in Canadian Dollars)

## 9. Share Capital and Reserves (Continued)

### b. Shares Issued

On October 11, 2016, the Corporation completed a private placement of 600,000 units for gross proceeds of \$30,000. Each unit comprises one common share of the Corporation and one common share purchase warrant, each warrant entitling the holder to acquire one common share for \$0.05 until October 11, 2018.

The fair value of the warrants issued is estimated on the date of issue using the Black Scholes option pricing model with the following weighted average assumptions: risk-free interest rate – 0.75%; expected dividend rate – nil%; expected life – 2 years; and expected volatility rate – 204.52%.

Concurrent with the completion of the private placement the Corporation announced that it had completed a shares-for-debt transaction issuing 2,581,757 common shares at \$0.035 per share to settle debt of \$129,088. The settlement price was established as the trading value of the shares at the time of issue; whereas, the minimum price established by the TSX Venture Exchange was \$0.05 per share thereby triggering a gain on the settlement of debt in the amount of \$38,726.

### c. Warrants

Warrant transactions are as follows:

	Number of Warrants	Average Exercise Price
Balance at December 31, 2013	10,225,662	\$ 0.10
Expired - February 28, 2014	(6,892,330)	-
Balance at December 31, 2014	3,333,332	0.10
Expired – August 1, 2015	(3,333,332)	-
Balance at December 31, 2015	-	-
Issued – October 11, 2016	600,000	0.05
<b>Balance at December 31, 2016</b>	<b>600,000</b>	<b>\$ 0.05</b>

### d. Broker Options

At December 31, 2014, there were 233,333 broker options outstanding.

On August 1, 2015, all the broker options expired without being exercised.

At December 31, 2015 and 2016, there were no broker options outstanding.

# Laurion Mineral Exploration Inc.

Notes to the Consolidated Financial Statements  
For the Years Ended December 31, 2016 and 2015  
(expressed in Canadian Dollars)

## 9. Share Capital and Reserves (continued)

### e. Stock Options

On October 4, 2010, the Corporation adopted the 2010 Option Plan.

The 2010 Option Plan has a "rolling plan" to allow the Corporation to issue options to a maximum of 10% of the issued and outstanding common shares of the Corporation. Options will be exercisable over periods of up to ten years as determined by the Board. Options are required to have an exercise price of no less than the closing market price of the Corporation's shares prevailing on the day that the option is granted less a discount of up to 25%. The amount of the discount will vary with the market price in accordance with the policies of the TSXV.

All outstanding options granted under the Original Option Plan will remain outstanding and be governed by the terms of the Original Option Plan. The Original Option Plan allowed the Corporation to issue options to directors, officers and service providers, enabling them to purchase common shares. The Corporation set aside 4,000,000 common shares for the exercise of options granted pursuant to the plan. Each option granted under the plan had a maximum term of five years. The exercise price was determined by the Corporation's Board of Directors at the time the option is granted and was subject to regulatory approval.

On March 11, 2015 options to acquire 100,000 common shares of the Corporation expired without being exercised.

On July 29, 2015, a director was not re-elected to the Board. The Board resolved to extend the options that were previously granted to the director from the normal termination date to February 28, 2017.

On September 30, 2015, 228,000 options granted as a finders' fee on the Bell Mountain project were terminated in accordance with the terms of the agreement.

Stock option transactions are as follows:

	<b>Number of Options</b>	<b>Average Exercise Price (\$)</b>
Balance at December 31, 2014	9,998,000	0.087
Expired	(328,000)	0.10
<b>Balance at December 31, 2015 and 2016</b>	<b>9,670,000</b>	<b>0.086</b>

# Laurion Mineral Exploration Inc.

Notes to the Consolidated Financial Statements  
For the Years Ended December 31, 2016 and 2015  
(expressed in Canadian Dollars)

## 9. Share Capital and Reserves (continued)

Details of options outstanding at December 31, 2016 are:

Grant Date	Expiry Date	Exercise Price \$	Number of Option	Exercisable Options	Weighted Average Remaining Life (Years)
December 31, 2010	December 31, 2020	0.12	1,800,000	1,800,000	4.00
December 31, 2010	February 28, 2017	0.12	300,000	300,000	0.16
December 31, 2011	December 31, 2021	0.10	600,000	600,000	5.00
December 11, 2011	February 28, 2017	0.10	120,000	120,000	0.16
September 20, 2012	September 20, 2017	0.10	250,000	250,000	0.72
December 31, 2012	December 31, 2022	0.10	2,770,000	2,770,000	6.00
December 31, 2012	February 28, 2017	0.10	360,000	360,000	0.16
December 31, 2013	December 31, 2023	0.05	1,490,000	1,490,000	7.00
December 31, 2014	February 28, 2017	0.05	380,000	380,000	0.16
December 31, 2014	December 31, 2024	0.05	1,600,000	1,600,000	8.00
<b>Options outstanding as at December 31, 2016</b>			<b>9,670,000</b>	<b>9,670,000</b>	<b>5.22</b>

### f. Shareholder Rights Plan

On October 4, 2010, the Corporation adopted an amended and restated shareholder rights plan (the "2010 Rights Plan"). The 2010 Rights Plan took effect on November 6, 2010 after the expiration of the shareholder rights plan adopted by the Corporation on July 3, 2007.

The purpose of the 2010 Rights Plan is to provide shareholders and the Board with adequate time to consider and evaluate any unsolicited take-over bid made for the Corporation's common shares, provide the Board with adequate time to identify, develop and negotiate value enhancing alternatives, and encourage the fair treatment of shareholders in connection with any take-over bid made for the Corporation's common shares. The 2010 Rights Plan is intended to prevent any person from acquiring beneficial ownership of more than 20% of the outstanding common shares while the Board's process is ongoing, or from entering into arrangements or relationships that have a similar effect.

The rights will be issued and attached to all issued and outstanding common shares. A separate rights certificate will not be issued until such time as the rights become exercisable. Following an acquisition of the Corporation's shares otherwise prohibited by the 2010 Rights Plan, each right held by a person other than the acquiring person and its affiliates, associates and joint actors would, upon exercise, entitle the holder to purchase common shares from the Corporation with a total market value equal to twice the exercise price of the rights for an amount in cash equal to the exercise price. The 2010 Rights Plan provides for permitted bids, which would be open for a minimum period of 60 days from the date the bid is made.

# Laurion Mineral Exploration Inc.

Notes to the Consolidated Financial Statements  
For the Years Ended December 31, 2016 and 2015  
(expressed in Canadian Dollars)

## 10. Income Taxes

### a. Provision for income taxes

The major factors that cause variations from the Corporation's combined federal and provincial statutory Canadian income tax rates of 26.5% (2015 – 26.5%) were the following:

	December 31, 2016	December 31, 2015 (Note 4)
Net loss	\$ (369,864)	\$ 738,264
Expected tax (recovery) at statutory rates	(98,014)	195,640
Non-deductible expenses	127	294
Stock-based compensation	1,069	3,340
Unrealized loss on investments	-	662
Adjustment to mineral property pools	-	(147,616)
Gain on settlement of debt	(10,262)	-
Difference in tax rates and other	80	11,680
	(107,000)	64,000
Change in unrecognized deferred taxes	107,000	(64,000)
	\$ -	\$ -

### b. Deferred tax balances

The tax effects of temporary differences that give rise to deferred income tax assets and deferred income tax liabilities are as follows:

	2016	2015
Deferred tax assets (liabilities)		
Non-capital and net-capital losses	\$ 975,000	\$ 876,000
Shares issue costs	-	5,000
Resource properties	559,000	546,000
Difference in property and equipment	52,000	52,000
Investments	57,000	57,000
	1,643,000	1,536,000
Deferred income taxes not recognized	(1,643,000)	(1,536,000)
	\$ -	\$ -

# Laurion Mineral Exploration Inc.

Notes to the Consolidated Financial Statements  
For the Years Ended December 31, 2016 and 2015  
(expressed in Canadian Dollars)

## 10. Income Taxes (Continued)

### c. Deferred tax balances

The Corporation has approximately \$2,110,500 (2015 - \$2,099,000) of Canadian resource tax pools which have no expiry date. The Corporation has non-capital losses that will expire, if not utilized, as follows:

2028	\$	196,800
2029		445,300
2031		671,200
2032		482,500
2033		745,700
2034		697,200
2036		372,200
	\$	<u>3,610,900</u>

## 11. Related Party Transactions

### Compensation to Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation as a whole. The Corporation determined that the key management personnel consist of the President, Chief Financial Officer and the Board of Directors.

The Corporation has a contract for consulting services with AquinTerra Inc. ("AquinTerra") – a successor to Quaere Strategia Inc. - a company wholly owned by the President of the Corporation. Consulting services include, but are not limited to, accounting consultation, administrative personnel services, administrative management, corporate development, investor relations and exploration services. Fees for these services are \$850 per day (but not to exceed \$225,000 annually) and are subject to annual review. The Corporation also reimburses all reasonable out of pocket expenses incurred.

For the period from January 1, 2014 to April 30, 2015, the President and Chief Financial Officer each receive a salary of \$2,000 per month. The salary portion paid to the President and Chief Financial Officer is not included in the amount reflected as consulting fees noted above and are included in office and administrative expenses.

Trade and other payables includes \$254,672 (2015 - \$122,888) due to AquinTerra. The balance is non-interest bearing and payable on demand. Charges by AquinTerra during the year include exploration services of \$29,226 (2015 - \$32,627) and other expenses including accounting consultation, office space, staffing and administrative overhead of \$31,994 (2015 - \$36,972). Management fees and compensation of investor relations charges includes \$184,712 (2015 - \$92,280).

# Laurion Mineral Exploration Inc.

Notes to the Consolidated Financial Statements  
For the Years Ended December 31, 2016 and 2015  
(expressed in Canadian Dollars)

## 11. Related Party Transactions (continued)

Trade and other payables includes \$59,075 (2015 - \$6,200) due to a company owned by the Chief Financial Officer. The balance is non-interest bearing and payable on demand. The amount includes accounting consultation, office space, staffing and administrative overhead.

Trade and other payables include \$183,200 (2015 - \$183,200) due to directors for unpaid director fees. The balance is non-interest bearing and payable on demand.

Companies owned by directors/officers of the Corporation were paid \$nil (2015 - \$17,375) for management services provided to the Corporation.

The President is entitled to participate in the Corporations stock option plan (see Note 9(e)).

Remuneration of the Board of Directors and the President and their related companies is shown in the table below:

	Contract Payments	Bonus	Value of options vested during period	Directors Fees	Other	Total
December 31, 2015	\$ 161,879	\$ -	\$ 12,602	\$ 28,800	\$ 17,375	\$ 220,656
December 31, 2016	\$ 301,687	\$ -	\$ 4,035	\$ -	\$ -	\$ 305,722

## 12. Financial Instruments

### a. Fair Value

The carrying value of cash and investments is measured at fair value as they are classified as FVTPL. Trade and other payables are classified as other financial liabilities, which are measured at amortized cost which approximates fair value due to the short term nature of these financial instruments. Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties and is best evidenced by a quoted market price, if one exists.

The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the balance sheet, have been prioritized into three levels as per the fair value hierarchy included in IFRS. Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities. Level two includes inputs that are observable other than quoted prices included in level one. Level three includes inputs that are not based on observable data. Cash and investments are considered to be level 1 under the fair value hierarchy. There has been no movement between levels during the year.

### b. Credit Risk

Credit risk is the risk of loss associated with a counterpart's inability to fulfil its payment obligations. The Corporation's credit risk relates to cash and other receivables. Cash is held with a reputable financial institution and is closely monitored by management. The Corporation's maximum credit exposure is \$33,414 at December 31, 2016 (2015 - \$106,644). Management believes the credit risk with respect to cash is not significant.

# Laurion Mineral Exploration Inc.

Notes to the Consolidated Financial Statements  
For the Years Ended December 31, 2016 and 2015  
(expressed in Canadian Dollars)

## 12. Financial Instruments (continued)

### c. Liquidity Risk

Liquidity risk refers to the risk that the Corporation will not be able to meet its financial obligations when they become due. The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they become due. As at December 31, 2016, the Corporation had a cash balance of \$21,483 (2015 - \$105,145), to settle current liabilities of \$596,484 (2015 - \$423,242). All of the Corporation's financial liabilities have contractual maturities of less than 30 days, except for liabilities owing to related parties.

The Corporation has no income and relies on equity financing to support its exploration program. Additional financing is required to fund the related operating expenses required to manage the Corporation through the fiscal year of 2017. Management prepares budgets and ensures funds are available prior to commencement of any exploration program.

## 13. Capital Disclosures

The Corporation's objective when managing capital is to raise sufficient funds to execute its exploration plan. At December 31, 2016, the Corporation's capital consists of a deficiency in the amount of \$557,650 (2015 - \$312,183).

The properties in which the Corporation currently has an interest are in the exploration stage; as such the Corporation is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Corporation will spend its existing working capital and raise additional amounts as needed.

The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Corporation's management to sustain future development of the business. The Corporation does not have any externally imposed capital requirements. There were no changes in the Corporation's approach to capital management during the year ended December 31, 2016 or 2015.

## 14. Contingencies and Commitments

The nature of the Corporation's business subjects it to regulatory investigations, claims and lawsuits in the ordinary course of business.

There are no known commitments or contingencies as at December 31, 2016.

## 15. Provision

In prior years the Corporation has recognized a judgment for legal fees since April 2001. Management has determined that judgment is statute-barred and, therefore, unenforceable. However, legal counsel, who has never exercised its rights under the judgment in past, have the ability to exercise this judgment should the Corporation have property in the USA.

In 2015, the Corporation removed the provision in the amount of \$709,172.

# Laurion Mineral Exploration Inc.

Notes to the Consolidated Financial Statements  
For the Years Ended December 31, 2016 and 2015  
(expressed in Canadian Dollars)

## 16. Subsequent events

On February 28, 2017, options to acquire 1,160,000 common shares expired without being exercised.