

# **LAURION MINERAL EXPLORATION INC**

**MANAGEMENT DISCUSSION AND  
ANALYSIS FOR YEARS ENDED  
DECEMBER 31, 2016 AND 2015**



## FORWARD LOOKING DISCLAIMER

Certain statements in this document constitute “forward-looking statements”, which statements are made as of the date hereof. The Corporation undertakes no obligation to publicly update any such statements to reflect new information or the occurrence of future events or circumstances. Management believes that any forward-looking statements are based upon reasonable assumptions, but can give no guarantees or assurances that actual results will be consistent with such statements. Forward-looking statements may be identified by such terms as “believes”, “anticipates”, “expects”, “estimates”, “may”, “could”, “would”, “will”, “plan” or similar words.

Readers are cautioned not to place undue reliance on forward-looking statements. Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation:

Forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and other factors include, but are not limited to, the following:

- our ability to finance the continued exploration of our mineral properties;
- the lack of cash flow and the Corporation's dependency on new capital;
- our history of losses and expectation of future losses;
- our ability to obtain adequate financing for our planned development activities;
- commodity price fluctuations;
- uncertainty of production at our mineral exploration properties;
- the lack of Proven Mineral Reserves or Probable Mineral Reserves;
- the risk of title problems related to resource properties;
- the impact governmental regulations, including environmental regulations; and
- the results of legal claims made by or against the Corporation.

These forward-looking statements are based on the beliefs of our management as well as on assumptions made by and information currently available to us at the time such statements were made.

We undertake no obligation to update forward-looking statements should circumstances or estimates or opinions change.

This MD&A reports on our activities up to •, 2017.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The following management discussion and analysis (the "2016 MD&A") should be read in conjunction with the audited annual financial statements of the Corporation for the year ended December 31, 2016 and the notes related thereto, which were prepared in accordance with International Financial Reporting Standards.

The 2016 MD&A should also be read in conjunction with the management discussion and analysis related to:

- the unaudited condensed interim financial statements of the Corporation for the nine months ended September 30, 2016 (the "Q3-2016 MD&A");
- the unaudited condensed interim financial statements of the Corporation for the six months ended June 30, 2016 (the "Q2-2016 MD&A"); and
- the unaudited interim financial statements of the Corporation for the three months ended March 31, 2016 (the "Q1-2016 MD&A").

Information disclosed in the Q1-2016 MD&A, Q2-2016 MD&A, Q3-2016 MD&A and 2015 MD&A not updated herein, remains unchanged as of the date hereof.

## OVERVIEW

The Corporation was incorporated under the Business Corporations Act (Ontario) on April 17, 1945, as Davidson Tisdale Mines Limited.

Since its incorporation, the Corporation has changed its name to Davidson Tisdale Ltd., Northcott Gold Inc., Laurion Gold Inc., and most recently to Laurion Mineral Exploration Inc. which formally occurred on October 10, 2006. The Corporation has been an exploration company engaged in the acquisition and exploration of Canadian gold properties, however, it has diversified its exploration efforts into both gold and base metals.

The Corporation holds:

1. 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 totaling 204 units (3,264 hectares) located in Irwin, Walters, Elmhirst and Pifher Townships, 25km northeast of the Town of Beardmore; and
2. 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.

For additional information about the Ishkoday and Midlothian properties and the disposition of the Bell Mountain, see sections hereof under the headings entitled "2016 Corporate Highlights", "Subsequent Events" and "Summary of Exploration".

## 2016 CORPORATE HIGHLIGHTS

The following are the Corporation's highlights of 2016, which affected the performance and/or the operation of the Corporation:

- Laurion Announces Private Placement, Debt Conversion and Corporate Update (Press Release October 12, 2016) – The Corporation announced that its President/CEO Cynthia Le Sueur-Aquin has closed a private placement of 600,000 common shares (the "Units") for the gross proceeds of \$30,000. Concurrent with the closing of the offering, the Corporation also announced that it has completed its shares for debt transaction for the settlement of an aggregate of C\$129,088 owing for interest free advances made to the Corporation.
- Laurion Announces Voting Results of its Annual and Special Meeting of Shareholders – (Press Release – October 31, 2016) – the Corporation announced the voting results of the Annual and Special Meeting of Shareholders of the Corporation that was held on October 28, 2016 (the "Meeting").

- Laurion Announces Strategic Cooperation Agreement with SCR Mining and Tunnelling on the Ishkoday Project Development – (Press Release – March 2, 2017) – the Corporation and SCR Mining and Tunnelling ("SCR") announced that they have agreed to enter into a preliminary and non-binding strategic cooperative agreement.

#### **SUBSEQUENT EVENTS**

- **Laurion Announces Corporate Update, Board and Technical Advisory Committee Appointments – (Press Release – April 6, 2017)** – the Corporation provided a corporate update and announced that Laurion accepted the Board's invitation to nominate a new Board Member. Mr. Terry Jensen will join the Board of Directors immediately.



## SUMMARY OF EXPLORATION

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.

As the Corporation's business primarily involves mining exploration and development, the Corporation does not have a source of revenue and it remains impossible to determine the likelihood or estimated time frame for this to change.

**Table 1 Properties Status**

|    | Property                       | Ownership | Metals          | Agreement Arrangement                |
|----|--------------------------------|-----------|-----------------|--------------------------------------|
| 1. | Ishkoday Properties (4,442 ha) | 100%      | Au-Ag-Zn-Cu     |                                      |
| 2. | Midlothian Property (2,432 ha) | NSR       | PGE-Ni-Cu-Zn-Au | Transition Metals/<br>Canadian Miner |

## ISHKODAY PROPERTY

### Corporate Status

The Corporation's Ishkoday Property has continued to deliver excellent news with gold and base metal discoveries through comprehensive field and sampling programs, positive drilling results and strategic acquisitions resulting in the delineation of a kilometre wide corridor hosting multiple precious metal rich VMS ("Volcanic Massive Sulphide") horizons with a combined strike length of 9,000 metres.

The Corporation is optimistic that the fieldwork and drilling programs completed to date and the planned exploration drilling work on the Ishkoday property will uncover additional discoveries with growth potential in the area of our VMS target.

The Corporation has therefore determined that its focus will remain on the exploration and development of the Ishkoday Project.

### Mineralization of the Ishkoday Property

Over 200 million ounces of gold has been produced from the Canadian Shield Greenstone Belts. Within these Greenstone Belts, several mining camps occur, each defined by one or more deposits (>10m million ounces).

The Ishkoday project is located in the southern part of the Onaman-Tashota Greenstone Belt ("OTGB") which is separated or defined from the Beardmore-Geraldton Greenstone

Belt ("BGGB") by the east-trending Paint Lake Fault. The collective OTGB and BGGB ranks among the top 10 known gold camps in the Canadian Shield.

Historical gold mines and current gold exploration camps are located throughout the BGGB and there are numerous gold-silver and base metal occurrences present in the OTGB that highlight this prospective but underexplored area. Total production from this region totals 4.4 million ounces of gold which emanated from 19 mines, 9 of which are located in the Geraldton Area, 6 in the Beardmore area and the remainder in the OTGB.

The Ishkoday property can be described as contained within a north-easterly volcanic "wedge" and is situated in an area where the Archean volcanics have been wedged in between the Coyle Lake Stock to the south of the Namewamikan River and the Elmhirst Stock to the north.

Laurion's interest in the OTGB was initially focused on the gold potential surrounding the old Sturgeon River Gold Mine which produced 73,222 ounces of gold and 15,929 ounces of silver from 137,501 tons which was mined from the No. 3 Main quartz vein at an average grade of 17g/t gold. It rapidly became apparent that there was considerable potential for base and precious metal deposits within the same belt of rocks.

The Sturgeon River mine gold production was interrupted by WW2, and never restarted, although it was reported that there was sufficient ore blocked out to mine 300T/day for 4 years. Approximately 60,000 ozs Au remains outlined underground, and a surface stockpile of waste and tailings from the earlier operations contains an estimated 10,327ozs Au.

The Ishkoday quartz vein system is associated with typical strong northeast to north northeast trending structures which may constitute vein emplacement along principal and conjugate Riedel shears respectively, within a regional scale shear system that passes through the Ishkoday property.

The Sturgeon River Mine No. 3 main vein is located at the confluence of a late North-South fault with a dominant northeasterly-trending shear zone. The shear zone has recorded widths of up to 15.24m.

There are two main types of mineralization identified from exploration work on the Ishkoday property:

- a. 120 high grade lode gold style quartz veins, locally speckled by minor amounts of chalcopyrite and pyrite, historically mined; and
- b. Extensive VMS systems of a silicified and brecciated envelope containing chlorite, pyrite, sphalerite, and locally, chalcopyrite associated with felsic and intermediate fragmental volcanics.

Examination of old drill records and surface prospecting by Laurion has established substantial polymetallic (gold and zinc-rich base metals) potential on the property within strong North trending structures, confirmed by drilling programs which followed-up on previous surface and drill-core mineralization.

Laurion is the first company to discover and define this significant gold and base metal camp. Drilling to date has been shallow, rarely exceeding 100m depth. The Corporation and previous operators have completed approximately 287 diamond holes totalling of 40,729m property-wide on the Ishkoday Property.

Preliminary re-assessment of the Ishkoday project in summer 2014, with expert field advice from Drs. Harold Gibson and Stefan Kruse, has suggested that the massive sulphide environment is transitional between VMS proper and low-sulphidation epithermal in nature.

Field and drill core examination has indicated that the mineralization is most likely syn-volcanic (syn-or pre-D1) and sub-sea floor in nature, and that it sits on its alteration within a large magmatic hydrothermal system. The characteristics of the massive, feldspar-porphyrific host rock are most consistent with high-level, sub-volcanic, intrusions.

The altered host rocks to the mineralization are anomalous in their metal content (most notably in Zn, Au, Ag and Mn) over 10s of metres from the mineralized zones, which suggests that these zones are the product of a proximal hydrothermal system and one main mineralizing event. The strong chlorite alteration indicates that seawater played a role in the process, and there is a distinct lack of argillic alteration.

These mineralized zones differ from typical quartz-vein hosted greenstone belt deposits in the high sulphide content and high base metal tenor of the zones and altered wall rock, the pronounced chlorite alteration and the very early timing of the mineralizing event.

Structure is very important both to the mineralization and its concentration. The combination of structural repetition and the observed thickening of sulphide horizons in fold hinges create attractive exploration targets.

Dr. Gibson's interpretation that the Ishkoday property occupies an area proximal to a volcanic and hydrothermal centre confirms the Corporation's confidence in the prospectivity of the Ishkoday.

It is evident from the Corporation's drilling to date that the mineralization can reach high grades, e.g., 3.32g/t Au, 27.5g/t Ag, 0.33% Cu and 5.65% Zn over 3.10m (LME11-013); 5.25g/t Au, 40.1g/t Ag, 0.29% Cu, 8.38% Zn and 1.24% Pb over 4.04m (LBX12-010).

The "Target Deposit" developed by the Corporation in 2011, discussed in the section below, appears to be a realistic objective.



## Potential for a Precious Metal Rich VMS Deposit

### Exploration Work Summary from 2008 to 2015

Following the old prospecting maps, Laurion in 2008 rediscovered a base metal showing just off Highway 801. Sample assays returned 18.55% Zn, 62.11 g/t Ag, 0.90% Cu and 0.21 g/t Au. This zone was named the Tehya Zone - ("Tehya" - Ojibwe/Anishnaabe for "Precious").

The first of a number of comprehensive property prospecting and sampling campaigns was conducted in June 2010. One of the campaigns conducted within the Tehya zone, returned samples averaging 6.13% Zn, 45.6 g/t Ag, 1.40% Cu and 0.63 g/t Au. In addition, approximately 30m southwest of the Tehya zone, a quartz vein (A11 quartz vein), returned samples of 57.2 g/t Au and 21.1 g/t Ag. Laurion followed the prospecting campaign with drilling, and drill hole LME10-07 reported 3.91% Zn, 27.80 g/t Ag, 0.94% Cu and 0.45 g/t Au over 4.08m.

The Tehya zone was then stripped and the overburden exposed, displaying sulphide mineralization over approximately 15m, which was then mapped and channel sampled returning assays of 7.44% Zn, 30.8 g/t Ag, 0.91% Cu and 0.17 g/t Au over 1.50m, and 3.07% Zn, 14.7 g/t Ag, 0.32% Cu and 0.19 g/t Au over 4.05m. In addition, a zone of gold bearing quartz veining located 10m structurally above the Tehya sulphide zones was exposed for approximately 35m, returning assays of 29.50 g/t Au and 13.40 g/t Au over 0.50m.

Three grab samples taken from the (A6 vein – Ahki Zone), located approximately 800m to the north east of the Tehya Zone returned average grab assays of 6.76 g/t Au, 8.5 g/t Ag, 10.2% Zn and 0.70% Cu. Drill hole LME11-013 intersected 3.22 g/t Au, 5.63% Zn, 27.5 g/t Ag and 0.38% Cu over 3.10m, including 10.40 g/t Au, 77.1 g/t Ag, 14.30% Zn and 0.83% Cu over 0.80m. ("Ahki" - Ojibwe/Anishnaabe for "Earth").

This information confirmed continuity of the Tehya Zone and subsequently a number of holes were drilled along this trend. These drill holes were drilled to a relatively shallow depth of approximately 100m.

This information also gave rise to the channeling of the Corporations focus to other parallel mineralized zones on the property, highlighting and confirming the evolving presence of a potentially large base metal environment.

In 2011 and 2012, a number of strategic transactions were completed to the north and northeast of the Ishkoday Property, successfully securing and covering multiple horizons hosting massive to semi-massive sulphides. These transactions brought with them the records of historic drilling campaigns and significant information which further highlighted the significance of the multiple highly prospective base metal horizons.

Following these acquisitions, Laurion compiled all information on approximately 170 historic diamond drill holes completed since the 1950's and the 33 drill holes from 2010 to 2014 completed by Laurion totaling 22,736m. These drill holes are all located in the northeast

part of the Ishkoday property and cover portions of the Tehya and Loki precious metal rich VMS Trends, as well as the most northern trend, the Name Ziibi Trend (River Cu-Au trend). ("Name Ziibi" – Ojibwe/Anishnaabe for "Sturgeon River").

The Corporation developed a Target Deposit in 2011 based on its own and historical drilling information which suggested a combined strike length of 9,000 metres for 3 zones of sulphides. The target deposit assumed a minimum vertical depth of 250 metres on these 3 zones at an average true width of 2.5 metres, and that the trends were 30-50% mineralized. Given those assumptions, the Target Deposit\* size indicated 4.0 to 6.0 million tonnes of 1.5 to 3.0 g/t Gold, 20 to 30 g/t Silver, 2.5 to 3.5% Zinc and 0.25 to 0.50% Copper.

As noted previously, Laurion's drilling conducted in late summer 2012 highlighted a different slant to the Corporation's assumptions in assembling the Target Deposit metrics, in that a number of stacked high grade base metal zones were noted in the drill core, hosted in a lower grade mineralized envelope. This envelope has a known width of up to 113m. This information highlights the fact that the Target Deposit size could likely be greater than what was stated above as a result of much improved sampling of drill core in the Laurion drilling program. Drilling has also only been completed to a 100m depth, allowing the possibility of mineralization at greater depths.

*\*Note: The potential quantity and grade of the Target Deposit quoted above, was conceptual in nature. There has been insufficient exploration to define a mineral resource as yet, and the reader should note that it is still uncertain if further exploration will result in discovery of a mineral resource, irrespective of the Corporation's positive outlook on their exploration and drill programs to date.*

In the second quarter of 2015, Laurion completed property-wide mapping, geochemical sampling analysis and 3D IP geophysics over the north easterly portion of the Tehya, Loki and Name Ziibi Trends. The preliminary 3D IP data indicates strong chargeability anomalies at around 80m to 350m and follows the general trend of the Loki Zone. These anomalies are associated with known mineralization.

Laurion's drilling to date demonstrates that mineralization can reach higher grades, e.g., 5.65% Zn, 3.32g/t Au, 27.5g/t Ag, 0.33% Cu and over 3.10m (LME11- 013); 8.38% Zn, 5.25g/t Au, 40.1g/t Ag, 0.29% Cu, and 1.24% Pb over 4.04m (LBX12-010) and 10.52% Zn, 4.24g/t Au, 30.6g/t Ag and 0.40% Cu over 1.25 m (LBX12-006).

It should be noted that the true thicknesses of the mineralized zones are currently unknown, but based on core angles observed in core they may range from 50-90% of the intercept length. Laurion is currently interpreting the results from the drill program with construction of cross-sections and modelling of mineralized horizons. This will provide better control on zone orientation to be reported at a later stage.

## Exploration Outlook

The Corporation's main objective is to develop what appears to be a large near surface base metal environment, with the goal of developing tonnage and demonstrating continuity through the execution of several phases of diamond drill programs. With the developing understanding of the structural setting of the mineralization, the target of the next phases of drilling will be to confirm that surface mapping, detailed structural and geochemical analyses and appropriate geophysics can effectively define target volumes sufficiently to allow for focused follow-up.

Based on the field visit by Drs. Gibson and Kruse, the Sturgeon River gold mine appears to be developed on a later stage, N-S shear zone of D3 age.

While the gold resource has considerable upside potential and is indicative of a larger gold environment, the Corporation's intent is to continue its focus on developing the base metal environment.

## Brenbar Property

On June 17, 2015, Laurion executed a Letter of Intent ("LOI") with Jubilee Gold Corporation to acquire up to a 100% interest in the following: (i) two mining leases located in the Irwin Township of Thunder Bay, Ontario, covering an area of 255.147 hectares, which comprise the Brenbar property (the "Brenbar Property") of Jubilee Gold Exploration Ltd. ("Jubilee"); and (ii) four mining leases located in the Elmhirst Township of Thunder Bay, Ontario, covering an area of 74.118 hectares ("Jubilee-Elmhirst Property" collectively "the Properties").

The terms for the definitive agreement contemplated under the LOI entitle Laurion to earn-in an undivided 100% interest in the Properties, subject to: (i) the payment of an aggregate of \$165,000 to Jubilee; (ii) the issuance of an aggregate of 760,000 common shares in the capital of Laurion ("Common Shares") at a deemed price of \$0.05 per Common Share; and (iii) the incurrence of an aggregate of \$300,000 in exploration expenditures in respect of the Brenbar Property, within a period of three years from the execution of the Definitive Agreement. The Brenbar Property will be subject to the following net smelter return ("NSR") royalties in favour of Jubilee: (i) an NSR royalty of 2.0% on gold production (the "Gold Royalty"); and (ii) an NSR royalty of 1.5% on base metal production (the "Base Metal Royalty" and collectively with the Gold Royalty, the "Royalties").

An amount of \$10,000 was outstanding on the balance of the Jubilee-Elmhirst Property Agreement completed with Jubilee Gold on August 30, 2011. It was negotiated with Jubilee Gold to roll this amount in the transaction for the acquisition of the Brenbar Property under the terms of the LOI. Laurion has incurred all the required exploration commitments under the Jubilee-Elmhirst Property Agreement.

As a result of limited available funds, Jubilee Gold has agreed to defer the balance of the option payment of \$10,000 for the Jubilee-Elmhirst Property, and the completion of the



Definitive Agreement to December 31, 2017, governing the acquisition of the Brenbar Property.

The twenty-one year leases for the Brenbar have been renewed and exploration work reports completed by Laurion on the Ishkoday were submitted and recorded by MNDM.

## **MIDLOTHIAN PROPERTY**

### **Location of 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.

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.

### **Subsequent Event**

In March 2016, Kiska announced that it had entered into an agreement ("Agreement") to sell the Midlothian 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.



**Table 2 Summary Charts**

The following information is derived from the audited annual financial statements of the Corporation for each of the three most recently completed financial years:

|                                         | <b>Year Ended<br/>December 31, 2016<br/>(\$)</b> | <b>Year Ended<br/>December 31, 2015<br/>(\$)</b> | <b>Year Ended<br/>December 31, 2014<br/>(\$)</b> |
|-----------------------------------------|--------------------------------------------------|--------------------------------------------------|--------------------------------------------------|
| <b>Total Revenue</b>                    | -                                                | -                                                | -                                                |
| <b>Net Income (Loss)</b>                | <b>(369,864)</b>                                 | <b>738,264</b>                                   | <b>(907,483)</b>                                 |
| <b>Net Income (Loss)<br/>Per Share*</b> | <b>(0.003)</b>                                   | <b>0.007</b>                                     | <b>(0.009)</b>                                   |
| <b>Total Assets</b>                     | <b>38,834</b>                                    | <b>111,059</b>                                   | <b>69,020</b>                                    |

\*The Loss per Share is calculated using the weighted average number of Common Shares.

### **Analysis of Expenses**

As the Corporation's business primarily involves mining exploration and development, the Corporation does not have a source of revenue and it remains impossible to determine the likelihood or estimated time frame for this to change.

The 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.

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.

**Table 3 Administrative Expenses**

| For the period ended               | December 31, 2016<br>\$ | December 31, 2015<br>\$ |
|------------------------------------|-------------------------|-------------------------|
| Management fees <sup>1</sup>       | 86,198                  | 49,825                  |
| Directors' fees <sup>1</sup>       | -                       | 28,800                  |
| Office and Administrative Expenses | 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>TOTAL</b>                       | <b>362,072</b>          | <b>477,386</b>          |

\* <sup>1</sup> See Note 12 of the Financial Statements

### Analysis of Administrative Expenses

#### Q4-2016

In Q4-2016, the Corporation incurred a net loss of \$72,728 from operations. This compares to a net income of \$832,691 for the three-month period ended December 31, 2016.

The change is due primarily to the Corporation recognizing the removal of the provision of \$709,172 (Note 15).

### Dissolution of Two Subsidiary Entities

The Corporation dissolved the two limited liability entities, Laurion Mineral Exploration USA LLC (Nevada) and Laurion Resource Corporation (Colorado) on April 13, 2016. Both entities were formed in 2010 to house the Bell Mountain asset in Nevada. On April 24, 2015, Boss Power Corp. ("Boss") acquired Laurion's interest in the Bell Mountain Project.

## MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

The following table of information governing the Mineral Properties and Deferred Exploration for the years ended December 31, 2016 and December 31, 2015, is derived from the audited annual financial statements of the Corporation.

**Table 4 Summary of Exploration Expenditures for the Ishkoday Property for the years ended December 31, 2016 and December 31, 2015**

|                                                                      | Dec 31, 2016<br>\$ | Dec 31, 2015<br>\$ |
|----------------------------------------------------------------------|--------------------|--------------------|
| <b>Exploration Expenses</b>                                          |                    |                    |
| Ishkoday Other                                                       | -                  | 7,920              |
| Line cutting                                                         | -                  | 20,196             |
| Maintenance, Mining Leases Payments and Taxes                        | 11,269             | 6,747              |
| Metallurgy Channel Sampling, Geophysics, Stockpile/Tailings sampling | 1,807              | 73,000             |
| Environmental/Consulting                                             | -                  | 28,383             |
| Surface Diamond/ Overburden Drilling                                 | -                  | (37,649)           |
| Head Office Costs                                                    | 30,959             | 32,627             |
| Other Field Costs (Including travel and lodging)                     | -                  | 4,827              |
| <b>Total Exploration Expenditures</b>                                | <b>44,035</b>      | <b>136,051</b>     |

## RELATED PARTY TRANSACTIONS

### Management Fees

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.

### Board Appointments and Technical Advisory Committee

The Corporation announced on April 6, 2017 that Mr. E. Terry Jensen joined the board of Laurion as a professional geologist with over 40 years of diverse experience in the mining, oil and gas, and environmental industries.

Mr. Jensen commenced his geology career as a frontline underground grade control geologist advancing to production and mine geologist roles for underground and open pit operations. Currently, Mr. Jensen is a principal consultant at Gauvreau GeoEnvironmental Group, Inc., focusing on mine permitting, environmental compliance and hydrogeologic studies. Additionally, he serves as Vice President of Geology and Mine Operations for Clarion Trading (SG) Pte Ltd., a commodities trading company with the responsibilities of assessing economic potential of undeveloped, closed and operating mining properties for investment and/or acquisition.

Since early 2016, Mr. Jensen has worked closely with Laurion in design and implementation business strategies, plans and procedures and continues to promote Laurion's vision to potential investors and strategic partners. Mr. Jensen obtained a Master's of Science degree in Geology from the New Mexico Institute of Mining and Technology, as well as a Bachelor's of Science, Geology from Oregon State University and a Bachelors of Arts, Mathematics from Castleton University.

The Board of Directors also announced that Joseph Campbell and Terrence Byberg will step down from their roles as directors to sit on the Technical Advisory Board.

### **Trade and Other Payables**

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.

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

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

### **Compensation to the Board of Directors**

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. The directors have unanimously agreed to waive the demand for repayment for 2017.

Effective September 1, 2011, the Board of Directors has approved the following compensation arrangements for non-management directors of the Corporation:

- i. Each director will receive an annual fee of \$6,000 (\$1,500 per quarter) plus \$300 for each directors meeting attended and \$250 for each committee meeting attended;
- ii. Each Chairman of a committee will receive an additional \$250 per committee meeting attended; and
- iii. The Chairman of the audit committee will receive an additional \$5,000 (\$1,250 per quarter) in addition to the amounts referred to above.

No director fees were accrued after June 30, 2015.

### **Off Balance Sheet Arrangements**

The Corporation is not a party to any off balance sheet arrangements or transactions.

## SUMMARY OF QUARTERLY RESULTS

The following information relates to the Corporation's eight most recently completed quarters. As noted above, the Resource Properties are not at the stage of commercial production and, therefore, the Corporation does not have a source of revenue.

**Table 5 Unaudited Statements for the Quarterlies for 2016 and 2015**

| UNAUDITED                       |                              |                               |                               |                                |
|---------------------------------|------------------------------|-------------------------------|-------------------------------|--------------------------------|
|                                 | IFRS<br>Dec 31, 2016<br>(\$) | IFRS<br>Sept 30, 2016<br>(\$) | IFRS<br>June 30, 2016<br>(\$) | IFRS<br>March 31, 2016<br>(\$) |
| <b>Expenses (Recoveries)</b>    | 72,728                       | 251,742                       | 16,956                        | 28,438                         |
| <b>Net (Loss) Income</b>        | (72,728)                     | (251,742)                     | (16,956)                      | (28,438)                       |
| <b>(Loss) Income Per Share*</b> | (0.001)                      | (0.002)                       | (0.000)                       | (0.000)                        |

| UNAUDITED                       |                              |                               |                               |                                |
|---------------------------------|------------------------------|-------------------------------|-------------------------------|--------------------------------|
|                                 | IFRS<br>Dec 31, 2015<br>(\$) | IFRS<br>Sept 30, 2015<br>(\$) | IFRS<br>June 30, 2015<br>(\$) | IFRS<br>March 31, 2015<br>(\$) |
| <b>Expenses (Recoveries)</b>    | 832,691                      | 284,217                       | (392,183)                     | 202,393                        |
| <b>Net (Loss) Income</b>        | (832,691)                    | (284,217)                     | 392,183                       | (202,393)                      |
| <b>(Loss) Income Per Share*</b> | (0.008)                      | (0.003)                       | 0.004                         | (0.002)                        |

\*Note: The (Loss) Income Per Share is calculated using the weighted average number of Common Shares.

## ANALYSIS OF EXPENSES

For the year ended December 31, 2016, cash used in operation by the Corporation was \$113,662 (2015 - \$62,432) 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 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.

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 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.



## **LIQUIDITY**

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 and are subject to normal trade terms.

## **CAPITAL RESOURCES AND EXPENDITURES**

It is anticipated that at some point during 2017 the Corporation will incur capital expenditures on its resource property. The Corporation is in good standing with current planned work on its resource property.

The Corporation's focus is to place the Corporation in a better financial position in order to; i) to aggressively explore and develop its flagship property; ii) to continue to retain exploration and development consultants GeoVector Management Inc.; and lastly iii) to increase shareholder value with the continued success the Corporation has realized on the Ishkoday Property.

In the event that additional capital is required to finance the exploration of the resource property, it is expected that any capital raised by the Corporation will be by way of an equity financing, likely in the form of a private placement, or to consider financing growth through unique commodity financing alternatives to debt and equity.

## SHARE CAPITAL SUMMARY

The Corporation is authorized to issue an unlimited number of Common Shares, an unlimited number of special shares (voting, redeemable, convertible, participating), and 500,000 Class A shares (voting, non-redeemable, convertible, non-participating). As at December 31, 2016 there were **108,233,002** Common Shares outstanding.

As at December 31, 2016, the following securities of the Corporation were issued and outstanding:

|                                                                                     |                    |
|-------------------------------------------------------------------------------------|--------------------|
| <b>Common shares</b>                                                                | <b>108,233,002</b> |
| <b>Stock Options</b> - Various vesting schedules, exercise prices and expiry dates* | <b>9,670,000</b>   |
| <b>Warrants</b>                                                                     | <b>600,000</b>     |

\*Each option noted above is exercisable into one Common Share upon payment of the applicable exercise price.

**Table 7 Share Summary**

| <b>As at December 31, 2016</b>            | <b>Number of Warrants Issued</b> | <b>Allocated Value * (\$)</b> | <b>Average Exercise Price (\$)</b> | <b>Total</b>       |
|-------------------------------------------|----------------------------------|-------------------------------|------------------------------------|--------------------|
|                                           |                                  |                               |                                    |                    |
| <b>Issued and Outstanding Shares</b>      | <b>108,233,002</b>               |                               |                                    | <b>108,233,002</b> |
| Stock options issued (Issued/Exercisable) | 9,670,000**                      |                               | 0.086                              | 9,670,000          |
| <b>Warrants</b>                           | <b>600,000</b>                   | <b>17,327</b>                 | <b>0.05</b>                        | <b>600,000</b>     |
| <b>Fully Diluted</b>                      | <b>118,503,002</b>               |                               |                                    | <b>118,503,002</b> |

\* The above warrants were valued using the Black-Scholes pricing model

\*\*Notes to the above Table described in detail below

## Shares For Debt Arrangement and Private Placement

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.

The debt conversion shares associated with the debt settlement arrangement were issued with the intent to preserve cash dedicated to the Corporation's mineral property and to supplement working capital and strengthen the Corporation's balance sheet.

## Stock Option Plan

Effective October 4, 2010, the Board adopted a new rolling 10% stock option plan (the "2010 Stock Option Plan"), which was ratified by the Shareholders on November 5, 2010 and approved by the TSXV. The 2010 Stock Option Plan replaced the Company's previous incentive stock option plan, dated August 11, 2000, as amended and restated on March 3, 2004, June 20, 2005 and August 30, 2006 (collectively, the "2006 Stock Option Plan"). While all existing grants of options under the 2006 Stock Option Plan will continue to be exercisable in accordance with their terms, the 2010 Stock Option Plan will remain in effect and any subsequent option grants will be made pursuant thereto. Additional information in respect of the 2010 Stock Option is set forth below.

The purpose of the 2010 Stock Option Plan is to allow the Corporation to grant options to directors, officers, employees and consultants, as additional compensation and as an opportunity to participate in the success of the Corporation. The granting of such options is intended to align the interests of such persons with those of the shareholders. The 2010 Stock Option Plan will be administered by the Board or, in its discretion, a stock option committee consisting of not less than three members of the Board. It is anticipated that the Board will administer the 2010 Stock Option Plan with recommendations from the compensation committee of the Corporation (the "Compensation Committee").

Pursuant to the 2010 Stock Option Plan, options will be exercisable over periods of up to ten years as determined by the Board. In addition, options are required to have an exercise price 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 varying with market price in accordance with the policies of the TSXV.

Pursuant to the 2010 Stock Option Plan, the Board may from time to time authorize the issuance of options to directors, officers, employees and consultants of the Corporation and its subsidiaries or employees of companies providing management or consulting services to the Corporation or its subsidiaries. The number of Common Shares which may be issued pursuant to options granted under the 2010 Stock Option Plan will be a maximum of 10% of the issued and outstanding Common Shares at the time of the grant. Options granted under the 2010 Stock Option Plan will be subject to such vesting schedule as the Board may determine.

The terms and conditions of each option granted under the 2010 Stock Option Plan will be set forth in an option agreement entered into between the Corporation and each optionee (the "Option Agreement"), such agreement in the form appended to the 2010 Stock Option Plan. Each Option Agreement, among other things, sets out the number of options granted, their exercise price, vesting schedule and term.

Pursuant to the 2010 Stock Option Plan, if any participant who is a director, officer, employee or consultant of the Corporation or an affiliate shall cease to act in that capacity for any reason other than death or permanent disability, such participant's options will terminate on the earlier of the date of the expiration of the relevant date and 90 days after the date such participant ceases to be a director, officer, employee or

consultant of the Corporation or any affiliate. The 2010 Stock Option Plan also provides that if a change of control, as defined therein in accordance with TSXV rules, occurs, all shares subject to option shall immediately become vested and may thereupon be exercised in whole or in part by the option holder.

Options are non-assignable and non-transferable, although they are assignable to and may be exercisable by an optionee's legal heirs, personal representatives or guardians in certain cases.

**Table 7      Summary of Stock Options Outstanding as at December 31, 2016**

| Grant Date                                         | Expiry Date        | Exercise Price<br>\$ | Number of<br>Options | Exercisable<br>Options | Weighted Average<br>Remaining Life<br>(Years) |
|----------------------------------------------------|--------------------|----------------------|----------------------|------------------------|-----------------------------------------------|
| December 31, 2010                                  | December 31, 2020  | 0.12                 | 1,800,000            | 1,800,000              | 5.00                                          |
| December 31, 2010                                  | February 28, 2017  | 0.12                 | 300,000              | 300,000                | 1.16                                          |
| December 31, 2011                                  | December 31, 2021  | 0.10                 | 600,000              | 600,000                | 6.00                                          |
| December 11, 2011                                  | February 28, 2017  | 0.10                 | 120,000              | 120,000                | 1.16                                          |
| September 20, 2012                                 | September 20, 2017 | 0.10                 | 250,000              | 250,000                | 1.72                                          |
| December 31, 2012                                  | December 31, 2022  | 0.10                 | 2,770,000            | 2,770,000              | 7.00                                          |
| December 31, 2012                                  | February 28, 2017  | 0.10                 | 360,000              | 360,000                | 1.16                                          |
| December 31, 2013                                  | December 31, 2023  | 0.05                 | 1,490,000            | 1,490,000              | 8.00                                          |
| December 31, 2014                                  | February 28, 2017  | 0.05                 | 380,000              | 380,000                | 1.16                                          |
| December 31, 2014                                  | December 31, 2024  | 0.05                 | 1,600,000            | 1,066,667              | 9.00                                          |
| <b>Options outstanding as at December 31, 2016</b> |                    |                      | <b>9,670,000</b>     | <b>9,136,667</b>       | <b>6.22</b>                                   |

### Summary of Stock Options

On October 4, 2010, the Corporation approved the issuance of 76,000 stock options to the Bell Mountain Group as part of their finder's fee for the Bell Mountain Property, for a total of 228,000 stock options. The options have an exercise price of \$0.10 and an expiry date of October 4, 2015. The options vest as follows: 40% upon signing of the Consulting Agreement on October 4, 2010 (the "Effective Date"); 30% twelve months after the Effective Date and the remaining 30% eighteen months after the Effective Date.

On December 31, 2010, the Corporation granted an aggregate of 2,100,000 options to its directors. Each option is exercisable into one common share of the capital of the Corporation at an exercise price of \$0.12 per share at any time until December 31, 2020. Of the 2,100,000 options, 700,000 vest on the date of their grant, 700,000 on the first anniversary of their date of grant and 700,000 on the second anniversary of their date of grant.

On December 31, 2011, the Corporation granted an aggregate of 720,000 options to its directors. Each option is exercisable into one common share of capital of the Corporation at an exercise price of \$0.10 per share at any time until December 31, 2021. Of the 720,000 options, 240,000 vest on the date of their grant, 240,000 on the first anniversary of their date of grant and 240,000 on the second anniversary of their date of grant. Previous

options grants totalling 480,000 options, issued to all of the Directors, expired on December 28, 2011.

On September 20, 2012, the Corporation granted 250,000 options to a director / officer. Each option is exercisable into one common share of capital of the Corporation at an exercise price of \$0.10 per share at any time until September 20, 2017. Of the 250,000 options, 83,333 vest on the date of their grant, 83,334 on the first anniversary of their date of grant and 83,333 on the second anniversary of their date of grant.

On December 31, 2012, the Corporation granted an aggregate of 3,130,000 options to its directors. Each option is exercisable into one common share of the capital of the Corporation at an exercise price of \$0.10 per share at any time until December 31, 2022. Of the 3,130,000 options 1,043,334 vest on the date of their grant, 1,043,333 on the first anniversary of their date of grant and 1,043,333 on the second anniversary of their date of grant.

On December 31, 2013, the Corporation granted an aggregate of 1,870,000 options to its directors. Each option is exercisable into one common share of the capital of the Corporation at an exercise price of \$0.05 per share at any time until December 31, 2023. Of the 1,870,000 options 623,337 vest on the date of their grant, 623,332 on the first anniversary of their date of grant and 623,331 on the second anniversary of their date of grant.

On December 31, 2014, the Corporation granted an aggregate of 1,600,000 options to its directors. Each option is exercisable into one common share of the capital of the Corporation at an exercise price of \$0.05 per share at any time until December 31, 2024. Of the 1,600,000 options 533,334 vested on the date of their grant, 533,333 on the first anniversary of their date of grant and 533,333 will vest on the second anniversary of their date of grant.

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

On September 30, 2015 options to acquire 228,000 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 February 28, 2017 options to acquire 1,160,000 common shares of the Corporation expired without being exercised.

### **The Corporation as a Going Concern**

The Corporation has no income and its ability to continue as a going concern is dependent on the financial support of its shareholders and equity or alternate financing arrangements to support its exploration program as well as the discovery of economically

recoverable reserves and the ultimate achievement of profitable operations. Additional financing is required to fund the related operating expenses required to manage the Corporation through the fiscal year of 2016. Management prepares budgets and ensures funds are available prior to commencement of any exploration program.

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 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.

The 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.

Financing remains tough across the mining sector. The vast majority of exploration companies will continue to struggle with limited financing options and a general lack of investor interest.

The Corporation is a careful steward of the treasury and continues to actively pursuing opportunities to access financing at this current time.

The resource sector has been subject to continued softening of commodity prices and a dramatic sell-off in equity markets, which has created a capital desert in the junior end of the capital market at levels not experienced in the resource sector the last 10 years.

Advanced juniors and mid-tier producers have been caught in the middle, exposed to a fragile balancing act between investors' thirst for yield and low tolerance of risk. There is some hope in the form of private capital investors who favour the juniors with more advanced projects. In that respect, Laurion has been proactive and practically unique in its ability to have monetized all non-core assets to enable exploration focus on its primary Ishkoday discovery property, delaying and minimizing the need for equity injections. To date, Laurion has garnered \$6.35 million from the successful monetization of several projects over the last 6 years.

## **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").

These financial statements have been approved by the Board of Directors on •, 2017.

## **SIGNIFICANT ACCOUNTING POLICIES**

### **A. Foreign Currency Translation**

The functional and reporting currency of Laurion Mineral Exploration Inc. is the Canadian Dollar. The functional currency of the Laurion Subsidiary 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. 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 impairment of mineral properties and deferred exploration, measurement of warrants and share based payments, determination of deferred income taxes and reversal of provision

### **C. Impairment of Non-Current Assets**

Long lived assets, which consist of investment in mineral properties and deferred exploration and property and equipment, are evaluated quarterly by management for impairment. An impairment loss is recognized in the Statement of Operations whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the carrying value is not recoverable, the Corporation would recognize an impairment loss equal to the amount by which the carrying value exceeds the recoverable amount.

### **D. 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 Statement of Operations. Cash and investments are included in this category of financial instruments.



### **Loans and Receivables**

Loans and receivables are classified as current assets and are comprised of other receivables. Loans and other receivables are measured at amortized cost using the effective interest method. Amounts in other receivables 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 recognized 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.

The Corporation had no other comprehensive income or loss transactions for the year-ended December 31, 2016 and the year-ended December 31, 2015. Accordingly, a statement of other comprehensive income has not been prepared.

### **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.

## **E. 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%.

## **F. Investment in Mineral Properties and Exploration**

The Corporation records its interests in mineral properties at a nominal amount. 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 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.

## **I. 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.

## **J. 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.

## **K. 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.

## **G. Share Based Payments**

The Corporation has a stock option plan that is described in Note 10(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 Statement 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 Statement 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.

### **M. Interest**

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

### **N. 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 are 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 Statement 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 Statement of Operations as other income

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

### **O. Changes in Accounting Policies and Disclosures**

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 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 statements.

## **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. Other receivables are classified as loans and receivables, 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.

### **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.

### **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. 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 and are subject to normal trade terms.

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.

#### **D. 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.

#### **E. Provision**

In prior years the Corporation has recognized a judgment for legal fees since April 2001. Management has determined that this historical 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 has removed the provision in the amount of \$709,172.

#### **DISCLOSURE CONTROLS, PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING**

The Corporation's President and Chief Financial Officer are responsible for establishing and maintaining the Corporation's disclosure controls and procedures and internal control over financial reporting for the Corporation. They are assisted in this responsibility by the Corporation's management team.

The President and the Chief Financial Officer, after evaluating the effectiveness of the Corporation's disclosure controls and procedures and the design of internal controls over financial reporting at December 31, 2016, have concluded that the Corporations' disclosure controls and procedures and design of internal control over financial reporting are adequate and effective to ensure that material information relating to the Corporation would have been known to them.

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Additional information about Laurion Mineral Exploration Inc. can be obtained from the Corporation's website at [www.laurion.ca](http://www.laurion.ca), by visiting the SEDAR public documents site at [www.sedar.com](http://www.sedar.com) or by contacting:

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