



INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

Laurion Mineral Exploration Inc.

Condensed Interim Consolidated Financial Statements

September 30, 2021

(expressed in Canadian dollars)

(unaudited)

Management's Comments on Unaudited Condensed Interim Consolidated Financial Statements

These unaudited condensed interim consolidated financial statements of Laurion Mineral Exploration Inc. (the "Company") have been prepared by management and approved by the Board of Directors of the Company.

These unaudited condensed interim consolidated financial statements have not been reviewed by the Company's external auditors.

Laurion Mineral Exploration Inc.

Consolidated Statements of Financial Position

(expressed in Canadian dollars)
(unaudited)

	Notes	As at September 30, 2021 \$	As at December 31, 2020 \$
Assets			
Current			
Cash		6,240,314	1,547,348
Restricted cash	4 and 10	487,235	1,138,693
Receivables		120,332	129,349
Prepaid expenses		30,050	77,338
		<u>6,877,931</u>	<u>2,892,728</u>
Liabilities			
Current			
Accounts payable and accrued liabilities		455,726	268,798
Unrenounced flow-through premium		27,926	53,944
		<u>483,652</u>	<u>322,742</u>
Shareholders' equity			
Share capital	6	30,527,027	21,875,812
Contributed surplus		4,398,836	4,214,842
Warrants		2,850,253	4,631,277
Deficit		(31,381,837)	(28,151,945)
		<u>6,394,279</u>	<u>2,569,986</u>
		<u>6,877,931</u>	<u>2,892,728</u>
Going concern	2		
Commitment	10		
Subsequent events	11		

Approved by the Board:

Cynthia Le Sueur-Aquin
Director

Nick Ierfino
Director

Laurion Mineral Exploration Inc.

Consolidated Statements of Loss and Comprehensive Loss

(expressed in Canadian dollars)
(unaudited)

	Notes	3 months ended September 30,		9 months ended September 30,	
		2021 \$	2020 \$	2021 \$	2020 \$
Expenses					
Professional fees		25,130	33,188	117,992	97,952
Management fees	9 months enc	31,550	22,530	80,991	77,294
Director bonus	9	19,750	-	100,694	7,740
Stock-based compensation		83,740	52,198	309,199	236,813
General and administrative		17,302	8,150	42,133	24,327
Investor relations		42,724	88,355	115,741	177,198
Public company costs		5,330	3,279	23,105	18,151
Travel		5,579	714	10,390	17,692
Exploration and evaluation		1,078,794	516,581	2,547,960	1,689,346
Part XII.6 tax		206	-	1,906	6,665
		<u>1,310,105</u>	<u>724,994</u>	<u>3,350,110</u>	<u>2,353,178</u>
Loss before income taxes		(1,310,105)	(724,994)	(3,350,110)	(2,353,178)
Deferred income tax recovery		49,368	-	120,218	-
Loss and comprehensive loss		<u>(1,260,737)</u>	<u>(724,994)</u>	<u>(3,229,892)</u>	<u>(2,353,178)</u>
Loss per common share-basic and diluted		<u>(0.005)</u>	<u>(0.004)</u>	<u>(0.015)</u>	<u>(0.013)</u>
Weighted average number of common shares- basic and diluted		<u>234,080,586</u>	<u>191,017,007</u>	<u>218,114,897</u>	<u>183,532,847</u>

Laurion Mineral Exploration Inc.

Consolidated Statements of Changes in Shareholders' Equity

(expressed in Canadian dollars)

(unaudited)

	Number of common shares	Share capital \$	Contributed surplus \$	Warrants \$	Deficit \$	Total \$
Balance, December 31, 2020	202,684,319	21,875,812	4,214,842	4,631,277	(28,151,945)	2,569,986
Private placements:						
Units (note 6)	915,943	297,499	-	-	-	297,499
Fair value of warrants	-	(50,181)	-	50,181	-	-
Flow-through units (note 6)	6,755,744	1,716,357	-	-	-	1,716,357
Fair value of warrants	-	(151,819)	-	151,819	-	-
Unrenouced flow-through premium	-	(94,200)	-	-	-	(94,200)
Share issue costs	-	(88,013)	-	-	-	(88,013)
Exercise of warrants	27,463,251	4,865,848	-	-	-	4,865,848
Fair value of exercised warrants	-	1,710,709	-	(1,710,709)	-	-
Fair value of expired warrants	-	272,315	-	(272,315)	-	-
Exercise of stock options	249,983	47,495	-	-	-	47,495
Fair value of exercised stock options	-	33,697	(33,697)	-	-	-
Fair value of cancelled stock options	-	91,507	(91,507)	-	-	-
Stock-based compensation	-	-	309,198	-	-	309,198
Loss	-	-	-	-	(3,229,892)	(3,229,892)
Balance, September 30, 2021	238,069,240	30,527,027	4,398,836	2,850,253	(31,381,837)	6,394,278
Balance, December 31, 2019	176,710,617	16,927,526	4,145,062	5,654,072	(24,844,804)	1,881,856
Private placements:						
Units	284,856	47,001	-	-	-	47,001
Fair value of warrants	-	(4,100)	-	4,100	-	-
Flow-through units	6,636,843	1,214,095	-	-	-	1,214,095
Fair value of warrants	-	(9,900)	-	9,900	-	-
Finder's fees	-	(792)	-	-	-	(792)
Option payment	460,000	80,800	-	-	-	80,800
Exercise of stock options	425,997	31,299	-	-	-	31,299
Fair value of exercised stock options	-	37,812	(37,812)	-	-	-
Fair value of cancelled stock options	-	97,555	(97,555)	-	-	-
Exercise of warrants	12,621,665	1,330,933	-	-	-	1,330,933
Fair value of exercised warrants	-	749,216	-	(749,216)	-	-
Fair value of expired warrants	-	426,932	-	(426,932)	-	-
Stock-based compensation	-	-	236,813	-	-	236,813
Share issue costs	-	(100,224)	-	-	-	(100,224)
Loss	-	-	-	-	(2,353,178)	(2,353,178)
Balance, September 30, 2020	197,139,978	20,828,153	4,246,508	4,491,924	(27,197,982)	2,368,603

Laurion Mineral Exploration Inc.

Consolidated Statements of Cash Flows

(expressed in Canadian dollars)
(unaudited)

	9 months ended September 30,	
	2021	2020
	\$	\$
Cash provided by (used in)		
Operating activities		
Loss	(3,229,892)	(2,353,178)
Items not affecting cash		
Common shares issued for exploration and evaluation	-	80,800
Stock-based compensation	309,199	236,813
Deferred income tax recovery	(120,218)	-
Changes in non-cash working capital		
Receivables	9,017	983
Prepaid expenses	47,288	(48,675)
Accounts payable and accrued liabilities	186,927	(19,153)
	<u>(2,797,679)</u>	<u>(2,102,411)</u>
Financing activities		
Private placements		
Units	297,499	47,001
Flow-through units	1,716,357	1,214,095
Finder's fees	-	(792)
Share issue costs	(88,013)	(100,224)
Exercise of stock options	47,495	31,299
Exercise of warrants	4,865,848	1,330,933
	<u>6,839,186</u>	<u>2,522,312</u>
Net decrease in cash	4,041,507	419,901
Cash, beginning of period	2,686,041	1,981,757
Cash, end of period	<u>6,727,548</u>	<u>2,401,658</u>
Summary		
Cash	6,240,314	1,432,312
Restricted cash	487,235	969,347
	<u>6,727,548</u>	<u>2,401,658</u>

Laurion Mineral Exploration Inc.

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2021

(expressed in Canadian dollars)
(unaudited)

1. Nature of operations

Laurion Mineral Exploration Inc. (the "Company") is a public company engaged in the acquisition, exploration and development of mineral resource properties. The Company is incorporated under the laws of Ontario and its registered office is located at 40 King Street West, Suite 5800, Toronto, Ontario, M5H 3S1.

2. Going concern

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company is in the exploration stage and does not generate revenue. For the 9 months ended September 30, 2021, the Company incurred a loss of \$3,229,892 (2020 - \$2,353,178) and a cashflow deficit from operations of \$2,797,679 (2020 - \$2,102,411). The losses and cashflow deficits from operations limit the Company's ability to fund operations and the acquisition, exploration and development of mineral resource properties.

The continued operation of the Company is dependent upon the Company's ability to secure equity financing to meet its existing obligations and finance the acquisition, exploration and development of mineral resource properties. The Company is actively seeking to raise the necessary equity financing, however, there can be no assurance that additional equity financing will be available. These uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

These financial statements do not reflect the adjustments to the 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. Such adjustments could be material.

3. Basis of presentation

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards and its interpretations adopted by the International Accounting Standards Board.

The accounting policies used in these condensed interim consolidated financial statements are consistent with those disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2020.

These condensed interim consolidated financial statements do not include certain information and disclosures normally included in annual audited financial statements prepared in accordance with IFRS and should be read in conjunction with the Company's annual audited financial statements for the year ended December 31, 2020.

These interim condensed consolidated financial statements were approved and authorized for issue by the Board of Directors on November 25, 2021.

4. Restricted cash

Restricted cash represents the proceeds of the issue of flow-through common shares. At September 30, 2021, the Company had restricted cash of \$487,235 (December 31, 2020 - \$1,138,693) which is not available for working capital purposes and must be expended exclusively for Canadian Exploration Expenditures by December 31, 2022.

5. Exploration and evaluation

The Company holds the following interests in the Ishkoday situated in the Onaman-Tashota Greenstone Camp in the Irwin, Walters, Elmhirst and Pifher Townships located 25 km northeast of the Town of Beardmore, Ontario and 220 km northeast of Thunder Bay, Ontario:

100% interest:	Interest	Hectares
Ishkoday	15 mining leases	657
Ishkoday North	164 boundary and single cell claims	2,864
Ishkoday South	5 boundary cell claims	64
Ishkoday East	28 boundary and single cell claims	336
Jubilee-Elmhirst	4 mining leases	74
Beaurox	1 mining lease	447
		4,442
60% interest with an option to increase to a 100% interest:		
Brenbar	2 mining leases	255
		4,697

Jubilee-Elmhirst

The Company holds a 100% interest in Jubilee-Elmhirst, subject to a 2% net smelter return royalty. At any time, the Company has the option to reduce the royalty to 1% by making a payment of \$1,000,000.

Beaurox

The Company holds a 100% interest in Beaurox, subject to a 3% net smelter return royalty. At any time, the Company has the option to reduce the royalty to 1.5% by making a payment of \$1,500,000 or to 2% by making a payment of \$1,000,000.

Brenbar

The Company holds a 60% interest in Brenbar consisting of 2 leases covering 255 hectares contiguous and to the west of Ishkoday and has an option to increase from 60% to 100% interest by making option payments, issuing common shares and incurring exploration expenditures, as follows:

	Option payments	Common shares		Exploration expenditures
		Number	Fair value	
December 18, 2021	25,000	100,000	–	100,000
December 18, 2022	25,000	100,000	–	100,000
	165,000	760,000	–	300,000

Midlothian and Doon

The Company owns a 30% joint venture interest and Canadian Gold Miner Corp. (“Canadian Gold”) owns a 70% joint venture interest in Midlothian consisting of 11 claims (152 claim units) covering 2,520 hectares located 80 km west-southwest of Kirkland Lake and 25 km west-southwest of the Town of Matachewan and Doon consisting of 1,721 hectares located adjacent to Midlothian. Doon is subject to the following:

- net smelter royalty of 2% covering 333 hectares which can be reduced to 1% by making a payment of \$1,500,000 plus a \$1,500,000 commercial payment.
- net smelter royalty of 2% covering 1,388 hectares which can be reduced to 1% by making a payment of \$1,500,000 and commercial payment of \$1,500,000.

The joint venture will incur exploration expenditures. If a joint venture partner does not fund its proportionate interest in the joint venture, its interest will be diluted and, when its interest is reduced below 10%, its interest will be reduced solely to a 3% net smelter returns royalty on Midlothian (“Midlothian NSR”) and 1% net smelter returns royalty on Doon. The other joint venture partner will have the option to reduce the Midlothian NSR from 3% to 2% by making a payment of \$1,000,000. As the joint venture is not structured as a separate vehicle, the joint venture will be accounted for as a joint operation in accordance with IFRS 11, *Joint Arrangements*. In the 9 months ended September 30, 2021, no expenditures were incurred.

See note 11, *Subsequent events, Midlothian option grant*.

Davidson-Tisdale and North Tisdale

As part of the consideration for the Company selling its interest in Davidson-Tisdale and North Tisdale in 2010, the Company received and continues to hold a 2% net smelter royalty payable on commercial production from certain mineral rights known as the North Tisdale.

6. Share capital

Authorized

An unlimited number of special shares, voting, redeemable, convertible, participating
500,000 Class A shares, voting, non-redeemable, convertible, non-participating
An unlimited number of common shares

Private placement of units and flow-through units

On March 12, 2021, the Company completed a private placement of 681,817 units at price of \$0.22 per unit for gross proceeds of \$150,000 and 6,386,344 flow-through units at a price of \$0.23 per unit for gross proceeds of \$1,468,859. Each unit consisted of one common share and one warrant and each flow-through unit consisted of one flow-through common share and one warrant. Each unit warrant and flow-through unit warrant entitles the holder to purchase one common share for \$0.24 and \$0.25, respectively, until March 12, 2022.

The fair value of the unit warrants and flow-through unit warrants was calculated using the Black-Scholes option pricing model with the following inputs and assumptions:

	Unit warrants	Flow-through unit warrants
Warrants issued	681,817	6,386,344
Exercise price	\$0.24	\$0.25
Share price	\$0.20	\$0.20
Risk-free interest rate	0.31%	0.31%
Expected volatility based on historical volatility	37%	37%
Expected life of warrants	1 year	1 year
Expected dividend yield	0%	0%
Fair value	\$11,000	\$90,000
Fair value per warrant	\$0.06	\$0.06

Private placement of units and flow-through units

On June 4, 2021, the Corporation completed a private placement of 234,126 units ("Units") at a price of \$0.63 for gross proceeds of \$147,499 and 369,400 flow-through units ("FT Units") at a price of \$0.67 per FT Unit for gross proceeds of \$247,498. Each Unit consisted of one common share and one warrant and each FT Unit consisted of one flow-through common share and one warrant. Each Unit warrant and FT Unit warrant will entitle the holder to purchase one common share for \$0.72 until June 4, 2022.

The fair value of the unit warrants and flow-through unit warrants was calculated using the Black-Scholes option pricing model with the following inputs and assumptions:

	Unit warrants	Flow-through unit warrants
Warrants issued	234,126	369,400
Exercise price	\$0.72	\$0.72
Share price	\$0.61	\$0.61
Risk-free interest rate	0.31%	0.31%
Expected volatility based on historical volatility	85%	85%
Expected life of warrants	1 year	1 year
Expected dividend yield	0%	0%
Fair value	\$39,181	\$61,819
Fair value per warrant	\$0.17	\$0.17

Stock options

Pursuant to a stock option plan approved on October 4, 2010, the Company may grant options to its directors, officers, employees and consultants for up to 10% of the number of common shares outstanding. The maximum term of each option is 10 years and the exercise price shall not be less than the closing price of the common shares prevailing on the date of the grant, less a discount up to 25% in accordance with the policies of the TSX Venture Exchange.

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 Company to issue options to directors, officers and service providers, enabling them to purchase common shares. The Company 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 Board of Directors at the time the option is granted and was subject to regulatory approval.

A continuity of the Company's stock options is presented below:

	Weighted- average exercise price \$	Number of stock options
Balance, December 31, 2020	0.14	7,112,050
Granted	0.24	960,302
Exercised	0.20	(249,983)
Cancelled	0.15	(800,000)
Balance, September 30, 2021	0.15	7,022,369

A summary of the Company's stock options is presented below:

	Expiry date	Number of stock options exercisable	Number of stock options outstanding
\$0.10	December 31, 2021	120,000	120,000
\$0.10	December 31, 2022	720,000	720,000
\$0.05	December 31, 2023	510,000	510,000
\$0.05	December 31, 2024	300,000	300,000
\$0.17	February 14, 2025	166,650	250,000
\$0.17	June 2, 2025	778,190	1,250,729
\$0.23	December 14, 2025	467,889	1,403,674
\$0.23	January 26, 2026	83,325	250,000
\$0.23	April 13, 2026	224,695	590,757
\$0.55	August 19, 2026	12,070	36,212
\$0.05	June 15, 2028	349,333	349,333
\$0.11	May 15, 2029	250,000	250,000
\$0.11	June 24, 2029	250,000	250,000
\$0.11	July 16, 2029	500,000	500,000
\$0.15	September 9, 2029	241,664	241,664
		4,973,816	7,022,369

The Company granted stock options to a consultant and directors. The fair values of the stock options were calculated using the Black-Scholes option pricing model with the following assumptions:

Grant date	January 26, 2021	April 13, 2021	August 19, 2021
Expiry date	January 26, 2026	April 13, 2026	August 19, 2026
Stock options granted	250,000	674,090	36,212
Exercise price	\$0.23	\$0.23	\$0.55
Share price	\$0.19	\$0.23	\$0.53
Risk-free interest rate	0.42%	0.94%	0.81%
Expected volatility based on historical volatility	121%	129%	111%
Expected life of stock options	5 years	5 years	5 years
Expected dividend yield	0%	0%	0%
Vesting	1/3 each of the date of grant and the first and second anniversary of the date of grant		
Fair value	\$38,500	\$125,000	\$15,000
Fair value per stock option	\$0.15	\$0.18	\$0.41

See note 11, *Subsequent events, Exercise of stock options and warrants.*

Warrants

A continuity of the Company's warrants is presented below:

	Weighted- average exercise price \$	Number of warrants
Balance, December 31, 2020	0.19	33,931,163
Issued	0.29	7,671,687
Exercised	0.18	(27,463,251)
Expired	0.21	(3,165,986)
Balance, September 30, 2021	0.27	10,973,613

A summary of the Company's outstanding warrants is presented below:

Exercise price	Expiry date	Number of warrants
\$0.21	September 30, 2021	471,988
\$0.24	October 16, 2021	1,556,321
\$0.25	October 31, 2021	85,526
\$0.26	December 3, 2021	1,004,908
\$0.25	December 6, 2021	1,622,933
\$0.25	December 18, 2021	488,250
\$0.25	March 12, 2022	4,146,344
\$0.24	March 12, 2022	681,817
\$0.72	June 4, 2022	603,526
\$0.26	December 30, 2022	312,000
		10,973,613

The weighted average remaining contractual life of the outstanding warrants is 0.36 years.

See note 11, *Subsequent events, Exercise of stock options and warrants*.

7. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Cash, restricted cash and accounts payable and accrued liabilities

The fair values of cash, restricted cash and accounts payable and accrued liabilities approximated their respective carrying value due to their short term to maturity.

8. Financial risk management

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration and financing activities, including credit risk, liquidity risk and market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors oversees management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Company's cash and restricted cash. The Company's limits its exposure to credit risk on its cash by holding deposits with a Canadian chartered bank.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial liabilities that are settled in cash or other financial assets. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities as they come due, other than amounts owing to related parties. Accounts payable and accrued liabilities are subject to normal trade terms.

Capital management

Capital of the Company consists of share capital, contributed surplus, warrants reserve and deficit. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can acquire, explore and develop mineral resource properties for the benefit of its shareholders. The Company manages its capital structure and makes adjustments based on the funds available to the Company in light of changes in economic conditions. The Board of Directors has not established quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain the future development of the Company. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that consider various factors, including successful capital deployment and general industry conditions. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

As the Company is an exploration stage company and has no revenues, its principal source of capital is from the issuance of common shares, units, flow-through common shares and flow-through units, exercise of stock options and warrants or advances from related parties. In order to achieve its objectives, the Company intends to raise additional funds as required.

The Company is not subject to externally imposed capital requirements and there were no changes to the Company's approach to capital management during the year.

9. Related party transactions

Compensation of key management personnel

The Company considers its directors and officers to be key management personnel. Transactions with key management personnel are set out as follows:

	9 months ended September 30,		Outstanding at	Outstanding at
	2021	2020	September 30,	December 31,
	\$	\$	2021	2020
Exploration and evaluation	146,070	161,239	—	—
Management fees and investor relations	100,105	102,397	—	—
Director bonus	100,963	7,740	—	27,564
Stock-based compensation	183,302	155,892	—	—
	<u>530,440</u>	<u>427,268</u>	<u>—</u>	<u>27,564</u>

The Company paid rent of \$2,700 (2020 - \$2,700) to a company controlled by a director and officer.

10. Commitment

Pursuant to private placements of flow-through units, the Company is committed to make eligible Canadian Exploration Expenditures of \$487,235 by December 31, 2022.

11. Subsequent events

Exercise of stock options and warrants

Subsequent to September 30, 2021, the Company received proceeds of \$1,072,024 on the exercise of 4,496,113 warrants.

Midlothian option grant

On November 19, 2021, the Company and Canadian Gold granted an option to Canada Nickel Company Inc. to acquire a 100% interest in Midlothian by making payments, issuing common shares and incurring exploration expenditures, as follows:

	Option payments	Common shares	Exploration expenditures
	\$		\$
Upon grant of the option	50,000	100,000	—
November 19, 2022	—	—	500,000
May 19, 2023	100,000	35,000	—
February 19, 2024	200,000	70,000	—
November 19, 2024	300,000	105,000	—
November 19, 2025	400,000	140,000	2,000,000
	<u>1,050,000</u>	<u>450,000</u>	<u>2,500,000</u>

All option payments and common shares will be allocated to the Corporation and Canadian Gold based on their respective joint venture interest at the time of payment.

The Company and Canadian Gold will retain a net smelter return royalty of 4% for gold and 2% for nickel with a commercial production payment of \$4,000,000.