



**LAURION MINERAL
EXPLORATION INC.**

**INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 2022 AND 2021**

LAURION MINERAL EXPLORATION INC.
Condensed Interim Consolidated Financial Statements
For the nine-month period ended September 30, 2022
(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.

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

(Unaudited - Prepared by Management)

	Notes	As at September 30, 2022 \$	As at December 31, 2021 \$
Assets			
Current			
Cash		7,560,461	6,857,589
Restricted cash	4 and 10	1,955,722	2,855,593
Receivables		130,796	50,545
Marketable securities	5	43,800	-
Prepaid expenses		69,509	156,715
		<u>9,760,288</u>	<u>9,920,442</u>
Liabilities			
Current			
Accounts payable and accrued liabilities		216,730	182,070
Unrenounced flow-through premium		-	16,877
		<u>216,730</u>	<u>198,947</u>
Shareholders' equity			
Share capital	7	37,950,785	34,166,729
Contributed surplus		4,478,402	4,431,940
Warrants		2,931,424	3,011,802
Deficit		(35,817,053)	(31,888,976)
		<u>9,543,558</u>	<u>9,721,495</u>
		<u>9,760,288</u>	<u>9,920,442</u>
Going concern	2		
Commitment	10		
Approved by the Board:			
	Cynthia Le Sueur-Aquin	Nick Ierfino	
	Director	Director	

LAURION MINERAL EXPLORATION INC.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

(Unaudited - Prepared by Management)

	Notes	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
		2022 \$	2021 \$	2022 \$	2021 \$
Expenses					
Professional fees		92,564	25,130	196,602	117,992
Management fees	9	29,100	31,550	87,708	80,991
Director bonus	9	-	19,750	36,250	100,694
Stock-based compensation		22,521	83,740	99,621	309,199
General and administrative		12,453	17,302	43,867	42,133
Investor relations	9	32,721	42,724	85,941	115,741
Public company costs		21,178	5,330	75,871	23,105
Travel		9,865	5,579	12,198	10,390
Exploration and evaluation	6	887,620	1,078,794	3,348,578	2,547,960
Part XII.6 tax (recovery)		62	206	(4,274)	1,906
Option income	6	-	-	(82,408)	-
Unrealized loss (gain) on marketable securities	5	900	-	45,000	-
Flow-through share premium		-	-	(16,877)	-
		1,108,984	1,310,105	3,928,077	3,350,110
Loss before income taxes		(1,108,984)	(1,310,105)	(3,928,077)	(3,350,110)
Deferred income tax recovery		-	49,368	-	120,218
Loss and comprehensive loss		(1,108,984)	(1,260,737)	(3,928,077)	(3,229,892)
Loss per common share-basic and diluted		(0.004)	(0.005)	(0.016)	(0.015)
Weighted average number of common shares- basic and diluted		254,367,177	234,080,586	251,203,615	218,114,897

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

LAURION MINERAL EXPLORATION INC.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

(Unaudited - Prepared by Management)

	Number of common shares	Share capital \$	Contributed surplus \$	Warrants \$	Deficit \$	Total \$
Balance, December 31, 2021	247,117,449	34,166,729	4,431,940	3,011,802	(31,888,976)	9,721,495
Flow-through private placement units (note 7)	1,917,242	2,013,104	-	-	-	2,013,104
Fair value of warrants	-	(111,173)	-	111,173	-	-
Share issue costs	-	(80,265)	-	-	-	(80,265)
Exercise of warrants	5,271,831	1,574,513	-	-	-	1,574,513
Fair value of exercised warrants	-	164,447	-	(164,447)	-	-
Fair value of expired warrants	-	27,104	-	(27,104)	-	-
Exercise of stock options	1,663,333	143,167	-	-	-	143,167
Fair value of exercised stock options	-	53,159	(53,159)	-	-	-
Stock-based compensation	-	-	99,621	-	-	99,621
Loss	-	-	-	-	(3,928,077)	(3,928,077)
Balance, September 30, 2022	255,969,855	37,950,785	4,478,402	2,931,424	(35,817,053)	9,543,558
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	915,943	297,499	-	-	-	297,499
Fair value of warrants	-	(50,181)	-	50,181	-	-
Flow-through units	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

LAURION MINERAL EXPLORATION INC.

Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

(Unaudited - Prepared by Management)

For the Nine-Month Period Ended

	September 30, 2022 \$	September 30, 2021 \$
Cash provided by (used in)		
Operating activities		
Loss	(3,928,077)	(3,229,892)
Items not affecting cash		
Stock-based compensation	99,621	309,199
Option income	(88,800)	-
Unrealized gain on marketable securities	45,000	-
Flow-through share premium	(16,877)	-
Deferred income tax recovery	-	(120,218)
Changes in non-cash working capital		
Receivables	(80,251)	9,017
Prepaid expenses	87,206	47,288
Accounts payable and accrued liabilities	34,660	186,927
	<u>(3,847,518)</u>	<u>(2,797,679)</u>
Financing activities		
Private placements		
Units	-	297,499
Flow-through units	2,013,104	1,716,357
Share issue costs	(80,265)	(88,013)
Exercise of stock options	143,167	47,495
Exercise of warrants	1,574,513	4,865,848
	<u>3,650,519</u>	<u>6,839,186</u>
Net (decrease) increase in cash	(196,999)	4,041,507
Cash, beginning of period	9,713,182	2,686,041
Cash, end of period	<u>9,516,183</u>	<u>6,727,548</u>
Summary		
Cash	7,560,461	6,240,314
Restricted cash	1,955,722	487,235
	<u>9,516,183</u>	<u>6,727,548</u>

LAURION MINERAL EXPLORATION INC.

Notes to the Condensed Interim Consolidated Financial Statement
For the nine-month period ended September 30, 2022

(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

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 condensed interim consolidated 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 nine months ended September 30, 2022, the Company incurred a loss of \$3,928,077 (2021 - \$3,299,892) and a cashflow deficit from operations of \$3,847,518 (2021 - \$2,797,679). The losses and cashflow deficit 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, 2021.

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, 2021.

These interim condensed consolidated financial statements were approved and authorized for issue by the Board of Directors on November 18, 2022.

LAURION MINERAL EXPLORATION INC.

Notes to the Condensed Interim Consolidated Financial Statement
For the nine-month period ended September 30, 2022

(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

4. Restricted cash

Restricted cash represents the proceeds from the issuance of flow-through common shares. As at September 30, 2022, the Company had restricted cash of \$1,955,722 (December 31, 2021 - \$2,855,593) which is not available for working capital purposes and must be expended exclusively for Canadian Exploration Expenditures by December 31, 2023.

5. Marketable securities

	\$
Balance, December 31, 2021	–
Option payment	88,800
Unrealized loss on marketable securities	(45,000)
Balance, September 30, 2022	43,800

6. Exploration and evaluation

Ishkoday

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.

LAURION MINERAL EXPLORATION INC.

Notes to the Condensed Interim Consolidated Financial Statement
For the nine-month period ended September 30, 2022

(Unaudited – Prepared by Management)
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6. Exploration and evaluation (continued)

Brenbar

The Company holds a 60% interest in Brenbar consisting of 2 leases covering 255 hectares contiguous and to the west of Ishkoday. The Company has an option to increase its interest to 100% 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 (paid, issued and incurred)	25,000	100,000	72,000	100,000
December 18, 2022	25,000	100,000	–	100,000
	165,000	760,000	72,000	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; and
- 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*. During the nine months ended September 30, 2022, expenditures of \$21,392 were incurred.

On November 19, 2021, the Company and Canadian Gold granted an option to Canada Nickel Company Inc. (“Canada Nickel”) 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 option (received)	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
	1,050,000	450,000	2,500,000

LAURION MINERAL EXPLORATION INC.

Notes to the Condensed Interim Consolidated Financial Statement
For the nine-month period ended September 30, 2022

(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

6. Exploration and evaluation (continued)

All option payments and common shares will be allocated 30% to the Company and 70% to Canadian Gold based on their respective joint venture interest at the time of payment. Effective February 16, 2022, the Company received an option payment of \$15,000 and 30,000 common shares of Canada Nickel with a fair value of \$88,800 and the Company recorded option income of \$82,408.

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.

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.

7. Share capital

Authorized:

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

Private placement of flow-through units

On September 27, 2022, the Company completed a private placement of 1,917,242 flow-through units at a price of \$1.05 per unit for gross proceeds of \$2,013,104. Each unit consisted of one flow-through common share and one-half of one warrant entitling the holder to purchase one common share for \$1.15 until September 27, 2023. In connection with the private placement, the Company paid a cash commission of \$32,813.

The Company determined the fair value of the 958,620 warrants issued was \$111,173. The fair value was calculated using the Black-Scholes option pricing model with the following inputs and assumptions: expected volatility based on historical volatility 38.78%, exercise price of \$1.15, share price of \$1.01, risk-free interest of 4.06%, expected life of 1 year, expected dividend yield of 0%.

Stock options

Pursuant to a stock option plan approved on October 4, 2010, the Company may grant stock 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.

LAURION MINERAL EXPLORATION INC.

Notes to the Condensed Interim Consolidated Financial Statement
For the nine-month period ended September 30, 2022

(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

7. Share capital (continued)

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

	Weighted- average exercise price \$	Number of stock options
Balance, December 31, 2021	0.15	6,902,369
Granted	0.82	58,000
Exercised	0.09	(1,663,333)
Balance, September 30, 2022	0.18	5,297,036

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

	Expiry date	Number of stock options exercisable	Number of stock options outstanding
\$0.17	February 14, 2025	250,000	250,000
\$0.17	June 2, 2025	1,250,729	1,250,729
\$0.23	December 14, 2025	935,778	1,403,674
\$0.23	January 26, 2026	166,650	200,000
\$0.23	April 13, 2026	282,726	507,424
\$0.55	August 19, 2026	24,140	36,212
\$0.82	January 11, 2027	19,332	58,000
\$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
		4,520,352	5,297,036

During the nine months ended September 30, 2022, the Company granted stock options to directors of the Company. The fair value of the stock options were calculated using the Black-Scholes option pricing model with the following assumptions:

Grant date	January 11, 2022
Expiry date	January 11, 2027
Stock options granted	58,000
Exercise price	\$0.82
Share price	\$0.85
Risk-free interest rate	1.5%
Expected volatility based on historical volatility	103%
Expected life of stock options	5 years
Expected dividend yield	0%
Vesting	1/3 each of the date of grant and the first and second anniversary of the date of grant
Fair value	\$38,000
Fair value per stock option	\$0.65

The common share price when the stock options were exercised was \$0.85 to \$1.02.

LAURION MINERAL EXPLORATION INC.

Notes to the Condensed Interim Consolidated Financial Statement
For the nine-month period ended September 30, 2022

(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

7. Share capital (continued)

Warrants

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

	Weighted-average exercise price \$	Number of warrants
Balance, December 31, 2021	0.43	7,198,487
Exercised	0.26	(5,151,561)
Expired	0.72	(161,961)
Issued	1.15	958,620
Balance, September 30, 2022	0.88	2,843,585

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

Exercise price	Expiry date	Number of warrants
\$0.82	December 8, 2022	1,328,299
\$0.26	December 30, 2022	240,000
\$0.82	December 30, 2022	316,666
\$1.15	September 27, 2023	958,620
		2,843,585

The weighted average remaining contractual life of the outstanding warrants is 0.47 years.

8. Financial instruments and risk management

Financial assets and liabilities are classified in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Assessment of the significance of a particular input to the fair value requires judgement and may affect placement within the fair value hierarchy levels. The hierarchy is as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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.

The fair values of cash, restricted cash, accounts payable and accrued liabilities and loan payable approximated their respective carrying value due to their short term to maturity. The Company classified the fair value of its financial instruments measured at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument: The Company accounts for its marketable securities at fair value using level 1 inputs. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

LAURION MINERAL EXPLORATION INC.

Notes to the Condensed Interim Consolidated Financial Statement
For the nine-month period ended September 30, 2022

(Unaudited – Prepared by Management)
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8. Financial instruments and risk management (continued)

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 and the loan payable is due on demand.

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.

LAURION MINERAL EXPLORATION INC.

Notes to the Condensed Interim Consolidated Financial Statement
For the nine-month period ended September 30, 2022

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(Expressed in Canadian dollars)

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:

	Nine months ended September 30,	
	2022	2021
	\$	\$
Exploration and evaluation	159,563	146,070
Management fees and investor relations	115,187	100,105
Director bonuses	36,250	100,963
Stock-based compensation	77,804	183,302
	<u>388,804</u>	<u>530,440</u>

During the nine-month period ended September 30, 2022, the Company paid rent of \$600 (2021 - \$2,700) to a company controlled by a director and officer. See note 7 for stock options granted to directors.

10. Commitment

Pursuant to private placements of flow-through units, the Company is committed to make eligible Canadian Exploration Expenditures of \$1,955,722 by December 31, 2023.