



LAURION
MINERAL EXPLORATION INC.

FINANCIAL STATEMENTS
FOR YEARS ENDED DECEMBER 31, 2009 AND 2008

AUDITORS' REPORT

To the Shareholders of Laurion Mineral Exploration Inc.

We have audited the balance sheets of Laurion Mineral Exploration Inc. as at December 31, 2009 and 2008 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended, in accordance with Canadian generally accepted accounting principles.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Accountants
March 12, 2010
Toronto, Ontario

Laurion Mineral Exploration Inc.**Balance Sheets**

As at December 31,

	2009	2008
Assets		
Current		
Cash	\$ 162,423	\$ 388,736
Prepaid expenses	9,832	11,001
Other receivables	12,625	69,018
	184,880	468,755
Investment (Note 5)	-	32,565
Mineral properties (Note 6)	351,515	351,515
Deferred exploration costs (Note 6)	2,795,266	2,721,786
Property and equipment (Note 7)	78,290	82,895
	\$ 3,409,951	\$ 3,657,516
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 579,600	\$ 499,231
	579,600	499,231
Shareholders' Equity		
Share Capital (Note 8)	11,569,906	11,569,906
Warrants (Note 8)	1,136,872	947,214
Contributed surplus (Note 9)	4,512,001	4,264,004
Deficit	(14,388,428)	(13,622,839)
	2,830,351	3,158,285
	\$ 3,409,951	\$ 3,657,516

Contingencies and Commitments (Note 14)*Subsequent Event* (Note 15)

Approved by the Board

"David Burkes"

Director (Signed)

"Cynthia Le Sueur-Aquin"

Director (Signed)

Laurion Mineral Exploration Inc.
Statements of Operations and Deficit
Years Ended December 31,

	2009	2008
Expenses		
Amortization	\$ 4,605	\$ 5,486
Interest on flow-through shares	-	29,608
Management fees	53,657	83,037
Office and administration expenses	88,339	94,205
Professional fees	211,894	260,067
Shareholder information	106,153	174,251
Stock-based compensation	80,849	83,686
Transfer, listing and filing fees	11,724	7,855
Travel and automotive	12,544	21,158
	569,765	759,353
Loss before the undernoted items and income taxes	(569,765)	(759,353)
Other income (expenses)		
Gain (loss) on foreign exchange	66,633	(84,737)
Interest income	2,807	36,736
Gain on disposal of investment (Note 5)	85,563	-
Unrealized loss on investments	-	(140,280)
Recoverable from related party	-	31,257
Other Income	15,000	125,002
Write-off of mineral properties and deferred exploration costs	(9,021)	(1,067,363)
	160,982	(1,099,385)
Loss before income taxes	(408,783)	(1,858,738)
Income taxes (Note 10)		
Future tax recovery	-	(661,227)
Net loss	(408,783)	(1,197,511)
Deficit, beginning of year	(13,622,839)	(12,425,328)
Warrant modification (Note 8)	(356,806)	-
Deficit, end of year	\$(14,388,428)	\$(13,622,839)

Loss per share

Basic and diluted	\$ 0.01	\$ 0.02
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Weighted average number of common shares outstanding

Basic and diluted	66,043,683	66,187,803
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Laurion Mineral Exploration Inc.
Statements of Cash Flows
Years Ended December 31,

	2009	2008
Cash provided by (used in)		
Operations		
Net loss	\$ (408,783)	\$ (1,197,511)
Items not affecting cash		
Amortization	4,605	5,486
Stock-based compensation	80,849	83,686
Loss (gain) on foreign exchange	(66,633)	84,737
Gain on disposal of property	(85,563)	(125,002)
Unrealized loss on investment	-	140,280
Future tax recovery	-	(661,227)
Write-down of exploration properties	9,021	1,067,363
	(466,504)	(602,188)
Net changes in non-cash working capital		
Other receivables	56,393	52,941
Prepaid expenses	1,169	4,952
Accounts payable and accrued expenses	147,002	(187,308)
	(261,940)	(731,603)
Investing		
Net proceeds from sale of investment	118,128	-
Net proceeds from sale of property	-	125,002
Mineral exploration properties	-	(25,000)
Deferred exploration costs	(82,501)	(1,766,671)
Option payments received	-	20,000
Purchase of equipment	-	(1,473)
	35,627	(1,648,142)
Net decrease in cash	(226,313)	(2,379,745)
Cash, beginning of year	388,736	2,768,481
Cash, end of year	\$ 162,423	\$ 388,736

Supplemental Disclosure

Interest paid	\$ 43	\$ 818
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1. NATURE OF OPERATIONS AND GOING CONCERN

Laurion Mineral Exploration Inc. (the "Corporation") is an exploration stage company engaged in the acquisition, exploration, evaluation and development of base metals, platinum group elements (PGE's) and gold properties in Ontario. The Corporation holds title and interest in several resource properties as follows:

- a) The Corporation owns certain rights to a mineral property ("Davidson-Tisdale Property") located in the northeast part of Tisdale Township totaling 27 claims located approximately 12km northeast of Timmins, Ontario. VG Gold Corp. ("VG Gold") holds a 68.5% interest and the Corporation the remaining 31.5% interest in 12 of the claims ("Davidson-Tisdale Claims"). The Corporation holds 100% interest in the 15 claims, located in the Tisdale Township ("North Tisdale Claims");
- b) 100% interest in 354 mining claim units (30 unpatented mining claims) covering approximately 5,735 hectares in Enid, Massey, Fortune and Côté Townships, ("Enid-Massey Property"), located 40 kilometres west of Timmins;
- c) The Corporation has 5 properties (collectively, "Alliance Properties") contained under two Alliance Projects currently under exploration pursuant to the strategic alliance agreement ("Laurion/GXL Agreement") with Kiska Metals Corporation (formerly Geoinformatics Exploration Inc.) and certain of its affiliates (collectively, "Kiska"). The Alliance Projects are comprised of the Gowganda Project and the Nipigon Project.
 - (i) The Gowganda Project

The Gowganda Projects are located approximately 33km northwest of Gowganda in the Townships of Midlothian, Raymond and Knight and consists of Midlothian (a 2,782 hectare claim block) and Raymond (a 3,291 hectare claim block).
 - (ii) The Nipigon Project

The Nipigon Project comprises:

 - (I) Fox Mountain, located 40km west of Cameron Falls and straddling the Townships of Little Sturge and Leckie Lake, and consists of a 1,730.5 hectare claim block;
 - (II) Graydon Lake located 23km north west of Cameron Falls within Graydon Lake Township and consists of a 2,209 hectare claim block; and
 - (III) Dorothea located 15km northwest of Beardmore within Dorothea Township and consists of a 957 hectare claim block.
- d) 100% interest in 35 patented mineral claims located in the Geraldton-Beardmore Gold Camp, 120 kilometres northeast of Thunder Bay, ("Sturgeon River Mine Property");
- e) 100% interest in 52 unpatented mining claim units (4 mining claims) in Clary Township, ("Clary Property"), located 50km west of the town of Temagami and 105km north west of North Bay, Ontario;

1. NATURE OF OPERATIONS AND GOING CONCERN (Cont'd)

The Corporation is in the exploration stage and is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of the carrying values of mineral exploration properties and deferred exploration costs is dependent upon the discovery of economically recoverable reserves, the preservation of the Corporation's interest in the underlying mineral claims, the ability of the Corporation to obtain financing necessary to complete development of the properties and the future profitable production therefrom or alternatively upon the Corporation's ability to dispose of its interests on an advantageous basis.

As at December 31, 2009, the Corporation had a deficit of \$ 14,388,428 (2008 - \$13,622,839) and a working capital deficiency of \$394,720 (2008 - \$30,476). These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (or "GAAP") applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Corporation be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared by management in accordance with Canadian GAAP and include the following significant accounting policies:

Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the period. The most significant estimates and assumptions include the valuation of the mineral exploration properties and deferred exploration costs and the valuation of stock based compensation and warrants. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

Financial Instruments and Comprehensive Income (Loss)

The Corporation's financial instruments recognized on the balance sheet consist of cash, investment and accounts payable and accrued liabilities. The Corporation has no unrecognized financial instruments or derivative financial instruments.

The Corporation has classified its cash and investment as held for trading, and accordingly are recognized on the balance sheet at fair value. Changes in fair value of investment are recognized in income in the period in which the change arose. Fair value is determined by the bid price of the shares at the balance sheet date. Accounts payable and accrued liabilities have been classified as other liabilities and recorded at amortized cost.

Transaction costs are expensed as incurred for financial instruments classified as held-for-trading. For other financial instruments, transaction costs are capitalized on initial recognition.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial Instruments and Comprehensive Income (Loss) (Cont'd)

The Corporation had no other comprehensive income or loss transactions during the years ended December 31, 2009, and 2008. Accordingly, a statement of comprehensive income has not been prepared.

Property and Equipment

Property and equipment is amortized on the declining balance basis using the following rates per annum:

Building	-	4%
Mining equipment	-	30%
Computer equipment	-	45%

Mineral Exploration Properties and Deferred Exploration Costs

The Corporation records its interests in mineral exploration properties at cost. Direct costs relating to the acquisition, exploration and development of mineral exploration properties, less recoveries, are deferred until such time as the properties are either put into commercial production, sold, determined not to be economically viable or abandoned. If the property is placed into production, deferred costs would be amortized over the estimated life of the mineral property. The deferred costs would be written off if the property is sold or abandoned. If it is determined that the carrying value of a property exceeds its net recoverable amount as estimated by management, or exceeds the selling value of the property, a provision is made for the decline in value and charged against operations in the year of determination of value.

Costs include the cash consideration and the fair market value of any shares issued for the acquisition of mineral properties. The carrying value is reduced by option proceeds received until such time as the property cost and deferred expenditures are reduced to nominal amounts. 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.

The amounts shown for mineral exploration properties and deferred exploration costs represent costs incurred to date, less write offs and recoveries, and do not necessarily reflect present or future values of the particular properties.

Investment

The Corporation has classified its investment as held for trading, and accordingly the investment is recognized on the balance sheet at its fair value, and changes in fair value are recognized in income in the period in which the change arose. Fair value is determined by the bid price of the shares at the balance sheet date (see note 5).

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

Long-Lived Assets

Long lived assets, which are comprised of mineral exploration properties and deferred exploration costs and property and equipment, are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

Income Taxes

The Corporation uses the asset and liability method of tax allocation for accounting for income taxes. Under this method, future 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. Future income taxes are recorded to recognize tax benefits only to the extent that, based on available evidence, it is more likely than not that they will be realized.

Foreign Currency Translation

The Corporation translates monetary assets and liabilities at the rate of exchange in effect at the balance sheet date and non-monetary assets and liabilities at historical exchange rates. Income and expenses are translated at average rates in the month they occurred. Gains and losses on translation are recorded in loss from operations.

Loss Per Share

Basic loss per share is calculated by dividing the loss for the year by the weighted average number of common shares outstanding during the year. The diluted 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 using the treasury stock method.

Stock-based Compensation

The Corporation has adopted the fair value method to account for stock options granted. Under the fair value method, the Corporation recognizes estimated compensation expense related to stock options over the vesting period of the options granted, with the related credit being allocated to contributed surplus. Upon exercise of these stock options, amounts previously credited to contributed surplus are reversed and credited to share capital.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Other Stock-based Payments

The Corporation accounts for other stock based payments based on the fair value of the equity instruments issued in exchange for the receipt of goods and services from non-employees by using the stock price and other measurement assumptions as at the measurement date.

Flow-Through Financing

The Corporation finances a portion of its exploration activities through the issue of flow-through shares, which transfer the tax deductibility of exploration expenditures to the investor. Proceeds received on the issue of such shares are credited to capital stock and the related exploration costs are charged to mineral exploration properties as incurred.

Resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. When these expenditures are renounced, temporary taxable differences created by the renunciation reduce share capital.

3. NEW ACCOUNTING POLICIES

Effective January 1, 2009, the Corporation adopted the following sections of the Canadian Institute of Chartered Accountants ("CICA") Handbook:

Goodwill and Intangible Assets (Section 3064)

Section 3064, Goodwill and Intangible Assets replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This new section establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. Section 1000, Financial Statement Concepts has also been amended to clarify the criteria for the recognition of an asset, specifically as it relates to the use of the matching principle. Accordingly, certain items that may have been previously recognized as assets may not be able to be reflected as such under the new recommendations. The adoption of these amendments has had no material impact on the financial statements of the Corporation.

3. NEW ACCOUNTING POLICIES (Cont'd)

Amendments to CICA Section 3862 (Financial Instruments - Disclosure)

In 2009, the CICA issued an amendment to Handbook Section 3862 to provide improvements to fair value and liquidity risk disclosures. The amendment applies to the Corporation's fiscal year ending December 31, 2009. This adoption resulted in additional disclosure as provided below.

The following summarizes the methods and assumptions used in estimating the fair value of the Corporation's financial instruments where measurement is required. The fair value of short-term financial instruments approximates their carrying amounts due to the relatively short period to maturity. Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment. 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 GAAP. 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.

4. RECENT ACCOUNTING PRONOUNCEMENTS

(a) International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board confirmed plans to converge GAAP with International Financial Reporting Standards over a transition period expected to be effective for interim and annual periods commencing January 1, 2011. The Corporation has commenced the process to determine the impact of the transition to IFRS on its financial reporting process

(b) Business Combinations

The CICA issued three new accounting standards in January 2009: Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interests. These new standards will be effective for fiscal years beginning on or after January 1, 2011. Section 1582 replaces Section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3 - Business Combinations. Sections 1601 and 1602 together replace Section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IAS 27 - Consolidated and Separate Financial Statements. The Corporation is in the process of evaluating the requirements of the new standards.

5. INVESTMENT

The Corporation sold its investment of 501,000 shares in VG Gold on July 27, 2009 for net proceeds of \$118,128. The quoted market value of these shares as at December 31, 2008 was \$32,565, resulting in a gain on disposal of \$85,563.

Laurion Mineral Exploration Inc.
Notes to Financial Statements
December 31, 2009 and 2008

6. MINERAL EXPLORATION PROPERTIES AND DEFERRED EXPLORATION COSTS

Mineral Exploration Properties

Year Ended December 31, 2009	Opening Balance	Additions (Write Downs)	Closing Balance
North Tisdale Claims and Davidson-Tisdale Claims	\$ 61,515	\$ -	\$ 61,515
Enid-Massey Property	25,000	-	25,000
Alliance Properties	215,000	-	215,000
Sturgeon River Mine Property	50,000	-	50,000
	\$ 351,515	\$ -	\$ 351,515

Year Ended December 31, 2008	Opening Balance	Additions (Write Downs)	Closing Balance
North Tisdale Claims and Davidson-Tisdale Claims	\$ 61,515	\$ -	\$ 61,515
German Property	62,500	(62,500)	-
Lydian Property	124,200	(124,200)	-
Enid-Massey Property	25,000	-	25,000
Côte-Bihar Claims (Enid-Massey Property)	25,000	(25,000)	-
Alliance Properties	215,000	-	215,000
Sturgeon River Mine Property	50,000	-	50,000
	\$ 563,215	(211,700)	\$ 351,515

Deferred Exploration Costs

Year Ended December 31, 2009	Opening Balance	Additions (Write Downs/ Recoveries)	Closing Balance
North Tisdale Claims and Davidson-Tisdale Claims Deferred Exploration Costs	\$ 3,831,680	\$ 9,633	\$ 3,841,313
Option payments received	(3,807,000)	-	(3,807,000)
MNDM deposit	50,193	25	50,218
Enid-Massey Property	1,229,166	-	1,229,166
Alliance Properties	1,287,133	28,658	1,315,791
Sturgeon River Mine Property	72,833	634	73,467
Other	57,781	34,530	92,311
	\$ 2,721,786	\$ 73,480	\$ 2,795,266

Laurion Mineral Exploration Inc.
Notes to Financial Statements
December 31, 2009 and 2008

6. MINERAL EXPLORATION PROPERTIES AND DEFERRED EXPLORATION COSTS (Cont'd)

Deferred Exploration Costs (Cont'd)

Year Ended December 31, 2008	Opening Balance	Additions (Write Downs/ Recoveries)	Closing Balance
North Tisdale Claims and Davidson-Tisdale Claims Deferred Exploration Costs	\$ 3,712,870	\$ 118,810	\$ 3,831,680
Option payments received	(3,787,000)	(20,000)	(3,807,000)
MNDM deposit	49,394	799	50,193
German Property	304,216	(304,216)	-
Lydian Property	202,614	(202,614)	-
Enid-Massey Property	1,003,984	225,182	1,229,166
Alliance Properties	293,504	993,629	1,287,133
Sturgeon River Mine Property	11,166	61,667	72,833
Other	4,230	53,551	57,781
	\$ 1,794,978	\$ 926,808	\$ 2,721,786

The North Tisdale Claims and Davidson-Tisdale Claims

The North Tisdale Claims and Davidson-Tisdale Claims are composed of 15 claims and 12 claims respectively. The claims are located in the northeast part of Tisdale Township, District of Cochrane, Porcupine Mining Division, Ontario, which is approximately 12 kilometres northeast of Timmins, and cover 1,075 acres.

On March 14, 2003, the Corporation entered into an option agreement with VG Gold ("VG Gold") where, subject to certain conditions being met, it would grant VG Gold up to a 50% undivided interest for \$5,000,000 in mineral exploration expenditures over 5 years on 27 mining claims of the Corporation located in Tisdale Township.

On February 17, 2005, this agreement was amended such that, subject to certain conditions being met, the Corporation would grant to VG Gold up to a 60% interest in 8 of the claims comprising the property (the "Davidson-Tisdale Claims"). The Corporation held a 100% interest in the remaining 19 claims comprising the property (the "North Tisdale Claims".)

On December 30, 2005, the Corporation amended the agreement a second time (the "2006 Second Amended and Restated Option Agreement"). The 2006 Amended and Restated Option Agreement provided VG Gold with the right to accelerate its earnings to a 51% interest in the Davidson-Tisdale Claims at any time prior to December 31, 2005 upon payment and delivery of the following:

- (a) cash payment of \$200,000;
- (b) issuing 600,000 common shares in the share capital of VG Gold to the Corporation, valued at \$264,000;
- (c) issuing a convertible promissory note to the Corporation for \$200,000 bearing interest at 6% and due on July 31, 2006, payable in cash or shares of VG Gold; and,
- (d) surrender of 15,400,000 common shares, valued at \$1,848,000.

6. MINERAL EXPLORATION PROPERTIES AND DEFERRED EXPLORATION COSTS (Cont'd)

The North Tisdale Claims and Davidson-Tisdale Claims (Cont'd)

In addition, VG Gold had the option of earning an additional 9% interest in the Davidson-Tisdale Claims by making additional cash payments of \$10,000 every 3 months during the agreement and by spending an additional \$1,000,000 in exploration expenditures on the claims by September 14, 2008.

On September 14, 2008, the option was deemed to have come to term. VG Gold did not make the final delivery of its payment commitment on March 31, 2008.

The Corporation conducted an analysis and evaluation of exploration expenditures and payment commitments incurred to date on the Davidson-Tisdale Claims as required under the Second Amended Restated Option Agreement and determined in conjunction with VG Gold that the interest earned in Davidson-Tisdale Property was 68.5%.

On March 19, 2009, the Corporation entered into a further agreement with VG Gold. Laurion holds a 100% interest in 15 North Tisdale Claims for which VG Gold no longer holds back-in rights.

The Corporation has provided a deposit to the Ministry of Northern Development and Mines as a guarantee for closure costs in the amount of \$42,000 plus accrued interest in the amount of \$8,218.

The German Property

On March 30, 2005 the Corporation entered into an agreement to acquire up to a 75% interest in a gold project, owned by Comaplex Minerals Corp. and other minority interest holders (collectively, the "Optionors"). The Property consisted of 61 claims located 30 kilometres east northeast of Timmins in the District of Cochrane, Porcupine Mining Division, Ontario. On October 27, 2008, the Corporation announced that after completing extensive mining exploration programs that included geological mapping, sampling, geophysical surveys and drilling, it had terminated the option agreement and notified the Optionors.

The Lydian Property

The Corporation had an option to acquire up to a 50% interest in the Lydian gold project, owned by Unor Inc. ("Unor"). The property consisted of 20 claims located 45 kilometres east northeast of Timmins, in Stock Township, Ontario.

In 2008, 120,000 Common Shares were issued for a value of \$10,800, in 2007, 120,000 common shares were issued for a value of \$17,400; in 2006, 120,000 common shares were issued for a value of \$19,200; and, in 2005 120,000 common shares were issued for a value of \$12,600.

On October 27, 2008, the Corporation announced that after completing a thorough mining exploration program that included geological mapping, sampling and drilling, it had terminated the option agreement and notified the Optionors.

6. MINERAL EXPLORATION PROPERTIES AND DEFERRED EXPLORATION COSTS (Cont'd)

The Enid-Massey Property

The Corporation holds a 100% ownership interest in 30 unpatented mining claims (consisting of 354 units), located in Enid, Massey Côté and Fortune Townships located approximately 40 kilometres west of Timmins. In 2006, the Corporation acquired 11 additional unpatented mining claims (137 units) in Fortune and Côté Townships ("Fortune-Côté claims") from 2090720 Ontario Inc ("2090720"), by issuance of 100,000 common shares valued at \$10,000 and a cash payment of \$15,000. These 11 unpatented mining claims are subject to a net smelter royalty (NSR) of 2% thereon, however, the Corporation has the right to purchase one-half thereof from 2090720 for \$750,000 for a period of five years commencing on the date of signing and for \$1,000,000 at any point thereafter.

Côté-Bihar Claims (Enid-Massey Property)

On September 24, 2007, the Corporation entered into an option agreement to acquire a 100% interest in the Côté-Bihar Claims which consisted of 11 mining claims located in the Côté Township. To fully exercise the option, the Corporation must issue 400,000 common shares and pay \$45,000 in cash on or before October 24, 2009.

On October 27, 2008, the Corporation announced that after completing a thorough mining exploration program that included geological mapping, sampling and drilling on the Côté-Bihar Claims, it had terminated the option agreement and notified the Optionors.

The Alliance Properties

(a) Kiska Metals Corporation and Laurion Strategic Alliance

On April 3, 2007, the Corporation entered into a strategic alliance ("Laurion/GXL Agreement") with Kiska Metals Corporation (formerly Geoinformatics Exploration Inc.) and certain of its affiliates (collectively, "Kiska").

The Laurion/GXL Agreement is based on a comprehensive exploration program encompassing project generation to on-ground exploration in a geological region known as the Mid-Continent Rift ("MCR") which extends from Minnesota, Wisconsin and Michigan in the United States and southern Ontario, eastern Manitoba and western Quebec in Canada (certain areas excluded) (the "LAGXL Area").

With respect to the acquisition and exploration of target properties, the Laurion/GXL Agreement provides that the Corporation has the right to select up to five targets in the LAGXL Area within the Anglo Area (the "Alliance Targets") and Kiska will provide geological and exploration management related thereto, the costs of which will be borne by the Corporation.

Title to each Alliance Target shall be held as to 51% by the Corporation and 49% by Kiska.

To maintain its 51% interest in each Alliance Target, the Corporation must expend an aggregate of \$250,000 on each Alliance Target.

6. MINERAL EXPLORATION PROPERTIES AND DEFERRED EXPLORATION COSTS (Cont'd)

The Alliance Properties (Cont'd)

(b) The Alliance Target Properties

As noted previously, the Corporation has the right to select up to five Ni-Cu-PGE targets ("Alliance Targets"). To date, the Corporation and Kiska have used the mineral targeting technologies selecting only two of the five Alliance Targets: the Gowganda Project and the Nipigon Project.

The Gowganda Project is composed of Midlothian and Raymond Properties. The Midlothian Property is located 33km northwest of Gowganda in the Township of Midlothian and consists of a 2,782 hectare claim block (27.8 sq. km.). The Raymond Property is located 24km northwest of Gowganda in the Townships of Raymond and Knight and consists of a 3,291 hectare claim block (32.9 sq. km.).

The Nipigon Project is composed of Dorothea, Fox Mountain, and Graydon Lake Properties. The Dorothea Property is located 15km northwest of the town of Beardmore within Dorothea Township and consists of a 957 hectare claim block. The Fox Mountain Property is located 40km west of Cameron Falls straddling the Townships of Little Sturge and Leckie Lake, and consists of a 1,730.5 hectare claim block and the Graydon Lake Property is located 23km northwest of Cameron Falls within Graydon Lake Township and consists of a 2,209 hectare claim block.

The Sturgeon River Mine Property

On October 4, 2007, the Corporation entered into an agreement with St. Andrew Goldfields Ltd. to purchase a 100% interest in the Sturgeon River Mine located in the Beardmore-Geraldton district in Ontario, for a consideration of 500,000 common shares issued at \$0.10 per share.

The Sturgeon River Mine Property consists of 35 patented mineral claims located in the historic Geraldton-Beardmore Gold Camp, 120 kilometres northeast of Thunder Bay, Ontario.

Other

The Fripp Property

The Corporation has staked 30 nickel units in Fripp Township, located 23km southwest of Timmins, Ontario. In 2009, the Corporation determined that the Fripp Property was not economically viable and deferred exploration costs in the amount of \$ 8,078 were written off during the year ended December 31, 2009.

The Clary Property

The Clary Property is located 50km west of the town of Temagami and 105km northwest of North Bay, Ontario. The Corporation staked this property in November 2008.

Laurion Mineral Exploration Inc.
Notes to Financial Statements
December 31, 2009 and 2008

6. MINERAL EXPLORATION PROPERTIES AND DEFERRED EXPLORATION COSTS (Cont'd)

Other (Cont'd)

The East Lydian Property

The East Lydian Property represents 100% interest in 6 unpatented mining claim units (1 mining claim) in Clergue Township. In 2009, the Corporation determined that the East Lydian Property was not economically viable and deferred exploration costs in the amount of \$943 were written off during the year ended December 31, 2009.

During the year the Corporation actively pursued growth opportunities through the evaluation of several mining properties and projects.

7. PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	Net 2009
Building	\$ 99,687	\$ 24,777	\$ 74,910
Mining equipment	21,900	20,195	1,705
Computer equipment	6,010	4,335	1,675
	\$ 127,597	\$ 49,307	\$ 78,290
	Cost	Accumulated Amortization	Net 2008
Building	\$ 99,687	\$ 21,656	\$ 78,031
Mining equipment	21,900	19,465	2,435
Computer equipment	6,010	3,581	2,429
	\$ 127,597	\$ 44,702	\$ 82,895

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8. SHARE CAPITAL

(a) Authorized

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

(b) Issued

	Number Common Shares	Amount
Balance, December 31, 2007	65,923,683	\$ 12,220,333
Issued per agreement on Lydian Property	120,000	10,800
Tax effect of renunciation of flow-through expenditures	-	(661,227)
Balance, December 31, 2008 and 2009	66,043,683	\$ 11,569,906

(c) Shares issued

On April 21, 2006, the Corporation issued 120,000 common shares to Unor valued at \$0.16 per share as part of the commitment to acquire an interest in the Lydian Property. On April 21, 2007, the Corporation issued 120,000 common shares to Unor valued at \$17,400 and paid \$25,000 in satisfaction of the second anniversary payment as part of the commitment to acquire an interest in the Lydian Property. On April 21, 2008, the Corporation issued 120,000 common shares to Unor valued at \$10,800 and paid \$25,000 in satisfaction of the third anniversary payment as part of the commitment to acquire an interest in the Lydian Property.

On November 16, 2007, the Corporation completed a private placement to raise gross proceeds of \$2,491,825 through the sale of 15,653,000 flow-through units at a price of \$0.115 per unit and 6,917,300 non flow-through units at \$0.10. Each flow-through unit consisted of one flow-through common share and one half of one non flow-through share purchase warrant. Each full non flow-through share purchase warrant entitled the holder thereof to acquire an additional common share of the Corporation at an exercise price of \$0.20 per share until November 16, 2009. Each non flow-through unit consisted of one non flow-through common share and one half of one non flow-through share purchase warrant. Each share purchase warrant entitled the holder thereof to acquire an additional non flow-through common share of the Corporation at an exercise price of \$0.20 per share until November 16, 2009. The value allocated to the warrants was \$436,479. Share issue costs relating to this private placement consisted of cash costs of \$171,269 and 1,935,945 finders fee warrants valued at \$114,610 exercisable into one common share at a price of \$0.20 for a two year period.

Laurion Mineral Exploration Inc.
Notes to Financial Statements
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8. SHARE CAPITAL (Cont'd)

(d) Warrants

Warrant transactions are as follows:

	Number of Warrants	Allocated Value	Average Exercise Price
Balance, December 31, 2008	16,795,006	\$ 947,214	\$ 0.11
Expired	(1,000,000)	(52,538)	\$ 0.10 - 0.115
Expired	(1,935,944)	(114,610)	\$ 0.20
Warrant Modification	-	356,806	\$ -
Balance, December 31, 2009	13,859,062	\$ 1,136,872	\$ 0.11

Black-Scholes Valuation

On September 10, 2009 the Corporation extended the term, and reduced the exercise price, of the 2,173,912 warrants issued on October 17, 2007. The Warrants were scheduled to expire on October 17, 2009. The expiration date was extended to October 17, 2010, and the exercise price was reduced from \$0.20 to \$0.11. The warrants were valued using the Black-Scholes valuation with the following assumptions: risk-free rate: 1.88%; volatility: 201%; dividend yield: nil.

On November 4, 2009 the Corporation extended the term of the 11,285,150 warrants issued on November 16, 2007. The Warrants were scheduled to expire on November 16, 2009. The expiration date was extended to November 16, 2010. The warrants were valued using the Black-Scholes valuation with the following assumptions: risk-free rate: 1.88%; volatility: 192%; dividend yield: nil.

The increase of \$356,800 is due to the modification of terms of the above warrants. As of December 31, 2009, there were 13,859,062 warrants outstanding as follows:

Expiry Date	Exercise Price	Warrants Outstanding	Allocated Value
February 1, 2010	\$ 0.25	400,000	\$ 267,977
October 17, 2010	\$ 0.11	2,173,912	135,795
November 16, 2010	\$ 0.11	11,285,150	733,100
Warrants outstanding as at December 31, 2009		13,859,062	\$ 1,136,872

(e) Stock Options

The Corporation has a stock option plan for directors, officers, employees and service providers, enabling them to purchase common shares. The Corporation has set aside 4,000,000 (2008 - 4,000,000) common shares for the exercise of options granted pursuant to the plan. Each option granted under the plan is for a maximum term of five years. The exercise price is determined by the Corporation's Board of Directors at the time the option is granted and is subject to regulatory approval.

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8. SHARE CAPITAL (Cont'd)

(e) Stock Options (Cont'd)

On October 22, 2007, the Corporation granted an aggregate of 500,000 options to the President of the Corporation. The options are exercisable for five years at \$0.235 per share. They vest 200,000 as of their date of grant, 150,000 on the first anniversary of their date of grant and 150,000 on the second anniversary of their date of grant.

On October 30, 2008, the Corporation granted an aggregate of 700,000 options to three of its directors pursuant to its stock option plan. The options are exercisable for five years at \$0.10 per share. They vest 280,000 as of their date of grant, 210,000 on the first anniversary of their date of grant and 210,000 on the second anniversary of their date of grant.

On November 19, 2009 the Corporation granted an aggregate of 1,350,000 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 November 19, 2014. They vest 540,000 as of their date of grant, 405,000 on the first anniversary of their date of grant and 405,000 on the second anniversary of their date of grant.

As of December 31, 2009 there were 3,030,000 (2008 - 3,560,000) options outstanding, of which 2,010,000 (2008 - 2,990,000) were exercisable.

Stock option transactions and the number of stock options outstanding are as follows:

	Number of Options	Average Exercise Price
Balance, December 31, 2007	3,485,000	\$ 0.18
Granted	700,000	\$ 0.10
Expired	(625,000)	\$ 0.16
Balance, December 31, 2008	3,560,000	\$ 0.16
Granted	1,350,000	\$ 0.10
Expired	(1,880,000)	\$ 0.18
Balance, December 31, 2009	3,030,000	\$ 0.13

Grant Date	Expiry Date	Exercise Price	Number of Options
December 28, 2006	December 28, 2011	\$ 0.12	480,000
October 22, 2007	October 22, 2012	\$ 0.235	500,000
October 30, 2008	October 29, 2013	\$ 0.10	700,000
November 19, 2009	November 19, 2014	\$ 0.10	1,350,000
Options outstanding as at December 31, 2009			3,030,000

8. SHARE CAPITAL (Cont'd)

(e) Stock Options (Cont'd)

The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	Nov. 19, 2009
Number of options	1,350,000
Fair value	\$ 74,074
Expected life	5 years
Expected volatility	162%
Expected dividend yield	Nil
Risk-free interest rate	1.88%
	Oct. 30, 2008
Number of options	700,000
Fair value	\$ 12,600
Expected life	5 years
Expected volatility	175%
Expected dividend yield	Nil
Risk-free interest rate	3.08%

(f) Shareholder Rights Plan

The Corporation announced on July 5, 2007 that its Board of Directors had adopted a shareholder rights plan (the "Rights Plan"). The purpose of the Rights Plan is to provide shareholders and the Board of Directors with adequate time to consider and evaluate any unsolicited take-over bid made for the Corporation's common shares; provide the Board of Directors with adequate time to identify, develop and negotiate value-enhancing alternatives; and encourage the fair treatment of shareholders in connection with any take-over bid made for the Corporation's common shares. The Rights Plan is intended to prevent any person from acquiring beneficial ownership of more than 20% of the outstanding common shares while the Board of Directors' process is ongoing, or from entering into arrangements or relationships that have a similar effect. The Rights Plan was ratified by the Corporation's shareholders at the annual meeting of shareholders, held on July 31, 2007.

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

Laurion Mineral Exploration Inc.
Notes to Financial Statements
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9. CONTRIBUTED SURPLUS

	2009	2008
Balance, beginning of year	\$ 4,264,004	\$ 4,180,318
Stock-based compensation	80,849	83,686
Warrants expired	167,148	-
Balance, end of year	\$ 4,512,001	\$ 4,264,004

10. INCOME TAXES

(a) Provision for income taxes

The major factors that cause variations from the Corporation's combined federal and provincial statutory Canadian income tax rates of 31.00% (2008 - 33.50%) were the following:

	2009	2008
Loss before income taxes	\$ 408,783	\$ 1,858,738
Expected tax recovery at statutory rates	\$ (126,723)	\$ (622,677)
Increase (decrease) resulting from:		
Mineral exploration properties written off	2,797	357,567
Unrealized loss on investments	-	46,994
Stock-based compensation	24,248	28,035
Gain on disposal of assets	(26,525)	(20,938)
Benefit of loss carryforward recognized	-	(661,227)
Differences in tax rates	126,203	102,603
Tax effect of losses not recognized	-	108,416
	\$ -	\$ (661,227)

(b) Future tax balances

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

	2009	2008
Future income tax assets (liabilities)		
Non-capital losses	\$ 1,100,414	\$ 1,322,594
Share issue costs	25,475	44,326
Resource properties	(481,247)	(617,839)
Difference in property, plant and equipment	7,547	7,419
Provincial transitional credits	6,751	-
Valuation allowance	(658,940)	(756,500)
	\$ -	\$ -

Laurion Mineral Exploration Inc.
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10. INCOME TAXES (Cont'd)

(c) Losses carried forward

In addition to approximately \$810,000 of tax resource pools which have no expiry date, the Corporation has non-capital losses that will expire, if not utilized, as follows:

2010	\$	478,100
2012		466,000
2014		465,000
2026		1,840,500
2027		693,700
2028		458,600
		<hr/>
		\$ 4,401,900

11. RELATED PARTY TRANSACTIONS

Accounts payable and accrued liabilities includes \$12,898 (2008 - \$NIL) due to Quaere Strategia Inc. ("Quaere") a company wholly-owned by the President of the Corporation. Quaere provides office space and equipment, at no cost to the Corporation. The balance is non-interest bearing and payable on demand.

During the year management fees of \$53,657 (2008 - \$83,037) were paid to Quaere for consulting management services provided to the Corporation by the President.

Companies owned by officers of the Corporation were paid \$NIL (2008 - \$9,115) for geological services provided to the Corporation and \$NIL (2008 - \$90,285) for drilling and exploration services to the Corporation. Legal fees of \$NIL (2008 - \$3,059) were paid to a law firm in which an officer of the Corporation is a partner. Other fees of \$1,238 (2008 - \$2,572) were paid to an officer of the Corporation.

On October 30, 2008, the Corporation granted to three of its directors 700,000 options as detailed in Note 8 hereto.

On November 19, 2009, the Corporation granted to its directors 1,350,000 options as detailed in Note 8 hereto.

The above transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

12. FINANCIAL INSTRUMENTS

Fair Value

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

Credit Risk

Credit risk is the risk of loss associated with a counterpart's inability to fulfill its payment obligations. The Corporation's credit risk relates to cash. Cash is held with a reputable financial institution and is closely monitored by management. The Corporation's maximum credit exposure is \$162,423 at December 31, 2009 (2008 - \$388,736). Management believes the credit risk with respect to cash is not significant.

Liquidity Risk

Liquidity risk refers to the risk that the Corporation will not be able to meet its financial obligations when they become due. The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they become due. As at December 31, 2009, the Corporation had a cash balance of \$162,423 (2008 - \$388,736) to settle current liabilities of \$579,600 (2008 - \$499,231). All of the Corporation's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms except for \$414,122 as outlined in Note 14. In addition, other receivables include a receivable from the Federal Government of Canada for goods and services tax due of \$12,625 (2008 - \$59,324), which will be used to settle current liabilities.

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 fiscal 2010. Management prepares budgets and ensures funds are available prior to commencement of any exploration program.

Foreign Exchange Risk

The Corporation is subject to foreign exchange risk due to certain accounts payable and accrued liabilities being denominated in US dollars. As at December 31, 2009, accounts payable of US\$391,733 (2008 - US\$362,576) are converted into Cdn\$414,122 (2008 - Cdn\$442,363). A 10% change in \$USD foreign exchange rates will impact profitability by approximately \$41,400.

Equity and Other Price Risk

Equity and other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market price (other than those arising from interest rate or currency risk). The Corporation sold its investment in VG Gold on July 27, 2009 for net proceeds of \$118,128. The investment was subject to normal market fluctuations and risks inherent in financial markets. The maximum exposure resulting from investment in VG Gold is \$NIL (2008 - \$32,565).

13. CAPITAL DISCLOSURES

The Corporation's objective when managing capital is to raise sufficient funds to execute its exploration plan. At December 31, 2009, the Corporation's capital consists of equity in the amount of \$2,830,351 (2008 - \$3,158,285).

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

The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Corporation's management to sustain future development of the business. The Corporation does not have any externally imposed capital requirements.

There were no changes in the Corporation's approach to capital management during the year ended December 31, 2009.

14. CONTINGENCIES AND COMMITMENTS

The nature of the Corporation's business subjects it to regulatory investigations, claims and lawsuits in the ordinary course of business. There is no assurance that the foregoing matters or any other investigations, claims and lawsuits, will not have an adverse effect on the Corporation.

Legal counsel, who represented the Corporation in a suit, has a judgment against the Corporation for its legal fees since April 2001. The Corporation has recorded this liability of \$414,122 in these financial statements under accounts payable and accrued liabilities.

On January 24, 2008, the Corporation agreed to pay Quaere a cumulative bonus of \$74,000 payable over a three year period. As at December 31, 2009, \$44,000 remains outstanding. On February 22, 2010, the Corporation paid Quaere the outstanding balance.

15. SUBSEQUENT EVENT

On January 21, 2010, the Corporation completed the sale of its interests in the North Tisdale Claims and Davidson-Tisdale Claims to San Gold Corporation ("San Gold"). The assets sold to San Gold consist of the Corporation's 31.5% interest in Davidson-Tisdale property (the remaining 68.5% being owned by VG Gold), its 100% interest in North Tisdale property and the surface rights owned by the Corporation. In consideration for the sale the Corporation received cash compensation of \$1,000,000 and 1,000,000 common shares in the capital of San Gold, and retained a 2% net smelter royalty on North Tisdale property.

On January 4, 2010, the Corporation received approval by the TSX Venture Exchange to reduce the exercise price of the 11,285,150 warrants issued by the Corporation on November 16, 2007, to \$0.11.

15. SUBSEQUENT EVENT (Cont'd)

On March 11, 2010, the Corporation retained the services of geological consulting company GeoVector Management Inc. ("GeoVector") to manage and direct its exploration programs. The corporation issued 100,000 stock options to GeoVector with an exercise price of \$0.10 and an expiry date of March 11, 2015 as part of their compensation under the consulting agreement. The options vest 50,000 6 months after the date of issue and 50,000 on the first anniversary of the date of issue.

On March 29, 2010, the Corporation entered into a consulting agreement with three mining consultants to assist the Corporation in the evaluation of prospective mining properties and projects. The Corporation is to issue stock options to each of the consultants as part of their compensation under the consulting agreement based on certain objectives being achieved.

16. COMMODITY PRICE RISK

Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The ability of the Corporation to develop its properties and the future profitability of the Corporation is directly related to the market price of certain minerals. The Corporation closely monitors commodity prices of precious metals to determine the appropriate course of action to be taken by the Corporation.