

**EXPEDITION MINING INC.**  
**MANAGEMENT DISCUSSION & ANALYSIS**

**For the Nine Months Ended June 30, 2012**

**Directors and Officers as at August 15, 2012**

**Directors:**

Ron Atlas  
Steve Chan  
Corry Silbernagel  
John Watt  
Jim Chapman

**Officers:**

President – Ron Atlas  
C.F.O. – Jorge Avelino  
Executive Vice-president – Bill Galine

**Contact Names:**

Bill Galine  
Jorge Avelino

**Telephone Number:**

604-662-3903

**Fax Number:**

604-662-3904

**EXPEDITION MINING INC.**

**MANAGEMENT DISCUSSION & ANALYSIS**

For the Nine Months Ended June 30, 2012

**1.1 Date of This Report**

**August 15, 2012**

*This MD&A includes certain statements that may be deemed “forward-looking statements”. All statements in this discussion, other than statements of historical facts, that address exploration drilling, exploitation activities and events or developments that the Company expects, are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements. Reported currency is stated in Canadian dollars.*

**1.2 Overall Performance**

*Description of Business*

Expedition Mining Inc. is involved in the acquisition, exploration and development of mineral properties. The Company has an interest in mineral properties known as the Joy and Mt. Mervyn located in the Yukon Territory and the Jenny Hill, Black Hills and Slate Mountain Projects in Nevada, USA, which are in the exploration and development stage.

During the nine months ended June 30, 2012, the Company continued to actively review and assess alternative mineral properties in North America for possible acquisitions with a view of enhancing shareholder value.

**1.3 Results of Operations**

*Discussion of Acquisitions, Operations and Financial Condition*

The following should be read in conjunction with the consolidated financial statements of the Company and notes attached hereto.

Results of Operations

During the nine months ended June 30, 2012, the Company reported a net loss of \$449,002 as compared to net loss of \$1,535,034 for the comparative period June 30, 2011. In the comparative period, the Company wrote off mineral properties in the amount of \$1,132,474.

The general and administrative expenses reported an insignificant increase of \$18,096 (2012 - \$384,498; 2010 - \$366,402). Below is a breakdown of the expenses:

| Expenses Category                   | 30-June-12 | 30-June-11 | Increase (Decrease) |
|-------------------------------------|------------|------------|---------------------|
| - Bank charges & interest           | 811        | 644        | 167                 |
| - Consulting fees                   | 86,000     | 300        | 7,700               |
| - Corporate & admin                 | 30,865     | 30,378     | 487                 |
| - Directors' fees                   | 15,500     | 18,565     | (3,065)             |
| - Filing fees & transfer agent fees | 19,965     | 21,095     | (1,130)             |
| - Legal & accounting                | 52,646     | 55,648     | (3,002)             |
| - Management fees                   | 151,037    | 149,192    | 1,845               |
| - Office rent, services & supplies  | 55,260     | 43,673     | 11,587              |
| - Shareholders' information         | 25,378     | 31,465     | (6,087)             |
| - Travel, meals & entertainment     | 25,036     | 15,442     | 9,594               |
| Total                               | 384,498    | 366,402    | 18,096              |

The only significant increases are consulting fees, office expenses and travel, meals & entertainment. Consulting fees increased due to the engagement of Bucher Money, Market & Analysis as corporate communications service provider in Europe. Office increased due to the cost of the increase in directors and officers liability insurance, increase in rent, and general increase in office supplies and services. Travel increase is all related to management's travel costs.

#### Shareholders Communication and Travel

The Company reported shareholders communication and travel expenses totaling \$50,414 (2011 - \$31,154) and broken down as follows:

|                               | 30-June-12 | 30-June-11 |
|-------------------------------|------------|------------|
| Communication & information   | \$ 6,649   | \$ 5,706   |
| Press releases                | 3,174      | 3,561      |
| Printing, mail-out & supplies | 2,666      | 2,727      |
| Telephone & website           | 12,889     | 19,471     |
| Travel & promotion            | 25,036     | 15,442     |
|                               | \$ 50,414  | \$ 46,907  |

## **1.4 Summary of Quarterly Results**

The following is a summary of the Company's financial results for the eight most recently completed quarters:

|                   | <u>Q3 30-Jun-12</u> | <u>Q2 31-Mar-12</u> | <u>Q1 31-Dec-11</u> | <u>Q4 30-Sep-11</u> |
|-------------------|---------------------|---------------------|---------------------|---------------------|
|                   | IFRS                | IFRS                | IFRS                | IFRS                |
| Net Income (loss) | (178,209)           | (183,107)           | (87,686)            | (140,188)           |
| Per Share         | (0.00)              | (0.00)              | (0.00)              | (0.00)              |

|                   | <u>Q3 30-Jun-11</u> | <u>Q2 31-Mar-11</u> | <u>Q1 31-Dec-10</u> | <u>Q4 30-Sep-10</u> |
|-------------------|---------------------|---------------------|---------------------|---------------------|
|                   | IFRS                | IFRS                | IFRS                | IFRS                |
| Net Income (loss) | (1,620,825)         | (549,417)           | 845,208             | 410,002             |
| Per Share         | (0.03)              | (0.02)              | 0.02                | 0.01                |

### ***Discussion***

#### Nine months ended June 30, 2012:

For the nine ended June 30, 2012, please refer to Section 1.4 Results of Operations.

## **EXPLORATION AND EVALUATION ASSETS**

### **Yukon Properties**

#### **Joy Property**

On November 18, 2010, the Company entered into an option agreement pursuant to which it can acquire a 100% interest in the Joy gold property from Bullrun Investments Inc. The property is located on a 16 km x 8 km claim block (128 claims) 60 km northeast of Keno City, central Yukon.

The area covered by the Joy claim block was the subject of a Yukon Geological Survey (YGS 2010) project whereby the YGS completed a summer program of mapping and soil sampling. The summer long YGS program included detailed (~ 1:50K scale) bedrock mapping plus a very coarse ridge and spur soil sampling program (~ 500 m spacing). The Yukon Geological Survey presented the results of the Mt. Mervyn (Joy claims area) soil survey and preliminary bedrock mapping results at the Yukon Geoscience Forum on November 23, 2010.

The terms of the agreement are as follows:

|                    |                                                                                                                                                                                                                                                                                               |
|--------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Cash:              | \$75,000 within five days of signing the Option Agreement (paid)<br>\$25,000 on or before May 1, 2011 (paid)<br>\$50,000 on or before December 1, 2011 (paid)                                                                                                                                 |
| Common Shares:     | 250,000 common shares within five days of the TSX Venture acceptance of the Option Agreement (issued)<br>250,000 common shares on or before January 10 2011 (issued)<br>500,000 common shares on or before July 1, 2011 (issued)                                                              |
| Cash or Shares:    | \$150,000 cash or stock at the Company's option on or before May 1, 2012 (paid \$50,000 and issued 1,176,471 shares)<br>\$150,000 cash or stock at the Company's option on or before May 1, 2013                                                                                              |
| Feasibility Study: | Payment of \$250 000, in cash or common stock in the Company at the Company's option on the earlier date of the sixth anniversary of the agreement or upon receipt by the Optionee of a NI 43-101 report indicating a resource of a minimum 500,000 contained ounces of gold on the property. |
| Work Program:      | Minimum of \$200,000 on or before December 31, 2011 (incurred \$589,835)<br>A further \$300,000 on or before December 31, 2012 (total incurred to date - \$792,848)<br>A further \$500,000 on or before December 31, 2013                                                                     |
| NSR:               | The Optionor will have a 2% net smelter returns Royalty on the Property.<br>The NSR Royalty may be reduced to 1% by the payment of \$1,000 000 to the Optionor.                                                                                                                               |

On November 26, 2010, the TSX Venture Exchange approved the property transaction.

On November 17, 2011, the Company announced the results from the 2011 Joy Property work program. The work program was guided by an airborne geophysical survey, which had been flown in the spring. In the region of the Joy property the survey demonstrated that the strongest geophysical anomalies are east-west trending and appear to coincide with the projected locations of the Kathleen Lakes fault, the Dawson thrust and an ultramafic unit. The initial stream sediment sampling program (NR11-13, August 18, 2011) resulted in numerous multi-element geochemical anomalies associated with the northerly trending secondary drainages throughout the property. These anomalies are believed to be significant as they include the important pathfinder elements of As, Sb, Hg and Tl.

The follow-up program to the stream sediment sampling consisted of systematic soil sampling along contour lines within the anomalous drainages. A total of 1882 soil samples were collected and analyzed for gold and a 51 element ICP package at AGAT Laboratories in Mississauga, Ontario.

Mapping has shown the property to be underlain by fault bounded slices of limestones, clastic sedimentary units and ultramafic rocks. These units appear to have a southerly dip which is significant as the soil geochemical anomalies occur along the northern edge of the property. Extensive, and locally intense, quartz-carbonate alteration is associated with structural breaks in all of the rock types identified.

Prospecting during the course of the soil sampling program resulted in the discovery of 2 showings associated with the lower contact of the ultramafic unit. These are located in the northwest corner of the property and were named the Virga and Kermoda showings. Silver, lead-zinc mineralization is associated with quartz carbonate veining in these rocks. The showings are also highly anomalous in As, Cd, Hg, Sb and Tl along with elevated gold. Sampling of the ultramafic rocks indicates that they are significantly depleted in these elements.

The multi-element soil geochemical anomaly can be traced across the entire 7 km east-west width of the Joy property, where it is generally co-incident with the lower contact of the ultramafic unit. The strongest portion of the anomaly is located over the 4 easternmost drainages, which also contain the highest soil gold value of 185 ppb. In this area the rock units underlying the ultramafic are dominantly composed of mudstones as opposed to the phyllitic units to the west. The greatest concentration of soil geochemical anomalies is clustered around the intersection of the lower bounding fault of the ultramafic unit with a major north trending fault zone in the central portion of the property.

The mineralization identified to date is associated with extensive, and locally intense, quartz-carbonate alteration zones. These zones show a strong correlation to the east-west trending thrust slices of the Dawson Thrust, particularly in the vicinity of cross-cutting northerly trending faulting.

On July 10, 2012, the Company announced that it had commenced the 2012 field program on the Joy. Crews were mobilized to open the camp and the field work started on July 7th. The work program focused on those portions of the properties that contained multi-element geochemical anomalies, geophysical targets and prospective geology. Mapping, prospecting and rock sampling were carried out to determine if the underlying geology is conducive to the hosting of Carlin type mineralization. Over 300 rock samples were collected and are presently in AGAT Labs for analyses. An updated geology map of the property is being prepared based on the 2012 work. A decision of any further work on the Joy property in 2012 will be made upon receipt of all assays.

### **Mt. Mervyn**

On April 12, 2011, the Company entered into an option agreement pursuant to which it can acquire a 100% interest in the Mt. Mervyn gold property from Paul Dadwal. The Mt. Mervyn property is located in the Mayo Mining District of central Yukon and is comprised of 314 mining claims, approximately 6,564 hectares (65.64 sq kilometres). The agreement was approved by the TSX Venture Exchange on April 18, 2011.

In order to exercise its option under the option agreement, the Company must make payments and issue shares as set below.

Cash:

\$75,000 within five business days after Exchange Acceptance Date (paid)

\$75,000 on or before June 1, 2011 (paid)

Common Shares:

250,000 within business days after Exchange Acceptance Date (issued)

250,000 on or before June 1, 2011 (issued)

250,000 on or before October 1, 2011 (issued)

250,000 on or before March 31, 2012 (issued)

The Company committed to make the initial payment of \$75,000 (paid) and the initial issuance of 250,000 common shares (issued) once the title to the claims comprising the Mt. Mervyn property were recorded in the Company's name.

Net Smelter Returns Royalty (NSR):

The optionor has a 2-per-cent net smelter royalty on the property. The NSR may be reduced to 1-per-cent by the payment of \$1-million to the optionor.

The above transaction received the approval of the TSX Venture Exchange on April 18, 2011.

On December 1, 2011, the Company announced the results from the 2011 Mt. Mervyn Property work program. The work program was guided by an airborne geophysical survey which had been flown in the spring. In the region of the Mt. Mervyn property the survey demonstrated that the strongest geophysical anomalies are east-west trending and appear to coincide with the projected location of the Kathleen Lakes fault. The initial stream sediment sampling program (NR 11-14, August 30, 2011) resulted in numerous multi-element geochemical anomalies throughout the property. These anomalies are believed to be significant as they include the important pathfinder elements of As, Sb, Hg and Tl.

The follow-up program to the stream sediment sampling consisted of systematic soil sampling along contour lines within the anomalous drainages and a grid based survey in the northwestern corner. A total of 1534 soil samples and 41 rock samples were collected and analyzed for gold and a 51 element ICP package at AGAT Laboratories in Mississauga, Ontario.

Reconnaissance mapping has shown the property to be underlain by limestones, clastic sedimentary units and ultramafic rocks.

Anomalous gold values in soil were concentrated along a 6 km by 1 km belt in the southeast corner of the claim block, south of the projection of the Kathleen Lakes structure. The airborne survey shows a series of generally easterly trending lineaments subparallel to, and located south of the Kathleen Lakes structure. A strong southerly trending linear is also evident which extends for over 3 kms south of the Kathleen Lakes structure, to and beyond the edge of the property. Gossanous drainages were observed in this area during the first pass stream sediment sampling program earlier in the season.

The strongest mineralization identified to date is associated with a 1.5 km square area on the eastern portion of the claims. This multi-element anomaly is coincident with the projected intersection of the easterly trending Kathleen Lakes fault and the southerly trending structural zone. The anomaly is observed across 4 soil lines, remains open to the west, and is partly coincident with the zone of anomalous gold values.

On July 10, 2012, the Company announced that it had commenced the 2012 field program on the Mt. Mervyn property. Crews were mobilized to open the camp and the field work started on July 7th. The work program focused on those portions of the properties that contained multi-element geochemical anomalies, geophysical targets and prospective geology and consisted of mapping, prospecting and rock sampling. The majority of the 2012 field program was focused on the Joy property, and only 3 days of crew time were allocated to the Mt. Mervyn project.

## **Nevada Properties**

### **Jenny Hill and Black Hills Property**

#### **Jenny Hill Property**

This property consists of 25 unpatented lode claims covering approximately 515 acres (208 hectares) and is located 100 miles (161 kms) southeast of Reno, Nevada.

#### **Black Hills Property**

This property consists of 43 unpatented lode claims covering approximately 886 acres (358 hectares) and is approximately 100 miles (161 kilometres) southeast of Reno, Nevada. The property is located about two miles south of the Jenny Hill property. The property is situated on a major strand of the Walker Lane Fault and is midway between the past-producing Rawhide and Paradise Peak open pit gold mines in northeastern Mineral County.

The Jenny Hill and Black Hills agreement calls for lease payments to be made as follows:

| <u>Date</u>       | <u>Payment Amount</u> |
|-------------------|-----------------------|
| March 1, 2012     | \$ 20,000.00 (paid)   |
| September 1, 2013 | 20,000.00             |
| September 1, 2014 | 25,000.00             |
| September 1, 2015 | 30,000.00             |
| September 1, 2016 | 35,000.00             |
| September 1, 2017 | 40,000.00             |

and \$40,000 on September 1 of each subsequent year, until the expiry of the lease on August 31, 2022.

In consideration of the Mining Lease and Option Agreement, Expedition shall issue and deliver to the Owners 50,000 common shares on signing (issued) and 50,000 common shares on or before September 1, 2013.

No work has been carried out by the Company on Jenny Hill and Black Hills Properties to date, however a program of soil sampling, prospecting and mapping is expected to commence in September 2012

On March 19, 2012, the Company received TSX Venture Exchange approval.

### **Slate Mountain Project**

This property consists of 23 unpatented lode claims covering approximately 473 acres (190 hectares) and is 90 miles (145 kms) southeast of Reno, Nevada. The claim block is approximately 15 miles (24 kms) north of the Rawhide mine, a former open pit gold produce. The agreement calls for lease payments to be made as follows:

| <u>Date</u>       | <u>Payment Amount</u>            |
|-------------------|----------------------------------|
| March 1, 2012     | \$ 10,000.00 (subsequently paid) |
| September 1, 2013 | 15,000.00                        |
| September 1, 2014 | 20,000.00                        |
| September 1, 2015 | 25,000.00                        |
| September 1, 2016 | 30,000.00                        |
| September 1, 2017 | 35,000.00                        |

and \$35,000 on September 1 of each subsequent year, until the expiry of the lease on August 31, 2022.

No work has been carried out by the Company on the Slate Mountain Project to date, however a program of soil sampling, prospecting and mapping is expected to commence in September 2012.

On March 19, 2012, the Company received TSX Venture Exchange approval.

#### **EXPENDITURES:**

Details of deferred exploration costs for the property are as follows:

|                                   | <b>Balance<br/>30-Sep-11</b> | <b>Additions<br/>during the<br/>period</b> | <b>Write-off<br/>during the<br/>period</b> | <b>Balance<br/>30-Jun-12</b> |
|-----------------------------------|------------------------------|--------------------------------------------|--------------------------------------------|------------------------------|
| <b>Joy Property, Yukon</b>        |                              |                                            |                                            |                              |
| Acquisition costs                 | 325,000                      | 200,000                                    | -                                          | 525,000                      |
| Advance                           |                              | 75,000                                     | -                                          | 75,000                       |
| Deferred Expenses                 |                              |                                            |                                            |                              |
| - Camp costs                      | 12,499                       | -                                          | -                                          | 12,499                       |
| - Consulting (Geology)            | 6,321                        | 4,375                                      | -                                          | 10,696                       |
| - Data acquisition                | 70,380                       | -                                          | -                                          | 70,380                       |
| - Field work & supplies           | 29,113                       | 14,592                                     | -                                          | 43,705                       |
| - Geochem & Geophysics            | 34,473                       | 2,576                                      | -                                          | 37,049                       |
| - Helicopter                      | 174,058                      | -                                          | -                                          | 174,058                      |
| - Legal                           | 14,996                       | 202                                        | -                                          | 15,198                       |
| - Mobilization                    | 30,742                       | (619)                                      | -                                          | 30,123                       |
| - Soil sampling & trenching       | 176,421                      | 45,970                                     | -                                          | 222,391                      |
| <b>Total Joy</b>                  | <b>874,003</b>               | <b>342,096</b>                             | <b>-</b>                                   | <b>1,216,099</b>             |
| <b>Mt. Mervyn Property, Yukon</b> |                              |                                            |                                            |                              |
| Acquisition costs                 | 332,500                      | 27,500                                     | -                                          | 360,000                      |
| Deferred Expenses                 |                              |                                            |                                            |                              |
| - Camp costs                      | 18,748                       | -                                          | -                                          | 18,748                       |
| - Consulting (Geology)            | 6,371                        | 3,925                                      | -                                          | 10,296                       |
| - Data acquisition                | 105,570                      | -                                          | -                                          | 105,570                      |
| - Field work & supplies           | 55,750                       | 1,671                                      | -                                          | 57,421                       |
| - Geochem & Geophysics            | 110,577                      | 14,839                                     | -                                          | 125,416                      |
| - Helicopter                      | 100,191                      | -                                          | -                                          | 100,191                      |
| - Legal                           | 10,818                       | 201                                        | -                                          | 11,019                       |
| - Mobilization                    | 46,113                       | (2,759)                                    | -                                          | 43,354                       |
| - Soil sampling & trenching       | 96,666                       | 37,873                                     | -                                          | 134,539                      |
| <b>Total Mt. Mervyn</b>           | <b>883,804</b>               | <b>83,250</b>                              | <b>-</b>                                   | <b>966,554</b>               |



|                                                | Balance<br>30-Sep-11 | Additions<br>during the<br>period | Write-off<br>during the<br>period | Balance<br>30-Jun-12 |
|------------------------------------------------|----------------------|-----------------------------------|-----------------------------------|----------------------|
| <b>Jenny Hill &amp; Black Hills</b>            |                      |                                   |                                   |                      |
| Acquisition costs                              | -                    | 25,923                            | -                                 | 25,923               |
| Deferred Expenses                              |                      |                                   |                                   |                      |
| - Consulting (Geology)                         | -                    | 8,281                             | -                                 | 8,281                |
| - Maps & reports                               | -                    | 300                               | -                                 | 300                  |
| <b>Total Jenny Hill &amp; Black Hills</b>      |                      | <b>34,504</b>                     | -                                 | <b>34,504</b>        |
| <b>Slate Project</b>                           |                      |                                   |                                   |                      |
| Acquisition costs                              | -                    | 9,962                             | -                                 | 9,962                |
| Deferred Expenses                              |                      |                                   |                                   |                      |
| - Consulting (Geology)                         | -                    | 8,281                             | -                                 | 8,281                |
| - Maps & reports                               | -                    | 300                               | -                                 | 300                  |
| <b>Total Slate Project</b>                     | -                    | <b>12,562</b>                     | -                                 | <b>12,562</b>        |
| <b>Total Exploration and Evaluation Assets</b> | <b>1,757,307</b>     | <b>474,412</b>                    | -                                 | <b>2,229,719</b>     |

## 1.5 Liquidity

Expedition Mining Inc. is a mining exploration and development company with no producing resource properties, and consequently, no current operating income or cash flow.

In management's view, given the nature of the Company's operations, the most relevant financial information relates primarily to current liquidity, solvency and planned expenditures. The Company's financial success will be dependent upon the acquisition of a viable property and the discovery of economically recoverable reserves. Such development may take years to complete and the amount of resulting income, if any, is difficult to determine.

At June 30, 2012, the Company had \$1,935,251 in cash and deposits. The Company has no revenue generating projects at this time. The Company's historical capital needs have been met by equity subscriptions. As at June 30, 2012, the Company had working capital of \$1,867,597 (September 30, 2011 - \$2,544,098).

### Cash and cash equivalents

|                                        | 30-June-12          | 30-Sep-11           |
|----------------------------------------|---------------------|---------------------|
| Cash deposits with Bank of Montreal    | \$ 58,051           | \$ 177,313          |
| Flow-through funds                     | -                   | 233,971             |
| GIC – Bank of Montreal                 | 800,000             | 1,440,000           |
| GIC – HSBC                             | 1,077,200           | 1,067,363           |
| Canaccord                              | -                   | -                   |
| <b>Total cash and cash equivalents</b> | <b>\$ 1,935,151</b> | <b>\$ 2,918,647</b> |

### Credit Risk

Credit risk arises from cash held with banks and financial institutions. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The Company's cash is held with two large Canadian banks.

### Currency Risk

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company faces certain foreign exchange risks related to expenses and deferred exploration costs incurred in U.S. dollars, a currency which may appreciate against the Canadian dollar, the Company's reporting currency. Additionally, net working capital balances denominated in non-reporting currencies are also subject to fluctuations in value. The Company mitigates these threats by limiting its exposure to such balances where their expenditure in the same non-reporting currency is not imminent.

### Commitments

The Company has certain work commitments on their mineral property interests as discussed in Section 1.5 and Notes 6 and 10 of the Financial Statements.

## **1.6 Capital Resources**

The Company's capital resources are its exploration and evaluation assets, with a historical cost of \$2,229,719 (\$1,757,307 – September 30, 2011) and its fixed assets (computers & office equipment) with a book value of \$17,312 (\$20,189 – September 30, 2011).

## **1.7 Off Balance Sheet Arrangements**

There is no off-balance sheet arrangements to which the Company is committed.

## **1.8 Third Quarter**

The third quarter results do not differ significantly from other quarters.

## **1.9 Transactions with Related Parties**

During the six months ended June 30, 2012, the Company was charged the following amounts by directors and officers or by companies controlled by the director or officers:

|                          |           | Nine Months Ended |                |
|--------------------------|-----------|-------------------|----------------|
|                          |           | 30-June-12        | 30-June -11    |
| Management fees          | \$        | 151,037           | 149,192        |
| Accounting fees          |           | 49,300            | 49,255         |
| Directors fees           |           | 15,500            | 18,565         |
| Deferred geological fees |           | 12,900            | -              |
| Share-based payments     |           | 97,738            | -              |
| <b>Total</b>             | <b>\$</b> | <b>326,475</b>    | <b>217,012</b> |

The Company granted 1,275,000 employee stock options to directors or officers with an exercise prices ranging from \$0.10 to \$0.15 and reported stock-based compensation expense of \$97,738 (2011 - \$Nil).

Included in accounts payable is \$7,332 of directors fees payable (\$7,500 – September 20, 2011).

### **1.10 Proposed Transactions**

N/A

### **1.11 Critical Accounting Estimates**

In preparing financial statements, management has to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Based on historical experience, current conditions and expert advice, management makes assumptions that are believed to be reasonable under the circumstances. These estimates and assumptions form the basis for judgments about the carrying value of assets and liabilities and reported amounts for revenues and expenses. Different assumptions would result in different estimates and actual results may differ from results based on these estimates. These estimates and assumptions are also affected by management's application of accounting policies. Critical accounting estimates are those that affect the consolidated financial statements materially and involve a significant level of judgment by management.

### **1.12 Transition to IFRS**

#### **FIRST TIME ADOPTION OF IFRS (IFRS 1)**

The Company has adopted IFRS on October 1, 2011 with a transition date of October 1, 2010. Under IFRS 1 First time adoption of International Financial Reporting Standards (IFRS 1), the IFRS standards are applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under GAAP taken to deficit, with IFRS 1 providing for certain optional and mandatory exemptions to this principle.

The Company has elected to apply the following optional exemptions:

#### **Business Combinations**

IFRS 1 allows that a first-time adopter may elect not to apply IFRS 3 Business Combinations (IFRS 3) retrospectively to business combinations prior to the date of transition avoiding the requirement to restate prior business combinations. The Company has elected to apply IFRS 3 to business combinations that occur on or after October 1, 2010, to which there were none.

#### **Decommissioning provision**

IFRS requires specified changes in a decommissioning or similar liability to be added or deducted from the cost of the asset to which it relates. The adjusted depreciable amount is then depreciated prospectively over its remaining useful life. IFRS 1 allows a first time adopter to not comply fully with these accounting requirements for changes in such liabilities that occurred before the date of transition and instead apply a simplified method which is set out in IFRS 1. The Company has elected this exemption.

#### **Fair value as deemed cost**

The Company may elect among two options when measuring the value of its assets under IFRS. It may elect, on an asset by asset basis, to use either historical cost as measured under retrospective application of IFRS or fair value of an assets at the opening statement of financial position date. The Company has elected to use historical cost for its assets.

The Company applied the following mandatory exception:

## Estimates

Hindsight is not used to create or revise estimates. In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under the previous GAAP applied, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of October 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

## **Adjustments on Transition to IFRS**

### Flow-through shares

Under Canadian GAAP, the entire proceeds from the issuance of flow-through shares were recognized in equity less the tax effects of renunciation. Under IFRS, on issuance of flow-through shares, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, that investors pay for the flow-through feature, which is recognized as a liability and ii) share capital. Upon expenses being renounced, the Company derecognizes the liability and the premium is recognized as other income.

### Flow-through shares

#### Impact on Financial Statements

|                            | September 30,<br>2011 | June 30,<br>2011 | October 1,<br>2010 |
|----------------------------|-----------------------|------------------|--------------------|
| Accumulated adjustment to: |                       |                  |                    |
| Flow-through share premium | \$ -                  | \$ (131,332)     | -                  |
| Share capital              | \$ 195,291            | 195,291          | -                  |
| Deficit                    | (195,291)             | (63,939)         | -                  |

## **Presentation differences**

Some line items are described differently under IFRS compared to Canadian GAAP. These line items are as follows (with Canadian GAAP descriptions in brackets):

- i. Exploration and evaluation assets ("Mineral properties")
- ii. Decommissioning and restoration provision ("Asset retirement obligation")
- iii. Share-based payment reserve ("Contributed surplus")

## **Reconciliation to previously reported financial statements**

A reconciliation of the changes is included in these following Consolidated Statements of Financial Position and Consolidated Statements of Operations and Comprehensive Income for the dates noted below. The effects of transition from GAAP to IFRS on the cash flow are not material; therefore a reconciliation of cash flows has not been presented.

- Transitional Consolidated Statement of Financial Position Reconciliation – October 1, 2010.
- Consolidated Interim Statement of Financial Position Reconciliation – June 30, 2011.
- Consolidated Interim Statement of Operations and Comprehensive Income Reconciliation – June 30, 2011.
- Consolidated Statement of Financial Position Reconciliation – September 30, 2011.
- Consolidated Statement of Operations and Comprehensive Income Reconciliation – September 30, 2011.

The October 1, 2010 Canadian GAAP consolidated statement of financial position has been reconciled to IFRS as follows:

|                                          | October 1, 2010     | Effect of Transition to | October 1, 2010     |
|------------------------------------------|---------------------|-------------------------|---------------------|
|                                          | CAN GAAP            | IFRS                    | IFRS                |
| <b>Assets</b>                            |                     |                         |                     |
| <b>Current</b>                           |                     |                         |                     |
| Cash                                     | \$ 989,389          | \$ -                    | \$ 989,389          |
| Amounts receivables                      | 38,253              | -                       | 38,253              |
| Security deposits                        | 5,750               | -                       | 5,750               |
|                                          | 1,033,392           | -                       | 1,033,392           |
| <b>Long tem receivable</b>               | 80,697              | -                       | 80,697              |
| <b>Reclamation bond</b>                  | 17,886              | -                       | 17,886              |
| <b>Equipment</b>                         | 22,720              | -                       | 22,720              |
| <b>Other assets</b>                      | 1,032,900           | -                       | 1,032,900           |
| <b>Exploration and evaluation assets</b> | 840,173             | -                       | 840,173             |
|                                          | <u>\$ 3,027,768</u> | <u>\$ -</u>             | <u>\$ 3,027,768</u> |
| <b>Liabilities</b>                       |                     |                         |                     |
| <b>Current</b>                           |                     |                         |                     |
| Accounts payable and accrued liabilities | \$ 134,882          | \$ -                    | \$ 134,882          |
| <b>Decommissioning provision</b>         | 17,886              | -                       | 17,886              |
| <b>Shareholders' Equity</b>              |                     |                         |                     |
| Share capital                            | 22,216,588          | -                       | 22,216,588          |
| Share-based payment reserve              | 3,251,857           | -                       | 3,251,857           |
| Deficit                                  | (22,593,445)        | -                       | (22,593,445)        |
|                                          | <u>2,875,000</u>    | <u>-</u>                | <u>2,875,000</u>    |
|                                          | <u>\$ 3,027,768</u> | <u>\$ -</u>             | <u>\$ 3,027,768</u> |

The June 30, 2011 Canadian GAAP consolidated statement of financial position has been reconciled to IFRS as follows:

|                                          | June 30, 2011       | Effect of Transition to | June 30, 2011       |
|------------------------------------------|---------------------|-------------------------|---------------------|
|                                          | CAN GAAP            | IFRS                    | IFRS                |
| <b>Assets</b>                            |                     |                         |                     |
| <b>Current</b>                           |                     |                         |                     |
| Cash                                     | \$ 3,704,381        | \$ -                    | \$ 3,704,381        |
| Amounts receivables                      | 37,424              | -                       | 37,424              |
| Security deposits                        | 5,750               | -                       | 5,750               |
| Prepaid expense                          | 4,950               | -                       | 4,950               |
|                                          | 3,752,505           | -                       | 3,752,505           |
| <b>Reclamation bond</b>                  | 17,886              | -                       | 17,886              |
| <b>Equipment</b>                         | 21,886              | -                       | 21,886              |
| <b>Exploration and evaluation assets</b> | 922,423             | -                       | 922,423             |
|                                          | <u>\$ 4,714,700</u> | <u>\$ -</u>             | <u>\$ 4,714,700</u> |
| <b>Liabilities</b>                       |                     |                         |                     |
| <b>Current</b>                           |                     |                         |                     |
| Accounts payable and accrued liabilities | \$ 286,755          | \$ -                    | \$ 286,755          |
| Flow-through share premium               | -                   | 131,332                 | 131,332             |
|                                          | 14,605              | 131,332                 | 418,087             |
| <b>Decommissioning provision</b>         | 17,886              | -                       | 17,886              |
| <b>Shareholders' Equity</b>              |                     |                         |                     |
| Share capital                            | 24,768,751          | (195,291)               | 24,573,460          |
| Share-based payment reserve              | 3,833,746           | -                       | 3,833,746           |
| Deficit                                  | (24,192,438)        | 63,959                  | (24,128,479)        |
|                                          | 4,410,059           | (131,332)               | 4,278,727           |
|                                          | <u>\$ 4,714,700</u> | <u>\$ -</u>             | <u>\$ 4,714,700</u> |

The Canadian GAAP consolidated statement of loss and comprehensive loss for the three month period ended June 30, 2011 has been reconciled to IFRS as follows:

|                                                   | June 30, 2011         | Effect of<br>Transition to<br>IFRS | June 30, 2011         |
|---------------------------------------------------|-----------------------|------------------------------------|-----------------------|
|                                                   | CAN GAAP              |                                    | IFRS                  |
| <b>General and administrative expenses</b>        |                       |                                    |                       |
| Bank charges and interest                         | \$ 292                | \$ -                               | \$ 292                |
| Corporate and administration fees                 | 11,125                | -                                  | 11,125                |
| Directors' fees                                   | 6,000                 | -                                  | 6,000                 |
| Filing and transfer agent fees                    | 8,016                 | -                                  | 8,016                 |
| Legal & accounting fees                           | 16,831                | -                                  | 16,831                |
| Management fees                                   | 49,143                | -                                  | 49,143                |
| Office rent, salaries and supplies                | 13,934                | -                                  | 13,934                |
| Shareholders' communication, & promotion          | 12,539                | -                                  | 12,539                |
| Travel, meals & entertainment                     | 3,214                 | -                                  | 3,214                 |
|                                                   | (121,094)             | -                                  | (121,094)             |
| <b>Other items</b>                                |                       |                                    |                       |
| Amortization                                      | (1,696)               | -                                  | (1,696)               |
| Interest income                                   | 10,953                | -                                  | 10,953                |
| Stock-based compensation                          | (455,121)             | -                                  | (455,121)             |
| Foreign exchange translation                      | (61)                  | -                                  | (61)                  |
| Write-off of exploration and evaluation assets    | (1,132,474)           | -                                  | (1,132,474)           |
| <b>Loss before income tax</b>                     | (1,699,493)           | -                                  | (1,699,493)           |
| Deferred income tax recovery                      | -                     | 78,668                             | 78,668                |
| <b>Loss and comprehensive loss for the period</b> | <b>\$ (1,699,493)</b> | <b>\$ 78,668</b>                   | <b>\$ (1,620,825)</b> |

The Canadian GAAP consolidated statement of loss and comprehensive loss for the nine month period ended June 30, 2011 has been reconciled to IFRS as follows:

|                                                   | June 30, 2011         | Effect of<br>Transition to<br>IFRS | June 30, 2011         |
|---------------------------------------------------|-----------------------|------------------------------------|-----------------------|
|                                                   | CAN GAAP              |                                    | IFRS                  |
| <b>General and administrative expenses</b>        |                       |                                    |                       |
| Bank charges and interest                         | \$ 644                | \$ -                               | \$ 644                |
| Consulting fees                                   | 300                   | -                                  | 300                   |
| Corporate and administration fees                 | 30,378                | -                                  | 30,378                |
| Directors' fees                                   | 18,565                | -                                  | 18,565                |
| Filing and transfer agent fees                    | 21,095                | -                                  | 21,095                |
| Legal & accounting fees                           | 55,648                | -                                  | 55,648                |
| Management fees                                   | 149,192               | -                                  | 149,192               |
| Office rent, salaries and supplies                | 43,673                | -                                  | 43,673                |
| Shareholders' communication, & promotion          | 31,465                | -                                  | 31,465                |
| Travel, meals & entertainment                     | 15,442                | -                                  | 15,442                |
|                                                   | (366,402)             | -                                  | (366,402)             |
| <b>Other items</b>                                |                       |                                    |                       |
| Amortization                                      | (4,702)               | -                                  | (4,702)               |
| Interest income                                   | 16,852                | -                                  | 16,852                |
| Stock-based compensation                          | (455,121)             | -                                  | (455,121)             |
| Flow-through instrument issue costs               | -                     | (14,709)                           | (14,709)              |
| Foreign exchange translation                      | (76)                  | -                                  | (76)                  |
| Write-off of exploration and evaluation assets    | (1,132,474)           | -                                  | (1,132,474)           |
| Gain (loss) on sale of other assets               | (334,752)             | -                                  | (334,752)             |
| Gain (loss) due to fair value adjustment          | 769,379               | -                                  | 769,379               |
| Gain (loss) on revaluation of receivable          | (91,697)              | -                                  | (91,697)              |
| <b>Loss before income tax</b>                     | (1,598,993)           | (14,709)                           | (1,613,702)           |
| Deferred income tax recovery                      | -                     | 78,668                             | 78,668                |
| <b>Loss and comprehensive loss for the period</b> | <u>\$ (1,598,993)</u> | <u>\$ 63,959</u>                   | <u>\$ (1,535,034)</u> |



The September 30, 2011 Canadian GAAP consolidated statement of financial position has been reconciled to IFRS as follows:

|                                          | September 30,<br>2011<br>CAN GAAP | Effect of Transition to<br>IFRS | September 30,<br>2011<br>IFRS |
|------------------------------------------|-----------------------------------|---------------------------------|-------------------------------|
| <b>Assets</b>                            |                                   |                                 |                               |
| <b>Current</b>                           |                                   |                                 |                               |
| Cash                                     | \$ 2,918,647                      | \$ -                            | \$ 2,918,647                  |
| Amounts receivables                      | 85,288                            | -                               | 85,288                        |
| Security deposits                        | 5,750                             | -                               | 5,750                         |
| Prepaid expense                          | 11,070                            | -                               | 11,070                        |
|                                          | 3,020,755                         | -                               | 3,020,755                     |
| <b>Reclamation bond</b>                  | 9,959                             | -                               | 9,959                         |
| <b>Equipment</b>                         | 20,189                            | -                               | 20,189                        |
| <b>Exploration and evaluation assets</b> | 1,757,307                         | -                               | 1,757,307                     |
|                                          | <u>\$ 4,808,210</u>               | <u>\$ -</u>                     | <u>\$ 4,808,210</u>           |
| <b>Liabilities</b>                       |                                   |                                 |                               |
| <b>Current</b>                           |                                   |                                 |                               |
| Accounts payable and accrued liabilities | \$ 476,657                        | \$ -                            | \$ 476,657                    |
| <b>Decommissioning provision</b>         | 9,959                             | -                               | 9,959                         |
| <b>Shareholders' Equity</b>              |                                   |                                 |                               |
| Share capital                            | 24,902,181                        | (195,291)                       | 24,706,890                    |
| Share-based payment reserve              | 3,752,039                         | -                               | 3,752,039                     |
| Deficit                                  | (24,332,626)                      | 195,291                         | (24,137,335)                  |
|                                          | 4,321,594                         | -                               | 4,321,594                     |
|                                          | <u>\$ 4,808,210</u>               | <u>\$ -</u>                     | <u>\$ 4,808,210</u>           |

The Canadian GAAP consolidated statement of operations and comprehensive income for the year ended September 30, 2011 has been reconciled to IFRS as follows:

|                                                 | September 30,<br>2011<br>CAN GAAP | Effect of<br>Transition to<br>IFRS | September 30,<br>2011<br>IFRS |
|-------------------------------------------------|-----------------------------------|------------------------------------|-------------------------------|
| <b>General and administrative expenses</b>      |                                   |                                    |                               |
| Bank charges and interest                       | \$ 921                            | \$ -                               | \$ 921                        |
| Corporate and administration fees               | 38,065                            | -                                  | 38,065                        |
| Directors' fees                                 | 24,066                            | -                                  | 24,066                        |
| Filing and transfer agent fees                  | 24,530                            | -                                  | 24,530                        |
| Flow-through instrument issue costs             | -                                 | 14,709                             | 14,709                        |
| Legal & accounting fees                         | 101,821                           | -                                  | 101,821                       |
| Management fees                                 | 198,837                           | -                                  | 198,837                       |
| Office rent, salaries and supplies              | 57,754                            | -                                  | 57,754                        |
| Shareholders' communication, & promotion        | 40,178                            | -                                  | 40,178                        |
| Travel, meals & entertainment                   | 19,337                            | -                                  | 19,337                        |
|                                                 | (505,509)                         | (14,709)                           | (520,218)                     |
| <b>Other items</b>                              |                                   |                                    |                               |
| Amortization                                    | (6,399)                           | -                                  | (6,399)                       |
| Interest income                                 | 25,474                            | -                                  | 25,474                        |
| Revaluation and write-off of receivable         | (91,697)                          | -                                  | (91,697)                      |
| Stock based compensation                        | (476,844)                         | -                                  | (476,844)                     |
| Gain on sale of other assets                    | 434,627                           | -                                  | 434,627                       |
| Write-off of exploration and evaluation assets  | (1,118,833)                       | -                                  | (1,118,833)                   |
| <b>Loss before income taxes</b>                 | (1,739,181)                       | (14,709)                           | (1,753,890)                   |
| <b>Deferred tax recovery</b>                    | -                                 | 210,000                            | 210,000                       |
| <b>Loss and comprehensive loss for the year</b> | \$ (1,739,181)                    | 195,291                            | \$ (1,543,890)                |

### **1.13 Financial and Other Instruments**

The carrying value of cash and cash equivalents, marketable securities, accounts receivable, accounts payable and due from (to) related parties approximate their fair values due to the short maturity of those instruments.

### **1.14 Other**

Disclosure of Outstanding Share Capital: August 15, 2012

|               | <u>Number</u>     |
|---------------|-------------------|
| Common Shares | <u>58,186,789</u> |

Disclosure of Outstanding Stock Options: August 15, 2012

|                         | <u>Number</u>    |
|-------------------------|------------------|
| Incentive Stock Options | <u>5,090,000</u> |

Disclosure of Outstanding Share Purchase Warrants: August 15, 2012

|                         | <u>Number</u>    |
|-------------------------|------------------|
| Share Purchase Warrants | <u>3,521,875</u> |

Fully diluted 66,798,664

### **Disclosure Controls and Procedures**

It should be noted that pursuant to Multilateral Instrument 52-511 (adopted by the British Columbia Securities Commission on November 23, 2007), that the officers of the Company are no longer required to certify the effectiveness of disclosure controls and procedures used by the Company, as was required in previous interim filings under National Instrument 52-109. Accordingly, the new forms of certificate to be signed by the Company's Chief Executive Officer and Chief Financial Officer contain the following Note to Reader:

In contrast to the certificate required under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- (ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

### **1.15 Subsequent events**

There are no subsequent event to report.

#### **Additional information**

Additional information relating to the company is on SEDAR at [www.sedar.com](http://www.sedar.com).