

EXPEDITION MINING INC.
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended March 31, 2013

(Expressed in Canadian Dollars)

Prepared by Management

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EXPEDITION MINING INC.
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Prepared by Management)

| | March 31, 2013 | September 30, 2012 |
|---|-------------------------|-------------------------|
| | \$ | \$ |
| A S S E T S | | |
| Current assets | | |
| Cash (Note 3) | 1,133,120 | 1,582,814 |
| Receivables (Note 4) | 22,712 | 20,177 |
| Security deposits | 5,750 | 5,750 |
| Prepaid expense | <u>16,286</u> | <u>6,595</u> |
| | 1,177,868 | 1,615,336 |
| Equipment (Note 5) | 15,029 | 16,024 |
| Exploration and evaluation assets (Notes 6, 8 and 9) | <u>1,262,449</u> | <u>1,090,722</u> |
| | <u><u>2,455,346</u></u> | <u><u>2,722,082</u></u> |
| LIABILITIES & SHAREHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (Notes 7 & 8) | <u>18,945</u> | <u>51,391</u> |
| Shareholders' equity | | |
| Share capital (Notes 9 & 10) | 25,525,373 | 25,522,873 |
| Share-based payment reserve (Note 9d) | 3,886,940 | 3,860,576 |
| Deficit | <u>(26,975,912)</u> | <u>(26,712,758)</u> |
| | 2,436,401 | 2,670,691 |
| | <u><u>2,455,346</u></u> | <u><u>2,722,082</u></u> |
| Nature and continuance operations (Note 1) | | |
| Basis of presentation (Note 2) | | |
| Subsequent event (Note 12) | | |

Approved on behalf of the Board of Directors:

"Ronald Atlas", Director

"John Watt", Director

EXPEDITION MINING INC.
CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the Six Months Ended March 31
(Prepared by Management)

| | Three Months Ended March 31, 2013 \$ | Three Months Ended March 31, 2012 \$ | Six Months Ended March 31, 2013 \$ | Six Months Ended March 31, 2012 \$ |
|---|--|--|---|---|
| General and administrative expenses: | | | | |
| Bank charges and interest | 178 | 426 | 425 | 660 |
| Consulting fees | 1,714 | 6,000 | 5,714 | 6,000 |
| Corporate and administration fees | 9,805 | 10,463 | 16,460 | 17,688 |
| Directors' fees | 6,000 | 4,500 | 12,000 | 9,500 |
| Filing and transfer agent fees | 10,223 | 10,932 | 12,292 | 12,927 |
| Legal & accounting fees (Note 8) | 18,330 | 19,228 | 35,410 | 34,878 |
| Management fees (Note 8) | 50,535 | 50,076 | 100,411 | 100,680 |
| Office, rent and insurance | 17,839 | 19,260 | 34,284 | 36,425 |
| Property investigation | - | - | 800 | - |
| Shareholders' communication, & promotion | 10,455 | 6,739 | 15,872 | 14,407 |
| Travel, meals & entertainment | 5,623 | 67,64 | 13,045 | 20,155 |
| | (130,702) | (134,388) | (246,713) | (253,320) |
| Other items: | | | | |
| Amortization | (1,050) | (1,289) | (1,999) | (2,487) |
| Interest income | 4,861 | 9,568 | 9,778 | 15,661 |
| Foreign exchange loss | - | 11 | - | (1756) |
| Share-based payments | - | (57,009) | (26,365) | (57,009) |
| Expenses recovered | - | - | 6,236 | 26,537 |
| Write-off exploration & evaluation assets | - | - | (4,091) | - |
| Net loss and comprehensive loss | <u>(126,891)</u> | <u>(183,107)</u> | <u>(263,154)</u> | <u>(270,793)</u> |
| Basic and diluted loss per share | <u>(0.00)</u> | <u>(0.00)</u> | <u>(0.00)</u> | <u>(0.00)</u> |
| Weighted average – number of shares outstanding | <u>58,220,855</u> | <u>58,186,789</u> | <u>58,203,822</u> | <u>56,710,318</u> |

See notes to condensed consolidated financial statements

EXPEDITION MINING INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended March 31
(Prepared by Management)

| | 2013 | 2012 |
|--|-------------------------|-------------------------|
| | \$ | \$ |
| Cash provided by (used for): | | |
| Operating activities | | |
| Net loss for the period | (263,154) | (270,793) |
| Adjustments which do not affect cash: | | |
| Amortization | 1,999 | 2,487 |
| Stock-based compensation | 26,365 | 57,009 |
| Write-off exploration & evaluation assets | 4,091 | - |
| | <u>(230,699)</u> | <u>(211,297)</u> |
| Net changes in non-cash working capital items: | | |
| Amounts receivable | (2,535) | 60,069 |
| Prepaid expense | (9,691) | (5,160) |
| Accounts payable and accrued liabilities | (32,446) | (464,992) |
| | <u>275,371</u> | <u>(621,830)</u> |
| Financing activities | <u>-</u> | <u>-</u> |
| Investing activities | | |
| Purchase of capital assets | (1,004) | (899) |
| Exploration and evaluation assets | (173,319) | (185,047) |
| | <u>(174,323)</u> | <u>(185,946)</u> |
| Increase (decrease) in cash | (449,694) | (807,326) |
| Cash - beginning of period | 1,582,814 | 2,918,647 |
| Cash - end of period | <u><u>1,133,120</u></u> | <u><u>2,111,321</u></u> |
| <u>Supplementary disclosures:</u> | | |
| Interest income received | 9,778 | 15,661 |
| Note 10 – Non-cash transactions | | |

See notes to condensed consolidated financial statements

EXPEDITION MINING INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Prepared by Management)

| | | | | | |
|---------------------------------------|-------------------|----------------------|---------------------|------------------------|---------------------|
| Balance, September 30, 2011 | 56,710,318 | 25,389,373 | 3,752,039 | (24,819,818) | 4,321,594 |
| Issued pursuant to property agreement | 250,000 | 27,500 | - | - | 27,500 |
| Fair-value of options granted | - | - | 57,009 | - | 57,009 |
| Loss for the period | - | - | - | (270,793) | (270,793) |
| Balance, March 31, 2012 | 56,960,318 | 25,416,873 | 3,809,048 | (25,090,611) | 4,135,310 |
| Issued pursuant to property agreement | 1,226,471 | 106,000 | - | - | 106,000 |
| Fair-value of options granted | - | - | 51,528 | - | 51,528 |
| Loss for the year | - | - | - | (1,622,147) | (1,622,147) |
| Balance, September 30, 2012 | 58,186,789 | 25,522,873 | 3,860,576 | (26,712,758) | 2,670,691 |
| Fair-value of options granted | - | - | 26,364 | - | 26,364 |
| Loss for the period | 50,000 | 2,500 | - | (263,154) | (260,654) |
| Balance, March 31, 2013 | 58,236,789 | \$ 25,525,373 | \$ 3,886,940 | \$ (26,975,912) | \$ 2,436,401 |

CONDENSED CONSOLIDATED STATEMENTS OF EXPLORATION AND EVALUATION ASSETS

For the Six Months Ended March 31, 2013

(Prepared by Management)

| | Balance September, 30, 2011 \$ | Additions \$ | Write-off \$ | Balance September 30, 2012 \$ | Additions \$ | Write-off \$ | Balance March 31, 2013 \$ |
|------------------------------------|---|-----------------|--------------------|--|-----------------|-----------------|------------------------------------|
| Joy Property (Yukon) | | | | | | | |
| Acquisition costs | 325,000 | 200,000 | (525,000) | - | - | - | - |
| Exploration costs: | | | | | | | |
| Camp | 12,499 | - | (12,499) | - | - | - | - |
| Consulting - geology | 6,321 | 4,975 | (11,296) | - | - | - | - |
| Data acquisition | 70,380 | - | (70,380) | - | - | - | - |
| Fieldwork & supplies | 29,113 | 13,960 | (43,073) | - | - | - | - |
| Geochem and geophysics | 34,473 | 2,576 | (37,049) | - | - | - | - |
| Helicopter | 174,058 | 65,400 | (239,458) | - | - | - | - |
| Legal | 14,996 | 201 | (15,197) | - | - | - | - |
| Mobilization | 30,742 | 9,396 | (40,138) | - | 4,091 | (4,091) | - |
| Soil sampling, trenching & assays | 176,421 | 170,609 | (347,030) | - | - | - | - |
| | 874,003 | 467,117 | (1,341,120) | - | 4,091 | (4,091) | - |
| Mt. Mervyn Property (Yukon) | | | | | | | |
| Acquisition costs | 332,500 | 27,500 | - | 360,000 | - | - | 360,000 |
| Exploration costs: | | | | | | | |
| Camp | 18,748 | - | - | 18,748 | - | - | 18,748 |
| Consulting - geology | 6,371 | 3,925 | - | 10,296 | - | - | 10,296 |
| Data acquisition | 105,570 | - | - | 105,570 | - | - | 105,570 |
| Fieldwork & supplies | 55,750 | 1,671 | - | 57,421 | - | - | 57,421 |
| Geochem and geophysics | 110,577 | 35,665 | - | 146,242 | - | - | 146,242 |
| Helicopter | 100,191 | - | - | 100,191 | - | - | 100,191 |
| Legal | 10,818 | 201 | - | 11,019 | 342 | - | 11,361 |
| Mobilization | 46,113 | (2,758) | - | 43,355 | - | - | 43,355 |
| Soil sampling, trenching & assays | 96,666 | 42,193 | - | 138,859 | 6,214 | - | 145,073 |
| | 883,304 | 108,397 | - | 991,701 | 6,556 | - | 998,257 |
| Jenny Hill Project (Nevada) | | | | | | | |
| Acquisition costs | - | 25,923 | - | 25,923 | - | - | 25,923 |
| Exploration costs: | | | | | | | |
| Advances | - | 16,635 | - | 16,635 | - | - | 16,635 |
| Assays | - | - | - | - | 36,891 | - | 36,891 |
| Claims | - | 13,693 | - | 13,693 | - | - | 13,693 |
| Consulting - geology | - | 10,514 | - | 10,514 | 11,600 | - | 22,114 |
| Maps & reports | - | 300 | - | 300 | 244 | - | 544 |
| Site visits | - | 655 | - | 655 | 2,584 | - | 3,239 |
| Site visits | - | - | - | - | 17,406 | - | 17,406 |
| Soil sampling & trenching | - | 67,720 | - | 67,720 | 68,725 | - | 136,445 |

See notes to condensed consolidated financial statements

EXPEDITION MINING INC.

CONDENSED CONSOLIDATED STATEMENTS OF EXPLORATION AND EVALUATION ASSETS

For the Six Months Ended March 31, 2013

(Prepared by Management)

| | Balance September 30, 2011 | Additions | Write-off | Balance September 30, 2012 | Additions | Write-off | Balance March 31, 2013 |
|-------------------------------|---|------------------|--------------------|---|------------------|------------------|---------------------------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Slate Project (Nevada) | | | | | | | |
| Acquisition costs | - | 9,962 | - | 9,962 | - | - | 9,962 |
| Exploration costs: | | | | | | | |
| Advances | - | 16,635 | - | 16,635 | - | - | 16,635 |
| Assays | - | - | - | - | 17,982 | - | 17,982 |
| Consulting - geology | - | 3,750 | - | 3,750 | 3,700 | - | 7,450 |
| Maps & reports | - | 300 | - | 300 | 245 | - | 545 |
| Site visits | - | 654 | - | 654 | 2,212 | - | 2,866 |
| Soil sampling & trenching | - | - | - | - | 17,407 | - | 17,407 |
| | - | 31,301 | - | 31,301 | 41,546 | - | 72,847 |
| Long Canyon Project | | | | | | | |
| Acquisition costs | - | - | - | - | 17,530 | - | 17,530 |
| Exploration costs: | | | | | | | |
| Assays | - | - | - | - | 14,317 | - | 14,317 |
| Consulting - geology | - | - | - | - | 16,004 | - | 16,004 |
| Legal | - | - | - | - | 442 | - | 442 |
| Maps & reports | - | - | - | - | 1,594 | - | 1,594 |
| Site visits | - | - | - | - | 5,013 | - | 5,013 |
| | - | - | - | - | 54,900 | - | 54,900 |
| TOTALS | 1,735,307 | 674,535 | (1,341,120) | 1,090,722 | 175,818 | (4,091) | 1,262,449 |

See notes to condensed consolidated financial statements

EXPEDITION MINING INC.
Notes to the Condensed Consolidated Financial Statements
For the six months ended March 31, 2013 and 2012
(Prepared by Management)

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company is incorporated in the Province of British Columbia and its principal business activity is the acquisition and exploration of resource properties. The Company is currently in the exploration stage of developing its mineral properties and has not yet determined whether these properties contain mineral reserves that are economically recoverable.

These condensed consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and has an accumulated operating deficit of \$26,975,912 at March 31, 2013 (\$26,712,758 at September 30, 2012). The ability of the Company to continue as a going-concern depends upon its capacity in the near-term to raise additional equity financing and ultimately to develop profitable commercial operations.

There can be no assurance that the Company will be able to continue to raise funds in the future in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the statement of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These unaudited condensed consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 'Financial Reporting' ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These unaudited condensed consolidated financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's September 30, 2012 consolidated annual financial statements. The policies applied are based on IFRS issued and outstanding as of May 13, 2013, the date the Board of Directors approved the financial statements. Any subsequent changes to IFRS that are given effect in our annual consolidated financial statements for the year ended September 30, 2013 could result in restatement of these condensed consolidated financial statements. None of these standards are expected to have a significant effect on the consolidated financial statements.

These unaudited consolidated financial statements are presented in the Company's reporting currency on a historical cost basis, modified by the revaluation of available-for-sale financial assets. Functional currencies are detailed in Note 2.

Financial instruments

i) Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the balance sheet at fair value with changes in fair value recognized through profit or loss.

EXPEDITION MINING INC.
Notes to the Condensed Consolidated Financial Statements
For the six months ended March 31, 2013 and 2012
(Prepared by Management)

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

i) Financial assets *(continued)*

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the income statement.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized through profit or loss.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

The Company has classified its cash and cash equivalence and security deposits at fair value through profit and loss. The Company's accounts receivables are classified as loans and receivables.

ii) Financial liabilities

The Company classifies its financial liabilities in the following categories:

Other financial liabilities - Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit and loss over the period to maturity using the effective interest method.

Other financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include accounts payable and accrued liabilities.

Derivative financial liabilities - Derivative financial liabilities are initially recognized at their fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at each reporting period with changes in the fair value recognized in profit and loss. Derivative financial liabilities include warrants issued by the Company denominated in a currency other than the Company's functional currency.

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Expedition Mining USA Inc. All significant inter-company transactions have been eliminated.

EXPEDITION MINING INC.
Notes to the Condensed Consolidated Financial Statements
For the six months ended March 31, 2013 and 2012
(Prepared by Management)

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property and equipment

Property and equipment is carried at cost, less accumulated depreciation and accumulated impairment losses.

Cost comprises the fair value of consideration given to acquire or construct an asset and includes the direct charges associated with bringing the asset to the location and condition necessary for putting it into use, along with the future cost of dismantling and removing the asset.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The cost of major overhauls of parts of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of plant and equipment are recognized in profit or loss as incurred.

Equipment is amortized using the declining-balance method at a rate of 20% per annum for furniture and fixtures and telephone equipment and 30% per annum for computer equipment and 30% per annum for vehicles. Leasehold improvements are amortized on a straight line basis over the term of the lease.

Foreign currency translation

The reporting currency of the Company is the Canadian dollar.

The functional currency of each of the parent Company and its subsidiary entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is the parent company's functional and presentation currency. The functional currency of both subsidiaries is the Canadian dollar.

Transactions and balances:

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive income in the period in which they arise.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the nonmonetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Parent and Subsidiary Companies:

The financial results and position of foreign operations whose functional currency is different from the presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of comprehensive income. These differences are recognized in the profit or loss in the period in which the operation is disposed.

EXPEDITION MINING INC.
Notes to the Condensed Consolidated Financial Statements
For the six months ended March 31, 2013 and 2012
(Prepared by Management)

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Exploration and evaluation assets

Once a license to explore an area has been secured, expenditures on exploration and evaluation activities are capitalized to exploration and evaluation and classified as a component of property, plant and equipment.

Exploration expenditures relate to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential.

Management reviews the carrying value of capitalized exploration costs at least annually. In the case of undeveloped projects, there may be only inferred resources to form a basis for the impairment review. The review is based on a status report regarding the Company's intentions for development of the undeveloped property. In some cases, the undeveloped properties are regarded as successors to ore bodies currently in production. Where this is the case, it is intended that these will be developed and go into production when the current source of minerals is exhausted or to replace the reduced output.

Once an economically viable reserve has been determined for an area and the decision to proceed with development has been approved, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to construction in progress within property, plant and equipment.

Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If put into production, the costs of acquisition and exploration will be amortized over the life of the property, based on estimated economic reserves. If a project does not prove viable, all irrecoverable costs associated with the project net of any impairment provisions are written off.

Decommissioning provision

The Company records a liability based on the best estimate of costs for site closure and reclamation activities that the Company is legally or constructively required to remediate and the liability is recognized at the time environmental disturbance occurs. The resulting costs are capitalized to the corresponding asset. The provision for closure and reclamation liabilities is estimated using expected cash flows, based on engineering and environmental reports prepared by third party industry specialists, discounted at a pre-tax rate specific to the liability. The capitalized amount is amortized on the same basis as the related asset. The liability is adjusted for the accretion of the discounted obligation and any changes in the amount or timing of the underlying future cash flows. Significant judgements and estimates are involved in forming expectations of the amounts and timing of future closure and reclamation cash flows.

Changes in closure and reclamation estimates are accounted for as a change in the corresponding capitalized cost.

Costs of rehabilitation projects for which a provision has been recorded are recorded directly against the provision as incurred, most of which are incurred at the end of the life of mine.

Loss per share

The Company uses the treasury stock method of calculating diluted per share amounts whereby any proceeds from the exercise of stock options or other dilutive instruments are assumed to be used to purchase common shares at the average market price during the period. The assumed conversion of outstanding common share options and warrants has an anti-dilutive impact in 2012 and 2011. Basic loss per share is calculated using the weighted-average number of shares outstanding during the period.

EXPEDITION MINING INC.
Notes to the Condensed Consolidated Financial Statements
For the six months ended March 31, 2013 and 2012
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2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share capital

- i) The proceeds from the exercise of stock options, warrants and escrow shares are recorded as share capital in the amount for which the option, warrant or escrow share enabled the holder to purchase a share in the Company.
- ii) Commissions paid to underwriters, and other related share issue costs, such as legal, auditing, and printing, on the issue of the Company's shares are charged directly to share capital.

Income taxes

The Company uses the balance sheet method of accounting for income taxes. Under the balance sheet method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets also result from unused loss carry forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Share-based payments

The Company accounts for stock options granted to directors, officers, employees and nonemployees at fair value. Accordingly, the fair value of the options at the date of the grant is determined using the Black-Scholes option pricing model and stock-based compensation is accrued and charged to operations, with an offsetting credit to share-based payment reserve, over the vesting periods. The fair value of stock options granted to non-employees is re-measured at the earlier of each financial reporting or vesting date, and any adjustment is charged or credited to operations upon re-measurement. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

Estimates and judgment

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- i) The carrying value and the recoverability of exploration and evaluation assets, which are included in the consolidated statement of financial position.
- ii) The valuation of share-based payments.

Critical judgment is applied for the determination of the functional currency for each entity of the Company. Management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction as well as the currency in which funds from financing activities are denominated.

Measurement uncertainty

The future recovery of the recorded cost of the exploration and evaluation assets, and the provision for a future asset retirement obligations are based on estimates. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

EXPEDITION MINING INC.
Notes to the Condensed Consolidated Financial Statements
For the six months ended March 31, 2013 and 2012
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2. **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded as warrants.

Impairment of long-lived assets

Management evaluates non-current assets at least annually for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present the recoverable amount of an asset is evaluated at the level of a cash generating unit (CGU), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in income to the extent that the carrying amount exceeds the recoverable amount.

Exploration tax credits

The Company recognizes exploration tax credit amounts when the Company's application is approved by the taxation authorities or when the amount to be received can be reasonably estimated and collection is reasonably assured. The amount of the exploration tax credits would reduce the Company's deferred exploration costs through a credit to recoveries.

Flow-through shares

Canadian Income Tax legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. The Company accounts for flow-through shares whereby the premium paid for the flow through shares in excess of the market value of the shares without flow-through features at the time of issue is credited to other liabilities and included in profit or loss at the same time the qualifying expenditures are made.

Cash and cash equivalents

Cash and cash equivalents include cash in accounts and securities that on acquisition are convertible to cash within three months. These investments are highly liquid marketable securities.

3. **CASH AND CASH EQUIVALENTS**

| | March 31, 2013 | September 30, 2012 |
|-------------------------|-----------------------|---------------------------|
| | \$ | \$ |
| Canadian chartered bank | | |
| - Deposits | 45,993 | 102,172 |
| - Investments (GIC) | 1,087,127 | 1,480,642 |
| | 1,133,120 | 1,582,814 |

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4. RECEIVABLES

| | March 31, 2013 | September 30, 2012 |
|---------------------|-----------------------|---------------------------|
| | \$ | \$ |
| HST receivable | 19,327 | 17,345 |
| Interest receivable | 758 | 538 |
| Other receivable | 2,627 | 2,294 |
| | 22,712 | 20,177 |

5. EQUIPMENT

| | Computer | Office Equipment | Total |
|---------------------------------|-----------------|-------------------------|---------------|
| | \$ | \$ | \$ |
| Cost | | | |
| As at September 30, 2011 | 41,178 | 49,020 | 90,198 |
| Additions during the period | 899 | - | 899 |
| As at September 30, 2012 | 42,077 | 49,020 | 91,097 |
| Additions during the period | 1,004 | - | 1,004 |
| As at March 31, 2013 | 43,081 | 49,020 | 92,101 |
| | Computer | Office Equipment | Total |
| | \$ | \$ | \$ |
| Accumulated depreciation | | | |
| As at September 30, 2011 | 33,611 | 36,398 | 70,009 |
| Amortization during the period | 2,540 | 2,524 | 5,064 |
| As at September 30, 2012 | 36,151 | 38,292 | 75,073 |
| Amortization during the period | 989 | 1,010 | 1,999 |
| As at March 31, 2013 | 37,140 | 39,932 | 77,072 |
| | Computer | Office Equipment | Total |
| | \$ | \$ | \$ |
| Net book value | | | |
| As at September 30, 2011 | 7,567 | 12,622 | 20,189 |
| As at September 30, 2012 | 5,926 | 10,098 | 16,024 |
| As at March 31, 2013 | 5,941 | 9,088 | 15,029 |

6. EXPLORATION AND EVALUATION ASSETS

Title to mineral property interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral property interests. The Company has investigated title to all of its mineral property interests and, to the best of its knowledge, title to all of its properties are in good standing.

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6. EXPLORATION AND EVALUATION ASSETS (continued)

Mt. Mervyn Property
Yukon Territory, Canada

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 unpatented mining claims, approximately 6,564 hectares (65.64 sq kilometres).

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)

Net Smelter Returns Royalty (NSR):

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

The Company has met the cash requirements of \$150,000 and has issued an aggregate of 1,000,000 shares to the vendor of the property, thereby completing the acquisition of a 100% interest in the Mt. Mervyn Property.

Jenny Hill & Black Hills Project
Nevada, USA

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

The Black Hills 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 Hills 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 (paid) |
| September 1, 2013 | 20,000 |
| September 1, 2014 | 25,000 |
| September 1, 2015 | 30,000 |
| September 1, 2016 | 35,000 |
| September 1, 2017 | 40,000 |

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.

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6. EXPLORATION AND EVALUATION ASSETS (continued)

Slate Hill Project
Nevada, USA

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. The agreement calls for lease payments to be made as follows:

| <u>Date</u> | <u>Payment Amount</u> |
|-------------------|-----------------------|
| March 1, 2012 | \$ 10,000 (paid) |
| September 1, 2013 | 15,000 |
| September 1, 2014 | 20,000 |
| September 1, 2015 | 25,000 |
| September 1, 2016 | 30,000 |
| September 1, 2017 | 35,000 |

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

The above transactions received the final approval of the TSX Venture Exchange on March 28, 2012.

Long Canyon Project
Nevada, USA

The Long Canyon property consists of 37 unpatented lode claims within two blocks, 10 claims form the Long Canyon South block and 27 claims comprise the Long Canyon North block. The two blocks cover approximately 83.5 and 225.4 hectares respectively, located 200 kms southeast of Reno and 16 kms southeast of the community of Mina, Nevada. The lease payments and issuance of shares to be made are as follows:

| <u>Date</u> | <u>Payment Amount</u> | <u>Shares</u> |
|------------------|-----------------------|-----------------|
| December 6, 2012 | \$15,000 (paid) | 50,000 (issued) |
| December 6, 2013 | \$20,000 | 50,000 |
| December 6, 2014 | \$25,000 | - |
| December 6, 2015 | \$30,000 | - |
| December 6, 2016 | \$35,000 | - |
| December 6, 2017 | \$40,000 | - |
| December 6, 2018 | \$40,000 | - |
| December 6, 2019 | \$40,000 | - |
| December 6, 2020 | \$40,000 | - |
| December 6, 2021 | \$40,000 | - |

Under the LC Agreement, Expedition has the option to acquire 100% ownership of the mining claims, subject to a 2% NSR reserved for the Owners. Expedition may exercise the Option at any time before the expiration date of this Agreement. The Purchase Price shall be \$300,000.

NSR

The Long Canyon property is subject to a 2% NSR. Expedition has the option to purchase at any time one-half (1/2) of the Royalty representing one percent (1%) of the Net Smelter Return for a purchase price of \$1.5 million.

On January 24, 2013, the Company received final approval from the TSX Venture Exchange.

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7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | March 31, 2013 | September 30, 2012 |
|------------------------|-----------------------|---------------------------|
| | \$ | \$ |
| Trade accounts payable | 7,765 | 8,061 |
| Accrued liabilities | 5,500 | 31,000 |
| Due to related parties | 5,680 | 12,330 |
| | 18,945 | 51,391 |

8. RELATED PARTY TRANSACTIONS

During the six months ended March 31, 2013, the Company paid or accrued \$176,341 (2012- \$143,930) to directors and officers or companies controlled by directors and officers of the Company, for management, accounting, geological consulting fees, and directors fees incurred by the Company. In addition, the Company granted 650,000 options with exercise price OF \$0.10 to directors and officers. The fair value of the options granted range from \$0.0406 with total share-based payments of \$26,365 (2012- \$56,998). Included in accounts payable are directors fees payable of \$5,680 (2012 - \$12,330), which are non-interest bearing, unsecured, and payable on demand.

Related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

9. SHARE CAPITAL

a) Authorized: Unlimited number of common shares

b) Issued and outstanding:

On January 29, 2013, the Company issued 50,000 shares with respect to the Long Canyon Property agreement, which received final approval from the TSX Venture Exchange on January 24, 2013.

c) Stock options:

The continuity of share purchase options is as follows:

| Expiry Date | Exercise Price | 30-Sep-12 | Granted | Exercised | Expired/ Cancelled | 31-Mar-13 |
|--|-----------------------|------------------|----------------|------------------|-------------------------------|------------------|
| 01-Dec-12 | 0.15 | 450,000 | - | - | (450,000) | - |
| 23-Apr-13 | 0.15 | 485,000 | - | - | - | 485,000 |
| 29-Apr-14 | 0.15 | 525,000 | - | - | - | 525,000 |
| 15-Oct-14 | 0.15 | 50,000 | - | - | - | 50,000 |
| 10-Jun-15 | 0.10 | 400,000 | - | - | - | 400,000 |
| 28-Jul-15 | 0.10 | 355,000 | - | - | - | 355,000 |
| 21-Sep-15 | 0.15 | 50,000 | - | - | - | 50,000 |
| 21-Apr-16 | 0.40 | 1,215,000 | - | - | - | 1,215,000 |
| 11-Jul-16 | 0.40 | 100,000 | - | - | - | 100,000 |
| 12-Jan-17 | 0.15 | 200,000 | - | - | - | 200,000 |
| 20-Mar-17 | 0.15 | 375,000 | - | - | - | 375,000 |
| 23-May-17 | 0.10 | 885,000 | - | - | - | 885,000 |
| 14-Dec-12 | 0.10 | - | 650,000 | - | - | 650,000 |
| | | 5,090,000 | 650,000 | - | (450,000) | 5,290,000 |
| Weighted average exercise price | | \$ 0.22 | \$ 0.12 | - | \$ 0.20 | \$ 0.19 |

EXPEDITION MINING INC.**Notes to the Condensed Consolidated Financial Statements****For the six months ended March 31, 2013 and 2012****(Prepared by Management)****9. SHARE CAPITAL (continued)****c) Stock options: (continued)**

| Expiry Date | Exercise Price | 30-Sep-11 | Granted | Exercised | Expired / Cancelled | 31-Mar-12 |
|--|-----------------------|------------------|----------------|------------------|----------------------------|------------------|
| 13-Nov-11 | 0.15 | 150,000 | - | - | (150,000) | - |
| 19-Mar-12 | 0.15 | 475,000 | - | - | (475,000) | - |
| 01-Dec-12 | 0.15 | 550,000 | - | - | (100,000) | 450,000 |
| 23-Apr-13 | 0.15 | 585,000 | - | - | (100,000) | 485,000 |
| 29-Apr-14 | 0.15 | 525,000 | - | - | - | 525,000 |
| 15-Oct-14 | 0.15 | 50,000 | - | - | - | 50,000 |
| 10-Jun-15 | 0.10 | 600,000 | - | - | (200,000) | 400,000 |
| 28-Jul-15 | 0.10 | 355,000 | - | - | - | 355,000 |
| 21-Sep-15 | 0.15 | 50,000 | - | - | - | 50,000 |
| 21-Apr-16 | 0.40 | 1,515,000 | - | - | (300,000) | 1,215,000 |
| 11-Jul-16 | 0.40 | 100,000 | - | - | - | 100,000 |
| 12-Jan-17 | 0.15 | - | 200,000 | - | - | 200,000 |
| 20-Mar-17 | 0.15 | - | 375,000 | - | - | 375,000 |
| | | 4,955,000 | 575,000 | - | (1,325,000) | 4,205,000 |
| Weighted average exercise price | | 0.22 | 0.15 | - | 0.18 | 0.21 |

During the six months ended March 31, 2013, the Company granted 650,000 stock options to directors and consultants (2012 – 575,000). The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions and resulting values:

| | 31-Dec-12 | 20-Mar-12 | 12-Jan-12 |
|------------------------------|------------------|------------------|------------------|
| Number of options | 650,000 | 375,000 | 200,000 |
| Risk-free interest rate | 3.00% | 3.00% | 3.00% |
| Expected life | 5 | 5 | 5 |
| Vesting period | - | - | - |
| Share price at date of grant | \$0.05 | \$0.12 | \$0.11 |
| Option exercise price | \$0.10 | \$0.15 | \$0.15 |
| Expected volatility | 130.21% | 129.84% | 134.71% |
| Option fair value | \$0.0406 | \$0.1017 | \$0.0943 |
| Compensation costs | \$26,365 | \$38,154 | \$18,854 |

d) Share-based payment reserve

| | | |
|-------------------------------------|-----------|------------------|
| September 30, 2011 | \$ | 3,752,039 |
| Fair-value of stock options granted | | 57,009 |
| March 31, 2012 | \$ | 3,809,048 |
| Fair-value of stock options granted | | 51,528 |
| September 30, 2012 | | 3,860,576 |
| Fair-value of stock options granted | | 26,364 |
| March 31, 2013 | \$ | 3,886,940 |

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9. **SHARE CAPITAL** (continued)

e) Share purchase warrants

There were no outstanding share purchase warrants as at March 31, 2013. Below is the continuity of share warrants as at March 31, 2012:

| Expiry Date | Exercise Price | 30-Sep-11 | Granted | Exercised | Expired / Cancelled | 31-Mar-12 |
|--|----------------|-----------|---------|-----------|------------------------|-----------|
| 12-Sep-12 | 0.40 | 1,312,500 | - | - | - | 1,312,500 |
| 12-Sep-12 | 0.32 | 1,750,000 | - | - | - | 1,750,000 |
| 12-Sep-12 | 0.50 | 306,250 | - | - | - | 306,250 |
| 12-Sep-12 | 0.80 | 153,125 | - | - | - | 153,125 |
| | | 3,521,875 | - | - | - | 3,521,875 |
| Weighted average exercise price | | 0.39 | - | - | - | 0.39 |

10. **NON CASH TRANSACATIONS**

The following non-cash transactions were recorded:

| | March 31, 2013 | March 31, 2012 |
|---|-------------------|-------------------|
| Financing activities | | |
| Shares issued for exploration and evaluation assets | 2,500 | 27,500 |

11. **CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS**

a) Capital Management Objectives

The Company's primary objective when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders, and to have sufficient liquidity available to fund suitable business opportunities as they arise.

The Company considers the components of shareholders' equity, as well as its cash and equivalents as capital. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk of characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue equity, sell assets, or return capital to shareholders as well as issue or repay debt. The Board of Directors has not established quantitative capital structure criteria management, but will review on a regular basis the capital structure of the Company to ensure its appropriateness to the stage of development of the business.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the company, is reasonable.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets, which are updated as necessary and are reviewed and approved by the Company's Board of Directors. In addition, the Company may issue new equity, incur additional debt, or dispose of certain assets. When applicable, the Company's investment policy is to hold cash in interest bearing accounts at high credit quality financial institutions to maximize liquidity. In order to maximize ongoing development efforts, the Company does not pay dividends. The Company expects to continue to raise funds, from time to time, to continue meeting its capital management objectives.

There were no changes in the Company's approach to capital management during the six months ended March 31, 2013.

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11. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS *(continued)*

b) Carrying Amounts and Fair Values of Financial Instruments

The fair value of a financial instrument is the price at which a party would accept the rights and/or obligations of the financial instruments from an independent third party. Given the varying influencing factors, the reported fair values are only indicators of the prices that may actually be realized for these financial instruments.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2—Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3—Inputs that are not based on observable market data

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at March 31, 2013.

| | | Level 1 | Level 2 | Level 3 | Total |
|-------------------|----|----------------|----------------|----------------|--------------|
| Cash | \$ | 1,133,120 | \$ — | \$ — | \$ 1,133,120 |
| Security deposits | \$ | 5,750 | \$ — | \$ — | \$ 5,750 |

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at September 30, 2012.

| | | Level 1 | Level 2 | Level 3 | Total |
|-------------------|----|----------------|----------------|----------------|--------------|
| Cash | \$ | 1,582,814 | \$ — | \$ — | \$ 1,582,814 |
| Security deposits | \$ | 5,750 | \$ — | \$ — | \$ 5,750 |

12. SUBSEQUENT EVENTS

On April 23, 2013, the Company issued 485,000 incentive stock options with exercise price of \$0.15 per share expired unexercised.