

EXPEDITION MINING INC.
CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2014
and
September 30, 2013
(Expressed in Canadian Dollars)

Corporate Head Office
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Expedition Mining Inc.,

We have audited the accompanying consolidated financial statements of Expedition Mining Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at September 30, 2014 and 2013 and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Expedition Mining Inc. and its subsidiaries as at September 30, 2014 and 2013 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.



CHARTERED ACCOUNTANTS
Vancouver, Canada
January 27, 2015

EXPEDITION MINING INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30, 2014	September 30, 2013
	\$	\$
A S S E T S		
Current assets		
Cash (Note 3)	272,376	937,742
Receivables and prepaids (Notes 4 & 6)	7,692	73,125
Security deposits	<u>5,750</u>	<u>5,750</u>
	285,818	1,016,617
Equipment (Note 5)	1,574	13,800
Reclamation bond (Note 6)	13,541	4,760
Exploration and evaluation assets (Notes 6 and 9)	<u>1</u>	<u>1,251,689</u>
	<u>300,934</u>	<u>2,286,866</u>
LIABILITIES & SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Notes 7 & 8)	<u>74,167</u>	<u>53,215</u>
Shareholders' equity		
Share capital (Note 9)	25,527,873	25,526,873
Share-based payment reserve (Note 9e)	3,919,385	3,912,909
Deficit	<u>(29,220,491)</u>	<u>(27,206,131)</u>
	226,767	2,233,651
	<u>300,934</u>	<u>2,286,866</u>
Nature and continuance operations (Note 1)		
Basis of presentation (Note 2)		

Approved on behalf of the Board of Directors:

"Ronald Atlas", Director

"Steve Chan", Director

See notes to consolidated financial statements

EXPEDITION MINING INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the Years Ended September 30

	2014	2013
	\$	\$
General and administrative expenses:		
Bank charges and interest	943	975
Consulting fees	-	16,000
Corporate and administration fees	9,293	36,548
Directors' fees	21,750	24,000
Filing and transfer agent fees	22,238	16,269
Legal & accounting fees (Note 8)	90,034	93,901
Management fees (Note 8)	211,191	202,655
Office, rent and insurance	44,868	66,947
Property investigation	125,000	800
Shareholders' communication, & promotion	17,975	27,559
Travel, meals & entertainment	7,305	17,286
	<u>(550,597)</u>	<u>(502,940)</u>
Other items:		
Amortization	(12,226)	(4,472)
Interest income	7,973	14,879
Other income (Recovery of Asset backed commercial paper)	-	122,494
Foreign exchange loss	(145)	-
Share-based payments (Note 9e)	(6,476)	(52,333)
Expenses recovered	-	6,236
Write-down exploration & evaluation assets	(998,256)	-
Write-off exploration & evaluation assets	<u>(454,633)</u>	<u>(77,237)</u>
Loss before income tax	<u>(2,014,360)</u>	<u>(493,373)</u>
Net loss and comprehensive loss	<u>(2,014,360)</u>	<u>(493,373)</u>
Basic and diluted loss per share	<u>(0.17)</u>	<u>(0.04)</u>
Weighted average – number of shares outstanding	<u>11,665,659</u>	<u>11,642,962</u>

See notes to consolidated financial statements

EXPEDITION MINING INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended September 30

	2014	2013
	\$	\$
Cash provided by (used for):		
Operating activities		
Net loss for the year	(2,014,360)	(493,373)
Adjustments which do not affect cash:		
Amortization	12,226	4,472
Stock-based compensation	6,476	52,333
Write-down of exploration & evaluation assets	998,256	-
Write-off of exploration & evaluation assets	454,633	77,237
	<u>(542,769)</u>	<u>(359,331)</u>
Net changes in non-cash working capital items:		
Amounts receivable	65,433	(52,948)
Prepaid expense	-	6,595
Accounts payable and accrued liabilities	20,952	1,824
	<u>(456,384)</u>	<u>(403,860)</u>
Investing activities		
Purchase of capital assets	-	(2,248)
Exploration and evaluation assets	(200,201)	(234,204)
Reclamation bond	(8,781)	(4,760)
	<u>(208,982)</u>	<u>(241,212)</u>
Decrease in cash	(665,366)	(645,072)
Cash - beginning of year	<u>937,742</u>	<u>1,582,814</u>
Cash - end of year	<u><u>272,376</u></u>	<u><u>937,742</u></u>
<u>Supplementary disclosures:</u>		
Interest income received	7,973	14,500
Note 10 – Non-cash transactions		

See notes to consolidated financial statements

EXPEDITION MINING INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Issued Share Capital		Share- Based Payment Reserve	Deficit	Total
	Number of Shares	Amount			
Balance, September 30, 2012	11,637,367	25,522,873	3,860,576	(26,712,758)	2,670,691
Issued pursuant to property agreement	20,000	4,000	-	-	4,000
Fair-value of options granted	-	-	52,333	-	52,333
Loss for the year	-	-	-	(493,373)	(493,373)
Balance, September 30, 2013	11,657,367	\$ 25,526,873	\$ 3,912,909	\$ (27,206,131)	\$ 2,233,651
Issued pursuant to property agreement	10,000	1,000	-	-	1,000
Fair-value of options granted	-	-	6,476	-	6,476
Loss for the year	-	-	-	(2,014,360)	(2,014,360)
Balance, September 30, 2014	11,667,367	\$ 25,527,873	\$ 3,919,385	\$ (29,220,491)	\$ 226,767

See notes to consolidated financial statements

EXPEDITION MINING INC.

CONSOLIDATED STATEMENTS OF EXPLORATION AND EVALUATION ASSETS

For the Years Ended September 30, 2014 and September 30, 2013

	Balance October 1, 2012	Additions	Write-off/ Write- down	Balance September 30, 2013	Additions	Write-off/ Write-down	Balance September 30, 2014
	\$	\$	\$	\$	\$	\$	\$
<hr/>							
Joy Property (Yukon)							
Acquisition costs	-	-	-	-	-	-	-
Exploration costs:							
Camp	-	-	-	-	-	-	-
Consulting - geology	-	-	-	-	-	-	-
Data acquisition	-	-	-	-	-	-	-
Fieldwork & supplies	-	-	-	-	-	-	-
Geochem and geophysics	-	-	-	-	-	-	-
Helicopter	-	-	-	-	-	-	-
Legal	-	-	-	-	-	-	-
Mobilization	-	4,091	(4,091)	-	-	-	-
Soil sampling, trenching & assays	-	-	-	-	-	-	-
	-	4,091	(4,091)	-	-	-	-
<hr/>							
Mt. Mervyn Property (Yukon)							
Acquisition costs	360,000	-	-	360,000	-	(359,999)	1
Exploration costs:							
Camp	18,748	-	-	18,748	-	(18,748)	-
Consulting - geology	10,296	-	-	10,296	-	(10,296)	-
Data acquisition	105,570	-	-	105,570	-	(105,570)	-
Fieldwork & supplies	57,421	-	-	57,421	-	(57,421)	-
Geochem and geophysics	146,242	-	-	146,242	-	(146,242)	-
Helicopter	100,191	-	-	100,191	-	(100,191)	-
Legal	11,019	342	-	11,361	-	(11,361)	-
Mobilization	43,355	-	-	43,355	-	(43,355)	-
Soil sampling, trenching & assays	138,859	6,214	-	145,073	-	(145,073)	-
	991,701	6,556	-	998,257	-	(998,256)	1

See notes to consolidated financial statements

EXPEDITION MINING INC.

CONSOLIDATED STATEMENTS OF EXPLORATION AND EVALUATION ASSETS

For the Years Ended September 30, 2014 and September 30, 2013

	Balance October 1, 2012	Additions	Write-off/ Write- down	Balance September 30, 2013	Additions	Write-off/ Write-down	Balance September 30, 2014
	\$	\$	\$	\$	\$	\$	\$
Jenny Hill Project (Nevada)							
Acquisition costs	25,923	22,598	-	48,521	-	(48,521)	-
Exploration costs:							
Advances	16,635	(16,635)	-	-	-	-	-
Assays	-	38,036	-	38,036	-	(38,036)	-
Claims maintenance	13,693	10,892	-	24,585	-	(24,585)	-
Consulting - geology	10,514	14,975	-	25,489	-	(25,849)	-
Maps & reports	300	506	-	806	-	(806)	-
Site visits	655	2,584	-	3,239	-	(3,239)	-
Soil sampling & trenching	-	34,041	-	34,041	-	(34,041)	-
	67,720	106,997	-	174,717	-	(174,717)	-
Slate Project (Nevada)							
Acquisition costs	9,962	-	(9,962)	-	-	-	-
Exploration costs:							
Advances	16,635	(16,635)	-	-	-	-	-
Assays	-	17,982	(17,982)	-	-	-	-
Consulting - geology	3,750	4,000	(7,750)	-	-	-	-
Maps & reports	300	244	(544)	-	-	-	-
Site visits	654	2,212	(2,866)	-	-	-	-
Soil sampling & trenching	-	34,042	(34,042)	-	-	-	-
	31,301	41,845	(73,146)	-	-	-	-
Long Canyon (Nevada)							
Acquisition costs	-	17,530	-	17,530	22,498	(40,028)	-
Exploration costs:							
Assays	-	14,317	-	14,317	19,810	(34,127)	-
Claims maintenance	-	6,017	-	6,017	7,731	(13,748)	-
Consulting - geology	-	28,104	-	28,104	29,500	(57,604)	-
Drilling	-	-	-	-	99,271	(99,271)	-
Field supplies	-	-	-	-	822	(822)	-
Legal	-	441	-	441	-	(441)	-
Maps & reports	-	3,169	-	3,169	7,132	(10,301)	-
Site visits	-	9,137	-	9,137	14,437	(23,574)	-
	-	78,715	-	78,715	201,201	(279,916)	-
TOTALS	1,090,722	238,204	(77,237)	1,251,689	201,201	(1,452,889)	1

See notes to consolidated financial statements

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 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 \$29,220,491 at September 30, 2014 (\$27,206,131 at September 30, 2013). 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

The Company's consolidated financial statements, including comparatives, have been prepared in accordance with and using accounting policies in full compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee.

The policies applied in these consolidated financial statements are presented in Note 2 and are based on IFRS issued and outstanding as of **January 27, 2015**, the date the Board of Directors approved the annual consolidated financial statements.

These 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property and equipment *(continued)*

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.

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.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 2014 and 2013. Basic loss per share is calculated using the weighted-average number of shares outstanding during the period.

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments *(continued)*

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

New standards not yet adopted

Effective October 1, 2013, the Company adopted the following new and revised IFRS that were issued by the IASB:

- Amendments to IAS 1, Presentation of Items of Other Comprehensive Income
- IFRS 7, Financial Instruments: Disclosures
- IFRS 11, Joint Arrangements
- IFRS 12, Disclosure of Interests in Other Entities
- IFRS 13, Fair Value Measurement
- IAS 19, Employee Benefits
- IAS 27, Separate Financial Statements
- IAS 28, Investments in Associates and Joint Ventures

The application of these new and revised IFRS has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

New standards amendments and interpretations to existing standards not yet effective

Effective for annual reporting periods beginning on or after January 1, 2014

- IAS 32, Offsetting Financial Assets and Financial Liabilities
- IAS 36, Recoverable Amount Disclosure for Non-Financial Assets

The Company has not early adopted these new and amended standards and is currently assessing the impact that these standards will have on the Company's financial statements.

EXPEDITION MINING INC.
Notes to the Consolidated Financial Statements
For the years ended September 30, 2014 and 2013

3. CASH AND CASH EQUIVALENTS

	September 30, 2014	September 30, 2013
	\$	\$
Canadian chartered bank		
- Deposits	25,769	146,788
- Investments (GIC)	246,607	790,954
	272,376	937,742

4. RECEIVABLES

	September 30, 2014	September 30, 2013
	\$	\$
GST/HST receivable	1,503	2,997
Interest receivable	189	379
Legal trust accounts	6,000	69,749
	7,692	73,125

5. EQUIPMENT

	Computer	Office Equipment	Total
	\$	\$	\$
Cost			
As at October 1, 2012	42,077	49,020	91,097
Additions during the year	2,248	-	2,248
As at September 30, 2013	44,325	49,020	93,345
Additions during the year	-	-	-
As at September 30, 2014	44,325	49,020	93,345
	Computer	Office Equipment	Total
	\$	\$	\$
Accumulated depreciation			
As at October , 2012	36,151	38,922	75,073
Amortization during the year	2,452	2,020	4,472
As at September 30, 2013	38,603	40,942	79,545
Amortization during the year	4,148	8,078	12,226
As at September 30, 2014	42,751	49,020	91,771
	Computer	Office Equipment	Total
	\$	\$	\$
Net book value			
As at October 1, 2012	5,926	10,098	16,024
As at September 30, 2013	5,722	8,078	13,800
As at September 30, 2014	1,574	-	1,574

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.

Jenny Hill & Black Hills Project
Nevada, USA

In March 2012, the Company entered into a lease and option agreement for the Jenny Hills (“JH”) and Black Hills (“BH”) properties.

The JH property consists of 25 unpatented lode claims and is located 100 miles (161kms) southeast of Reno, Nevada.

The BH property consists of 43 unpatented lode claims and is approximately 100 miles (161 kilometres) southeast of Reno, Nevada. The property is located about two miles south of the JH 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 JH and BH agreement calls for lease payments to be made as follows:

<u>Date</u>	<u>Payment Amount (USD)</u>
March 1, 2012	\$ 20,000 (paid)
September 1, 2013	20,000 (paid)
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.

Expedition also has the option to acquire a 100% ownership of the claims, subject to a 2% net smelter return (“NSR”) royalty by paying \$250,000 for either the JH or BH claims or \$400,000 for both claims. Expedition may exercise the option at any time before the expiration date of the agreement. One-half of the NSR may be purchased at any time for \$1 million.

In consideration of the Mining Lease and Option Agreement, Expedition shall issue and deliver to the owners 10,000 (post-consolidation) common shares on signing (issued) and 10,000 (post-consolidation) common shares on or before September 1, 2013 (issued).

* During the year ended September 30, 2014, the Company terminated the mining lease agreement and wrote-off all acquisition and exploration expenditures (\$174,717).

Long Canyon Project
Nevada, USA

In December 2012, the Company entered into a lease and option agreement for the Long Canyon property which 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 are located 200 kms southeast of Reno and 16 kms southeast of the community of Mina, Nevada. Under the agreement, the lease payments and issuance of shares to be made are as follows:

EXPEDITION MINING INC.
Notes to the Consolidated Financial Statements
For the years ended September 30, 2014 and 2013

6. EXPLORATION AND EVALUATION ASSETS (continued)

Long Canyon Project (continued)
Nevada, USA

<u>Date</u>	<u>Payment Amount (USD)</u>
December 6, 2012	\$15,000 (paid)
December 6, 2013	\$20,000 (paid)
December 6, 2014	\$25,000 (*)
December 6, 2015	\$30,000
December 6, 2016	\$35,000
December 6, 2017	\$40,000

and \$40,000 on December 6 of each subsequent year, until the expiry of the lease on November 30, 2022.

Expedition also has the option to acquire a 100% ownership of the claims, subject to a 2% net smelter return (“NSR”) royalty by paying \$300,000. Expedition may exercise the option at any time before the expiration date of the agreement. One-half of the NSR may be purchased at any time for \$1.5 million.

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 December 6, 2013 (issued)

On July 30, 2013, the Company paid a cash reclamation bond of \$4,760 (US\$4,301) with the Bureau of Land Management (“BLM”). On March 20, 2014, an additional cash reclamation bond of \$8,781 (US\$7,720) was paid to the BLM, for a total of \$13,541 (US\$12,021). The Company has recorded this amount in the Balance Sheet under Receivables.

* During the year ended September 30, 2014, the Company terminated the mining lease agreement and wrote-off all acquisition and exploration expenditures (\$279,916).

Mt. Mervyn Property
Yukon Territory, Canada

In April 2011, the Company entered into an option agreement to acquire a 100% interest in the Mt. Mervyn gold property. The Mt. Mervyn property is located in the Mayo Mining District of central Yukon and is comprised of 314 unpatented mining claims.

In order to exercise its option, 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:

50,000 (post-consolidation) within business days after Exchange Acceptance Date (issued)

50,000 (post-consolidation) on or before June 1, 2011 (issued)

50,000 (post-consolidation) on or before October 1, 2011 (issued)

50,000 (post-consolidation) on or before March 31, 2012 (issued)

EXPEDITION MINING INC.
Notes to the Consolidated Financial Statements
For the years ended September 30, 2014 and 2013

6. EXPLORATION AND EVALUATION ASSETS (continued)

Mt. Mervyn Property (continued)
Yukon Territory, Canada

Net Smelter Return ("NSR") Royalty:

The optionor has a 2% NSR 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 250,000 (post-consolidation) shares to the vendor of the property, thereby completing the acquisition of a 100% interest in the Mt. Mervyn Property.

During the year ended September 30, 2014, due to the inability to finance the property, the Company wrote-down the property to a nominal amount of \$1.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2014	September 30, 2013
	\$	\$
Trade accounts payable	11,181	1,811
Accrued liabilities	25,000	30,000
Due to related parties	37,986	21,404
	74,167	53,215

8. RELATED PARTY TRANSACTIONS

During the year ended September 30, 2014, the Company paid or accrued \$323,596 (2013- \$334,380) 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 110,000 options with exercise price of \$0.055 to directors and officers. The fair value of the options granted was \$0.055 for total share-based payment of \$6,039. Included in accounts payable are directors fees payable of \$37,986 (2013 - \$21,404), which are non-interest bearing, unsecured, and payable on demand. Fair value cannot be reliably determined.

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:

During the year ended September 30, 2014, the Company issued the following shares related to two different property agreements:

- 10,000 (post-consolidation) shares with a fair value of \$0.10 per share with respect to the Long Canyon property agreement.

EXPEDITION MINING INC.**Notes to the Consolidated Financial Statements****For the years ended September 30, 2014 and 2013****9. SHARE CAPITAL (Continued)****b) Issued and outstanding:**

On June 19, 2014, the TSX Venture Exchange approved the consolidation of the Company's share capital on the basis of every five (5) shares of the Company being consolidated to one share to be effective June 23, 2014. The Company currently has 11,667,367 shares issued and outstanding

c) Stock options:

The continuity of share purchase options (post-consolidation) is as follows:

Expiry Date	Exercise Price	30-Sep-13	Granted	Exercised	Expired/ Cancelled	30-Sep-14
29-Apr-14	0.75	105,000	-	-	(105,000)	-
*15-Oct-14	0.75	10,000	-	-	-	10,000
10-Jun-15	0.50	80,000	-	-	-	80,000
28-Jul-15	0.50	71,000	-	-	-	71,000
21-Sep-15	0.75	10,000	-	-	-	10,000
21-Apr-16	2.00	243,000	-	-	-	243,000
11-Jul-16	2.00	20,000	-	-	-	20,000
12-Jan-17	0.75	40,000	-	-	(30,000)	10,000
20-Mar-17	0.75	75,000	-	-	-	75,000
23-May-17	0.50	177,000	-	-	(20,000)	157,000
14-Dec-17	0.50	130,000	-	-	(20,000)	110,000
15-May-18	0.50	167,000	-	-	(10,000)	157,000
23-Jul-19	0.055	-	118,000	-	-	118,000
		1,128,000	118,000	-	(185,000)	1,061,000
Weighted average exercise price		\$ 0.90	\$ 0.055	-	\$ 0.68	\$ 0.84

* stock options expired subsequent to year-end.

Expiry Date	Exercise Price	30-Sep-12	Granted	Exercised	Expired/ Cancelled	30-Sep-13
01-Dec-12	0.75	90,000	-	-	(90,000)	-
23-Apr-13	0.75	97,000	-	-	(97,000)	-
29-Apr-14	0.75	105,000	-	-	-	105,000
15-Oct-14	0.75	10,000	-	-	-	10,000
10-Jun-15	0.50	80,000	-	-	-	80,000
28-Jul-15	0.50	71,000	-	-	-	71,000
21-Sep-15	0.75	10,000	-	-	-	10,000
21-Apr-16	2.00	243,000	-	-	-	243,000
11-Jul-16	2.00	20,000	-	-	-	20,000
12-Jan-17	0.75	40,000	-	-	-	40,000
20-Mar-17	0.75	75,000	-	-	-	75,000
23-May-17	0.50	177,000	-	-	-	177,000
14-Dec-17	0.50	-	130,000	-	-	130,000
15-May-18	0.50	-	167,000	-	-	167,000
		1,018,000	297,000	-	(187,000)	1,128,000
Weighted average exercise price		\$ 1.00	\$ 0.50	-	\$ 0.75	\$ 0.90

EXPEDITION MINING INC.
Notes to the Consolidated Financial Statements
For the years ended September 30, 2014 and 2013

9. **SHARE CAPITAL** (continued)

c) Stock options: (continued)

The weighted average remaining contractual life of the above stock options as of September 30, 2014 was 2.5 years (2013—3.01 years).

During the year ended September 30, 2014, the Company granted 118,000 stock options (post-consolidation) to directors and consultants (297,000 – September 30, 2013). 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:

	30-Sep-14	30-Sep-13
	Total or Average	Total or Average
Number of options	118,000	297,000
Risk-free interest rate	1.54%	2.13%
Expected life	5.0	4.5
Vesting period	-	-
Share price at date of grant	\$0.06	\$0.22
Option exercise price	\$0.055	\$0.50
Expected volatility	150.4%	129.51%
Option fair value	\$0.0549	\$0.1763
Compensation costs	\$6,476	\$52,333

d) Share purchase warrants

There were no outstanding share purchase warrants as at the years ended September 30, 2014 and 2013.

e) Share-based payment reserve

September 30, 2012	\$	3,860,576
Fair-value of stock options granted		52,333
September 30, 2013	\$	3,912,909
Fair-value of stock options granted		6,476
September 30, 2014	\$	3,919,385

10. **NON CASH TRANSACTIONS**

The following non-cash transactions were recorded:

	September 30, 2014	September 30, 2013
Financing activities		
Shares issued for exploration and evaluation assets	\$ 1,000	\$ 4,000

EXPEDITION MINING INC.
Notes to the Consolidated Financial Statements
For the years ended September 30, 2014 and 2013

11. INCOME TAXES

A reconciliation of Canadian income taxes at statutory rates is as follows:

	2014	2013
Net loss for the year	\$ (2,014,360)	\$ (493,373)
Expected income tax recovery	\$ (523,734)	\$ (123,343)
Net adjustment for amortization and non-deductible amounts	376,894	33,702
Unrecognized benefit of non-capital losses	146,840	89,641
Total income taxes	\$ -	\$ -

The significant components of the Company's deferred income tax assets are as follows:

	2014	2013
Deferred income tax assets:		
Mineral properties	\$ 3,323,168	\$ 2,832,132
Non-capital loss carry-forwards	921,339	745,268
Share issue costs	5,867	11,282
Equipment	24,410	20,415
Capital loss carry-forwards	403,967	388,430
	4,678,751	3,997,527
Valuation allowance	(4,678,751)	(3,997,527)
Net deferred tax assets	\$ -	\$ -

The Company has non-capital losses of approximately \$3.5 million which may be carried forward and applied against taxable income in future years. These losses, if not utilized, will expire through to 2034. Subject to certain restrictions, the Company also has mineral property expenditures of approximately \$12.8 million available to reduce taxable income in future years. Future tax benefits which may arise as a result of these losses and resource deductions have not been recognized in these financial statements and have been offset by a valuation allowance.

Year of Origin	Year of Expiry	Non Capital Losses
2008	2028	\$ 2,000
2009	2029	793,000
2010	2030	676,000
2011	2031	610,000
2012	2032	520,000
2013	2033	380,000
2014	2034	560,000
		<u>\$ 3,541,000</u>

EXPEDITION MINING INC.
Notes to the Consolidated Financial Statements
For the years ended September 30, 2014 and 2013

12. 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 year ended September 30, 2014.

(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 September 30, 2014.

	Level 1		Level 2		Level 3		Total
Cash	\$	272,376	\$	—	\$	—	\$ 272,376
Security deposits	\$	5,750	\$	—	\$	—	\$ 5,750

EXPEDITION MINING INC.
Notes to the Consolidated Financial Statements
For the years ended September 30, 2014 and 2013

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

(c) Carrying Amounts and Fair Values of Financial Instruments (continued)

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at September 30, 2013.

	Level 1		Level 2		Level 3		Total
Cash	\$	937,742	\$	–	\$	–	\$ 937,742
Security deposits	\$	5,750	\$	–	\$	–	\$ 5,750