Freegold Ventures Limited

FORM 51-102F1
MANAGEMENT DISCUSSION AND ANALYSIS
FOR
FREEGOLD VENTURES LIMITED

DATED: MARCH 30TH, 2012

Additional information relating to Freegold Ventures Limited ("Freegold" or the "Company"), including the Company's Annual Information Form for the year ended December 31, 2011 is available on SEDAR a www.sedar.com.

This discussion contains certain forward-looking information and is expressly qualified to the cautionary statement at the end of this MD&A.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

Effective January 1st, 2011, the accounting framework under which financial statements are prepared in Canada for all publicly accountable enterprises changed to International Financial Reporting Standards ("IFRS"). The Company's transition date to IFRS was January 1st, 2010. The 2011 and 2010 information set forth in this document should be read in conjunction with the consolidated audited financial statements and related notes, prepared in accordance with IFRS, for the years ended December 31st, 2011 and 2010. The 2009 information was prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

BUSINESS OF FREEGOLD

Freegold is an exploration stage company engaged in the acquisition, exploration and evaluation of mineral properties of merit with the aim of developing them to a stage where they can be exploited at a profit or to arrange joint ventures whereby other companies provide funding for development and exploitation. The Company was incorporated in 1985 and is listed on the Toronto Stock Exchange under the symbol "FVL". As of March 30th, 2012, the Company had 61,859,689 shares outstanding and a market capitalization of CDN $47 million. The Company has its registered corporate office in Vancouver, Canada.

REVIEW OF EXPLORATION PROJECTS

The Company is focused on gold exploration in Alaska and has three primary exploration projects: Golden Summit, Vinasale and the Rob properties. Exploration in 2011 included the completion of diamond drill programs on all three of these projects.

In March 2011, the Company completed National Instrument 43-101 ("NI 43-101") compliant resource calculations on two of the projects: Golden Summit and Vinasale properties.

Golden Summit, Alaska

Since 1992, Freegold has explored the Golden Summit Project, which is located 20 miles north of Fairbanks, Alaska and less than 5 miles from one of Alaska's largest gold mines (Kinross' 350,000 oz/year Fort Knox Mine). Freegold's approximately 7-mile long by 1 to 2 mile wide Golden Summit property is located at the center of the historic Fairbanks mining district. This property contains over 80 known gold occurrences, and has hosted the district's largest and highest-grade historic underground gold producers. In the following discussion, gold is sometimes abbreviated by its elemental symbol, "Au"; and "g/t" or "gpt" refers to grams of gold per metric tonne.

Detailed exploration conducted to date covers a limited portion of the 7 mile long property. The balance of the property contains numerous old mines and prospects that have not been systematically explored.

The Golden Summit Project is comprised of a series of long-term leases and outright ownership by Freegold. The project is subject to various net smelter return royalties ("NSR's") ranging from 3-5%.

KEYSTONE CLAIMS

By an agreement dated May 17th, 1992, the Company entered into an agreement with Keystone to lease the Keystone claims whereby the Company agreed to make advance royalty payments of US$15,000 per year. In May 2000, the agreement was renegotiated and on 15 October 2000, a $50,000 signing bonus was paid. On November 30th, 2001, the Company restructured the advance royalty payments as follows:

	US Funds	
1992 – 1998 (US$15,000 per year)	$ 105,000	(paid)
2000	$ 50,000	($25,000 paid in cash and $25,000 with 9,816 treasury shares issued)
2001 - 2006 (US$50,000 per year)	$ 300,000	(paid)
2007	$ 150,000	(paid)
2008	$ 150,000	(paid $75,000 in 2008 with the remaining $75,000 paid in 2009, subject to a payment extension)
2009	$ 150,000	(paid)
2010	$ 150,000	(paid)
2011	$ 150,000	(paid)
2012 – 2019 (US$150,000 per year)	$ 1,200,000	

The property is subject to a 3% net smelter returns royalty. In 2011, Freegold negotiated an extension of the lease as long as there is either active exploration or production on the Project the lease shall continue.

TOLOVANA CLAIMS

In May 2004, the Company entered into an agreement with a third party (the "Seller") whereby the Seller transferred 100% of the rights via a Quit Claim Deed to a 20-year lease on the Tolovana Gold Property in Alaska.

Under the terms of the agreement, the Company assumed all of the Seller's obligations under the lease, which include making annual payments of $1,000 per month for the first 23 months increasing to $1,250 per month for the 24th to the 48th months and increasing to $1,500 after the 49th month and for the duration of the lease. These payments are current.

The property is subject to a sliding scale net smelter returns royalty ("NSR") as follows: 1.5% NSR if gold is below US$300 per ounce, 2.0% NSR in the event the price of gold is between US$300 to

US$400, and a 3.0% NSR in the event that the price of gold is above US$400. In addition, the Company made a cash payment of US$7,500 on signing and issued 66,667 shares on regulatory approval. An additional 33,333 shares are to be issued within 30 days of a minimum 200,000 ounce mineral resource being calculated on the property if the resource was established in five years or less from the date of the agreement.

	Exploration Expenditures
December 31st, 2010	US$750,000
December 31st, 2011	US$1,000,000
December 31st, 2012	US$1,500,000
December 31st, 2013	US$2,500,000
Total	**US$5,750,000**

NEWSBOY CLAIMS

By lease agreement dated February 28th, 1986 and amended March 26th, 1996, the Company assumed the obligation to make advance royalty payments of US$2,500 per year until 1996 (paid) and US$5,000 per year until 2006 (paid). During 2006, the Company renewed the existing lease term for an additional 5 years on the same terms and conditions. These payments are current. The claims are subject to a 4% net smelter returns royalty ("Newsboy NSR"). The Company has the option to purchase the Newsboy NSR for the greater of the current value or US$1,000,000 less all advance royalty payments made.

Subsequent to year end, the Company agreed to an amended lease agreement, which is subject to final execution. Under the amended agreement, the lease term will be extended for a five year term, from 1 March 2011 to 29 February 2016. The minimum royalty payable under the amended lease will be US$12,000 per year for the term of the lease. In addition, the Company will have the option to further extend the lease for a term of an additional 5 years by making a one-time payment of US$50,000

GREEN CLAIMS

By lease agreement dated December 16th, 2010, the Company acquired from Christina Mining Company, LLC ("CMC") certain mineral claims in the Fairbanks Mining District of Alaska known as the Green Property. The property is controlled by the Company through a long-term lease agreement. The claims are subject to a 3% net smelter returns royalty. The Company must make annual cash payments and exploration expenditures as follows:

	Payments	**Exploration Expenditures**
December 1st, 2010	US$100,000 (paid)	-
December 1st, 2011	US$100,000 (paid)	US$250,000 (completed)
December 1st, 2012	US$100,000	US$500,000
December 1st, 2013	US$100,000	US$750,000
December 1st, 2014	US$100,000	US$1,000,000
December 1st, 2015 to 2019	US$100,000 per year	-
December 1st, 2020 to 2029	US$200,000 per year	-
Total	**US$3,000,000**	**US$2,500,000**

CHATHAM CLAIMS

By lease agreement date July 11th, 2011, the Company acquired certain mineral claims in the Fairbanks Mining District of Alaska known as the Chatham Property. The property is controlled by the Company through a four year lease agreement. The claims are subject to a 2% net smelter returns royalty ("Chatham NSR"). The Company must make annual cash payments and exploration expenditures as follows:

	Payments	Exploration Expenditures
Execution of agreement	US$20,000 (paid)	-
July 11th, 2012	US$30,000	US$50,000
July 11th, 2013	US$40,000	US$50,000
July 11th, 2014	US$50,000	US$50,000
July 11th, 2015	-	US$50,000
Total	**US$140,000**	**US$200,000**

The Company has the option to purchase one-half of the Chatham NSR, representing one percent for US$750,000.

The Company also has the option to purchase the property for US$750,000.

Certain claims are subject to a 7% working interest held in trust for Fairbanks Exploration Inc. ("FEI") by the Company. Under this Quit Claim Deed Freegold is required to fund 100% of the project until production is achieved at which point FEI is required to contribute 7% of any approved budget. These claims are subject to a 2% net smelter returns royalty ("FEI NSR") to FEI. The Company has a 30 day right of first refusal, in the event that the 7% working interest of FEI or the FEI NSR is to be sold by FEI. The Company can also purchase the FEI NSR at any time following commercial production, based on its net present value as determined by mineable reserves.

EXPLORATION 2011

In March 2011, a resource was calculated on the Dolphin Zone, which is located in the western most portion of the Golden Summit Project. The resource estimate was based on 49 previously drilled reverse circulation (RC) and diamond drill core holes totaling 5,966 meters. Using a 0.3 g/t cut-off the resource calculated was 174,000 ounces (7,790,000 tonnes @ 0.695 g/t) in the indicated category and 526,000 ounces (27,010,000 tonnes @ 0.606 g/t) in the inferred category.

The full report entitled, "*Geology and Mineralization and Mineral Resource Estimate for the Golden Summit Project, Fairbanks Mining District, Alaska*" by David D. Adams, BSc, MSc, P. Geo. and Gary H. Giroux, P. Eng, MASc., dated March 31, 2011, was filed on SEDAR as "Amended & restated technical report (NI 43-101), on April 1st, 2011.

A planned Phase 1 diamond drilling program commenced in mid-February of 2011 on the Dolphin prospect and the areas covered by the 2010 induced polarization survey. This program was expanded in May and a total of 6,328 metres were completed by the end of June in 28 holes. The program was aimed at expanding and upgrading the existing historical resources located in the Dolphin area. The Dolphin area is located in the western portion of the Golden Summit property.

For all drill results reference should be made to the full new releases contained on the Company's website at www.freegoldventures.com .

The drilling completed in 2011 was incorporated in an updated NI 43-101 resource estimate, which was completed in December 2011.

This resource update is based on 6,328 metres of diamond drilling carried out in the Phase 1 program, and doubled the existing resource on the Dolphin Zone.

The resource estimate was completed by Giroux Consultants Ltd. of Vancouver, BC, Canada. The indicated and inferred resource using a 0.3 and 0.35 g/t cut-off is:

DOLPHIN ZONE INDICATED RESOURCE

Au Cut-off (g/t)	Tonnes	Au (g/t)	Contained	
			kgs Au	ozs Au
0.30	17,270,000	0.62	10,620	341,000
0.35	14,840,000	0.66	9,820	316,000

DOLPHIN ZONE INFERRED RESOURCE

Au Cut-off (g/t)	Tonnes	Grade		
		Au (g/t)	Contained	
			kgs Au	ozs Au
0.30	64,440,000	0.55	35,380	1,137,000
0.35	50,460,000	0.61	30,830	991,000

The resource estimate is based on 77 drill holes (11,802m) that were drilled into the mineralized Dolphin stock, which is a multi-phase, felsic to intermediate intrusion. The stock has been mapped on surface and is approximately 366 metres by 610 metres (1,200 by 2,000 ft) in area and elongate in an east-west direction. The resource was calculated using a block model with blocks measuring 10 by 10 by 5 metres in size that were populated using a combination of ordinary kriging and indicator kriging; blocks within the Dolphin mineralized solid were summed to arrive at the total tonnage and average grade.

The full report entitled, "*2011 Update Report on the Geology and Mineralization and Mineral Resource Estimate for the Golden Summit Project, Fairbanks Mining District, Alaska*" by David D. Adams, BSc, MSc, P. Geo. and Gary H. Giroux, P. Eng, MASc., dated January 26th, 2012, was filed on SEDAR as on January 26th, 2012.

Additional step-out and infill drilling is currently underway on the Dolphin Zone.

CLEARY HILL AND CHRISTINA AREAS

During the summer of 2011, a ground based geophysical program (induced polarization) was undertaken on the Golden Summit project. Nearly 70% of the project area has now been covered and the remainder of the area will be completed in 2012. In addition the Company also completed 3,509 metres of drilling in the Cleary Hill prospect and 1,230 meters of drilling on the Christina prospect during 2011. Step-out and infill drilling is currently underway on the Cleary Hill and Christina prospects.

The program at Cleary Hill is designed to infill the 400 metre area that coincides with the intersection of the northwest-striking Cleary Hill zone and the northeast-striking Dolphin zone. The objective is to complete an updated NI 43-101 resource estimate incorporating drill results from the Dolphin and Cleary Hill area.

In addition to the drilling in the Cleary Hill area, Freegold has undertaken its first drilling in the Christina area, a +5,000 foot long shear zone which hosts several past- producing high grade gold mines. Historic drilling on the Christina prospect from 1978 through 1988 focused on defining high grade resources on several northwest striking, southwest dipping vein systems. Given Freegold's recent drill results at the Cleary Hill mine area, Freegold is investigating the possibility that the Christina area also has the potential to host bulk tonnage mineralization that would be suitable for bulk extraction.

For all drill results reference should be made to the full new releases contained on the Company's website at www.freegoldventures.com.

ALASKAN TRUST PROPERTY

The Company was awarded the bid to acquire certain mineral claims in the Fairbanks Mining District of Alaska known as the Alaskan Trust Property, which is subject to final execution. The property will be controlled by the Company through a three year lease agreement and may be extended for two extensions of three years. The Company will be required to make annual cash payments and exploration expenditures as follows:

	Payments	Exploration Expenditures
Execution of agreement	US$25,000 (paid)	-
Years 1-3	US$2,000 per year	US$25,000 per year
Years 4-6	US$3,000 per year	US$50,000 per year
Years 7-9	US$4,000 per year	US$75,000 per year
Total	US$52,000	US$450,000

The claims are subject to the following NSR:

Price of Gold (per ounce)	Net Royalty
$500 or below	1.0%
$500.01 - $700.00	2.0%
$700.01 - $900.00	3.0%
$900.01 - $1,200.00	3.5%
above $1,200.00	4.5%

Vinasale Project

In 2007, Freegold signed an Exploration with Option to Lease agreement with Doyon Limited, an Alaskan regional native corporation, on the Vinasale gold project. Vinasale is located 16 air miles south of McGrath, Alaska in a north trending belt of igneous intrusion-related deposits that includes the 39.3 million ounce Donlin Creek deposit and the high grade Nixon Fork copper-gold deposit.

The Vinasale Mountain gold project is located on fee-simple lands owned by Doyon. In February of 2007 Freegold signed a Mining Exploration Agreement with an Option to Lease with Doyon, Limited aimed at exploring and developing the project. The agreement also allows for exploration of several adjacent areas owned or controlled by Doyon, including a large block of Doyon "selected" lands. Doyon controls the subsurface rights and most of the surface rights to all of these areas. Under the Exploration Agreement, Freegold must make cash payments of US $320,000 (US$50,000 first year) over five years, make annual scholarship donations of US$10,000, and make exploration expenditures totaling US$4,750,000 (US$300,000 first year). Freegold may at its option enter into a one year extension by making a further cash payment of US $100,000 and incurring an additional US $1,500,000 in exploration expenditures which it elected to do in February of 2012. In the event the property is reduced by 50% or more, the additional exploration expenditures shall be reduced to US $1,000,000. Freegold may enter into one or more Mining Leases with Doyon on lands on which it has expended at least US $600,000, carried out at least 10,000 ft of core drilling, and submitted a pre-feasibility study. Freegold will be required to make advance royalty payments and continue to conduct minimum exploration expenditures on leased lands until such time as a Board approved positive feasibility study has been delivered. Advance royalty payments shall be US $100,000 per year during the initial five-year period, increasing to US $250,000 per year thereafter. The minimum mandatory exploration expenditures shall be equal to the greater of US $25/acre or US $250,000 for each of the first five years, and US $50/acre or US $500,000 in subsequent years. Upon submission of a Board approved feasibility study Doyon will have the right, for a period of 180 days, to acquire a minimum 5%, and a maximum 10% participating interest in Freegold's interest. Within 60 days of Doyon electing to participate, Doyon shall contribute to a joint venture an amount equal to 2.25 times Doyon's proportionate share of Freegold's cumulative expenditures on the leased area after the Effective Date of the Lease. Following the expenditure of such funds, each party will be required to contribute its pro rata share of further expenditures.

In March 2011, the Company completed the first NI 43-101 resource estimate on the Vinasale Project using a cutoff value of 0.5 grams/tonne (g/t Au) as a possible open pit cutoff (the economic cut-off being unknown). This effort resulted in an inferred resource of 37.3 million tonnes averaging 1.11 g/t Au for 1,331,000 ounces of gold during the first quarter of 2011. The full report entitled, "*Geologic Summary and Mineral Resource Estimate Report for the Vinasale Gold Project, McGrath Mining District, Alaska*" by David D. Adams, BSc, MSc, P. Geo. and Gary H. Giroux, P. Eng, MASc., dated March 31st, 2011, was filed on SEDAR as "Amended & restated technical report (NI 43-101)" on April 1, 2011.

On January 20th, 2012, the Company paid US$100,000 to Doyon to extend the lease on the Vinasale Property by one year and is required to incur an additional US$1,500,000 in exploration expenditures.

EXPLORATION 2011

In 2011, the Company undertook a 3,501 metre drilling program in addition to a ground geophysical survey (induced polarization) over the surface projection of the intrusive stock that is host to auriferous mineralization at Vinasale. Results of the induced polarization program indicate that in addition to the Central Zone, where all the drilling was conducted in 2011, a significant geophysical anomaly was defined in the North East Zone where limited previous drilling has indicated mineralization of similar character to the Central Zone.

In March 2012, Freegold updated its NI 43-101 resource on the Vinasale project based on the 3,501 metres of diamond drilling completed in 2011. For all drill results reference should be made to the full new releases contained on the Company's website at www.freegoldventures.com .

The resource estimate was completed by Giroux Consultants Ltd. of Vancouver, BC, Canada. The full report entitled, "*Geologic Summary and Mineral Resource Estimate Report for the Vinasale Gold Project, McGrath Mining District, Alaska*" by David D. Adams, BS, MS, P. Geo. and Gary H. Giroux, P. Eng, MASc., dated March 30, 2012, was filed on SEDAR on March 30, 2012.

Inferred resources are 49.3 million tonnes averaging 1.09 g/t Au for 1,735,000 ounces of gold utilizing a cutoff value of 0.5 grams/tonne (g/t) as a possible open pit cutoff.

The addition of 13 drill holes drilled in 2011 and the expansion of the geologic solid have expanded the resource at a 0.5 g/t cut-off by 32.4 % on tonnage at essentially the same grade for an increase of 30.4 % ounces of contained gold from the March 2011 resource estimate.

A total of 85 drill holes containing 10,945 gold assays have been completed on the project within three areas: the Central, Northeast and South Zones. The highest density of drilling has been completed in the Central Zone where 41 drill holes totaling 9,948 metres were used in estimating the resource for the Central Zone. Gold assays were capped at 22.0 -grams/tonne gold. Composites, 5 metres in length, were used to model the grade continuity using semivariograms. Blocks measuring 10 by 10 by 5 metres were populated using Ordinary Kriging.

Vinasale Central Zone Inferred Resource

Au Cut-off (g/t)	Tonnes> Cut-off (tonnes)	Grade > Cut-off		
		Au (g/t)	Contained	
			kgs Au	ozs Au
0.10	87,370,000	0.74	64,570	2,076,000
0.15	80,380,000	0.79	63,740	2,049,000
0.20	74,930,000	0.84	62,790	2,019,000
0.25	70,040,000	0.88	61,640	1,982,000
0.30	65,620,000	0.92	60,440	1,943,000
0.40	57,350,000	1.00	57,580	1,851,000
0.50	**49,320,000**	**1.09**	**53,960**	**1,735,000**
0.60	42,250,000	1.19	50,110	1,611,000
0.70	36,100,000	1.28	46,100	1,482,000
0.80	30,840,000	1.37	42,160	1,355,000
0.90	26,310,000	1.46	38,310	1,232,000
1.00	22,420,000	1.54	34,620	1,113,000
1.10	19,080,000	1.63	31,120	1,001,000
1.20	16,110,000	1.72	27,710	891,000
1.30	13,520,000	1.81	24,480	787,000

To date, mineralization in the Central Zone extends over a strike length of 400 metres and remains open to the south, east and at depth.

The 2012 program will consist of additional drilling in the Central Zone where it remains open to the south, as well as potential resource definition in the North East Zone. The zone was further defined by the 2011 ground geophysical program and limited prior drilling. The program is scheduled to commence in mid May.

Rob Project

In August 2002, Freegold acquired the option to purchase a 100% interest in the Rob Project subject to cash and stock payments and net smelter returns royalties held by the property owner (Ronald Bailey) and vendor (Anglo Alaska Gold Corp.). Cash payments total US$15,500 over 7 years to the vendor, $93,500 over 7 years to the property owner, and share payments to the vendor of 500,000 shares on regulatory approval, 500,000 shares on or before July 1st, 2003 and 500,000 shares once Freegold has expended in excess of US$1,000,000 on property exploration. In addition the property is subject to annual advance royalty payments of US $30,000 commencing December 1st, 2008 if the London Gold Price for the preceding year averages less than US $350/oz, US $40,000 if the London Gold Price for the preceding year averages less than US $400/oz but greater than US $350 and US $50,000 if the London Gold Price for the preceding year averages more than US $400/oz. Freegold may purchase 100% of the Property for US $1.5 million. The Property is subject to a 1% net smelter returns royalty (“Bailey NSR”) if gold is less than US $300 per oz, 1.5% Bailey NSR if gold prices between $301 and $350/oz, and 2% Bailey NSR for gold prices greater than US $350. Freegold has the right to purchase the Bailey NSR for US $500,000 for each percentage point. In addition, Anglo Alaska retains a 1% net smelter returns royalty (“Anglo NSR”). Freegold may purchase the Anglo NSR for US $1 million.

Shortly after the vendor acquired the Property from the owner (Ronald O. Bailey) the owner passed away intestate. Proceedings to close the estate and establish the rights of the new underlying owner were initiated and resulted in the transfer of Bailey's ownership to Tibbs Creek Gold LLC. The transfer did not alter the existing performance terms of the original agreement on the property. Freegold Ventures Limited obtained 100% interest in the underlying long term lease in August of 2008 and maintains that interest in good standing to date.

In March 2010, Freegold staked 141 State of Alaska mining claims covering 15,360 acres adjacent to the Rob property. These new claims bring the total Rob project land holdings to 19,600 acres.

EXPLORATION 2011

As the Company had significant exploration programs planned for the Golden Summit and Vinasale properties during 2011, exploration on the Rob project was limited to a small drilling program that was budgeted to better evaluate the Grey Lead and Michigan prospects located on the Rob project

In September 2011, a 3-hole diamond drill program (909 m) was the first drilling ever completed in the Michigan area. The Michigan prospect is hosted in pervasively sericite altered granodiorite with sheeted and stockwork quartz-sulfide-gold veins covering a 2 to 3 square kilometer area.

Other significant targets on the Rob Project include the Grey Lead area where previous drilling intersected multiple higher-grade intercepts such as 13 feet averaging 29 g/t, 14 feet of 8 g/t and 13.5 feet of 20 g/t. Several other vein structures have been identified in the vicinity of the Grey Lead and Michigan prospect area, some of which have coincident induced polarization anomalies associated with them. Additional exploration is warranted at Michigan, Grey Lead and these other high priority target.
Significant results from the drilling in the Michigan area are reported below:

Hole Number	Depth of Hole	From (ft)	To (ft)	Interval (ft)	Au g/t
Rob 11-02	1078	163	168	5	57.1
		408	419.5	11.5	7.04
		597.5	614	16.5	2.16
		1048	1078	30	2.58

Interval refers to drill hole intercepts, true widths have not been determined.

Exploration on the Rob project is not planned for 2012 as the Company will be undertaking significant exploration expenditures on its Golden Summit and Vinasale projects.

The Qualified Person who has reviewed the technical disclosure contained in the Management Discussion is Curtis Freeman, MSc., PGeo.

SELECTED ANNUAL INFORMATION

Unless otherwise noted, all currency amounts are stated in Canadian dollars.

The following table summarizes selected financial data for Freegold for each of the three most recently completed financial years. The 2011 and 2010 information set forth below should be read in conjunction with the consolidated audited financial statements, prepared in accordance with IFRS, and related notes. The 2009 information was prepared in accordance with GAAP.

	Years Ended December 31st, (audited)		
	2011	**2010**	**2009**
Total revenues	$Nil	$Nil	$Nil
General and administrative expenses – non-stock based	1,302,761	741,886	890,885
General and administrative expenses – stock compensation	2,306,241	640,313	697,378
Exploration and evaluation property expenditures	6,871,183	2,186,453	1,439,372
Net loss			
o In total	5,179,526	2,445,618	5,617,992
o Basic and diluted loss per share	0.11	0.13	0.47
Comprehensive loss before income taxes			
o In total	5,179,526	2,909,618	5,153,992
o Basic and diluted loss per share	0.11	0.15	0.43
Totals assets	37,937,197	30,612,454	25,567,332
Total long term liabilities	496,929	489,776	1,521,001
Cash dividends declared	Nil	Nil	Nil

SUMMARY OF QUARTERLY RESULTS

The following selected financial information is derived from the unaudited consolidated interim financial statements of the Company prepared in accordance with IFRS.

Quarters Ended (unaudited)

	Dec. 31st 2011	**Sept. 30th 2011**	**June 30th 2011**	**Mar. 31st 2011**	**Dec. 31st 2010**	**Sept. 30th 2010**	**June 30th 2010**	**Mar. 31st 2010**
Total revenues	$Nil	$Nil	$Nil	$Nil	$Nil	$Nil	$Nil	$Nil
Net comprehensive loss – before tax	2,522,009	438,278	1,700,931	518,308	1,539,222	404,805	532,144	433,447
Net comprehensive loss per share	0.04	0.01	0.04	0.01	0.04	0.02	0.03	0.03
Total assets	37,937,197	38,778,577	31,791,060	31,558,110	30,612,454	25,673,499	24,763,063	25,198,833

RESULTS OF OPERATIONS

Year ended December 31st, 2011

The year ended December 31st, 2011 resulted in a net comprehensive loss of $5,179,526, which compares with a net comprehensive loss of $2,909,618 for the year ended December 31st, 2010. General and administrative expenses for the year ended December 31st, 2011 were $3,609,002, an increase of $2,226,803 compared to $1,382,199 for the year ended December 31st, 2010. The increase in comprehensive loss is mainly attributable to:

- an increase of $1,665,928 in non-cash share-based compensation expenses, from $640,313 in 2010 to $2,306,241 in 2011 that were charged upon the granting of long-term incentive stock options;

- an increase of $151,268 in consulting fees, from $15,405 in 2010 to $166,673 as a part time Corporate Secretary was hired and several consultants were hired to assist in its shareholder relations;

- an increase of $62,377 in travel and transportation costs, from $137,891 in 2010 to $200,268 to facilitate the closing of two non-brokered private placements which raised $6.2 million. Travel and transportation costs also included the monitoring of the ongoing exploration activities in Alaska;

- share issue costs of $203,896 were paid on the funds raised;

- an amount of $122,832 in financing costs was incurred to facilitate the closing of two non-brokered private placements, which raised $6.2 million;

- an increase of $331,978 in promotion and shareholder relations, from $47,467 in 2010 to $379,445, which included attendance at various trade shows, advertising, news releases, distribution fees and marketing materials;

- an increase of $101,276 in wages, from $71,470 in 2010 to $172,746, to compensate the President and recently hired Vice-President of the Company;

- an increase of $23,640 in interest income from $171 in 2010 to $23,811, due to the increase in cash on hand;

- a decrease of $258,867 in mining equipment amortization from $258,867 in 2010 to $Nil because no amortization is recognized as the mining equipment that was obtained for the Golden Summit project in Alaska is being held for sale;

- an increase of $175,932 write down of assets held for sale from $Nil in 2010 to $175,932 in 2011 because management does not expect that the book value can be fully recovered from the mining equipment being held for sale;

- an increase of $1,338,230 write down of property, plant and equipment from $39,248 in 2010 to $1,377,478 in 2011 because management does not believe the book value of land will be recovered from its future use;

- a decrease of $209,888 in interest and loan arrangement fees, from $279,815 in 2010 to $69,927, as all loans were paid back to the lenders;

- a gain of $77,068 was realized from the $130,846 insurance settlement resulting from the theft of some mining equipment that was obtained for the Golden Summit project in Alaska;

- a foreign exchange loss of $75,653 was reported as the US dollar became stronger relative to the Canadian dollar;

All other general and administrative costs were relatively similar to those incurred in the previous year.

During the year ended December 31st, 2011, the Company incurred exploration and evaluation property expenditures of $6,447,848. Of the deferred exploration costs, $4,161,809 was incurred on the Golden Summit project in Alaska of which $261,555 was for assaying, $1,932,455 was for drilling, $92,858 was for engineering and consulting, $415,063 was for field expenses, $337,657 was for geophysics, $56,618 was for exploration and evaluation property fees, $831,453 was for personnel and $234,150 was for environmental obligations. On the Rob Alaska project, $790,747 in exploration costs were incurred of which $306 was for assaying, $183,131 was for drilling, $44,023 was for engineering and consulting, $122,460 was for field expenses, $305,006 was for helicopter support, $31,117 was for exploration and evaluation property fees and $104,704 was for personnel. On the Vinasale project, exploration expenditures of $1,488,833 were incurred of which $46,564 was for assaying, $428,629 was for drilling, $91,607 was for engineering and consulting, $252,349 was for field expenses, $107,123 was for geophysics, $286,454 was for helicopter support, $19,940 was for exploration and evaluation property fees and $256,167 was for personnel. On the Union Bay project, exploration and evaluation property fees of $6,459 were incurred.

Exploration and evaluation property acquisition costs of $423,335 were also incurred which included $289,806 for the Golden Summit Alaska project, $49,455 for the Rob project and $84,074 for the Vinasale project.

Three month period ended December 31st, 2011

The three month period ended December 31st, 2011 resulted in a net comprehensive loss of $2,522,009 which was higher than the net comprehensive loss of $1,539,222 for the three month period ended December 31st, 2010.

A gain of forgiveness of debt of $27,587 was recorded during the period as compared to $303,400 during the previous year.

During the three month period ended December 31st, 2011, the Company granted 1,590,000 stock options at an exercise price of $0.65 per share with a non-cash value of $864,582 (2010: $341,076) calculated using the Black-Scholes option-pricing model.

During the three month period ended December 31st, 2011, 3,526,789 warrants were exercised for gross proceeds of $1,956,285 and 45,833 options were exercised for gross proceeds of $31,500.

During the three month period ended December 31st, 2011, the Company recorded a write down of property, plant and equipment of $1,377,478 compared to $39,248 during the previous year.

During the three month period ended December 31st, 2011, the Company recorded a write down of assets held for sale of $175,932 compared to $Nil during the previous year.

All other general and administrative costs were relatively similar to those incurred in the previous three month period.

During the three month period ended December 31st, 2011, the Company incurred exploration and evaluation property expenditures of $1,797,534. Of the deferred exploration costs, $1,540,662 was incurred on the Golden Summit project in Alaska of which $131,016 was for assaying, $548,233 was for drilling, $56,188 was for engineering and consulting, $113,790 was for field expenses, $215,740 was for geophysics, $203,207 was for personnel, $37,649 was for exploration and evaluation property fees and $234,150 was for environmental obligations. On the Rob project, exploration expenditures of $122,164 were incurred, of which $6,940 was for engineering and consulting, $42,568 was for field expenses, $31,117 was for exploration and evaluation property fees and $36,205 was for personnel. On the Vinasale project, exploration expenditures of $128,249 were incurred, of which $12,418 was for field expenses, $19,985 was for geophysics, $19,940 was for exploration and evaluation property fees and $66,570 was for personnel. On the Union Bay project, exploration and evaluation property fees of $6,459 were incurred.

Exploration and evaluation property acquisition costs of $174,072 were incurred for the Golden Summit Alaska project and $49,455 on the Rob project.

Liquidity and capital resources

At December 31st, 2011, the Company's working capital, defined as current assets less current liabilities, was $5,750,646 compared to a working capital of $2,686,037 at December 31st, 2010. An $854,974 loan was paid in full to the lenders in November, 2011. The Company has current liabilities of $1,229,757 mainly related current and prior exploration work and $67,554 in long term payables. The Company believes that it has sufficient working capital to meet all of its contractual and statutory property payment and exploration commitments for the current year, although further financing will be required to undertake all planned exploration activities.

On August 27th, 2010, the Company consolidated its share capital on a one new common share for every six existing common share basis. All common share and per share amounts herein have been adjusted where applicable to give retroactive effect to the share consolidation.

On January 18th, 2011, the Company issued 750,000 shares pursuant to the July 6th, 2010 settlement agreement with Western Standard Metals Ltd. ("Western Standard"). The Company consented to the termination of both the Vinasale and Golden Summit Option Agreements with Western Standard whereby Western Standard was to relinquish its option to earn a 50% undivided interest in each of the Vinasale and the Golden Summit properties. In consideration for the early termination, and to compensate Western Standard for its expenditures incurred on the property of approximately $1.27 million, the Company agreed to issue Western Standard a total of 750,000 common shares of the Company, subject to Western Standard also paying certain creditors their outstanding indebtedness related to the 2010 exploration program on the Vinasale and Golden Summit properties and totalling approximately $590,000. A reimbursement of exploration and evaluation property expenditures of $69,201 for the Golden Summit project and $200,799 for the Vinasale project has been recorded in the accounts for the year ended December 31st, 2010.

On February 2nd, 2011, the Company issued 500,000 share purchase warrants to its convertible loan lenders with an exercise price of $0.60, expiring on February 2nd, 2012. In January 2012, 229,095 warrants were exercised and on 2nd February 2012, 270,905 warrants expired.

On March 16th, 2011, the Company closed a non-brokered private placement of 4,583,331 Units, priced at $0.48 per Unit to raise gross proceeds of approximately $2.2 million. Each Unit consisted of one common share and one common share purchase warrant. Each warrant will entitle the holder to acquire an additional common share at a price of $0.59 until March 16th, 2012 and at a price of $0.65 until March 16th, 2013.

On August 22nd, 2011, the Company closed a non-brokered private placement of 7,218,536 Units, priced at $0.55 per Unit to raise gross proceeds of approximately $4.0 million. Each Unit consisted of one common share and one half common share purchase warrant. Each warrant will entitle the holder to acquire an additional common share at a price of $0.75 until August 22nd, 2012.

During the year ended December 31st, 2011, 10,695,310 warrants were exercised for gross proceeds of $5,032,693 and 299,999 stock options were exercised for gross proceeds of $158,000.

Subsequent to year end, the Company received gross proceeds of $570,861 from the exercise of 963,678 warrants.

Critical accounting estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates used in the preparation of these consolidated financial statements include, but are not limited to, the valuation of warrants, the assumptions used in the accounting for share-based payments, the provision for income taxes and composition of deferred tax assets and liabilities, the expected economic lives of and the estimated future operating results and net cash flows from mining interests, the anticipated costs of reclamation and closure cost obligations, and the fair value measurement of certain financial instruments.

A detailed summary of all of the Company's significant accounting policies is included in Note 2 to the consolidated financial statements for the year ended December 31st 2011.

Going Concern Assumption

The recoverability of amounts shown for exploration and evaluation properties and related exploration and development expenditures is dependent upon the economic viability of recoverable reserves, the ability of the Company to obtain the necessary permits and financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Currently, the Company does not have a source of revenue and is dependent on equity financings to fund its activities. The Company had positive working capital and cash balances at December 31, 2011 and the Company endeavors to manage the cash position prudently through ongoing monitoring of current and future cash and working capital balances relative to planned activities. The available capital may not be sufficient to fund the Company's planned activities through 2012.

Interests in Mining Properties and Exploration and Development Expenditures

In accordance with the Company's accounting policies, acquisition costs and exploration expenditures relating to exploration and evaluation properties are capitalized until the properties are brought into commercial production or disposed. Amortization will commence when a property is put into commercial production. As the Company does not currently have any properties in commercial production, no amortization has been recorded.

Mineral reserve and mineral resource estimates are not precise and also depend on statistical inferences drawn from drilling and other data, which may prove to be unreliable. Future production could differ from mineral resource estimates for the following reasons:

- mineralization or formation could be different from those predicted by drilling, sampling and similar tests;
- the grade of mineral resources may vary from time to time and there can be no assurance that any particular level of recovery can be achieved from the mineral resources; and
- declines in the market prices of contained minerals may render the mining of some or all of the Company's mineral resources uneconomic.

Any of these factors may result in impairment of the carrying amount of interests in mining properties or exploration and development expenditures.

Share Based Payments, Warrants and Compensation Options

Directors, officers, employees and contractors are granted options to purchase common shares under the Company Stock Option Plan. This plan and its terms and outstanding balance are disclosed in Note 11d to the consolidated financial statements at December 31st, 2011.

The Company recognizes an expense for option awards using the fair value method of accounting. The Company also records the fair value of warrants granted through private offerings or in lieu of fees and compensation options granted using a fair-value estimate. Management estimates the fair value of stock options, warrants granted through private offerings or in lieu of fees, and compensation options using the Black-Scholes Option Pricing Model. The Black-Scholes Option Pricing Model, used by the Company to calculate fair values, as well as other accepted option valuation models, was developed to estimate fair value of freely tradable, fully transferable options and warrants, which may significantly differ from the Company's stock option awards or warrant grants. These models also require four highly subjective assumptions, including future stock price volatility and expected time until exercise, which greatly affect the calculated values. Accordingly, management believes that these models do not necessarily provide a reliable single measure of the fair value of the Company's stock option awards. The valuation models are used to provide a reasonable estimate of fair value given the variables used.

Restoration and Environmental Obligations

Legal or constructive obligations associated with site restoration on the retirement of assets are recognized when they are incurred and when a reasonable estimate of the value of the obligation can be made. While, the Company has not commenced operations on its mining properties and the principal projects are in the exploration stage, certain exploration activities have occurred that have given rise to a constructive obligation related to the reclamation of the site for the Golden Summit Project. As such, the Company has recognized an environmental rehabilitation provision for the project. Due to the uncertainty around the settlement date and measurement of potential asset retirement obligations for the Company's projects, management considers the assumptions used to calculate the present value of such liabilities at each reporting period and updates the value recognized as required.

Contractual Commitments

The Company is committed under exploration and evaluation property option agreements to pay cash and issue common shares of the Company and has outstanding and future commitments under loan agreements and long term account payables. See note 13 of the Company's consolidated financial statements for the year ended December 31st, 2011 and the disclosures above under "Review of Exploration Projects".

Off-balance sheet arrangements

The Company has no off-balance sheet arrangements.

CHANGES IN ACCOUNTING POLICIES – INITIAL ADOPTION

Adoption of International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board declared that International Financial Reporting Standards have replaced Canadian GAAP for publicly accountable enterprises for financial periods beginning on or after January 1st, 2011.

The adoption of IFRS resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian GAAP. The accounting policies set out in the Company's financial statements have been applied consistently to all periods presented.

Transition to IFRS

The Company has adopted IFRS with a transition date of January 1st, 2010. Under IFRS 1, *First-time Adoption of International Financial Reporting Standards*, the Company elected to take the following IFRS 1 optional exemptions:

Share-based Payments - IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2, "Share-based Payment" to equity instruments that were granted on or before November 7th, 2002, or equity instruments that were granted subsequent to November 7th, 2002 and vested before the transition date. The Company elected not to apply IFRS 2 to equity instruments that vested prior to the transition date.

Business Combinations - IFRS 1 provides the option to apply IFRS 3, "Business Combinations", retrospectively or prospectively from the transition date. The Company elected not to retrospectively apply IFRS 3 to business combinations that occurred prior to its transition date.

Consolidated and Separate Financial Statements - In accordance with IFRS 1, if a company elects to apply IFRS 3 retrospectively, IAS 27, "Consolidated and Separate Financial Statements" must also be applied retrospectively. As the Company elected to apply IFRS 3 prospectively, the Company has also elected to apply IAS 27 prospectively.

Restoration and Environmental Obligations - IFRS 1 provides an optional exemption to elect not to retrospectively recalculate the restoration and environmental obligation liability and the related impact on the cost of the related asset and accumulated depreciation. The Company elected to use this exemption and measured the liability as at the transition date adjusted for a historical risk discount rate.

IFRS 1 also outlines mandatory guidelines that a first time adopter must follow.

Estimates - In accordance with IFRS 1, the Company's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under Canadian GAAP unless there is objective evidence that those estimates were in error. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS.

CANADIAN GAAP TO IFRS DIFFERENCES

IFRS employs a conceptual framework that is similar to Canadian GAAP. However, significant differences exist in certain matters of recognition, measurement and disclosure. While adoption of IFRS has not changed the Company's actual cash flows, it has resulted in changes to the Company's reported financial position and results of operations. In order to allow users to better understand these changes, the Company's Canadian GAAP statements of financial position as at January 1st, 2010 and December 31st, 2010, statements of loss and comprehensive loss for the year ended December 31st, 2010 and statement of cash flows for the year ended December 31st, 2010 have been reconciled to IFRS, with the resulting differences explained.

Share-based Payments - The Company elected to apply IFRS 2 only to those stock options granted subsequent to November 7th, 2002 and not vested before January 1st, 2010. This resulted in no differences as at the Transition Date.

Flow-through Shares - Flow-through shares are a unique Canadian tax incentive which is the subject of specific guidance under Canadian GAAP. Under Canadian GAAP, the Company accounted for the issue of flow-through shares in accordance with the provisions of CICA Emerging Issues Committee Abstract 146, "Flow-through Shares". At the time of issue, the funds received are recorded as share capital. At the time of the filing of the renunciation of the qualifying flow-through expenditures to investors, the Company recorded a deferred tax liability with a charge directly to shareholders' equity. Also under Canadian GAAP, a portion of the deferred tax assets that were not recognized in previous years, due to the recording of a valuation allowance, are recognized as a recovery of income taxes.

IFRS does not contain explicit guidance pertaining to this tax incentive. Therefore, the Company has adopted a policy whereby the premium paid for flow-through shares in excess of the market value of the shares without the flow-through features at the time of issue is initially recorded as a flow-through liability. Upon renouncement by the Company of the tax benefits associated with the related expenditures, a deferred tax liability is recognized and the flow-through liability is reversed, with any difference recorded as deferred tax expense. A portion of the deferred tax assets that were not recognized in previous years, due to the recording of a valuation allowance, will reduce the deferred tax liability and record a deferred tax recovery.

The change in accounting policy related to flow-through shares resulted in an increase in share capital and an increase in deficit of $80,816 as at the Transition Date.

Financial instruments – Derivative Liability - During the year ended December 31st 2008, the Company issued convertible loans that were convertible into a fixed number of the Company's common shares in exchange for a fixed amount of US dollar. Under Canadian GAAP, the Company accounted for the issue of convertible loans in accordance with CICA Handbook Section 3863, "Financial Instruments – Presentation". At the time of issue, the compound financial instrument is bifurcated into a liability component and an equity component. The Company assigned to the equity component the residual amount after deducting from the compound financial instrument as a whole the fair value determined for the liability component.

Under IFRS, a convertible loan that is denominated in a foreign currency has no equity component and is presented as a liability with an embedded derivative. The convertible loan is classified as a financial liability under IAS 32, "Financial Instruments: Presentation" and is subject to IAS 39, "Financial Instruments: Recognition and Measurement" for recognition and measurement. The embedded derivative liability is initially recognized at fair value and is classified as financial liability at FVTPL. The fair value of the embedded derivative liability was determined using the Black-Scholes option pricing model. The embedded derivative liability is presented separately in the statement of financial position.

The change in accounting policy related to convertible loan denominated in foreign currency resulted in following differences:

As at	January 1st , 2010	December 31st, 2010
Decrease in loans payable	955,799	-
Increase in derivative liability	(298,061)	-
Decrease in deficit	(657,738)	-

Financial Instruments – Available-for-Sale - Under Canadian GAAP, the Company grouped its redeemable guaranteed investment certificate as available-for-sale instruments. Upon adoption of IFRS, the Company determined both that the redeemable guaranteed investment certificate meets the criteria for financial assets at FVTPL and that it should be grouped as cash and cash equivalents.

Reclassification within Equity section - Under Canadian GAAP, "Contributed Surplus" was used to record the issuance of warrants and stock options as well as shares to be issued and warrants to be issued. Upon adoption of IFRS, the balances in "Contributed Surplus" have been reclassified to "Stock option reserve", "Warrants reserve" and "Other reserve".

In addition, the Company reclassified the balance of the "Accumulated other comprehensive income" that existed under Canadian GAAP into "Available-for-sale investments reserve".

OUTSTANDING SHARE DATA

On August 27th, 2010, the Company consolidated its share capital on a one new common share for every six existing common share basis. All common share and per share amounts herein have been adjusted where applicable to give retroactive effect to the share consolidation.

The Company is authorized to issue unlimited common shares without par value. As at March 30th, 2012, there were 61,859,689 outstanding common shares compared to 37,348,835 outstanding shares at December 31st, 2010.

The increase reflects the issuance of 11,801,867 shares for proceeds of $6,170,194, 750,000 shares for exploration and evaluation properties, 11,658,988 shares issued on the exercise of warrants and 299,999 shares issued on the exercise of options.

As at December 31st, 2011 there were 19,064,344 warrants outstanding.

	Number Outstanding on December 31st, 2011	Price per Share	Expiry Date
	500,000	$0.60	February 2nd, 2012
	577,083	$1.20	June 30th, 2012
	3,067,237	$0.50	October 1st, 2012
	7,641,174	$0.65	December 15th,2012
	3,669,582	$0.59/$0.65	March 16th, 2012/2013
	3,609,268	$0.75	August 22nd, 2012
Total	**19,064,344**		

Subsequent to year end, 963,678 warrants were exercised for gross proceeds of $570,861 and 270,905 warrants expired resulting in a total of 17,829,761 warrants outstanding and exercisable at March 30th, 2012.

On March 17th, 2012, the exercise price on 2,934,999 warrants increased from $0.59 per share to $0.65 per share exercisable until March 16th, 2013.

Directors, officers, employees and contractors are granted options to purchase common shares under the Company Stock Option Plan. This plan and its terms and outstanding balance are disclosed in Note 10d to the consolidated financial statements at December 31st, 2011.

Number Outstanding December 31st 2010	Granted	Exercised	Cancelled	Expired	Number Outstanding on December 31st, 2011	Exercise Price Per Share	Expiry Date
48,333	-	-	-	(48,333)	-	$2.10	March 13th, 2011
5,000	-	-	-	(5,000)	-	$3.00	July 17th, 2011
4,167	-	-	-	-	4,167	$9.00	July 13th, 2012
16,667	-	-	-	-	16,667	$12.60	November 1st, 2012
186,667	-	-	-	-	186,667	$8.52	February 21st, 2013
25,000	-	-	-	-	25,000	$8.52	April 10th, 2013
41,667	-	(20,833)	(20,834)	-	-	$0.84	September 14th, 2014
37,500	-	(37,500)	-	-	-	$0.60	December 4th, 2014
745,833	-	(141,666)	-	-	604,167	$0.48	February 26th, 2015
900,000	-	(100,000)	-	-	800,000	$0.50	October 29th, 2015
-	2,035,000	-	-	-	2,035,000	$0.87	May 10th, 2016
-	1,590,000	-	-	-	1,590,000	$0.65	October 20th, 2016
2,010,834	**3,625,000**	**(299,999)**	**(20,834)**	**(53,333)**	**5,261,668**		

On February 20th, 2012, 20,000 options with an exercise price of $0.75 were granted expiring on February 20, 2017. There are a total of 5,281,668 options outstanding and exercisable at March 30th, 2012.

RELATED PARTY TRANSACTIONS

The related party transactions during the year ended December 31st, 2011, which occurred in the normal course of operations and were measured at the exchange amount (the amount of consideration established and agreed to by the related parties), were as follows:

a) Effective 1 January 2005, each outside director was entitled to receive up to $500 per month. During the year, $3,000 (2010 - $22,000) was paid/accrued to directors. As at 31 December 2011, amounts due to related parties include $Nil (2010 - $26,000) owing to directors. During the year, 325,000 (2010 – 295,833) options to purchase shares at $0.87 (2010 - $0.48) per share were granted with an estimated fair value of $233,914 (2010 - $114,186) and 325,000 (2010 – 200,000) options to purchase shares at $0.65 (2010 - $0.50) were granted with an estimated fair value of $172,022 (2010 – $75,795).

b) During the year, professional fees of $85,000 (2010 - $75,000) were paid/accrued to a company controlled by the Chief Financial Officer. As at 31 December 2011, $Nil (2010 - $97,303) related to this entity is included in due to related parties. During the year, 175,000 (2010 – 125,000) options to purchase shares at $0.87 (2010 – $0.48) per share were granted with an estimated fair value of $125,953 (2010 - $48,248) and 200,000 (2010 – 100,000) options to purchase shares at $0.65 (2010 - $0.50) were granted with an estimated fair value of $105,859 (2010 – $37,897).

c) During the year, consulting fees of $23,310 (2010 - $Nil) were paid to a company controlled by the Corporate Secretary. During the year, 25,000 (2010 – Nil) options to purchase shares at $0.87 per share were granted with an estimated fair value of $17,993 (2010 – $Nil) and 20,000 (2010 – Nil) options to purchase shares at $0.65 were granted with an estimated fair value of $10,586 (2010 - $Nil).

d) During the year, legal fees of $14,017 (2010 - $59,415) were paid/accrued to a law firm of which a director is a partner. As at 31 December 2011, $6,802 (2010 - $103,400) related to this entity is included in due to related parties.

e) During the year, salaries and benefits of $196,667 (2010 - $120,000), which included a $30,000 bonus, were paid/accrued to the director, President and Chief Executive Officer. Of these amounts, $99,998 was capitalized as exploration and evaluation property. As at 31 December 2011, $29,930 (2010 - $112,930) related to this individual is included in due to related parties. During the year, 650,000 (2010 – 250,000) options to purchase shares at $0.87 (2010 - $0.48) per share were granted with an estimated fair value of $467,827 (2010 – $96,495) and 500,000 (2010 – 300,000) options to purchase shares at $0.65 (2010 - $0.50) were granted with an estimated fair value of $264,649 (2010 - $113,692).

f) During the year, salaries and benefits of $154,167 (2010 - $Nil) and a consulting bonus of $25,000 was paid to the director and Vice-President of Exploration and Development and/or a company controlled by the Vice-President of Exploration and Development. Of these amounts, $92,500 was capitalized as exploration and evaluation property. During the year, 600,000 (2010 – Nil) options to purchase shares at $0.87 per share were granted with an estimated fair value of $431,840 (2010 - $Nil) and 475,000 (2010 – 300,000) options to purchase shares at $0.65 (2010 – 0.50) were granted with an estimated fair value of $251,416 (2010 – $113,692).

g) During the year, consulting fees of $Nil (2010 - $12,000) were paid/accrued to the former Vice-President of Exploration and Development. As at 31 December 2011, $Nil (2010 - $85,621) related to this individual is included in due to related parties. During the year, 15,000 (2010 – 25,000) options to purchase shares at $0.87 (2010 - $0.48) per share were granted with an estimated fair value of $10,796 (2010 - $9,650).

h) During the year, shareholder relations fees of $Nil (2010 - $13,500) were paid/accrued to a former director. As at 31 December 2011, $Nil (2010 - $22,925) related to this individual is included in due to related parties.

i) During a prior year, the Company secured a US$2 million short-term loan from a company with a former director in common with the Company. During a prior year, $1,504,330 of this loan was converted into 2,785,796 shares of the Company. On 1 October 2009, a director in common was elected and as at 31 December 2011, $Nil (2010 - $854,974) was outstanding on this loan. On April 21st, 2011, this director resigned.

The Company considers the President and Chief Executive Officer, Chief Financial Officer, Vice-President of Exploration and Development, Corporate Secretary, directors and any companies controlled by these parties to be key management personnel.

These amounts were incurred in the ordinary course of business, are non-interest bearing, unsecured and due on demand unless otherwise noted. The above transactions are measured at fair value, which has been determined by negotiations amongst the parties.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company has established disclosure controls and procedures to ensure that information disclosed in this MD&A and the related consolidated financial statements was properly recorded, processed, summarized and reported to the Company's Board and Audit Committee. The Company's CEO and CFO have evaluated and are satisfied with the effectiveness of these disclosure controls and procedures for the year ending December 31st, 2011.

The CEO and CFO acknowledge responsibility for the design of internal control over financial reporting (ICFR), and confirm that there were no changes in these controls that occurred during the most recent year ended December 31st, 2011 which materially affected, or are reasonably likely to materially affect the Company's ICFR.

RISKS AND UNCERTAINTIES

The Company believes that the following items represent significant areas for consideration.

Cash Flows and Additional Funding Requirements

The Company has limited financial resources, no sources of operating cash flows and no assurances that sufficient funding will be available.

Industry

The Company is engaged in the exploration of mineral properties, an inherently risky business. There is no assurance that funds spent on the exploration and development of a mineral deposit will result in the discovery of an economic ore body. Most exploration projects do not result in the discovery of commercially mineable ore deposits.

Commodity Prices

The success of the Company's operations will be dependent in part upon the market price of mineral commodities. Mineral prices fluctuate widely and are affected by numerous factors beyond the control of the Company. The prices of mineral commodities have fluctuated widely in recent years. Current and future price declines could cause commercial production to be impracticable.

Competition

The mining industry is intensely competitive in all of its phases, and the Company competes with many companies possessing greater financial resources and technical facilities than itself with respect to the discovery and acquisition of interests in mineral properties, the recruitment and retention of qualified employees and other persons to carry out its mineral exploration activities. Competition in the mining industry could adversely affect the Company's prospects for mineral exploration in the future.

Foreign Political Risk

The Company's material property interests are currently located in the United States. A significant portion of the Company's interests are exposed to various degrees of political, economic and other risks and uncertainties. The Company's operations and investments may be affected by local political and economic developments, including expropriation, nationalization, invalidation of government orders, permits or agreements pertaining to property rights, political unrest, labour disputes, limitations on repatriation of earnings, limitations on mineral exports, limitations on foreign ownership, inability to obtain or delays in obtaining necessary mining permits, opposition to mining from local, environmental or other non-governmental organizations, government participation, royalties, duties, rates of exchange, high rates of inflation, price controls, exchange controls, currency fluctuations, taxation and changes in laws, regulations or policies as well as by laws and policies of Canada affecting foreign trade, investment and taxation.

Government Laws, Regulation & Permitting

Mining and exploration activities of the Company are subject to both domestic and foreign laws and regulations governing prospecting, development, production, taxes, labour standards, occupational health, mine safety, waste disposal, toxic substances, the environment and other matters. Although the Company believes that all exploration activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulations governing the operations and activities of the Company or more stringent implementation thereof could have a substantial adverse impact on the Company.

The operations of the Company will require licenses and permits from various governmental authorities to carry out exploration and development at its projects. There can be no assurance that the Company will be able to obtain the necessary licences and permits on acceptable terms, in a timely manner or at all. Any failure to comply with permits and applicable laws and regulations, even if inadvertent, could result in the interruption or closure of operations or material fines, penalties or other liabilities.

Title to Properties

Acquisition of rights to the exploration and evaluation properties is a very detailed and time-consuming process. Title to, and the area of, exploration and evaluation properties may be disputed. Although the Company has made reasonable efforts to investigate the title to all of the properties for which it holds mineral leases or licenses or in respect of which it has a right to earn an interest, the Company cannot give an assurance that title to such properties will not be challenged or impugned.

The Company has the right to earn an interest in certain of its properties. To earn its interest in each property, the Company is required to make certain cash payments and incur certain exploration expenditures. If the Company fails to make these payments and incur such expenditures, the Company may lose its right to such properties and forfeit any funds expended to such time.

Estimates of Mineral Resources

The mineral resource estimates used by the Company are estimates only and no assurance can be given that any particular level of recovery of minerals will in fact be realized or that an identified resource will ever qualify as a commercially mineable (or viable) deposit which can be legally or commercially exploited. In addition, the grade of mineralization ultimately mined may differ from that indicated by drilling results and such differences could be material.

Key Management

The success of the Company will be largely dependent upon the performance of its key officers, consultants and employees. Locating mineral deposits depends on a number of factors, not the least of which is the technical skill of the exploration personnel involved. The success of the Company is largely dependent on the performance of its key individuals. Failure to retain key individuals or to attract or retain additional key individuals with necessary skills could have a materially adverse impact upon the Company's success.

Volatility of Share Price

Market prices for shares of early stage companies are often volatile. Factors such as announcements of mineral discoveries, financial results, and other factors could have a significant effect on the price of the Company's shares.

Foreign Currency Risk

A substantial portion of the Company's expenses and payables are now, and are expected to continue to be incurred in United States currency. The Company's business will be subject to risks typical of an international business including, but not limited to, differing tax structures, regulations and restrictions and general foreign exchange rate volatility. Fluctuations in the exchange rate between the Canadian dollar and United States dollar may have a material effect on the Company's business, financial condition and results of operations and could result in downward price pressure for the Company's products in or losses from currency exchange rate fluctuations. The Company does not actively hedge against foreign currency fluctuations.

Conflict of Interest

Some of the Company's directors and officers are directors and officers of other natural resource or mining-related companies. These associations may give rise from time to time to conflicts of interest which will be subject to the procedures and remedies under the *Business Corporation Act (British Columbia)*. As a result of any such conflict, the Company may miss the opportunity to participate in certain transactions.

OUTLOOK

As at March 30th, 2012, the Company has approximately $5,000,000 in cash and is conducting a 20,000 metre drill program on the Golden Summit project. Since January 2012, 6,698 metres of drilling has been completed in the Cleary Hill, Dolphin and Christina areas. Drilling in the Cleary Hill and Dolphin areas is aimed at showing that the Cleary Hill mineralization is connected to the Dolphin mineralization and they form one continuous deposit. Results from this program will form the basis of a new combined NI 43-101 compliant resource which is expected to be completed in the third quarter of 2012.

At the Vinasale project, both an induced polarization survey and 12 hole diamond drill program were completed in 2011. The results were incorporated into an updated NI 43-101 compliant resource report which indicated Vinasale now hosts 49.3 million tonnes averaging 1.09 g/t Au for 1,735,000 ounces of gold utilizing a cutoff value of 0.50 grams/tonne (g/t) as a possible open pit cutoff in an inferred resource.

The 2012 program will consist of additional drilling in the Central Zone where it remains open to the south, as well as potential resource definition in the North East Zone. The zone was further defined by the 2011 ground geophysical program and limited prior drilling. The program is scheduled to commence in mid May.

On the Rob project, three diamond drill holes were completed for a total of 3,000 feet in 2011. All of the drilling was completed in the Michigan area which was an area on the project that had never been drilled. No plans for additional exploration work for 2012 are currently being contemplated.

This discussion contains certain forward-looking information. This forward-looking information includes, or may be based upon, estimates, forecasts, and statements as to management's expectations with respect to, among other things, the size and quality of the Company's mineral resources, progress in development of mineral properties, amount and quality of metal products recoverable from the Company's mineral resources. Forward-looking information is based on the opinions and estimates of management at the date the information is given, and is subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking information. These factors include the inherent risks involved in the exploration and development of mineral properties, the uncertainties involved in interpreting drilling results and other geological data, fluctuating metal prices, the *possibility of unanticipated costs and expenses, uncertainties relating to the availability and costs of financing needed in the future and uncertainties related to metal recoveries. Readers are cautioned to not place undue reliance on forward-looking information because it is possible that predictions, forecasts, projections and other forms of forward-looking information will not be achieved by the Company. These forward-looking statements are made as of the date hereof and the Company assumes no responsibility to update them or revise them to reflect new events or circumstances, except as required by law.*

FREEGOLD VENTURES LIMITED

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2011 and 2010

JAMES STAFFORD

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Freegold Ventures Limited

We have audited the accompanying consolidated financial statements of Freegold Ventures Limited, which comprise the consolidated statements of financial position as at 31 December 2011, 31 December 2010 and 1 January 2010 and the consolidated statements of loss and comprehensive loss, cash flows and changes in equity for the years ended 31 December 2011, 31 December 2010 and 1 January 2010, 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, 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.

Auditor's 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 about whether the consolidated financial statements are free from 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 in our audits 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 Freegold Ventures Limited as at 31 December 2011, 31 December 2010 and 1 January 2010 and the results of its operations and its cash flows for the years ended 31 December 2011, 31 December 2010 and 1 January 2010 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the ability of Freegold Ventures Limited to continue as going concern.

James Stafford

Chartered Accountants

Vancouver, Canada
14 March 2012, except as to Note 18 which is as of 28 March 2012

Freegold Ventures Limited
(An Exploration Stage Company)

Consolidated Statements of Financial Position

Canadian Funds

ASSETS		31 December 2011		31 December 2010 (*Note 17*)		1 January 2010 (*Note 17*)
Current						
Cash and cash equivalents	**$**	**6,529,149**	$	4,818,038	$	328,354
Amounts receivable		**67,195**		21,598		13,855
Investments *(Note 3)*		**20,000**		-		1,200,000
Prepaid expenses and deposits		**109,434**		42,274		26,900
Assets held for sale *(Note 4)*		**254,625**		-		-
		6,980,403		4,881,910		1,569,109
Exploration and Evaluation Properties *(Note 5)*		**30,505,646**		23,634,463		21,448,010
Property, Plant and Equipment *(Note 6)*		**451,148**		2,096,081		2,550,213
	$	**37,937,197**	$	30,612,454	$	25,567,332

LIABILITIES						
Current						
Trade payables *(Note 7)*	**$**	**1,168,225**	$	863,720	$	2,512,573
Accrued liabilities		**24,800**		29,000		29,000
Due to related parties *(Note 8)*		**36,732**		448,179		458,540
Loans payable *(Notes 8i and 9ii)*		**-**		854,974		627,937
Derivative liability *(Note 9i)*		**-**		-		298,061
		1,229,757		2,195,873		3,926,111
Trade Payables – Long Term *(Note 7)*		**67,554**		301,555		573,264
Restoration and Environmental Obligations *(Note 10)*		**429,375**		188,221		92,763
Loans Payable – Long Term		**-**		-		854,974
		1,726,686		2,685,649		5,447,112
EQUITY						
Share Capital *(Note 11)*		**69,622,797**		57,337,400		53,136,870
Reserves		**13,191,016**		12,013,181		5,961,508
Deficit		**(46,603,302)**		(41,423,776)		(38,978,158)
		36,210,511		27,926,805		20,120,220
	$	**37,937,197**	$	30,612,454	$	25,567,332

Nature and Continuance of Operations *(Note 1)*, **Commitments** *(Note 13)* and **Subsequent Events** *(Note 18)*

APPROVED AND AUTHORIZED FOR ISSUE BY THE BOARD ON 28 MARCH 2012:

"Gary Moore", Director *"David Knight"*, Director

Freegold Ventures Limited
(An Exploration Stage Company)

Consolidated Statements of Changes in Equity

Canadian Funds

	Common Shares	Amount $	Stock Options Reserve $	Warrants Reserve $	Available-for-Sale Reserve $	Other Reserve $	Deficit $	Total $
Balance – 1 January 2010 *(Note 17)*	14,437,290	53,136,870	4,091,648	1,405,860	464,000	-	(38,978,158)	20,120,220
Issuance and allotment of shares for:								
- Debt settlement *(Note 11a)*	2,421,573	1,598,238	-	-	-	-	-	1,598,238
- Private placements *(Note 11a)*	20,489,972	8,286,538	-	-	-	-	-	8,286,538
- Value assigned to warrants *(Note 11c)*	-	(5,479,604)	-	5,479,604	-	-	-	-
Shares to be issued *(Notes 5a, 5c and 11a)*	-	-	-	-	-	270,000	-	270,000
Share issuance costs	-	(204,642)	-	-	-	-	-	(204,642)
Warrants to be issued *(Notes 9i and 11a)*	-	-	-	-	-	125,756	-	125,756
Share-based payments *(Note 11d)*	-	-	640,313	-	-	-	-	640,313
Unrealized loss on available-for-sale investments *(Note 3)*	-	-	-	-	(678,241)	-	-	(678,241)
Reclassification of loss on available-for-sale investments *(Note 3)*	-	-	-	-	214,241	-	-	214,241
Loss for the year	-	-	-	-	-	-	(2,445,618)	(2,445,618)
Balance – 31 December 2010 *(Note 17)*	37,348,835	57,337,400	4,731,961	6,885,464	-	395,756	(41,423,776)	27,926,805
Issuance and allotment of shares for:								
- Private placements *(Note 11a)*	11,801,867	6,170,194	-	-	-	-	-	6,170,194
- Mineral properties *(Notes 5a, 5c and 11a)*	750,000	270,000	-	-	-	(270,000)	-	-
- Exercise of warrants *(Note 11b)*	10,695,310	7,732,468	-	(2,699,775)	-	-	-	5,032,693
- Exercise of options *(Note 11b)*	299,999	282,966	(124,966)	-	-	-	-	158,000
- Value assigned to warrants *(Notes 11a and 11c)*	-	(1,966,335)	-	1,966,335	-	-	-	-
Warrants issued *(Notes 9i, 11a and 11c)*	-	-	-	125,756	-	(125,756)	-	-
Share-based payments *(Note 11d)*	-	-	2,306,241	-	-	-	-	2,306,241
Share issuance costs	-	(203,896)	-	-	-	-	-	(203,896)
Loss for the year	-	-	-	-	-	-	(5,179,526)	(5,179,526)
Balance – 31 December 2011	**60,896,011**	**69,622,797**	**6,913,236**	**6,277,780**	**-**	**-**	**(46,603,302)**	**36,210,511**

Freegold Ventures Limited
(An Exploration Stage Company)

Consolidated Statements of Loss and Comprehensive Loss

For the Years Ended 31 December

Canadian Funds

	2011	2010
		(*Note 17*)
General and Administrative Expenses		
Consulting fees *(Note 8c and 8g)*	**$ 166,673**	$ 15,405
Share-based payments *(Note 11d)*	**2,306,241**	640,313
Travel and transportation	**200,268**	137,891
Promotion and shareholder relations	**379,445**	47,467
Director fees *(Note 8a)*	**3,000**	22,000
Professional fees *(Notes 8b and 8d)*	**162,383**	203,001
Wages, salaries and benefits *(Note 8e and 8f)*	**172,746**	71,470
Transfer, filing and other fees	**114,785**	142,130
Rent and utilities	**27,836**	51,205
Office and miscellaneous	**53,649**	37,667
Amortization *(Note 6)*	**14,125**	9,708
Accretion *(Note 10)*	**7,851**	3,942
Loss Before Other Income (Expenses)	**(3,609,002)**	(1,382,199)
Other Income (Expenses)		
Loss on sale of available-for-sale investments	**-**	(214,241)
Interest income	**23,811**	171
Amortization of mining equipment *(Note 6)*	**-**	(258,867)
Foreign exchange gain (loss), *net*	**(75,653)**	66,807
Write down of trade payables *(Note 7)*	**27,587**	397,556
Interest, bank charges and loan arrangement fees (*Note 9*)	**(69,927)**	(279,815)
Write down of property, plant and equipment *(Note 6)*	**(1,377,478)**	(39,248)
Gain (loss) on sale of property plant and equipment	**77,068**	(78,044)
Gain on derivative liability	**-**	325,474
Loss on settlement of loan payable	**-**	(983,212)
Write down of assets held for sale *(Note 4)*	**(175,932)**	-
	(1,570,524)	(1,063,419)
Net Loss for the Year	**$ (5,179,526)**	$ (2,445,618)
Other Comprehensive Income (Loss)		
Unrealized loss on available-for-sale investments	**-**	(678,241)
Reclassification of loss on available-for-sale investments	**-**	214,241
Comprehensive Loss for the Year	**$ (5,179,526)**	$ (2,909,618)
Loss per Share – Basic and Diluted	**$ (0.11)**	$ (0.13)
Comprehensive Loss per Share – Basic and Diluted	**$ (0.11)**	$ (0.15)
Weighted Average Number of Shares Outstanding	**46,976,052**	19,162,492

Freegold Ventures Limited
(An Exploration Stage Company)

Consolidated Statements of Cash Flows

For the Years Ended 31 December

Canadian Funds

Cash Resources Provided By (Used In)	2011	2010
		(*Note 17*)
Operating Activities		
Loss for the year	**$ (5,179,526)**	$ (2,445,618)
Items not affecting cash:		
Amortization	**14,125**	268,575
Accretion	**7,851**	3,942
Loss on sale of available-for-sale investments	**-**	214,241
Loss (gain) on sale of property, plant and equipment	**(77,068)**	78,044
Write down of property, plant and equipment	**1,377,478**	39,248
Share-based payments	**2,306,241**	640,313
Loan arrangement fee	**-**	125,756
Gain on derivative liability	**-**	(325,474)
Loss on settlement of loan payable	**-**	983,212
Write down of assets held for sale	**175,932**	-
Foreign exchange adjustment in restoration and environmental obligations	**(847)**	-
Net changes in non-cash working capital components:		
Amounts receivable	**(45,597)**	(7,743)
Prepaid expenses and deposits	**(67,160)**	(15,374)
Trade payables	**(355,798)**	(193,999)
Accrued liabilities	**(4,200)**	-
Due to related parties	**(411,447)**	(10,361)
	(2,260,016)	(645,238)
Investing Activities		
Proceeds on sale of available-for-sale investments	**-**	521,759
Purchase of investment	**(20,000)**	-
Exploration and evaluation property acquisition costs	**(423,335)**	(359,910)
Exploration and evaluation property deferred exploration costs	**(5,553,395)**	(1,321,643)
Purchase of property, plant and equipment	**(238,754)**	-
Proceeds on sale of property, plant and equipment	**138,595**	68,265
	(6,096,889)	(1,091,529)
Financing Activities		
Share capital issued	**11,360,887**	8,286,538
Share issuance costs	**(203,896)**	(204,642)
Repayment of loans	**(854,974)**	(1,583,736)
Trade payables – long term	**(234,001)**	(271,709)
	10,068,016	6,226,451
Net Increase in Cash and Cash Equivalents	**1,711,111**	4,489,684
Cash and cash equivalents - Beginning of year	**4,818,038**	328,354
Cash and Cash Equivalents - End of Year	**$ 6,529,149**	$ 4,818,038
Interest paid	**$ 46,535**	$ 73,976
Interest received	**$ 11,605**	$ 171
Income taxes paid	**$ -**	$ -
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Exploration expenditures included in trade payables	**$ (660,303)**	$ (143,384)
Shares to be issued as reimbursement for exploration and evaluation property exploration expenditures	**$ -**	$ (270,000)
Shares issued for debt	**$ -**	$ (1,598,238)

1. Nature and Continuance of Operations

Freegold Ventures Limited (the "Company") is in the process of acquiring, exploring and developing precious metal mineral properties. The Company will attempt to bring the properties to production, structure joint ventures with others, option or lease properties to third parties or sell the properties outright. The Company has not determined whether these properties contain ore reserves that are economically recoverable and the Company is considered to be in the exploration stage. The recoverability of the amounts expended by the Company on acquiring and exploring mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to complete the acquisition and/or development of the properties and upon future profitable production.

The head office, principal address and registered records office of the Company is Suite 888 – 700 West Georgia Street, Vancouver, British Columbia, Canada, V7Y 1G5.

The Company's consolidated financial statements as at 31 December 2011 and for the year then ended have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company has a comprehensive loss of $5,179,526 for the year ended 31 December 2011 (31 December 2010 – $2,909,618) and has working capital of $5,750,646 at 31 December 2011 (31 December 2010 – $2,686,037 and 1 January 2010 – working capital deficit of $2,357,002).

The Company had cash and cash equivalents of $6,529,149 at 31 December 2011 (31 December 2010 - $4,818,038 and 1 January 2010 – $328,354), but management cannot provide assurance that the Company will ultimately achieve profitable operations or become cash flow positive, or raise additional debt and/or equity capital. If the Company is unable to raise additional capital in the immediate future, management expects that the Company will need to curtail operations, liquidate assets, seek additional capital on less favourable terms and/or pursue other remedial measures or cease operations. These consolidated financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

On 27 August 2010, the Company consolidated its 101,153,306 old common shares, exchanging 6 (old) common shares for 1 (new) common share resulting in 16,858,863 new common shares outstanding. All common shares and per share amounts have been adjusted to give retroactive effect to the 6:1 share consolidation that took effect on 27 August 2010 *(Note 11)*.

2. Significant Accounting Policies

The consolidated financial statements of the Company and its subsidiaries (the "Group") have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The preparation of these consolidated financial statements resulted in changes to the accounting policies as compared with the most recent annual consolidated financial statements prepared under Canadian generally accepted accounting principles ("Canadian GAAP"). The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. They also have been applied in preparing an opening IFRS statement of financial position at 1 January 2010 for the purposes of the transition to IFRS, as required by IFRS 1, "*First Time Adoption of International Financial Reporting Standards"*. The impact of the transition from Canadian GAAP to IFRS is explained in Note 17.

a) **Consolidation**

These consolidated financial statements include the accounts of the Company's wholly owned subsidiaries, Free Gold Recovery, USA, Freegold Ventures Limited, USA, Ican Minerals, Inc., Dolphin Gold, Inc., Grizzly Bear Gold Inc. and McGrath Gold Inc. All subsidiaries are US corporations which are involved in exploration and evaluation of properties. Inter-company balances are eliminated upon consolidation.

b) **Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment relate to the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments and share-based payments, the recognition and valuation of provisions for restoration and environmental liabilities, the recoverability and measurement of deferred tax assets and liabilities, and ability to continue as a going concern. Actual results may differ from those estimates and judgments.

c) **Cash and Cash Equivalents**

The Company considers cash and cash equivalents to include amounts held in banks and highly liquid investments with remaining maturities at point of purchase of 90 days or less. The Company places its cash and cash equivalents with institutions of high-credit worthiness.

As at 31 December 2011, cash and cash equivalents includes a redeemable guaranteed investment certificate of $10,680 (31 December 2010 - $10,647, 1 January 2010 - $15,000) maturing on 19 March 2012, which is pledged as security for certain payables of the Company.

d) **Financial Assets**

Financial assets are classified as held-to-maturity, loans and receivables, available-for-sale financial assets, financial assets at fair value through profit or loss ("FVTPL"), or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition. Financial assets are recognized initially at fair value. The subsequent measurement of financial assets depends on their classification as follows:

Held-to-maturity and loans and receivables

Held-to-maturity and loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method if the time value of money is significant. Gains and losses are recognized in profit or loss when the financial asset classified in this category are derecognized or impaired, as well as through the amortization process. Amounts receivables are classified as loans and receivables and investments are classified as held-to-maturity.

Available-for-sale

Available-for-sale financial assets are those non-derivative financial assets that are not classified as loans and receivables. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognized within other comprehensive income. Accumulated changes in fair value are recorded as a separate component of equity until the investment is derecognized or impaired. Available-for-sale assets include investment in equities of other entities.

The fair value is determined by reference to bid prices at the close of business on the reporting date. Where there is no active market, fair value is determined using valuation techniques. Where fair value cannot be reliably measured, assets are carried at cost.

Financial assets at FVTPL

Financial assets are classified as held for trading and are included in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives, other than those designated as effective hedging instruments, are also categorized as held for trading. These assets are carried at fair value with gains or losses recognized in profit or loss. Cash and cash equivalents are included in this category of financial assets.

Derivatives designated as hedging instruments in an effective hedge

The Company does not hold or have any exposure to derivative instruments.

e) **Impairment of Financial Assets**

Financial assets, other than financial assets at FVTPL, are assessed for indicators of impairment at each period end.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost have been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced, with the amount of the loss recognized in profit or loss.

Available-for-sale

If an available-for-sale financial asset is impaired, the cumulative loss previously recognized in equity is transferred to profit or loss. Any subsequent recovery in the fair value of the asset is recognized within other comprehensive income.

f) **Financial Liabilities**

Financial liabilities are classified as financial liabilities at FVTPL, derivatives designated as hedging instruments in an effective hedge, or as financial liabilities measured at amortized cost, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. The measurement of financial liabilities depends on their classification, as follows:

Financial liabilities at FVTPL

Financial liabilities at FVTPL has two subcategories, including financial liabilities held for trading and those designated by management on initial recognition. These liabilities are carried at fair value with gains or losses recognized in profit or loss.

Derivatives designated as hedging instruments in an effective hedge

The Company does not hold or have any exposure to derivative instruments.

Financial liabilities measured at amortized cost

All other financial liabilities are initially recognized at fair value, net of transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognized respectively in interest, other revenues and finance costs. Trade payables, amounts due to related parties and loans payable are included in this category of financial liabilities.

g) **Exploration and Evaluation Properties**

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Group has obtained the legal rights to explore an area are recognized in profit or loss.

Option payments received are treated as a reduction of the carrying value of the related exploration and evaluation properties and deferred costs until the receipts are in excess of costs incurred, at which time they are credited to income. Option payments are at the discretion of the optionee, and accordingly, are recorded on a cash basis.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

h) **Impairment**

The carrying amount of the Group's assets is reviewed for an indication of impairment at the end of each reporting period. If an indication of impairment exists, the Company makes an estimate of the asset's recoverable amount. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. Recoverable amount of an asset group is the higher of its fair value less costs to sell and its value in use. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in profit or loss. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

i) **Restoration and Environmental Obligations**

The Group recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

The Group's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the restoration provision. The Group's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Group's estimates of reclamation costs, are charged to profit and loss for the period. The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred. The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Group's accounting policy for exploration and evaluation assets.

j) **Assets held for sale**

Assets and liabilities are classified as held for sale if their carrying amounts are expected to be recovered through a disposition rather than through continuing use. The assets or disposal groups are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in the consolidated statements of loss and comprehensive loss. Assets classified as held for sale are not depreciated, depleted or amortized.

k) **Property, Plant and Equipment**

Property, plant and equipment are recorded at cost and are amortized over their estimated useful lives using the declining balance method at the following annual rates, with half the rate being applied in the year of acquisition:

Automotive	30%
Computer equipment	30%
Computer software	100%
Exploration office	4%
Land	NA
Mining equipment	30%
Office equipment	20%

Where an item of property, plant and equipment consists of major components with different useful lives, the components are accounted for as separate items of property, plant and equipment. Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

l) **Share-based Payments**

Share-based payments to employees are measured at the fair value of the instruments issued and recognized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the stock options reserve. The fair value of options, as determined using the Black-Scholes Option Pricing Model which incorporates all market vesting conditions, is expensed. 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 will eventually vest.

m) **Loss per Share**

Basic loss per share is based on the weighted average number of common shares issued and outstanding during the year. The effect of potential issuances of shares under options and warrants would be anti-dilutive, and therefore basic and diluted loss per share are the same.

n) **Income Taxes**

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the balance sheet date.

o) **Foreign Currency Translation**

The functional currency of each of the Group's 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 functional and presentation currency of the Company and its subsidiaries.

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 period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

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 non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

p) **Flow-Through Shares**

Any premium received by the Company on the issuance of flow-through shares is initially recorded as a liability and included in trade payables and accrued liabilities. Upon renouncement by the Company of the tax benefits associated with the related expenditures, a deferred tax liability is recognized and the flow-through liability will be reversed. To the extent that suitable deferred tax assets are available, the Company will reduce the deferred tax liability and record a deferred tax recovery.

q) **New Accounting Standards and Interpretations Not Yet Adopted**

Amendments to IFRS 7, "*Financial Instruments: Disclosures*" are effective for annual periods beginning on or after July 1, 2011. These amendments increase the disclosure with regards to the transfer of financial assets, especially if there is a disproportionate amount of transfer transactions that take place around the end of a reporting period.

New standard IFRS 9, "*Financial Instruments*" is effective for annual periods beginning on or after January 1, 2013. This new standard is the fist part of a multi-phase project to replace IAS 39, *Financial Instruments: Recognition and Measurement*.

Amendments to IAS 12, "*Income Taxes*" are effective for annual periods beginning on or after January 1, 2012. These amendments supersede Standing Interpretations Committee ("SIC") Interpretation 21, "*Income Taxes – Recovery of Revalued Non-Depreciable Assets*".

The Company does not expect that these revised or new standards will have an impact on the consolidated financial statements.

3. Investments

As at 31 December 2011, investments include common shares of Western Standard Metals Ltd. with a cost of $Nil (31 December 2010 - $Nil, 1 January 2010 - $736,000) and a fair value of $Nil (31 December 2010 - $Nil, 1 January 2010 - $1,200,000) *(Note 17)*.

As at 31 December 2011, investments include a non-redeemable guaranteed investment certificate of $20,000 (31 December 2010 - $Nil, 1 January 2010 - $Nil) maturing on 11 February 2012, which is classified as held-to-maturity.

4. Assets Held For Sale

	31 December 2011	31 December 2010	1 January 2010
Property, plant and equipment	**$ 254,625**	$ -	$ -

As at 31 December 2011, the Company classified its remaining mining equipment as assets held for sale as it no longer has a use for this equipment *(Note 6)*. The Company is actively pursuing the disposal of its remaining mining equipment and expects to dispose of these assets in 2012.

During the year ended 31 December 2011, the Company recognized a loss of $175,932 (2010 - $Nil) on write down of assets held for sale.

5. Exploration and Evaluation Properties

	Golden Summit Property	Rob Property	Vinasale Property	Union Bay Property	Total
Acquisition costs					
Balance, 1 January 2010	$ 742,242	$ 964,330	$ -	$ -	$ 1,706,572
Additions	268,299	91,611	-	-	359,910
Balance, 31 December 2010	$ 1,010,541	$ 1,055,941	$ -	$ -	$ 2,066,482
Exploration and evaluation costs					
Balance, 1 January 2010	$ 16,494,914	$ 2,401,662	$ 777,644	$ 67,218	$ 19,741,438
Assaying	766	-	35,145	-	35,911
Drilling	-	-	290,337	-	290,337
Engineering and consulting	2,137	146	100,509	937	103,729
Geological and field expenses	37,246	2,456	301,304	-	341,006
Geophysical	46,106	-	-	-	46,106
Helicopter support	-	-	230,634	-	230,634
Exploration and evaluation properties fees	61,876	26,537	10,552	6,809	105,774
Personnel	76,046	9,321	226,163	-	311,530
Reimbursements to third parties	69,201	-	200,799	-	270,000
Increase in restoration and environmental obligation	91,516	-	-	-	91,516
Balance, 31 December 2010	$ 16,879,808	$ 2,440,122	$ 2,173,087	$ 74,964	$ 21,567,981
Total	$ 17,890,349	$ 3,496,063	$ 2,173,087	$ 74,964	$ 23,634,463

	Golden Summit Property	Rob Property	Vinasale Property	Union Bay Property	Total
Acquisition costs					
Balance, 1 January 2011	$ 1,010,541	$ 1,055,941	$ -	$ -	$ 2,066,482
Additions	289,806	49,455	84,074	-	423,335
Balance, 31 December 2011	$ 1,300,347	$ 1,105,396	$ 84,074	$ -	$ 2,489,817
Exploration and evaluation costs					
Balance, 1 January 2011	$ 16,879,808	$ 2,440,122	$ 2,173,087	$ 74,964	$ 21,567,981
Assaying	261,555	306	46,564	-	308,425
Drilling	1,932,455	183,131	428,629	-	2,544,215
Engineering and consulting	92,858	44,023	91,607	-	228,488
Geological and field expenses	415,063	122,460	252,349	-	789,872
Geophysical	337,657	-	107,123	-	444,780
Helicopter support	-	305,006	286,454	-	591,460
Exploration and evaluation properties fees	56,618	31,117	19,940	6,459	114,134
Personnel	831,453	104,704	256,167	-	1,192,324
Increase in restoration and environmental obligation	257,634	-	-	-	257,634
Revision of restoration and environmental obligations	(23,484)				(23,484)
Balance, 31 December 2011	$ 21,041,617	$ 3,230,869	$ 3,661,920	$ 81,423	$ 28,015,829
Total	$ 23,341,964	$ 4,336,265	$ 3,745,994	$ 81,423	$ 30,505,646

a) **Golden Summit Property, Alaska, USA**

Fairbanks Exploration Inc.

By various agreements dated from 1 December 1992 to 9 May 1997, the Company acquired from Fairbanks Exploration Inc. ("FEI") certain mineral claims in the Fairbanks Mining District of Alaska known as the Golden Summit Property, subject to a 7% working interest held in trust for FEI by the Company on certain mineral claims. The property is controlled by the Company through long-term lease agreements or outright claim ownership. As consideration, the Company issued 20,833 shares and expended US$1,767,000 on the property before 2000 to FEI. The Company is also required to make all underlying lease payments.

The Company will fund 100% of the project until commercial production is achieved at which point FEI will be required to contribute 7% of any approved budget. The property is subject to a 2% Net Smelter Royalty ("NSR") to FEI, unless otherwise noted. The Company has a 30 day right of first refusal in the event that the 7% working interest of FEI or the NSR is to be sold. The Company can also purchase the NSR at any time following commercial production, based on its net present value as determined by mineable reserves.

(i) **Keystone Claims**

By an agreement dated 17 May 1992, the Company entered into an agreement with Keystone whereby the Company agreed to make advance royalty payments of US$15,000 per year. In May 2000, the agreement was renegotiated and on 15 October 2000, a $50,000 signing bonus was paid. On 30 November 2001, the Company restructured the advance royalty payments as follows:

	US Funds		
1992 – 1998 (US$15,000 per year)	$	105,000	(paid)
2000	$	50,000	($25,000 paid in cash and $25,000 with 9,816 treasury shares issued)
2001 - 2006 (US$50,000 per year)	$	300,000	(paid)
2007	$	150,000	(paid)
2008	$	150,000	(paid $75,000 in 2008 with the remaining $75,000 paid in 2009, subject to a payment extension)
2009	$	150,000	(paid)
2010	$	150,000	(paid)
2011	$	150,000	(paid)
2012 – 2019 (US$150,000 per year)	$	1,200,000	

The property is subject to a 3% NSR.

(ii) **Newsboy Claims**

By lease agreement dated 28 February 1986 and amended 26 March 1996, the Company assumed the obligation to make advance royalty payments of US$2,500 per year until 1996 (paid) and US$5,000 per year until 2006 (paid). During 2006, the Company renewed the existing lease term for an additional 5 years on the same terms and conditions. These payments are current. The claims are subject to a 4% NSR. The Company has the option to purchase the NSR for the greater of the current value or US$1,000,000 less all advance royalty payments made.

Subsequent to year end, the Company agreed to an amended lease agreement, which is subject to final execution. Under the amended agreement, the lease term will be extended for a five year term, from 1 March 2011 to 29 February 2016. The minimum royalty payable under the amended lease will be US$12,000 per year for the term of the lease. In addition, the Company will have the option to further extend the lease for a term of an additional 5 years by making a one-time payment of US$50,000 *(Note 18)*.

(iii) **Tolovana Claims**

In May 2004, the Company entered into an agreement with a third party (the “Seller”) whereby the Seller transferred 100% of the rights via Quit Claim Deed to a 20-year lease on the Tolovana Gold Property in Alaska.

Under the terms of the agreement, the Company assumed all of the Seller’s obligations under the lease, which include making annual payments of $1,000 per month for the first 23 months increasing to $1,250 per month for the 24th to the 48th months and increasing to $1,500 after the 49th month and for the duration of the lease. These payments are current.

The property is subject to a sliding scale NSR as follows: 1.5% NSR if gold is below US$300 per ounce, 2.0% NSR in the event the price of gold is between US$300 to US$400, and 3.0% NSR in the event that the price of gold is above US$400. In addition, the Company made a cash payment of US$7,500 on signing and issued 66,667 shares on regulatory approval. An additional 33,333 shares are to be issued within 30 days of a minimum 200,000 ounce mineral resource being calculated on the property if the resource is established in five years or less from the date of the agreement.

By agreement dated 31 December 2009, the Company entered into an option agreement with Western Standard Metals Ltd. (“Western”) whereby Western could have earned a 50% interest in the Golden Summit Property. As consideration, Western paid $300,000 and was to incur exploration and development expenditures of US$5,750,000 over 4 years in order to vest with a 50% interest.

On 6 July 2010, the Company and Western terminated the Golden Summit Option Agreement. In consideration for the early termination and in recognition of the cash payments made by Western, the Company agreed to issue Western common shares of the Company valued at $69,201, which has been recorded as a reimbursement of exploration and evaluation properties expenditures *(Note 11a).*

(iv) **Green Claims**

By lease agreement dated 16 December 2010, the Company acquired from Christina Mining Company, LLC ("CMC") certain mineral claims in the Fairbanks Mining District of Alaska known as the Green Property. The property is controlled by the Company through a long-term lease agreement. The claims are subject to a 3% NSR. The Company must make annual cash payments and exploration expenditures as follows:

	Payments	Exploration Expenditures
1 December 2010	US$100,000 (paid)	-
1 December 2011	US$100,000 (paid)	US$250,000 (incurred)
1 December 2012	US$100,000	US$500,000
1 December 2013	US$100,000	US$750,000
1 December 2014	US$100,000	US$1,000,000
1 December 2015 to 2019	US$100,000 per year	-
1 December 2020 to 2029	US$200,000 per year	-
Total	US$3,000,000	US$2,500,000

(v) **Chatham Claims**

By lease agreement dated 11 July 2011, the Company acquired certain mineral claims in the Fairbanks Mining District of Alaska known as the Chatham Property. The property is controlled by the Company through a four year lease agreement. The claims are subject to a 2% NSR. The Company must make annual cash payments and exploration expenditures as follows:

	Payments	Exploration Expenditures
Execution of agreement	US$20,000 (paid)	-
11 July 2012	US$30,000	US$50,000
11 July 2013	US$40,000	US$50,000
11 July 2014	US$50,000	US$50,000
11 July 2015	-	US$50,000
Total	US$140,000	US$200,000

The Company has the option to purchase one-half of the NSR representing one percent for US$750,000.

The Company also has the option to purchase the property for US$750,000.

b) **Rob Property, Alaska, USA**

By agreement dated 9 July 2002, the Company has the option to earn a 100% interest in a 20-year lease on certain mineral claims located in the Good Paster Mining District, Alaska, known as the Rob Property.

As consideration, the Company was required to make cash payments of US$80,000 (paid) for an underlying agreement with the vendor.

In addition, the Company paid US$29,000 and issued 166,667 shares. The Company is also required to expend a total of US$1,000,000 in exploration expenditures on the property prior to 31 December 2008 (completed).

During a prior year, the Company reached the required US$1,000,000 level of cumulative expenditures on the property and issued an additional 83,333 shares of the Company valued at $305,000. In addition, the vendor retains a 1% NSR which the Company may purchase for US$1,000,000.

The underlying lease holder shall retain a NSR, which shall vary according to the London gold price for the preceding six-month period as follows: 1% for gold prices less than US$300 per ounce, 1.5% for gold prices between US$301 and US$350, and 2% for gold prices greater than US$350. The NSR may be purchased for US$500,000 for each percentage point. An undivided 100% interest in the property may be purchased for US$1,500,000.

Commencing 1 December 2008, annual advance royalty payments must be made to the vendor depending on the average gold price for the preceding year as follows:

Gold Price Per Ounce	Annual Royalty Payment
Less than US$350	US$30,000
US$350 to US$400	US$40,000
More than US$400	US$50,000

These payments are current.

During the prior year, the Company staked a further 141 State of Alaska mining claims covering 15,360 acres adjacent to the property. These new claims bring the total property land holdings to 19,600 acres. The staked claims are 100% owned and not subject to any royalties.

c) **Vinasale Property, Alaska, USA**

By agreement dated 28 February 2007 and as amended on 18 January 2010, the Company entered into a mineral exploration agreement with an option to lease from Doyon Limited (“Doyon”), an Alaskan Native Corporation on the Vinasale property in central Alaska. The Company must make annual cash payments and incur exploration expenditures as follows:

Option Year Commencing	Payments	Exploration Expenditures
28 February 2007	US$50,000 (Paid)	US$300,000 (incurred)
1 February 2008	US$70,000 (Paid)	US$700,000*
1 February 2009	US$75,000 (Paid)	US$1,000,000**
1 February 2010	US$80,000 (Paid)	US$1,500,000 (incurred)
1 February 2011	US$85,000 (Paid)	US$1,500,000 (incurred)
Total	US$360,000	US$5,000,000

On or before 1 February 2012, the Company may at its option enter into a one year extension by making an additional cash payment of US$100,000 and incurring an additional US$1,500,000 in exploration expenditures *(Note 18)*. In the event the property is reduced by 50% or more, the additional exploration expenditures shall be reduced to US$1,000,000.

* During 2008, the Company requested that Doyon consider deferring the remaining 2008 expenditures to 2009, 2010 and 2011 in exchange for an additional contribution of US$20,000 to the scholarship fund and Doyon agreed to such request.

** By amendment dated 18 January 2010, Doyon agreed to waive the 2009 exploration expenditures. As consideration, the Company agreed to place US$300,000 in an escrow account by 15 April 2010. The funds were to be released upon mobilization of a drill rig to the property. These funds were released in July 2010. In addition, the Company is required to place in the escrow account US$300,000 by 15 April 2011 and US$300,000 by 15 April 2012 on the same terms unless the parties agree otherwise.

By agreement dated 31 December 2009, the Company optioned to Western up to a 50% interest in the Vinasale Property. In consideration, Western paid $350,000 and was to incur exploration and development expenditures of US$6,500,000 over 3 years.

On 6 July 2010, the Company and Western terminated the Vinasale Option Agreement. In consideration of the early termination and recognition of the cash payments and exploration expenditures incurred by Western, the Company has agreed to issue Western common shares of the Company valued at $200,799, which has been recorded as a reimbursement of exploration and evaluation properties expenditures *(Note 11a).*

d) **Union Bay Property, Alaska, USA**

The Company acquired certain mineral claims known as the Union Bay Property, in Alaska, USA, by way of staking.

By agreement dated 1 October 2002 and amended 2 April 2003, the Company granted to Pacific North West Capital Corp. (“PFN”), a company that previously had certain directors in common, an option to earn a 70% interest in the property by purchasing a private placement of $165,000 (2002) and making cash payments of $100,000 (received), issuing 60,000 shares (received) and incurring exploration expenditures of $1,000,000 (completed).

PFN vested with a 50% interest on 1 July 2006 and accordingly issued 253,586 shares pursuant to the agreement. Following vesting, PFN had the right to elect within 45 days to increase its interest to 60% by completing a feasibility study within 12 months of having vested. This election was not made.

By Memorandum of Agreement dated 4 May 2007, the Company and PFN confirmed their 50:50 interest in the property.

6. Property, Plant and Equipment

	Cost	Accumulated Amortization	**31 December 2011 Net Book Value**	31 December 2010 Net Book Value
Automotive	$ 32,597	$ (4,889)	**$ 27,708**	$ -
Computer equipment	3,736	(561)	**3,175**	-
Computer software	6,140	(3,070)	**3,070**	-
Exploration office	175,298	(3,506)	**171,792**	-
Exploration office equipment	13,260	(1,327)	**11,933**	-
Land	226,518	-	**226,518**	1,603,996
Mining equipment	-	-	**-**	492,085
Office equipment	7,724	(772)	**6,952**	-
	$ 465,273	$ (14,125)	**$ 451,148**	$ 2,096,081

	Cost	Accumulated Amortization	31 December 2010 Net Book Value	1 January 2010 Net Book Value
Automotive	$ 3,771	$ (3,771)	$ -	$ 2,244
Land	1,603,996	-	1,603,996	1,603,996
Mining equipment	1,419,808	$ (927,723)	492,085	902,647
Office equipment	114,447	(114,447)	-	41,326
	$ 3,142,022	$ (1,045,941)	$ 2,096,081	$ 2,550,213

During the year ended 31 December 2011, total additions to property, plant and equipment were $238,754 (2010 - $Nil).

During the year ended 31 December 2011, total dispositions of property, plant and equipment were $61,527 (2010 - $146,309) for total proceeds of $138,595 (2010 - $68,265) resulting in a gain of $77,068 (2010 – loss of $78,044). Of the total proceeds of $138,595 (2010 - $68,265), the Company received $132,595 (2010 - $Nil) in insurance proceeds from the theft of mining equipment.

During the year ended 31 December 2011, the Company recognized a loss of $1,377,478 (2010 - $39,248) on write down of land to a carrying value of $226,518.

During the year ended 31 December 2011, the Company transferred property, plant and equipment with a net book value of $430,557 (2010 - $Nil) to assets held for sale *(Note 4).*

7. Trade Payables

During the year, the Company wrote off trade payables in the amount of $27,587 (2010 - $397,556). Management does not consider that these amounts are payable although there is no assurance that a formal claim will not be made against the Company for some or all of these balances in the future.

During the prior year, the Company entered into a debt settlement agreement with one of its vendors. Under the terms of the agreement, the amount owing to the vendor was to be repaid in cash over three years and a portion was to be repaid in shares (issued) *(Note 11a)*. The cash portion will bear interest at 6%.

During a prior year, the Company entered into an agreement with one of its vendors to repay the amount payable over five years. The portion of this amount that will be repaid in the fifth year (2013) has been recorded as trade payables – long term.

8. Related Party Balances and Transactions

A summary of key management compensation is as follows:

		31 December 2011 $		31 December 2010 $
Short-term benefits	**$**	**476,161**	$	301,915
Share-based payments		**2,092,855**		609,655
Total	**$**	**2,569,016**	$	911,570

Except as noted elsewhere in these consolidated financial statements, key management personnel transactions are as follows:

a) Effective 1 January 2005, each outside director was entitled to receive up to $500 per month. During the year, $3,000 (2010 - $22,000) was paid/accrued to directors. As at 31 December 2011, amounts due to related parties include $Nil (2010 - $26,000) owing to directors. During the year, 325,000 (2010 – 295,833) options to purchase shares at $0.87 (2010 - $0.48) per share were granted with an estimated fair value of $233,914 (2010 - $114,186) and 325,000 (2010 – 200,000) options to purchase shares at $0.65 (2010 - $0.50) were granted with an estimated fair value of $172,022 (2010 – $75,795) (*Notes 8e and 8f*).

b) During the year, professional fees of $85,000 (2010 - $75,000) were paid/accrued to a company controlled by the Chief Financial Officer. As at 31 December 2011, $Nil (2010 - $97,303) related to this entity is included in due to related parties. During the year, 175,000 (2010 – 125,000) options to purchase shares at $0.87 (2010 – $0.48) per share were granted with an estimated fair value of $125,953 (2010 - $48,248) and 200,000 (2010 – 100,000) options to purchase shares at $0.65 (2010 - $0.50) were granted with an estimated fair value of $105,859 (2010 – $37,897).

c) During the year, consulting fees of $23,310 (2010 - $Nil) were paid to a company controlled by the Corporate Secretary. During the year, 25,000 (2010 – Nil) options to purchase shares at $0.87 per share were granted with an estimated fair value of $17,993 (2010 – $Nil) and 20,000 (2010 – Nil) options to purchase shares at $0.65 were granted with an estimated fair value of $10,586 (2010 - $Nil).

d) During the year, legal fees of $14,017 (2010 - $59,415) were paid/accrued to a law firm of which a director is a partner. As at 31 December 2011, $6,802 (2010 - $103,400) related to this entity is included in due to related parties.

e) During the year, salaries and benefits of $196,667 (2010 - $120,000), which included a $30,000 bonus, were paid/accrued to the director, President and Chief Executive Officer. As at 31 December 2011, $29,930 (2010 - $112,930) related to this individual is included in due to related parties. During the year, 650,000 (2010 – 250,000) options to purchase shares at $0.87 (2010 - $0.48) per share were granted with an estimated fair value of $467,827 (2010 – $96,495) and 500,000 (2010 – 300,000) options to purchase shares at $0.65 (2010 - $0.50) were granted with an estimated fair value of $264,649 (2010 - $113,692) (*Note 8a*).

f) During the year, salaries and benefits of $154,167 (2010 - $Nil) and a consulting bonus of $25,000 were paid to a director and the Vice-President of Exploration and Development and/or a company controlled by director and the Vice-President of Exploration and Development. During the year, 600,000 (2010 – Nil) options to purchase shares at $0.87 (2010 - $Nil) per share were granted with an estimated fair value of $431,840 (2010 - $Nil) and 475,000 (2010 – 300,000) options to purchase shares at $0.65 (2010 – 0.50) were granted with an estimated fair value of $251,416 (2010 – $113,692) (*Note 8a*).

g) During the year, consulting fees of $Nil (2010 - $12,000) were paid/accrued to the former Vice-President of Exploration and Development. As at 31 December 2011, $Nil (2010 - $85,621) related to this individual is included in due to related parties. During the year, 15,000 (2010 – 25,000) options to purchase shares at $0.87 (2010 - $0.48) per share were granted with an estimated fair value of $10,796 (2010 - $9,650).

h) During the year, shareholder relations fees of $Nil (2010 - $13,500) were paid/accrued to a former director. As at 31 December 2011, $Nil (2010 - $22,925) related to this individual is included in due to related parties.

i) During a prior year, the Company secured a US$2 million short-term loan from a company with a former director in common with the Company. During a prior year, $1,504,330 of this loan was converted into 2,785,796 shares of the Company. On 1 October 2009, a director in common was elected and as at 31 December 2011, $Nil (2010 - $854,974) was outstanding on this loan. During the year, this director resigned from the Company (*Notes 9ii and 11a*).

Key management personnel includes individuals having authority and responsibility for planning, directing and controlling the activities of the Company, including the directors, and any companies controlled by these parties.

These amounts were incurred in the ordinary course of business, are non-interest bearing, unsecured and due on demand unless otherwise noted. The above transactions are measured at fair value, which has been determined by negotiations amongst the parties.

9. Loans Payable

	31 December 2011	31 December 2010
i. Convertible loans totalling US$1,791,000 bearing interest at 4% per annum with interest only payments payable quarterly beginning August 2008, secured by both bulk sampling equipment located at and land adjacent to the Golden Summit property. The convertible loans were repayable in full on 30 May 2010. The convertible loans lenders (the "Convertible Loans Lenders") had the right to convert the outstanding principal, in whole or in part, into common shares of the Company at a conversion price of US$7.38 per share at any time during the term of the loans. On 29 June 2009, US$346,500 was repaid as a result of a partial sale of mining equipment. On 28 February 2010, US$3,977 was repaid. On 20 October 2010, US$38,144 was repaid as a result of a partial sale of mining equipment. On 22 October 2010, US$257,471 was repaid. The lenders agreed to extend the repayment date for the remaining principal plus interest to 30 November 2010. As consideration, the Company agreed to issue 500,000 warrants at an exercise price of $0.60, which were issued on 2 February 2011, expiring on 2 February 2012 *(Note 11c)*. On 29 November 2010, the loans and interest were repaid in full.	**$ -**	$ -
ii. Short term loans totalling US$5,229,032 bearing interest at 12.5% per annum with interest only payments payable monthly. On 30 September 2009, as part of the purchase and sale of a 100% interest in the Almaden Gold Project, Western assumed US$2,900,000 indebtedness to the senior bridge lender. On 1 October 2009, the amount owing to the subordinated lender of US$2,329,032 was reduced by US$1,377,591 (Cdn$1,504,330) as this debt was converted into 2,785,796 shares of the Company *(Note 8i)*. Additionally, the transfer of 1,000,000 common shares of Western to the subordinated lender reduced the debt to US$782,943 (Cdn$854,974) *(Note 3)* which was repayable over a two year term and bore a 6% annual interest rate. Pursuant to an amending agreement dated 29 September 2011, a partial repayment of $250,000 was made on 3 October 2011 and the repayment date was extended to 30 November 2011. On 23 November 2011, the loan was paid in full. Collateral for this loan was a first priority security agreement on the shares in the Company's wholly owned US subsidiaries and a general security agreement against the assets of the Company including a charge against bulk sampling equipment located on the Golden Summit Property.	**-**	854,974
Total	**$ -**	$ 854,974

10. Restoration and Environmental Obligations

The Company's restoration and environmental obligations consist of reclamation and closure costs for the Golden Summit Property *(Note 5a)*. The present value of the estimated obligations relating to properties is $429,375 (31 December 2010 - $188,221 and 1 January 2010 - $92,763) using discount rates at which cash flows have been discounted by 4.25%. Significant reclamation and closure cost activities include, land rehabilitation, demolition of field camps, ongoing care and maintenance and other costs.

The undiscounted reclamation and closure cost obligation at 31 December 2011 is $508,500 (US$500,000) (31 December 2010 - $198,920 (US$200,000) and 1 January 2010 - $104,660 (US$100,000)) and the cash outflows are expected to occur in 2015.

Movements in the reclamation and closure cost balance during the year are as follows:

		31 December 2011 $		31 December 2010 $		1 January 2010 $
Balance, beginning of year	**$**	**188,221**	$	92,763	$	-
Addition		**257,634**		91,516		92,763
Accretion		**7,851**		3,942		-
Revision of Golden Summit Property reclamation costs		**(23,484)**		-		-
Foreign exchange difference		**(847)**		-		-
Balance, end of year	**$**	**429,375**	$	188,221	$	92,763

11. Share Capital

a) Share Issuances and Other

On 22 August 2011, the Company closed a non-brokered private placement of 7,218,536 units at $0.55 per unit for proceeds of $3,970,195. Each unit consists of one common share and one half non-transferable share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of $0.75 per share exercisable until 22 August 2012 *(Note 11c)*.

On 16 March 2011, the Company closed a non-brokered private placement of 4,583,331 units at $0.48 per unit for proceeds of $2,199,999. Each unit consists of one common share and one non-transferable share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of $0.59 per share exercisable until 16 March 2012 and at a price of $0.65 per share exercisable until 16 March 2013 *(Note 11c)*.

On 18 January 2011, the Company issued 750,000 common shares pursuant to the 6 July 2010 settlement agreement with Western Standard related to the early termination of both the Vinasale and Golden Summit Option Agreements. These shares were recorded as shares to be issued during the year ended 31 December 2010, and a reimbursement of exploration and evaluation properties expenditures of $69,201 for the Golden Summit project and $200,799 for the Vinasale project was recorded in the accounts for the year ended 31 December 2010 *(Notes 5a and 5c)*.

On 22 December 2010, the Company closed a non-brokered private placement of 11,514,213 units priced at $0.46 per unit for proceeds of $5,296,538. Each unit consists of one common share and one non-transferable share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of $0.55 per share exercisable until 15 December 2011 and at a price of $0.65 per share exercisable until 15 December 2012 *(Note 11c)*.

On 18 October 2010, the Company agreed to issue 500,000 share purchase warrants with an exercise price of $0.60 to the convertible loan lenders, as consideration for an extension of the repayment date to 30 November 2010 *(Note 9i)*. The fair value of the share purchase warrants of $125,756 has been recorded as loan extension fees with an offsetting entry to contributed surplus. These warrants were issued on 2 February 2011.

On 1 October 2010, the Company closed a non-brokered private placement of 8,975,759 units of which 7,575,759 units were priced at $0.33 per unit and 1,400,000 units were priced at $0.35 per unit for proceeds of $2,990,000. Each unit consists of one common share and one non-transferable share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of $0.40 per share exercisable until 1 October 2011 and at a price of $0.50 per share exercisable until 1 October 2012 *(Note 11c)*.

On 27 August 2010, the Company consolidated its 101,153,306 old common shares, exchanging 6 (old) common shares for 1 (new) common share resulting in 16,858,863 new common shares outstanding. All common shares and per share amounts have been adjusted to give retroactive effect to the 6:1 share consolidation that took effect on 27 August 2010 *(Note 1)*.

On 6 July 2010, the Company and Western terminated both the Vinasale and Golden Summit Option Agreements whereby Western relinquished its option to earn a 50% undivided interest in each of the Vinasale and the Golden Summit properties. As consideration for the early termination, the Company agreed to issue Western a total of 750,000 common shares of the Company subject to Western paying certain creditors related to the 2010 exploration program on the Vinasale and Golden Summit properties. A reimbursement of exploration and evaluation properties expenditures of $69,201 for the Golden Summit project and $200,799 for the Vinasale project has been recorded in the accounts for the year ended 31 December 2010. The offsetting entry is to contributed surplus *(Notes 5a and 5c).*

On 16 February 2010, the Company issued 160,606 common shares to settle $106,000 (US$100,000) in debt.

On 11 February 2010, the Company issued 1,282,450 common shares and 978,517 common shares to settle $846,417 and $645,821 (US$615,068), respectively, in accounts payable *(Note 7)*.

b) **Exercise of Warrants and Options**

i) During the year, a total of 10,695,310 (2010 – Nil) warrants were exercised for gross proceeds of $5,032,693 (2010 – $Nil).

ii) During the year, a total of 299,999 (2010 – Nil) options were exercised for gross proceeds of $158,000 (2010 – $Nil).

c) **Share Purchase Warrants**

As at 31 December 2011, the following share purchase warrants are outstanding:

	Number	Price per Share	Expiry Date	
	500,000	$0.60	2 February 2012	*****
	577,083	$1.20	30 June 2012	
	3,067,240	$0.50	1 October 2012	****
	7,641,171	$0.65	15 December 2012	***
	3,669,582	$0.59/$0.65	16 March 2013	**
	3,609,268	$0.75	22 August 2012	*
Total	19,064,344			

* During the year, 3,609,268 share purchase warrants having a fair value of $1,107,275 were issued relating to private placements. Each warrant entitles the holder to purchase one additional common share at a price of $0.75 per share exercisable until 22 August 2012 *(Note 11a).*

** During the year, 4,583,331 share purchase warrants having a fair value of $859,060 were issued relating to private placements. Each warrant entitles the holder to purchase one additional common share at a price of $0.59 per share exercisable until 16 March 2012 and at a price of $0.65 per share exercisable from 17 March 2012 until 16 March 2013 *(Notes 11a and 18).*

*** During the prior year, 11,514,213 share purchase warrants having a fair value of $3,350,612 were issued relating to private placements. Each warrant entitles the holder to purchase one additional common share at a price of $0.65 per share exercisable until 15 December 2012 *(Note 11a).*

**** During the prior year, 8,975,759 share purchase warrants having a fair value of $2,128,992 were issued relating to private placements. Each warrant entitles the holder to purchase one additional common share at a price of $0.50 per share exercisable until 1 October 2012 *(Note 11a).*

***** During the year, the Company issued 500,000 share purchase warrants to the Convertible Loan Lenders with an exercise price of $0.60, expiring on 2 February 2012 *(Notes 9i and 18).*

d) **Share Purchase Options**

The Company has established share purchase option plans whereby the Board of Directors (the “Board”), may from time to time, grant options to directors, officers, employees or consultants to a maximum of 1,688,208 options. At the Company’s Annual and Special Meeting held on 28 April 2008, shareholders approved a resolution which amended the option plans to cap the number of options and performance shares outstanding to 10% of the issued and outstanding shares. Options granted must be exercised no later than five years from date of grant or such lesser period as determined by the Board. The exercise price of an option is not less than the closing price on the TSX on the last trading day preceding the grant date. Options vest upon the discretion of the Board.

A summary of the Company's options at 31 December 2011 and the changes for the year are as follows:

Number Outstanding 31 December 2010	Granted	Exercised	Cancelled	Expired	Number Outstanding and Exercisable 31 December 2011	Exercise Price Per Share	Expiry Date
48,333	-	-	-	(48,333)	-	$2.10	13 March 2011
5,000	-	-	-	(5,000)	-	$3.00	17 July 2011
4,167	-	-	-	-	4,167	$9.00	13 July 2012
16,667	-	-	-	-	16,667	$12.60	1 November 2012
186,667	-	-	-	-	186,667	$8.52	21 February 2013
25,000	-	-	-	-	25,000	$8.52	10 April 2013
41,667	-	(20,833)	(20,834)	-	-	$0.84	14 September 2014
37,500	-	(37,500)	-	-	-	$0.60	4 December 2014
745,833	-	(141,666)	-	-	604,167	$0.48	26 February 2015
900,000	-	(100,000)	-	-	800,000	$0.50	29 October 2015
-	2,035,000	-	-	-	2,035,000	$0.87	10 May 2016
-	1,590,000	-	-	-	1,590,000	$0.65	20 October 2016
2,010,834	3,625,000	(299,999)	(20,834)	(53,333)	5,261,668		

During the year, the Company granted the following options to employees and directors and recognized the 2011 vested amount as follows:

Grant Date	Granted	Exercise Price	Fair Value	**2011 Vested Amount**
10 May 2011	2,035,000	$0.87	$1,464,659	**$1,464,659**
20 October 2011	1,590,000	$0.65	841,582	**841,582**
Total	3,625,000		$2,306,241	**$2,306,241**

The total estimated fair value of the 3,625,000 options is $2,306,241 and was recorded in the Company accounts as share-based payments expense. The offsetting entry was to stock options reserve.

During prior years, the Company granted the following options to employees and directors and recognized the 2010 vested amount as follows:

Grant Date	Granted	Exercise Price	Fair Value	**2010 Vested Amount**
26 February 2010	745,833	$0.48	$287,877	**$287,877**
29 October 2010	900,000	$0.50	$341,076	**$341,076**
8 February 2008	16,667	$9.00	$94,562	**$3,986**
10 April 2008	25,000	$8.52	75,038	**7,374**
Total	1,687,500		$798,553	**$640,313**

The total estimated fair value of the 1,687,500 options is $798,553. Since the options were granted under a graded vesting schedule, $640,313 of the total fair value was recorded in the Company accounts as stock-based compensation expense. The offsetting entry was to stock options reserve.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes Option-Pricing Model with the following weighted average assumptions:

	2011	2010	2009
Expected dividend yield	**0.00%**	0.00%	0.00%
Expected stock price volatility	**117.71%**	119.92%	113.99%
Risk-free interest rate	**2.15%**	2.39%	2.55%
Expected life of options	**5.00 years**	5.00 years	5.00 years

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

12. Income Taxes

A reconciliation of income taxes at statutory rates with the reported taxes is as follows, using Canadian federal and provincial statutory tax rates of 26.50% (2010 – 28.50%):

		2011		2010
Loss before income taxes	**$**	**5,179,526**	$	2,445,618
Expected income tax (recovery)	**$**	**(1,372,575)**	$	(697,001)
Difference in foreign tax rate		**(118,876)**		(4,061)
Items not deductible for income tax purposes		**503,797**		345,489
Change in prior year provision to actual		**(154,374)**		(1,076,415)
Change in enacted tax rates		**22,383**		787,150
Change in valuation allowance		**1,119,645**		644,838
Total income taxes	**$**	**-**	$	-

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

		2011		2010
Deferred tax assets				
Share issue costs	**$**	**72,531**	$	47,384
Loss carry-forwards		**8,882,460**		8,332,768
Property, plant and equipment		**986,632**		454,066
Exploration and evaluation properties		**241,585**		311,338
Restoration and environmental obligations		**145,988**		63,995
		10,329,196		9,209,551
Valuation allowance		**(10,329,196)**		(9,209,551)
Net deferred tax assets	**$**	**-**	$	-

The Company has non-capital losses for Canadian tax purposes of approximately $11,487,640 available to offset against Canadian taxable income in future years, which, if unutilized, will expire as follows:

		Total
2014	$	838,873
2015		1,012,171
2026		1,435,285
2027		1,366,615
2028		3,047,451
2029		1,513,903
2030		886,163
2031		1,387,179
Total	$	11,487,640

In addition, the Company has net operating loss carryovers for US tax purposes of approximately US$17,600,000 available to offset against US taxable income in future years, which, if unutilized, will expire through to 2031.

Subject to certain restrictions, the Company also has resource exploration expenditures of approximately $32,600,000 available to reduce taxable income of future years. Future tax benefits which may arise as a result of these losses, resource deductions and other tax assets have not been recognized in these consolidated financial statements, and have been offset by a valuation allowance.

13. Commitments

The Company has outstanding and future commitments under exploration and evaluation property option agreements to pay cash and issue common shares of the Company *(Note 5).*

14. Segmented Information

Details on a geographic basis as at 31 December 2011 are as follows:

		USA		Canada		Total
Loss for the year	**$**	**(1,409,079)**	**$**	**(3,770,447)**	**$**	**(5,179,526)**
Comprehensive loss for the year	**$**	**(1,409,079)**	**$**	**(3,770,447)**	**$**	**(5,179,526)**
Current assets	**$**	**134,569**	**$**	**6,845,834**	**$**	**6,980,403**
Property, plant and equipment	**$**	**437,950**	**$**	**13,198**	**$**	**451,148**
Exploration and evaluation properties	**$**	**30,505,646**	**$**	**-**	**$**	**30,505,646**
Total assets	**$**	**31,078,165**	**$**	**6,859,032**	**$**	**37,937,197**

Details on a geographic basis as at 31 December 2010 are as follows:

		USA		Canada		Total
Loss for the year	$	(73,843)	$	(2,371,775)	$	(2,445,618)
Comprehensive loss for the year	$	(73,843)	$	(2,835,775)	$	(2,909,618)
Current assets	$	91,468	$	4,790,442	$	4,881,910
Property, plant and equipment	$	2,096,081	$	-	$	2,096,081
Exploration and evaluation properties	$	23,634,463	$	-	$	23,634,463
Total assets	$	25,822,012	$	4,790,442	$	30,612,454

Details on a geographic basis as at 1 January 2010 are as follows:

		USA		Canada		Total
Current assets	$	4,233	$	1,564,876	$	1,569,109
Property, plant and equipment	$	2,504,077	$	46,136	$	2,550,213
Exploration and evaluation properties	$	21,448,010	$	-	$	21,448,010
Total assets	$	23,956,320	$	1,611,012	$	25,567,332

15. Comparative Figures

Certain comparative figures have been adjusted to conform to the current year’s presentation.

16. Financial Instruments and Risk Management

a) Financial Instruments

The carrying value of financial assets and liabilities at 31 December 2011, 31 December 2010 and 1 January 2010 are as follows:

		31 December 2011		31 December 2010		1 January 2010
Financial Assets						
FVTPL, measured at fair value						
Cash and cash equivalents	**$**	**6,529,149**	$	4,818,038	$	328,354
Loans and receivables, measured at amortized cost						
Receivables		**33,181**		-		-
Available-for-sale, measured at fair value						
Available-for-sale investments		**-**		-		1,200,000
Held-to-maturity, measured at amortized cost						
Investments	**$**	**20,000**	$	-	$	-

		31 December 2011		31 December 2010		1 January 2010
Financial Liabilities						
FVTPL, measured at fair value						
Derivative liability	**$**	**-**	$	-	$	298,061
Other liabilities, measured at amortized cost						
Trade payables		**1,235,779**		1,165,275		3,085,837
Due to related parties		**36,732**		448,179		458,540
Loans payable	**$**	**-**	$	854,974	$	1,482,911

The fair value hierarchy of financial instruments measured at fair value on the balance sheet is as follows:

		31 December 2011		31 December 2010		1 January 2010
		Level 1		Level 1		Level 1
Cash and cash equivalents	**$**	**6,529,149**	$	4,818,038	$	328,354
Available-for-sale investments	**$**	**-**	$	-	$	1,200,000
		Level 2		Level 2		Level 2
Derivative liability	**$**	**-**	$	-	$	298,061

b) **Capital Management**

The capital structure of the Company consists of equity attributable to common shareholders, comprising of issued capital, accumulated other comprehensive income and deficit. The Company's objectives when managing capital are to: (i) preserve capital, (ii) obtain the best available net return, and (iii) maintain liquidity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic condition and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended 31 December 2011. Neither the Company nor its subsidiaries is subject to externally imposed capital requirements.

b) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises primarily from the Company's cash and cash equivalents and amounts receivable. The Company manages its credit risk relating to cash and cash equivalents by dealing only with highly-rated Canadian financial institutions. As at 31 December 2011, amounts receivable of $67,195 (31 December 2010 - $21,598 and 1 January 2010 – $13,855) was comprised of Harmonized Sales Tax receivable of $34,014 (31 December 2010 - $21,598 and 1 January 2010 - $13,855), interest receivable of $12,206 (31 December 2010 - $Nil and 1 January 2010 - $Nil) and other receivables of $20,975 (31 December 2010 - $Nil and 1 January 2010 - $Nil). As a result, credit risk is considered insignificant.

d) **Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by continuously monitoring actual and projected cash flows and matching the maturity profile of financial assets and liabilities. As the Company's financial instruments are substantially comprised of cash and cash equivalents, liquidity risk is considered insignificant.

e) **Currency Risk**

The Company is exposed to currency risk on its acquisition and exploration expenditures on its US properties since it has to convert Canadian dollars raised through equity financing in Canada to US dollars. The Company's expenditures will be negatively impacted if the US dollar increases versus the Canadian dollar.

The majority of the Company's cash flows and financial assets and liabilities are denominated in Canadian dollars, which is the Company's functional and reporting currency. Foreign currency risk is limited to the portion of the Company's business transactions denominated in currencies other than the Canadian dollar. The Company has cash and cash equivalents held in US dollars.

The Company's objective in managing its foreign currency risk is to minimize its net exposures to foreign currency cash flows by holding most of its cash and cash equivalents in Canadian dollars.

The Company monitors and forecasts the values of net foreign currency cash flow and balance sheet exposures and from time to time could authorize the use of derivative financial instruments such as forward foreign exchange contracts to economically hedge a portion of foreign currency fluctuations.

The following table provides an indication of the Company's foreign currency exposures during the years ended 31 December 2011, 31 December 2010 and 1 January 2010:

	31 December 2011	31 December 2010	1 January 2010
Cash and cash equivalents	**US$ 703,639**	US$ 189,872	US$ 125,918
Trade payables	**US$ 889,136**	US$ 876,827	US$ 2,785,765
Loans payable	**-**	-	US$ 1,444,500

A 1% change in Canadian/US foreign exchange rate at year end would have changed the net loss of the Company, assuming that all other variables remained constant, by approximately $1,855 for the year ended 31 December 2011.

The Company has not, to the date of these consolidated financial statements, entered into derivative instruments to offset the impact of foreign currency fluctuations.

f) **Interest Risk**

The Company is not subject to interest risk.

f) **Commodity Price Risk**

The Company is in the exploration stage and is not subject to commodity price risk.

17. Transition to International Financial Reporting Standards

IFRS 1, "*First-time Adoption of International Financial Reporting Standards*" sets forth guidance for the initial adoption of IFRS. The accounting policies in Note 2 have been applied in preparing the consolidated financial statements for the year ended 31 December 2011, the comparative information for the year ended 31 December 2010 and the preparation of an opening IFRS statement of financial position on 1 January 2010 (the "Transition Date").

Set forth below are the IFRS 1 applicable exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS.

a) **Share-based Payments**

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2, "*Share-based Payment*" to equity instruments that were granted on or before 7 November 2002, or equity instruments that were granted subsequent to 7 November 2002 and vested before the Transition Date. The Company elected not to apply IFRS 2 to equity instruments that vested prior to the Transition Date.

This resulted in no differences as at the Transition Date.

b) **Business Combinations**

IFRS 1 provides the option to apply IFRS 3, "*Business Combinations*", retrospectively or prospectively from the Transition Date. The Company elected not to retrospectively apply IFRS 3 to business combinations that occurred prior to its Transition Date.

c) **Consolidated and Separate Financial Statements**

In accordance with IFRS 1, if a company elects to apply IFRS 3 retrospectively, IAS 27, "*Consolidated and Separate Financial Statements*" must also be applied retrospectively. As the Company elected not to apply IFRS 3 prospectively, the Company has also elected not to apply IAS 27 prospectively.

d) **Restoration and Environmental Obligations**

IFRIC 1, "*Changes in Existing Decommissioning, Restoration and Similar Liabilities*" requires re-measurement of the restoration and environmental obligation liability at each period end to reflect changes due to changes in various assumptions, including the discount rate which reflects current market assessment of the time value of money and risk specific to the liability. IFRS 1 provides an optional exemption to elect not to retrospectively recalculate the restoration and environmental obligation liability and the related impact on the cost of the related asset and accumulated depreciation. The Company elected to use this exemption and measured the liability as at the Transition Date adjusted for a historical risk discount rate.

This resulted in no differences in exploration and evaluation properties and restoration and environmental obligation liability as at the Transition Date.

e) **IFRS Mandatory Exception**

In accordance with IFRS 1, the Company's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under Canadian GAAP unless there is objective evidence that those estimates were in error. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS.

Set forth below are other differences in accounting between Canadian GAAP and IFRS.

f) **Flow-through Shares**

Flow-through shares are a unique Canadian tax incentive which is the subject of specific guidance under Canadian GAAP. Under Canadian GAAP, the Company accounted for the issue of flow-through shares in accordance with the provisions of the Canadian Institute of Chartered Accountants (the "CICA") Emerging Issues Committee Abstract 146, "*Flow-through Shares*". At the time of issue, the funds received are recorded as share capital. At the time of the filing of the renunciation of the qualifying flow-through expenditures to investors, the Company recorded a deferred tax liability with a charge directly to shareholders' equity. Also under Canadian GAAP, a portion of the deferred tax assets that were not recognized in previous years, due to the recording of a valuation allowance, are recognized as a recovery of income taxes.

IFRS does not contain explicit guidance pertaining to this tax incentive. Therefore, the Company has adopted a policy whereby the premium paid for flow-through shares in excess of the market value of the shares without the flow-through features at the time of issue is initially recorded as a flow-through liability. Upon renunciation by the Company of the tax benefits associated with the related expenditures, a deferred tax liability is recognized and the flow-through liability is reversed, with any difference recorded as deferred tax expense. A portion of the deferred tax assets that were not recognized in previous years, due to the recording of a valuation allowance, will reduce the deferred tax liability and be recorded as a deferred tax recovery.

The change in accounting policy related to flow-through shares resulted in an increase in share capital and an increase in deficit of $80,816 as at the Transition Date and 31 December 2010.

g) **Financial Instruments – Derivative Liability**

During the year ended 31 December 2008, the Company issued convertible loans that were convertible into a fixed number of the Company's common shares in exchange for a fixed amount of US dollar (Note 9i). Under Canadian GAAP, the Company accounted for the issue of convertible loans in accordance with CICA Handbook Section 3863, "*Financial Instruments – Presentation*". At the time of issue, the compound financial instrument is bifurcated into a liability component and an equity component. The Company assigned to the equity component the residual amount after deducting from the compound financial instrument as a whole the fair value determined for the liability component.

Under IFRS, a convertible loan that is denominated in a foreign currency has no equity component and is presented as a liability with an embedded derivative. The convertible loan is classified as a financial liability under IAS 32, "*Financial Instruments: Presentation*" and is subject to IAS 39, "*Financial Instruments: Recognition and Measurement*" for recognition and measurement. The embedded derivative liability is initially recognized at fair value and is classified as financial liability at FVTPL. The fair value of the embedded derivative liability was determined using the Black-Scholes Option Pricing Model. The embedded derivative liability is presented separately in the statement of financial position.

The change in accounting policy related to convertible loan denominated in foreign currency resulted in following differences:

As at		31 December 2010		1 January 2010
Decrease in loans payable	$	-	$	955,799
Increase in derivative liability	$	-	$	(298,061)
Decrease in deficit	$	-	$	(657,738)

h) **Financial Instruments – Available-for-Sale**

Under Canadian GAAP, the Company grouped its redeemable guaranteed investment certificate as available-for-sale instruments. Upon adoption of IFRS, the Company determined both that the redeemable guaranteed investment certificate meets the criteria for financial assets at FVTPL and that it should be grouped as cash and cash equivalents.

i) **Reclassification within Equity section**

Under Canadian GAAP, “Contributed Surplus” was used to record the issuance of warrants and stock options as well as shares to be issued and warrants to be issued. Upon adoption of IFRS, the balances in “Contributed Surplus” have been reclassified to “Stock options reserve”, “Warrants reserve” and “Other reserve”.

In addition, the Company reclassified the balance of the “Accumulated other comprehensive income” that existed under Canadian GAAP into “Available-for-sale reserve”.

j) **Reconciliations of Canadian GAAP to IFRS**

IFRS employs a conceptual framework that is similar to Canadian GAAP. However, significant differences exist in certain matters of recognition, measurement and disclosure. The following analysis represents the reconciliations from Canadian GAAP to IFRS for the respective years noted:

Reconciliation of Statement of Financial Position as at 1 January 2010

	Note	Canadian GAAP	IFRS Adjustments	IFRS
ASSETS				
Current				
Cash and cash equivalents	(h)	$ 313,354	$ 15,000	$ 328,354
Amounts receivable		13,855	-	13,855
Available-for-sale investments	(h)	1,215,000	(15,000)	1,200,000
Prepaid expenses and deposits		26,900	-	26,900
		1,569,109	-	1,569,109
Exploration and Evaluation Properties		21,448,010	-	21,448,010
Property, Plant and Equipment		2,550,213	-	2,550,213
		$ 25,567,332	$ -	$ 25,567,332
LIABILITIES				
Current				
Trade payables		$ 2,512,573	$ -	$ 2,512,573
Accrued liabilities		29,000	-	29,000
Due to related parties		458,540	-	458,540
Loans payable	(g)	1,583,736	(955,799)	627,937
Derivative liability	(g)	-	298,061	298,061
		4,583,849	(657,738)	3,926,111
Trade Payables – Long Term		573,264	-	573,264
Restoration and Environmental Obligations		92,763	-	92,763
Loans Payable – Long Term		854,974	-	854,974
		6,104,850	(657,738)	5,447,112
EQUITY				
Share Capital	(f)	53,056,054	80,816	53,136,870
Contributed Surplus	(i)	5,497,508	(5,497,508)	-
Accumulated Other Comprehensive Income	(i)	464,000	(464,000)	-
Stock Options Reserve	(i)	-	4,091,648	4,091,648
Warrants Reserve	(i)	-	1,405,860	1,405,860
Available-for-Sale Reserve	(i)	-	464,000	464,000
Deficit	(f)(g)	(39,555,080)	576,922	(38,978,158)
		19,462,482	657,738	20,120,220
		$ 25,567,332	$ -	$ 25,567,332

Reconciliation of Statement of Financial Position as at 31 December 2010

	Note		Canadian GAAP		IFRS Adjustments		IFRS
ASSETS							
Current							
Cash and cash equivalents	(h)	$	4,807,391	$	10,647	$	4,818,038
Amounts receivable			21,598		-		21,598
Available-for-sale investments	(h)		10,647		(10,647)		-
Prepaid expenses and deposits			42,274		-		42,274
			4,881,910		-		4,881,910
Exploration and Evaluation Properties			23,634,463		-		23,634,463
Property, Plant and Equipment			2,096,081		-		2,096,081
		$	30,612,454	$	-	$	30,612,454

	Note		Canadian GAAP		IFRS Adjustments		IFRS
LIABILITIES							
Current							
Trade payables		$	863,720	$	-	$	863,720
Accrued liabilities			29,000		-		29,000
Due to related parties			448,179		-		448,179
Loans payable	(g)		854,974		-		854,974
			2,195,873		-		2,195,873
Trade Payables – Long Term			301,555		-		301,555
Restoration and Environmental Obligations			188,221		-		188,221
			2,685,649		-		2,685,649
EQUITY							
Share Capital	(f)		57,256,584		80,816		57,337,400
Contributed Surplus	(i)		12,013,181		(12,013,181)		-
Stock Options Reserve	(i)		-		4,731,961		4,731,961
Warrants Reserve	(i)		-		6,885,464		6,885,464
Other Reserve	(i)		-		395,756		395,756
Deficit	(f)(g)		(41,342,960)		(80,816)		(41,423,776)
			27,926,805		-		27,926,805
		$	30,612,454	$	-	$	30,612,454

Reconciliation of Statement of Loss and Comprehensive Loss
For the Year Ended 31 December 2010

	Note	Canadian GAAP	IFRS Adjustments	IFRS
General and Administrative Expenses				
Consulting fees		$ 15,405	$ -	$ 15,405
Share-based payments		640,313	-	640,313
Travel		137,891	-	137,891
Promotion and shareholder relations		47,467	-	47,467
Director fees		22,000	-	22,000
Professional fees		203,001	-	203,001
Wages, salaries and benefits		71,470	-	71,470
Transfer and filing fees		142,130	-	142,130
Rent and utilities		51,205	-	51,205
Office and miscellaneous		37,667	-	37,667
Amortization		9,708	-	9,708
Accretion of restoration and environmental obligations		3,942	-	3,942
Loss Before Other Income (Expenses)		(1,382,199)	-	(1,382,199)
Other Income (Expenses)				
Loss on sale of available-for-sale investments		(214,241)	-	(214,241)
Interest income		171	-	171
Amortization of mining equipment		(258,867)	-	(258,867)
Foreign exchange gain (loss), *net*		66,807	-	66,807
Gain on forgiveness of debt		397,556	-	397,556
Interest, bank charges and loan arrangement fees		(279,815)	-	(279,815)
Write-off of property, plant and equipment		(39,248)	-	(39,248)
Loss on sale of property, plant and equipment		(78,044)	-	(78,044)
Gain on derivative liability	(g)	-	325,474	325,474
Loss on settlement of loan payable	(g)	-	(983,212)	(983,212)
		(405,681)	(657,738)	(1,063,419)
Net Loss for the Year		$ (1,787,880)	$ (657,738)	$ (2,445,618)
Other Comprehensive Income (Loss)				
Unrealized loss on available-for-sale investments		(678,241)	-	(678,241)
Realized loss on available-for-sale investments		214,241	-	214,241
Comprehensive Loss for the Year		$ (2,251,880)	$ (657,738)	$ (2,909,618)

Reconciliation of Statement of Cash Flows
For the Year Ended 31 December 2010

	Note	Canadian GAAP	IFRS Adjustments	IFRS
Cash Resources Provided By (Used In)				
Operating Activities				
Loss for the year	(g)	$ (1,787,880)	$ (657,738)	$ (2,445,618)
Items not affecting cash:				
Amortization		268,575	-	268,575
Accretion of restoration and environmental obligations		3,942	-	3,942
Loss on sale of available-for-sale investments		214,241	-	214,241
Loss on sale of property, plant and equipment		78,044	-	78,044
Write-off of property, plant and equipment		39,248	-	39,248
Share-based payments		640,313	-	640,313
Loan arrangement fee		125,756	-	125,756
Gain on derivative liability	(g)	-	(325,474)	(325,474)
Loss on settlement of loan payable	(g)	-	983,212	983,212
Net changes in non-cash working capital components:				
Amounts receivable		(7,743)	-	(7,743)
Prepaid expenses and deposits		(15,374)	-	(15,374)
Trade payables		(193,999)	-	(193,999)
Due to related parties		(10,361)	-	(10,361)
		(645,238)	-	(645,238)
Investing Activities				
Proceeds on sale of available-for-sale investments		521,759	-	521,759
Proceeds on redemption of available-for-sale investments	(h)	4,353	(4,353)	-
Exploration and evaluation property acquisition costs		(359,910)	-	(359,910)
Exploration and evaluation property deferred exploration costs		(1,321,643)		(1,321,643)
Proceeds from sale of property, plant and equipment		68,265	-	68,265
		(1,087,176)	(4,353)	(1,091,529)
Financing Activities				
Share capital issued		8,286,538	-	8,286,538
Share issuance costs		(204,642)	-	(204,642)
Repayment of loans		(1,583,736)	-	(1,583,736)
Trade payables – long term		(271,709)	-	(271,709)
		6,226,451	-	6,226,451
Net Increase in Cash and Cash Equivalents		4,494,037	(4,353)	4,489,684
Cash and cash equivalents - Beginning of year	(h)	313,354	15,000	328,354
Cash and Cash Equivalents - End of Year		$ 4,807,391	$ 10,647	$ 4,818,038

18. Subsequent Events

The following events occurred during the period from the year ended 31 December 2011 to the date the consolidated financial statements were available to be issued on 28 March 2012:

i) On 20 January 2012, the Company paid US$100,000 to Doyon to extend the lease on the Vinasale Property by one year and is required to incur an additional US$1,500,000 in exploration expenditures *(Note 5c)*.

ii) On 2 February 2012, 270,905 share purchase warrants with an exercise price of $0.60 per common share expired *(Note 11c)*.

iii) On 20 February 2012, the Company granted 20,000 stock options with an exercise price of $0.75, expiring on 20 February 2017.

iv) On 17 March 2012, the exercise price on 2,934,999 warrants increased from $0.59 per common share to $0.65 per common share, exercisable until 16 March 2013 *(Note 11c)*.

v) The Company issued 734,583 common shares of the Company upon exercise of 734,583 warrants at an exercise price of $0.59 per common share, for total proceeds of $433,404.

vi) The Company issued 229,095 common shares of the Company upon exercise of 229,095 warrants at an exercise price of $0.60 per common share, for total proceeds of $137,457.

vii) The Company has agreed to a mineral lease amendment and assignment agreement related to the Newsboy Claims, which is subject to final execution (*Note 5a*).

viii) The Company was awarded a bid to a lease agreement to acquire certain mineral claims in the Fairbanks Mining District of Alaska known as the Alaskan Trust Property, which is subject to final execution. The property will be controlled by the Company through a three year lease agreement and may be extended for two extensions of three years. The Company will be required to make annual cash payments and exploration expenditures as follows:

	Payments	Exploration Expenditures
Execution of agreement	US$25,000 (paid)	-
Years 1-3	US$2,000 per year	US$25,000 per year
Years 4-6	US$3,000 per year	US$50,000 per year
Years 7-9	US$4,000 per year	US$75,000 per year
Total	US$52,000	US$450,000

The claims will be subject to the following NSR:

Price of Gold (per ounce)	Net Royalty
US$500 or below	1.0%
US$500.01 - US$700.00	2.0%
US$700.01 - US$900.00	3.0%
US$900.01 - US$1,200.00	3.5%
above US$1,200.00	4.5%