Form 51-102F1
Management Discussion and Analysis
For
Freegold Ventures Limited

MANAGEMENT DISCUSSION & ANALYSIS

The following discussion and analysis is management's assessment of the results and financial condition of Freegold Ventures Limited (the "Company" or "Freegold") for the nine month period ended September 30, 2010 and should be read in conjunction with the consolidated financial statements for the nine month period ended September 30, 2010 and related notes contained in the report. The date of this management's discussion and analysis is November 10, 2010. Additional information on the Company, including its annual information form, is available on SEDAR at www.sedar.com.

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.

Forward looking statements

Certain information included in this discussion may constitute forward-looking information within the meaning of Canadian securities laws including, without limitation, statements and information regarding the Company's exploration operations and financing needs. Such forward-looking information reflects the current expectations or beliefs of the Company. Forward-looking information is subject to a number of risks, assumptions and uncertainties that may cause the actual results of the Company to differ materially from those discussed herein, including the possibility that future exploration results will not be consistent with the Company's expectations, the uncertainties involved in interpreting exploration results, other inherent risks in the mineral exploration and development industry and the possibility that the Company may not be able to obtain the necessary financing to carry out its business plan. Readers are cautioned not to place undue reliance on forward-looking information because it is possible that expectations, predictions, forecasts, projections and other form of forward-looking information will not be achieved by the Company. A change in any one of these factors could cause actual events or results to differ materially from those projected in the forward-looking information. Although the Company believes that the expectations reflected in such forward-looking statements and information are reasonable, the Company can give no assurance that such expectations will prove to be correct. Forward-looking statements and information are based on current expectations, estimates and projections that involve a number of risks and uncertainties which could cause actual results to differ materially from those anticipated by the Company and described in the forward-looking statements or information. The forward-looking statements and information are based on a number of assumptions which may prove to be incorrect. In addition to other assumptions identified herein, the Company has made assumptions regarding, among other things, the ability to conduct exploration activities in a timely manner, the availability and costs of financing, and other risks and uncertainties described elsewhere in this document or in the Company's other filings with Canadian securities authorities. Such forward-looking information speaks only as of the date on which it is made and, unless required by applicable securities laws, the Company undertakes no obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise.

Corporate update

On August 27, 2010, the Company consolidated its share capital on a one new common share for every six existing common shares.

Subsequent to quarter end, the Company closed a non-brokered private placement of 8,978,758 units of which 7,575,758 units were priced at $0.33 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 shall be exercisable until October 1, 2012 and will entitle the holder to acquire an additional Share at a price of $0.40 until October 1, 2011 and at a price of $0.50 until October 1, 2012. Pursuant to the requirements of the Toronto Stock Exchange, the issuance of the warrants and the resulting 8,975,758 common shares issuable on exercise of the warrants was subject to shareholder approval as the aggregate number of common shares being made issuable under the private placement, is more than the 25% of the current issued and outstanding number of shares of Freegold and the issuance of the warrants deems the Units to have been issued at a discount to market price of the common shares. On November 3rd, 2010 the Company announced it had received the necessary shareholder approval for the issuance of the warrants.

On May 28, 2010 the Company applied to the United States Securities and Exchange Commission (the "SEC") to voluntarily terminate the registration of its Commons Shares under the United States Securities Exchange Act of 1934. Effective August 28, 2010, the termination took effect and the Company ceased to file certain reports, including Form 20-F and Form 6-K with the SEC. The Company was not listed on any U.S. stock exchange and the administrative burdens and costs associated with being a U.S. reporting company, particularly inn light of the SEC Sarbanes-Oxley requirement, have increased significantly in the past few years. Overall, the Company believes these burdens and costs outweigh any benefits derived from the Company's foreign issuer status with the SEC.

Review of Exploration Projects

Golden Summit Project, Alaska

Since 1992, Freegold has explored the Golden Summit Project – located 20 miles north of Fairbanks, Alaska, less than 5 miles from one of Alaska's largest gold mines (Kinross' 350,000 oz/year Fort Knox Mine). Freegold's 7-mile wide Golden Summit property is located at the center of the historic Fairbanks mining district, with approximately 7.25 million ounces of gold having been recovered from underground mines on the property and from the placer operations in the streams that drain the project area. This property contains over 80 known gold occurrences, and has hosted the district's largest and highest-grade historic underground gold producers, with over 500,000 ounces of gold being produced from 1902 to 1942 at average grades in excess of 1 oz/ton.

Detailed exploration conducted to date covers only a small portion (1.2 miles) of the 7 mile wide property. The balance of the property contains numerous old mines, veins and shears that have not been systematically explored, including areas with a greater density of identified gold-bearing veins and shear zones than exists in the Cleary Hill area. An airborne geophysical survey over the entire property in 2007 also suggests that there are numerous other areas on the property that are prospective for hosting gold mineralization. Significant bulk tonnage potential may exist in these areas in addition to the virtually unexplored depth potential of Golden Summit.

On December 31, 2009, the Company optioned to Western Standard Metals Inc. ("Western Standard") the right to earn a 50% interest in the Golden Summit Property. As consideration, Western Standard paid Cdn $300,000 to the Company and was to incur US$5,750,000 in exploration and development expenditures over a 4 year period.

On July 6, 2010, the Company and Western Standard agreed to terminate the option on the Golden Summit Project. The Company believes that it will be in a better position to finance having it's 100% working interest. In order to further advance the project and to facilitate additional financing, the Company undertook a small geophysical program on the Golden Summit project in July 2010, the results of which are currently being interpreted.

Vinasale Gold Project, Alaska

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 oz Donlin Creek deposit and the high grade Nixon Fork copper-gold deposit.

Gold mineralization was first discovered at Vinasale by Central Alaskan Gold Company (CAG) in 1989. Exploration from 1990 to 1993 by CAG and their joint venture partner, Placer Dome, consisted of soil sampling, geophysics, diamond drilling (5,285 metres in 39 holes) and metallurgy. While the gold mineralization was found to be refractory, metallurgical testwork indicates that greater than 95% of the gold reports to the sulphide concentrate, thereby considerably reducing the volume of material required to be oxidized before extraction by cyanide. The Project was subsequently optioned by ASA-Montague and additional soil sampling, diamond drilling (5,262 metres in 26 holes) and metallurgy were completed in 1994. Drilling intersected significant gold values beneath multi-element soil anomalies in the Northeast, Central and South zones. A resource of 925,000 ounces of gold (14.5 million tonnes grading 1.95 grams/tonne) was estimated for the Central Zone by Derry Michener, Booth and Wahl (1994) as part of a Prefeasibility study. (Note that the resource figures are historical in nature and are provide for information purposes only; they are not compliant with National Instrument 43-101 (“NI 43-101”) and as such should not be relied upon). Previous wide-spaced drilling northeast and southeast of the Central Zone indicates these areas may have potential for resource expansion while previous limited reconnaissance work has indicated that additional gold mineralization exists on the property outside the area known to contain resources.

Freegold's exploration program in 2007 was focused on evaluating the large land package surrounding the deposit, where limited systematic work has been conducted in the past. Freegold's efforts in 2007 included a stream, soil and rock sampling program. This program was followed up with a 1,788 line kilometre high resolution EM and Magnetic airborne geophysical survey. The focus of exploration in 2008 was directed towards mapping, sampling and geophysics aimed at expanding the known extent of the gold mineralization within the Central Zone. The program consisted of an induced polarization (IP) survey on areas north and north-east of the Central Zone. The preliminary results of geophysics indicated that the anomaly associated with the Central Zone, although weaker, continues to the north and the north-east, where there is thought to be potential to expand the known resources.

On December 31, 2009, the Company optioned to Western Standard the right to earn a 50% interest in the Vinasale Property. As consideration, Western Standard paid Cdn $350,000 to the Company and was to incur US$6,500,000 in exploration and development expenditures over a 3 year period.

On July 6, 2010, the Company and Western Standard terminated the option agreement on the Vinasale project. The Company felt that it would facilitate financings if the Company had the right to earn a 100% lease interest in the project. Drilling commenced on the project in July 2010.

Prior to the termination of the option agreement, Western Standard undertook an exploration program on the Vinasale property.

A total of 6 holes were drilled during the program for total footage of 6,386 feet (1,947m). The program was aimed at expanding the known resources as well as testing weaker geophysical anomalies to the northeast of known mineralization. Significant results are reported as follows:

Hole Number	Total Depth (ft)	From	To	Interval (ft)	Oz/T	Interval (m)	g/t
VM10-01	1297	658	672	14	0.12	4.3	4.1
		790	1024	234	0.044	71.3	1.52
VM10-02	1407	657	677	20	0.16	6.1	5.34
		747	931	184	0.075	56.1	2.58
		1028.5	1212	183.5	0.046	55.9	1.58
		1297	1327	30	0.035	9.1	1.19
		1392	1399	7.5	0.058	2.3	1.98
VM10-3	1132	Anomalous Values					
VM10-4	1003	No Significant Values					
VM10-5	757	No Significant Values					
VM10-6	790	87	197	110	0.011	33.5	0.4
		447	565.5	118.5	0.068	36.1	2.33
		627	680.5	53.5	0.037	16.3	1.28

"Oz/T" is troy ounces per short ton; "g/t" is grams per metric tonne

Hole VM10-01 is the northern most hole drilled in the Central Zone. The hole intersected the mineralization approx 100 m west of the previously drilled VM94-26 which was a vertical hole drilled to a depth 500 ft and was the last hole drilled on the project prior to this year. Hole VM94-26 intersected the mineralized zone from 368 ft to 458 ft (90ft @ 0.066 oz/t) (27.4m @ 2.28 g/t). The results of VM10-01 have confirmed the previous intersection and extended the mineralization to a vertical depth of 886 ft. Hole VM10-02 was collared approximately 60 metres southwest of hole VM 10-01. The hole was aimed at confirming and extending mineralization downdip from hole VM94-13, which was drilled to a depth of 930. Hole VM94-13 intersected the mineralization between 95 -- 870 ft (775 ft @ 0.048 oz/t) (237.7 m @ 1.64 g/t). Hole VM10-02 confirmed results of the previous drilling and extended the mineralization to a vertical depth of 1,212 ft. VM10-3, 10-04 and 10-5 were aimed at testing weaker geophysical anomalies. Anomalous values were intersected in hole VM10-03. Hole VM10-06 is a vertical hole terminated at a depth of 790 ft. It was drilled 50 metres west of hole VM94-26, and confirms mineralization to the west and to the north of that hole. To date mineralization in the Central Zone extends over a length of 400 metres and remains open to the north, south and to depth.

Rob Project, Alaska

Since acquiring the project in 2002, Freegold has conducted limited work on this 106-claim property, however work has confirmed the presence of high-grade gold mineralization from various large soil anomaly locations originally identified by the WGM/Sumitomo exploration team in the early 1990's. This team was also responsible for the discovery of the nearby Pogo deposit, a 5.6 million oz gold deposit that is hosted in the same intrusive and metamorphic rocks, and on the flank of the same 18 mile long gneiss dome that hosts the Rob gold mineralization. In 2009 the Pogo mine produced 389,808 ounces of gold at a cash cost of $423 per ounce.

A total of 29 holes (6,658 feet) have been drilled on the project by Freegold focussing on the Grey Lead and O'Reely vein prospects. Drilling at the O'Reely vein did not intersect the multi-ounce values sampled at surface, 7 holes within the Grey Lead vein consistently intersected thick intervals of high-grade gold mineralization that exhibit geological and geochemical characteristics similar to those seen at the Pogo gold mine. True width drill intercepts included a 13.5 foot interval averaging 20.1 g/t and a 13 foot interval averaging 29.0 g/t and included other significant intervals included 7.9 feet averaging 62 g/t gold, and 7.4 feet averaging 35 g/t. Prospecting and IP geophysical surveys discovered two additional veins running parallel to Grey Lead. These veins returned grab samples up to 18 g/t and 75 g/t, and have been traced over 850 feet at surface. Further work was also conducted on the eastern side of the property at the undrilled Michigan prospect, where prospecting and sampling has now traced a large intrusive hosted stock-work vein system over an approximate 3,500 foot by 2,500 foot area (with surface grab samples as high as 699, 175 and 121 g/t gold).

In March 2010, the Company staked an additional 141 State of Alaska mining claims covering 15,360 acres adjacent to its Rob gold project in the Goodpaster Mining District, Alaska. These new claims bring the total Rob project land holdings to 19,600 acres in one of the most prospective mining districts in Alaska. The newly acquired lands sit between the Tibbs Creek and Serpentine faults which define the western and eastern limits, respectively, of the northeast trending regional scale Black Mountain tectonic zone. Virtually all of the known lode gold occurrences in the eastern Goodpaster Mining district are located within the Black Mountain tectonic zone. Host rocks in the new claims include Paleozoic paragneiss and orthogneiss intruded by mid-Cretaceous intermediate plutonic rocks, the same units which host high-grade mineralization at the Grey Lead, Blue Lead, Michigan and Trench prospects at Rob.

Public-sector geochemical data from the newly acquired claims indicates widespread anomalous gold, arsenic, bismuth and tungsten in rocks, stream sediments and pan concentrate samples. The elevated bismuth and tungsten values are indicative of proximal intrusive-related gold mineralization similar to that at the Grey lead prospect at Rob.

A revised National Instrument 43-101 technical report was completed in March 2010 on the Rob Project and has recommended exploration of US $1million on the Rob project that should include reconnaissance sampling on both the original and the newly acquired claim blocks. In addition diamond drilling has been recommended for the Michigan, Blue Lead and Trench prospects to follow up on the high grade gold found in previous programs. The Company intends to proceed with the recommended programs if and when it is able to arrange funding to undertake such activities.

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 information set forth below should be read in conjunction with the consolidated audited financial statements, prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), and related notes.

	Years Ended December 31, (audited)		
	2009	2008	2007
Total revenues	$213	$35,292	$259,063
General and administrative expenses - cash	890,885	1,208,428	1,358,287
General and administrative expenses – stock compensation	697,378	1,641,023	1,388,088
Mineral property costs	1,211,741	9,934,434	8,169,365
Loss before extraordinary items			
➢ In total	(1,588,263)	(2,849,451)	(2,746,375)
➢ Basic and diluted loss per share	(0.02)	(0.04)	(0.05)
Comprehensive loss before income taxes			
➢ In total	(5,153,992)	(5,165,861)	(4,384,463)
➢ Basic and diluted loss per share	(0.08)	(0.08)	(0.08)
Totals assets	25,567,332	$31,645,153	$23,722,900
Total long term liabilities	Nil	Nil	Nil
Cash dividends declared	Nil	Nil	Nil

Selected quarterly financial information

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

	For the Quarters Ended (unaudited)							
	Sept. 30 2010	June 30 2010	Mar. 31 2010	Dec. 31 2009	Sept. 30 2009	June 30 2009	Mar. 31 2009	Dec. 31 2008
Total revenues	$Nil	$171	$Nil	$213	$Nil	$Nil	$Nil	$112
Net comprehensive loss – before tax	385,909	683,024	641,874	534,088	2,406,339	127,146	2,086,419	1,673,797
Net comprehensive loss per share	0.02	0.01	0.01	0.01	0.04	0.002	0.03	0.02
Total assets	25,674,068	24,763,632	25,199,402	25,567,332	25,672,602	31,412,885	31,923,410	31,645,153

Results of operations

The nine month period ended September 30, 2010 resulted in a net comprehensive loss of $1,710,807 which compares with a loss of $4,619,904 for the same period in 2009. General and administrative expenses for the nine month period ended September 30, 2010 were $870,277, a decrease of $651,266 over the same period in 2009. The loss is mainly attributable to $299,238 (2009: $739,886) in non-cash stock-based compensation expenses that were charged upon the granting of long-term incentive stock options. There was a loss of $2,917,325 on the sale of the Almaden project in the prior year that accounts for a substantial portion of the previous years loss.

Professional fees of $123,580 (2009: $197,050) were recorded as additional legal expenses were incurred during the prior year to assist in the preparation of various equipment and bridge loan documents.

Interest costs and loan arrangement fees of $113,497 (2009: $1,986,343) were reduced as a large portion of debt was reduced compared to the previous year.

Amortization for office equipment of $7,281 for the nine month period ended September 30, 2010 (2009: $9,294) was recorded. Mining equipment amortization of $188,209 (2009: $309,573) was attributed to the mining equipment that was obtained for the Golden Summit project in Alaska.

A foreign exchange gain of $45,090 (2009: gain $1,370,880) was recorded on loans and trade payables that are payable in US funds. This resulted as the US dollar became weaker relative to the Canadian dollar.

Shareholder relations and promotional activities undertaken by the Company, which included attendance at various trade shows, advertising, news releases, distribution fees and marketing materials, cost $23,893 for the nine month period ended September 30, 2010, a decrease of $39,696 over the same period in 2009.

Travel costs of $82,932 (2009: $13,241) increased as more trips were taken to facilitate the proposed merger with Western Standard and to secure additional financing.

Wages, salaries and benefits of $94,609 (2009: $161,313) decreased as the payroll was reduced to only include the President.

A gain on forgiveness of debt of $94,156 was recorded during the period as compared to $Nil during the previous year.

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

During the period, the Company sold 4,000,000 shares of Western Standard for proceeds of $521,759 resulting in a capital loss of $214,241. An unrealized loss on available-for-sale investments of $464,000 increased the current nine month period loss as all of the Western Standard shares were sold.

During the nine month period ended September 30, 2010, the Company incurred mineral property deferred exploration costs of $1,221,122. Of the deferred exploration costs, $19,786 was incurred to update the mineral property report, $46,822 was incurred on geophysics, $17,649 was incurred for annual mineral property fees and $42,989 was incurred for personnel on the Golden Summit project in Alaska. For the Vinasale project in Alaska, $27,595 was incurred to update the mineral property report, $294,848 was incurred on drilling, $224,712 for helicopter support, $184,386 in wages, $19,025 on assays and $259,539 on geological and field expenses. $8,753 was incurred to update the mineral property report on the Rob Alaska project.

Mineral property acquisition costs of $58,581 were also incurred to pay for the annual royalty payments and $92,268 was the value attributed to the shares to be issued on the re-acquisition of the Golden Summit project. $40,739 was also incurred as the Company staked a further 141 State of Alaska mining claims covering 15,360 acres adjacent to the Rob property. These new claims bring the total Rob property land holding to 19,600 acres. $267,732 was the value attributed to the shares to be issued on the re-acquisition of the Vinasale project.

Third quarter results

The three month period ended September 30, 2010 resulted in a net comprehensive loss of $385,909 which was less than the loss of $2,406,339 incurred in the comparative quarter ended September 30, 2009. General and administrative expenses for the three month period ended September 30, 2010 were $182,776, a decrease of $228,860 over the same period in 2009. The loss is mainly attributable to $Nil (2009: $201,073) in non-cash stock-based compensation expenses that were charged upon the granting of long-term incentive stock options and performance shares during the prior year. There was a loss of $2,878,747 on the sale of the Almaden project in the prior year that accounts for a substantial portion of the previous years loss.

The Company incurred $2,908 for shareholder relations and promotional activities for the three month period ended September 30, 2010, compared to $21,000 over the same period in 2009.

Travel costs of $39,450 (2009: $4,780) increased as more trips were taken to secure additional financing and monitor the exploration programs.

Interest on the $2,451,948 in loans amounted to $60,016 during this quarter compared to $651,231 over the same period in 2009 when the Company had larger loans.

Mining equipment amortization of $57,925 for the three month period ended September 30, 2010 (2009: $85,714) was attributed to $1,826,837 in mining equipment that was obtained for the Golden Summit project in Alaska.

A foreign exchange gain of $77,321 (2009: gain $876,990) was recorded on the loans and trade payables that are payable in US funds. This resulted as the US dollar became weaker relative to the Canadian dollar.

A gain on forgiveness of debt of $4,031 was recorded during the period as compared to $Nil during the previous year.

During the three month period, the Company sold 3,599,500 shares of Western Standard for proceeds of $448,067 and a capital loss of $216,937. An unrealized gain on available-for-sale investments of $50,393 decreased the current three month period loss as all of the Western Standard shares were sold.

All other quarterly expenses are consistent with the discussion of the year-to-date loss in the previous paragraph and elsewhere in this interim MD&A.

During the three month period ended September 30, 2010, the Company incurred mineral property deferred exploration costs of $1,168,668. Of the deferred exploration costs, $3,134 was incurred for engineering and consulting, $46,822 was incurred on geophysics, $17,649 was incurred for annual mineral property fees and $42,989 was incurred for personnel on the Golden Summit project in Alaska. For the Vinasale project in Alaska, $294,848 was incurred on drilling, $224,712 for helicopter support, $184,386 in wages, $19,025 on assays, $259,539 on geological and field expenses and $68,180 on engineering and consulting. $1,088 was incurred on the Rob Alaska project and $6,296 was incurred to pay for the annual mineral property fees on the Union Bay project.

Mineral property acquisition costs of $58,581 were also incurred to pay for the annual royalty payments and $92,268 was the value attributed to the shares to be issued on the re-acquisition of the Golden Summit project. $267,732 was the value attributed to the shares to be issued on the re-acquisition of the Vinasale project.

Liquidity and capital resources

At September 30, 2010, the Company's working capital, defined as current assets less current liabilities, was a deficit of $3,670,112 compared to a deficit of $3,014,740 at December 31, 2009. A loan secured by certain equipment and real property of the Company comprises $1,596,974 of this deficit. This loan was repayable on May 29, 2010. One of the five lenders has demanded repayment in the amount of US$206,287 owing to him and that as a result, the Company is technically in default. To date the lenders have not taken any enforcement proceedings and the Company is discussing possible terms for extension of the loan with the lenders. Subsequent to quarter end, US$45,615 was repaid as a result of a partial sale of mining equipment. The Company also has as of September 30, 2010 a loan outstanding to Vaaldiam Mining Inc. in the amount of $854,974 which is repayable on October 2, 2011. Such loan is secured by a floating charge on the assets of the Company and a pledge of the shares of its U.S. subsidiaries. The Company also has trade payables of $2,317,483 of which $864,201 are long term. An additional $766,024 is due to related parties as at September 30, 2010.

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

Subsequent to quarter end, the Company closed a non-brokered private placement of 8,978,758 units of which 7,575,758 units were priced at $0.33 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.

The Company has 25,837,642 issued and outstanding shares at November 10, 2010.

Although the Company raised $2,990,000, the majority of these funds are allocated to the current exploration programs and the Company remains in a difficult financial condition. Over the past year the Company has only been able to meet critical payments to keep its portfolio of exploration properties in good standing, and to meet other minimum sustaining requirements.

Contractual commitments

The Company is committed under mineral property option agreements to pay cash and issue common shares of the Company and has outstanding and future commitments under loan agreements. See note 12 of the consolidated financial statements.

Off-balance sheet arrangements

The Company has no off-balance sheet arrangements.

Critical accounting estimates

A detailed summary of all the Company's significant accounting policies is included in Note 1 to the consolidated financial statements for the nine month period ended September 30, 2010.

Significant estimates used in the preparation of these consolidated financial statements include, amongst other things, amortization, determination of net recoverable value of assets, determination of fair value on, taxes, contingencies and stock-based compensation.

Change in accounting policies

Goodwill and Other Intangible Assets

Effective 1 January 2009, the Company adopted CICA Handbook Section 3064 "Goodwill and Other Intangible Assets". The new requirements of Section 3064 are for recognition, measurement, presentation and disclosure. Section 3064 replaces Section 3062, "Goodwill and Other Intangible Assets". The new standard establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

On 20 January 2009, the Emerging Issues Committee ("EIC") of the AcSB issued EIC Abstract 173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities", which establishes that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC 173 should be applied retrospectively without restatement of prior years to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after 20 January 2009.

Mining Exploration Costs

On 27 March 2009, the EIC of the AcSB issued EIC Abstract 174, "Mining Exploration Costs", which provides guidance on capitalization of exploration costs related to mining properties. It also provides guidance for development and exploration stage entities that cannot estimate future cash flows from its properties in assessing whether impairment in such properties is required. EIC 174 is to be applied retrospectively without restatement of prior periods in interim and annual financial statements for periods ending on or after 27 March 2009.

NEW ACCOUNTING PRONOUNCEMENTS

Business Combinations

In January 2009, the CICA issued Handbook Section 1582, "Business Combinations", which replaces Section 1581, "Business Combinations", and provides the equivalent to IFRS 3, "Business Combinations" (January 2008). The new Section expands the definition of a business subject to an acquisition and establishes significant new guidance on the measurement of consideration given, and the recognition and measurement of assets acquired and liabilities assumed in a business combination.

The new Section requires that all business acquisitions be measured at the full fair value of the acquired entity at the acquisition date even if the business combination is achieved in stages, or if less than 100 percent of the equity interest in the acquiree is owned at the acquisition date. The measurement of equity consideration given in a business combination will no longer be based on the average of the fair value of the shares a few days before and after the day the terms and conditions have been agreed to and the acquisition announced, but rather at the acquisition date. Subsequent changes in fair value of contingent consideration classified as a liability will be recognized in earnings and not as an adjustment to the purchase price.

Restructuring and other direct costs of a business combination are no longer considered part of the acquisition accounting. Instead, such costs will be expensed as incurred, unless they constitute the costs associated with issuing debt or equity securities.

The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2011. Earlier adoption is permitted. This new Section will only have an impact on the consolidated financial statements for future acquisitions that will be made in periods subsequent to the date of adoption.

Consolidated Financial Statements and Non-Controlling Interests

In January 2009, the CICA issued Handbook Section 1601, "Consolidated Financial Statements" and Section 1602, "Non-Controlling Interests", which together replace Section 1600, "Consolidated Financial Statements". These two Sections are the equivalent to the corresponding provisions of International Accounting Standard 27, "Consolidated and Separate Financial Statements" (January 2008). Section 1602 applies to the accounting for non-controlling interests and transactions with non-controlling interest holders in consolidated financial statements. The new Sections require that, for each business combination, the acquirer measure any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The new Sections also require non-controlling interest to be presented as a separate component of shareholders' equity.

Under Section 1602, non-controlling interest in income is not deducted in arriving at consolidated net income or other comprehensive income. Rather, net income and each component of other comprehensive income are allocated to the controlling and non-controlling interests based on relative ownership interests. These Sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after 1 January 2011, and should be adopted concurrently with Section 1582. The Company is currently assessing the future impact of these new Sections on its consolidated financial statements.

International Financial Reporting Standards ("IFRS")

In January 2006, the Canadian Accounting Standards Board adopted a strategic plan, which includes the decision to move financial reporting for Canadian publicly accountable enterprises to a single set of globally accepted standards, IFRS, as issued by the International Accounting Standards Board. The effective implementation date of the conversion from Canadian generally accepted accounting principles ("Canadian GAAP") to IFRS is 1 January 2011, with an effective transition date of 1 January 2010 for financial statements prepared on a comparative basis. The Company is engaged in an assessment and conversion process and expects to be ready for the conversion to IFRS in advance of 1 January 2011.

The Company's approach to the conversion to IFRS includes three phases.

Phase one, an initial general diagnostic of its accounting policies and Canadian GAAP relevant to its financial reporting requirements to determine the key differences and options with respect to acceptable accounting standards under IFRS. This phase was completed in late 2009.
Phase two, an in-depth analysis of the IFRS impact in those areas identified under phase one. This phase commenced in 2010. A summary of this analysis is provided in Table 1 below.
Phase three, the implementation of the conversion process, including the completion of the opening balance sheet as at 1 January 2010 together with related discussion and notes, will be carried out in the second half of 2010.

At this point, the Company's IT accounting and financial reporting systems are not expected to be significantly impacted. Further, the Company has in place internal and disclosure control procedures to ensure continued effectiveness during this transition period.

The above comments, including the summary in Table 1, should not be considered as a complete and final list of the changes that will result from the transition to IFRS as the Company intends to maintain a current and proactive approach based on changes in circumstances and no final determinations have been made. In addition, the accounting bodies responsible for issuing Canadian and IFRS accounting standards have significant ongoing projects that could impact the Company's financial statements as at 1 January 2011 and in subsequent years, including projects regarding financial instruments and joint venture accounting. In addition, there is an extractive industries project currently underway that will lead to more definitive guidance on the accounting for exploration and evaluation expenditures, although this is still in the discussion paper stage and may not be completed for some time. The Company is continuing to monitor the development of these projects and will assess their impact in the course of its transition process to IFRS.

Table 1. Summary of financial statements impact on transition from Canadian GAAP to IFRS.

Key Area	Canadian GAAP (as currently applied)	IFRS	Analysis and preliminary conclusions
Property, plant and equipment ("PP&E")	PP&E is recorded at historical cost. Depreciation is based on their useful lives after due estimation of their residual values.	PP&E can be recorded using the cost (on transition to IFRS, the then fair value can be deemed to be the cost) or revaluation models. Depreciation must be based on the useful lives of each significant component within PP&E.	PP&E will likely continue to be recorded at their historical costs due to the complexity and resources required to determine fair values on an annual basis. Based on an analysis of PP&E and its significant components, the Company has determined that no change to their useful lives is warranted and, therefore, depreciation expense will continue to be calculated using the same rates under IFRS.

Mineral properties	Exploration, evaluation and development costs are capitalized when incurred. They are amortized on the basis of production or written off when the prospect is no longer deemed prospective or is abandoned.	IFRS has limited guidance with respect to these costs and currently allows exploration and evaluation costs to be either capitalized or expensed.	The existing accounting policy is likely to be maintained.
Asset retirement obligations (“ARO”)	Canadian GAAP limits the definition of ARO to legal obligations. ARO is calculated using a current credit-adjusted, risk-free rate for upward adjustments, and the original credit-adjusted, risk-free rate for downward revisions. The original liability is not adjusted for changes in current discount rates.	IFRS defines ARO as legal or constructive obligations. ARO is calculated using a current pre-tax discount rate (which reflects current market assessment of the time value of money and the risk specific to the liability) and is revised every reporting period to reflect changes in assumptions or discount rates. IFRS requires that, on transition, the net book value of the asset related to ARO be adjusted on the basis of the ARO balance existing at inception.	The broadening of this definition is unlikely to cause a significant change in the Company’s current estimates. The Company is in the final stages of quantifying the impact of this change on the ARO provision. The Company expects to rely on the IFRS 1 exemption which allows a company to use current estimates of future reclamation costs and current amortization rates to determine the net book value on transition to IFRS.
Impairment of long lived assets	Impairment tests of its long-term assets are considered annually based on indications of impairment. Impairment tests are generally done on the basis of undiscounted future cash flows. Write-downs to net realizable values under an impairment test are permanent changes in the carrying value of assets.	Impairment tests of “cash generating units” are considered annually in the presence of indications of impairment. Impairment tests are generally carried out using the discounted future cash flows. Write downs to net realizable values under an impairment test can be reversed if the conditions of impairment	Assets will continue to be grouped under the Company’s various mining operations. Impairment tests using discounted values could generate a greater likelihood of write downs in the future. Potential significant volatility in earnings could arise as a result of the difference in the treatment of write-downs.

		cease to exist.	
Stock-based compensation	Stock-based compensation is determined using fair value models (e.g. Black-Scholes) for equity-settled awards and the intrinsic model for cash-settled awards. The Company recognizes stock-based compensation on straight line method and updates the value of the options for forfeitures as they occur.	Stock-based compensation is determined using fair value models for all awards. However, upon settlement, cash-settled awards are adjusted to the value actually realized (intrinsic model). Under IFRS, stock-based compensation is amortized under the graded method only. In addition, the Company is required to update its value of options for each reporting period for expected forfeitures.	The utilization of fair value models for cash-settled awards will change the estimate of the related liability while the awards remain outstanding and create greater volatility in earnings until the awards are settled. The Company expects to record an IFRS income statement and balance sheet adjustment at 1 January 2010.
Income taxes	There is no exemption from recognizing a deferred income tax for the initial recognition of an asset or liability in a transaction that is not a business combination. The carrying amount of the asset or liability acquired is adjusted for the amount of the deferred income tax recognized. All deferred income tax assets are recognized to the extent that it is "more likely than not" that the deferred income tax assets will be realized.	A deferred income tax is not recognized if it arises from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction affects neither accounting profit nor taxable profit. A deferred tax asset is recognized if it is "probable" that it will be realized.	The Company does not expect the difference in recognition of deferred income tax to have any significant change in the future. "Probable" in this context is not defined and does not necessarily mean "more likely than not". The Company is in the final stages of quantifying the impact of this difference.

The above assessment and conclusions are based on the analysis completed by the Company as of the date of this report and may be subject to change between now and 1 January 2011

Outstanding share data

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

The Company has 25,837,642 issued and outstanding shares at November 10, 2010.

On 6 July 2010, the Company consented to the termination of both the Vinasale and Golden Summit Option Agreements with Western Standard whereby Western Standard is 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, the Company has agreed to issue Western Standard a total of 1,000,000 common shares of the Company subject to Western Standard paying certain creditors related to the 2010 exploration program on the Vinasale and Golden Summit properties.

As at November 10, 2010, there were 9,722,508 warrants outstanding a set forth below:

	Number	Price per Share	Expiry Date
	83,333	$1.02	26 February 2011
	83,333	$0.84	11 July 2011
	577,084	$1.20	30 June 2012
	8,978,758	$0.40/$0.50	01 October 2011/2012
Total	9,722,508		

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 of the September 30, 2010 consolidated financial statements. Details of options outstanding as at November 10, 2010 are set forth below:

Number Outstanding 31 December 2009	Granted	Exercised	Cancelled	Expired	Number Outstanding 10 November 2010	Exercise Price Per Share	Expiry Date
48,333	-	-	-	-	48,333	$2.10	13 March 2011
5,000	-	-	-	-	5,000	$3.00	17 July 2011
66,667	-	-	-	(66,667)	-	$4.50	25 January 2010
6,667	-	-	-	(6,667)	-	$7.20	4 June 2010
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 2010
41,667	-	-	-	-	41,667	$0.84	14 September 2014
37,500	-				37,500	$0.60	4 December 2014
-	745,833	-	-	-	745,833	$0.48	26 February 2015
-	900,000	-	-	-	900,000	$0.50	29 October 2015
438,335	1,645,833	-	-	(73,334)	2,010,834		

Related party transactions

The related party transactions during the nine month period ended September 30, 2010, 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:

- Each outside director is entitled to receive $500 per month, $500 per directors meeting and $500 per committee meeting. During the nine month period, the Company paid/accrued $27,000 (2009: $24,166) to directors. As at September 30, 2010, amounts due to related parties consists of $151,000 (2009: $50,152) owing to directors and officers.
- During the nine month period, the Company paid/accrued $90,000 (2009: $63,750) to the President and Chief Executive Officer. As at September 30, 2010, $182,930 (2009: $70,831) is included in due to related parties.
- During the nine month period, the Company paid/accrued $13,500 (2009: $64,500) for consulting fees to the Vice-President of Exploration. As at September 30, 2010, $88,272 (2009: $74,500) is included in due to related parties.

- During the nine month period, the Company paid/accrued $56,100 (2009: $56,250) for professional fees to a company controlled by the Chief Financial Officer. As at September 30, 2010, $104,135 (2009: $38,188) is included in due to related parties.
- During the nine month period, legal fees of $47,353 (2009: $12,695) were paid/accrued to a law firm of which a Company director is a partner. As at September 30, 2010, $109,771 (2009: $38,510) is included in due to related parties.
- During the nine month period, shareholder relations fees of $13,500 (2009: $36,750) were paid/accrued to a director. As at September 30, 2010, $42,925 (2009: $41,750) is included in due to related parties.
- 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 the prior year, $1,504,330 of this loan was converted into 2,785,796 shares of the Company. On October 1, 2009, a director in common was elected and as at September 30, 2010, $854,974 is outstanding on this loan. This loan is repayable on October 2, 2011.

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 nine month period ending September 30, 2010.

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 period ended September 30, 2010 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. Additional funding will be required in order for the Company to maintain its operations, satisfy its obligations and further the development of the properties.

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 profitability of the Company's operations will be dependent 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. The Company's revenues and earnings also could be affected by the prices of other commodities such as fuel and other consumable items, although to a lesser extent than by the price of mineral commodities.

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 mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral properties may be disputed. Although the Company has investigated 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. If the Company fails to make these payments, 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 loans 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. As a result of such conflict, the Company may miss the opportunity to participate in certain transactions.

Outlook

On July 6, 2010, Freegold and Western Standard agreed to terminate both the Vinasale and Golden Summit options Agreements. As Western Standard will have expended in excess of US $1.2 million on the Vinasale and Golden Summit projects in project expenditures and option payments since January 2010, Freegold, in exchange for an early termination by Western Standard has agreed to issue to Western Standard 1 million common shares of Freegold, subject to regulatory approval and satisfaction of certain other conditions by Western Standard. By negotiating an early termination to the option agreements whereby Western Standard could earn a 50% interest in the projects Freegold believes it will be in a better position to better advance and finance the projects.

On August 27, 2010, the Company consolidated its share capital on a one new common share for every six existing common shares.

Subsequent to quarter end, the Company closed a non-brokered private placement of 8,978,758 units of which 7,575,758 units were priced at $0.33 and 1,400,000 units were priced at $0.35 per unit for proceeds of $2,990,000. Each unit will consist 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 October 1, 2011 and at a price of $0.50 per share exercisable until October 1, 2012.

Although the Company raised $2,990,000, the majority of these funds are allocated to the current exploration programs and the Company remains in a difficult financial condition.

The Company still has a significant amount of short and long-term indebtedness and further funding will be required to satisfy its obligations. There is no assurance that such funding will be available.

Approval

The Board of Directors of Freegold has approved the disclosure contained in this interim MD&A. A copy of this interim MD&A will be provided to anyone who requests it.

FREEGOLD VENTURES LIMITED

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

Nine months ended

30 SEPTEMBER 2010 and 2009

MANAGEMENT'S COMMENTS ON
UNAUDITED INTERIM FINANCIAL STATEMENTS

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of Freegold Ventures Limited (the "Company") have been prepared by and are the responsibility of the Company's management. The unaudited interim financial statements are prepared in accordance with accounting principles generally accepted in Canada and reflect management's best estimates and judgements based on information currently available.

The Company's independent auditor has not performed a review of these interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Freegold Ventures Limited
(An Exploration Stage Company)

<u>Statement 1</u>

Consolidated Balance Sheets

Canadian Funds

ASSETS		September 30, 2010		December 31, 2009
Current				
Cash and cash equivalents	**$**	**113,870**	$	313,354
Accounts and advances receivable		**15,090**		13,855
Available-for-sale investments *(Note 3)*		**10,647**		1,215,000
Prepaid expenses and deposits		**50,404**		26,900
		190,011		1,569,109
Mineral Property Costs – *Statement 5 (Note 4)*		**23,128,452**		21,448,010
Property, Plant and Equipment *(Note 5)*		**2,355,605**		2,550,213
	$	**25,674,068**	$	25,567,332
LIABILITIES				
Current				
Accounts payable *(Note 6)*	**$**	**1,497,125**	$	2,512,573
Accrued liabilities		**-**		29,000
Due to related parties *(Note 7)*		**766,024**		458,540
Loans payable *(Note 8i)*		**1,596,974**		1,583,736
		3,860,123		4,583,849
Accounts payable – long term *(Note 6)*		**864,201**		573,264
Asset retirement obligation *(Note 9)*		**92,763**		92,763
Loans payable – long term *(Note 8ii)*		**854,974**		854,974
		5,672,061		6,104,850
SHAREHOLDERS' EQUITY				
Share Capital – *Statement 2 (Note 10)*				
Authorized:				
Unlimited common shares without par value				
Issued, allotted and fully paid:				
16,858,884 (Dec. 31, 2009 – 14,437,311) common shares		**54,647,148**		53,056,054
Contributed Surplus		**6,156,746**		5,497,508
Accumulated Other Comprehensive Income (loss)		**-**		464,000
Deficit Accumulated during Exploration Stage - *Statement 2*		**(40,801,887)**		(39,555,080)
		20,002,007		19,462,482
	$	**25,674,068**	$	25,567,332

Going Concern, Nature and Continuance of Operations and Significant Accounting Policies *(Note 1)*, **Commitments** *(Note 12)*, **Subsequent Events** *(Note 14)* and **Contingency** *(Note 15)*

Freegold Ventures Limited
(An Exploration Stage Company)

Consolidated Statements of Changes in Shareholders' Equity

Canadian Funds

	Common Shares		Amount $	Contributed Surplus $	Accumulated Other Comprehensive Income $	Deficit Accumulated during Exploration Stage $	Total $
Balance – 31 December 2008	10,704,432	$	50,970,637	4,177,928	-	(33,937,088)	21,211,477
Issuance and allotment of shares for:							
- Private placements *(Note 10a)*	577,083		415,500	-	-	-	415,500
- Debt settlement *(Notes 7g, 8ii and 10a)*	2,785,796		1,504,330	-	-	-	1,504,330
- Value assigned to warrants *(Note 10c)*	-		(245,976)	406,535	-	-	160,559
- Loan extension fees *(Notes 8ii and 10a)*	370,000		436,200	-	-	-	436,200
- Re-pricing of warrants *(Note 10c)*	-		-	13,007	-	-	13,007
- Warrants converted *(Note 10c)*	-		-	(99,798)	-	-	(99,798)
Share issuance costs	-		(24,637)	-	-	-	(24,637)
Stock-based compensation	-		-	999,836	-	-	999,836
Unrealized gain on available-for-sale investments	-		-	-	464,000	-	464,000
Loss for the year	-		-	-	-	(5,617,992)	(5,617,992)
Balance – 31 December 2009	14,437,311	$	53,056,054	5,497,508	464,000	(39,555,080)	19,462,482
Issuance and allotment of shares for:							
- Debt settlement *(Note 10a)*	2,421,573		1,598,238	-	-	-	1,598,238
Share issuance costs	-		(7,144)	-	-	-	(7,144)
Shares to be issued *(Note 15)*	-		-	360,000	-	-	360,000
Stock-based compensation	-		-	299,238	-	-	299,238
Unrealized gain on available-for-sale investments	-		-	-	(464,000)	-	(464,000)
Loss for the period	-		-	-	-	(1,246,807)	(1,246,807)
Balance – 30 September 2010	16,858,884	$	54,647,148	6,156,746	-	(40,801,887)	20,000,2007

- See Accompanying Notes -

Freegold Ventures Limited
(An Exploration Stage Company)

Statement 3

Consolidated Statements of Loss and Comprehensive Loss

Canadian Funds

	3 Months Ended September 30, 2010	3 Months Ended September 30, 2009	9 Months Ended September 30, 2010	9 Months Ended September 30, 2009
General and Administrative Expenses				
Consulting fees	$ 5,130	$ 345	$ 14,540	$ 67,663
Stock-based compensation	-	201,073	299,238	739,886
Travel	39,450	4,780	82,932	13,241
Promotion and shareholder relations	2,908	21,000	23,893	63,589
Director fees *(Note 6a)*	6,000	6,000	27,000	24,166
Professional fees	35,315	67,128	123,580	197,050
Wages, salaries and benefits	32,008	37,094	94,609	161,313
Transfer, filing fees and insurance	41,280	50,999	135,479	179,307
Rent and utilities	9,367	14,743	38,298	43,547
Office and miscellaneous	8,891	5,376	23,427	22,487
Amortization	2,427	3,098	7,281	9,294
Loss Before the Undernoted	(182,776)	(411,636)	(870,277)	(1,521,543)
Other Income (Expenses)				
Gain (loss) on sale of available-for-sale securities *(Note 3)*	(216,937)	-	(214,241)	-
(Loss) on sale of capital assets	-	(2,878,747)	-	(2,917,325)
Gain on forgiveness of debt	4,031	-	94,156	-
Interest income	-	-	171	-
Foreign exchange gain (loss), *net*	77,321	876,990	45,090	1,370,880
Interest, bank charges and loan arrangement fee	(60,016)	(651,231)	(113,497)	(1,986,343)
Amortization of mining equipment	(57,925)	(85,714)	(188,209)	(309,573)
	(253,526)	(2,738,703)	(376,530)	(3,842,361)
Net Loss for the Period	$ (436,302)	$ (3,150,339)	$ (1,246,807)	$ (5,363,904)
Other Comprehensive Income				
Unrealized gain (loss) on available-for-sale investments	50,393	744,000	(464,000)	744,000
Net Loss and Comprehensive Loss for the Period	$ (385,909)	$ (2,406,339)	$ (1,710,807)	$ (4,619,904)
Loss per Share - Basic and Diluted	$ 0.03	$ 0.27	$ 0.08	$ 0.50
Comprehensive Loss per Share - Basic and Diluted	$ 0.02	$ 0.21	$ 0.10	$ 0.43
Weighted Average Number of Shares Outstanding	16,858,884	11,651,516	16,509,101	10,834,916

Freegold Ventures Limited
(An Exploration Stage Company)

Consolidated Statements of Cash Flows

Canadian Funds

	3 Months Ended September 30, 2010	3 Months Ended September 30, 2009	9 Months Ended September 30, 2010	9 Months Ended September 30, 2009
Cash Resources Provided By (Used In)				
Operating Activities				
Loss for the period	$ (436,302)	$ (3,150,339)	$ (1,246,807)	$ (5,363,904)
Items not affecting cash:				
Amortization	60,352	88,812	195,490	318,867
(Gain) loss on sale of available-for-sale securities	216,937	-	214,241	-
(Gain) loss on sale of capital assets	-	2,878,747	-	2,917,325
Stock-based compensation -options	-	201,073	299,238	739,886
Loan arrangement fee	-	245,976	-	790,186
Net changes in non-cash working capital components:				
Accounts and advances receivable	(10,064)	(1,155)	(1,234)	37,421
Prepaid expenses and deposits	(5,328)	40,178	(23,505)	14,507
Accounts payable	(245,429)	(159,621)	(388,135)	(91,726)
Accrued liabilities	-	-	(29,000)	(30,000)
Due to related parties	52,415	183,853	307,484	231,563
	(367,653)	327,524	(672,228)	(435,875)
Investing Activities				
Proceeds on sale of available-for-sale securities	448,067	-	526,112	-
Mineral property acquisition costs	(58,581)	(8,966)	(58,581)	(281,387)
Mineral property deferred exploration costs	-	(62,211)	-	(84,425)
Proceeds on sale of capital assets	-	-	-	524,909
	389,486	(71,177)	467,531	159,097
Financing Activities				
Share capital issued	-	-	-	415,500
Share issuance costs	-	(12,868)	(7,144)	(16,051)
Repayment of loan	-	-	-	(402,979)
Foreign exchange on loan	(42,190)	(470,403)	12,357	(788,908)
Loan proceeds	-	-	-	1,107,732
	(42,190)	(483,271)	5,213	315,294
Net Increase (Decrease) in Cash and Cash Equivalents	(20,357)	(226,924)	(199,484)	38,516
Cash and cash equivalents - Beginning of period	134,227	272,775	313,354	7,335
Cash and Cash Equivalents - End of Period	$ 113,870	$ 45,851	$ 113,870	$ 45,851
Supplemental Disclosure of Non-Cash Investing and Financing Activities				
Shares and warrants issued for loan arrangement fee	$ -	$ -	$ -	$ 544,210
Shares to be issued for mineral properties	$ 360,000	$ -	$ 360,000	$ -
Exploration expenditures included in accounts payable	$ (1,168,668)	$ -	$ (1,261,861)	$ -
Shares issued for debt	$ -	$ -	$ (1,598,238)	$ -

- See Accompanying Notes -

Freegold Ventures Limited
(An Exploration Stage Company)

Statement 5

Consolidated Schedules of Mineral Property Costs

Canadian Funds

	September 30, 2010	Dec. 31, 2009
Golden Summit Property, Alaska, USA		
Acquisition costs		
Cash - option payments	**$ 58,581**	$ 281,877
Shares to be issued - option payments	**92,268**	-
Cash - option payments received	**-**	(300,000)
	150,849	(18,123)
Deferred exploration expenditures		
Geological and field expenses	**-**	48,678
Mineral property fees	**17,649**	36,313
Assaying	**-**	1,359
Engineering and consulting	**19,786**	2,879
Geophysical	**46,822**	16,178
Personnel	**42,989**	180,075
Bulk sampling/plant commissioning and infrastructure	**-**	7,274
Bulk sample gold recovered	**-**	(99,332)
	127,246	193,424
Total	**278,095**	175,301
Almaden Property, Idaho, USA		
Acquisition costs		
Cash - option payments	**-**	48,612
Shares and reduction in loan payable - option payments received	**-**	(4,078,856)
	-	(4,030,244)
Deferred exploration expenditures		
Geological and field expenses	**-**	38,067
Mineral property fees	**-**	21,620
Geophysics	**-**	33,030
Resource engineering	**-**	3,850
Engineering and consulting	**-**	151,725
	-	248,292
Total	**-**	(3,781,952)
Balance Forward	**$ 278,095**	$ (3,606,651)

Consolidated Schedules of Mineral Property Costs *– Continued*

Canadian Funds

	September 30, 2010	Dec. 31, 2009
Balance Carried Forward	**$ 278,095**	$ (3,606,651)
Rob Property, Alaska, USA		
Acquisition costs		
Staking costs	**40,739**	-
Cash - option payments	**-**	56,830
	40,739	56,830
Deferred exploration expenditures		
Mineral property fees	**-**	23,342
Engineering and consulting	**26**	1,102
Geological and field expenses	**382**	10,504
Wages	**8,345**	40,856
Geophysics	**-**	5,407
	8,753	81,211
Total	**49,492**	138,041
Vinasale Property, Alaska, USA		
Acquisition costs		
Cash - option payments	**-**	107,977
Shares to be issued - option payments	**267,732**	-
Cash - option payments received	**-**	(350,000)
	267,732	(242,023)
Deferred exploration expenditures		
Geological and field expenses	**259,539**	4,203
Geophysics	**-**	25,241
Assaying	**19,025**	-
Drilling	**294,848**	-
Helicopter support	**224,712**	-
Mineral property fees	**-**	12,118
Engineering and consulting	**95,775**	-
Wages	**184,386**	45,326
	1,078,285	86,888
Total	**1,346,017**	(155,135)
Union Bay Property, Alaska, USA		
Deferred exploration expenditures		
Mineral property fees	**6,296**	7,298
Engineering and consulting	**542**	-
Total	**6,838**	7,298
Balance Forward	**$ 1,680,442**	$ (3,616,447)

Consolidated Schedules of Mineral Property Costs *– Continued*

Canadian Funds

	September 30, 2010	Dec. 31, 2009
Costs for the Period	**$ 1,680,442**	$ (3,616,447)
Balance - Beginning of year	**21,448,010**	28,053,152
Loss on sale of mineral property	**-**	(3,081,458)
Reclamation costs *(Note 9)*	**-**	92,763
Balance - End of Period	**$ 23,128,452**	$ 21,448,010

Notes to Consolidated Financial Statements

30 September 2010 and 2009

Canadian Funds

1. Going Concern, Nature and Continuance of Operations and Significant Accounting Policies

a) Going Concern, 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 Company's consolidated financial statements as at 30 September 2010 and for the period 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. Several adverse conditions cast substantial doubt on the validity of this assumption and the Company is exposed to significant foreign currency risk *(Note 1o)*. The Company has a comprehensive loss of $1,710,807 for the period ended 30 September 2010 (31 December 2009 - $5,153,992) and has a working capital deficit of $3,670,112 at 30 September 2010 (31 December 2009 - $3,014,740).

The Company had cash and cash equivalents of $113,870 at 30 September 2010 (31 December 2009 - $313,354), 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 share capital on a one new common share for every six existing common shares. All common shares and per share amounts have been restated to give retroactive effect to the share consolidation (Note 10).

b) 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. and Canu Resources, Inc. All subsidiaries are US corporations which are involved in mineral property exploration. Inter-company balances are eliminated upon consolidation.

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.

1. Going Concern, Nature and Continuance of Operations and Significant Accounting Policies - *Continued*

d) **Available-for-Sale Investments**

Financial assets classified as available-for-sale are carried at fair value (where determinable based on market process of actively traded securities) with changes in fair value recorded in other comprehensive income. Available-for-sale investments are written down to fair value through earnings whenever it is necessary to reflect an other-than-temporary impairment. Transaction costs that are directly attributable to the acquisition or issue of a financial asset or financial liability are added to its fair value.

e) **Mineral Properties and Deferred Exploration Expenditures**

The Company records its interests in mineral properties at cost. The costs of acquiring mineral properties and related exploration and development expenditures, holding costs to maintain a property and related foreign exchange amounts are deferred and would be amortized against future production following commencement of commercial production or are written-off if the properties are sold, allowed to lapse or are abandoned.

Option payments received are treated as a reduction of the carrying value of the related mineral property 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.

Management of the Company regularly reviews the net carrying value of each mineral property. Where events or changes in circumstances suggest impairment, estimated future cash flows are calculated using estimated future prices, proven and probable reserves, value beyond proven and probable reserves, probability weighted outcomes and operating capital and reclamation costs on an undiscounted basis. If it is determined that the future cash flows are less than the carrying value, a write-down to the estimated fair value is expensed for the period. The Company presently has no proven or probable reserves. Where estimates of future net cash flows are not available and where other conditions suggest impairment, management assesses if carrying values can be recovered. If the carrying values exceed estimated recoverable values, then the project is written-down to estimated fair values with the write-down expensed in the period.

Management's estimates of future mineral prices, recoverable resources, initial and operating capital and reclamation costs are subject to certain risks and uncertainties that may affect the recoverability of mineral property costs. Although management has made its best estimate of these factors, it is possible that changes could occur that could adversely affect management's estimate of the net cash flows to be generated from its properties.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, according to the usual industry standards for the stage of exploration of such properties, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects. Acquisition of rights to the mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral properties may be disputed. Although the Company has performed limited investigation on the title to all of the properties for which it holds mineral leases or licenses or in respect of which is has a right to earn an interest, the Company cannot give an assurance that the title to such properties will not be challenged or impugned.

1. Going Concern, Nature and Continuance of Operations and Significant Accounting Policies - *Continued*

e) Mineral Properties and Deferred Exploration Expenditures - *Continued*

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 exploration expenditures. If the Company fails to make these payments, the Company may lose its right to such properties and forfeit any funds expended to such time.

f) Asset Retirement Obligation

On 1 May 2004, the Company retroactively adopted the new Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3110, "*Asset Retirement Obligations*". Operating under this Section, future obligations to retire an asset or property are recognized and recorded as a liability at fair value as at the time the asset is acquired or the event occurs giving rise to such an obligation. At each reporting period, asset retirement obligations are increased to reflect the interest element (accretion expense) considered in the initial fair value of the measurement of the liabilities. In addition, an asset retirement cost is added to the carrying amount of the related asset and depreciated over the life of the asset. The capitalized asset retirement cost is amortized on the same basis as the related asset and along with the accretion expense, before arriving at the net income.

g) Amortization

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:

Mining equipment	30%
Automotive	30%
Land	NA
Office equipment	20%

One half of the rate is applied in the year of acquisition.

h) Share Capital

Share capital issued for non-monetary consideration is recorded at an amount based on fair market value.

i) Stock-Based Compensation

All stock-based awards made to employees and non-employees are measured and recognized using the Black-Scholes valuation model. For employees, the fair value of the options is measured at the date of the grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. For employees and non-employees, the fair value of the options is accrued and charged to operations, with the offsetting credit to contributed surplus, on a straight-line basis over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital. The Company estimates forfeiture of stock-based awards based on historical data and adjusts the forfeiture rate periodically.

1. Going Concern, Nature and Continuance of Operations and Significant Accounting Policies - *Continued*

j) 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.

k) Income Taxes

The asset and liability method is used for determining future income taxes. Under the asset and liability method, the change in the net future income tax asset or liability is included in income. The income tax effects of differences in the periods when revenue and expenses are recognized in accordance with the Company's accounting practices, and the periods they are recognized for income tax purposes are reflected as future income tax assets or liabilities. Future income tax assets and liabilities are measured using the statutory income tax rates which are expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. A valuation allowance is provided to the extent that it is more likely than not that future income tax assets will not be realized.

l) Foreign Currency Translation

The Company's subsidiaries are integrated foreign operations and their results and financial position are translated into the Company's functional currency, the Canadian dollar, using the temporal method as follows:

- Monetary assets and liabilities at year-end rates;
- All other assets and liabilities at historical rates; and
- Revenue and expense items at the average rate of exchange prevailing during the year.

Translation gains and losses arising from these transactions are reflected in income or expense in the year that they occur.

m) Management's Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles ("Canadian GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant areas where management's judgement is applied are the determination of asset impairment, stock-based compensation and future income tax valuation allowances. Actual results could differ from those estimates.

1. Going Concern, Nature and Continuance of Operations and Significant Accounting Policies - *Continued*

n) Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts and advances receivable, available-for-sale investments, accounts payable, loans payable and amounts due to related parties. The Company is not exposed to significant interest and credit risks arising from its financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

The Company is exposed to significant currency risk arising from its financial instruments. The Company's loans payable are denominated in US dollars and were in default *(Note 8)*. The Company is exposed to significant currency risk on its loans payable and the Company will be negatively impacted if the US dollar increases versus the Canadian dollar.

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.

o) Recent Accounting Pronouncements

Business Combinations

In January 2009, the CICA issued Handbook Section 1582, "*Business Combinations*", which replaces Section 1581, *"Business Combinations"*, and provides the equivalent to International Financial Reporting Standards ("IFRS") 3, "*Business Combinations*" (January 2008). The new Section expands the definition of a business subject to an acquisition and establishes significant new guidance on the measurement of consideration given, and the recognition and measurement of assets acquired and liabilities assumed in a business combination.

The new Section requires that all business acquisitions be measured at the full fair value of the acquired entity at the acquisition date even if the business combination is achieved in stages, or if less than 100 percent of the equity interest in the acquiree is owned at the acquisition date. The measurement of equity consideration given in a business combination will no longer be based on the average of the fair value of the shares a few days before and after the day the terms and conditions have been agreed to and the acquisition announced, but rather at the acquisition date. Subsequent changes in fair value of contingent consideration classified as a liability will be recognized in earnings and not as an adjustment to the purchase price.

Restructuring and other direct costs of a business combination are no longer considered part of the acquisition accounting. Instead, such costs will be expensed as incurred, unless they constitute the costs associated with issuing debt or equity securities.

The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2011. Earlier adoption is permitted. This new Section will only have an impact on the consolidated financial statements for future acquisitions that will be made in periods subsequent to the date of adoption.

1. Going Concern, Nature and Continuance of Operations and Significant Accounting Policies - *Continued*

o) Recent Accounting Pronouncements - *Continued*

Consolidated Financial Statements and Non-Controlling Interests

In January 2009, the CICA issued Handbook Section 1601, *"Consolidated Financial Statements"* and Section 1602, *"Non-Controlling Interests"*, which together replace Section 1600, *"Consolidated Financial Statements"*. These two Sections are the equivalent to the corresponding provisions of International Accounting Standard 27, *"Consolidated and Separate Financial Statements"* (January 2008). Section 1602 applies to the accounting for non-controlling interests and transactions with non-controlling interest holders in consolidated financial statements. The new Sections require that, for each business combination, the acquirer measure any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The new Sections also require non-controlling interest to be presented as a separate component of shareholders' equity.

Under Section 1602, non-controlling interest in income is not deducted in arriving at consolidated net income or other comprehensive income. Rather, net income and each component of other comprehensive income are allocated to the controlling and non-controlling interests based on relative ownership interests. These Sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after 1 January 2011, and should be adopted concurrently with Section 1582. The Company is currently assessing the future impact of these new Sections on its consolidated financial statements.

International Financial Reporting Standards

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after 1 January 2011. The transition date of 1 January 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended 31 December 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

2. Changes in Accounting Policies and Presentation

a) Goodwill and Other Intangible Assets

Effective 1 January 2009, the Company adopted CICA Handbook Section 3064 "*Goodwill and Other Intangible Assets*". The new requirements of Section 3064 are for recognition, measurement, presentation and disclosure. Section 3064 replaces Section 3062, "*Goodwill and Other Intangible Assets*". The new standard establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred.

2. Changes in Accounting Policies and Presentation - *Continued*

b) Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

On 20 January 2009, the Emerging Issues Committee ("EIC") of the AcSB issued EIC Abstract 173, *"Credit Risk and the Fair Value of Financial Assets and Financial Liabilities"*, which establishes that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC 173 should be applied retrospectively without restatement of prior years to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after 20 January 2009.

c) Mining Exploration Costs

On 27 March 2009, the EIC of the AcSB issued EIC Abstract 174, *"Mining Exploration Costs"*, which provides guidance on capitalization of exploration costs related to mining properties. It also provides guidance for development and exploration stage entities that cannot estimate future cash flows from its properties in assessing whether impairment in such properties is required. EIC 174 is to be applied retrospectively without restatement of prior periods in interim and annual financial statements for periods ending on or after 27 March 2009.

3. Available-for-sale Investments

	September 30, 2010		Dec. 31, 2009
	Book Value	**Fair Value**	Fair Value
Nil common shares of Western Standard Metals Ltd.	**$ -**	**$ -**	$ 1,200,000
Redeemable Guaranteed Investment Certificate	**10,647**	**10,647**	15,000
	$ 10,647	**$ 10,647**	$ 1,215,000

During the period, the Company sold 4,000,000 shares of Western Standard Metals Ltd. for proceeds of $521,759 and a capital loss of $214,241.

During the prior year, the Company directed 1,000,000 common shares of Western Standard Metals Ltd. to its subordinated bridge loan lender to reduce the debt to US$782,943 (Cdn$854,974) resulting in no gain or loss *(Note 8ii)*.

The redeemable guaranteed investment certificate matures on 15 March 2011 and is pledged as security for certain payables of the Company.

4. Mineral Property Costs

	Acquisition	Deferred exploration	Payments received		**Totals September 30, 2010**	Totals Dec. 31, 2009
Golden Summit Property	$ 1,193,091	$ 16,622,161	$ (300,000)	$ -	**$ 17,515,252**	$ 17,237,156
Rob Property	1,005,069	2,410,415	-	-	**3,415,484**	3,365,992
Vinasale Property	513,244	1,959,417	(350,000)	-	**2,123,661**	777,644
Union Bay Property	110,658	197,597	(234,200)	-	**74,055**	67,218
	$ 2,823,062	$ 21,189,590	$ (884,200)	$ -	**$ 23,128,452**	$ 21,448,010

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

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. 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. The Company is also required to make all underlying lease payments *(Note 4a(i-iii)).*

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. 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.

Underlying Leases

(i) **Keystone Claims**

By agreement dated 17 May 1992, the Company agreed to make advance royalty payments of US$15,000 per year. By an agreement dated 17 May 1992, the Company entered into an agreement with Keystone. 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 58,898 treasury shares issued)
2001 - 2006 (US$50,000 per year)	$ 300,000	(paid)
2007 (US$150,000 per year)	$ 150,000	(paid)
2008 (US$150,000 per year)	$ 150,000	(paid $75,000 in 2008 with the remaining $75,000 paid in 2009, subject to a payment extension)
2009 (US$150,000 per year)	$ 150,000	(paid)
2010 – 2019 (US$150,000 per year)	$ 1,500,000	

4. Mineral Property Costs - *Continued*

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

(i) Keystone Claims - *Continued*

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.

(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, 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 Standard") whereby Western Standard could earn a 50% interest in the Golden Summit Property. As consideration, Western Standard paid $300,000 and must incur exploration and development expenditures as follows in order to vest with a 50% interest:

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

4. Mineral Property Costs – *Continued*

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

Western Standard will be the operator of the project until such time as the option is fulfilled and a joint venture is formed. The first year US$750,000 exploration expenditure is guaranteed.

On 6 July 2010, the Company consented to the termination of the Golden Summit Option Agreement with Western Standard with an acquisition cost of $92,268 (Note 10 (b) and 15).

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 paid US$29,000 and issued 166,667 shares. In addition, 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 *(Note 10a)*.

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

Commencing 1 December 2008, annual advance royalty payments must be made depending on the average gold price for the proceeding 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.

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, 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.

4. Mineral Property Costs *– Continued*

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

During the period, 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 recently staked claims are 100% owned and not subject to any royalties.

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

During a previous year, the Company entered into a mineral exploration agreement with an option to lease from the Doyon Limited, an Alaskan Native Corporation on the Vinasale property in central Alaska. Under the Agreement, the Company must make cash payments of US$320,000 over five years (US$50,000 first year paid, US$60,000 second year paid), make annual scholarship donations of US$10,000 (US$10,000 first, second and third years paid) and make minimum exploration expenditures totalling US$4,750,000 (US$300,000 first year - completed).

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. In 2009, the Company again requested that Doyon give consideration to reducing the 2009 exploration expenditures to US$300,000. Doyon has granted this consideration. The Company has made the 2009 option payment. The Company did not complete the 2009 work commitment and has requested that Doyon waive the 2009 exploration expenditures. By amendment, Doyon agreed to waive the 2009 exploration expenditure. As consideration, the Company has agreed to place US$300,000 in an escrow account by 10 April 2010 the agreement is in effect. The funds may be drawn upon once drilling has commenced.

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. In the event the property is reduced by 50% or more, the additional exploration expenditures shall be reduced to US$1,000,000.

By agreement dated 31 December 2009, the Company optioned to Western Standard up to a 50% interest in the Vinasale Property. In consideration, Western Standard paid $350,000 and must incur exploration and development expenditures as follows:

	Exploration Expenditures
31 December 2010	US$1,500,000
31 December 2011	US$2,250,000
31 December 2012	US$2,750,000
Total	US$6,500,000

Western Standard will be the operator of the project until such time as the option is fulfilled and a joint venture is formed. The year one expenditures of US$1,500,000 are guaranteed expenditures.

4. Mineral Property Costs – *Continued*

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

On 6 July 2010, the Company consented to the termination of the Vinasale Option Agreement with Western Standard with an acquisition cost of $267,732 (Note 10 (b) and 15).

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 with PFN being the operator.

5. Property, Plant and Equipment

	Cost	Accumulated Amortization	**September 30, 2010 Net Book Value**	Dec. 31, 2009 Net Book Value
Mining equipment	$ 1,826,837	$ (1,112,435)	**$ 714,402**	$ 902,647
Automotive	3,771	(1,996)	**1,775**	2,244
Land	1,603,996	-	**1,603,996**	1,603,996
Office equipment	114,218	(78,786)	**35,432**	41,326
	$ 3,548,822	$ (1,193,217)	**$ 2,355,605**	$ 2,550,213

During the period ended 30 September 2010, there were no additions or dispositions of property, plant and equipment. Subsequent to quarter end, the Company sold US$45,615 of mining equipment. See note 14.

6. Accounts Payable

During the prior year, the Company entered into an agreement with one of its vendors to repay the amount payable over four years. The portion of this amount that will be repaid in the second, third and fourth years has been recorded as accounts payable – long term.

During the period, 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 will be repaid in cash over three years and a portion will be repaid in shares. The cash portion will bear interest at 6%. The portion that will be repaid in the second and third years has been recorded to accounts payable – long term.

7. Related Party Balances and Transactions

Except as noted elsewhere in these consolidated financial statements, related party transactions are as follows:

a) Effective 1 January 2005, each outside director is entitled to receive $500 per month, $500 per directors' meeting and $500 per committee meeting. During the period, $27,000 (2009 - $24,166) was paid/accrued to directors. As at 30 September 2010, amounts due to related parties includes $151,000 (2009 - $50,152) owing to directors.

b) During the period, professional fees of $56,100 (2009 - $56,250) were paid/accrued to a company controlled by the Chief Financial Officer. As at 30 September 2010, $104,135 (2009 - $38,188) related to this entity is included in due to related parties.

c) During the period, legal fees of $47,353 (2009 - $12,695) were paid/accrued to a Law Firm of which a director is a partner. As at 30 September 2010, $109,771 (2009 - $38,510) related to this entity is included in due to related parties.

d) During the period, wages of $90,000 (2009 - $63,750) were paid/accrued to the President and Chief Executive Officer. As at 30 September 2010, $182,930 (2009 - $70,831) related to this individual is included in due to related parties.

e) During the period, consulting fees of $13,500 (2009 - $64,500) were paid/accrued to the Vice-President of Exploration. As at 30 September 2010, $88,272 (2009 - $74,500) related to this individual is included in due to related parties.

f) During the period, shareholder relations fees of $13,500 (2009 - $36,750) were paid/accrued to a director. As at 30 September 2010, $42,925 (2009 - $41,750) related to this individual is included in due to related parties.

g) 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 the prior year, Cdn$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 30 September 2010, Cdn$854,974 is outstanding on this loan (*Notes 8ii and 10a*). This loan is due on October 2, 2011.

These amounts were incurred in the ordinary course of business, are non-interest bearing, unsecured and due on demand except for the loan referred to in note 7 (g).

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

8. Loans Payable

		30 September 2010		31 December 2009
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 29 May 2010. The convertible loans lenders (the "Convertible Loans Lenders") had the right to convert the outstanding principal, in whole or in part, into the 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. At 30 September 2010, interest of $110,584 is payable. One of the five lenders has demanded repayment in the amount of US$206,287 owing to him and that as a result, the Company is in default. Subsequent to quarter end, US$45,615 was repaid as a result of a partial sale of mining equipment. See note 14.	**$**	**1,596,974**	$	1,583,736
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 Standard assumed US$2,900,000 million 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 *(Notes 7g and 10a)*. Additionally, the transfer of 1,000,000 common shares of Western Standard to the subordinated lender reduced the debt to US$782,943 (and converted to Cdn$854,974) which will be repayable over a two year term and bear a 6% annual interest rate. Collateral for this loan is a first priority security agreement on the shares in the Company's wholly owned US subsidiaries and a general security agreement against the assets of the Company including a second charge against bulk sampling equipment located on the Golden Summit Property.	**$**	**854,974**	$	854,974
Total	**$**	**2,451,948**	$	2,438,710

9. Asset Retirement Obligation

The Company's asset retirement obligations consist of reclamation and closure costs for the Golden Summit Property *(Note 4a)*. The present value of the estimated obligations relating to properties is $92,763 (31 December 2009 - $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 30 September 2010 is $105,100 (US$100,000) (31 December 2009 - US100,000) and the cash outflows are expected to occur in 2012.

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

	30 September 2010 $	31 December 2009 $
Balance, beginning of year	**92,763**	-
Addition to Golden Summit Property site reclamation costs	**-**	92,763
Balance, end of period	**92,763**	92,763
Represented by:		
Current liabilities	**-**	-
Long term liabilities	**92,763**	92,763

10. Share Capital

a) Share Issuances

Subsequent to quarter end, the Company closed a non-brokered private placement of 8,978,758 units of which 7,575,758 units were priced at $0.33 and 1,400,000 units were priced at $0.35 per unit for proceeds of $2,990,000. Each unit will consist 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 01 October 2011 and at a price of $0.50 per share exercisable until 01 October 2012. See note 14.

On 27 August 2010, the Company consolidated its share capital on a one new common share for every six existing common shares. All common shares and per share amounts have been restated to give retroactive effect to the share consolidation (Note 1).

On 11 February 2010, the Company issued 1,282,450 common shares and 978,517 common shares to settle $846,417 and $646,437, respectively, in accounts payable *(Note 6)*.

On 16 February 2010, the Company issued 160,606 common shares to settle $105,100 (US$100,000) in debt *(Notes 8ii and 10c).*

10. Share Capital – *Continued*

b) Share Issuances – *Continued*

On 6 July 2010, the Company consented to the termination of both the Vinasale and Golden Summit Option Agreements with Western Standard whereby Western Standard is 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, the Company has agreed to issue Western Standard a total of 1,000,000 common shares of the Company subject to Western Standard paying certain creditors related to the 2010 exploration program on the Vinasale and Golden Summit properties. An acquisition cost of $92,268 for the Golden Summit project and an acquisition cost of $267,732 for the Vinasale project has been recorded in the accounts for the nine month period ended 30 September 2010. The offsetting entry is to contributed surplus. (Notes 4 (a), 4 (c) and 15).

During the prior year, the Company issued 83,333 common shares valued at $155,000 for loan extension fees. The Company also issued 286,666 common shares valued at $281,200 for further loan extension fees *(Note 8ii)*.

During the prior year, the Company closed a non-brokered private placement of 577,083 units for proceeds of $415,500. Each unit was priced at $0.12 and consisted 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 $0.20 per share exercisable until 30 June 2012 *(Note 10c).*

10. Share Capital – *Continued*

a) **Share Issuances** – *Continued*

During the prior year, the Company issued 2,785,796 common shares valued at $1,504,330 to partially settle secured debt *(Notes 7g and 8ii).*

b) **Exercise of Warrants and Options**

i) During the period, a total of Nil (2009 – Nil) warrants were exercised for gross proceeds of $Nil (2009 – $Nil).

ii) During the period, a total of Nil (2009 – Nil) options were exercised for gross proceeds of $Nil (2009 – $Nil).

c) **Share Purchase Warrants**

As at 30 September 2010, the following share purchase warrants are outstanding:

	Number	Price per Share	Expiry Date	
	83,333	$1.02	26 February 2011	*
	83,333	$0.84	11 July 2011	**
	577,084	$1.20	30 June 2012	***
Total	743,750			

*During the prior year, 166,667 common share purchase warrants having a fair value of $122,585 were issued as payment for placement closing fees related to the extensions of short term loan financing. A total of 83,333 warrants with an exercise price of $1.50 were cancelled and 83,333 warrants with an exercise price of $1.02 remain outstanding *(Note 8ii)*.

**During the prior year, 83,333 common share purchase warrants having a fair value of $37,974 were issued as payment for placement closing fees related to the extensions of short term loan financing *(Note 8ii)*.

10. Share Capital – *Continued*

c) Share Purchase Warrants – *Continued*

***During the prior year, 577,083 common share purchase warrants having a fair value of $245,976 were issued relating to private placements *(Note 10a)*.

During the prior year, the exercise price for 58,333 warrants that were issued in the previous year was reduced from $3.96 to $1.80, and additional loan placement fees of $2,005 were recorded in the current year related to this *(Note 8ii)*.

During the prior year, the exercise price for 58,333 warrants that were issued in the previous year was reduced from $3.30 to $1.80, and additional loan placement fees of $11,002 were recorded in the current year related to this *(Note 8ii)*.

During the prior year, 58,333 warrants that were issued in the prior year were cancelled.

During the prior year, 58,333 warrants that were issued during a prior year were returned to the Company for US$100,000, in accordance with the 30 July 2009 loan agreement. During the period, 160,606 common shares of the Company were issued to settle this debt *(Notes 8ii).*

During the prior year, 458,333 warrants that were issued in a prior year expired.

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, which at the time of the approval was 1,058,924. 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 Toronto Stock Exchange on the last trading day preceding the grant date. Options vest upon the discretion of the Board.

10. Share Capital – *Continued*

d) Share Purchase Options - *Continued*

A summary of the Company's options at 30 September 2010 and the changes for the period are as follows:

Number Outstanding 31 December 2009	Granted	Exercised	Cancelled	Expired	Number Outstanding 30 September 2010	Exercise Price Per Share	Expiry Date
48,333	-	-	-	-	48,333	$2.10	13 March 2011
5,000	-	-	-	-	5,000	$3.00	17 July 2011
66,667	-	-	-	(66,667)	-	$4.50	25 January 2010
6,667	-	-	-	(6,667)	-	$7.20	4 June 2010
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	-	-	-	-	41,667	$0.84	14 September 2014
37,500	-	-	-	-	37,500	$0.60	4 December 2014
-	745,833	-	-	-	745,833	$0.48	26 February 2015
438,335	745,833	-	-	(73,334)	1,110,834		

Effective 1 January 2003, the Company adopted the recommendations of CICA Handbook Section 3870, *"Stock-based compensation" (Note 1i)*. The standard requires that stock-based awards made to employees and non-employees are to be measured and recognized using a fair value based method.

During the period, the Company granted the following options to employees, directors and consultants and recognized the following costs with respect to options granted in 2010:

Grant Date	Granted	Exercise Price	Fair Value	**2010 Vested Amount**
26 February 2010	745,833	$0.48	$287,877	**$287,877**
Total	745,833		$287,877	**$287,877**

Notes to Consolidated Financial Statements

30 September 2010 and 2009

Canadian Funds

10. Share Capital – *Continued*

d) Share Purchase Options - *Continued*

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**
8 February 2008	16,667	$9.00	$94,562	**$3,987**
10 April 2008	25,000	$8.52	75,038	**7,374**
Total	41,667		$169,600	**$11,361**

The total estimated fair value of the 787,500 options is $457,477. Since the options were granted under a graded vesting schedule, $299,238 of the total fair value has been recorded in the Company accounts as stock-based compensation expense. The offsetting entry is to contributed surplus.

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:

	2010	2009
Expected dividend yield	**0.00%**	**0.00%**
Expected stock price volatility	**112.86%**	**113.99%**
Risk-free interest rate	**2.20%**	**2.55%**
Expected life of options	**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.

11. Income Taxes

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

		2009		2008
Loss before income taxes	**$**	**5,617,992**	$	5,165,861
Expected income tax (recovery)	**$**	**(1,698,973)**	$	(1,616,286)
Items not deductible for income tax purposes		**1,149,196**		514,978
Other		**145,886**		-
Change in tax rates		**282,348**		660,244
Unrecognized benefit of non-capital losses		**121,543**		441,064
Total income taxes	**$**	**-**	$	-

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

		2009		2008
Future income tax assets				
Financing costs	**$**	**20,286**	$	23,661
Loss carry-forwards		**8,060,364**		8,043,271
Undepreciated capital cost in excess of accounting net book value		**418,299**		308,199
Mineral properties		**65,764**		68,039
		8,564,713		8,443,170
Valuation allowance		**(8,564,713)**		(8,443,170)
Net future income tax assets	**$**	**-**	$	-

The Company has non-capital losses for Canadian tax purposes of approximately $10,200,000 available to offset against taxable income in future years, which, if unutilized, will expire through to 2029. In addition, the Company has net operating loss carryovers for US tax purposes of approximately US$16,500,000 available to offset against taxable income in future years, which, if unutilized, will expire through to 2029. Subject to certain restrictions, the Company also has resource exploration expenditures of approximately $21,700,000 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 financial statements, and have been offset by a valuation allowance.

12. Commitments

i) The Company has outstanding and future commitments under mineral property option agreements to pay cash and issue common shares of the Company *(Note 4).*

ii) The Company has outstanding and future commitments under various loan agreements with the Convertible Loan Lenders and the Bridge loan lender *(Note 8).*

12. Commitments – *Continued*

iii) The Company has outstanding future commitments related to accounts payable – long term as follows *(Note 6):*

	$
31 December 2011	150,000
31 December 2012	136,029
Total	286,029

The Company also has outstanding future commitments related to accounts payable – long term in US dollars as follows *(Note 6):*

	US$
31 December 2011	100,000
31 December 2012	100,000
31 December 2013	66,425
Total	266,425

13. Segmented Information

Details on a geographic basis as at 30 September 2010 are as follows:

	USA	Canada	Total
Assets	**$ 25,448,625**	**$ 225,443**	**$ 25,674,068**
Mineral property costs	**$ 23,128,452**	**$ -**	**$ 23,128,452**
Comprehensive loss for the period	**$ (139,079)**	**$ (1,571,728)**	**$ (1,710,807)**

Details on a geographic basis as at 31 December 2009 are as follows:

	USA	Canada	Total
Assets	$ 23,956,319	$ 1,611,013	$ 25,567,332
Mineral property costs	$ 21,448,010	$ -	$ 21,448,010
Loss for the year	$ (339,393)	$ (4,814,599)	$ (5,153,992)

14. Subsequent Events

The following events occurred subsequent to 30 September 2010:

On 1 October 2010, the Company closed a non-brokered private placement of 8,978,758 units of which 7,575,758 units were priced at $0.33 and 1,400,000 units were priced at $0.35 per unit for proceeds of $2,990,000. Each unit will consist 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 01 October 2011 and at a price of $0.50 per share exercisable until 01 October 2012. Shareholder approval was received on 3 November 2010 for the issuance of these warrants.

On 21 October 2010, US$45,615 was repaid as a result of a partial sale of mining equipment.

On 29 October 2010, 900,000 options to purchase shares at $0.50 until 29 October 2015 were granted to directors and officers.

15. Contingency

On 6 July 2010, the Company consented to the termination of both the Vinasale and Golden Summit Option Agreements with Western Standard whereby Western Standard is 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, the Company has agreed to issue Western Standard a total of 1,000,000 common shares of the Company subject to Western Standard paying certain creditors related to the 2010 exploration program on the Vinasale and Golden Summit properties. An acquisition cost of $92,268 for the Golden Summit project and an acquisition cost of $267,732 for the Vinasale project has been recorded in the accounts for the nine month period ended 30 September 2010. The offsetting entry is to contributed surplus. (Notes 4 (a), 4 (c) and 10 (b)).

In connection with a proposed financing in the prior year, the Company entered into an agreement with a third party under which a commission was payable in certain circumstances. No financings resulted from this arrangement and the Company arranged alternative financing. The third party maintains that it is owed a commission but the Company is disputing such claim. Arbitration proceedings have been initiated by the third party but no amounts have been accrued in these consolidated financial statements relating to this contingency because the Company believes the ultimate outcome cannot be reasonably determined at the present time.

16. Comparative Figures

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

17. Capital Disclosure

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.

The Company's policy is to invest its excess cash in highly liquid, fully guaranteed, bank sponsored instruments.