

**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 period ended June 30, 2009 and should be read in conjunction with the consolidated financial statements for the period ended June 30, 2009 and related notes contained in the report. The date of this management's discussion and analysis is August 14, 2009. Additional information on the Company is available on SEDAR at [www.sedar.com](http://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, the fact that the Company does not currently have the ability to pay its secured lenders when the amounts owing to them are due 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 and in accordance with the Company's projections, the availability and costs of financing, the degree of risk that credit approvals may be delayed or withheld, 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.

## **Review of Exploration Projects**

### **Golden Summit Project, Alaska**

Since 1992, Freegold has accelerated its program of systematically exploring 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.

As a result of progressive programs of trenching, shallow drilling and bulk sampling between 2006 and 2008 the historic Cleary Hill mine area (which is situated on the western portion of the property), Freegold identified multiple 100 to 300 foot wide shear zones and vein swarms that appear to contain bulk tonnage type mineralization. In addition to identifying these possible bulk tonnage gold mineralization targets, Freegold's work has also intersected numerous higher grade veins and shear zones (example: 54 g/t gold over 2m, 29 g/t over 3 m, and 9 g/t over 12 m) that are traceable with good continuity through this area.

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.

### **Almaden Gold Project, Idaho**

Located 12 miles east of Weiser, Idaho, this 2,980-acre property is within one mile of paved road and in close proximity (six miles) to Idaho Power's high voltage transmission lines. Freegold acquired its initial interest in this project in 1995, and increased its interest to 60% by completing a preliminary feasibility study in 1997. The 1997 study by Watts, Griffis and McQuat Limited is referenced in a report prepared in accordance with National Instrument 43-101 that was filed on SEDAR on March 15, 2006. The 1997 WGM study contemplated a 22,500-ton per day open-pit, heap leach operation producing an average of 95,000 ounces of gold per year at an overall 0.6 to 1 strip ratio. In 2001, Freegold purchased the remaining 40% interest and now controls 100% of this project, subject to the underlying lease and royalty agreements.

Almaden is a classic epithermal hot springs gold deposit. Gold mineralization occurs as a flat lying, tabular deposit dispersed beneath a thin impermeable opalite cap rock. There are two known zones of mineralization on the Almaden property: the Main Zone, and a smaller North Zone. Combined, these zones are roughly one mile in length, and gold mineralization extends from surface down to a currently known depth of 600 feet. Freegold's NI 43-101 report contained an independent resource calculation showing 515,834 ounces in the Indicated category (24,778,000 tons grading 0.021 oz/ton) and 359,802 ounces in the Inferred category (19,989,000 tons grading 0.018 oz/ton). This 2006 gold resource calculation at Almaden was defined by 677 drill holes (88% of which are less than 100 feet apart),.

From July 2006 through the end of 2007, Freegold drilled a total of 53,000 feet in 145 new holes. This new drilling indicates depth extensions in the Main Zone, with drilling within the area of the main feeder fault consistently extending mineralization an additional 150 to 300 feet below the 200-foot depth that was previously identified in shallow drilling. The drilling also indicates that the southern end of the Main Zone remains open for expansion, as does an area to the north west of the Main Zone, where resource grade mineralization was intersected within the Stinking Water basin.

Mine Development Associates was nearing completion of a revised NI 43-101 compliant resource update last fall when work was stopped pending the receipt of additional financing. With the aid of the additional drilling and geological work, management believes that the majority of these ounces would be upgraded to the measured and indicated category. The Company has been unable to finish the NI 43-101 report as a result of a lack of funding.

Limited work has also been undertaken at Almaden to determine the potential for bonanza-grade gold mineralization in the feeder zones under the lower grade surface mineralization. Almaden shares numerous similarities with other mines in northern Nevada where high grade gold veins have been found and mined below the disseminated, lower grade surface mineralization. In order to better understand the potential of our deposit at depth, two independent consultants were engaged that have considerable expertise in the discovery and evaluation of epithermal gold deposit. Both consultants have concluded that there is significant evidence to suggest that conditions may have been favourable for the deposition of bonanza grade gold in the feeder zones at depth, and that drill testing of the feeder structures is warranted.

### **Rob Project, Alaska**

Since acquiring the project, Freegold conducted limited reconnaissance work on this 106-claim property, confirming 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. Interest in the Goodpaster district, which hosts the Rob property, increased with the commencement of production at the Pogo mine in 2006, which produced 347,000 ounces in 2008.

In 2007, Freegold completed 17 diamond drill holes totaling 3,514 feet in the Grey Lead and O'Reely vein prospects. Although drilling within 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.

In 2008, drilling focused on testing the strike extension of the Grey Lead system. The program consisted of 12 holes totalling 3,144 feet which continued to intersect Pogo-style high grade gold mineralization. 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).

### **Vinasale Gold Project, Alaska**

In 2007, Freegold signed an Exploration with Option to Lease agreement 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. The Vinasale property is under option from Doyon, Limited an Alaskan native regional corporation, which holds 100% fee simple surface and subsurface rights to the project.

Significant gold mineralization was first discovered at Vinasale by Central Alaska Gold Company (CAGC) in 1990. Subsequent drilling by CAGC and then joint venture partner Placer Dome established an initial gold resource of 614,000 oz (10.4 million tons @ 0.057 oz/ton). While the gold mineralization was found to be refractory, metallurgical testing showed that up to 95% of the gold reported to the flotation concentrate, thereby considerably reducing the volume of material that would need to be processed in order to recover the gold. The property was subsequently optioned by ASA Montague in 1994 and additional soil

sampling, followed by limited in-fill and expansion drilling was successful in further increasing the gold resource in the Central Zone to 920,000 oz (18.04 million tons @ 0.051 oz/ton). (Note that these resource figures are historical in nature and are provided for informational purposes only. They are not NI 43-101 compliant, 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 this geophysical survey 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.

No exploration work is currently being done on site at any of the projects pending receipt of additional funding and no assurance can be given that such funding will be available.

The technical disclosure contained has been reviewed by Michael Gross .MSc, - Vice President Exploration - Qualified Person Freegold Ventures Limited.

### 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)		
	2008	2007	2006
Total revenues	\$35,292	\$259,063	\$126,882
General and administrative expenses - cash	1,208,428	1,358,287	1,142,747
General and administrative expenses – stock compensation	1,641,021	1,388,088	367,918
Mineral property costs	9,934,434	8,169,365	3,310,465
Loss before extraordinary items			
➤ In total	(2,849,449)	(2,746,375)	(1,510,665)
➤ Basic and diluted loss per share	(0.04)	(0.05)	(0.04)
Loss before income taxes			
➤ In total	(5,165,861)	(4,384,463)	(1,772,633)
➤ Basic and diluted loss per share	(0.08)	(0.08)	(0.05)
Totals assets	\$31,645,153	\$23,722,900	\$12,381,233
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)							
	June 30 2009	Mar. 31 2009	Dec. 31 2008	Sept. 30 2008	June 30 2008	Mar. 31 2008	Dec. 31 2007	Sept. 30 2007
Total revenues	\$-	\$-	\$112	\$2,670	\$19,486	\$13,024	\$84,171	\$22,462
Net loss – before tax	127,146	2,086,419	1,673,797	1,352,727	849,291	1,290,046	1,646,304	2,182,190
Net loss per share	0.002	0.03	0.02	0.02	0.01	0.02	0.02	0.04
Total assets	31,412,885	31,923,410	31,645,153	29,537,893	24,787,497	23,998,295	23,722,900	20,565,891

## Results of operations

The period ended June 30, 2009 resulted in a net loss of \$2,213,565 which compares with a loss of \$2,139,337 for the same period in 2008. General and administrative expenses for the period ended June 30, 2009 were \$1,109,907, a decrease of \$893,945 over the same period in 2008. The loss is mainly attributable to \$538,813 (2008: \$1,291,692) in non-cash stock-based compensation expenses that were charged upon the granting of long-term incentive stock options and performance shares.

During the period, no stock options were granted. The total fair value of prior stock options that vested using the Black-Scholes Option Pricing Model resulted in stock-based compensation expense of \$538,813 for the period ended June 30, 2009 (2008: \$846,888). Stock-based compensation for performance shares issued was \$Nil for the period ended June 30, 2009 (2008: \$444,804).

Professional fees of \$129,922 (2008: \$37,943) were recorded as additional legal expenses were incurred during the period to assist in the preparation of various bridge loan documents. Interest costs and loan arrangement fees of \$1,335,112 were incurred mainly due to the interest on the \$7,540,748 in loans which included fees of \$208,636 and \$367,400 non cash expense associated with the value of the loan warrants.

Mining equipment amortization of \$223,859 (2008: \$168,590) was attributed to \$1,739,411 in mining equipment that was obtained for the Golden Summit project in Alaska.

A foreign exchange gain of \$493,890 was recorded on US\$8,266,550 in 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, news releases, distribution fees and marketing materials, cost \$42,589 for the period ended June 30, 2009, a decrease of \$107,464 over the same period in 2008. A part-time consultant assists with investor relations.

Travel costs of \$8,461 (2008: \$69,142) decreased as fewer trips were taken for promotional purposes and as a general cost cutting measure. Consulting fees of \$67,318 (2008: \$33,941) were higher as a result of a 10 % commission of US\$38,500 paid to the seller of the mining equipment.

Transfer, filing fees and insurance of \$128,308 (2008: \$100,297) increased due to the additional expenses incurred during the period to assist in the preparation of various bridge loan documents and insurance requirements.

All other general and administrative costs were relatively the same when compared to the previous period.

A capital loss of \$38,578 was realized on the partial sale of mining and automotive equipment in 2009. Interest income of \$Nil was also earned in 2009, which was less than the \$32,510 earned in 2008 when the Company had more funds on deposit and earned higher rates.

During the period ended June 30, 2009, the Company incurred mineral property deferred exploration costs of \$36,317. Of the deferred exploration costs, \$22,214 was incurred on minimum maintenance

requirements on the Almaden project in Idaho and \$14,103 was incurred on the Golden Summit project in Alaska.

Mineral property acquisition costs of \$272,421 were also incurred which included \$45,271 for the Almaden Idaho project, \$115,900 for the Vinasale Alaska project, and \$111,250 for the Golden Summit Alaska project.

### **Second quarter results**

The three month period ended June 30, 2009 resulted in a loss of \$127,146 which was lower than the loss of \$849,291 incurred in the comparative quarter ended June 30, 2008. General and administrative expenses for the three month period ended June 30, 2009 were \$506,561, a decrease of \$237,922 over the same period in 2008. The loss is mainly attributable to \$262,774 (2008: \$327,379) in non-cash stock-based compensation expenses that were charged upon the granting of long-term incentive stock options and performance shares.

Shareholder relations and promotional activities undertaken by the Company, which included, news releases, distribution fees and marketing materials, cost \$15,778 for the three month period ended June 30, 2009, a decrease of \$102,880 over the same period in 2008 as only minimal promotional activities occurred.

Interest and loan fees on the \$7,540,748 loan amounted to \$261,432 during this quarter.

Mining equipment amortization of \$93,777 for the three month period ended June 30, 2009 (2008: \$116,247) was attributed to \$1,739,411 in mining equipment that was obtained for the Golden Summit project in Alaska. During the current period, US\$385,000 was realized on the partial sale of mining equipment and the net proceeds were repaid to the equipment lenders. A truck was sold for US\$25,000 and the proceeds applied to one of our large creditors. A capital loss of \$38,578 was realized on the partial sale of mining and automotive equipment.

A foreign exchange gain of \$773,202 was recorded on US\$8,266,550 in loans and trade payables that are payable in US funds. This resulted as the US dollar became weaker relative to the Canadian dollar.

During the three month period ended June 30, 2009, the Company closed a non-brokered private placement of 3,462,500 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. These warrants are valued at \$0.14 per warrant for a total non-cash value of \$245,976.

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.

### **Liquidity and capital resources**

At June 30, 2009, the Company's working capital, defined as current assets less current liabilities, was a deficit of \$10,493,004 compared to a deficit of \$10,259,582 at December 31, 2008. Short term loans that have a maturity date of August 17, 2009 comprises \$5,798,203 and the convertible loan comprises \$1,742,545 of this deficit. The Company has trade payables of \$3,220,721 and is trying to settle the majority of this amount by way of issuing shares for debt. During 2009, 3,462,500 shares were issued for proceeds of \$415,500, 500,000 shares were issued for loan arrangement fees and 1,720,000 shares were allotted but not yet issued for further loan arrangement fees.

During the period, US\$385,000 was realized on the partial sale of mining equipment and the net proceeds were repaid to the equipment lenders. A truck was sold for US\$25,000 and the proceeds applied to one of the Company's creditors.

The Company had 69,909,093 issued, and outstanding shares at June 30, 2009.

During the prior year, a US \$1,791,000 convertible loan was obtained secured against bulk sampling related equipment at Golden Summit and against private property that was purchased in January 2008 adjacent to the Golden Summit property. The loan has a term of 2 years, with the lenders having the right to accelerate the maturity of the facility any time after the first anniversary of the closing, should the Company raise additional debt, equity or receive asset sales aggregating \$3 million or more. The lenders also have the right during the term to convert the outstanding principal, in whole or in part, into the Company's common shares at a conversion price of US \$1.23/share. The interest rate for the loan is 4% per annum, payable quarterly. No fees were paid in relation to the closing or arrangement of this facility.

During the period, the Company breached certain covenants under the convertible loan agreement, and the loan is currently in a default situation. The lenders have not provided the Company with any default notice, and the Company is in negotiations with the lenders for certain waivers and interest payment extensions to allow the Company to maintain the original May 30, 2010 maturity date.

On July 31, 2008 the Company secured a US \$2 million short term loan financing and on August 22, 2008, the Company received from a second lender an additional US \$2 million short term loan, bringing total short term loan proceeds to US \$4 million.

The first US \$2 million bridge loan facility had a maturity date of January 15, 2009. Terms for this facility include an annual interest rate of 12.5% payable monthly, a cash closing fee, and 350,000 warrants to the lenders to purchase common stock of the Company for a two year period at a price of \$0.66 per share. The lenders have the right to put the warrants back to the Company one year after closing of the bridge for value of \$100,000. The second US\$2 million loan had the identical terms, except the strike price of the warrants is at \$0.55 per share. The loans can be prepaid at any time, and all proceeds generated from subsequent financings must be used to repay the loans.

On January 14, 2009, the bridge lenders agreed to extend the maturity of their loans to February, 10, 2009. As consideration of this extension, the exercise price of the 350,000 warrants each lender received at the time the bridge loans were advanced was reduced from \$0.66 and \$0.55 respectively to \$0.30, and the Company issued each lender an additional 250,000 common shares.

On February 23, 2009, the bridge lenders agreed to further extend the maturity date of their loans to July 15, 2009. As consideration of these extensions, the interest rate on the two loans was increased from 12.5% to 15.0%, and the lenders received extension fees consisting of 720,000 common shares of the Company and 1,000,000 warrants to purchase common stock of the Company for a two year period. Of the 1,000,000 warrants, the senior lender was issued 500,000 warrants at a price of C \$0.17/share after providing the Company with an additional US\$200,000 that was added to the principal of the extended short term loan, while the subordinated lender was issued 500,000 warrants at a price of C \$0.25/share. A cash fee equal to 3% of loan principal is also payable upon the earlier of the receipt of new financing or March 31, 2009.

On March 30, 2009, the bridge lenders agreed to a further restructuring that provided an additional US \$200,000 of funding to the Company. This additional advance was provided by the senior bridge loan lender and was used to fund upcoming property payments, critical audit, regulatory and filing fees, as well as allow the Company to continue to seek alternatives to its funding difficulties.

This restructuring also suspends the monthly payment of interest to the two bridge loan lenders that was to have commenced on April 1, 2009, and the payment of a 3% extension fee that had been due on March 31, 2009. Under the revised documents, these interest and extension fee payments are being capitalized and added to the principal amounts due on the maturity date. Under this restructuring, and following this additional loan advance, the amounts that were due to the senior and subordinated bridge lenders on July 15, 2009 were US \$2.78 million and US \$2.25 million respectively. As consideration for the above, the senior bridge lender will be receiving cash fees of \$35,000 along with 1,000,000 common shares of the Company and 500,000 warrants to purchase common stock of the Company for a two year period at a price

of C \$0.14/share. In connection with the extension of the bridge loans, the Company granted a security interest in the Almaden project. On July 15, 2009, the bridge loan lenders agreed to extend the maturity date until August 17, 2009. As consideration for the above, both lenders will receive a US\$30,000 fee.

The Company is in a very difficult financial condition, and over the past six months 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 through the recent advances made by its senior bridge lender and the recent private placement. The bridge lenders have extended the expiry of their bridge loans to August 17, 2009. If an acceptable solution is not found to solve the bridge loan debt, the Company anticipates the bridge lenders will initiate proceeding to realize their security. Freegold continues to pursue a number of alternatives in order to satisfy its various debt obligations and to provide additional working capital to the Company. These include ongoing discussions with parties that have expressed an interest in the possible purchase of individual projects and in the possibility of business combinations. Vendors who are owed project-related payables have been working with the Company as it seeks alternative financing, and discussions have commenced with vendors representing the majority of the outstanding accounts payable debt regarding an exchange of debt for common shares of the Company. While management is hopeful that one, or a combination of these alternatives, will address the Company's current financial situation and provide additional working capital, there can be no assurances that the Company will be successful in its efforts (see "Risks and Uncertainties" below for a discussion of associated risk factors).

### **Contractual commitments**

The Company is committed under operating leases, for its office premises in Vancouver.

<u>Fiscal year ended Dec. 31,</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Thereafter</u>
Office lease - Vancouver	\$3,250	-	-	-

### **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 period ended June 30, 2009.

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**

#### **Accounting Changes**

Effective January 1, 2008, the Company adopted the revised Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1506, "Accounting Changes", which requires that a voluntary change in accounting policy can be made only if the changes result in more reliable and relevant information and are accompanied with disclosures of prior period amounts and justification of the changes. The section also requires that the nature and amount of material changes in estimates be disclosed. The Company has not made any voluntary change in accounting policies or significant changes in estimates that are not otherwise disclosed since the adoption of the revised section.



## **Going Concern**

Effective January 1, 2008, the Company adopted changes to CICA Handbook Section 1400, “General Standards of Financial Statement Presentation”. Section 1400 has been amended to include requirements to assess and disclose an entity’s ability to continue as a going concern. Management shall make an assessment of an entity’s ability to continue as a going concern. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity’s ability to continue as a going concern, those uncertainties shall be disclosed. When financial statements are not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial statements are prepared and the reason why the entity is not regarded as a going concern.

## **Capital Disclosures**

Effective January 1, 2008, the Company adopted the new CICA Handbook Section 1535, “Capital Disclosures” which requires the disclosure of both qualitative and quantitative information that provides users of financial statements with information to evaluate the Company’s objectives, policies and procedures for managing capital. The main features of the new section are as follows:

Requirements for an entity to disclose qualitative information about its objectives, policies and processes for managing capital;

- A requirement for an entity to disclose quantitative data about what it regards as capital; and
- A requirement for an entity to disclose whether it has complied with any externally imposed capital requirements and, if not, the consequences of such non-compliance.

## **Financial Instruments – Disclosure and Presentation**

Effective January 1, 2008, the Company adopted the new CICA Handbook Section 3862, “Financial Instruments – Disclosures” and Section 3863, “Financial Instruments – Presentation” which replace existing Section 3861, “Financial Instruments – Disclosure and Presentation”, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosure about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

## **NEW ACCOUNTING PRONOUNCEMENTS**

The CICA issued CICA Handbook Section 3064 “Goodwill and Other Intangible Assets” which the Company will adopt, effective 1 December 2008. 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. Management is currently assessing the impact of these new accounting standards on its financial statements.

## **Future Changes in Accounting Policies**

### **International Financial Reporting Standards (“IFRS”)**

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 January 1, 2011. The transition date of January 1, 2011, will require the restatement for comparative purposes of amounts reported by the Company for the year ended December

31, 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.

### Financial instruments and other instruments

Freegold's financial instruments consist of cash and cash equivalents, term deposits, accounts and advances receivable, available-for-sale investments, accounts payable, accrued liabilities, secured loans and amounts due to related parties. Unless otherwise noted, it is management's opinion that Freegold is exposed to significant interest, currency or credit risks arising from the 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 currency risk on its acquisition and exploration expenditures on its U.S. properties since it has to convert Canadian dollars raised through equity financing in Canada to US dollars. The Company's expenditures are negatively impacted by increases in the U.S. versus the Canadian dollar.

### Outstanding share data

The Company is authorized to issue unlimited common shares without par value. As at August 14, 2009, there were 69,909,093 outstanding common shares compared to 64,226,593 outstanding shares at December 31, 2008. The increase reflects the issuance of 3,462,500 shares for proceed of \$415,500, 500,000 shares for loan extension fees and 1,720,000 shares allotted but not yet issued for further loan extension fees.

As at August 14, 2009, there were 5,662,500 warrants outstanding:

Number	Price per Share	Expiry Date
350,000	\$0.30	31 July 2010
350,000	\$0.30	22 August 2010
500,000	\$0.25	10 February 2011
500,000	\$0.17	26 February 2011
500,000	\$0.14	30 March 2011
3,462,500	\$0.20	30 June 2012
Total	5,662,500	

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 8d to the consolidated financial statements to June 30, 2009.

Number Outstanding 31 December 2007	Granted	Exercised	Cancelled	Expired	Number Outstanding 31 December 2008	Exercise Price Per Share	Expiry Date
310,000	-	-	-	-	310,000	\$0.40/\$0.50	5 November 2009
500,000	-	-	(500,000)	-	-	\$0.20	30 September 2010
290,000	-	-	-	-	290,000	\$0.35	13 March 2011
80,000	-	-	-	-	80,000	\$0.50	17 July 2011
100,000	-	-	(100,000)	-	-	\$0.50	21 September 2011
350,000	-	-	(350,000)	-	-	\$0.50	11 January 2012
400,000	-	-	-	-	400,000	\$0.75	25 January 2010
40,000	-	-	-	-	40,000	\$1.20	4 June 2010
25,000	-	-	-	-	25,000	\$1.50	13 July 2012
40,000	-	-	-	-	40,000	\$1.71	16 October 2012
150,000	-	-	-	-	150,000	\$2.10	1 November 2012
100,000	-	-	(100,000)	-	-	\$1.50	8 February 2013
2,285,000	-	-	(225,000)	-	2,060,000	\$1.42	21 February 2013
150,000	-	-	-	-	150,000	\$1.42	10 April 2010
4,820,000	-	-	(1,275,000)	-	3,545,000		

### **Related party transactions**

The related party transactions during the period ended June 30, 2009, 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. The Chairman is entitled to receive an additional \$833 per month. During the period, the Company paid/accrued \$18,166 (2008: \$25,500) to directors. As at June 30, 2009, amounts due to related parties consists of \$44,152 owing to directors and officers.
- During the period, the Company paid/accrued \$37,500 (2008: \$21,666) for professional fees to a company controlled by the Chief Financial Officer. As at June 30, 2009, \$23,500 is included in due to related parties.
- During the period, legal fees of \$12,695 (2008: \$14,097) were paid/accrued to a law firm of which a Company director is a partner. As at June 30, 2009, \$38,510 is included in due to related parties.

### **Disclosure controls and internal controls over financial reporting**

The Company has established disclosure controls and procedures to ensure that information disclosed in this MD & A and the related consolidated financial statements was properly recorded, processed, summarized and reported to the Company's Board and Audit Committee. The Company's CEO and CFO have evaluated and are satisfied with the effectiveness of these disclosure controls and procedures for the period ending June 30, 2009.

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 June 30, 2009 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. The Company is currently in default of certain of its debt facilities and does not have the financial resources to pay its secured loans when they are due. If the Company is unable to arrange funding to pay the debt obligations or otherwise reach agreement with its secured lenders to extend or settle the debts, there is a risk that the Company will lose some or all of its properties. Additional funding will also be required in order maintain its properties and further the development thereof. The sources of funds currently available to the Company include, raising equity or debt capital, or offering an interest in its projects to another party.

#### ***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. To the best of the Companies knowledge, the Company has 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, however, 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 increased interest in certain of its properties. To earn its 100% this increased 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***

The market price for the Company's shares may be volatile. Factors such as whether the Company is or is not able to settle amounts outstanding to its secured and unsecured creditors, whether it is or is not able to arrange additional financing, 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**

As stated elsewhere herein, the Company is in a negative working capital position and over the past six months 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 through a recent advance made by its senior bridge lender and recent share issuance for cash. The Company is in default of certain loan covenants and does not currently have the financial resources to pay its secured loans when they are due. Accordingly, in the absence of an extension or settlement of such loans, there is a risk that the Company will lose some or all of its properties.

On July 27, 2009, the Company held its annual general meeting with Hubert Marleau, David Knight, Mark Feeney and Gary Moore being elected as directors. On August 10, 2009, Mr. Marleau resigned.

**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.

# **FREGOLD VENTURES LIMITED**

**(An Exploration Stage Company)**

## **CONSOLIDATED FINANCIAL STATEMENTS**

**Six months ended**

**30 June 2009 and 2008**

### **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.

## Consolidated Balance Sheets

Canadian Funds

<b>ASSETS</b>	<b>June 30, :</b>	<b>December 31, 2008</b>
<b>Current</b>		
Cash and cash equivalents	\$ 272,775	\$ 7,335
Accounts and advances receivable	3,917	42,493
Available-for-sale investments (Note 3)	51,000	51,000
Prepaid expenses and deposits	98,937	73,266
	<u>426,629</u>	<u>174,094</u>
<b>Mineral Property Costs – Statement 5 (Note 4)</b>	<b>28,361,890</b>	<b>28,053,152</b>
<b>Property, Plant and Equipment (Note 5)</b>	<b>2,624,366</b>	<b>3,417,907</b>
	<u>\$ 31,412,885</u>	<u>\$ 31,645,153</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable	\$ 3,220,721	\$ 3,138,724
Accrued liabilities	-	30,000
Due to related parties (Note 6)	158,164	110,453
Loans payable (Note 7)	7,540,748	7,154,499
	<u>10,919,633</u>	<u>10,433,676</u>
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share Capital - Statement 2 (Note 8)</b>		
Authorized:		
Unlimited common shares without par value		
Issued, allotted and fully paid:		
69,909,093 (Dec. 31, 2008 – 64,226,593) shares	51,507,561	50,970,637
<b>Contributed Surplus</b>	<b>3,630,625</b>	<b>3,091,812</b>
<b>Warrants</b>	<b>1,508,902</b>	<b>1,086,116</b>
<b>Deficit Accumulated During Exploration Stage - Statement 2</b>	<b>(36,153,836)</b>	<b>(33,937,088)</b>
	<u>20,493,252</u>	<u>21,211,477</u>
	<u>\$ 31,412,885</u>	<u>\$ 31,645,153</u>

**Going Concern, Nature and Continuance of Operations and Significant Accounting Policies (Note 1), Commitments (Note 10) and Contingency (Note 12)**



**Consolidated Statements of Changes in Shareholders' Equity**

Canadian Funds

	Common Shares	Amount	Contributed Surplus	Warrants	Accumulated Deficit	Total
Balance – 31 December 2006	40,262,882	33,364,784	\$ 1,367,747	378,381	\$ (24,291,685)	\$ 10,819,227
Issuance and allotment of shares for:						
- Private placements	10,600,000	9,130,000	-	-	-	9,130,000
- Value assigned to warrants (Note 8c)	-	(1,645,559)	-	1,645,559	-	-
- Property	75,000	60,000	-	-	-	60,000
- Exercise of options	1,891,250	845,075	-	-	-	845,075
- Exercise of warrants	8,673,269	5,518,527	-	-	-	5,518,527
- Performance shares	1,040,906	780,797	(194,583)	-	-	586,214
- Performance shares reserved for issuance	-	-	534,652	-	-	534,652
Share issuance costs	-	-	-	-	(88,101)	(88,101)
Stock-based compensation	-	-	277,630	-	-	277,630
Transferred on exercise of options	-	191,181	(191,181)	-	-	-
Transferred on exercise of warrants	-	1,126,114	-	(1,126,114)	-	-
Loss for the year	-	-	-	-	(4,384,463)	(4,384,463)
Balance – 31 December 2007	62,543,307	49,370,919	\$ 1,794,265	897,826	\$ (28,764,249)	\$ 23,298,761
Issuance and allotment of shares for:						
- Value assigned to warrants (Notes 7ii and 8c)	-	-	-	188,290	-	188,290
- Property	500,000	305,000	-	-	-	305,000
- Exercise of options (Note 8b)	554,500	262,260	-	-	-	262,260
- Performance shares (Note 8e)	628,786	964,043	(605,653)	-	-	358,390
- Performance shares reserved for issuance (Note 8e)	-	-	160,730	-	-	160,730
Share issuance costs	-	-	-	-	(6,978)	(6,978)
Stock-based compensation	-	-	1,810,885	-	-	1,810,885
Transferred on exercise of options	-	68,415	(68,415)	-	-	-
Loss for the year	-	-	-	-	(5,165,861)	(5,165,861)
Balance – 31 December 2008	64,226,593	50,970,637	\$ 3,091,812	\$ 1,086,116	\$ (33,937,088)	\$ 21,211,477
Issuance and allotment of shares for:						
- Private placements	3,462,500	415,500	-	-	-	415,500
- Value assigned to warrants (Notes 7ii and 8c)	-	(245,976)	-	422,786	-	176,810
- Loan extension fee	500,000	115,000	-	-	-	115,000
- Loan extension fee (reserved)	1,720,000	252,400	-	-	-	252,400
Share issuance costs	-	-	-	-	(3,183)	(3,183)
Stock-based compensation	-	-	538,813	-	-	538,813
Loss for the period	-	-	-	-	(2,213,565)	(2,213,565)
Balance – 30 June 2009	69,909,093	51,507,561	\$ 3,630,625	\$ 1,508,902	\$ (36,153,836)	\$ 20,493,252

**Consolidated Statements of Loss and Comprehensive Loss**

Canadian Funds

	3 Months Ended June 30, 2009	3 Months Ended June 30, 2008	6 Months Ended June 30, 2009	6 Months Ended June 30, 2008
<b>General and Administrative Expenses</b>				
Consulting fees	\$ 43,318	\$ 12,657	\$ 67,318	\$ 33,941
Stock-based compensation (Note 8d)	262,774	327,379	538,813	1,291,692
Travel	5,139	36,932	8,461	69,142
Promotion and shareholder relations	15,778	118,658	42,589	150,053
Director fees (Note 6a)	7,166	11,000	18,166	25,500
Professional fees	34,539	27,787	129,922	37,943
Wages, salaries and benefits	52,748	98,315	124,218	202,806
Transfer, filing fees and insurance	55,670	71,011	128,308	100,297
Rent and utilities	14,401	18,943	28,804	48,760
Office and miscellaneous	11,930	15,509	17,111	24,035
Amortization	3,098	6,292	6,196	19,683
<b>Loss Before the Underrated</b>	<b>(506,561)</b>	<b>(744,483)</b>	<b>(1,109,907)</b>	<b>(2,003,852)</b>
<b>Other Income (Expenses)</b>				
Gain (loss) on sale of available-for-sale securities (Note 3)	-	(740)	-	12,734
(Loss) on sale of capital assets	(38,578)	-	(38,578)	-
Interest income	-	19,486	-	32,510
Foreign exchange gain (loss), net	773,202	(19)	493,890	(3,330)
Interest, bank charges and loan arrangement fee	(261,432)	(7,288)	(1,335,112)	(8,809)
Amortization of mining equipment	(93,777)	(116,247)	(223,859)	(168,590)
	<b>379,415</b>	<b>(104,808)</b>	<b>(1,103,658)</b>	<b>(135,485)</b>
<b>Net Loss and Comprehensive Loss for the Period</b>	<b>\$ (127,146)</b>	<b>\$ (849,291)</b>	<b>\$ (2,213,565)</b>	<b>\$ (2,139,337)</b>
<b>Loss per Share - Basic and Diluted</b>	<b>\$ 0.</b>	<b>\$ 0.01</b>	<b>\$ 0.03</b>	<b>\$ 0.03</b>
<b>Weighted Average Number of Shares Outstanding</b>	<b>65,675,371</b>	<b>62,438,552</b>	<b>65,675,371</b>	<b>62,438,552</b>

## Consolidated Statements of Cash Flows

Canadian Funds

	3 Months Ended June 30, 2009	3 Months Ended June 30, 2008	6 Months Ended June 30, 2009	6 Months Ended June 30, 2008
<b>Cash Resources Provided By (Used In)</b>				
<b>Operating Activities</b>				
Loss for the period	\$ (127,146)	\$ (849,291)	\$ (2,213,565)	\$ (2,139,337)
Items not affecting cash:				
Amortization	96,875	122,539	230,055	188,273
(Gain) loss on sale of available-for-sale securities	-	740	-	(12,734)
(Gain) loss on sale of capital assets	38,578	-	38,578	-
Stock-based compensation -options	262,774	155,505	538,813	846,888
Stock-based compensation – performance shares issued	-	23,186	-	109,592
Stock-based compensation – performance shares reserved for issuance	-	148,688	-	335,212
Loan arrangement fee	-	-	544,210	-
Net changes in non-cash working capital components:	(300,458)	396,804	98,510	(78,629)
	(29,377)	(1,829)	(763,399)	(750,735)
<b>Investing Activities</b>				
Proceeds on sale of available-for-sale securities	-	8,499	-	58,415
Mineral property acquisition costs	(9,283)	(13,930)	(272,421)	(202,676)
Mineral property deferred exploration costs	(12,224)	(2,594,163)	(22,214)	(3,005,678)
Proceeds on sale of capital assets	524,909	-	524,909	-
Purchase of property and equipment	-	(616,902)	-	(2,256,805)
	503,402	(3,216,498)	230,274	(5,406,744)
<b>Financing Activities</b>				
Share capital issued	415,500	-	415,500	250,500
Share issuance costs	-	-	(3,183)	-
Performance shares	-	1,152	-	4,955
Repayment of loan	(402,979)	-	(402,979)	-
Foreign exchange on loan	(562,884)	-	(318,505)	-
Loan proceeds	222,381)	1,791,000	1,107,732	1,791,000
	(327,982)	1,792,152	798,565	2,046,455
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>				
	146,043	(1,426,175)	265,440	(4,111,024)
Cash and cash equivalents - Beginning of period	126,732	1,618,937	7,335	4,303,786
<b>Cash and Cash Equivalents - End of Period</b>	<b>\$ 272,775</b>	<b>\$ 192,762</b>	<b>\$ 272,775</b>	<b>\$ 192,762</b>
<b>Supplemental Disclosure of Non-Cash Investing and Financing Activities</b>				
Shares and warrants issued for loan arrangement fee	\$ -	\$ -	\$ 544,210	\$ -

## Consolidated Schedules of Mineral Property Costs

Canadian Funds

	June 30, 2009	December 31, 2008
<b>Golden Summit Property, Alaska, USA</b>		
Acquisition costs		
Cash - option payments	\$ 111,250	\$ 101,490
Shares - option payments	-	-
	<u>111,250</u>	<u>101,490</u>
Deferred exploration expenditures		
Geological and field expenses	4,198	212,405
Mineral property fees	-	25,438
Drilling	-	1,285,898
Assaying	-	484,530
Engineering and consulting	543	230,822
Geophysical	-	5,400
Personnel	1,477	1,052,511
Bulk sampling/plant commissioning & infrastructure	7,885	3,483,347
Refining charges	-	48,351
Bulk sample gold recovered	-	(306,143)
	<u>14,103</u>	<u>6,522,559</u>
Total	<u>125,353</u>	<u>6,624,049</u>
<b>Almaden Property, Idaho, USA</b>		
Acquisition costs		
Cash - option payments	45,271	98,359
	<u>45,271</u>	<u>98,359</u>
Deferred exploration expenditures		
Geological and field expenses	20,764	124,302
Mineral property fees	-	15,934
Assaying	-	124,365
Metallurgical testing	-	5,148
Resource engineering	1,450	174,136
Engineering and consulting	-	354,194
	<u>22,214</u>	<u>798,079</u>
Total	<u>67,485</u>	<u>896,438</u>
<b>Balance Forward</b>	<b>\$ 192,838</b>	<b>\$ 7,520,487</b>

## Consolidated Schedules of Mineral Property Costs

Canadian Funds

	June 30, 2009	December 31, 2008
<b>Balance Carried Forward</b>	<b>\$ 192,838</b>	<b>\$ 7,520,487</b>
<b>Rob Property, Alaska, USA</b>		
Acquisition costs		
Treasury shares - option payments	-	305,000
Cash - option payments	-	52,500
	-	357,500
Deferred exploration expenditures		
Drilling	-	239,153
Mineral property fees	-	19,465
Engineering and consulting	-	155,371
Geological and field expenses	-	649,446
Assaying	-	24,277
Wages	-	412,339
Geophysics	-	66,578
	-	1,566,629
Total	-	1,924,129
<b>Vinasale Property, Alaska, USA</b>		
Acquisition costs		
Cash - option payments	<b>115,900</b>	72,100
	<b>115,900</b>	72,100
Deferred exploration expenditures		
Geological and field expenses	-	107,138
Geophysics	-	68,607
Mineral property fees	-	4,013
Engineering and consulting	-	41,112
Wages	-	188,055
	-	408,925
Total	<b>115,900</b>	481,025
<b>Union Bay Property, Alaska, USA</b>		
Deferred exploration expenditures		
Mineral property fees	-	8,130
Engineering and consulting	-	663
Total	-	8,793
<b>Costs for the Year</b>	<b>308,738</b>	9,934,434
Balance - Beginning of year	<b>28,053,152</b>	18,118,718
<b>Balance - End of Year</b>	<b>\$ 28,361,890</b>	<b>\$ 28,053,152</b>

## **Notes to Consolidated Financial Statements**

**30 June 2009 and 2008**

Canadian Funds

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

#### **a) Going Concern and 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 June 2009 and for the six months 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 1p*). The Company has a loss of \$2,213,565 for the period ended 30 June 2009 (2008 year- \$5,165,861; 2007 year - \$4,384,463) and has working capital deficit of \$10,493,004 at 30 June 2009 (31 December 2008 – working capital deficit of \$10,259,582).

The Company had cash and cash equivalents of \$272,775 at 2009 (31 December 2008 - \$7,335), 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.

#### **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.

## **Notes to Consolidated Financial Statements**

**30 June 2009 and 2008**

*Canadian Funds*

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### **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. To the best of the Company's knowledge, the Company has 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, however, the Company cannot give an assurance that the title to such properties will not be challenged or impugned.

## **Notes to Consolidated Financial Statements**

**30 June 2009 and 2008**

*Canadian Funds*

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**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 increased interest in certain of its properties. To earn its increased 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.

**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**

The Company provides for amortization on its property, plant and equipment at 20% - 45% on a declining balance method. 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.

**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.



## **Notes to Consolidated Financial Statements**

**30 June 2009 and 2008**

Canadian Funds

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

#### **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.

#### **n) Flow-through Shares**

Canadian Income Tax Legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, future income tax liabilities are recognized (renounced expenditures multiplied by the effective tax rate) thereby reducing share capital.

#### **o) Performance Shares**

The Company grants performance shares to attract consultants and/or employees to the Company. Performance shares are valued at market price on the date of issuance and charged to operations with the offsetting credit to share capital.

## **Notes to Consolidated Financial Statements**

**30 June 2009 and 2008**

Canadian Funds

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

*Continued*

#### **p) 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, accrued liabilities, loans payable and amounts due to related parties. The Company is exposed to significant interest, currency 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's loans payables are denominated in US dollars and are currently in default (*Note 7*). The Company is exposed to significant currency risk on its loan payables 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.

#### **q) Recent Accounting Pronouncements**

The CICA issued CICA Handbook Section 3064 "*Goodwill and Other Intangible Assets*" which the Company adopted, effective 1 January 2009. 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. Management is currently assessing the impact of these new accounting standards on its consolidated financial statements.

#### **International Financial Reporting Standards ("IFRS")**

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 30 December 2011. 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.

## Notes to Consolidated Financial Statements

30 June 2009 and 2008

Canadian Funds

### 2. Changes in Accounting Policies and Presentation

#### a) Going Concern

Effective 1 January 2008, the Company adopted changes to CICA Handbook Section 1400, "General Standards of Financial Statement Presentation". Section 1400 has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern. Management shall make an assessment of an entity's ability to continue as a going concern. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, those uncertainties shall be disclosed. When financial statements are not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial statements are prepared and the reason why the entity is not regarded as a going concern.

#### b) Capital Disclosures

Effective 1 January 2008, the Company adopted the new CICA Handbook Section 1535, "Capital Disclosures" which requires the disclosure of both qualitative and quantitative information that provides users of financial statements with information to evaluate the Company's objectives, policies and procedures for managing capital. The main features of the new section are as follows:

- a. Requirements for an entity to disclose qualitative information about its objectives, policies and processes for managing capital;
- b. A requirement for an entity to disclose quantitative data about what it regards as capital; and
- c. A requirement for an entity to disclose whether it has complied with any externally imposed capital requirements and, if not, the consequences of such non-compliance.

#### c) Financial Instruments – Disclosure and Presentation

Effective 1 January 2008, the Company adopted the new CICA Handbook Section 3862, "Financial Instruments – Disclosures" and Section 3863, "Financial Instruments – Presentation" which replace existing Section 3861, "Financial Instruments – Disclosure and Presentation", revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosure about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

### 3. Available-for-sale Investments

	June 30, 2009		December
	Book Value	Fair Value	31, 2008 Fair Value
Redeemable Guaranteed Investment Certificate	<u>51,000</u>	<u>51,000</u>	<u>51,000</u>
	\$ 51,000	\$ 51,000	\$ 51,000

## Notes to Consolidated Financial Statements

30 June 2009 and 2008

Canadian Funds

### 3. Available-for-sale Investments - Continued

The redeemable guaranteed investment certificate matures on 31 October 2009 and is pledged as security for certain payables of the Company.

### 4. Mineral Property Costs

	Acquisition	Deferred Exploration	Payments/grants	Write-offs	Totals June 30, 2009	Totals December 31, 2008
Golden Summit Property	\$ 871,615	\$ 16,222,830	\$ -	\$ -	\$ 17,094,445	\$ 16,969,092
Almaden Property	886,616	6,044,279	-	-	6,930,895	6,863,410
Rob Property	907,500	2,320,451	-	-	3,227,951	3,227,951
Vinasale Property	254,435	794,245	-	-	1,048,680	932,779
Union Bay Property	110,658	183,461	(234,200)	-	59,919	59,920
	\$ 3,030,824	\$ 25,565,266	\$ (234,200)	\$ -	\$ 28,361,890	\$ 28,053,152

#### 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 125,000 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 15 May 2000 and 30 November 2001, the Company agreed to make advance royalty payments as follows:

## Notes to Consolidated Financial Statements

30 June 2009 and 2008

Canadian Funds

### 4. Mineral Property Costs - *Continued*

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

##### (i) Keystone Claims - *Continued*

	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 – 2019 (US\$150,000 per year)	\$ 1,650,000	

An amendment signing bonus of US\$50,000 was paid 1 October 2000.

The leased 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. 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. These payments are current.

##### (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 400,000 shares on regulatory approval. An additional 200,000 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.

## **Notes to Consolidated Financial Statements**

**30 June 2009 and 2008**

Canadian Funds

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### **4. Mineral Property Costs – Continued**

#### **b) Almaden Property, Washington County, Idaho, USA**

By agreement dated 13 December 1995 and various amendments thereto, the Company purchased a 60% interest in certain mineral claims located in Washington County, Idaho, known as the Almaden Property. As consideration, the Company paid US\$250,000 to underlying optionors, issued 4,621,714 common shares and completed a feasibility study.

Pursuant to the Company submitting a feasibility report, the Company entered into a joint venture agreement whereby 60% of all further costs spent on the property were the responsibility of the Company. The joint venture assumed the requirements to pay US\$250,000 to underlying optionors (paid), US\$4 per month for each acre acquired (approximately US\$10,000 per year [paid to date]) and US\$24,000 per year (US\$6,000 annually [paid to date] with the remaining US\$18,000 deferred for payment upon commencement of commercial production). The accumulated contingent liability for lease payments due on commencement of commercial production is US\$468,000. In 2007, the Company entered into an agreement whereby in consideration for the conversion of the 4% net returns royalty to a 1.5% NSR, the Company agreed to advance the accumulated lease payments over 4 years and waive its right to defer US\$18,000 per year in lease payments. The Company is now responsible for making US\$24,000 per year in lease payments. In the event that the Company does not make the total accrued lease payments, the lease holders shall retain the 4% net returns royalty, the Company will remain responsible for making the US\$24,000 annual lease payments and the accumulated payments under the conversion agreement of US\$118,000 will remain as a reduction against the US\$468,000 accumulated contingent liability.

By agreement dated 17 April 2001, the Company acquired the remaining 40% portion of the joint venture interest and 100% of the shares of Ican Minerals, Inc. and Canu Resources, Inc. for 500,000 shares of the Company (issued). The Company now owns a 100% interest in the Almaden Property, subject to underlying lease agreements.

The property is also subject to a 1% NSR if the average price of gold is less than US\$425 per ounce and 2% if the average price of gold is equal to or greater than US\$425 per ounce.

#### **c) 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 1,000,000 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). Minimum work in any given year shall not be less than US\$10,600 per year.

During the year, the company reached the US\$1,000,000 level of cumulative expenditures on the property and issued an additional 500,000 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 8a).

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

## Notes to Consolidated Financial Statements

30 June 2009 and 2008

Canadian Funds

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### 4. Mineral Property Costs – Continued

#### c) Rob Property, Alaska, USA – Continued

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

The vendor 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.

#### d) Vinasale Property, Alaska, USA

During the previous year, the Company entered into a mineral exploration agreement with an option to lease from the Doyon 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 and second year 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 \$300,000 US. Doyon has granted this consideration. The Company has made the 2009 option payment.

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.

#### e) Union Bay Property, Alaska, USA

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

(i) By agreement dated 1 October 2002 and amended 2 April 2003, the Company granted to 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).

## Notes to Consolidated Financial Statements

30 June 2009 and 2008

Canadian Funds

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### 4. Mineral Property Costs – Continued

#### e) Union Bay Property, Alaska, USA – Continued

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.

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### 5. Property, Plant and Equipment

	Cost	Accumulated Amortization	2009 Net Book Value	December 31, 2008 Net Book Value
Mining equipment	\$ 1,739,411	\$ (766,070)	\$ 973,341	\$ 1,729,886
Automotive	3,771	(3,234)	537	32,367
Land	1,603,996	-	1,603,996	1,603,996
Office equipment	114,218	(67,726)	46,492	51,658
	<u>\$ 3,461,396</u>	<u>\$ (837,030)</u>	<u>\$ 2,624,366</u>	<u>\$ 3,417,907</u>

During the period ended 30 June 2009, total sales of property, plant and equipment were US\$410,000.

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## Notes to Consolidated Financial Statements

30 June 2009 and 2008

Canadian Funds

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### 6. 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, \$18,166 (2008 - \$25,500) was paid/accrued to directors. As at 30 June 2009, amounts due to related parties includes \$44,152 owing to directors. These amounts were incurred in the ordinary course of business, are non-interest bearing, unsecured and due on demand.
- b) During the period, professional fees of \$37,500 (2008 - \$21,666) were paid/accrued to a company controlled by the Chief Financial Officer. As at 30 June 2009, \$23,500 is included in due to related parties.
- c) During the period, legal fees of \$12,695 (2008 - \$14,097) were paid/accrued to a Law Firm of which a director is a partner. As at 30 June 2009, \$38,510 of this amount is included in due to related parties.

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

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### 7. Loans Payable

	June 30, 2009 \$	December 31, 2008 \$
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 are repayable in full on 30 May 2010. The convertible loans lenders (the "Convertible Loans Lenders") have 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 \$1.23 per share at any time during the term of the loans. The Convertible Loans Lenders also have the right to accelerate the maturity of the loans payable any time after 30 May 2009, should the Company raise additional debt, equity or receive asset sales aggregating \$3 million or more. On 29 June 2009, US\$ 346,500 was repaid as a result of a partial sale of mining equipment.		
During the period, the Company breached certain covenants under its convertible loans, and the convertible loans are in default ( <i>Notes 10, 13 and 14</i> ).	1,742,545	2,200,996

## Notes to Consolidated Financial Statements

30 June 2009 and 2008

Canadian Funds

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### 7. Loans Payable – Continued

June 30, 2009 \$	December 31, 2008 \$
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ii. Short term loans totalling US \$4,000,000 bearing interest at 12.5% per annum with interest only payments payable monthly. The short term loans were initially repayable in full on 15 January 2009. Collateral for the short term loans is a first priority security arrangement on the shares in the Company's wholly owned US subsidiaries and a general security arrangement against the assets of the Company including a second charge against both bulk sampling equipment located at and land adjacent to the Golden Summit property. The loans can be prepaid at any time, and all proceeds generated from any subsequent financings completed by the Company must be used to repay the short term loans. During the year ended 31 December 2008, the Company paid placement closing fees related to the short term loans consisting of \$160,000 and the issuance of 700,000 warrants valued at \$188,290 to the bridge loan lenders (the "Bridge loan lenders") (Note 8c). The Bridge loan lenders have the right to return the warrants to the Company after one year from the closing of the loan for total proceeds of \$200,000. Included in accounts payable at 30 June 2009 is \$231,037 related to interest on the short term loans.

On 14 January 2009, the Bridge loan lenders agreed to extend the maturity of the short term loans to 10 February 2009. As consideration of this extension, the exercise price of the 350,000 warrants granted as the payment of placement closing fees at the time the short term loans were advanced was reduced from \$0.66 and \$0.55 to \$0.30, and the Company issued an additional 500,000 common shares of the Company valued at \$115,000 (Note 8c).

On 23 February 2009, the Bridge loan lenders agreed to further extend the maturity date of the short term loans to 15 July 2009. As consideration of these extensions, the interest rate on the two loans was increased from 12.5% to 15.0% effective 1 April 2009, and the lenders received extension fees to be paid by way of the issuance of 720,000 common shares of the Company valued at \$122,400 and 1,000,000 share purchase warrants valued at \$122,585 to purchase common stock of the Company for a two year period. A total of 500,000 of these warrants are exercisable at a price of \$0.17 per common share and the remaining 500,000 of these warrants are exercisable at a price of \$0.25 per common share. A cash fee equal to 3% of loan principal is also

## Notes to Consolidated Financial Statements

30 June 2009 and 2008

Canadian Funds

payable upon the earlier of the receipt of new financing or 31 March 2009.

On 30 March, 2009, the Bridge loan lenders agreed to a further restructuring that provided an additional US \$200,000 of funding to the Company.

This restructuring also suspends the monthly payment of interest to the two Bridge loan lenders that was to have commenced on 1 April 2009, and the payment of a 3% extension fee that had been due on 31 March 2009. Under the revised documents, these interest and extension fee payments are being capitalized and added to the principal amounts due on the 15 July 2009 maturity date. Under this restructuring, and following this additional loan advance, the amounts that will be due to the senior and subordinated bridge lenders on 15 July 2009 are US \$2.78 million and US \$2.25 million respectively. As consideration for the above, the senior bridge lender will be receiving cash fees of \$35,000 along with 1,000,000 common shares of the Company and 500,000 warrants to purchase common stock of the Company for a two year period at a price of C \$0.14/share. In connection with the extension of the bridge loans, the Company granted a security interest in the Almaden project.

On 15 July 2009, the Bridge loan lenders agreed to extend the maturity date until 17 August 2009. As consideration for the above, both lenders will receive a US\$30,000 fee.

<u>5,798,203</u>	4,953,503
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Total	<u>7,540,748</u>	<u>7,154,499</u>
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### 8. Share Capital

#### a) Share Issuances

During the period, the Company issued 500,000 common shares valued at \$115,000 for loan extension fees. Subject of regulatory approval, the Company also reserved 1,720,000 common shares valued at \$252,400 for further loan extension fees.

During the period, the company closed a non-brokered private placement of 3,462,500 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.

During the prior year, the Company issued 500,000 common shares valued at \$305,000 as acquisition costs on the Rob Property (Note 4c).

## Notes to Consolidated Financial Statements

30 June 2009 and 2008

Canadian Funds

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### 8. Share Capital – Continued

#### b) Exercise of Warrants and Options

- i) During the period no warrants were exercised.
- ii) During the period no options were exercised.

#### c) Share Purchase Warrants

As at 30 June 2009, the following share purchase warrants are outstanding:

	Number	Price per Share	Expiry Date	
	350,000	\$0.30	31 July 2010	
	350,000	\$0.30	22 August 2010	
	500,000	\$0.25	10 February 2011	*
	500,000	\$0.17	26 February 2011	*
	500,000	\$0.14	30 March 2011	**
	<u>3,462,500</u>	\$0.20	30 June 2012	***
Total	<u>5,662,500</u>			

\*During the period, 1,000,000 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 (Notes 7 ii).

\*\*During the period, and subject to regulatory approval, 500,000 common share purchase warrants having a fair value of \$54,225 were reserved for issuance as payment for placement closing fees related to the extensions of short term loan financing (Notes 7 ii).

\*\*\*During the period, 3,462,500 common share purchase warrants having a fair value of \$245,976 were issued relating to private placements (Note 8a).

During the prior year, 700,000 common share purchase warrants having a fair value of \$188,290 were issued as payment for placement closing fees related to short term loan financing of US \$4,000,000 (Notes 7 ii).

During the period, these warrants were reduced to \$0.30.

## Notes to Consolidated Financial Statements

30 June 2009 and 2008

Canadian Funds

### 8. Share Capital – Continued

#### 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 10,129,247 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 6,353,543. 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.

A summary of the Company’s options at 30 June 2009 and the changes for the year are as follows:

Number Outstanding 31 December 2008	Granted	Exercised	Cancelled	Expired	Number Outstanding 31 March 2009	Exercise Price Per Share	Expiry Date
310,000	-	-	-	-	310,000	\$0.40/\$0.50	5 November 2009
500,000	-	-	(500,000)	-	-	\$0.20	30 September 2010
290,000	-	-	-	-	290,000	\$0.35	13 March 2011
80,000	-	-	-	-	80,000	\$0.50	17 July 2011
100,000	-	-	(100,000)	-	-	\$0.50	21 September 2011
350,000	-	-	(350,000)	-	-	\$0.50	11 January 2012
400,000	-	-	-	-	400,000	\$0.75	25 January 2010
40,000	-	-	-	-	40,000	\$1.20	4 June 2010
25,000	-	-	-	-	25,000	\$1.50	13 July 2012
40,000	-	-	-	-	40,000	\$1.71	16 October 2012
150,000	-	-	-	-	150,000	\$2.10	1 November 2012
100,000	-	-	(100,000)	-	-	\$1.50	8 February 2013
2,285,000	-	-	(225,000)	-	2,060,000	\$1.42	21 February 2013
150,000	-	-	-	-	150,000	\$1.42	10 April 2010
4,820,000	-	-	(1,275,000)	-	3,545,000		

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 prior year, the Company transferred \$68,415 from contributed surplus to share capital as required when options were exercised.

## Notes to Consolidated Financial Statements

30 June 2009 and 2008

Canadian Funds

### 8. Share Capital – Continued

#### d) Share Purchase Options - Continued

During the period, the Company granted no options:

During prior years, the Company granted the following options and recognized the 2009 vested amount as follows:

Grant Date	Granted	Exercise Price	Fair Value	2009 Vested Amount
8 February 2008	100,000	\$1.50	\$94,562	<b>\$18,402</b>
21 February 2008	2,410,000	\$1.42	2,275,312	<b>429,174</b>
10 April 2008	150,000	\$1.42	75,038	<b>14,748</b>
21 September 2006	100,000	\$0.50	28,662	<b>4,778</b>
11 January 2007	350,000	\$0.50	106,095	<b>13,262</b>
16 October 2007	40,000	\$1.71	40,412	<b>10,103</b>
1 November 2007	150,000	\$2.10	193,384	<b>48,346</b>
Total	3,300,000		\$2,813,465	<b>\$538,813</b>

The total estimated fair value of the 3,300,000 options is \$2,813,465. Since the options were granted under a graded vesting schedule, \$538,813 of the total fair value has been recorded in the Company accounts as stock-based compensation expenses. The offsetting entry is to contributed surplus.

## Notes to Consolidated Financial Statements

30 June 2009 and 2008

Canadian Funds

### 8. Share Capital – Continued

#### d) Share Purchase Options – Continued

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:

	2008	2007	2006
Expected dividend yield	<b>0.00%</b>	0.00%	0.00%
Expected stock price volatility	<b>104.67%</b>	68.93%	74.70%
Risk-free interest rate	<b>2.31%</b>	4.12%	4.08%
Expected life of options	<b>3.38 years</b>	4.12 years	5.0 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.

#### e) Performance Shares

A total of 2,187,482 performance shares were reserved for issuance. At the discretion of the Board, these shares may be issued to such arm's length parties as the Board considers desirable to attract consultants and/or employees to the Company.

During a prior year, the Board authorized the issuance of up to 400,000 performance shares at an exercise price of \$0.01 per share to attract a Vice-President of Business Development to the Company. These shares are to be granted as follows:

Shares	Date	
50,000	5 September 2005	(issued)
50,000	5 March 2006	(issued)
50,000	5 September 2006	(issued)
50,000	5 March 2007	(issued)
50,000	5 September 2007	(issued)
50,000	5 March 2008	(issued*)
50,000	5 September 2008	(cancelled**)
50,000	5 March 2009	(cancelled***)
400,000		

\* 50,000 performance shares were issued at \$0.01 per share for total proceeds of \$500 during the prior year. The fair market value of the performance shares at the dates of allotment was \$83,500 and was recorded as stock-based compensation in the prior year. The difference between the issue price and the fair market value was recorded in the accounts as stock-based compensation. The offsetting entry is to share capital.

## Notes to Consolidated Financial Statements

30 June 2009 and 2008

Canadian Funds

### 8. Share Capital – Continued

#### e) Performance Shares – Continued

\*\* 50,000 performance shares were reserved for issuance at \$0.01 per share. The accrued amount of 50,000 shares with the fair market value of \$25,500 was accrued to 5 September 2008 and was recorded in the accounts as stock-based compensation in the prior year. The offsetting entry is to contributed surplus. These shares expired during the period and have been cancelled.

\*\*\* 50,000 performance shares were reserved for issuance at \$0.01 per share. The accrued amount of 32,500 shares with the fair market value of \$6,500 was accrued to 31 December 2008 and was recorded in the accounts as stock-based compensation. The offsetting entry is to contributed surplus. These shares expired during the period and have been cancelled.

During a prior year, the Board authorized the issuance of up to 1,000,000 performance shares at an exercise price of \$0.01 per share to attract a new President & CEO to the Company. These shares are available for issuance as follows:

Shares	Date	
100,000	1 January 2006	(issued)
81,818	1 April 2006	(issued)
81,818	1 July 2006	(issued)
81,818	1 October 2006	(issued)
81,818	1 January 2007	(issued)
81,818	1 April 2007	(issued)
81,818	1 July 2007	(issued)
81,818	1 October 2007	(issued)
81,818	1 January 2008	(issued*)
81,818	1 April 2008	(issued*)
81,818	1 July 2008	(cancelled**)
81,820	1 August 2008	(cancelled***)
<u>1,000,000</u>		

\* 163,636 performance shares were issued at \$0.01 per share for total proceeds of \$1,637 during the prior year. The fair market value of the performance shares at the dates of allotment was \$283,090 and was recorded as stock-based compensation in the prior year. The difference between the issue price and the fair market value was recorded in the accounts as stock-based compensation. The offsetting entry is to share capital.

\*\* 81,818 performance shares were reserved for issuance at \$0.01 per share. The accrued amount of 81,818 shares with the fair market value of \$74,455 was accrued to 1 July 2008 and was recorded in the accounts as stock-based compensation. The offsetting entry is to contributed surplus. These shares expired during the period and have been cancelled.



## Notes to Consolidated Financial Statements

30 June 2009 and 2008

Canadian Funds

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### 8. Share Capital – *Continued*

#### e) Performance Shares – *Continued*

\*\*\* 81,820 performance shares were reserved for issuance at \$0.01 per share. The accrued amount of 81,820 shares with the fair market value of \$48,275 was accrued to 1 August 2008 and was recorded in the accounts as stock-based compensation. The offsetting entry is to contributed surplus. These shares expired during the period and have been cancelled.

During a prior year, the Board authorized the issuance of up to 400,000 performance shares at an exercise price of \$0.01 per share to attract a new Vice-President of Exploration to the Company. These shares are available for issuance as follows:

Shares	Date	
33,333	13 June 2006	(issued)
33,333	13 September 2006	(issued)
33,333	13 December 2006	(issued)
33,333	13 March 2007	(issued)
33,333	13 June 2007	(issued)
33,333	13 September 2007	(issued)
33,333	13 December 2007	(issued)
33,333	13 March 2008	(issued*)
33,333	13 June 2008	(issued*)
33,333	13 September 2008	(issued*)
33,333	13 December 2008	(cancelled**)
33,337	13 March 2009	(cancelled***)
<u>400,000</u>		

\* 99,999 performance shares were issued at \$0.01 per share for total proceeds of \$1,000 during the prior year. The fair market value of the performance shares at the dates of allotment was \$103,332 of which \$13,267 was recorded as stock-based compensation in the prior year and \$90,065 recorded in the prior year. The difference between the issue price and the fair market value was recorded in the accounts as stock-based compensation. The offsetting entry is to share capital.

## Notes to Consolidated Financial Statements

30 June 2009 and 2008

Canadian Funds

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### 8. Share Capital – Continued

#### e) Performance Shares – Continued

\*\* 33,333 performance shares were reserved for issuance at \$0.01 per share. The accrued amount of 33,333 shares with the fair market value of \$4,667 was accrued to 13 December 2008 and was recorded in the accounts as stock-based compensation. The offsetting entry is to contributed surplus. These shares expired during the period and have been cancelled.

\*\*\* 33,333 performance shares were reserved for issuance at \$0.01 per share. The accrued amount of 6,667 shares with the fair market value of \$1,333 was accrued to 30 June 2009 and was recorded in the accounts as stock-based compensation. The offsetting entry is to contributed surplus. These shares expired during the period and have been cancelled.

During the prior year, the Board authorized the issuance of up to 400,000 performance shares at an exercise price of \$0.01 per share to attract a new Vice-President Project Development to the Company. These shares are available for issuance as follows:

<u>Shares</u>	<u>Date</u>	
50,000	11 April 2007	(issued)
50,000	11 July 2007	(issued)
50,000	11 October 2007	(issued)
50,000	11 January 2008	(issued)
50,000	11 April 2008	(issued*)
50,000	11 July 2008	(issued*)
50,000	11 October 2008	(cancelled**)
50,000	11 January 2009	(cancelled***)
<u>400,000</u>		

\* 100,000 performance shares were issued at \$0.01 per share for total proceeds of \$1,000 during the prior year. The fair market value of the performance shares at the dates of allotment was \$111,000. The difference between the issue price and the fair market value was recorded in the accounts as stock-based compensation. The offsetting entry is to share capital.

\*\* 50,000 performance shares were reserved for issuance at \$0.01 per share. The accrued amount of 50,000 shares with the fair market value of \$14,500 was accrued to 11 October 2008 and was recorded in the accounts as stock-based compensation. The offsetting entry is to contributed surplus. During the period, these shares were cancelled.

\*\*\* 50,000 performance shares were reserved for issuance at \$0.01 per share. The accrued amount of 44,000 shares with the fair market value of \$8,800 was accrued to 31 December 2008 and was recorded in the accounts as stock-based compensation. The offsetting entry is to contributed surplus. During the period, these shares were cancelled.

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## Notes to Consolidated Financial Statements

30 June 2009 and 2008

Canadian Funds

### 9. Income Taxes

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

	<b>2008</b>		2007	
Loss before income taxes	\$	<b>5,165,861</b>	\$	4,384,463
Expected income tax (recovery)	\$	<b>(1,616,286)</b>	\$	(1,495,102)
Items not deductible for income tax purposes		<b>650,734</b>		1,025,844
Unrecognized benefit of non-capital losses		<b>965,552</b>		469,258
<b>Total income taxes</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>
Represented by:				
Current income tax	\$	-	\$	-
Future income tax	\$	-	\$	-

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

	<b>2008</b>		2007	
Future income tax assets				
Financing costs	\$	<b>23,661</b>	\$	36,787
Loss carry-forwards		<b>8,043,271</b>		7,720,549
Undepreciated capital cost in excess of accounting net book value		<b>308,199</b>		174,539
Mineral properties		<b>8,845,261</b>		6,252,637
		<b>17,220,392</b>		14,184,512
Valuation allowance		<b>(17,220,392)</b>		(14,184,512)
<b>Net future income tax assets</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>

## Notes to Consolidated Financial Statements

30 June 2009 and 2008

Canadian Funds

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### 9. Income Taxes – Continued

The Company has non-capital losses for Canadian tax purposes of approximately \$9,000,000 available to offset against taxable income in future years, which, if unutilized, will expire through to 2028. 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 2028. Subject to certain restrictions, the Company also has resource exploration expenditures of approximately \$28,250,000 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.

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### 10. 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 lenders (*Note 7*).
- iii) The Company has outstanding future commitments related to share purchase warrants and options (*Note 8*).
- iv) The Company has outstanding future commitments related to amounts due to related parties (*Note 6*).
- v) The Company is committed under operating lease agreements for its office premises in Vancouver with the following estimated lease payments and dates:

Fiscal year ended 31 Dec	2009	2010	2011
Office lease - Vancouver	\$3,250	-	-

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## Notes to Consolidated Financial Statements

30 June 2009 and 2008

Canadian Funds

### 11. Segmented Information

Details on a geographic basis as at 30 June 2009 are as follows:

	USA	Canada	Total
<b>Assets</b>	<b>\$ 30,986,256</b>	<b>\$ 426,629</b>	<b>\$ 31,412,885</b>
<b>Mineral property costs</b>	<b>\$ 28,361,890</b>	<b>\$ -</b>	<b>\$ 28,361,890</b>
<b>Loss for the year</b>	<b>\$ (325,882)</b>	<b>\$ (1,887,683)</b>	<b>\$ (2,213,565)</b>

Details on a geographic basis as at 31 December 2008 are as follows:

	USA	Canada	Total
Assets	\$ 31,449,851	\$ 195,302	\$ 31,645,153
Mineral property costs	\$ 28,053,152	\$ -	\$ 28,053,152
Loss for the year	\$ (611,476)	\$ (4,554,385)	\$ (5,165,861)

Details on a geographic basis as at 31 December 2007 are as follows:

	USA	Canada	Total
Assets	\$ 19,115,593	\$ 4,607,307	\$ 23,722,900
Mineral property costs	\$ 18,118,718	\$ -	\$ 18,118,718
Loss for the year	\$ (165,126)	\$ (4,219,337)	\$ (4,384,463)

### 12. Contingency

The Company is in breach of certain of its loan payable obligations (*Notes 7*).

In connection with a proposed financing in the prior year, the Company entered into an engagement letter 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 financial statements relating to this contingency because the Company believes the claim is without merit and the ultimate outcome cannot be reasonably determined at the present time.

### 13. Comparative Figures

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

### 14. 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.

## **Notes to Consolidated Financial Statements**

**30 June 2009 and 2008**

*Canadian Funds*

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### **14. Capital Disclosure— *Continued***

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.