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

DATED: MARCH 28TH, 2017

Additional information relating to Freegold Ventures Limited ("Freegold" or the "Company"), including the Company's Annual Information Form for the year ended December 31st, 2016 is available on SEDAR at www.sedar.com.

This discussion contains certain forward-looking information and is expressly qualified by the cautionary statement at the end of this Management's Discussion and Analysis ("MD&A").

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The 2016 and 2015 information set forth in this document should be read in conjunction with the consolidated audited financial statements and related notes, prepared in accordance with IFRS, for the years ended December 31st, 2016 and 2015.

CHANGE IN PRESENTATION CURRENCY

These consolidated financial statements are presented in United States Dollars ("U.S. Dollars"), unless otherwise specified. The functional currency of Freegold Ventures Limited is Canadian Dollars. The functional currencies of the Company's foreign subsidiaries is the U.S. Dollar. In 2016, the Company changed its presentation currency from Canadian Dollars to U.S. Dollars. Accordingly, these consolidated financial statements are presented in U.S. Dollars. The change in presentation currency is to better reflect the Company's business activities and to improve investor's ability to compare the Company's financial results with other publicly traded businesses in the mineral exploration industry. Unless otherwise noted, all currency amounts presented in this MD&A are stated in U.S. Dollars.

BUSINESS OF FREEGOLD

Freegold is an exploration stage company engaged in the acquisition, exploration and evaluation of mineral properties of merit with the aim of developing them to a stage where they can be exploited at a profit or to arrange joint ventures whereby other companies provide funding for development and exploitation. The Company was incorporated in 1985 and is listed on the Toronto Stock Exchange under the symbol "FVL". As of March 28th, 2017, the Company had 145,082,617 shares outstanding. The Company has its registered corporate office in Vancouver, Canada.

REVIEW OF EXPLORATION PROJECTS

The Company continues to focus its exploration activities in Alaska, in particular on its Shorty Creek and Golden Summit Projects. During the year ended December 31st, 2016, a 3,038 metre (~10,000 feet) diamond drill program was carried out at Shorty Creek while additional geochemical work was undertaken at Golden Summit.

SHORTY CREEK

The Company entered into a renewable ten-year lease agreement to acquire certain mineral claims comprising the Shorty Creek Project in July 2014. The Project is located 120 kilometres northwest of Fairbanks, Alaska. The Company issued 750,000 common shares as consideration. The vendor will retain a 2% NSR and be responsible for the annual State of Alaska rents for the first five years after which the Company will be responsible. In 2014, additional claims were staked in the area of interest and the Company will be responsible for these annual State of Alaska rents. Additional claims were also staked during the 2016 exploration program.

The property is located 4 kilometres to the south of the all-weather paved Elliott Highway and within the Livengood-Tolovana Mining District. Total recorded placer production from the District through 2007 is estimated at 530,000 ounces gold. Originally identified as an antimony prospect in the 1970's, Earth Resources drilled 10 to 15 reverse circulation holes to a reported maximum depth of 150 metres to test the near surface potential for copper-molybdenum mineralization in the northern part of the property, referred to as Hill 1710. Assay results of this drilling are not available.

In the mid 1980's, soil sampling by the Asarco-Fairbanks Exploration Joint Venture identified significant gold, copper and pathfinder elements associated with gold-copper porphyry mineralization. A limited drill program was completed by the Joint Venture in 1989 and 1990 consisting of 2,086 metres in 20 holes; the maximum hole depth was 150 metres. The presence of copper mineralization in conjunction with gold mineralization was noted at depth in most of the historic drill holes. Subsequent outcrop mapping confirmed the presence of quartz-feldspar porphyry in a creek 40 metres below the depth of this drilling.

In August 2014, the Company undertook a small ground geophysical and geochemical soil sampling survey on the property. The survey expanded the Hill 1835 target area by an additional 500 metres to the southwest and 400 metres to the northeast of the area drilled by Asarco. In addition, it highlighted another significant target 2.5 kilometre northwest of Hill 1835. The target area is comprised of a strong chargeability anomaly coincident with high copper values in soils (up to 669 ppm Cu) covering a 2,000 metre x 1,000 metre area. A strong molybdenum in soil anomaly, which covers a 1,000 metre by 800 metre area in the central portion of the copper and chargeability anomaly.

In 2015, the Company undertook its first core drilling program at Shorty Creek. Four holes were drilled during the 2015 program, which was severely hampered by an unseasonably large snowfall (the second largest for September in 102 years). The 2015 drill program was designed to test a combination of geochemistry, geophysics (airborne magnetic and induced polarization surveys) as well as the favourable geology based on the results of the 2014 program and previous work. Of particular interest were large magnetic highs with coincident copper, gold and molybdenum soil chemistry, as these magnetic highs are often indicative of potassic cores within porphyry systems.
Results of the 2015 program not only demonstrated the potential for a significant copper-gold porphyry deposit at Shorty Creek with the intersection of 91.4 metres grading 0.14 g/t gold, 7.02 g/t silver and 0.55% copper in Hole SC 15-03 but also successfully discovered mineralization beneath the depth of the previous Asarco drilling (1989 to 1990) in the area of Hill 1835.

In July 2016, a second phase of drilling commenced on the Shorty Creek Project. The 2016 program was designed to test both the large geochemical target at Hill 1710, as well as to further expand on the success of the 2015 drill program at Hill 1835. A total of 7 holes were completed during the 2016 program for a total of 3,038 metres (9,966 feet).

In early September, the Company provided results from its first drill hole from the summer 2016 drilling program.

Hole SC 16-01 was collared approximately 125 metres SW of hole SC 15-03 and was collared in the center of the magnetic high at Hill 1835. Results demonstrate that the mineralization is associated with the magnetic high. The airborne magnetic high at Hill 1835 covers roughly a 750 metre by 1,000 metre area. Hole SC 16-01 intersected 434.5 metres grading 0.36% Cu, 0.12 g/t Au, and 7.46 g/t Ag from the base of oxidation at 86.1 metres to the end of the hole at 520.6 metres. Within this broad intercept a higher-grade interval of 45 metres grading 0.57 % Cu, 0.38 g/t Au, and 9.90 g/t Ag was intersected. Mineralization remains open at depth with the last 12 metres grading 0.55% Cu, 0.145 g/t Au and 9.67 g/t Ag.

Hole Number	Hole Incl.	Depth of Hole (m)	From (m)	To (m)	Interval (m)	Interval (ft)	Au (g/t)	Ag (g/t)	Cu %
SC 16-01	-90	520.6	86.1	520.6	434.5	1425.5	0.12	7.46	0.36
	incl		138.6	345.6	207	679	0.16	9.6	0.45
	incl		**300.6**	**345.6**	**45**	**147.6**	**0.38**	**9.9**	**0.57**

Freegold has not as yet collected sufficient data to determine how the downhole drill intervals might relate to the actual true thickness of mineralization.

In addition to the significant copper, gold and silver mineralization reported from SC 16-01 tungsten values averaging 273 ppm over 434.5 metres with a higher grade interval of 359 ppm over 207 metres were intersected.

In late October 2016, the Company announced results from its second drill hole from the summer 2016 drilling program, which are shown in the table below.

Hole SC 16-02 was collared approximately 120 metres SW of hole SC 16-01.

Hole Number	Hole Incl.	Depth of Hole (m)	From (m)	To (m)	Interval (m)	Interval (ft)	Au (g/t)	Ag (g/t)	Cu %
SC 16-02	-90	497.6	88	497.6	409.6	1344	0.06	5.66	0.29
	incl		88	209	141	462.6	0.07	8.31	0.33
	incl		**135.5**	**229**	**93.5**	**307**	**0.07**	**8.96**	**0.38**

Freegold has not as yet collected sufficient data to determine how the downhole drill intervals might relate to the actual true thickness of mineralization.

In addition to the significant Cu, Au and Ag mineralization reported from SC 16-02 tungsten values averaging 252 ppm W (0.03 % WO_3) over 409.6 metres with a higher grade interval of 519 ppm W (0.065% WO_3) over 93.5 metres were intersected.

Early mineralogical work has confirmed that the tungsten present at Hill 1835 is in the form of wolframite, which is typically recovered by gravity concentration. The presence of tungsten within Hill 1835 may represent a significant by-product credit. The current tungsten price is US$198/MTU (10kg) WO_3 or approximately US $ 9/lb WO_3.

Five drill holes (2019.8 m) collared on Hill 1710, located 2.5 kilometre northwest of Hill 1835, tested a large magnetic anomaly which strikes northeast-southwest and covers 6,000 metres x 1,500 metre. To date ground geophysics and soil geochemical surveys have been conducted over a small part (2,500 metres) of this large magnetic anomaly. The anomaly was tested with 5 holes. Four of these holes were spaced approximately 400 metres apart starting on the western edge of the soil geochemical anomaly and one hole was an angle hole aimed at testing IP chargeability anomaly. Each hole intersected both copper and molybdenum mineralization with the copper values increasing as the drilling moved to the northeast. Coincident with the increase in assay values was a corresponding increase in the amount of quartz-feldspar porphyry intersected within both holes SC 16-06, and SC 16-07, the two most northeastern holes. Silver values were also elevated in these two holes.

Hole SC 16-03, the western most hole was drilled to a depth of 257.6 metres and returned 172.6 metres grading 0.03% copper and 0.034% molybdenum. Hole SC 16-04 was collared approximately 400 metres to the east and intersected 0.05% copper and 0.014% molybdenum over it's entire 426.5 metres length. Hole SC 16-05 was an angle hole drilled to southeast, aimed at testing the IP chargeability anomaly and encountered abundant fault gauge and broken rock with anomalous values throughout the hole.

Hole SC 16-06 intersected quartz-feldspar porphyry with a coincident higher grade interval including 0.11% copper and 0.02% molybdenum from 25.7 to 147 metres and returned 0.07% copper and 0.01% molybdenum over the entire 516 metres. Hole SC 16-07 intersected 0.11% copper and 0.011% molybdenum from 0 to 159 metres including 0.15% copper and 0.009% molybdenum from 0 to 70.8 metres within quartz-feldspar porphyry. The entire hole averaged 0.08% copper and 0.006% molybdenum over its entire 396 metre length.

Both the 2015 and 2016 programs have identified the presence of significant copper mineralization and have successfully demonstrated that the copper mineralization is associated with a magnetic high in the Hill 1835 area. Mineralization consists of quartz stockwork veining and disseminations within strong secondary biotite primarily situated within a flysch unit intruded by quartz-feldspar porphyry sills and/or dykes. The 2016 drill program has also demonstrated that mineralization may extend to significant depths as mineralization has now been intersected to a depth of 520 metres and remains open to depth.. Additional drilling in the 1835 area is warranted to further delineate the mineralization

Several other strong magnetic highs were identified as a result of a review of the airborne geophysical survey and the additional ground geophysics and geochemistry that were completed during the 2016 program.

Drill cores in the 2015 and 2016 drill programs were cut in half using a diamond saw, with one-half placed in sealed bags for geochemical analysis. Core samples were delivered to ALS Chemex at its facility in Fairbanks, Alaska. A quality control assurance program was part of the sampling program to ensure the quality of the assay results.

For results of the 2016 drill program, reference should be made to the full news releases contained on the Company's website at www.freegoldventures.com, as well as a technical report with respect to the Shorty Creek Project entitled, "Updated *Technical Report for the Shorty Creek Project, Livengood – Tolovana Mining District, Alaska*" by John R. Woodman, B.Sc., P. Geo., which will be filed on SEDAR.

GOLDEN SUMMIT

The Golden Summit Project is a road accessible gold exploration project near Fairbanks, Alaska. Since 2011, four NI 43-101 compliant resource updates have been completed on Golden Summit each of which resulted in an increased overall resource for the Project. The most recent technical report on the Golden Summit Project, entitled "*Technical Report, Golden Summit Project, Preliminary Economic Assessment, Fairbanks North Star Borough, Alaska, USA*" dated January 20, 2016 and Amended and Restated dated May 11, 2016 prepared by Tetra Tech, Inc. and Mark J. Abrams, C.P.G. and Gary Giroux, P. Eng., M.A. Sc. of Giroux Consultants Ltd. (the "Golden Summit Technical Report") has also been filed on SEDAR.

The preliminary economic assessment ("PEA") reflected in the Golden Summit Technical Report is preliminary in nature, it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the PEA will be realized.

The PEA evaluates a two-phase, 24-year open pit mine generating two gold streams, each operating at 10,000 tonnes per day (tpd). Processing operations for the oxide and sulfide mineralized materials are heap leach and bio-oxidation, respectively. All values are presented in US$.

Based on a gold price of US$1,300/oz, highlights of the PEA include:

- A post-tax net present value using a 5% discount rate and an internal rate of return of US$188 million and 19.6%, respectively;
- A mine life of 24 years with peak annual gold production of 158 thousand ounces (koz) and average annual gold production of 96 koz;
- 2,358 koz of doré produced over the life of mine;
- Total cash cost estimated at US$842/oz Au (including royalties, refining and transport);
- Ability to execute Phase 1 with low initial capital; initial and sustaining capital costs, including contingency, estimated at $88 million and $348 million respectively;
- A payback of 3.3 years post-tax; and
- Favourable geopolitical climate; completion risk is offset through strong legislative and financial support at state and federal levels.

The project consists of a series of long-term leases ("Keystone Claims", "Tolovana Claims", "Newsboy Claims", "Green Claims", "Chatham Claims" and "Alaska Mental Health Trust Property) and claims and lands owned by Freegold. The project is subject to various fixed and sliding net smelter return royalties ("NSR's") ranging from 1-5% dependent on the price of gold. The Project is also subject to various payments and work commitments on an annual basis. Certain claims are subject to a 7% working interest held in trust for Fairbanks Exploration Inc. ("FEI") by the Company. Under FEI Quit Claim Deed, Freegold is required to fund 100% of the project until production is achieved at which point FEI is required to contribute 7% of any approved budget. These claims are subject to a 2% net smelter royalty ("NSR") to FEI. The Company has a 30-day right of first refusal, in the event that FEI decides to sell its 7% working interest or it's NSR. The

Company can also purchase the NSR at any time following commercial production, based on its net present value as determined by commercial ore reserves at the commencement of commercial production.

EXPLORATION

Freegold has been exploring the Golden Summit Project since 1992. Exploration activities have included ground and airborne geophysics, rock, soil and trench sampling and drilling (reverse circulation, rotary air blast and core). In 2011 resource definition drilling commenced in the western area of the project (Dolphin/Cleary Hill). Since that time some 32,810 metres of core drilling have been completed and several resource estimates have been completed. In addition detailed geochemical and geophysical programs have been undertaken over the entire Project. The Project is host to several high grade historical gold mines as well as significant historical placer gold production. It is estimated that some 6.75 million ounces of placer gold have been recovered from the streams that drain the Golden Summit Project area.

The Golden Summit Project has a number of competitive advantages including existing infrastructure, a favorable permitting climate and proximity to Fairbanks. The site is within five miles of Kinross Gold's Fort Knox mine, a heap leach and milling operation, which has done tremendously well for Alaska. There is ready access to an available, seasoned labour pool.

Activities throughout 2014 and 2015 focused on engineering programs associated with completing the PEA. Tetra Tech of Golden, Colorado was engaged to complete the PEA utilizing the current resource estimate and recently completed engineering studies. These studies included baseline environmental, cultural and geochemical surveys as well as an extensive metallurgical program utilizing both the services of SGS and McClelland Laboratories.

Additional drilling, metallurgical testwork, environmental analyses, other permitting and property confirmation activities will need to be undertaken as the project moves forward through pre-feasibility and feasibility studies. During 2016 additional soil geochemical work was undertaken and has delineated several higher priority oxide expansion targets. In the near term, exploration efforts will focus on the expansion of the known oxide resource as well as additional baseline and cultural resource studies.

The Qualified Person who has reviewed and approved the technical disclosure contained in the MD&A is Alvin Jackson, P. Geo., Vice President Exploration and Development for the Company.

SELECTED ANNUAL INFORMATION

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 IFRS, and related notes:

	Years Ended December 31st, (audited)		
	2016	**2015**	**2014**
Total revenues	$Nil	$Nil	$Nil
General and administrative expenses – non-stock based	491,788	629,872	896,425
General and administrative expenses – stock compensation	486,138	6,593	66,968
Exploration and evaluation property expenditures	1,986,506	1,280,759	1,148,942
Net loss			
o In total	934,716	744,989	6,739,252
o Basic and diluted loss per share	0.01	0.01	0.08
Comprehensive loss before income taxes			
o In total	956,990	736,833	6,739,252
o Basic and diluted comprehensive loss per share	0.01	0.01	0.08
Totals assets	36,407,348	32,169,227	30,862,087
Total non-current liabilities	834,650	826,021	902,355
Cash dividends declared	Nil	Nil	Nil

The comprehensive loss for the fiscal year ended December 31st, 2015 decreased to $736,833 from a comprehensive loss of $6,739,252 incurred during fiscal 2014 mainly due to a $5,589,280 mineral property write off during the year ended December 31st, 2014.

The comprehensive loss for the fiscal year ended December 31st, 2016 increased to $956,990 from a comprehensive loss of $736,833 incurred during fiscal 2015 mainly due to share-based compensation of $486,138 resulting from the granting of stock options.

RESULTS OF OPERATIONS

Year ended December 31st, 2016

General and administrative expenses for the year ended December 31st, 2016 were $977,926 an increase of $341,461 compared to $636,465 for the year ended December 31st, 2015. The changes in comprehensive loss were mainly attributable to:

- a decrease of $58,412 in consulting fees, from $94,654 in 2015 to $36,242 as fewer consultants were contracted for the Company's investor awareness campaigns and its financing activities;

- a decrease of $86,562 in property evaluation costs, from $86,562 in 2015 to $Nil as significant legal costs were incurred to verify the legal title of a potential mineral property acquisition during the prior year;

- an increase of $479,545 in non-cash share-based compensation expenses, from $6,593 in 2015 to $486,138 that were charged upon the granting of long-term incentive stock options as no options had been granted since 2012;

- assets held for sale were written down by $912 compared to $95,430 in 2015. During the year ended December 31st, 2015, the Company assessed its assets held for sale and wrote them down to the expected net realizable value. The remaining assets were sold for $31,147 in 2016;

- an increase of $8,783 in interest income from $1,968 in 2015 to $10,751, due to an increase in cash on hand;

- trade payables of $15,127 were written off during 2016 as this amount was not deemed payable.

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

During the year ended December 31st, 2016, the Company incurred the below acquisition and exploration and evaluation property expenditures:

		Golden Summit Property		Shorty Creek Property		Total
Acquisition costs						
Balance, December 31st, 2015	$	2,508,739	$	185,371	$	2,694,110
Additions		324,650		-		324,650
Staking costs		-		13,175		13,175
Balance, December 31st, 2016	$	2,833,389	$	198,546	$	3,031,935
Exploration and evaluation costs						
Balance, December 31st, 2015	$	27,587,645	$	1,031,919	$	28,619,564
Assaying		13,101		60,798		73,899
Camp costs		-		150,275		150,275
Drilling		-		646,142		646,142
Engineering and consulting		4,727		82,186		86,913
Geological and field expenses		19,271		114,745		134,016
Geophysical		-		27,486		27,486
Helicopter support		-		217,544		217,544
Land maintenance and tenure		74,099		6,581		80,680
Legal		34,127		-		34,127
Metallurgical studies		9,875		-		9,875
Personnel (includes share-based payments)		83,664		206,959		290,623
Preliminary economic assessment		9,289		-		9,289
Road building		-		225,637		225,637
Balance, December 31st, 2016	$	27,835,798	$	2,770,272	$	30,606,070
Total	**$**	**30,669,187**	**$**	**2,968,818**	**$**	**33,638,005**

In May 2016, the Company filed a short form prospectus (the “Prospectus”) pursuant to which the Company issued an aggregate of 40,461,766 units of securities (the “Units”) at a price of Cdn$0.18 per Unit for gross proceeds of Cdn$7,283,118 (US$5,508,750) (US$4,823,110 net to the Company). The Company budgeted $1,800,000 to be spent on the Shorty Creek Project and this was incurred to date. The Company budgeted $1,100,000 for exploration expenditures and holding costs on the Golden Summit Project with $572,803 being incurred during the year ended December 31st, 2016. The Company decided to postpone further drilling until 2017.

Three month period ended December 31st, 2016

The three month period ended December 31st, 2016 resulted in net comprehensive income of $48,498 which was higher than the net comprehensive loss of $622,319 for the three month period ended September 30th, 2016. The current period’s income was mainly due to $198,548 re-allocation of wages to mineral property exploration costs.

The changes in comprehensive (loss) income from September 30th, 2016 to December 31st, 2016 were mainly attributable to:

- an increase of $37,080 in professional fees, from $54,172 on September 30th, 2016 to $91,252 on December 31st, 2016 as the Company accrued the estimated cost of the 2016 annual audit;

- an increase of $15,322 in promotion and shareholder relations, from $10,660 on September 30th, 2016 to $25,982 on December 31st, 2016 as the Company increased its investor awareness programs;

- during the quarter ended September 30th, 2016, non-cash share-based compensation expenses of $486,138 were recorded upon the granting of long-term incentive stock options as no options had been granted since 2012;

- trade payables of $15,127 were written off during the quarter ended December 31st, 2016 as this amount was not deemed payable.

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

During the three month period ended December 31st, 2016, the Company incurred the following acquisition and exploration and evaluation property expenditures:

		Golden Summit Property		Shorty Creek Property		Total
Acquisition costs						
Balance, September 30th, 2016	$	2,833,389	$	192,736	$	3,026,125
Staking costs		-		5,810		5,810
Balance, December 31st, 2016	$	2,833,389	$	198,546	$	3,031,935
Exploration and evaluation costs						
Balance, September 30th, 2016	$	27,695,255	$	2,282,798	$	29,978,053
Assaying		-		39,518		39,518
Camp costs		-		448		448
Drilling		-		70,749		70,749
Engineering and consulting		-		12,855		12,855
Geological and field expenses		7,157		37,261		44,418
Geophysical		-		27,486		27,486
Helicopter support		-		58,394		58,394
Land maintenance and tenure		51,600		6,581		58,181
Legal		24,335		-		24,335
Metallurgical studies		9,875		-		9,875
Personnel		39,709		172,736		212,445
Preliminary economic assessment		7,867		-		7,867
Road building		-		61,446		61,446
Balance, December 31st, 2016	$	27,835,798	$	2,770,272	$	30,606,070
Total	**$**	**30,669,187**	**$**	**2,968,818**	**$**	**33,638,005**

SUMMARY OF QUARTERLY RESULTS

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

Quarters Ended (unaudited)

	Dec. 31st 2016	**Sept. 30th 2016**	**June 30th 2016**	**Mar. 31st 2016**	**Dec. 31st 2015**	**Sept. 30th 2015**	**June 30th 2015**	**Mar. 31st 2015**
Total revenues	$Nil	$Nil	$Nil	$Nil	$Nil	$Nil	$Nil	$Nil
Net comprehensive (loss) income – before tax	48,498	(622,319)	(190,842)	(192,327)	(107,928)	(178,576)	(231,590)	(218,739)
Net comprehensive (loss) income per share	0.00	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Total assets	36,407,348	38,431,471	39,120,294	34,101,392	32,169,227	27,998,190	28,776,705	28,578,612

The Company's exploration expenses generally tend to be lower during winter months as much of the field exploration is carried out during the summer season. In particular, the Shorty Creek drill season is limited largely from May to September, although drilling is possible year round at Golden Summit.

Liquidity and capital resources

At December 31th, 2016, the Company's working capital, defined as current assets less current liabilities, was $1,741,778 compared to a working capital deficit of $369,862 at December 31st, 2015. The Company has current liabilities of $650,388 of which $98,919 relates to exploration work and $441,094 is owed to related parties. The Company has the required funds to meet all of its contractual and statutory property payments and exploration commitments and planned activities for the next year, but may seek additional financing to further develop its mineral properties.

In May 2016, the Company filed the Prospectus pursuant to which the Company issued an aggregate of 40,461,766 Units at a price of Cdn$0.18 per unit for gross proceeds of Cdn$7,283,118 (US$5,508,750) (the "Prospectus Offering"). Each Unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant will entitle the holder to acquire an additional share at a price of Cdn$0.25 per share for a period of 3 years from the date of the closing.

The Company granted the agent under the Prospectus Offering 2,832,324 agent warrants. Each agent warrant entitles the agent to acquire one common share at a price of Cdn$0.18 per share for a period of 3 years from the date of the closing. The Company incurred total share issue costs associated with this financing of $977,762 of which $685,640 were commissions and related expenses and $292,122 was the value attributed to the agent warrants.

The Company used the majority of the proceeds for property payments and exploration activities on the Shorty Creek and Golden Summit projects with the balance of the funds added to working capital.

During the period ended December 31st, 2016, the Company sold its remaining assets held for sale for proceeds of $31,147.

Significant Accounting Judgments, Estimates and Assumptions

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

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

A detailed summary of all of the Company's significant accounting policies is included in Note 2 to the consolidated financial statements for the year ended December 31st 2016.

Going Concern Assumption

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

Currently, the Company does not have a source of revenue and is dependent on equity financings to fund its activities. The Company has positive working capital at December 31st, 2016 and the Company endeavors to manage the cash position prudently through ongoing monitoring of current and future cash and working capital balances relative to planned activities. The available capital may not be sufficient to fund the Company's planned activities through 2017.

Interests in Mining Properties and Exploration and Development Expenditures

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

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

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

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

Share Based Payments, Warrants and Compensation Options

Directors, officers, employees and contractors are granted options to purchase common shares under the Company Stock Option Plan. This plan and its terms and outstanding balance are disclosed in Note 10d to the consolidated financial statements at December 31st, 2016.

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

Restoration and Environmental Obligations

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

Contractual Commitments

The following table discloses, as of December 31st, 2016, the Company’s contractual obligations, including anticipated mineral property payments and work commitments. Under the terms of the Company’s mineral property purchase agreements, mineral leases and the terms of the unpatented mineral claims held by it, the Company is required to make certain scheduled acquisition payments, incur certain levels of expenditures, make lease or advance royalty payments, make payments to government authorities and incur assessment work expenditures as summarized in the table below in order to maintain and preserve the Company’s interest in the related mineral properties. If the Company is unable or unwilling to make any such payments or incur any such expenditures, it is likely that the Company would lose or forfeit it rights to acquire or hold the related mineral properties. The following table assumes that the Company retains the rights to all of its current mineral properties, but does not exercise any lease purchase or royalty buyout options:

The Company is committed under exploration and evaluation property option agreements to pay cash and incur exploration expenditures as outlined in the table below but has the ability to reduce or terminate the option agreements upon appropriate notice.

		2017	**2018**	**2019**	**2020**	**2021**		**Total**
Golden Summit payments	$	322,775	330,655	330,000	430,000	430,000	$	1,843,430
Golden Summit – exploration	$	496,330	513,720	95,000	95,000	95,000	$	1,295,050
Shorty Creek - payments	$	7,000	7,000	7,000	67,000	67,000	$	155,000
Vendor agreement	$	-	622,991	-	-	-	$	622,991
Total	$	826,105	1,474,366	432,000	592,000	592,000	$	3,916,471

For more detailed information on the Company's statutory property payments and exploration commitments, see the Company's Annual Information Form for the year ended December 31st, 2016 and note 5 to the Company's audited financial statements for the year ended December 31st, 2016.

The Company has future commitments related to payments required under an office lease and a photocopier lease agreements (amounts in Canadian dollars).

		< 1 year Cdn$		**2-5 years Cdn$**		**Total Cdn$**
Office lease - Vancouver	$	65,028	$	256,243	$	321,271
Photocopier lease payments	$	4,006	$	13,020	$	17,026
Total	$	69,034	$	269,263	$	338,297

See Note 12 of the Company's consolidated financial statements for the year ended December 31st, 2016.

Off-balance sheet arrangements

The Company has no off-balance sheet arrangements.

Financial Instruments

The Company classifies all financial instruments as either available-for-sale, financial assets or liabilities at fair value through profit or loss ("FVTPL"), loans and receivables or other financial liabilities. Loans and receivables and other financial liabilities are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss). These amounts will be reclassified from shareholders' equity to profit or loss when the investment is sold or when the investment is impaired and the impairment is considered less than temporary. Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized on the statement of loss and comprehensive loss.

The Company has designated its cash and cash equivalents as FVTPL, which is measured at fair value. Interest receivable is classified as loans and receivables and measured at amortized cost. Trade payables, accrued liabilities and amounts due to related parties are classified as other financial liabilities which are measured at amortized cost.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises primarily from the Company's cash and cash equivalents and amounts receivable. The Company manages its credit risk relating to cash and cash equivalents by dealing only with highly-rated Canadian financial institutions. As at December 31st, 2016, amounts receivable of $7,404 (December 31st, 2015 - $9,740) was comprised of Goods and Services Tax/Harmonized Sales Tax receivable of $4,814 (December 31st, 2015 - $5,964), interest receivable of $2,473 (December 31st, 2015 - $163) and other receivables of $117 (December 31st, 2015 - $3,613). As a result, credit risk is considered insignificant.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by continuously monitoring actual and projected cash flows and matching the maturity profile of financial assets and liabilities. As at December 31st, 2016, the Company had cash of $2,305,584 to settle current liabilities of $650,388 which have contractual maturities of less than 30 days and are subject to normal trade terms.

Currency Risk

Foreign currency exchange risk is the risk that future cash flows, net income and comprehensive income will fluctuate as a result of changes in foreign exchange rates. As the Company's operations are conducted internationally, operations and capital activity may be transacted in currencies other than the functional currency of the entity party to the transaction.

The Company's objective in managing its foreign currency risk is to minimize its net exposures to foreign currency cash flows by obtaining most of its estimated annual U.S. cash requirements and holding the remaining currency in Canadian dollars. The Company monitors and forecasts the values of net foreign currency cash flow and consolidated statement of financial position exposures and from time to time could authorize the use of derivative financial instruments such as forward foreign exchange contracts to economically hedge a portion of foreign currency fluctuations.

The following table provides an indication of the Company's foreign currency exposures during the years ended December 31st, 2016 and 2015:

	December 31st, 2016	December 31st, 2015
Cash and cash equivalents	**Cdn$ 1,353,465**	Cdn$ 404,716
Trade payables	**Cdn$ 706,503**	Cdn$ 659,255

A 1% change in Canadian/US foreign exchange rate at year end would have changed the net loss of the Company, assuming that all other variables remained constant, by approximately $6,470 for the year ended December 31st, 2016 (December 31st, 2015 - $2,545).

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

Interest Rate Risk

The Company is not subject to interest rate risk.

Commodity Price Risk

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

SUBSEQUENT EVENTS

The following events occurred subsequent to December 31st, 2016:

On February 20th, 2017, 20,000 options with an exercise price of Cdn$0.75 per share expired unexercised.

OUTSTANDING SHARE DATA

The Company is authorized to issue unlimited common shares without par value. As at March 28th, 2017, there were 145,082,617 outstanding common shares compared to 104,370,851 outstanding shares at December 31st, 2015.

The increase reflects the May 10th, 2016 exercise of 250,000 warrants at Cdn$0.15 and 40,461,766 shares at Cdn$0.18 issued upon the May 13th, 2016 filing of the short form prospectus.

As at March 28th, 2017 there were 38,170,957 warrants outstanding.

	Number Outstanding on March 28th, 2016	**Exercise Price per Share Cdn$**	**Expiry Date**
	5,171,500	$0.30	September 11th, 2017
	3,186,250	$0.15	May 4th, 2018
	6,750,000	$0.15	August 12th, 2018
	20,230,883	$0.25	May 20th, 2019
	2,832,324	$0.18	May 20th, 2019
Total	**38,170,957**		

Directors, officers, employees and contractors are granted options to purchase common shares under the Company Stock Option Plan. This plan and its terms and outstanding balance are disclosed in Note 10d to the consolidated financial statements at December 31st, 2016.

As at March 28th, 2017 there were 5,220,000 stock options outstanding as disclosed in the below table:

Number Outstanding December 31st 2015	Granted	Exercised	Cancelled	Expired	Number Outstanding March 28th 2017	Number Exercisable March 28h 2017		Exercise Price Cdn$	Expiry Date
2,035,000	-	-	-	(2,035,000)	-	-	$	0.87	May 10th, 2016
1,585,000	-	-	-	(1,585,000)	-	-	$	0.65	October 20th, 2016
20,000	-	-	-	(20,000)	-	-	$	0.75	February 20th, 2017
200,000	-	-	(200,000)	-	-	-	$	0.92	November 12th, 2017
700,000	-	-	-	-	700,000	700,000	$	0.25	January 1st, 2019
150,000	-	-	-	-	150,000	150,000	$	0.20	July 23rd, 2019
150,000	-	-	-	-	150,000	150,000	$	0.12	July 28th, 2020
-	4,220,000	-	-	-	4,220,000	4,220,000	$	0.21	July 8th, 2021
4,840,000	4,220,000	-	(200,000)	(3,640,000)	5,220,000	5,220,000			

RELATED PARTY TRANSACTIONS

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

A summary of key management compensation is as follows:

		December 31st, 2016		December 31st, 2015
Kristina Walcott – President and CEO *	$	143,396	$	147,044
Alvin Jackson - VP Exploration and Development *		143,395		141,388
Gordon Steblin - CFO		56,728		58,171
Taryn Downing - Corporate Secretary		24,506		25,130
Stock based compensation		452,654		6,593
Total	$	820,679	$	378,326

*During the year ended December 31st, 2016, $198,548 (December 31st, 2015, $217,172) of the President's and Vice President's salary was allocated to the Company's exploration and evaluation properties.

A summary of amounts due to related parties is as follows:

		December 31st, 2016		December 31st, 2015
Kristina Walcott – President and CEO	$	186,580	$	170,475
Alvin Jackson - VP Exploration and Development		181,148		165,207
Gordon Steblin - CFO		48,993		47,379
Taryn Downing - Corporate Secretary		21,427		20,787
Total	$	438,148	$	403,848

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

The Company incurred certain share issue costs relating to the offering completed in May 2016 with Norton Rose Fulbright Canada LLP ("Norton"), a legal firm of which a Director of the Company is a partner. Norton was paid $141,950 for legal services in connection with the financing completed. Further, cash commissions of $385,612 were paid to Paradigm Capital ("Paradigm"), a firm of which another Director of the Company is a partner, in respect to the financing completed. 2,832,324 agent warrants were also issued to Paradigm, with an attributed value of $292,122. Additional legal costs of $3,626 (December 31st, 2015 - $388) were incurred with Norton and as at December 31st, 2016, a total of $2,946 is owing (December 31st, 2015 - $nil).

These amounts were incurred in the ordinary course of business, are non-interest bearing, unsecured and due on demand unless otherwise noted.

DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), together with management, evaluated the design and operating effectiveness of the Company's disclosure controls and procedures as at the financial year ended December 31st, 2016. Based on that evaluation, the CEO and the CFO concluded that the design and operation of these disclosure controls and procedures were effective as at December 31st, 2016 to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, would be made known to them by others within those entities and that information required to be disclosed by the Company in its annual and interim filings and other reports submitted under securities legislation was recorded, processed, summarized and reported within the periods specified in securities legislation.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The CEO and CFO, together with management, evaluated the design and operating effectiveness of the Company's internal controls over financial reporting as at the financial year ended December 31st, 2016. Based on that evaluation, the CEO and CFO concluded that the design and operation of internal controls over financial reporting were effective as at December 31st, 2016 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS. In designing and implementing such controls, it should be recognized that any system of the internal control over financial reporting, no matter how well designed and operated, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to consolidated financial statement preparation and may not prevent or detect all misstatements due to error or fraud.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

There have been no changes in the Company's internal controls over financial reporting during the year ended December 31st, 2016 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

RISKS AND UNCERTAINTIES

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

Cash Flows and Additional Funding Requirements

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

Industry

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

Commodity Prices

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

Competition

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

Foreign Political Risk

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

Government Laws, Regulation & Permitting

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

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

Title to Properties

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

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

Estimates of Mineral Resources

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

Key Management

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

Volatility of Share Price

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

Foreign Currency Risk

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

Conflict of Interest

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

OUTLOOK

Given the results of the Golden Summit PEA, the next significant step for the Golden Summit Project, subject to arranging appropriate financing, would be the preparation of a Preliminary Feasibility Study. A significant advantage for the project to keep the initial capital expenditures at a minimum is the superb supporting infrastructure in the immediate vicinity of the property, as well as in the broader region. The city of Fairbanks (population 100,000) is a 30 minute drive via paved highway while industrial scale grid power and rail transport are available nearby. Additional drilling, metallurgical testing, environmental analyses, other permitting and property confirmation activities will need to be undertaken as part of this next level of study. In the near term, particular emphasis will be placed on planning a drill program aimed at expanding the current oxide resource. Geophysical, geochemical and geological results have identified three primary areas in which drilling should be focused. Holes drilled in order to potentially expand the current oxide resource are expected to be drilled to a depth of 100 metres or less. A metallurgical program is also currently underway and aimed at improving the economics of the sulphide resource.

In addition to the exploration being planned at Golden Summit, exploration continued at Shorty Creek as a result of the encouraging results obtained from the 2015 field program. In 2015, the first core drilling was undertaken at Shorty Creek. In particular, Hole SC 15-03 confirmed that the copper mineralization present at Hill 1835 is associated with a magnetic high. Drilling during 2016 focused on both Hill 1835 in the area of the 2015 drilling as well as Hill 1710 where a broad magnetic anomaly with coincident copper and molybdenum in soil anomaly was identified. Seven holes were completed in the 2016 program for a total of 3,038 metres (9,966 feet). Assays from the first 2 holes were reported on September 8th, 2016 and October 26th, 2016, respectively. Assays from the remaining holes were reported on December 6th, 2016.

The 2016 drill program successfully confirmed the presence of a copper-gold-molybdenum porphyry system at Shorty Creek Project, with an alteration/mineralization footprint that covers an area of approximately 10 kilometre in diameter. The airborne magnetic survey has identified a number of northeast trending magnetic highs. Copper-gold-molybdenum mineralization and associated porphyry alteration has been intersected in drill holes at Hills 1835 and 1710. Four additional targets (Hill 1890, Hill 1870, Steel Creek and Quarry) have been identified. All of these targets require follow-up exploration and diamond drilling.

Targets yet to be drilled are:

1) Hill 1870 is located approximately two kilometres southwest of Hill 1835. Mineralization and alteration identified on surface indicate strong similarities to Hill 1835. A historical surface rock grab sample assayed 1.05 g/t gold, 2 g/t silver, and 0.38% copper from this area. Mapping has also identified the presence of quartz-feldspar porphyry.

2) Steel Creek, located directly northeast of Hill 1835. Additional ground magnetic and geochemical surveys were undertaken on this target during the 2016 exploration program. The Steel Creek anomaly measures 700 metres x 2,000 metres and is associated with a strong magnetic signature similar to Hill 1835.

3) Hill 1890 is located in the northern portion of the Shorty Creek claim block. Streams draining this area are anomalous in silver, gold, bismuth, molybdenum, antimony, tungsten, copper and zinc. Rock chip samples are anomalous in silver, arsenic, molybdenum, copper and zinc.

4) Quarry is located approximately five kilometres east of Hill 1835. A northeast trending magnetic high that is over 10 kilometres in length and associated with stockwork veined quartz-feldspar porphyry was staked during the 2016 exploration program. Ground magnetics and soil geochemistry over a small portion of the 1,000 metre by 10,000 metre anomaly were also completed. Soil geochemistry returned both strong copper and molybdenum values. Surface rock samples returned up to 0.05% copper in oxidized quartz-feldspar porphyry.

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

FREEGOLD VENTURES LIMITED

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in U.S. Dollars)

December 31, 2016 and 2015

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Freegold Ventures Limited

We have audited the accompanying consolidated financial statements of Freegold Ventures Limited, which comprise the consolidated statements of financial position as at December 31, 2016 and 2015 and the consolidated statements of loss and comprehensive loss, changes in equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Freegold Ventures Limited as at December 31, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

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

"DAVIDSON & COMPANY LLP"

Vancouver, Canada | Chartered Professional Accountants

March 28, 2017

Freegold Ventures Limited
(An Exploration Stage Company)

Consolidated Statements of Financial Position

As at December 31,

(Expressed in U.S. Dollars)

ASSETS		December 31, 2016		December 31, 2015 (Note 16)		January 1, 2015 (Note 16)
Current						
Cash and cash equivalents	**$**	**2,305,584**	$	370,802	$	202,483
Amounts receivable		**7,404**		9,740		10,534
Prepaid expenses and deposits		**79,178**		56,259		53,673
Assets held for sale *(Note 4)*		**-**		32,059		127,489
		2,392,166		468,860		394,179
Exploration and Evaluation Properties *(Note 5)*		**33,638,005**		31,313,674		30,071,972
Property, Plant and Equipment *(Note 6)*		**377,177**		386,693		395,936
	$	**36,407,348**	$	32,169,227	$	30,862,087

LIABILITIES						
Current						
Trade payables *(Note 7)*	**$**	**184,005**	$	417,083	$	171,350
Accrued liabilities		**25,289**		17,791		23,865
Due to related parties *(Note 8)*		**441,094**		403,848		130,197
		650,388		838,722		325,412
Restoration and Environmental Obligations *(Note 9)*		**211,659**		203,030		435,032
Trade payables – Non-current *(Note 7)*		**622,991**		622,991		467,323
		1,485,038		1,664,743		1,227,767
EQUITY						
Share Capital *(Note 10)*		**84,141,989**		81,776,736		80,780,554
Reserves		**15,138,848**		12,151,559		11,532,588
Deficit		**(64,358,527)**		(63,423,811)		(62,678,822)
		34,922,310		30,504,484		29,634,320
	$	**36,407,348**	$	32,169,227	$	30,862,087

Nature and Continuance of Operations *(Note 1)*, **Commitments** *(Note 12)* and **Subsequent Events** *(Note 17)*

APPROVED AND AUTHORIZED FOR ISSUE ON BEHALF OF THE BOARD OF DIRECTORS ON MARCH 28, 2017:

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

Freegold Ventures Limited
(An Exploration Stage Company)

Consolidated Statements of Changes in Equity
For the Years Ended December 31, 2016 and 2015

(Expressed in U.S. Dollars)

	Common Shares		Amount		Stock Options Reserve		Warrants Reserve		Foreign Currency Translation Reserve		Deficit		Total
Balance – December 31, 2014	**83,998,351**	**$**	**80,780,554**	**$**	**7,067,614**	**$**	**5,326,961**	**$**	**(861,987)**	**$**	**(62,678,822)**	**$**	**29,634,320**
Issuance and allotment of shares for:													
- Private placements *(Note 10a)*	20,372,500		1,593,130		-		-		-		-		1,593,130
- Value assigned to warrants *(Notes 10a and 10c)*	-		(588,396)		-		588,396		-		-		-
Fair value of change in expiration of warrants	-		-		-		15,826		-		-		15,826
Share-based payments *(Note 10d)*	-		-		6,593		-		-		-		6,593
Share issuance costs *(Note 10a)*	-		(8,552)		-		-		-		-		(8,552)
Foreign currency translation adjustment	-		-		-		-		8,156		-		8,156
Loss for the year	-		-		-		-		-		(744,989)		(744,989)
Balance – December 31, 2015	**104,370,851**		**81,776,736**		**7,074,207**		**5,931,183**		**(853,831)**		**(63,423,811)**		**30,504,484**
Issuance and allotment of shares for:													
- Public offering *(Note 10a)*	40,461,766		5,508,750		-		-		-		-		5,508,750
- Value assigned to warrants *(Notes 10a and 10c)*	-		(2,207,184)		-		2,207,184		-		-		-
Exercise of warrants *(Note 10b)*	250,000		41,449		-		(13,085)		-		-		28,364
Share-based payments *(Note 10d)*	-		-		523,342		-		-		-		523,342
Share issuance costs *(Note 10a)*	-		(685,640)		-		-		-		-		(685,640)
Share issuance costs – agent's warrants *(Note 10a)*	-		(292,122)		-		292,122		-		-		-
Foreign currency translation adjustment	-		-		-		-		(22,274)		-		(22,274)
Loss for the year	-		-		-		-		-		(934,716)		(934,716)
Balance – December 31, 2016	**145,082,617**	**$**	**84,141,989**	**$**	**7,597,549**	**$**	**8,417,404**	**$**	**(876,105)**	**$**	**(64,358,527)**	**$**	**34,922,310**

Freegold Ventures Limited
(An Exploration Stage Company)

Consolidated Statements of Loss and Comprehensive Loss

For the Years Ended December 31,

(Expressed in U.S. Dollars)

		2016		2015 (Note 16)
General and Administrative Expenses				
Accretion *(Note 9)*	**$**	**8,629**	$	17,998
Consulting fees *(Note 8)*		**36,242**		94,654
Depreciation *(Note 6)*		**10,800**		11,592
Office and miscellaneous		**38,579**		37,344
Professional fees (*Note 8)*		**91,252**		87,712
Promotion and shareholder relations		**25,982**		26,880
Property evaluation costs		**-**		86,562
Rent and utilities		**36,077**		33,516
Transfer, filing and other fees		**80,606**		84,240
Travel and transportation		**43,959**		41,945
Share-based payments *(Notes 8 and 10d)*		**486,138**		6,593
Wages, salaries and benefits *(Note 8)*		**119,662**		107,429
Total General and Administrative Expenses		**(977,926)**		(636,465)
Financing cost (Note 10c)		**-**		(15,826)
Foreign exchange gain, net		**21,494**		3,392
Interest and bank charges		**(3,250)**		(2,628)
Interest income		**10,751**		1,968
Write down of assets held for sale *(Note 4)*		**(912)**		(95,430)
Write down of trade payables		**15,127**		-
		43,210		(108,524)
Net Loss for the Year	**$**	**(934,716)**	$	(744,989)
Loss per Share – Basic and Diluted	**$**	**(0.01)**	$	(0.01)
Weighted Average Number of Shares Outstanding – Basic and Diluted		**129,473,995**		93,751,152
Comprehensive Loss				
Net loss for the year	**$**	**(934,716)**	$	(744,989)
Foreign currency translation adjustment		**(22,274)**		8,156
Total Comprehensive Loss for the Year	**$**	**(956,990)**	$	(736,833)
Comprehensive Loss per Share – Basic and Diluted	**$**	**(0.01)**	$	(0.01)

Freegold Ventures Limited
(An Exploration Stage Company)

Consolidated Statements of Cash Flows

For the Years Ended December 31,

(Expressed in U.S. Dollars)

Cash Resources Provided By (Used In)		2016		2015
Operating Activities				
Loss for the year	**$**	**(934,716)**	$	(744,989)
Items not affecting cash:				
Depreciation		**10,800**		11,592
Accretion		**8,629**		17,998
Financing cost		**-**		15,826
Write down of assets held for sale		**912**		95,430
Write down of trade payables		**(15,127)**		-
Share-based payments		**486,138**		6,593
Net changes in non-cash working capital components:				
Amounts receivable		**2,336**		794
Prepaid expenses and deposits		**(22,919)**		(2,586)
Trade payables		**(48,693)**		112,255
Accrued liabilities		**7,498**		(6,074)
Due to related parties		**50,292**		71,339
		(454,850)		(421,822)
Investing Activities				
Exploration and evaluation property acquisition costs		**(337,825)**		(210,943)
Exploration and evaluation property deferred exploration costs		**(2,125,370)**		(790,043)
Proceeds on sale of assets held for sale		**31,147**		-
Property, plant and equipment additions		**(1,284)**		(2,349)
		(2,433,332)		(1,003,335)
Financing Activities				
Share capital issued		**5,537,114**		1,593,130
Share issuance costs		**(685,640)**		(8,552)
		4,851,474		1,584,578
Effect of Foreign Currency on Cash and Cash Equivalents		**(28,510)**		8,898
Net Increase in Cash and Cash Equivalents		**1,934,782**		168,319
Cash and cash equivalents - Beginning of year		**370,802**		202,483
Cash and Cash Equivalents - End of Year	**$**	**2,305,584**	$	370,802
Interest received	**$**	**8,239**	$	1,792
Income taxes paid	**$**	**-**	$	-
Supplemental Disclosure of Non-Cash Items				
Exploration expenditures included in trade payables and due to related parties	**$**	**917,412**	$	1,056,276
Revision to reclamation obligations	**$**	**-**	$	217,000
Non-cash reclamation costs incurred	**$**	**-**	$	33,000
Share-based payments included in exploration and evaluation properties	**$**	**37,204**	$	**-**
Fair value reversal for warrants exercised	**$**	**13,085**	$	**-**
Fair value of agent’s warrants	**$**	**292,122**	$	**-**

1. Nature and Continuance of Operations

Freegold Ventures Limited (the "Company") is in the process of acquiring, exploring and developing precious metal exploration and evaluation 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 exploration and evaluation properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to complete the acquisition and/or development of the properties and upon future profitable production.

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

The Company's consolidated financial statements as at December 31, 2016 and for the year then ended have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company had a comprehensive loss of $956,990 for the year ended December 31, 2016 (December 31, 2015 – $736,833) and had working capital of $1,741,778 at December 31, 2016 (December 31, 2015 – working capital deficit of $369,862).

The Company had cash and cash equivalents of $2,305,584 at December 31, 2016 (December 31, 2015 - $370,802), 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. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. 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.

2. Significant Accounting Policies

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

a) **Change in presentation currency**

These consolidated financial statements are presented in United States Dollars ("U.S. Dollars"), unless otherwise specified. The functional currency of Freegold Ventures Limited is the Canadian Dollar. The functional currencies of the Company's foreign subsidiaries is the U.S. Dollar. In 2016, the Company changed its presentation currency from Canadian Dollars to U.S. Dollars to better reflect the Company's business activities. Accordingly, these consolidated financial statements are presented in U.S. Dollars. The change in presentation currency is to better reflect the Company's business activities and to improve investor's ability to compare the Company's financial results with other publicly traded businesses in the mineral exploration industry.

(Expressed in U.S. Dollars)

In making this change to the U.S. Dollar presentation currency, the Company followed the guidance in IAS 21 *The Effects of Changes in Foreign Exchange Rates* and have applied the change retrospectively as if the new presentation currency had always been the Company's presentation currency. In accordance with IAS 21, the consolidated financial statements for all years and periods presented have been translated to the new U.S. Dollar presentation currency. For 2014 and 2015 comparative balances, assets and liabilities have been translated into the U.S. Dollar presentation currency at the rate of exchange prevailing at the reporting date. The consolidated statements of loss and comprehensive loss were translated at the average exchange rates for the reporting period, share capital and reserves were translated at the historical rates prevailing at the dates of the transactions. Exchange differences arising on translation were taken to the foreign currency translation reserve in shareholders' equity.

The exchange rates used were as follows:

U.S. Dollar/Cdn Dollar exchange rate	December 31, 2015	December 31, 2014
Closing rate at the reporting date	0.723	0.862
Average rate for the year	0.776	0.902

b) **Consolidation**

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

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

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

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

d) **Cash and Cash Equivalents**

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

As at December 31, 2016, cash and cash equivalents includes a redeemable guaranteed investment certificate of $39,068 (December 31, 2015 - $37,658).

e) **Financial Assets**

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

Held-to-maturity and loans and receivables

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

Available-for-sale

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

The fair value is determined by reference to bid prices at the close of business on the reporting date. Where there is no active market, fair value is determined using valuation techniques. Where fair value cannot be reliably measured, assets are carried at cost. The Company does not have any financial assets classified as available-for-sale.

Financial assets at FVTPL

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

Derivatives designated as hedging instruments in an effective hedge

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

f) **Impairment of Financial Assets**

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

Assets carried at amortized cost

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

Available-for-sale

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

g) **Financial Liabilities**

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

Financial liabilities at FVTPL

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

Derivatives designated as hedging instruments in an effective hedge

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

Financial liabilities measured at amortized cost

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

h) **Exploration and Evaluation Properties**

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

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

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

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

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

i) **Impairment**

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

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

j) **Restoration and Environmental Obligations**

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

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

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

k) **Assets Held for Sale**

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

l) **Property, Plant and Equipment**

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

Automotive	30%
Computer equipment	30%
Exploration office	4%
Land	N/A
Mining equipment	30%
Office equipment	20%

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

m) **Share Capital**

Common shares and warrants are classified as equity. Incremental costs directly attributable to the issue of common shares, including warrants, are recognized as a reduction of equity, net of tax. For compound financial instruments, the relative fair value method is used to separate the components where the Company issues common shares and warrants as part of its equity financing activities.

The Company has adopted a relative fair value method with respect to the measurement of shares and warrants issued as private placement units. The relative fair value method allocates value to each component on a pro-rata basis, based on the fair value of the components calculated independently of one another. The Company considers the market value of the common shares issued as fair value, and measures the fair value of the warrant component of the unit using the Black-Scholes option pricing model. The unit value is then allocated, pro-rata, between the two components, with the fair value attributed to the warrants being recorded to the warrants reserve.

n) **Share-Based Payments**

Share-based payments to employees are measured at the fair value of the instruments issued and recognized over the vesting periods using graded vesting. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the stock options reserve. The fair value of options, as determined using the Black-Scholes option pricing model which incorporates all market vesting conditions, is expensed. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that will eventually vest.

o) **Earnings (loss) per Share**

Basic earnings (loss) per share (“EPS”) is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting year. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting year.

In a year where the Company reports a net loss, the effect of outstanding stock options and warrants would be considered anti-dilutive.

p) **Income Taxes**

Income tax expense is comprised of current and deferred income taxes. Current income tax and deferred income tax are recognized in profit or loss, except to the extent that they relate to items recognized directly in equity.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current income tax liabilities and assets, and they relate to income taxes levied by the same tax authority for the same taxable entity. A deferred income tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related income tax benefit will be realized.

q) **Foreign Currency Translation**

The functional currency of each of the Company's entities is measured using the currency of the primary economic environment in which that entity operates. The Company determined that the functional currency of Freegold Ventures Limited is the Canadian dollar. The functional currency of Free Gold Recovery Inc., USA, Freegold Ventures Limited, USA, Dolphin Gold, Inc., Grizzly Bear Gold Inc. and McGrath Gold Inc. is the U.S. dollar.

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

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge. Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income (loss) in the consolidated statement of loss and comprehensive loss to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income (loss). Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

On consolidation, the Company's financial statements are translated into the presentation currency, being the U.S. dollar. Assets and liabilities are translated at the period-end exchange rate. Income and expenses are translated at the average exchange rate for the period in which they arise. Exchange differences are recognized in other comprehensive income (loss) as a separate component of equity.

r) **Flow-Through Shares**

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

(Expressed in U.S. Dollars)

s) **Adoption of new and revised standards and interpretations**

During the year ended December 31, 2016, the Company adopted the following accounting standard, which did not have a material impact on the Company's consolidated financial statements:
IAS 16 & IAS 38, *Clarification of Acceptable Methods of Depreciation and Amortization*

Amended to (i) clarify that the use of a revenue-based depreciation and amortization method is not appropriate, and (ii) provide a rebuttable presumption for intangible assets.

Effective for annual periods beginning on or after January 1, 2018

IFRS 9, *Financial Instruments – Classification and Measurement*

IFRS 9 is a new standard on financial instruments that will replace IAS 39*, Financial Instruments: Recognition and Measurement.*

IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as derecognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss.

The Company has not early adopted this standard and is currently assessing the impact that this standard will have on the Company's consolidated financial statements.

3. Approval

These consolidated financial statements were approved and authorized for issue by the Audit Committee of the Board of Directors on March 28, 2017.

4. Assets Held for Sale

		December 31, 2016		December 31, 2015
Balance, beginning of year	**$**	**32,059**	$	127,489
Dispositions		**(31,147)**		-
Write down		**(912)**		(95,430)
Balance, end of year	**$**	**-**	$	32,059

During the year ended December 31, 2016, the Company sold its remaining assets held for sale for proceeds of $31,147 (2015 - $nil). The Company wrote down the value of the assets held by sale in the amount of $912 during the year end December 31, 2016 (2015 - $95,430), to reflect the estimated value.

(Expressed in U.S. Dollars)

5. Exploration and Evaluation Properties

		Golden Summit Property		Shorty Creek Property		Total
Acquisition costs						
Balance, December 31, 2014	$	2,300,479	$	182,688	$	2,483,167
Additions		208,260		2,683		210,943
Balance, December 31, 2015	$	2,508,739	$	185,371	$	2,694,110
Exploration and evaluation costs						
Balance, December 31, 2014	$	27,354,965	$	233,840	$	27,588,805
Assaying		-		15,788		15,788
Drilling		-		138,408		138,408
Engineering and consulting		17,434		61,105		78,539
Geological and field expenses		57,993		195,219		253,212
Helicopter support		-		188,511		188,511
Land maintenance and tenure		64,912		3,400		68,312
Metallurgical studies		4,570		-		4,570
Personnel (includes share-based payments)		109,327		195,648		304,975
Preliminary economic assessment		228,444		-		228,444
Revision to restoration costs		(250,000)		-		(250,000)
Balance, December 31, 2015	$	27,587,645	$	1,031,919	$	28,619,564
Total	**$**	**30,096,384**	**$**	**1,217,290**	**$**	**31,313,674**

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

(Expressed in U.S. Dollars)

	Golden Summit Property	Shorty Creek Property	Total
Acquisition costs			
Balance, December 31, 2015	$ 2,508,739	$ 185,371	$ 2,694,110
Additions	324,650	-	324,650
Staking costs	-	13,175	13,175
Balance, December 31, 2016	$ 2,833,389	$ 198,546	$ 3,031,935
Exploration and evaluation costs			
Balance, December 31, 2015	$ 27,587,645	$ 1,031,919	$ 28,619,564
Assaying	13,101	60,798	73,899
Camp costs	-	150,275	150,275
Drilling	-	646,142	646,142
Engineering and consulting	4,727	82,186	86,913
Geological and field expenses	19,271	114,745	134,016
Geophysical	-	27,486	27,486
Helicopter support	-	217,544	217,544
Land maintenance and tenure	74,099	6,581	80,680
Legal	34,127	-	34,127
Metallurgical studies	9,875	-	9,875
Personnel (includes share-based payments)	83,664	206,959	290,623
Preliminary economic assessment	9,289	-	9,289
Road building	-	225,637	225,637
Balance, December 31, 2016	$ 27,835,798	$ 2,770,272	$ 30,606,070
Total	**$ 30,669,187**	**$ 2,968,818**	**$ 33,638,005**

(Expressed in U.S. Dollars)

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

Fairbanks Exploration Inc.

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

The Company will fund 100% of the property 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"), unless otherwise noted. The Company has a 30 day right of first refusal in the event that the 7% working interest of FEI or the NSR is to be sold. The Company can also purchase the NSR at any time following commercial production, based on its net present value as determined by commercial ore reserves.

(i) **Keystone Claims**

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

1992 – 1998 ($15,000 per year)	$	105,000		(paid)
2000	$	50,000		($25,000 paid in cash and $25,000 with 9,816 treasury shares issued)
2001 - 2006 ($50,000 per year)	$	300,000		(paid)
2007	$	150,000		(paid)
2008	$	150,000		(paid)
2009	$	150,000		(paid)
2010	$	150,000		(paid)
2011	$	150,000		(paid)
2012	$	150,000		(paid)
2013	$	150,000		(paid)
2014	$	112,500		(paid)
2014	$	37,500		(paid)
2015	$	75,000		(paid)
2015	$	75,000	**	(paid)
2016	$	150,000	*	(paid)
2017 – 2019 ($150,000 per year)	$	450,000	*	

The property is subject to a 3% NSR.

In 2011, the Company negotiated an extension of the lease. As long as there is either permitting, development mining or processing being conducted on a continuous basis or advance royalties being paid, the lease shall be renewable for successive 10 year terms.

* On December 8, 2015, the Company renegotiated the lease to reduce the 2016 annual payment to $75,000 payable in two equal installments on August 1, 2016 (paid) and November 1, 2016 (paid), until such time as the price of gold averages $1,400 per oz. for a period of 3 months at which time the original agreement will be re-instated. In addition, the Company will undertake $75,000 in annual exploration expenditures as consideration for the reduced payments until such time as the advance royalty payments are resumed at $150,000 per year.

** $75,000 was paid during the period ended June 30, 2016.

(ii) **Newsboy Claims**

By lease agreement dated February 28, 1986 and amended March 26, 1996, the Company assumed the obligation to make advance royalty payments of $2,500 per year until 1996 (paid) and $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.

On October 12, 2012, the Company amended the lease agreement and the lease term was extended for an additional 5 years, from March 1, 2011 to February 29, 2016. The minimum royalty payable under the amended lease was $12,000 per year for the term of the lease. The Company amended the lease agreement whereas $12,000 due February 29, 2016 was deferred to May 31, 2016 (paid) and the lease term was extended for an additional 5 year term from March 1, 2016 to February 28, 2021. As consideration, the Company had agreed to a one-time payment of $50,000 due on or before February 28, 2017. The Company amended the lease agreement whereas $50,000 due February 29, 2017 was renegotiated to $25,000 due February 28, 2017 (paid) and $25,000 due February 28, 2018. The claims are subject to a 4% NSR. The Company has the option to purchase the NSR for the greater of the current value or US$1,000,000 less all advance royalty payments made.

(iii) **Tolovana Claims**

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

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

In addition, the Company made a cash payment to the seller of $7,500 on signing and issued 66,667 shares on regulatory approval. An additional 33,333 shares were 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 5 years or less from the date of the agreement. No resource was calculated during the prescribed time frame so these shares were not issued.

(Expressed in U.S. Dollars)

The property is subject to a sliding scale NSR as follows: 1.5% NSR if gold is below $300 per ounce, 2.0% NSR in the event the price of gold is between $300 to $400, and 3.0% NSR in the event that the price of gold is above $400.

The Company, at its option, can purchase 100% of the Tolovana Gold Property claims and NSR for $1,000,000 less any amounts paid.

(iv) **Green Claims**

On December 16, 2010, the Company entered into a 20 year lease agreement with Christina Mining Company, LLC to acquire certain mineral claims in the Fairbanks Mining District of Alaska known as the Green Property. The claims are subject to a 3% NSR. The Company is required to make annual cash payments and cumulative exploration expenditures as follows:

	Payments	Cumulative Exploration Expenditures
December 1, 2010	$100,000 (paid)	-
December 1, 2011	$100,000 (paid)	$250,000 (incurred)
December 1, 2012	$100,000 (paid)	$500,000 (incurred)
December 1, 2013	$100,000 (paid)	$750,000 (incurred)
December 1, 2014	$50,000 (paid)	$1,000,000 (incurred)
December 1, 2014	$50,000 (paid)	-
December 1, 2015	$50,000 * (paid)	-
December 1, 2016	$50,000 ** (paid)	-
December 1, 2017 to 2019	$100,000 per year	-
December 1, 2020 to 2028	$200,000 per year	-
December 1, 2029	$150,000 per year	-
Total	$2,850,000	

*In December 2015, an amendment was negotiated to reduce the annual advance royalty for 2015 to $50,000 and payment was deferred until March 31, 2016.

** In 2016, the Company renegotiated the lease to reduce the 2016 annual payment to $50,000 until such time as the price of gold averages $1,400 per oz. for a period of 3 months at which time the original agreement will be re-instated. In addition, the Company guarantees to pay the 2017 and 2018 land maintenance costs as consideration for the reduced payments or until such time as the advance royalty payments are resumed pursuant to the original agreement.

(Expressed in U.S. Dollars)

(v) **Chatham Claims**

On July 11, 2011, the Company entered into a 4 year lease agreement to acquire certain mineral claims in the Fairbanks Mining District of Alaska known as the Chatham Property. The claims are subject to a 2% NSR. The Company was required to make annual cash payments and exploration expenditures as follows:

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

On July 11, 2015, the Company renegotiated and extended the lease agreement for an additional 4 years. The Company is now required to make annual cash payments and exploration expenditures as follows:

	Payments	Exploration Expenditures
September 30, 2016	$25,000 (paid)	$20,000 (incurred)
September 30, 2017	$50,000	$20,000
September 30, 2018	$50,000	$20,000
September 30, 2019	$50,000	$20,000
Total	$175,000	$80,000

The Company has the option to purchase the property for $750,000 less the annual payments made under the amended lease agreement.

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

(Expressed in U.S. Dollars)

(vi) **Alaska Mental Health Trust Property**

By lease agreement effective June 1, 2012, the Company entered into a new mining lease to acquire certain mineral claims in the Fairbanks Mining District of Alaska known as the Alaska Mental Health Trust Property. The property is controlled by the Company through a 3 year lease agreement and may be extended for two extensions of 3 years. On February 1, 2013, the Company entered into an agreement to amend the terms of the lease to reflect an increase in the size of the lease to 403 acres. On June 1, 2015, the Company entered into an agreement to amend the terms of the lease to reflect an increase in the size of the lease to 1,576 acres. As a result, the work commitment schedule and annual cash payments have been modified. The Company is required to make annual cash payments and exploration expenditures as follows:

For the amendment to 403 acres:

	Payments	Exploration Expenditures
Execution of agreement	$25,000 (paid)	-
Year 1 (2012)	$10 per acre per year (paid)	$125 per acre per year (incurred)
Year 2 (2013)	$10 per acre per year (paid)	$125 per acre per year (incurred)
Year 3 (2014)	$10 per acre per year (paid)	$125 per acre per year (incurred)
Year 4 (2015)	$10 per acre per year (paid)	$125 per acre per year (incurred)
Year 5 (2016)	$15 per acre per year (paid)	$235 per acre per year *
Year 6	$15 per acre per year	$235 per acre per year
Years 7-9	$20 per acre per year	$355 per acre per year

For the amendment for an additional 1,173 acres:

	Payments	Exploration Expenditures
Year 1 (2015)	$10 per acre per year (paid)	$125 per acre per year *
Year 2 (2016)	$10 per acre per year (paid)	$125 per acre per year *
Year 3	$10 per acre per year	$125 per acre per year
Year 4	$15 per acre per year	$235 per acre per year
Years 5-6	$15 per acre per year	$235 per acre per year
Years 7-9	$20 per acre per year	$355 per acre per year

*The Company is in the process of incurring the required exploration expenditures.

(Expressed in U.S. Dollars)

The claims will be subject to the following NSR:

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

b) **Shorty Creek Property, Alaska, USA**

By agreement dated July 17, 2014, the Company entered into a renewable 10 year lease agreement to acquire certain mineral claims located 100 km northwest of Fairbanks, Alaska known as the Shorty Creek Property. On August 8, 2014, the Company issued 750,000 common shares as consideration. The vendor will retain a 2% NSR and be responsible for the annual State of Alaska rents for the first 5 years after which the Company will be responsible. In 2014 and 2016, additional claims were staked in the area of interest and the Company will be responsible for these annual State of Alaska rents.

(Expressed in U.S. Dollars)

6. Property, Plant and Equipment

	Automotive	Computer Equipment	Office Equipment	Exploration Office	Exploration Office Equipment	Land	Total
Costs							
Balance, December 31, 2014	$ 33,602	$ 6,853	$ 6,658	$ 179,944	$ 13,396	$ 218,892	$ 459,345
Additions	-	2,349	-	-	-	-	2,349
Balance, December 31, 2015	$ 33,602	$ 9,202	$ 6,658	$ 179,944	$ 13,396	$ 218,892	$ 461,694
Accumulated Depreciation							
Balance, December 31, 2014	$ (23,805)	$ (4,866)	$ (3,590)	$ (23,925)	$ (7,223)	$ -	$ (63,409)
Depreciation	(2,939)	(763)	(414)	(6,242)	(1,234)	-	(11,592)
Balance, December 31, 2015	$ (26,744)	$ (5,629)	$ (4,004)	$ (30,167)	$ (8,457)	$ -	$ (75,001)
Net Book Value	**$ 6,858**	**$ 3,573**	**$ 2,654**	**$ 149,777**	**$ 4,939**	**$ 218,892**	**$ 386,693**

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

(Expressed in U.S. Dollars)

	Automotive	Computer Equipment	Office Equipment	Exploration Office	Exploration Office Equipment	Land	Total
Costs							
Balance, December 31, 2015	$ 33,602	$ 9,202	$ 6,658	$ 179,944	$ 13,396	$ 218,892	$ 461,694
Additions	-	1,284	-	-	-	-	1,284
Balance, December 31, 2016	$ 33,602	$ 10,486	$ 6,658	$ 179,944	$ 13,396	$ 218,892	$ 462,978
Accumulated Depreciation							
Balance, December 31, 2015	$ (26,744)	$ (5,629)	$ (4,004)	$ (30,167)	$ (8,457)	$ -	$ (75,001)
Depreciation	(2,058)	(1,306)	(458)	(5,990)	(988)	-	(10,800)
Balance, December 31, 2016	$ (28,802)	$ (6,935)	$ (4,462)	$ (36,157)	$ (9,445)	$ -	$ (85,801)
Net Book Value	**$ 4,800**	**$ 3,551**	**$ 2,196**	**$ 143,787**	**$ 3,951**	**$ 218,892**	**$ 377,177**

(Expressed in U.S. Dollars)

7. Trade Payables

The Company entered into an agreement with one of its vendors to pay certain trade payables over two years. Accordingly, the Company has presented a portion of its trade payables as non-current as at December 31, 2016, 2015 and 2014. During the year ended December 31, 2016, the vendor agreed to further extend payment of US$622,991 for an additional year.

8. Related Party Balances and Transactions

A summary of key management compensation is as follows:

		December 31, 2016		December 31, 2015
Accounting – Chief Financial Officer	**$**	**56,728**	$	58,171
Consulting – Corporate Secretary		**24,506**		25,130
Salaries and benefits – President and Vice President	*****	**286,791**	*	288,432
Stock option benefits		**452,654**		6,593
Total	**$**	**820,679**	$	378,326

A summary of amounts due to related parties is as follows:

		December 31, 2016		December 31, 2015
President and Chief Executive Officer	**$**	**186,580**	$	170,475
Vice President, Exploration and Development		**181,148**		165,207
Chief Financial Officer		**48,993**		47,379
Corporate Secretary		**21,427**		20,787
Total	**$**	**438,148**	$	403,848

*During the year ended December 31, 2016, $198,548 (December 31, 2015, $217,172) of the President's and Vice President's salary was allocated to the Company's exploration and evaluation properties.

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

The Company incurred certain share issue costs relating to the offering completed in May 2016 with Norton Rose Fulbright Canada LLP ("Norton"), a legal firm of which a Director of the Company is a partner. Norton was paid $141,650 for legal services in connection with the financing completed. Further, cash commissions of $385,612 were paid to Paradigm Capital ("Paradigm"), a firm of which another Director of the Company is a partner, in respect to the financing completed. 2,832,324 agent warrants were also issued to Paradigm, with an attributed value of $292,122 (Note 10c). Additional legal costs of $3,626 (December 31, 2015 - $388) were incurred with Norton and as at December 31, 2016, a total of $2,946 is owing (December 31, 2015 - $nil).

(Expressed in U.S. Dollars)

These amounts are non-interest bearing, unsecured and due on demand unless otherwise noted.

9. Restoration and Environmental Obligations

The Company's restoration and environmental obligations consist of reclamation and closure costs for the Golden Summit Property *(Note 5a)*. As at December 31, 2016, the present value of the estimated obligations relating to properties is $211,659 (December 31, 2015 - $203,030) using a discount rate of 4.25% (2015 – 4.25%) and no consideration of an inflation rate (2015 – none). During the year ended December 31, 2015, the Company revised the estimated reclamation costs resulting in a reduction of $217,000. Significant reclamation and closure cost activities include, land rehabilitation, demolition of field camps, ongoing care and maintenance and other costs.

The undiscounted reclamation and closure cost obligation at December 31, 2016 is $250,000 (December 31, 2015 - $500,000)) and the revised estimate of remediation work is expected to occur in 2020.

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

		December 31, 2016		December 31, 2015
Balance, beginning of year	**$**	**203,030**	$	435,032
Costs incurred		**-**		(33,000)
Estimate revision		**-**		(217,000)
Accretion		**8,629**		17,998
Balance, end of year	**$**	**211,659**	$	203,030

10. Share Capital

The Company has authorized an unlimited number of common shares with no par value. At December 31, 2016, the Company had 145,082,617 common shares outstanding (December 31, 2015 – 104,370,851).

a) Share Issuances and Other

On May 13, 2016, the Company filed a short form prospectus ("Prospectus"). The Prospectus qualified the distribution of 40,461,766 units of the Company at a price of Cdn$0.18 per unit for gross proceeds of Cdn$7,283,118 ($5,508,750). Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant will entitle the holder to acquire an additional share at a price of Cdn$0.25 per share for a period of 3 years from the date of the closing.

The Company granted the agent, Paradigm (Note 8), 2,832,324 agent warrants relating to the Prospectus offering. Each warrant entitles the agent to acquire a common share at a price of Cdn$0.18 per share for a period of 3 years from the date of the closing. The Company incurred total share issue costs associated with this financing of $977,762 of which $685,640 were commissions and related expenses and $292,122 was the value attributed to the agent warrants (Note 10c).

On August 12, 2015, the Company completed a first tranche of a non-brokered private placement of 13,500,000 units, priced at Cdn$0.10 per unit for total proceeds of Cdn$1,350,000 ($1,055,712). Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant will entitle the holder to acquire an additional share at a price of Cdn$0.15 per share for a period of 3 years from the date of closing. Each warrant is subject to accelerated expiry provisions such that if at any time after the expiry of any resale restriction governing the subscribed shares, the Company's common shares trade on the Toronto Stock Exchange ("TSX") at or above a volume weighted average trading price of Cdn$0.30 per common share for 10 consecutive trading days, the Company may give notice to the holders that each warrant will expire 30 days from the date of providing such notice. The Company incurred share issue costs of $7,561 associated with this financing.

On May 4, 2015, the Company completed a non-brokered private placement of 6,872,500 units, priced at Cdn$0.10 per unit for total proceeds of Cdn$687,250 ($537,418). Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant will entitle the holder to acquire an additional share at a price of Cdn$0.15 per share for a period of 3 years from the date of closing. Each warrant is subject to accelerated expiry provisions such that if at any time after the expiry of any resale restriction governing the subscribed shares, the Company's common shares trade on the TSX at or above a volume weighted average trading price of Cdn$0.30 per common share for 10 consecutive trading days, the Company may give notice to the holders that each warrant will expire 30 days from the date of providing such notice. The Company incurred share issue costs of $991 associated with this financing.

b) **Exercise of Warrants and Options**

During the year ended December 31, 2016, 250,000 warrants were exercised at a price of Cdn$0.15 per warrant for proceeds of Cdn$37,500 ($28,364) (2015 – no warrants exercised for proceeds of $nil).

No options were exercised during the years ended December 31, 2016 and 2015.

(Expressed in U.S. Dollars)

c) **Share Purchase Warrants**

The following is a summary of the changes in the Company's share purchase warrants for the years ended December 31, 2016 and 2015:

	December 31, 2016		December 31, 2015	
	Number of warrants	Weighted average exercise price Cdn$	Number of warrants	Weighted average exercise price Cdn$
Outstanding, beginning of the year	19,479,628	0.22	10,991,676	0.27
Exercised	(250,000)	0.15	-	-
Granted	20,230,883	0.25	3,436,250	0.15
Amended old *****	-	-	(1,250,000)	0.30
Amended new *****	-	-	1,250,000	0.30
Granted	2,832,324	0.18	6,750,000	0.15
Expired *****	(1,250,000)	0.30	-	-
Expired	(2,871,878)	0.35	(1,698,298)	0.25
Outstanding, end of the year	38,170,957	0.23	19,479,628	0.22

The following table summarizes information regarding share purchase warrants outstanding as at December 31, 2016:

	Number	Price per Share Cdn$	Expiry Date	
	5,171,500	0.30	September 11, 2017	
	3,186,250	0.15	May 4, 2018	****
	6,750,000	0.15	August 12, 2018	***
	20,230,883	0.25	May 20, 2019	*
	2,832,324	0.18	May 20, 2019	**
Total	38,170,957			

*During the year ended December 31, 2016, 20,230,883 share purchase warrants having a relative fair value of $2,207,184 were issued relating to the Prospectus offering. Each warrant entitles the holder to purchase one additional common share at a price of Cdn$0.25 per share exercisable until May 20, 2019. The fair values were calculated using the Black-Scholes option pricing model with an expected life of 3.0 years, risk-free interest rate of 0.55%, a dividend yield of 0% and historical volatility of 121% *(Note 10a)*.

**During the year ended December 31, 2016, 2,832,324 share purchase agent warrants having a fair value of $292,122 were issued to Paradigm relating to the Prospectus offering. Each warrant entitles the agent to purchase one additional common share at a price of Cdn$0.18 per share exercisable until May 20, 2019.

The fair value was calculated using the Black-Scholes option pricing model with an expected life of 3.0 years, risk-free interest rate of 0.55%, a dividend yield of 0% and historical volatility of 121% *(Note 10a)*.

***During the year ended December 31, 2015, 6,750,000 share purchase warrants having a relative fair value of $402,393 were issued relating to private placements. Each warrant entitles the holder to purchase one additional common share at a price of Cdn$0.15 per share exercisable until August 12, 2018. The fair values were calculated using the Black-Scholes option pricing model with an expected life of 3.0 years, risk-free interest rate of 0.71%, a dividend yield of 0% and historical volatility of 105% *(Note 10a)*.

****During the year ended December 31, 2015, 3,436,250 share purchase warrants having a relative fair value of $186,003 were issued relating to private placements. Each warrant entitles the holder to purchase one additional common share at a price of Cdn$0.15 per share exercisable until May 4, 2018. The fair values were calculated using the Black-Scholes option pricing model with an expected life of 3.0 years, risk-free interest rate of 0.43%, a dividend yield of 0% and historical volatility of 99% *(Note 10a)*.

*****During the year ended December 31, 2015, the Company extended the expiry date of 1,250,000 share purchase warrants from September 20, 2015 to March 20, 2016, with all other terms remaining unchanged. This amendment resulted in an incremental fair value increase of $15,826, which has been recorded as a financing cost on the consolidated statement of loss and comprehensive loss.

d) **Share Purchase Options**

The Company has established a stock option plan (the “Stock Option Plan”) whereby the Board of Directors (the “Board”), may from time to time, grant options to directors, officers, employees or consultants. At the Company’s Annual General Meeting held on June 29, 2015, shareholders re-approved a resolution which reserves up to 10% of the issued and outstanding shares from time to time (including existing stock options), as a “rolling stock option plan”. Stock options may be granted under the Stock Option Plan with an exercise period of up to ten (10) years from the date of grant or such lesser period as determined by the Board, subject to a short extension in the case of a Company imposed blackout period. Any stock options granted under the Stock Option Plan will not be subject to any vesting schedule, unless otherwise determined by the Board. The exercise price of an option will not be less than the closing price of the common shares on the day prior to grant. The policies of the TSX require the approval of all unallocated options, rights or entitlements under the Stock Option Plan by the Company’s shareholders every three years with the next such renewal approval requested by shareholders on or before June 29, 2018.

(Expressed in U.S. Dollars)

A summary of the Company's stock options at December 31, 2016 and the changes for the year are as follows:

Number Outstanding December 31, 2015	Granted	Exercised	Cancelled	Expired	Number Outstanding December 31, 2016	Number Exercisable December 31, 2016	Exercise Price Cdn$	Expiry Date
2,035,000	-	-	-	(2,035,000)	-	-	0.87	May 10, 2016
1,585,000	-	-	-	(1,585,000)	-	-	0.65	October 20, 2016
20,000	-	-	-	-	20,000	20,000	0.75	February 20, 2017
200,000	-	-	(200,000)	-	-	-	0.92	November 12, 2017
700,000	-	-	-	-	700,000	700,000	0.25	January 1, 2019
150,000	-	-	-	-	150,000	150,000	0.20	July 23, 2019
150,000	-	-	-	-	150,000	150,000	0.12	July 28, 2020
-	4,220,000	-	-	-	4,220,000	4,220,000	0.21	July 8, 2021
4,840,000	4,220,000	-	(200,000)	(3,620,000)	5,240,000	5,240,000	0.21	

During the year ended December 31, 2016, the Company granted the following options to Directors, Officers and consultants of the Company which vested immediately:

	Exercise Price Cdn$	Number of options	2016 Vested Amount
Consultants	0.21	300,000	$37,204*
Directors and Officers	0.21	3,920,000	$486,138**
Total	0.21	4,220,000	$523,342

*The $37,204 ($0.124 per option) estimated fair value of 300,000 options is recorded in the Company accounts as deferred exploration costs calculated on the vesting date. The offsetting entry was to the stock options reserve.

**The $486,138 ($0.124 per option) estimated fair value of 3,920,000 options is recorded in the Company accounts as share-based payments expense calculated on the vesting date. The offsetting entry was to the stock options reserve.

A summary of the Company's stock options at December 31, 2015 and the changes for the year are as follows:

Number Outstanding December 31, 2014	Granted	Exercised	Cancelled	Expired	Number Outstanding December 31, 2015	Number Exercisable December 31, 2015	Exercise Price Cdn$	Expiry Date
604,167	-	-	-	(604,167)	-	-	0.48	February 26, 2015
800,000	-	-	-	(800,000)	-	-	0.50	October 29, 2015
2,035,000	-	-	-	-	2,035,000	2,035,000	0.87	May 10, 2016
1,585,000	-	-	-	-	1,585,000	1,585,000	0.65	October 20, 2016
20,000	-	-	-	-	20,000	20,000	0.75	February 20, 2017
200,000	-	-	-	-	200,000	200,000	0.92	November 12, 2017
700,000	-	-	-	-	700,000	700,000	0.25	January 1, 2019
150,000	-	-	-	-	150,000	150,000	0.20	July 23, 2019
-	150,000	-	-	-	150,000	150,000	0.12	July 28, 2020
6,094,167	150,000	-	-	(1,404,167)	4,840,000	4,840,000	0.67	

(Expressed in U.S. Dollars)

During the year ended December 31, 2015, the Company granted the following options to a Director of the Company which vested immediately:

	Exercise Price Cdn$	Number of options	**2015 Vested Amount**
Total	0.12	150,000	**$6,593**

*The $6,593 ($0.044 per option) estimated fair value of these options is recorded in the Company accounts as share-based payments expense calculated on the vesting date. The offsetting entry was to the stock options reserve.

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

	December 31, 2016	December 31, 2015
Expected dividend yield	**0.00%**	0.00%
Historical volatility	**108.69%**	103.82%
Risk-free interest rate	**0.91%**	0.98%
Expected life of options	**5.00 years**	5.00 years

e) **Shareholders Rights Plan**

Effective May 9, 2012, the Board has approved and adopted a Shareholders' Rights Plan (the "Rights Plan"). The Rights Plan extends the minimum expiry period for a takeover bid to 60 days and requires a bid to remain open for an additional 10 business days after an offeror publicly announces it has received tenders for more than 50% of the Company's voting shares. The principal purpose of the Rights Plan is to ensure that shareholders have sufficient time to consider a takeover bid without undue time constraints. It is designed to provide the Board additional time to consider alternatives in maximizing for shareholders the full and fair value for their common shares. The termination date is May 9, 2020 unless the plan is terminated by the directors before that date.

(Expressed in U.S. Dollars)

11. Income Taxes

A reconciliation of income taxes at statutory rates with the reported taxes is as follows, using Canadian federal and provincial statutory tax rates of 26% (2015 – 26%):

		December 31, 2016		December 31, 2015
Loss before income taxes	**$**	**(934,716)**	$	(744,989)
Expected income tax (recovery)	**$**	**(243,000)**	$	(194,000)
Changes in tax rates and foreign exchange rates		**263,000**		592,000
Permanent differences		**126,000**		6,000
Expiry of non-capital losses		**322,000**		227,000
Effect of dissolution of subsidiary		**-**		3,523,000
Change in unrecognized deductible temporary differences		**(468,000)**		(4,154,000)
Total income tax expense (recovery)	**$**	**-**	$	-

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

		December 31, 2016		December 31, 2015
Deferred tax assets				
Share issue costs	**$**	**150,000**	$	17,000
Non-capital losses		**7,188,000**		7,796,000
Capital losses		**21,000**		20,000
Property, plant and equipment		**53,000**		63,000
Restoration and environmental obligations		**72,000**		69,000
Exploration and evaluation properties		**19,000**		6,000
Unrecognized deferred tax assets	**$**	**7,503,000**	$	7,971,000

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2016	Expiry	2015	Expiry
Temporary Differences				
Share issue costs	$ 576,000	2037 to 2040	$ 64,000	2036 to 2039
Non-capital losses	23,892,000	2019 to 2036	26,231,000	2018 to 2035
Allowable capital losses	80,000	No expiry date	77,000	No expiry date
Property, plant, and equipment	235,000	No expiry date	277,000	No expiry date
Restoration and environmental obligations	212,000	No expiry date	203,000	No expiry date
Exploration and evaluation properties	55,000	No expiry date	18,000	No expiry date

Tax attributes are subject to review, and potential adjustment, by tax authorities.

(Expressed in U.S. Dollars)

12. Commitments

a) The Company has the following commitments related to payments required under an office lease and a photocopier lease:

	< 1 year Cdn$	2-5 years Cdn$	> 5 years Cdn$	Total Cdn$
Office lease - Vancouver	65,028	256,243	-	321,271
Photocopier lease payments	4,006	13,020	-	17,026
Total	69,034	269,263	-	338,297

b) The Company has future commitments under exploration and evaluation property option agreements to pay cash and incur exploration expenditures *(Note 5).*

13. Segmented Information

Details on a geographic basis as at December 31, 2016 are as follows:

	USA	Canada	Total
Loss for the year	**$ (19,821)**	**$ (914,895)**	**$ (934,716)**
Comprehensive loss for the year	**$ (19,821)**	**$ (937,169)**	**$ (956,990)**
Current assets	**$ 201,289**	**$ 2,190,877**	**$ 2,392,166**
Property, plant and equipment	**$ 371,430**	**$ 5,747**	**$ 377,177**
Exploration and evaluation properties	**$ 33,638,005**	**$ -**	**$ 33,638,005**
Total assets	**$ 34,210,724**	**$ 2,196,624**	**$ 36,407,348**

Details on a geographic basis as at December 31, 2015 are as follows:

	USA	Canada	Total
Loss for the year	$ (211,149)	$ (533,840)	$ (744,989)
Comprehensive loss for the year	$ (211,149)	$ (525,684)	$ (736,833)
Current assets	$ 99,256	$ 369,604	$ 468,860
Property, plant and equipment	$ 380,466	$ 6,227	$ 386,693
Exploration and evaluation properties	$ 31,313,674	$ -	$ 31,313,674
Total assets	$ 31,793,396	$ 375,831	$ 32,169,227

14. Comparative Figures

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

(Expressed in U.S. Dollars)

15. Financial Instruments and Risk Management

a) Financial Instruments

The carrying value of financial assets and liabilities at December 31, 2016 and December 31, 2015 are as follows:

		December 31, 2016		December 31, 2015
Financial Assets				
FVTPL, measured at fair value				
Cash and cash equivalents	**$**	**2,305,584**	$	370,802
Loans and receivables, measured at amortized cost				
Amounts receivable		**2,590**		3,776

		December 31, 2016		December 31, 2015
Financial Liabilities				
Other liabilities, measured at amortized cost				
Trade payables	**$**	**184,005**	$	417,083
Trade payables – non-current		**622,991**		622,991
Accrued liabilities		**25,289**		17,791
Due to related parties		**441,094**		403,848

Financial instrument hierarchy

Financial instruments measured at fair value on the consolidated statement of financial position are summarized into the following fair value hierarchy levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy of financial instruments measured at fair value on the consolidated statement of financial position is as follows:

		December 31, 2016		December 31, 2015
		Level 1		Level 1
Cash and cash equivalents	**$**	**2,305,584**	$	370,802

There were no transfers between levels during the years ended December 31, 2016 and 2015.

b) **Capital Management**

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

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended December 31, 2016. Neither the Company nor its subsidiaries is subject to externally imposed capital requirements.

c) **Credit Risk**

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises primarily from the Company's cash and cash equivalents and amounts receivable. The Company manages its credit risk relating to cash and cash equivalents by dealing only with highly-rated Canadian financial institutions. As at December 31, 2016, amounts receivable of $7,404 (December 31, 2015 - $9,740) was comprised of Goods and Services Tax/Harmonized Sales Tax receivable of $4,814 (December 31, 2015 - $5,964), interest receivable of $2,473 (December 31, 2015 - $163) and other receivables of $117 (December 31, 2015 - $3,613). As a result, credit risk is considered insignificant.

d) **Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by continuously monitoring actual and projected cash flows and matching the maturity profile of financial assets and liabilities. As at December 31, 2016, the Company had cash of $2,305,584 to settle current liabilities of $650,388 which have contractual maturities of less than 30 days and are subject to normal trade terms.

e) **Currency Risk**

Foreign currency exchange risk is the risk that future cash flows, net income and comprehensive income will fluctuate as a result of changes in foreign exchange rates. As the Company's operations are conducted internationally, operations and capital activity may be transacted in currencies other than the functional currency of the entity party to the transaction.

The Company's objective in managing its foreign currency risk is to minimize its net exposures to foreign currency cash flows by obtaining most of its estimated annual U.S. cash requirements and holding the remaining currency in Canadian dollars. The Company monitors and forecasts the values of net foreign currency cash flow and consolidated statement of financial position exposures and from time to time could authorize the use of derivative financial instruments such as forward foreign exchange contracts to economically hedge a portion of foreign currency fluctuations.

The following table provides an indication of the Company's foreign currency exposures during the years ended December 31, 2016 and 2015:

	December 31, 2016	December 31, 2015
Cash and cash equivalents	**Cdn$ 1,353,465**	Cdn$ 404,716
Trade payables	**Cdn$ 706,503**	Cdn$ 659,255

A 1% change in Canadian/US foreign exchange rate at year end would have changed the net loss of the Company, assuming that all other variables remained constant, by approximately $6,470 for the year ended December 31, 2016 (December 31st, 2015 - $2,545).

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

f) **Interest Rate Risk**

The Company is not subject to interest rate risk.

g) **Commodity Price Risk**

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

16. Change in Presentation Currency

For comparative purposes, the consolidated statements of financial position as at December 31, 2015 and January 1, 2015 includes adjustments to reflect the change in accounting policy resulting from the change in presentation currency to the U.S. Dollar. The amounts previously reported in Canadian Dollars as shown below have been translated into U.S. Dollars at the December 31, 2015 and January 1, 2015 exchange rates (Note 2(a)). The effect of the translation is as follows:

As at January 1, 2015

	Previously reported (CAD $)		**Translated (US $)**	
Current Assets	$	457,287	$	394,179
Non-current Assets		35,348,076		30,467,908
Total Assets	**$**	**35,805,363**	**$**	**30,862,087**
Current Liabilities		327,967	$	325,412
Non-current Liabilities		1,097,228		902,355
Total Liabilities	**$**	**1,425,195**	**$**	**1,227,767**

<u>As at December 31, 2015</u>

	Previously reported (CAD $)		Translated (US $)	
Current Assets	$	648,901	$	468,860
Non-current Assets		43,872,622		31,700,367
Total Assets	**$**	**44,521,523**	**$**	**32,169,227**
Current Liabilities	$	1,160,791	$	838,722
Non-current Liabilities		1,143,212		826,021
Total Liabilities	**$**	**2,304,003**	**$**	**1,664,743**

For comparative purposes, the consolidated statements of loss and comprehensive loss for the year ended December 31, 2015 includes adjustments to reflect the change in accounting policy resulting from the change in presentation currency to the U.S. Dollar. The amounts previously reported in Canadian Dollars as shown below have been translated into U.S. Dollars at the average 2015 exchange rate (Note 2(a)). The effect of the translation is as follows:

	Previously reported (CAD $)		Translated (US $)	
General and Administrative	$	(820,595)	$	(636,465)
Financing Cost		(20,238)		(15,826)
Foreign Exchange Gain		4,374		3,392
Interest and Bank Charges		(3,555)		(2,628)
Interest Income		2,537		1,968
Write-down of Assets Held for Sale		(123,038)		(95,430)
Net Loss for the Year	**$**	**(960,515)**	**$**	**(744,989)**
Effect of Change in Presentation Currency		6,742,814		8,156
Comprehensive Income (Loss) for the Year	**$**	**5,789,299**	**$**	**(736,833)**
Loss per Share – Basic and Diluted	**$**	**(0.01)**	**$**	**(0.01)**
Comprehensive Income (Loss) per Share – Basic and Diluted	**$**	**0.06**	**$**	**(0.01)**

17. Subsequent Events

The following events occurred subsequent to December 31, 2016:

i) On February 20, 2017, 20,000 options with an exercise price of Cdn$0.75 expired unexercised.