



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

**DATED: AUGUST 12<sup>TH</sup>, 2016**

The following discussion and analysis (“MD&A”) is management’s assessment of the results and financial condition of Freegold Ventures Limited (the “Company” or “Freegold”) for the six month period ended June 30<sup>th</sup>, 2016 and should be read in conjunction with the condensed consolidated financial statements for the six month period ended June 30<sup>th</sup>, 2016 and related notes contained in the report. All amounts are expressed in Canadian dollars unless otherwise noted. Additional information on the Company, including its annual information form, is available on SEDAR at [www.sedar.com](http://www.sedar.com).

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

**INTERNATIONAL FINANCIAL REPORTING STANDARDS**

The 2016 and 2015 information set forth in this document should be read in conjunction with the condensed consolidated financial statements and related notes, prepared in accordance with IFRS, for the six month periods ended June 30<sup>th</sup>, 2016 and 2015.

**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 August 12<sup>th</sup>, 2016, the Company had 145,082,617 shares outstanding and a market capitalization of approximately CDN \$34 million. 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 Golden Summit and Shorty Creek Projects. 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 Preliminary Economic Assessment Study (“PEA”) report on the Golden Summit Project by Tetra Tech Inc. was filed during the quarter.

**The preliminary economic assessment 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 preliminary economic assessment 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 biooxidation 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.

A technical report with respect to the PEA entitled "*Technical Report, Golden Summit Project, Preliminary Economic Assessment, Fairbanks North Star Borough, Alaska, USA*" dated January 20, 2016 and Amended and Restated on May 11, 2016, prepared by Tetra Tech, Inc. ("Tetra Tech") and Mark J. Abrams, C.P.G. and Gary Giroux, P.Eng., M.A.Sc of Giroux Consultants Ltd. was filed on SEDAR.

During the year ended December 31, 2014, the Company entered into a renewable mineral lease agreement on the Shorty Creek Project, a copper-gold-moly porphyry exploration target that may have significant discovery potential located 120 km northwest of Fairbanks. Drilling completed in September and October 2015 demonstrated the potential for a significant copper gold porphyry deposit with discovery of 0.71 % Cu equivalent mineralization over 91 metres (0.55 % Cu) within the first core drilling carried out at Shorty Creek.

### **GOLDEN SUMMIT, ALASKA**

Located 32km northeast of Fairbanks, Alaska, the Golden Summit Project is comprised 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 this Quit Claim Deed Freegold is required to fund 100% of the project until production is achieved at which point FEI is required to contribute 7% of any approved budget. These claims are subject to a 2% NSR ("FEI NSR") to FEI. The Company has a 30 day right of first refusal, in the event that the 7% working interest of FEI or the FEI NSR is to be sold by FEI. The Company can also purchase the FEI NSR at any time following commercial production, based on its net present value as determined by 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, that has done tremendously well for Alaska. There is ready access to an available, seasoned labour pool. This Project can offset early costs with a phased approach, and can take advantage of the Alaska DNR exploration incentive credit program and the oxide Mineral Resource can grow quickly with more drilling, while utilizing the infrastructure and labour readily available in the area.

Activities throughout 2014 and 2015 focused on PEA level activities. Tetra Tech of Golden, Colorado was engaged to complete a preliminary economic assessment (PEA) on the current resource. Additional baseline environmental, cultural resource work and additional geochemical surveys were completed as well as an extensive metallurgical program utilizing both the services of SGS and McClelland Laboratories the results of which were incorporated into the PEA Report.

Additional drilling, metallurgical testing, environmental analyses, other permitting and property confirmation activities will need to be undertaken as the project moves forward. In the near term, exploration efforts will be directed toward the continuation of the environmental baseline and cultural resource studies. Any near term drilling will be focused on the shallow oxide component in an effort to expand the known oxide resource.

### **Shorty Creek Project**

During July, 2014 the Company entered into a renewable ten-year lease agreement to acquire certain mineral claims located 100 km northwest of Fairbanks, Alaska known as the Shorty Creek Project. 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.

The property is located 4 kms to the south of the all-weather paved Elliott Highway and within the Livengood-Tolovana Mining District. Total recorded production from the district through 2007 is approximately 530,000 ounces of placer gold. The Shorty Creek target was originally identified as an antimony prospect in the 1970's. In 1972, Earth Resources drilled approximately 10-15 reverse circulation holes to a reported maximum depth of 500 feet to test the near surface potential for copper-molybdenum mineralization in the northern part of the property, referred to as Hill 1710. Limited information is available regarding results of this drilling. In the mid 1980's, soil sampling identified significant gold, copper and pathfinder elements associated with gold-copper porphyry mineralization. A limited drill program was completed by the Asarco-Fairbanks Exploration Joint Venture in 1989-1990 consisting of 6,843 feet in 20 holes; maximum hole depth was 500 feet.

The presence of copper mineralization in conjunction with gold mineralization was noted at depth in most of the historic drill holes. Additional mapping confirmed the presence of quartz porphyry in a creek 30 metres below the depth of previous drilling.

In August 2014, the Company undertook a small ground geophysical and soil sampling survey on the property. The survey expanded the Hill 1710 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 km northwest of Hill 1710. 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. The copper geochemical anomaly is coincident with 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. This represents another excellent drill target area.

Several other strong magnetic highs were identified as a result of a review of the airborne geophysical survey and will require additional ground geophysics, geochemistry and geological mapping to delineate other potential drill targets within this highly prospective property.

In 2015, the Company undertook its first core drilling program at Shorty Creek. Results of the program have 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 or 0.71 % copper equivalent ("CuEq") in Hole SC 15-03 completed at Shorty Creek. CuEq grades were calculated using the formula:  $CuEq\ grade = Cu\ grade + (Au\ grade \times Au\ price + Ag\ grade \times Ag\ price) / (22.0462 \times 31.1035 \times Cu\ price)$  and metal prices of US\$2.30/lb copper, US\$1,100/oz gold and US\$15/oz silver; metallurgical recoveries have not been applied in the CuEq grade calculation. The 2015 drill program was designed to test a combination of geochemistry, geophysics (airborne magnetic and induced polarization surveys) as well as favourable geology based on the results of the 2014 program and previous work. Of particular interest are the large magnetic highs with coincident copper, gold and molybdenum soil chemistry, as these magnetic highs are often indicative of the core of porphyry systems. The program was also designed to test the depth extent of the mineralization encountered in the previous Asarco drilling (1989-1990) in the area of Hill 1835. The Asarco holes were drilled to a maximum depth of 500 feet, and intersected gold and copper mineralization with copper grade increasing at depth.

Four holes were drilled during the 2015 program, which was severely hampered by challenging weather conditions, including an unseasonably large snowfall (the second largest for September in 102 years). The results of the 2015 drill program, however, demonstrate that the Shorty Creek Project has the potential to host a significant copper-gold porphyry deposit.

In July 2016, a second phase of drilling commenced on the Shorty Creek Project. The 2016 program is 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. Assays will be reported as they are received.

For all results reference should be made to the full news releases contained on the Company's website at [www.freegoldventures.com](http://www.freegoldventures.com).

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 Mark Abrams, B.Sc., M.Sc., P. Geo., dated March 25<sup>th</sup>, 2016 was filed on SEDAR.

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

## RESULTS OF OPERATIONS

### *Six Month Period ended June 30<sup>th</sup>, 2016*

The six month period ended June 30<sup>th</sup>, 2016 resulted in a net comprehensive loss of \$3,342,473, which compares with net comprehensive income of \$2,110,231 for the six month period ended June 30<sup>th</sup>, 2015. As the Company's condensed consolidated financial statements translate the assets and liabilities of the Company's subsidiaries using the period-end rates, this resulted in a foreign currency translation loss of \$2,837,293 as the US dollar became weaker relative to the Canadian dollar during the current six month period. During the previous six month period ended June 30<sup>th</sup>, 2015, there was a foreign currency translation gain of \$2,671,984 as the US dollar was stronger relative to the Canadian dollar during that period. General and administrative expenses for the six month period ended June 30<sup>th</sup>, 2016 were \$505,768 a decrease of \$53,906 compared to \$559,674 for the six month period ended June 30<sup>th</sup>, 2015. The changes in comprehensive income (loss) were mainly attributable to:

- a decrease of \$21,684 in consulting fees, from \$72,237 in 2015 to \$50,553 as fewer consultants were contracted for the Company's investor awareness campaigns and its financing activities;
- a decrease of \$20,508 in travel and transportation costs, from \$72,233 in 2015 to \$51,725. Travel and transportation costs also include the monitoring of the ongoing exploration activities in Alaska;
- a decrease of \$8,142 in promotion and shareholder relations, from \$21,175 in 2015 to \$13,033, which included attendance at various trade shows, advertising, news releases, distribution fees and marketing materials;

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

During the six month period ended June 30<sup>th</sup>, 2016, the Company incurred the below acquisition and exploration and evaluation property expenditures:

	Golden Summit Property		Shorty Creek Property		Total
<b>Acquisition costs</b>					
Balance, December 31, 2015	\$	3,066,005	\$	256,553	\$ 3,322,558
Additions		211,548		-	211,548
Foreign currency translation		(253,643)		(17,110)	(270,753)
Balance, June 30, 2016	\$	3,023,910	\$	239,443	\$ 3,263,353
<b>Exploration and evaluation costs</b>					
Balance, December 31, 2015	\$	38,587,388	\$	1,428,178	\$ 40,015,566
Assaying		-		744	744
Engineering and consulting		6,106		14,271	20,377
Geological and field expenses		6,420		41,227	47,647
Camp costs		-		5,238	5,238
Preliminary economic assessment		1,837		-	1,837
Land maintenance and tenure		375		-	375
Legal		5,490		-	5,490
Personnel		7,857		7,308	15,165
Foreign currency translation		(2,524,253)		(95,248)	(2,619,501)
Balance, June 30, 2016	\$	36,091,220	\$	1,401,718	\$ 37,492,938
Total	\$	39,115,130	\$	1,641,161	\$ 40,756,291

### **Three Month Period ended June 30<sup>th</sup>, 2016**

The three month period ended June 30<sup>th</sup>, 2016 resulted in a net comprehensive loss of \$460,711, which compares with a net comprehensive loss of \$804,069 for the three month period ended June 30<sup>th</sup>, 2015. As the Company's condensed consolidated financial statements translate the assets and liabilities of the Company's subsidiaries using the period-end rates, this resulted in a foreign currency translation loss of \$215,326 as the US dollar became weaker relative to the Canadian dollar during the current three month period. During the previous three month period ended June 30<sup>th</sup>, 2015, there was a foreign currency translation loss of \$518,519 as the US dollar was also weaker relative to the Canadian dollar during that period. General and administrative expenses for the three month period ended June 30<sup>th</sup>, 2016 were \$246,332 a decrease of \$38,273 compared to \$284,605 for the three month period ended June 30<sup>th</sup>, 2015. The changes in comprehensive income (loss) were mainly attributable to:

- a decrease of \$14,184 in consulting fees, from \$39,837 in 2015 to \$25,653 as fewer consultants were contracted for the Company's investor awareness campaigns and its financing activities;
- a decrease of \$28,211 in travel and transportation costs, from \$48,644 in 2015 to \$20,433. Travel and transportation costs also include the monitoring of the ongoing exploration activities in Alaska;

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

During the three month period ended June 30<sup>th</sup>, 2016, the Company incurred the below acquisition and exploration and evaluation property expenditures:

	Golden Summit Property		Shorty Creek Property		Total
<b>Acquisition costs</b>					
Balance, March 31, 2016	\$	2,970,167	\$	240,741	\$ 3,210,908
Additions		92,068		-	92,068
Foreign currency translation		(38,325)		(1,298)	(39,623)
Balance, June 30, 2016	\$	3,023,910	\$	239,443	\$ 3,263,353
<b>Exploration and evaluation costs</b>					
Balance, March 31, 2016	\$	36,254,973	\$	1,351,089	\$ 37,606,062
Engineering and consulting		3,879		11,618	15,497
Geological and field expenses		4,408		35,053	39,461
Camp costs		-		5,238	5,238
Personnel		351		5,948	6,299
Foreign currency translation		(172,391)		(7,228)	(179,619)
Balance, June 30, 2016	\$	36,091,220	\$	1,401,718	\$ 37,492,938
<b>Total</b>	<b>\$</b>	<b>39,115,130</b>	<b>\$</b>	<b>1,641,161</b>	<b>\$ 40,756,291</b>

## SUMMARY OF QUARTERLY RESULTS

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

### Quarters Ended (unaudited)

	June 30 <sup>th</sup> 2016	Mar. 31 <sup>st</sup> 2016	Dec. 31 <sup>st</sup> 2015	Sept. 30 <sup>th</sup> 2015	June 30 <sup>th</sup> 2015	Mar. 31 <sup>st</sup> 2015	Dec. 31 <sup>st</sup> 2014	Sept. 30 <sup>th</sup> 2014
	Q2-2016	Q1-2016	Q4-2015	Q3-2015	Q2-2015	Q1-2015	Q4-2014	Q3-2014
Total revenues	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
Net comprehensive (loss) income – before tax	(460,711)	(2,881,762)	1,353,046	2,319,022	(804,069)	2,914,300	(4,959,285)	1,324,769
Net comprehensive (loss) income per share	(0.00)	(0.03)	0.01	0.02	(0.01)	0.03	(0.06)	0.02
Total assets	47,641,430	41,616,422	44,521,523	42,642,875	38,647,926	39,433,237	35,805,363	40,735,242

As the Company's condensed consolidated financial statements are reported in Canadian dollars and translate the assets and liabilities of the Company's United States subsidiaries using the period-end exchange rates, fluctuations in US\$/C\$ exchange rate can have a significant impact on the Company's reported income and loss, with gains in certain quarters and losses in others. Such fluctuations account for a significant portion of the quarterly changes in net comprehensive income or loss reflected in the table above. In addition, 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 June 30<sup>th</sup>, 2016, the Company's working capital, defined as current assets less current liabilities, was \$5,113,648 compared to a working capital deficit of \$511,890 at December 31<sup>st</sup>, 2015. The Company has current liabilities of \$1,278,984 of which \$190,627 mainly relates to current and prior exploration work and \$872,084 is owing to related parties. The Company has the required financing to meet all of its contractual and statutory property payments and exploration commitments and planned activities for the current year.

On May 20<sup>th</sup>, 2016, the Company filed a short form prospectus ("Prospectus"). The Prospectus qualified the distribution of 40,461,766 units of securities (the Units) of the Company at a price of \$0.18 per Unit for gross proceeds of \$7,283,118. Each Unit consists of one common share in the capital of the Company and one-half of one common share purchase warrant. Each whole common share purchase warrant will entitle the holder thereof to purchase one common share at a price of \$0.25 per warrant at any time prior to May 20<sup>th</sup>, 2019.

The Company granted the Agent 2,832,324 agent warrants relating to the short form prospectus offering. Each warrant entitles the holder to purchase one additional common share at a price of \$0.18 per share exercisable until May 20<sup>th</sup>, 2019. The Company incurred share issue costs associated with this financing of \$1,291,978 of which \$905,763 were commissions and related expenses and \$386,215 was the value attributed to the agent warrants.

The Company intends to use a majority of the proceeds for property payments and exploration activities on the Shorty Creek and Golden Summit projects. The balance of the funds will be added to working capital.

During the period ended June 30<sup>th</sup>, 2016, the company sold its remaining assets held for sale for proceeds of \$40,000.

## **Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the Company's condensed 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 condensed 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 condensed consolidated financial statements for the six month period ended June 30<sup>th</sup> 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 June 30<sup>th</sup>, 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 should be sufficient to fund the Company's planned activities through 2016.

### **Interests in Mining Properties and Exploration and Development Expenditures**

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

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

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

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

### **Share Based Payments, Warrants and Compensation Options**

Directors, officers, employees and contractors are granted options to purchase common shares under the Company Stock Option Plan. This plan and its terms and outstanding balance are disclosed in Note 10d to the condensed consolidated financial statements at June 30<sup>th</sup>, 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 Company is committed under exploration and evaluation property option agreements to pay cash and incur exploration expenditures. The below table is in US dollars.

	2016	2017	Total
Golden Summit – option payments	\$ 343,000	\$ 406,000	\$ 749,000
Golden Summit – exploration	\$ 317,000	\$ 317,000	\$ 634,000
Shorty Creek - exploration	\$ 5,000	\$ 5,000	\$ 10,000
Vendor agreement	\$ -	\$ 622,990	\$ 622,990
<b>Total</b>	<b>\$ 665,000</b>	<b>\$ 1,350,990</b>	<b>\$ 2,015,990</b>

See Note 11 of the Company's condensed consolidated financial statements for the six month period ended June 30<sup>th</sup>, 2016.

The Company has future commitments related to payments required under an office lease and a photocopier lease. The below table is in Canadian dollars.

	< 1 year	2-5 years	> 5 years	Total
Office lease – Vancouver	\$ 52,150	\$ 233,819	\$ 15,144	\$ 301,113
Photocopier lease payments	\$ 4,006	\$ 15,023	\$ -	\$ 19,029
<b>Total</b>	<b>\$ 56,156</b>	<b>\$ 248,842</b>	<b>\$ 15,144</b>	<b>\$ 320,142</b>

### 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 June 30<sup>th</sup>, 2016, amounts receivable of \$60,118 (December 31<sup>st</sup>, 2015 - \$13,480) was comprised of Goods and Services Tax/Harmonized Sales Tax receivable of \$40,425 (December 31<sup>st</sup>, 2015 - \$8,254), interest receivable of \$2,352 (December 31<sup>st</sup>, 2015 - \$226) and other receivables of \$17,341 (December 31<sup>st</sup>, 2015 - \$5,000). 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 June 30<sup>th</sup>, 2016, the Company had cash of \$6,205,077 to settle current liabilities of \$1,278,984 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 holding most of its cash and cash equivalents in Canadian dollars. The Company monitors and forecasts the values of net foreign currency cash flow and balance sheet exposures and from time to time could authorize the use of derivative financial instruments such as forward foreign exchange contracts to economically hedge a portion of foreign currency fluctuations.

The following table provides an indication of the Company's foreign currency exposures during the periods ended June 30<sup>th</sup>, 2016 and December 31<sup>st</sup>, 2015:

	June 30 <sup>th</sup> 2016	December 31 <sup>st</sup> 2015
Cash and cash equivalents	US\$ 3,009,646	US\$ 77,586
Trade payables	US\$ 796,119	US\$ 967,583

A 1% change in Canadian/US foreign exchange rate at period end would have changed the net loss of the Company, assuming that all other variables remained constant, by approximately \$22,135 for the period ended June 30<sup>th</sup>, 2016.

The Company has not, to the date of these condensed 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 EVENT

The following event occurred subsequent to June 30<sup>th</sup>, 2016:

On July 8<sup>th</sup>, 2016, 4,220,000 options with an exercise price of \$0.21 per share were granted and expire on July 8, 2021.

## OUTSTANDING SHARE DATA

The Company is authorized to issue unlimited common shares without par value. As at August 12<sup>th</sup>, 2016, there were 145,082,617 outstanding common shares compared to 104,370,851 outstanding shares at December 31<sup>st</sup>, 2015.

The increase reflects the May 10<sup>th</sup>, 2016 exercise of 250,000 warrants at \$0.15 and 40,461,766 shares at \$0.18 issued upon the May 20<sup>th</sup>, 2016 filing of the short form prospectus.

As at August 12<sup>th</sup>, 2016 there were 38,170,957 warrants outstanding.

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

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 condensed consolidated financial statements at June 30<sup>th</sup>, 2016.

As at August 12<sup>th</sup>, 2016 there were 6,825,000 stock options outstanding as disclosed in the below table:

Number Outstanding December 31 <sup>st</sup> 2015	Granted	Exercised	Cancelled	Expired	Number Outstanding August 12 <sup>th</sup> 2016	Number Exercisable August 12 <sup>th</sup> 2016	Exercise Price	Expiry Date
2,035,000	-	-	-	(2,035,000)	-	-	\$ 0.87	May 10 <sup>th</sup> , 2016
1,585,000	-	-	-	-	1,585,000	1,585,000	\$ 0.65	October 20 <sup>th</sup> , 2016
20,000	-	-	-	-	20,000	20,000	\$ 0.75	February 20 <sup>th</sup> , 2017
200,000	-	-	(200,000)	-	-	-	\$ 0.92	November 12 <sup>th</sup> , 2017
700,000	-	-	-	-	700,000	700,000	\$ 0.25	January 1 <sup>st</sup> , 2019
150,000	-	-	-	-	150,000	150,000	\$ 0.20	July 23 <sup>rd</sup> , 2019
150,000	-	-	-	-	150,000	150,000	\$ 0.12	July 28 <sup>th</sup> , 2020
-	4,220,000	-	-	-	4,220,000	4,220,000	\$ 0.21	July 8 <sup>th</sup> , 2021
4,840,000	4,220,000	-	(200,000)	(2,035,000)	6,825,000	6,825,000		

## 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:

		Three months ended June 30 2016	Three months ended June 30 2015	Six months ended June 30 2016	Six months ended June 30 2015
Accounting – CFO	\$	18,700	18,700	37,400	37,500
Consulting – Corp. Secretary		8,100	8,100	16,200	16,200
Salaries and benefits – President and Vice President		87,500	87,500	175,000	175,000
<b>Total</b>	<b>\$</b>	<b>114,300</b>	<b>114,300</b>	<b>228,600</b>	<b>228,700</b>

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

		June 30, 2016	December 31, 2015
President and Chief Executive Officer	\$	294,271	\$ 235,937
Vice President, Exploration and Development		286,979	228,646
Chief Financial Officer		91,770	65,573
Corporate Secretary		40,278	28,770
<b>Total</b>	<b>\$</b>	<b>713,298</b>	<b>\$ 558,926</b>

The Company incurred the following related party transactions during the period ended June 30, 2016 that are share issue costs relating to the May 20, 2016 short form prospectus. \$187,672 was incurred with Norton Rose Fulbright Canada LLP, a legal firm that a Director is a Partner and commissions of \$509,818 were paid to Paradigm Capital that another Director is a Partner, Corporate Finance. 2,832,324 agent warrants were issued to Paradigm Capital with an attributed value of \$386,215.

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

## INTERNAL CONTROLS OVER FINANCIAL REPORTING

Internal controls over financial reporting (“ICFR”) are designed to provide reasonable assurance regarding the reliability of the Company’s financial reporting and the preparation of financial statements in compliance with IFRS. Any system of ICFR, no matter how well-designed, has inherent limitations. Therefore, even well-designed systems of internal control can provide only reasonable assurance with respect to financial statement preparation and presentation.

The Company assesses internal controls over financial reporting on an ongoing basis. As at June 30<sup>th</sup>, 2016, no material weaknesses in the Company’s ICFR have been identified and for the period

commencing on April 1<sup>st</sup>, 2016 and ending June 30<sup>th</sup>, 2016, there were no changes made to the Company's ICFR considered to have materially affected, or are reasonably likely to materially affect, its ICFR.

## **RISKS AND UNCERTAINTIES**

The operations of the Company are subject to various risk factors, many of which are beyond the control of the Company. Reference is made to the risks outlined under the heading "Risk Factors" in the Company's Amended and Restated Annual Information Form for the fiscal year ended December 31, 2015, which are incorporated by reference herein.

## **OUTLOOK**

Given the results of the Golden Summit PEA, Freegold will begin advancing the Project to the Preliminary Feasibility stage subject to arranging appropriate financing. A significant advantage with respect to keeping the initial capital expenditure at a minimum to develop Golden Summit 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.

In addition to the exploration being planned at Golden Summit, exploration has commenced 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 the magnetic high. Drilling during 2016 will focus 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 geochemistry has been identified. Assays will be reported as they are received.

*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. See "Risks and Uncertainties" above. 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.*

**FREGOLD VENTURES LIMITED**

**(An Exploration Stage Company)**

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

**June 30, 2016 and 2015**

**MANAGEMENT'S COMMENTS ON  
UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

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

The accompanying unaudited condensed consolidated interim financial statements of Freegold Ventures Limited (the "Company") have been prepared by and are the responsibility of the Company's management. The unaudited condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards and reflect management's best estimates and judgements based on information currently available.

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



**Freegold Ventures Limited**  
(An Exploration Stage Company)

**Condensed Consolidated Statements of Financial Position**

Canadian Funds

<b>ASSETS</b>	<b>June 30, 2016</b>	December 31, 2015 (audited)
<b>Current</b>		
Cash and cash equivalents	\$ 6,205,077	\$ 513,189
Amounts receivable	60,118	13,480
Prepaid expenses and deposits	127,437	77,862
Assets held for sale (Note 4)	-	44,370
	<u>6,392,632</u>	648,901
<b>Exploration and Evaluation Properties (Note 5)</b>	<b>40,756,291</b>	43,338,124
<b>Property, Plant and Equipment (Note 6)</b>	<b>492,507</b>	534,498
	<u>\$ 47,641,430</u>	<u>\$ 44,521,523</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Trade payables (Note 7)	\$ 565,686	\$ 577,242
Accrued liabilities	-	24,623
Due to related parties (Note 8)	713,298	558,926
	<u>1,278,984</u>	1,160,791
<b>Restoration and Environmental Obligations (Note 9)</b>	<b>267,826</b>	280,993
<b>Trade payables – Non-current (Note 7)</b>	<b>804,718</b>	862,219
	<u>2,351,528</u>	2,304,003
<b>EQUITY</b>		
<b>Share Capital (Note 10)</b>	<b>85,715,063</b>	82,587,241
<b>Reserves</b>	<b>25,066,134</b>	24,616,394
<b>Deficit</b>	<b>(65,491,295)</b>	(64,986,115)
	<u>45,289,902</u>	42,217,520
	<u>\$ 47,641,430</u>	<u>\$ 44,521,523</u>

**Nature and Continuance of Operations (Note 1), Commitments and Contingency (Note 11) and Subsequent Event (Note 15)**

APPROVED AND AUTHORIZED FOR ISSUE ON BEHALF OF THE BOARD OF DIRECTORS ON AUGUST 12, 2016:

\_\_\_\_\_, Director                      \_\_\_\_\_, Director  
"Gary Moore"                                      "David Knight"

**Freegold Ventures Limited**

(An Exploration Stage Company)

**Condensed Consolidated Statements of Changes in Equity**

Canadian Funds

	Common Shares	Amount	Stock Options Reserve	Warrants Reserve	Foreign Currency Translation Reserve	Deficit	Total
<b>Balance – December 31, 2014 (audited)</b>	<b>83,998,351</b>	<b>\$ 81,313,352</b>	<b>\$ 7,117,435</b>	<b>\$ 5,439,656</b>	<b>\$ 4,535,325</b>	<b>\$ (64,025,600)</b>	<b>\$ 34,380,168</b>
Issuance and allotment of shares for:							
- Private placements (Note 10a)	6,872,500	687,250	-	-	-	-	687,250
- Value assigned to warrants (Note 10a and 10c)	-	(237,861)	-	237,861	-	-	-
Share issue costs (Note 10a)	-	(8,546)	-	-	-	-	(8,546)
Foreign currency translation adjustment	-	-	-	-	2,671,984	-	2,671,984
Loss for the period	-	-	-	-	-	(561,753)	(561,753)
<b>Balance – June 30, 2015</b>	<b>90,870,851</b>	<b>81,754,195</b>	<b>7,117,435</b>	<b>5,677,517</b>	<b>7,207,309</b>	<b>(64,587,353)</b>	<b>37,169,103</b>
<b>Balance – December 31, 2015 (audited)</b>	<b>104,370,851</b>	<b>82,587,241</b>	<b>7,125,936</b>	<b>6,212,319</b>	<b>11,278,139</b>	<b>(64,986,115)</b>	<b>42,217,520</b>
Issuance and allotment of shares for:							
- Private placements (Note 10a)	40,461,766	7,283,118	-	-	-	-	7,283,118
- Value assigned to warrants (Note 10a and 10c)	-	(2,918,118)	-	2,918,118	-	-	-
Exercise of warrants (Note 10b)	250,000	54,800	-	(17,300)	-	-	37,500
Share issue costs (Note 8 and 10a)	-	(905,763)	-	-	-	-	(905,763)
Share issue costs – agents warrants (Note 10a)	-	(386,215)	-	386,215	-	-	-
Foreign currency translation adjustment	-	-	-	-	(2,837,293)	-	(2,837,293)
Loss for the period	-	-	-	-	-	(505,180)	(505,180)
<b>Balance – June 30, 2016</b>	<b>145,082,617</b>	<b>\$ 85,715,063</b>	<b>\$ 7,125,936</b>	<b>\$ 9,499,352</b>	<b>\$ 8,440,846</b>	<b>\$ (65,491,295)</b>	<b>\$ 45,289,902</b>

- See Accompanying Notes -

**Freegold Ventures Limited**  
(An Exploration Stage Company)

**Condensed Consolidated Statements of Loss and Comprehensive Income (Loss)**

Canadian Funds

	3 Months Ended June 30, 2016	3 Months Ended June 30, 2015	6 Months Ended June 30, 2016	6 Months Ended June 30, 2015
<b>General and Administrative Expenses</b>				
Wages, salaries and benefits (Note 8)	\$ 98,239	99,727	196,794	202,596
Consulting fees (Note 8)	25,653	39,837	50,553	72,237
Professional fees (Note 8)	28,603	26,590	49,023	45,390
Transfer, filing and other fees	36,905	36,622	86,196	87,949
Travel and transportation	20,433	48,644	51,725	72,233
Office and miscellaneous	14,546	11,398	24,155	24,046
Rent and utilities	10,802	10,803	21,606	21,606
Promotion and shareholder relations	4,952	5,591	13,033	21,175
Accretion (Note 9)	2,774	1,632	5,688	4,977
Depreciation (Note 6)	3,425	3,761	6,995	7,465
<b>Total General and Administrative Expenses</b>	<b>(246,332)</b>	<b>(284,605)</b>	<b>(505,768)</b>	<b>(559,674)</b>
Interest and bank charges	(1,253)	(763)	(1,997)	(1,432)
Foreign exchange gain (loss), net	1,023	(270)	1,139	(839)
Interest income	2,379	88	2,648	192
Write down of assets held for sale	(1,202)	-	(1,202)	-
	947	(945)	588	(2,079)
<b>Net Loss for the Period</b>	<b>\$ (245,385)</b>	<b>(285,550)</b>	<b>(505,180)</b>	<b>(561,753)</b>
<b>Loss per Share – Basic and Diluted</b>	<b>\$ (0.00)</b>	<b>(0.00)</b>	<b>(0.00)</b>	<b>(0.01)</b>
<b>Weighted Average Number of Shares Outstanding</b>	<b>122,945,100</b>	<b>88,350,934</b>	<b>108,950,803</b>	<b>86,174,643</b>
<b>Comprehensive Income (Loss)</b>				
Net loss for the period	\$ (245,385)	(285,550)	(505,180)	(561,753)
Foreign currency translation adjustment	(215,326)	(518,519)	(2,837,293)	2,671,984
<b>Total Comprehensive Income (Loss) for the Period</b>	<b>(460,711)</b>	<b>(804,069)</b>	<b>(3,342,473)</b>	<b>2,110,231</b>
<b>Comprehensive Income (Loss) per Share – Basic and Diluted</b>	<b>\$ (0.00)</b>	<b>(0.01)</b>	<b>(0.03)</b>	<b>0.02</b>

**Freegold Ventures Limited**  
(An Exploration Stage Company)

**Condensed Consolidated Statements of Cash Flows**  
**For the Six months Ended June 30,**

Canadian Funds

<b>Cash Resources Provided By (Used In)</b>	2016	2015
<b>Operating Activities</b>		
Loss for the period	\$ (505,180)	\$ (561,753)
Items not affecting cash:		
Depreciation	6,995	7,465
Accretion	5,688	4,977
Write-down of assets held for sale	1,202	-
Net changes in non-cash working capital components:		
Amounts receivable	(46,638)	(5,902)
Prepaid expenses and deposits	(49,576)	2,318
Trade payables	(27,226)	17,615
Accrued liabilities	(24,622)	(26,186)
Due to related parties	154,373	193,030
	<u>(484,984)</u>	<u>(368,436)</u>
<b>Investing Activities</b>		
Exploration and evaluation property acquisition costs	(211,548)	(140,550)
Exploration and evaluation property deferred exploration costs	(85,560)	(103,200)
Proceeds on sale of assets held for sale	40,000	-
	<u>(257,108)</u>	<u>(243,750)</u>
<b>Financing Activities</b>		
Share capital issued	7,320,618	687,250
Share issue costs	(905,763)	(8,546)
	<u>6,414,855</u>	<u>678,704</u>
<b>Effect of Foreign Currency on Cash and Cash Equivalents</b>	<u>19,125</u>	<u>(40,098)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	5,691,888	26,420
Cash and cash equivalents - Beginning of year	513,189	234,901
<b>Cash and Cash Equivalents - End of Period</b>	<u>\$ 6,205,077</u>	<u>\$ 261,321</u>
<b>Interest paid</b>	\$ -	\$ 669
<b>Interest received</b>	\$ 2,648	\$ -
<b>Supplemental Disclosure of Non-Cash Items</b>		
Exploration expenditures included in trade payables	\$ 11,313	\$ 133,900

## **Notes to Condensed Consolidated Financial Statements**

**June 30, 2016 and 2015**

Canadian Funds

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### **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 condensed consolidated financial statements as at June 30, 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 \$3,342,473 for the six month period ended June 30, 2016 (June 30, 2015 – comprehensive income of \$2,110,231) and had working capital of \$5,113,648 at June 30, 2016 (December 31, 2015 – working capital deficit of \$511,890).

The Company had cash and cash equivalents of \$6,205,077 at June 30, 2016 (December 31, 2015 - \$513,189), 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 condensed 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 condensed interim consolidated financial statements of the Company and its subsidiaries (the “Group”) have been prepared in accordance with International Accounting Standards (“IAS”) 34, “*Interim Financial Reporting*” using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These condensed interim consolidated financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company’s annual financial statements for the year ended December 31, 2015.

#### **a) Consolidation**

These condensed 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

## Notes to Condensed Consolidated Financial Statements

June 30, 2016 and 2015

Canadian Funds

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US corporations which are involved in exploration and evaluation of properties. Inter-company balances are eliminated upon consolidation.

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

The preparation of the Company's condensed 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 condensed 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.

### 3. Approval

These condensed consolidated financial statements were approved and authorized for issue by the Audit Committee of the Board of Directors on August 12, 2016.

### 4. Assets Held For Sale

	June 30, 2016	December 31, 2015
Opening assets held for sale	\$ 44,370	\$ 147,900
Dispositions	(40,000)	-
Write down	(1,202)	(123,038)
Foreign currency translation	(3,168)	19,508
Ending assets held for sale	\$ -	\$ 44,370

As at June 30, 2016, the Company had classified certain of its mining equipment as assets held for sale as it no longer had a use for this equipment. During the period ended June 30, 2016, the Company sold its remaining assets held for sale for proceeds of \$40,000.

**Notes to Condensed Consolidated Financial Statements**

**June 30, 2016 and 2015**

*Canadian Funds*

**5. Exploration and Evaluation Properties**

	Golden Summit Property	Shorty Creek Property	Total
<b>Acquisition costs</b>			
Balance, December 31, 2014	\$ 2,328,392	\$ 211,936	\$ 2,540,328
Additions	288,232	3,713	291,945
Foreign currency translation	449,381	40,904	490,285
Balance, December 31, 2015	<u>\$ 3,066,005</u>	<u>\$ 256,553</u>	<u>\$ 3,322,558</u>
<b>Exploration and evaluation costs</b>			
Balance, December 31, 2014	\$ 32,075,928	\$ 271,632	\$ 32,347,560
Assaying	-	21,851	21,851
Drilling	-	191,557	191,557
Engineering and consulting	24,128	84,570	108,698
Geological and field expenses	80,262	260,658	340,920
Helicopter support	-	260,900	260,900
Preliminary economic assessment	348,350	-	348,350
Metallurgical studies	6,325	-	6,325
Land maintenance and tenure	89,838	4,706	94,544
Personnel	151,309	270,777	422,086
Revision to restoration costs	(345,910)	-	(345,910)
Foreign currency translation	6,157,158	61,527	6,218,685
Balance, December 31, 2015	<u>\$ 38,587,388</u>	<u>\$ 1,428,178</u>	<u>\$ 40,015,566</u>
Total	<u>\$ 41,653,393</u>	<u>\$ 1,684,731</u>	<u>\$ 43,338,124</u>

**Freegold Ventures Limited**  
*(An Exploration Stage Company)*

**Notes to Condensed Consolidated Financial Statements**

**June 30, 2016 and 2015**

*Canadian Funds*

	Golden Summit Property	Shorty Creek Property	Total
<b>Acquisition costs</b>			
Balance, December 31, 2015	\$ 3,066,005	\$ 256,553	\$ 3,322,558
Additions	211,548	-	211,548
Foreign currency translation	(253,643)	(17,110)	(270,753)
Balance, June 30, 2016	<u>\$ 3,023,910</u>	<u>\$ 239,443</u>	<u>\$ 3,263,353</u>
<b>Exploration and evaluation costs</b>			
Balance, December 31, 2015	\$ 38,587,388	\$ 1,428,178	\$ 40,015,566
Assaying	-	744	744
Engineering and consulting	6,106	14,271	20,377
Geological and field expenses	6,420	41,227	47,647
Camp costs	-	5,238	5,238
Preliminary economic assessment	1,837	-	1,837
Land maintenance and tenure	375	-	375
Legal	5,490	-	5,490
Personnel	7,857	7,308	15,165
Foreign currency translation	(2,524,253)	(95,248)	(2,619,501)
Balance, June 30, 2016	<u>\$ 36,091,220</u>	<u>\$ 1,401,718</u>	<u>\$ 37,492,938</u>
Total	<u>\$ 39,115,130</u>	<u>\$ 1,641,161</u>	<u>\$ 40,756,291</u>



**Notes to Condensed Consolidated Financial Statements**

**June 30, 2016 and 2015**

Canadian Funds

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:

	US Funds	
1992 – 1998 (US\$15,000 per year)	\$ 105,000	(paid)
2000	\$ 50,000	(\$25,000 paid in cash and \$25,000 with 9,816 treasury shares issued)
2001 - 2006 (US\$50,000 per year)	\$ 300,000	(paid)
2007	\$ 150,000	(paid)
2008	\$ 150,000	(paid)
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 – 2019 (US\$150,000 per year)	\$ 600,000 *	

The property is subject to a 3% NSR.

## Notes to Condensed Consolidated Financial Statements

June 30, 2016 and 2015

Canadian Funds

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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 US\$75,000 payable in two equal installments on August 1, 2016 and November 1, 2016, until such time as the price of gold averages US\$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 US\$75,000 annual exploration expenditures as consideration for the reduced payments until such time as the advance royalty payments are resumed at US\$150,000 per year.

\*\* US\$37,500 was paid during the period ended March 31, 2016 and US\$37,500 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 US\$2,500 per year until 1996 (paid) and US\$5,000 per year until 2006 (paid). During 2006, the Company renewed the existing lease term for an additional 5 years on the same terms and conditions.

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 US\$12,000 per year for the term of the lease. The Company amended the lease agreement whereas US\$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 has agreed to a one-time payment of US\$50,000 due on or before February 28, 2017. 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 US\$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.

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

**Notes to Condensed Consolidated Financial Statements**

**June 30, 2016 and 2015**

Canadian Funds

The Company, at its option, can purchase 100% of the Tolovana Gold Property claims and NSR for US\$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	US\$100,000 (paid)	-
December 1, 2011	US\$100,000 (paid)	US\$250,000 (incurred)
December 1, 2012	US\$100,000 (paid)	US\$500,000 (incurred)
December 1, 2013	US\$100,000 (paid)	US\$750,000 (incurred)
December 1, 2014	US\$50,000 (paid)	US\$1,000,000 (incurred)
December 1, 2014	US\$50,000 (paid)	-
December 1, 2015	US\$50,000 * (paid)	-
December 1, 2016 to 2019	US\$100,000 per year	-
December 1, 2020 to 2028	US\$200,000 per year	-
December 1, 2029	US\$150,000 per year	-
<b>Total</b>	<b>US\$2,950,000</b>	

\*In December 2015, an amendment was negotiated to reduce the annual advance royalty for 2015 to US\$50,000 and payment was deferred and made on March 31<sup>st</sup>, 2016.

**(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	US\$20,000 (paid)	-
July 11, 2012	US\$30,000 (paid)	US\$50,000 (incurred)
July 11, 2013	US\$40,000 (paid)	US\$50,000 (incurred)
July 11, 2014	US\$50,000 (paid)	US\$50,000
July 11, 2015	-	US\$50,000
<b>Total</b>	<b>US\$140,000</b>	<b>US\$200,000</b>

**Notes to Condensed Consolidated Financial Statements**

**June 30, 2016 and 2015**

Canadian Funds

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	US\$25,000	US\$20,000
September 30, 2017	US\$50,000	US\$20,000
September 30, 2018	US\$50,000	US\$20,000
September 30, 2019	US\$50,000	US\$20,000
Total	US\$175,000	US\$80,000

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

**(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	US\$25,000 (paid)	-
Year 1 (2012)	US\$10 per acre per year (paid)	US\$125 per acre per year (incurred)
Year 2 (2013)	US\$10 per acre per year (paid)	US\$125 per acre per year (incurred)
Year 3 (2014)	US\$10 per acre per year (paid)	US\$125 per acre per year (incurred)
Year 4 (2015)	US\$10 per acre per year (paid)	US\$125 per acre per year (incurred)
Years 5-6	US\$15 per acre per year	US\$235 per acre per year
Years 7-9	US\$20 per acre per year	US\$355 per acre per year

## Notes to Condensed Consolidated Financial Statements

June 30, 2016 and 2015

Canadian Funds

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For the amendment for an additional 1,173 acres:

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

The claims will be subject to the following NSR:

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

**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, additional claims were staked in the area of interest and the Company will be responsible for these annual State of Alaska rents.

**Freegold Ventures Limited***(An Exploration Stage Company)***Notes to Condensed Consolidated Financial Statements****June 30, 2016 and 2015***Canadian Funds***6. Property, Plant and Equipment**

	Automotive	Computer Equipment	Office Equipment	Exploration Office	Exploration Office Equipment	Land	Total
<b>Costs</b>							
Balance, December 31, 2014	\$ 38,982	\$ 8,224	\$ 7,724	\$ 208,753	\$ 15,540	\$ 253,937	\$ 533,160
Additions	-	2,725	-	-	-	-	2,725
Foreign currency translation	7,523	-	-	40,290	2,999	49,010	99,822
<b>Balance, December 31, 2015</b>	<b>\$ 46,505</b>	<b>\$ 10,949</b>	<b>\$ 7,724</b>	<b>\$ 249,043</b>	<b>\$ 18,539</b>	<b>\$ 302,947</b>	<b>\$ 635,707</b>
<b>Accumulated Depreciation</b>							
Balance, December 31, 2014	\$ (27,617)	\$ (5,055)	\$ (4,165)	\$ (27,756)	\$ (8,379)	\$ -	\$ (72,972)
Depreciation	(3,789)	(986)	(534)	(8,045)	(1,592)	-	(14,946)
Foreign currency translation	(5,608)	-	-	(5,949)	(1,734)	-	(13,291)
<b>Balance, December 31, 2015</b>	<b>\$ (37,014)</b>	<b>\$ (6,041)</b>	<b>\$ (4,699)</b>	<b>\$ (41,750)</b>	<b>\$ (11,705)</b>	<b>\$ -</b>	<b>\$ (101,209)</b>
<b>Net Book Value</b>	<b>\$ 9,491</b>	<b>\$ 4,908</b>	<b>\$ 3,025</b>	<b>\$ 207,293</b>	<b>\$ 6,834</b>	<b>\$ 302,947</b>	<b>\$ 534,498</b>

**Freegold Ventures Limited**

(An Exploration Stage Company)

**Notes to Condensed Consolidated Financial Statements**

**June 30, 2016 and 2015**

Canadian Funds

	Automotive	Computer Equipment	Office Equipment	Exploration Office	Exploration Office Equipment	Land	Total
<b>Costs</b>							
Balance, December 31, 2015	\$ 46,505	\$ 10,949	\$ 7,724	\$ 249,043	\$ 18,539	\$ 302,947	\$ 635,707
Additions	-	-	-	-	-	-	-
Foreign currency translation	(3,101)	-	-	(16,609)	(1,236)	(20,204)	(41,150)
<b>Balance, June 30, 2016</b>	<b>\$ 43,404</b>	<b>\$ 10,949</b>	<b>\$ 7,724</b>	<b>\$ 232,434</b>	<b>\$ 17,303</b>	<b>\$ 282,743</b>	<b>\$ 594,557</b>
<b>Accumulated Depreciation</b>							
Balance, December 31, 2014	\$ (37,014)	\$ (6,041)	\$ (4,699)	\$ (41,750)	\$ (11,705)	\$ -	\$ (101,209)
Depreciation	(1,388)	(736)	(302)	(3,901)	(668)	-	(6,995)
Foreign currency translation	2,528	-	-	2,815	811	-	6,154
<b>Balance, June 30, 2016</b>	<b>\$ (35,874)</b>	<b>\$ (6,777)</b>	<b>\$ (5,001)</b>	<b>\$ (42,836)</b>	<b>\$ (11,562)</b>	<b>\$ -</b>	<b>\$ (102,050)</b>
<b>Net Book Value</b>	<b>\$ 7,530</b>	<b>\$ 4,172</b>	<b>\$ 2,723</b>	<b>\$ 189,598</b>	<b>\$ 5,741</b>	<b>\$ 282,743</b>	<b>\$ 492,507</b>

**Notes to Condensed Consolidated Financial Statements**

**June 30, 2016 and 2015**

*Canadian Funds*

**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 June 30, 2016 and December 31, 2015.

**8. Related Party Balances and Transactions**

A summary of key management compensation is as follows:

		Three months ended June 30 2016	Three months ended June 30 2015	Six months ended June 30 2016	Six months ended June 30 2015
Accounting - CFO	\$	18,700	18,700	37,400	37,500
Consulting – Corp. Secretary		8,100	8,100	16,200	16,200
Salaries and benefits – President and Vice President		87,500	87,500	175,000	175,000
<b>Total</b>	<b>\$</b>	<b>114,300</b>	<b>114,300</b>	<b>228,600</b>	<b>228,700</b>

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

		June 30, 2016	December 31, 2015
President and Chief Executive Officer	\$	294,271	\$ 235,937
Vice President, Exploration and Development		286,979	228,646
Chief Financial Officer		91,770	65,573
Corporate Secretary		40,278	28,770
<b>Total</b>	<b>\$</b>	<b>713,298</b>	<b>\$ 558,926</b>

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.

Other than disclosed elsewhere in these consolidated financial statements, the Company incurred the following related party transactions during the period ended June 30, 2016 that are share issue costs relating to the May 20, 2016 short form prospectus. \$187,672 was incurred with Norton Rose Fulbright Canada LLP, a legal firm that a Director is a Partner and commissions of \$509,818 were paid to Paradigm Capital that another Director is a Partner, Corporate Finance.

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



## Notes to Condensed Consolidated Financial Statements

June 30, 2016 and 2015

Canadian Funds

### 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 June 30, 2016, the present value of the estimated obligations relating to properties is \$267,826 (December 31, 2015 - \$280,993) using a discount rate of 4.25% (2015 - 4.25%). During the year ended December 31, 2015, the Company revised the estimated reclamation costs resulting in a reduction of \$300,238 (US\$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 June 30, 2016 is \$346,000 (US\$250,000) (December 31, 2015 - \$346,000 (US\$250,000)) 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:

	June 30, 2016	December 31, 2015
Balance, beginning of year	\$ 280,993	\$ 555,087
Costs incurred	-	(45,672)
Estimate revision	-	(300,238)
Accretion	5,688	23,205
Foreign currency translation	(18,855)	48,701
Balance, end of period	\$ 267,826	\$ 280,993

### 10. Share Capital

The Company has authorized an unlimited number of common shares with no par value. At June 30, 2016, the Company had 145,082,617 common shares outstanding (December 31, 2015 - 104,370,851).

#### a) Share Issuances and Other

On May 20, 2016, the Company filed a short form prospectus ("Prospectus"). The Prospectus qualified the distribution of 40,461,766 units of securities (the Units) of the Company at a price of \$0.18 per Unit for gross proceeds of \$7,283,118. Each Unit consists of one common share in the capital of the Company and one-half of one common share purchase warrant. Each whole common share purchase warrant will entitle the holder thereof to purchase one common share at a price of \$0.25 per warrant at any time prior to May 20, 2019.

The Company granted the Agent, Paradigm Capital, a related party as a Director of the Company is a Partner, Corporate Finance of Paradigm Capital, 2,832,324 agent warrants relating to the short form prospectus offering. Each warrant entitles the holder to purchase one additional common share at a price of \$0.18 per share exercisable until May 20, 2019. The Company incurred share issue costs associated with this financing of \$1,291,978 of which \$905,763 were commissions and related expenses and \$386,215 was the value attributed to the agent warrants.

## Notes to Condensed Consolidated Financial Statements

June 30, 2016 and 2015

Canadian Funds

On August 12, 2015, the Company completed a first tranche of a non-brokered private placement of 13,500,000 units, priced at \$0.10 per unit for total proceeds of \$1,350,000. 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 \$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 \$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 \$9,669 associated with this financing.

On May 4, 2015, the Company completed a non-brokered private placement of 6,872,500 units, priced at \$0.10 per unit for total proceeds of \$687,250. 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 \$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 \$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 \$1,267 associated with this financing.

### b) Exercise of Warrants and Options

During the six month period ended June 30, 2016, 250,000 warrants were exercised at a price of \$0.15 for proceeds of \$37,500 and no options were exercised.

### c) Share Purchase Warrants

The following is a summary of the changes in the Company's share purchase warrants for the six month period ended June 30, 2016 and the year ended December 31, 2015:

	June 30, 2016		December 31, 2015	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Outstanding, beginning of the year	19,479,628	0.27	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 period	38,170,957	0.18	19,479,628	0.22

## Notes to Condensed Consolidated Financial Statements

June 30, 2016 and 2015

Canadian Funds

The following table summarizes information regarding share purchase warrants outstanding as at June 30, 2016:

Number	Price per Share	Expiry Date	
5,171,500	\$0.25/\$0.30	September 11, 2016/2017	*****
3,186,250	\$0.15	May 4, 2018	****
6,750,000	\$0.15	August 12, 2018	***
20,230,883	\$0.25	May 20, 2019	**
<u>2,832,324</u>	\$0.18	May 20, 2019	*
<b>Total</b>	<b>38,170,957</b>		

\*During the period ended June 30, 2016, 20,230,883 share purchase warrants having a relative fair value of \$2,918,118 were issued relating to a short form prospectus offering. Each warrant entitles the holder to purchase one additional common share at a price of \$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 period ended June 30, 2016, 2,832,324 share purchase agent warrants having a fair value of \$386,215 were issued to Paradigm Capital relating to a short form prospectus offering. Each warrant entitles the holder to purchase one additional common share at a price of \$0.18 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, 2015, 6,750,000 share purchase warrants having a relative fair value of \$514,564 were issued relating to private placements. Each warrant entitles the holder to purchase one additional common share at a price of \$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 \$237,861 were issued relating to private placements. Each warrant entitles the holder to purchase one additional common share at a price of \$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, 2014, 5,000,000 share purchase warrants having a relative fair value of \$328,584 were issued relating to private placements. Each warrant entitles the holder to purchase one additional common share at a price of \$0.25 per share exercisable until September 11, 2016 and at a price of \$0.30 per share exercisable until September 11, 2017. The Company also issued 171,500 broker warrants valued at \$15,107 with similar terms. The fair values were calculated using the Black-Scholes option pricing model with an expected life of 2.5 years, risk-free interest rate of 1.17%, a dividend yield of 0% and historical volatility of 102%.

**Notes to Condensed Consolidated Financial Statements**

**June 30, 2016 and 2015**

Canadian Funds

**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.

A summary of the Company's stock options at June 30, 2016 and the changes for the period are as follows:

Number Outstanding December 31, 2015	Granted	Exercised	Cancelled	Expired	Number Outstanding June 30, 2016	Number Exercisable June 30, 2016	Exercise Price	Expiry Date
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)	-	-	-	\$ 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
4,840,000	-	-	(200,000)	(2,035,000)	2,605,000	2,605,000	\$ 0.49	(weighted average)

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

	Exercise Price	Number of options	2015 Vested Amount
Total	\$0.12	150,000	\$8,501

\*The \$8,501 (\$0.057 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:

	June 30, 2016	December 31, 2015
Expected dividend yield	n/a	0.00%
Historical volatility	n/a	103.82%
Risk-free interest rate	n/a	0.98%
Expected life of options	n/a	5.00 years

## Notes to Condensed Consolidated Financial Statements

June 30, 2016 and 2015

Canadian Funds

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### 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.

### 11. Commitments and Contingency

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

	< 1 year	2-5 years	> 5 years	Total
Office lease - Vancouver	\$ 52,150	\$ 233,819	\$ 15,144	\$ 301,113
Photocopier lease payments	\$ 4,006	\$ 15,023	\$ -	\$ 19,029
Total	\$ 56,156	\$ 248,842	\$ 15,144	\$ 320,142

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

**Notes to Condensed Consolidated Financial Statements**

**June 30, 2016 and 2015**

Canadian Funds

**12. Segmented Information**

Details on a geographic basis as at June 30, 2016 are as follows:

	USA	Canada	Total
Loss for the period	\$ (13,386)	\$ (491,794)	\$ (505,180)
Comprehensive income (loss) for the period	\$ (2,850,679)	\$ (491,794)	\$ (3,342,473)
Current assets	\$ 319,875	\$ 6,072,757	\$ 6,392,632
Property, plant and equipment	\$ 485,612	\$ 6,895	\$ 492,507
Exploration and evaluation properties	\$ 40,756,291	\$ -	\$ 40,756,291
Total assets	\$ 41,561,778	\$ 6,079,652	\$ 47,641,430

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

	USA	Canada	Total
Loss for the year	\$ (272,235)	\$ (688,280)	\$ (960,515)
Comprehensive income (loss) for the year	\$ 6,470,579	\$ (688,280)	\$ 5,782,299
Current assets	\$ 137,370	\$ 511,531	\$ 648,901
Property, plant and equipment	\$ 526,565	\$ 7,933	\$ 534,498
Exploration and evaluation properties	\$ 43,338,124	\$ -	\$ 43,338,124
Total assets	\$ 44,002,059	\$ 519,464	\$ 44,521,523

Details on a geographic basis as at June 30, 2015 are as follows:

	USA	Canada	Total
Loss for the period	\$ (12,045)	\$ (549,708)	\$ (561,753)
Comprehensive income (loss) for the period	\$ 2,659,939	\$ (549,708)	\$ 2,110,231
Current assets	\$ 225,481	\$ 273,144	\$ 498,625
Property, plant and equipment	\$ 481,706	\$ 8,485	\$ 490,191
Exploration and evaluation properties	\$ 37,659,110	\$ -	\$ 37,659,110
Total assets	\$ 38,366,297	\$ 281,629	\$ 38,647,926

**13. Comparative Figures**

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

**Notes to Condensed Consolidated Financial Statements**

**June 30, 2016 and 2015**

Canadian Funds

**14. Financial Instruments and Risk Management**

a) **Financial Instruments**

The carrying value of financial assets and liabilities at June 30, 2016 and December 31, 2015 are as follows:

	June 30, 2016	December 31, 2015
<b>Financial Assets</b>		
<i>FVTPL, measured at fair value</i>		
Cash and cash equivalents	\$ 6,205,077	\$ 513,189
<i>Loans and receivables, measured at amortized cost</i>		
Amounts receivable	19,693	5,226
	June 30, 2016	December 31, 2015
<b>Financial Liabilities</b>		
<i>Other liabilities, measured at amortized cost</i>		
Trade payables	\$ 565,686	\$ 577,242
Trade payables – non-current	804,718	862,219
Accrued liabilities	-	24,623
Due to related parties	713,298	558,926

**Financial instrument hierarchy**

Financial instruments measured at fair value on the 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 statement of financial position is as follows:

	June 30, 2016	December 31, 2015
	Level 1	Level 1
Cash and cash equivalents	\$ 6,205,077	\$ 513,189

There were no transfers between Level 1 and 2 in the period ended June 30, 2016 and the year ended December 31, 2015.

## **Notes to Condensed Consolidated Financial Statements**

**June 30, 2016 and 2015**

*Canadian Funds*

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**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 June 30, 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 June 30, 2016, amounts receivable of \$60,118 (December 31, 2015 - \$13,480) was comprised of Goods and Services Tax/Harmonized Sales Tax receivable of \$40,425 (December 31, 2015 - \$8,254), interest receivable of \$2,352 (December 31, 2015 - \$226) and other receivables of \$17,341 (December 31, 2015 - \$5,000). 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 June 30, 2016, the Company had cash of \$6,205,077 to settle current liabilities of \$1,278,984 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 holding most of its cash and cash equivalents in Canadian dollars. The Company monitors and forecasts the values of net foreign currency cash flow and 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.



## Notes to Condensed Consolidated Financial Statements

June 30, 2016 and 2015

Canadian Funds

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The following table provides an indication of the Company's foreign currency exposures during the six month period ended June 30, 2016 and the year ended December 31, 2015:

	June 30, 2016	December 31, 2015
Cash and cash equivalents	US\$ 3,009,646	US\$ 77,586
Trade payables	US\$ 796,119	US\$ 967,583

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 \$22,135 for the period ended June 30, 2016.

The Company has not, to the date of these condensed 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.

### 15. Subsequent Event

The following event occurred subsequent to June 30, 2016:

- i) On July 8, 2016, 4,220,000 options with an exercise price of \$0.21 per share were granted and expire on July 8, 2021.