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

MANAGEMENT DISCUSSION & ANALYSIS

The following discussion and analysis is management's assessment of the results and financial condition of Freegold Ventures Limited (the "Company" or "Freegold") for the year ended December 31st, 2010 and should be read in conjunction with the consolidated financial statements for the year ended December 31st, 2010 and related notes contained in the report. All amounts are expressed in Canadian dollars unless otherwise noted. The date of this management's discussion and analysis is March 31st, 2011. Additional information on the Company, including its annual information form, is available on SEDAR at www.sedar.com.

Business of Freegold

Freegold is an exploration stage company engaged in the acquisition, exploration and evaluation of mineral properties of merit with the aim of developing them to a stage where they can be exploited at a profit or to arrange joint ventures whereby other companies provide funding for development and exploitation.

Forward looking statements

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

Corporate update

The Company remains focused on gold exploration in Alaska and has three primary projects: Golden Summit, Vinasale and the Rob Project. Exploration in 2010 was focused on the Golden Summit and Vinasale Projects.

Freegold has an extensive exploration program planned on the projects in Alaska for the upcoming year with drilling on its Golden Summit project in mid February. In addition to the drilling programs planned at Golden Summit, National Instrument 43-101 ("NI 43-101") resource calculations have been completed on both the Vinasale and Golden Summit projects .

On February 3rd, 2011, the Company announced the appointment of Mr. Alvin W. Jackson, P.Geo. to the position of Vice President Exploration and Development. Mr. Jackson has been a Director of Freegold since March 2010. Mr. Jackson was instrumental in the development of EuroZinc Mining Corporation, which acquired the Aljustrel zinc-lead project and the Neves-Corvo copper mine, both located in southern Portugal. As a result of those acquisitions, EuroZinc grew to a market capitalization of over $1.8 billion before merging with Lundin Mining in 2006. Mr. Jackson has over 40 years experience in mineral exploration and mine development and was directly involved in the exploration and development of two major gold deposits and one porphyry copper deposit, all of which subsequently became producers.

As a result, the Company has accepted the resignation of its former Vice President Exploration, Mr. Michael Gross, who had been VP Exploration since March 2006. Mr. Gross will continue to act in a consulting capacity for the Company.

In addition, Mr. Garnet Dawson, P.Geo. has also joined the Freegold Board. Mr. Dawson is presently Vice President, Exploration of Brazilian Gold Corporation and is a registered Professional Geologist (APEGBC) with 28 years of domestic and international exploration experience. He was the former Vice President, Exploration of EuroZinc Mining Corporation before it merged with Lundin Mining in 2006. Prior to joining EuroZinc, he consulted internationally and held a number of positions with Battle Mountain Canada Inc., British Columbia Geological Survey and Esso Minerals Canada Ltd. He holds a Bachelors of Science in Geology from the University of Manitoba and a Master's of Science in Economic Geology from the University of British Columbia.

Year in Review

In February 2010, the Company issued 2,421,573 common shares to settle $1,598,238 in accounts payable. Also in February 2010 the Company announced a proposed merger with Western Standard Metals Ltd. ("Western Standard") following the optioning of both the Golden Summit and Vinasale Properties to Western Standard.

In July 2010, the Company announced that it had terminated merger discussions with Western Standard and by mutual agreement the option agreements on the Golden Summit and Vinasale Properties.

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

On October 1st, 2010, the Company closed a non-brokered private placement of 8,975,759 units of which 7,575,759 units were priced at $0.33 per unit and 1,400,000 units were priced at $0.35 per unit for proceeds of $2,990,000. Each unit consists of one common share and one non-transferable share purchase warrant. Each warrant shall be exercisable until October 1st, 2012 and will entitle the holder to acquire an additional Share at a price of $0.40 per common share until October 1st, 2011 and at a price of $0.50 per common share until October 1st, 2012. Pursuant to the requirements of the Toronto Stock Exchange, the issuance of the warrants and the resulting 8,975,759 common shares issuable on exercise of the warrants was subject to shareholder approval as the aggregate number of common shares being made issuable under the private placement is more than the 25% of the current issued and outstanding number of common shares of

Freegold and the issuance of the warrants deems the units to have been issued at a discount to market price of the common shares.

On December 22nd, 2010, the Company closed a non-brokered private placement of 11,514,213 units priced at \$0.46 per unit for proceeds of \$5,296,538 after receiving the necessary shareholder approval for the issuance of the warrants as pursuant to the requirements of the Toronto Stock Exchange. The issuance of the warrants and the resulting 11,514,213 common shares issuable on exercise of the warrants was subject to shareholder approval as the aggregate number of common shares being made issuable under the private placement is more than the 25% of the current issued and outstanding number of common shares of Freegold and the issuance of the warrants deems the units to have been issued at a discount to market price of the common shares. Each unit consists of one common share and one non-transferable share purchase warrant. Each warrant shall be exercisable until December 15th, 2012 and will entitle the holder to acquire an additional common share at a price of \$0.55 per common share until December 15th, 2011 and at a price of \$0.65 per common share until December 15th, 2012.

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

On February 2nd, 2011, the Company issued 500,000 share purchase warrants to the convertible loan lenders with an exercise price of \$0.60, expiring on February 2nd, 2012.

On March 16th, 2011, the Company closed a non-brokered private placement of 4,583,331 Units, priced at \$0.48 per Unit. Each Unit will consist of one common share and one common share purchase warrant ("Warrant"). Each Warrant will entitle the holder to acquire an additional common share at a price of \$0.59 for a period of one year from the date of closing and at a price of \$0.65 between one year and two years from closing. Insiders may subscribe for up to 1,459,000 units of the placement.

Review of Exploration Projects

Golden Summit Project, Alaska

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

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

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

On July 6th, 2010, the Company and Western Standard terminated the option agreement on the Golden Summit project. The Company consented to the termination of the Golden Summit Option Agreement with Western Standard whereby Western Standard was to relinquish its option to earn a 50% undivided interest in the project. In consideration for the early termination, the Company has agreed to issue Western Standard 192,225 common shares of the Company subject to Western Standard paying certain creditors related to the 2010 exploration program. A reimbursement of mineral property exploration expenditures of $69,201 for the Golden Summit project has been recorded in the accounts for the year ended December 31st, 2010.

In order to further advance the project and to facilitate additional financing, the Company undertook a small geophysical program on the Golden Summit project in July 2010. A total of 26 line km were completed and show good correlation with areas of known mineralization. As there is reasonable density of drilling in the Dolphin area (western property area) the Company undertook the first NI-43-101 resource calculation on the Golden Summit Project which using a 0.3 g/t as a possible open pit cutoff estimated an indicated and inferred resource as follows:

- Total indicated resource is 7,790,000 mt @ 0.695 gpt for a total of 174,000 contained gold ounces.
- Total inferred resource is 27,010,000 mt @ 0.606 gpt for a total of 526,000 contained gold ounces.

Also in December 2010, the Company significantly expanded the property holdings at Golden Summit by entering into a 20 year mining lease on 216 state claims.

Exploration 2011

A 5,000 metre diamond drilling program commenced in mid February on the areas covered by the induced polarization survey. The program is aimed at expanding and upgrading the existing historical resources located in the Dolphin area.

In July 2011, the Company plans to undertake a property wide induced polarization survey aimed at better delineating additional drill targets for a proposed 5,000 metre drill program in the fall of 2011.

Vinasale Gold Project, Alaska

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

Gold mineralization was first discovered at Vinasale by Central Alaskan Gold Company ("CAG") in 1989. Exploration from 1990 to 1993 by CAG and their joint venture partner, Placer Dome, consisted of soil sampling, geophysics, diamond drilling (5,285 metres in 39 holes) and metallurgy. While the gold mineralization was found to be refractory, metallurgical testwork indicates that greater than 95% of the gold reports to the sulphide concentrate, thereby considerably reducing the volume of material required to be oxidized before extraction by cyanide. The Project was subsequently optioned by ASA-Montague and additional soil sampling, diamond drilling (5,262 metres in 26 holes) and metallurgy were completed in 1994. Drilling intersected significant gold values beneath multi-element soil anomalies in the Northeast, Central and South zones. Previous wide-spaced drilling northeast and southeast of the Central Zone indicates these areas may have potential for resource expansion while previous limited reconnaissance work has indicated that additional gold mineralization exists on the property outside the area known to contain resources.

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

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

On July 6th, 2010, the Company and Western Standard terminated the option agreement on the Vinasale project. The Company consented to the termination of the Vinasale Option Agreement with Western Standard whereby Western Standard was to relinquish its option to earn a 50% undivided interest in the project. In consideration for the early termination, the Company has agreed to issue Western Standard 557,775 common shares of the Company subject to Western Standard paying certain creditors related to the 2010 exploration program. A reimbursement of mineral property exploration expenditures of $200,799 for the Vinasale project has been recorded in the accounts for the year ended December 31st, 2010. The Company felt that it would facilitate financings if the Company had the right to earn a 100% lease interest in the project. Drilling commenced on the project in July 2010.

Prior to the termination of the option agreement, Western Standard undertook an exploration program on the Vinasale property which resulted in the establishment of a camp and line cutting in preparation for a ground based geophysical survey.

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

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

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

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

The Company recently completed the first National Instrument 43-101 ("NI 43-101") resource calculation on the Vinasale Project which using a cutoff value of 0.5 grams/tonne (g/t) as a possible open pit cutoff resulted in an Inferred resources of 37.3 million tonnes averaging 1.11 g/t Au for 1,331,000 ounces of gold. The full report is filed on SEDAR.

Exploration 2011

An induced polarization survey is scheduled to commence on the Vinasale project in May 2011. The survey will cover the eastern edge of the intrusive contact and expand ground based coverage to the south in an effort to better delineate targets for the summer 2011 drilling program. A 5,000 metre program is planned for Vinasale and is anticipated to commence in early July 2011.

Rob Project, Alaska

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

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

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

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

A revised National Instrument 43-101 technical report was completed in March 2010 on the Rob Project and has recommended exploration expenditures of US$1,000,000 that includes reconnaissance sampling on both the original and the newly acquired claim blocks.

As the Company has significant exploration programs planned for the Golden Summit and Vinasale properties during 2011, exploration on the Rob project is expected to be limited; however a small prospecting sampling and mapping program has been budgeted in order to better evaluate the Michigan, Blue Lead and Trench prospects as well as the newly acquired claims.

Selected annual information

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

The following table summarizes selected financial data for Freegold for each of the three most recently completed financial years. The information set forth below should be read in conjunction with the consolidated audited financial statements, prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), and related notes.

	Years Ended December 31st, (audited)		
	2010	2009	2008
Total revenues	$171	$213	$35,292
General and administrative expenses - cash	741,886	890,885	1,208,428
General and administrative expenses – stock compensation	640,313	697,378	1,641,023
Mineral property costs	2,094,937	1,211,741	9,934,434
Net loss			
➢ In total	1,787,880	5,617,992	5,165,861
➢ Basic and diluted loss per share	0.09	0.47	0.49
Comprehensive loss before income taxes			
➢ In total	2,251,880	5,153,992	5,165,861
➢ Basic and diluted loss per share	0.12	0.43	0.49
Totals assets	30,612,454	25,567,332	$31,645,153
Total long term liabilities	489,776	1,521,001	Nil
Cash dividends declared	Nil	Nil	Nil

Selected quarterly financial information

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

	For the Quarters Ended (unaudited)							
	Dec. 31st 2010	Sept. 30th 2010	June 30th 2010	Mar. 31st 2010	Dec. 31st 2009	Sept. 30th 2009	June 30th 2009	Mar. 31st 2009
Total revenues	$Nil	$Nil	$171	$Nil	$213	$Nil	$Nil	$Nil
Net comprehensive loss – before tax	541,073	385,909	683,024	641,874	534,088	2,406,339	127,146	2,086,419
Net comprehensive loss per share	0.02	0.02	0.01	0.01	0.01	0.04	0.002	0.03
Total assets	30,612,454	25,674,068	24,763,632	25,199,402	25,567,332	25,672,602	31,412,885	31,923,410

Results of operations

The year ended December 31st, 2010 resulted in a net comprehensive loss of $2,251,880 which compares with a net comprehensive loss of $5,153,992 for the year ended December 31st, 2009. General and administrative expenses for the year ended December 31st, 2010 were $1,382,199, a decrease of $206,064 compared to the year ended December 31st, 2009. The loss is mainly attributable to $640,313 (2009: $697,378) in non-cash stock-based compensation expenses that were charged upon the granting of long-term incentive stock options.

Professional fees of $203,001 (2009: $302,563) were recorded as additional legal expenses were incurred during the previous year to assist in the preparation of various equipment and bridge loan documents.

Interest costs of $279,815 (2009: $2,036,144) were incurred mainly due to the interest on the US$ loans and a $125,756 non-cash expense associated with the value of warrants to be issued.

Amortization for office equipment of $9,708 for the year ended December 31st, 2010 (2009: $10,332) was recorded. Mining equipment amortization of $258,867 (2009: $387,811) was attributed to the mining equipment that was obtained for the Golden Summit project in Alaska.

A foreign exchange gain of $66,807 (2009: $1,519,418) was recorded mainly on loans that are payable in US funds. This resulted as the US dollar became weaker relative to the Canadian dollar.

Shareholder relations and promotional activities undertaken by the Company, which included attendance at various trade shows, advertising, news releases, distribution fees and marketing materials, cost $47,467 (2009: $76,882), a decrease of $29,415 compared to the year ended December 31st, 2009.

Travel costs of $137,891 (2009: $28,542) increased as more trips were taken for promotional purposes and to obtain financing.

Transfer and filing fees of $142,130 (2009: $151,483) stayed approximately the same and were due to the expenses incurred during the year to assist in the financings.

Wages of $120,000 (2009: $108,333) were charged by the President of the Company. $66,000 was charged to wages and salaries and $54,000 was allocated to the mineral properties.

A gain on forgiveness of debt of $397,556 was recorded during the year as compared to $Nil during the previous year.

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

A loss of $78,044 was realized on the partial sale of mining and automotive equipment as compared to $43,947 in 2009.

During the year, the Company sold 4,000,000 shares of Western Standard for proceeds of $521,759 resulting in a loss of $214,241. The Company had an unrealized loss of $678,241 related to the available-for-sale investments of which $214,241 was realized and included in net loss.

During the year ended December 31st, 2010, the Company incurred mineral property deferred exploration costs of $1,735,027. Of the deferred exploration costs, $293,378 was incurred on the Golden Summit project in Alaska of which $76,046 was for personnel and $69,201 was for the value attributed to the shares to be issued as reimbursement for exploration expenditures. $38,460 was incurred on the Rob project in Alaska, $1,395,443 was incurred on the Vinasale Alaska project of which $200,799 was for the value attributed to the shares to be issued as reimbursement for exploration expenditures and $7,746 on the Union Bay project in Alaska.

Mineral property acquisition costs of $359,910 were also incurred which included $268,299 for the Golden Summit Alaska project and $91,611 for the Rob Alaska project.

Fourth quarter results

The fourth quarter ended December 31st, 2010 resulted in a comprehensive loss of $541,073 which was lower than the loss of $534,088 incurred in the comparative quarter ended December 31st, 2009.

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

A capital loss of $78,044 was realized on the partial sale of mining and automotive equipment as compared to $43,947 in 2009.

During the three month period ended December 31st, 2010, the Company granted 900,000 stock options at an exercise price of $0.50 per share with a non-cash value of $341,076 calculated using the Black-Scholes option-pricing model.

On October 1st, 2010, the Company closed a non-brokered private placement of 8,975,759 units of which 7,575,759 units were priced at $0.33 per unit and 1,400,000 units were priced at $0.35 per unit for proceeds of $2,990,000. Each unit consists of one common share and one non-transferable share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of $0.40 per share exercisable until October 1st, 2011 and at a price of $0.50 per share exercisable until October 1st, 2012. Shareholder approval was received on November 3rd, 2010 for the issuance of these warrants.

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

Liquidity and capital resources

At December 31st, 2010, the Company's working capital, defined as current assets less current liabilities, was $2,686,037 compared to a working capital deficit of $3,014,740 at December 31st, 2009. A $854,974 loan secured by certain equipment and real property of the Company comprises part of the working capital and is repayable on October 1st, 2011. The Company also has trade payables of $1,165,275 of which $301,555 are long term. An additional $448,179 is due to related parties as at December 31st, 2010.

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

Subsequent to year end, the Company closed a non-brokered private placement of 4,583,331 units priced at $0.48 for proceeds of $2,199,999. Each unit consists of one common share and one non-transferable share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of $0.59 per share exercisable until March 16th, 2012 and at a price of $0.65 per share exercisable until March 16th, 2013.

The Company has 42,722,166 issued and outstanding shares at March 31st, 2011.

Contractual commitments

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

Off-balance sheet arrangements

The Company has no off-balance sheet arrangements.

Critical accounting estimates

A detailed summary of all the Company's significant accounting policies is included in Note 1 to the consolidated financial statements for the year ended December 31st, 2010.

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

NEW ACCOUNTING PRONOUNCEMENTS

Business Combinations, Non-controlling Interest and Consolidated Financial Statements

The Canadian Institute of Chartered Accountants ("CICA") released a number of confirming amendments to existing handbook sections effective January 1st, 2011 in order to reduce the number of GAAP differences for entities transitioning to International Financial Reporting Standards ("IFRS") that choose to early adopt these sections. The new standards are intended to converge with IFRS. Amended sections include CICA Handbook sections 1582, "Business Combinations", 1601, "Consolidated Financial Statements", and 3855, "Financial Instruments – Recognition and Measurement". The Company did not elect to early adopt these amended sections and thus the amendments have no effect on the current year's consolidated financial statements.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that Canadian GAAP for publicly accountable enterprises would be replaced by IFRS for fiscal years beginning on or after January 1st, 2011.

The Company commenced its IFRS conversion project in 2008 when it established a formal project governance structure, which included the Company's Audit Committee and senior management. Overall project governance, management and support have been coordinated by the Company.

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

- Phase one, an initial general diagnostic of its accounting policies and Canadian GAAP relevant to its financial reporting requirements to determine the key differences and options with respect to acceptable accounting standards under IFRS.
- Phase two, an in-depth analysis of the IFRS impact in those areas identified under phase one.
- Phase three, the implementation of the conversion process, including the completion of the opening balance sheet as at January 1st, 2010 together with related discussion and notes.

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

Key Area	Canadian GAAP (as currently applied)	IFRS	Analysis and preliminary conclusions
Property, plant and equipment ("PP&E")	PP&E is recorded at historical cost. Depreciation is based on their useful lives after due estimation of their residual values.	PP&E can be recorded using the cost (on transition to IFRS, the then fair value can be deemed to be the cost) or revaluation models. Depreciation must be based on the useful lives of each significant component within PP&E.	PP&E will continue to be recorded at their historical costs due to the complexity and resources required to determine fair values on an annual basis. Based on an analysis of PP&E and its significant components, the Company has determined that no change to their useful lives is warranted and, therefore, depreciation expense will continue to be calculated using the same rates under IFRS.
Mineral properties	Exploration, evaluation and development costs are capitalized when incurred. They are amortized on the basis of production or written off when the prospect is no longer deemed prospective or is abandoned.	IFRS 6 provides the Company with the option of expensing the exploration and evaluation costs as incurred, or deferring these costs until technical feasibility and commercial viability has been determined, at which point they are transferred to the development and production phase and allocated to specific projects.	The existing accounting policy will be maintained.
Asset retirement obligations ("ARO")	Canadian GAAP limits the definition of ARO to legal obligations.	IFRS defines ARO as legal or constructive obligations.	The broadening of this definition will not cause a significant change in the Company's current estimates.
Impairment of long lived assets	Impairment tests of its long-term assets are considered annually based on indications of impairment.	Impairment tests of "cash generating units" are considered annually in the presence of indications of impairment.	Assets will continue to be grouped under the Company's various mining operations. Currently, there are no indications of impairment and, therefore, no impairment test has been performed.

Stock-based compensation	The Company recognizes stock-based compensation on straight line method and updates the value of the options for forfeitures as they occur.	Under IFRS, stock-based compensation is amortized under the graded method only. In addition, the Company is required to update its value of options for each reporting period for expected forfeitures.	The Company will record an IFRS income statement and balance sheet adjustment at January 1st, 2010. IFRS 1 permits the application only to equity instruments granted after November 7th, 2002 that had not vested by January 1st, 2010. The Company elected to avail itself of the exemption provided under IFRS 1. The Company's auditors are in the process of completing their review of these adjustments.
Income taxes	All deferred income tax assets are recognized to the extent that it is "more likely than not" that the deferred income tax assets will be realized.	A deferred tax asset is recognized if it is "probable" that it will be realized.	"Probable" in this context is not defined and does not necessarily mean "more likely than not". However, the Company concluded that this difference will have no impact upon transition.

The quantification of the amounts that resulted from the differences between Canadian GAAP and IFRS relating to the key standards are based on management's estimates and decisions, and are subject to further internal review and audit by the Company's external auditors.

Outstanding share data

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

The Company is authorized to issue unlimited common shares without par value. As at March 31st, 2011, there were 42,722,166 outstanding common shares compared to 14,437,290 outstanding shares at December 31st, 2009.

The increase reflects the issuance of 25,073,303 shares for proceeds of $10,486,537, 2,421,573 shares issued to settle $1,598,238 in debt, 750,000 shares for mineral properties and 40,000 shares issued on the exercise of warrants.

As at March 31st, 2011 there were 26,193,719 warrants outstanding.

	Number	Price per Share	Expiry Date
	83,333	$0.84	July 11th, 2011
	577,083	$1.20	June 30th, 2012
	8,935,759	$0.40/$0.50	October 1st, 2011/2012
	11,514,213	$0.55/$0.65	December 15th, 2011/2012
	500,000	$0.60	February 2nd, 2012
	4,583,331	$0.59/$0.65	March 16th, 2012/2013
Total	26,193,719		

Directors, officers, employees and contractors are granted options to purchase common shares under the Company Stock Option Plan. This plan and its terms and outstanding balance are disclosed in Note 10d to the consolidated financial statements at December 31st, 2010.

Number Outstanding December 31st 2009	Granted	Exercised	Cancelled	Expired	Number Outstanding and Exercisable December 31st 2010	Exercise Price Per Share	Expiry Date
48,333	-	-	-	-	48,333	$2.10	March 13th, 2011
5,000	-	-	-	-	5,000	$3.00	July 17th, 2011
66,667	-	-	-	(66,667)	-	$4.50	January 25th, 2010
6,667	-	-	-	(6,667)	-	$7.20	June 4th, 2010
4,167	-	-	-	-	4,167	$9.00	July 13th, 2012
16,667	-	-	-	-	16,667	$12.60	November 1st, 2012
186,667	-	-	-	-	186,667	$8.52	February 21st, 2013
25,000	-	-	-	-	25,000	$8.52	April 10th, 2013
41,667	-	-	-	-	41,667	$0.84	September 14th, 2014
37,500	-	-	-	-	37,500	$0.60	December 4th, 2014
-	745,833	-	-	-	745,833	$0.48	February 26th, 2015
-	900,000	-	-	-	900,000	$0.50	October 29th, 2015
438,335	1,645,833	-	-	(73,334)	2,010,834		

On March 13th, 2011, 48,333 options expired resulting in a total of 1,962,501 options outstanding and exercisable at March 31st, 2011.

Related party transactions

The related party transactions during the year ended December 31st, 2010, which occurred in the normal course of operations and were measured at the exchange amount (the amount of consideration established and agreed to by the related parties), were as follows:

- Each outside director is entitled to receive up to $500 per month. During the year, the Company paid/accrued $22,000 (2009: $29,666) to directors. As at December 31st, 2010, amounts due to related parties consists of $26,000 (2009: $55,653) owing to directors.
- During the year, the Company paid/accrued $120,000 (2009: $108,333) to the President and Chief Executive Officer. As at December 31st, 2010, $112,930 (2009: $102,929) is included in due to related parties.
- During the year, the Company paid/accrued $12,000 (2009: $81,000) for consulting fees to the former Vice-President of Exploration. As at December 31st, 2010, $85,621 (2009: $74,697) is included in due to related parties.
- During the year, the Company paid/accrued $75,000 (2009: $75,000) for professional fees to a company controlled by the Chief Financial Officer. As at December 31st, 2010, $97,303 (2009: $57,875) is included in due to related parties.
- During the year, legal fees of $59,415 (2009: $50,420) were paid/accrued to a law firm of which a Company director is a partner. As at December 31st, 2010, $103,400 (2009: $78,204) is included in due to related parties.
- During the year, shareholder relations fees of $13,500 (2009: $55,000) were paid/accrued to a former director. As at December 31st, 2010, $22,925 (2009: $38,750) is included in due to related parties.
- During the year, consulting fees of $Nil (2009 - $Nil) were paid/accrued to a company controlled by the former Vice-President of Project Development. As at December 31st, 2010, $Nil (2009 - $13,090) related to this entity is included in due to related parties.

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

Disclosure controls and internal controls over financial reporting

The Company has established disclosure controls and procedures to ensure that information disclosed in this MD&A and the related consolidated financial statements was properly recorded, processed, summarized and reported to the Company's Board and Audit Committee. The Company's CEO and CFO have evaluated and are satisfied with the effectiveness of these disclosure controls and procedures for the year ending December 31st, 2010.

The CEO and CFO acknowledge responsibility for the design of internal control over financial reporting (ICFR), and confirm that there were no changes in these controls that occurred during the most recent period ended December 31st, 2010 which materially affected, or are reasonably likely to materially affect the Company's ICFR.

Risks and uncertainties

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

Cash Flows and Additional Funding Requirements

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

Industry

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

Commodity Prices

The profitability of the Company's operations will be dependent upon the market price of mineral commodities. Mineral prices fluctuate widely and are affected by numerous factors beyond the control of the Company. The prices of mineral commodities have fluctuated widely in recent years. Current and future price declines could cause commercial production to be impracticable. The Company's revenues and earnings also could be affected by the prices of other commodities such as fuel and other consumable items, although to a lesser extent than by the price of mineral commodities.

Competition

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

Foreign Political Risk

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

Government Laws, Regulation & Permitting

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

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

Title to Properties

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

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

Estimates of Mineral Resources

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

Key Management

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

Volatility of Share Price

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

Foreign Currency Risk

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

Conflict of Interest

Some of the Company's directors and officers are directors and officers of other natural resource or mining-related companies. These associations may give rise from time to time to conflicts of interest. As a result of such conflict, the Company may miss the opportunity to participate in certain transactions.

Outlook

During the year, the Company raised $8,286,538 and paid in full $1,583,736 to its equipment lenders and paid most of its other short term payables. A further $1,598,238 in debt was settled by issuing 2,421,573 shares.

Subsequent to year end, the Company closed a non-brokered private placement of 4,583,331 units priced at $0.48 per unit for proceeds of $2,199,999.

As at March 31st, 2011, the Company has approximately $5,500,000 in cash and will be conducting a $1,500,000 exploration program on the Golden summit project and a $2,000,000 exploration program on the Vinasale project.

Approval

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

FREEGOLD VENTURES LIMITED

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2010 and 2009

JAMES STAFFORD

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Chartered Accountants
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Auditors' Report

To the Shareholders of Freegold Ventures Limited

We have audited the consolidated balance sheets of **Freegold Ventures Limited** (the "Company") as at 31 December 2010 and 2009 and the related consolidated statements of loss and comprehensive loss, cash flows and changes in shareholders' equity for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

/s/ James Stafford
Chartered Accountants

Vancouver, Canada

14 March 2011, except as to Note 17 which is as of 29 March 2011

Freegold Ventures Limited Statement 1
(An Exploration Stage Company)

Consolidated Balance Sheets

As at 31 December

Canadian Funds

ASSETS		2010		2009
Current				
Cash and cash equivalents	$	**4,807,391**	$	313,354
Amounts receivable		**21,598**		13,855
Available-for-sale investments *(Note 3)*		**10,647**		1,215,000
Prepaid expenses and deposits		**42,274**		26,900
		4,881,910		1,569,109
Mineral Property Costs – *Statement 5 (Note 4)*		**23,634,463**		21,448,010
Property, Plant and Equipment *(Note 5)*		**2,096,081**		2,550,213
	$	**30,612,454**	$	25,567,332

LIABILITIES				
Current				
Accounts payable *(Note 6)*	$	**863,720**	$	2,512,573
Accrued liabilities		**29,000**		29,000
Due to related parties *(Note 7)*		**448,179**		458,540
Loans payable *(Notes 7h and 8)*		**854,974**		1,583,736
		2,195,873		4,583,849
Accounts Payable – Long Term *(Note 6)*		**301,555**		573,264
Asset Retirement Obligation *(Note 9)*		**188,221**		92,763
Loans Payable – Long Term *(Notes 7h and 8ii)*		**-**		854,974
		2,685,649		6,104,850
SHAREHOLDERS' EQUITY				
Share Capital – *Statement 2 (Note 10)*				
Authorized:				
Unlimited common shares without par value				
Issued, allotted and fully paid:				
37,348,835 (2009 – 14,437,290) common shares		**57,256,584**		53,056,054
Contributed Surplus - *Statement 2*		**12,013,181**		5,497,508
Accumulated Other Comprehensive Income - *Statement 2*		**-**		464,000
Deficit Accumulated during Exploration Stage - *Statement 2*		**(41,342,960)**		(39,555,080)
		27,926,805		19,462,482
	$	**30,612,454**	$	25,567,332

Going Concern, Nature and Continuance of Operations and Significant Accounting Policies *(Note 1)*, **Commitments** *(Note 12)*, **Contingency** *(Note 14)* and **Subsequent Events** *(Note 17)*.

ON BEHALF OF THE BOARD:

"Gary Moore", Director *"Bruce Ramsden"*, Director

- See Accompanying Notes -

Freegold Ventures Limited
(An Exploration Stage Company)

Consolidated Statements of Changes in Shareholders' Equity

Canadian Funds

	Common Shares	Amount $	Contributed Surplus $	Accumulated Other Comprehensive Income $	Deficit Accumulated during Exploration Stage $	Total $
Balance – 31 December 2008	10,704,411	50,970,637	4,177,928	-	(33,937,088)	21,211,477
Issuance and allotment of shares for:						
- Private placements *(Note 10a)*	577,083	415,500	-	-	-	415,500
- Debt settlement *(Notes 7h, 8ii and 10a)*	2,785,796	1,504,330	-	-	-	1,504,330
- Value assigned to warrants *(Note 10c)*	-	(245,976)	406,535	-	-	160,559
- Loan extension fees *(Note 10a)*	370,000	436,200	-	-	-	436,200
- Re-pricing of warrants *(Note 10c)*	-	-	13,007	-	-	13,007
- Warrants converted *(Note 10c)*	-	-	(99,798)	-	-	(99,798)
Share issuance costs	-	(24,637)	-	-	-	(24,637)
Stock-based compensation	-	-	999,836	-	-	999,836
Unrealized gain on available-for-sale investments	-	-	-	464,000	-	464,000
Loss for the year	-	-	-	-	(5,617,992)	(5,617,992)
Balance – 31 December 2009	14,437,290	53,056,054	5,497,508	464,000	(39,555,080)	19,462,482
Issuance and allotment of shares for:						
- Private placements *(Note 10a)*	20,489,972	8,286,538	-	-	-	8,286,538
- Debt settlement *(Note 10a)*	2,421,573	1,598,238	-	-	-	1,598,238
- Value assigned to warrants *(Note 10c)*	-	(5,479,604)	5,479,604	-	-	-
Shares to be issued *(Notes 4a, 4c, 10a, 12v and 17i)*	-	-	270,000	-	-	270,000
Share issuance costs	-	(204,642)	-	-	-	(204,642)
Warrants to be issued *(Notes 8i, 10a, 12iv and 17ii)*	-	-	125,756	-	-	125,756
Stock-based compensation *(Note 10d)*	-	-	640,313	-	-	640,313
Unrealized loss on available-for-sale investments *(Note 3)*	-	-	-	(678,241)	-	(678,241)
Reclassification of loss on available-for-sale investments included in net loss *(Note 3)*	-	-	-	214,241	-	214,241
Loss for the year	-	-	-	-	(1,787,880)	(1,787,880)
Balance – 31 December 2010	37,348,835	57,256,584	12,013,181	-	(41,342,960)	27,926,805

Freegold Ventures Limited
(An Exploration Stage Company)

Statement 3

Consolidated Statements of Loss and Comprehensive Loss
For the Years Ended 31 December

Canadian Funds

	2010	2009
General and Administrative Expenses		
Consulting fees *(Note 7e)*	$ 15,405	$ 91,308
Stock-based compensation *(Note 10d)*	640,313	697,378
Travel	137,891	28,542
Promotion and shareholder relations *(Note 7f)*	47,467	76,882
Director fees *(Note 7a)*	22,000	29,666
Professional fees *(Notes 7b and 7c)*	203,001	302,563
Wages, salaries and benefits *(Note 7d)*	71,470	110,042
Transfer and filing fees	142,130	151,483
Rent and utilities	51,205	58,285
Office and miscellaneous	37,667	31,782
Amortization *(Note 5)*	9,708	10,332
Accretion of asset retirement obligation *(Note 9)*	3,942	-
Loss Before Other Income (Expenses)	(1,382,199)	(1,588,263)
Other Income (Expenses)		
Loss on sale of available-for-sale investments *(Note 3)*	(214,241)	-
Interest income	171	213
Amortization of mining equipment *(Note 5)*	(258,867)	(387,811)
Foreign exchange gain, *net*	66,807	1,519,418
Write-off of accounts payable *(Note 6)*	397,556	-
Interest, bank charges and loan arrangement fees (*Note 8*)	(279,815)	(2,036,144)
Write-off of property, plant and equipment *(Note 5)*	(39,248)	-
Loss on sale of mineral property	-	(3,081,458)
Loss on sale of property, plant and equipment *(Note 5)*	(78,044)	(43,947)
	(405,681)	(4,029,729)
Net Loss for the Year	$ (1,787,880)	$ (5,617,992)
Other Comprehensive Income (Loss)		
Unrealized (loss) gain on available-for-sale investments *(Note 3)*	(678,241)	464,000
Reclassification of loss on available-for-sale investments included in net loss *(Note 3)*	214,241	-
Comprehensive Loss for the Year	$ (2,251,880)	$ (5,153,992)
Loss per Share – Basic and Diluted	$ (0.09)	$ (0.47)
Comprehensive Loss per Share – Basic and Diluted	$ (0.12)	$ (0.43)
Weighted Average Number of Shares Outstanding	19,162,492	11,896,946

- See Accompanying Notes -

Freegold Ventures Limited
(An Exploration Stage Company)

Consolidated Statements of Cash Flows

For the Years Ended 31 December

Canadian Funds

Cash Resources Provided By (Used In)	2010	2009
Operating Activities		
Loss for the year	$ (1,787,880)	$ (5,617,992)
Items not affecting cash:		
Amortization	268,575	398,143
Accretion of asset retirement obligation	3,942	-
Loss on sale of available-for-sale investments	214,241	-
Loss on sale of property, plant and equipment	78,044	43,947
Loss on sale of mineral property	-	3,081,458
Write-off of property, plant and equipment	39,248	-
Stock-based compensation	640,313	697,378
Loan arrangement fee	125,756	609,766
Net changes in non-cash working capital components:		
Amounts receivable	(7,743)	28,638
Prepaid expenses and deposits	(15,374)	46,366
Accounts payable	(193,999)	(1,009,354)
Accrued liabilities	-	(1,000)
Due to related parties	(10,361)	348,087
	(645,238)	(1,374,563)
Investing Activities		
Proceeds on sale of available-for-sale investments	521,759	-
Proceeds on redemption of available-for-sale investments	4,353	36,000
Mineral property acquisition costs	(359,910)	(495,296)
Mineral property deferred exploration costs	(1,321,643)	-
Option payments received	-	650,000
Proceeds from sale of property, plant and equipment	68,265	425,604
	(1,087,176)	616,308
Financing Activities		
Share capital issued	8,286,538	415,500
Share issuance costs	(204,642)	(24,637)
Repayment of loans	(1,583,736)	(423,146)
Loan proceeds	-	523,293
Accounts payable – long term	(271,709)	573,264
	6,226,451	1,064,274
Net Increase in Cash and Cash Equivalents	4,494,037	306,019
Cash and cash equivalents - Beginning of year	313,354	7,335
Cash and Cash Equivalents - End of Year	$ 4,807,391	$ 313,354

- See Accompanying Notes -

Freegold Ventures Limited
(An Exploration Stage Company)

Consolidated Statements of Cash Flows – *Continued*

For the Years Ended 31 December

Canadian Funds

Cash Resources Provided By (Used In)		2010		2009
Supplemental Disclosure of Non-Cash Investing and Financing Activities				
Exploration expenditures included in accounts payable	$	**(143,384)**	$	(314,655)
Conversion of warrants included in accounts payable	$	**-**	$	(99,798)
Shares to be issued as reimbursement for mineral property exploration expenditures	$	**(270,000)**	$	-
Shares issued for debt	$	**(1,598,238)**	$	(1,504,330)
Stock option benefits included in mineral properties	$	**-**	$	(302,458)
Shares received for mineral property	$	**-**	$	920,000
Transfer of available-for-sale investments to reduce loan payable	$	**-**	$	(184,000)
Warrants issued for loan arrangement fee	$	**-**	$	160,559
Shares issued for loan arrangement fee	$	**-**	$	436,200
Warrants re-priced for loan arrangement fee	$	**-**	$	13,007
Bulk sample gold recovered applied against loan payable	$	**-**	$	31,250

Freegold Ventures Limited Statement 5
(An Exploration Stage Company)

Consolidated Schedules of Mineral Property Costs
For the Years Ended 31 December

Canadian Funds

	2010	2009
Golden Summit Property, Alaska, USA		
Acquisition costs		
Cash - option payments	$ **268,299**	$ 281,877
Cash - option payments received	-	(300,000)
	268,299	(18,123)
Deferred exploration expenditures		
Geological and field expenses	**37,246**	48,678
Mineral property fees	**61,876**	36,313
Assaying	**766**	1,359
Engineering and consulting	**2,137**	2,879
Geophysical	**46,106**	16,178
Personnel	**76,046**	180,075
Bulk sampling/plant commissioning and infrastructure	-	7,274
Bulk sample gold recovered	-	(99,332)
Shares to be issued as reimbursement for exploration expenditures	**69,201**	-
	293,378	193,424
Total	**561,677**	175,301
Almaden Property, Idaho, USA (disposed of in 2009)		
Acquisition costs		
Cash - option payments	-	48,612
Shares and reduction in loan payable - option payments received	-	(4,078,856)
	-	(4,030,244)
Deferred exploration expenditures		
Geological and field expenses	-	38,067
Mineral property fees	-	21,620
Geophysics	-	33,030
Resource engineering	-	3,850
Engineering and consulting	-	151,725
	-	248,292
Total	-	(3,781,952)
Balance Forward	$ **561,677**	$ (3,606,651)

Consolidated Schedules of Mineral Property Costs – *Continued*

For the Years Ended 31 December

Canadian Funds

	2010	2009
Balance Carried Forward	**$ 561,677**	$ (3,606,651)
Rob Property, Alaska, USA		
Acquisition costs		
Staking costs	**40,116**	-
Cash - option payments	**51,495**	56,830
	91,611	56,830
Deferred exploration expenditures		
Mineral property fees	**26,537**	23,342
Engineering and consulting	**146**	1,102
Geological and field expenses	**2,456**	10,504
Wages	**9,321**	40,856
Geophysics	**-**	5,407
	38,460	81,211
Total	**130,071**	138,041
Vinasale Property, Alaska, USA		
Acquisition costs		
Cash - option payments	**-**	107,977
Cash - option payments received	**-**	(350,000)
	-	(242,023)
Deferred exploration expenditures		
Geological and field expenses	**301,304**	4,203
Geophysics	**-**	25,241
Assaying	**35,145**	-
Drilling	**290,337**	-
Helicopter support	**230,634**	-
Mineral property fees	**10,552**	12,118
Engineering and consulting	**100,509**	-
Wages	**226,163**	45,326
Shares to be issued as reimbursement for exploration expenditures	**200,799**	-
	1,395,443	86,888
Total	**1,395,443**	(155,135)
Union Bay Property, Alaska, USA		
Deferred exploration expenditures		
Mineral property fees	**6,809**	7,298
Engineering and consulting	**937**	-
Total	**7,746**	7,298
Balance Forward	**$ 2,094,937**	$ (3,616,447)

Consolidated Schedules of Mineral Property Costs – *Continued*

For the Years Ended 31 December

Canadian Funds

	2010	2009
Costs for the Year	$ 2,094,937	$ (3,616,447)
Balance - Beginning of year	21,448,010	28,053,152
Loss on sale of mineral property	-	(3,081,458)
Reclamation costs *(Note 9)*	91,516	92,763
Balance - End of Year	$ 23,634,463	$ 21,448,010

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

a) Going Concern, Nature and Continuance of Operations

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

The Company's consolidated financial statements as at 31 December 2010 and for the year then ended have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company has a comprehensive loss of $2,251,880 for the year ended 31 December 2010 (2009 - $5,153,992) and has working capital of $2,686,037 at 31 December 2010 (2009 – working capital deficit $3,014,740).

The Company had cash and cash equivalents of $4,807,391 at 31 December 2010 (2009 - $313,354), but management cannot provide assurance that the Company will ultimately achieve profitable operations or become cash flow positive, or raise additional debt and/or equity capital. If the Company is unable to raise additional capital in the immediate future, management expects that the Company will need to curtail operations, liquidate assets, seek additional capital on less favourable terms and/or pursue other remedial measures or cease operations. These consolidated financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

On 27 August 2010, the Company consolidated its 101,153,306 old common shares, exchanging 6 (old) common shares for 1 (new) common share resulting in 16,858,863 new common shares outstanding. All common shares and per share amounts have been adjusted to give retroactive effect to the 6:1 share consolidation that took effect on 27 August 2010 *(Note 10)*.

b) Consolidation

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

c) Cash and Cash Equivalents

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

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

d) Available-for-Sale Investments

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

e) Mineral Properties and Deferred Exploration Expenditures

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

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

Long-lived assets including resource properties are reviewed for impairment to determine whether a write down of their carrying amount is required. Factors such as metal prices, the ability of the Company to finance the projects, and exploration results to date are considered in determining whether indicators of impairment exist. Since the Company has not established mineral reserves on its properties, and therefore does not have a basis to prepare cash flow projections to support the carrying amount of these assets, the Company assesses the fair value of the properties to determine if a write down is required when indicators of impairment are present.

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

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

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

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

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

f) Asset Retirement Obligation

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

g) Amortization

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

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

h) Share Capital

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

i) Stock-Based Compensation

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

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

j) Loss per Share

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

k) Income Taxes

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

l) Foreign Currency Translation

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

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

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

m) Management's Estimates

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

n) Flow-Through Shares

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

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

o) Recent Accounting Pronouncements

Business Combinations, Non-controlling Interest and Consolidated Financial Statements

The CICA released a number of confirming amendments to existing handbook sections effective January 1, 2011 in order to reduce the number of GAAP differences for entities transitioning to International Financial Reporting Standards ("IFRS") that choose to early adopt these sections. The new standards are intended to converge with IFRS. Amended sections include CICA Handbook sections 1582, "*Business Combinations*", 1601, "*Consolidated Financial Statements*", and 3855, "*Financial Instruments – Recognition and Measurement*". The Company did not elect to early adopt these amended sections and thus the amendments have no effect on the current year's consolidated financial statements.

International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that IFRS will replace Canadian GAAP for publicly accountable enterprises for financial periods beginning on and after 1 January 2011. The Company's first mandatory filing under IFRS, which will be the first quarter of 2011, will contain IFRS-compliant information on a comparative basis, as well as reconciliations for that quarter and as at the 1 January 2010 transition date.

2. Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, amounts receivable, available-for-sale investments, accounts payable, amounts due to related parties and loans payable.

The following is a summary of the accounting model the Company elected to apply to each of its significant categories of financial instruments:

Cash and cash equivalents	Held-for-trading
Amounts receivable	Loans and receivables
Available-for-sale investments	Available-for-sale
Accounts payable	Other liabilities
Amounts due to related parties	Other liabilities
Loans payable	Other liabilities

The CICA Handbook Section 3862, "*Financial Instruments – Disclosures*" requires disclosure of a three-level hierarchy for fair value measurements based upon transparency of inputs to the valuation of financial instruments carried on the balance sheet at fair value. The three levels are defined as follows:

Level 1: inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3: inputs to the valuation methodology are unobservable and significant to the fair value measurement.

2. Fair Value of Financial Instruments – *Continued*

			2010		2009
Cash and cash equivalents	Level 1	$	**4,807,391**	$	313,354
Available-for-sale investments *(Note 3)*	Level 1	$	**10,647**	$	1,215,000

a) **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, amounts receivable and available-for-sale investments. The Company manages its credit risk relating to cash and cash equivalents by dealing only with highly-rated Canadian financial institutions. As at 31 December 2010, amounts receivable was comprised of Harmonized Sales Tax receivable of $21,598 (2009 - $13,855) and available-for-sale investments subject to credit risk was comprised of a redeemable guaranteed investment certificate of $10,647 (2009 - $15,000) *(Note 3)*. As a result, credit risk is considered insignificant.

b) **Liquidity Risk**

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

c) **Currency Risk**

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

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

The Company's objective in managing its foreign currency risk is to minimize its net exposures to foreign currency cash flows by holding most of its cash and cash equivalents in Canadian dollars. The Company monitors and forecasts the values of net foreign currency cash flow and balance sheet exposures and from time to time could authorize the use of derivative financial instruments such as forward foreign exchange contracts to economically hedge a portion of foreign currency fluctuations.

2. Fair Value of Financial Instruments - *Continued*

c) Currency Risk - *Continued*

The following table provides an indication of the Company's foreign currency exposures during the years ended 31 December 2010 and 2009:

	2010	2009
Cash and cash equivalents	**US$ 189,872**	US$ 125,918
Accounts payable	**US$ 876,827**	US$ 2,785,765
Loans payable	-	US$ 1,444,500

A 1% change in Canadian/US foreign exchange rate at year end would have changed the net loss of the Company, assuming that all other variables remained constant, by approximately $6,870 for the year ended 31 December 2010.

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

d) Interest Risk

The Company is not subject to interest risk.

e) Commodity Price Risk

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

3. Available-for-Sale Investments

	2010		2009
	Cost	**Fair Value**	Fair Value
Nil (2009 - 4,000,000) common shares of Western Standard Metals Ltd.	$ -	$ -	$ 1,200,000
Redeemable Guaranteed Investment Certificate	**10,647**	**10,647**	15,000
	$ **10,647**	$ **10,647**	$ 1,215,000

During the year, the Company sold 4,000,000 (2009 - Nil) common shares of Western Standard Metals Ltd. ("Western Standard") for proceeds of $521,759 (2009 - $Nil) resulting in a loss of $214,241 (2009 - $Nil).

During the prior year, the Company directed 1,000,000 common shares of Western Standard Metals Ltd. to its subordinated bridge loan lender to reduce the debt to US$782,943 (Cdn$854,974) resulting in no gain or loss *(Notes 4e and 8ii)*.

The redeemable guaranteed investment certificate matures on 17 March 2011 and is pledged as security for certain payables of the Company.

4. Mineral Property Costs

	Acquisition	Deferred exploration	Payments received	**Totals 2010**	Totals 2009
Golden Summit Property	$ 1,310,541	$ 16,879,808	$ (300,000)	**$ 17,890,349**	$ 17,237,156
Rob Property	1,055,941	2,440,122	-	**3,496,063**	3,365,992
Vinasale Property	246,512	2,276,575	(350,000)	**2,173,087**	777,644
Union Bay Property	110,658	198,506	(234,200)	**74,964**	67,218
	$ 2,723,652	$ 21,795,011	$ (884,200)	**$ 23,634,463**	$ 21,448,010

a) Golden Summit Property, Alaska, USA

By various agreements dated from 1 December 1992 to 9 May 1997, the Company acquired from Fairbanks Exploration Inc. ("FEI") certain mineral claims in the Fairbanks Mining District of Alaska known as the Golden Summit Property, subject to a 7% working interest held in trust for FEI by the Company. The property is controlled by the Company through long-term lease agreements or outright claim ownership. As consideration, the Company issued 20,833 shares and expended US$1,767,000 on the property before 2000. The Company is also required to make all underlying lease payments *(Note 4a(i-iv))*.

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

Underlying Leases

(i) Keystone Claims

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

		US Funds	
1992 – 1998 (US$15,000 per year)	$	105,000	(paid)
2000	$	50,000	($25,000 paid in cash and $25,000 with 9,816 treasury shares issued)
2001 - 2006 (US$50,000 per year)	$	300,000	(paid)
2007	$	150,000	(paid)
2008	$	150,000	(paid $75,000 in 2008 with the remaining $75,000 paid in 2009, subject to a payment extension)
2009	$	150,000	(paid)
2010	$	150,000	(paid)
2011 – 2019 (US$150,000 per year)	$	1,350,000	

4. Mineral Property Costs - *Continued*

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

(i) Keystone Claims - *Continued*

The property is subject to a 3% NSR.

(ii) Newsboy Claims

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

(iii) Tolovana Claims

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

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

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

By agreement dated 31 December 2009, the Company entered into an option agreement with Western Standard whereby Western Standard could earn a 50% interest in the Golden Summit Property. As consideration, Western Standard paid $300,000 and must incur exploration and development expenditures as follows in order to vest with a 50% interest:

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

4. Mineral Property Costs – *Continued*

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

Western Standard will be the operator of the project until such time as the option is fulfilled and a joint venture is formed.

On 6 July 2010, the Company consented to the termination of the Golden Summit Option Agreement with Western Standard. In consideration for the early termination and in recognition of the cash payments made by Western Standard, the Company has agreed to issue Western common shares of the Company valued at $69,201, which has been recorded as a reimbursement of mineral property exploration expenditures *(Notes 10a, 12v and 17i).*

(iv) **Green Claims**

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

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

4. Mineral Property Costs - *Continued*

b) Rob Property, Alaska, USA

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

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

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

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

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

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

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

These payments are current.

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

4. Mineral Property Costs – *Continued*

c) Vinasale Property, Alaska, USA

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

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

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

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

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

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

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

4. Mineral Property Costs – *Continued*

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

Western Standard will be the operator of the project until such time as the option is fulfilled and a joint venture is formed.

On 6 July 2010, the Company consented to the termination of the Vinasale Option Agreement with Western Standard. In consideration for the early termination and in recognition of the cash payments made and exploration expenditures incurred by Western Standard, the Company has agreed to issue Western Standard common shares of the Company valued at $200,799, which has been recorded as a reimbursement of mineral property exploration expenditures *(Notes 10a, 12v and 17i)*.

d) Union Bay Property, Alaska, USA

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

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

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

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

e) Almaden Property, Washington County, Idaho, USA

During the prior year, the Company and Western Standard completed the purchase and sale of a 100% interest in the Almaden Project. In consideration, Western Standard:

- issued 5,000,000 common shares to the Company of which the Company directed 1,000,000 common shares to the subordinated bridge loan lender to reduce the amount owing by $184,000 *(Notes 3 and 8ii)*; and
- assumed US$2,900,000 indebtedness owed by the Company to its senior bridge debt holder *(Note 8ii)*.

5. Property, Plant and Equipment

	Cost	Accumulated Amortization	**2010 Net Book Value**	2009 Net Book Value
Mining equipment	$ 1,419,808	$ (927,723)	**$ 492,085**	$ 902,647
Automotive	3,771	(3,771)	**-**	2,244
Land	1,603,996	-	**1,603,996**	1,603,996
Office equipment	114,447	(114,447)	**-**	41,326
	$ 3,142,022	$ (1,045,941)	**$ 2,096,081**	$ 2,550,213

During the year ended 31 December 2010, total dispositions of property, plant and equipment were $146,309 (2009 - $469,551) for total proceeds of $68,265 (2009 - $425,604) resulting in a loss of $78,044 (2009 - $43,947).

During the year ended 31 December 2010, total additions to property, plant and equipment were $Nil (2009 - $Nil).

During the year ended 31 December 2010, the Company wrote-off property, plant and equipment with a net book value of $39,248 (2009 - $Nil).

6. Accounts Payable

During the year, the Company wrote off accounts payable balances in the amount of $397,556 (2009 - $Nil) related primarily to interest. Management does not consider that these amounts are payable although there is no assurance that a formal claim will not be made against the Company for some or all of these balances in the future.

During the year, the Company entered into a debt settlement agreement with one of its vendors. Under the terms of the agreement, the amount owing to the vendor will be repaid in cash over three years and a portion will be repaid in shares (issued) *(Note 10a)*. The cash portion will bear interest at 6%. The portion that will be repaid in the third year has been recorded as accounts payable – long term *(Note 12iii)*.

During the prior year, the Company entered into an agreement with one of its vendors to repay the amount payable over four years. The portion of this amount that will be repaid in the third and fourth years has been recorded as accounts payable – long term *(Note 12iii)*.

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7. Related Party Balances and Transactions

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

a) Effective 1 January 2005, each outside director is entitled to receive up to $500 per month. During the year, $22,000 (2009 - $29,666) was paid/accrued to directors. As at 31 December 2010, amounts due to related parties include $26,000 (2009 - $55,653) owing to directors.

b) During the year, professional fees of $75,000 (2009 - $75,000) were paid/accrued to a company controlled by the Chief Financial Officer. As at 31 December 2010, $97,303 (2009 - $57,875) related to this entity is included in due to related parties.

c) During the year, legal fees of $59,415 (2009 - $50,420) were paid/accrued to a law firm of which a director is a partner. As at 31 December 2010, $103,400 (2009 - $78,204) related to this entity is included in due to related parties.

d) During the year, salaries and benefits of $120,000 (2009 - $108,333) were paid/accrued to the President and Chief Executive Officer. As at 31 December 2010, $112,930 (2009 - $102,929) related to this individual is included in due to related parties.

e) During the year, consulting fees of $12,000 (2009 - $81,000) were paid/accrued to the Vice-President of Exploration. As at 31 December 2010, $85,621 (2009 - $74,697) related to this individual is included in due to related parties.

f) During the year, shareholder relations fees of $13,500 (2009 - $55,000) were paid/accrued to a former director. As at 31 December 2010, $22,925 (2009 - $38,750) related to this individual is included in due to related parties.

g) During the year, consulting fees of $Nil (2009 - $Nil) were paid/accrued to a company controlled by the former Vice-President of Project Development. As at 31 December 2010, $Nil (2009 - $13,090) related to this entity is included in due to related parties.

h) During a prior year, the Company secured a US$2 million short-term loan from a company with a former director in common with the Company. During the prior year, $1,504,330 of this loan was converted into 2,785,796 shares of the Company. On 1 October 2009, a director in common was elected and as at 31 December 2010, $854,974 (2009 - $854,974) is outstanding on this loan (*Notes 8ii and 10a*).

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

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

8. Loans Payable

		31 December 2010		31 December 2009
i. Convertible loans totalling US$1,791,000 bearing interest at 4% per annum with interest only payments payable quarterly beginning August 2008, secured by both bulk sampling equipment located at and land adjacent to the Golden Summit property. The convertible loans were repayable in full on 30 May 2010. The convertible loans lenders (the "Convertible Loans Lenders") had the right to convert the outstanding principal, in whole or in part, into common shares of the Company at a conversion price of US$7.38 per share at any time during the term of the loans. On 29 June 2009, US$346,500 was repaid as a result of a partial sale of mining equipment. On 28 February 2010, US$3,977 was repaid. On 20 October 2010, US$38,144 was repaid as a result of a partial sale of mining equipment. On 22 October 2010, US$257,471 was repaid. The lenders agreed to extend the repayment date for the remaining principal plus interest to 30 November 2010. As consideration, the Company agreed to issue 500,000 warrants at an exercise price of $0.60 subject to Toronto Stock Exchange ("TSX") approval. On 29 November 2010, the loans and interest were repaid in full and the warrants were issued subsequent to year end *(Notes 10a, 12iv and 17ii)*. Included in accounts payable at 31 December 2010 is interest of $Nil (2009 - $65,566) related to the convertible loans.	**$**	**-**	$	1,583,736
ii. Short term loans totalling US$5,229,032 bearing interest at 12.5% per annum with interest only payments payable monthly. On 30 September 2009, as part of the purchase and sale of a 100% interest in the Almaden Gold Project, Western Standard assumed US$2,900,000 indebtedness to the senior bridge lender (*Note 4e*). On 1 October 2009, the amount owing to the subordinated lender of US$2,329,032 was reduced by US$1,377,591 (Cdn$1,504,330) as this debt was converted into 2,785,796 shares of the Company *(Notes 7h and 10a)*. Additionally, the transfer of 1,000,000 common shares of Western Standard to the subordinated lender reduced the debt to US$782,943 (Cdn$854,974) *(Notes 3 and 4e)* which will be repayable over a two year term and bear a 6% annual interest rate (*Note 12ii*). Included in accounts payable as at 31 December 2010 is $Nil (2009 - $231,037) related to interest on the short-term loans. Collateral for this loan is a first priority security agreement on the shares in the Company's wholly owned US subsidiaries and a general security agreement against the assets of the Company including a second charge against bulk sampling equipment located on the Golden Summit Property.		**854,974**		854,974
Total	**$**	**854,974**	$	2,438,710

9. Asset Retirement Obligation

The Company's asset retirement obligations consist of reclamation and closure costs for the Golden Summit Property *(Note 4a)*. The present value of the estimated obligations relating to properties is $188,221 (2009 - $92,763) using discount rates at which cash flows have been discounted by 4.25%. Significant reclamation and closure cost activities include, land rehabilitation, demolition of field camps, ongoing care and maintenance and other costs.

The undiscounted reclamation and closure cost obligation at 31 December 2010 is $204,560 (US$200,000) (2009 - $105,100 (US$100,000)) and the cash outflows are expected to occur in 2012.

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

	31 December 2010 $	31 December 2009 $
Balance, beginning of year	**92,763**	-
Accretion for the year	**3,942**	-
Addition to Golden Summit Property site reclamation costs	**91,516**	92,763
Balance, end of year	**188,221**	92,763
Represented by:		
Current liabilities	-	-
Long term liabilities	**188,221**	92,763

10. Share Capital

a) Share Issuances and Other

On 22 December 2010, the Company closed a non-brokered private placement of 11,514,213 units priced at $0.46 per unit for proceeds of $5,296,538. Each unit consists of one common share and one non-transferable share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of $0.55 per share exercisable until 15 December 2011 and at a price of $0.65 per share exercisable until 15 December 2012 *(Note 10c)*.

On 18 October 2010, the Company agreed to issue 500,000 share purchase warrants with an exercise price of $0.60 to the convertible loan lenders, as consideration for an extension of the repayment date to 30 November 2010 *(Notes 8i, 12iv and 17ii)*. The fair value of the share purchase warrants of $125,756 has been recorded as loan extension fees with an offsetting entry to contributed surplus.

10. Share Capital – *Continued*

a) Share Issuances and Other – *Continued*

On 1 October 2010, the Company closed a non-brokered private placement of 8,975,759 units of which 7,575,759 units were priced at $0.33 per unit and 1,400,000 units were priced at $0.35 per unit for proceeds of $2,990,000. Each unit consists of one common share and one non-transferable share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of $0.40 per share exercisable until 1 October 2011 and at a price of $0.50 per share exercisable until 1 October 2012 *(Note 10c)*.

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

On 6 July 2010, the Company consented to the termination of both the Vinasale and Golden Summit Option Agreements with Western Standard whereby Western Standard is to relinquish its option to earn a 50% undivided interest in each of the Vinasale and the Golden Summit properties. In consideration for the early termination, the Company has agreed to issue Western Standard a total of 750,000 common shares of the Company subject to Western Standard paying certain creditors related to the 2010 exploration program on the Vinasale and Golden Summit properties. A reimbursement of mineral property exploration expenditures of $69,201 for the Golden Summit project and $200,799 for the Vinasale project has been recorded in the accounts for the year ended 31 December 2010. The offsetting entry is to contributed surplus *(Notes 4a, 4c, 12v and 17i)*.

On 16 February 2010, the Company issued 160,606 common shares to settle $106,000 (US$100,000) in debt *(Note 10c)*.

On 11 February 2010, the Company issued 1,282,450 common shares and 978,517 common shares to settle $846,417 and $645,821 (US$615,068), respectively, in accounts payable *(Note 6)*.

During the prior year, the Company issued 83,333 common shares valued at $155,000 for loan extension fees. The Company also issued 286,667 common shares valued at $281,200 for further loan extension fees.

During the prior year, the Company closed a non-brokered private placement of 577,083 units for proceeds of $415,500. Each unit was priced at $0.72 and consisted of one common share and one non-transferable share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of $1.20 per share exercisable until 30 June 2012 *(Note 10c)*.

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

10. Share Capital – *Continued*

b) Exercise of Warrants and Options

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

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

c) Share Purchase Warrants

As at 31 December 2010, the following share purchase warrants are outstanding:

	Number	Price per Share	Expiry Date	
	83,333	$1.02	26 February 2011	*****
	83,333	$0.84	11 July 2011	****
	577,083	$1.20	30 June 2012	***
	8,975,759	$0.40/$0.50	1 October 2011/2012	**
	11,514,213	$0.55/$0.65	15 December 2011/2012	*
Total	21,233,721			

*During the year, 11,514,213 share purchase warrants having a fair value of $3,350,612 were issued relating to private placements. Each warrant entitles the holder to purchase one additional common share at a price of $0.55 per share exercisable until 15 December 2011 and at a price of $0.65 per share exercisable until 15 December 2012 *(Note 10a)*.

**During the year, 8,975,759 share purchase warrants having a fair value of $2,128,992 were issued relating to private placements. Each warrant entitles the holder to purchase one additional common share at a price of $0.40 per share exercisable until 1 October 2011 and at a price of $0.50 per share exercisable until 1 October 2012 *(Note 10a)*.

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

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

*****During the prior year, 166,667 share purchase warrants having a fair value of $122,585 were issued as payment for placement closing fees related to the extensions of short term loan financing. A total of 83,333 warrants with an exercise price of $1.50 were cancelled and 83,333 warrants with an exercise price of $1.02 remain outstanding *(Note 17iii)*.

10. Share Capital – *Continued*

c) Share Purchase Warrants – *Continued*

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

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

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

During the prior year, 58,333 warrants that were issued during a prior year were returned to the Company for US$100,000, in accordance with the 30 July 2009 loan agreement. During the year, 160,606 common shares of the Company were issued to settle this debt *(Note 10a)*.

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

d) Share Purchase Options

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

10. Share Capital – *Continued*

d) Share Purchase Options - *Continued*

A summary of the Company's options at 31 December 2010 and the changes for the year are as follows:

Number Outstanding 31 December 2009	Granted	Exercised	Cancelled	Expired	Number Outstanding and Exercisable 31 December 2010	Exercise Price Per Share	Expiry Date
48,333	-	-	-	-	48,333	$2.10	13 March 2011
5,000	-	-	-	-	5,000	$3.00	17 July 2011
66,667	-	-	-	(66,667)	-	$4.50	25 January 2010
6,667	-	-	-	(6,667)	-	$7.20	4 June 2010
4,167	-	-	-	-	4,167	$9.00	13 July 2012
16,667	-	-	-	-	16,667	$12.60	1 November 2012
186,667	-	-	-	-	186,667	$8.52	21 February 2013
25,000	-	-	-	-	25,000	$8.52	10 April 2013
41,667	-	-	-	-	41,667	$0.84	14 September 2014
37,500	-	-	-	-	37,500	$0.60	4 December 2014
-	745,833	-	-	-	745,833	$0.48	26 February 2015
-	900,000	-	-	-	900,000	$0.50	29 October 2015
438,335	1,645,833	-	-	(73,334)	2,010,834		

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

Grant Date	Granted	Exercise Price	Fair Value	**2010 Vested Amount**
26 February 2010	745,833	$0.48	$287,877	**$287,877**
29 October 2010	900,000	$0.50	341,076	**341,076**
Total	1,645,833		$628,953	**$628,953**

The total estimated fair value of the 1,645,833 options is $628,953. All of the options vested in the current year and the total fair value of $628,953 has been recorded in the Company accounts as stock-based compensation expense. The offsetting entry for the total fair value of $628,953 is to contributed surplus.

10. Share Capital – *Continued*

d) Share Purchase Options - *Continued*

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

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

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

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

Grant Date	Granted	Exercise Price	Fair Value	**2010 Vested Amount**
8 February 2008	16,667	$9.00	$94,562	**$3,986**
10 April 2008	25,000	$8.52	75,038	**7,374**
Total	41,667		$169,600	**$11,360**

The total estimated fair value of the 41,667 options is $169,600. Since some of the options were granted under a straight line vesting schedule, $11,360 of the total fair value has been recorded in the Company accounts as stock-based compensation expense. The offsetting entry for the total fair value of $11,360 is to contributed surplus.

11. Income Taxes

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

		2010		2009
Loss before income taxes	**$**	**1,787,880**	$	5,617,992
Expected income tax (recovery)	**$**	**(509,546)**	$	(1,698,973)
Items not deductible for income tax purposes		**158,034**		1,149,196
Change in prior year provision to actual		**(1,076,415)**		-
Change in tax rates		**787,150**		282,348
Other		**(4,061)**		145,886
Unrecognized benefit of non-capital losses		**644,838**		121,543
Total income taxes	**$**	**-**	$	-

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

		2010		2009
Future income tax assets				
Financing costs	**$**	**47,384**	$	20,286
Loss carry-forwards		**8,332,768**		8,060,364
Property, plant and equipments		**454,066**		418,299
Mineral properties		**311,338**		65,764
Asset retirement obligations		**63,995**		-
		9,209,551		8,564,713
Valuation allowance		**(9,209,551)**		(8,564,713)
Net future income tax assets	**$**	**-**	$	-

The Company has non-capital losses for Canadian tax purposes of approximately $10,100,000 available to offset against Canadian taxable income in future years, which, if unutilized, will expire as follows:

		Total
2014	$	838,873
2015		1,012,171
2026		1,435,285
2027		1,366,615
2028		3,047,451
2029		1,513,903
2030		883,821
Total	$	10,098,119

11. Income Taxes – *Continued*

In addition, the Company has net operating loss carryovers for US tax purposes of approximately US$17,000,000 available to offset against US taxable income in future years, which, if unutilized, will expire through to 2030.

Subject to certain restrictions, the Company also has resource exploration expenditures of approximately $26,000,000 available to reduce taxable income of future years. Future tax benefits which may arise as a result of these losses, resource deductions and other tax assets have not been recognized in these consolidated financial statements, and have been offset by a valuation allowance.

12. Commitments

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

ii) The Company has outstanding and future commitments under the loan agreement *(Note 8ii).*

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

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

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

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

iv) The Company is committed to issuing 500,000 share purchase warrants related to the convertible loans *(Note 8i and 10a).* These warrants were issued subsequent to the year end *(Note 17ii).*

v) The Company is committed to issuing 750,000 common shares related to the early termination of the Vinasale and Golden Summit option agreements *(Notes 4a, 4c and 10a).* These common shares were issued subsequent to the year end *(Note 17i).*

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13. Segmented Information

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

	USA	Canada	Total
Loss for the year	**$ (73,843)**	**$ (1,714,037)**	**$ (1,787,880)**
Comprehensive loss for the year	**$ (73,843)**	**$ (2,178,037)**	**$ (2,251,880)**
Current assets	**$ 91,468**	**$ 4,790,442**	**$ 4,881,910**
Property, plant and equipment	**$ 2,096,081**	**$ -**	**$ 2,096,081**
Mineral property costs	**$ 23,634,463**	**$ -**	**$ 23,634,463**
Total assets	**$ 25,822,012**	**$ 4,790,442**	**$ 30,612,454**

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

	USA	Canada	Total
Loss for the year	$ (339,393)	$ (5,278,599)	$ (5,617,992)
Comprehensive loss for the year	$ (339,393)	$ (4,814,599)	$ (5,153,992)
Current assets	$ 4,233	$ 1,564,876	$ 1,569,109
Property, plant and equipment	$ 2,504,077	$ 46,136	$ 2,550,213
Mineral property costs	$ 21,448,010	$ -	$ 21,448,010
Total assets	$ 23,956,320	$ 1,611,012	$ 25,567,332

14. Contingency

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

15. Comparative Figures

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

16. Capital Disclosure

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

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

16. Capital Disclosure – *Continued*

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended 31 December 2010. Neither the Company nor its subsidiaries is subject to externally imposed capital requirements.

17. Subsequent Events

The following events occurred during the period from the year ended 31 December 2010 to the date the consolidated financial statements were available to be issued on 29 March 2011:

i) On 18 January 2011, the Company issued 750,000 shares pursuant to the 6 July 2010 settlement agreement with Western Standard. The Company consented to the termination of both the Vinasale and Golden Summit Option Agreements with Western Standard whereby Western Standard was to relinquish its option to earn a 50% undivided interest in each of the Vinasale and the Golden Summit properties. In consideration for the early termination, the Company has agreed to issue Western Standard a total of 750,000 common shares of the Company subject to Western Standard paying certain creditors related to the 2010 exploration program on the Vinasale and Golden Summit properties. A reimbursement of mineral property exploration expenditures of $69,201 for the Golden Summit project and $200,799 for the Vinasale project has been recorded in the accounts for the year ended 31 December 2010. The offsetting entry is to contributed surplus *(Notes 4a, 4c, 10a and 12v)*.

ii) On 2 February 2011, the Company issued 500,000 share purchase warrants to the convertible loan lenders with an exercise price of $0.60, expiring on 2 February 2012 *(Notes 8i, 10a and 12iv)*.

iii) On 26 February 2011, 83,333 warrants with an exercise price of $1.02 per common share expired *(Note 10c)*.

iv) On 13 March 2011, 48,333 stock options with an exercise price of $2.10 per common share expired *(Note 10d)*.

v) On 14 March 2011, the Company issued 40,000 common shares of the Company upon exercise of 40,000 warrants at an exercise price of $0.40 per common share, for total proceeds of $16,000.

vi) On 16 March 2011, the Company closed a non-brokered private placement of 4,583,331 units at $0.48 per unit for gross proceeds of $2,199,999. Each unit will consist of one common share and one non-transferable share purchase warrant. Each warrant will entitle the holder to acquire an additional share at a price of $0.59 for a period of one year from the date of closing and at a price of $0.65 between one year and two years from closing.