



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

**DATED: AUGUST 24<sup>TH</sup>, 2017**

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

**AMENDED AND RESTATED**

The condensed interim consolidated financial statements have been amended and restated for the six month period ended June 30, 2017 to reclassify certain deferred financing charges incurred in connection with the Company's Offering as described in Note 14 (i) of the financial statements and to record the deferred charges at the appropriate foreign exchange rate. The impact of the amendment and restatement was an increase to assets in the amount of \$84,925, with a corresponding increase in share capital (equity). Furthermore, the reclassification impacted the condensed interim consolidated statement of cash flows for the six month period ended June 30, 2017 by increasing cash outflows from operating activities from \$484,925 to \$502,101, and decreasing cash outflows from financing activities from \$17,176 to \$nil. The reclassification did not have an impact on the condensed interim consolidated statement of loss and comprehensive loss for the three or six month periods ended June 30, 2017, nor did it have an impact on the Company's reported basic and diluted loss per share for those periods. The MD&A has been updated to change the working capital from \$379,684 to \$464,609.

**INTERNATIONAL FINANCIAL REPORTING STANDARDS**

The 2017 and 2016 information set forth in this document should be read in conjunction with the condensed consolidated unaudited financial statements and related notes, prepared in accordance with IFRS, for the three and six month periods ended June 30<sup>th</sup>, 2017 and 2016.

**CHANGE IN PRESENTATION CURRENCY**

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

**BUSINESS OF FREEGOLD**

Freegold is an exploration stage company engaged in the acquisition, exploration and evaluation of mineral properties of merit with the aim of developing them to a stage where they can be exploited at a profit or to arrange joint ventures whereby other companies provide funding for development and exploitation. The Company was incorporated in 1985 and is listed on the

Toronto Stock Exchange under the symbol “FVL”. As of August 24<sup>th</sup>, 2017, the Company had 145,082,617 shares outstanding. The Company has its registered corporate office in Vancouver, Canada.

## **CORPORATE UPDATE**

At the June 30<sup>th</sup>, 2017 Annual General Meeting, Andrew Partington did not stand for re-election and Glen Dickson and Ron Ewing were elected as new directors. Glen Dickson is the President and CEO of Meliadine Gold Ltd. a private resource company with mineral holdings in Nunavut and Ron Ewing is a retired mining executive. Both will add considerable strength with their experience in mining.

## **REVIEW OF EXPLORATION PROJECTS**

The Company continues to focus its exploration activities in Alaska on its Shorty Creek and Golden Summit Projects. During the year ended December 31<sup>st</sup>, 2016, a 3,038 metre (~10,000 feet) diamond drill program was carried out at Shorty Creek while additional geochemical work was undertaken at Golden Summit. During 2017, an oxide expansion drill program was completed at Golden Summit to determine if the current oxide resource could be expanded to the north. On July 19<sup>th</sup>, 2017, the Company announced it had commenced drilling at its Shorty Creek Project.

### **SHORTY CREEK**

The Company entered into a renewable ten-year lease agreement to acquire certain mineral claims comprising the Shorty Creek Project in July 2014. The Project is located 120 kilometres northwest of Fairbanks, Alaska and 4 kilometres to the south of the all-weather paved Elliott Highway within the Livengood-Tolovana Mining District. The Company issued 750,000 common shares as consideration. The vendor will retain a 2% net smelter returns royalty (“NSR”) and be responsible for the annual State of Alaska rents for the first five years after which the Company will be responsible. In 2014, additional claims were staked in the area of interest and the Company will be responsible for these annual State of Alaska rents. Additional claims were also staked during the 2016 exploration program.

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

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

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

For results of the 2016 drill program, reference should be made to the full news releases contained on the Company’s website at [www.freegoldventures.com](http://www.freegoldventures.com), as well as a technical report with respect to the Shorty Creek Project entitled, “Updated *Technical Report for the Shorty Creek Project, Livengood – Tolovana Mining District, Alaska*” by John R. Woodman, B.Sc., P. Geo., dated March 31<sup>st</sup>, 2017, amended and restated as at June 1<sup>st</sup>, 2017 which was filed on SEDAR.

On July 19<sup>th</sup>, 2017, the Company announced that new drilling had commenced at its Shorty Creek Project.

The 2017 program will focus on further expanding the mineralization at Hill 1835 and initial drill testing of the Steel Creek and Quarry targets.

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

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

### **GOLDEN SUMMIT**

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

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

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

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

- A post-tax net present value using a 5% discount rate and an internal rate of return of \$188 million and 19.6%, respectively;
- A mine life of 24 years with peak annual gold production of 158 thousand ounces (koz) and average annual gold production of 96 koz;
- 2,358 koz of doré produced over the life of mine;
- Total cash cost estimated at \$842/oz Au (including royalties, refining and transport);
- Ability to execute Phase 1 with low initial capital; initial and sustaining capital costs, including contingency, estimated at \$88 million and \$348 million respectively;

- A payback of 3.3 years post-tax; and
- Favourable geopolitical climate; completion risk is offset through strong legislative and financial support at state and federal levels.

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

## **EXPLORATION**

Freegold has been exploring the Golden Summit Project since 1992. Exploration activities have included ground and airborne geophysics, rock, soil and trench sampling and drilling (reverse circulation, rotary air blast and core). In addition, detailed geochemical and geophysical programs have been undertaken over the entire Project. The Project is host to several high grade historical gold mines as well as significant historical placer gold production. It is estimated that some 6.75 million ounces of placer gold have been recovered from the streams that drain the Golden Summit Project area.

The Golden Summit Project has a number of competitive advantages including existing infrastructure, a favorable permitting climate and proximity to Fairbanks. The site is within eight kilometres of Kinross Gold’s Fort Knox mine, a heap leach and milling operation. There is ready access to an available, seasoned labour pool.

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

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

On May 9<sup>th</sup>, 2017, the Company announced that drilling would commence on the Golden Summit Project. The 2017 Phase One oxide expansion program was designed to potentially increase the current oxide gold resource. Drilling during Phase One was focused to the north of the current mineral resource where previously completed RAB (rotary air blast drilling) identified the potential for higher- grade material. Twenty-seven holes were completed to an average depth of 70 metres with all holes completed through the oxide zone. The metallurgical program underway is aimed at improving the overall project economics. The metallurgical program is focussing on further oxidation treatment on all identifiable sulphide materials as well as ultra fine grind testwork in an effort to explore grind size vs recovery relationships.

On June 13<sup>th</sup>, 2017, the Company announced assays from the first 11 holes of the oxide expansion drill program which are shown in the table below:

Hole	Total Depth (m)	From (m)	To (m)	Interval (m)	Au g/t	Oxide Thickness (m)	Oxide Grade Au g/t
GSDL 17-01	62	2.38	62	59.6	0.21	44.6	0.26
GSDL 17-02	62	3	62	59	0.2	45.5	0.23
GSDL 17-03	71	0	71	71	0.19	54.5	0.16
GSDL 17-04	67.5	0	67.5	67.5	0.41	54.4	0.32
GSDL 17-05	71	3	71	68	0.16	50	0.13
GSDL 17-06	71	4.5	71	66.5	0.40	56.5	0.36
GSDL 17-07	71.7	7	71.7	64.7	0.29	45.5	0.35
GSDL 17-08	72	2	72	70	0.16	40	0.17
GSDL 17-09	72	1.5	72	70.5	0.26	41.3	0.32
GSDL 17-10	<b>70.5</b>	<b>1.5</b>	<b>70.5</b>	<b>69</b>	<b>0.44</b>	<b>39</b>	<b>0.72</b>
GSDL 17-11	70.5	2	70.5	68.5	0.45	56.5	0.51

*Width refers to drill hole intercepts, true widths cannot be determined due to uncertain geometry of mineralization.*

On June 22<sup>nd</sup>, 2017, the Company announced the assays from an additional 4 holes of the oxide expansion drill program which are shown in the table below:

Hole	Total Depth (m)	From (m)	To (m)	Interval (m)	Au g/t	Oxide Thickness (m)	Oxide Grade Au g/t
GSDL 17-12	70.5	1.5	70.5	69	0.23	54	0.26
<b>GSDL 17-13</b>	<b>70.5</b>	<b>1.5</b>	<b>70.5</b>	<b>69</b>	<b>0.46</b>	<b>52.5</b>	<b>0.56</b>
GSDL 17-14	70.5	1.5	70.5	69	0.74	51	0.19
GSDL 17-15	70.5	3	70.5	67.5	0.38	58.5	0.35

*Width refers to drill hole intercepts, true widths cannot be determined due to uncertain geometry of mineralization.*

On June 27<sup>th</sup>, 2017, the Company announced the assays from an additional and final 6 holes of the oxide expansion drill program which are shown in the table below:

Hole	Total Depth (m)	From (m)	To (m)	Interval (m)	Au g/t	Oxide Thickness (m)	Oxide Grade Au g/t
<b>GSDL 17-16</b>	<b>70.5</b>	<b>1.5</b>	<b>70.5</b>	<b>69</b>	<b>1.14 (uncut)</b>	<b>54</b>	<b>1.40 (uncut)</b>
<b>GSDL 17-16</b>	<b>70.5</b>	<b>1.5</b>	<b>70.5</b>	<b>69</b>	<b>0.89*</b>	<b>54</b>	<b>1.09*</b>
GSDL 17-17	70.5	1.5	70.5	69	0.42	42	0.55
GSDL 17-18	70.5	6	70.5	64.5	0.51	52.5	0.57
GSDL 17-19	70.5	0	70.5	70.5	Anomalous	42	Anomalous
GSDL 17-20	70.5	0	70.5	70.5	0.12	43.5	Anomalous
GSDL 17-21	70.5	0	70.5	70.5	Anomalous	49.5	Anomalous

*\* cut to 30 g/t*

*Width refers to drill hole intercepts, true widths cannot be determined due to uncertain geometry of mineralization.*

Hole GSDL 17-16 intersected one of the high-grade east-west trending veins that are documented in the Dolphin-Cleary Area and the presence of visible gold was noted. Holes GSDL 17-17 and 17-18, the northern most holes drilled in this program intersected intrusive mineralization in an area where intrusive has not previously been encountered.

Results continue to demonstrate the potential for expansion of the current oxide resource.

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

## RESULTS OF OPERATIONS

### *Six month period ended June 30<sup>th</sup>, 2017*

General and administrative expenses for the six-month period ended June 30<sup>th</sup>, 2017 were \$450,678, an increase of \$67,027 compared to \$383,651 for the six month period ended June 30<sup>th</sup>, 2016. The changes in comprehensive loss were mainly attributable to:

- a decrease of \$24,501 in consulting fees, from \$38,347 in 2016 to \$13,846 as fewer consultants were contracted for the Company's financing activities;
- an increase of \$51,632 in promotion and shareholder relations, from \$9,887 in 2016 to \$61,519 as the Company implemented an investor awareness campaign and attended investor meetings;
- an increase of \$21,470 in travel expenses, from \$39,236 in 2016 to \$60,706. The increase was mainly attributable to activities to increase investor awareness and to facilitate additional financing requirements.

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

During the six-month period ended June 30<sup>th</sup>, 2017, the Company incurred the below acquisition and exploration and evaluation property expenditures:

	Golden Summit Property	Shorty Creek Property	Total
<b>Acquisition costs</b>			
Balance, December 31 <sup>st</sup> , 2016	\$ 2,833,389	\$ 198,546	\$ 3,031,935
Additions	63,775	-	63,775
Balance, June 30 <sup>th</sup> , 2017	\$ 2,897,164	\$ 198,546	\$ 3,095,710
<b>Exploration and evaluation costs</b>			
Balance, December 31 <sup>st</sup> , 2016	\$ 27,835,798	\$ 2,770,272	\$ 30,606,070
Assaying	68,506	-	68,506
Camp costs	-	24,551	24,551
Drilling	342,968	41,375	384,343
Engineering and consulting	5,030	19,046	24,076
Geological and field expenses	20,316	26,117	46,433
Geophysical	1,599	-	1,599
Helicopter support	-	36,528	36,528
Land maintenance and tenure	3,575	-	3,575
Legal	25,000	-	25,000
Metallurgical studies	13,418	-	13,418
Personnel	90,804	-	90,804
Travel	45,247	36,469	81,716
Balance, June 30 <sup>th</sup> , 2017	\$ 28,452,261	\$ 2,954,358	\$ 31,406,619
<b>Total</b>	<b>\$ 31,349,425</b>	<b>\$ 3,152,904</b>	<b>\$ 34,502,329</b>

The decrease in cash of \$1,195,049 for the six-month period ended June 30<sup>th</sup>, 2017 was mainly attributable to the quarterly loss of \$447,704 and \$739,046 spent on exploration costs. This compares to an increase in cash for the six-month period ended June 30<sup>th</sup>, 2016 of \$4,433,005 that was mainly attributable to \$4,852,020 received from financing activities.

In May 2016, the Company filed a short form prospectus pursuant to which the Company issued an aggregate of 40,461,766 units of securities (the "Units") at a price of Cdn\$0.18 per Unit for gross proceeds of Cdn\$7,283,118. (US\$5,508,750, US\$4,823,110 net to the Company). The following table compares the previously disclosed use of proceeds (other than working capital) and the variances for the year ended December 31, 2016.

	Budgeted expenditures	Actual expenditures	Variance
<b>Shorty Creek, Alaska</b>			
Drilling program	\$ 1,800,000	\$ 1,738,353	\$ 61,647
<b>Golden Summit, Alaska</b>			
Oxide expansion drilling	500,000	-	500,000*
Base line studies, cultural resource studies and Metallurgical work (ongoing)	200,000	9,875	190,125*
Property payments and holding costs	400,000	398,749	1,251
<b>Total, December 31, 2016</b>	<b>\$ 2,900,000</b>	<b>\$ 2,146,977</b>	<b>\$ 753,023</b>

\*In December 2016, the Company announced that oxide expansion drilling and metallurgical work would be undertaken in 2017. Both drilling and metallurgical work were completed in 2017 at a cost of \$616,463.

### **Three month period ended June 30<sup>th</sup>, 2017**

General and administrative expenses for the three-month period ended June 30<sup>th</sup>, 2017 were \$188,779, a decrease of \$2,809 compared to \$191,588 for the three month period ended June 30<sup>th</sup>, 2016. The changes in comprehensive loss were mainly attributable to:

- a decrease of \$13,569 in consulting fees, from \$19,913 in 2016 to \$6,344 as fewer consultants were contracted for the Company's financing activities;
- an increase of \$6,727 in promotion and shareholder relations, from \$3,904 in 2016 to \$10,631 as the Company implemented an investor awareness campaign and attended investor meetings;

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



During the three-month period ended June 30<sup>th</sup>, 2017, the Company incurred the below acquisition and exploration and evaluation property expenditures:

	Golden Summit Property		Shorty Creek Property		Total
<b>Acquisition costs</b>					
Balance, March 31 <sup>st</sup> , 2017	\$	2,874,889	\$	198,546	\$ 3,073,435
Additions		22,275		-	22,275
Balance, June 30 <sup>th</sup> , 2017	\$	2,897,164	\$	198,546	\$ 3,095,710
<b>Exploration and evaluation costs</b>					
Balance, March 31 <sup>st</sup> , 2017	\$	27,864,988	\$	2,812,739	\$ 30,677,727
Assaying		68,506		-	68,506
Camp costs		-		24,551	24,551
Drilling		342,968		41,375	384,343
Engineering and consulting		5,030		12,300	17,330
Geological and field expenses		16,743		12,815	29,558
Geophysical		1,599		-	1,599
Helicopter support		-		36,528	36,528
Legal		25,000		-	25,000
Metallurgical studies		13,418		-	13,418
Personnel		90,804		-	90,804
Travel		23,205		14,050	37,255
Balance, June 30 <sup>th</sup> , 2017	\$	28,452,261	\$	2,954,358	\$ 31,406,619
<b>Total</b>	<b>\$</b>	<b>31,349,425</b>	<b>\$</b>	<b>3,152,904</b>	<b>\$ 34,502,329</b>

## SUMMARY OF QUARTERLY RESULTS

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

### Quarters Ended (unaudited)

	June 30 <sup>th</sup> 2017	Mar. 31 <sup>st</sup> 2017	Dec. 31 <sup>st</sup> 2016	Sept. 30 <sup>th</sup> 2016	June 30 <sup>th</sup> 2016	Mar. 31 <sup>st</sup> 2016	Dec. 31 <sup>st</sup> 2015	Sept. 30 <sup>th</sup> 2015
Total revenues	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
Net comprehensive (loss) income – before tax	(187,724)	(259,980)	48,446	(622,285)	(190,876)	(192,275)	(107,928)	(178,576)
Net comprehensive (loss) income per share	(0.00)	(0.00)	0.00	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Total assets	36,206,296	36,098,863	36,407,348	38,431,471	39,120,294	34,101,392	32,169,227	27,998,190

The net comprehensive loss of \$187,724 for the 3 month period ended June 30<sup>th</sup>, 2017 was approximately the same compared to the net comprehensive loss of \$190,876 for the three month period ended June 30<sup>th</sup>, 2016.

The net comprehensive loss of \$447,704 for the 6 month period ended June 30<sup>th</sup>, 2017 was higher than the net comprehensive loss of \$383,151 for the 6 month period ended June 30, 2016 mainly due to an increase of \$51,632 in promotion and shareholder relations expenses and \$21,470 in travel costs.

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

### **Liquidity and capital resources**

At June 30<sup>th</sup>, 2017, the Company's working capital, defined as current assets less current liabilities, was \$464,609 compared to working capital of \$1,741,778 at December 31<sup>st</sup>, 2016. The Company has current liabilities of \$866,904 of which \$413,885 relates to trade payables and \$453,019 is owed to related parties. The Company also has a \$622,991 non-current liability that will be settled in 2018. The Company will need further financing to meet all its contractual and statutory property payments and exploration commitments and planned activities for the current year.

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

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

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

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

### **Going Concern Assumption**

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

Currently, the Company does not have a source of revenue and is dependent on equity financings to fund its activities. The Company has positive working capital at June 30<sup>th</sup>, 2017 and the Company endeavors to manage the cash position prudently through ongoing monitoring of current and future cash and working capital balances relative to planned activities. The available capital may not be sufficient to fund the Company's planned activities through 2017.

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

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

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

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

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

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

Directors, officers, employees and contractors are granted options to purchase common shares under the Company Stock Option Plan. This plan and its terms and outstanding balance are disclosed in Note 9d to the condensed consolidated financial statements for the period ended June 30<sup>st</sup>, 2017.

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

### **Restoration and Environmental Obligations**

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

### **Contractual Commitments**

The following table discloses, as of June 30<sup>th</sup>, 2017, the Company's contractual obligations, including anticipated mineral property payments and work commitments. Under the terms of the Company's mineral property purchase agreements, mineral leases and the terms of the unpatented mineral claims held by it, the Company is required to make certain scheduled acquisition payments, incur certain levels of expenditures, make lease or advance royalty

payments, make payments to government authorities and incur assessment work expenditures as summarized in the table below in order to maintain and preserve the Company's interest in the related mineral properties. If the Company is unable or unwilling to make any such payments or incur any such expenditures, it is likely that the Company would lose or forfeit its rights to acquire or hold the related mineral properties. The following table assumes that the Company retains the rights to all of its current mineral properties, but does not exercise any lease purchase or royalty buyout options:

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

	2017	2018	2019	2020	* 2021 and after	Total
Golden Summit - payments	\$ 259,000	330,655	330,000	430,000	430,000	\$ 1,779,655
Golden Summit - exploration	\$ -	513,720	95,000	95,000	95,000	\$ 798,720
Shorty Creek - payments	\$ 7,000	7,000	7,000	67,000	67,000	\$ 155,000
Vendor agreement	\$ -	622,991	-	-	-	\$ 622,991
<b>Total</b>	<b>\$ 266,000</b>	<b>1,474,366</b>	<b>432,000</b>	<b>592,000</b>	<b>592,000</b>	<b>\$ 3,356,366</b>

\*The annual exploration and evaluation property option commitments will be approximately \$592,000 per year assuming the Company retains the rights to its current mineral properties.

For more detailed information on the Company's statutory property payments and exploration commitments, see the Company's Annual Information Form for the year ended December 31<sup>st</sup>, 2016 and Note 4 to the Company's condensed consolidated financial statements for the six-month period ended June 30<sup>th</sup>, 2017.

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

	< 1 year Cdn\$	2-5 years Cdn\$	Total Cdn\$
Office lease - Vancouver	\$ 65,731	\$ 223,203	\$ 288,934
Photocopier lease payments	\$ 4,006	\$ 11,017	\$ 15,023
<b>Total</b>	<b>\$ 69,737</b>	<b>\$ 234,220</b>	<b>\$ 303,957</b>

See Note 10 of the Company's condensed consolidated financial statements for the six month period ended June 30<sup>th</sup>, 2017.

#### Off-balance sheet arrangements

The Company has no off-balance sheet arrangements.

## **Financial Instruments**

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

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

## **Credit Risk**

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises primarily from the Company's cash and cash equivalents and amounts receivable. The Company manages its credit risk relating to cash and cash equivalents by dealing only with highly-rated Canadian financial institutions. As at June 30<sup>th</sup>, 2017, amounts receivable of \$31,112 (December 31<sup>st</sup>, 2016 - \$7,404) was comprised of Goods and Services Tax/Harmonized Sales Tax receivable of \$13,366 (December 31<sup>st</sup>, 2016 - \$4,814), interest receivable of \$2,346 (December 31<sup>st</sup>, 2016 - \$2,473) and other receivables of \$15,400 (December 31<sup>st</sup>, 2016 - \$117). As a result, credit risk is considered insignificant.

## **Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by continuously monitoring actual and projected cash flows and matching the maturity profile of financial assets and liabilities. As at June 30<sup>th</sup>, 2017, the Company had cash of \$1,110,535 to settle current liabilities of \$866,904 which have contractual maturities of less than 30 days and are subject to normal trade terms.

## **Currency Risk**

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

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

The following table provides an indication of the Company's foreign currency exposures during the periods ended June 30<sup>th</sup>, 2017 and December 31<sup>st</sup>, 2016:

	<b>June 30<sup>th</sup>, 2017</b>	December 31 <sup>st</sup> , 2016
Cash and cash equivalents	<b>Cdn\$474,311</b>	Cdn\$1,353,465
Trade payables	<b>Cdn\$253,186</b>	Cdn\$706,503

A 1% change in Canadian/US foreign exchange rate at period end would have changed the net loss of the Company, assuming that all other variables remained constant, by approximately \$1,106 for the six-month period ended June 30<sup>th</sup>, 2017 (year ended December 31<sup>st</sup>, 2016 - \$6,470).

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

### **Interest Rate Risk**

The Company is not subject to interest rate risk.

### **Commodity Price Risk**

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

### **SUBSEQUENT EVENTS**

The following events occurred subsequent to June 30<sup>th</sup>, 2017:

On July 24, 2017, the Company filed an amended preliminary short form prospectus that was originally filed on April 24, 2017 in connection with a proposed marketed offering of units (the "Units") of the Company for minimum gross proceeds of Cdn\$1,800,000 and maximum gross proceeds of Cdn\$5,000,000 (the "Offering"). The Offering will be priced in the context of the market with certain details of the Offering to be determined at the time of pricing. Each Unit will consist of one common share in the capital of the Company and a number of common share purchase warrants, or a fraction of a common share purchase warrant, that will be determined in the context of the market, with each whole common share purchase warrant entitling the holder thereof to purchase one common share of the Company within 36 months from the closing date of the Offering at a price to be determined.

The Units are being offered on a "best efforts" basis pursuant to an Agency Agreement to be entered into between Paradigm Capital Inc. (the "Agent") and the Company. The Units will be offered in the provinces of Alberta, British Columbia and Ontario. The Units may be offered for sale in the United States under certain exemptions from the registration requirements of the U.S. Securities Act and applicable state securities laws. In addition, up to Cdn\$1,000,000 of the Offering may be issued directly by the Company or through one or more qualified placement agents to one or more investors resident outside of Canada and the United States.

The Company has also agreed to grant the Agent an option to cover over-allotments and for market stabilization purposes (the "Over-Allotment Option"), which will allow the Agent to arrange for purchasers to acquire up to an additional 15% of the number of Units offered under the Offering. The Over-Allotment Option will be exercisable, in whole or in part, at any time up to 30 days after the closing of the Offering. There is no assurance that the Offering will be completed.

## OUTSTANDING SHARE DATA

The Company is authorized to issue unlimited common shares without par value. As at August 24<sup>th</sup>, 2017, there were 145,082,617 outstanding common shares.

As at August 24<sup>th</sup>, 2017 there were 38,170,957 warrants outstanding as disclosed in the table below:

	<b>Number Outstanding August 24<sup>th</sup>, 2017</b>	<b>Exercise Price per Share Cdn\$</b>	<b>Expiry Date</b>
	5,171,500	\$0.30	September 11 <sup>th</sup> , 2017
	3,186,250	\$0.15	May 4 <sup>th</sup> , 2018
	6,750,000	\$0.15	August 12 <sup>th</sup> , 2018
	20,230,883	\$0.25	May 20 <sup>th</sup> , 2019
	2,832,324	\$0.18	May 20 <sup>th</sup> , 2019
<b>Total</b>	<b>38,170,957</b>		

Directors, officers, employees and contractors are granted options to purchase common shares under the Company Stock Option Plan. This plan and its terms and outstanding balance are disclosed in Note 9d to the condensed consolidated financial statements for the period ended June 30<sup>th</sup>, 2017.

As at August 24<sup>th</sup>, 2017 there were 5,270,000 stock options outstanding as disclosed in the below table:

	<b>Number Outstanding August 24<sup>th</sup> 2017</b>	<b>Number Exercisable August 24<sup>th</sup> 2017</b>	<b>Exercise Price per Share Cdn\$</b>	<b>Expiry Date</b>
	700,000	700,000	\$ 0.25	January 1 <sup>st</sup> , 2019
	150,000	150,000	\$ 0.20	July 23 <sup>rd</sup> , 2019
	150,000	150,000	\$ 0.12	July 28 <sup>th</sup> , 2020
	4,220,000	4,220,000	\$ 0.21	July 8 <sup>th</sup> , 2021
	50,000	50,000	\$ 0.155	April 6 <sup>th</sup> , 2022
<b>Total</b>	<b>5,270,000</b>	<b>5,270,000</b>		

## RELATED PARTY TRANSACTIONS

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

A summary of key management compensation is as follows:

		Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Gord Steblin – Chief Financial Officer	\$	14,646	14,526	29,649	28,370
Taryn Downing – Corporate Secretary		5,451	6,293	11,589	12,289
Kristina Walcott – President		36,429	33,986	73,369	66,374
Alvin Jackson – Vice President		36,429	33,985	73,369	66,373
<b>Total</b>	<b>\$</b>	<b>92,955</b>	<b>88,790</b>	<b>187,976</b>	<b>173,406</b>

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

		<b>June 30, 2017</b>	December 31, 2016
Kristina Walcott - President and Chief Executive Officer	\$	<b>193,050</b>	\$ 186,580
Alvin Jackson - Vice President, Exploration and Development		<b>187,431</b>	181,148
Gord Steblin - Chief Financial Officer		<b>50,692</b>	48,993
Taryn Downing - Corporate Secretary		<b>21,846</b>	21,427
<b>Total</b>	<b>\$</b>	<b>453,019</b>	\$ 438,148

The amounts owing to related parties are for past wages and consulting fees from 2015. Key management personnel includes individuals having authority and responsibility for planning, directing and controlling the activities of the Company, including the directors, and any companies controlled by these parties.

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

The Company incurred certain share issue costs relating to the offering completed in May 2016 with Norton Rose Fulbright Canada LLP ("Norton"), a legal firm of which a Director of the Company, David Knight, is a partner. Norton was paid \$141,650 for legal services in connection with the financing completed. Further, cash commissions of \$385,612 were paid to Paradigm Capital ("Paradigm"), a firm of which a former Director of the Company, Andrew Partington, is a partner, in respect to the financing completed. 2,832,324 agent warrants were also issued to Paradigm, with an attributed value of \$292,122. Additional deferred financing charges of \$38,717 relating to the July 24, 2017 public offering of securities were incurred with Norton and was owed \$28,418 as at June 30, 2017 (December 31, 2016 - \$2,946).



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

## **DISCLOSURE CONTROLS AND PROCEDURES**

The Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), together with management, evaluated the design and operating effectiveness of the Company’s disclosure controls and procedures as at the period ended June 30<sup>th</sup>, 2017. Based on that evaluation, the CEO and the CFO concluded that the design and operation of these disclosure controls and procedures were effective as at June 30<sup>th</sup>, 2017 to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, would be made known to them by others within those entities and that information required to be disclosed by the Company in its annual and interim filings and other reports submitted under securities legislation was recorded, processed, summarized and reported within the periods specified in securities legislation.

## **INTERNAL CONTROLS OVER FINANCIAL REPORTING**

The CEO and CFO, together with management, evaluated the design and operating effectiveness of the Company’s internal controls over financial reporting as at the financial period ended June 30<sup>th</sup>, 2017. Based on that evaluation, the CEO and CFO concluded that the design and operation of internal controls over financial reporting were effective as at June 30<sup>th</sup>, 2017 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of condensed consolidated financial statements for external purposes in accordance with IFRS. In designing and implementing such controls, it should be recognized that any system of the internal control over financial reporting, no matter how well designed and operated, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to condensed consolidated financial statement preparation and may not prevent or detect all misstatements due to error or fraud.

## **CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING**

There have been no changes in the Company’s internal controls over financial reporting during the six-month period ended June 30<sup>th</sup>, 2017 that have materially affected, or are reasonably likely to materially affect, the Company’s internal controls over financial reporting.

## **RISKS AND UNCERTAINTIES**

The Company believes that the following items represent significant risks and uncertainties related to its business.

### **Cash Flows and Additional Funding Requirements**

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

### **Industry**

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

## **Commodity Prices**

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

## **Competition**

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

## **Foreign Political Risk**

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

## **Government Laws, Regulation & Permitting**

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

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

## **Title to Properties**

Acquisition of rights to the exploration and evaluation properties is a very detailed and time-consuming process. Title to, and the area of, exploration and evaluation properties may be disputed. Although the Company has made reasonable efforts to investigate the title to all of the properties for which it holds mineral leases or licenses or in respect of which it has a right to earn

an interest, the Company cannot give an assurance that title to such properties will not be challenged or impugned.

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

### **Estimates of Mineral Resources**

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

### **Key Management**

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

### **Volatility of Share Price**

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

### **Foreign Currency Risk**

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

### **Conflict of Interest**

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

### **OUTLOOK**

Given the results of the Golden Summit PEA, the next significant step for the Golden Summit Project, subject to arranging appropriate financing, would be the preparation of a Preliminary Feasibility Study. A significant advantage for the project to keep the initial capital expenditures at a

minimum is the superb supporting infrastructure in the immediate vicinity of the property, as well as in the broader region. The city of Fairbanks (population 100,000) is a 30 minute drive via paved highway while industrial scale grid power and rail transport are available nearby. Additional drilling, metallurgical testing, environmental analyses, other permitting and property confirmation activities will need to be undertaken as part of this next level of study. In the near term, particular emphasis will be placed on planning additional drilling aimed at expanding the current oxide resource. Geophysical, geochemical and geological results had identified three primary areas in which drilling should be focused. Drilling during 2017 was focused on the area to the north of the oxide resource and the results indicate that the oxide mineralization extends to the north. Both the areas to the west and southwest remain untested by additional drilling. These areas represent high priority areas for further oxide expansion.

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

The 2016 drill program successfully confirmed the presence of a copper-gold-molybdenum porphyry system at Shorty Creek Project with an alteration/mineralization footprint that covers an area of approximately 10 kilometres in diameter. The airborne magnetic survey has identified several northeast trending magnetic highs. Copper-gold-molybdenum mineralization and associated porphyry alteration has been intersected in drill holes at Hills 1835 and 1710. Four additional targets (Hill 1890, Hill 1870, Steel Creek and Quarry) have been identified. All of these targets require follow-up exploration and diamond drilling. The 2017 program is aimed at further delineating the mineralization at Hill 1835 and initial testing of the both the Steel Creek and Quarry targets.

## **ADDITIONAL INFORMATION**

Additional information relating to the Company, including the Company's Annual Information Form for the year ended December 31, 2016, can be found on the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

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

**FREGOLD VENTURES LIMITED**

**(An Exploration Stage Company)**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**(UNAUDITED)**

**(Expressed in U.S. Dollars)**

**June 30, 2017 and 2016**

**(Amended and Restated)**

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

**Condensed Interim Consolidated Statements of Financial Position**  
(unaudited)

(Expressed in U.S. Dollars)

ASSETS	June 30, 2017 (Restated - Note 15)	December 31, 2016
<b>Current</b>		
Cash and cash equivalents	\$ 1,110,535	\$ 2,305,584
Amounts receivable	31,112	7,404
Prepaid expenses and deposits	104,941	79,178
Deferred financing charges (Note 9)	84,925	-
	<u>1,331,513</u>	<u>2,392,166</u>
Exploration and Evaluation Properties (Note 4)	34,502,329	33,638,005
Property, Plant and Equipment (Note 5)	372,454	377,177
	<u>\$ 36,206,296</u>	<u>\$ 36,407,348</u>

**LIABILITIES**

<b>Current</b>		
Trade payables (Note 6)	\$ 413,885	\$ 184,005
Accrued liabilities	-	25,289
Due to related parties (Note 7)	453,019	441,094
	<u>866,904</u>	<u>650,388</u>
Restoration and Environmental Obligations (Note 8)	216,157	211,659
Trade payables – Non-current (Note 6)	622,991	622,991
	<u>1,706,052</u>	<u>1,485,038</u>

**EQUITY**

Share Capital (Note 9)	84,141,989	84,141,989
Reserves	15,164,486	15,138,848
Deficit	(64,806,231)	(64,358,527)
	<u>34,500,244</u>	<u>34,922,310</u>
	<u>\$ 36,206,296</u>	<u>\$ 36,407,348</u>

**Nature and Continuance of Operations (Note 1), Commitments (Note 10), Subsequent Events (Note 14) and Amendment and Restatement (Note 15).**

APPROVED AND AUTHORIZED FOR ISSUE ON BEHALF OF THE BOARD OF DIRECTORS ON AUGUST 24, 2017:

“Gary Moore”, Director “David Knight”, Director

**Freegold Ventures Limited***(An Exploration Stage Company)***Condensed Interim Consolidated Statements of Changes in Equity**

(unaudited)

*(Expressed in U.S. Dollars)*

	Common Shares	Amount	Stock Options Reserve	Warrants Reserve	Foreign Currency Translation Reserve	Deficit	Total
<b>Balance – December 31, 2015</b>	<b>104,370,851</b>	<b>\$ 81,776,736</b>	<b>\$ 7,074,207</b>	<b>\$ 5,931,183</b>	<b>\$ (853,831)</b>	<b>\$ (63,423,811)</b>	<b>\$ 30,504,484</b>
Issuance and allotment of shares for:	-	-	-	-	-	-	-
-Public offering (Note 9a)	40,461,766	5,508,750	-	-	-	-	5,508,750
-Value assigned to warrants (Note 9c)	-	(2,207,184)	-	2,207,184	-	-	-
Exercise of warrants (Note 9b)	250,000	41,449	-	(13,085)	-	-	28,364
Share issue costs (Note 9a)	-	(685,640)	-	-	-	-	(685,640)
Share issue costs – agents warrants (Note 9a)	-	(292,122)	-	292,122	-	-	-
Foreign currency translation adjustment	-	-	-	-	87,498	-	87,498
Loss for the period	-	-	-	-	-	(383,151)	(383,151)
<b>Balance – June 30, 2016</b>	<b>145,082,617</b>	<b>\$ 84,141,989</b>	<b>\$ 7,074,207</b>	<b>\$ 8,417,404</b>	<b>\$ (766,333)</b>	<b>\$ (63,806,962)</b>	<b>\$ 35,060,305</b>
<b>Balance – December 31, 2016</b>	<b>145,082,617</b>	<b>\$ 84,141,989</b>	<b>\$ 7,597,549</b>	<b>\$ 8,417,404</b>	<b>\$ (876,105)</b>	<b>\$ (64,358,527)</b>	<b>\$ 34,922,310</b>
Share-based payments (Note 9d)	-	-	4,824	-	-	-	4,824
Foreign currency translation adjustment	-	-	-	-	20,814	-	20,814
Loss for the period	-	-	-	-	-	(447,704)	(447,704)
<b>Balance – June 30, 2017</b>	<b>145,082,617</b>	<b>\$ 84,141,989</b>	<b>\$ 7,602,373</b>	<b>\$ 8,417,404</b>	<b>\$ (855,291)</b>	<b>\$ (64,806,231)</b>	<b>\$ 34,500,244</b>

The equity figures for the six months ended June 30, 2017 have been restated *(Note 15)*.

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

**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**

**(unaudited)**

*(Expressed in U.S. Dollars)*

	3 Months Ended June 30, 2017	3 Months Ended June 30, 2016	6 Months Ended June 30, 2017	6 Months Ended June 30, 2016
<b>General and Administrative Expenses</b>				
Accretion <i>(Note 8)</i>	\$ 2,249	2,157	4,498	\$ 4,314
Consulting fees <i>(Note 7)</i>	6,344	19,913	13,846	38,347
Depreciation <i>(Note 5)</i>	2,358	2,663	4,723	5,306
Office and miscellaneous	8,196	11,209	18,838	18,323
Professional fees <i>(Note 7)</i>	25,947	22,069	40,950	37,186
Promotion and shareholder relations	10,631	3,904	61,519	9,887
Rent and utilities	12,394	8,391	24,962	16,389
Share-based payments <i>(Notes 9d)</i>	4,824	-	4,824	-
Transfer, filing and other fees	20,311	28,894	49,941	65,384
Travel and transportation	13,934	16,070	60,706	39,236
Wages, salaries and benefits <i>(Note 7)</i>	81,591	76,318	165,871	149,279
<b>Total General and Administrative Expenses</b>	<b>(188,779)</b>	<b>(191,588)</b>	<b>(450,678)</b>	<b>(383,651)</b>
Foreign exchange gain, net	(187)	778	(247)	918
Interest and bank charges	(542)	(964)	(1,031)	(1,515)
Write down of assets held for sale	-	(912)	-	(912)
Interest income	1,784	1,810	4,252	2,009
	1,055	712	2,974	500
<b>Net Loss and Comprehensive Loss for the Period</b>	<b>\$ (187,724)</b>	<b>(190,876)</b>	<b>(447,704)</b>	<b>\$ (383,151)</b>
<b>Loss and Comprehensive Loss per Share – Basic and Diluted</b>	<b>\$ (0.00)</b>	<b>(0.00)</b>	<b>(0.00)</b>	<b>\$ (0.00)</b>
<b>Weighted Average Number of Shares Outstanding – Basic and Diluted</b>	<b>145,082,617</b>	<b>122,945,100</b>	<b>145,082,617</b>	<b>108,950,803</b>



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

**Condensed Interim Consolidated Statements of Cash Flows**

**For the Six months Ended June 30,  
(unaudited)**

(Expressed in U.S. Dollars)

<b>Cash Resources Provided By (Used In)</b>	<b>2017</b>	<b>2016</b>
<b>Operating Activities</b>		
Loss for the period	\$ (447,704)	\$ (383,151)
Items not affecting cash:		
Depreciation	4,723	5,306
Accretion	4,498	4,314
Write down of assets held for sale	-	912
Share-based payments	4,824	-
Net changes in non-cash working capital components:		
Amounts receivable	(23,708)	(36,801)
Prepaid expenses and deposits	(25,763)	(42,399)
Trade payables	23,494	(102,070)
Accrued liabilities	(25,289)	(17,791)
Due to related parties	-	271,296
Deferred financing charges	(17,176)	-
	<u>(502,101)</u>	<u>(300,384)</u>
<b>Investing Activities</b>		
Exploration and evaluation property acquisition costs	(63,775)	(163,775)
Exploration and evaluation property deferred exploration costs	(675,271)	(246,459)
Proceeds on sale of assets held for sale	-	31,147
	<u>(739,046)</u>	<u>(379,087)</u>
<b>Financing Activities</b>		
Share capital issued	-	5,537,114
Share issuance costs	-	(685,094)
	<u>-</u>	<u>4,852,020</u>
<b>Effect of Foreign Currency on Cash and Cash Equivalents</b>	<u>46,098</u>	<u>260,456</u>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>(1,195,049)</b>	<b>4,433,005</b>
Cash and cash equivalents - Beginning of Period	<u>2,305,584</u>	<u>370,802</u>
<b>Cash and Cash Equivalents - End of Period</b>	<b>\$ 1,110,535</b>	<b>\$ 4,803,807</b>
<b>Interest received</b>	<b>\$ 1,906</b>	<b>\$ 188</b>
<b>Income taxes paid</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Supplemental Disclosure of Non-Cash Items</b>		
Deferred financing charges included in trade payables	\$ 67,749	\$ -
Exploration expenditures included in trade payables and due to related parties	\$ 224,197	\$ 368,630
Fair value of warrants exercised	\$ -	\$ 13,085
Fair value of agents warrants	\$ -	\$ 292,122

The amounts for the six months ended June 30, 2017 have been restated (Note 15).

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

**June 30, 2017 and 2016**  
**(unaudited)**

(Expressed in U.S. Dollars)

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### **1. Nature and Continuance of Operations**

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

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

The Company's condensed interim consolidated financial statements (the "financial statements") as at June 30, 2017 and for the period then ended have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company had a comprehensive loss of \$447,704 for the six month period ended June 30, 2017 (June 30, 2016 – \$383,151) and had working capital of \$464,609 at June 30, 2017 (December 31, 2016 - \$1,741,778).

The Company had cash and cash equivalents of \$1,110,535 at June 30, 2017 (December 31, 2016 - \$2,305,584), but management cannot provide assurance that the Company will ultimately achieve profitable operations or become cash flow positive, or raise additional debt and/or equity capital. If the Company is unable to raise additional capital in the immediate future, management expects that the Company will need to curtail operations, liquidate assets, seek additional capital on less favourable terms and/or pursue other remedial measures or cease operations. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. These condensed consolidated financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

### **2. Significant Accounting Policies**

The financial statements of the Company and its subsidiaries (the "Group") have been prepared in accordance with International Accounting Standards ("IAS") 34, "*Interim Financial Reporting*" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's annual consolidated financial statements for the year ended December 31, 2016.

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

**June 30, 2017 and 2016**  
**(unaudited)**

(Expressed in U.S. Dollars)

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**a) Change in presentation currency**

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

In making this change to the U.S. Dollar presentation currency, the Company followed the guidance in IAS 21 *The Effects of Changes in Foreign Exchange Rates* and have applied the change retrospectively as if the new presentation currency had always been the Company’s presentation currency. In accordance with IAS 21, the financial statements for all periods presented have been translated to the new U.S. Dollar presentation currency.

**b) Consolidation**

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

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

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

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

### **3. Approval**

These financial statements were approved and authorized for issue by the Audit Committee of the Board of Directors on August 24, 2017.

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

**Notes to Condensed Interim Consolidated Financial Statements**

**June 30, 2017 and 2016**  
**(unaudited)**

(Expressed in U.S. Dollars)

**4. Exploration and Evaluation Properties**

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

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

**Notes to Condensed Interim Consolidated Financial Statements**

**June 30, 2017 and 2016**  
**(unaudited)**

*(Expressed in U.S. Dollars)*

	Golden Summit Property		Shorty Creek Property		Total
<b>Acquisition costs</b>					
Balance, December 31, 2016	\$	2,833,389	\$	198,546	\$ 3,031,935
Additions		63,775		-	63,775
Balance, June 30, 2017	\$	2,897,164	\$	198,546	\$ 3,095,710
<b>Exploration and evaluation costs</b>					
Balance, December 31, 2016	\$	27,835,798	\$	2,770,272	\$ 30,606,070
Assaying		68,506		-	68,506
Camp costs		-		24,551	24,551
Drilling		342,968		41,375	384,343
Engineering and consulting		5,030		19,046	24,076
Geological and field expenses		20,316		26,117	46,433
Geophysical		1,599		-	1,599
Helicopter support		-		36,528	36,528
Land maintenance and tenure		3,575		-	3,575
Legal		25,000		-	25,000
Metallurgical studies		13,418		-	13,418
Personnel		90,804		-	90,804
Travel		45,247		36,469	81,716
Balance, June 30, 2017	\$	28,452,261	\$	2,954,358	\$ 31,406,619
<b>Total</b>	<b>\$</b>	<b>31,349,425</b>	<b>\$</b>	<b>3,152,904</b>	<b>\$ 34,502,329</b>

**Notes to Condensed Interim Consolidated Financial Statements**

**June 30, 2017 and 2016**  
**(unaudited)**

(Expressed in U.S. Dollars)

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

**Fairbanks Exploration Inc.**

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

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

(i) **Keystone Claims**

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

1992 – 1998 (\$15,000 per year)	\$	105,000	(paid)
2000	\$	50,000	(\$25,000 paid in cash and \$25,000 with 9,816 treasury shares issued)
2001 - 2006 (\$50,000 per year)	\$	300,000	(paid)
2007	\$	150,000	(paid)
2008	\$	150,000	(paid)
2009	\$	150,000	(paid)
2010	\$	150,000	(paid)
2011	\$	150,000	(paid)
2012	\$	150,000	(paid)
2013	\$	150,000	(paid)
2014	\$	112,500	(paid)
2014	\$	37,500	(paid)
2015	\$	75,000	(paid)
2015	\$	75,000 **	(paid)
2016	\$	150,000 *	(paid)
2017	\$	150,000 *	
2018 – 2019 (\$150,000 per year)	\$	300,000 *	

The property is subject to a 3% NSR.

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

**June 30, 2017 and 2016**  
**(unaudited)**

(Expressed in U.S. Dollars)

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

\* On December 8, 2015, the Company renegotiated the lease to reduce the 2016 annual payment to \$75,000 payable in two equal installments on August 1, 2016 (paid) and November 1, 2016 (paid), until such time as the price of gold averages \$1,400 per oz. for a period of 3 months at which time the original agreement will be re-instated. In addition, the Company will undertake \$75,000 in annual exploration expenditures as consideration for the reduced payments until such time as the advance royalty payments are resumed at \$150,000 per year. The first instalment for 2017 of \$37,500 was paid on July 28, 2017.

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

### **(ii) Newsboy Claims**

By lease agreement dated February 28, 1986 and amended March 26, 1996, the Company assumed the obligation to make advance royalty payments of \$2,500 per year until 1996 (paid) and \$5,000 per year until 2006 (paid). During 2006, the Company renewed the existing lease term for an additional 5 years on the same terms and conditions.

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

### **(iii) Tolovana Claims**

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

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

In addition, the Company made a cash payment to the seller of \$7,500 on signing and issued 66,667 shares on regulatory approval. An additional 33,333 shares were to be issued within 30 days of a minimum 200,000 ounce mineral resource being calculated on the property if the resource is established in 5 years or less from the date of the agreement. No resource was calculated during the prescribed time frame so these shares were not issued.

## Notes to Condensed Interim Consolidated Financial Statements

**June 30, 2017 and 2016**  
**(unaudited)**

(Expressed in U.S. Dollars)

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

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

### (iv) Green Claims

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

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

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

\*\* In 2016, the Company renegotiated the lease to reduce the 2016 through 2019 annual payments from \$100,000 to \$50,000 until such time as the price of gold averages \$1,400 per oz. for a period of 3 months at which time the original agreement will be re-instated. In addition, the Company guarantees to pay the 2017 and 2018 land maintenance costs as consideration for the reduced payments or until such time as the advance royalty payments are resumed pursuant to the original agreement.



## Notes to Condensed Interim Consolidated Financial Statements

**June 30, 2017 and 2016**  
**(unaudited)**

(Expressed in U.S. Dollars)

### (v) Chatham Claims

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

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

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

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

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

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

**Notes to Condensed Interim Consolidated Financial Statements**

**June 30, 2017 and 2016**  
**(unaudited)**

*(Expressed in U.S. Dollars)*

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

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

For the amendment to 403 acres:

	Payments	Exploration Expenditures
Execution of agreement	\$25,000 (paid)	-
Year 1 (2012)	\$10 per acre per year (paid)	\$125 per acre per year (incurred)
Year 2 (2013)	\$10 per acre per year (paid)	\$125 per acre per year (incurred)
Year 3 (2014)	\$10 per acre per year (paid)	\$125 per acre per year (incurred)
Year 4 (2015)	\$10 per acre per year (paid)	\$125 per acre per year (incurred)
Year 5 (2016)	\$15 per acre per year (paid)	\$235 per acre per year *
Year 6 (2017)	\$15 per acre per year (paid)	\$235 per acre per year
Years 7-9	\$20 per acre per year	\$355 per acre per year

For the amendment for an additional 1,173 acres:

	Payments	Exploration Expenditures
Year 1 (2015)	\$10 per acre per year (paid)	\$125 per acre per year *
Year 2 (2016)	\$10 per acre per year (paid)	\$125 per acre per year *
Year 3 (2017)	\$10 per acre per year (paid)	\$125 per acre per year
Year 4	\$15 per acre per year	\$235 per acre per year
Years 5-6	\$15 per acre per year	\$235 per acre per year
Years 7-9	\$20 per acre per year	\$355 per acre per year

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

## Notes to Condensed Interim Consolidated Financial Statements

June 30, 2017 and 2016  
(unaudited)

(Expressed in U.S. Dollars)

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The claims will be subject to the following NSR:

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

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

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

**Freegold Ventures Limited***(An Exploration Stage Company)***Notes to Condensed Interim Consolidated Financial Statements****June 30, 2017 and 2016****(unaudited)***(Expressed in U.S. Dollars)***5. Property, Plant and Equipment**

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

**Freegold Ventures Limited***(An Exploration Stage Company)***Notes to Condensed Interim Consolidated Financial Statements****June 30, 2017 and 2016****(unaudited)***(Expressed in U.S. Dollars)*


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	Automotive	Computer Equipment	Office Equipment	Exploration Office	Exploration Office Equipment	Land	Total
<b>Costs</b>							
Balance, December 31, 2016	\$ 33,602	\$ 10,486	\$ 6,658	\$ 179,944	\$ 13,396	\$ 218,892	\$ 462,978
Additions	-	-	-	-	-	-	-
<b>Balance, June 30, 2017</b>	<b>\$ 33,602</b>	<b>\$ 10,486</b>	<b>\$ 6,658</b>	<b>\$ 179,944</b>	<b>\$ 13,396</b>	<b>\$ 218,892</b>	<b>\$ 462,978</b>
<b>Accumulated Depreciation</b>							
Balance, December 31, 2016	\$ (28,802)	\$ (6,935)	\$ (4,462)	\$ (36,157)	\$ (9,445)	\$ -	\$ (85,801)
Depreciation	(720)	(550)	(182)	(2,876)	(395)	-	(4,723)
<b>Balance, June 30, 2017</b>	<b>\$ (29,522)</b>	<b>\$ (7,485)</b>	<b>\$ (4,644)</b>	<b>\$ (39,033)</b>	<b>\$ (9,840)</b>	<b>\$ -</b>	<b>\$ (90,524)</b>
<b>Net Book Value</b>	<b>\$ 4,080</b>	<b>\$ 3,001</b>	<b>\$ 2,014</b>	<b>\$ 140,911</b>	<b>\$ 3,556</b>	<b>\$ 218,892</b>	<b>\$ 372,454</b>

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### 6. Trade Payables

The Company entered into an agreement with one of its vendors to pay certain trade payables over two years. Accordingly, the Company has presented a portion of its trade payables as non-current as at June 30, 2017 and December 31, 2016. During the year ended December 31, 2016, the vendor agreed to further extend payment of US\$622,991 for an additional year.

### 7. Related Party Balances and Transactions

A summary of key management compensation is as follows:

	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Accounting – Chief Financial Officer	\$ 14,646	14,526	29,649	28,370
Consulting – Corporate Secretary	5,451	6,293	11,589	12,289
Salaries and benefits – President and Vice President	72,858	67,971	146,738	132,747
<b>Total</b>	<b>\$ 92,955</b>	<b>88,790</b>	<b>187,976</b>	<b>173,406</b>

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

	<b>June 30, 2017</b>	December 31, 2016
President and Chief Executive Officer	\$ <b>193,050</b>	\$ 186,580
Vice President, Exploration and Development	<b>187,431</b>	181,148
Chief Financial Officer	<b>50,692</b>	48,993
Corporate Secretary	<b>21,846</b>	21,427
<b>Total</b>	<b>\$ 453,019</b>	\$ 438,148

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

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

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

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deferred financing charges of \$38,717 relating to the July 24, 2017 public offering of securities were incurred with Norton and \$28,418 was owed as at June 30, 2017 (December 31, 2016 - \$2,946).

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

### 8. Restoration and Environmental Obligations

The Company's restoration and environmental obligations consist of reclamation and closure costs for the Golden Summit Property (*Note 4a*). As at June 30, 2017, the present value of the estimated obligations relating to properties is \$216,157 (December 31, 2016 - \$211,659) using a discount rate of 4.25% (2016 - 4.25%) and no consideration of an inflation rate (2016 - none). Significant reclamation and closure cost activities include, land rehabilitation, demolition of field camps, ongoing care and maintenance and other costs.

The undiscounted reclamation and closure cost obligation at June 30, 2017 is \$250,000 (December 31, 2016 - \$250,000) and the revised estimate of remediation work is expected to occur in 2020.

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

	June 30, 2017	December 31, 2016
Balance, beginning of period	\$ 211,659	\$ 203,030
Costs incurred	-	-
Estimate revision	-	-
Accretion	4,498	8,629
Balance, end of period	\$ 216,157	\$ 211,659

### 9. Share Capital

The Company has authorized an unlimited number of common shares with no par value. At June 30, 2017, the Company had 145,082,617 common shares outstanding (December 31, 2016 - 145,082,617).

#### a) Share Issuances and Other

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

The Company granted the agent, Paradigm (*Note 7*), 2,832,324 agent warrants relating to the Prospectus offering. Each warrant entitles the agent to acquire a common share at a price of Cdn\$0.18 per share for a period of 3 years from the date of the closing. The Company incurred total share issue costs associated with this financing of \$977,762 of which \$685,640 were commissions and related expenses and \$292,122 was the value attributed to the agent warrants (*Note 9c*).

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As at June 30, 2017, the Company has incurred total costs of \$84,925 in respect of a public offering of securities that is expected to close during the third quarter of fiscal 2017. The costs have been included as deferred financing charges on the consolidated statement of financial position.

**b) Exercise of Warrants and Options**

No warrants were exercised during the six month period ended June 30, 2017. 250,000 warrants were exercised at a price of Cdn\$0.15 for total proceeds of Cdn\$37,500 (\$28,364) during the six month period ended June 30, 2016.

No options were exercised during the six month periods ended June 30, 2017 and June 30, 2016.

**c) Share Purchase Warrants**

The following is a summary of the changes in the Company's share purchase warrants for the six month period ended June 30, 2017 and the year ended December 31, 2016:

	June 30, 2017		December 31, 2016	
	Number of warrants	Weighted average exercise price Cdn\$	Number of warrants	Weighted average exercise price Cdn\$
Outstanding, beginning of the period	38,170,957	0.23	19,479,628	0.22
Exercised	-	-	(250,000)	0.15
Granted	-	-	20,230,883	0.25
Granted	-	-	2,832,324	0.18
Expired ****	-	-	(1,250,000)	0.30
Expired	-	-	(2,871,878)	0.35
Outstanding, end of the period	38,170,957	0.23	38,170,957	0.23

The following table summarizes information regarding share purchase warrants outstanding as at June 30, 2017:

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



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\*During the year ended December 31, 2016, 20,230,883 share purchase warrants having a relative fair value of \$2,207,184 were issued relating to the Prospectus offering. Each warrant entitles the holder to purchase one additional common share at a price of Cdn\$0.25 per share exercisable until May 20, 2019. The fair values were calculated using the Black-Scholes option pricing model with an expected life of 3.0 years, risk-free interest rate of 0.55%, a dividend yield of 0% and historical volatility of 121% (Note 9a).

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

The fair value was calculated using the Black-Scholes option pricing model with an expected life of 3.0 years, risk-free interest rate of 0.55%, a dividend yield of 0% and historical volatility of 121% (Note 9a).

### d) Share Purchase Options

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

A summary of the Company's stock options at June 30, 2017 and the changes for the period are as follows:

Number Outstanding December 31, 2016	Granted	Exercised	Cancelled	Expired	Number Outstanding June 30, 2017	Number Exercisable June 30, 2017	Exercise Price Cdn\$	Expiry Date
20,000	-	-	-	(20,000)	-	-	0.75	February 20, 2017
700,000	-	-	-	-	700,000	700,000	0.25	January 1, 2019
150,000	-	-	-	-	150,000	150,000	0.20	July 23, 2019
150,000	-	-	-	-	150,000	150,000	0.12	July 28, 2020
4,220,000	-	-	-	-	4,220,000	4,220,000	0.21	July 8, 2021
-	50,000	-	-	-	50,000	50,000	0.155	April 6, 2022
5,240,000	50,000	-	-	(20,000)	5,270,000	5,270,000	0.21	

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During the six month period ended June 30, 2017, the Company granted the following options to a consultant of the Company which vested immediately:

	Exercise Price Cdn\$	Number of options	2017 Vested Amount
Consultant	0.155	50,000	\$4,824

\*The \$4,824 (\$0.096 per option) estimated fair value of 50,000 options is recorded in the Company accounts as share-based payments expense calculated on the vesting date. The offsetting entry was to the stock options reserve.

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

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

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

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

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

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

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

	June 30, 2017	December 31, 2016
Expected dividend yield	0.00%	0.00%
Historical volatility	112.72%	108.69%
Risk-free interest rate	1.12%	0.91%
Expected life of options	5.00 years	5.00 years

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### e) Shareholders Rights Plan

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

### 10. Commitments

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

	< 1 year Cdn\$	2-5 years Cdn\$	> 5 years Cdn\$	Total Cdn\$
Office lease - Vancouver	65,731	223,203	-	288,934
Photocopier lease payments	4,006	11,017	-	15,023
<b>Total</b>	<b>69,737</b>	<b>234,220</b>	<b>-</b>	<b>303,957</b>

- b) The Company has future commitments under exploration and evaluation property option agreements to pay cash and incur exploration expenditures (*Note 4*).

### 11. Segmented Information

Details on a geographic basis as at June 30, 2017 are as follows:

	USA	Canada	Total
<b>Loss and comprehensive loss for the period</b>	<b>\$ (8,900)</b>	<b>\$ (438,804)</b>	<b>\$ (447,704)</b>
<b>Current assets</b>	<b>\$ 353,341</b>	<b>\$ 978,172</b>	<b>\$ 1,331,513</b>
<b>Property, plant and equipment</b>	<b>\$ 367,439</b>	<b>\$ 5,015</b>	<b>\$ 372,454</b>
<b>Exploration and evaluation properties</b>	<b>\$ 34,502,329</b>	<b>\$ -</b>	<b>\$ 34,502,329</b>
<b>Total assets</b>	<b>\$ 35,223,109</b>	<b>\$ 983,187</b>	<b>\$ 36,206,296</b>

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

	USA	Canada	Total
Current assets	\$ 201,289	\$ 2,190,877	\$ 2,392,166
Property, plant and equipment	\$ 371,430	\$ 5,747	\$ 377,177
Exploration and evaluation properties	\$ 33,638,005	\$ -	\$ 33,638,005
<b>Total assets</b>	<b>\$ 34,210,724</b>	<b>\$ 2,196,624</b>	<b>\$ 36,407,348</b>

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

	USA	Canada	Total
Loss and comprehensive loss for the period	\$ (10,154)	\$ (372,997)	\$ (383,151)

**12. Comparative Figures**

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

**13. Financial Instruments and Risk Management**

**a) Financial Instruments**

The carrying value of financial assets and liabilities at June 30, 2017 and December 31, 2016 are as follows:

	June 30, 2017	December 31, 2016
<b>Financial Assets</b>		
<i>FVTPL, measured at fair value</i>		
Cash and cash equivalents	\$ 1,110,535	\$ 2,305,584
<i>Loans and receivables, measured at amortized cost</i>		
Amounts receivable	17,746	2,590
	<b>June 30, 2017</b>	<b>December 31, 2016</b>
<b>Financial Liabilities</b>		
<i>Other liabilities, measured at amortized cost</i>		
Trade payables	\$ 413,885	\$ 184,005
Trade payables – non-current	622,991	622,991
Accrued liabilities	-	25,289
Due to related parties	453,019	441,094

**Financial instrument hierarchy**

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

	June 30, 2017	December 31, 2016
	Level 1	Level 1
Cash and cash equivalents	\$ 1,110,535	\$ 2,305,584

There were no transfers between levels during the period ended June 30, 2017 and the year ended December 31, 2016.

### b) **Capital Management**

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

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the period ended June 30, 2017. Neither the Company nor its subsidiaries is subject to externally imposed capital requirements.

### c) **Credit Risk**

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises primarily from the Company's cash and cash equivalents and amounts receivable. The Company manages its credit risk relating to cash and cash equivalents by dealing only with highly-rated Canadian financial institutions. As at June 30, 2017, amounts receivable of \$31,112 (December 31, 2016 - \$7,404) was comprised of Goods and Services Tax/Harmonized Sales Tax receivable of \$13,366 (December 31, 2016 - \$4,814), interest receivable of \$2,346 (December 31, 2016 - \$2,473) and other receivables of \$15,400 (December 31, 2016 - \$117). As a result, credit risk is considered insignificant.

### d) **Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by continuously monitoring actual and projected cash flows and matching the maturity profile of financial assets and liabilities. As at June 30, 2017, the Company had cash of \$1,110,535 to settle current liabilities of \$866,904 which have contractual maturities of less than 30 days and are subject to normal trade terms.

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### e) Currency Risk

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

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

The following table provides an indication of the Company's foreign currency exposures during the period ended June 30, 2017 and the year ended December 31, 2016:

	June 30, 2017	December 31, 2016
Cash and cash equivalents	<b>Cdn\$474,311</b>	Cdn\$1,353,465
Trade payables	<b>Cdn\$253,186</b>	Cdn\$706,503

A 1% change in Canadian/US foreign exchange rate at period end would have changed the net loss of the Company, assuming that all other variables remained constant, by approximately \$1,106 for the six month period ended June 30, 2017 (Year ended December 31, 2016 - \$6,470).

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

### f) Interest Rate Risk

The Company is not subject to interest rate risk.

### g) Commodity Price Risk

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

## 14. Subsequent Events

The following events occurred subsequent to June 30, 2017:

- i) On July 24, 2017, the Company filed an amended preliminary short form prospectus that was originally filed on April 24, 2017 in connection with a proposed marketed offering of units (the "Units") of the Company for minimum gross proceeds of \$1,800,000 and maximum gross proceeds of \$5,000,000 (the "Offering"). The Offering will be priced in the context of the market with the specifics of the Offering to be determined at the time of pricing. Each Unit will consist of one common share in the capital of the Company and a number of common share purchase warrants that will be determined in the context of the market, with each whole common share

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purchase warrant entitling the holder thereof to purchase one common share of the Company within 36 months from the closing date of the Offering at a price to be determined.

The Units are being offered on a “best efforts” basis pursuant to an Agency Agreement entered into between Paradigm (the “Agent”) and the Company. The Units will be offered in the provinces of Alberta, British Columbia and Ontario. The Units may be offered for sale in the United States under certain exemptions from the registration requirements of the U.S. Securities Act and applicable state securities laws.

The Company has also agreed to grant the Agent an option to cover over-allotments and for market stabilization purposes (the “Over-Allotment Option”), which will allow the Agent to arrange for purchasers to acquire up to an additional 15% of the number of Units initially sold under the Offering. The Over-Allotment Option will be exercisable, in whole or in part, at any time up to 30 days after the closing of the Offering. There is no assurance that the Offering will be completed.

### **15. Amendment and Restatement**

These financial statements have been amended and restated for the six month period ended June 30, 2017 to reclassify certain deferred financing charges incurred in connection with the Company’s Offering as described in Note 14 (i) and to record the deferred charges at the appropriate foreign exchange rate. The impact of the amendment and restatement was an increase to assets in the amount of \$84,925, with a corresponding increase in share capital (equity). Furthermore, the reclassification impacted the condensed interim consolidated statement of cash flows for the six month period ended June 30, 2017 by increasing cash outflows from operating activities from \$484,925 to \$502,101, and decreasing cash outflows from financing activities from \$17,176 to \$nil. The reclassification did not have an impact on the condensed interim consolidated statement of loss and comprehensive loss for the three or six month periods ended June 30, 2017, nor did it have an impact on the Company’s reported basic and diluted loss per share for those periods.