

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

**MANAGEMENT DISCUSSION & ANALYSIS**

The following discussion and analysis is management's assessment of the results and financial condition of Freegold Ventures Limited (the "Company" or "Freegold") for the three month period ended March 31, 2008 and should be read in conjunction with the consolidated financial statements for the three month period ended March 31, 2008 and related notes contained in the report. The date of this management's discussion and analysis is May 9, 2008. Additional information on the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

**Business of Freegold**

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

**Forward looking statements**

Certain information included in this discussion may constitute forward-looking statements. Forward-looking statements are based on current expectations and entail various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different than those expressed or implied. The Company disclaims any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

**Review of Exploration Projects**

**Almaden Gold Project, Idaho**

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

Almaden is a classic hot spring epithermal gold deposit. Gold mineralization occurs as a flat lying, tabular deposit dispersed beneath a thin impermeable opalite cap rock. There are two known zones of mineralization on the Almaden property: the Main Zone, and a smaller North Zone. Combined, these zones are roughly one mile in length, and gold mineralization extends from surface down to a currently known depth of 600 feet. Freegold's 43-101 report contained an independent resource calculation showing 515,834 ounces in the Indicated category (24,778,000 tons grading 0.021 oz/ton) and 359,802 ounces in the Inferred category (19,989,000 tons grading 0.018 oz/ton). This 2006 gold resource calculation at Almaden was defined by 677 drill holes (88% of which are less than 100 feet apart), with homogeneous mineralization exhibiting good continuity. Following the completion of a new geological model (which was not yet completed at the time the 2006 43-101 report was finalized), it is anticipated that the bulk of these resources will be brought back into the measured and indicated category as part of the next resource evaluation.

Freegold commenced a new drill program in July 2006 which ran until November 2007. One core rig and one reverse circulation rig drilled a total of 54,000 feet in 130 new holes during this period. This new drilling has successfully delineated depth extensions in the south, central and north-east sections of the Main Zone, with drilling within the area of the main feeder fault consistently extending mineralization an additional 150 to 300 feet below the 200-foot depth that was previously identified in shallow drilling. The drilling also indicates that the southern end of the Main Zone remains open for expansion, as does an area to the north west of the Main Zone, where resource grade mineralization was intersected within the Stinking Water basin. The new drilling has also started to intersect significant and more uniform quantities of molybdenum in the northern parts of the Main Zone and in the North Zone. Previous drill holes in these zones were not assayed for molybdenum historically. The Company is still evaluating the significance of these molybdenum occurrences in relation to the genesis and configuration of the gold mineralization.

Upon the completion of the updated resource calculation by Mine Development Associates and the completion of new metallurgical testing by McClelland Laboratories of Sparks, NV investigating possible processing methods aimed at extracting both the gold and molybdenum mineralization from the deposit, Freegold will also initiate a new preliminary assessment in the second half of 2008.

Subsequent exploration at Almaden will also be focused on the search for higher-grade bonanza gold mineralization in discrete feeder zones under the main lower-grade deposit, similar to mines in northern Nevada. No deeper drilling to test for bonanza grade gold targets has been conducted on the project to date, and Freegold's ongoing mapping and drilling is helping identify suitable targets to test in future drilling to depths of 1,000 to 1,500 feet. Two consultants who are experts in epithermal gold systems and who have had success in the discovery of bonanza grade deposits have recently conducted investigations on the property and have concluded that the deep potential for finding higher grade gold in the feeder zones at depth remain an excellent target for future testing.

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

Since 1992, Freegold has been systematically exploring the Golden Summit Project – located 20 miles north of Fairbanks, Alaska, and less than 5 miles away from one of Alaska's largest gold mine – Fort Knox (+330,000 oz/year). Freegold's 7-mile wide Golden Summit property is located at the center of the historic Fairbanks mining district, with approximately 7.25 million ounces of gold having been recovered from underground mines on the property and from the streams that drain our project area. This property contains over 80 known gold occurrences, and has hosted the district's largest and highest-grade historic underground gold producers, with over 500,000 ounces of gold being produced from 1902 to 1942 at average grades in excess of 1 oz/ton. Freegold has conducted numerous exploration programs on its property, including drilling 188 holes (78,177 feet), 18,000 feet of surface trenching and collecting and analyzing 7,729 soil samples prior to the arrival of a new management team in 2005, allowing Freegold to trim its initial 30,940-acre property holding to 7,500-acres which hosts the most prospective targets.

All of Freegold's work in 2006 was focused on the area surrounding the historic Cleary Hill mine, which was the largest underground producer in the district before its closure in 1942. Freegold's 2006 trenching and bulk sampling programs not only discovered a new eastern extension of the Cleary Hill vein, but more importantly, discovered the presence of multiple 100 to 300 foot wide parallel zones of bulk tonnage mineralization extending over an open-ended strike length of 5,000 feet.

Following the completion of the initial bulk sampling in late 2006, Freegold began planning for the construction of a 1,200 ton per day portable and modular processing plant capable of recovering in excess of 70% of the gold using gravity concentration methods. The design of the plant was based upon the results of metallurgical testing done on the gold mineralization contained within the original 10,000 ton stockpile. McClelland Laboratories initially prepared various representative composites using the 8 separate bulk samples locations and conducted preliminary gravity testing to confirm the presence of visible gold. The composites were subsequently sent to Knelson Gravity Solutions of Langley, BC for testing using their standardized Gravity Recoverable Gold (GRG) test work. This work confirmed that the Golden Summit composites contained free-milling gold, with recoveries from the high-grade samples ranging from 70.7% (at 100% passing ¼") to 79.6% (at 100% passing 100 mesh). Freegold completed the

installation of its plant in September 2007, and was able to undertake initial processing until freeze-up in October. Bulk sampling continued through 2008, and approximately 20,000 tons of sampled material is available for processing when this seasonal operation re-commences in early June 2008.

Freegold has completed a 40,000 foot drill program in 2007, comprised of 674 shallow, close spaced drill holes that have tested the gold mineralization at various locations along the known 5,000 foot strike length of this zone. Results from this drill program to date indicate that Golden Summit may have the potential to host bulk tonnage gold mineralization in addition to high-grade gold mineralization in individual veins.

Two additional drill programs were initiated in February 2008. The drilling of shallow, close spaced holes has continued, and continues to identify multiple, wide shear zones in a 2,300 foot step out to the west in the Tolovana area. Deeper core drilling has also started in the South Vein Swarm area where the first fence of shallow holes was drilled, in the Beistline area on the eastern end of the mineralized zone, and in the Tolovana area on the western end of the mineralized zone. This deeper drilling is aimed at determining whether gold resource can be generated on drill spacing extending to 100 feet.

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

On March 2, 2007, Freegold announced the signing of an Exploration with Option to Lease agreement on the Vinasale gold project. Vinasale is located 16 air miles south of McGrath, Alaska in a north trending belt of igneous intrusion-related deposits that includes the 33 million oz Donlin Creek deposit and the Nixon Fork gold mine. The property is under option from Doyon, Limited an Alaskan native regional corporation, which holds 100% of the 128,000-acre property.

Significant gold mineralization was first discovered at Vinasale by Central Alaska Gold Company (CAGC) in 1990. Subsequent drilling by CAGC and then joint venture partner Placer Dome established an initial gold resource of 614,000 oz (10.4 million tons @ 0.057 oz/ton). While the gold mineralization was found to be refractory, metallurgical testing showed that 95% of the gold reported to the flotation concentrate, thereby considerably reducing the volume of material that would need to be processed in order to recover the gold. The property was subsequently optioned by ASA Montague in 1994 and additional soil sampling, followed by limited in-fill and expansion drilling was successful in further increasing the gold resource to 920,000 oz (18.04 million tons @ 0.051 oz/ton) based on the 36 holes that had been drilled into the Central Zone. (Note that these resource figures are historical in nature and are provided for informational purposes only. They are not 43-101 compliant, and as such should not be relied upon.) Previous wide-spaced drilling northeast and south of the known deposit indicates these areas may have potential for resource expansion while previous limited reconnaissance work has indicated that additional gold mineralization exists on the property outside the area known to contain resources.

Freegold's first activity on the project was to stake an additional 12,000 acres of ground this spring, enlarging the property position under the agreement to 140,000 acres. This staking was conducted to the northeast of the deposit, as results from previous wide spaced drilling in the early 1990's indicate that the gold mineralization may trend in that direction.

Freegold's exploration program in September 2007 was focused on evaluating the large land package surrounding the deposit, where limited systematic work has been conducted in the past. Freegold's reconnaissance efforts on the property in September included a recently completed stream, soil and rock sampling program. This program was followed up with a 1,788 line kilometre high resolution EM and Magnetic airborne geophysical program conducted by Fugro Airborne Surveys Corp. While new areas of gold mineralization were detected in this regional program, the focus of exploration in 2008 will be directed towards mapping, sampling, geophysics and drilling aimed at expanding the known extent of the gold mineralization within the Central Zone.

### **Rob Project, Alaska**

Acquired in 2002, Rob is the latest Freegold project in the company's portfolio to undergo a new re-evaluation. Since acquiring the project, Freegold conducted limited reconnaissance work on this 106-claim

property, confirming the presence of high-grade gold mineralization from various large soil anomaly locations originally identified by the WGM/Sumitomo exploration team in the early 1990's. This team was also responsible for the discovery of the nearby Pogo deposit, a 5.6 million oz gold deposit that is hosted in the same intrusive and metamorphic rocks, and on the flank of the same 18 mile long intrusive dome that hosts the Rob gold mineralization. Previous grab samples from Rob returned values of 25.2 oz/ton (856 g/tonne) gold (Blue Lead prospect) and 28.9 oz/ton (991 g/tonne) gold (Michigan prospect). Interest in the Goodpaster district, which hosts the Rob property, has picked up considerably with the commencement of production at the Pogo mine in 2006 (scheduled to be the largest gold mine in the State with annual production ranging from 350,000 to 450,000 oz/year) and most recently with the consolidation of a large land package surrounding the Pogo mine and our Rob property by the founder and former Chairman of Goldcorp., Robert McEwen.

On October 11, 2007 Freegold announced the results of its first 17 holes of diamond drilling on the property. A total of 3,514 feet were drilled in the Grey Lead and O'Reely vein prospects following the receipt of significant gold assays from a limited surface sampling program. Although drilling within the O'Reely vein did not intersect the multi-ounce values sampled at surface, 7 holes within the Grey Lead vein consistently intersected thick intervals of high-grade gold mineralization that exhibit geological and geochemical characteristics very similar to those seen at the Pogo gold mine. Drill intersects included a 13.5 foot interval averaging 20.1 g/t and 13 foot interval averaging 29.0 g/t.

This gold mineralization remains open to depth and along strike, and the Company's exploration programs for 2008 will focus on strike extensions of the Grey Lead vein and on other prospective targets both to the north and further to the west of Grey Lead. Vein mineralization at Grey Lead is controlled by a moderate to steeply west dipping, north-northeast striking structure which extends across the property and which lies within the regional scale Black Mt. tectonic zone. The high-grade, intrusive-hosted Michigan prospect has never been drill tested and is also centred on this structure approximately 2 miles to the northeast of Grey Lead. Future exploration will also focus on low level (<100 ppb) gold in soil anomalies that are also present at several locations west of the Grey Lead surface exposures, as well as at the Johnson Saddle prospect, located on strike 4,000 feet northeast of the Grey Lead prospect.

### Selected annual information

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

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

	Years Ended December 31, (audited)		
	2007	2006	2005
Total revenues	\$259,063	\$126,882	\$40,434
General and administrative expenses - cash	1,519,375	1,142,747	1,106,209
General and administrative expenses - stock compensation	1,388,088	367,918	221,799
Mineral property costs	8,169,365	3,310,465	1,114,827
Income (loss) before extraordinary items			
➤ In total	(2,907,463)	(1,510,665)	(1,328,008)
➤ Basic and diluted loss per share	(0.06)	(0.04)	(0.04)
Net income (loss) before income taxes			
➤ In total	(4,384,463)	(1,772,633)	(1,368,370)
➤ Basic and diluted loss per share	(0.08)	(0.05)	(0.04)
Totals assets	\$23,722,900	\$12,381,233	\$9,431,704
Total long term liabilities	Nil	Nil	Nil
Cash dividends declared	Nil	Nil	Nil

## Selected quarterly financial information

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

	For the Quarters Ended (unaudited)							
	Mar. 31 2008	Dec. 31 2007	Sep 30 2007	Jun 30 2007	Mar 31 2007	Dec. 31 2006	Sep 30 2006	Jun 30 2006
Total revenues	\$26,498	\$84,171	\$22,462	\$37,144	\$115,286	\$44,728	\$10,987	\$67,509
Net loss – before tax	1,290,046	1,646,304	2,182,190	281,983	273,986	717,993	599,310	195,838
Net loss per share	0.02	0.02	0.04	0.01	0.01	0.02	0.02	0.01
Total assets	23,998,295	23,722,900	20,565,891	21,245,193	14,244,958	12,381,233	10,694,202	11,137,711

## Results of operations

The three month period ended March 31, 2008 resulted in a net loss of \$1,290,046 which compares with a loss of \$273,986 for the same period in 2007. General and administrative expenses for the three month period ended March 31, 2008 were \$1,339,764, an increase of \$1,009,383 over the same period in 2007. Most of the increase is attributable to \$964,313 in stock-based compensation expenses that were charged upon the granting of long-term incentive stock options and performance shares.

In February 2008, 2,510,000 stock options were granted under a graded vesting schedule. The total fair value of stock options that vested using the Black-Scholes Option Pricing Model resulted in stock-based compensation expense of \$691,383 for the period ended March 31, 2008 (2007:\$16,652). Stock-based compensation for performance shares issued was \$86,406. An amount of \$186,524 in stock-based compensation has been recognized for performance shares that have accrued to March 31, 2008 but have not yet been issued.

Amortization of \$65,734 for the three month period ended March 31, 2008 (2007:\$4,893) was recorded. Mining equipment amortization of \$61,811 was attributed to \$1,179,112 in mining equipment that was obtained in the previous year for the Golden Summit project in Alaska.

Shareholder relations and promotional activities undertaken by the Company, which included attendance at various trade shows, advertising, property site visits, news releases, distribution fees and marketing materials, cost \$31,395 for the period ended March 31, 2008, an increase of \$8,166 over the same period in 2007. In April, a part-time consultant was hired to assist with investor relations.

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

Capital gains of \$13,474 were realized on the sale of investments in 2008 as compared to \$109,370 over the same period in 2007. Interest income of \$13,024 was also earned in 2008 (2007: \$5,916) as the Company had more funds on deposit.

During the three month period ended March 31, 2008, the Company incurred mineral property deferred exploration costs of \$1,176,427. Of the deferred exploration costs, \$98,611 was incurred to review and update previous engineering and resource work and \$58,710 was incurred for assays on the Almaden project in Idaho. \$1,000,017 was incurred on the Golden Summit project in Alaska of which \$671,809 was for drilling and assays and \$328,208 was for bulk sampling/plant commissioning and infrastructure.

Mineral property acquisition costs of \$188,746 were also incurred which included \$102,226 for the Almaden Idaho project, \$72,100 for the Vinasale Alaska project and \$14,420 for the Golden Summit Alaska project.

## Liquidity and capital resources

At March 31, 2008, the Company's working capital, defined as current assets less current liabilities, was \$1,109,702 compared to \$4,124,121 at December 31, 2007. During 2008, 530,000 options were exercised for proceeds of \$250,500 and 380,302 performance shares issued for \$3,803.

The Company has an investment with a value of \$34,221 as at March 31, 2008. The investment consists of 100,000 shares of Pacific North West Capital Corp. This company previously had certain directors in common. These amounts are included in the above working capital. The Company had 63,453,609 issued and outstanding shares at March 31, 2008.

To fund its working capital, including exploration activities and corporate expenses, the Company requires continued access to capital markets to raise financing through equity and debt offerings. Financing activities are mainly provided through equity offerings (see "Risks and Uncertainties" below for a discussion of associated risk factors).

## Contractual commitments

The Company is committed under an operating lease, for its office premises in Kerrisdale with the following estimated lease payments to the expiration of the lease on June 30, 2010. By an agreement dated 1 September 2007, the Company is committed under an operating lease, for its office premises in Vancouver with the following lease payments to the expiration of the lease on August 30, 2008.

Fiscal year ended Dec. 31,	2008	2009	2010	Thereafter
Office lease - Kerrisdale	\$29,759	\$39,679	\$19,840	-
Office lease - Vancouver	\$37,845	-	-	-

## Off-balance sheet arrangements

The Company has no off-balance sheet arrangements.

## Critical accounting estimates

A detailed summary of all the Company's significant accounting policies is included in Note 1 to the consolidated financial statements for the three month period ended March 31, 2008.

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

## Change in accounting policies

### Financial instrument standards

Effective January 1, 2007, the Company adopted the new Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855, Financial Instruments – Recognition and Measurement; Section 3865, Hedges; Section 1530, Comprehensive Income; and Section 3861, Financial Instruments – Disclosure and Presentation (the "Financial Instrument Standards"). These new standards have been adopted on a prospective basis with no restatement to prior period financial statements.

The Financial Instrument Standards require that adjustments to the carrying value of financial assets and liabilities be recorded within retained earnings or, in the case of available-for-sale assets, accumulated other comprehensive income on transition.

The Company has certain investments in the common shares of publicly traded corporations, which are classified as available-for-sale. Although these investments represent common shares that are traded on a recognized stock exchange, the Company may not be able to sell its investments at the quoted market price. Accordingly, the value of these investments is determined with reference to the quoted market price and an appropriate discount. On transition, the value of these investments was consistent with historical cost. As a result, adoption of the new standard did not have a material impact on the Company's consolidated financial statements, on transition at January 1, 2007 or during the three month period ended March 31, 2008.

The principal changes resulting from the adoption of the Financial Instrument Standards are as follows:

#### Financial assets and financial liabilities

Under the new standards, financial assets and liabilities are initially recognized at fair value and are subsequently measured based on their classification as held-to-maturity, loans and receivables, available-for-sale or held-for-trading, as described below. The classification is not changed subsequent to initial recognition.

#### Held-to-maturity and loans and receivables

Financial instruments that have a fixed maturity date, where the Company intends and has the ability to hold to maturity, are classified as held-to-maturity and measured at amortized cost using the effective interest rate method. Loans and receivables are measured at amortized cost using the effective interest method.

#### Available-for-sale

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

#### Held-for-trading

Financial assets and financial liabilities that are purchased and incurred with the intention of generating profits in the near term are classified as held-for-trading. These instruments are measured at fair value with the change in the fair value recognized in income.

#### Derivatives and hedge accounting

The Company does not hold or have any exposure to derivative instruments and accordingly is not impacted by CICA Handbook Section 3865, Hedges.

#### Comprehensive income

Comprehensive income is composed of the Company's earnings and other comprehensive income. Other comprehensive income includes unrealized gains and losses on available-for-sale securities, foreign currency translation gains and losses on the net investment in self-sustaining operations and changes in the fair market value of derivative instruments designated as cash flow hedges, all net of income taxes. Cumulative changes in other comprehensive income are included in accumulated other comprehensive income which is presented (if applicable) as a new category in shareholders' equity.

### Future Changes in Accounting Policies

There are five new CICA accounting standards that have been issued but not yet adopted by the Company. These five standards will become effective for the Company on February 1, 2008. The Company is currently assessing the impact of these new accounting standards on its financial statements.

CICA Handbook Section 3031 "Inventories" prescribes the accounting treatment for inventories and provides guidance on the determination of inventory costs and their subsequent recognition as an expense, including any write-down to net realizable value. CICA Handbook Section 3064 – Goodwill and Intangible Assets, replaces CICA 3062 "Goodwill and Intangible Assets" and establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. CICA Handbook Section 1535 "Capital Disclosures" establishes standards for disclosing information about an entity's capital and how it is managed. CICA Handbook Section 3862 "Financial Instrument Disclosures" and Handbook Section 3863, "Financial Instruments – Presentation" requires entities to provide disclosure of quantitative and qualitative information in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and management's objectives, policies and procedures for managing such risks. CICA Handbook Section 1400, "General Standards on Financial Statement Presentation", has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern.

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

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Effective January 1, 2007, the Company adopted the revised CICA Handbook Section 1506, Accounting Changes, which requires that a voluntary change in accounting policy can be made only if the changes result in more reliable and relevant information and are accompanied with disclosures of prior period amounts and justification of the changes. The section also requires that the nature and amount of material changes in estimates be disclosed. The Company has not made any voluntary change in accounting policies or significant changes in estimates that are not otherwise disclosed since the adoption of the revised section.

### **Financial instruments and other instruments**

Freegold's financial instruments consist of cash and cash equivalents, term deposits, accounts and advances receivable, portfolio investments, accounts payable, accrued liabilities, secured loans and amounts due to related parties. Unless otherwise noted, it is management's opinion that Freegold is not exposed to significant interest, currency or credit risks arising from the financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

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

## **Outstanding share data**

The Company is authorized to issue unlimited common shares without par value. As at March 31, 2008, there were 63,453,609 outstanding common shares compared to 62,543,307 outstanding shares at December 31, 2007. The increase reflects the issuance of 380,302 performance shares and 530,000 shares on the exercise of 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 7d to the consolidated financial statements to March 31, 2008.

## **Related party transactions**

The related party transactions during the three months ended 30 March 2008, which occurred in the normal course of operations and were measured at the exchange amount (the amount of consideration established and agreed to by the related parties), were as follows:

- Each outside director is entitled to receive \$500 per month, \$500 per directors meeting and \$500 per committee meeting. The Chairman is entitled to receive an additional \$833 per month. During the period, the Company paid \$14,500 to directors.
- During the period, the Company paid \$29,385 for engineering and consulting fees to a company controlled by the Vice-President of Project Development.
- During the period, the Company paid \$9,500 for professional fees to a company controlled by the Chief Financial Officer.

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

The Company has established disclosure controls and procedures to ensure that information disclosed in this MD & A and the related consolidated financial statements was properly recorded, processed, summarized and reported to the Company's Board and Audit Committee. The Company's CEO and CFO have evaluated and are satisfied with the effectiveness of these disclosure controls and procedures for the three month period ending March 31, 2008.

The CEO and CFO acknowledge responsibility for the design of internal control over financial reporting (ICFR), and confirm that there were no changes in these controls that occurred during the most recent period ended March 31, 2008 which materially affected, or are reasonably likely to materially affect the Company's ICFR.

## **Risks and uncertainties**

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

### ***Industry***

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

### ***Commodity Prices***

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

earnings also could be affected by the prices of other commodities such as fuel and other consumable items, although to a lesser extent than by the price of mineral commodities.

### ***Competition***

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

### ***Foreign Political Risk***

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

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

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

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

### ***Title to Properties***

Acquisition of rights to the mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral properties may be disputed. Although the Company has investigated 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 increased interest in certain of its properties. To earn its 100% this increased interest in each property, the Company is required to make certain cash payments. If the Company fails to make these payments, the Company may lose its right to such properties and forfeit any funds expended to such time.

### ***Estimates of Mineral Resources***

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

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

The Company has limited financial resources, no sources of operating cash flows and no assurances that sufficient funding, including adequate financing, will be available. If the Company's exploration programs are successful, additional funds will be required in order to complete the development of its properties. The sources of funds currently available to the Company are the sale of marketable securities, raising of equity capital or the offering of an interest in its projects to another party. There is no assurance that the Company will be successful in raising sufficient funds to conduct further exploration and development of its projects or to fulfill its obligations under the terms of any option or joint venture agreements, in which case the Company may have to delay or indefinitely postpone further exploration and development, or forfeit its interest in its properties or prospects.

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

### ***Conflict of Interest***

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

**Outlook**

The Company ended March 31, 2008 with working capital of \$1,109,702. With these funds, the Company estimates that it will have to raise more funds to meet its corporate, administrative and property obligations for the coming year. The Company plans on borrowing US\$1,500,000 based on the collateral of its assets. Further equity financings will also be sought depending on market conditions.

**Approval**

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

**FREEGOLD VENTURES LIMITED**

**(An Exploration Stage Company)**

**CONSOLIDATED FINANCIAL STATEMENTS**

**Three months ended**

**31 March 2008 and 2007**

**Prepared by Management**

**These financial statements have NOT been reviewed by the Company's auditors**

## Consolidated Balance Sheets

Canadian Funds

<b>ASSETS</b>	<b>Mar. 31, 2008</b>	<b>Dec. 31,2007</b>
<b>Current</b>		
Cash and cash equivalents	\$ 1,618,937	\$ 4,303,786
Term deposits	52,252	52,252
Accounts and advances receivable	12,005	46,581
Available-for-sale securities (Note 3)	34,221	70,663
Prepaid expenses and deposits	163,797	74,978
	<u>1,881,212</u>	<u>4,548,260</u>
<b>Mineral Property Costs – Statement 5 (Note 4)</b>	<b>19,486,992</b>	<b>18,118,718</b>
<b>Property, Plant and Equipment (Note 5)</b>	<b>2,630,091</b>	<b>1,055,922</b>
	<u>\$ 23,998,295</u>	<u>\$ 23,722,900</u>

### LIABILITIES

<b>Current</b>		
Accounts payable	\$ 764,912	\$ 384,472
Accrued liabilities	6,598	29,667
Due to related parties	-	10,000
	<u>771,510</u>	<u>424,139</u>

**Commitments** (Note 9)

### SHAREHOLDERS' EQUITY

<b>Share Capital - Statement 2 (Note 7)</b>		
Authorized:		
Unlimited common shares without par value		
Issued, allotted and fully paid:		
63,453,609 (Dec. 31, 2007 – 62,543,307) shares	50,381,591	49,370,919
<b>Contributed Surplus</b>	<b>2,899,489</b>	<b>2,692,091</b>
<b>Deficit Accumulated During Exploration Stage - Statement 2</b>	<b>(30,054,295)</b>	<b>(28,764,249)</b>
	<u>23,226,785</u>	<u>23,298,761</u>
	<u>\$ 23,998,295</u>	<u>\$ 23,722,900</u>

ON BEHALF OF THE BOARD:

“Steve Manz”, Director “Hubert Marleau”, Director

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

*Canadian Funds*

	Common Shares	Amount	Contributed Surplus	Accumulated Deficit	Total
Balance – 31 December 2005	31,562,590	\$ 30,714,606	\$ 1,072,794	\$ (22,479,334)	\$ 9,308,066
Issuance and allotment of shares for:					
- Private placements	8,146,542	2,737,401	-	-	2,737,401
- Value assigned to warrants ( <i>Notes 7 &amp; 8c</i> )	-	(328,813)	378,381	-	49,568
- Property	50,000	15,000	-	-	15,000
- Exercise of options	453,750	207,590	(54,465)	-	153,125
- Performance shares	50,000	19,000	-	-	19,000
- Performance shares reserved for issuance	-	-	265,583	-	265,583
Share issuance costs	-	-	-	(39,718)	(39,718)
Stock-based compensation	-	-	83,835	-	83,835
Loss for the year	-	-	-	(1,772,633)	(1,772,633)
Balance – 31 December 2006	40,262,882	\$ 33,364,784	\$ 1,746,128	\$ (24,291,685)	\$ 10,819,227
Issuance and allotment of shares for:					
- Private placements	10,600,000	9,130,000	-	-	9,130,000
- Value assigned to warrants ( <i>Note 8c</i> )	-	(1,645,559)	1,645,559	-	-
- Property	75,000	60,000	-	-	60,000
- Exercise of options	1,891,250	845,075	-	-	845,075
- Exercise of warrants	8,673,269	5,518,527	-	-	5,518,527
- Performance shares	1,040,906	780,797	(194,583)	-	586,214
- Performance shares reserved for issuance	-	-	534,652	-	534,652
Share issuance costs	-	-	-	(88,101)	(88,101)
Stock-based compensation	-	-	277,630	-	277,630
Transferred on exercise of options	-	191,181	(191,181)	-	-
Transferred on exercise of warrants	-	1,126,114	(1,126,114)	-	-
Loss for the year	-	-	-	(4,384,463)	(4,384,463)
Balance – 31 December 2007	62,543,307	\$ 49,370,919	\$ 2,692,091	\$ (28,764,249)	\$ 23,298,761
Issuance and allotment of shares for:					
- Exercise of options	530,000	250,500	-	-	250,500
- Performance shares	380,302	695,316	(605,653)	-	89,663
- Performance shares reserved for issuance	-	-	186,524	-	186,524
Share issuance costs	-	-	-	-	-
Stock-based compensation	-	-	691,383	-	691,383
Transferred on exercise of options	-	64,856	(64,856)	-	-
Loss for the year	-	-	-	(1,290,046)	(1,290,046)
Balance – 31 March 2008	63,453,609	\$ 50,381,591	2,899,489	\$ (30,054,295)	\$ 23,226,785

## Consolidated Statements of Loss and Comprehensive Loss

Canadian Funds

	Three Months Ended 31 March	
	2008	2007
<b>General and Administrative Expenses</b>		
Consulting fees	\$ 21,284	\$ 45,513
Stock-based compensation <i>(Note7)</i>	964,313	16,652
Travel	32,210	65,499
Promotion and shareholder relations	31,395	23,229
Management fees	-	25,920
Director fees <i>(Note 6a)</i>	14,500	7,000
Professional fees	10,156	7,733
Wages, salaries and benefits	104,491	84,713
Transfer and filing fees	29,286	26,963
Rent and utilities	29,817	9,521
Office and miscellaneous	8,526	12,745
Amortization	65,734	4,893
<b>Loss Before the Undernoted</b>	<b>(1,339,764)</b>	<b>(330,381)</b>
<b>Other Income (Expenses)</b>		
Gain on sale of available-for-sale securities <i>(Note 3)</i>	13,474	109,370
Interest income	13,024	5,916
Foreign exchange gain (loss), <i>net</i>	(3,311)	(4,702)
Interest, bank charges and loan arrangement fee	(1,521)	(54,189)
	<b>21,666</b>	<b>56,395</b>
<b>Net Loss and Comprehensive Loss for the Period</b>	<b>\$ (1,290,046)</b>	<b>\$ (273,986)</b>
<b>Loss per Share - Basic and Diluted</b>	<b>\$ (0.02)</b>	<b>\$ (0.01)</b>
<b>Number of Shares Outstanding</b>	<b>63,453,609</b>	<b>47,494,224</b>

**Consolidated Statements of Cash Flow – Continued**

Canadian Funds

<b>Cash Resources Provided By (Used In)</b>	Three Months Ended 31 March	
	2008	2007
<b>Operating Activities</b>		
Loss for the period	\$ (1,290,046)	\$ (273,986)
Items not affecting cash:		
Amortization	65,734	4,893
Gain on sale of available-for-sale securities	(13,474)	(109,370)
Stock-based compensation -options	691,383	16,652
Stock-based compensation – performance shares issued	86,406	-
Stock-based compensation – performance shares reserved for issuance	186,524	-
Loan arrangement fee	-	34,132
Net changes in non-cash working capital components:	(475,433)	(347,433)
	<b>(748,906)</b>	<b>(675,112)</b>
<b>Investing Activities</b>		
Proceeds on sale of available-for-sale securities	49,916	160,562
Mineral property acquisition costs	(188,746)	(123,409)
Mineral property deferred exploration costs	(411,515)	(1,109,067)
Repayment of loan	-	(1,000,000)
Purchase of property and equipment	(1,639,903)	(2,489)
	<b>(2,190,246)</b>	<b>(2,074,403)</b>
<b>Financing Activities</b>		
Share capital issued	250,500	3,490,944
Share issuance costs	-	(66,725)
Performance shares	3,803	5,773
	<b>254,303</b>	<b>3,429,992</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>		
Cash and cash equivalents - Beginning of year	(2,684,849)	680,477
	<b>4,303,786</b>	<b>377,426</b>
<b>Cash and Cash Equivalents - End of Period</b>	<b>\$ 1,618,937</b>	<b>\$ 1,057,903</b>
<b>Supplemental Disclosure of Non-Cash Investing and Financing Activities</b>		
Shares issued or allotted for mineral property	\$ -	\$ 17,000

## Consolidated Schedules of Mineral Property Costs

Canadian Funds

	<b>Mar. 31, 2008</b>	December, 31, 2007
<b>Golden Summit Property, Alaska, USA</b>		
Acquisition costs		
Cash - option payments	\$ 14,420	\$ 178,358
Shares - option payments	-	17,000
	<u>14,420</u>	<u>195,358</u>
Deferred exploration expenditures		
Geological and field expenses	31,311	244,456
Mineral property fees	-	33,870
Drilling	627,563	437,085
Assaying	44,246	508,043
Engineering and consulting	59,809	268,398
Bulk sampling/plant commissioning & infrastructure	74,209	1,902,641
Personnel	162,879	440,632
Geophysical	-	161,275
	<u>1,000,017</u>	<u>3,996,400</u>
Total	<u>1,014,437</u>	<u>4,191,758</u>
<b>Almaden Property, Idaho, USA</b>		
Acquisition costs		
Cash - option payments	102,226	52,159
	<u>102,226</u>	<u>52,159</u>
Deferred exploration expenditures		
Geological and field expenses	39,588	228,407
Drilling	-	1,604,340
Mineral property fees	-	18,294
Assaying	58,710	355,471
Metallurgical testing	-	257,940
Geophysics	-	20,655
Resource engineering	31,725	12,541
Engineering and consulting	27,298	381,222
	<u>157,321</u>	<u>2,878,870</u>
Total	<u>259,547</u>	<u>2,931,029</u>
<b>Balance Forward</b>	<u>\$ 1,273,984</u>	<u>\$ 7,122,787</u>

**Consolidated Schedules of Mineral Property Costs – Continued**

Canadian Funds

	<b>Mar. 31, 2008</b>	December, 31, 2007
<b>Balance Carried Forward</b>	<b>\$ 1,273,984</b>	<b>\$ 7,122,787</b>
<b>Rob Property, Alaska, USA</b>		
Acquisition costs		
Cash - option payments	-	28,325
	-	28,325
Deferred exploration expenditures		
Drilling	-	295,470
Mineral property fees	-	19,211
Engineering and consulting	-	69,206
Geological and field expenses	<b>8,629</b>	83,848
Assaying	-	22,253
Wages	<b>6,770</b>	77,876
	<b>15,399</b>	567,864
Total	<b>15,399</b>	596,189
<b>Vinasale Property, Alaska, USA</b>		
Acquisition costs		
Cash - option payments	<b>72,100</b>	66,435
	<b>72,100</b>	66,435
Deferred exploration expenditures		
Geological and field expenses	<b>903</b>	61,664
Geophysics	-	244,631
Assaying	-	6,401
Mineral property fees	-	9,053
Engineering and consulting	<b>305</b>	26,413
Wages	<b>2,482</b>	21,246
	<b>3,690</b>	369,408
Total	<b>75,790</b>	435,843
<b>Union Bay Property, Alaska, USA</b>		
Acquisition costs		
Cash - option payments received	-	-
	-	-
Deferred exploration expenditures		
Mineral property fees	-	12,286
Engineering and consulting	-	878
Total	-	13,164
<b>Balance Forward</b>	<b>\$ 1,365,173</b>	<b>\$ 8,167,983</b>

**Consolidated Schedules of Mineral Property Costs – Continued**

*Canadian Funds*

	<b>Mar. 31, 2008</b>	December, 31, 2007
<b>Balance Carried Forward</b>	<b>\$ 1,365,173</b>	<b>\$ 8,167,983</b>
<b>Grew Creek Property, Yukon, Canada</b>		
Acquisition costs		
Shares - option payments	-	43,000
	-	43,000
Deferred exploration expenditures		
Geological and field expenses	-	6,057
Mineral tax credit		(47,675)
	-	(41,618)
Total	-	1,382
<b>Costs for the Year</b>	<b>1,365,173</b>	8,169,365
Balance - Beginning of year	<b>18,118,718</b>	11,561,837
Write-off of mineral property costs <i>(Note 4)</i>	-	(1,612,484)
<b>Balance - End of Year</b>	<b>\$ 19,483,891</b>	<b>\$ 18,118,718</b>

## **Notes to Consolidated Financial Statements**

**31 March 2008 and 2007**

*Canadian Funds*

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

#### **a) Nature and Continuance of Operations**

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

The Company has sufficient working capital in the near term to fund ongoing exploration and development, however, the Company is dependent on raising funds through the issuance of shares and/or attracting joint venture partners in order to undertake further exploration and development of its mineral properties.

#### **b) Consolidation**

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

#### **c) Cash and Cash Equivalents**

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

#### **d) Available-for-sale Securities**

Available-for-sale securities are reported at fair value based on quoted market prices. Unrealized gains and losses on available for sale securities are included in shareholders' equity as a component of other comprehensive income.

#### **e) Mineral Properties and Deferred Exploration Expenditures**

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

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

## **Notes to Consolidated Financial Statements**

**31 March 2008 and 2007**

Canadian Funds

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

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

Management of the Company regularly reviews the net carrying value of each mineral property. Where events or changes in circumstances suggest impairment, estimated future cash flows are calculated using estimated future prices, proven and probable reserves, value beyond proven and probable reserves, probability weighted outcomes and operating capital and reclamation costs on an undiscounted basis. If it is determined that the future cash flows are less than the carrying value, a write-down to the estimated fair value is expensed for the period. The Company presently has no proven or probable reserves. Where estimates of future net cash flows are not available and where other conditions suggest impairment, management assesses if carrying values can be recovered. If the carrying values exceed estimated recoverable values, then the project is written-down to estimated fair values with the write-down expensed in the period.

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

#### **f) Asset Retirement Obligation**

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

#### **g) Amortization**

The Company provides for amortization on its property, plant and equipment at 20% - 45% on a declining balance method. One half of the rate is applied in the year of acquisition.

#### **h) Share Capital**

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

## **Notes to Consolidated Financial Statements**

**31 March 2008 and 2007**

Canadian Funds

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

#### **i) Stock-Based Compensation**

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

#### **j) Loss per Share**

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

#### **k) Income Taxes**

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

#### **l) Foreign Currency Translation**

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

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

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

## **Notes to Consolidated Financial Statements**

**31 March 2008 and 2007**

*Canadian Funds*

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

#### **m) Management's Estimates**

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

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

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

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

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

#### **p) Fair Value of Financial Instruments**

The Company's financial instruments consist of cash and cash equivalents, term deposits, accounts and advances receivable, available-for-sale securities, accounts payable, accrued liabilities, loan payable and amounts due to related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from the financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

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

## **Notes to Consolidated Financial Statements**

**31 March 2008 and 2007**

Canadian Funds

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

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

In June 2007, the CICA issued changes to Section 1400, General Standards of Financial Statement Presentation. Section 1400 has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern. Management shall make an assessment of an entity's ability to continue as a going concern. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, those uncertainties shall be disclosed. When financial statements are not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial statements are prepared and the reason why the entity is not regarded as a going concern. Section 1400 is effective for interim and annual financial statements relating to fiscal years beginning on or after 1 January 2008. Earlier adoption is encouraged. The adoption of this standard will have no impact on the Company's operating results or financial position and management expects that there will not be a material impact on the Company's financial statement disclosure.

In December 2006, the CICA issued Section 1535, Capital Disclosures. The main features of the new section are as follows:

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

Section 1535 is effective for interim and annual financial statements relating to fiscal years beginning on or after 1 October 2007. The adoption of this standard will have no impact on the Company's operating results or financial position and management is currently in the process of evaluating the impact that these additional disclosure standards will have on the Company's financial statements.

In December 2006, the CICA issued Handbook Section 3862, Financial Instruments – Disclosures and Section 3863, Financial Instruments – Presentation. Section 3862 modifies the disclosure requirements of Section 3861 and requires entities to provide disclosures in their consolidated financial statements that enable users to evaluate the significance of financial instruments on the entity's consolidated financial position and performance, and the nature and extent of risks arising from financial instruments and non-financial derivatives. Section 3863, Financial Instruments – Presentation carries forward unchanged the presentation requirements for financial instruments of Section 3861, Financial Instruments – Disclosures and Presentation. Section 3862 and 3863 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after 1 October 2007.

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## **Notes to Consolidated Financial Statements**

**31 March 2008 and 2007**

*Canadian Funds*

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### **2. Changes in Accounting Policies and Presentation**

#### **a) Financial Instrument Standards**

Effective 1 January 2007, the Company adopted the new Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855, Financial Instruments – Recognition and Measurement; Section 3865, Hedges; Section 1530, Comprehensive Income; and Section 3861, Financial Instruments – Disclosure and Presentation (the "Financial Instrument Standards"). These new standards have been adopted on a prospective basis with no restatement to prior period financial statements.

The Financial Instrument Standards require that adjustments to the carrying value of financial assets and liabilities be recorded within retained earnings or, in the case of available-for-sale assets, accumulated other comprehensive income on transition.

The Company has certain investments in the common shares of publicly traded corporations, which are classified as available-for-sale. Although these investments represent common shares that are traded on a recognized stock exchange, the Company may not be able to sell its investments at the quoted market price. Accordingly, the value of these investments is determined with reference to the quoted market price and an appropriate discount. On transition, the value of these investments was consistent with historical cost. As a result, adoption of the new standard did not have a material impact on the Company's financial statements, on transition at 1 January 2007 or during the year ended 31 December 2007.

The principal changes resulting from the adoption of the Financial Instrument Standards are as follows:

#### **Financial Assets and Financial Liabilities**

Under the new standards, financial assets and liabilities are initially recognized at fair value and are subsequently measured based on their classification as held-to-maturity, loans and receivables, available-for-sale or held-for-trading, as described below. The classification is not changed subsequent to initial recognition.

#### **Held-to-Maturity and Loans and Receivables**

Financial instruments that have a fixed maturity date, where the Company intends and has the ability to hold to maturity, are classified as held-to-maturity and measured at amortized cost using the effective interest rate method. Loans and receivables are measured at amortized cost using the effective interest method.

#### **Available-for-sale**

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

## Notes to Consolidated Financial Statements

31 March 2008 and 2007

Canadian Funds

### 2. Changes in Accounting Policies and Presentation – Continued

#### a) Financial Instrument Standards – Continued

##### Held-for-trading

Financial assets and financial liabilities that are purchased and incurred with the intention of generating profits in the near term are classified as held-for-trading. These instruments are measured at fair value with the change in the fair value recognized in income.

##### Derivatives and Hedge Accounting

The Company does not hold or have any exposure to derivative instruments and accordingly is not impacted by CICA Handbook Section 3865, Hedges.

##### Comprehensive Income

Comprehensive income is composed of the Company's earnings and other comprehensive income. Other comprehensive income includes unrealized gains and losses on available-for-sale securities, foreign currency translation gains and losses on the net investment in self-sustaining operations and changes in the fair market value of derivative instruments designated as cash flow hedges, all net of income taxes. Cumulative changes in other comprehensive income are included in accumulated other comprehensive income which is presented (if applicable) as a new category in shareholders' equity.

#### b) Accounting Changes

Effective 1 January 2007, the Company adopted the revised CICA Handbook Section 1506, Accounting Changes, which requires that a voluntary change in accounting policy can be made only if the changes result in more reliable and relevant information and are accompanied with disclosures of prior period amounts and justification of the changes. The section also requires that the nature and amount of material changes in estimates be disclosed. The Company has not made any voluntary change in accounting policies or significant changes in estimates that are not otherwise disclosed since the adoption of the revised section.

### 3. Available-for-sale Securities

	31 March 2008				Dec. 31, 2007
	Number of Shares	% Owned	Book Value	Fair Value	Fair Value
Pacific North West Capital Corp. ("PFN")	100,000	0.18%	\$ 34,221	\$ 34,221	\$ 70,663
			\$ 34,221	\$ 34,221	\$ 70,663

## Notes to Consolidated Financial Statements

31 March 2008 and 2007

Canadian Funds

### 3. Available-for-sale securities – Continued

During the period, the Company had a net gain on the sale of available-for-sale securities of \$13,474 (2007 - \$109,370) due to the sale of PFN shares. As at 31 March 2008, the Company's available-for-sale securities had a fair value of \$34,221 as determined with reference to published price quotations.

### 4. Mineral Property Costs

	Acquisition	Deferred Exploration	Payments/ grants	Write-offs	Totals March 31, 2008	Totals Dec. 31, 2007
Golden Summit Property	\$ 673,295	\$ 10,686,185	\$ -	\$ -	\$ 11,359,480	\$ 10,345,043
Almaden Property	845,212	5,381,307	-	-	6,226,519	5,966,972
Rob Property	550,000	769,221	-	-	1,319,221	1,303,822
Vinasale Property	138,535	389,009	-	-	527,544	451,754
Union Bay Property	110,658	174,669	(234,200)	-	51,127	51,127
	\$ 2,317,700	\$ 17,400,391	\$ (234,200)	\$ -	\$ 19,483,891	\$ 18,118,718

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

By various agreements dated from 1 December 1992 to 9 May 1997, the Company acquired from Fairbanks Exploration Inc. ("FEI") certain mineral claims in the Fairbanks Mining District of Alaska known as the Golden Summit Property, subject to a 7% working interest held in trust for FEI by the Company. The property is controlled by the Company through long-term lease agreements or outright claim ownership. As consideration, the Company issued 125,000 shares and expended US\$1,767,000 on the property before 2000. The Company is also required to make all underlying lease payments (*Note 4a(i-iii)*).

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

## Notes to Consolidated Financial Statements

31 March 2008 and 2007

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### 4. Mineral Property Costs – Continued

#### a) Golden Summit Property, Alaska, USA – Continued

##### **Underlying Leases**

##### (i) **Keystone Claims**

By agreement dated 17 May 1992, the Company agreed to make advance royalty payments of US\$15,000 per year. By an agreement dated 15 May 2000 and 30 November 2001, the Company agreed to make advance royalty payments as follows:

	US Funds	
1992 – 1998 (US\$15,000 per year)	\$ 105,000	(paid)
2000	\$ 50,000	(\$25,000 paid in cash and \$25,000 with 58,898 treasury shares issued)
2001- 2006 (US\$50,000 per year)	\$ *300,000	(paid)
2007 (US\$150,000 per year)	\$ 150,000	(paid)
2008 – 2019 (US\$150,000 per year)	\$ 1,800,000	

\* The 2001 US\$50,000 advance royalty payment was settled by issuing 250,000 shares. These shares were issued during the year ended 31 December 2002.

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

The leased property is subject to a 3% NSR.

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

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

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

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

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

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

## **Notes to Consolidated Financial Statements**

**31 March 2008 and 2007**

Canadian Funds

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

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

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

Pursuant to the Company submitting a feasibility report, the Company entered into a joint venture agreement whereby 60% of all further costs spent on the property were the responsibility of the Company. The joint venture assumed the requirements to pay US\$250,000 to underlying optionors (paid), US\$4 per month for each acre acquired (approximately US\$10,000 per year [paid to date]) and US\$24,000 per year (US\$6,000 annually [paid to date] with the remaining US\$18,000 deferred for payment upon commencement of commercial production). The accumulated contingent liability for lease payments due on commencement of commercial production is US\$450,000. In March 2007, the Company entered into an agreement whereby in consideration for the conversion of the 4% net returns to a 1.5% NSR, the Company agreed to advance the accumulated lease payments over 4 years and waive its right to defer US\$18,000 per year in lease payments. The Company is now responsible for making US\$24,000 per year in lease payments. In the event that the Company does not make the total accrued lease payments, the lease holders shall retain the 4% net returns, however, the Company will remain responsible for making the US\$24,000 annual lease payments.

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

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

##### **c) Rob Property, Alaska, USA**

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

As consideration, the Company paid US\$29,000 and issued 1,000,000 shares. Upon expending US\$1,000,000 on the property, the Company is required to issue an additional 500,000 shares of the Company. In addition, the vendor retains a 1% NSR which the Company may purchase for US\$1,000,000.

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

In addition, the Company is also required to expend a total of US\$1,000,000 in exploration expenditures on the property prior to 31 December 2008 (US\$771,783 spent to date). Minimum work in any given year shall not be less than US\$10,600 per year.

## Notes to Consolidated Financial Statements

31 March 2008 and 2007

Canadian Funds

### 4. Mineral Property Costs – Continued

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

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

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

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

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

During the year, the Company entered into a mineral exploration agreement with an option to lease from the Doyon Native Corporation on the Vinasale property in central Alaska. Under the Agreement, the Company must make cash payments of US\$320,000 over five years (US\$50,000 first year paid), make annual scholarship donations of US\$10,000, (US\$10,000 first year paid) and make minimum exploration expenditures totalling US\$4,750,000 (US\$300,000 first year - completed). The Company may at its option enter into a one year extension by making an additional cash payment of US\$100,000 and incurring an additional US\$1,500,000 in exploration expenditures. In the event the property is reduced by 50% or more, the additional exploration expenditures shall be reduced to US\$1,000,000.

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

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

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

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

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

## Notes to Consolidated Financial Statements

31 March 2008 and 2007

Canadian Funds

### 4. Mineral Property Costs – Continued

#### f) PGM A Property, Sudbury Region, Ontario, Canada

By various agreements dated between 6 March and 19 December 2000, the Company acquired a property in the Sudbury region, Ontario known as the PGM A Property. During a prior year, the Company earned a 100% interest in the property by making cash payments of \$100,000, issuing 300,000 shares and incurring exploration expenditures of \$50,000. The Company is also required to issue a further 100,000 shares to the optionor upon the completion of a bankable feasibility study.

The property is subject to a 3% NSR. The Company has the right to purchase up to 2% of the NSR for \$3,000,000 (the first 1% for \$1,000,000 and the second 1% for \$2,000,000).

By Letter Agreement dated 16 November 2001, the Company granted to PFN, a company that previously had certain directors in common, an option to earn a 70% interest in PGM A Property for cash payments of \$55,000 (received), issuance of 20,000 PFN shares (received) and exploration expenditures on the property of \$50,000 (completed).

PFN has the right to purchase an additional 30% interest in the property by paying the Company \$750,000. The Company and PFN will share the NSR buyout privileges in proportion to their respective interests.

During the prior year, all costs associated with the property have been written off.

#### g) Grew Creek Property, Yukon Territory, Canada

By Letter Agreement dated 27 May 2004, the Company had the right to acquire, from a third party, up to a 100% interest in certain mineral claims known as the Grew Creek Property located in Whitehorse Mining District, Yukon Territory. To acquire a 100% interest in the property, the Company was, at its option, required to complete the following: issue 200,000 shares (issued), make cash payments of \$305,000 (\$150,000 paid) and incur exploration expenditures of \$1,500,000.

During the prior year, the Company terminated this agreement. Accordingly, all costs associated with the property have been written off.

### 5. Property, Plant and Equipment

	Cost	Accumulated Amortization	Mar.31, 2008 Net Book Value	Dec. 31, 2007 Net Book Value
Mining equipment	\$ 1,179,112	\$ (213,431)	\$ 965,681	\$ 889,875
Land	1,608,574	-	1,608,574	107,000
Office equipment	108,158	(52,322)	55,836	59,047
	<u>\$ 2,895,844</u>	<u>\$ (265,753)</u>	<u>\$ 2,630,091</u>	<u>\$ 1,055,922</u>

During the period ended 31 March 2008, total additions to property, plant and equipment were \$1,639,903.

## **Notes to Consolidated Financial Statements**

**31 March 2008 and 2007**

*Canadian Funds*

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### **6. Related Party Balances and Transactions**

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

- a) Effective 1 January 2005, each outside director is entitled to receive \$500 per month, \$500 per directors' meeting and \$500 per committee meeting. During the period, \$14,500 was paid to directors.
- b) During the period, accounting fees of \$9,500 were paid to a company controlled by the Chief Financial Officer.
- c) During the period, consulting fees of \$29,385 were paid to a company controlled by the Vice-President of Project Development.

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

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### **7. Share Capital**

#### **a) Private Placements**

During the prior year, the Company closed a non-brokered private placement of 5,500,000 units for gross proceeds of \$6,325,000. Each unit was priced at \$1.15 and consisted of one common share and one-half non-transferable share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of \$1.60 per share exercisable until 26 June 2009. At 31 March 2008, all of these share purchase warrants in this series remained outstanding.

During the prior year, the Company closed a non-brokered private placement of 5,100,000 units for gross proceeds of \$2,805,000. Each unit was priced at \$0.55 and consisted of one common share and one non-transferable share purchase warrant. Each warrant entitled the holder to purchase one additional common share at a price of \$0.75 per share exercisable until 28 February 2009. The Company had the right to accelerate the warrant expiration on 30 days written notice in the event that after 6 months, the closing bid price of the shares was equal to or above \$1.10 per share for any consecutive 20-day period. At 31 December 2007, none of the share purchase warrants in this series remained outstanding.

#### **b) Exercise of Warrant and Options**

- i) During the period, no warrants were exercised.
- ii) During the period, 530,000 options were exercised for gross proceeds of \$250,500.

## Notes to Consolidated Financial Statements

31 March 2008 and 2007

Canadian Funds

### 7. Share Capital – Continued

#### c) Share Purchase Warrants

As at 31 March 2008, the following share purchase warrants are outstanding:

Number	Price per Share	Expiry Date
2,750,000	\$1.60	26 June 2009

During the prior year, 7,850,000 common share purchase warrants having a fair value of \$1,645,559 were issued relating to two private placements.

#### d) Share Purchase Options

The Company has established share purchase option plans whereby the Board of Directors (the “Board”), may from time to time, grant options to directors, officers, employees or consultants to a maximum of 10,129,247 options. At the Company’s Annual and Special Meeting held on 28 April 2008, shareholders approved a resolution which amended the option plans to cap the number of options outstanding to 10 % of the issued and outstanding shares. Options granted must be exercised no later than five years from date of grant or such lesser period as determined by the Board. The exercise price of an option is not less than the closing price on the Toronto Stock Exchange on the last trading day preceding the grant date. Options vest upon the discretion of the Board.

A summary of the Company’s options at 31 March 2008 and the changes for the period are as follows:

Number Outstanding 31 December 2007	Granted	Exercised	Cancelled	Expired	Number Outstanding 31 March 2008	Exercise Price Per Share	Expiry Date
820,000	-	(500,000)	-	-	320,000	\$0.48	10 September 2008
-	-	-	-	-	-	\$0.55	10 February 2007
310,000	-	-	-	-	310,000	\$0.40/\$0.50	5 November 2009
500,000	-	-	-	-	500,000	\$0.20	30 September 2010
320,000	-	(30,000)	-	-	290,000	\$0.35	13 March 2011
80,000	-	-	-	-	80,000	\$0.50	17 July 2011
100,000	-	-	-	-	100,000	\$0.50	21 September 2011
350,000	-	-	-	-	350,000	\$0.50	11 January 2012
400,000	-	-	-	-	400,000	\$0.75	25 January 2010
40,000	-	-	-	-	40,000	\$1.20	4 June 2010
25,000	-	-	-	-	25,000	\$1.50	13 July 2012
40,000	-	-	-	-	40,000	\$1.71	16 October 2012
150,000	-	-	-	-	150,000	\$2.10	1 November 2012
-	100,000	-	-	-	100,000	\$1.50	8 February 2013
-	2,410,000	-	-	-	2,410,000	\$1.42	21 February 2013
3,135,000	2,510,000	(530,000)	-	-	5,115,000		

## Notes to Consolidated Financial Statements

31 March 2008 and 2007

Canadian Funds

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### 7. Share Capital – Continued

#### d) Share Purchase Options - Continued

Effective 1 January 2003, the Company adopted the recommendations of CICA Handbook Section 3870, Stock-based compensation (*Note 1i*). The standard requires that stock-based awards made to employees and non-employees are to be measured and recognized using a fair value based method. During the period, the Company transferred \$64,856 from contributed surplus to share capital as required when options were exercised.

During the period, the Company granted the following options and recognized the following costs with respect to options granted in 2008:

Grant Date	Granted	Exercise Price	Fair Value	2008 Vested Amount
8 February 2008	100,000	\$1.50	\$76,501	\$11,511
21 February 2008	2,410,000	\$1.42	1,941,034	669,014
Total	2,510,000		\$2,017,535	\$680,525

During prior years, the Company granted the following options and recognized the 2008 vested amount as follows:

Grant Date	Granted	Exercise Price	Fair Value	2008 Vested Amount
13 March 2006	350,000	\$0.35	\$86,864	\$10,858
Total	350,000		\$86,864	\$10,858

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31 March 2008 and 2007

Canadian Funds

### 7. Share Capital – Continued

#### d) Share Purchase Options – Continued

The total estimated fair value of the 2,860,000 options is \$2,104,399. Since the options were granted under a graded vesting schedule, \$691,383 of the total fair value has been recorded in the Company accounts as stock-based compensation expenses during 2008. The offsetting entry is to contributed surplus.

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

	2008	2007	2006
Expected dividend yield	0.00%	0.00%	0.00%
Expected stock price volatility	75.27%	68.93%	74.70%
Risk-free interest rate	3.38%	4.12%	4.08%
Expected life of options	3.5 years	4.12 years	5.0 years

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

#### e) Performance Shares

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

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

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

\* 50,000 performance shares were reserved for issuance at \$0.01 per share during the prior year. The fair market value of the performance shares at the date of the allotment/accrual was \$71,000 and was recorded in the accounts as consulting fees in the prior year. The offsetting entry was to contributed surplus. During the current period, these shares were issued for total proceeds of \$500 with the offsetting entry to share capital.

## Notes to Consolidated Financial Statements

31 March 2008 and 2007

Canadian Funds

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### 7. Share Capital – Continued

#### e) Performance Shares – Continued

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

\*\*\* 50,000 performance shares were reserved for issuance at \$0.01 per share. The accrued amount of 7,500 shares with the fair market value of \$9,975 was accrued to 31 March 2008 and was recorded in the accounts as stock-based compensation. The offsetting entry is to contributed surplus.

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

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

\* 81,818 performance shares were reserved for issuance at \$0.01 per share in the prior year. The fair market value of the performance shares at the date of the allotment/accrual was \$135,000 and was recorded in the accounts as wages and benefits in the prior year. The offsetting entry was to contributed surplus. During the current period, these shares were issued for total proceeds of \$818 with the offsetting entry to share capital.

\*\* 81,818 performance shares were issued at \$0.01 per share for total proceeds of \$818 during the period. The fair market value of the performance shares at the date of the issuance was \$176,727. The difference between the issue price and the fair market value was recorded in the accounts as stock-based compensation. The offsetting entry is to share capital.

## Notes to Consolidated Financial Statements

31 March 2008 and 2007

Canadian Funds

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### 7. Share Capital – Continued

#### e) Performance Shares – Continued

\*\*\* 81,818 performance shares were reserved for issuance at \$0.01 per share. The accrued amount of 81,818 shares with the fair market value of \$108,818 was accrued to 31 March 2008 and was recorded in the accounts as stock-based compensation. The offsetting entry is to contributed surplus.

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

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

\* 33,333 performance shares were reserved for issuance at \$0.01 per share in the prior year. The fair market value of the performance shares at the date of the allotment/accrual was \$71,333 and was recorded in the accounts as wages and benefits in the prior year. The offsetting entry was to contributed surplus. During the current year, these shares were issued for total proceeds of \$333 with the offsetting entry to share capital.

\*\* 33,333 performance shares were issued at \$0.01 per share for total proceeds of \$333 during the period. The fair market value of the performance shares at the date of the issuance was \$54,999. The difference between the issue price and the fair market value was recorded in the accounts as stock-based compensation. The offsetting entry is to share capital.

\*\*\* 33,333 performance shares were reserved for issuance at \$0.01 per share. The accrued amount of 7,037 shares with the fair market value of \$9,359 was accrued to 31 March 2008 and was recorded in the accounts as stock-based compensation. The offsetting entry is to contributed surplus.

## Notes to Consolidated Financial Statements

31 March 2008 and 2007

Canadian Funds

### 7. Share Capital – Continued

#### e) Performance Shares – Continued

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

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

\* 50,000 performance shares were reserved for issuance at \$0.01 per share in the prior year. The fair market value of the performance shares at the date of the allotment/accrual was \$99,500 and was recorded in the accounts as wages and benefits in the prior year. The offsetting entry was to contributed surplus. During the current period, these shares were issued for total proceeds of \$500 with the offsetting entry to share capital.

\*\*\* 50,000 performance shares were reserved for issuance at \$0.01 per share. The accrued amount of 43,889 shares with the fair market value of \$58,372 was accrued to 31 March 2008 and was recorded in the accounts as stock-based compensation. The offsetting entry is to contributed surplus.

### 8. Income Taxes

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

	2007	2006
Loss before income taxes	\$ 4,384,463	\$ (1,772,633)
Expected income tax (recovery)	\$ (1,495,102)	\$ (604,468)
Items not deductible for income tax purposes	1,025,844	204,828
Unrecognized benefit of non-capital losses	469,258	399,640
Total income taxes	\$ -	\$ -
Represented by:		
Current income tax	\$ -	\$ -
Future income tax	\$ -	\$ -

## Notes to Consolidated Financial Statements

31 March 2008 and 2007

Canadian Funds

### 8. Income Taxes – Continued

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

	2007	2006
Future income tax assets		
Financing costs	\$ 36,787	\$ 30,101
Loss carry-forwards	7,720,549	8,163,302
Undepreciated capital cost in excess of accounting net book value	174,539	115,613
Mineral properties	6,252,637	387,366
	14,184,512	8,696,382
Valuation allowance	(14,184,512)	(8,696,382)
Net future income tax assets	\$ -	\$ -

The Company has non-capital losses for Canadian tax purposes of approximately \$6,000,000 available to offset against taxable income in future years, which, if unutilized, will expire through to 2027. In addition, the Company has net operating loss carryovers for US tax purposes of approximately US\$16,400,000 available to offset against taxable income in future years, which, if unutilized, will expire through to 2027. Subject to certain restrictions, the Company also has resource exploration expenditures of approximately \$18,000,000 available to reduce taxable income of future years. Future tax benefits which may arise as a result of these losses, resource deductions and other tax assets have not been recognized in these financial statements, and have been offset by a valuation allowance.

### 9. Commitments

- i) The Company has outstanding and future commitments under mineral property option agreements to pay cash and issue common shares of the Company (*Note 4*).
- ii) The Company has outstanding future commitments related to share purchase warrants and options (*Note 7*).
- iii) The Company is committed under operating lease agreements for its office premises in Kerrisdale and downtown Vancouver with the following estimated lease payments and dates:

Fiscal year ended Dec. 31,	2008	2009	2010
Office lease - Kerrisdale	\$39,679	\$39,679	\$19,840
Office lease - Vancouver	\$60,552	-	-

## Notes to Consolidated Financial Statements

31 March 2008 and 2007

Canadian Funds

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### 10. Segmented Information

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

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

Details on a geographic basis as at 31 December 2006 are as follows:

	USA	Canada	Total
Assets	\$ 9,950,735	\$ 2,430,498	\$ 12,381,233
Mineral property costs	\$ 9,950,735	\$ 1,611,102	\$ 11,561,837
Loss for the year	\$ (2,006)	\$ (1,770,627)	\$ (1,772,633)

Details on a geographic basis as at 31 December 2005 are as follows:

	USA	Canada	Total
Assets	\$ 6,753,761	\$ 2,677,943	\$ 9,431,704
Mineral property costs	\$ 6,742,673	\$ 1,841,505	\$ 8,584,178
Loss for the year	\$ (43,019)	\$ (1,325,351)	\$ (1,368,370)

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