



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

DATED: MARCH 28TH, 2013

Additional information relating to Freegold Ventures Limited ("Freegold" or the "Company"), including the Company's Annual Information Form for the year ended December 31, 2012 is available on SEDAR at www.sedar.com.

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

INTERNATIONAL FINANCIAL REPORTING STANDARDS

Effective January 1st, 2011, the accounting framework under which financial statements are prepared in Canada for all publicly accountable enterprises changed to International Financial Reporting Standards ("IFRS"). The Company's transition date to IFRS was January 1st, 2010. The 2012 and 2011 information set forth in this document should be read in conjunction with the consolidated audited financial statements and related notes, prepared in accordance with IFRS, for the years ended December 31st, 2012 and 2011.

BUSINESS OF FREEGOLD

Freegold is an exploration stage company engaged in the acquisition, exploration and evaluation of mineral properties of merit with the aim of developing them to a stage where they can be exploited at a profit or to arrange joint ventures whereby other companies provide funding for development and exploitation. The Company was incorporated in 1985 and is listed on the Toronto Stock Exchange under the symbol "FVL". As of March 28th, 2013, the Company had 74,171,029 shares outstanding and a market capitalization of CDN \$40 million. The Company has its registered corporate office in Vancouver, Canada.

REVIEW OF EXPLORATION PROJECTS

The Company is focused on gold exploration in Alaska and has two primary exploration projects: Golden Summit and Vinasale properties. Exploration in 2012 included the completion of diamond drill programs on these projects and the calculation of updated National Instrument 43-101 ("NI 43-101") compliant resource calculations on both projects.

In March 2011, the Company completed its first NI 43-101 compliant resource calculations on the Golden Summit and Vinasale properties. The Golden Summit NI 43-101 resource was updated in December 2011 and again in October 2012. The Vinasale resource was updated in March 2012 and again in March 2013, based on the 2012 drilling results.

Golden Summit, Alaska

Since 1992, Freegold has explored the Golden Summit Project, which is located 20 miles north of Fairbanks, Alaska and less than 5 miles from one of Alaska's largest gold mines (Kinross' 350,000 oz/year Fort Knox Mine). Freegold's approximately 7-mile long by 1 to 2 mile wide Golden Summit property is located at the center of the historic Fairbanks mining district. This property contains over 80 known gold occurrences, and has hosted the district's largest and highest-grade historic underground gold producers. In the following discussion, gold is sometimes abbreviated by its elemental symbol, "Au"; and "g/t" or "gpt" refers to grams of gold per metric tonne.

Detailed exploration conducted to date covers only a limited portion of the 7 mile long property. The balance of the property contains numerous old mines and prospects that have not as yet been systematically explored.

The Golden Summit Project is comprised of a series of long-term leases ("Keystone Claims", "Tolovana Claims", "Newsboy Claims", "Green Claims", "Chatham Claims" and "Alaska Mental Health Trust claims" see below for further details) and claims owned by Freegold. The project is subject to various sliding net smelter return royalties ("NSR's") ranging from 1-4.5% dependent on the price of gold.

KEYSTONE CLAIMS

By an agreement dated May 17th, 1992, the Company entered into a lease on the Keystone claims whereby the Company agreed to make advance royalty payments of US\$15,000 per year. In May 2000, the agreement was renegotiated and on 15 October 2000, a US\$50,000 payment was made in cash and shares. On November 30th, 2001, the Company restructured the advance royalty payments as follows:

	US Funds	
1992 – 1998 (US\$15,000 per year)	\$ 105,000	(paid)
2000	\$ 50,000	(\$25,000 paid in cash and \$25,000 with 9,816 treasury shares issued)
2001 - 2006 (US\$50,000 per year)	\$ 300,000	(paid)
2007	\$ 150,000	(paid)
2008	\$ 150,000	(paid \$75,000 in 2008 with the remaining \$75,000 paid in 2009, subject to a payment extension)
2009	\$ 150,000	(paid)
2010	\$ 150,000	(paid)
2011	\$ 150,000	(paid)
2012	\$ 150,000	(paid)
2013 – 2019 (US\$150,000 per year)	\$ 1,050,000	

The property is subject to a 3% NSR.

In 2011, Freegold negotiated an extension of the lease for so long as permitting, development mining or processing is being conducted on a continuous basis and, if the property is not in commercial production, provided that the advance royalties are being paid, the lease shall be renewable for successive 10 year terms.

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 a Quit Claim Deed to a 20-year lease on the Tolovana Gold Property in Alaska.

Under the terms of the agreement, the Company assumed all of the Seller's obligations under the lease, which include making annual payments of \$1,000 per month for the first 23 months increasing to \$1,250 per month for the 24th to the 48th months and increasing to \$1,500 after the 49th month and for the duration of the lease. These payments are current. In addition, the Company made a payment to the seller of US\$7,500 on signing and issued 66,667 shares on regulatory approval. An additional 33,333 shares were to be issued within 30 days of a minimum 200,000 ounce mineral resource being calculated on the property if the resource was established in five years or less from the date of the agreement. No resource was calculated during the prescribed time frame so these shares were not issued.

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

NEWSBOY CLAIMS

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

On October 12th, 2012, the Company's amended lease agreement was formalized and the lease term was extended for a five year term, from March 1st, 2011 to February 29th, 2016. The minimum royalty payable under the amended lease is US\$12,000 per year for the term of the lease. These payments are current. In addition, the Company will have the option to further extend the lease for a term of an additional 5 years by making a one-time payment of US\$50,000. The claims are subject to a 4% net smelter returns royalty ("Newsboy NSR"). The Company has the option to purchase the Newsboy NSR for the greater of the current value or US\$1,000,000 less all advance royalty payments made.

GREEN CLAIMS

By lease agreement dated December 16th, 2010, the Company entered into a long term lease agreement with Christina Mining Company, LLC for certain mineral claims in the Fairbanks Mining District of Alaska known as the Green Property. The Company is required to make annual cash payments and exploration expenditures as follows:

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

CHATHAM CLAIMS

By lease agreement dated July 11th, 2011, the Company entered into a four year lease agreement on certain mineral claims in the Fairbanks Mining District of Alaska known as the Chatham Property. The claims are subject to a 2% net smelter returns royalty ("Chatham NSR"). The Company is required to make annual cash payments and exploration expenditures as follows:

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

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

The Company has the option to purchase one-half of the Chatham NSR, representing one percent for US\$750,000.

Certain claims are subject to a 7% working interest held in trust for Fairbanks Exploration Inc. ("FEI") by the Company. Under this Quit Claim Deed Freegold is required to fund 100% of the project until production is achieved at which point FEI is required to contribute 7% of any approved budget. These claims are subject to a 2% net smelter returns royalty ("FEI NSR") to FEI. The Company has a 30 day right of first refusal, in the event that the 7% working interest of FEI or the FEI NSR is to be sold by FEI. The Company can also purchase the FEI NSR at any time following commercial production, based on its net present value as determined by mineable reserves.

Alaska Mental Health Trust Property

By lease agreement dated June 1st, 2012, the Company entered into a new mining lease over certain mineral claims in the Fairbanks Mining District of Alaska known as the Alaska Mental Health Trust Property. The property will be controlled by the Company through a three year lease agreement and may be extended by two extensions of three years. The Company is required to make annual cash payments and exploration expenditures as follows:

	Payments	Exploration Expenditures
Execution of agreement	US\$25,000 (paid)	-
Years 1-3	US\$2,000 per year	US\$25,000 per year
Years 4-6	US\$3,000 per year	US\$50,000 per year
Years 7-9	US\$4,000 per year	US\$75,000 per year
Total	US\$52,000	US\$450,000

The claims are subject to the following NSR:

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

In February 2013, the Company entered into an agreement to amend the terms of the lease to reflect an increase in the size of the lease. As a result, the work commitment schedule will be

modified to increase the exploration expenditure requirements for years 1 to 3 to US\$125 per acre per year, years 4 to 6 to US\$235 per acre per year and years 7 to 9 to US\$355 per acre per year.

EXPLORATION 2011

In March 2011, a resource was calculated on the Dolphin Zone, which is located in the western most portion of the Golden Summit Project. The resource estimate was based on 49 previously drilled reverse circulation (RC) and diamond drill core holes totaling 5,966 meters. Using a 0.3 g/t cut-off the resource calculated was 174,000 ounces (7,790,000 tonnes @ 0.695 g/t) in the indicated category and 526,000 ounces (27,010,000 tonnes @ 0.606 g/t) in the inferred category.

The full report entitled, "Geology and Mineralization and Mineral Resource Estimate for the Golden Summit Project, Fairbanks Mining District, Alaska" by David D. Adams, BSc, MSc, P.Geo. and Gary H. Giroux, P.Eng, MASc., dated March 31, 2011, was filed on SEDAR as "Amended & restated technical report (NI 43-101), on April 1st, 2011.

A Phase 1 diamond drilling program commenced in mid-February of 2011 on the Dolphin prospect and the areas covered by the 2010 induced polarization survey. This program was expanded in May and a total of 6,328 metres in 28 holes were completed by the end of June. For all drill results reference should be made to the full news releases contained on the Company's website at www.freegoldventures.com. The program expanded and upgraded the existing historical resources located in the Dolphin area.

The resource estimate was completed by Giroux Consultants Ltd. of Vancouver, BC, Canada. The indicated and inferred resource using a 0.3 and 0.35 g/t cut-off was:

DOLPHIN ZONE INDICATED RESOURCE

Au Cut-off (g/t)	Tonnes	Au (g/t)	Contained	
			kgs Au	ozs Au
0.30	17,270,000	0.62	10,620	341,000
0.35	14,840,000	0.66	9,820	316,000

DOLPHIN ZONE INFERRED RESOURCE

Au Cut-off (g/t)	Tonnes	Au (g/t)	Grade	
			kgs Au	ozs Au
0.30	64,440,000	0.55	35,380	1,137,000
0.35	50,460,000	0.61	30,830	991,000

The updated resource estimate was based on 77 drill holes (11,802m) that were drilled into the mineralized Dolphin stock, which is a multi-phase, felsic to intermediate intrusion. The stock has been mapped on surface and is approximately 366 metres by 610 metres (1,200 by 2,000 ft) in area and elongate in an east-west direction. The resource was calculated using a block model with blocks measuring 10 by 10 by 5 metres in size that were populated using a combination of ordinary kriging and indicator kriging; blocks within the Dolphin mineralized solid were summed to arrive at the total tonnage and average grade.

The full report entitled, "2011 Update Report on the Geology and Mineralization and Mineral Resource Estimate for the Golden Summit Project, Fairbanks Mining District, Alaska" by David D. Adams, BSc, MSc, P.Geo. and Gary H. Giroux, P.Eng, MASc., dated January 26th, 2012, was filed on SEDAR as on January 26th, 2012.

Drilling commenced in January 2012 and was underway until late September 2012 with the objective of increasing the resource at Golden Summit. A total of 14,917 metres were drilled on

both the Dolphin and Cleary Hill areas. The program in the Cleary Hill area was designed to infill the 400 metre area that coincides with the intersection of the northwest-striking Cleary Hill zone and the northeast-striking Dolphin zone.

For all drill results, reference should be made to the full new releases contained on the Company's website at www.freegoldventures.com.

On October 31st, 2012 the Company reported its updated NI 43-101 resource for the Dolphin/Cleary Hill area. The resource was based on an additional 74 holes drilled in 2012 and extended the mineralized zone to the north and east. The resource estimate was completed by Giroux Consultants Ltd. of Vancouver, BC, Canada. In the following tables a 0.30 g/t and 0.35 g/t are highlighted as possible open pit cut offs. No economic parameters were utilized in determining the cutoffs.

DOLPHIN ZONE INDICATED RESOURCE

Au Cut-off (g/t)	Tonnes > Cut-off (tonnes)	Grade > Cut-off		
		Au (g/t)	Contained	
			kgs Au	ozs Au
0.20	101,530,000	0.55	55,940	1,799,000
0.25	86,660,000	0.61	52,600	1,691,000
0.30	73,580,000	0.67	49,000	1,576,000
0.35	62,620,000	0.73	45,460	1,462,000
0.40	53,410,000	0.79	42,030	1,351,000
0.50	39,360,000	0.91	35,740	1,149,000
0.60	29,180,000	1.03	30,170	970,000
0.70	22,040,000	1.16	25,570	822,000
0.80	16,720,000	1.29	21,590	694,000
0.90	12,760,000	1.43	18,220	586,000
1.00	9,960,000	1.56	15,580	501,000
1.10	7,910,000	1.70	13,430	432,000
1.20	6,270,000	1.84	11,550	371,000
1.30	5,000,000	1.99	9,960	320,000

DOLPHIN ZONE INFERRED RESOURCE

Au Cut-off (g/t)	Tonnes > Cut-off (tonnes)	Grade > Cut-off		
		Au (g/t)	Contained	
			kgs Au	ozs Au
0.20	281,710,000	0.54	152,690	4,909,000
0.25	253,830,000	0.58	146,210	4,701,000
0.30	223,300,000	0.62	138,000	4,437,000
0.35	191,920,000	0.67	127,630	4,103,000
0.40	162,310,000	0.72	116,700	3,752,000
0.50	113,800,000	0.83	94,910	3,051,000

0.60	80,250,000	0.96	76,640	2,464,000
0.70	56,540,000	1.08	61,290	1,970,000
0.80	38,580,000	1.24	47,880	1,539,000
0.90	25,770,000	1.44	37,030	1,191,000
1.00	18,620,000	1.63	30,290	974,000
1.10	14,430,000	1.80	25,900	833,000
1.20	11,580,000	1.95	22,630	727,000
1.30	9,400,000	2.12	19,920	640,000

The mineralized Dolphin Solid increased in volume by 254 % over the one used in the December 2011 Estimate (Adams, Giroux, 2012). It has been deepened and extended to the north and east to include the Cleary Hill area. As a result the number of holes within the mineralized solid increased from the 77 (11,802m) used in the 2011 estimate to 177 (35,829m) in this update.

The resource was calculated using a block model with blocks measuring 10 by 10 by 5 metres in size that were populated using a combination of ordinary kriging and indicator kriging; blocks within the Dolphin/Cleary Hill mineralized solid were summed to arrive at the total tonnage and average grade.

The full report entitled, “*Technical Report for the Golden Summit Project, Fairbanks Mining District, Alaska*” by Mark Abrams, BSc, MSc, P. Geo. and Gary H. Giroux, P. Eng, MASc., dated December 14th, 2012, was filed on SEDAR as on December 17, 2012.

Christina Area

During the summer of 2011, a ground based geophysical program (induced polarization) was undertaken on the Christina area of the Golden Summit Project.

In addition to the drilling completed in the Dolphin/Cleary Hill areas, Freegold also completed its first drilling program in the Christina area, where a +5,000 feet long shear zone which hosts several past-producing high grade gold mines has been identified. Historic drilling on the Christina prospect from 1978 through 1988 focused on defining high grade resources on several northwest striking, southwest dipping vein systems. Given recent positive drill results at the Cleary Hill mine area, the Company is investigating the possibility that the Christina area also has the potential to host bulk tonnage mineralization that would be suitable for low cost open pit extraction. In 2011, 1,230 metres of drilling were completed in the Christina area and an additional 1,686 metres were completed in 2012.

For all drill results, reference should be made to the news releases available on the Company’s website at www.freegoldventures.com.

Vinasale Project

In 2007, Freegold signed an Exploration with an Option to Lease agreement with Doyon Limited (“Doyon”), an Alaskan regional Native corporation, on the Vinasale Gold Project. Vinasale is located 16 air miles south of McGrath, Alaska. The Vinasale deposit occurs in a north trending belt that hosts a number of igneous intrusion-related gold deposits including NovaGold Resources’ and Barrick Gold’s 39.3 million ounce Donlin Creek deposit and Fire River Gold’s high grade Nixon Fork copper-gold deposit.

The Vinasale Mountain Gold Project is located on fee-simple lands owned by Doyon. In February of 2007 Freegold signed a Mining Exploration Agreement with an Option to Lease with Doyon, Limited aimed at exploring and developing the project. The agreement also allows for exploration of several adjacent areas owned or controlled by Doyon, including a large block of Doyon "selected" lands. Doyon controls the subsurface rights and most of the surface rights to all of these areas. Under the Exploration Agreement, Freegold must make payments of US\$360,000 (US\$50,000 first year) over five years, make annual scholarship donations of US\$10,000, and make exploration expenditures totaling US\$5,000,000 (US\$300,000 first year). Freegold may at its option enter into a one year extension by making a further payment of US\$100,000 and incurring an additional US\$1,500,000 in exploration expenditures which it elected to do in February 2012. In the event the property is reduced by 50% or more, the additional exploration expenditures shall be reduced to US\$1,000,000. Freegold may enter into one or more Mining Leases with Doyon on lands on which it has expended at least US\$600,000, carried out at least 10,000 ft of core drilling, and submitted a pre-feasibility study. Freegold will be required to make advance royalty payments and continue to conduct minimum exploration expenditures on leased lands until such time as a Board approved positive feasibility study has been delivered. Advance royalty payments shall be US\$100,000 per year during the initial five-year period, increasing to US\$250,000 per year thereafter. The minimum mandatory exploration expenditures shall be equal to the greater of US\$25/acre or US\$250,000 for each of the first five years, and US\$50/acre or US\$500,000 in subsequent years. Upon submission of a Board approved feasibility study Doyon will have the right, for a period of 180 days, to acquire a minimum 5%, and a maximum 10% participating interest in Freegold's interest. Within 60 days of Doyon electing to participate, Doyon shall contribute to a joint venture an amount equal to 2.25 times Doyon's proportionate share of Freegold's cumulative expenditures on the leased area after the Effective Date of the Lease. Following the expenditure of such funds, each party will be required to contribute its pro rata share of further expenditures. On January 30th, 2013, the Company paid US\$70,000 to Doyon to extend the option to lease agreement on the Vinasale Property by one year and will be required to incur an additional US\$1,500,000 in exploration expenditures.

In March 2011, the Company completed the first NI 43-101 resource estimate on the Vinasale Project using a cutoff value of 0.5 grams/tonne (g/t Au) as a possible open pit cut-off (the economic cut-off being unknown). This effort resulted in an inferred resource of 37.3 million tonnes averaging 1.11 g/t Au for 1,331,000 ounces. A full NI 43-101 technical report on the Vinasale Project entitled, "*Geologic Summary and Mineral Resource Estimate Report for the Vinasale Gold Project, McGrath Mining District, Alaska*" by David D. Adams, BSc, MSc, P.Geo. and Gary H. Giroux, P.Eng, MASc., dated March 31st, 2011, was filed on SEDAR as an "Amended & restated technical report (NI 43-101)" on April 1, 2011.

Recent Exploration

In 2011, the Company undertook a 3,501 metre drilling program in addition to a ground geophysical survey (induced polarization) over the surface projection of the intrusive stock that is host to auriferous mineralization at Vinasale. Results of the induced polarization program indicate that in addition to the Central Zone, where all the drilling was conducted in 2011, a geophysical anomaly was defined in the North East Zone where limited previous drilling has indicated mineralization of similar character to the Central Zone.

In March 2012, Freegold updated its NI 43-101 resource on the Vinasale project based on the 3,501 metres of diamond drilling completed in 2011. For all drill results reference should be made to the full news releases contained on the Company's website at www.freegoldventures.com.

The resource estimate was completed by Giroux Consultants Ltd. of Vancouver, BC, Canada. The full report entitled, "*Geologic Summary and Mineral Resource Estimate Report for the Vinasale Gold Project, McGrath Mining District, Alaska*" by David D. Adams, BS, MS, P.Geo. and Gary H. Giroux, P.Eng, MASc., dated March 30, 2012, was filed on SEDAR on March 30, 2012.

The addition of 13 drill holes drilled in 2011 expanded the resource at a 0.5 g/t cut-off by 32.4 % on tonnage at essentially the same grade for an increase of 30.4 % ounces of contained gold from the original March 2011 resource estimate.

A total of 85 drill holes containing 10,945 gold assays were completed on the project within three areas: the Central, Northeast and South Zones. The highest density of drilling has been completed in the Central Zone where 41 drill holes totaling 9,948 metres were used in estimating the resource for the Central Zone. Gold assays were capped at 22.0 grams/tonne gold. Composites, 5 metres in length, were used to model the grade continuity using semivariograms. Blocks measuring 10 by 10 by 5 metres were populated using Ordinary Kriging. No economic parameters were utilized in determining the cutoffs.

Vinasale Central Zone Inferred Resource

Au Cut-off (g/t)	Tonnes > Cut-off (tonnes)	Grade > Cut-off		
		Au (g/t)	Contained	
			kgs Au	ozs Au
0.10	87,370,000	0.74	64,570	2,076,000
0.15	80,380,000	0.79	63,740	2,049,000
0.20	74,930,000	0.84	62,790	2,019,000
0.25	70,040,000	0.88	61,640	1,982,000
0.30	65,620,000	0.92	60,440	1,943,000
0.40	57,350,000	1.00	57,580	1,851,000
0.50	49,320,000	1.09	53,960	1,735,000
0.60	42,250,000	1.19	50,110	1,611,000
0.70	36,100,000	1.28	46,100	1,482,000
0.80	30,840,000	1.37	42,160	1,355,000
0.90	26,310,000	1.46	38,310	1,232,000
1.00	22,420,000	1.54	34,620	1,113,000
1.10	19,080,000	1.63	31,120	1,001,000
1.20	16,110,000	1.72	27,710	891,000
1.30	13,520,000	1.81	24,480	787,000

Exploration 2012

The 2012 exploration program drill tested both the Central Zone as well as the North East Zone. A total of 13 holes (3,425 metres) were drilled during the 2012 exploration program. Results of the additional drilling in the Central Zone continue to demonstrate that the mineralization in the Central Zone remains open to expansion to the south, east and to depth. The wide spaced drilling carried out in the North East Zone (holes VM1201 and VM1204) indicated that additional drilling is warranted in this area as a possible resource expansion target.

For all drill results reference should be made to the full news releases contained on the Company's website at www.freegoldventures.com

In March 2013, Freegold updated its NI 43-101 resource on the Vinasale project based on diamond drilling completed in 2012. The 2012 drill program resulted in the estimation of indicated material for the first time and also expanded the inferred category from the March 2012 resource estimate. Of significance is the increase in grade in the indicated category and it is anticipated that additional drilling within the core of the Central Zone may have the potential to increase both the grade and tonnage within the indicated category.

The resource estimate was completed by Giroux Consultants Ltd. of Vancouver, BC, Canada. The full NI 43-101 Technical Report will be filed on SEDAR in conjunction with Freegold's Annual Information Form.

A total of 98 drill holes containing 11,284 gold assays were completed on the project within three areas: the Central, Northeast and South Zones. The highest density of drilling has been completed in the Central Zone where 53 drill holes totaling 12,352 metres were used in estimating the resource for the Central Zone. Gold assays were capped at 20 grams/tonne gold. Composites, 5 metres in length, were used to model the grade continuity using semivariograms. Blocks measuring 10 by 10 by 5 metres were populated using Ordinary Kriging.

Vinasale Central Zone Indicated Resource (Total Blocks)

Au Cut-off (g/t)	Tonnes > Cut-off (tonnes)	Grade > Cut-off		
		Au (g/t)	Contained	
			kgs Au	ozs Au
0.10	4,910,000	1.11	5,460	176,000
0.15	4,670,000	1.16	5,440	175,000
0.20	4,480,000	1.21	5,400	174,000
0.25	4,300,000	1.25	5,370	173,000
0.30	4,120,000	1.29	5,310	171,000
0.40	3,750,000	1.38	5,180	167,000
0.50	3,410,000	1.48	5,030	162,000
0.60	3,130,000	1.56	4,870	157,000
0.07	3,130,000	1.56	4,870	157,000
0.80	2,680,000	1.70	4,560	147,000
0.90	2,490,000	1.77	4,400	142,000
1.00	2,290,000	1.84	4,210	135,000

Vinasale Central Zone Inferred Resource (Total blocks)

Au Cut-off (g/t)	Tonnes > Cut-off (tonnes)	Grade > Cut-off		
		Au (g/t)	Contained	
			kgs Au	ozs Au
0.10	110,920,000	0.65	71,540	2,300,000
0.15	100,540,000	0.70	70,280	2,259,000
0.20	91,180,000	0.75	68,660	2,207,000
0.25	83,000,000	0.81	66,820	2,148,000
0.30	75,970,000	0.85	64,880	2,086,000
0.40	63,550,000	0.95	60,560	1,947,000
0.50	53,250,000	1.05	55,970	1,799,000
0.60	44,750,000	1.15	51,280	1,649,000
0.07	44,750,000	1.15	51,280	1,649,000
0.80	31,440,000	1.34	42,070	1,352,000
0.90	26,160,000	1.44	37,590	1,209,000
1.00	22,000,000	1.53	33,640	1,081,000

The mineralization in the Central Zone extends over a strike length of 400 metres and remains open to the south and to depth.

The 2013 Vinasale exploration program is expected to consist of additional drilling in the Central Zone where mineralization remains open to the south, as well as potential resource definition in the North East Zone. The North East Zone was further defined by the 2011 ground geophysical program and limited prior drilling.

Rob Project

In August 2002, Freegold acquired the option to purchase a 100% interest in the Rob Project subject to cash and stock payments and net smelter returns royalties held by the property owner (Ronald Bailey) and vendor (Anglo Alaska Gold Corp.). Cash payments total US\$15,500 over 7 years to the vendor, \$93,500 over 7 years to the property owner, and share payments to the vendor of 500,000 shares on regulatory approval, 500,000 shares on or before July 1st, 2003 and 500,000 shares once Freegold has expended in excess of US\$1,000,000 on property exploration. In addition the property is subject to annual advance royalty payments of US \$30,000 commencing December 1st, 2008 if the London Gold Price for the preceding year averages less than US \$350/oz, US \$40,000 if the London Gold Price for the preceding year averages less than US \$400/oz but greater than US \$350 and US \$50,000 if the London Gold Price for the preceding year averages more than US \$400/oz. Freegold may purchase 100% of the Property for US \$1.5 million. The Property is subject to a 1% net smelter returns royalty ("Bailey NSR") if gold is less than US \$300 per oz, 1.5% Bailey NSR if gold prices between \$301 and \$350/oz, and 2% Bailey NSR for gold prices greater than US \$350. Freegold has the right to purchase the Bailey NSR for US \$500,000 for each percentage point. In addition, Anglo Alaska retains a 1% net smelter returns royalty ("Anglo NSR"). Freegold may purchase the Anglo NSR for US \$1 million.

Shortly after the vendor acquired the Property from the owner (Ronald O. Bailey) the owner passed away intestate. Proceedings to close the estate and establish the rights of the new underlying owner were initiated and resulted in the transfer of Bailey's ownership to Tibbs Creek Gold LLC. The transfer did not alter the existing performance terms of the original agreement on the property. Freegold Ventures Limited obtained 100% interest in the underlying long term lease in August of 2008 and maintains that interest in good standing to date.

In March 2010, Freegold staked 141 State of Alaska mining claims covering 15,360 acres adjacent to the Rob property. These new claims bring the total Rob project land holdings to 19,600 acres.

During the year ended 31 December 2012, the Company wrote off \$4,085,000 as no exploration was done in 2012 and no further exploration is contemplated at this time.

The Qualified Person who has reviewed the technical disclosure contained in the Management Discussion is Curtis Freeman, MSc., PGeo.

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 IFRS, and related notes.

	Years Ended December 31 st , (audited)		
	2012	2011	2010
		*	*
Total revenues	\$Nil	\$Nil	\$Nil
General and administrative expenses – non-stock based	1,638,812	1,302,761	741,886
General and administrative expenses – stock compensation	12,176	2,306,241	640,313
Exploration and evaluation property expenditures (restated)	7,458,910	7,058,396	2,123,085
Net loss			
○ In total	5,936,931	5,179,526	2,445,618
○ Basic and diluted loss per share	0.09	0.11	0.13
Comprehensive loss before income taxes			
○ In total	6,526,334	4,528,568	2,909,618
○ Basic and diluted loss per share	0.10	0.10	0.15
Totals assets	36,361,237	35,544,735	27,569,034
Total long term liabilities	438,197	496,929	489,776
Cash dividends declared	Nil	Nil	Nil

SUMMARY OF QUARTERLY RESULTS

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

Quarters Ended (unaudited)

	Dec. 31 st 2012	Sept. 30 th 2012	June 30 th 2012	Mar. 31 st 2012	Dec. 31 st 2011	Sept. 30 th 2011	June 30 th 2011	Mar. 31 st 2011
					*			
Total revenues	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
Net comprehensive loss – before tax	5,001,544	400,986	683,808	439,996	1,871,051	438,278	1,700,931	518,308
Net comprehensive loss per share	0.08	0.01	0.01	0.01	0.04	0.01	0.04	0.01
Total assets	36,361,237	39,677,590	37,525,493	38,852,383	35,544,735	38,778,577	31,791,060	31,558,110

*The Company's consolidated financial statements have been restated to translate the assets and liabilities of the Company's subsidiaries using the year-end exchange rate, instead of the historical exchange rate.

RESULTS OF OPERATIONS

Year ended December 31st, 2012

The Company's consolidated financial statements have been restated to translate the assets and liabilities of the Company's subsidiaries using the year-end exchange rate, instead of the historical exchange rate. This resulted in a reduction to mineral properties of \$3,043,420 and an increase to deficit and a decrease to reserves in the amounts of \$1,920,690 and \$1,122,730, respectively, on the consolidated statement of financial position as at January 1st 2011. This also resulted in an increase to mineral properties of \$650,958 and an increase to reserves of \$650,958 on the consolidated statement of financial position as at December 31st 2011, and an increase to

comprehensive loss of \$650,958 related to the increase to foreign currency translation adjustment of \$650,958 and a decrease to comprehensive loss per share by \$0.01 on the consolidated statement of loss and comprehensive loss for the year ended 31 December 2011.

The year ended December 31st, 2012 resulted in a net comprehensive loss of \$6,526,334, which compares with a net comprehensive loss of \$4,528,568 for the year ended December 31st, 2011. General and administrative expenses for the year ended December 31st, 2012 were \$1,650,988, a decrease of \$1,958,014 compared to \$3,609,002 for the year ended December 31st, 2011. The changes in comprehensive loss were mainly attributable to:

- a write down in mineral properties of \$4,112,605 as the Company wrote down \$4,085,000 in relation to the Rob, Alaska property and \$27,605 in relation to the Union Bay, Alaska property. No exploration was done on these properties in 2012 and no further exploration is contemplated at this time;
- a decrease of \$2,294,065 in non-cash share-based compensation expenses, from \$2,306,241 in 2011 to \$12,176 that were charged upon the granting of long-term incentive stock options;
- an increase of \$91,522 in consulting fees, from \$166,673 in 2011 to \$258,195 as several consultants were hired to assist in its investor awareness campaigns and to assist in financing activity;
- an increase of \$134,150 in travel and transportation costs, from \$200,268 in 2011 to \$334,418 to facilitate the closing of a non-brokered private placement which raised \$1.9 million and \$5.9 million on the exercise of warrants. Travel and transportation costs also included the monitoring of the ongoing exploration activities in Alaska;
- share issue costs of \$109,540 were paid on the funds raised;
- a decrease of \$140,288 in promotion and shareholder relations, from \$379,445 in 2011 to \$239,157, which included attendance at various trade shows, advertising, news releases, distribution fees and marketing materials;
- an increase of \$49,767 in professional fees, from \$162,383 in 2011 to \$212,150, due to increased regulatory requirements;
- an increase of \$163,893 in wages, from \$172,746 in 2011 to \$336,639, due to bonuses paid in 2012, accrued vacation pay and the hiring of a secretary ;
- a decrease of \$5,955 in interest income from \$23,810 in 2011 to \$17,855, due to a decrease in cash on hand;
- a write down of \$Nil for assets held for sale in 2012 compared to \$175,933 in 2011 when management did not expect that the book value could be fully recovered from the mining equipment being held for sale;
- a write down of \$Nil for property, plant and equipment in 2012 compared to \$1,377,478 in 2011 when management did not believe the book value of land would be recovered from its future use;
- a decrease of \$55,603 in interest and loan arrangement fees, from \$69,927 in 2011 to \$14,324, as all loans were paid back to the lenders;

- o a loss of \$4,639 on the sale of equipment in 2012 compared to a gain of \$77,068 that was realized from the \$130,846 insurance settlement resulting from the theft of some mining equipment in the previous year;
- o a financing cost of \$156,802 that was recognized when the Company reduced the exercise price on 3,567,782 share purchase warrants from \$0.75 to \$0.58 per warrant;
- o a foreign exchange loss of \$15,428 that was the result of the US dollar being weaker relative to the Canadian dollar;

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

During the year ended December 31st, 2012, the Company incurred the below acquisition and exploration and evaluation property expenditures:

	Golden Summit Property	Rob Property	Vinasale Property	Union Bay Property	Total
Acquisition costs					
Balance, December 31 st , 2011 (restated)	\$ 1,110,057	\$ 940,243	\$ 86,445	\$ -	\$ 2,136,745
Additions	342,743	49,745	109,439	-	501,927
Write-downs	-	(974,117)	-	-	(974,117)
Foreign currency translation	(24,122)	(15,871)	(1,878)	-	(41,871)
Balance, December 31 st , 2012	\$ 1,428,678	\$ -	\$ 194,006	\$ -	\$ 1,622,684
Exploration and evaluation costs					
Balance, December 31 st , 2011 (restated)	\$ 19,221,657	\$ 3,100,136	\$ 3,630,435	\$ 24,211	\$ 25,976,439
Assaying	476,825	17,624	57,649	-	552,098
Drilling	2,680,869	-	560,817	-	3,241,686
Engineering and consulting	207,632	4,331	40,980	-	252,943
Geological and field expenses	711,564	2,052	296,386	-	1,010,002
Geophysical	244,274	-	14,392	-	258,666
Helicopter support	-	-	368,403	-	368,403
Exploration and evaluation properties fees	65,216	31,835	20,222	3,792	121,065
Personnel	847,642	7,707	296,771	-	1,152,120
Write-downs	-	(3,110,883)	-	(27,605)	(3,138,488)
Foreign currency translation	(417,698)	(52,802)	(78,892)	(398)	(549,790)
Balance, December 31 st , 2012	\$ 24,037,981	\$ -	\$ 5,207,163	\$ -	\$ 29,245,144
Total	\$ 25,466,659	\$ -	\$ 5,401,169	\$ -	\$ 30,867,828

Three month period ended December 31st, 2012

The three month period ended December 31st, 2012 resulted in a net comprehensive loss of \$5,001,544 which was higher than the net comprehensive loss of \$1,871,051 for the three month period ended December 31st, 2011.

During the three month period ended December 31st, 2012, the Company incurred a write down in mineral properties of \$4,112,605 as the Company wrote down \$4,085,000 in relation to the Rob, Alaska property and \$27,605 in relation to the Union Bay, Alaska property. No exploration was done on these properties in 2012 and no further exploration is contemplated at this time.

During the three month period ended December 31st, 2012, 8,167,572 warrants were exercised for gross proceeds of \$5,066,130 and 5,000 options were exercised for gross proceeds of \$3,250.

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

During the three month period ended December 31st, 2012, the Company incurred the below acquisition and exploration and evaluation property expenditures:

	Golden Summit Property	Rob Property	Vinasale Property	Union Bay Property	Total
Acquisition costs					
Balance, October 1 st , 2012	\$ 1,277,955	\$ 940,008	\$ 195,884	\$ -	\$ 2,413,847
Additions	174,845	49,980	-	-	224,825
Write-downs	-	(974,117)	-	-	(974,117)
Foreign currency translation	(24,122)	(15,871)	(1,878)	-	(41,871)
Balance, December 31 st , 2012	\$ 1,428,678	\$ -	\$ 194,006	\$ -	\$ 1,622,684
Exploration and evaluation costs					
Balance, October 1 st , 2012	\$ 23,960,714	\$ 3,120,187	\$ 5,161,295	\$ 28,003	\$ 32,270,199
Assaying	30,987	-	-	-	30,987
Drilling	72,240	-	-	-	72,240
Engineering and consulting	22,570	2,232	-	-	24,802
Geological and field expenses	88,393	2,063	46,211	-	136,667
Geophysical	83,398	-	-	-	83,398
Exploration and evaluation properties fees	41,359	31,986	20,318	-	93,663
Personnel	156,018	7,217	58,231	-	221,466
Write-downs	-	(3,110,883)	-	(27,605)	(3,138,488)
Foreign currency translation	(417,698)	(52,802)	(78,892)	(398)	(549,790)
Balance, December 31 st , 2012	\$ 24,037,981	\$ -	\$ 5,207,163	\$ -	\$ 29,245,144
Total	\$ 25,466,659	\$ -	\$ 5,401,169	\$ -	\$ 30,867,828

Liquidity and capital resources

At December 31st, 2012, the Company's working capital, defined as current assets less current liabilities, was \$4,394,985 compared to a working capital of \$5,750,646 at December 31st, 2011. The Company has current liabilities of \$672,134 mainly related to current and prior exploration work. The Company has sufficient working capital to meet all of its contractual and statutory property payment and exploration commitments for the current year, although further financing will be required to undertake all planned exploration activities.

In August, 2012, the Company closed a non-brokered private placement of 3,411,957 Units, priced at \$0.56 per Unit to raise gross proceeds of \$1,910,696. Each Unit consists of one common share and one half common share purchase warrant. Each warrant will entitle the holder to acquire an additional common share at a price of \$0.65 until February, 2014.

During the year ended December 31st, 2012, 9,709,916 warrants were exercised for gross proceeds of \$5,960,670 and 5,000 stock options were exercised for gross proceeds of \$3,250.

Subsequent to year end, the Company received gross proceeds of \$96,294 from the exercise of 148,145 warrants.

Critical accounting estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates used in the preparation of these consolidated financial statements include, but are not limited to, the valuation of warrants, the assumptions used in the accounting for share-based payments, the provision for income taxes and composition of deferred tax assets and liabilities, the expected economic lives of and the estimated future operating results and net cash flows from mining interests, the anticipated costs of reclamation and closure cost obligations, and the fair value measurement of certain financial instruments.

A detailed summary of all of the Company's significant accounting policies is included in Note 2 to the consolidated financial statements for the year ended December 31st 2012.

Going Concern Assumption

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

Currently, the Company does not have a source of revenue and is dependent on equity financings to fund its activities. The Company had positive working capital and cash balances at December 31st, 2012 and the Company endeavors to manage the cash position prudently through ongoing monitoring of current and future cash and working capital balances relative to planned activities. The available capital may not be sufficient to fund the Company's planned activities through 2013.

Interests in Mining Properties and Exploration and Development Expenditures

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

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

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

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

Share Based Payments, Warrants and Compensation Options

Directors, officers, employees and contractors are granted options to purchase common shares under the Company Stock Option Plan. This plan and its terms and outstanding balance are disclosed in Note 10d to the consolidated financial statements at December 31st, 2012.

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

Restoration and Environmental Obligations

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

Contractual Commitments

The Company is committed under exploration and evaluation property option agreements to pay cash, incur exploration expenditures and has future commitments related to payments required under a photocopier lease. See note 12 of the Company's consolidated financial statements for the year ended December 31st, 2012 and the disclosures above under "Review of Exploration Projects".

Off-balance sheet arrangements

The Company has no off-balance sheet arrangements.

FINANCIAL INSTRUMENTS

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

measured at fair value with unrealized gains and losses recognized on the statement of loss and comprehensive loss.

The Company has designated its cash as FVTPL, which is measured at fair value. Short term and long term investments in other companies are classified as available-for-sale, which is measured at fair value. Interest receivable is classified as receivables and measured at amortized cost. Trade payables and amounts due to related parties are classified as other financial liabilities which are measured at amortized cost.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises primarily from the Company's cash and cash equivalents and amounts receivable. The Company manages its credit risk relating to cash and cash equivalents by dealing only with highly-rated Canadian financial institutions. As at 30 December 31st, 2012, amounts receivable of \$26,600 (December 31st, 2011 - \$67,195, January 1st, 2011 - \$21,598) was comprised of Harmonized Sales Tax receivable of \$26,142 (December 31st, 2011 - \$34,014, January 1st, 2011 - \$21,598), interest receivable of \$458 (December 31st, 2011 - \$12,206, January 1st, 2011 - \$Nil) and other receivables of \$Nil (December 31st, 2011 - \$20,975, January 1st, 2011 - \$Nil). As a result, credit risk is considered insignificant.

Liquidity Risk

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

Currency Risk

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

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

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

The following table provides an indication of the Company's foreign currency exposures during the periods ended December 31st, 2012 and December 31st, 2011:

	December 31 st 2012	December 31 st 2011
Cash and cash equivalents	US\$1,175,418	US\$ 703,639
Trade payables	US\$ 399,195	US\$ 889,136

A 1% change in Canadian/US foreign exchange rate at period end would have changed the net loss of the Company, assuming that all other variables remained constant, by approximately \$7,759 for the period ended December 31st, 2012.

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

Interest Risk

The Company is not subject to interest risk.

Commodity Price Risk

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

OUTSTANDING SHARE DATA

The Company is authorized to issue unlimited common shares without par value. As at March 28th, 2013, there were 74,171,029 outstanding common shares compared to 60,896,011 outstanding shares at December 31st, 2011.

The increase reflects the issuance of 3,411,957 shares for proceeds of \$1,910,696, 9,858,061 shares issued on the exercise of warrants and 5,000 shares issued on the exercise of options.

As at December 31st, 2012 there were 4,524,441 warrants outstanding.

Number Outstanding on December 31 st , 2012	Price per Share	Expiry Date
2,727,999	\$0.65	September 16 th , 2013 *
1,630,977	\$0.65	February 2 nd , 2014
115,465	\$0.65	February 2 nd , 2014
50,000	\$0.65	February 15 th , 2014
Total		
4,524,441		

*On March 12th, 2013, the Company extended the expiry date for 2,677,999 warrants from March 16th, 2013 to September 16th, 2013. Of the 2,677,999 warrants, 298,000 warrants are held by directors and officers of the Company and are subject to the approval of shareholders of the Company, excluding the votes attached to common shares beneficially owned by holders of the insider warrants, at the Company's next Annual General Meeting. The exercise price of the warrants of \$0.65 per common share will remain the same.

Subsequent to year end, 148,145 warrants were exercised for gross proceeds of \$96,294 resulting in a total of 4,376,296 warrants outstanding and exercisable at March 28th, 2013.

Directors, officers, employees and contractors are granted options to purchase common shares under the Company Stock Option Plan. This plan and its terms and outstanding balance are disclosed in Note 10d to the consolidated financial statements at December 31st, 2012.

Number Outstanding December 31 st 2011	Granted	Exercised	Cancelled	Expired	Number Outstanding December 31 st 2012	Number Exercisable December 31 st 2012	Exercise Price Per Share	Expiry Date
4,167	-	-	-	(4,167)	-	-	\$ 9.00	July 13 th , 2012
16,667	-	-	-	(16,667)	-	-	\$ 12.60	November 1 st , 2012
186,667	-	-	-	-	186,667	186,667	\$ 8.52	February 21 st , 2013
25,000	-	-	(25,000)	-	-	-	\$ 8.52	April 10 th , 2013
604,167	-	-	-	-	604,167	604,167	\$ 0.48	February 26 th , 2015
800,000	-	-	-	-	800,000	800,000	\$ 0.50	October 29 th , 2015
2,035,000	-	-	-	-	2,035,000	2,035,000	\$ 0.87	May 10 th , 2016
1,590,000	-	(5,000)	-	-	1,585,000	1,585,000	\$ 0.65	October 20 th , 2016
-	20,000	-	-	-	20,000	20,000	\$ 0.75	February 20 th , 2017
-	200,000	-	-	-	200,000	-	\$ 0.92	November 12 th , 2017
5,261,668	220,000	(5,000)	(25,000)	(20,834)	5,430,834	5,230,834		

Subsequent to year end, 186,667 options with an exercise price of \$8.52 expired on February 21st, 2013. There are a total of 5,244,167 options outstanding and 5,094,167 exercisable at March 28th, 2013.

RELATED PARTY TRANSACTIONS

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

The related party transactions during the year ended December 31st, 2012, 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:

A summary of key management compensation is as follows:

	December 31 st , 2012	December 31 st , 2011
	\$	\$
Short-term benefits	\$ 637,190	\$ 501,161
Share-based payments	-	2,092,855
Total	\$ 637,190	\$ 2,594,016

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company has established disclosure controls and procedures to ensure that information disclosed in this MD&A and the related consolidated financial statements was properly recorded, processed, summarized and reported to the Company's Board and Audit Committee. The Company's CEO and CFO have evaluated and are satisfied with the effectiveness of these disclosure controls and procedures for the year ending December 31st, 2012.

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 year ended December 31st, 2012 which materially affected, or are reasonably likely to materially affect the Company's ICFR.

RISKS AND UNCERTAINTIES

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

Cash Flows and Additional Funding Requirements

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

Industry

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

Commodity Prices

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

Competition

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

Foreign Political Risk

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

Government Laws, Regulation & Permitting

Mining and exploration activities of the Company are subject to both domestic and foreign laws and regulations governing prospecting, development, production, taxes, labour standards, occupational health, mine safety, waste disposal, toxic substances, the environment and other

matters. Although the Company believes that all exploration activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulations governing the operations and activities of the Company or more stringent implementation thereof could have a substantial adverse impact on the Company.

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

Title to Properties

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

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

Estimates of Mineral Resources

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

Key Management

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

Volatility of Share Price

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

Foreign Currency Risk

A substantial portion of the Company's expenses and payables are now, and are expected to continue to be incurred in United States currency. The Company's business will be subject to risks

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

Conflict of Interest

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

OUTLOOK

As at March 28th, 2013, the Company has approximately \$3,750,000 in cash.

Drilling at Golden Summit has commenced and will initially be targeted at expanding the current NI 43-101 resource and infill drilling to upgrade the current inferred resources into the indicated category. The Dolphin/Cleary Hill deposit remains open to the west, east and to depth and covers an area of 300 metres by 1.5 km; however, the entire Golden Summit project area covers an 11,400 acre area and hosts numerous other significant exploration targets also with the potential for additional bulk tonnage mineralization. The program for 2013 is expected to include additional diamond core drilling, metallurgical testing and the initiation of a Preliminary Economic Assessment.

On March 13th, 2013 the Company announced an updated NI 43-101 compliant resource for its Vinasale Project. The 2013 program is expected to include additional drilling in the Central Zone to continue to expand the current NI 43-101 resource as well as additional drilling in the North East Zone.

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

FREEGOLD VENTURES LIMITED

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2012 and 2011

JAMES STAFFORD

Independent Auditor's Report

To the Shareholders of Freegold Ventures Limited

James Stafford, Inc.
Chartered Accountants
Suite 350 – 1111 Melville Street
Vancouver, British Columbia
Canada V6E 3V6
Telephone +1 604 669 0711
Facsimile +1 604 669 0754
www.JamesStafford.ca

We have audited the accompanying consolidated financial statements of Freegold Ventures Limited which comprise of the consolidated statements of financial position as at 31 December 2012, 31 December 2011 and 1 January 2011 and the consolidated statements of loss and comprehensive loss, cash flows and changes in equity for the years ended 31 December 2012 and 31 December 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Freegold Ventures Limited as at 31 December 2012, 31 December 2011 and 1 January 2011 and the results of its operations and its cash flows for the years ended 31 December 2012 and 31 December 2011 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the ability of Freegold Ventures Limited to continue as a going concern, including a net loss of \$5,936,931 for the year ended 31 December 2012 and accumulated deficit of \$54,460,923 since inception.



Chartered Accountants

Vancouver, Canada
28 March 2013

Freegold Ventures Limited
(An Exploration Stage Company)

Consolidated Statements of Financial Position

Canadian Funds

ASSETS	31	31	1 January
	December	December	2011
	2012	(Note 17)	(Note 17)
Current			
Cash and cash equivalents	\$ 4,750,282	\$ 6,529,149	\$ 4,818,038
Amounts receivable	26,600	67,195	21,598
Investments (Note 3)	-	20,000	-
Prepaid expenses and deposits	96,179	109,434	42,274
Assets held for sale (Note 4)	194,058	254,625	-
	5,067,119	6,980,403	4,881,910
Exploration and Evaluation Properties (Note 5)	30,867,828	28,113,184	20,591,043
Property, Plant and Equipment (Note 6)	426,290	451,148	2,096,081
	\$ 36,361,237	\$ 35,544,735	\$ 27,569,034
LIABILITIES			
Current			
Trade payables (Note 7)	\$ 579,754	\$ 1,168,225	\$ 863,720
Accrued liabilities	36,500	24,800	29,000
Due to related parties (Note 8)	55,880	36,732	448,179
Loans payable	-	-	854,974
	672,134	1,229,757	2,195,873
Trade Payables – Long Term (Note 7)	-	67,554	301,555
Restoration and Environmental Obligations (Note 9)	438,197	429,375	188,221
	1,110,331	1,726,686	2,685,649
EQUITY			
Share Capital (Note 10)	79,647,572	69,622,797	57,337,400
Reserves	10,064,257	12,719,244	10,890,451
Deficit	(54,460,923)	(48,523,992)	(43,344,466)
	35,250,906	33,818,049	24,883,385
	\$ 36,361,237	\$ 35,544,735	\$ 27,569,034

Nature and Continuance of Operations (Note 1), Commitments (Note 12) and Subsequent Events (Note 16)

APPROVED AND AUTHORIZED FOR ISSUE BY THE BOARD ON 28 March 2013:

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

Freegold Ventures Limited

(An Exploration Stage Company)

Consolidated Statements of Changes in Equity

Canadian Funds

	Common Shares	Amount	Stock Options Reserve	Warrants Reserve	Other Reserve	Foreign Currency Translation Reserve (Note 17)	Deficit (Note 17)	Total
Balance – 31 December 2010	37,348,835	\$ 57,337,400	\$ 4,731,961	\$ 6,885,464	\$ 395,756	\$ (1,122,730)	\$ (43,344,466)	\$ 24,883,385
Issuance and allotment of shares for:								
- Private placements (Note 10a)	11,801,867	6,170,194	-	-	-	-	-	6,170,194
- Mineral properties (Notes 5a, 5c and 10a)	750,000	270,000	-	-	(270,000)	-	-	-
- Exercise of warrants (Note 10b)	10,695,310	7,732,468	-	(2,699,775)	-	-	-	5,032,693
- Exercise of options (Note 10b)	299,999	282,966	(124,966)	-	-	-	-	158,000
- Value assigned to warrants (Notes 10a and 10c)	-	(1,966,335)	-	1,966,335	-	-	-	-
Warrants issued (Note 10c)	-	-	-	125,756	(125,756)	-	-	-
Share-based payments (Note 10d)	-	-	2,306,241	-	-	-	-	2,306,241
Share issuance costs	-	(203,896)	-	-	-	-	-	(203,896)
Foreign currency translation adjustment	-	-	-	-	-	650,958	-	650,958
Loss for the year	-	-	-	-	-	-	(5,179,526)	(5,179,526)
Balance – 31 December 2011	60,896,011	\$ 69,622,797	\$ 6,913,236	\$ 6,277,780	\$ -	\$ (471,772)	\$ (48,523,992)	\$ 33,818,049
Issuance and allotment of shares for:								
- Private placements (Note 10a)	3,411,957	1,910,696	-	-	-	-	-	1,910,696
- Exercise of warrants (Note 10b)	9,709,916	8,589,131	-	(2,628,461)	-	-	-	5,960,670
- Exercise of options (Note 10b)	5,000	5,897	(2,647)	-	-	-	-	3,250
- Value assigned to warrants (Notes 10a and 10c)	-	(371,409)	-	371,409	-	-	-	-
Fair value of change in exercise price of warrants (Note 10c)	-	-	-	156,802	-	-	-	156,802
Share-based payments (Note 10d)	-	-	12,176	-	-	-	-	12,176
Share issuance costs	-	(109,540)	-	25,137	-	-	-	(84,403)
Foreign currency translation adjustment	-	-	-	-	-	(589,403)	-	(589,403)
Loss for the year	-	-	-	-	-	-	(5,936,931)	(5,936,931)
Balance – 31 December 2012	74,022,884	\$ 79,647,572	\$ 6,922,765	\$ 4,202,667	\$ -	\$ (1,061,175)	\$ (54,460,923)	\$ 35,250,906

- See Accompanying Notes -

Freegold Ventures Limited
(An Exploration Stage Company)

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

Canadian Funds

	2012	2011
General and Administrative Expenses		
Consulting fees	\$ 258,195	\$ 166,673
Share-based payments (Note 10d)	12,176	2,306,241
Travel and transportation	334,418	200,268
Promotion and shareholder relations	239,157	379,445
Director fees	-	3,000
Professional fees	212,150	162,383
Wages, salaries and benefits	336,639	172,746
Transfer, filing and other fees	117,327	114,785
Rent and utilities	37,455	27,836
Office and miscellaneous	61,297	53,649
Depreciation (Note 6)	23,936	14,125
Accretion (Note 9)	18,238	7,851
Loss Before Other Income (Expenses)	(1,650,988)	(3,609,002)
Other Income (Expenses)		
Interest income	17,855	23,810
Foreign exchange loss, net	(15,428)	(75,652)
Write down of trade payables (Note 7)	-	27,587
Interest, bank charges and loan arrangement fees	(14,324)	(69,927)
Write down of property, plant and equipment (Note 6)	-	(1,377,478)
Gain (loss) on sale of property, plant and equipment (Notes 4 and 6)	(4,639)	77,068
Financing cost (Note 10c)	(156,802)	-
Write down of exploration and evaluation properties (Note 5)	(4,112,605)	-
Write down of assets held for sale (Note 4)	-	(175,932)
	(4,285,943)	(1,570,524)
Net Loss for the Year	\$ (5,936,931)	\$ (5,179,526)
Loss per Share – Basic and Diluted	\$ (0.09)	\$ (0.11)
Weighted Average Number of Shares Outstanding	64,111,179	46,976,052
Comprehensive Loss		
Net loss for the year	\$ (5,936,931)	\$ (5,179,526)
Foreign currency translation adjustment (Note 17)	(589,403)	650,958
Total Comprehensive Loss for the Year	\$ (6,526,334)	(4,528,568)
Comprehensive Loss per Share – Basic and Diluted	\$ (0.10)	\$ (0.10)

Freegold Ventures Limited
(An Exploration Stage Company)

Consolidated Statements of Cash Flows
For the Years Ended 31 December

Canadian Funds

Cash Resources Provided By (Used In)	2012	2011 <i>(Note 17)</i>
Operating Activities		
Loss for the year	\$ (5,936,931)	\$ (5,179,526)
Items not affecting cash:		
Depreciation	23,936	14,125
Accretion	18,238	7,851
Financing cost	156,802	-
Loss (Gain) on sale of property, plant and equipment	4,639	(77,068)
Write down of property, plant and equipment	-	1,377,478
Write down of exploration and evaluation properties	4,112,605	-
Share-based payments	12,176	2,306,241
Write down of assets held for sale	-	175,932
Foreign exchange	601,643	(464,592)
Net changes in non-cash working capital components:		
Amounts receivable	40,595	(45,596)
Prepaid expenses and deposits	13,255	(67,160)
Trade payables	(894,342)	(355,798)
Accrued liabilities	11,700	(4,200)
Due to related parties	19,148	(411,447)
	<u>(1,816,536)</u>	<u>(2,723,760)</u>
Investing Activities		
Sale (purchase) of investment	20,000	(20,000)
Exploration and evaluation property acquisition costs	(501,927)	(435,276)
Exploration and evaluation property deferred exploration costs	(6,651,112)	(5,728,667)
Purchase of property, plant and equipment	(3,312)	(238,755)
Proceeds on sale of assets held for sale	40,764	-
Proceeds on sale of property, plant and equipment	-	138,595
	<u>(7,095,587)</u>	<u>(6,284,103)</u>
Financing Activities		
Share capital issued	7,874,616	11,360,887
Share issuance costs	(84,403)	(203,896)
Repayment of loans	-	(854,974)
Trade payables – long term	(67,554)	(234,001)
	<u>7,722,659</u>	<u>10,068,016</u>
Effect of Foreign Currency on Cash and Cash Equivalents	<u>(589,403)</u>	650,958
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(1,778,867)</u>	1,711,111
Cash and cash equivalents - Beginning of year	6,529,149	4,818,038
Cash and Cash Equivalents - End of Year	<u>\$ 4,750,282</u>	<u>\$ 6,529,149</u>
Interest paid	<u>\$ 4,650</u>	<u>\$ 46,535</u>
Interest received	<u>\$ 17,397</u>	<u>\$ 11,605</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Exploration expenditures included in trade payables	\$ (305,871)	\$ (660,303)

Notes to Consolidated Financial Statements

31 December 2012 and 2011

Canadian Funds

1. Nature and Continuance of Operations

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

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

The Company's consolidated financial statements as at 31 December 2012 and for the year then ended have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company has a comprehensive loss of \$6,526,334 for the year ended 31 December 2012 (31 December 2011 – \$4,528,568) and has working capital of \$4,394,985 at 31 December 2012 (31 December 2011 – \$5,750,646 and 1 January 2011 – \$2,686,037).

The Company had cash and cash equivalents of \$4,750,282 at 31 December 2012 (31 December 2011 - \$6,529,149, 31 January 2011 - \$4,818,038), but management cannot provide assurance that the Company will ultimately achieve profitable operations or become cash flow positive, or raise additional debt and/or equity capital. If the Company is unable to raise additional capital in the immediate future, management expects that the Company will need to curtail operations, liquidate assets, seek additional capital on less favourable terms and/or pursue other remedial measures or cease operations. These consolidated financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. Significant Accounting Policies

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

These consolidated financial statements were approved and authorized for issue by the Audit Committee of the Board of Directors on 28 March 2013.

a) 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., Dolphin Gold, Inc., Grizzly Bear Gold Inc. and McGrath Gold Inc. (the "Group"). All subsidiaries are US corporations which are involved in exploration and evaluation of properties. Inter-company balances are eliminated upon consolidation.

Notes to Consolidated Financial Statements

31 December 2012 and 2011

Canadian Funds

b) Significant Accounting Judgments, Estimates and Assumptions

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

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

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.

As at 31 December 2012, cash and cash equivalents includes a redeemable guaranteed investment certificate of \$50,771 (31 December 2011 - \$10,680, 1 January 2011 - \$10,647) maturing on 2 May 2013, which is pledged as security for certain payables of the Company.

d) Financial Assets

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

Held-to-maturity and loans and receivables

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

Notes to Consolidated Financial Statements

31 December 2012 and 2011

Canadian Funds

Available-for-sale

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

The fair value is determined by reference to bid prices at the close of business on the reporting date. Where there is no active market, fair value is determined using valuation techniques. Where fair value cannot be reliably measured, assets are carried at cost.

Financial assets at FVTPL

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

Derivatives designated as hedging instruments in an effective hedge

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

e) Impairment of Financial Assets

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

Assets carried at amortized cost

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

Available-for-sale

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

Notes to Consolidated Financial Statements

31 December 2012 and 2011

Canadian Funds

f) Financial Liabilities

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

Financial liabilities at FVTPL

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

Derivatives designated as hedging instruments in an effective hedge

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

Financial liabilities measured at amortized cost

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

g) Exploration and Evaluation Properties

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

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

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

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

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

Notes to Consolidated Financial Statements

31 December 2012 and 2011

Canadian Funds

h) Impairment

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

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

i) Restoration and Environmental Obligations

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

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

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

Notes to Consolidated Financial Statements

31 December 2012 and 2011

Canadian Funds

j) Assets Held for Sale

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

k) Property, Plant and Equipment

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

Automotive	30%
Computer equipment	30%
Computer software	100%
Exploration office	4%
Land	N/A
Mining equipment	30%
Office equipment	20%

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

l) Share-Based Payments

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

m) 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.

Notes to Consolidated Financial Statements

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Canadian Funds

n) Income Taxes

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the balance sheet date.

o) Foreign Currency Translation

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

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

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

Notes to Consolidated Financial Statements

31 December 2012 and 2011

Canadian Funds

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

p) Flow-Through Shares

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

q) New and Revised Accounting Standards and Interpretations Not Yet Adopted

At the date of authorization of these consolidated financial statements, the IASB and IFRIC have issued the following new and revised standards, amendments and interpretations which are not yet effective:

- IFRS 9 '*Financial Instruments: Classification and Measurement*' is a new financial instruments standard effective for annual periods beginning on or after 1 January 2015 that replaces IAS 39 and IFRIC 9 for classification and measurement of financial assets and financial liabilities.
- IFRS 10 '*Consolidated Financial Statements*' is a new standard effective for annual periods beginning on or after 1 January 2013 that replaces consolidation requirements in IAS 27 (as amended in 2008) and Standing Interpretations Committee ("SIC") -12.
- IFRS 11 '*Joint Arrangements*' is a new standard effective for annual periods beginning on or after 1 January 2013 that replaces IAS 31 and SIC-13.
- IFRS 12 '*Disclosure of Interests in Other Entities*' is a new standard effective for annual periods beginning on or after 1 January 2013 that replaces disclosure requirements in IAS 27 (as amended in 2008), IAS 28 (as revised in 2003) and IAS 31.
- IFRS 13 '*Fair Value Measurement*' is a new standard effective for annual periods beginning on or after 1 January 2013 that replaces fair value measurement guidance in other IFRSs.
- IAS 1 (Amendment) '*Presentation of Financial Statements*' is effective for annual periods beginning on or after 1 July 2012 and includes amendments regarding presentation of items of other comprehensive income.
- IAS 19 (Amendment) '*Employee Benefits*' is effective for annual periods beginning on or after 1 January 2013 and revises recognition and measurement of post-employment benefits.
- IAS 27 (Amendment) '*Separate Financial Statements*' is effective for annual periods beginning on or after 1 January 2013 that prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.

Notes to Consolidated Financial Statements

31 December 2012 and 2011

Canadian Funds

- IAS 28 (Amendment) 'Investments in Associates and Joint Ventures' is effective for annual periods beginning on or after 1 January 2013 that prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.
- IFRIC 20 'Stripping Costs in the Production Phase of a Surface Mine' is a new interpretation effective for annual periods beginning on or after 1 January 2013 that prescribes the accounting for stripping costs in the production phase of a surface mine.

The Company has not early adopted these standards, amendments and interpretations and anticipates that the application of these standards, amendments and interpretations will not have a material impact on the financial position and financial performance of the Company.

3. Investments

As at 31 December 2012, investments include a non-redeemable guaranteed investment certificate of \$Nil (31 December 2011 - \$20,000 maturing on 11 February 2012, 1 January 2011 - \$Nil), which is classified as held-to-maturity.

4. Assets Held For Sale

	31 December 2012	31 December 2011	1 January 2011
Opening assets held for sale	\$ 254,625	\$ -	-
Additions	-	430,557	-
Dispositions	(47,225)	-	-
Write-down	-	(175,932)	-
Foreign currency translation	(13,342)	-	-
Ending assets held for sale	\$ 194,058	\$ 254,625	\$ -

As at 31 December 2011, the Company classified its remaining mining equipment as assets held for sale as it no longer has a use for this equipment (Note 6). During the year ended 31 December 2012, the Company sold \$47,225 of equipment for proceeds of \$40,764 resulting in a loss of \$4,639 and a foreign exchange loss of \$1,822. The Company is actively pursuing the disposal of its remaining mining equipment and expects to dispose of these assets in 2013.

During the year ended 31 December 2012, the Company recognized a loss of \$Nil (31 December 2011 - \$175,932) on write down of assets held for sale.

Notes to Consolidated Financial Statements

31 December 2012 and 2011

Canadian Funds

5. Exploration and Evaluation Properties

	Golden Summit Property (Note 17)	Rob Property (Note 17)	Vinasale Property (Note 17)	Union Bay Property (Note 17)	Total (Note 17)
Acquisition costs					
Balance, 1 January 2011	\$ 794,189	\$ 869,804	\$ -	\$ -	\$ 1,663,993
Additions	297,981	50,850	86,445	-	435,276
Foreign currency translation	17,887	19,589			37,476
Balance, 31 December 2011	\$ 1,110,057	\$ 940,243	\$ 86,445	\$ -	\$ 2,136,745
Exploration and evaluation costs					
Balance, 1 January 2011	\$ 14,619,797	\$ 2,236,710	\$ 2,053,360	\$ 17,183	\$ 18,927,050
Assaying	268,934	314	47,878	-	317,126
Drilling	1,986,964	188,297	440,719	-	2,615,980
Engineering and consulting	95,477	45,265	94,190	-	234,932
Geological and field expenses	426,771	125,915	259,467	-	812,153
Geophysical	347,181	-	110,145	-	457,326
Helicopter support	-	313,609	294,534	-	608,143
Exploration and evaluation properties fees	58,214	31,995	20,503	6,641	117,353
Personnel	854,906	107,657	263,393	-	1,225,956
Increase in restoration and environmental obligation	257,634	-	-	-	257,634
Revision of restoration and environmental obligations (Note 9)	(23,483)	-	-	-	(23,483)
Foreign currency translation	329,262	50,374	46,246	387	426,269
Balance, 31 December 2011	\$ 19,221,657	\$ 3,100,136	\$ 3,630,435	\$ 24,211	\$ 25,976,439
Total	\$ 20,331,714	\$ 4,040,379	\$ 3,716,880	\$ 24,211	\$ 28,113,184

Notes to Consolidated Financial Statements

31 December 2012 and 2011

Canadian Funds

	Golden Summit Property (Note 17)	Rob Property (Note 17)	Vinasale Property (Note 17)	Union Bay Property (Note 17)	Total (Note 17)
Acquisition costs					
Balance, 31 December 2011	\$ 1,110,057	\$ 940,243	\$ 86,445	\$ -	\$ 2,136,745
Additions	342,743	49,745	109,439	-	501,927
Write-downs	-	(974,117)	-	-	(974,117)
Foreign currency translation	(24,122)	(15,871)	(1,878)	-	(41,871)
Balance, 31 December 2012	\$ 1,428,678	\$ -	\$ 194,006	\$ -	\$ 1,622,684
Exploration and evaluation costs					
Balance, 31 December 2011	\$ 19,221,657	\$ 3,100,136	\$ 3,630,435	\$ 24,211	\$ 25,976,439
Assaying	476,825	17,624	57,649	-	552,098
Drilling	2,680,869	-	560,817	-	3,241,686
Engineering and consulting	207,632	4,331	40,980	-	252,943
Geological and field expenses	711,564	2,052	296,386	-	1,010,002
Geophysical	244,274	-	14,392	-	258,666
Helicopter support	-	-	368,403	-	368,403
Exploration and evaluation properties fees	65,216	31,835	20,222	3,792	121,065
Personnel	847,642	7,707	296,771	-	1,152,120
Write-downs	-	(3,110,883)	-	(27,605)	(3,138,488)
Foreign currency translation	(417,698)	(52,802)	(78,892)	(398)	(549,790)
Balance, 31 December 2012	\$ 24,037,981	\$ -	\$ 5,207,163	\$ -	\$ 29,245,144
Total	\$ 25,466,659	\$ -	\$ 5,401,169	\$ -	\$ 30,867,828

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

Fairbanks Exploration Inc.

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 on certain mineral claims. The property is controlled by the Company through long-term lease agreements or outright claim ownership. As consideration, the Company issued 20,833 shares and expended US\$1,767,000 on the property before 2000 to FEI. The Company is also required to make all underlying lease payments.

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

Notes to Consolidated Financial Statements

31 December 2012 and 2011

Canadian Funds

(i) **Keystone Claims**

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

	US Funds	
1992 – 1998 (US\$15,000 per year)	\$ 105,000	(paid)
2000	\$ 50,000	(\$25,000 paid in cash and \$25,000 with 9,816 treasury shares issued)
2001 - 2006 (US\$50,000 per year)	\$ 300,000	(paid)
2007	\$ 150,000	(paid)
2008	\$ 150,000	(paid \$75,000 in 2008 with the remaining \$75,000 paid in 2009, subject to a payment extension)
2009	\$ 150,000	(paid)
2010	\$ 150,000	(paid)
2011	\$ 150,000	(paid)
2012	\$ 150,000	(paid)
2013 – 2019 (US\$150,000 per year)	\$ 1,050,000	

The property is subject to a 3% NSR.

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

(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.

On 12 October 2012, the Company amended the lease agreement and the lease term was extended for a five year term, from 1 March 2011 to 29 February 2016. The minimum royalty payable under the amended lease is US\$12,000 per year for the term of the lease. These payments are current. In addition, the Company will have the option to further extend the lease for a term of an additional 5 years by making a one-time payment of US\$50,000. 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.

Notes to Consolidated Financial Statements

31 December 2012 and 2011

Canadian Funds

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

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

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

By agreement dated 31 December 2009, the Company entered into an option agreement with Western Standard Metals Ltd. ("Western") whereby Western could have earned a 50% interest in the Golden Summit Property. As consideration, Western paid \$300,000 and was to incur exploration and development expenditures of US\$5,750,000 over 4 years in order to vest with a 50% interest.

On 6 July 2010, the Company and Western terminated the Golden Summit Option Agreement. In consideration for the early termination and in recognition of the cash payments made by Western, the Company agreed to issue Western common shares of the Company valued at \$69,201, which has been recorded as a reimbursement of exploration and evaluation properties expenditures (*Note 10a*).

(iv) Green Claims

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

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

Notes to Consolidated Financial Statements

31 December 2012 and 2011

Canadian Funds

(v) **Chatham Claims**

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

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

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

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

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

By lease agreement effective 1 June 2012, the Company entered into a new mining lease over certain mineral claims in the Fairbanks Mining District of Alaska known as the Alaska Mental Health Trust Property. The property will be controlled by the Company through a three year lease agreement and may be extended for two extensions of three years. The Company is required to make annual cash payments and exploration expenditures as follows:

	Payments	Exploration Expenditures
Execution of agreement	US\$25,000 (paid)	-
Years 1-3	US\$2,000 per year	US\$25,000 per year
Years 4-6	US\$3,000 per year	US\$50,000 per year
Years 7-9	US\$4,000 per year	US\$75,000 per year
Total	US\$52,000	US\$450,000

The claims will be subject to the following NSR:

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

Notes to Consolidated Financial Statements

31 December 2012 and 2011

Canadian Funds

In February 2013, the Company entered into an agreement to amend the terms of the lease to reflect an increase in the size of the lease. As a result, the work commitment schedule will be modified to increase the exploration expenditure requirements for years 1 to 3 to US\$125 per acre per year, years 4 to 6 to US\$235 per acre per year and years 7 to 9 to US\$355 per acre per year (Note 16).

b) Rob Property, Alaska, USA

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

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

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

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

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

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

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

These payments are current.

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

During the year ended 31 December 2012, the Company wrote off \$4,085,000 as no exploration program is currently being planned on this property.

Notes to Consolidated Financial Statements

31 December 2012 and 2011

Canadian Funds

c) Vinasale Property, Alaska, USA

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

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

On 20 January 2012, the Company paid US\$100,000 to extend the lease by one year and was required to incur an additional US\$1,500,000 (incurred) in exploration expenditures.

On 30 January 2013, the Company paid US\$70,000 to extend the lease by one year and is required to incur an additional US\$1,500,000 in exploration expenditures (*Note 16*).

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

** By amendment dated 18 January 2010, Doyon agreed to waive the 2009 exploration expenditures. As consideration, the Company agreed to place US\$300,000 in an escrow account by 15 April 2010. The funds were released upon mobilization of a drill rig to the property in July 2010.

By agreement dated 31 December 2009, the Company optioned to Western up to a 50% interest in the Vinasale Property. In consideration, Western paid \$350,000 and was to incur exploration and development expenditures of US\$6,500,000 over 3 years.

On 6 July 2010, the Company and Western terminated the Vinasale Option Agreement. In consideration of the early termination and recognition of the cash payments and exploration expenditures incurred by Western, the Company has agreed to issue Western common shares of the Company valued at \$200,799, which has been recorded as a reimbursement of exploration and evaluation properties expenditures (*Note 10a*).

d) Union Bay Property, Alaska, USA

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

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

Notes to Consolidated Financial Statements

31 December 2012 and 2011

Canadian Funds

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.

During the year ended 31 December 2012, the Company wrote off \$27,605 as no exploration program is currently being planned on this property.

Freegold Ventures Limited

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

31 December 2012 and 2011

Canadian Funds

6. Property, Plant and Equipment

	Automotive	Computer Equipment	Computer Software	Office Equipment	Exploration Office	Exploration Office Equipment	Mining Equipment	Land	Total
Costs									
Balance, 1 January 2011	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,419,808	\$ 1,603,996	\$ 3,023,804
Additions	32,597	3,736	6,140	7,724	175,298	13,260	-	-	238,755
Dispositions	-	-	-	-	-	-	(61,527)	-	(61,527)
Write down	-	-	-	-	-	-	-	(1,377,478)	(1,377,478)
Re-classified to "assets held for sale"	-	-	-	-	-	-	(1,358,281)	-	(1,358,281)
Balance, 31 December 2011	\$ 32,597	\$ 3,736	\$ 6,140	\$ 7,724	\$ 175,298	\$ 13,260	\$ -	\$ 226,518	\$ 465,273
Accumulated Depreciation									
Balance, 1 January 2011	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (927,723)	\$ -	\$ (927,723)
Depreciation	(4,889)	(561)	(3,070)	(772)	(3,506)	(1,327)	-	-	(14,125)
Re-classified to "assets held for sale"	-	-	-	-	-	-	927,723	-	927,723
Balance, 31 December 2011	\$ (4,889)	\$ (561)	\$ (3,070)	\$ (772)	\$ (3,506)	\$ (1,327)	\$ -	\$ -	\$ (14,125)
Net Book Value	\$ 27,708	\$ 3,175	\$ 3,070	\$ 6,952	\$ 171,792	\$ 11,933	\$ -	\$ 226,518	\$ 451,148

Freegold Ventures Limited

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

31 December 2012 and 2011

Canadian Funds

	Automotive	Computer Equipment	Computer Software	Office Equipment	Exploration Office	Exploration Office Equipment	Land	Total
Costs								
Balance, 31 December 2011	\$ 32,597	\$ 3,736	\$ 6,140	\$ 7,724	\$ 175,298	\$ 13,260	\$ 226,518	\$ 465,273
Additions	-	3,312	-	-	-	-	-	3,312
Foreign currency translation	833	-	-	-	3,729	67	(8,742)	(4,113)
Balance, 31 December 2012	\$ 33,430	\$ 7,048	\$ 6,140	\$ 7,724	\$ 179,027	\$ 13,327	\$ 217,776	\$ 464,472
Accumulated Depreciation								
Balance, 31 December 2011	\$ (4,889)	\$ (561)	\$ (3,070)	\$ (772)	\$ (3,506)	\$ (1,327)	-	\$ (14,125)
Depreciation	(8,565)	(1,449)	(3,070)	(1,390)	(7,051)	(2,411)	-	(23,936)
Foreign currency translation	(85)	-	-	-	(41)	5	-	(121)
Balance, 31 December 2012	\$ (13,539)	\$ (2,010)	\$ (6,140)	\$ (2,162)	\$ (10,598)	\$ (3,733)	\$ -	\$ (38,182)
Net Book Value	\$ 19,891	\$ 5,038	\$ -	\$ 5,562	\$ 168,429	\$ 9,594	\$ 217,776	\$ 426,290

During the year ended 31 December 2011, the Company transferred property, plant and equipment with a net book value of \$430,557 to assets held for sale (Note 4).

During the year ended 31 December 2011, the Company recognized a gain of \$77,068 upon disposition of property, plant and equipment.

Notes to Consolidated Financial Statements

31 December 2012 and 2011

Canadian Funds

7. Trade Payables

During the year, the Company wrote off trade payables in the amount of \$Nil (31 December 2011 - \$27,587, 1 January 2011 - \$Nil). Management does not consider that these amounts are payable although there is no assurance that a formal claim will not be made against the Company for some or all of these balances in the future.

During a prior year, the Company entered into a debt settlement agreement with one of its vendors. Under the terms of the agreement, the amount owing to the vendor was to be repaid in cash over three years and a portion was to be repaid in shares (issued). The cash portion will bear interest at 6%. The remaining amount owing and accrued interest has been recorded as trade payables.

During a prior year, the Company entered into an agreement with one of its vendors to repay the amount payable over five years. The portion of this amount that will be repaid in the fifth year (2013) has been recorded as trade payables.

8. Related Party Balances and Transactions

A summary of key management compensation is as follows:

	31 December 2012	31 December 2011
Short-term benefits	\$ 637,190	\$ 501,161
Share-based payments (Note 10d)	-	2,092,855
Total	\$ 637,190	\$ 2,594,016

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

	31 December 2012	31 December 2011	1 January 2010
President and Chief Executive Officer	\$ 27,940	\$ 29,930	\$ 112,930
Vice President, Exploration and Development	27,940	-	-
Chief Financial Officer	-	-	97,303
Law firm of which a director is a partner	-	6,802	103,400
Directors	-	-	26,000
Former Vice President, Exploration and Development	-	-	85,621
Former Directors	-	-	22,925
Total	\$ 55,880	\$ 36,732	\$ 448,179

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

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These amounts were incurred in the ordinary course of business, are non-interest bearing, unsecured and due on demand unless otherwise noted. The above transactions are measured at fair value, which has been determined by negotiations amongst the parties.

9. Restoration and Environmental Obligations

The Company's restoration and environmental obligations consist of reclamation and closure costs for the Golden Summit Property (*Note 5a*). The present value of the estimated obligations relating to properties is \$438,197 (31 December 2011 - \$429,375, 1 January 2011 - \$188,211) using discount rates at which cash flows have been discounted by 4.25%. Significant reclamation and closure cost activities include, land rehabilitation, demolition of field camps, ongoing care and maintenance and other costs.

The undiscounted reclamation and closure cost obligation at 31 December 2012 is \$497,450 (US\$500,000) (31 December 2011 - \$508,500 (US\$500,000), 1 January 2011 - \$198,920 (US\$200,000)) and the cash outflows are expected to occur in 2015.

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

	31 December 2012	31 December 2011	1 January 2011
Balance, beginning of year	\$ 429,375	\$ 188,221	\$ 92,763
Addition	-	257,633	91,516
Accretion	18,238	7,851	3,942
Revision of Golden Summit Property reclamation costs (<i>Note 5</i>)	-	(23,483)	-
Foreign currency translation	(9,416)	(847)	-
Balance, end of year	\$ 438,197	\$ 429,375	\$ 188,221

10. Share Capital

The Company has authorized an unlimited number of common shares with no par value. At 31 December 2012, the Company had 74,022,884 common shares outstanding (31 December 2011 – 60,896,011, 1 January 2011 – 37,348,835).

a) Share Issuances and Other

On 2 August 2012, the Company closed a non-brokered private placement of 3,411,957 units at \$0.56 per unit for proceeds of \$1,910,696. Each unit consists of one common share and one half non-transferable share purchase warrant. 1,655,977 warrants were issued to purchase one additional common share at a price of \$0.65 per share exercisable until 2 February 2014 and 50,000 warrants were issued to purchase one additional common share at a price of \$0.65 per share exercisable until 15 February 2014. 115,465 broker warrants were issued that entitle the holder to purchase one additional common share at a price of \$0.65 per share exercisable until 2 February 2014 (*Note 10c*).

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On 22 August 2011, the Company closed a non-brokered private placement of 7,218,536 units at \$0.55 per unit for proceeds of \$3,970,195. Each unit consists of one common share and one half non-transferable share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of \$0.75 per share exercisable until 22 August 2012 (*Note 10c*).

On 16 March 2011, the Company closed a non-brokered private placement of 4,583,331 units at \$0.48 per unit for proceeds of \$2,199,999. Each unit consists of one common share and one non-transferable share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of \$0.59 per share exercisable until 16 March 2012 and at a price of \$0.65 per share exercisable until 16 March 2013 (*Note 10c*).

On 18 January 2011, the Company issued 750,000 common shares pursuant to the 6 July 2010 settlement agreement with Western related to the early termination of both the Vinasale and Golden Summit Option Agreements. These shares were recorded as shares to be issued during the year ended 31 December 2010, and a reimbursement of exploration and evaluation properties expenditures of \$69,201 for the Golden Summit project and \$200,799 for the Vinasale project was recorded in the accounts for the year ended 31 December 2010 (*Notes 5a and 5c*).

b) Exercise of Warrants and Options

- i) During the year, a total of 9,709,916 (31 December 2011 – 10,695,310) warrants were exercised for gross proceeds of \$5,960,670 (31 December 2011 – \$5,032,693).
- ii) During the year, a total of 5,000 (31 December 2011 – 299,999) options were exercised for gross proceeds of \$3,250 (31 December 2011 – \$158,000).
- iii) On 2 February 2012, a total of 270,905 warrants with an exercise price of \$0.60 expired.
- iv) On 30 June 2012, a total of 577,083 warrants with an exercise price of \$1.20 expired.
- v) On 22 August 2012, a total of 3,380,601 warrants with an exercise price of \$0.58 expired.
- vi) On 1 October 2012, a total of 1,198,625 warrants with an exercise price of \$0.50 expired.
- vii) On 15 December 2012, a total of 1,224,214 warrants with an exercise price of \$0.65 expired.

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Canadian Funds

c) Share Purchase Warrants

As at 31 December 2012, the following share purchase warrants are outstanding:

Number	Price per Share	Expiry Date	
2,727,999	\$0.65	16 March 2013	**
1,630,977	\$0.65	2 February 2014	*
115,465	\$0.65	2 February 2014	*
<u>50,000</u>	<u>\$0.65</u>	<u>15 February 2014</u>	<u>*</u>
Total	4,524,441		

* During the year, 1,821,442 share purchase warrants having a fair value of \$396,546 were issued relating to private placements. 1,655,977 warrants were issued to purchase one additional common share at a price of \$0.65 per share exercisable until 2 February 2014 and 50,000 warrants were issued to purchase one additional common share at a price of \$0.65 per share exercisable until 15 February 2014. 115,465 broker warrants were issued that entitle the holder to purchase one additional common share at a price of \$0.65 per share exercisable until 2 February 2014 (*Note 10a*).

** During the prior year, 4,583,331 share purchase warrants having a fair value of \$859,060 were issued relating to private placements. Each warrant entitles the holder to purchase one additional common share at a price of \$0.59 per share exercisable until 16 March 2012 and at a price of \$0.65 per share exercisable from 17 March 2012 until 16 March 2013 (*Notes 10a and 16*).

During the prior year, 3,609,268 share purchase warrants having a fair value of \$1,107,275 were issued relating to private placements. Each warrant entitles the holder to purchase one additional common share at a price of \$0.75 per share exercisable until 22 August 2012 (*Note 10a*). Effective 12 June 2012, the exercise price of 3,567,782 share purchase warrants were reduced from \$0.75 to \$0.58 resulting in an incremental fair value of \$156,802. This amount is shown as a financing cost. 187,181 of these warrants were exercised and 3,380,601 of these warrants expired.

d) Share Purchase Options

The Company has established a new stock option plan (the "2012 Stock Option Plan") whereby the Board of Directors (the "Board"), may from time to time, grant options to directors, officers, employees or consultants. At the Company's Annual and Special Meeting held on 29 June 2012, shareholders approved a resolution which reserves up to 10% of the issued and outstanding shares from time to time (including existing stock options), as a "rolling stock option plan". Stock options may be granted under the 2012 Stock Option Plan with an exercise period of up to ten (10) years from the date of grant or such lesser period as determined by the Board, subject to a short extension in the case of a Company imposed blackout period. Any stock options granted under the 2012 Stock Option Plan will not be subject to any vesting schedule, unless otherwise determined by the Board. The exercise price of an option will not be less than the closing price of the common shares on the day prior to grant.

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A summary of the Company's options at 31 December 2012 and the changes for the year are as follows:

Number Outstanding 31 December 2011	Granted	Exercised	Cancelled	Expired	Number Outstanding 31 December 2012	Number Exercisable 31 December 2012	Exercise Price Per Share	Expiry Date
4,167	-	-	-	(4,167)	-	-	\$ 9.00	13 July 2012
16,667	-	-	-	(16,667)	-	-	\$ 12.60	1 November 2012
186,667	-	-	-	-	186,667	186,667	\$ 8.52	21 February 2013
25,000	-	-	(25,000)	-	-	-	\$ 8.52	10 April 2013
604,167	-	-	-	-	604,167	604,167	\$ 0.48	26 February 2015
800,000	-	-	-	-	800,000	800,000	\$ 0.50	29 October 2015
2,035,000	-	-	-	-	2,035,000	2,035,000	\$ 0.87	10 May 2016
1,590,000	-	(5,000)	-	-	1,585,000	1,585,000	\$ 0.65	20 October 2016
-	20,000	-	-	-	20,000	20,000	\$ 0.75	20 February 2017
-	200,000	-	-	-	200,000	-	\$ 0.92	12 November 2017
5,261,668	220,000	(5,000)	(25,000)	(20,834)	5,430,834	5,230,834		

186,667 share purchase options with an exercise price of \$8.52 per common share expire on 21 February 2013 (Note 16).

During the year, the Company granted the following options to an employee of the Company and recognized the 2012 vested amount as follows:

Grant Date	Granted	Exercise Price	Fair Value	2012 Vested Amount
20 February 2012	20,000	\$0.75	\$12,176	\$12,176

The total estimated fair value of the 20,000 options is \$12,176 and was recorded in the Company accounts as share-based payments expense. The offsetting entry was to stock options reserve. During the year, the Company granted the following options to a consultant of the Company which vest on the following dates:

Vesting Date	Exercise Price	Number of options
12 February 2013	\$0.92	50,000
12 May 2013	\$0.92	50,000
12 August 2013	\$0.92	50,000
12 November 2013	\$0.92	50,000
Total		200,000

The total estimated fair value of the options will be recorded in the Company accounts as share-based payments expense calculated on the vesting date. The offsetting entry will be to stock options reserve.

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Canadian Funds

During the prior year, the Company granted the following options to employees and directors and recognized the 2011 vested amount as follows:

Grant Date	Granted	Exercise Price	Fair Value	2012 Vested Amount	2011 Vested Amount
10 May 2011	2,035,000	\$0.87	\$1,464,659	\$Nil	\$1,464,659
20 October 2011	1,590,000	\$0.65	841,582	\$Nil	841,582
Total	3,625,000		\$2,306,241	\$Nil	\$2,306,241

The total estimated fair value of the 20,000 (2011 - 3,625,000) options is \$12,176 (2011 - \$2,306,241) and was recorded in the Company accounts as share-based payments expense. The offsetting entry was to stock options reserve.

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

	2012	2011
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	115.80%	117.71%
Risk-free interest rate	1.49%	2.15%
Expected life of options	5.00 years	5.00 years

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

e) Shareholders Rights Plan

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

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Canadian Funds

11. Income Taxes

A reconciliation of income taxes at statutory rates with the reported taxes is as follows, using Canadian federal and provincial statutory tax rates of 25.00% (2011 – 26.50%):

	2012		2011	
Loss before income taxes	\$	5,936,931	\$	5,179,526
Expected income tax (recovery)	\$	(1,484,233)	\$	(1,372,575)
Difference in foreign tax rate		(380,031)		(118,876)
Permanent differences		21,144		57,321
Change in enacted tax rates		(210,187)		49,436
Change in valuation allowance		2,053,307		1,384,694
Total income taxes	\$	-	\$	-

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

	31 December 2012		31 December 2011		1 January 2010	
Deferred tax assets						
Share issue costs	\$	70,710	\$	72,531	\$	47,384
Loss carry-forwards		9,792,803		9,205,207		8,380,895
Property, plant and equipment		1,000,173		986,632		454,067
Exploration and evaluation properties		2,727,340		1,276,348		1,355,671
Restoration and environmental obligations		148,987		145,988		63,995
		13,740,013		11,686,706		10,302,012
Valuation allowance		(13,740,013)		(11,686,706)		(10,302,012)
Net deferred tax assets	\$	-	\$	-	\$	-

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Canadian Funds

The Company has non-capital losses for Canadian tax purposes of approximately \$14,933,226 available to offset against Canadian taxable income in future years, which, if unutilized, will expire as follows:

	<u>Total</u>
2014	\$ 838,873
2015	1,012,171
2026	1,435,285
2027	1,366,615
2028	3,047,451
2029	1,513,903
2030	886,163
2031	3,190,716
2032	<u>1,642,049</u>
Total	\$ 14,933,226

In addition, the Company has net operating loss carryovers for US tax purposes of approximately US\$17,300,000 available to offset against US taxable income in future years, which, if unutilized, will expire through to 2032.

Subject to certain restrictions, the Company also has resource exploration expenditures of approximately \$40,000,000 available to reduce taxable income of future years. Future tax benefits which may arise as a result of these losses, resource deductions and other tax assets have not been recognized in these consolidated financial statements, and have been offset by a valuation allowance.

12. Commitments

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

	< 1 year	2-5 years	> 5 years	Total
Photocopier lease payments	\$ 3,888	\$ 9,917	\$ -	<u>\$ 13,805</u>

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

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Canadian Funds

13. Segmented Information

Details on a geographic basis as at 31 December 2012 are as follows:

	USA	Canada	Total
Loss for the year	\$ (4,217,924)	\$ (1,719,007)	\$ (5,936,931)
Comprehensive loss for the year	\$ (4,807,327)	\$ (1,719,007)	\$ (6,526,334)
Current assets	\$ 1,150,993	\$ 3,916,126	\$ 5,067,119
Property, plant and equipment	\$ 415,691	\$ 10,599	\$ 426,290
Exploration and evaluation properties	\$ 30,867,828	\$ -	\$ 30,867,828
Total assets	\$ 32,434,512	\$ 3,926,725	\$ 36,361,237

Details on a geographic basis as at 31 December 2011 are as follows:

	USA (Note 17)	Canada	Total (Note 17)
Loss for the year	\$ (1,409,079)	\$ (3,770,447)	\$ (5,179,526)
Comprehensive loss for the year	\$ (758,121)	\$ (3,770,447)	\$ (4,528,568)
Current assets	\$ 134,569	\$ 6,845,834	\$ 6,980,403
Property, plant and equipment	\$ 437,950	\$ 13,198	\$ 451,148
Exploration and evaluation properties	\$ 28,113,184	\$ -	\$ 28,113,184
Total assets	\$ 28,685,703	\$ 6,859,032	\$ 35,544,735

Details on a geographic basis as at 1 January 2011 are as follows:

	USA	Canada	Total
Current assets	\$ 91,468	\$ 4,790,442	\$ 4,881,910
Property, plant and equipment	\$ 2,096,081	\$ -	\$ 2,096,081
Exploration and evaluation properties	\$ 20,591,043	\$ -	\$ 20,591,043
Total assets	\$ 22,778,592	\$ 4,790,442	\$ 27,569,034

14. Comparative Figures

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

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15. Financial Instruments and Risk Management

a) Financial Instruments

The carrying value of financial assets and liabilities at 31 December 2012, 31 December 2011 and 1 January 2011 are as follows:

	31 December 2012	31 December 2011	1 January 2011
Financial Assets			
<i>FVTPL, measured at fair value</i>			
Cash and cash equivalents	\$ 4,750,282	\$ 6,529,149	\$ 4,818,038
<i>Loans and receivables, measured at amortized cost</i>			
Receivables	458	33,181	-
<i>Held-to-maturity, measured at amortized cost</i>			
Investments	\$ -	\$ 20,000	\$ -
	31 December 2012	31 December 2011	1 January 2011
Financial Liabilities			
<i>Other liabilities, measured at amortized cost</i>			
Trade payables	\$ 579,754	\$ 1,235,779	\$ 1,165,275
Due to related parties	\$ 55,880	\$ 36,732	\$ 448,179
Loans payable	\$ -	\$ -	\$ 854,974

The fair value hierarchy of financial instruments measured at fair value on the balance sheet is as follows:

	31 December 2012	31 December 2011	1 January 2011
	Level 1	Level 1	Level 1
Cash and cash equivalents	\$ 4,750,282	\$ 6,529,149	\$ 4,818,038

There were no transfers between Level 1 and 2 in the year ended 31 December 2012.

b) Capital Management

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

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended 31 December 2012. Neither the Company nor its subsidiaries is subject to externally imposed capital requirements.

b) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises primarily from the Company's cash and cash equivalents and amounts receivable. The Company manages its credit risk relating to cash and cash equivalents by dealing only with highly-rated Canadian financial institutions. As at 31 December 2012, amounts receivable of \$26,600 (31 December 2011 - \$67,195, 1 January 2011 - \$21,598) was comprised of Harmonized Sales Tax receivable of \$26,142 (31 December 2011 - \$34,014, 1 January 2011 - \$21,598), interest receivable of \$458 (31 December 2011 - \$12,206, 1 January 2011 - \$Nil) and other receivables of \$Nil (31 December 2011 - \$20,975, 1 January 2011 - \$Nil). As a result, credit risk is considered insignificant.

d) Liquidity Risk

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

e) Currency Risk

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

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

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

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The following table provides an indication of the Company's foreign currency exposures during the years ended 31 December 2012 and 2011:

	31 December 2012	31 December 2011
Cash and cash equivalents	US\$ 1,175,418	US\$ 703,639
Trade payables	US\$ 399,195	US\$ 889,136

A 1% change in Canadian/US foreign exchange rate at year end would have changed the net loss of the Company, assuming that all other variables remained constant, by approximately \$7,759 for the year ended 31 December 2012.

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

f) **Interest Risk**

The Company is not subject to interest risk.

f) **Commodity Price Risk**

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

16. Subsequent Events

The following events occurred subsequent to 31 December 2012:

- i) On 30 January 2013, the Company paid US\$70,000 to Doyon to extend the lease on the Vinasale Property by one year and is required to incur an additional US\$1,500,000 in exploration expenditures (*Note 5c*).
- ii) On 21 February 2013, 186,667 share purchase options with an exercise price of \$8.52 per common share expired (*Note 10d*).
- iii) During January and February, the Company issued 148,145 common shares of the Company upon exercise of 148,145 warrants at an exercise price of \$0.65 per common share, for total proceeds of \$96,294.
- iv) On 12 March 2013, the Company extended the expiry date for 2,677,999 warrants from 16 March 2013 to 16 September 2013. Of the 2,677,999 warrants, 298,000 warrants are held by directors and officers of the Company and are subject to the approval of shareholders of the Company, excluding the votes attached to common shares beneficially owned by holders of the insider warrants, at the Company's next Annual General Meeting. The exercise price of the warrants of \$0.65 per common share will remain the same (*Note 10c*).

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- v) In February 2013, the Company entered into an agreement to amend the terms of the lease to reflect an increase in the size of the lease. As a result, the work commitment schedule will be modified to increase the exploration expenditure requirements for years 1 to 3 to US\$125 per acre per year, years 4 to 6 to US\$235 per acre per year and years 7 to 9 to US\$355 per acre per year (*Note 5a*).

17. Restatement

The Company's consolidated financial statements as at and for the year ended 31 December 2011 and as at 1 January 2011 have been restated to translate the assets and liabilities of the Company's subsidiaries using the year-end exchange rate, instead of the historical exchange rate. The regrouping between mineral properties and equity resulted in a reduction in mineral properties of \$3,043,420 and an increase in deficit and a decrease in reserves in the amounts of \$1,920,690 and \$1,122,730, respectively, on the consolidated statement of financial position as at 1 January 2011. This also resulted in an increase in mineral properties of \$650,958 and an increase in reserves of \$650,958 on the consolidated statement of financial position as at 31 December 2011, and an increase in comprehensive loss of \$650,958, as a result of an increase in foreign currency translation adjustment, and a decrease in comprehensive loss per share of \$0.01 on the consolidated statement of loss and comprehensive loss for the year ended 31 December 2011.