



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

**DATED: MAY 11<sup>TH</sup>, 2012**

The following discussion and analysis (“MD&A”) is management’s assessment of the results and financial condition of Freegold Ventures Limited (the “Company” or “Freegold”) for the three month period ended March 31<sup>st</sup>, 2012 and should be read in conjunction with the condensed consolidated financial statements for the three month period ended March 31<sup>st</sup>, 2012 and related notes contained in the report. All amounts are expressed in Canadian dollars unless otherwise noted. Additional information on the Company, including its annual information form, is available on SEDAR at [www.sedar.com](http://www.sedar.com).

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

**INTERNATIONAL FINANCIAL REPORTING STANDARDS**

Effective January 1<sup>st</sup>, 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 1<sup>st</sup>, 2010.

**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 May 11<sup>th</sup>, 2012, the Company had 61,959,689 shares outstanding and a market capitalization of CDN \$39 million. The Company has its registered corporate office in Vancouver, British Columbia, Canada.

**REVIEW OF EXPLORATION PROJECTS**

The Company is focused on gold exploration in Alaska and has three primary exploration projects: Golden Summit, Vinasale and the Rob properties. Exploration in 2011 included the completion of diamond drill programs on all three of these projects. Drilling is planned for 2012 on Golden Summit and the Vinasale projects.

In March 2011, the Company completed National Instrument 43-101 (“NI 43-101”) compliant resource calculations on two of the projects: the Golden Summit and Vinasale properties. The Golden Summit NI 43-101 resource was updated in December 2011 and the Vinasale resource was updated in March 2012.

## **GOLDEN SUMMIT PROJECT**

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 producing 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 a limited portion of the 7 mile long property. The balance of the property contains numerous old mines and prospects that have not been systematically explored.

The Golden Summit Project is comprised of a series of long-term leases and outright ownership by Freegold. (see "Keystone Claims", "Tolovana Claims", "Newsboy Claims", "Green Claims" and "Chatham Claims" below for further details). The project is subject to various net smelter return royalties ("NSR's") ranging from 2-5%.

### **Keystone Claims**

By an agreement dated May 17<sup>th</sup>, 1992, the Company entered into an agreement with Keystone to lease 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 30<sup>th</sup>, 2001, the Company restructured the advance royalty payments as follows:

	<b>US Funds</b>	
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 – 2019 (US\$150,000 per year)	\$ 1,200,000	

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.

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. In addition, the Company made a payment 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.

	<b>Exploration Expenditures</b>
December 31 <sup>st</sup> , 2010	US\$750,000
December 31 <sup>st</sup> , 2011	US\$1,000,000
December 31 <sup>st</sup> , 2012	US\$1,500,000
December 31 <sup>st</sup> , 2013	US\$2,500,000
<b>Total</b>	<b>US\$5,750,000</b>

### Newsboy Claims

By lease agreement dated February 28<sup>th</sup>, 1986 and amended March 26<sup>th</sup>, 1996, the Company assumed the obligation to make advance royalty payments of US\$2,500 per year until 1996 (paid) and US\$5,000 per year until 2006 (paid). During 2006, the Company renewed the existing lease term for an additional 5 years on the same terms and conditions. These payments are current. The claims are subject to a 4% NSR ("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.

During the period, the Company agreed to an amended lease agreement, which is subject to final execution. Under the amended agreement, the lease term will be extended for a five year term, from 1 March 2011 to 29 February 2016. The minimum royalty payable under the amended lease will be US\$12,000 per year for the term of the lease. 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

### Green Claims

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

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

## Chatham Claims

By lease agreement date July 11<sup>th</sup>, 2011, the Company acquired certain mineral claims in the Fairbanks Mining District of Alaska known as the Chatham Property. The property is controlled by the Company through a four year lease agreement. The claims are subject to a 2% NSR ("Chatham NSR"). The Company must make annual cash payments and exploration expenditures as follows:

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

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

The Company also has the option to purchase the property 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.

## Recent Exploration

### *Dolphin Zone*

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.

A full NI 43-101 technical report on the Golden Summit Project 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 1<sup>st</sup>, 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 were completed by the end of June 2011 in 28 holes. The program was aimed at expanding and upgrading the existing historical resources located in the Dolphin area. The Dolphin area is located in the western portion of the Golden Summit property.

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

The drilling completed in 2011 on the Dolphin Zone was incorporated in a December 2011 NI 43-101 resource update.

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 is:

**DOLPHIN ZONE INDICATED RESOURCE**

Au Cut-off (g/t)	Tonnes	Au (g/t)	Contained	
			kgs Au	ozs Au
			0.30	17,270,000
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	
			Contained	
			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 resource estimate was based on 77 drill holes (11,802m) of which 6,238 were drilled in 2011 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 drilling in the 2011 program effectively doubled the previous NI 43-101 compliant resource. 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 NI 43-101 technical report that includes the December 2011 resource estimate, 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 26<sup>th</sup>, 2012, was filed on SEDAR as on January 26<sup>th</sup>, 2012.

Additional step-out and infill drilling is currently underway on the Dolphin Zone. A total of 3,777 metres have been drilled in the Dolphin area since January 2012 of which assays for 2,730 metres have now been reported.

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

**Cleary Hill and Christina Areas**

During the summer of 2011, a ground based geophysical program (induced polarization) was undertaken on the Golden Summit project. Nearly 70% of the project area has now been covered and the remainder of the area will be completed in 2012. In addition the Company also completed 3,509 metres of drilling in the Cleary Hill prospect during 2011 and an additional 3,856 metres of drilling since January 2012.

The program at Cleary Hill is 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. The objective is to complete an updated NI 43-101 resource estimate incorporating drill results from the Dolphin and Cleary Hill area which is expected to be completed in the third quarter of 2012.

In addition to the drilling in the Cleary Hill area, Freegold has undertaken its first drilling in the Christina area, a +5,000 foot long shear zone which hosts several past- producing high grade gold mines. 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 Freegold's recent drill results at the Cleary Hill mine area, Freegold is investigating the possibility that the Christina area also has the potential to host bulk tonnage mineralization that would be suitable for bulk extraction. 1,230 metres of drilling were completed in the Christina area in 2011 and an additional 1,686 metres since January 2012.

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

### Alaskan Trust Property

The Company was awarded the bid to acquire a new mining lease over certain mineral claims in the Fairbanks Mining District of Alaska known as the Alaskan Trust Property, which is subject to final execution. 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 will be 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%

### VINASALE PROJECT

In 2007, Freegold signed an Exploration with 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 in a north trending belt of igneous intrusion-related deposits held by third party operators, that include the 39.3 million ounce Donlin Creek deposit and the 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 \$320,000 (US\$50,000 first year) over five years, make annual scholarship donations of US\$10,000, and make exploration expenditures totaling US\$4,750,000 (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.

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 cutoff (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 of gold during the first quarter of 2011. 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 31<sup>st</sup>, 2011, was filed on SEDAR as "Amended & restated technical report (NI 43-101)" on April 1, 2011.

On January 20<sup>th</sup>, 2012, the Company paid US\$100,000 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.

### **Exploration 2011**

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 significant geophysical anomaly was defined in the North East Zone where limited previous drilling has indicated mineralization of similar character to the Central Zone.

### **Exploration 2012**

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 new releases contained on the Company's website at [www.freegoldventures.com](http://www.freegoldventures.com).

The resource estimate was completed by Giroux Consultants Ltd. of Vancouver, BC, Canada. The full NI 43-101 technical report that includes the March 2012 resource estimate, 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.

Inferred resources are 49.3 million tonnes averaging 1.09 g/t Au for 1,735,000 ounces of gold utilizing a cutoff value of 0.5 grams/tonne (g/t) as a possible open pit cutoff.

The addition of 13 drill holes drilled in 2011 and the expansion of the geologic solid 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 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.

#### 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
<b>0.50</b>	<b>49,320,000</b>	<b>1.09</b>	<b>53,960</b>	<b>1,735,000</b>
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

To date, mineralization in the Central Zone extends over a strike length of 400 metres and remains open to the south, east and at depth.

The 2012 program will consist of additional drilling in the Central Zone where it remains open to the south, as well as potential resource definition in the North East Zone. The zone was further defined by the 2011 ground geophysical program and limited prior drilling. The program is scheduled to commence in mid May 2012.

#### ROB PROJECT

In August 2002, Freegold acquired the option to purchase a 100% interest in the Rob Project subject to cash and share payments and NSR's reserved by the property owner (Ronald O. 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 (issued), 500,000 shares on or before July 1st, 2003 (issued) and 500,000 shares once Freegold has expended in excess of US\$1,000,000 on property exploration (issued). The shares are subject to a 6 old shares for 1 new share consolidation that took effect on August 27, 2010. 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. The Company has paid US\$200,000 in advanced royalties. Freegold may purchase 100% of the Property for US\$1.5 million. The Property is subject to a 1% NSR if gold is less than US\$300 per oz, 1.5% NSR if gold prices between \$301 and \$350/oz, and 2% NSR for gold prices greater than US\$350 (collectively the "Bailey NSR". Freegold has the right to purchase the Bailey NSR for US\$500,000 for each percentage point. In addition, Anglo Alaska retains a 1% NSR ("Anglo NSR"). Freegold may purchase the Anglo NSR for US\$1 million.

Shortly after Anglo Alaska Gold Corp ("Anglo Alaska") entered into an agreement with the owner (Ronald O. Bailey), Mr. Bailey passed away intestate. Proceedings to administer the estate and establish the rights of the new underlying owner were initiated and resulted in the transfer of Mr. 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 a 100% interest in the underlying agreement with Anglo Alaska 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.

### Exploration 2011

As the Company had significant exploration programs planned for the Golden Summit and Vinasale properties during 2011, exploration on the Rob project was limited to a small drilling program that was budgeted to better evaluate the Grey Lead and Michigan prospects located on the Rob project

In September 2011, a 3-hole diamond drill program (909 m) was the first drilling ever completed in the Michigan area. The Michigan prospect is hosted in pervasively sericite altered granodiorite with sheeted and stockwork quartz-sulfide-gold veins covering a 2 to 3 square kilometer area.

Other significant targets on the Rob Project include the Grey Lead area where previous drilling intersected multiple higher-grade intercepts such as 13 feet averaging 29 g/t, 14 feet of 8 g/t and 13.5 feet of 20 g/t. Several other vein structures have been identified in the vicinity of the Grey Lead and Michigan prospect area, some of which have coincident induced polarization anomalies associated with them. Additional exploration is warranted at Michigan, Grey Lead and these other high priority target.

Significant results from the drilling in the Michigan area are reported below:

Hole Number	Depth of Hole	From (ft)	To (ft)	Interval (ft)	Au g/t
Rob 11-02	1078	163	168	5	57.1
		408	419.5	11.5	7.04
		597.5	614	16.5	2.16
		1048	1078	30	2.58

Interval refers to drill hole intercepts, true widths have not been determined.

Exploration on the Rob project is not planned for 2012 as the Company will be undertaking significant exploration expenditures on its Golden Summit and Vinasale projects.

The Qualified Person who has reviewed and approved the technical disclosure contained in this MD&A is Curtis Freeman, MSc., PGeo., a consultant to the Company.

## SUMMARY OF QUARTERLY RESULTS

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

### Quarters Ended (unaudited)

	Mar. 31 <sup>st</sup> 2012	Dec. 31 <sup>st</sup> 2011	Sept. 30 <sup>th</sup> 2011	June 30 <sup>th</sup> 2011	Mar. 31 <sup>st</sup> 2011	Dec. 31 <sup>st</sup> 2010	Sept. 30 <sup>th</sup> 2010	June 30 <sup>th</sup> 2010
Total revenues	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
Net comprehensive loss – before tax	439,995	2,522,009	438,278	1,700,931	518,308	1,539,222	404,805	532,144
Net comprehensive loss per share	0.01	0.04	0.01	0.04	0.01	0.04	0.02	0.03
Total assets	38,852,383	37,937,197	38,778,577	31,791,060	31,558,110	30,612,454	25,673,499	24,763,063

## RESULTS OF OPERATIONS

### 1st quarter ended March 31<sup>st</sup>, 2012

The three month period ended March 31<sup>st</sup>, 2012 resulted in a net comprehensive loss of \$439,995, which compares with a net comprehensive loss of \$518,308 for the three month period ended March 31<sup>st</sup>, 2011. General and administrative expenses for the three month period ended March 31<sup>st</sup>, 2012 were \$449,888, an increase of \$23,361 compared to \$426,527 for the three month period ended March 31<sup>st</sup>, 2011. The material changes in comprehensive loss are mainly attributable to the following:

- an increase of \$12,176 in non-cash share-based compensation expenses, from \$Nil in 2011 to \$12,176 in 2012 that were charged upon the granting of 20,000 long-term incentive stock options to an employee;
- an increase of \$4,801 in travel and transportation costs, from \$80,280 in 2011 to \$85,081 in 2012 to facilitate several investor awareness campaigns. Travel and transportation costs also included the monitoring of the ongoing exploration activities in Alaska;
- an increase of \$5,583 in interest income from \$4,532 in 2011 to \$10,115 in 2012, due to the increase in cash on hand;
- a decrease of \$37,814 in mining equipment amortization from \$37,814 in 2011 to \$Nil in 2012 because no amortization is recognized as the mining equipment that was obtained for the Golden Summit project in Alaska is being held for sale;
- a decrease of \$17,565 in interest paid, from \$21,669 in 2011 to \$4,104 in 2012, as loans in the previous year were paid back to the lenders;

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

During the three month period ended March 31<sup>st</sup>, 2012, the Company incurred exploration and evaluation property expenditures of \$2,303,727. Of the deferred exploration costs, \$2,253,401 was incurred on the Golden Summit project in Alaska of which \$190,286 was for assaying, \$1,423,164 was for drilling, \$113,912 was for engineering and consulting, \$253,853 was for field expenses and \$272,186 was for personnel. On the Rob Alaska project, \$20,353 in exploration costs were incurred of which \$17,654 was for assaying, \$2,119 was for engineering and consulting and \$580 was for personnel. These amounts were the residual costs to complete the 2011 drilling program. On the Vinasale project, exploration expenditures of \$29,973 were incurred of which \$13,573 was for engineering and consulting and \$16,400 was for personnel. These amounts were to prepare an engineering report summarizing the 2011 project results.

Exploration and evaluation property acquisition costs of \$154,971 were also incurred which included \$45,345 for the Golden Summit Alaska project and \$109,626 for the Vinasale project.

### **Liquidity and capital resources**

At March 31<sup>st</sup>, 2012, the Company's working capital, defined as current assets less current liabilities, was \$3,502,889 compared to a working capital of \$5,750,646 at December 31<sup>st</sup>, 2011. The Company has current liabilities of \$1,938,325 mainly related to current and prior exploration work and \$67,554 in long term payables. The Company believes that it 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.

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

During the three month period ended March 31<sup>st</sup>, 2012, 1,063,678 warrants were exercised for gross proceeds of \$629,861.

### **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 condensed 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 31<sup>st</sup> 2011.

### **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 March 31<sup>st</sup>, 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 2012.

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

In accordance with the Company's accounting policies, acquisition costs and exploration expenditures relating to exploration and evaluation properties are capitalized until the properties

are brought into commercial production or disposed. Amortization will commence when a property is put into commercial production. As the Company does not currently have any properties in commercial production, no amortization has been recorded.

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

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

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

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

Directors, officers, employees and contractors are granted options to purchase common shares under the Company Stock Option Plan. This plan and its terms and outstanding balance are disclosed in Note 10d to the condensed consolidated financial statements at March 31<sup>st</sup>, 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 and issue common shares of the Company and has outstanding and future commitments under loan agreements and long term account payables. See note 11 of the Company's

condensed consolidated financial statements for the three month period ended March 31<sup>st</sup>, 2012 and the disclosures above under “Review of Exploration Projects”.

#### **Off-balance sheet arrangements**

The Company has no off-balance sheet arrangements.

### **CHANGES IN ACCOUNTING POLICIES – INITIAL ADOPTION**

#### **Adoption of International Financial Reporting Standards (“IFRS”)**

The Canadian Accounting Standards Board declared that International Financial Reporting Standards have replaced Canadian GAAP for publicly accountable enterprises for financial periods beginning on or after January 1<sup>st</sup>, 2011.

The adoption of IFRS resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian GAAP. The accounting policies set out in the Company’s financial statements have been applied consistently to all periods presented.

#### **Transition to IFRS**

The Company has adopted IFRS with a transition date of January 1<sup>st</sup>, 2010. Under IFRS 1, *First-time Adoption of International Financial Reporting Standards*, the Company elected to take the following IFRS 1 optional exemptions:

**Share-based Payments** - IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2, “Share-based Payment” to equity instruments that were granted on or before November 7<sup>th</sup>, 2002, or equity instruments that were granted subsequent to November 7<sup>th</sup>, 2002 and vested before the transition date. The Company elected not to apply IFRS 2 to equity instruments that vested prior to the transition date.

**Business Combinations** - IFRS 1 provides the option to apply IFRS 3, “Business Combinations”, retrospectively or prospectively from the transition date. The Company elected not to retrospectively apply IFRS 3 to business combinations that occurred prior to its transition date.

**Consolidated and Separate Financial Statements** - In accordance with IFRS 1, if a company elects to apply IFRS 3 retrospectively, IAS 27, “Consolidated and Separate Financial Statements” must also be applied retrospectively. As the Company elected to apply IFRS 3 prospectively, the Company has also elected to apply IAS 27 prospectively.

**Restoration and Environmental Obligations** - IFRS 1 provides an optional exemption to elect not to retrospectively recalculate the restoration and environmental obligation liability and the related impact on the cost of the related asset and accumulated depreciation. The Company elected to use this exemption and measured the liability as at the transition date adjusted for a historical risk discount rate.

IFRS 1 also outlines mandatory guidelines that a first time adopter must follow.

**Estimates** - In accordance with IFRS 1, the Company’s estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under Canadian GAAP unless there is objective evidence that those estimates were in error. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS.

## OUTSTANDING SHARE DATA

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

The Company is authorized to issue unlimited common shares without par value. As at May 11<sup>th</sup>, 2012, there were 61,959,689 outstanding common shares compared to 60,896,011 outstanding shares at December 31<sup>st</sup>, 2011.

The increase reflects the issuance of 1,063,678 shares for proceeds of \$629,861 issued on the exercise of warrants.

As at May 11<sup>th</sup>, 2012 there were 17,729,763 warrants outstanding.

Number Outstanding on May 11 <sup>th</sup> , 2012	Price per Share	Expiry Date
577,083	\$1.20	June 30 <sup>th</sup> , 2012
3,067,239	\$0.50	October 1 <sup>st</sup> , 2012
7,641,174	\$0.65	December 15 <sup>th</sup> , 2012
2,834,999	\$0.65	March 16 <sup>th</sup> , 2013
3,609,268	\$0.75	August 22 <sup>nd</sup> , 2012
<b>Total</b>		
<b>17,729,763</b>		

On March 17<sup>th</sup>, 2012, the exercise price on 2,834,999 warrants increased from \$0.59 per share to \$0.65 per share exercisable until March 16<sup>th</sup>, 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 condensed consolidated financial statements at March 31<sup>st</sup>, 2012.

Number Outstanding December 31 <sup>st</sup> 2011	Granted	Exercised	Cancelled	Expired	Number Outstanding on May 11 <sup>th</sup> , 2012	Exercise Price Per Share	Expiry Date
4,167	-	-	-	-	4,167	\$9.00	July 13 <sup>th</sup> , 2012
16,667	-	-	-	-	16,667	\$12.60	November 1 <sup>st</sup> , 2012
186,667	-	-	-	-	186,667	\$8.52	February 21 <sup>st</sup> , 2013
25,000	-	-	-	-	25,000	\$8.52	April 10 <sup>th</sup> , 2013
604,167	-	-	-	-	604,167	\$0.48	February 26 <sup>th</sup> , 2015
800,000	-	-	-	-	800,000	\$0.50	October 29 <sup>th</sup> , 2015
2,035,000	-	-	-	-	2,035,000	\$0.87	May 10 <sup>th</sup> , 2016
1,590,000	-	-	-	-	1,590,000	\$0.65	October 20 <sup>th</sup> , 2016
-	20,000	-	-	-	20,000	\$0.75	February 20 <sup>th</sup> , 2017
<b>5,261,668</b>	<b>20,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,281,668</b>		

## **RELATED PARTY TRANSACTIONS**

The related party transactions during the three month period ended March 31<sup>st</sup>, 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) Effective 1 January 2005, each outside director was entitled to receive up to \$500 per month. During the three month period, \$Nil (2011 - \$3,000) was paid to directors.
- b) During the three month period, professional fees of \$18,700 (2011 - \$28,750) were paid to a company controlled by the Chief Financial Officer.
- c) During the three month period, consulting fees of \$8,100 (2011 - \$Nil) were paid to a company controlled by the Corporate Secretary.
- d) During the three month period, legal fees of \$1,813 (2011 - \$3,049) were paid to a law firm of which a director is a partner.
- e) During the three month period, salaries and benefits of \$43,750 (2011 - \$67,500) were paid to the director, President and Chief Executive Officer. As at 31 March 2012, \$29,930 (2011 - \$49,930) related to this individual is included in due to related parties.
- f) During the three month period, salaries and benefits of \$43,750 (2011 - \$50,000) were paid to the director and Vice-President of Exploration and Development.

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.

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.

## **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 condensed consolidated financial statements was properly recorded, processed, summarized and reported to the Company's Board and Audit Committee. The Company's CEO and CFO have evaluated and are satisfied with the effectiveness of these disclosure controls and procedures for the three month period ending March 31<sup>st</sup>, 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 three month period ended March 31<sup>st</sup>, 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 May 11<sup>th</sup>, 2012, the Company has approximately \$3,000,000 in cash. Drilling at Golden Summit has currently ceased for Spring breakup and is expected to recommence in late May. A total of 6,698 metres of drilling was completed in the Cleary Hill, Dolphin and Christina areas since January 2012. Drilling in the Cleary Hill and Dolphin areas is aimed at combining the Dolphin and Cleary Hill zones. Results from this program will form the basis of a new combined NI 43-101 compliant resource which is expected to be completed in the third quarter of 2012.

At the Vinasale project, an induced polarization survey and a diamond drill program consisting of 13 holes were completed in 2011. The results were incorporated into an updated NI 43-101 compliant resource report which indicated Vinasale now hosts 49.3 million tonnes averaging 1.09 g/t Au for 1,735,000 ounces of gold utilizing a cutoff value of 0.50 grams/tonne (g/t) as a possible open pit cutoff in an inferred resource.

The 2012 program will consist of additional drilling in the Central Zone where it remains open to the south, as well as potential resource definition in the North East Zone. The zone was further defined by the 2011 ground geophysical program and limited prior drilling. The program is scheduled to commence in mid May 2012.

On the Rob project, three diamond drill holes were completed for a total of 3,000 feet in 2011. All of the drilling was completed in the Michigan area which was an area on the project that had never been drilled. No plans for additional exploration work for 2012 are currently being contemplated.

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

# **FREGOLD VENTURES LIMITED**

**(An Exploration Stage Company)**

## **CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**31 March 2012 and 2011**

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

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

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

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

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

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

**Condensed Consolidated Statements of Financial Position**

Canadian Funds

<b>ASSETS</b>	<b>31</b>	<b>31</b>
	<b>March</b>	<b>December</b>
	<b>2012</b>	<b>2011</b>
<b>Current</b>		
Cash and cash equivalents	\$ 4,984,232	\$ 6,529,149
Amounts receivable	30,966	67,195
Investments (Note 3)	20,000	20,000
Prepaid expenses and deposits	166,934	109,434
Assets held for sale (Note 4)	239,082	254,625
	<b>5,441,214</b>	<b>6,980,403</b>
<b>Exploration and Evaluation Properties (Note 5)</b>	<b>32,964,344</b>	<b>30,505,646</b>
<b>Property, Plant and Equipment (Note 6)</b>	<b>446,825</b>	<b>451,148</b>
	<b>\$ 38,852,383</b>	<b>\$ 37,937,197</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Trade payables (Note 7)	\$ 1,908,395	\$ 1,168,225
Accrued liabilities	-	24,800
Due to related parties (Note 8)	29,930	36,732
	<b>1,938,325</b>	<b>1,229,757</b>
<b>Trade Payables – Long Term (Note 7)</b>	<b>67,554</b>	<b>67,554</b>
<b>Restoration and Environmental Obligations (Note 9)</b>	<b>433,951</b>	<b>429,375</b>
	<b>2,439,830</b>	<b>1,726,686</b>
<b>EQUITY</b>		
<b>Share Capital (Note 10)</b>	<b>70,534,815</b>	<b>69,622,797</b>
<b>Reserves</b>	<b>12,921,035</b>	<b>13,191,016</b>
<b>Deficit</b>	<b>(47,043,297)</b>	<b>(46,603,302)</b>
	<b>36,412,553</b>	<b>36,210,511</b>
	<b>\$ 38,852,383</b>	<b>\$ 37,937,197</b>

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

**Freegold Ventures Limited**

(An Exploration Stage Company)

**Condensed Consolidated Statements of Changes in Equity**

Canadian Funds

	Common Shares	Amount \$	Stock Options Reserve \$	Warrants Reserve \$	Available- for-Sale Reserve \$	Other Reserve \$	Deficit \$	Total \$
Balance – 31 December 2010	37,348,835	57,337,400	4,731,961	6,885,464	-	395,756	(41,423,776)	27,926,805
Issuance and allotment of shares for:								
- Private placements (Note 10a)	4,583,331	2,199,999	-	-	-	-	-	2,199,999
- Mineral properties (Notes 5a, 5c and 11)	750,000	270,000	-	-	-	(270,000)	-	-
- Exercise of warrants	40,000	25,200	-	(9,200)	-	-	-	16,000
- Value assigned to warrants (Notes 10a and 10c)	-	(2,115,850)	-	2,115,850	-	-	-	-
Share issuance costs	-	(100,515)	-	-	-	-	-	(100,515)
Loss for the year	-	-	-	-	-	-	(518,308)	(518,308)
Balance – 31 March 2011	42,722,166	57,616,234	4,731,961	8,992,114	-	125,756	(41,942,084)	29,523,981
Issuance and allotment of shares for:								
- Private placements (Note 10a)	7,218,536	3,970,195	-	-	-	-	-	3,970,195
- Exercise of warrants	10,655,310	7,707,268	-	(2,690,575)	-	-	-	5,016,693
- Exercise of options	299,999	282,966	(124,966)	-	-	-	-	158,000
- Value assigned to warrants (Notes 10a and 10c)	-	149,515	-	(149,515)	-	-	-	-
Warrants issued (Notes 10a and 10c)	-	-	-	125,756	-	(125,756)	-	-
Share-based payments (Note 10d)	-	-	2,306,241	-	-	-	-	2,306,241
Share issuance costs	-	(103,381)	-	-	-	-	-	(103,381)
Loss for the year	-	-	-	-	-	-	(4,661,218)	(4,661,218)
Balance – 31 December 2011	60,896,011	69,622,797	6,913,236	6,277,780	-	-	(46,603,302)	36,210,511
Issuance and allotment of shares for:								
- Exercise of warrants (Note 10b)	1,063,678	912,018	-	(282,157)	-	-	-	629,861
Share-based payments (Note 10d)	-	-	12,176	-	-	-	-	12,176
Loss for the period	-	-	-	-	-	-	(439,995)	(439,995)
<b>Balance – 31 March 2012</b>	<b>61,959,689</b>	<b>70,534,815</b>	<b>6,925,412</b>	<b>5,995,623</b>	<b>-</b>	<b>-</b>	<b>(47,043,297)</b>	<b>36,412,553</b>

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

**Condensed Consolidated Statements of Loss and Comprehensive Loss**  
**For the Three months Ended 31 March**

Canadian Funds

	2012	2011
<b>General and Administrative Expenses</b>		
Consulting fees (Note 8c)	\$ 57,508	\$ 54,760
Share-based payments (Note 10d)	12,176	-
Travel and transportation	85,081	80,280
Promotion and shareholder relations	79,514	80,706
Director fees (Note 8a)	-	3,000
Professional fees (Notes 8b and 8d)	37,597	34,247
Wages, salaries and benefits (Note 8e and 8f)	94,311	98,200
Transfer, filing and other fees	44,217	49,198
Rent and utilities	10,826	6,193
Office and miscellaneous	18,307	17,985
Amortization (Note 6)	5,775	32
Accretion (Note 9)	4,576	1,926
<b>Loss Before Other Income (Expenses)</b>	<b>(449,888)</b>	<b>(426,527)</b>
<b>Other Income (Expenses)</b>		
Interest income	10,115	4,532
Amortization of mining equipment (Note 6)	-	(37,814)
Foreign exchange gain (loss), net	3,882	(36,830)
Interest and bank charges	(4,104)	(21,669)
	<b>9,893</b>	<b>(91,781)</b>
<b>Net Loss and Comprehensive Loss for the Period</b>	<b>\$ (439,995)</b>	<b>\$ (518,308)</b>
<b>Loss per Share – Basic and Diluted</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>Comprehensive Loss per Share – Basic and Diluted</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>Weighted Average Number of Shares Outstanding</b>	<b>61,279,514</b>	<b>38,719,391</b>

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

**Condensed Consolidated Statements of Cash Flows**  
**For the Three months Ended 31 March**

Canadian Funds

<b>Cash Resources Provided By (Used In)</b>	<b>2012</b>	<b>2011</b>
<b>Operating Activities</b>		
Loss for the period	\$ (439,995)	\$ (518,308)
Items not affecting cash:		
Amortization	5,775	37,846
Accretion	4,576	1,926
Loss on sale of available-for-sale investments	-	214,241
Loss (gain) on sale of property, plant and equipment	-	78,044
Write down of property, plant and equipment	-	39,248
Share-based payments	12,176	640,313
Loan arrangement fee	-	125,756
Gain on derivative liability	-	(325,474)
Loss on settlement of loan payable	-	983,212
Net changes in non-cash working capital components:		
Proceeds on sale of assets held for sale	15,543	-
Amounts receivable	36,229	(14,342)
Prepaid expenses and deposits	(57,500)	(72,484)
Trade payables	(710,361)	(417,943)
Accrued liabilities	(24,800)	(23,329)
Due to related parties	(6,802)	(355,318)
	<b>(1,165,159)</b>	<b>(1,366,254)</b>
<b>Investing Activities</b>		
Exploration and evaluation property acquisition costs	(154,971)	(105,926)
Exploration and evaluation property deferred exploration costs	(853,196)	(191,702)
Purchase of property, plant and equipment	(1,452)	(190,923)
	<b>(1,009,619)</b>	<b>(488,551)</b>
<b>Financing Activities</b>		
Share capital issued	629,861	2,215,999
Share issuance costs	-	(100,515)
	<b>629,861</b>	<b>2,115,484</b>
<b>Net Increase (decrease) in Cash and Cash Equivalents</b>	<b>(1,544,917)</b>	<b>260,679</b>
Cash and cash equivalents - Beginning of year	6,529,149	4,818,038
<b>Cash and Cash Equivalents - End of Period</b>	<b>\$ 4,984,232</b>	<b>\$ 5,078,717</b>
<b>Interest paid</b>	<b>\$ 1,049</b>	<b>\$ 15,998</b>
<b>Interest received</b>	<b>\$ 2,615</b>	<b>\$ 32</b>
<b>Income taxes paid</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Supplemental Disclosure of Non-Cash Investing and Financing Activities</b>		
Exploration expenditures included in trade payables	\$ (1,450,532)	\$ (148,051)

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

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

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

The Company's condensed consolidated financial statements as at 31 March 2012 and for the three months 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 \$439,995 for the three months ended 31 March 2012 (31 March 2010 – \$518,308) and has working capital of \$3,502,889 at 31 March 2012 (31 December 2011 – \$5,750,646).

The Company had cash and cash equivalents of \$4,984,232 at 31 March 2012 (31 December 2011 - \$6,529,149), 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 condensed consolidated financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

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

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

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

These condensed interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's annual financial statements for the year ended 31 December 2011.

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

**31 March 2012 and 2011**

Canadian Funds

---

**a) Consolidation**

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

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

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

Areas requiring a significant degree of estimation and judgment relate to the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments and share-based payments, the recognition and valuation of provisions for restoration and environmental 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) New Accounting Standards and Interpretations Not Yet Adopted**

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

- IFRS 9, "*Financial Instruments: Classification and Measurement*" effective for annual periods beginning on or after 1 January 2015, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.
- IFRS 10, "*Consolidated Financial Statements*" effective for annual periods beginning on or after 1 January 2013 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.
- IFRS 11, "*Joint Arrangements*" effective for annual periods beginning on or after 1 January 2013 provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form.
- IFRS 12, "*Disclosure of Interests in Other Entities*" effective for annual periods beginning on or after 1 January 2013 requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
- IFRS 13, "*Fair Value Measurement*" effective for annual periods beginning on or after 1 January 2013 provides guidance on the measurement of fair value and related disclosures through a fair value hierarchy.

## Notes to Condensed Consolidated Financial Statements

31 March 2012 and 2011

Canadian Funds

- IAS 1, (Amendment) “*Presentation of Financial Statements*” effective for annual periods beginning on or after 1 July 2012, includes amendments regarding presentation of items of other comprehensive income.
- IAS 19, (Amendment) “*Employee Benefits*” effective for annual periods beginning on or after 1 January 2013, revises recognition and measurement of post-employment benefits.
- IAS 27, (Amendment) “*Separate Financial Statements*” effective for annual periods beginning on or after 1 January 2013, prescribes the accounting for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.
- IAS 28, (Amendment) “*Investments in Associates and Joint Ventures*” effective for annual periods beginning on or after 1 January 2013, prescribes the accounting for investments in associates and sets out the requirements for investments in associates and joint ventures.
- IFRIC 20, “*Stripping Costs in the Production Phase of a Producing Mine*” effective for annual periods beginning on or after 1 January 2013, prescribes the accounting for stripping costs in the production of a surface mine.

The Company has not early adopted these standards, amendments and interpretations; however, the Company is currently assessing the impact of these standards or amendments on the financial statements of the Company.

### 3. Investments

As at 31 March 2012, investments include a non-redeemable guaranteed investment certificate of \$20,000 (31 December 2011 - \$20,000) maturing on 11 February 2013, which is classified as held-to-maturity.

### 4. Assets Held For Sale

	31 March 2012	31 December 2011
Property, plant and equipment	\$ 239,082	\$ 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*). The Company is actively pursuing the disposal of its remaining mining equipment and expects to dispose of these assets in 2012.

During the three months ended 31 March 2012, the Company sold \$15,543 assets held for sale.

**Notes to Condensed Consolidated Financial Statements**

**31 March 2012 and 2011**

Canadian Funds

**5. Exploration and Evaluation Properties**

	Golden Summit Property	Rob Property	Vinasale Property	Union Bay Property	Total
<b>Acquisition costs</b>					
Balance, 31 December 2010	\$ 1,010,541	\$ 1,055,941	\$ -	\$ -	\$ 2,066,482
Additions	289,806	49,455	84,074	-	423,335
Balance, 31 December 2011	\$ 1,300,347	\$ 1,105,396	\$ 84,074	\$ -	\$ 2,489,817
<b>Exploration and evaluation costs</b>					
Balance, 31 December 2010	\$ 16,879,808	\$ 2,440,122	\$ 2,173,087	\$ 74,964	\$ 21,567,981
Assaying	261,555	306	46,564	-	308,425
Drilling	1,932,455	183,131	428,629	-	2,544,215
Engineering and consulting	92,858	44,023	91,607	-	228,488
Geological and field expenses	415,063	122,460	252,349	-	789,872
Geophysical	337,657	-	107,123	-	444,780
Helicopter support	-	305,006	286,454	-	591,460
Exploration and evaluation properties fees	56,618	31,117	19,940	6,459	114,134
Personnel	831,453	104,704	256,167	-	1,192,324
Increase in restoration and environmental obligation	257,634	-	-	-	257,634
Revision of restoration and environmental obligations	(23,484)	-	-	-	(23,484)
Balance, 31 December 2011	\$ 21,041,617	\$ 3,230,869	\$ 3,661,920	\$ 81,423	\$ 28,015,829
<b>Total</b>	\$ 22,341,964	\$ 4,336,265	\$ 3,745,994	\$ 81,423	\$ 30,505,646

	Golden Summit Property	Rob Property	Vinasale Property	Union Bay Property	Total
<b>Acquisition costs</b>					
Balance, 31 December 2011	\$ 1,300,347	\$ 1,105,396	\$ 84,074	\$ -	\$ 2,489,817
Additions	45,345	-	109,626	-	154,971
Balance, 31 March 2012	\$ 1,345,692	\$ 1,105,396	\$ 193,700	\$ -	\$ 2,644,788
<b>Exploration and evaluation costs</b>					
Balance, 31 December 2011	\$ 21,041,617	\$ 3,230,869	\$ 3,661,920	\$ 81,423	\$ 28,015,829
Assaying	190,286	17,654	-	-	207,940
Drilling	1,423,164	-	-	-	1,423,164
Engineering and consulting	113,912	2,119	13,573	-	129,604
Geological and field expenses	253,853	-	-	-	253,853
Personnel	272,186	580	16,400	-	289,166
Balance, 31 March 2012	\$ 23,295,018	\$ 3,251,222	\$ 3,691,893	\$ 81,423	\$ 30,319,556
<b>Total</b>	\$ 24,640,710	\$ 4,356,618	\$ 3,885,593	\$ 81,423	\$ 32,964,344

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

**31 March 2012 and 2011**

*Canadian Funds*

---

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.

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*).

**Notes to Condensed Consolidated Financial Statements**

**31 March 2012 and 2011**

Canadian Funds

**(i) Keystone Claims**

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

	US Funds	
1992 – 1998 (US\$15,000 per year)	\$ 105,000	(paid)
2000	\$ 50,000	(\$25,000 paid in cash and \$25,000 with 9,816 treasury shares issued)
2001 - 2006 (US\$50,000 per year)	\$ 300,000	(paid)
2007	\$ 150,000	(paid)
2008	\$ 150,000	(paid \$75,000 in 2008 with the remaining \$75,000 paid in 2009, subject to a payment extension)
2009	\$ 150,000	(paid)
2010	\$ 150,000	(paid)
2011	\$ 150,000	(paid)
2012 – 2019 (US\$150,000 per year)	\$ 1,200,000	

In 2011, the Company negotiated an extension of the lease as long as there is either permitting, development mining or processing is being conducted on a continuous basis or advance royalties are 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. These payments are current. The claims are subject to a 4% NSR. The Company has the option to purchase the NSR for the greater of the current value or US\$1,000,000 less all advance royalty payments made.

During the period, the Company agreed to an amended lease agreement, which is subject to final execution. Under the amended agreement, the lease term will be extended for a five year term, from 1 March 2011 to 29 February 2016. The minimum royalty payable under the amended lease will be US\$12,000 per year for the term of the lease. 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.

## Notes to Condensed Consolidated Financial Statements

31 March 2012 and 2011

Canadian Funds

### (iii) Tolovana Claims

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

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

The property is subject to a sliding scale NSR as follows: 1.5% NSR if gold is below US\$300 per ounce, 2.0% NSR in the event the price of gold is between US\$300 to US\$400, and 3.0% NSR in the event that the price of gold is above US\$400. In addition, the Company made a cash payment of US\$7,500 on signing and issued 66,667 shares on regulatory approval. An additional 33,333 shares 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.

### (iv) Green Claims

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

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

## Notes to Condensed Consolidated Financial Statements

31 March 2012 and 2011

Canadian Funds

### (v) Chatham Claims

By lease agreement dated 11 July 2011, the Company acquired certain mineral claims in the Fairbanks Mining District of Alaska known as the Chatham Property. The property is controlled by the Company through a four year lease agreement. The Company must 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	US\$50,000
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 one-half of the NSR representing one percent for US\$750,000.

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

### 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.

## Notes to Condensed Consolidated Financial Statements

31 March 2012 and 2011

Canadian Funds

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.

### 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 or before 1 February 2012, the Company may at its option enter into a one year extension by making an additional cash payment of US\$100,000 and incurring an additional US\$1,500,000 in exploration expenditures (Note 18). In the event the property is reduced by 50% or more, the additional exploration expenditures shall be reduced to US\$1,000,000.

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

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

By agreement dated 31 December 2009, the Company optioned to Western 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.

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

**31 March 2012 and 2011**

*Canadian Funds*

---

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).

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

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

**Notes to Condensed Consolidated Financial Statements**

**31 March 2012 and 2011**

Canadian Funds

**6. Property, Plant and Equipment**

	Automotive	Office Equipment	Exploration Office	Mining Equipment	Land	Total
<b>Costs</b>						
Balance, 31 December 2010	\$ -	-	-	1,419,808	1,603,996	\$ 3,023,804
Additions	32,597	17,600	188,558	-	-	238,755
Dispositions	-	-	-	(61,527)	-	(61,527)
Write down	-	-	-	-	(1,377,478)	(1,377,478)
Re-classification	-	-	-	(1,358,281)	-	(1,358,281)
Balance, 31 December 2011	\$ 32,597	17,600	188,558	-	226,518	\$ 465,273
<b>Accumulated Depreciation</b>						
Balance, 31 December 2010	\$ -	-	-	(927,723)	-	\$ (927,723)
Depreciation	(4,889)	(4,403)	(4,833)	-	-	(14,125)
Re-classified to "assets held for sale"	-	-	-	927,723	-	927,723
Balance, 31 December 2011	\$ (4,889)	(4,403)	(4,833)	-	-	\$ (14,125)
<b>Net Book Value</b>	\$ 27,708	13,197	183,725	-	226,518	\$ 451,148

	Automotive	Office Equipment	Exploration Office	Land	Total
<b>Costs</b>					
Balance, 31 December 2011	\$ 32,597	17,600	188,558	226,518	\$ 465,273
Additions	-	1,452	-	-	1,452
Dispositions	-	-	-	-	-
<b>Balance, 31 March 2012</b>	\$ 32,597	19,052	188,558	226,518	\$ 466,725
<b>Accumulated Depreciation</b>					
Balance, 31 December 2011	\$ (4,889)	(4,403)	(4,833)	-	(14,125)
Depreciation	(2,076)	(1,408)	(2,291)	-	(5,775)
<b>Balance, 31 March 2012</b>	\$ (6,965)	(5,811)	(7,124)	-	\$ (19,900)
<b>Net Book Value</b>	\$ 25,632	13,241	181,434	226,518	\$ 446,825

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).

**7. Trade Payables**

During the prior year, the Company wrote off trade payables in the amount of \$27,587 (2010 - \$397,556). 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) (Note 10a). The cash portion will bear interest at 6%.

## Notes to Condensed Consolidated Financial Statements

31 March 2012 and 2011

Canadian Funds

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 – long term.

### 8. Related Party Balances and Transactions

A summary of key management compensation is as follows:

	31 March 2012 \$	31 March 2011 \$
Short-term benefits	\$ 116,113	\$ 152,299
Share-based payments	-	-
<b>Total</b>	<b>\$ 116,113</b>	<b>\$ 152,299</b>

Except as noted elsewhere in these condensed consolidated financial statements, key management personnel transactions are as follows:

- a) Effective 1 January 2005, each outside director was entitled to receive up to \$500 per month. During the period, \$Nil (2011 - \$3,000) was paid to directors.
- b) During the period, professional fees of \$18,700 (2011 - \$28,750) were paid to a company controlled by the Chief Financial Officer.
- c) During the period, consulting fees of \$8,100 (2011 - \$Nil) were paid to a company controlled by the Corporate Secretary.
- d) During the period, legal fees of \$1,813 (2011 - \$3,049) were paid to a law firm of which a director is a partner.
- e) During the period, salaries and benefits of \$43,750 (2011 - \$67,500) were paid to the director, President and Chief Executive Officer. As at 31 March 2012, \$29,930 (2011 - \$49,930) related to this individual is included in due to related parties.
- f) During the period, salaries and benefits of \$43,750 (2011 - \$50,000) were paid to a director and the Vice-President of Exploration and Development.

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.

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.

**Notes to Condensed Consolidated Financial Statements**

**31 March 2012 and 2011**

Canadian Funds

**9. Restoration and Environmental Obligations**

The Company's restoration and environmental obligations consist of reclamation and closure costs for the Golden Summit Property (*Note 5a*). The present value of the estimated obligations relating to properties is \$433,951 (31 December 2011 - \$429,375) using discount rates at which cash flows have been discounted by 4.25%. Significant reclamation and closure cost activities include, land rehabilitation, ongoing care and maintenance and other costs.

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

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

	<b>31 March 2012</b>		31 December 2011
	\$		\$
Balance, beginning of year	\$ 429,375	\$	188,221
Addition	-		257,634
Accretion	4,576		7,851
Revision of Golden Summit Property reclamation costs	-		(23,484)
Foreign exchange difference	-		(847)
Balance, end of period	\$ 433,951	\$	429,375

**10. Share Capital**

a) **Share Issuances and Other**

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 Standard 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*).

**Notes to Condensed Consolidated Financial Statements**

**31 March 2012 and 2011**

Canadian Funds

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

**b) Exercise of Warrants and Options**

- i) During the period, a total of 1,063,678 (2011 – 40,000) warrants were exercised for gross proceeds of \$629,861 (2011 – \$16,000).
- ii) During the period, a total of Nil (2011 – Nil) options were exercised for gross proceeds of \$Nil (2011 – \$Nil).

**c) Share Purchase Warrants**

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

Number	Price per Share	Expiry Date	
577,083	\$1.20	30 June 2012	
3,067,239	\$0.50	1 October 2012	****
7,641,174	\$0.65	15 December 2012	***
2,834,999	\$0.65	16 March 2013	**
<u>3,609,268</u>	<u>\$0.75</u>	<u>22 August 2012</u>	<u>*</u>
<b>Total</b>	<b>17,729,763</b>		

\* 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*).

\*\* 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 11a and 18*).

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

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

**Notes to Condensed Consolidated Financial Statements**

**31 March 2012 and 2011**

Canadian Funds

**d) Share Purchase Options**

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

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

Number Outstanding 31 December 2011	Granted	Exercised	Cancelled	Expired	Number Outstanding and Exercisable 31 March 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	\$8.52	21 February 2013
25,000	-	-	-	-	25,000	\$8.52	10 April 2013
604,167	-	-	-	-	604,167	\$0.48	26 February 2015
800,000	-	-	-	-	800,000	\$0.50	29 October 2015
2,035,000	-	-	-	-	2,035,000	\$0.87	10 May 2016
1,590,000	-	-	-	-	1,590,000	\$0.65	20 October 2016
-	20,000	-	-	-	20,000	\$0.75	20 February 2017
5,261,668	20,000	-	-	-	5,281,668		

During the period, the Company granted the following options to an employee 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
<b>Total</b>	<b>20,000</b>		<b>\$12,176</b>	<b>\$12,176</b>

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.

**Notes to Condensed Consolidated Financial Statements**

**31 March 2012 and 2011**

*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	2011 Vested Amount
10 May 2011	2,035,000	\$0.87	\$1,464,659	<b>\$1,464,659</b>
20 October 2011	1,590,000	\$0.65	841,582	<b>841,582</b>
<b>Total</b>	<b>3,625,000</b>		<b>\$2,306,241</b>	<b>\$2,306,241</b>

The total estimated fair value of the 3,625,000 options is \$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	<b>0.00%</b>	0.00%
Expected stock price volatility	<b>115.80%</b>	117.71%
Risk-free interest rate	<b>1.49%</b>	2.15%
Expected life of options	<b>5.00 years</b>	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.

**11. Commitments**

The Company has outstanding and future commitments under exploration and evaluation property option agreements to pay cash and issue common shares of the Company (*Note 5*).

**Notes to Condensed Consolidated Financial Statements**

**31 March 2012 and 2011**

Canadian Funds

**12. Segmented Information**

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

	USA	Canada	Total
<b>Loss for the period</b>	\$ (18,489)	\$ (421,506)	\$ (439,995)
<b>Comprehensive loss for the period</b>	\$ (18,489)	\$ (421,506)	\$ (480,226)
<b>Current assets</b>	\$ 1,139,729	\$ 4,301,485	\$ 5,441,214
<b>Property, plant and equipment</b>	\$ 433,584	\$ 13,241	\$ 446,825
<b>Exploration and evaluation properties</b>	\$ 32,964,344	\$ -	\$ 32,964,344
<b>Total assets</b>	\$ 34,537,657	\$ 4,314,726	\$ 38,852,383

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

	USA	Canada	Total
Loss for the year	\$ (1,409,079)	\$ (3,770,447)	\$ (5,179,526)
Comprehensive loss for the year	\$ (1,409,079)	\$ (3,770,447)	\$ (5,179,526)
Current assets	\$ 134,569	\$ 6,845,834	\$ 6,980,403
Property, plant and equipment	\$ 437,950	\$ 13,198	\$ 451,148
Exploration and evaluation properties	\$ 30,505,646	\$ -	\$ 30,505,646
Total assets	\$ 31,078,165	\$ 6,859,032	\$ 37,937,197

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

	USA	Canada	Total
Loss for the period	\$ (29,906)	\$ (488,402)	\$ (518,308)
Comprehensive loss for the period	\$ (29,906)	\$ (488,402)	\$ (518,308)
Current assets	\$ 791,537	\$ 4,437,878	\$ 5,229,415
Property, plant and equipment	\$ 2,247,979	\$ 1,263	\$ 2,249,242
Exploration and evaluation properties	\$ 24,079,453	\$ -	\$ 24,079,453
Total assets	\$ 27,118,969	\$ 4,439,141	\$ 31,558,110

**13. Comparative Figures**

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

**Notes to Condensed Consolidated Financial Statements**

**31 March 2012 and 2011**

*Canadian Funds*

**14. Financial Instruments and Risk Management**

a) **Financial Instruments**

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

	<b>31 March 2012</b>	31 December 2011
<b>Financial Assets</b>		
<i>FVTPL, measured at fair value</i>		
Cash and cash equivalents	\$ 4,984,232	\$ 6,529,149
<i>Loans and receivables, measured at amortized cost</i>		
Receivables	7,500	33,181
<i>Held-to-maturity, measured at amortized cost</i>		
Investments (GIC)	\$ 20,000	\$ 20,000
	<b>31 March 2012</b>	31 December 2011
<b>Financial Liabilities</b>		
<i>Other liabilities, measured at amortized cost</i>		
Trade payables	\$ 1,975,949	\$ 1,235,779
Due to related parties	29,930	36,732

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

	<b>31 March 2012</b>	31 December 2011
	Level 1	Level 1
Cash and cash equivalents	\$ 4,984,232	\$ 6,529,149

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

**31 March 2012 and 2011**

*Canadian Funds*

---

### **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.

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

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

### **c) Credit Risk**

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises primarily from the Company's cash and cash equivalents and amounts receivable. The Company manages its credit risk relating to cash and cash equivalents by dealing only with highly-rated Canadian financial institutions. As at 31 March 2012, amounts receivable of \$30,966 (31 December 2011 - \$67,195) was comprised of Harmonized Sales Tax receivable of \$23,466 (31 December 2011 - \$34,014), interest receivable of \$7,500 (31 December 2011 - \$12,206) and other receivables of \$Nil (31 December 2011 - \$20,975). 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

## Notes to Condensed Consolidated Financial Statements

31 March 2012 and 2011

Canadian Funds

---

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 31 March 2012 and 31 December 2011:

	<b>31 March 2012</b>	31 December 2011
Cash and cash equivalents	<b>US\$2,055,936</b>	US\$ 703,639
Trade payables	<b>US\$ 1,839,541</b>	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 \$2,164 for the period ended 31 March 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.

f) **Interest Risk**

The Company is not subject to interest risk.

g) **Commodity Price Risk**

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

## Notes to Condensed Consolidated Financial Statements

31 March 2012 and 2011

Canadian Funds

---

### 15. Subsequent Events

The following events occurred during the period from the three months ended 31 March 2012 to the date the condensed consolidated financial statements were available to be issued on 11 May 2012:

- i) The Company was awarded a bid to a lease agreement to acquire certain mineral claims in the Fairbanks Mining District of Alaska known as the Alaskan Trust Property, which is subject to final execution. 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 will be 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%