

HRG



HIGH RIVER GOLD

High River Gold Mines Ltd. First Quarter Report 2009

High River Gold Mines Ltd.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As at March 31, 2009. Expressed in Canadian Dollars unless otherwise noted.

The following discussion and analysis of the interim consolidated operating results and financial condition of High River Gold Mines Ltd. (the "Company", "High River") for the quarter ended March 31, 2009 and should be read in conjunction with the audited Consolidated Financial Statements and related Notes, and Management's Discussion and Analysis as at December 31, 2008. The Consolidated Financial Statements and related Notes have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Additional information, including the Company's Annual Information Form and press releases, has been filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") and is available online at www.sedar.com. The date of this Management's Discussion and Analysis is May 12, 2009. All figures are in Canadian dollars, unless otherwise noted.

Overview

High River is a Canadian-based gold mining company with producing mines and advanced exploration projects in Burkina Faso (West Africa) and Russia. Its common shares (symbol - HRG) are traded on the Toronto Stock Exchange. The Company operates the Zun-Holba and Irokinda mines and a small placer operation in Russia, through its 84.94%-owned subsidiary, OJSC Buryatzoloto ("Buryatzoloto"), which produced approximately 124,000 ounces of gold attributable to High River in 2008. The Company also operates the Taparko-Bouroum Mine in Burkina Faso, through its 90%-owned subsidiary, Société des Mines de Taparko S.A. ("Somita"), which produced approximately 28,000 ounces attributable to High River in 2008. The Berezitovy Gold Mine in Russia owned by Berezitovy Rudnik LLC ("Berezitovy") in which the Company has a 99% interest achieved commercial production on October 1, 2008. Attributable gold production in Q1 2009 was 69,118 ounces. In total, High River produced approximately 167,000 attributable ounces of gold in 2008. In the fourth quarter of 2008, OAO Severstal ("Severstal") acquired indirect ownership of approximately 53% of High River.

Forward Looking Statements

This MD&A contains certain forward-looking statements relating but not limited to the Company's expectations, intentions, plans and beliefs. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate", "may" and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking information may include reserve and resource estimates, estimates of future production, unit costs, costs of capital projects and timing of commencement of operations, and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to, failure to establish estimated resources and reserves, the grade and recovery of ore which is mined varying from estimates, capital and operating costs varying significantly from estimates, delays in obtaining or failures to obtain required governmental, environmental or other project approvals, inflation, changes in exchange rates, fluctuations in commodity prices, delays in the development of projects and other factors. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from expected results.

Potential shareholders and prospective investors should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Shareholders are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. High River undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.

Highlights for First Quarter of 2009

Financial

- The interim consolidated financial statements issued together with this report have been prepared on the basis of accounting principles applicable to a going concern. However, there have been developments (indicated below) that bring this assumption into question.
- In providing support to its two new mines and for the exploration programme on the Bissa and Prognoz projects, the Company's cash reserves were drastically reduced, in an environment of rapidly diminishing market appetite for debt or equity investment of any kind. The Company is in discussions with certain lenders, trade creditors and possible strategic investors/purchasers with respect to the Company's financial situation. All scheduled repayments on the current portion of long-term debt facilities have been made. High River advised trade creditors of Somita that Somita will slow down payments for accounts payable for a brief period in light of lower than expected cash flows from the group's operations, and that it plans to pay suppliers for current purchases of goods and services.
- Net gold revenue of \$88.8 million, an increase of 97% from 2008.
- Net income of \$931,000 (\$0.00 per share) compared to a net loss of \$2.3 million (\$0.01 per share) in 2008.
- Cash flow from operations of \$29.7 million, up from \$252,000 used by operations in Q1 last year.
- Cash and cash equivalents increased to \$25.0 million from \$19.1 million at year-end.
- Working capital deficit decreased to \$29.7 million from \$42.1 million at year-end.
- Current and long term debt levels decreased to \$175.8 million from \$188.1 million at year-end.

Operations

- Total gold production increased 65% to 76,794 ounces (100%). Cash operating cost per ounce decreased 26% to US\$414 per ounce (see the *Non-GAAP Financial Measures* table). Total operating and non-operating cash costs decreased 15% to US\$572 per ounce.
- The Zun-Holba and Irokinda Gold Mines produced 34,790 ounces (100%) at a cash operating cost of US\$423 per ounce.
- The Taparko-Bouroum Gold Mine produced 22,408 ounces (100%) at a cash operating cost of US\$386 per ounce. The anticipated production capacity of the Taparko mill was scaled back by 20% from the original design capacity.
- The Berezitovy Gold Mine produced 19,596 ounces (100%) at a cash operating costs of US\$430 per ounce.
- At the Bissa Gold Project, work was focused on completing the feasibility study.

Corporate

- On March 30, 2009, the Company provided an update of its financial status. It was also announced that the Special Committee was dissolved and that Terrence Lyons resigned as Chairman effective March 31, 2009.
- On March 31, 2009, the Company announced that it would be late in filing its audited, consolidated financial statements for the year ended December 31, 2008, due to concerns raised by the Board of Directors regarding the reliability of production data that High River had received from its 99% owned subsidiary, Berezitovy. The concerns were subsequently addressed to the satisfaction of the Board of Directors.

Events Subsequent to the Quarter-End

- On April 8, 2009 the Company announced that John Crow resigned as a director. Alexy Khudyakov and Karl Glackmeyer joined the Board. Mr. Khudyakov was also named Chairman.
- On April 17, 2009, Standard Bank Plc ("Standard Bank") assigned the US\$15,000,000 loan due from High River and the US\$12,000,000 loan due from Somita to Severstal, a related party of High River.
- On April 20, 2009, Steven Poad was appointed to the Board until the next meeting of shareholders. Mr. Poad is High River's CFO.
- On April 30, 2009, Roman Deniskin resigned as a director.

Corporate Restructuring

The new mines continue to underperform. In January and February of 2009, High River transferred US\$1.8 million to Somita to reduce payables and fund operations and in April US\$1.0 million was sent to Berezitovy. At the

end of March 2009, High River had spent most of the funds it received from the equity financing in November 2008 and only \$2.8 million remained in the corporate accounts. Consolidated cash increased but approximately \$35.2 million is required for debt repayments in the second quarter. Severstal has not committed to provide additional financing to the Company. As described in its January 2, 2009 press release, High River has been considering additional debt or equity financing arrangements to meet its financial obligations. In this regard, Severstal and a special committee comprised of independent directors of the Company have discussed the possibility of Severstal acquiring the remaining outstanding common shares of High River and/or providing debt or equity financing to High River. However, Severstal and the special committee were unable to agree on the terms of any such transaction and, as a result, Severstal is no longer in discussions with the Company or its Board regarding any such transaction. The Special Committee was dissolved on March 30, 2009. Terrence Lyons resigned as Chairman effective March 31, 2009 and John Crow resigned as a director April 8.

The restructuring of the Company is continuing. In the first quarter of 2009, costs related to the restructuring of the Company were approximately \$3.0 million. Further work needs to be done with lenders to deal with non-compliance with certain debt covenants. High River will need additional funds to assist its operations with debt repayments and to pay for continuing exploration efforts.

At the request of Nomos Bank, meetings were held in early November 2008 to discuss security arrangements and other matters as a result of the security pledged to support its loans to the Company having declined in value. During the first quarter of 2009, Nomos was granted an interest rate increase on the loans to 14% retroactive to January 1, 2009. A subsidiary of Severstal also provided a guarantee for the loans.

Subsequent to the quarter-end, on April 17, 2009, Standard Bank Plc (“Standard Bank”) assigned the US\$15,000,000 loan due from High River and the US\$12,000,000 loan due from Somita to OAO Severstal, a related party of High River.

Review of Operations

Selected Financial Results

The Company reported a net income of \$931,000 (\$0.00 per share) in Q1 2009 compared to a net loss of \$2.3 million (\$0.01 per share) during the corresponding quarter in 2008.

<i>(in thousands of Canadian dollars except per share amounts)</i>	Three months ended March 31,	
	2009	2008
Gold revenue	\$ 88,779	\$ 45,009
Net income (loss)	931	(2,308)
Net income (loss) per share (basic)	\$ 0.00	\$ (0.01)
Cash provided by (used in) operating activities	29,672	(252)
Weighted average number of shares outstanding (basic)	590,193,673	307,787,242

Buryatzoloto Operations

The Zun-Holba and Irokinda underground gold mines reported no material challenges or shortcomings in their operations during the first quarter and continue to operate according to plan. The Company’s attributable gold production from Buryatzoloto was 29,551 ounces in the first quarter of 2009, compared to 28,875 ounces in 2008. Buryatzoloto continues to be profitable and achieved its production objectives for Q1 2009 with 34,790 ounces (100%) of gold produced at an estimated cash operating cost of US\$423 per ounce as compared to 33,994 ounces of gold produced at a cash operating cost of US\$511 per ounce in the corresponding period of 2008. (See the section *Non-GAAP Measures* regarding cash operating costs.) Production is greater than budgeted. Cash operating costs are below budget and well below last year. The weakening of the Russian Rouble in comparison to the US\$ has offset Rouble cost increases due to inflation and increases in output. Exploration continued at Irokinda in Q1 but no exploration took place at Zun-Holba in the first quarter.

Buryatzoloto Combined Operational and Financial Data

	Three months ended March 31,	
	2009	2008
Tonnes mined	158,629	151,762
Tonnes milled	137,837	128,794
Gold grade (g/t)	8.5	8.6
Recovery (%)	94.0	94.0
Gold production (oz) – 100% ⁽¹⁾	34,790	33,994
High River share of production – 84.94%	29,551	28,875
Direct mining cost (US\$/oz)	359	471
Cash operating cost (US\$/oz)	423	511

(1) Includes gold from the placer operations, tailings recovery and other sources and therefore does not equal tonnes milled times grade times recovery.

Buryatzoloto's gold production is subject to seasonal fluctuations. The placer operation and one of the circuits at the Irokinda mill operate only during the summer months. Assuming normal operations on a yearly basis, gold production is highest in the third quarter and lowest in the first quarter of the calendar year. Average grade is lowest when the seasonal circuit operates.

Zun-Holba Operational Data

	Three months ended March 31,	
	2009	2008
Tonnes mined	75,499	70,169
Tonnes milled	72,226	66,574
Gold grade (g/t)	8.7	8.5
Recovery (%)	92.9	92.9
Gold production (oz) – 100%	18,236	17,316
High River share of production – 84.94%	15,490	14,708
Direct mining cost (US\$/oz)	400	517
Cash operating cost (US\$/oz)	467	554

Irokinda Operational Data

	Three months ended March 31,	
	2009	2008
Tonnes mined	83,130	81,593
Tonnes milled	65,611	62,217
Gold grade (g/t)	8.2	8.8
Recovery (%)	95.3	95.2
Gold production (oz) – 100%	16,554	16,678
High River share of production – 84.94%	14,061	14,166
Direct mining cost (US\$/oz)	314	424
Cash operating cost (US\$/oz)	374	471

Outlook

The Zun-Holba and Irokinda underground gold mines have reported no material challenges or shortcomings in their operations and continue to operate according to plan. Replacing reserves at these mines is a priority of local management. US\$3.9 million has been budgeted for mine-site exploration to replace mined out reserves and extend the mine life at Irokinda. The Zun-Holba budget is undergoing further evaluation.

Somita Operations (Taparko-Bouroum Gold Mine)

The mill utilization rate during the quarter averaged approximately 68% as the Company experienced continuous problems related to excessive vibrations in the ball mill drive train. Various remedial actions, recommended by specialized mill and vibrations consultants including two scheduled mill shutdowns, totalling 25 days, were undertaken to correct the issue. However these actions failed to achieve a stable operation of the mill and resulted in only temporary reductions of vibrations to normal levels. In fact the mill performance deteriorated during

the quarter with throughput rates estimated at about 95, 94 and 87 tonnes of ore per operating hour in January, February and March respectively. The maximum production capacity of the mill is estimated now at about 100 tonnes per hour which is 20% less than the original design capacity of 125 tonnes.

While vibrations are currently at levels that allow operation of the mill at throughput rates of 80-90 tonnes, to ensure proper long term functioning of the mill and reach a specified production capacity, a reduction to lower levels of vibrations is required. Analysis of the problem and a plan of further action are currently being undertaken by the operating team in conjunction with consultants.

Somita Operating and Financial Data

	Three months ended March 31,	
	2009	2008
Tonnes mined	130,905	127,658
Tonnes milled	135,864	131,902
Gold grade (g/t)	4.7	3.2
Recovery (%)	91.7	93.3
Gold production (oz) – 100% ⁽¹⁾	22,408	12,637
High River share of production – 90%	20,167	11,373
Direct mining cost (US\$/oz)	363	647
Cash operating cost (US\$/oz)	386	679

(1) Gold production is comprised of refined gold and doré alloy.

The significant gold production increase in Q1 2009 at Somita was achieved due to processing of high grade ores during the quarter.

Outlook

High River believes that most of the technical start-up problems at the Taparko-Bouroum mill have been resolved but the continuing vibration problems remain a concern. The Company looks forward to reach in the second half of 2009 steady state production of 90 to 100 tonnes per hour with minimal down-time.

As well, after resolution of the liquidity problems, High River is planning a systematic drilling program (estimated cost US\$333,000) to better define the mineral potential between the planned two open pits (F12 and Welcome Stranger) at Bouroum to determine if these pits can expand and merge. Drilling is planned to better define the gold mineralization at the south end of the F12 deposit.

Berezitovy Mine, Russia

The mill utilization rate during the quarter averaged 65% due to two mill shutdowns (totalling 16 days) and continuing disk filter plant underperformance. The first mill shutdown, which began on January 28th and lasted for 7 days, was unplanned and was undertaken to correct damage incurred to clutch disks. The second mill shutdown, largely a scheduled maintenance operation, required nine days in mid-March. During this time, scheduled replacement of SAG mill liners and unloading grates took place. Additional work (replacement of SAG mill lifters, ball mill motor repair, etc) was done to take advantage of the downtime. The disk filter plant continues to perform poorly, limiting mill throughput rates.

Berezitovy continues to underperform with gold production at approximately 83% of budget. Equipment unavailability due to breakdowns and lack of spare parts is becoming more of a problem.

Berezitovy Production Data

	Three months ended March 31,	
	2009	2008
Tonnes mined ⁽³⁾	355,070	–
Tonnes milled ⁽³⁾	295,640	–
Gold grade (g/t) ⁽³⁾	3.4	–
Recovery (%) ⁽³⁾	88.0	–
Gold production (oz) – 100% ⁽¹⁾⁽²⁾	19,596	–
High River share of production – 99%	19,400	–
Direct mining cost (US\$/oz)	389	–
Cash operating cost (US\$/oz)	430	–

(1) Gold production is comprised of refined gold and doré alloy.

Outlook

The Company continues to undertake actions to correct the problems described in our February 2, 2009 press release to increase mill throughput and recovery. A technical audit of the Berezitovy process plant has been recently completed by a team of engineering consultants. Based on their recommendations, a remedial action plan is currently being prepared. The goal is to correct all mechanical issues and bring mine productivity to design levels. Installation of a new thickener will be required to improve the operation of the tailings disk filter system that has been operating poorly.

Review of Exploration Projects

Bissa Gold Project, Burkina Faso

A feasibility study was initiated in 2008 to evaluate the economic viability of a mining and processing facility based on the current Bissa resource area. Substantial progress was made on the project during the quarter. With the primary goal of adding gold resources, approximately US\$2.5 million has been approved for 2009 exploration on the permits which constitute the larger Bissa project.

Other Exploration Works, Burkina Faso

During the quarter, a 3,000 metre (68 hole) rotary air blast drilling programme was completed on the Nongo-Fayere permit which adjoins the Taparko mining license on its eastern boundary. The purpose of the programme was to test for a potential eastern extension, onto the Nongo-Fayere permit, of mineralization identified on the Taparko mining license (the Kangarse target). Assay results yielded no significant intersections.

Prognoz Silver Project, Russia

Due to liquidity constraints, no drilling or other exploration activity occurred at the Prognoz project site during the quarter. To determine the best direction and timing as the project is advanced to the pre-feasibility stage, in-house evaluation is being undertaken.

Overall Financial Performance

Revenues

The Company's consolidated net gold revenues for Q1 2009 increased to \$88.8 million from \$45.0 million in 2008. An increase in the number of ounces sold was the main factor combined with a higher foreign currency translation rate. Contributions by Somita and Berezitovy increased the number of ounces sold.

	Three months ended March 31,	
	2009	2008
Ounces sold	77,091	49,991
Refined ounces in inventory	923	3,208
Realized price, US\$/oz	926	898
Average realized C\$ to US\$ exchange rate	1.2430	1.0045
Gold sales, C\$ 000's	88,779	45,009
Change in revenue due to:		
Volume (ounces) variance 000's	24,398	
Price variance 000's	2,251	
Exchange variance 000's	17,121	

Expenses

Direct mining costs (see *Non-GAAP Financial Measures* table) have increased in aggregate during the year for the reasons discussed under each individual operation. On a cost per ounce produced basis, all operations are showing cost decreases.

	Three months ended March 31,	
	2009	2008
Ounces produced – 100%	76,794	46,631
Direct mining costs, US\$/oz	368	519
Average realized C\$ to US\$ exchange rate	1.2430	1.002
Direct mining cost, C\$ 000's	35,092	24,233
Change in direct mining cost due to:		
Volume (ounces) variance 000's	15,675	
Cost variance 000's	(11,615)	
Exchange variance 000's	6,799	

The volume variance year-to-date reflects mainly the contribution from Berezitovy. Berezitovy was not in production until Q4 2008.

The cost variance indicates that costs have decreased substantially from last year. At Buryatzoloto, the direct mining costs decreased to US\$359 per oz from US\$471 per oz last year. The decreased cost reflects in part cost control measures which included not paying employee bonuses. The main factor was that the Rouble weakened against the US\$ resulting in lower input costs expressed in US\$. Berezitovy costs of US\$389 per ounce reflect higher mill utilization in Q1 2009 as compared to Q4 2008 when costs were US\$710 per oz. Berezitovy was not in production in the comparative quarter of 2008. At Somita, direct mining costs decreased to US\$363 per oz from US\$647 per ounce as gold production increased significantly from Q1 2008 due to processing of higher grade ores during this quarter thereby allowing fixed costs to be allocated to a larger number of ounces. The Burkina Faso CFA also weakened against the US\$ resulting in lower input costs expressed in US\$.

The average US\$/C\$ exchange translation rate has increased from the same period in 2008 resulting in a negative exchange variance.

The increases in mining administrative costs, mine amortization and depletion, and asset retirement accretion are primarily due to Berezitovy entering production and contributing expenses in 2009. Depreciation costs calculated using the unit-of-production method increased due to the higher production volume.

Administrative Costs

General and administrative costs increased to \$4.2 million in 2009 compared to \$3.0 million last year. The major component of the increase was \$3.0 million in restructuring costs (2008 – \$nil). Salaries and benefits decreased to \$366,000 from \$1.1 million.

Exploration Costs

Exploration costs decreased due to the suspension of most exploration activities while projects are to be prioritized and budgets established for 2009.

Financing Costs and Investment Income, Net

Interest expense increased to \$5.3 million from \$2.4 million due to the impact of Berezitovy entering production. Interest that was capitalized on the project during the development stage is now charged directly against earnings. Due to the restructuring of debt, the Company is paying interest at a much higher rate than in 2008. The Company's debt is denominated in U.S. dollars. The average exchange rate in the quarter was \$1.24 compared to \$1.00 in Q1 2008 which increased interest expense reported in Canadian dollars. The total of loans outstanding is lower than last year which slightly offsets the increases in interest expense due to negative interest and foreign currency exchange rate movements. The fair value adjustment to derivatives was \$1.8 million gain compared to a \$4.2 million loss in 2008 due mainly to using a lower gold price to value the Royal Gold, Inc. ("RGI") loan derivative.

Other Income / (Expense)

Other income / (expense) was an expense of \$18.8 million compared to income of \$2.8 million in 2008. The C\$ decreased in value compared to the US\$ resulting in an unrealized loss on the revaluation of the Company's US\$ denominated debt. The Burkina Faso CFA and Russian Rouble declined even more on a percentage basis. The total foreign exchange loss for the period was \$18.9 million compared to a gain of \$2.5 million in 2008 when the currencies strengthened compared to the US\$.

Income Tax Recovery / (Expense)

Buryatzoloto has recorded a provision for future tax recovery in the first quarter. The provision is likely to reverse throughout the year.

Balance Sheet

The Company's total assets were \$734.6 million as at March 31, 2009 compared to \$753.1 million as at December 31, 2008. Working capital deficit decreased to \$29.7 million from \$42.1 million as at December 31, 2008. The decrease is due to improved cash flow from operations and repayment of Nomos Bank and Royal Gold, Inc. debt classified as current. Cash balances increased to \$25.0 million from \$19.1 million. Inventory is comprised in part of:

	March 31, 2009		December 31, 2008	
	Gold Ounces	\$ 000's	Gold Ounces	\$ 000's
Doré alloy				
Buryatzoloto	5,194	2,957	1,872	2,289
Berezitovy	3,949	2,715	3,448	3,366
Somita	–	–	–	–
Refined gold				
Buryatzoloto	600	271 ⁽¹⁾	450	213
Berezitovy	263	185	987	970
Somita	60	31	45	39

(1) Does not include 168,950 ounces of refined silver in inventory at \$nil cost.

The inventory is valued at cost which is well below current market value.

Off Balance Sheet Arrangements

As a policy, the Company does not enter into off-balance sheet arrangements with special purpose entities in the normal course of its business.

Liquidity and Capital Resources

Lending Arrangements

As noted previously, the Company is aware, and has been notified by the respective lenders, that certain covenants of its Somita subsidiary with respect to two separate loan accommodations were in breach at the beginning of Q4 2008. However, no payment demands were received by the Company and the Company is in discussions with certain lenders and trade creditors with respect to the Company's financial situation. The loan accommodations that are breached as at March 31, 2009 are as follows.

Pursuant to the Amended and Restated Funding Agreement dated February 22, 2006 (the "Funding Agreement"), between RGI and Somita, Somita is in breach of the requirement to achieve "Project Completion" by October 1, 2008, in accordance with the parameters of the "Completion Test" as both of those terms are defined in the Funding Agreement. Until such Project Completion is achieved, Somita is required to ensure that additional indebtedness incurred in the ordinary course of business does not exceed US\$1.0 million. Indebtedness incurred in the ordinary course of business was approximately \$11.8 million as at December 31, 2008 but has decreased to \$2.6 million at March 31, 2009. RGI has been granted security interests that include, among other things, the Company's 90% equity interest in Somita to secure amounts dispersed by RGI under the Funding Agreement. RGI has not agreed to forbear from asserting breaches in addition to those described above or pursuing any of its remedies under the Funding Agreement or other agreements with High River and its affiliates, including Somita.

Pursuant to a Revolving Credit Facility dated April 19, 2007, as amended, between Standard Bank and Somita, Somita was in breach of achieving "Economic Completion" which is defined as Project Completion in accordance with the Funding Agreement with RGI described above at the start of Q4 2008. High River - pursuant to a Revolving Credit Facility dated July 6, 2007 as amended between Standard Bank and High River - was in breach of a condition at the start of Q4 2008 requiring the Company maintain a working capital ratio as defined in the Facility of 1.2:1. On November 27, 2008, terms of the Standard Bank loans were restructured and the bank provided a waiver for the covenants which had been breached. Subsequent to the quarter-end, Standard Bank assigned the US\$15,000,000 loan due from High River and the US\$12,000,000 loan due from Somita to Severstal, a related party of High River. At March 31, 2009, the ratio was 1.4 constituting compliance.

In addition, at the request of Nomos Bank, meetings were held in early November 2008 to discuss security arrangements and other matters as a result of the security pledged to support its loans to the Company having declined in value. Subsequent to the year-end, Nomos was granted an interest rate concession increasing interest on the loans to 14% retroactive to January 1, 2009. A subsidiary of Severstal also provided a guarantee for the loans.

As of this date, no lender to the Company has commenced enforcement proceedings and the Company is current with respect to its debt repayment obligations.

Capital Resources

The Company's consolidated payables amount to \$24.2 million, as of March 31, 2009. The ability of the Company to continue as a going concern is dependent on the ongoing discussions and/or forbearance with the lenders, accommodations from trade creditors, establishing steady production at the two new mines and obtaining additional financing. There is no assurance that the lenders will co-operate with the Company, that trade creditors will provide accommodations, that steady production can be established or that a financing or other transaction can be completed on terms acceptable to the Company.

The following table summarizes the Company's consolidated cash flows and cash on hand:

<i>(in thousands)</i>	March 31, 2009	December 31, 2008
Cash and cash equivalents	\$ 25,020	\$ 19,123
Working capital (deficit)	(29,764)	(42,102)
Loans and interest payable (long term)	45,731	51,446
	Three months ended March 31,	
	2009	2008
Cash provided by (used in) operating activities	29,672	(252)
Cash used in investing activities	(4,372)	(40,710)
Cash provided by (used in) financing activities	(19,725)	29,401

The Company continues to examine options to raise sufficient cash to meet its operating needs until Somita and Berezitovy achieve full and steady production. As described in its January 2, 2009 press release, High River has been considering additional debt or equity financing arrangements to meet its financial obligations. In this regard, Severstal and the Special Committee comprised of independent directors of the Company discussed the possibility of Severstal acquiring the remaining outstanding common shares of High River and/or providing debt or equity financing to High River. However, Severstal and the Special Committee were unable to agree the terms of any such transaction and, as a result, Severstal is no longer in discussions with the Company or its Board regarding any such transaction. The Company will continue reviewing alternative financing arrangements. However, no specific proposals have been identified.

Operating Activities

Cash flow provided by operating activities Q1 2009 was \$29.7 million compared to \$252,000 used by operations in Q1 2008. Changes in working capital to fund operations and development consumed \$11.0 million in Q1 2008 whereas working capital provided 6.8 million in 2009. Berezitovy was not operating during the first quarter of 2008 and did not contribute to operations.

Investing Activities

Investing activities consumed \$4.4 million of cash compared to \$40.7 million in 2008. In 2008, the Berezitovy project received additional funding from High River of \$16.0 million. In 2008, the Company spent \$8.5 million on exploration including Prognoz, Bissa and acquisition of the Chaya project. In Q1 2009, exploration had been reduced to \$1.9 million, mainly to complete the Bissa feasibility study. In 2008, \$10.1 million was spent to acquire shares in other resource companies that were subsequently sold.

Financing Activities

In Q1 2009, loans and interest amounting to \$19.8 million were repaid. This was mainly for loans in Russia to Berezitovy and Buryatzoloto. All subsidiaries made their scheduled repayments on the current portions of their long-term debt facilities during the quarter.

As of March 31, 2009, none of the Company's stock options or warrants were "in-the-money". In Q1 2008, \$30.3 million was raised by the issue of shares, mainly from the exercise of warrants.

Uses of Liquidity

High River's cash requirements over the next 12 months are primarily to:

- service its debt obligations
- fund corporate administration and working capital
- finance repairs to the Taparko mill
- complete the Bissa feasibility study at an estimated cost of US\$1.8 million

It is anticipated that Berezitovy will generate enough cash flow from operations to meet its operating funding requirements after it fixes its operational problems. After Somita resolves its mechanical issues with the ball mill drive train, it is also expected to generate sufficient cash flow to meet its operating cost and debt obligations in the second quarter of 2009. High River provided assistance to Somita during the first quarter of 2009 to allow Somita to maintain operations and pay off maturing debt. Subsequent to the quarter end, US\$1.0 million was provided to Berezitovy. Exploration at Prognoz and Bissa has been halted as a cash conservation measure and is not slated to resume until the liquidity issues facing High River are resolved.

High River does not have sufficient cash on hand to meet all expected obligations and is examining its options to acquire the necessary funds without issuing additional shares which would be highly dilutive at current stock prices. At March 31, 2009, High River had used most of the funds it received from the November 2008 equity financing and approximately \$2.8 million remained in the corporate accounts. Severstal has not committed to provide additional financing.

The restructuring of the Company continues into 2009. Further negotiations with lenders are required to address the non-compliance of certain debt covenant violations. High River requires additional funds to assist its operations with debt repayments and to pay for continuing exploration efforts. The Company will continue reviewing alternative financing arrangements. However, no specific proposals have been identified.

Quarterly Results of Operations (Unaudited)

(\$ thousands, except per share amounts)	2009		2008			2007		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	89,121	57,726	34,940	43,456	45,049	32,177	26,565	27,851
Expenses	(60,878)	(61,679)	(34,997)	(41,634)	(33,763)	(33,824)	(22,275)	(21,449)
All other expenses and taxes	(27,312)	(31,112)	(15,292)	(6,547)	(13,594)	(6,849)	(8,947)	(5,506)
Net (loss) income	931	(35,065)	(15,349)	(4,725)	(2,308)	(8,496)	(4,657)	896
Net (loss) income per share: Basic and diluted	0.00	(0.09)	(0.05)	(0.01)	(0.01)	(0.04)	(0.01)	0.00
Gold sales, oz	77,091	58,412	38,891	47,905	49,991	40,907	38,199	37,938
Gold sales, US\$/oz	926	812	864	897	898	769	664	661
Gold production, oz	76,794	58,992	39,358	47,141	46,631	45,553	40,403	37,668
Direct mining costs, US\$/oz	368	561	453	568	519	384	334	329
Cash operating costs, US\$/oz	414	624	546	616	557	521	398	368

The financial results for operations for the last eight quarters reflect the following general trends: rising spot gold prices with a corresponding increase in revenue from higher gold sales partially offset by higher production costs with the result that margins have been constant. Gold production, gold sales, revenue and expenses increased in Q4 of both 2007 and 2008 due to new mines being declared operational.

First Quarter of 2009 Review

Revenue increased in the first quarter of 2009 due to higher sales as Somita and Berezitovy increased production, higher gold prices and the C\$ declining compared to the US\$. Operating costs per ounce decreased significantly. This is mainly a result of input costs expressed in each operation's local currency decreasing when translated to US\$ due to exchange rate movements. In the fourth quarter of 2008, non-operating costs were increased by restructuring expenses, losses on the sale of investments and the write-off of the Chaya project.

The focus during Q1 2009 was on dealing with liquidity issues and the restructuring of the Company as discussed earlier in this MD&A, and on achieving higher and steady production at Somita and Berezitovy.

Outlook

Operations

High River anticipates that problems with mechanical equipment at its two new mines will be resolved in 2009. Operational issues remain including finding a permanent solution to tailings issues at Berezitovy and vibration problems at the Taparko mill.

The discoveries at Bissa indicate potential for a second standalone gold mining operation in Burkina Faso. A preliminary feasibility and updated NI 43-101 report originally planned for 2008 have been delayed until May 2009.

Financial

In providing support to its two new mines and for the exploration programme on the Bissa and Prognoz projects, the Company's cash reserves were drastically reduced, in an environment of rapidly diminishing market appetite for debt or equity investment of any kind. The Company is facing a shortfall in liquidity to meet its current obligations. Cash conservation measures were put into effect. However, the funds received from the sale of shares to Severstal have been fully utilized in support of the operations and High River requires additional financing in 2009.

High River is working with its lenders and financial advisors to address the situation, however, the challenges facing High River in the current highly unsettled markets have created significant doubt as to whether the Company can continue as a going concern. The ability of the Company to continue as a going concern remains dependent upon these discussions and/or forbearance from its lenders, accommodations from trade creditors, establishing steady production at its two new mines and obtaining additional financings. There can be no assurance that the lenders will co-operate with the Company, that trade creditors will provide accommodations, that steady production can be achieved or that a financing or other transaction can be completed on terms acceptable to the Company.

Related Party Transactions

It is the Company's policy to conduct all transactions and settle balances with related parties on market terms and conditions. All transactions are in the normal course of business. For a detailed description of the Company's related party transactions, see note 20 to the Q1 2009 consolidated financial statements.

Subsequent to the quarter-end, on April 17, 2009, Standard Bank assigned the US\$15,000,000 loan due from High River and the US\$12,000,000 loan due from Somita to Severstal, a related party of High River.

Risks and Uncertainties

Risks and uncertainties about the Company's business are more fully described in the Management's Discussion and Analysis of the 2008 Year-End Report and in the Company's 2008 Annual Information Form.

Changes in Significant Accounting Policies

Section 3064, on goodwill and intangible assets, effective January 1, 2009, establishes revised standards on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with this new standard, EIC 27 on revenues and expenses during the pre-operating phase was withdrawn.

Critical Accounting Policies and Estimates

The critical accounting estimates remain unchanged from those disclosed in the Company's 2008 Year-End Report.

Future Changes in Canadian Accounting Policies

The Canadian Accounting Standards Board confirmed in February 2008 plans to converge Canadian GAAP with International Financial Reporting Standards (“IFRS”) over a transition period expected to be effective for interim and annual periods commencing January 1, 2011. The transition date will require the restatement, for comparative purposes, of previously reported balance sheets as to December 31, 2009 and December 31, 2010 and the interim and annual consolidated statements of income and cash flow for 2010.

The conversion from Canadian GAAP to IFRS is a significant undertaking. High River has not yet determined the impact of the transition on its consolidated financial statements. The conversion to IFRS may have a material impact on the balance sheet, results from operations, systems of internal controls over financial reporting, disclosure controls and information systems. IFRS accounting standards, and the interpretation thereof, are constantly evolving and therefore IFRS accounting policies are subject to change through 2011.

Preliminary work on identifying differences between Canadian GAAP and IFRS that effect the Company started in 2008 as well as work on identifying which options the Company would elect on adopting IFRS. This work was suspended due to the liquidity issues and financing which required the majority of management’s attention in the quarter. The Company at presently does not have a detailed conversion plan.

As a result of the financing discussed previously, Severstal now owns a majority of the shares of the Company. Severstal has indicated that it will be asking High River to make changes as to how the Company reports its financial information. As a result, some accounting policies and statement presentation may change to align the Company’s accounting policies more closely with the international nature of its controlling shareholder. Severstal reports under IFRS and has expertise in reporting which High River hopes to be able to utilize to assist its transition process.

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Corporation’s Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure. As at the end of the period covered by this management’s discussion and analysis, management of the Corporation, with the participation of the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the Corporation’s disclosure controls and procedures as required by Canadian securities laws. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of the end of the quarter covered by this Management’s Discussion and Analysis, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Corporation’s annual filings and interim filings (as such terms are defined under National Instrument 52-109 – Certification of Disclosure in Issuers’ Annual and Interim Filings) is complete. Other reports filed or submitted under Canadian securities laws are also recorded, processed, summarized and reported within the time periods specified by those laws and that material information is accumulated and communicated to management of the Corporation, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Report on Internal Control over Financial Reporting

On November 16, 2008, the Company announced that it would be late filing its Q3 2008 interim financial statements due to concerns raised by the Board of Directors regarding the reliability of information that the Company has received from its 85% owned subsidiary Buryatzoloto. Those concerns were subsequently addressed to the satisfaction of the Board and the consolidated financial statements were filed in December 2008.

On March 31, 2009, the Company announced that it would be late in filing its audited, consolidated financial statements for the year ended December 31, 2008, due to concerns raised by the Board of Directors regarding the reliability of production data that High River had received from its 99% owned subsidiary, Berezitovy. Those concerns were subsequently addressed to the satisfaction of the Board and the consolidated financial statements were filed in late April 2009.

In late 2008 and early 2009, testing of internal controls detected some deficiencies in the control environment of a number of areas at some but not all of the operations. High River has taken and will undertake further steps to address the weaknesses. However, management believes that based upon the evaluations and actions

taken to date, reasonable assurance can be provided that there is no material misstatement of the financial results reported as of March 31, 2009.

Financial Instruments and Other Instruments

The carrying values of cash and cash equivalents, restricted cash, accounts receivable and accounts payable in the consolidated balance sheets, approximates fair values due to the short period of settlement.

The carrying value of loans and interest payable approximates fair value as these loans are based on prevailing interest rates.

Non-GAAP Financial Measures

The Company has included certain non-GAAP performance measures in this document. These non-GAAP performance measures do not have any standardized meaning prescribed by GAAP and, therefore, are unlikely to be comparable to similar measures presented by other companies. High River believes that, in addition to conventional measures prepared in accordance with GAAP, certain investors use this information to evaluate High River's performance. Accordingly they are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. Set out below are definitions for these performance measures and reconciliations of the non-GAAP measures to reported GAAP measures.

The Company calculates operating costs per ounce in order to enhance comparability with other mining companies and to monitor its operations. Cash costs are derived from the consolidated statement of operations and include operating costs such as mining, milling, refining and transportation, by-product credits, royalties and production taxes, and administration but exclude depreciation, reclamation and mine closure, and foreign exchange. Costs are based on production activity.

March 31, 2009	Buryatzoloto		Berezitovy		Somita		Total	
	C\$ 000s	US\$/oz	C\$ 000s	US\$/oz	C\$ 000s	US\$/oz	C\$ 000s	US\$/oz
Average exchange rate – C\$ to US\$	1,2430		1,2430		1,2430		1,2430	
Gold ounces sold	35,019		19,672		22,400		77,091	
Gold revenue per consolidated financial statements	40,367	927	22,713	929	25,699	923	88,779	926
Gold ounces produced	34,790		19,596		22,408		76,794	
Direct mining costs	15,512	359	9,463	389	10,117	363	35,092	368
Mining administrative costs	1,859	43	1,016	42	570	20	3,445	36
Stripping and mine development adjustments	491	11	–	–	–	–	491	5
Third party smelting, refining and transportation	433	10	273	11	122	4	828	9
By-product credits	–	–	(286)	(12)	(56)	(1)	(342)	(4)
Cash operating costs	18,295	423	10,466	430	10,753	386	39,514	414
Royalty expense and production tax	2,442	56	1,275	52	759	27	4,476	47
Total cash costs	20,737	479	11,741	482	11,512	413	43,990	461
Inventory change	–		(645)		3,005		2,360	
By-product credits	–		286		56		342	
Mining amortization and depletion	5,019		4,562		4,405		13,986	
Asset retirement obligation accretion	106		50		44		200	
Total expenses per consolidated financial statements	25,862		15,994		19,022		60,878	

Supplemental Cash Cost Information	C\$ 000s	US\$/oz
Total cash costs per ounce produced		461
By-product credit per above	342	
Administrative costs per financial statements	4,185	
Less: non-cash items		
Stock option benefit expense	(50)	
Restructuring accruals	(1,278)	2,857
Exploration per financial statements		806
Other income/(expense) per financial statements	18,829	
Less- non cash items		
Unrealized foreign exchange loss	(11,967)	
Loss on sale of assets	29	6,891
Total non-operating cash costs	10,554	111
Total operating and non-operating cash costs		572

March 31, 2008	Buryatzoloto		Somita		Total	
	C\$ 000s	US\$/oz	C\$ 000s	US\$/oz	C\$ 000s	US\$/oz
Average exchange rate - Cdn to US\$	1.0045		1.0045			
Gold ounces sold	35,691		14,300		49,991	
Gold revenue per consolidated financial statements	32,223	899	12,786	896	45,009	898
Gold ounces produced	33,994		12,637		46,631	
Direct mining costs	16,096	471	8,137	647	24,233	519
Mining administrative costs	1,906	56	398	32	2,304	49
Stripping and mine development adjustments	(872)	(26)	–	–	(872)	(18)
Third party smelting, refining and transportation	331	10	37	3	368	8
By-product credits	–	–	(39)	(3)	(39)	(1)
Other	–	–	–	–	–	–
Cash operating costs	17,461	511	8,533	679	25,994	557
Royalty expense and production tax	1,906	56	449	35	2,355	50
Total cash costs	19,367	567	8,982	714	28,349	607
Inventory change	(781)		160		(621)	
By-product credits	–		39		39	
Mining amortization and depletion	3,062		2,799		5,861	
Asset retirement obligation accretion	77		58		135	
Total expenses per consolidated financial statements	21,725		12,038		33,763	

Supplemental Cash Cost Information	C\$ 000s	US\$/oz
Total cash costs		607
By-product credit per above	39	
Administrative costs per financial statements	2,991	
Less: non-cash items		
Stock option benefit expense	(1,199)	1,792
Exploration per financial statements		2,120
Other income/(expense) per financial statements	(2,830)	
Less- non cash items		
Unrealized foreign exchange gain	1,970	
Loss on sale of assets	(81)	(941)
Total non-operating cash costs	2,971	63
Total operating and non-operating cash costs		670

Supplement to the Financial Statements

As at May 12, 2009, the share capital consisted of:

- 590,193,673 common shares issued and outstanding.
- 8,577,599 common share purchase options outstanding at an average exercise price of \$1.67 maturing at various dates until September 29, 2013.
- 63,997,040 warrants outstanding at an average exercise price of \$1.81, maturing at various dates until September 29, 2013.
- 5,079,150 shares from conversion of debentures at \$2.35 until December 31, 2011.

High River Gold Mines Ltd.
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Expressed in Thousands of Canadian Dollars

First Quarter Report 2009
For the Three Months Ended March 31, 2009 and 2008
Unaudited

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 management of High River Gold Mines Ltd. is responsible for the preparation of the accompanying unaudited interim consolidated financial statements. The unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and are considered by management to present fairly the financial position, operating results and cash flows of the Company.

The Company's independent auditor has not performed a review of these 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. These unaudited financial statements include all adjustments, consisting of normal and recurring items, that management considers necessary for a fair presentation of the consolidated financial position, results of operations and cash flows.

s/ Nikolay Zelenskiy
Chief Executive Officer

s/ Steven Poad
Chief Financial Officer

May 12, 2009

High River Gold Mines Ltd.
Consolidated Balance Sheets

(Expressed in thousands of Canadian dollars)

(unaudited)	Note	March 31, 2009	December 31, 2008
Assets			
Current Assets			
Cash and cash equivalents	5	\$ 25,020	\$ 19,123
Accounts receivable		13,868	14,546
Inventory	6	73,057	79,369
Other assets		12,502	11,401
		124,447	124,439
Investments	7	37,913	22,724
Property, plant and equipment	8	395,202	432,089
Exploration properties and deferred exploration	9	173,668	170,522
Other assets		3,370	3,335
Total Assets		\$ 734,600	\$ 753,109
Liabilities			
Current Liabilities			
Accounts payable		\$ 24,151	\$ 29,842
Loans and interest payable	11	130,042	136,699
		154,193	166,541
Loans and interest payable	11	45,731	51,446
Reclamation	10	9,917	10,078
Non-hedge derivatives	12	11,805	13,651
Future income taxes	18	14,982	15,884
		236,628	257,600
Non-controlling interest		18,556	18,467
Total Liabilities		255,184	276,067
Shareholders' Equity			
Share capital	14(b)	543,244	543,244
Warrants	14(c)	16,121	16,627
Contributed surplus		13,433	12,876
Debenture conversion option	14(d)	538	538
Deficit		(111,106)	(112,037)
Accumulated other comprehensive income (loss)		17,186	15,794
Total Shareholders' Equity		479,416	477,042
Total Liabilities and Shareholders' Equity		\$ 734,600	\$ 753,109
Nature of operations and going concern	1		
Commitments and contingencies	21		

On behalf of the Board

s/ Nikolay Zelenskiy
 Director

s/ Steven Poad
 Director

The accompanying notes are an integral part of these interim consolidated financial statements.

High River Gold Mines Ltd.
Consolidated Statements of Operations

(Expressed in thousands of Canadian dollars except per share figures)

(unaudited)	Note	Three months ended March 31,	
		2009	2008
Revenue			
Gold		\$ 88,779	\$ 45,009
Silver		342	40
		89,121	45,049
Expenses			
Mining costs		43,247	25,463
Mine administrative costs		3,445	2,304
Mine amortization and depletion		13,986	5,861
Asset retirement obligation accretion		200	135
		60,878	33,763
Income before the undernoted			
Administrative costs	15	(4,185)	(2,991)
Amortization		(20)	(176)
Exploration expense		(806)	(2,120)
Financing costs and investment income, net	16	(3,397)	(6,722)
Other income/(expense)	17	(18,829)	2,830
Income before tax and non-controlling interest			
		1,006	2,107
Income tax recovery (expense)	18	13	(2,514)
Income (loss) before non-controlling interest			
		1,019	(407)
Non-controlling interest in earnings of subsidiary		(88)	(1,901)
Net income (loss) for the period			
		\$ 931	\$ (2,308)
Net income (loss) per share – basic and diluted			
	19	\$ 0.00	\$ (0.01)

The accompanying notes are an integral part of these interim consolidated financial statements.

High River Gold Mines Ltd. Consolidated Statements of Cash Flows

(Expressed in thousands of Canadian dollars)

(unaudited)	<i>Note</i>	Three months ended March 31,	
		2009	2008
Operating Activities			
Net income (loss) for the period		\$ 931	\$ (2,308)
Non-cash items:			
Non-controlling interest in earnings of subsidiary		88	1,900
Amortization and depletion expense		14,006	6,362
Asset retirement obligation accretion		200	221
Financial instrument accretion		(207)	538
Fair value adjustments to financial instruments		(1,778)	4,212
Stock-based compensation expense		50	1,199
Future income taxes		(2,294)	515
Unrealized foreign exchange loss (gain)		11,967	(1,970)
Other		(65)	81
Subtotal		22,898	10,750
Change in non-cash working capital	22	6,774	(11,002)
Net cash provided (used) by operating activities		29,672	(252)
Investing Activities			
Property, plant and equipment		(2,589)	(4,635)
Exploration properties and deferred exploration		(1,950)	(8,475)
Development properties		–	(16,047)
Purchase of investments		–	(11,801)
Increase in other long-term assets		167	248
Net cash used by investing activities		(4,372)	(40,710)
Financing Activities			
Loans received		31	13,507
Loans repaid		(19,756)	(14,440)
Common shares issued		–	30,334
Net cash (used in) provided by financing activities		(19,725)	29,401
Effect of exchange rate changes on cash held in foreign currencies		322	460
Increase/(decrease) in cash and cash equivalents during the period		5,897	(11,101)
Cash and cash equivalents - Beginning of period		19,123	51,491
Cash and cash equivalents - End of period	5	\$ 25,020	\$ 40,390
Supplementary cash flow information	22		

The accompanying notes are an integral part of these interim consolidated financial statements.

High River Gold Mines Ltd.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in thousands of Canadian dollars)

(unaudited)	<i>Note</i>	Three months ended March 31,	
		2009	2008
Share capital			
Balance at beginning of period		\$ 543,244	\$ 453,225
Issue of common shares		–	36,937
Balance at end of period	<i>14(b)</i>	543,244	490,162
Warrants			
Balance at beginning of period		16,627	19,951
Issued		–	–
Exercised		–	(6,269)
Expired		(506)	(2)
Balance at end of period	<i>14(c)</i>	16,121	13,680
Contributed surplus			
Balance at beginning of period		12,876	11,192
Expired warrants		506	2
Stock-based compensation, net		51	1,199
Stock options exercised		–	(334)
Balance at end of period		13,433	12,059
Debenture conversion option	<i>14(d)</i>	538	538
Deficit			
Balance at beginning of period		(112,037)	(57,494)
Transitional adjustment on adoption of new accounting policies	<i>2</i>	–	1,591
Balance at beginning of period as restated		(112,037)	(55,903)
Net income (loss) for the period		931	(2,308)
Balance at end of period		(111,106)	(58,211)
Accumulated other comprehensive income (loss)			
Balance at beginning of period		15,794	(9,431)
Comprehensive income for the period		1,392	30,079
Balance at end of period		17,186	20,648
Shareholders' equity at end of period		\$ 479,416	\$ 478,876

The accompanying notes are an integral part of these interim consolidated financial statements.

High River Gold Mines Ltd.
Consolidated Statements of Comprehensive Loss

(Expressed in thousands of Canadian dollars)

(unaudited)	Three months ended March 31,	
	2009	2008
Net income (loss) for the period	\$ 931	\$ (2,308)
Other comprehensive income (loss)		
Unrealized gain (loss) on translation of net foreign operations	(13,842)	17,286
Net change in unrealized (loss) gain on investments	15,234	12,793
Comprehensive income (loss) for the period	(1,392)	30,079
Net comprehensive income for the period	\$ 2,323	\$ 27,771

The accompanying notes are an integral part of these interim consolidated financial statements.

High River Gold Mines Ltd.

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2009 and 2008

Canadian dollars unless otherwise stated. All tabular amounts are expressed in thousands, except number of shares and per share amounts.
(Unaudited)

1. Nature of Operations and Going Concern

These consolidated financial statements include the financial statements of High River Gold Mines Ltd. (the “Company”, “High River”), OJSC Buryatzoloto (“Buryatzoloto”), OOO Berezitovy Rudnik (“Berezitovy”), and Société des Mines de Taparko S.A. (“Somita”). As of March 31, 2009, the Company’s interest in Buryatzoloto is 84.94%, Berezitovy 99% and Somita 90%. The 50% interest in the Prognoz joint venture is proportionately consolidated.

While these consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) and on the basis of accounting principles applicable to a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business, there are conditions and events that cast significant doubt on the validity of this assumption.

Delays in starting up the new gold mine in Russia and mechanical problems at the new mine in Burkina Faso have resulted in a liquidity shortfall and in the Company being in breach of lending covenants. During the quarter ended March 31, 2009, the Company had a net profit of \$931,000 and has an accumulated deficit of \$111.1 million. Cash on hand as at March 31, 2009 totalled \$25.0 million. In addition, the Company has \$175.8 million in debt outstanding, of which \$130.0 million is due and payable within the next 12 months. The ability of the Company to continue as a going concern is, therefore, dependent on the ongoing discussions and/or forbearance with the lenders, accommodations from trade creditors, establishing steady production at the two new mines and obtaining additional financing. There is no assurance that the lenders will co-operate with the Company, that trade creditors will provide accommodations, that steady production can be established or that a financing or other transaction can be completed on terms acceptable to the Company. As a result, there is significant doubt concerning the applicability of the going concern assumption. The ultimate outcome of these events cannot presently be determined because they are contingent on future matters.

If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary to the carrying values of assets and liabilities, the reported interim consolidated revenue and expenses and the balance sheet classifications used. The adjustments could be material.

On November 20, 2008, an affiliate of ZAO Severstal Resources, (the mining division of OAO Severstal (“Severstal”)) participated in a financing. On completion of the financing, Severstal indirectly held 312,771,131 Common Shares representing approximately 53.0% of the currently outstanding Common Shares of the Company and may acquire additional shares, including upon the exercise of warrants. In addition, four of the Company’s directors and its Chief Executive Officer were employees of Severstal as at March 31, 2009.

2. Changes in Accounting Policies

The Company adopted, effective January 1, 2009, new accounting standards mandated by the Canadian Institute of Chartered Accountants (“CICA”).

Section 3064, *Goodwill and Intangible Assets*, establishes revised standards on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with this new standard, EIC 27 on revenues and expenses during the pre-operating phase was withdrawn.

Future Accounting Changes

In February 2008, the Canadian Accounting Standards Board (“AcSB”) announced plans to converge Canadian GAAP with International Financial Reporting Standards (“IFRS”) over a transition period expected to be effective for interim and annual periods commencing on January 1, 2011. The Company is monitoring and reviewing the CICA’s plans to make the transition to IFRS. The Company has not yet determined the impact of the transition on its consolidated financial statements.

In January 2009, the AcSB issued the following new standards effective January 1, 2011: Section 1582, *Business Combinations*; Section 1601, *Consolidations*; and Section 1602, *Non-Controlling Interests*. The Company has not yet determined the impact of the adoption of these standards on its consolidated financial statements.

In 2008, Severstal acquired majority control of the Company. Severstal has indicated that it will be asking the Company to make changes as to how the Company reports its financial information. As a result, some accounting policies and statement presentation may change to align the Company's accounting policies more closely with international nature of its controlling shareholder.

3. Financial Instruments and Risk Management

The Company's risk management objectives include minimizing risks relating to cash and cash equivalents to preserve capital for strategic investing. The Company does not enter into or trade financial instruments for speculative purposes. The Company does not hedge gold sales. The Company does not have written risk management policies or a risk management committee. The Company holds the following financial instruments:

	March 31, 2009	December 31, 2008
Cash and cash equivalents	\$ 25,020	\$ 19,123
Accounts receivable	13,868	14,546
Investments	37,913	22,724
	\$ 76,801	\$ 56,393
Accounts payable	\$ 24,151	\$ 29,842
Loans and interest payable	175,773	188,145
Non-hedge derivatives	11,805	13,651
	\$ 211,729	\$ 231,638

(a) Market Risk

Currency Risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Company raises equity predominantly in Canadian dollars and presently reports in Canadian dollars. Certain of the Company's revenue and expenses are denominated in foreign currencies including the Central African franc in Burkina Faso (which is tied to the euro), the rouble in Russia and the United States dollar. The Company has raised bank debt to finance development and operation of its mines. The bank debt is denominated in United States dollars.

The Company is, therefore, subject to gains or losses due to fluctuations in these currencies. The Company has not used derivatives to mitigate its exposure to foreign currency risk. Sensitivity of period earnings to a 10% increase or decrease in the C\$/US\$ exchange rate (1.243) for the Company's Q1 production is approximately \$17.8 million or \$0.03 per share based on shares outstanding as at March 31, 2009.

Price risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The values of the Company's investments in mining and mineral related companies are exposed to fluctuations in value, depending on a number of factors, including the quoted market price and the fair value of the commodities that a company may focus on. The Company has pledged certain investments in support of borrowings and it may be unable to realize its entire interest in an investment quickly at current fair value.

The Company is also exposed to commodity price risk. The future profitability of the Company and the recoverability of deferred exploration, development and other costs are directly related to the market prices of the products to be sold in the future and its operating costs. The Company does not use derivatives to mitigate its exposure to commodity price risk. Sensitivity of period earnings to a 10% increase or decrease in the realized gold price (US\$926 per ounce) for the Company's Q1 production is approximately \$10.7 million or \$0.02 per share based on shares outstanding as at March 31, 2009. Sensitivity of annual earnings to a 10% increase or decrease in the realized mining total cash costs (US\$461 per oz) for the Company's Q1 09 production is approximately \$5.3 million or \$0.01 per share based on shares outstanding as at March 31, 2009.

Interest rate risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The majority of the Company's debt has variable interest rates therefore cash interest payments are exposed to interest rate fluctuations. The Company has not used derivatives to mitigate its exposure to interest rate risk. The debt subject to floating interest rates and the estimated weighted average floating interest rates is summarized below.

	Floating interest rate, %	March 31, 2009	Floating interest rate, %	December 31, 2008
High River				
Standard Bank	8.0	\$ 18,744	9.3	\$ 18,342
Buryatzoloto				
Nomos Bank	5.2	28,491	5.2	31,610
UniCredit Bank	5.2	1,014	4.9	6,878
		<u>29,505</u>		<u>38,488</u>
Somita				
Caterpillar Finance France SA	5.2	2,483	5.2	2,834
Standard Bank	8.0	14,986	9.3	14,665
		<u>17,469</u>		<u>17,499</u>
Berezitovy				
Nomos Bank (i)	–	–	6.7	48,844
		<u>\$ 65,718</u>		<u>\$ 123,173</u>

(i) The loans were restructured in February and now carry a fixed rate.

The sensitivity of annual, pre-tax earnings to a 100 basis point increase or decrease in the base case LIBOR in 2009 is approximately \$657,000 or \$nil per share, based on shares outstanding as at the quarter-end. The six-month LIBOR for United States dollars was 1.74% as at March 31, 2009.

(b) Credit risk

The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk with respect to managing its cash position. This risk, from deposit taking institutions, is mitigated by using well-capitalized financial institutions. Any investments must be less than one year in duration.

Credit risk relating to accounts receivable arises from the possibility that any counterparty to an instrument may fail to perform. The Company currently transacts with highly-rated counterparties for the sale of gold. Counterparties include its current lenders.

(c) Liquidity risk

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company has in the past and may in the future seek to acquire additional funding by the sale of common shares. Movements in the price of the Company's common shares have been volatile in the past and may be volatile in the future. As a result, there is a risk that High River may not be able to sell new common shares at an acceptable price should the need arise for new equity funding. Due to current market conditions resulting from the world credit crisis, the Company may not be able to borrow additional funds and creditors may request accelerated repayment of existing loans.

The Company's consolidated accounts payable amount decreased to \$24.2 million, as at quarter-end. The Company has consolidated cash and cash equivalents on hand of approximately \$25.0 million, 923 ounces of unsold gold worth approximately US\$846,000 million at US\$916.50 per ounce and 168,950 ounces of unsold silver worth US\$2.2 million at US\$13.11 per ounce.

The values of the Company's investments in mining and mineral related companies are exposed to fluctuations in value depending on a number of factors, including the quoted market price and the fair value of the commodities that a company may focus on. The Company has pledged certain investments and it may be unable to realize its entire interest in an investment quickly at current fair value. The Company has monetary and non-monetary assets represented by mining and mineral exploration interests in Russia and Burkina Faso. The Company

could accordingly be at risk for foreign currency fluctuations and changing legal and political environments. The Company does not enter into any derivative contracts to reduce the above exposures.

The following table estimates the undiscounted cash flows of contractual liabilities.

	Total	2009	2010	2011	2012
Payables and accruals	\$ 24,151	\$ 24,151	\$ –	\$ –	\$ –
Debt	174,020	68,905	70,732	34,383	–
Interest on debt	42,754	17,753	15,805	9,196	–
Capital lease obligations	3,333	1,584	1,270	479	–
Purchase obligations	11,887	7,898	1,543	1,595	851
Other long-term obligations	1,161	917	122	122	–
Total	\$ 257,306	\$ 121,208	\$ 89,472	\$ 45,775	\$ 851

The above table does not include exploration or development of the exploration projects as none of the projects have, as yet, received Board of Directors approval. The figures above are estimates of cash requirements and may not agree to similarly captioned items in the financial statements.

(d) Insurance

The Company purchases limited discretionary insurance to cover catastrophic property damage, business interruption and liability risk.

4. Capital Management

The Company manages its capital in order that the Company and its subsidiaries will be able to continue as a going concern while attempting to maximize the return to shareholders through a debt and equity balance commensurate with current operating requirements. The strategy remained unchanged from 2007 until the cancellation on August 26, 2008 of a private placement financing transaction. The Company began changing its approach during the third quarter of 2008 due to the rapidly changing market appetite for risk and the decreased availability of credit. The capital structure consists of debt, cash and cash equivalents, and shareholders' equity excluding accumulated other comprehensive income (loss). The Company raises capital, as necessary, to meet its needs and to take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure.

	March 31, 2009	December 31, 2008
Total loans and interest payable	\$ 175,773	\$ 188,145
Less: Cash and cash equivalents	25,020	19,123
Net debt	150,753	169,022
Shareholders' equity excluding comprehensive income	462,230	461,248
Total Capital	\$ 612,983	\$ 630,270

The Company is in breach of loan covenants concerning the completion of the Taparko-Bouroum Mine. On November 27, 2008, terms of the Standard Bank loans were restructured and the bank provided a waiver for the covenants which had been breached. The Company is in breach of its loan covenants with Royal Gold, Inc. ("RGI"). In the fourth quarter of 2008, Nomos Bank expressed concerns as to its security for loans made to Berezitovy. In the first quarter of 2009, Nomos was given certain concessions. High River is in discussions with all its lenders. To date, no lender to the Company has commenced enforcement proceedings.

5. Cash and Cash Equivalents

The majority of the Company's cash is held in bank deposits. The Company has no investments in short-term marketable securities or in non-bank sponsored asset-backed commercial paper.

6. Inventory

Inventory consists of the following:

	March 31, 2009	December 31, 2008
Materials and supplies	\$ 43,238	\$ 44,741
Stockpiled ore	17,365	16,954
Gold-in-process	6,295	10,797
Doré alloy	5,672	5,655
Refined gold and silver	487	1,222
	\$ 73,057	\$ 79,369

7. Investments

The Company's classifies its investments as AFS securities which comprise the following:

	March 31, 2009		December 31, 2008	
	Fair value	Carrying value	Fair value	Carrying value
Detour Gold Corporation (a)	\$ 33,671	\$ 3,616	\$ 19,224	\$ 3,616
Goldrush Resources (b)	1,927	3,561	1,748	3,561
Other equities (c), (d), (e)	1,961	2,677	1,352	2,677
Loans (f)	354	354	400	400
	\$ 37,913	\$ 10,208	\$ 22,724	\$ 10,254

The quoted market price used to estimate fair value is the year-end bid price in an active market. The Company has reclassified its AFS securities that are pledged and are not capable of reasonably prompt liquidation to long term assets in 2008. Previously, all the assets listed above were classified as current but have been reclassified for comparative purposes.

- (a) As at March 31, 2009, the Company held 3,089,057 common shares of Detour Gold Corporation or approximately 6.9%. The shares have been pledged as security for a loan to Somita. The shares were received in the first quarter when PDX Resources Inc. merged with Detour Gold.
- (b) In March 2006, the Company entered into a strategic alliance agreement with Goldrush Resources Ltd. ("Goldrush") exchanging early-stage exploration permits in Burkina Faso for common shares of Goldrush valued at \$1,308,000, a convertible debenture with a principal value of \$1,994,000, and back-in rights on mineral discoveries. In the second quarter of 2006, High River participated in a private placement and purchased shares valued at \$250,000. As at March 31, 2009, the Company held 7,540,000 common shares or approximately 12.0% (2007 – 12.0%). The shares have been pledged as security for a loan to High River.
- (c) As at March 31, 2009, the Company held 1,790,941 common shares of Intrepid Mines Limited ("Intrepid") or approximately 0.4% (2007 – 1.0%). Intrepid operates a gold mine in Australia and carries out exploration activities in South, Central and North Americas. The shares have currently been pledged as security for a loan to Somita.
- (d) As at March 31, 2009, the Company held 12,015,000 common shares of Pelangio Exploration Inc. or approximately 16.3% (2007 – nil %). Pelangio Exploration Inc. owns exploration properties in Africa and Canada. The shares have been pledged as security for a loan to Somita.
- (e) In 2006, the Company sold exploration properties that were not of immediate interest for common shares of Merrex Resources Inc. ("Merrex") valued at \$898,000. As at March 31, 2009, the Company held 2,245,000 common shares or approximately 3.7% (2007 – 3.8%). These shares have been pledged as security for a loan to High River.
- (f) Loans by Buryatzoloto to unrelated companies.

8. Property, Plant and Equipment

Carrying value, March 31, 2009	Buryatzoloto	Somita	Berezitovy	Corporate and exploration	Total
Property	\$ 47,027	\$ 78,365	\$ 41,608	\$ –	\$ 167,000
Land and buildings	39,266	2,121	24,618	2,546	68,551
Plant and equipment	28,390	65,804	76,386	–	170,580
Mobile equipment	10,281	16,792	14,943	50	42,066
Capitalized interest	–	12,243	4,971	–	17,214
Assets under construction	16,590	–	683	–	17,273
Capital leases	3,359	–	3,059	–	6,418
Asset retirement obligation	2,435	2,521	2,228	–	7,184
	147,348	177,846	168,496	2,596	496,286
Accumulated amortization					
Property	(23,339)	(7,086)	(1,529)	–	(31,954)
Land and buildings	(30,337)	(709)	(1,561)	(1,939)	(34,546)
Plant and equipment	(11,775)	(9,449)	(3,472)	–	(24,696)
Mobile equipment	(2,714)	(664)	(847)	–	(4,225)
Capitalized interest	–	(1,426)	(227)	–	(1,653)
Capital leases	(2,034)	–	(135)	–	(2,169)
Asset retirement obligation	(1,136)	(581)	(124)	–	(1,841)
	(71,335)	(19,915)	(7,895)	(1,939)	(101,084)
Net carrying value	\$ 76,013	\$ 157,931	\$ 160,601	\$ 657	\$ 395,202
Carrying value, December 31, 2008	Buryatzoloto	Somita	Berezitovy	Corporate and exploration	Total
Property	\$ 45,443	\$ 82,930	\$ 43,956	\$ –	\$ 172,329
Land and buildings	38,420	2,220	27,710	2,563	70,913
Plant and equipment	27,071	68,946	86,274	–	182,291
Mobile equipment	10,081	17,611	16,929	50	44,671
Capitalized interest	–	13,276	4,155	–	17,431
Assets under construction	14,894	–	1,137	–	16,031
Capital leases	3,287	–	2,994	–	6,281
Asset retirement obligation	2,383	2,648	2,524	–	7,555
	141,579	187,631	185,679	2,613	517,502
Accumulated amortization					
Property	(19,554)	(4,776)	(504)	–	(24,834)
Land and buildings	(28,736)	(670)	(866)	(1,909)	(32,181)
Plant and equipment	(10,086)	(8,933)	(1,935)	–	(20,954)
Mobile equipment	(2,292)	(620)	(480)	–	(3,392)
Capitalized interest	–	(489)	(131)	–	(620)
Capital leases	(1,843)	–	–	–	(1,843)
Asset retirement obligation	(1,021)	(498)	(70)	–	(1,589)
	(63,532)	(15,986)	(3,986)	(1,909)	(85,413)
Net carrying value	\$ 78,047	\$ 171,645	\$ 181,693	\$ 704	\$ 432,089

9. Exploration Properties and Deferred Exploration

	January 1, 2009	Additions	Writedown	March 31, 2009
West Africa – Bissa project	\$ 55,880	\$ 1,117	–	\$ 56,997
West Africa – other	14,754	525	–	15,279
Russia – Novophirsovskoye	12,765	280	–	13,045
Russia – Prognoz (a)	86,185	1,195	–	87,380
Russia – Sergachinsky/South Flank	938	29	–	967
	\$ 170,522	\$ 3,146	–	\$ 173,668

	January 1, 2008	Additions	Writedown	December 31, 2008
West Africa – Bissa project	\$ 50,310	\$ 5,570	\$ –	\$ 55,880
West Africa – other	11,226	3,862	(334)	14,754
Russia – Novophirsovskoye	7,934	4,831	–	12,765
Russia – Prognoz (b)	45,955	40,230	–	86,185
Russia – Sergachinsky	218	720	–	938
	\$ 115,643	\$ 55,213	\$ (334)	\$ 170,522

- (a) The Company has included \$11,827,000 due from its joint venture partner as deferred exploration expense. Any subsequent recovery of these amounts will be credited to deferred exploration. The change from the year-end receivable is due to revaluation of foreign currency amounts.
- (b) The Company has included \$16,744,000 due from its joint venture partner as deferred exploration expense. Any subsequent recovery of these amounts will be credited to deferred exploration.

10. Reclamation

Total undiscounted future cash flows required to settle the decommissioning and restoration asset retirement obligations are estimated to be US\$6,700,000 for the Zun-Holba mine and US\$1,300,000 for the Irokinda mine. A credit adjusted risk-free rate of 9.7% has been utilized to determine the obligation recorded in the consolidated balance sheets. Management anticipates that such obligations will substantially be settled at or near the closure of the mining facility, currently expected to be 2019 for Zun-Holba and 2012 for Irokinda.

Total undiscounted future cash flows required to settle the decommissioning and restoration asset retirement obligations of the Taparko-Bouroum mine are estimated to be US\$4,212,000. A credit adjusted risk-free rate of 9.00% has been utilized to determine the obligation recorded in the consolidated balance sheets. Management anticipates that such obligations will substantially be settled at or near the closure of the mining facility currently expected to be 2014.

Total undiscounted future cash flows required to settle the decommissioning and restoration asset retirement obligations of the Berezitovy mine are estimated to be US\$5,417,000. A credit adjusted, risk-free rate of 8.75% has been utilized to determine the obligation recorded in the consolidated balance sheets. Management anticipates that such obligations will substantially be settled at or near the closure of the mining facility currently expected to be 2016.

No obligation has been recorded with respect to asset retirement obligations (e.g. environmental remediation) for High River's exploration properties. This is based on the fact that the mining and processing activities that give rise to the legal obligation have not yet occurred and/or the environmental disturbance that has occurred is not yet significant.

	Buryatzoloto	Somita	Berezitovy	Total
Carrying value, January 1, 2008	\$ 3,130	\$ 2,310	\$ 2,426	\$ 7,866
Accretion expense and revaluation	1,160	899	153	2,212
Carrying value, December 31, 2008	4,290	3,209	2,579	10,078
Accretion expense and revaluation	200	(109)	(252)	(161)
Carrying value, March 31, 2009	\$ 4,490	\$ 3,100	\$ 2,327	\$ 9,917

11. Loans and Interest Payable

The current portion of loans and interest payable comprise the following:

	March 31, 2009		December 31, 2008	
	Amortized cost	Carrying value	Amortized cost	Carrying value
High River				
Standard Bank – revolving credit facility	\$ 18,744	\$ 18,744	\$ 18,342	\$ 18,342
Accrued interest on loan	86	86	134	134
	18,830	18,830	18,476	18,476
Buryatzoloto				
Nomos Bank – US\$25m	9,997	9,997	11,006	11,006
Nomos Bank – US\$8m	3,999	3,999	3,913	3,913
Nomos Bank – US\$10m	12,496	12,496	12,228	12,228
UniCredit – US\$4m	–	–	4,892	4,892
UniCredit – US\$6.5m	1,014	1,014	1,986	1,986
Accrued interest on loans	9	9	59	59
Finance lease obligations	589	589	654	654
	28,104	28,104	34,738	34,738
Somita				
Royal Gold, Inc.	36,513	36,608	36,840	37,030
Accrued interest on loan	10,428	10,428	9,359	9,359
Caterpillar Finance France SA	1,665	1,665	1,629	1,629
Accrued interest on loan	17	17	23	23
Standard Bank	14,986	14,986	14,665	14,665
Accrued interest on loan	66	66	115	115
	63,675	63,770	62,631	62,821
Berezitovy				
Nomos Bank	16,870	16,870	18,953	18,953
Accrued interest on loan	1,612	1,612	971	971
Finance lease obligations	951	951	930	930
	19,433	19,433	20,854	20,854
	\$ 130,042	\$ 130,137	\$ 136,699	\$ 136,889

The long-term portions of loans and interest payable are comprised of the following:

	March 31, 2009		December 31, 2008	
	Amortized cost	Carrying Value	Amortized cost	Carrying value
<i>High River</i>				
8% Debentures	\$ 11,494	\$ 11,936	\$ 11,459	\$ 11,936
<i>Buryatzoloto</i>				
Nomos Bank – US\$25m	–	–	1,529	1,529
Nomos Bank – US\$8m	1,999	1,999	2,934	2,934
Finance lease obligations	150	150	340	340
	2,149	2,149	4,803	4,803
<i>Somita</i>				
Caterpillar Finance France SA	818	832	1,205	1,222
Government of Burkina Faso	624	624	611	611
Ecobank Burkina	477	477	550	550
	1,919	1,933	2,366	2,383
<i>Berezitovy</i>				
Nomos Bank	27,560	28,101	29,891	30,555
Finance lease obligations	1,252	1,252	1,410	1,410
	28,812	29,353	31,301	31,965
<i>Prognoz Invest Ltd.</i>				
Arinvest LLC	1,357	1,357	1,517	1,517
	\$ 45,731	\$ 46,728	\$ 51,446	\$ 52,604

Loans and interest payable related to the Company's subsidiary Buryatzoloto are non-recourse to the Company and are repayable solely from the cash flow of the applicable operation. Non-hedge embedded derivatives relating to loans are separated and reported at their estimated fair value. Transaction costs are included in long-term debt and amortized using the effective interest method.

The loan agreements between Somita and RGI require, in part, that Somita pass a completion test as defined by December 31, 2007, that includes the requirement that the Taparko-Bouroum mill operate in excess of 90% capacity for 90 consecutive days. Due to mechanical problems with the mill, completion as defined was not achieved and waivers were requested and received from RGI in 2007 and 2008 up to September 30, 2008. The Company was in breach of its loan covenants as at March 31, 2009.

The loan agreements with Standard Bank require that the Company and Somita maintain a working capital ratio greater than 1.2 to 1. The ratio calculated in accordance with the loan agreement for High River was approximately 0.8:1 as at September 30, 2008 constituting non-compliance with the loan agreement. The ratio was approximately 1.4:1 at March 31, 2009 constituting compliance. The current amount of the debt owing to RGI and to Standard Bank is excluded in calculating the amount of current liabilities as defined in the agreements. The loan agreements also require that Somita pass a completion test.

The Company is aware, and has been notified subsequent to September 30, 2008 by the respective lenders, that certain covenants of its Somita subsidiary with respect to two separate loan accommodations are in breach. However, no payment demands have been received by the Company, and the Company is in discussions with certain lenders, trade creditors and possible strategic investors/purchasers with respect to the Company's financial situation. On November 27, 2008, terms of the Standard Bank loans were restructured and the bank provided a waiver for the covenants which were breached. Subsequent to the quarter-end, on April 17, 2009, Standard Bank assigned the US\$15,000,000 loan due from High River and the US\$12,000,000 loan due from Somita to OAO Severstal, a related party of High River.

At the request of Nomos Bank, meetings were held in early November 2008 to discuss security arrangements and other matters as a result of the security pledged to support its loans to the Company having declined in value. During the first quarter of 2009, Nomos was granted an interest rate concession increasing interest on the loans to 14% retroactive to January 1, 2009. A subsidiary of Severstal also provided a guarantee for the loans.

As at the date of these notes to the interim consolidated financial statements, no lender to the Company has commenced enforcement proceedings.

As at March 31, 2009, the long-term loans and estimated interest payable debt maturities for fixed term loans for each of the five years to 2013 are: 2009 (April to December) – \$68,947,000; 2010 – \$89,508,000; 2011 –

\$44,751,000; 2012 – \$nil; 2013 – \$nil. The six-month LIBOR was 1.73% as at March 31, 2009 (December 31, 2008 – 1.75%).

12. Non-Hedge Derivatives

	March 31, 2009	December 31, 2008
Goldrush debenture (a)	\$ 2,031	\$ 1,857
RGI loan (b)	9,774	11,794
	<u>\$ 11,805</u>	<u>\$ 13,651</u>

- (a) The Goldrush debenture may be converted to common shares of Goldrush at the sole discretion of the issuer. The embedded derivative has been treated as an up-and-out put option and the fair value estimated as at March 31, 2009, using a barrier pricing model with the following assumptions: 0.6% risk-free rate; 80% volatility; market price of Goldrush common shares of \$0.045; strike price of \$1.00; and term of 2.0 years.
- (b) The second production payment due to RGI contains an embedded derivative that varies with the price of gold. The fair value was estimated using discounted cash flow analysis based on the market price for gold at the end of the quarter.

13. Stock-based Compensation

Stock options are granted periodically to directors, officers, consultants and employees of the Company. Stock options are granted at an exercise price that is not less than 100% of the closing share price on the TSX on the day prior to the day the option is granted. Option vesting periods vary depending on the circumstances of the grant. Typically, options have a term of five years and vest as follows: 1/3 immediately, 1/3 after one year, 1/3 after two years. As at March 31, 2009, there are 4,744,170 options available for grant (December 31, 2008 – 4,277,502). Total outstanding stock options are summarized as follows:

	Number of stock options	Weighted average price
Balance – December 31, 2006	15,643,833	\$1.81
Granted	100,000	\$2.85
Terminated	(436,669)	\$2.18
Exercised	(4,044,598)	\$1.48
Balance – December 31, 2007	11,262,566	\$1.97
Granted	3,740,000	\$2.12
Terminated	(2,346,666)	\$1.96
Exercised	(387,883)	\$1.89
Expired	(1,795,833)	\$2.18
Balance – December 31, 2008	10,472,184	\$1.99
Terminated	(466,668)	\$2.19
Balance March 31, 2009	<u>10,005,516</u>	\$1.98

Stock options outstanding:

Exercise price	March 31, 2009			December 31, 2008		
	Number of stock options outstanding	Weighted average remaining contractual life (years)	Number of stock options exercisable	Number of stock options outstanding	Weighted average remaining contractual life (years)	Number of stock options exercisable
0.67	462,500	0.4	462,500	462,500	0.6	462,500
1.85	1,659,000	0.7	1,659,000	1,719,000	1.0	1,719,000
0.67	476,250	0.9	476,250	476,250	1.2	476,250
2.13	1,330,833	1.9	1,330,833	1,450,833	2.2	1,450,833
2.35	75,000	2.3	75,000	75,000	2.5	75,000
2.15	3,003,601	2.6	3,003,601	3,230,268	2.9	3,230,268
2.85	100,000	3.5	66,667	100,000	3.7	66,667
2.80	1,471,667	3.8	858,889	1,531,668	4.1	365,556
2.19	340,000	4.0	113,333	340,000	4.3	103,333
1.80	686,666	4.3	228,889	686,666	4.6	172,222
0.64	399,999	4.5	133,333	399,999	4.7	133,333
	<u>10,005,516</u>	2.4	<u>8,408,295</u>	<u>10,472,184</u>	2.6	<u>8,254,962</u>

The weighted average exercise price of outstanding stock options was \$1.98 per common share (2008 – \$1.99) and for vested and exercisable stock options \$1.96 (2008 – \$1.92). The Company accounts for all stock-based payments using the fair value based method and expenses the stock options. The estimated fair value of the stock options granted is charged to expense and contributed surplus over the vesting period of the stock options. On exercise of stock options, the contributed surplus is reclassified to share capital. The fair value of the stock options granted was estimated at the date of grant using a Black-Scholes option pricing model with the following assumptions:

	2008			
	Jan. 24	April 16	July 29	Sept. 29
Grant date	Jan. 24	April 16	July 29	Sept. 29
Number of stock options granted	1,850,000	370,000	820,000	700,000
Strike price	\$2.80	\$2.19	\$1.80	\$0.64
Expected dividends	nil	nil	nil	nil
Expected volatility	56.0%	56.0%	56.0%	108.0%
Risk-free interest rate	3.0%	3.0%	3.0%	2.2%
Expected life of option	4 years	4 years	4 years	1 year
Expected forfeitures	nil	nil	nil	nil
Weighted average grant-date fair values	\$1.22	\$1.01	\$ 0.54	\$ 0.27

The unvested, unamortized fair value of all stock options outstanding at quarter-end was \$568,000 (2008 – \$1,322,000). The net stock-based compensation expense included in administrative costs in the interim consolidated statement of operations for the period was \$50,000 (2008 – \$1,199,000).

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14. Share Capital

(a) Authorized

The Company's authorized capital consists of an unlimited number of common shares and preference shares. The preference shares may be issued from time to time in one or more series with such items, rights, privileges, restrictions and conditions as the directors may determine.

(b) *Issued and outstanding common shares*

	Number of shares	Net share capital
Balance – December 31, 2006	249,763,444	\$ 338,371
Exercise of stock options	4,044,598	8,470
Exercise of warrants	37,500	114
Conversion of debenture	16,595	–
Financings	41,800,000	112,018
Warrant and share issue expense	–	(5,748)
Balance – December 31, 2007	295,662,137	453,225
Exercise of stock options	387,883	1,068
Exercise of warrants	11,844,500	35,880
Conversion of debenture	10,638	64
Financings	282,288,515	53,228
Warrant and share issue expense	–	(221)
Balance – December 31, 2008	590,193,673	\$ 543,244
Balance – March 31, 2009	590,193,673	\$ 543,244

(c) *Warrants*

	Number of warrants	Weighted average price	Estimated fair value
Balance – December 31, 2006	11,912,500	\$2.50	\$ 6,294
Issued	24,222,500	\$3.80	13,681
Exercised	(37,500)	\$2.50	(20)
Expired	(27,500)	\$1.60	(4)
Balance – December 31, 2007	36,070,000	\$3.37	19,951
Issued	40,674,540	\$0.64	3,138
Exercised	(11,844,500)	\$2.50	(6,269)
Expired	(303,000)	\$2.63	(193)
Balance – December 31, 2008	64,597,040	\$1.82	16,627
Expired	(600,000)	\$2.90	(506)
Balance – March 31, 2009	63,997,040	\$1.81	\$ 16,121

Warrants outstanding as at March 31:

Exercise price	2009		2008	
	Number of warrants outstanding	Expiry date	Number of warrants outstanding	Expiry date
\$2.63	–	–	300,000	Dec. 31, 2008
\$3.25	–	–	600,000	Mar. 31, 2009
\$3.25	600,000	Jun. 13, 2009	600,000	Jun. 13, 2009
\$3.25	2,900,000	Jul. 18, 2009	2,900,000	Jul. 18, 2009
\$3.10	1,250,000	Aug. 29, 2009	1,250,000	Aug. 29, 2009
\$4.00	18,572,500	Nov. 08, 2010	18,572,500	Nov. 08, 2010
\$0.64 (i)	40,674,540	Sep. 29, 2013	–	Sep. 29, 2013
	63,997,040		24,222,500	

- (i) In connection with a financing, on November 20, 2008, Severstal acquired 40,674,540 warrants exercisable at \$0.64 per warrant until September 29, 2013. The fair value of the warrants granted was estimated at \$0.077 per warrant at the date of grant using a Black-Scholes option pricing model with the following assumptions: term of 4.9 years; expected volatility of 147%; and risk-free rate of 2.2%.

(d) *Debenture conversion option*

In November 2006, the Company issued a debenture. The fair value of the option component of the debenture was estimated as approximately \$538,000 using the residual value method. The value of the option is

charged to income as accretion expense using the effective interest method and the fair value of the debenture is increased. The value of the option will be reallocated to share capital if exercised, or to contributed surplus if it expires unexercised.

15. Administrative Costs

	Three months ended March 31,	
	2009	2008
Stock-based compensation	\$ (50)	\$ (1,199)
Salaries and benefits	(366)	(1,147)
Restructuring costs	(3,005)	–
Other	(764)	(645)
	\$ (4,185)	\$ (2,991)

Restructuring costs to March 31, 2009 include \$1,756,000 relating to severance payments and accruals.

16. Financing Costs and Investment Income, Net

	Three months ended March 31,	
	2009	2008
Investment income	\$ 7	\$ 383
Financing costs	(5,287)	(2,355)
Interest on capital lease	(102)	–
Financial instrument accretion expense	207	(538)
Fair value adjustments to derivatives	1,778	(4,212)
	\$ (3,397)	\$ (6,722)

17. Other Income / (Expense)

	Three months ended March 31,	
	2009	2008
Foreign currency exchange	\$ (18,921)	\$ 2,496
Loss on sale or write-off of assets	(29)	(81)
Other	121	415
	\$ (18,829)	\$ 2,830

18. Future Income Taxes

The components of the recovery of/ (provision for) income taxes comprise:

	Three months ended March 31,	
	2009	2008
Current tax (expense) / recovery:		
Canada	\$ –	\$ –
Foreign	(2,281)	(1,998)
Future tax recovery / (expense):		
Canada	–	–
Foreign	2,294	(516)
	\$ 13	\$ (2,514)

19. Net Income (Loss) per Share

Net income (loss) per share (“EPS”) has been calculated using the weighted average number of shares outstanding during the period. Diluted EPS data is calculated using the treasury stock method. The calculation of diluted EPS assumes that options and warrants with an exercise price lower than the average quoted market price were exercised at the later of the beginning of the year, or time of issue. In applying the treasury stock method, options and warrants with an exercise price greater than the average quoted market price of the common shares are not included in the calculation of diluted EPS as the effect is anti-dilutive.

	Three months ended March 31,	
	2009	2008
Net income (loss) for the period	\$ 931	\$ (2,308)
Weighted average number of shares	590,193,673	307,787,242
Basic income (loss) per share	\$ 0.00	\$ (0.01)
Incremental shares on assumed exercise of options and warrants	—	—
Weighted average number of shares	590,193,673	307,787,242
Diluted income (loss) per share	\$ 0.00	\$ (0.01)

20. Related Party Transactions

The Company’s transactions are in the normal course of business and are recorded at the exchange amount. All amounts due to/from related parties are non-interest bearing and payable on demand. Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

As at March 31, 2009 and 2008, the Company owned shares in Pelangio Exploration Inc. A former director of the Company serves as a director of Pelangio.

As at March 31, 2009 and 2008, the Company owned shares in Goldrush. An officer of the Company serves as a director of Goldrush. As at March 31, 2009, the Company had an account receivable due from Goldrush of \$40,000 (2008 – \$36,000). Pursuant to an agreement, High River provides Goldrush with technical expertise and operations management on a cost recovery basis.

During the period, legal services were provided by Cassels Brock and Blackwell LLP. A former officer of the Company was a partner of Cassels Brock and Blackwell LLP. The total cost of the services was \$295,000 (2008 – \$77,000).

During the period, financial advisory services were provided by Alvarez & Marsal Canada ULC. Until February 2009, a principal of Alvarez & Marsal was an officer of the Company. The total cost of the services was \$283,000 (2008 – \$nil).

21. Commitments and Contingencies

(a) Legal proceedings

The Company and its entities are party to certain legal proceedings arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which, on final disposition, could have a material adverse effect on the financial position of the Company.

(b) Environmental matters

The Company has operated in the mining industry in Russia for many years. The enforcement of environmental regulation in Russia is evolving and the enforcement posture of government authorities is continually being reconsidered. The Company periodically evaluates its obligations under environmental regulations.

Potential liabilities might arise as a result of changes in legislation and regulation or civil litigation. The impact of these potential changes cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

In the course of operation, the Company may be subject to environmental and legal proceedings. The Company is not aware of any such proceedings.

(c) Guarantees

In order to retain its skilled employees, Buryatzoloto has guaranteed employee mortgages given by Sberbank RF. As at March 31, 2009, this guarantee amount is US\$1,221,000 (2008 – US\$1,702,000). The Company accounts for guarantees at fair value and it estimates the guarantees to have \$nil value, as historically there have been no defaults.

High River has guaranteed a materials supply contract for Somita up to \$227,000 and it estimates the guarantees to have \$nil value as forecasts show that the operation will generate sufficient cash in the future to meet this obligation.

High River has guaranteed the US\$9,000,000 line of credit to Berezitovy from the Nomos Bank and the US\$12,000,000 credit facility of Somita from Standard and it estimates the guarantees to have \$ nil value.

High River increased its interest in the Bissa and Zandkom permits to 90% for a price of US\$600,000, plus certain costs in 2007. The Company has contracted to give the vendor:

- (i) an additional payment of US\$20 per ounce for 20% of any mineral reserves in excess of 150,000 ounces based on a bankable feasibility study;
- (ii) an annual payment of US\$100,000 per year for five years as an advance on the vendor’s 10% non-contributing interest, such payment to cease on commencement of production;
- (iii) a guarantee of a minimum payment of US\$100,000 per year for five years after production starts, should the vendor’s proportional share of profits be less than US\$100,000 per year. The first payment was made in 2007; and the second payment was made in 2008.
- (iv) a vendor option, valid for five years from the later of the date of the agreement or the start of production, to sell the rights the vendor holds to its non-contributing interest of 10% for a transfer price to be agreed on with High River, the transfer price to be a minimum of US\$1,000,000. If a price cannot be agreed on, the vendor can transfer its 10% interest to a third party.

The Company has pledged investments to support certain borrowings (note 7). The Company has a lease on premises in Toronto that extends to 2013. High River must inform the landlord nine months prior to lease termination as to its intention to renew or vacate.

Buryatzoloto and Berezitovy have entered into leases (note 12).

There is a contingent liability to pay up to \$4.2 million in connection with termination provisions of employee contracts.

22. Supplementary Cash Flow Information

	Three months ended March 31,	
	2009	2008
(a) Net changes in non-cash working capital		
Accounts receivable	\$ 5,203	\$ (4,912)
Inventory	5,014	(4,674)
Other assets	(1,251)	(2,872)
Accounts payable	(2,784)	1,270
Interest payable	592	186
	\$ 6,774	\$ (11,002)
(b) Cash paid for interest and financing fees	\$ 3,762	\$ 3,245
Cash paid for income taxes	\$ 270	\$ 1,424

23. Subsequent Event

On April 17, 2009, Standard Bank assigned the US\$15,000,000 loan due from High River and the US\$12,000,000 loan due from Somita to OAO Severstal, a related party of High River.

24. Segmented Information

The Company's operations consist of the exploration, development and mining of precious metals in Russia and Burkina Faso. Gold is the primary commodity produced.

The Company's operations are managed independently of each other principally due to their wide geographical diversity. Each operation compiles its own financial information on which the Company relies for assessment of performance. Details of the Company's operational segments are presented based on the Company's ownership interests. Corporate relates to the corporate administration functions performed in Canada and/or in non-operating foreign subsidiaries.

	Three months ended March 31,	
	2009	2008
Property, plant and equipment expenditures, net		
Russia – Buryatzoloto	\$ 1,884	\$ 3,550
Russia – Berezitovy	57	–
Burkina – Somita	619	1,017
Burkina – exploration	29	68
Corporate/other	–	–
	2,589	4,635
Deferred exploration expenditures		
Russia – Buryatzoloto	–	5,430
Russia – Berezitovy	38	14
Russia – Prognoz (a)	280	–
Burkina – exploration	1,632	3,031
	1,950	8,475
Development property expenditures		
Russia – Berezitovy	–	16,047
	March 31,	December 31,
Total assets as at:	2009	2008
Russia – Buryatzoloto	183,489	182,901
Russia – Berezitovy	201,420	225,546
Russia – Prognoz	91,542	–
Burkina – Somita	189,417	183,268
Burkina – exploration	73,615	93,151
Corporate/other	(4,883)	66,592
	\$ 734,600	\$ 751,458

(a) Included with Russia - Buryatzoloto in 2007.

	Three months ended March 31,	
	2009	2008
Revenue (b)		
Russia – Buryatzoloto	\$ 40,367	\$ 32,223
Russia – Berezitovy	22,999	–
Burkina – Somita	25,755	12,826
	89,121	45,049
Expenses		
Mining costs		
Russia – Buryatzoloto	18,878	16,679
Russia – Berezitovy	10,367	–
Burkina – Somita	14,002	8,784
Mine administrative costs		
Russia – Buryatzoloto	1,859	1,906
Russia – Berezitovy	1,015	–
Burkina – Somita	571	398
Mine amortization and depletion		
Russia – Buryatzoloto	5,019	3,062
Russia – Berezitovy	4,562	–
Burkina – Somita	4,405	2,799
Asset retirement obligation accretion		
Russia – Buryatzoloto	105	77
Russia – Berezitovy	50	–
Burkina – Somita	45	58
Standby costs		
Burkina – Somita	–	–
	60,878	33,763
Administrative costs		
Russia – Buryatzoloto	6	48
Russia – Berezitovy	124	–
Burkina – Somita	–	–
Corporate/other	4,055	2,943
	4,185	2,991
Financing costs		
Russia – Buryatzoloto	978	985
Russia – Berezitovy	2,610	–
Burkina – Somita	1,585	2,580
Corporate/other	(1,776)	3,157
	3,397	6,722
Other income/(expense)		
Russia – Buryatzoloto	(5,631)	(998)
Russia – Berezitovy	(33,234)	–
Burkina – Somita	(8,593)	(8,001)
Corporate/other	28,629	6,169
	(18,829)	(2,830)
Income tax recovery / (expense)		
Russia – Buryatzoloto	(770)	(2,514)
Russia – Berezitovy	698	–
Burkina – Somita	–	–
Corporate/other	85	–
	13	(2,514)
Net (loss)/income for the year		
Russia – Buryatzoloto	6,269	4,619
Russia – Berezitovy	(28,267)	–
Burkina – Somita	(3,445)	6,207
Corporate/other	26,374	(13,134)
	\$ 931	\$ (2,308)

(b) Sales of gold by Buryatzoloto and Berezitovy are in Russia. Sales by Somita are in Switzerland.

Directors

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Evgeny Tulubensky⁵
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Nikolay Zelenskiy⁵
CEO-Gold Division
OAO Severstal Resources
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¹ Member of the Audit Committee

² Member of the Corporate Governance and Compensation Committee

³ Chairman

⁴ As of September 10, 2008

⁵ As of November 20, 2008

⁶ As of April 8, 2009.

⁷ As of April 20, 2009

Officers

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Chief Executive Officer

Steven Poad
Chief Financial Officer

Drifffield M. Cameron, P. Geo
Vice President, Exploration

Dan W. Hrushewsky, CFA
Vice President, Investor Relations

Edward O. Villeneuve
Vice President, Health, Safety and Environment

Andrei Maslov
Treasurer

Other

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Elaine Simonds
Manager, Legal and Regulatory

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Solicitors

Cassels Brock and Blackwell LLP
Toronto, Ontario

Shares Listed

The Toronto Stock Exchange
Symbol: HRG
CUSIP 42979J

Warrants Listed

The Toronto Stock Exchange
Symbol: HRG.WT
CUSIP 42979J156

Investor Relations

For inquiries, or copies of the Company's Annual Information Form, Annual or Quarterly Reports, please contact Investor Relations at (416) 947-1440, info@hrg.ca, or visit the Company's website at www.hrg.ca. The Company's filings with the Canadian securities regulatory authorities can be accessed on SEDAR at www.sedar.com.