

HRG



HIGH RIVER GOLD

**High River Gold Mines Ltd.
Third Quarter Report 2009**

High River Gold Mines Ltd.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As at September 30, 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 September 30, 2009 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 2008 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 November 13, 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 ("TSX"). 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 2008 was approximately 15,000 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 and in Q2 2009 increased its ownership to approximately 57.3%. In Q3 2009 Severstal increased its ownership to approximately 61.7% 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, including those risk factors discussed in the Company's 2008 Annual Information Form. 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 Third Quarter of 2009

Financial

- Net gold revenue of \$89.6 million, an increase of 6% from Q2 2009, an increase of 2.6 times from Q3 2008.
- Net loss of \$4.6 million (\$0.01 per share) compared to a net loss of \$37.8 million (\$0.06 per share) in Q2 2009 and a net loss of \$15.3 million (\$0.05 per share) in Q3 2008.
- Cash flow from operations of \$33.0 million, up 45% from \$22.8 million in Q2 this year, and up from \$4.7 million in Q3 last year.
- Cash and cash equivalents increased to \$38.7 million from \$23.1 million at the end of Q2 2009, and up from \$19.1 million at year-end.
- Working capital increased to \$18.5 million from \$2.8 million at the end of Q2 2009, and up from a \$42.1 million deficit at year-end.
- Current and long term debt levels decreased to \$121.1 million from \$135.6 million at the end of Q2 2009, compared to \$188.1 million at year-end.

Operations

- Total gold production increased 6% to 84,990 ounces (100%) compared to Q2 2009. Cash operating costs per ounce decreased 6% to US\$465 per ounce (see the *Non-GAAP Financial Measures* section) compared to Q2 2009. Total operating and non-operating cash costs decreased 7% to US\$570 per ounce compared to Q2 2009.
- The Zun-Holba and Irokinda Gold Mines produced 37,430 ounces (100%) at a cash operating cost of US\$379 per ounce, and total cash cost US\$443 per ounce.
- The Taparko-Bouroum Gold Mine produced 25,073 ounces (100%) at a cash operating cost of US\$467 per ounce, and total cash cost US\$496 per ounce.
- The Berezitovy Gold Mine produced 22,487 ounces (100%) at a cash operating costs of US\$607 per ounce, and a total cash cost US\$667 per ounce.
- On September 11, 2009 the Company announced the death of two of its miners at the Irokinda mine.

Corporate

- On July 28, 2009, Severstal increased its tender offer to \$0.30 per share.
- On July 31, 2009, Steven Poad resigned as CFO. Treasurer Andrei Maslov was appointed CFO.
- On August 6, 2009, the Company announced that the Toronto Stock Exchange determined that High River satisfies the TSX's continued listing requirements.
- Severstal acquired 28,897,135 additional shares at \$0.30 per share as a result of an unconditional tender offer which expired on August 10, 2009. Severstal's ownership of the company increased to 61.7%.
- On September 1, 2009, Driffield Cameron resigned as Vice President, Exploration.
- On September 3, 2009, Igor Klimanov, Manager Corporate Development, was appointed to the board of directors.
- On September 15, 2009, Dan Hrushewsky resigned as Vice President, Investor Relations. Igor Klimanov assumed responsibility for investor relations.
- On September 21, 2009, Nikolay Zelenskiy resigned as director and Chief Executive Officer.
- On September 21, 2009, PricewaterhouseCoopers resigned as the Company's auditors at the request of the Company.
- On September 23, 2009, Stephen Polakoff resigned as a director.
- On September 28, 2009, Andrei Maslov, CFO, was appointed to the board of directors.

Events Subsequent to the Quarter-End

- On October 7, 2009, Steven Poad resigned as director.
- On October 8, 2009, Andrew Matthews was appointed to the board of directors.
- On October 20, 2009, Igor Klimanov was appointed Chief Executive Officer.
- On October 27, 2009, High River announced a proposed private placement of up to 150,000,000 common shares of the Company to Polenica Investments Limited ("Polenica"), an affiliate of Troika Dialog Group ("Troika"). Subject to negotiation of final agreements and due diligence, Polenica will acquire 150,000,000 common shares, representing approximately 23.1% of the 649,219,422 currently outstanding common

shares, at a price of \$0.38 per share. As previously announced on October 27, 2009, TSX has conditionally approved the private placement subject to receipt and clearance of a Personal Information Form in respect of Polenica. The proceeds of the private placement will be used by High River to repay the approximately US\$27 million plus accrued interest outstanding under the two credit agreements that were assigned by Standard Bank Plc to Severstal as of April 20, 2009, with the balance being used to fund the exploration program at Buryatzoloto and for general corporate purposes. The private placement was unanimously approved by the board of directors of High River, with nominees of Severstal abstaining.

The TSX has received the Personal Information Form in respect of Polenica and it is expected that closing of the private placement will occur as soon as practicable following clearance of such Personal Information Form. It is also expected that concurrently with the closing of the private placement, a nominee of Troika will be appointed to the board of directors of High River and to the audit committee, provided such nominee qualifies for such appointment under applicable securities legislation.

Corporate Restructuring

The Company was subject to a delisting review and had to satisfy the TSX that it continues to meet the listing requirements of the TSX. On August 6, 2009, the Company announced that the TSX determined that High River satisfies the TSX's continued listing requirements and was lifting its delisting review.

As a result of the unconditional tender offer announced on June 9, 2009 which was increased and extended on July 28, 2009, Severstal acquired 28,897,135 additional shares at \$0.30 per share. Severstal's ownership of the Company subsequently increased to 61.7%.

During the third quarter, Nikolay Zelenskiy CEO, Steven Poad CFO, Driffield Cameron vice president exploration and Dan Hrushewsky vice president investor relations resigned. Nikolay Zelenskiy also resigned as a director. Stephen Polakoff resigned as a director. Subsequent to the quarter end, Steven Poad resigned as director and Igor Klimanov was appointed CEO. Andrew Matthews joined the board in October.

Review of Operations

Selected Financial Results

The Company reported a net loss of \$4.6 million (\$0.01 per share) in Q3 2009 compared to a net loss of \$37.8 million (\$0.06 per share) in Q2 2009 and a net loss of \$15.3 million (\$0.05 per share) in Q3 2008.

(thousands of Canadian dollars except per share amounts)	Three months ended			Nine months ended	
	September 30, 2009	June 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
Gold revenue	\$ 89,557	\$ 84,561	\$ 34,939	\$262,917	\$ 123,375
Net loss	(4,567)	(37,777)	(15,348)	(41,413)	(22,382)
Net loss per share (basic)	(0.01)	(0.06)	(0.05)	(0.07)	(0.07)
Cash provided by operating activities	33,011	22,821	4,673	85,504	7,092
Weighted average number of shares outstanding (basic)	649,217,295	597,407,151	307,905,158	612,272,706	307,865,853

Buryatzoloto Operations

The Company's attributable gold production from Buryatzoloto was 31,793 ounces in the third quarter of 2009, compared to 30,439 ounces in the second quarter of 2009 and 32,945 ounces in the third quarter of 2008. Buryatzoloto continues to be profitable and achieved its production objectives for Q3 2009 with 37,430 ounces (100%) of gold produced at an estimated cash operating cost of US\$379 per ounce as compared to 35,835 ounces at US\$405 per ounce in the previous quarter and 38,787 ounces of gold produced at a cash operating cost of US\$541 per ounce in the corresponding period of 2008. (See the section *Non-GAAP Financial Measures* regarding cash operating costs.) The weakening of the Russian Rouble in comparison to the US\$ for the period Q3 2009 compared to Q3 2008 has offset Rouble cost increases due to inflation and increases in output.

Buryatzoloto Combined Operational and Financial Data

	Three months ended			Nine months ended	
	September 30, 2009	June 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
Tonnes mined	157,000	154,000	146,000	469,000	452,000
Tonnes milled	153,000	152,000	151,000	443,000	419,000
Gold grade (g/t)	8.4	7.8	8.2	8.2	8.4
Recovery (%)	90.2	94.0	95.7	93.3	95.1
Gold production (oz) – 100% ⁽¹⁾	37,430	35,835	38,787	108,055	109,592
High River share of production – 84.94%	31,793	30,439	32,945	91,782	93,087
Direct mining cost (US\$/oz)	341	395	446	365	466
Cash operating cost (US\$/oz)	379	404	541	402	529

(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			Nine months ended	
	September 30, 2009	June 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
Tonnes mined	73,000	70,000	71,000	218,000	216,000
Tonnes milled	70,000	71,000	69,000	213,000	204,000
Gold grade (g/t)	9.1	8.0	8.4	8.6	8.4
Recovery (%)	88.2	92.9	94.9	89.7	94.6
Gold production (oz) – 100%	17,346	17,123	17,651	52,705	52,592
High River share of production – 84.94%	14,734	14,544	14,993	44,768	44,543
Direct mining cost (US\$/oz)	492	432	569	441	552
Cash operating cost (US\$/oz)	480	448	616	462	600

A fourth mill circuit to treat lower grade material was completed and should be operational in the fourth quarter.

Irokinda Operational Data

	Three months ended			Nine months ended	
	September 30, 2009	June 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
Tonnes mined	85,000	84,000	75,000	252,000	236,000
Tonnes milled	83,000	80,000	82,000	229,000	215,000
Gold grade (g/t)	7.8	7.6	7.9	7.8	8.4
Recovery (%)	95.2	92.9	96.5	95.5	95.5
Gold production (oz) – 100%	19,891	18,712	19,957	55,157	55,647
High River share of production – 84.94%	16,895	15,894	16,943	46,850	47,244
Direct mining cost (US\$/oz)	291	296	365	300	397
Cash operating cost (US\$/oz)	313	323	413	332	449

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. The current state of the prepared reserves is of great concern - the Irokinda mine can continue production at current rates for less than 6 months and the Zun-Holba mine for 12 months. A 633 million

Rouble budget (approximately \$23 million) for mine-site exploration is planned for 2009-2010 to replace mined-out reserves and extend the mine life at Irokinda and Zun-Holba. If the program doesn't begin immediately or doesn't succeed, there is a strong risk that the mines might run out of ore. In addition, a substantial capital program will be allocated in the first half of 2010 for capital mining works to prepare the existing reserves for extraction.

Somita Operations (Taparko-Bouroum Gold Mine)

In Q3 2009, gold poured at Taparko (100%) totalled 25,073 ounces, up 24% from the second quarter, up from last year's level when the mill was on standby during the quarter. The production increased compared to the previous quarter because of better mill availability and higher recoveries. Approximately 200,000 tonnes of ore were processed during the quarter, higher than in Q2 2009, when several unplanned mill shutdowns occurred. Mill head grades during the quarter of 4.0 g/t were 5% lower than grades processed in the previous quarter, and 40% higher than Taparko-Bouroum average grade of 2.8 g/t. Recoveries averaged 95.0%, above planned levels. Cash operating costs decreased to US\$467 per ounce compared to US\$491 last quarter due to the increase in production: fixed costs were spread over more ounces of production.

Somita Operating and Financial Data

	Three months ended			Nine months ended	
	September 30, 2009	June 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
Tonnes mined	197,000	193,000	13,000	524,000	255,000
Tonnes milled	200,000	182,000	–	518,000	258,000
Gold grade (g/t)	4.0	4.2	–	4.3	3.0
Recovery (%)	95.0	91.0	–	92.7	91.4
Gold production (oz) – 100% ⁽¹⁾	25,073	20,139	571	67,620	23,538
High River share of production – 90%	22,565	18,125	514	60,858	21,184
Direct mining cost (US\$/oz)	467	462	879	428	746
Cash operating cost (US\$/oz)	467	491	920	445	780

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

Outlook

High River believes that while many of the technical start-up problems at the Taparko-Bouroum mill have been resolved, the continuing vibration problems remain a concern. The Company looks forward continuing steady state production of 140 tonnes per hour with minimal down-time in Q4 2009.

A second ball mill is planned to be built and commissioned in 2010 significantly increasing production by the end of the year. The estimated cost is US\$4.4 million for the mill and another US\$4.1 million for the mine and plant expansion.

Berezitovy Mine, Russia

Berezitovy continues to underperform with year-to-date mill utilization of 72%. Production (100%) at Berezitovy during the third quarter was 22,487 ounces of gold, compared to 24,023 ounces produced in Q2 2009. Production decreased from Q2 2009, due to lower throughput. Production levels continue to be constrained by maintenance shut-downs and disk filter plant under-performance as well as crusher problems during Q3.

Approximately 303,000 tonnes of ore were processed during the quarter (22% below the design capacity) with an average grade of 2.6 g/t. Recoveries averaged approximately 87% during the quarter, just below design levels of 89%. Total cash costs were US\$667 per ounce during Q3 2009 compared US\$699 in Q2 2009.

While all three disk filter units are operational at the disk filter plant, throughput is below design capacity requiring a by-pass of a portion of the tailings slurry past the disk filter plant into a wet tailings storage facility. Two of the three existing filters were upgraded during the quarter. However, it did not eliminate the need for a wet tailings by-pass. Recently, two new disk filter units from a different supplier have been ordered to improve throughput rates of the disk filter plant in attempt to eliminate the need for a wet tailings by-pass. Installation is planned for Q4 and should decrease risk of stoppage of the plant due to tailings dam overflow.

Berezitovy Production Data

	Three months ended			Nine months ended	
	September 30, 2009	June 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
Tonnes mined	301,000	347,000	–	983,000	–
Tonnes milled	303,000	282,000	227,000	812,000	441,000
Gold grade (g/t)	2.6	2.5	2.5	2.8	2.4
Recovery (%)	87.0	86.0	85.6	87.3	86.7
Gold production (oz) – 100% ⁽¹⁾	22,487	24,023	14,293	66,106	28,202
High River share of production – 99%	22,262	23,783	14,150	65,445	27,920
Direct mining cost (US\$/oz)	570	600	–	492	–
Cash operating cost (US\$/oz)	607	640	–	532	–

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

(2) Berezitovy entered commercial production October 1, 2008. Gold production in the first nine months was credited to development costs.

Outlook

A contract for a second ball mill to be built and commissioned in 2010 has been signed. The mill will have a capacity of 90 tonnes per hour and the estimated cost is 43 million Roubles (approximately \$1.6 million).

Review of Exploration Projects

Bissa Gold Project, Burkina Faso

In September a US\$1.6 million exploration program was started. Most of the funds will be spent on drilling the Zandkom property. An additional US\$1.1 million project is planned to start in Q4 which will be mainly in-fill drilling designed to upgrade the Bissa resources from inferred to indicated category in order to advance the bankable feasibility study.

Prognoz Silver Project, Russia

The Company suspended all exploration activity on the property as a cash conservation measure. There is no exploration budgeted for Q4 2009 or in 2010.

Novophirsovskoye Gold Project, Russia

The Company determined that the Novophirsovskoye project is no longer a key exploration property. A buyer has been found for the property and the project was written down in the third quarter to the sales value of US\$1.0 million. The sale of the property is expected to close in Q4.

Sergachinsky Gold Exploration Project, Russia

Drilling took place at Sergachinsky and on the southern flank of the Berezitovy deposit during the quarter.

The Company will continue to evaluate the carrying value of Bissa and other projects which may result in further write downs.

Health, Safety and Environment (“HSE”)

Two miners died in September due to an underground accident at its Irokinda Gold Mine. A rock fall occurred during routine roof maintenance 200 metres underground. Immediately after the accident, investigations were conducted both internally and by the responsible government body, Rostekhnadzor. Rostekhnadzor concluded that the “Fatality analysis shows that prevention or foreseeing of this accident was impossible. No violation of mining rules.” (This is a direct translation of the Russian documentation)

Although this was the conclusion, Buryatzoloto conducted a further review of its underground work practices; in addition to increased geological surveillance. Workers were reminded of the standard scaling procedures and safe work practices. Rostekhnadzor also made recommendations regarding roof support technologies

which are being considered for implementation. At Buryatzoloto, safety programs are being updated but further efforts are required to improve the safety performance.

Safety and health performance continued to improve at both Berezitovy and Taparko-Bouroum.

During Q3-2009, there were no significant environmental incidents reported.

Overall Financial Performance

Revenues

The Company's consolidated net gold revenues for Q3 2009 increased to \$89.6 million from \$34.9 million in Q3 2008. The increase was mainly due to an increase in the number of ounces of gold sold.

	Three months ended			Nine months ended	
	September 30, 2009	June 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
Ounces sold	84,441	78,274	38,891	239,807	136,787
Refined ounces in inventory	1,189	720	4,914	1,189	4,914
Realized price, US\$/oz	964	924	864	937	902
Average realized C\$ to US\$ exchange rate	1.0998	1.1686	1.0404	1.1700	1.0186
Gold sales, C\$ 000's	89,577	84,561	34,939	262,917	123,375
Change in revenue due to:					
Volume (ounces) variance 000's	52,705			92,919	
Price variance 000's	44,768			9,897	
Exchange variance 000's	441			36,726	

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, direct mining costs in Q3 2009 decreased 25% compared to Q2 2009, and decreased 38% compared to Q3 2008.

	Three months ended			Nine months ended	
	September 30, 2009	June 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
Ounces produced – 100%	84,990	79,997	39,358	241,781	133,130
Direct mining costs, US\$/oz	439	473	453	425	515
Average realized C\$ to US\$ exchange rate	1.0998	1.1686	1.0404	1.1700	1.0186
Direct mining cost, C\$ 000's	40,994	44,254	18,531	120,342	69,861
Change in direct mining cost due to:					
Volume (ounces) variance 000's	21,485			57,015	
Cost variance 000's	(1,236)			(22,104)	
Exchange variance 000's	2,214			15,570	

The volume variance year-to-date reflects mainly the additional contribution from Berezitovy and Somita. Berezitovy was not in production until Q4 2008. Somita did not produce during Q3 2008.

The variance analysis indicates that total costs have increased substantially from last year which is mainly due to higher production volumes. The decrease in the cost variance reflects in part cost control measures resulting in lower costs per unit produced. The second reason is that gold production increased significantly thereby allowing fixed costs to be allocated to a larger number of ounces.

The average US\$/C\$ exchange translation rate has increased from the comparative period resulting in an unfavourable 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

Non-mining administrative costs increased to \$5.2 million in Q3 2009 compared to \$3.1 million last year. The major component of the increase was \$2.4 million in restructuring costs (Q3 2008 – \$nil). Salaries and benefits decreased to \$681,000 from \$1.2 million due to staff reductions at the corporate office.

Exploration Costs

Exploration costs of \$999,000 in Q3 2009 decreased compared to 2008 due to the suspension of most exploration activities in the first half of 2009. Projects have been prioritized and exploration activity will increase during Q4 and in 2010.

Financing Costs and Investment Income, Net

Interest expense increased to \$4.3 million from \$1.8 million in Q3 2008. This is due to the impact of Berezitovy entering production. Interest that was capitalized on the Berezitovy project during the development stage in 2008 (up to September 20, 2009) is now charged directly against earnings. Due to the restructuring of some debt obligations, 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 \$1.0998 compared to \$1.0404 in Q3 2008 which increased interest expense reported in Canadian dollars. The total of loans outstanding is lower than last year as is the LIBOR rate which slightly offsets the increases in interest expense due to unfavourable interest and foreign currency exchange rate movements.

The fair value adjustment to derivatives in Q3 was a \$4.0 million loss compared to a \$1.0 million loss in 2008 and a gain of \$1.2 million in Q2 2009 due mainly to using a higher gold price to value the Royal Gold, Inc. ("RGI") loan derivative. Starting in Q2, a credit adjusted rate was adopted which replaced the previous market based rate used to discount the cash flows used to value the derivative. The impact of the change was a gain of \$1.5 million in Q2 2009.

Other Income / (Expense)

Other income / (expense) was an expense of \$13.5 million compared to an expense of \$48.1 million in Q2 2009 and an expense of \$9.6 million in 2008.

As per the Company's accounting policy for exploration properties and deferred exploration, the Company has considered whether events or changes in circumstances exist as at September 30, 2009 to indicate whether any exploration property carrying values may not be recoverable. The Company determined in the third quarter that the Novophirsovskoye project is no longer a key exploration property. A buyer has been found for the property and the project was written down by \$10.9 million to the sales value of US\$1.0 million. In Q2 2009, the Prognoz property was written down by \$58.6 million.

Income Tax Expense

Berezitovy made tax provisions in 2009 that it did not have to make in 2008 because it was still in development which resulted in a higher tax expense.

Balance Sheet

The Company's total assets were \$638.7 million as at September 30, 2009 compared to \$753.1 million as at December 31, 2008. The decrease is mainly due to the write down of the Prognoz silver project. Working capital increased to \$18.5 million from a deficit of \$42.1 million as at December 31, 2008. The increase is due to improved cash flow from operations, a financing in the first half of the year and repayment of Nomos Bank and Royal Gold, Inc. debt classified as current. Cash balances increased to \$38.7 million from \$19.1 million. Inventory is comprised in part of:

	September 30, 2009		December 31, 2008	
	Gold Ounces	\$ 000's	Gold Ounces	\$ 000's
Doré alloy				
Buryatzoloto	2,430	1,179	1,872	2,289
Berezitovy	5,577	4,570	3,448	3,366
Somita	2,299	1,479	–	–
Refined gold and silver (1)				
Buryatzoloto	802	400	450	213
Berezitovy	371	295	987	970
Somita	16	–	45	39

(1) Does not include 14,472 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

Somita is in breach of loan covenants with respect to two separate loans since the beginning of Q4 2008. Pursuant to the Amended and Restated 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. RGI has been granted security interests to secure the loan that, at current market prices, greatly exceed the value of the debt. 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.

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. The Company is not in compliance with the Severstal/Standard and RGI loan provisions.

As of this date, no lender to the Company has commenced enforcement proceedings. Although RGI and Severstal have not yet made any demands for payment or taken any action, they continue to reserve their rights to do so. The Severstal loans are expected to be repaid in the fourth quarter using the proceeds of the proposed private placement announced October 27, 2009.

Capital Resources

As of September 30, 2009, the Company’s consolidated payables amount to \$22.6 million and there is working capital of \$18.5 million.

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

<i>(in thousands)</i>	September 30, 2009	December 31, 2008
Cash and cash equivalents	\$ 38,663	\$ 19,123
Working capital (deficit)	18,514	(42,102)
Loans and interest payable (long-term)	30,843	51,446
	Three months ended September 30,	
	2009	2008
Cash provided by operating activities	\$ 33,011	\$ 4,673
Cash used in investing activities	(10,932)	(18,715)
Cash provided by (used in) financing activities	(5,709)	995

Operating Activities

Cash flow provided by operating activities in Q3 2009 was \$33.0 million compared to \$22.8 million in Q2 2009 and \$4.7 million in Q3 2008. Berezitovy was not operating during the third quarter of 2008 and did not contribute to operations.

Investing Activities

Investing activities in the quarter consumed \$10.9 million of cash compared to \$18.7 million in 2008. In Q3 2008, the Company spent \$9.9 million on exploration, mainly for Prognoz and Bissa. In Q2 2009, exploration had been reduced to \$2.6 million, mainly to continue the Bissa feasibility study.

Financing Activities

In Q3 2009, loans and interest amounting to \$5.7 million were repaid (Q2 2009 \$37.8 million, Q3 2008 - \$12.3 million). This was mainly for loans to Berezitovy and Buryatzoloto.

In Q3 2008, \$13.2 million was borrowed from financial institutions compared to none in Q3 2009.

As of September 30, 2009, no stock options or warrants were “in-the-money”. In Q3 2009 and 2008, no funds were raised by the issue of shares.

Subsequent to the quarter end, a proposed private placement for \$57 million was announced.

Uses of Liquidity

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

- service its debt obligations (approximately \$68.6 million of which \$29 million is due to Severstal)
- mine-site exploration (approximately \$23 million) at Irokinda and Zun-Holba to replace mined out reserves and extend the mine life
- fund corporate administration and working capital
- finance the Taparko and Berezitovy mine expansions
- in-fill drilling to expand resources and complete the Bissa feasibility study
- extensive exploration in Burkina Faso to maintain licenses

It is anticipated that cash flow from operations plus the proceeds of the proposed private placement will be sufficient to meet its operating funding requirements.

Contractual Obligations and Commercial Commitments

The following illustrates certain of the Company’s significant contractual obligations as at September 30, 2009:

<i>(in thousands)</i>	2009 Total	October - December	2010	2011	2012	2013 and thereafter
Debt	\$ 108,705	\$ 39,915	\$ 35,854	\$ 32,936	\$ –	\$ –
Interest on debt	23,226	4,515	13,135	5,576	–	–
Asset retirement obligations ⁽¹⁾	16,887	–	–	–	–	16,887
Capital lease obligations	1,893	352	1,115	426	–	–
Operating leases ⁽²⁾	1,386	341	285	285	285	190
Purchase obligations ⁽³⁾	5,352	4,375	977	–	–	–
Other long-term obligations ⁽⁴⁾	13,573	6,098	7,366	109	–	–
Total	\$ 171,022	\$ 55,596	\$ 58,732	\$ 39,332	\$ 285	\$ 17,077

All of the above relate to situations where a signed contract exists. Items in accounts payable are excluded. The figures above are estimates of cash requirements and may not agree to similarly captioned items in the financial statements.

(1) amounts shown represent the undiscounted future payments for asset retirement obligations.

(2) rent for premises and certain equipment that is not a capital lease.

(3) purchase obligations for supplies and consumables e.g. electricity, fuel oil.

(4) purchase obligations for capital expenditures, property acquisition, issue shares.

The majority of the consolidated obligations and commitments relate to financing of the projects in Russia and Burkina Faso. Loans to Berezitovy and Somita are non-recourse to High River although High River has pledged some assets as security. Loans and interest payable related to Buryatzoloto are non-recourse to the Company and are repayable solely from the cash flow of that operation.

In connection with exploration and development activities, the Company is required to make certain payments regarding mining licenses, leases, occupation and surface rights, including annual spending targets. If the properties are no longer of interest to High River, it can stop making payments although its property rights will terminate.

There are no long-term contractual arrangements with any related parties that create or result in any obligations that are not on an arm’s-length basis.

Quarterly Results of Operations (Unaudited)

(\$ thousands, except per share amounts)	2009			2008			2007	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	90,527	88,183	89,121	57,726	34,940	43,456	45,049	32,177
Expenses	(62,773)	(61,369)	(60,878)	(61,679)	(34,997)	(41,634)	(33,763)	(33,824)
All other expenses and taxes	(32,321)	(64,591)	(27,312)	(31,112)	(15,292)	(6,547)	(13,594)	(6,849)
Net (loss) income	(4,567)	(37,777)	931	(35,065)	(15,349)	(4,725)	(2,308)	(8,496)
Net (loss) income per share: Basic and diluted	(0.01)	(0.06)	0.00	(0.09)	(0.05)	(0.01)	(0.01)	(0.04)
Gold sales, oz	84,441	78,274	77,091	58,412	38,891	47,905	49,991	40,907
Gold sales, US\$/oz	964	924	926	812	864	897	898	769
Gold production, oz	84,990	79,997	76,794	58,992	39,358	47,141	46,631	45,553
Direct mining costs, US\$/oz	439	473	368	561	453	568	519	384
Cash operating costs, US\$/oz	465	497	414	624	546	616	557	521

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. Gold production, gold sales, revenue and expenses increased in Q4 of both 2007 and 2008 due to Somita and Berezitovy respectively achieving commercial production.

Third Quarter of 2009 Review

Revenue increased in the third quarter of 2009 compared to last year due to higher sales as Somita and Berezitovy increased production and higher gold prices partially offset by a negative impact on reported revenue as a result of a stronger Canadian dollar. Operating costs per ounce decreased significantly compared to last year. 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 and to cost control measures.

The focus during Q3 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

The Company has solved many operational problems and continues to work on further operational improvements. Current high metal prices allow High River to make scheduled debt repayments, fund capital expenditures and partially resume exploration programmes.

Operations

High River continues to undertake actions to resolve problems with mechanical equipment at its two new mines. Operational issues remain including implementing a permanent solution to tailings issues at Berezitovy and finding a solution to the vibration problems at the Taparko mill. The Taparko and Berezitovy mines continue to experience operational difficulties caused by, among other things, structural problems in the milling circuits at both mines. As a result, production levels at both mines are lower than their designed capacity. Efforts undertaken to correct these problems have, in some cases, resulted in short-term improved results relative to the mines' performances in 2009. However, there are no assurances that these improvements will continue. In order to achieve consistent results and reach the design capacity of the mines, further financial investments for structural modifications to both mines' facilities may be required. The Company is planning to install a second ball mill and expand the plant accordingly at both operations to increase throughput and provide backup in case of future problems.

Replacing reserves at Buryatzoloto is a priority of local management. The current state of the prepared reserves is of great concern - the Irokinda mine can continue production at current rates for less than 6 months, and the Zun-Holba mine for 12 months. A \$23 million budget for mine-site exploration is planned for 2009-2010 to replace mined-out reserves and extend the mine life at Irokinda and Zun-Holba. If the program doesn't begin immediately or doesn't succeed, there is a strong risk that the mines might run out of ore.

A bankable feasibility study for Bissa is planned for completion in 2010. The updated NI 43-101 compliant mineral resource estimate was released in June 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 2008, in an environment of rapidly diminishing market appetite for debt or equity investment of any kind. The Company faced a shortfall in liquidity to meet its current obligations. Cash conservation measures were put into effect.

High River continues to be in breach of certain covenants under two of its outstanding credit facilities. In addition, approximately \$68.8 million of High River's indebtedness (including \$29 million due to Severstal) is scheduled to mature in the next 12 months. High River currently does not have sufficient cash resources to fund these payments and it is uncertain whether cash from operations over the next 12 months will be sufficient to service such indebtedness.

Subsequent to the quarter end, a proposed private placement for \$57.0 million was announced. The private placement will strengthen the Company's financial position, allow it to repay a portion of existing indebtedness and finance exploration programmes at Buryatzoloto.

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 Q3 2009 consolidated financial statements.

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*.

Severstal Exercises Significant Control over the Company

Severstal, through its affiliates, currently owns 61.7% of the outstanding shares of the Company and may acquire additional shares, including upon the exercise of warrants. In addition, four of the Company's current directors are nominees of Severstal and its Chief Executive Officer and Chief Financial Officer are employees of Severstal. As a result, Severstal exercises significant control over the Company, giving it the ability, among other things, to elect the board of directors, approve significant corporate transactions and delay or prevent a change of control of the Company that could be otherwise beneficial to minority shareholders. Severstal generally will have the ability to control the outcome of any matter submitted for the vote or consent of High River's shareholders. In some cases, the interests of Severstal may not be the same as those of the Company's other shareholders, and conflicts of interest may arise from time to time that may be resolved in a manner detrimental to the Company or its minority shareholders.

Conflicts of Interest of Officers and Directors

Certain of the officers and directors of the Company are associated with other companies involved in the mining industry, including the Company's Chief Executive Officer and Chief Financial Officer and four of the Company's current directors, all of whom are employed by Severstal, High River's majority shareholder. These associations may give rise to conflicts of interest from time to time. The Company's policy on conflicts of interest complies with the procedures established in the *Canada Business Corporations Act*, which sets out the necessity of full disclosure of any conflict of interest prior to the Board dealing with the subject matter giving rise to the conflict of interest and the interested party refraining from voting on such matter. The directors are further required to act honestly and in good faith with a view to the best interests of the Company and all of its shareholders.

The Company is Dependent on Key Officers and Employees

The Company is dependent on the efforts of key officers, including its Chief Executive Officer and its Chief Financial Officer. A number of officers, including the Chief Operating Officer and the Vice President, Exploration have left the Company have not been replaced. Chief Operating Officer duties are currently being shared by the Chief Executive Officer and the mine managers of the Company's four operating mines. The Chief

Executive Officer and the Chief Financial Officer are employees of Severstal, High River's majority shareholder. The loss of the services of any of the Company's key officers could have an adverse effect on the Company, which could have a material adverse effect on the Company's future cash flows, earnings, results of operations and financial conditions. Other than the Chief Financial Officer, High River has employment agreements with its key executives. The Company does not have and currently has no plans to obtain key man insurance with respect to any of its key employees. In addition, the Company may need to recruit and retain other qualified managerial and technical employees to build and maintain its operations. If the Company requires such persons and is unable to successfully recruit and retain them, its development and growth could be significantly curtailed.

Continued TSX Listing Considerations

The Company was subject to a delisting review and had to satisfy the TSX that it continues to meet the listing requirements of the TSX. On August 6, 2009, the Company announced that the TSX determined that High River satisfies the TSX's continued listing requirements and was lifting its delisting review.

Liquidity Risk

High River continues to be in breach of certain covenants under two of its outstanding credit facilities, including the Standard Bank (as hereinafter defined) credit facilities held by Severstal. In addition, approximately \$68.6 million of High River's indebtedness (including \$29 million due to Severstal) is scheduled to mature in the next 12 months and High River currently does not have sufficient cash resources to fund these payments and it is uncertain whether cash from operations over the next 12 months will be sufficient to service such indebtedness.

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 cooperate 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.

Currency Risk

By virtue of the location of its operations and exploration activities, the Company incurs costs and expenses in a number of currencies other than the C\$. The exchange rates covering such currencies have varied substantially in the last three years. Revenues from mining operations are received in US\$ while the majority of operating and capital costs are incurred in Russian roubles and CFA francs (Burkina Faso - Euro-based), giving rise to potential significant foreign currency transaction exposure that could have a material impact on the Company's financial condition and results of operations. High River currently does not hedge its currency exposure.

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.

In January 2009, EIC-173 was issued requiring that the credit risk of the entity and of the counterparty should be taken into account in determining the fair value of financial assets or liabilities, including derivative. The Company adopted the guidance in the second quarter.

In March 2009, EIC-174 was issued providing guidance on the capitalization of exploration costs and on impairment of exploration costs. The Company has not yet determined the impact of the guidance on all its exploration properties but determined that the value of the Prognoz silver project had been impaired.

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. At present, the Company does not have a detailed conversion plan.

As a result of the 2008 financing and 2009 private placement discussed previously, Severstal 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.

Change of Auditors

On September 21, 2009, PricewaterhouseCoopers LLP resigned as the Company's auditor at the request of the Company. The reasons for the request were that shareholders would benefit from a decrease in estimated audit fees and High River would benefit from not having to deal with multiple audit firms reaping a consistent audit approach. KPMG LLP was appointed the Company's auditor on October 30, 2009.

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

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 September 30, 2009.

The Board has been seeking to identify a new candidate for appointment to both the board of directors and the audit committee, which is currently comprised of two members. Concurrently with the closing of the proposed Private Placement, a nominee of Polenica Investments Limited will be appointed to the board of directors and to the audit committee, provided such nominee qualifies for such appointment under applicable securities legislation.

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.

Supplement to the Financial Statements

As at November 13, 2009, the share capital consisted of:

- 649,219,422 common shares issued and outstanding.
- 7,463,016 common share purchase options outstanding at an average exercise price of \$2.15 maturing at various dates until September 29, 2013.
- 59,247,040 warrants outstanding at an average exercise price of \$1.69, maturing at various dates until September 29, 2013.
- 5,072,768 shares from conversion of debentures at \$2.35 until December 31, 2011.

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.

Quarter ended September 30, 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\$							1.0998	
Gold ounces sold	36,832		22,234		25,375		84,441	
Gold revenue per consolidated financial statements	38,853	959	23,065	943	27,659	991	89,577	964
Gold ounces produced	37,430		22,487		25,073		84,990	
Direct mining costs	14,031	341	14,099	570	12,864	467	40,994	439
Mining administrative costs	712	17	1,020	41	(56)	(2)	1,676	18
Stripping and mine development adjustments	886	22	–	–	–	–	886	9
Third party smelting, refining and transportation	414	10	295	12	124	4	833	9
By-product credits	(628)	(15)	(384)	(16)	(64)	(2)	(1,076)	(12)
Other	174	4	–	–	–	–	174	2
Cash operating costs	15,589	379	15,030	607	12,868	467	44,487	465
Royalty expense and production tax	2,651	64	1,475	60	806	29	4,932	53
Total cash costs	18,240	443	16,505	667	13,674	496	48,419	518
Inventory change	413		(1,676)		1,180		(83)	
By-product credits	628		384		64		1,076	
Mining amortization and depletion	4,639		3,703		4,803		13,145	
Asset retirement obligation accretion	97		50		69		216	
Total expenses per consolidated financial statements	24,017		18,966		19,790		62,773	

Supplemental Cash Cost Information for the Quarter Ended September 30, 2009		C\$ 000s	US\$/oz
Total cash costs per ounce produced			518
By-product credit per above		1,076	
Administrative costs per financial statements		5,205	
Less: non-cash items			
Stock option benefit expense		(70)	
Restructuring accruals		(32)	
Exploration per financial statements		999	
Other income/(expense) per financial statements		13,513	
Less: non-cash items			
Unrealized foreign exchange gain/(loss)		2,987	
Loss on sale of assets/write downs		(17,778)	
Total non-operating cash costs		4,824	52
Total operating and non-operating cash costs			570

Q3 2009 operating and non-operating cash costs decreased 7% to US \$570 per ounce, compared to US \$613 per ounce (restated) in Q2 2009. Non-operating cash costs per ounce mainly represent corporate administration, exploration, and other expense such as realized foreign exchange losses.

Nine months ended September 30, 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\$							1.17	
Gold ounces sold	110,236		64,256		65,315		239,807	
Gold revenue per consolidated financial statements	121,088	939	69,690	927	72,139	944	262,917	937
Gold ounces produced	108,055		66,106		67,620		241,781	
Direct mining costs	46,082	365	40,409	492	33,851	428	120,342	425
Mining administrative costs	3,886	31	3,110	40	1,157	15	8,153	29
Stripping and mine development adjustments	921	7	–	–	–	–	921	3
Third party smelting, refining and transportation	1,285	10	935	12	346	4	2,566	9
By-product credits	(1,533)	(12)	(975)	(13)	(168)	(2)	(2,676)	(9)
Other	174	1	–	–	–	–	174	1
Cash operating costs	50,815	402	43,479	532	35,186	445	129,480	458
Royalty expense and production tax	7,371	58	4,399	57	2,120	27	13,890	49
Total cash costs	58,186	460	47,878	589	37,306	472	143,370	507
Inventory change	413		(4,049)		58		(3,578)	
By-product credits	1,533		975		168		2,676	
Mining amortization and depletion	15,365		13,190		13,358		41,913	
Asset retirement obligation accretion	305		150		184		639	
Total expenses per consolidated financial statements	75,802		58,144		51,074		185,020	

Supplemental Cash Cost Information - Nine months ended September 30, 2009	C\$ 000s	US\$/oz
Total cash costs		507
By-product credit per above	2,677	
Administrative costs per financial statements	11,525	
Less: non-cash items		
Stock option benefit expense	(250)	
Restructuring accruals	(640)	
Exploration per financial statements		
Other income/(expense) per financial statements	80,447	
Less: non cash items		
Unrealized foreign exchange	(526)	
Loss on sale of assets/write downs	(77,025)	
Total non-operating cash costs	16,531	58
Total operating and non-operating cash costs		565

Quarter ended September 30, 2008	Buryatzoloto		Somita		Total	
	C\$ 000s	US\$/oz	C\$ 000s	US\$/oz	C\$ 000s	US\$/oz
Average exchange rate – C\$ to US\$	1.0404		1.0404		1.0404	
Gold ounces sold	38,291		600		38,891	
Gold revenue per financial statements	34,327	862	612	980	34,939	864
Gold ounces produced	38,787		571		39,358	
Direct mining costs	18,008	446	523	879	18,531	453
Mining administrative costs	1,797	45	19	33	1,816	44
Stripping and mine development adjustments	689	17	–	–	689	17
Third party smelting, refining and transportation	392	10	5	10	397	10
By-product credits	–	–	(1)	(2)	(1)	–
Other	914	23	–	–	914	22
Cash operating costs	21,800	541	546	920	22,346	546
Royalty expense and production tax	2,232	55	23	37	2,255	55
Total cash costs	24,032	596	569	957	24,601	601
Inventory change	(754)		(218)		(972)	
By-product credits	–		1		1	
Mining amortization and depletion	4,330		1,245		5,575	
Asset retirement obligation accretion	84		(97)		(13)	
Standby costs	–		5,805		5,805	
Total expenses per financial statements	27,692		7,305		34,997	
Supplemental Cash Cost Information - Three Months Ended September 30, 2008					C\$ 000s	US\$/oz
Total cash costs						601
By-product credit per above					(1)	
Standby costs					5,805	
Administrative costs per financial statements					3,089	
Less: non-cash items						
Stock option benefit expense					(959)	
Exploration per financial statements						
Other (income)/expense per financial statements					9,578	
Less: non cash items						
Unrealized foreign exchange					(9,866)	
Loss on sale of assets/write downs					(331)	
Total non-operating cash costs					10,584	258
Total operating and non-operating cash costs						859

Nine months ended September 30, 2008	Buryatzoloto		Somita		Total	
	C\$ 000s	US\$/oz	C\$ 000s	US\$/oz	C\$ 000s	US\$/oz
Average exchange rate – C\$ to US\$	1.0186		1.0186		1.0186	
Gold ounces sold	108,857		27,930		136,787	
Gold revenue per financial statements	97,966	884	25,409	893	123,375	896
Gold ounces produced	109,592		23,538		133,130	
Direct mining costs	51,977	466	17,884	746	69,861	515
Mining administrative costs	5,510	49	764	32	6,274	46
Stripping and mine development adjustments	(661)	(6)	–	–	(661)	(5)
Third party smelting, refining and transportation	1,086	10	114	5	1,200	9
By-product credits	–	–	(70)	(3)	(70)	(1)
Other	1,138	10	–	–	1,138	8
Cash operating costs	59,050	529	18,692	780	77,742	572
Royalty expense and production tax	6,291	56	885	37	7,176	53
Total cash costs	65,341	585	19,577	817	84,918	625
Inventory change	(43)		2,540		2,497	
By-product credits	–		70		70	
Mining amortization and depletion	10,766		6,074		16,840	
Asset retirement obligation accretion	242		22		264	
Standby costs	–		5,805		5,805	
Total expenses per financial statements	76,306		34,088		110,394	

Supplemental Cash Cost Information - Nine months ended September 30, 2008	C\$ 000s	US\$/oz
Total cash costs		625
By-product credit per above		(1)
Standby costs	5,805	
Administrative costs per financial statements	8,467	
Less: non-cash items		
Stock option benefit expense	(1,940)	
Exploration per financial statements		
Other income/(expense) per financial statements	3,879	
Less: non cash items		
Unrealized foreign exchange	(4,797)	
Gain on sale of assets/write downs	(441)	
Total non-operating cash costs	11,518	85
Total operating and non-operating cash costs		710

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

Third Quarter Report 2009
For the Three Months and Nine months ended September 30, 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/ Igor Klimanov
Chief Executive Officer

s/ Andrei Maslov
Chief Financial Officer

November 13, 2009

High River Gold Mines Ltd.
Consolidated Balance Sheets

(Expressed in thousands of Canadian dollars)

(unaudited)	Note	September 30, 2009	December 31, 2008
Assets			
Current Assets			
Cash and cash equivalents	5	\$ 38,663	\$ 19,123
Accounts receivable		12,163	14,546
Inventory	6	65,142	79,369
Other assets		15,443	11,401
		131,411	124,439
Investments	7	47,188	22,724
Property, plant and equipment	8	353,803	432,089
Exploration properties and deferred exploration	9	103,208	170,522
Other assets		749	3,335
Total Assets		\$ 636,359	\$ 753,109
Liabilities			
Current Liabilities			
Accounts payable		\$ 22,593	\$ 29,842
Loans and interest payable	11	90,304	136,699
		112,897	166,541
Loans and interest payable	11	30,843	51,446
Reclamation	10	9,594	10,078
Non-hedge derivatives	12	12,767	13,651
Future income taxes		17,296	15,884
		183,397	257,600
Non-controlling interest		22,880	18,467
Total Liabilities		206,277	276,067
Shareholders' Equity			
Share capital	14(b)	553,882	543,244
Warrants	14(c)	13,265	16,627
Contributed surplus		16,489	12,876
Debenture conversion option	14(d)	538	538
Deficit		(153,450)	(112,037)
Accumulated other comprehensive income		(642)	15,794
Total Shareholders' Equity		430,082	477,042
Total Liabilities and Shareholders' Equity		\$ 636,359	\$ 753,109
Nature of operations and going concern	1		
Commitments and contingencies	21		

On behalf of the Board

s/ Igor Klimanov
 Director

s/ Alexey Khudyakov
 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 September 30,		Nine months ended September 30,	
		2009	2008	2009	2008
Revenue					
Gold		\$ 89,577	\$ 34,939	\$ 262,917	\$ 123,375
Silver		950	1	4,914	70
		90,527	34,940	267,831	123,445
Expenses					
Mining costs		47,736	21,812	134,315	81,211
Mine administrative costs		1,676	1,816	8,153	6,274
Mine amortization and depletion		13,145	5,576	41,913	16,840
Asset retirement obligation accretion		216	(12)	639	264
Standby costs		–	5,805	–	5,805
		62,773	34,997	185,020	110,394
Income before the undernoted					
Administrative costs	15	27,754	(57)	82,811	13,051
Amortization		(5,205)	(3,089)	(11,525)	(8,467)
Exploration expense		(15)	(177)	(46)	(546)
Financing costs and investment income, net	16	(999)	(3,269)	(3,000)	(7,952)
Other income/(expense)	17	(8,490)	330	(15,356)	(8,237)
	17	(13,513)	(9,578)	(80,447)	(3,879)
Income before tax and non-controlling interest					
		(468)	(15,840)	(27,563)	(16,030)
Income tax expense	18	(4,085)	(322)	(9,438)	(4,902)
Loss before non-controlling interest					
		(4,553)	(16,162)	(37,001)	(20,932)
Non-controlling interest in earnings of subsidiary		(14)	(814)	(4,412)	(1,450)
Net loss for the period					
		\$ (4,567)	\$ (15,348)	\$ (41,413)	\$ (22,382)
Net loss per share – basic and diluted					
	19	\$ (0.01)	\$ (0.05)	\$ (0.07)	\$ (0.07)

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)

<i>(unaudited)</i>	Note	Three months ended September 30,		Nine months ended September 30,	
		2009	2008	2009	2008
Operating Activities					
Net loss for the period		\$ (4,567)	\$ (15,348)	\$ (41,413)	\$ (22,382)
Non-cash items:					
Non-controlling interest in earnings of subsidiary		14	(814)	4,412	1,450
Change in inventory		1,593	–	470	–
Amortization and depletion		13,161	5,101	41,959	17,385
Asset retirement obligation accretion		216	(184)	639	264
Financial instrument accretion		114	85	568	974
Fair value adjustments to derivatives		4,007	(2,108)	1,000	1,686
Stock option benefit expense		70	959	250	1,940
Future income taxes		1,898	(188)	768	182
Unrealized foreign exchange		(6,204)	7,668	(2,690)	4,594
Write-down of carrying value		11,383	289	70,167	296
Loss on disposal of assets and other		6,429	1,629	6,991	2,685
Subtotal		28,114	(2,911)	83,121	9,074
Change in non-cash working capital	22	4,897	7,584)	2,383	(1,982)
Net cash provided by operating activities		33,011	4,673	85,504	7,092
Investing Activities					
Property, plant and equipment		(6,081)	(9,897)	(13,721)	(21,668)
Proceeds on disposal		1,636	6	1,636	6
Exploration properties and deferred exploration		(1,560)	(9,947)	(4,114)	(28,448)
Development properties		–	975	–	(28,409)
Increase in investments		–	–	–	(10,802)
Allocation of restricted cash		–	3	–	72
(Increase) in other long-term assets		(4,927)	145	(1,553)	(704)
Net cash used by investing activities		(10,932)	(18,715)	(17,752)	(89,953)
Financing Activities					
Loans received		13	13,246	5,991	43,387
Loans repaid		(5,722)	(12,251)	(63,290)	(38,421)
Common shares issued		–	–	10,623	30,334
Net cash provided by (used by) financing activities		(5,709)	995	(46,676)	35,300
Effect of exchange rate changes on cash held in foreign currencies					
		(837)	(69)	(1,536)	143
Increase (decrease) in cash and cash equivalents during the period					
		15,533	(13,116)	19,540	(47,418)
Cash and cash equivalents - Beginning of period		23,130	17,189	19,123	51,491
Cash and cash equivalents - End of period		\$ 38,663	\$ 4,073	\$ 38,663	\$ 4,073

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 September 30,		Nine months ended September 30,	
		2009	2008	2009	2008
Share capital					
Balance at beginning of period		\$ 553,867	\$ 490,162	\$ 543,244	\$ 453,225
Issue of common shares		15	64	10,638	37,001
Balance at end of period	<i>14(b)</i>	553,882	490,226	553,882	490,226
Warrants					
Balance at beginning of period		15,748	13,680	16,627	19,951
Issued		–	–	–	–
Exercised		–	–	–	(6,269)
Expired		(2,483)	–	(3,362)	(2)
Balance at end of period	<i>14(c)</i>	13,265	13,680	13,265	13,680
Contributed surplus					
Balance at beginning of period		13,937	11,841	12,876	11,192
Expired warrants		2,483	–	3,362	2
Stock-based compensation, net		69	959	251	1,940
Stock options exercised		–	–	–	(334)
Balance at end of period		16,489	12,800	16,489	12,800
Debenture conversion option	<i>14(d)</i>	538	538	538	538
Deficit					
Balance at beginning of period		(148,883)	(62,603)	(112,037)	(57,494)
Transitional adjustment on adoption of new accounting policies	<i>2</i>	–	980	–	2,904
Balance at beginning of period as restated		(148,883)	(61,623)	(112,037)	(54,590)
Net loss for the period		(4,567)	(15,348)	(41,413)	(22,381)
Balance at end of period		(153,450)	(76,971)	(153,450)	(76,971)
Accumulated other comprehensive income (loss)					
Balance at beginning of period		3,580	33,160	15,794	(9,431)
Comprehensive income for the period		(4,222)	(47,774)	(16,436)	(5,183)
Balance at end of period		(642)	(14,614)	(642)	(14,614)
Shareholders' equity at end of period		\$ 430,082	\$ 425,659	\$ 430,042	\$ 425,659

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		Nine months ended	
	September 30, 2009	2008	September 30, 2009	2008
Net loss for the period	\$ (4,567)	\$ (15,348)	\$ (41,413)	\$ (22,382)
Other comprehensive income (loss)				
Unrealized gain (loss) on translation of net foreign operations	(13,593)	(7,199)	(43,039)	5,938
Net change in unrealized (loss) gain on investments	9,371	(40,575)	26,603	(11,121)
Comprehensive loss for the period	(4,222)	(47,774)	(16,436)	(5,183)
Net comprehensive loss for the period	\$ (8,789)	\$ (63,122)	\$ (57,849)	\$ (27,565)

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 and nine months ended September 30, 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 September 30, 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 Berezitovy mine in Russia and mechanical problems at the Taparko-Bouroum mine in Burkina Faso have resulted in a liquidity shortfall and in the Company being in breach of certain loan covenants. During the quarter ended September 30, 2009, the Company had a net loss of \$4.6 million and has an accumulated deficit of \$153.5 million. Cash on hand as at September 30, 2009 totalled \$38.7 million. In addition, the Company has \$121.1 million in debt outstanding, of which \$68.6 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 cooperate 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 at that time. On June 18, 2009, Severstal acquired 59,019,367 shares increasing its ownership interest to 57.3%. As of August 14, 2009 Severstal owns approximately 61.7% of High River. In addition, four of the Company’s directors, its Chief Financial Officer and its Chief Executive Officer were employees of Severstal as at November 13, 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 AsCB 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 January 2009, EIC-173 was issued requiring that the credit risk of the entity and of the counterparty should be taken into account in determining the fair value of financial assets or liabilities, including derivatives. The Company adopted the guidance in the second quarter.

In March 2009, EIC-174 was issued providing guidance on the capitalization of exploration costs and on impairment of exploration costs. The Company has not yet determined the impact of the guidance on all its exploration properties but determined that the value of the Prognoz silver project had been impaired.

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:

	September 30, 2009	December 31, 2008
Cash and cash equivalents	\$ 38,663	\$ 19,123
Accounts receivable	12,163	14,546
Investments	47,188	22,724
	\$ 98,014	\$ 56,393
Accounts payable	\$ 22,593	\$ 29,842
Loans and interest payable	121,147	188,145
Non-hedge derivatives	12,767	13,651
	\$ 156,507	\$ 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 (1.0998 average) for the Company's Q3 2009 production is approximately \$9.18 million or \$0.014 per share based on shares outstanding as at September 30, 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 pre-tax earnings to a 10% increase or decrease in the realized gold price (US\$965 per ounce) for the Company's Q3 2009 production is approximately \$9.5 million or \$0.01 per share based on shares outstanding as at September 30, 2009. Sensitivity of quarterly pre-tax earnings to a 10% increase or decrease in the realized mining total cash costs (US\$505 per oz) for the Company's Q3 2009 production is approximately \$4.0 million or \$0.01 per share based on shares outstanding as at September 30, 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, %	September 30, 2009	Floating interest rate, %	December 31, 2008
High River				
Severstal	10.1	\$ 16,292	9.3	\$ 18,342
Buryatzoloto				
Nomos Bank (i)	–	–	5.2	31,610
UniCredit Bank	–	–	4.9	6,878
		–		38,488
Somita				
Caterpillar Finance France SA	5.2	1,439	5.2	2,834
Severstal	10.1	13,027	9.3	14,665
		14,466		17,499
Berezitovy				
Nomos Bank (i)	–	–	6.7	48,844
		\$ 30,758		\$ 123,173

(i) The loans were restructured in February 2009 and now carry a fixed rate.

The sensitivity of quarterly pre-tax earnings to a 100 basis point increase or decrease in the base case LIBOR in 2009 is approximately \$31,000 or \$nil per share, based on shares outstanding. The six-month LIBOR for United States dollars was 0.6% as at September 30, 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 \$22.6 million, as at September 30, 2009. The Company has consolidated cash and cash equivalents on hand of approximately \$38.7 million, 1,189 ounces of unsold refined gold worth approximately US\$1.2 million at US\$995.75 per ounce and 11,226 ounces of unsold silver worth US\$184,000 at US\$16.45 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 Oct - December	2010	2011	2012
Payables and accruals	\$ 23,377	\$ 23,377	\$ –	\$ –	\$ –
Debt	108,705	39,915	35,854	32,936	–
Interest on debt	23,226	4,515	13,135	5,576	–
Capital lease obligations	1,893	352	1,115	426	–
Purchase obligations	5,352	4,375	977	–	–
Other long-term obligations	13,573	6,098	7,366	109	–
Total	\$ 176,126	\$ 78,632	\$ 58,447	\$ 39,047	\$ –

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.

	September 30, 2009	December 31, 2008
Total loans and interest payable	\$ 121,147	\$ 188,145
Less: Cash and cash equivalents	38,663	19,123
Net debt	82,484	169,022
Shareholders' equity excluding comprehensive income	430,724	461,248
Total Capital	<u>\$ 513,208</u>	<u>\$ 630,270</u>

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:

	September 30, 2009	December 31, 2008
Materials and supplies	\$ 39,393	\$ 44,741
Stockpiled ore	12,804	16,954
Gold-in-process	5,021	10,797
Doré alloy	7,229	5,655
Refined gold and silver	695	1,222
	<u>\$ 67,483</u>	<u>\$ 79,369</u>

7. Investments

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

	September 30, 2009		December 31, 2008	
	Fair value	Carrying value	Fair value	Carrying value
Detour Gold Corporation (a)	\$ 40,899	\$ 3,616	\$ 19,224	\$ 3,616
Goldrush Resources (b)	334	1,657	1,748	3,561
Other equities (c), (d), (e)	5,939	2,677	1,352	2,677
Loans (f)	16	16	400	400
	<u>\$ 47,188</u>	<u>\$ 7,966</u>	<u>\$ 22,724</u>	<u>\$ 10,254</u>

The quoted market price used to estimate fair value is the period-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 September 30, 2009, the Company held 3,089,057 common shares of Detour Gold Corporation or approximately 6.2%. The shares have been pledged as security for a loan to Somita. The shares were received in the first quarter of 2009 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 September 30, 2009, the Company held 7,540,000 common shares or approximately 12.0% (2008 – 12.0%). The shares have been pledged as security for a loan to High River. Management believes that the value of the debenture is impaired and that Goldrush is likely to satisfy the obligation by exercising the put option and issuing shares to High River. The investment was written down to the estimated fair value of the shares that would be received. A loss of \$1,904,536 was recorded through current year earnings.
- (c) As at September 30, 2009, the Company held 1,790,941 common shares of Intrepid Mines Limited (“Intrepid”) or approximately 0.4% (2008 – 1.0%). Intrepid operates a gold mine in Australia and carries out exploration activities in Australia and South East Asia. The shares have currently been pledged as security for a loan to Somita.
 - (d) As at September 30, 2009, the Company held 12,015,000 common shares of Pelangio Exploration Inc. or approximately 13.9% (2008 – 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 Gold Inc. (“Merrex”) valued at \$898,000. As at September 30, 2009, the Company held 2,245,000 common shares or approximately 3.0% (2008 – 3.7%). 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, September 30, 2009	Buryatzoloto	Somita	Berezitovy	Corporate and exploration	Total
Property	\$ 37,246	\$ 53,095	\$ 39,670	\$ –	\$ 130,011
Land and buildings	33,814	2,071	24,227	2,550	62,662
Plant and equipment	19,283	78,015	77,658	–	174,956
Mobile equipment	6,678	19,888	15,188	50	41,804
Capitalized interest	–	10,083	4,955	–	15,038
Assets under construction	17,520	6,623	1,019	–	25,162
Capital leases	2,919	–	2,659	–	5,578
Asset retirement obligation	2,117	2,420	2,189	–	6,726
	119,577	172,195	167,565	2,600	461,937
Accumulated amortization					
Property	(21,662)	(12,371)	(3,227)	–	(37,260)
Land and buildings	(27,980)	(838)	(3,067)	(2,070)	(33,955)
Plant and equipment	(7,635)	(10,905)	(6,992)	–	(25,532)
Mobile equipment	(1,747)	(793)	(1,474)	–	(4,014)
Capitalized interest	–	(2,445)	(459)	–	(2,904)
Capital leases	(1,928)	–	(397)	–	(2,325)
Asset retirement obligation	(1,148)	(753)	(243)	–	(2,144)
	(62,100)	(28,105)	(15,859)	(2,070)	(108,134)
Net carrying value	\$ 57,477	\$ 144,090	\$ 151,706	\$ 530	\$ 353,803
Carrying value, December 31, 2008					
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/ revaluation	Write-down	September 30, 2009
West Africa – Bissa project	\$ 55,880	\$ 3,566	\$ –	\$ 59,446
West Africa – other	14,754	1,594	–	16,349
Russia – Novophirsovskoye	12,765	–	(11,603)	1,162
Russia – Prognoz (a)	86,185	(3,043)	(58,642)	24,500
Russia – Sergachinsky/South Flank	938	814	–	1,752
	<u>\$ 170,522</u>	<u>\$ 2,931</u>	<u>\$ (70,245)</u>	<u>\$ 103,208</u>

In light of recently completed independent valuations, the Company has revisited its intentions with respect to its Prognoz silver project. As per the Company's accounting policy for exploration properties and deferred exploration, the Company has considered whether events or changes in circumstances exist to indicate whether any exploration property carrying values may not be recoverable. The Company has determined the second quarter that, given the absence of any further budgeted exploration or development spending for 2009 or 2010, sufficient impairment indicators existed as at June 30, 2009 with respect to the Prognoz silver project to require further assessment for impairment.

EIC 174 "Mining Exploration Costs" provides guidance that when insufficient information exists for an exploration property to estimate future cash flows in order to test the recoverability of the capitalized costs for that property, the exploration property should be tested for impairment by comparing its fair value to carrying amounts, without first performing a test for recoverability. The Company considered the various independently prepared valuations of the property. High River recognized an impairment charge of \$58,642,000 through current period earnings to write down the carrying values for the Prognoz silver project to an estimated fair value of \$24,570,000 as at June 30, 2009.

The Company determined that the Novophirsovskoye project is no longer a key exploration property. A buyer has been found for the property and the project was written down in the third quarter to the estimated market value of US\$1.0 million.

	January 1, 2008	Additions/ revaluation	Write-down	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 (a)	45,955	40,230	–	86,185
Russia – Sergachinsky	218	720	–	938
	<u>\$ 115,643</u>	<u>\$ 55,213</u>	<u>\$ (334)</u>	<u>\$ 170,522</u>

- (a) The Company has included \$17,655,000 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.

10. Reclamation Liability

Total undiscounted future cash flows required to settle the decommissioning and restoration asset retirement obligations were 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% was 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 facilities.

Total undiscounted future cash flows required to settle the decommissioning and restoration asset retirement obligations of the Taparko-Bouroum mine were estimated to be US\$4,212,000. A credit adjusted risk-free rate of 9.00% was 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.

Total undiscounted future cash flows required to settle the decommissioning and restoration asset retirement obligations of the Berezitovy mine were estimated to be US\$5,417,000. A credit adjusted, risk-free rate of 8.75% was 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.

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	(196)	(96)	(192)	(484)
Carrying value, September 30, 2009	\$ 4,094	\$ 3,113	\$ 2,387	\$ 9,594

11. Loans and Interest Payable

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

	September 30, 2009		December 31, 2008	
	Amortized cost	Carrying value	Amortized cost	Carrying value
High River				
Severstal	\$ 16,292	\$ 16,292	\$ 18,342	\$ 18,342
Accrued interest on loan	746	746	134	134
	17,038	17,038	18,476	18,476
Buryatzoloto				
Nomos Bank – US\$25m	2,715	2,715	11,006	11,006
Nomos Bank – US\$8m	3,476	3,476	3,913	3,913
Nomos Bank – US\$10m	–	–	12,228	12,228
UniCredit – US\$4m	–	–	4,892	4,892
UniCredit – US\$6.5m	–	–	1,986	1,986
Accrued interest on loans	–	–	59	59
Finance lease obligations	441	441	654	654
	6,632	6,632	34,738	34,738
Somita				
Royal Gold, Inc.	25,837	25,837	36,840	37,030
Accrued interest on loan	8,117	8,117	9,359	9,359
Caterpillar Finance France SA	1,439	1,447	1,629	1,629
Accrued interest on loan	9	9	23	23
Severstal	13,027	13,027	14,665	14,665
Accrued interest on loan	597	597	115	115
Ecobank	209	209	–	–
	49,235	49,243	62,631	62,821
Berezitovy				
Nomos Bank	15,206	15,206	18,953	18,953
Accrued interest on loan	1,367	1,367	971	971
Finance lease obligations	826	826	930	930
	17,399	17,399	20,854	20,854
	\$ 90,304	\$ 90,312	\$ 136,699	\$ 136,889

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

	September 30, 2009		December 31, 2008	
	Amortized cost	Carrying Value	Amortized cost	Carrying value
High River				
8% Debentures	\$ 11,550	\$ 11,921	\$ 11,459	\$ 11,936
Buryatzoloto				
Nomos Bank – US\$25m	–	–	1,529	1,529
Nomos Bank – US\$8m	–	–	2,934	2,934
Finance lease obligations	–	–	340	340
	–	–	4,803	4,803
Somita				
Caterpillar Finance France SA	–	–	1,205	1,222
Government of Burkina Faso	543	543	611	611
Ecobank Burkina	156	156	550	550
	699	699	2,366	2,383
Berezitovy				
Nomos Bank	16,496	16,821	29,891	30,555
Finance lease obligations	749	749	1,410	1,410
	17,255	17,570	31,301	31,965
Prognoz Invest Ltd.				
Arinvest LLC	1,349	1,349	1,517	1,517
	\$ 30,843	\$ 31,539	\$ 51,446	\$ 52,604

At September 30, 2008, certain covenants of its Somita subsidiary with respect to two separate loan accommodations were in breach.

The loan agreements between Somita and Royal Gold, Inc. ("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 still in breach of its loan covenants as at September 30, 2009.

The loan agreements with Standard Bank require that Somita pass a completion test. The Company was in breach of this loan covenant as at September 30, 2009. 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. As at the date of these notes to the interim consolidated financial statements, no lender to the Company has commenced enforcement proceedings. Severstal has advised High River that it will seek to restructure the loans after closing of its tender offer. The interest rate on the loan increased to LIBOR plus 9.5% at the beginning of the third quarter.

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.

Ecobank Burkina granted a loan to Somita in 2008 for the amount of CFA250,000,000 (approximately US\$585,000). The loan has a term of three years and bears interest at 8%. Principal (CFA8,000,000) and interest are paid monthly. The loan is unsecured.

As at September 30, 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 (October to December) - \$57,894,000; 2010 - \$54,217,000; 2011 - \$37,371,000; 2012 - \$nil; 2013 - \$nil. The six-month US\$ LIBOR was 0.6% as at September 30, 2009 (December 31, 2008- 1.75%).

12. Non-Hedge Derivatives

	September 30, 2009	December 31, 2008
Goldrush debenture (a)	\$ –	\$ 1,857
RGI loan (b)	12,767	11,794
	\$ 12,767	\$ 13,651

- (a) The Goldrush debenture may be converted to common shares of Goldrush at the sole discretion of the issuer. The value of the derivative was reduced to nil in the second quarter of 2009 when the value of the debenture was written down to fair market value.
- (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 September 30, 2009, there were 6,362,504 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	10,005,516	\$1.98
Terminated	(939,167)	\$1.78
Balance – June 30, 2009	9,066,349	\$2.00
Terminated	(679,167)	\$2.12
Expired	(462,500)	\$0.67
Balance – September 30, 2009	7,924,682	\$2.07

Stock options outstanding:

Exercise price	September 30, 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	0.6	462,500
1.85	1,474,000	0.2	1,474,000	1,719,000	1.0	1,719,000
0.67	476,250	0.4	476,250	476,250	1.2	476,250
2.13	1,247,500	1.7	1,247,500	1,450,833	2.2	1,450,833
2.35	75,000	2.0	75,000	75,000	2.5	75,000
2.15	2,620,267	2.1	2,620,267	3,230,268	2.9	3,230,268
2.85	100,000	3.0	100,000	100,000	3.7	66,667
2.80	1,095,000	3.3	641,112	1,531,668	4.1	365,556
2.19	340,000	3.5	226,667	340,000	4.3	103,333
1.80	396,666	3.8	264,444	686,666	4.6	172,222
0.64	99,999	4.0	66,666	399,999	4.7	133,333
	<u>7,924,682</u>	1.9	<u>7,191,905</u>	<u>10,472,184</u>	2.6	<u>8,254,962</u>

The weighted average exercise price of outstanding stock options was \$2.07 per common share (2008 – \$1.99) and for vested and exercisable stock options \$2.03 (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.

The unvested, unamortized fair value of all stock options outstanding at quarter-end was \$218,000 (2008 – \$1,697,000). The net stock-based compensation expense included in administrative costs in the interim consolidated statement of operations for the period was \$70,000 (2008 – \$959,000).

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, 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
Financing	59,019,367	10,623
Balance – June 30, 2009	649,213,040	553,867
Conversion of debenture	6,382	15
Balance – September 30, 2009	<u>649,219,422</u>	<u>\$ 553,882</u>

(c) *Warrants*

	Number of warrants	Weighted average price	Estimated fair value
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
Expired	(600,000)	\$3.25	(373)
Balance – June 30, 2009	63,397,040	\$1.81	15,748
Expired	(4,150,000)	\$3.20	(2,483)
Balance – September 30, 2009	59,247,040	\$1.81	\$ 13,265

Warrants outstanding as at:

Exercise price	September 30, 2009		December 31, 2008	
	Number of warrants outstanding	Expiry date	Number of warrants outstanding	Expiry date
\$2.90	–	–	600,000	Mar. 31, 2009
\$3.25	–	–	600,000	Jun. 13, 2009
\$3.25	–	–	2,900,000	Jul. 18, 2009
\$3.10	–	–	1,250,000	Aug. 29, 2009
\$4.00	18,572,500	Nov. 08, 2010	18,572,500	Nov. 08, 2010
\$0.64	40,674,540	Sep. 29, 2013	40,674,540	Sep. 29, 2013
	59,247,040		64,597,040	

(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 September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Stock-based compensation	\$ (70)	\$ (959)	\$ (250)	\$ (1,940)
Salaries and benefits	(681)	(1,881)	(1,233)	(3,514)
Restructuring costs	(2,414)	–	(5,928)	–
Other	(2,040)	(249)	(4,114)	(3,013)
	\$ (5,205)	\$ (3,089)	\$ (11,525)	\$ (8,467)

Restructuring costs to September 30, 2009 include \$4,051,000 relating to severance payments and accruals.

16. Financing Costs and Investment Income, Net

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Investment income	\$ 6	\$ 78	\$ 14	\$ 752
Financing costs	(4,306)	(1,772)	(13,544)	(6,329)
Interest on capital lease	(69)	–	(258)	(144)
Financial instrument accretion expense	(114)	(84)	(568)	(830)
Fair value adjustments to derivatives	(4,007)	2,108	(1,000)	(1,686)
	\$ (8,490)	\$ 330	\$ (15,356)	\$ (8,237)

17. Other Income / (Expense)

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Foreign currency exchange	\$ 3,885	\$ (9,866)	\$ (3,865)	\$ (4,797)
Loss on sale or write-off of assets	(6,395)	(42)	(6,858)	(145)
Write-down	(11,383)	(289)	(70,167)	(296)
Other	380	619	443	1,359
	\$ (13,513)	\$ (9,578)	\$ (80,447)	\$ (3,879)

18. Income Tax Expense

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

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Current tax (expense) / recovery:				
Canada	\$ –	\$ –	\$ –	\$ –
Foreign	(2,188)	518	(8,670)	(4,720)
Future tax recovery / (expense):				
Canada	–	–	–	–
Foreign	(1,897)	(196)	(768)	(182)
	\$ (4,085)	\$ (322)	\$ (9,438)	\$ (4,902)

19. Net Loss per Share

Net 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 September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Net loss for the period	\$ (4,567)	\$ (15,348)	\$ (41,413)	\$ (22,382)
Weighted average number of shares	649,217,295	307,905,158	612,272,706	307,865,853
Basic loss per share	\$ (0.01)	\$ (0.05)	\$ (0.07)	\$ (0.07)
Incremental shares on assumed exercise of options and warrants	–	–	–	–
Weighted average number of shares	649,217,295	307,905,158	612,272,706	307,865,853
Diluted loss per share	\$ (0.01)	\$ (0.05)	\$ (0.07)	\$ (0.07)

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 September 30, 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 September 30, 2009 and 2008, the Company owned shares in Goldrush. A former officer of the Company serves as a director of Goldrush. As at September 30, 2009, the Company had an account receivable due from Goldrush of \$40,000 (2008 – \$44,000). Pursuant to an agreement, High River provides Goldrush with technical expertise and operations management on a cost recovery basis.

A former officer of the Company provided financial advisory services of \$8,000 during the quarter (2008 – nil).

During the period, legal services were provided by Cassels Brock and Blackwell LLP. During 2008, a former officer of the Company was a partner of Cassels Brock and Blackwell LLP. The total cost of the services was \$71,000 in 2008.

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). Alvarez & Marsal hold a deposit of \$75,000 from High River.

During the second quarter, Standard Bank assigned its loans to Severstal, the major shareholder of High River. At September 30, 2009, High River owed Severstal US\$27,000,000 for principal and US\$1.2 million in accrued interest.

High River announced on June 9, 2009, a proposal by Severstal to make a cash offer of \$0.22 per share to minority shareholders in High River. Subsequent to the June 30 quarter end, the offer was extended and increased to \$ 0.30 per share. As a result of the offer, Severstal acquired 28,897,135 additional shares.

Berezitovy has signed a contract for a second ball mill valued at 43 million Roubles with a subsidiary of Severstal.

Officers of the Company who are employees of Severstal have received \$27,000 as consulting fees.

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.

Somita withheld final payment due to the contractor for the Taparko processing plant of approximately US\$1,600,000 and has made a claim for repairs and losses. The contractor has indicated that it will commence arbitration proceedings in South Africa as provided for under the construction contract. The Company intends to contest the action at an arbitration hearing. The ultimate result of the arbitration cannot be ascertained at this time, it is not possible to reasonably estimate a contingent loss, and no provision is being made for the amount claimed.

(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 ordinary course of business, 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 September 30, 2009, this guarantee amount is US\$937,000 (2008 – US\$2,476,000). 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 US\$195,000 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\$12,000,000 credit facility of Somita from Severstal and it estimates the guarantees to have \$nil value.

When High River's subsidiary High River Acquisition Corp. merged with Jilbey Gold Exploration Ltd., the Company assumed an obligation of Jilbey to pay a bonus of \$300,000 to Minéraux Incanor Inc. The bonus is payable once a defined mineable reserve of 500,000 ounces of gold is documented as part of a feasibility study that demonstrates that economic extraction can be justified. High River prepaid \$100,000 of the bonus in 2007.

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 exploitable 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. The first payment was made in 2007; and the second payment was made in 2008;
- (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; and
- (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 office 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.

There is a contingent liability to pay up to \$395,000 in connection with termination provisions of employee contracts.

Berezitovy has signed a contract for a second ball mill with 43 million Roubles to be paid within six months.

22. Supplementary Cash Flow Information

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2009	2008	2009	2008
(a) Net changes in non-cash working capital				
Accounts receivable	\$ 739	\$ (8,258)	\$ 1,373	\$ (13,261)
Inventory	2,462	(8,979)	5,843	(13,347)
Other assets	(497)	15,954	(5,134)	14,276
Accounts payable	2,363	5,344	377	7,574
Interest payable	(170)	3,523	(76)	2,776
	<u>\$ 4,897</u>	<u>\$ 7,584</u>	<u>\$ 2,383</u>	<u>\$ (1,982)</u>
(b) Cash paid for interest and financing fees	\$ 2,051	\$ 2,711	\$ 9,015	\$ 10,617
Cash paid for income taxes	\$ –	\$ (1,881)	\$ 3,110	\$ 3,374

23. Subsequent Event

High River announced a proposed private placement on October 27, 2009, of up to 150,000,000 common shares at \$0.38 per share for proceeds of \$57 million.

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 September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Property, plant and equipment expenditures, net				
Russia – Buryatzoloto	\$ 4,414	\$ 5,852	\$ 8,113	\$ 14,236
Russia – Berezitovy	(205)	4,034	3,181	7,270
Burkina – Somita	1,858	11	2,384	162
Burkina – exploration	13	–	42	–
Corporate/other	–	–	–	–
	6,080	9,897	13,720	21,668
Deferred exploration expenditures				
Russia – Buryatzoloto	–	996	–	6,333
Russia – Berezitovy	(10)	280	161	481
Russia – Prognoz (a)	(7)	6,701	272	13,564
Burkina – exploration	1,577	1,970	3,681	8,070
	1,560	9,947	4,114	28,448
Development property expenditures				
Russia – Berezitovy	–	(975)	–	28,409
Total assets as at:				
Russia – Buryatzoloto			144,753	190,997
Russia – Berezitovy			193,714	235,194
Russia – Prognoz			27,605	68,912
Burkina – Somita			179,426	165,669
Burkina – exploration			78,447	70,788
Corporate/other			14,755	(27,459)
			\$ 638,700	\$ 704,101

(a) Included with Russia - Buryatzoloto in 2008.

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Revenue (b)				
Russia – Buryatzoloto	\$ 39,355	\$ 34,327	\$ 124,859	\$ 97,966
Russia – Berezitovy	23,449	–	70,666	–
Burkina – Somita	27,723	613	72,306	25,479
	90,527	39,940	267,831	123,445
Expenses				
Mining costs				
Russia – Buryatzoloto	18,569	21,480	56,246	59,787
Russia – Berezitovy	14,193	–	41,695	–
Burkina – Somita	14,974	333	36,374	21,425
Mine administrative costs				
Russia – Buryatzoloto	712	1,796	3,885	5,510
Russia – Berezitovy	1,020	–	3,110	–
Burkina – Somita	(56)	20	1,158	764
Mine amortization and depletion				
Russia – Buryatzoloto	4,639	4,330	15,365	10,766
Russia – Berezitovy	3,703	–	13,190	–
Burkina – Somita	4,803	1,246	13,358	6,074
Asset retirement obligation accretion				
Russia – Buryatzoloto	97	84	305	242
Russia – Berezitovy	50	–	150	–
Burkina – Somita	69	(97)	184	21
Standby costs				
Burkina – Somita	–	5,805	–	5,805
	62,773	34,997	185,020	110,394
Administrative costs				
Russia – Buryatzoloto	(1,046)	(278)	(1,052)	(369)
Russia – Berezitovy	(1,689)	–	(2,057)	–
Burkina – Somita	(118)	(5)	(118)	(7)
Corporate/other	(2,352)	(2,806)	(8,298)	(8,091)
	(5,205)	(3,089)	(11,525)	(8,467)
Financing costs				
Russia – Buryatzoloto	(292)	(739)	(1,946)	(2,736)
Russia – Berezitovy	(1,941)	–	(6,640)	–
Burkina – Somita	(5,944)	(1,897)	(11,019)	(6,824)
Corporate/other	(313)	2,966	4,249	1,323
	(8,490)	330	(15,356)	(8,237)
Other income / (expense)				
Russia – Buryatzoloto	(16,801)	89	(19,791)	10,266
Russia – Berezitovy	8,443	–	(6,007)	–
Burkina – Somita	6,217	(16,487)	4,043	(9,242)
Corporate/other	(11,373)	6,820	(58,693)	(4,903)
	(13,514)	(9,578)	(80,448)	(3,879)
Income tax recovery / (expense)				
Russia – Buryatzoloto	(1,464)	(322)	(2,999)	(4,902)
Russia – Berezitovy	(2,618)	–	(6,532)	–
Burkina – Somita	–	–	–	–
Corporate/other	(3)	–	93	–
	(4,085)	(322)	(9,438)	(4,902)
Net (loss)/income for the year				
Russia – Buryatzoloto	6,418	2,870	17,420	14,465
Russia – Berezitovy	6,677	–	(8,715)	–
Burkina – Somita	7,328	(25,389)	12,840	(24,990)
Corporate/other	(24,990)	7,170	(62,958)	\$ (11,857)
	\$ (4,567)	\$ (15,349)	\$ (41,413)	\$ (22,382)

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

CORPORATE INFORMATION

Directors

Karl Glackmeyer^{2,6}
Retired Professional Engineer
Montreal, Quebec

Alexey Khudyakov^{1,2,3,6}
Vice President, Altimo
Moscow, Russia

Igor Klimanov⁸
Manager of Strategy and Corporate
Development, Severstal Gold LLC
Moscow, Russia

Andrew Matthews^{1,10}
Vice President, 2002905 Ontario Ltd.
Toronto, Ontario

Andrei Maslov⁹
Investment Manager
Severstal Gold LLC
Moscow, Russia

Oleg Pelevin⁵
Head of Strategy
Severstal Gold LLC
Moscow, Russia

Evgeny Tulubensky⁵
Chief Legal Officer
Severstal Gold LLC
Moscow, Russia

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

⁸ As of September 3, 2009

⁹ As of September 29, 2009

¹⁰ As of October 8, 2009

Officers

Igor Klimanov
Chief Executive Officer

Andrei Maslov
Chief Financial Officer

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

Other

John G. Green
Controller

Elaine Simonds
Manager, Legal and Regulatory

Corporate Office

High River Gold Mines Ltd.
Suite 1700
155 University Avenue
Toronto, Ontario M5H 3B7
Telephone: (416) 947-1440
Fax: (416) 360-0010
Email: highrivergold@hrg.ca

Russian Subsidiary Offices

OJSC Buryatzoloto
Tsvileva St., 9
Ulan-Ude, Buryat Republic 670034
Russian Federation
Telephone: 7 (3012) 440-810
Fax: 7 (3012) 440-107

Berezitovy Rudnik LLC
4th floor, Krasnoarmeiskaya St. 102
Blagoveshensk, Amur Region
675000 Russian Federation
Telephone: 7 (4162) 220-680
Fax: 7 (4162) 592-349

Burkina Faso Office

Somita S.A.
01 BP 2509
1628, Blvd. Tânsoba Silzaédre
Secteur 25
Ouagadougou 01 Burkina Faso

Telephone: (226) 50 35 81 85
Fax: (226) 50 35 81 87

Transfer Agent

Equity Transfer & Trust Co.
200 University Avenue, Suite 400
Toronto, Ontario
M5H 4H1

Auditors

KPMG LLP
Toronto, Ontario

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
011 7 495 981 0910 ext. 6678,
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.