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HIGH RIVER GOLD

HIGH RIVER GOLD MINES LTD. Q3 REPORT 2006



FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2006

High River Gold Mines Ltd.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As at September 30, 2006. Expressed in Canadian Dollars unless otherwise noted.

The following discussion and analysis of the consolidated operating results and financial condition of High River Gold Mines Ltd. (the "Company", "High River") for the quarter ended September 30, 2006 should be read in conjunction with the audited Consolidated Financial Statements and related Notes, and Management's Discussion and Analysis as at December 31, 2005. The Consolidated Financial Statements and related Notes have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Additional information, including the Company's Annual Information Form and press releases, has been filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") and is available online at www.sedar.com. The date of this Management's Discussion and Analysis is November 13, 2006. All figures are in Canadian dollars, unless otherwise noted.

Highlights for the Third Quarter of 2006

Financial

- Net income for Q3 2006 of \$33.7 million (\$0.14 per share)
- Attributable gold production of 36,269 ounces for the quarter at a total cash cost of US \$390 per ounce
- Cash flow from operations before working capital changes of \$4.9 million
- Elimination of future non-cash interest expense of approximately \$2 million per year related to the New Britannia mine.

Operations

- Taparko Bouroum: revised capital costs, including working capital, now projected to be US \$98 million.
- Berezitovy: revised capital costs, including working capital, now projected to be US \$108 million.
- Bissa: extensive surface exploration programme on Bissa area properties identifies 12 drill target areas. \$10 million drill programme announced.
- Prognoz: initial drilling confirms historical Russian drill results.

Events Subsequent to Quarter

- Warrants priced at \$2.35 expiring October 26, 2006 were re-priced to \$2.12 and extended for 30 days to encourage warrant holders to exercise and potentially provide \$31 million in financing
- Convertible debenture financing raises \$12 million to fund Bissa exploration and general expenses

RESULTS OF OPERATIONS

Selected Financial Results

The Company reported income of \$33.7 million (\$0.14 per share) in the third quarter of 2006 compared to a net loss of \$554,000 (\$0.00 per share) during the corresponding quarter of 2005. The major factor was the recognition of a non-cash gain of \$32.9 million by the Company on the transfer of its interest in the New Britannia Mine to a third party.

<i>(in thousands of Canadian dollars except per share amounts)</i>	Three Months Ending		Nine Months Ending	
	September 30,		September 30,	
	2006	2005	2006	2005
Gold revenue	\$30,551	\$ 19,796	\$71,372	\$59,317
Net (loss) income ¹	33,666	(554)	33,266	(2,023)
Net (loss) income per share (basic)	0.14	(0.00)	0.14	(0.01)
Cash flow from operations ²	4,933	1,775	13,993	9,649
Weighted average number of shares outstanding (basic)	233,889,139	195,415,663	230,082,986	179,124,346

1. *The net income in the third quarter of 2006 includes non-cash accounting adjustments of \$32.2 million (Q3 2005 – \$1.0 million).*
2. *Before changes in non-cash working capital.*

The Company benefited from higher realized gold prices offset by lower sales and higher operating costs at Buryatzoloto. There were 5,308 ounces of unsold gold in inventory at September 30, 2006 with a cost of \$1.2 million and an estimated market value (London PM fix US \$599/oz) of approximately \$3.5 million. The higher Buryatzoloto costs are due to a combination of inflation (approximately 12% year-to-date), a new employee bonus system and a stronger Russian Rouble (“RUB”) to U.S. dollar exchange rate. The current quarter was positively impacted by non-cash accounting gains totalling \$32.2 million compared to \$1.0 million of expenses in the corresponding period in 2005. The Q3 2006 non-cash adjustment includes the following:

- \$32.9 million gain on the transfer of High River’s interest in the New Britannia Mine
- \$481,000 stock-based compensation cost (Q3 2005 – \$369,000)
- \$544,000 financing cost associated with the non-recourse New Britannia venture obligation (Q3 2005 – \$433,000)

Review of Operations and Development Projects

High River, through its Russian subsidiary OJSC Buryatzoloto (“Buryatzoloto”), produces gold at the Zun-Holba and Irokinda underground mines, both located in Russia. The Company’s attributable gold production from its 84.6% interest in Buryatzoloto decreased marginally to 36,269 ounces in the third quarter of 2006 from 38,156 ounces in the corresponding period of 2005. High River is constructing two open pit mines, one in Burkina Faso and one in Russia, with production scheduled to start in 2007.

Buryatzoloto Operations

Buryatzoloto continues to be profitable and achieved its production objectives for the third quarter of 2006 with 42,886 ounces of gold produced at an estimated total cash cost of US \$390 per ounce as compared to 45,103 ounces of gold produced at a total cash cost of US \$313 per ounce in the third quarter of 2005. The increased total cash cost reflects labour wage increases, including employee performance bonus initiatives, inflation, and a weaker US dollar. The resource industry worldwide has experienced significant cost pressures due to strong energy, materials and labour inflation. Efforts are continuing on the implementation of procedures and processes to optimize the Buryatzoloto operations with the goal of replacing reserves and containing operating cost increases. The seasonal placer operation has produced 3,087 ounces of gold so far this year and 2,596 in the quarter but has produced at a lower level than expected.

The Company’s total cash costs are calculated in accordance with the Gold Institute Production Cost Standards 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. Calculated unit costs are based on ounces of gold produced. See the Non-GAAP Measures note.

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.

Buryatzoloto Combined Operational and Financial Data

	Three Months Ending September 30,		Nine Months Ending September 30,	
	2006	2005	2006	2005
Tonnes mined	148,541	138,175	428,996	432,603
Tonnes milled	141,946	152,046	398,530	399,770
Head grade (g/t)	9.3	8.8	9.3	9.4
Recovery (%)	94.7	94.3	94.6	94.1
Gold production (oz) (100%) ¹	42,886	45,103	117,101	118,905
High River share of production (oz)	36,269	38,156	99,032	100,593
Direct mining cost (US \$/oz)	310	236	326	264
Total cash cost (US \$/oz)	390	313	373	301

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

Zun-Holba Mine

In the third quarter of 2006, the mine produced 17,559 ounces of gold compared to 17,992 ounces of gold in the same period of 2005. The mill processed 61,536 tonnes of ore at an average grade of 9.4 g/t gold. In the third quarter of 2006, direct mining costs increased to approximately US \$362 per ounce (total cash cost of US \$430 per ounce) from approximately US \$306 per ounce (total cash cost of US \$341 per ounce) in the corresponding period of 2005. The increase in the operating cost in the second quarter was mainly due to two factors. There has been an increase in wages paid in Russian Roubles ("RUB") due to a combination of indexation (inflation) and implementation of an employee performance bonus initiative plus an increase in RUB costs due to inflation for materials and energy. The stronger RUB/US \$ exchange rate compared to the previous year is also contributing to the increase in US \$ terms.

Zun-Holba Operational Data

	Three Months Ending September 30,		Nine Months Ending September 30,	
	2006	2005	2006	2005
Tonnes mined	62,321	59,375	189,401	187,698
Tonnes milled	61,536	63,049	183,065	178,803
Head grade (g/t)	9.4	9.0	9.4	9.4
Recovery (%)	93.5	93.2	93.2	92.9
Gold production (oz)	17,559	17,992	52,671	52,391

Irokinda Mine

In the third quarter of 2006, Irokinda produced 22,731 ounces of gold compared to 23,525 ounces for the same period in 2005. The mill processed 80,410 tonnes of ore at an average grade of 9.2 g/t gold (2005 – 88,997 tonnes at 8.7 g/t). Ore mined is slightly higher than last year and the shortfall in the first quarter, due to insufficient underground development, has been made up. Ore milled declined as fewer tonnes of lower-grade ore was treated. During the period, direct mining costs increased to approximately US \$243 per ounce (total cash cost of US \$288 per ounce) compared to direct mining costs of approximately US \$194 per ounce (total cash cost of US \$233 per ounce) in 2005. The increase in the operating cost in the third quarter was mainly due to two factors. There has been an increase in wages paid in RUB due to a combination of indexation (inflation) and implementation of an employee

performance bonus initiative plus an increase in RUB costs due to inflation for materials and energy. The stronger RUB/US \$ exchange rate compared to the previous year is also contributing to the increase in US \$ terms.

Irokinda Operational Data

	Three Months Ending September 30,		Nine Months Ending September 30,	
	2006	2005	2006	2005
Tonnes mined	86,220	78,800	239,595	244,905
Tonnes milled	80,410	88,997	215,465	220,967
Head grade (g/t)	9.2	8.7	9.2	9.2
Recovery (%)	95.6	95.0	95.8	95.2
Gold production (oz)	22,731	23,525	61,343	62,011

Irokinda separates lower grade material from the mined ore during the year and stockpiles it for later processing at the seasonal circuit of the mill which operates only in the summer. Approximately 33,982 tonnes (2005 – 45,911) of lower grade 5.7 g/t ore (2005 – 7.7 g/t) were treated year to date after the circuit started to operate in May.

Project Development

Taparko-Bouroum Project, Burkina Faso

Construction at the Taparko site is advancing well and the project is on schedule for a gold pour at the beginning of the second quarter of 2007. Senet CC, the plant construction contractor, has 412 staff on site. Somita staffing remained level during the quarter with 22 expatriates and 183 nationals on the payroll.

The Yalgo pump station operated according to plan during the third quarter and the Taparko dam was filled to approximately 2/3rds capacity. The dam is required to provide process water when the plant is in operation. The concrete foundations for the ball mill were completed. The concrete pedestals to support the ball mill will be poured in November. Mill assembly is scheduled for Q1 2007. The CIL tanks, gabion wall and main administration building have all been completed. Pre-stripping on the pits has reached the point where Taparko has commenced accumulating a stockpile inventory of ore which is anticipated to be approximately 120,000 tonnes by year end. In addition, procurement of operating supplies inventory has commenced in preparation for start up procedures.

Project expenditures amount to approximately US \$70.9 million as at September 30, 2006. Going forward, the timeline for the project anticipates that construction will continue during the fourth quarter of 2006 and into the first quarter of 2007. Additionally during the first quarter of 2007, the project will be in transition from construction and development activities to operating activities with extensive work undertaken on accumulating ore stockpiles, procuring supplies inventory, training operating personnel and installation of the hard rock circuit. The cost of these activities is anticipated to amount to approximately US \$10.0 million over Q4 2006 and Q1 2007. Discussions are presently underway with a financial institution on procuring a working capital facility to assist with financing of these activities.

The current milling plan calls for the processing of stockpiled soft oxide material during the commissioning phase which is anticipated to commence at the beginning of Q2 2007. Once the construction of the hard rock circuit is complete by the end of Q2 2007, the processing of hard ore will begin. The installation and start up of the hard rock circuit will not interfere with the processing of soft oxide material and the commissioning of the plant during the second quarter of 2007. The first production of gold is anticipated during April 2007 and financial completion for project loan financing purposes is expected approximately three months later, after installation of the hard rock circuit.

The completion of the base case project construction is therefore anticipated by the end of Q1 2007 and the commissioning phase is anticipated to commence starting April 2007. The remaining project expenditures to the end of Q1 2007 are estimated to be approximately US \$17 million resulting in a final project cost of approximately US

\$88 million. This amount includes the acquisition cost of the hard rock circuit. The financing of these remaining costs will be provided by Royal Gold in an amount of US \$4.7 million which will complete their US \$35 million financing program. The balance of the costs will be financed by High River from anticipated proceeds of the warrant exercise expected during November 2006.

The higher project capital cost reflects the impact of increased energy, material and labour costs in addition to the incurrence of fixed costs over a longer project construction period. Offsetting these higher costs is a much improved gold price which, when considered together, results in a project after tax rate of return from first expenditure of approximately 22.5% as compared to 15.5% in the original May 2004 feasibility study. The revised project rate of return assumes a gold price of US \$550 per ounce. At a gold price of US \$650 per ounce, the project after tax rate of return is estimated to be 32.3%. In addition, a reassessment of Taparko reserves at higher gold prices (currently estimated based upon US \$400 per ounce gold) is expected to result in a larger reserve base and a longer mine life.

Berezitovy Project, Russia

Construction at Berezitovy is also making good progress with the first gold pour anticipated to occur at the end of Q2 2007. Berezitovy now has 789 employees on site including 5 expatriates and construction contractors. The focus during the third quarter was the pouring of the concrete foundations for the plant during good weather conditions. Significant progress has been achieved. Most foundations are now complete although some slabs remain to be poured. Assembly of the SAG and ball mills has begun. Two Russian EK5 electric shovels were received during the quarter and one had been assembled and was working at the quarter end. Stripping of the south end of the open pit for production (previous stripping was to provide construction materials) started in the second quarter. During the fourth quarter, assembly of the CIP tanks will begin along with work on the crusher. Work on the mill will continue. The maintenance garage became operational early in the fourth quarter.

Project expenditures amount to approximately US \$73.5 million as at September 30, 2006. The timeline for the project anticipates that construction will continue into the second quarter of 2007. Additionally during the latter part of the second quarter of 2007, the project will be in transition from construction and development to an operating environment with the procurement of supplies inventory, training operating personnel and final completion of installation activities. The cost of these activities to completion, anticipated at the end of Q2 2007, is approximately US \$34 million including US \$3 million for supplies inventory. Commercial production is expected to be achieved during the summer of 2007. The financing of the remaining construction costs up to project completion, will be comprised of debt in an amount of US \$31 million and anticipated VAT recoveries of US \$3 million.

Non project related financial charges for interest, debt repayments and other expenses up to project completion of approximately US \$8 million will be financed by sponsor contributions from High River. The majority of funding for these charges will be required during first and second quarters of 2007.

The higher project capital cost reflects the impact of increased energy, material and labour costs in addition to the incurrence of fixed costs over a longer project construction period. Offsetting these higher costs is a much improved gold price which, when considered together, results in a revised project after tax rate of return from first expenditure of approximately 22.7% as compared to 16.2% as reported in the original May 2004 feasibility study. The revised project rate of return assumed a gold price of US \$550 per ounce. At a gold price of US \$650 per ounce, the project after tax rate of return is estimated to be 28.7%.

In order to ensure an orderly completion of the project and transition to commercial production, High River is pleased to announce that Mr. David Sundblad has joined the Company as Project Director Berezitovy. David brings to the Berezitovy project 25 years of project management, supervisory, and technical experience in the mining and civil construction sectors. He will be working out of the Berezitovy project site and the administration office in Blagoveshensk Russia. David was formerly with Newmont Mining Corporation as Project Manager International Operations since 1996.

Bissa Project, Burkina Faso

The Bissa Project consists of 1,000 square kilometres of exploration permits in Burkina Faso. High River has established a NI 43-101 resource of 1.3 million ounces (680,000 ounces Inferred) over just 6 kilometres of a 30 kilometre long anomalous regional structural trend called the Sabce Deformation Corridor. High River believes that the Bissa Project has tremendous upside potential which exists along the Sabce Corridor and adjacent structures.

Recently completed surface exploration, together with past exploration work by the Randgold Joint Venture, has identified 12 target areas for drilling. During the quarter, High River announced a US \$10 million drill programme, budgeted at US\$2 million per quarter. This programme, due to start in the fourth quarter of 2006, has an initial objective of expanding the National Instrument 43-101 resource estimate to over 2 million ounces of gold from the current 1.3 million ounces.

Prognoz Silver Project, Russia

Early in 2006, High River subsidiary Buryatzoloto acquired a 50% interest in, and operatorship of, the world class Prognoz Silver Project. Prognoz has historic Russian classified (not NI 43-101 compliant) reserves and resources containing 194 million ounces grading 830 g/t on average, making it one of the largest and highest grade undeveloped silver projects in the world. The historical reserves and resources calculation was based on extensive past work over the period 1987 – 2000 by the Russian State Exploration Company (17,805 metres of diamond drilling and 17,756 metres of trenching).

There are over 30 veins on the Prognoz property. Most exceed a kilometre in length, and are on average two to four metres wide and several hundred metres deep. The aforementioned reserves and resources are based on data from only two of these veins, the Glavnoye (4.1 kilometres long and open along strike) and the Boloto (2.4 kilometres long and open along strike) silver veins.

A US \$15 million exploration programme was established for the period 2006 to 2008, and includes 13,000 metres of diamond drilling and 10,000 cubic metres of trenching in 2006. The objective of the programme is to confirm, upgrade and expand the historical Russian reserves and resources indicated above.

Assay results for the first 35 drill holes confirmed horizontal and vertical continuity along the strike length tested, and confirmed grade-widths obtained from historical Russian drill hole assays.

For 2007, over 30,000 metres of infill and step out drilling is planned. During the first half of 2007, High River hopes to upgrade the current Russian classified historic reserves and resources to NI 43-101 standards.

Strategic Alliances

During the quarter, Pelangio Mines Inc. (“Pelangio”) sold its Detour Lake property to Detour Gold Corporation, a Hunter-Dickinson company. Pelangio will receive consideration of approximately \$85 million by way of a cash payment of \$5 million and approximately 20 million common shares of Detour Gold at an issue price of \$4.00 (subject to adjustment). This will represent an equity interest of approximately 50% in Detour Gold after the required \$25 million financing of Detour Gold. The transaction closed in the fourth quarter. In the near term Pelangio will be focusing its resources on its highly prospective properties in Ghana, Western Africa, that are adjacent to and along strike to AngloGold-Ashanti’s Obuassi gold mine. The Company has a 17.5% equity interest in Pelangio.

Goldrush Resources Ltd. (“Goldrush”) continued its rotary air blast and reverse circulation drilling exploration programmes on its Burkina Faso permits during the quarter. Encouraging exploration results were released on their exploration projects. Additional permits in prospective areas were acquired and Goldrush now controls 100% of 32 exploration permits covering approximately 6,200 square kilometres of prospective geology in Burkina Faso. Goldrush has announced plans to spend \$1.2 million on additional exploration in the fourth quarter. The Company has a 16% equity interest in Goldrush along with back-in and operatorship rights on certain exploration projects.

OVERALL FINANCIAL PERFORMANCE

Revenues

The Company's consolidated gold revenues for Q3 2006 were \$30.6 million compared to \$19.8 million in 2005. An analysis of the revenue variance appears below. The Company realized a higher gold price on gold sales, and the number of ounces sold increased by 16%, from 37,455 ounces during the third quarter of 2005 to 43,500 ounces in the third quarter of 2006. Refined gold in inventory decreased during the quarter and is 5,308 oz at September 30, 2006 (Q3 2005 – 9,173 oz, Q2 2006 – 19,391). The average gold price realized on sales was US \$626 per ounce during the period, up from US \$439 per ounce for the third quarter of 2005 and up from US \$601 in the second quarter of 2006.

	Three Months Ending September 30,		Nine Months Ending September 30,	
	2006	2005	2006	2005
Ounces sold	43,500	37,455	107,223	112,367
Refined ounces in inventory	5,308	9,173	5,308	9,173
Realized price, US \$/oz	626	439	587	431
Average US \$/C\$ exchange rate	1.1212	1.2039	1.1332	1.2245
Gold sales	\$ 30,551	\$ 19,796	\$ 71,372	\$ 59,317
Ounces variance	3,195	–	(2,716)	–
Price variance	9,705	–	20,521	–
Exchange variance	(2,145)	–	(5,750)	–

Mining Costs

Mining costs have increased to \$20.4 million compared to \$14.7 million in Q3 2005 partially due to the increase in ounces sold which triggered a release of costs from inventory. Cost of production has increased 24.6% from the same quarter last year due to domestic inflationary pressures in Russia (approximately 12% in the last 12 months) and a strengthening of the Russian Rouble. Costs related to the unsold, refined gold (approximately \$1.2 million at September 30, 2006) are accumulated in inventory until a sale is recorded.

Amortization and Depletion

Amortization and depletion expense has increased from the expense recorded in the same period in 2005. Amortization is calculated using the units of production method. The number of ounces sold has increased which increases the cost. Also, mineral reserves at the Zun-Holba and Irokinda mines are decreasing with the result that a higher proportion of assets must be depreciated.

Administrative Costs

General and administrative costs increased to \$1.8 million in the third quarter of 2006 compared to \$936,000 in the corresponding period of last year. The major items contributing to the increase are certain project related insurance expenses of \$127,000 that were paid in the third quarter of 2006 which were not paid in 2005, increased rent for the Toronto office of \$16,000, and legal fees relating to Berezitovy Rudnik LLC of \$93,000 that were not capitalized.

Financing Costs

Financing expenses totalled \$1.4 million during the third quarter of 2006 compared to \$397,000 in the corresponding period of 2005. The increase mainly relates to the increased debt of Buryatzoloto to acquire Prognoz.

Financing Costs on Venture Obligation

In the third quarter of 2006, non-cash interest expense relating to the non-recourse New Britannia venture obligation totalled \$544,000 (2005 – \$433,000). The increase is due to higher interest rates and an increase in the

venture obligation. Commencing in the fourth quarter of 2006, this non-cash expense is eliminated for a saving of approximately \$2 million per year due to the termination of the venture obligation.

Termination of the Venture Obligation

On September 29, 2006, Kinross Gold Corporation, the operator of the New Britannia Mine, entered into a definitive agreement to sell the mine to an arms-length party. High River Gold also has agreed to transfer its interest in the mine to the purchaser. With the transfer of its interest the Company is writing off the non-recourse debt and accrued interest for a non-cash gain of \$32.9 million. Going forward, High River will benefit from an improved balance sheet and elimination of non-cash interest expense being charged against earnings.

Income Tax Expense

The income tax expense totalled \$1.1 million for the third quarter of 2006 compared to a credit of \$79,000 in the comparable period of 2005 due to higher earnings (before tax) from Buryatzoloto's operations in Russia.

LIQUIDITY AND CAPITAL RESOURCES

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

<i>(in thousands)</i>	As at September 30, 2006	As at December 31, 2005
Cash and cash equivalents	\$ 5,600	\$ 8,524
Restricted cash	66	2,087
Working capital (deficiency)	6,395	(6,829)
Long-term debt	102,451	8,316
	Three Months Ending September 30,	
	2006	2005
Cash provided by (used in) operating activities	\$ 3,661	\$ (3,019)
Cash used in investing activities	40,067	20,884
Cash provided by financing activities	34,870	30,040

Operating Activities

Cash flow provided by operating activities for the quarter ended September 30, 2006 was \$3.7 million compared to a use of funds of \$3 million in 2005. The value of inventory has increased at Buryatzoloto from \$13.7 million to \$22.0 million as the amount of work-in-process gold increased from last year and exploration expenses related to Prognoz (approximately \$2 million) have been accumulated prior to billing the joint venture. Cash flow provided by operations before changes in working capital was \$4.9 million compared to \$1.8 million for the same quarter of 2005. The increase was due to higher sales at Buryatzoloto as the refined gold inventory was sold down.

Investing Activities

Investing activities consumed \$40.1 million of cash in the third quarter of 2006 compared to \$20.9 million for the same period in 2005. Funds were used primarily on the construction of the Taparko-Bouroum and Berezitovy projects, which amounted to \$35.7 million for the quarter and the purchase of Prognoz for \$24.5 million.

In June, the Company announced that Buryatzoloto had acquired an interest in and operatorship of the Prognoz Silver Project for a purchase price of US \$7.3 million and settlement of certain liabilities, bringing the cost of the transaction to US \$22.0 million. Buryatzoloto arranged the necessary funding with Nomos Bank to support this acquisition. Restricted cash represents funds borrowed in connection with the acquisition of the Prognoz Silver Project in Russia received in June and were paid out early in July upon completion of the acquisition.

Financing Activities

During the quarter, Nomos Bank lent Berezitovy US \$12.8 million. Somita S.A. (the operator of the Taparko-Bouroum project) received US \$6.6 million as project loans from Royal Gold, Inc. and US \$5 million from Caterpillar Finance to purchase electrical generators for the Taparko mill.

High River received cash of \$2.6 million with the majority resulting from the exercise of warrants. The remainder came from the exercise of stock options. During the third quarter of 2005, the Company received proceeds of \$30.4 million as the result of a financing.

Subsequent to the quarter end, warrants priced at \$2.35 expiring October 26, 2006 were re-priced to \$2.12 and extended for 30 days to encourage warrant holders to exercise. If all the qualifying warrants are exercised, the Company will receive approximately \$31.2 million before November 26, 2006.

At the date of this MD&A, most of the Company's stock options and warrants are in "in-the-money". If all outstanding warrants and options are exercised, High River could receive approximately \$84 million in additional funds.

Also subsequent to the quarter end, High River announced a non-brokered private placement financing by way of a \$12 million convertible debenture. The debenture matures December 11, 2011, has an interest rate of 8% per annum and is convertible into common shares of the Company at a conversion price of \$2.35. The debenture also allows forced conversion after 18 months if High River shares trade above \$3.25 for 30 days. The proceeds will be used to fund Bissa exploration and for general corporate purposes.

Uses of Liquidity

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

- Development of the Taparko-Bouroum and Berezitovy projects – approximately US \$48 million to mine start up
- Funding of working capital for the projects – approximately US \$13 million
- Exploration of the Bissa property (US \$10 million over the next 15 months), the Prognoz property (US \$7.5 million over three years with approximately US \$3 million in 2006) and other exploration targets in Burkina Faso and Russia
- US \$8 million to cancel Prognoz vendor repurchase option
- Acquisition of new projects
- Corporate administration and working capital

Management believes the Company will be able to fund the majority of the capital requirements for its two development projects with the finalization of loan facilities for approximately US \$35 million, issue of a convertible debenture for \$12 million, exercise of warrants for approximately \$31 million and from its current working capital.

BALANCE SHEET

The Company's total assets were \$432 million at September 30, 2006 compared to \$304 million at December 31, 2005. As at September 30, 2006, working capital increased to \$6.4 million from a deficit of \$6.8 million as at December 31, 2005. The increase is due to an increase in accounts receivable, an increase in inventory due to work in progress and reclassification of the loan from International Moscow Bank from current to long-term. Buryatzoloto is the operator of the Prognoz Silver Project and is only reimbursed quarterly for its exploration expenses. There are 12,981 ounces of doré alloy in the work in progress inventory valued at \$4.0 million as compared to 2,349 ounces at the end of the last quarter and 2,284 ounces at year-end. Transportation and security issues resulting from closure for repair of the airport used by Buryatzoloto delayed shipments in the quarter. The accumulated doré alloy inventory amounting to approximately one month of production was shipped to the refinery on October 6.

The long-term debt increased to \$102.5 million at the end of the third quarter from \$8.3 million at the end of 2005. The increase is due to replacing some short-term debt with long-term project financing, the receipt of additional project financing during the quarter and a loan to finance the Prognoz acquisition. The net changes in the long-term debt are summarized below.

Amount (in thousands)	Financial Institution	Reason
\$ 22,563	Nomos Bank	Buryatzoloto acquisition of Prognoz
11,699	International Moscow Bank	Buryatzoloto working capital facility
(758)	European Bank for Reconstruction and Development	Buryatzoloto loan repayment
562	Arinvest LLC	Prognoz project loan
334	Government of Burkina Faso	Somita reclassifying a portion of short term loan
26,237	Royal Gold, Inc.	Somita facility
2,084	Royal Gold, Inc.	Somita facility accrued interest
4,116	Caterpillar Finance France SA	Somita generators
27,298	Nomos Bank	Berezitovy credit line
<u>\$ 94,135</u>		

The Venture Obligation was transferred off the balance sheet as discussed above. Shareholders' equity increased to \$265.4 million at the end of the third quarter of 2006 from \$200.5 million due mainly to higher earnings resulting from the transfer of the Venture Obligation and also from an increase in capital stock due to the exercise of warrants and changes in the cumulative translation adjustment due to exchange rate movements.

OUTLOOK

The Company expects to maintain its current level of gold production at its two Russian operations with a 2006 production target of approximately 150,000 ounces (85% attributable). High River and Buryatzoloto will maintain their focus on optimizing these operations with the objective of replacing reserves and, where possible, containing operating cost increases.

High River's two key development projects continue to be advanced towards production. The successful start-up of both projects will have a significant positive impact on the Company as it would increase its attributable, annualized gold production rate to over 325,000 ounces by mid-2007.

The acquisition of the Prognoz Silver Project has given High River a world-class, silver exploration project in Russia with the potential for additional resources to be discovered.

RISKS AND UNCERTAINTIES

Risks and uncertainties about the Company's business are described in Management's Discussion and Analysis for the year ended December 31, 2005 and in the Company's Annual Information Form.

NON-GAAP MEASURES

The Company has included certain cash cost per ounce data in this document, which are non-GAAP performance measures, in order to provide investors and management with information about the cash generating capabilities and profitability of the Company's mining operation and comparability to other gold producers. The Company has adopted the definitions published by the Gold Institute for operating costs per ounce which the Company believes most gold producers follow. Cash costs are derived from the 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 ounces of gold produced.

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 these measures 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.

	Three Months Ending September 30, 2006		Nine Months Ending September 30, 2006	
	C\$ 000s	US \$/oz	C\$ 000s	US \$/oz
Average exchange rate - Cdn to US \$	1.1212	–	1.1332	–
Gold ounces sold	43,500	–	107,223	–
Gold revenue per financial statements	30,551	626	71,372	587
Gold ounces produced	42,886	–	117,101	–
Direct mining costs	14,890	310	43,277	326
Stripping and mine development adjustments	569	12	(88)	(1)
Third party smelting, refining and transportation	225	5	813	6
By-product credits	4	–	(756)	(6)
Other	1,066	22	1,066	8
Cash operating costs	16,754	349	44,312	334
Royalty expense and production tax	1,989	41	5,188	39
Total cash costs	18,743	390	49,500	373
Inventory change	1,701		(3,027)	
By-product credits	(3)		756	
Total mining costs per financial statements	20,441		47,229	
	Three Months Ending September 30, 2005		Nine Months Ending September 30, 2005	
	C\$ 000s	US \$/oz	C\$ 000s	US \$/oz
Average exchange rate - Cdn to US \$	1.2039	–	1.2245	–
Gold ounces sold	37,455	–	112,367	–
Gold revenue per financial statements	19,796	439	59,317	431
Gold ounces produced	45,103	–	118,905	–
Direct mining costs	12,810	236	38,409	264
Stripping and mine development adjustments	850	16	(802)	(6)
Third party smelting, refining and transportation	257	5	689	5
By-product credits	5	–	(599)	(4)
Other	1,562	29	1,951	13
Cash operating costs	15,484	285	39,648	272
Royalty expense and production tax	1,504	28	4,226	29
Total cash costs	16,988	313	43,874	301
Inventory change	(2,271)		(2,586)	
By-product credits	(6)		598	
Total mining costs per financial statements	14,711		41,886	

SUPPLEMENT TO THE FINANCIAL STATEMENTS

As at November 13, 2006, the share capital consisted of:

- 234,611,951 common shares issued and outstanding
- 11,776,833 common share purchase options outstanding at an average price of \$1.66 maturing at various dates until November 6, 2011
- 26,523,766 warrants outstanding at an average exercise price of \$2.29 maturing at various dates until January 27, 2008
- \$12,000,000 debenture convertible into shares at a price of \$2.35 until December 31, 2011

FORWARD LOOKING STATEMENTS

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

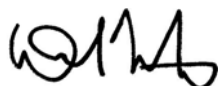
Potential shareholders and prospective investors should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Shareholders are cautioned not to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

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.



David Mosher
President and Chief Executive Officer



Steven Poad
Chief Financial Officer

November 13, 2006

High River Gold Mines Ltd.

CONSOLIDATED BALANCE SHEETS

(Thousands of Canadian dollars)

<i>(unaudited)</i>	<i>Note</i>	September 30, 2006	December 31, 2005
Assets			
Current Assets			
Cash and cash equivalents		\$ 5,600	\$ 8,524
Restricted cash		66	2,087
Accounts receivable		10,033	4,587
Inventory	2	22,039	13,688
Other assets		1,886	980
		39,624	29,866
Investments	3	10,385	5,950
Property, plant and equipment	4	67,036	71,584
Exploration properties and deferred exploration	5, 6	90,096	61,292
Development properties	7	223,555	134,202
Other assets		1,606	1,304
Total Assets		\$ 432,302	\$ 304,198
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payable		\$ 11,682	\$ 13,163
Loans and interest payable	8	21,547	23,532
		33,229	36,695
Loans and interest payable	8	102,451	8,316
Reclamation		1,408	1,378
Venture obligation	9	-	31,422
Future income taxes		13,792	10,966
		150,880	88,777
Non-controlling interest		16,018	14,955
Total Liabilities		166,898	103,732
Shareholders' Equity			
Share capital	10(a)	302,485	276,575
Warrants		11,785	11,827
Contributed surplus		9,222	7,721
Cumulative translation adjustment		(18,747)	(23,050)
Deficit		(39,341)	(72,607)
		265,404	200,466
Total Liabilities and Shareholders' Equity		\$ 432,302	\$ 304,198

The accompanying notes form an integral part of these financial statements.

HIGH RIVER GOLD MINES LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Thousands of Canadian dollars, except for income per share and number of shares)

<i>(unaudited)</i>	<i>Note</i>	Three Months Ended September 30, 2006	Three Months Ended September 30, 2005	Nine Months Ended September 30, 2006	Nine Months Ended September 30, 2005
Revenue					
Gold		\$ 30,551	\$ 19,796	\$ 71,372	\$59,317
Other		282	359	1,268	1,744
		30,833	20,155	72,640	61,061
Expenditures					
Mining costs		20,441	14,711	47,229	41,886
Amortization and depletion		2,251	1,728	8,534	7,725
Exploration		2,389	2,056	2,656	3,273
Administrative costs		1,848	936	4,609	2,724
Financing costs		1,414	397	2,526	1,286
		28,343	19,828	65,554	56,894
Income before the under noted					
		2,490	327	7,086	4,167
Financing costs on venture obligation		(544)	(433)	(1,518)	(1,223)
Gain on termination of venture obligation	9,12	32,940	–	32,940	–
Equity loss from associated company		–	(21)	–	(99)
Stock-based compensation		(481)	(369)	(1,873)	(1,111)
Gain (loss) on sale of assets		706	(77)	1,002	(224)
Gain on sale of investments		–	–	–	539
Write-down of carrying value		–	–	–	(860)
Unrealized derivatives loss		–	(78)	–	(862)
Non-controlling interest in earnings of subsidiary		(382)	18	(980)	(381)
		34,729	(633)	36,657	(54)
Income tax expense (recovery)	12	1,063	(79)	3,391	1,969
Net income (loss) for the period		\$ 33,666	\$ (554)	\$33,266	\$ (2,023)
Net income (loss) per share – basic and diluted					
	13	\$ 0.14	\$ (0.00)	\$ 0.14	\$ (0.01)

CONSOLIDATED STATEMENTS OF DEFICIT

(Thousands of Canadian dollars)

<i>(unaudited)</i>	Three Months Ended September 30, 2006	Three Months Ended September 30, 2005	Nine Months Ended September 30, 2006	Nine Months Ended September 30, 2005
Deficit – Beginning of period	\$ (73,007)	\$ (73,032)	\$ (72,607)	\$ (71,563)
Net income (loss) for the period	33,666	(554)	33,266	(2,023)
Deficit – End of period	\$ (39,341)	\$ (73,586)	\$ (39,341)	\$ (73,586)

The accompanying notes form an integral part of these financial statements.

HIGH RIVER GOLD MINES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Thousands of Canadian dollars)

<i>(unaudited)</i>	<i>Note</i>	Three Months Ended September 30, 2006	Three Months Ended September 30, 2005	Nine Months Ended September 30, 2006	Nine Months Ended September 30, 2005
Cash provided by (used in):					
Operating activities					
Net income (loss) for the period		\$ 33,666	\$ (554)	\$ 33,266	\$ (2,023)
Non-cash items:					
Non-controlling interest in earnings of subsidiary		382	(18)	980	381
Financing cost on venture obligation		544	433	1,518	1,223
(Gain) on termination of venture obligation		(32,940)	–	(32,940)	–
Amortization and depletion		3,562	1,728	9,845	7,725
Write-down of carrying value		–	–	–	860
Unrealized derivative loss		–	78	–	862
(Gain) on disposal of assets		(706)	77	(1,002)	77
(Gain) on sale of investments		–	–	–	(539)
Stock-based compensation		481	369	1,873	1,111
Future income taxes		(166)	(359)	356	(127)
Other		110	21	97	99
Subtotal		4,933	1,775	13,993	9,649
Change in non-cash working capital	15(a)	(1,272)	(4,794)	(16,404)	(9,995)
Total operating		3,661	(3,019)	(2,411)	(346)
Investing Activities					
Property, plant and equipment		(3,632)	(1,034)	(8,713)	(4,974)
Exploration properties and deferred exploration		(1,173)	(193)	(4,706)	(7,860)
Development properties		(35,729)	(18,643)	(80,464)	(56,047)
Decrease (increase) in investments		–	–	(259)	1,350
Purchase of subsidiary, net of cash acquired		(24,507)	(410)	(24,507)	(410)
Proceeds on disposal		22	–	383	–
Allocation to restricted cash		24,612	(164)	1,929	(162)
Decrease (increase) in other long term assets		340	(440)	340	(440)
Total investing		(40,067)	(20,884)	(115,997)	(68,543)
Financing Activities					
Dividends paid by subsidiary to non-controlling interest		(1)	13	(4)	(66)
Increase (decrease) in loans and interest payable		32,315	(400)	90,461	6,543
Issuance of common shares		2,556	30,427	25,582	30,956
Total financing		34,870	30,040	116,039	37,433
Effect of exchange rate changes on cash held in foreign currencies		(402)	(1,000)	(555)	(393)
Increase (decrease) in cash and cash equivalents during the period		(1,938)	5,137	(2,924)	(31,849)
Cash and cash equivalents – Beginning of period		7,538	3,723	8,524	40,709
Cash and cash equivalents – End of period		\$ 5,600	\$ 8,860	\$ 5,600	\$ 8,860

The accompanying notes form an integral part of these financial statements.

HIGH RIVER GOLD MINES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2006

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

(unaudited)

1. DISCLOSURE

The unaudited interim consolidated financial statements have been presented in accordance with Canadian generally accepted accounting principles (“GAAP”) for interim reporting. They do not include all the information and disclosure required by Canadian GAAP for annual financial statements. In the opinion of management all adjustments required for a fair presentation are included in these statements in accordance with the accounting policies of the Company. The interim consolidated financial statements should be read in conjunction with the year-end 2005 audited financial statements for the detailed note disclosure. The statements have not been reviewed by the Company’s independent auditors.

2. INVENTORY

Inventory consists of the following:

	September 30, 2006	December 31, 2005
Materials and supplies	\$ 13,259	\$ 9,169
Work-in-progress	3,535	2,522
Doré alloy	4,049	500
Refined gold	1,196	1,497
	\$ 22,039	\$13,688

3. INVESTMENTS

The Company’s investments comprise the following:

	September 30, 2006	December 31, 2005
ZAO Zun-Hada	\$ 531	\$ 555
Intrepid Mines Limited ^(a)	481	481
Pelangio Mines Inc.	4,914	4,914
Goldrush Resources Ltd. ^(b)	3,561	–
Merrex Resources Inc. ^(c)	898	–
Total investments at cost	\$ 10,385	\$ 5,950
Estimated market value ^(d)	\$ 20,687	\$ 9,100

a) In June, Intrepid Minerals Corporation merged with another mining company. The continuing entity is named Intrepid Mines Limited (“Intrepid”).

b) In March, 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 \$1,307,000, a convertible debenture with a principal value of \$1,994,000, and back-in rights on mineral discoveries. In the second quarter High River participated in a private placement and purchased shares valued at \$250,000.

c) In May, the company sold exploration properties that were not of immediate interest for common shares of Merrex Resources Inc. (“Merrex”) valued at \$898,000.

- d) No value has been included for ZAO Zun-Hada or for the Goldrush debenture since there is no quoted market value for the investment.

4. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2006			December 31, 2005
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Buryatzoloto	\$ 86,181	\$ (19,450)	\$ 66,731	\$ 71,257
Corporate and exploration	1,561	(1,256)	305	327
	\$ 87,742	\$ (20,706)	\$67,036	\$ 71,584

5. ACQUISITION OF INTEREST IN THE PROGNOZ SILVER PROJECT

In December 2005, Buryatzoloto entered into an agreement to acquire 50% of Gazteck Industries LLC (“Gazteck”) which owned the exploration license for the Prognoz Silver Deposit. The transaction closed July 2, 2006. Effective July 2, 2006, Gazteck’s operations are being proportionately consolidated as neither partner has sole control of the project. The aggregate purchase price to the Company was US \$22,000,000.

The following table summarizes the estimated fair value of the assets acquired and the liabilities assumed at the date of acquisition presented in US \$:

Cash	\$ 9
Other current assets	180
Resource interests	31,538
Total assets acquired	31,727
Current liabilities	7,351
Future tax liability	2,376
Total liabilities assumed	9,727
Net assets acquired	22,000
Less cost of acquisition	(22,000)
Excess of fair value over acquisition cost	\$ –

The Company is in the process of confirming the fair values of certain assets and the allocation of the purchase price is subject to refinement.

6. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION

	January 1, 2006	Acquisition	Additions	Disposal	September 30, 2006
West Africa – Bissa project	\$ 44,569	\$ –	\$ 2,526	\$ –	\$ 47,095
West Africa – Other	9,250	–	–	(1,912)	7,338
Russia – Novophirsovskoye	6,575	–	743	–	7,318
Russia – Prognoz	–	24,640	3,705	–	28,345
Canada	898	–	–	(898)	–
	\$ 61,292	\$ 24,640	\$ 6,974	\$ (2,810)	\$ 90,096

In March, the Company entered into a strategic alliance agreement with Goldrush exchanging early-stage exploration permits in Burkina Faso for an equity interest in Goldrush plus a debenture. In May, exploration properties in Canada were sold to Merrex. In July, the Company completed the acquisition of the Prognoz Silver Project for US \$22,000,000.

7. DEVELOPMENT PROPERTIES

	January 1, 2006	Additions	September 30, 2006
Taparko-Bouroum	\$ 54,939	\$ 53,865	\$ 108,804
Berezitovy	79,263	35,488	114,751
	<u>\$134,202</u>	<u>\$ 89,353</u>	<u>\$ 223,555</u>

8. LOANS AND INTEREST PAYABLE

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

	September 30, 2006		December 31, 2005	
	Current	Long-Term	Current	Long-Term
<i>Buryatzoloto</i>				
Nomos Bank ^{(b)(d)}	\$ 8,078	\$ 22,563	\$ –	\$ –
International Moscow Bank ^(c)	–	11,699	12,010	–
European Bank for Reconstruction and Development	–	–	4,081	758
Accrued interest on loan	231	–	92	–
Loan of Prognoz Joint Venture ^(f)	–	562	–	–
Type V preference shares	–	–	845	–
Accrued dividends on preference shares	22	–	91	–
Subtotal	8,331	34,824	17,119	758
<i>Somita</i>				
Royal Gold, Inc.	–	33,795	–	7,558
Accrued interest on loan	–	2,084	–	–
Caterpillar Finance ^(e)	1,393	4,116	–	–
Accrued interest on loan	50	–	–	–
Government of Burkina Faso	224	334	583	–
Subtotal	1,667	40,329	583	7,558
<i>Berezitovy</i>				
Nomos Bank ^(a)	10,919	27,298	–	–
Accrued interest on loan	630	–	–	–
Bank Natexis	–	–	5,830	–
Subtotal	11,549	27,298	5,830	–
	\$21,547	\$102,451	\$23,532	\$8,316

Loans and interest payable related to Buryatzoloto are non-recourse to the Company and are repayable solely from the cash flow of the applicable operation.

(a) In March 2006, Berezitovy entered into a loan agreement with Nomos Bank. The credit facility is for the amount of US \$9,000,000. Interest is charged at the six month LIBOR rate plus a margin of 3.7%. The loan has a series of fixed repayment dates and may be outstanding until March 31, 2009. In Q3 2006, the first fixed repayment of US \$1,000,000 was made. High River has guaranteed the loan which is secured by a pledge of property owned by Berezitovy.

In April 2006, Berezitovy entered into a second loan agreement with Nomos Bank. The credit facility is for the amount of US \$20,000,000. Interest is charged at the six month LIBOR rate plus a margin of 5.0% pre-project completion and 3.75% post-project completion. The loan has a series of fixed repayment dates and may be outstanding until April 30, 2011. High River has pledged approximately 31% of the shares it owns in Buryatzoloto (released on project completion) and its shares of Berezitovy Rudnik to secure the loan.

In September 2006, Berezitovy entered into a third loan agreement with Nomos Bank. The credit facility is for the amount of US \$12,000,000. Interest is charged at the six month LIBOR rate plus a margin of 5.0% pre-project completion and 3.75% post-project completion. The loan has a series of fixed repayment dates and may be outstanding until April 30, 2011. As of September 30, 2006, US \$6,300,000 of the loan has been drawn. High River has pledged approximately 36% of the shares it owns in Buryatzoloto (released on project completion) and its shares of Berezitovy Rudnik to secure the loan.

(b) In May 2006, Buryatzoloto entered into an agreement with Nomos Bank for a loan for US \$25,000,000. US \$15,000,000 is repayable in 2009 and the balance in 2010. Interest is charged at the LIBOR rate plus 4% and 3.8% respectively. This loan is secured by an agreement where Nomos Bank acts as Buryatzoloto's exclusive sales agent.

(c) In February 2006, Buryatzoloto entered into a revolving working capital financing agreement with International Moscow Bank ("IMB") for a term of 36 months, split into three 12-month periods. The amount of this loan facility is limited to US \$4,000,000 for each period, bearing interest at LIBOR plus a margin of 3%. This loan facility is secured by Buryatzoloto's accounts with IMB. At each annual anniversary of the loan agreement, the principal is repaid and the next tranche drawn.

In April 2006, an agreement was signed with IMB for a US \$6,500,000 loan having a term of 36 months to fund capital expenditures and expenses related to the Novophirsovskoye deposit. The interest rate on the loan is LIBOR plus 3.5%. This loan is secured by Buryatzoloto's accounts with IMB, and pledge of goods in circulation, equipment, doré alloy and other inventory.

(d) In June 2006, Buryatzoloto issued a promissory note to Nomos Bank. The note in the amount of US \$2,500,000 is payable on demand and bears interest at the rate of 8% per annum.

(e) In August 2006, Somita financed the acquisition of electrical generator sets for the Taparko plant through US \$5,000,000 loan from Caterpillar Finance France SA. The loan bears interest at LIBOR plus 3.45% and is repayable in 16 quarterly instalments commencing three months after the loan is granted. High River has guaranteed the loan which is secured by a pledge of property purchased.

(f) Arinvest LLC, who holds a 50% interest in the Prognoz Silver Project, has lent the project US \$1,008,000. The loan is long term and is non interest bearing.

9. VENTURE OBLIGATION

The Company's venture obligation is NIL (2005 – \$31,422,000). *The obligation was without recourse to the Company and its assets other than its 50% interest in the New Britannia project.* There was no defined schedule for repayment of any interest or principal amounts and therefore the obligation was classed as long-term.

During the year, High River negotiated the transfer of its 50% interest in the New Britannia Mine and at the end of Q3 2006 recognized a gain of \$32,940,000 on the transaction.

10. SHARE CAPITAL

(a) Issued and outstanding shares
During the nine months ended September 30, 2006, the following share capital transactions occurred:

	Number of Shares Issued	Value
Share Capital as at December 31, 2005	218,027,951	\$ 276,575
For Cash:		
Exercise of stock options	275,000	503
Exercise of warrants	13,183,238	19,695
	13,458,238	20,198
Warrant and share issue expense		(50)
Share Capital as at March 31, 2006	231,486,189	296,723
Exercise of stock options	166,333	450
Exercise of warrants	1,805,950	2,778
	1,972,283	3,228
Warrant and share issue expense		(33)
Share Capital as at June 30, 2006	233,458,472	299,918
Exercise of stock options	67,334	53
Exercise of warrants	1,070,000	2,515
	1,137,334	2,568
Warrant and share issue expense		(1)
Share Capital as at September 30, 2006	234,595,806	302,485

(b) Stock Options

Total outstanding stock options at September 30, 2006

	Options	Weighted Average Price
Balance - December 31, 2005	10,256,334	\$1.50
Granted	2,200,000	2.13
Cancelled	(30,000)	1.85
Exercised	(275,000)	1.26
Balance - March 31, 2006	12,151,334	1.68
Cancelled	(259,167)	2.09
Exercised	(166,333)	0.94
Balance - June 30, 2006	11,725,834	1.64
Granted	75,000	2.35
Cancelled	(11,667)	2.00
Exercised	(67,334)	0.60
Balance - September 30, 2006	11,721,833	\$ 1.65

The Company accounts for all stock-based payments granted on or after January 1, 2002 using the fair value based method and expenses the options. Cash received from the exercise of options for common shares is credited to share capital. No options were granted in 2005. In 2006, the fair value of the options granted was estimated at the date of grant using a Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 4.0%; no dividend yield; volatility factor of the expected market price of the Company's common stock of 55%; and a weighted average expected life of the options of four years. The estimated fair value of the options granted is charged to expense and contributed surplus over the vesting period of the options. On exercise of options, the contributed surplus is reclassified to capital stock. Stock-based compensation charged to income in the quarter ended September 30, 2006 amounts to \$481,000 (2005 – \$369,000) and the unvested unamortized fair value of options granted amounts to \$1,151,000 (2005 – \$750,000).

(c) Stock options outstanding at September 30, 2006

Exercise Price	Number of Options Outstanding	Weighted Average Remaining Contractual Life (Years)	Number of Options Exercisable
\$ 0.60	624,000	0.20	624,000
1.65	2,272,000	0.90	2,272,000
2.23	75,000	1.40	75,000
1.70	50,000	1.60	50,000
2.25	1,925,000	2.10	1,283,333
1.85	2,585,000	3.20	861,666
0.67	2,085,000	3.00	2,085,000
2.13	2,030,833	4.30	676,947
2.35	75,000	4.80	25,000
	<u>11,721,833</u>	<u>2.10</u>	<u>7,952,946</u>

(d) Warrants outstanding September 30, 2006

	Warrants	Weighted Average Price
Balance - December 31, 2005	30,825,654	\$1.65
Exercised	(13,183,238)	1.11
Granted	11,885,000	2.50
Balance - March 31, 2006	29,527,416	1.75
Exercised	(1,805,950)	1.15
Balance - June 30, 2006	27,721,466	2.41
Exercised	(1,070,000)	2.35
Balance - September 30, 2006	<u>26,651,466</u>	<u>2.42</u>

In the first quarter, holders of warrants due January 27, 2007 having an exercise price of \$1.65 were offered a replacement warrant due January 27, 2007 having an exercise price of \$2.50 for each \$1.65 warrants exercised prior to March 31, 2006. A total of 11,885,000 warrants were exercised. The fair value of the warrants granted was estimated at the date of grant using a Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 4.0%; no dividend yield; volatility factor of the expected market price of the Company's common stock of 55%; and a weighted average expected life of the warrants of nine months. A value of approximately \$0.27 was assigned resulting in an amount of \$3,185,000 for the warrants. The estimated fair value of the warrants granted is charged to "Warrants" on the balance sheet. On exercise of the warrants, the value will be reclassified to capital stock or to contributed surplus if the warrants are not exercised.

Subsequent to the quarter end, the warrants priced at \$2.35 expiring October 26, 2006 were re-priced to \$2.12 and extended for 30 days upon receipt of regulatory and warrant holder approval.

11. RELATED PARTY TRANSACTIONS

Included in the accounts are payments made to companies in which the Company has a significant equity interest. These transactions which in the normal course of operations are recorded at the exchange amount, being the amount agreed to by the parties. At September 30, 2006 the Company had an account receivable from Pelangio Mines Inc. ("Pelangio") of \$27,000 (2005 - \$69,000) for services provided by High River on behalf of Pelangio.

During the nine months ended September 30, 2006, legal services were provided by Cassels Brock and Blackwell LLP in which an officer / former director of the Company is a partner. The total cost of the services was \$55,000 (2005 - \$477,000).

On March 16, 2006, Buryatzoloto prepaid the European Bank for Reconstruction and Development ("EBRD") loan in amount of US \$4,150,000 and interest thereupon. Interest and commission fees related to the

EBRD loan in 2006 were US \$77,000 (2005 – US \$116,000). As part of Buryatzoloto's preference share redemption program, in Q1 2006, Buryatzoloto repurchased its type V preference shares from the EBRD for US \$725,000. High River paid to the EBRD expenses relating to the financing of Berezitovy plus director's fees totalling \$157,000. An employee of the EBRD is a director of High River.

In connection with the financing for Berezitovy, High River has paid Turvill International Inc. fees of \$650,000 (2005 – nil). A partner of Turvill is a director of the Company.

12. INCOME TAX EXPENSE

The income tax expense at September 30, 2006 represents the activities of Buryatzoloto.

	Buryatzoloto	Other	Total
Net income before tax	\$ 9,745	\$ 26,912	\$ 36,657
Tax provision	(3,391)	–	(3,391)
Net income	\$ 6,354	\$ 26,912	\$ 33,266

The \$32,940,000 gain realized on the termination of the venture obligation has been recorded net of tax. Canadian tax pools of \$29,800,000 of non-capital loss carry forwards and \$3,140,000 of capital cost allowance will be utilized to shelter the gain thereby resulting in no cash tax payable.

13. LOSS PER SHARE

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 period, 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,	
	2006	2005	2006	2005
Net income (loss) for the period	\$ 33,666	\$ (554)	\$ 33,266	\$ (2,023)
Weighted average number of shares	233,889,139	195,415,663	230,082,986	179,124,346
Basic income (loss) per share	\$ 0.14	\$ (0.00)	\$ 0.14	\$ (0.01)
Potential issuance of shares				
from option and warrant exercise	3,439,633	–	3,439,633	–
Weighted average number of shares	237,328,772	195,415,663	233,522,619	179,124,346
Fully diluted income (loss) per share	\$ 0.14	\$ (0.00)	\$ 0.14	\$ (0.01)

14. CONTINGENCIES AND COMMITMENTS

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

High River has guaranteed the US \$8,000,000 line of credit to Berezitovy from Nomos Bank and the US \$5,000,000 to Somita by Caterpillar Finance. Buryatzoloto has guaranteed employee mortgages given by Sberbank RF. As at September 30, 2006, this guarantee amount is US \$1,120,000 (December 31, 2005 – US \$665,000).

15. SUPPLEMENTARY CASH FLOW INFORMATION

	Nine Months Ended September 30,	
	2006	2005
(a) Net changes in non-cash working capital		
Accounts receivable	\$ (5,462)	\$ (2,260)
Inventory	(9,188)	(3,322)
Other assets	(1,877)	(903)
Accounts payable	123	(3,510)
	\$ (16,404)	\$ (9,995)
(b) Cash paid for interest	\$ 2,896	\$ 854
Cash paid for income taxes	\$ 2,184	\$ 1,781

16. SEGMENTED INFORMATION

For the Three Months Ended September 30, 2006	Buryatzoloto and Berezitovy (Russia)	Burkina Faso	Other (Canada)	Eliminations and Consolidation Adjustments	Total
Gold revenue	\$ 30,551	\$ -	\$ -	\$ -	\$ 30,551
Other revenue	216	-	2,053	(1,987)	282
Financing costs	1,414	-	-	-	1,414
Amortization and depletion	2,955	-	19	(723)	2,251
Net income (loss) for the period	2,476	(790)	30,040	1,940	33,666
Property, plant and equipment	(3,627)	(4)	(1)	-	(3,632)
Capitalized exploration expenditures	(1,678)	(202)	-	707	(1,173)
Development properties	(15,384)	(21,590)	-	1,245	(35,729)
For the Three Months Ended September 30, 2005	Buryatzoloto and Berezitovy (Russia)	Burkina Faso	Other (Canada)	Eliminations and Consolidation Adjustments	Total
Gold revenue	\$ 19,796	\$ -	\$ -	\$ -	\$ 19,796
Other revenue	(46)	-	405	-	359
Financing costs	396	-	1	-	397
Amortization and depletion	1,707	-	21	-	1,728
Net income (loss) for the period	1,975	-	(3,721)	1,192	(554)
Property, plant and equipment	(1,018)	-	(16)	-	(1,034)
Capitalized exploration expenditures	(13)	(180)	-	-	(193)
Development properties	(9,060)	(9,583)	-	-	(18,643)

For the Nine Months Ended September 30, 2006	Buryatzoloto and Berezitovy (Russia)	Burkina Faso	Other (Canada)	Eliminations and Consolidation Adjustments	Total
Gold revenue	\$ 71,372	\$ –	\$ –	\$ –	\$ 71,372
Other revenue	1,105	–	2,150	(1,987)	1,268
Financing costs	2,526	–	–	–	2,526
Amortization and depletion	10,532	–	50	(2,048)	8,534
Net income (loss) for the period	6,354	–	23,732	3,180	33,266
Property, plant and equipment	8,647	33	33	–	8,713
Capitalized exploration expenditures	2,408	2,298	–	–	4,706
Development properties	36,214	44,250	–	–	80,464
Total assets	181,197	142,262	257,968	(149,125)	432,302

For the Nine Months Ended September 30, 2005	Buryatzoloto and Berezitovy (Russia)	Burkina Faso	Other (Canada)	Eliminations and Consolidation Adjustments	Total
Gold revenue	\$ 59,317	\$ –	\$ –	\$ –	\$ 59,317
Other revenue	1,172	–	572	–	1,744
Financing costs	1,285	–	1	–	1,286
Amortization and depletion	7,697	–	28	–	7,725
Net income (loss) for the period	4,576	–	(6,321)	(278)	(2,023)
Property, plant and equipment	(4,957)	–	(17)	–	(4,974)
Capitalized exploration expenditures	(6,335)	(1,525)	–	–	(7,860)
Development properties	(33,506)	(22,541)	–	–	(56,047)
Total assets	150,527	73,082	192,187	(133,227)	282,569

OJSC Buryatzoloto sells all its gold production to the Nomos Bank which is the major customer.

17. SUBSEQUENT EVENT

Subsequent to the quarter end, High River announced a non-brokered private placement financing by way of a \$12,000,000 convertible debenture. The debenture matures December 11, 2011, has an interest rate of 8% per annum and is convertible into common shares of the Company at a conversion price of \$2.35. The debenture also allows forced conversion after 18 months if High River shares trade above \$3.25 for 30 days. The debenture is held by three of the Company's largest shareholders.

CORPORATE INFORMATION

Directors

Alexandr Balabanov³
Executive Director
RPFB Project Finance Limited
Moscow, Russia

Michael Y.C. Chieng^{1,4}
Financial Consultant
Burnaby, British Columbia

David D. Davidson^{1,2,3}
Partner
Paradigm Capital Inc.
Toronto, Ontario

Laurence W. Curtis^{2,4}
President & CEO
Intrepid Mines Limited
Oakville, Ontario

Valery Dmitriev
General Director
OJSC Buryatzoloto
Ulan-Ude, Russia

David V. Mosher³
President and CEO
High River Gold Mines Ltd.
Oakville, Ontario

Vladimir P. Polevanov
Independent Businessman
Moscow, Russia

Mark Rachovides^{1,2,3,4,5}
Senior Banker,
European Bank for
Reconstruction and Development
London, England

Donald A. Whalen
Executive Chairman
High River Gold Mines Ltd.
Unionville, Ontario

¹ Member of the Audit Committee

² Member of the Compensation & Nomination Committee

³ Member of the Strategic Review Committee

⁴ Member of the Health, Safety & Environment Committee

⁵ Lead Director

Officers

Donald A. Whalen
Executive Chairman

David V. Mosher
President and Chief Executive Officer

Daniel G. Vanin, P. Eng
Executive Vice President and
Chief Operating Officer

Steven Poad
Chief Financial Officer

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

Dan W. Hrushewsky
Vice President, Investor Relations

David C. Poynton
Assistant Corporate Secretary

Other

Heather A. Laxton
Manager, Corporate Governance

John G. Green
Controller

Linda Mosher
Administration Manager

Tania Barreto
Investor Relations Coordinator

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 Office

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

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

Burkina Faso Operations Office

Somita S.A.
01 BP 2509
1648, Blvd. Tânsoba Tab-Kom
Secteur 25
Ouagadougou 01. Burkina Faso

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

Transfer Agent

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

Auditors

PricewaterhouseCoopers LLP
Toronto, Ontario

Solicitors

Cassels Brock and Blackwell LLP
Toronto, Ontario

Shares Listed

The Toronto Stock Exchange
Symbol: HRG
CUSIP 42979J

Investor Relations

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