

HRG



HIGH RIVER GOLD

High River Gold Mines Ltd. Third Quarter 2010 Report

High River Gold Mines Ltd.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As at September 30, 2010. Expressed in Canadian Dollars unless otherwise noted.

The following Management's Discussion and Analysis of the consolidated operating results and financial condition of High River Gold Mines Ltd. (the "Company", "High River") for the fiscal periods ended September 30, 2010 and 2009 should be read in conjunction with the audited Consolidated Financial Statements and related Notes as at December 31, 2009. 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 ("MD&A") is November 12, 2010. All figures are in Canadian dollars, unless otherwise noted.

Overview

High River is a Canadian-based gold mining company with producing mines and advanced exploration projects in Burkina Faso (West Africa) and Russia. Its common shares (symbol - HRG) are traded on the Toronto Stock Exchange. The Company operates the Zun-Holba and Irokinda mines in Russia, through its 84.94%-owned subsidiary, OJSC Buryatzoloto ("Buryatzoloto"), which produced approximately 127,000 ounces of gold attributable to High River in 2009. The Company's ownership of Buryatzoloto is based on the percentage of common shares issued and outstanding. The Company's voting interest in Buryatzoloto is 82.87%. 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 89,000 ounces attributable to High River in 2009. The Berezitovy Gold Mine in Russia owned by Berezitovy Rudnik LLC ("Berezitovy") in which the Company has a 99% interest had attributable gold production in 2009 of 87,000 ounces. In total, High River produced approximately 69,789 attributable ounces in Q3, 78,106 attributable ounces in Q2 and 76,621 attributable ounces of gold in Q3 2009. In 2008, OAO Severstal ("Severstal") acquired indirect ownership and held 70.38% (591,362,172 shares) of High River at September 30, 2010.

This MD&A contains forward-looking statements. For example, statements in the "Outlook" section of this MD&A with respect to planned or expected development, production and exploration are all forward-looking statements. As well, statements about the sufficiency of the Company's cash resources or the need for future financing are also forward-looking statements. All forward-looking statements, including forward-looking statements not specifically identified in this paragraph, are made subject to the cautionary language below and readers are directed to refer to that cautionary language when reading any forward-looking statements.

Forward Looking Statements

This MD&A contains "Forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information includes, but is not limited to, information concerning High River's exploration program and planned gold production as well as High River's strategies and future prospects. Generally, Forward-looking information can be identified by the use of Forward-looking terminology such as "plans", "expects", or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "does not anticipate", or "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might", or "will be taken", "occur", or "be achieved". Forward-looking information is based on the current opinions and estimates of management, and is based on a number of assumptions and subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the Forward-looking information. Assumptions upon which such Forward-looking information is based include, without limitation, availability of skilled labour, equipment, materials (including replacement parts for processing machinery), and capital required to remedy existing mechanical problems and to maintain High River's mines in good working order. Many of these assumptions are based on factors and events that are not within the control of High River and there is no assurance they will prove to be correct. Factors that could cause actual results to vary materially from results anticipated by such Forward-looking information include changes in market conditions, variations in ore reserves, resources, grade or recovery rates, risks relating to international operations (including

legislative, political, social, or economic developments in the jurisdictions in which High River operates), economic factors, government regulation and approvals, environmental and reclamation risks, actual results of exploration activities, fluctuating metal prices and currency exchange rates, costs, timing and amount of future production, changes in project parameters, conclusions of economic evaluations, the possibility of project cost overruns or unanticipated costs and expenses, labour disputes and the availability of skilled labour, failure of plant, equipment or processes to operate as anticipated, capital expenditures and requirements for additional capital, risks associated with internal control over financial reporting, and other risks of the mining industry as well as those risk factors discussed in the Annual Information Form for the year ended December 31, 2009 of High River available at www.sedar.com. Although High River has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in Forward-looking information, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. There can be no assurance that Forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. High River undertakes no obligation to update Forward-looking information if circumstances or management's estimates or opinions should change except as required by applicable securities laws. The reader is cautioned not to place undue reliance on Forward-looking information.

Highlights for Q3 2010

Financial

- Net gold revenue of \$100.8 million, a decrease of 11% from \$113.8 million in Q2 2010, an increase of 13% from \$89.6 million in Q3 2009.
- Net income of \$ 25.8 million (\$ 0.03 per share) compared to a net income \$39.3 million (\$0.05 per share) in Q2 2010 and a net loss of \$4.6 million (\$-0.01 per share) in Q3 2009.
- Cash flow from operations of \$26.3 million, compared to \$48.8 million in Q2 2010, and \$33.00 million in Q3 2009.
- Cash and cash equivalents increased to \$125.6 million from \$92.7 million at the end of Q2 2010, and up from \$38.7 million at the end of Q3 2009.
- Working capital increased to \$205.3 million from \$150.9 million at the end of Q2 2010, up from \$18.5 million at the end of Q3 2009.
- Current and long term debt decreased to \$22.1 million from \$31.5 million at the end of Q2 2010 and from \$121.1 million at the end of Q3 2009.

Operations

- Total gold production (doré) decreased 10% to 77,427 ounces (Q2 2010 – 86,803 ounces (100%) and 84,990 ounces in Q3 2009). Total cash cost per ounce increased 9% to US\$603 (Q2 2010 – US\$554 per ounce and US\$518 per ounce in Q3 2009) (see the *Non-GAAP Financial Measures* table).
- The Zun-Holba and Irokinda Gold Mines produced 30,186 ounces (Q3 2009 – 37,430) (100%) at a total cash cost of US\$ 583.
- The Taparko-Bouroum Gold Mine produced 29,582 ounces (Q3 2009 – 25,073) (100%) at a total cash cost of US\$ 421 per ounce.
- Gold production at Berezitovy was 17,659 ounces (Q3 2009 – 22,487 ounces) (100%), at a total cash cost of US\$ 939.
- At the Bissa Gold Project, the technical report describing the results of the feasibility study was published in Q3 2010.

Subsequent Events

- Igor Klimanov resigned as Chief Executive Officer on October 4, 2010.
- A subsidiary of Severstal acquired 19,000,000 common shares of the Company in October 2010. Following the transaction, Severstal has beneficial ownership and control over 610,362,172 Common Shares, representing approximately 72.64% of the issued and outstanding Common Shares of the Company.
- Konstantin Sobolevskiy was appointed as Chief Executive Officer effective October 28, 2010.
- The Company paid off the principal amount of the Royal Gold loan. The Company has started to pay the tail royalty to Royal Gold, which amounts to 2% of the revenue generated by Somita.

Review of Operations

Selected Financial Results

The Company reported a net income of \$25.78 million (\$0.03 per share) in Q3 2010 compared to net income of \$39.3 million (\$0.05 per share) in Q2 2010 and a net loss of \$4.6 million (\$-0.01 per share) in Q3 2009.

<i>(except per share amounts)</i>	Three months ended			Nine months ended	
	September 30, 2010	June 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Gold revenue	\$ 100,767	\$ 113,808	\$ 89,557	\$ 312,231	\$ 262,917
Net income (loss)	25,775	39,267	(4,567)	92,572	(41,413)
Net income (loss) per share (basic)	0.03	0.05	(0.01)	0.11	(0.07)
Cash provided by (used in) operating activities	26,296	48,800	33,011	106,595	85,504
Weighted average number of shares outstanding (basic)	826,660,782	799,327,755	649,217,295	808,510,986	612,272,706

Buryatzoloto Operations

The Company's attributable gold production from Buryatzoloto was 25,640 ounces compared to 30,974 ounces in Q2 2010 and 31,793 ounces in Q3 2009. Buryatzoloto continues to be profitable and achieved its production objectives for 2010 with 30,186 ounces (100%) of gold produced at an estimated total cash cost of US\$583 per ounce as compared to 37,430 ounces of gold produced at a total cash cost of US\$379 per ounce in Q3 2009. (See the section *Non-GAAP Financial Measures* regarding total cash costs.)

Buryatzoloto Combined Operational and Financial Data

	Three months ended			Nine months ended	
	September 30, 2010	June 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Tonnes mined	159,000	164,000	157,000	467,000	469,000
Tonnes milled	161,000	170,000	153,000	487,000	443,000
Gold grade (g/t)	6.2	7.0	8.4	6.2	8.2
Recovery (%)	90.00	92.2	90.2	91.69	93.3
Gold production (oz) – 100% ⁽¹⁾	30,186	36,467	37,430	100,385	108,055
High River share of production – 84.94%	25,640	30,974	31,793	85,267	91,782
Direct mining cost (US\$/oz)	512	471	341	481	365
Cash operating cost (US\$/oz)	504	520	379	533	402

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

Zun-Holba Mine

Zun-Holba operated according to the budget. The decline in the processed ore grade affected production in Q3 2010.

Zun-Holba Operational Data

	Three months ended			Nine months ended	
	September 30, 2010	June 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Tonnes mined	84,000	85,000	73,000	239,000	218,000
Tonnes milled	80,000	89,000	70,000	257,000	213,000
Gold grade (g/t)	5.9	6.8	9.1	6.5	8.6
Recovery (%)	86.2	89.3	88.2	88.7	89.7
Gold production (oz) – 100%	13,761	18,390	17,346	49,564	52,705
High River share of production – 84.94%	11,688	15,620	14,734	42,100	44,768
Direct mining cost (US\$/oz)	675	479	492	548	441
Cash operating cost (US\$/oz)	750	562	480	621	462

Irokinda Mine

Irokinda operated according to the production plan.

Irokinda Operational Data

	Three months ended			Nine months ended	
	September 30, 2010	June 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Tonnes mined	75,000	79,000	85,000	228,000	252,000
Tonnes milled	81,000	81,000	83,000	230,000	229,000
Gold grade (g/t)	6.6	7.3	7.8	7.2	7.8
Recovery (%)	93.8	95.1	95.2	94.7	95.5
Gold production (oz) – 100%	16,208	18,077	19,891	50,603	55,157
High River share of production – 84.94%	13,767	15,355	16,895	42,982	46,850
Direct mining cost (US\$/oz)	389	376	291	391	300
Cash operating cost (US\$/oz)	455	435	313	443	332

Outlook

Buryatzoloto continues to operate close to its full capacity. The Company's goal is to maintain historic production levels. The amount of minable reserves is a concern of the management. An exploration program to extend the life of the mines is underway at Zun-Holba and Irokinda mines.

Somita Operations (Taparko-Bouroum Gold Mine)

Somita underperformed due to ongoing plant expansion program and difficulties caused by a heavy rainy season.

Somita Operating and Financial Data

	Three months ended			Nine months ended	
	September 30, 2010	June 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Tonnes mined	334,000	353,000	197,000	963,000	524,000
Tonnes milled	305,000	315,000	200,000	912,000	518,000
Gold grade (g/t)	3.3	3.2	4.0	3.3	4.3
Recovery (%)	91.4	92.6	95.0	88.0	92.7
Gold production (oz) – 100% ⁽¹⁾	29,582	30,004	25,073	90,012	67,620
High River share of production – 90%	26,624	27,003	22,565	81,011	60,858
Direct mining cost (US\$/oz)	376	299	467	360	428
Cash operating cost (US\$/oz)	395	325	467	381	445

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

Berezitovy Mine, Russia

The second ball mill was successfully installed at the end of Q3. However, the plant availability remained below planned level in Q3 2010.

Berezitovy Production Data

	Three months ended			Nine months ended	
	September 30, 2010	June 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Tonnes mined	421,000	383,000	301,000	1,061,000	983,000
Tonnes milled	297,000	309,000	303,000	799,000	812,000
Gold grade (g/t)	2.4	2.3	2.6	2.3	2.8
Recovery (%)	87.5	90.4	87.0	87.5	87.3
Gold production (oz) – 100% ⁽¹⁾	17,659	20,332	22,487	51,504	66,106
High River share of production – 99%	17,482	20,129	22,262	50,989	65,445
Direct mining cost (US\$/oz)	817	682	570	777	492
Cash operating cost (US\$/oz)	866	684	607	797	532

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

Review of Exploration Projects

Burkina Faso

In Q3 2010 the Company published technical report on the Feasibility Study of the Bissa project. The company applied for the mining license, which may be granted in Q4 2010. At the same time High River continues exploration at the Bissa group permits. The company also conducted exploration at Taparko-Bouroum and Banfora group of properties in Q3 2010.

Buryatzoloto mines, Russia

An exploration program is being implemented in 2010 in order to increase the life of Irokinda and Zun-Holba mines. The exploration will continue in Q4 2010 and in 2011. The results of the 2010 exploration work are expected in the first half of 2011.

Health, Safety and Environment

There were no fatalities at any of the HRG operations in Q3 2010. There were no significant environmental incidents in Q3 2010 to the best knowledge of the company.

Overall Financial Performance

Revenues

The Company's consolidated net gold revenues for Q3 2010 increased to \$100.76 million from \$89.6 million in Q3 2009. An increase in the price of gold sold was the main factor as movements due to volume and exchange rates were negative. The average realized price was US\$1,248 per ounce compared to US\$964 per ounce in Q3 2009. Somita was the major contributor to the volume growth.

	Three months ended			Nine months ended	
	September 30, 2010	June 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Ounces sold	76,851	91,346	84,441	253,015	239,807
Realized price, US\$/oz	1,248	1,211	964	1,185	937
Average realized C\$ to US\$ exchange rate	1.0502	1.0287	1.0998	1.0413	1.1700
Gold sales, C\$ 000's	100,767	113,808	89,577	312,230	262,917
Change in revenue compared to previous year due to:					
Volume (ounces) variance 000's	(8,052)			14,481	
Price variance 000's	24,011			73,449	
Exchange variance 000's	(4,769)			(38,582)	

Expenses

Direct mining costs (see *Non-GAAP Financial Measures* table) have increased compared to the same quarter last year.

	Three months ended			Nine months ended	
	September 30, 2010	June 30, 2010	September 30, 2009	September 30, 2010	Sep 30, 2009
Ounces produced – 100%	77,427	86,803	84,990	241,901	241,781
Direct mining costs, US\$/oz	530	461	439	499	425
Average realized C\$ to US\$ exchange rate	1.0502	1.0287	1.0998	1.0413	1.1700
Direct mining cost, C\$ 000's	43,089	41,161	40,994	125,790	120,342
Change in cost compared to previous year due to:					
Volume (ounces) variance 000's	(3,648)			60	
Cost variance 000's	7,751			20,871	
Exchange variance 000's	(2,030)			(15,529)	

The cost variance indicates that costs have increased from last year. The mines in Russia are showing higher direct mining costs per ounce. The major drivers are the decreasing ore grades combined with the US\$ devaluation against RUR. Mining costs per ounce have decreased at Somita due to increased productivity but total costs are up due to high volume. The increases in mine amortization and asset retirement accretion are due to higher levels of production and a decrease in the estimated ore reserve on which unit-of-product depreciation is based.

Administrative Costs

Administrative costs decreased to \$1.4 million in 2010 compared to \$5.2 million last year. The major component of the decrease was restructuring costs, which decreased to nil from \$2.4 million and salaries that declined \$0.9 million

Exploration Costs

Exploration was curtailed in the first half of 2009 as a cash conservation measure. Exploration resumed in 2010 as Buryatzoloto began work to replace reserves.

Financing Costs and Investment Income, Net

Financing costs and investment income increased to \$3.0 million from a loss of \$8.5 million. Significant debt reduction took place in 2009 and 2010 resulting in lower finance costs. The fair value adjustment to derivatives increased as value of the Royal Gold, Inc. derivative liability declined the loan was repaid and the estimated remaining life of the loan decreased.

Other Expenses

Other expenses were \$572,000 compared to \$13.5 million in 2009. In 2009 the value of the Novophirsovskoye project was written down to its estimated fair value resulting in a loss of \$11.6 million.

Income Tax Expense

Income tax expense increased as Berezitovy began making future tax provisions.

Balance Sheet

The Company's total assets were \$791.5 million as at September 30, 2010 compared to \$707.0 million as at December 31, 2009. Foreign exchange movement was a major factor in the decline in the value of property, plant and equipment. Working capital increased to \$205.3 million from \$95.8 million as at December 31, 2009. A significant portion of the Company's debt was retired early using available cash.

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. Accordingly there are none at September 30, 2010.

Liquidity and Capital Resources

Lending Arrangements

Somita was breach of certain loan covenants with respect to loans since the beginning of Q4 2008. Pursuant to the Amended and Restated Funding Agreement between Royal Gold, Inc. ("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, is worth approximately three times the value of their initial loan and ten times the value of the remaining debt owing.

In Q1 2010 Somita performed the 90-day completion test. The overall technical performance of the mill was acceptable to RGI. However, the loan agreement also contained a clause stating that project completion was not achieved if liability regarding the payment for the construction of the plant was outstanding. Somita withheld final payment due to the contractor for the processing plant of approximately US\$1,600,000 and has made a claim against the contractor for repairs and losses. The contractor has commenced arbitration proceedings in South Africa as provided for under the construction contract seeking payment of the withheld amounts and damages for an aggregate amount of US\$3,700,000. The Company has filed a counterclaim. 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. The Company believes that the current collateral held by RGI is redundant considering the amount of the claim and is negotiating the terms of its release with RGI. Significant progress has been achieved in Q3 2010. High River paid off the principal amount of the RGI loan subsequent to Q3 2010.

High River early repaid the Nomos Bank, Caterpillar Finance SA and Ecobank Burkina debt in Q2 2010. The major debt obligations at the end of Q3 are to RGI and for the outstanding debentures.

Capital Resources

As of September 30, 2010, the Company's consolidated cash amounts to \$125.6 million and there is working capital of \$205.3 million.

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

<i>(in thousands)</i>	September 30, 2010	December 31, 2009
Cash and cash equivalents	\$ 125,587	\$ 82,061
Working capital	205,255	95,818
Loans and interest payable (long-term)	13,628	25,365

Three months ended	September 30, 2010	September 30, 2009
Cash provided by operating activities	\$ 26,296	\$ 33,011
Cash used in investing activities	(16,783)	(10,932)
Cash provided by (used in) financing activities	26,032	(5,709)

The cash flow of the Company is generated from three operating entities. The oldest and most consistent producing operation is Buryatzoloto with approximately 140,000 to 145,000 ounces of gold production per year. High River owns 84.94% of Buryatzoloto. Somita has overcome early production difficulties and is operating at higher than

planned levels. Berezitovy continues to underperform but the second mill successfully installed at Berezitovy is expected to improve production.

Operating Activities

Cash flow provided by operating activities for Q3 2010 was \$26.3 million compared to \$33.0 million from operations in Q3 2009

Investing Activities

Investing activities consumed \$16.8 million of cash compared to \$10.9 million in 2009. Investing activities were scaled back in 2009 in order to conserve cash and have resumed to levels necessary to sustain operations in 2010.

Financing Activities

All subsidiaries made their scheduled repayments on the current portions of their long-term debt facilities during the year.

The debt owing to Nomos Bank was repaid early without penalty. Surplus funds were used to retire this high interest (14%) debt. Debt payable to Caterpillar Finance SA and Ecobank Burkina was also retired.

As of September 30, 2010, none of the Company's stock options were "in-the-money". There were 18,572,500 warrants priced at \$4.00 which are "not in-the-money". Warrants expired on November 8, 2010.

Uses of Liquidity

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

- service its debt obligations (approximately \$9 million)
- mine-site exploration at Irokinda and Zun-Holba to replace mined-out reserves and extend the life of the mines
- fund corporate administration and working capital
- finance the Berezitovy mine expansion
- geotechnical drilling to support Bissa mine development
- extensive exploration in Burkina Faso

The Bissa development will require significant funds to be invested in 2011-2012.

Contractual Obligations and Commercial Commitments

The following illustrates certain of the Company's significant contractual obligations as at September 30, 2010:

<i>(in thousands)</i>	Total	2010 (three months)	2011	2012	2013	2014 and thereafter
Debt	\$ 16,498	\$ 4,577	\$ 11,921	\$ –	\$ –	\$ –
Interest on debt	4,388	3,433	955	–	–	–
Asset retirement obligations ⁽¹⁾	28,933	–	–	2,555	–	26,524
Capital lease obligations	849	196	653	–	–	–
Operating leases ⁽²⁾	164	164	–	–	–	–
Purchase obligations ⁽³⁾	6,530	4,000	1,959	572	–	–
Other long-term obligations ⁽⁴⁾	4,986	4,986	–	–	–	–
Total	\$ 62,350	\$ 17,357	\$ 15,488	\$ 3,126	\$ –	\$ 26,524

(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.

All 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.

The majority of the consolidated obligations and commitments relate to financing of the projects in Russia and Burkina Faso. The loan to Somita is non-recourse to High River although High River has pledged some assets as security.

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)	2010				2009			2008
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	101,835	115,196	98,479	101,518	90,527	88,183	89,121	57,726
Expenses	(59,872)	(62,346)	(59,890)	(67,699)	(62,773)	(61,369)	(60,878)	(61,679)
All other expenses and taxes	(16,188)	(12,584)	(11,059)	(2,170)	(32,321)	(64,591)	(27,312)	(31,112)
Net (loss) income	25,775	39,266	27,530	31,649	(4,567)	(37,777)	931	(35,065)
Net (loss) income per share: Basic and diluted	0.03	0.05	0.03	0.05	(0.01)	(0.06)	0.00	(0.09)
Gold sales, oz	76,851	91,346	84,818	86,348	84,441	78,274	77,091	58,412
Gold sales, US\$/oz	1,248	1,211	1,106	1,107	964	924	926	812
Gold production, oz	77,427	86,803	77,761	91,585	84,990	79,997	76,794	58,992
Direct mining costs, US\$/oz	530	461	540	434	439	473	368	561
Total cash costs, US\$/oz	603	554	624	559	601	670	607	666

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.

Third Quarter of 2010 Review

The Company attained profitability in Q4 2009 after a series of losses and remained profitable in Q3 2010. Buryatzoloto and Somita continued their consistent performances, while Berezitovy did not reach the planned level.

Outlook

The new mill at Berezitovy should enable increased production and decrease per unit costs in 2011. Somita and Buryatzoloto operate close to full capacity.

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. The most significant transaction was as follows.

During the period, Buryatzoloto paid Severstal Gold, an affiliate of Severstal, \$876,000 (2009 – nil) in management fees. Berezitovy paid to Severstal Gold and Severstal Gold affiliates net amount of \$2,303,000 (2009 – nil) in management fees and for equipment, supplies and services. During the period, officers of the Company who are employees of Severstal have received \$ 27,000 (2009 - \$36,000) as consulting fees from the Company.

Risks and Uncertainties

Severstal Exercises Significant Control Over the Company (strategic)

Severstal, through its affiliates, owns approximately 72.6% of the outstanding shares of the Company and may acquire additional shares. 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 a majority of 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 (strategic)

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, Chief Financial Officer and four of the Company's current directors, all of whom are employed by Severstal, the Company'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 its shareholders.

Gold Price (operational, financial)

The profitability of the Company is largely dependent on the price of gold as its revenues are derived primarily from gold mining and sales. Gold prices fluctuate on a daily basis and are affected by a number of factors beyond the control of the Company, including the US dollar exchange rate with other currencies, central bank lending and sales, producer hedging activities, global demand, production costs, confidence in the global monetary system, expectations of the future rate of inflation, the availability and attractiveness of alternative investment vehicles, the strength of the US dollar (the currency in which the price of gold is generally quoted), interest rates, terrorism and war, and other global or regional political or economic events or conditions. The Company has a no-hedge gold policy.

The future trend in the price of gold cannot be predicted with any degree of certainty. The market price of gold affects the economics of any potential development project and the viability of current operations, as well as having an impact on the perceptions of investors with respect to gold equities, and therefore, the ability of the Company to raise capital. A decrease in the market price of gold and other metals could affect the Company's ability to finance the development of its projects and the exploration and development of the Company's properties. A sustained, significant decline in gold prices could also have a significant impact on the Company's revenues due to operations being uneconomic and thereby cause a temporary or permanent closure of the Company's mining operations. A closure of any of the Company's mining operations could have a material and adverse effect on the Company's future cash flows, earnings, results of operations and financial condition, and could curtail further exploration or development due to lack of capacity to finance, possibly resulting in depleting mineral reserves that are not replaced. There can be no assurance that the market price of gold will remain at current levels, that such prices will increase or that market prices will not fall.

If the market price of gold falls and remains below variable production costs of any of the Company's planned or current mining operations for a sustained period, losses may be sustained. The Company would also have to assess the economic impact of any sustained lower gold prices on recoverability and, therefore, the cut off grade and level of gold reserves and resources. These factors could have an adverse impact on the Company's future cash flows, earnings, results of operations, mineral reserves and financial condition. The Company does not use derivatives to mitigate its exposure to commodity price risk. Sensitivity of annual pre-tax earnings to a 10% increase or decrease in the realized gold price (US\$976 per ounce) for the Company's 2009 production is approximately \$34.5 million or \$0.04 per share based on shares outstanding as at December 31, 2009.

Operating Cost Risk (operational, financial)

The Company's financial performance is affected by its ability to achieve targets for production volumes and cash operating costs. High River prepares estimates of future production and cash operating costs of production for the operations. These estimates are based on mine plans that reflect the expected method by which the Company will mine reserves at each mine, and the expected costs associated with the plans. Actual gold production and cash operating costs may vary from these estimates for a number of reasons, including if the volume of ore mined and ore grade differs from estimates, which could occur because of changing mining rates; ore dilution; varying metallurgical and other ore characteristics; and short-term mining conditions that require different sequential development of ore bodies or mining in different areas of the mine. Mining rates are impacted by various risks and hazards inherent at each

operation, including natural phenomena, such as inclement weather conditions, floods, and earthquakes, and unexpected labour shortages or strikes. Cash operating costs per ounce are also affected by ore metallurgy that impacts gold recovery rates, labour costs, the cost of mining supplies and services, foreign currency exchange rates and stripping costs incurred during the production phase of the mine. In the normal course of operations, High River attempts to manage each of these risks to mitigate, where possible, the effect they have on operating results. Sensitivity of annual earnings to a 10% increase or decrease in the realized mining total cash costs for the Company's 2009 production is approximately \$18.0 million or \$0.02 per share based on shares outstanding as at December 31, 2009.

Internal Controls and Procedures (compliance, non-financial)

Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. They are not a guarantee of perfection. A control system, no matter how well designed and operated, can provide only reasonable, not absolute assurance with respect to the reliability of financial reporting and financial statements preparation.

High River operates in a number of foreign jurisdictions and as such is obligated to comply with local laws and financial reporting requirements. Internal controls and procedures employed over financial reporting are adapted to the business environments within which the Company operates. Every effort is undertaken to ensure that reasonable and cost effective procedures and controls are in place to allow for the preparation of reliable financial information.

Changes in Significant Accounting Policies

There were no changes in accounting policies in Q3 2010.

Critical Accounting Policies and Estimates

The Company's accounting policies are described in note 2 to the annual consolidated financial statements. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported results. The estimates and assumptions are based on historical experience and guidelines and practices within the mining industry or other business and are reviewed by management on an ongoing basis. Actual results could differ from those based on such estimates and assumptions. Management considers the following policies to be the most critical to understanding the Company's consolidated financial statements and the uncertainties that could impact its financial condition, results of operations and cash flows.

Measurement Currency

High River reports its consolidated financial statements using the Canadian dollar as its measurement currency. The majority of its assets are located outside of Canada. The translation of the results of its investments or foreign operations may result in significant changes to the reported results from period to period. In 2007, Somita was reclassified as self-sustaining and GAAP required a change in translation method. In 2008, Berezitovy was reclassified as self-sustaining.

The determination of measurement currency under Canadian GAAP requires a high degree of judgement. There is a variety across certain factors used by management in making this determination. The international price of gold is reported in US\$ and sales are recorded in that currency. It is a characteristic of the mining industry that the prices of many of its production and capital inputs are expressed in the US\$. The majority of gold producing companies have chosen to report in the US\$. With the increase in the Company's production profile, High River continues to review its choice of the appropriate presentation currency, presently being the Canadian dollar.

Property, Plant and Equipment

The Company capitalizes all exploration that results in the acquisition or retention of resource properties or an interest therein. Upon commencement of production, construction and development costs are capitalized and amortized over the estimated useful life of the asset. The significant estimate that affects the measure of amortization is the quantity of mineral reserves. The estimate of mineral reserves is prepared by qualified persons in accordance with industry standards. Mineral reserve estimates can change over time as a result of numerous factors, including adverse changes in gold prices, exchange rates, production costs and technical parameters. A significant reduction in mineral reserves would have a negative impact on the carrying value of the property, plant and equipment.

Expenditures for new facilities or equipment and expenditures that extend the useful lives of existing facilities or equipment are capitalized and depreciated using the declining balance or straight-line method at rates sufficient to

depreciate such costs over the estimated future lives of such facilities or equipment. These lives do not exceed the estimated operating mine life based on estimated mineral reserves unless the Company believes the asset can be utilized in another facility after the mining operations have ended.

Depletion of the deferred costs of mine development is calculated on a units-of-production basis over the estimated mineral reserves. The calculation of the units-of-production rate of depletion and, accordingly, the annual depletion charge to operations, could be materially affected to the extent that actual production in the future is different from current forecasts of production based on estimated mineral reserves. This would generally be the case where there were significant changes in any of the factors or assumptions used in estimating mineral reserves. These factors could include (i) an expansion of estimated mineral reserves through exploration activities, (ii) differences between estimated and actual cash costs of mining, due to differences in grade, metal recovery rates and foreign currency exchange rates from those assumed, and (iii) differences between actual commodity prices and the commodity price assumptions used in the estimation of mineral reserves. Such changes in mineral reserves could similarly impact the useful lives of assets depreciated on a straight-line basis, where those lives are limited to the life of the mine. The accounting estimates related to amortization and depletion are critical accounting estimates and are influenced by the Company's estimates of mineral reserves. Historically, the Company has been successful in replacing a portion of the mineral reserves depleted through mining operations. Amortization and depletion charges are adjusted prospectively based on annual year-end assessments of Company's mineral reserves.

Impairment of Long-lived Assets

The Company reviews and evaluates its long-lived assets for impairment when events or changes in circumstances indicate the related carrying amounts may not be recoverable. An asset impairment is considered to exist if the total estimated future cash flows on an undiscounted basis are less than the carrying amount of the asset. An impairment loss is measured and recorded based on determined fair values, often calculated from discounted estimated future cash flows. Future cash flows are estimated based on estimated quantities of recoverable minerals, expected commodity prices (considering current and historical prices, price trends and related factors), production levels, cash costs of production, capital and reclamation costs, all based on detailed life of mine plans. The term "recoverable minerals" refers to the estimated amount of gold or other commodities that will be obtained from mineral reserves and all related mineral interests, after taking into account losses during ore processing and treatment. Significant management judgment is involved in estimating these factors, which include inherent risks and uncertainties. The assumptions the Company uses are consistent with its internal planning. Management periodically evaluates and updates the estimates based on the conditions that influence these factors. The variability of these factors depends on a number of conditions, including uncertainty about future events, and thus the Company's accounting estimates may change from period to period. If other assumptions and estimates had been used in the current year, the balances for long-lived assets could have been materially impacted. Furthermore, if management uses different assumptions or if different conditions occur in future periods, future operating results could be materially impacted.

The Company has determined that the total undiscounted net cash flows from its operations would not be less than the carrying amount of the related long-lived assets. If at some point it is determined that the future cash flows from the operations and development projects are less than the carrying value then the Company would take a write down on the assets.

In the fall of 2009, High River's joint venture partner started a legal action in Moscow to declare Prognoz Silver LLC ("Prognoz Silver") bankrupt. Prognoz Silver is 50% owned by High River and holds the mineral license for the Prognoz silver project. The primary creditor was Buryatzoloto who was owed approximately \$18 million. In order to protect its interests, Buryatzoloto also filed to put Prognoz Silver into bankruptcy. The Russian courts chose to accept Buryatzoloto's application and appointed an observer to oversee the affairs of Prognoz Silver. Under Russian law, in the event of a bankruptcy, the mineral license held by Prognoz Silver is supposed to be returned to the State. However, in practice there is some leeway and the observer may sell or transfer the license as part of the debt restructuring. The outcome of the bankruptcy proceedings is uncertain however, the Company expects that it may be able to participate in such proceedings. High River and Buryatzoloto will attempt to realize some value from the license. However, it may be necessary for High River to write off some or all of its investment.

Reclamation and Closure Costs

The Company's operations, development and exploration activities are subject to various laws and regulations governing the protection of the environment. Potential changes in the laws and regulations could have an adverse risk on the actual environmental and reclamation costs that the Company could incur in the future.

Mining operations involve activities that have a significant effect on the area surrounding such operations. The Company estimated its ultimate legally required reclamation and closure costs (including those that the Company

expects to incur during operations) would total \$28.9 million. These liabilities are accreted to their full value over time through charges to income.

The accounting estimates related to reclamation and closure costs are critical accounting estimates because (i) the Company will not incur most of these costs for a number of years, requiring it to make estimates over a relatively long period; (ii) reclamation and closure laws and regulations could change in the future or circumstances affecting the Company's operations could change, either of which could result in significant changes to its current plans and future costs; (iii) calculating the fair value of the Company's asset retirement obligations requires management to assign probabilities to projected cash flows, to make long-term assumptions about inflation rates, to determine its long-term credit-adjusted, risk-free interest rates and to determine market risk premiums that are appropriate for its operations over long periods of time; and (iv) given the magnitude of its estimated reclamation and closure costs, changes in any or all of these estimates could have a material impact on the Company's financial condition and results of operations.

To calculate the fair value of these obligations, the Company discounted the projected cash flows for the corresponding time periods over which these costs would be incurred. The inflation rates and discount rates the Company used to calculate the fair value of the Company's asset retirement obligations are critical factors in the calculation of future value and discounted present value costs.

Income and Mining Taxes

Significant judgment, estimates and assumptions are required in determining the Company's consolidated tax provision. In addition, in evaluating the ability for the Company to realize the future tax assets, significant judgment, estimates and assumptions are required in establishing future income tax asset valuation allowances.

The provision or relief for income and mining taxes is calculated based on the expected tax treatment of transactions recorded in the Company's 2009 consolidated financial statements. The objectives of accounting for income and mining taxes are to recognize the amount of taxes payable or refundable for the current year and future tax liabilities and assets for the future tax consequences of events that have been recognized in the Company's 2009 consolidated financial statements or tax returns. In determining both the current and future components of income and mining taxes, the Company interprets tax legislation in a variety of jurisdictions, recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes would be payable as well as makes assumptions about the expected timing of the reversal of future tax assets and liabilities. If the Company's interpretations differ from those of tax authorities or if the timing of reversals is not as anticipated, the provision or relief for income and mining taxes could increase or decrease in future years.

Future Changes in Canadian Accounting Policies

- (a) Section 1582, Business combinations; Section 1601, Consolidated financial statements; Section 1602, Non-controlling interests; and Amendments to Section 3251, Equity

The CICA issued three new accounting standards in January 2009: Section 1582, Business combinations; Section 1601, Consolidated financial statements; Section 1602, Non-controlling interests; and amendments to Section 3251, Equity. These new standards will be effective for the Company in 2011 and earlier adoption is permitted as of the beginning of a fiscal year. The Company is in the process of evaluating the requirements of the new standards.

Section 1582 replaces Section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to International Financial Reporting Standards IFRS 3R – Business Combinations.

Sections 1601 and 1602 together replace Section 1600, Consolidated financial statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27 – Consolidated and separate financial statements.

Amendments to Section 3251 apply to entities that have adopted Section 1602 and require separate presentation on the statements of operations and comprehensive income of income attributable to owners of the Company and those attributable to non-controlling interests. The amendments also require that non-controlling interests be presented separately as a component of equity.

- (b) Amendment to Section 3855, Financial instruments – Recognition and measurement

In June 2009, Section 3855, Financial Instruments – Recognition and Measurement was amended to:

- Clarify the application of the effective interest method following an impairment loss of an investment in a debt instrument. This clarification applies to investment in debt instruments classified as held-to-maturity and to those classified as available for sale. This amendment will be effective for the Company in 2010.
- Clarify the situation where the embedded prepayment option is considered closely related and, therefore, is not separated from the host debt instrument for recognition purposes. This amendment will be effective for the Company in 2011.

The Company is in the process of evaluating the requirements of these new standards.

IFRS Transition Plans

In 2008, the Accounting Standards Board confirmed that International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board, will replace Canadian GAAP for publicly accountable enterprises and must be adopted for fiscal years beginning on or after January 1, 2011, with comparative information for 2010 restated under IFRS.

The Company’s IFRS implementation project consists of three primary phases which will be completed by a combination of in-house resources and external consultants from Severstal.

- Initial diagnostic phase (“Phase I”) – Involves preparing a preliminary impact assessment to identify key areas that may be impacted by the transition to IFRS. Each potential impact identified during this phase is ranked as having a high, moderate or low impact on financial reporting and the overall difficulty of the conversion effort.
- Impact analysis, evaluation and solution development phase (“Phase II”) – Involves the selection of IFRS accounting policies by senior management and the review by the audit committee, the quantification of the impact of changes on existing accounting policies on the opening IFRS balance sheet and the development of draft IFRS financial statements.
- Implementation and review phase (“Phase III”) – Involves training key finance and other personnel and implementation of the required changes to information systems and business policies and procedures. It will enable the Company to collect the financial information necessary to prepare IFRS financial statements and obtain audit committee approval of IFRS financial statements.

The Company expects to complete Phases I and II throughout the financial year ended 31 December 2010. The Company will continue to update its disclosures throughout the remainder of 2010 to reflect specific actions taken to facilitate adoption of IFRS effective January 1, 2011.

The differences that have been identified in the diagnostic phase are summarized below.

a) Transitional Impact on Financial Statement Presentation and Classification

The Company’s financial statements will have a different format upon transition to IFRS. The components of a complete set of IFRS financial statements are: statement of financial position (balance sheet), statement of comprehensive income, statement of changes in equity, statement of cash flows, and notes including accounting policies. An income statement will be presented as a component of the statement of comprehensive income. The balance sheet may be presented in descending order of liquidity. The income statement is classified by each major functional area – administration, marketing, distribution, etc.

Impact on the Company: The Company will reformat the financial statements in compliance with IAS 1.

b) IFRS-1 Transitional Policy Choices and Exceptions for Retrospective Application

IFRS 1 governs the first-time adoption of IFRS. In general, accounting policies adopted in accordance with IFRS are to be applied retrospectively. IFRS 1 allows certain exemptions from retrospective application. Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as of January 1, 2010, the date of the first comparative balance sheet presented under IFRS. However, the Company may provide retrospective application to January 1, 2009. The following are the most significant optional exemptions that the Company plans to utilize:

Property, plant & equipment: IFRS 1 provides a choice between measuring property, plant and equipment at its fair value at the date of transition and using those amounts as deemed cost or using the historical cost basis under Canadian GAAP.

Impact on the Company: *The Company has not yet determined its policy choice. The Company may elect to use deemed cost values as determined by Severstal as at the date of its acquisition of High River. Severstal determined these values during 2009 in order to complete its accounting for acquisition of High River under IFRS 3 Business Combinations.*

Decommissioning Liabilities: IFRS 1 provides an exemption to avoid retrospectively calculating the associated asset and depreciation for all decommissioning liabilities. IFRS 1 allows the company to measure the liability at the date of transition to IFRS and estimate the amount that would have been included in the cost of the related asset when the liability first arose, by discounting the liability to that date using its best estimate of historical risk-adjusted discount rate(s) that would have applied for that liability over the intervening period.

Impact on the Company: *High River will elect the exemption and adopt IFRS 1 and will estimate comparative decommissioning expenses by discounting the current decommissioning expense using appropriate risk-adjusted discount rates*

Cumulative Translation Adjustment: IFRS 1 provides an exemption which allows the cumulative translation differences for all foreign operations to be deemed zero at the date of transition to IFRS.

Impact on the Company: *High River will elect the exemption and recognize the cumulative translation differences from translating foreign operations previously recorded in accumulated other comprehensive income in retained earnings at January 1, 2010.*

Business Combinations: IFRS 1 permits companies to apply IFRS 3 *Business Combinations* (“IFRS 3”) prospectively to business combinations occurring on or after the transition date. The alternative, retrospective application of IFRS 3 would require the restatement of all business combinations occurring prior to the date of transition to IFRS in addition to those occurring after the transition date.

Impact on the Company: *High River will elect the exemption and is not required to restate business combinations prior to the date of transition.*

Other elective exemptions: Other available exemptions continue to be evaluated. The remaining optional exemptions are not expected to be significant to the Company’s adoption of IFRS.

c) Ongoing Accounting Policies (Mandatorily applicable standards with retrospective application (i.e., not specifically exempt under IFRS - 1)

Deferred Mineral Exploration and Evaluation Costs: Upon adoption of IFRS, the Company will have a choice between retaining its existing policy of capitalizing all pre feasibility evaluation and exploration expenditures and electing to change its policy retrospectively to expense some or all pre feasibility costs. IFRS 6 requires that the Company selects and consistently applies an accounting policy specifying which E&E expenditures are capitalized and which are expenses. IFRS requires that the accumulated costs are reclassified when the technical feasibility and economic viability of extracting the resource has been established. IFRS also requires that exploration and evaluation assets be classified either as tangible (IAS 16) or intangible assets (IAS 38) then immediately subjected to a full impairment test. E&E assets can be subsequently measured at cost or re-valued amount. Under Canadian GAAP, the Company is permitted to classify E&E assets as development properties (separate from PP&E) recorded at historic cost after a production decision is made and no impairment test would be required.

Impact on the Company: *The Company will make a final determination of its policy in this area during Phase II.*

Functional Currency: IFRS contains a more comprehensive framework for the determination of functional currency than is presented under Canadian GAAP Section 1651. The Company uses the Canadian \$ as its reporting currency. The functional currency presently used is Canadian \$ for the corporate office, United States \$ for Buryatzoloto, Russian Roubles for Berezitovy and the West African CFA franc for Somita.

Impact on the Company: *During Phase II the Company will review the IAS 21 criteria to determine whether there is a material impact upon transition at January 1, 2010 or at December 31, 2010 and for the interim periods and the year then ended. It is likely that one or more entities will change their functional currency. The change is required to be applied on a retrospective basis. As a result, cumulative translation differences relating to these entities will be eliminated and adjustments recorded for non-monetary assets and liabilities for differences between the translation of items at the historical rate and the current rate. Any remaining adjustment will be recognized in retained earnings.*

The retroactive adoption of a different functional currency can be very complex and time consuming and will affect determinations made under other standards such as income taxes and property, plant and equipment. A validation of the functional currency will be completed early in the IFRS transition process. The Company will calculate the impact on transition resulting from the change in Phase II.

Foreign Currency Translation: IFRS requires that the current rate method be used to translate the statements of its foreign subsidiaries, the most significant of which in terms of asset value are Jilbey SARL (which holds the Bissa exploration license) and Prognoz Silver LLC (which holds the Prognoz silver exploration license). Under Canadian GAAP, integrated operations are translated using the temporal method.

Impact on the Company: *The Company will translate its subsidiaries using the current rate method in IAS 21. The change is required to be applied on a retrospective basis. As a result, cumulative translation differences relating to these entities will be eliminated and adjustments recorded for non-monetary assets and liabilities for differences between the translation of items at the historical rate and the current rate. Any remaining adjustment will be recognized in retained earnings. The Company will calculate the impact on transition resulting from the change in Phase II.*

Property, Plant and Equipment - Cost: IFRS contains more extensive guidance with respect to components within PP&E. When an item of property, plant and equipment comprises individual components for which different depreciation methods or rates are appropriate, each component is accounted for separately (component accounting). Canadian GAAP Section 3061 essentially contains similar guidance but is less extensive. IFRS requires the residual value and useful life of each asset to be reviewed at least each financial year-end. Canadian GAAP requires that reviews occur on a regular basis.

Impact on the Company: *The Company believes that the “components” approach is primarily intended to apply to major inspection or overhaul cost that is embedded in the cost of an item of property, plant and equipment. The Company has not identified any major inspection or overhaul cost with respect to its property, plant and equipment. Accordingly, the Company does not expect that this will have a material impact upon transition. Given the requirements of IAS 16 the Company will need to review the residual values and useful lives of assets on a more frequent basis than it does at present.*

Property, Plant and Equipment - Impairment: Under IFRS an asset is impaired if the recoverable amount is lower than the asset’s carrying amount. The recoverable amount is defined as the higher of the asset’s fair value less cost to sell and its value-in-use. The value-in-use calculation involves discounting the expected future cash flows to be generated by the asset to their net present value. Canadian companies should (i) determine the existence of any impairment loss, and (ii) measure and recognize such impairment, if any at January 1, 2010. Under Canadian GAAP a two-step approach is used to measure impairment. In step 1, a recoverability test is performed by comparing the expected undiscounted future cash flows to be derived from the asset with its carrying amount. If the asset fails the recoverability test, step 2 is triggered, and the entity must record an impairment loss calculated as the excess of the asset’s carrying amount over its fair value.

Impact on the Company: *As Canadian GAAP requires impairment to be tested against the undiscounted future cash flows, and IFRS requires impairment to be tested against discounted cash flows, there is a possibility that assets that are not impaired under Canadian GAAP will be considered impaired under IFRS.*

Property, Plant and Equipment – Impairment Reversal: IAS 28 and 36 require reversal of impairment loss for assets other than goodwill if certain criteria are met. Canadian companies should determine amount of previously recognized impairment that is no longer appropriate and reverse that amount (up to the original cost less depreciation) at date of transition. Under Canadian GAAP reversals prohibited.

Impact on the Company: *The Company does not expect that this will have a material impact upon transition.*

Deferred taxes: Under IFRS, deferred income taxes, called “future income taxes” under Canadian GAAP, are recognized for temporary differences arising from the difference between the historical exchange rate and the current exchange rate translations of the cost of nonmonetary assets or liabilities denominated in other currency than Canadian dollars, the Company’s reporting currency. Under Canadian GAAP, these temporary differences are not accounted for. The Company owns significant mining interests with costs denominated in non-Canadian dollars. Accordingly, a weakening in foreign currencies, primarily the Russian Rouble and the West African CFA franc, would result in additional deferred income taxes recognized by the Company.

Under IFRS, deferred income taxes are not recognized for temporary differences that arise from differences between the fair values and tax bases of assets acquired in transactions other than a business combination. Under

Canadian GAAP, future income taxes are recognized for such temporary differences. The resulting future tax liability/asset under Canadian GAAP is recognized as a bump up/grind down of the carrying value of the related asset. For purposes of the opening IFRS balance sheet at January 1, 2010, the Company has not acquired any assets which would be considered as acquired in a transaction other than a business combination under IFRS to which this accounting policy difference would apply. In addition, the Company does not expect to acquire assets subsequent to the opening IFRS balance sheet date which would be considered as acquired in a transaction other than a business combination under IFRS.

Under IFRS, the Company will present foreign exchange gains and losses from translation of deferred income taxes as part of deferred income tax expense, as compared to other income and expense under Canadian GAAP.

Impact on the Company: *During Phase II the Company will review (i) the general principles in IAS 12, and (ii) additional guidance from the CICA Accounting Standards Board, if to determine whether any adjustments that might be required as at January 1, 2010 and for the interim and annual periods ended December 31, 2010.*

Provision for environmental rehabilitation: IAS 37 applies to a constructive obligation, where the event creates valid expectations that the entity will discharge the obligation, as well as a legal obligation. The amount recognized should be the best estimate of the expenditure required to settle the obligation at the balance sheet date. Present value using a pre-tax discount rate should be used where the effect of the time value of money is material. Under Canadian GAAP Section 3110, applies to legal obligations associated with the retirement of a tangible long-lived asset. Such an obligation is to be initially measured at fair value using a credit-adjusted risk-free rate in the period in which the obligation is incurred, unless it cannot be reliably measured at that date. IFRS requires the liability be re-measured at each reporting date. Canadian GAAP requires re-measurement in the event of changes in the amount or timing of cash flows.

Impact on the Company: *The asset retirement obligations with respect to the Company's mines represent a legal and constructive obligation under both section 3110 and IAS 37. Both standards require the obligation to be recognized initially at fair value. The Company believes that the amount recognized as a liability represents the best estimate of the expenditure required to settle the obligation at the balance sheet date. Under IFRS, the Company will present accretion of its reclamation and closure cost obligations as part of finance costs, as compared to depreciation and depletion under Canadian GAAP. High River does not believe the impact of IAS 37 will result in a material adjustment to the rehabilitation provision/Asset Retirement Obligation. The Company will need to implement procedures that allow for re-measurement of the liability at each balance sheet date (i.e. quarterly).*

Share based compensation: Under IFRS 2, graded vesting awards must be accounted for as though each instalment is a separate award. IFRS does not provide for an election to treat the instruments as a pool and recognize expense on a straight line basis. The straight line basis is permissible under Canadian GAAP.

Impact on the Company: *The Company has recognized option expense on a straight line basis and expects to record transitional entries for options unvested at January 1, 2010. The effect of this will be an increase to deficit and contributed surplus. For options granted on or after January 1, 2010 the Company will calculate the aggregate fair value as though each instalment is a separate award and will amortize the value on a graded basis. The Company does not believe the impact is material.*

Convertible Debt – Valuation Methodology: Under IAS 32 the liability component of a compound instrument is measured on initial recognition by measuring any financial asset or financial liability components at fair value and applying the residual amount to equity. Under Canadian GAAP Section 3863 permits an additional "relative fair value" method.

Impact on the Company: *At initial recognition, the Company measured the liability component of the convertible loan at fair value and applied the residual amount to equity in accordance with the methodology prescribed by IFRS 7.*

Impact on information systems and processes and controls: Based on findings from the diagnostic phase of the project the Company does not expect that adoption of International Accounting Standards will have a pervasive impact on its present systems and processes. The Company expects to implement certain minor changes to the general ledger account descriptions as well as the calculation methodologies currently in use for certain specific financial statement areas such as asset impairment, and share based compensation.

Impact on internal controls over financial reporting and on disclosure controls and procedures: As the accounting policies are selected, appropriate changes to ensure the integrity of internal control over financial reporting and disclosure controls and procedures will be made. For example, any changes in accounting policies could result in

additional controls or procedures being required to address reporting of first time adoption as well as ongoing IFRS reporting requirements. At this point, the Company has not determined its final accounting policy choices. The certifying officers plan to complete the design, and initially evaluate the effectiveness of, any significant changes to controls in the fourth quarter of 2010 to prepare for certification under IFRS in 2011.

Financial Reporting Expertise: The planning for the IFRS transition is being done by personnel at Severstal in conjunction with the external auditors. Severstal personnel are familiar with the requirements of IFRS and have been reporting under IFRS for several years. The Company has identified resource requirements to establish appropriate IFRS reporting expertise at all levels of the business and started training in Q1 2010. The Company holds an IFRS information session with the Audit Committee each quarter in conjunction with the Audit Committee's review of the interim statements to explain the IFRS implications and review the timeline for implementation.

Impact on business activities: The Company does not expect the transition to IFRS to have an impact on its business activities.

d) IFRS Recent Pronouncements

Business Combinations: In January 2009, the CICA issued the new handbook Section 1582, "Business Combinations", effective for fiscal years beginning on or after January 1, 2011. This pronouncement further aligns Canadian GAAP with IFRS and changes the accounting for business combinations in a number of areas. It establishes principles and requirements governing how an acquiring company recognizes and measures in its financial statements identifiable assets acquired, liabilities assumed, any non-controlling interest in the acquiree, and goodwill acquired. The section also establishes disclosure requirements that will enable users of the acquiring company's financial statements to evaluate the nature and financial effects of its business combinations. Although the Company is considering the impact of adopting this pronouncement on the financial statements, it will be required for future acquisitions beginning in fiscal 2011, or if the Company elects to apply to any future acquisition prior to fiscal 2011.

Consolidated Financial Statements and Non-Controlling Interests: Under the current IFRS standard, IAS 31 - Interests in Joint Ventures, the Company has the option to account for its interest in Prognoz using proportionate consolidation, similar to its accounting policy under Canadian GAAP. The IASB issued Exposure Draft 9 – Joint Arrangements ("ED-9") in September 2007 with comments due January 2008. ED-9 proposed to eliminate the choice to proportionately consolidate jointly controlled entities and required such entities to be accounted for using the equity method. The new IFRS standard for joint arrangements which was originally planned for issuance in the third quarter of 2009 has not yet been issued. In March 2010, the board tentatively decided that Jointly Controlled Entities (JCEs) will transition from proportionate consolidation to the equity method, by aggregating at their respective carrying values the proportionate consolidated assets and liabilities into a single line item. The investment will need to be tested for impairment in accordance with IAS 36 *Impairment of Assets* at the date at which the standard is applied, and at the corresponding comparative periods. The IASB continues to discuss various items on this topic and expects publication of the final Standard at the end of the fourth quarter of 2010.

In January 2009, the CICA issued the new handbook Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests", effective for fiscal years beginning on or after January 1, 2011. These pronouncements further align Canadian GAAP with IFRS. Sections 1601 and 1602 change the accounting and reporting for ownership interests in subsidiaries held by parties other than the parent. Non-controlling interests are to be presented in the consolidated statement of financial position within equity but separate from the parent's equity. The amount of consolidated net income attributable to the parent and to the non-controlling interest is to be clearly identified and presented on the face of the consolidated statement of income. In addition, these pronouncements establish standards for a change in a parent's ownership interest in a subsidiary and the valuation of retained non-controlling equity investments when a subsidiary is deconsolidated. They also establish reporting requirements for providing sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners.

No final decision has been made but, given the facts and circumstances relating to Prognoz, it is likely that the Company will adopt equity accounting for its investment in Prognoz which will have a material effect on presentation of the balance sheet as deferred exploration will decrease and investments will increase.

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 Company's Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions could be made regarding public disclosure. As at the end of the period covered by this MD&A, management of the Company, with the participation of the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the Company'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 MD&A, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company'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 material information is accumulated and communicated to the management of the Company, 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

Management is responsible for certifying the design and effectiveness of the Company's internal control over financial reporting ("ICFR"). As required by Multilateral Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*. The Company's ICFR is intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable Canadian GAAP. Because of its inherent limitations, ICFR may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Management, including the Chief Executive Officer and Chief Financial Officer, carried out an assessment of the design and effectiveness of the Company's ICFR. 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. The Severstal internal audit department, which participated in the testing of internal controls, assisted in the preparation of a remediation plan. During 2009, the remediation plan was implemented and many of the deficiencies were corrected. One of the outstanding ICFR weaknesses relates to income taxes.

The Company makes the necessary provision for income and mining taxes and other tax related estimates. Income and mining tax is a highly technical area that requires an in-depth understanding of the tax laws in Canada, Russia and Burkina Faso. The Company's accounting staff has only a fair and reasonable knowledge of the rules related to income and mining tax accounting and reporting. This lack of tax knowledge represents a material weakness in the Company's control environment as a material error relating to income and mining tax accounting or disclosure could go undetected. To mitigate this risk, the Company engaged an independent consultant to assist in the determination and preparation of certain tax matters and to prepare the annual tax filing for the Company.

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, 2010.

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 12, 2010, the share capital consisted of:

- 840,218,962 common shares issued and outstanding.
- 3,707,767 common share purchase options outstanding at an average exercise price of \$2.25 maturing at various dates until September 29, 2013.
- 5,072,068 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	Buryatzoloto		Berezitovy		Somita		Total	
	C\$ 000s	US\$/oz	C\$ 000s	US\$/oz	C\$ 000s	US\$/oz	C\$ 000s	US\$/oz
September 30, 2010								
Average exchange rate – C\$ to US\$							1.0502	
Gold ounces sold	29,334		16,912		30,605		76,851	
Gold revenue per financial statements	38,668	1,255	21,936	1,235	40,163	1,249	100,767	1,248
Gold ounces produced	30,186		17,659		29,582		77,427	
Direct mining costs	16,235	512	15,183	817	11,671	376	43,089	530
Mining administrative costs	1,773	56	1,135	61	633	20	3,540	44
Stripping and mine development adjustments	(1,703)	(54)					(1,703)	(21)
Third party smelting, refining & transportation	249	8	121	7	130	4	500	6
By-product credits	(577)	(18)	(336)	(18)	(155)	(5)	(1,068)	(13)
Cash operating costs	15,976	504	16,103	866	12,279	395	44,359	545
Royalty expense and production tax	2,506	79	1,361	73	812	26	4,679	58
Total cash costs	18,482	583	17,464	939	13,092	421	49,038	603
Inventory change	1,961		(5,718)		(673)		(4,431)	
By-product credits	577		336		155		1,068	
Mining amortization and depletion	4,132		4,720		5,016		13,868	
Asset retirement obligation accretion	204		53		71		328	
Total expenses per financial statements	25,356		16,855		17,659		59,871	

Supplemental Cash Cost Information – Q3 2010							C\$ 000s	US\$/oz
Total cash costs								603
By-product credit per above							1,068	
Administrative costs per financial statements							1,470	
Less: non-cash items								
Stock-based compensation							(6)	
Exploration per financial statements							6,764	
Other expense per financial statements							572	
Less: non cash items								
Unrealized foreign exchange							579	
Gain on sale of assets/write downs							(487)	
Total non-operating cash costs							8,892	109
Total operating and non-operating cash costs								712

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	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

Nine months ended September 30, 2010	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\$							1.0413	
Gold ounces sold	106,750		55,685		90,580		253,015	
Gold revenue per consolidated financial statements	132,018	1,188	69,378	1,196	110,834	1,175	312,230	1,185
Gold ounces produced	100,385		51,636		90,012		242,033	
Direct mining costs	50,307	481	41,776	776	33,707	359	125,790	499
Mining administrative costs	5,222	50	1,758	33	2,034	22	9,015	36
Stripping and mine development adjustments	1,162	11					1162	5
Third party smelting, refining and transportation	773	7	403	7	371	4	1,546	6
By-product credits	(1,791)	(17)	(1,086)	(20)	(402)	(4)	(3,279)	(13)
Cash operating costs	55,673	533	42,851	797	35,710	381	134,234	533
Royalty expense and production tax	7,586	73	3,874	72	3,279	35	14,738	58
Total cash costs	63,259	605	46,725	869	38,988	416	148,972	591
Inventory change	803		(11,782)		(5,227)		(16,206)	
By-product credits	1,791		1,086		402		3,279	
Mining amortization and depletion	17,144		12,514		15,458		45,116	
Asset retirement obligation accretion	589		156		201		947	
Total expenses per consolidated financial statements	83,586		48,698		49,823		182,107	

Supplemental Cash Cost Information - Nine Months Ended September 30, 2010

	C\$ 000s	US\$/oz
Total cash costs		591
By-product credit per above	3,279	
Administrative costs per financial statements	2,809	
Less: non-cash items		
Stock option benefit expense	(95)	
Exploration per financial statements	9,916	
Other income/(expense) per financial statements	4,570	
Less: non cash items		
Unrealized foreign exchange gain	(613)	
Loss on sale of assets/write downs	(1,326)	
Total non-operating cash costs	15,261	61
Total operating and non-operating cash costs		652

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)	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	2,210	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 gain	(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

**High River Gold Mines Ltd.
Third Quarter 2010**

**Interim Consolidated Financial Statements
For the Three Months and Nine Months Ended September 30, 2010 and 2009
(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/ Konstantin Sobolevskiy
Chief Executive Officer

s/ Andrei Maslov
Chief Financial Officer

November 12, 2010

High River Gold Mines Ltd.
Consolidated Balance Sheets

(Expressed in thousands of Canadian dollars)

(unaudited)	Note	September 30, 2010	December 31, 2009
Assets			
Current Assets			
Cash and cash equivalents	5	125,587	\$ 82,061
Restricted cash		1,348	562
Accounts receivable		16,332	18,115
Inventory	6	99,097	81,090
Other assets		17,384	12,382
		259,748	194,210
Investments	7	103,871	64,810
Property, plant and equipment	8	311,087	340,606
Exploration properties and deferred exploration	9	114,919	105,061
Other assets		759	697
Future income taxes		1,122	1,578
Total Assets		791,506	\$ 706,962
Liabilities			
Current Liabilities			
Accounts payable		43,164	\$ 39,726
Loans and interest payable	10	8,466	58,666
Non-hedge derivatives	12	2,863	–
		54,493	98,392
Loans and interest payable	10	13,628	25,365
Reclamation and closure costs	11	17,755	14,208
Non-hedge derivatives	12	-	13,684
Future income taxes		33,884	20,567
		119,760	172,216
Non-controlling interest		31,408	21,922
Total Liabilities		151,168	194,138
Shareholders' Equity			
Share capital	14 (b)	640,157	610,770
Warrants	14 (c)	10,126	13,265
Contributed surplus		16,002	15,907
Debenture conversion option	14 (d)	538	538
Deficit		(29,228)	(121,801)
Accumulated other comprehensive income		2,743	(5,855)
Total Shareholders' Equity		640,338	512,824
Total Liabilities and Shareholders' Equity		791,506	\$ 706,962

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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		Nine months ended	
		September 30, 2010	2009	September 30, 2010	2009
Revenue					
Gold		100,767	\$ 89,577	312,231	\$ 262,917
Silver		1,068	950	3,279	4,914
		101,835	90,527	315,510	267,831
Expenses					
Mining costs		42,134	47,736	127,030	134,315
Mine administrative costs		3,543	1,676	9,015	8,153
Mine amortization and depletion		13,868	13,145	45,116	41,913
Asset retirement obligation accretion		327	216	947	639
		59,872	62,773	182,108	185,020
Income before the undernoted					
Administrative costs	15	(1,470)	(5,205)	(2,809)	(11,525)
Amortization		-	(15)	(6)	(46)
Exploration expense		(6,764)	(999)	(9,916)	(3,000)
Financing costs and investment income, net	16	3,084	(8,490)	3,922	(15,356)
Other income/(expenses)	17	(572)	(13,513)	(4,570)	(80,447)
Income (loss) before tax and non-controlling interest					
Income tax expense	18	(6,029)	(4,085)	(17,965)	(9,438)
Income (loss) before non-controlling interest					
Non-controlling interest in earnings of subsidiary		30,212	(4,553)	102,058	(37,001)
		(4,437)	(14)	(9,486)	(4,412)
Net income (loss) for the period					
		\$ 25,775	\$ (4,567)	\$ 92,572	\$ (41,413)
Net income (loss) per share – basic and diluted					
	19	\$ 0.03	\$ (0.01)	\$ 0.11	\$ (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)

(unaudited)	Note	Three months ended September 30,		Nine months ended September 30,	
		2010	2009	2010	2009
Operating Activities					
Net income (loss) for the period		\$ 25,775	\$ (4,567)	\$ 92,572	\$ (41,413)
Non-cash items:					
Non-controlling interest in earnings of subsidiary		4,437	14	9,486	4,412
Mining cost -change in inventory		(6,200)	1,593	(17,976)	470
Amortization and depletion		13,868	13,161	45,122	41,959
Asset retirement obligation accretion		327	216	947	639
Financial instrument accretion		40	114	351	568
Fair value adjustments to financial instruments		(3,510)	4,007	(10,821)	1,000
Stock based compensation		6	70	95	250
Write down of exploration		-	11,383	628	70,167
Loss on disposal of assets		(286)	6,429	(133)	6,991
Future income taxes		2,061	1,898	3,072	768
Unrealized foreign exchange loss		(1,156)	(6,204)	2,067	(2,690)
Other		201	-	(313)	
Subtotal		35,563	28,114	125,097	83,121
Change in non-cash working capital	22	(9,267)	4,897	(18,502)	2,383
Net cash provided by operating activities		26,296	33,011	106,595	85,504
Investing Activities					
Property, plant and equipment		(10,165)	(6,081)	(23,387)	(13,721)
Proceeds on disposal		1,092	1,636	1,634	1,636
Exploration properties and deferred exploration		(7,137)	(1,560)	(11,772)	(4,114)
(Increase) decrease in other assets		(573)	(4,927)	(811)	(1,553)
Net cash used by investing activities		(16,783)	(10,932)	(34,336)	(17,752)
Financing Activities					
Loans received		-	13	-	5,991
Loans repaid		-	(5,722)	(50,040)	(63,290)
Common shares issued		26,032	-	26,249	10,623
Net cash used by financing activities		26,032	(5,709)	(23,791)	(46,676)
Effect of exchange rate changes on cash held in foreign currencies					
		(2,688)	(837)	(4,942)	(1,536)
Increase in cash and cash equivalents during the period					
		32,857	15,533	43,526	19,540
Cash and cash equivalents - Beginning of period		92,730	23,130	82,061	19,123
Cash and cash equivalents - End of period		\$ 125,587	\$ 38,663	\$ 125,587	\$ 38,663

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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)	Note	Three months ended September 30, 2010	2009	Nine months ended September 30, 2010	2009
Share capital					
Balance at beginning of period		610,987	\$ 553,867	610,770	\$ 543,244
Issue of common shares		29,170	15	29,387	10,638
Balance at end of period	<i>14(b)</i>	640,157	553,882	640,157	553,882
Warrants					
Balance at beginning of period		13,265	15,748	13,265	16,627
Exercised		(3,139)	(2,483)	(3,139)	(3,362)
Balance at end of period	<i>14(c)</i>	10,126	13,265	10,126	13,265
Contributed surplus					
Balance at beginning of period		15,996	13,937	15,907	12,876
Expired warrants			2,483		3,362
Stock based compensation, net		6	69	95	251
Balance at end of period		16,002	16,489	16,002	16,489
Debenture conversion option	<i>14(d)</i>	538	538	538	538
Deficit					
Balance at beginning of period		(55,004)	(148,883)	(121,801)	(112,037)
Net income (loss)		25,776	(4,567)	92,572	(41,413)
Balance at end of period		(29,228)	(153,450)	(29,228)	(153,450)
Accumulated other comprehensive income (loss)					
Balance at beginning of period		(21,313)	3,580	(5,855)	15,794
Comprehensive income (loss) for the period		24,056	(4,222)	8,599	(16,436)
Balance at end of period		2,743	(642)	2,743	(642)
Shareholders' equity at end of period		\$ 640,338	\$ 430,082	\$ 640,338	\$ 430,042

High River Gold Mines Ltd.
Consolidated Statements of Comprehensive Income (Loss)
(Expressed in thousands of Canadian dollars)

(unaudited)	Three months ended September 30, 2010	2009	Nine months ended September 30, 2010	2009
Net income (loss)	25,775	\$ (4,567)	92,572	\$ (41,413)
Other comprehensive income (loss)				
Unrealized loss on translation of net foreign operations	5,235	(13,593)	(19,427)	(43,039)
Net change in unrealized gain on available for sale securities	18,821	9,371	28,026	26,603
Comprehensive income (loss) for the period	24,056	(4,222)	8,599	(16,436)
Net comprehensive income (loss) for the period	49,831	\$ (8,789)	101,171	\$ (57,849)

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

1. Nature of Operations and Going Concern

These consolidated financial statements include the financial statements of High River Gold Mines Ltd. (the “Company” or “High River”), OJSC Buryatzoloto (“Buryatzoloto”), OOO Berezitovy Rudnik (“Berezitovy”), and Société des Mines de Taparko S.A. (“Somita”). As of September 30, 2010, the Company’s interest in Buryatzoloto is 84.94% of the common shares (82.87% of the voting shares), in Berezitovy - 99% and in Somita - 90%. The Company’s 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 may cast doubt on the validity of this assumption.

As described in note 10(d), the Company is in violation of certain loan covenants in connection with the Royal Gold, Inc. loan.

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 of the Company. On completion of the financing, Severstal indirectly held 312,771,130 common shares representing approximately 53.0% of the outstanding common shares of the Company at that time. On June 18, 2009, Severstal acquired an additional 59,019,367 common shares increasing its ownership interest to 57.3%. 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. Subsequently, the offer was extended and increased to \$ 0.30 per share. As a result of the offer, Severstal acquired 28,897,135 additional shares. In connection with the tender offer, High River issued Severstal 59,019,367 shares in a private placement for proceeds of approximately \$10,623,000.

In Q2 2010 Severstal acquired an additional 150,000,000 shares. In Q3 2010 Severstal acquired 40,674,540 shares through exercise of warrants and at September 30, 2010, owned approximately 70.38% 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 September 30, 2010.

2. Changes in Accounting Policies

Future Accounting Changes

- (c) Section 1582, Business combinations; Section 1601, Consolidated financial statements; Section 1602, Non-controlling interests; and Amendments to Section 3251, Equity

The CICA issued three new accounting standards in January 2009: Section 1582, Business combinations; Section 1601, Consolidated financial statements; Section 1602, Non-controlling interests; and amendments to Section 3251, Equity. These new standards will be effective for the Company in 2011 and earlier adoption is permitted as of the beginning of a fiscal year. The Company is in the process of evaluating the requirements of the new standards.

Section 1582 replaces Section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to International Financial Reporting Standards IFRS 3R – Business Combinations.

Sections 1601 and 1602 together replace Section 1600, consolidated financial statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27 – Consolidated and separate financial statements.

Amendments to Section 3251 apply to entities that have adopted Section 1602 and require separate presentation on the statements of operations and comprehensive income of income attributable to owners of the Company and those attributable to non-controlling interests. The amendments also require that non-controlling interests be presented separately as a component of equity.

(d) Amendment to Section 3855, Financial instruments – Recognition and measurement

In June 2009, Section 3855, financial instruments – Recognition and measurement was amended to:

- Clarify the application of the effective interest method following an impairment loss of an investment in a debt instrument. This clarification applies to investment in debt instruments classified as held-to-maturity and to those classified as available for sale. This amendment will be effective for the Company in 2010.

- Clarify the situation where the embedded prepayment option is considered closely related and, therefore, is not separated from the host debt instrument for recognition purposes. This amendment will be effective for the Company in 2011.

The Company is in the process of evaluating the requirements of these new standards.

(e) International Financial Reporting Standards (“IFRS”)

In February 2008, the Accounting Standards Board (“AcSB”) confirmed that IFRS, as issued by the International Accounting Standards Board (“IASB”), will replace Canadian GAAP for publicly accountable enterprises and must be adopted for fiscal years beginning on or after January 1, 2011.

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 holds the following financial instruments:

	September 30, 2010	December 31, 2009
Cash and cash equivalents	\$125,587	\$ 82,061
Accounts receivable	16,332	18,115
Investments	103,871	64,810
	<u>\$245,790</u>	<u>\$ 164,986</u>
Accounts payable	\$43,164	\$ 39,726
Loans and interest payable	22,094	84,031
Non-hedge derivatives	2,863	13,684
	<u>\$68,121</u>	<u>\$ 137,441</u>

(a) *Market Risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. It is the risk that an adverse change in market prices for commodities, currencies or interest rates will result in the Company’s incurring an unrealized mark-to-market loss.

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 reports in Canadian dollars. Certain of the Company’s revenue and expenses are denominated in foreign currencies including the West African franc in Burkina Faso (which is tied to the Euro), the Rouble in Russia and the United States dollar. The Company has obtained 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 pre-tax earnings to a 10% increase or decrease in the C\$/US\$ exchange rate (1.0413 average) for the Company’s Q3 2010 production is approximately \$126,000 or \$0.00 per share based on shares outstanding September 30, 2010.

Price market 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.

Gold price market risk

The future profitability of the Company and the recoverability of deferred exploration, development and other costs are directly related to the market price of gold to be sold in the future and its operating costs. The Company does not use derivatives to mitigate its exposure to gold price market risk. Sensitivity of annual pre-tax earnings to a 10% increase or decrease in the realized gold price (US\$1,248 per ounce) for the Company's Q3 2010 production is approximately \$10.0 million or \$0.01 per share based on shares outstanding as at September 30, 2010.

Commodity price market risk

The Company is also exposed to commodity price market risk. The Company does not use derivatives to mitigate its exposure to commodity price market risk. Sensitivity of annual pre-tax earnings to a 10% increase or decrease in the realized mining total cash costs (US\$601 per oz) for the Company's Q2 2010 production is approximately \$4.9 million or \$0.01 per share based on shares outstanding as at September 30, 2010.

(b) Credit risk

Credit risk is 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.

The credit risk is also related to receivables from governments related to taxes, mineral rights and exploration tax credits. Pending completion of certain government audits the full balance recorded may not be ultimately realized. Management does not expect the amount realized to be materially different from that currently recorded.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining adequate cash and working capital balances. The Company continuously monitors and reviews both actual and forecasted cash flows. 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.

The Company has consolidated cash and cash equivalents on hand of approximately \$125.9 million at September 30, 2010. Working capital was \$205.3 million (December 31, 2009 – \$95.8 million).

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 contractual cash flow requirements for financial liabilities at September 30, 2010, are as follows

	Total	2010	2011	2012
Payables and accruals	\$ 43,164	\$ 43,164	\$ –	\$ –
Debt	16,498	4,577	11,921	–
Interest on debt	4,388	3,433	955	–
Capital lease obligations	811	187	624	–
Purchase obligations	6,530	4,000	1,958	572
Other long-term obligations	4,986	4,986	–	–
Total	\$ 76,377	\$ 60,347	\$ 15,488	\$ 572

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

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 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, 2010	December 31, 2009
Total loans and interest payable	\$ 22,094	\$ 84,031
Less: Cash and cash equivalents	125,587	82,061
Net debt	(103,493)	1,970
Shareholders' equity excluding accumulated other comprehensive income	637,595	518,679
Total Capital	\$ 534,102	\$ 520,649

As described in note 10 (d), Somita is in breach of certain loan covenants. Pursuant to the Amended and Restated Funding Agreement ("Funding Agreement") between Royal Gold, Inc. ("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, 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. In Q1 2010 Somita performed the 90-day completion test. The overall technical performance of the mill was acceptable to RGI. However, the loan agreement also contained a clause stating that project completion was not achieved if liability regarding the payment for the construction of the plant was outstanding. Somita withheld final payment due to the contractor for the processing plant. See note 21 (a). RGI are using this dispute as their justification for not releasing the security they hold.

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.

Restricted cash represents deposits made by Somita to fund future reclamation and closure cost liabilities (note 11).

6. Inventory

Inventory consists of the following:

	September 30, 2010	December 31, 2009
Materials and supplies	\$ 51,076	\$ 45,513
Stockpiled ore	37,243	20,374
Gold-in-process	5,575	4,225
Doré alloy	4,219	6,009
Refined gold and silver	984	4,969
	\$99,097	\$ 81,090

7. Investments

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

	September 30, 2010		December 31, 2009	
	Fair value	Original Cost	Fair value	Original cost
Detour Gold Corporation (a)	\$ 91,807	\$ 3,616	\$ 55,016	\$ 3,616
Goldrush Resources (b)	\$ 1,525	\$ 1,657	715	1,657
Other equities (c), (d), (e), (f)	\$ 10,539	\$ 2,677	9,079	2,677
	\$ 103,871	\$7,950	\$ 64,810	\$ 7,950

The quoted market price used to estimate fair value is the period-end bid price in an active market. The Company classifies its AFS securities that are pledged and are not capable of reasonably prompt liquidation as long term.

- (a) As at September 30, 2010, the Company held 3,089,057 common shares of Detour Gold Corporation ("Detour"). The Detour 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. ("PDX") merged with Detour and the Company's PDX shares were exchanged for Detour shares. The shares are pledged as security for a loan to Somita.
- (b) In March 2006, the Company entered into a strategic alliance 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 2006, High River participated in a private placement and purchased shares valued at \$250,000. As at September 30, 2010, the Company held 7,540,000 common shares or approximately 10.3% of Goldrush (2009 – 12.0%). The shares have been pledged as security for a loan to High River. In 2009, management determined that the value of the debenture was 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 if the debenture were converted to Goldrush common shares. A loss of \$1,904,000 was recorded.
- (c) As at September 30, 2010, the Company held 1,790,941 common shares of Intrepid Mines Limited ("Intrepid"). The shares are pledged as security for a loan to Somita.
- (d) As at September 30, 2010, the Company held 12,015,000 common shares of Pelangio Exploration Inc. ("Pelangio") or approximately 9.9% of Pelangio (2009 – 10.2%). The shares are pledged as security for a loan to Somita.
- (e) As at September 30, 2010, the Company held 2,245,000 common shares of Merrex Gold Inc. ("Merrex"). These shares are pledged as security for a loan to High River.
- (f) Merrex issued shares of Frontier Gold Corporation as a return of capital to Merrex shareholders during Q2 2010. At September 30, 2010, High River owns 470,650 shares of Frontier Gold.

8. Property, Plant and Equipment

Carrying value, September 30, 2010	Buryatzoloto	Somita	Berezitovy	Corporate and exploration	Total
Property	\$ 46,041	\$ 47,096	\$37,775		\$130,912
Land and buildings	36,666	1,876	23,037	2,412	63,992
Plant and equipment	20,051	73,299	78,840		172,190
Mobile equipment	6,196	19,468	20,493		46,157
Capitalized interest	-	9,332	4,574		13,906
Assets under construction	4,789	6,637	7,391		18,817
Capital leases	2,768	-	2,521		5,289
Asset retirement obligation	5,846	4,594	3,119		13,559
	122,357	162,302	177,750	2,412	464,822
Accumulated amortization					
Property	(29,394)	(23,198)	(5,939)		(58,531)
Land and buildings	(30,365)	(1,275)	(6,125)	(2,083)	(39,848)
Plant and equipment	(9,581)	(13,838)	(13,708)		(37,127)
Mobile equipment	(1,640)	(864)	(3,417)		(5,922)
Capitalized interest	-	(5,229)	(735)		(5,965)
Capital leases	(2,049)	-	(976)		(3,025)
Asset retirement obligation	(1,738)	(1,123)	(456)		(3,318)
	(74,767)	(45,527)	(31,356)	(2,083)	(153,736)
Net carrying value	\$ 47,590	\$ 116,775	\$ 146,394	\$ 330	\$ 311,086

Carrying value, December 31, 2009	Buryatzoloto	Somita	Berezitovy	Corporate and exploration	Total
Property	\$ 46,181	\$ 50,586	\$ 38,467	\$ -	\$ 135,234
Land and buildings	37,458	1,978	23,318	2,447	65,201
Plant and equipment	18,901	75,703	75,272	-	169,876
Mobile equipment	6,433	21,633	16,890	-	44,956
Capitalized interest	-	10,260	4,704	-	14,964
Assets under construction	1,584	6,374	3,104	-	11,062
Capital leases	2,821	-	2,569	-	5,390
Asset retirement obligation	5,957	2,303	3,169	-	11,429
	119,335	168,837	167,493	2,447	458,112
Accumulated amortization					
Property	(22,214)	(15,242)	(4,054)	-	(41,510)
Land and buildings	(28,068)	(897)	(3,589)	(2,029)	(34,583)
Plant and equipment	(7,399)	(12,107)	(8,909)	-	(28,415)
Mobile equipment	(1,781)	(828)	(1,812)	-	(4,421)
Capitalized interest	-	(3,282)	(584)	-	(3,866)
Capital leases	(1,919)	-	(509)	-	(2,428)
Asset retirement obligation	(1,187)	(804)	(292)	-	(2,283)
	(62,568)	(33,160)	(19,749)	(2,029)	(117,506)
Net carrying value	\$ 56,767	\$ 135,677	\$ 147,744	\$ 418	\$ 340,606

9. Exploration Properties and Deferred Exploration

	January 1, 2010	Additions/ revaluation	Write-down	September 30, 2010
West Africa – Bissa project	\$ 62,636	\$ 6,777	\$ -	\$69,413
West Africa – other	15,959	4,175	(962)	19,172
Russia – Prognoz (a)	24,472	(1,493)		22,979
Russia – Sergachinsky/South Flank	1,994	1,361		3,355
	\$ 105,061	\$ 10,820	\$ (962)	\$ 114,919

	January 1, 2009	Additions/ revaluation	Write-down	December 31, 2009
West Africa – Bissa project	\$ 55,880	\$ 6,756	\$ -	\$ 62,636
West Africa – other	14,754	1,724	(519)	15,959
Russia – Novophirsovskoye (c)	12,765	(1,162)	(11,603)	-
Russia – Prognoz (b)	86,185	(3,071)	(58,642)	24,472
Russia – Sergachinsky/South Flank	938	1,056	-	1,994
	\$ 170,522	\$ 5,303	\$ (70,764)	\$ 105,061

(a) See note 21 (a).

(b) In 2009, the Company recognized an impairment charge of \$58,642,000 to write down the carrying value of the Prognoz silver project to its estimated fair value. In connection with an independently prepared valuation of the Company, management prepared a valuation of the Prognoz silver project in estimating fair value for the purpose of determining the write-down required. The Company had included \$17,896,000 due from its joint venture partner to the Prognoz silver project as deferred exploration expense. Any subsequent recovery of this amount will be credited to deferred exploration. The change from the year-end receivable is due to revaluation of foreign currency amounts.

(c) In 2009, the Company determined that the Novophirsovskoye project was no longer a key exploration property. A buyer was found for the property and the project was written down to the selling price. Cash proceeds of US\$1.0 million were received for the property.

10. Loans and Interest Payable

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

	September 30, 2010	December 31, 2009
<i>Buryatzoloto</i>		
Nomos Bank – US\$25m (a)	\$ -	\$ 1,312
Nomos Bank – US\$8m (b)	-	2,519
Nomos Bank (c)	-	7,631
Finance lease obligations	-	283
	-	11,745
<i>Somita</i>		
Royal Gold, Inc. (d)	4,574	21,150
Accrued interest on loan	3,212	8,157
Caterpillar Finance France SA (e)	-	1,049
Ecobank (f)	-	216
	7,786	30,572
<i>Berezitovy</i>		
Nomos Bank (g), (h)	-	14,692
Accrued interest on loan	-	859
Finance lease obligations (l)	680	798
	680	16,349
	\$8,466	\$ 58,666

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

	September 30, 2010		December 31, 2009	
	Amortized cost	Carrying Value	Amortized cost	Carrying value
<i>High River</i>				
8% Debentures (i)	\$ 11,705	\$11,921	\$ 11,588	\$ 11,921
<i>Somita</i>				
Government of Burkina Faso (j)	514	514	525	530
Ecobank	-	-	86	86
	514	514	611	616
<i>Berezitovy</i>				
Nomos Bank	-	-	11,302	11,549
Finance lease obligations	130	130	555	555
	130	130	11,857	12,104
<i>Prognoz Invest Ltd.</i>				
Arinvest LLC (k)	1,279	1,279	1,309	1,309
	\$ 13,628	\$ 13,844	\$ 25,365	\$ 25,950

Details of the loans are as follows:

- (a) In 2006, Buryatzoloto entered into an agreement with Nomos Bank for a loan of US\$25,000,000. The loan was repaid as scheduled in Q1 2010.
- (b) In 2007, Buryatzoloto entered into an agreement with Nomos Bank for a loan of US\$8,000,000 to finance working capital. The loan had a series of fixed repayment dates and was outstanding until July 2010. The loan was repaid without penalty in Q2 2010.
- (c) In December 2009 Buryatzoloto received a loan from Nomos Bank for the delivery of gold for US\$7,272,000. The loan was repaid in Q1 2010.
- (d) Somita entered into an agreement with Royal Gold, Inc. for project financing of US\$35,000,000 for the construction and development of Somita. In exchange for the financing, RGI receives two concurrent production payments, a tail royalty and a milling fee. The first production payment will continue until US\$35,000,000 (the loan principal) has been paid, or until 804,420 ounces of gold have been produced, whichever occurs first. The first production payment is calculated as 15% of the total gold production processed at Somita during each quarter multiplied by the average gold price, as quoted on the London Metal Exchange, for the particular quarter. The second production payment is set at a 4.3% fixed percentage rate of the produced ounces when the average monthly gold price falls between US\$385 and US\$430 per ounce, or a sliding-scale at a calculated percentage rate, when the average monthly gold price falls outside of this range. The calculated rate, expressed as a percentage, is determined by dividing the average monthly gold price by 100 for gold prices above US\$430 per ounce, not to exceed 10.0%, or by dividing the average monthly gold price by 90 for gold prices below US\$385 per ounce (i.e. a US\$450 per ounce gold price results in a rate of $450/100 = 4.5\%$). Both production payments continue until the earlier of the production of 804,420 ounces or payments totalling US\$35,000,000 under the first production payment. The full amount of the loan facility was utilized and repayments have begun.

The tail royalty of 2% is applicable to gold production from defined portions of the Somita's property area. The milling fee is 0.75% on ore that is mined outside a defined area and is processed through the Somita's processing facilities to a maximum of 1.1 million tonnes. The tail royalty and milling fee commence once the two concurrent production payments have ceased.

The loan has been unconditionally guaranteed by High River until project completion and is secured by a pledge over the shares of Somita, Pelangio, Detour, and Intrepid. Post-completion, High River has not guaranteed the total loan but has guaranteed that, should Somita not be able to pay the full amount of a quarterly production payment, High River will make up the difference. As at and December 31, 2008, High River had not met the RGI completion test. The loan was reclassified as current, as Somita was in breach of the loan completion covenant. In Q1 2010 Somita performed the 90-day completion test. The overall technical performance of the mill was acceptable to RGI. However, the loan agreement also contained a

clause stating that project completion was not achieved if liability regarding the payment for the construction of the plant was outstanding. Somita withheld final payment due to the contractor for the processing plant of approximately US\$1,600,000 and has made a claim against the contractor for repairs and losses. The contractor has commenced arbitration proceedings in South Africa as provided for under the construction contract seeking payment of the withheld amounts and damages for an aggregate amount of US\$3,700,000. The Company has filed a counterclaim. 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. RGI are using this dispute as their justification for not releasing the security they hold. High River paid off the principal amount of the RGI loan subsequent to Q3 2010.

- (e) In 2006, Somita financed the acquisition of electrical generator sets for the processing plant through a US\$5,000,000 loan from Caterpillar Finance France SA. The loan was repaid in Q2 2010.
- (f) In 2006, Ecobank Burkina granted a loan to Somita for the amount of CFA250,000,000 (approximately US\$585,000). The loan was repaid in Q2 2010.
- (g) In 2006, Berezitovy entered into a loan agreement with Nomos Bank for the amount of US\$19,000,000. The loan was repaid without penalty in Q2 2010.
- (h) In 2006, Berezitovy entered into a loan agreement with Nomos Bank for the amount of US\$32,000,000. The loan was repaid without penalty in Q2 2010.
- (i) In 2006, the Company issued \$12,000,000 of convertible debentures (the “Debentures”) maturing on December 31, 2011. The Debentures are unsecured, have an interest rate of 8%, payable quarterly, and are convertible into common shares of the Company at a conversion price of \$2.35 per common share. The Debentures allow forced conversion by the Company after 18 months if High River shares trade above a price of \$3.25 for a 30-day period.

Canadian accounting standards for compound financial instruments require the Company to allocate the proceeds received from the Debentures among their component parts, measured at their respective fair values at the time of issue (note 15 (d)). In the event of forced conversion, the Company has the right to settle the Debentures through the issuance of common shares, notwithstanding the Company’s right to settle the Debentures for cash at maturity. Since the redemption can be made either by cash or common shares at the option of the Company, the Debentures are classified as compound financial instruments for accounting purposes.

- (j) A loan due to the Government of Burkina Faso was established as part of the mining convention with Somita in respect of the original exploration work done on the property. The loan is non-interest bearing. The loan was reclassified in 2008 to long-term as the mining convention doesn’t give any precise indications regarding the repayment date or the triggering event which would initiate the repayment.
- (k) Arinvest LLC, who holds a 50% interest in the Prognoz silver project, lent funds to the project. The loan is unsecured and is non-interest bearing. Arinvest owes the Prognoz silver project \$17,896,000 (note 10 (a)). The repayment date of the loan cannot be determined as it is not known when Arinvest will pay the amount owing to the Prognoz silver project. See note 21(a).
- (l) Berezitovy has a lease at 8.35% expiring November 2011.

Non-hedge embedded derivatives relating to loans are separated and reported at their estimated fair value (see note 13(b)). Transaction costs are included in long-term debt and amortized using the effective interest method.

As at September 30, 2010, the long-term loans and estimated interest payable debt maturities for fixed term loans for each of the five years to 2014 are: 2010 - \$8,010,000; 2011 - \$12,876,000; 2012 - \$nil; 2013 - \$nil; 2014 - \$nil.

11. Reclamation and Closure Costs

Total undiscounted future cash flows required to settle the decommissioning and restoration asset retirement obligations in Russia of Buryatzoloto were re-estimated in 2009 to be US\$13,600,000 for the Zun-Holba mine in 2019 and US\$2,500,000 for the Irokinda mine in 2012. Both mines are located in Buryatia region of the Russian Federation. 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 Somita for the Taparko-Bouroum mine in Burkina Faso in 2014 were re-estimated in 2010 to be US\$5,850,000. 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 in Russia of Berezitovy for the Berezitovy mine in 2016 were re-estimated in 2009 to be US\$6,358,000. 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, 2009	\$ 4,290	3,209	\$ 2,579	\$ 10,078
Accretion expense	402	249	202	853
Revaluation	3,271	(623)	629	3,277
Carrying value, December 31, 2009	7,963	\$ 2,835	3,410	14,208
Accretion expense	44	192	51	287
Revaluation	(112)	166	(8)	46
Carrying value, March 31, 2010	7,895	3,193	3,453	14,541
Accretion expense	343	(62)	52	333
Revaluation	205	(97)	(40)	68
Carrying value, June 30, 2010	\$ 8,443	\$ 3,034	\$ 3,465	\$ 14,942
Accretion expense	589	201	156	946
Revaluation	(634)	2,615	(114)	1,867
Carrying value, September 30, 2010	\$ 8,398	\$ 5,850	\$ 3,507	\$ 17,755

12. Non-Hedge Derivatives

	September 30, 2010	December 31, 2009
RGI loan (a)	\$ 2,863	\$ 13,684

- (a) 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 period. The derivative was reclassified as current in 2010 as it was expected that the RGI loan would be repaid within 12 months.

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, 2010, there were 10,234,420 options available for grant (December 31, 2009 – 6,362,504).

Total outstanding stock options are summarized as follows:

	Number of stock options	Weighted average price
Balance – December 31, 2008	10,472,184	\$1.99
Terminated	(3,655,835)	\$1.87
Expired	(1,339,000)	\$1.85
Balance – December 31, 2009	5,477,349	\$2.11
Terminated	(649,599)	\$2.23
Exercised	(315,000)	\$0.67
Expired	(161,250)	\$0.67
Balance- March 31, 2010	4,351,500	\$2.25
Terminated	(417,066)	\$2.25
Balance- June 30, 2010	3,934,434	\$2.25
Terminated	(16,667)	\$2.80
Expired	(190,000)	\$2.14
Balance- September 30, 2010	3,727,767	\$ 2.25

Stock options outstanding:

Exercise price	September 30, 2010			December 31, 2009		
	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	–	–	–	476,250	0.2	476,250
2.13	732,500	0.4	732,500	1,042,500	1.2	1,042,500
2.35	–	–	–	75,000	1.5	75,000
2.15	1,541,934	1.1	1,541,934	2,185,267	1.9	2,185,267
2.85	100,000	2.0	100,000	100,000	2.7	100,000
2.80	663,333	2.3	616,661	861,666	3.1	539,999
2.19	340,000	2.5	340,000	340,000	3.3	226,667
1.80	350,000	2.8	350,000	363,333	3.6	246,666
0.64	–	–	–	33,333	3.7	33,333
	3,727,767	1.49	3,681,095	5,477,349	2.0	4,925,682

The weighted average exercise price of outstanding stock options was \$2.25 per common share (2009 – \$2.11) and for vested and exercisable stock options \$2.24 (2009 – \$2.07).

The unvested, unamortized fair value of all stock options outstanding at period end was \$9,000 (2009 – \$128,000). The net stock-based compensation expense included in administrative costs in the consolidated statement of operations for the period was \$95,000 (2009 – \$130,000).

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, 2008	590,193,673	543,244
Financing-Severstal (i)	59,019,367	10,623
Conversion of debenture	6,382	15
Financing-Polenica (ii)	150,000,000	57,000
Share issue expense	–	(112)
Balance – December 31, 2009	799,219,422	610,770
Exercise of stock options	325,000	217
Balance- March 31, 2010	799,544,422	\$ 610,987
Balance- June 30, 2010	799,544,422	\$ 610,987
Exercise of warrants	40,674,540	29,387
Balance- September 30, 2010	840,218,962	\$ 640,157

- i. 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. Subsequently, the offer was extended and increased to \$ 0.30 per share. As a result of the offer, Severstal acquired 28,897,135 additional shares. In connection with the tender offer, High River issued Severstal 59,019,367 shares in a private placement for proceeds of approximately \$10,623,000.
- ii. In December 2009, 150,000,000 shares were issued to Polenica Investments Limited for cash proceeds of \$57,000,000 in a private placement.

(c) Warrants

	Number of warrants	Weighted average price	Estimated fair value
Balance – December 31, 2008	64,597,040	\$1.82	16,627
Expired	(5,350,000)	\$3.17	(3,362)
Balance – December 31, 2009	59,247,040	\$1.69	13,265
Balance – March 31, 2010	59,247,040	\$1.69	13,265
Balance – June 30, 2010	59,247,040	\$1.69	13,265
Exercised	(40,674,540)	\$0.64	(3,139)
Balance – September 30, 2010	18,572,500	\$ 4.00	10,126

Warrants outstanding as at:

	<u>September 30, 2010</u>		<u>December 31, 2009</u>	
	<u>Number of warrants outstanding</u>	<u>Expiry date</u>	<u>Number of warrants outstanding</u>	<u>Expiry date</u>
Exercise price				
\$4.00	18,572,500	Nov. 8, 2010	18,572,500	Nov. 8, 2010
			40,674,540	Sep. 29, 2013
	18,572,500		59,247,040	

In connection with a bought-deal private placement financing in November 2007, High River issued 18,572,500 warrants. Each warrant entitles the holder to acquire one common share for a price of \$4.00 until November 8, 2010.

In connection with the November 2008 private placement, High River issued 40,674,540 warrants to Severstal. Each warrant entitles the holder to acquire one common share for a price of \$0.64 until September 29, 2013. The Warrants were exercised in August 2010. High River received cash proceeds of approximately C\$26,032,000. The fair value of the exercised warrants was estimated as \$3,138,500 at the date of grant using a Black-Scholes option pricing model.

(d) Debenture conversion option

In November 2006, the Company issued \$12,000,000 of convertible debentures (note 10 (i)). The fair value of the option component of the debentures 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,	
	2010	2009	2010	2009
Other	\$ (1,130)	\$ (2,040)	\$ (1,997)	\$ (4,114)
Stock-based compensation	(6)	(70)	(95)	(250)
Restructuring costs		(2,414)		(5,928)
Salaries and benefits	(334)	(681)	(717)	(1,233)
	\$ (1,470)	\$ (5,205)	\$ (2,809)	\$ (11,525)

Restructuring costs are mainly legal and financial advisory fees. In 2009, restructuring costs included \$1,756,000 relating to severance payments.

16. Financing Costs and Investment Income, Net

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Investment income	\$ 554	\$ 6	\$ 1,447	\$ 14
Financing costs	(899)	(4,306)	(7,904)	(13,544)
Interest on capital lease	(41)	(69)	(91)	(258)
Financial instrument accretion expense	(40)	(114)	(351)	(568)
Fair value adjustments to derivatives	3,510	(4,007)	10,821	(1,000)
	\$ 3,084	\$ (8,490)	\$ 3,922	\$ (15,356)

Financing costs include interest to RGI of \$2,911,000 (2009 – \$1,068,000) and \$ nil on the Standard Bank/Severstal loan (2009 – \$675,000).

17. Other Expenses

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Foreign exchange	\$ 579	\$ 3,885	\$ (613)	\$ (3,865)
Loss on sale or write-off of assets	275	(6,395)	122	(6,858)
Write-down of exploration	-	(11,383)	(628)	(70,167)
Management fees	(664)	-	(2,631)	-
Other	(762)	380	(820)	443
	\$ (572)	\$ (13,513)	\$ (4,570)	\$ (80,447)

18. Income Tax Expense

Income (loss) before income taxes and income tax expense

The income (loss) before taxes and after non-controlling interest by tax jurisdiction comprises the following:

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Current tax (expense) / recovery:				
Canada	\$ -	\$ -	\$ -	\$ -
Foreign	(3,968)	(2,188)	(14,893)	(8,670)
Future tax recovery / (expense):				
Canada	-	-	-	-
Foreign	(2,061)	(1,897)	(3,072)	(768)
	\$ (6,029)	\$ (4,085)	\$ (17,965)	\$ (9,438)

19. Net Income per Share

Net income 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,	
	2010	2009	2010	2009
Net income for the period	\$ 25,775	\$ (4,567)	\$ 92,572	\$ (41,413)
Weighted average number of shares	826,660,782	649,217,295	808,510,986	612,272,706
Basic income/(loss) per share	\$ 0.03	\$ (0.01)	\$ 0.11	\$ (0.07)
Incremental shares on assumed exercise of options and warrants	-	-	-	-
Weighted average number of shares	826,660,782	649,217,295	808,510,986	612,272,706
Diluted income/(loss) per share	\$ 0.03	\$ (0.01)	\$ 0.11	\$ (0.07)

20. 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.

As at September 30, 2010 and 2009, the Company owned shares in Goldrush. A former officer of the Company serves as a director of Goldrush. Pursuant to an agreement, High River provided Goldrush with technical expertise and operations management on a cost recovery basis in 2009 (\$11,000). The agreement was terminated in 2009.

As at September 30, 2010 and 2009, the Company owned shares in Pelangio. A former director of the Company is a director of Pelangio.

During the period, no 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 during 2009 was \$283,000. Alvarez & Marsal hold a deposit of \$75,000 from High River.

Transactions with Severstal Gold group

During the period, officers of the Company who are employees of Severstal have received \$ 27,000 (2009 - \$36,000) as consulting fees from the Company.

During the period, Buryatzoloto paid Severstal Gold group \$876,000 (2009 – nil) in management fees.

Berezitovy paid Severstal Gold group \$2,303,000 (2009 – nil) in management fees and for equipment, supplies and services.

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 processing plant of approximately US\$1,600,000 and has made a claim against the contractor for repairs and losses. The contractor has commenced arbitration proceedings in South Africa as provided for under the construction contract seeking payment of the withheld amounts and damages for an aggregate amount of US\$3,700,000. The Company has filed a counterclaim. 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.

In the fall of 2009, High River's joint venture partner started a legal action in Moscow to declare Prognoz Silver LLC bankrupt. Prognoz Silver is 50% owned by High River and holds the mineral license for the Prognoz silver project. The primary creditor was OJSC Buryatzoloto who was owed approximately \$18 million. In order to protect its interests, Buryatzoloto also filed to put Prognoz Silver into bankruptcy. The Russian courts chose to accept Buryatzoloto's application and appointed an observer to oversee the affairs of Prognoz Silver. Under Russian law, in the event of a bankruptcy, the mineral license held by Prognoz Silver is supposed to be returned to the State. However, in practice there is some leeway and the observer may sell or transfer the license as part of the debt restructuring. The outcome of the bankruptcy proceedings is uncertain however, the Company expects that it may be able to participate in such proceedings. High River and Buryatzoloto will attempt to realize some value from the license. However, it may be necessary for High River to write off some or all of its investment.

(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 may 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, 2010, this guarantee amount is \$234,000 (2009 – \$1,202,000). The Company accounts for guarantees at fair value and it estimates the guarantees to have \$nil value, as historically there have been no defaults.

(d) Contingencies

When High River's subsidiary High River Acquisition Corporation merged with Jilbey Gold Limited in 2005, the Company assumed an obligation of Jilbey Gold Limited 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. The bonus was fully paid subsequent to Q3.

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. The payment is unlikely to exceed \$5,000,000;
- (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. Payments were made in 2007; 2008 and 2009;
- (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 8).

There is a contingent liability to pay up to \$411,000 in connection with termination provisions of employee contracts.

(e) Operating contractual obligations

<i>(in thousands)</i>	Total	2010	2011	2012	2013 and thereafter
Operating leases ⁽¹⁾	\$ 150	\$ 150	\$ –	\$ –	\$ –
Purchase obligations ⁽²⁾	6,531	4,000	1,959	572	–
Other long-term obligations ⁽³⁾	4,986	4,986	–	–	–
Total	\$ 11,667	\$ 9,136	\$ 1,959	\$ 572	\$ –

(1) Rent for premises and certain equipment that is not a capital lease.

(2) Purchase obligations for supplies and consumables e.g. electricity, fuel oil.

(3) Purchase obligations for capital expenditures, property acquisition, issue shares. Berezitovy has signed a contract to purchase a second ball mill from Severstal for 43 million Roubles (\$1.5 million) to be paid in 2010.

22. Supplementary Cash Flow Information

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2010	2009	2010	2009
(a) Net changes in non-cash working capital				
Accounts receivable	\$ (2,907)	\$ 739	\$ 1,452	\$ 1,373
Inventory	(8,979)	2,462	(18,980)	5,843
Other assets	(1,254)	(497)	(4,727)	(5,134)
Accounts payable	3,873	2,363	3,753	377
Interest payable	-	(170)	-	(76)
	\$ (9,267)	\$ 4,897	\$ (18,502)	\$ 2,383
(b) Cash paid for interest and financing fees	\$ 2,708	\$ 2,051	\$ 9,710	\$ 9,015
Cash paid for income taxes	-	-	4,375	\$ 3,110
(c) Non-cash financing activities	-	-	-	-

23. Comparative Figures

Certain comparative figures have been reclassified to comply with the current period presentation.

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,	
	2010	2009	2010	2009
Property, plant and equipment expenditures, net				
Russia – Buryatzoloto	\$ 4,053	\$ 4,414	\$ 9,201	\$ 8,113
Russia – Berezitovy	4,044	(205)	10,441	3,181
Burkina – Somita	1,994	1,858	3,651	2,384
Burkina – exploration	73	13	93	42
Corporate/other	-	-	-	-
	10,164	6,080	23,386	13,720
Deferred exploration expenditures				
Russia – Berezitovy	1,248	(10)	1,503	161
Russia – Prognoz (a)	-	(7)	-	272
Burkina – exploration	5,890	1,577	10,270	3,681
	7,138	1,560	11,773	4,114
Total assets as at:				
Russia – Buryatzoloto			154,759	144,753
Russia – Berezitovy			261,037	193,714
Russia – Prognoz			15,039	27,605
Burkina – Somita			165,975	179,426
Burkina – exploration			90,440	78,447
Corporate/other			104,256	14,755
			\$ 791,506	\$ 638,700

(a) Included with Russia - Buryatzoloto in 2008.

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Revenue (b)				
Russia – Buryatzoloto	\$ 39,245	\$ 39,355	\$133,809	\$ 124,859
Russia – Berezitovy	22,273	23,449	70,464	70,666
Burkina – Somita	40,317	27,723	111,237	72,306
	101,835	90,527	315,510	267,831
Expenses				
Mining costs				
Russia – Buryatzoloto	19,246	18,569	60,630	56,246
Russia – Berezitovy	10,948	14,193	34,270	41,695
Burkina – Somita	11,940	14,974	32,130	36,374
Mine administrative costs				
Russia – Buryatzoloto	1,775	712	5,222	3,885
Russia – Berezitovy	1,134	1,020	1,758	3,110
Burkina – Somita	633	(56)	2,034	1,158
Mine amortization and depletion				
Russia – Buryatzoloto	4,132	4,639	17,144	15,365
Russia – Berezitovy	4,720	3,703	12,514	13,190
Burkina – Somita	5,016	4,803	15,458	13,358
Asset retirement obligation accretion				
Russia – Buryatzoloto	203	97	589	305
Russia – Berezitovy	53	50	156	150
Burkina – Somita	70	69	201	184
	59,870	62,773	182,106	185,020
Administrative costs				
Russia – Buryatzoloto	260	1,046	264	1,052
Russia – Berezitovy	121	1,689	371	2,057
Burkina – Somita	34	118	63	118
Corporate/other	1,055	2,352	2,111	8,298
	1,470	5,205	2,809	11,525
Financing costs and investment income, net				
Russia – Buryatzoloto	(498)	(292)	(1,045)	(1,946)
Russia – Berezitovy	1,111	(1,941)	4,151	(6,640)
Burkina – Somita	(1,910)	(5,944)	(1,866)	(11,019)
Corporate/other	(1,787)	(313)	(5,162)	4,249
	(3,084)	(8,490)	(3,922)	(15,356)
Other income/expenses				
Russia – Buryatzoloto	(1,155)	(16,801)	977	(19,791)
Russia – Berezitovy	(4,086)	8,443	4,898	(6,007)
Burkina – Somita	(13,325)	6,217	9,893	4,043
Corporate/other	19,138	(11,373)	(11,198)	(58,693)
	572	(13,514)	4,570	(80,448)
Income tax expense /recovery				
Russia – Buryatzoloto	(658)	(1,464)	5,890	(2,999)
Russia – Berezitovy	2,228	(2,618)	3,584	(6,532)
Burkina – Somita	4,174	-	8,491	-
Corporate/other	285	(3)	-	93
	6,029	(4,085)	17,965	(9,438)
Net (loss)/income for the period				
Russia – Buryatzoloto	8,060	6,418	29,066	17,420
Russia – Berezitovy	6,044	6,677	8,762	(8,715)
Burkina – Somita	30,366	7,328	40,502	12,840
Corporate/other	(18,695)	(24,990)	14,242	(62,958)
	\$ 25,775	\$ (4,567)	\$ 92,572	\$ (41,413)

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

Corporate Information

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Oleg Pelevin
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Evgeny Tulubensky
Chief Legal Officer
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¹ Member of the Audit Committee

² Member of the Corporate Governance and Compensation Committee

³ Chairman

Officers

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Chief Executive Officer

Andrei Maslov
Chief Financial Officer

Edward O. Villeneuve
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Auditors

KPMG 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 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.