

HRG



HIGH RIVER GOLD

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

High River Gold Mines Ltd.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As at March 31, 2010. Expressed in Canadian Dollars unless otherwise noted.

The following discussion and analysis of the consolidated operating results and financial condition of High River Gold Mines Ltd. (the "Company", "High River") for the fiscal periods ended March 31, 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 is May 13, 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 and a small placer operation 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 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 69,504 attributable ounces in Q1 and 69,118 attributable ounces of gold in Q1 2009. In 2008, OAO Severstal ("Severstal") acquired indirect ownership and held 50.13% (400,687,632 shares) of High River at March 31, 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 certain forward-looking statements relating but not limited to the Company's expectations, intentions, plans and beliefs. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate", "may" and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking information may include reserve and resource estimates, estimates of future production, unit costs, costs of capital projects and timing of commencement of operations, and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to, failure to establish estimated resources and reserves, the grade and recovery of ore which is mined varying from estimates, capital and operating costs varying significantly from estimates, delays in obtaining or failures to obtain required governmental, environmental or other project approvals, inflation, changes in exchange rates, fluctuations in commodity prices, delays in the development of projects and other factors. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from expected results.

Potential shareholders and prospective investors should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Shareholders are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and

uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. High River undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.

Highlights for Q1 2010

Financial

- Net gold revenue of \$97.7 million, a decrease of 4% from \$101.5 million in Q4 2009, an increase of 10% from \$88.8 million in Q1 2009.
- Net income of \$27.5 million (\$0.03 per share) compared to a net income \$31.6 million (\$0.05 per share) in Q4 2009 and a net income of \$0.9 million (\$0.00 per share) in Q1 2009.
- Cash flow from operations of \$31.5 million, down from \$40.0 million in Q4 2009, and up from \$29.7 million in Q1 2009.
- Cash and cash equivalents increased to \$82.5 million from \$82.1 million at the end of 2009, and up from \$25.0 million at the end of Q1 2009.
- Working capital increased to \$117.9 million from \$95.9 million at the end of 2009, up from (\$29.7) million deficit at the end of Q1 2009.
- Current and long term debt decreased to \$62.6 million from \$84 million at the end of 2009 and from \$175.8 million at the end of Q1 2009.

Operations

- Total gold production increased 1% to 77,762 (Q1 2009 – 76,794) ounces (100%). Total cash cost per ounce increased 24% to US\$624 (Q1 2009 – US\$461 per ounce) (see the *Non-GAAP Financial Measures* table).
- The Zun-Holba and Irokinda Gold Mines (including placer operations) produced 33,732 ounces (Q1 2009 – 34,790) (100%) at a total cash cost of US\$643 per ounce.
- The Taparko-Bouroum Gold Mine produced 30,426 ounces (Q1 2009 – 22,408) (100%) at a total cash cost of US\$457 per ounce.
- Gold production at Berezitovy was 13,604 ounces (Q1 2009 – 19,596 ounces) (100%), at a total cash cost of US\$949.
- At the Bissa Gold Project, the feasibility study continued.

Events Subsequent to the Quarter-End

- In April, 2010 the debt owed to Nomos Bank by Buryatzoloto and Berezitovy was fully repaid without penalty. The amount of the debt and accrued interest was \$ 25,207,000 at March 31, 2010.

Review of Operations

Selected Financial Results

The Company reported a net income of \$27.5 million (\$0.03 per share) in Q1 2010 compared to a net income of \$931,000 (\$0.00 per share) during Q1 2009.

(in thousands of Canadian dollars except per share amounts and number of shares)

Three months ended on March, 31	2010	2009	2008
Gold revenue	\$ 97,656	\$ 88,779	\$ 45,009
Net income/(loss)	27,530	931	(2,308)
Net income/(loss) per share (basic)	0.03	0.00	(0.01)
Cash provided by (used in) operating activities	31,499	29,672	(252)
Total assets	688,102	706,962	753,109
Loans and interest payable	62,626	84,031	188,445
Weighted average number of shares outstanding (basic)	799,327,755	590,193,673	307,787,242

Buryatzoloto Operations

The Company's attributable gold production from Buryatzoloto was 28,652 ounces in Q1 2010, essentially similar to the 29,551 ounces in Q1 2009. Buryatzoloto continues to be profitable and achieved its production objectives for 2010 with 33,732 ounces (100%) of gold produced at an estimated total cash cost of US\$643 per ounce as compared to 34,790 ounces of gold produced at a total cash cost of US\$479 per ounce in Q1 2009. (See the section *Non-GAAP Measures* on page 17 regarding total cash costs.)

Buryatzoloto Combined Operational and Financial Data

	Three months ended March 31,		
	2010	2009	2008
Tonnes mined	144,000	159,000	152,000
Tonnes milled	155,000	138,000	129,000
Gold grade (g/t)	7.3	8.5	8.6
Recovery (%)	92.9	94.0	94.0
Gold production (oz) – 100% ⁽¹⁾	33,732	34,790	33,994
High River share of production – 84.94%	28,652	29,551	28,875
Direct mining cost (US\$/oz)	528	359	471
Total cash cost (US\$/oz)	643	479	567

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

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

Zun-Holba Mine

The cost per ounce increased due to a 13% strengthening of the Russian Rouble ("RUR") against the US\$ combined with a decrease of the ore grade by 14%.

Zun-Holba Operational Data

	Three months ended March 31,		
	2010	2009	2008
Tonnes mined	70,000	76,000	70,000
Tonnes milled	88,000	72,000	67,000
Gold grade (g/t)	6.8	8.7	8.5
Recovery (%)	90.1	92.9	92.9
Gold production (oz) – 100%	17,414	18,236	17,316
High River share of production – 84.94%	14,791	15,490	14,708
Direct mining cost (US\$/oz)	521	400	517
Cash operating cost (US\$/oz)	583	467	554

Irokinda Mine

The cost per ounce increased due to a 13% strengthening of RUR against the US\$ combined with a decrease of the ore grade by 22%.

Irokinda Operational Data

	Three months ended March 31,		
	2010	2009	2008
Tonnes mined	74,000	83,000	82,000
Tonnes milled	68,000	66,000	62,000
Gold grade (g/t)	7.9	8.2	8.8
Recovery (%)	95.1	95.3	95.2
Gold production (oz) – 100%	16,318	16,554	16,678
High River share of production – 84.94%	13,861	14,061	14,166
Direct mining cost (US\$/oz)	409	314	424
Cash operating cost (US\$/oz)	439	374	471

Outlook

Buryatzoloto continues to operate close to its full capacity. The amount of minable reserves is a major concern of the management. An aggressive exploration program to extend the life of the mines is underway at Zun-Holba and Irokinda mines.

Somita Operations (Taparko-Bouroum Gold Mine)

Production in the first quarter of 2010 was above projected levels due to above life-of-mine ore grades and improved mill availability. A slight increase of the costs per ounce in Q1 2010 compared to Q1 2009 was explained by a decrease of the ore grade by 26% compensated by economy of scale due to higher mill turnover.

Somita Operating and Financial Data

	Three months ended March 31,		
	2010	2009	2008
Tonnes mined	276,000	131,000	128,000
Tonnes milled	293,000	136,000	132,000
Gold grade (g/t)	3.5	4.7	3.2
Recovery (%)	93.1	91.7	93.3
Gold production (oz) – 100% ⁽¹⁾	30,426	22,408	12,637
High River share of production – 90%	27,384	20,167	11,373
Direct mining cost (US\$/oz)	405	363	647
Total cash cost (US\$/oz)	457	413	714

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

Outlook

While the mine currently meets the expectations, the management believes that further operational improvements are still possible. High River expects the improvements to be implemented in the second half of 2010. This may allow further production growth while keeping the costs at competitive level.

Berezitovy Mine, Russia

In Q1 2010 in addition to the planned shutdown Berezitovy experienced a few technical problems. Several breakdowns were magnified by long spare parts delivery time. As a result, the main crusher was idle most of the February, while the March production was limited by the mill availability. This resulted in low gold production in Q1. The low mill and crusher availability accounted for most of the increase in the direct mining costs. They were also negatively impacted by a 13% strengthening of RUR against US\$ and decrease of the ore grade by 29%.

Berezitovy Production Data

	2010	2009	2008
Tonnes mined	257,000	355,000	–
Tonnes milled	193,000	296,000	–
Gold grade (g/t)	2.4	3.4	–
Recovery (%)	89.5	88.0	–
Gold production (oz) – 100% ⁽¹⁾	13,604	19,596	–
High River share of production – 99%	13,468	19,400	–
Direct mining cost (US\$/oz)	871	389	–
Total cash cost (US\$/oz)	949	482	–

(1) Gold production is comprised of refined gold and doré alloy. Berezitovy achieved commercial production Q4 2008.

Outlook

The Company believes that the problems encountered by Berezitovy in Q1 2010 were temporary. The better plant availability should result in improved production in subsequent quarters. The installation and commissioning of the second ball mill is planned for Q3 2010. Currently the mill is being shipped from the manufacturer to the mine site. With two ball mills operating the plant capacity is expected to increase.

Review of Exploration Projects

Bissa Gold Project, Burkina Faso

In Q1 2010 the Company continued the Feasibility Study of the Bissa project, which is expected to be completed in 2010. At the same time High River continues exploration at the Bissa group permits. 5,700 meters of the RC drilling and 2,800 meters of Air Core drilling were completed in Q1 2010 as a part of \$2 million budget for additional exploration of the Bissa area.

Other Exploration Works, Burkina Faso

In Q1 2010 the Company conducted the exploration at other high potential permits in Burkina Faso according to the budget. At Ouaga group permits, which include Gandi, Mango and Wayin permits, 4,200 meters of RC drilling and 1,000 meters of RAB drilling were completed.

Health, Safety and Environment (“HSE”)

On January 3rd, 2010, a roof failure occurred at Zun-Holba underground mine while two miners were setting up to drill. A large piece of rock fell and struck an underground miner trainee; his partner attempted to rescue him but was not able to save his life. On February 14th, following an equipment failure with the ore scraper, an employee was reported missing. The body of the deceased employee was recovered following very difficult search and rescue efforts. The recommendations from the resulting investigations are being implemented along with additional corrective and preventive measures which were approved by senior management. These included changes in senior management personnel, the appointment of a new safety director reporting directly to the General Director of Buryatzoloto and very detailed corrective measures which were communicated to all mine supervisors. On February 17th, a mine supervisor at High River’s Berezitovy mine was fatally injured as a result of a fall while working on the edge of the mine pit. The results of the investigation have prompted the review of safety standards regarding pit wall inspections. These sad events have reinforced the Company’s resolve to increase its emphasis on the implementation of the new safety culture, one that has a lower tolerance for unsafe actions.

There were no significant environmental incidents in Q1 2010 to the best knowledge of the Company.

Overall Financial Performance

Revenues

The Company's consolidated net gold revenues for Q1 2010 increased to \$97.7 million from \$88.8 million in 2009. An increase in the volume of gold sold was the main factor as movements due to price and exchange rates offset. Somita contributed more ounces compared to last year but Berezitovy sold less.

	Three months ended March 31,	
	2010	2009
Ounces sold	84,818	77,091
Refined ounces in inventory	482	923
Realized price, US\$/oz	1,108	926
Average realized C\$ to US\$ exchange rate	1.0409	1.2430
Gold sales, C\$ 000's	97,656	88,779
Change in gold revenue due to:		
Volume (ounces) variance 000's	8,899	24,398
Price variance 000's	18,993	2,251
Exchange variance 000's	(18,966)	17,121

Expenses

Direct mining costs (see *Non-GAAP Financial Measures* table on page 17) have increased during the quarter for the reasons discussed under each individual operation.

	Three months ended March 31,	
	2010	2009
Ounces produced – 100%	77,762	76,794
Direct mining costs, US\$/oz	540	368
Average realized C\$ to US\$ exchange rate	1.0409	1.2430
Direct mining cost, C\$ 000's	43,708	35,092
Change in direct mining cost due to:		
Volume (ounces) variance 000's	442	15,675
Cost variance 000's	17,350	(11,615)
Exchange variance 000's	(8,597)	6,799

The cost variance indicates that costs have increased substantially from last year. All operations are showing higher cash operating costs per ounce. The major drivers are the decreasing ore grades combined with the US\$ devaluation against RUR. 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 \$787,000 in 2010 compared to \$4.2 million last year. The major component of the decrease was restructuring costs, which decreased to nil from \$3.0 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 decreased to \$334,000 from \$3.4 million. Significant debt reduction took place in 2009 resulting in lower finance charges. The fair value adjustment to derivatives increased as value of the Royal Gold, Inc. derivative liability reduced as the loan is being repaid.

Other Expenses

Other expenses were \$783,000 compared to expenses of \$18.8 million in 2009. In 2009 the Canadian dollar was rapidly strengthening against the US\$ resulting in unrealized foreign exchange losses. In Q1 2010, the relative exchange rate did not change significantly from year-end.

Income Tax Expense

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

Balance Sheet

The Company's total assets were \$688.1 million as at March 31, 2010 compared to \$707.0 million as at December 31, 2009. Foreign exchange movement was a major factor in the decline. Working capital increased to \$117.9 million from \$95.8 million as at December 31, 2009. Long-term debt due to Nomos Bank was reclassified as current in Q1 as the Company undertook negotiations to repay the loans early. The Nomos loans were repaid in Q2.

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 March 31, 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, greatly exceed the value of the debt. RGI has not agreed to forbear from asserting breaches in addition to those described above or pursuing any of its remedies under the Funding Agreement or other agreements with High River and its affiliates, including Somita. Somita is in the process of trying to meet the requirements of the completion test. In Q1 2010 Somita performed the 90-day completion test. Following the test, RGI had 30 days to review and approve the results of the test. At the time of preparation of this MD&A, RGI had not finished the review.

As of this date, no lender to the Company has commenced enforcement proceedings. Although RGI has not yet made any demands for payment or taken any action, they continue to reserve their right to do so.

Capital Resources

As of March 31, 2010, the Company's consolidated cash amounts to \$82.5 million and there is working capital of \$117.9 million.

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

<i>(in thousands)</i>	March 31, 2010	December 31, 2009
Cash and cash equivalents	\$ 82,540	\$ 82,061
Working capital	117,859	95,818
Loans and interest payable (long-term)	13,914	25,365
<hr/>		
Three months ended March 31,	2010	2009
Cash provided by operating activities	\$ 31,499	\$ 29,672
Cash used in investing activities	(6,339)	(4,372)
Cash provided by (used in) financing activities	(21,946)	(19,725)

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. The other two producing operations, Berezitovy and Somita are recently completed development projects which over the past several years have experienced technical issues. High River owns 99% of Berezitovy and 90% of Somita.

Operating Activities

Cash flow provided by operating activities for 2010 was \$31.5 million compared to \$29.7 million from operations in Q1 2009. The cash was provided mainly by Somita and Buryatzoloto. Due to its operating problems in Q1 2010, the Company had to provide additional financing to Berezitovy.

Investing Activities

Investing activities consumed \$6.3 million of cash compared to \$4.4 million in 2009. Investing activities were scaled back in 2009 in order to conserve cash.

Financing Activities

All subsidiaries made their scheduled repayments on the current portions of their long-term debt facilities during the year. Options exercised in Q1 provided \$217,000 (2009 – nil).

As of March 31, 2010, none of the Company's stock options or warrants were "in-the-money".

Uses of Liquidity

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

- service its debt obligations (approximately \$68.6 million)
- mine-site exploration (approximately \$23 million) 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
- drilling to expand resources at Bissa
- extensive exploration in Burkina Faso to maintain licenses

Should the Bissa feasibility confirm the economics, a development decision on the property would result in an additional cash requirement.

Further negotiation with RGI is required to address the non-compliance of debt covenant violations. Somita is endeavouring to meet the requirements of the completion test.

Contractual Obligations and Commercial Commitments

The following illustrates certain of the Company's significant contractual obligations as at December 31, 2009:

<i>(in thousands)</i>	Total	2010	2011	2012	2013	2014 and thereafter
Debt	\$ 55,927	\$ 40,823	\$ 15,104	\$ –	\$ –	\$ –
Interest on debt	9,654	8,156	1,498	–	–	–
Asset retirement obligations ⁽¹⁾	27,086	–	–	2,539	–	24,547
Capital lease obligations	1,284	845	439	–	–	–
Operating leases ⁽²⁾	974	214	285	285	190	–
Purchase obligations ⁽³⁾	4,762	4,000	762	–	–	–
Other long-term obligations ⁽⁴⁾	10,359	10,359	–	–	–	–
Total	\$ 110,046	\$ 64,397	\$ 18,088	\$ 2,824	\$ 190	\$ 24,547

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.

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

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

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

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

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

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

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

Quarterly Results of Operations (Unaudited)

(\$ thousands, except per share amounts)	2010		2009			2008		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	98,479	101,518	90,527	88,183	89,121	57,726	34,940	43,456
Expenses	(59,890)	(67,699)	(62,773)	(61,369)	(60,878)	(61,679)	(34,997)	(41,634)
All other expenses and taxes	(11,059)	(2,170)	(32,321)	(64,591)	(27,312)	(31,112)	(15,292)	(6,547)
Net (loss) income	27,530	31,649	(4,567)	(37,777)	931	(35,065)	(15,349)	(4,725)
Net (loss) income per share: Basic and diluted	0.03	0.05	(0.01)	(0.06)	0.00	(0.09)	(0.05)	(0.01)
Gold sales, oz	84,818	86,348	84,441	78,274	77,091	58,412	38,891	47,905
Gold sales, US\$/oz	1,106	1,107	964	924	926	812	864	897
Gold production, oz	77,762	91,585	84,990	79,997	76,794	58,992	39,358	47,141
Direct mining costs, US\$/oz	540	434	439	473	368	561	453	568
Total cash costs, US\$/oz	624	559	601	670	607	666	625	639

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.

First Quarter of 2010 Review

The Company attained profitability in Q4 2009 after a series of losses and remained profitable in Q1 2010. Buryatzoloto continued its consistent performance. Berezitovy experience mechanical problems related to its crusher. The main crusher at Berezitovy was out of service most of February 2010 and the mill's availability was below the planned level in March 2010 which resulted in lower gold production in Q1 2010.

Outlook

The new mill at Berezitovy should enable increased production in the second half of 2010. Further operational improvements planned for Taparko may result in higher production in the second half of 2010.

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 and Berezitovy paid Severstal US\$251,000 (2009 – US\$116,000) and US\$652,000 (RUB 19,492,000) respectively in management fees.

Risks and Uncertainties

Severstal Exercises Significant Control Over the Company (strategic)

Severstal, through its affiliates, owns approximately 50.135% of the outstanding shares of the Company and may acquire additional shares, including upon the exercise of warrants. In addition, four of the Company's current directors are nominees of Severstal and its Chief Executive Officer and Chief Financial Officer are employees of Severstal. As a result, Severstal exercises significant control over the Company, giving it the ability, among other things, to elect 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 Companies 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.

The Company is Dependent on Key Officers and Employees (strategic, operational)

The Company is dependent on the efforts of key officers, including its Chief Executive Officer and its Chief Financial Officer. A number of officers, including the former Chief Executive Officer, the Chief Operating Officer and the Executive Chairman, former Chief Financial Officer, Vice-President, Exploration and Vice President, Investor Relations have left the Company. The position of Chief Operating Officer was eliminated and the mines now report directly to the Chief Executive Officer. The Chief Executive Officer and Chief Financial Officer are employees of Severstal, the Company's majority shareholder. The loss of the services of any of the Company's key officers could have an adverse effect on the Company, which could have a material adverse effect on the Company's future cash flows, earnings, results of operations and financial conditions. The Company does not have and currently has no plans to obtain key man insurance with respect to any of its key employees. In addition, the Company may need to recruit and retain other qualified managerial and technical employees to build and maintain its operations. If the Company requires such persons and is unable to successfully recruit and retain them, its development and growth could be significantly curtailed.

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 statement 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 Q1.

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.

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 \$14.2 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 2008 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 2007 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.

(c) International Financial Reporting Standards (‘IFRS’)

In February 2008, the Accounting Standards Board confirmed that 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.

Evaluation of Disclosure Controls and Procedures

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

Report on Internal Control over Financial Reporting

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 March 31, 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 May 13, 2010, the share capital consisted of:

- 799,544,422 common shares issued and outstanding.
- 4,051,100 common share purchase options outstanding at an average exercise price of \$2.26 maturing at various dates until September 29, 2013.
- 59,247,040 warrants outstanding at an average exercise price of \$1.69 maturing at various dates until September 29, 2013.
- 5,072,068 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.

March 31, 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\$	1.0409		1.0409		1.0409		1.0409	
Gold ounces sold	39,427		16,566		28,835		84,818	
Gold revenue per financial statements	45,694	1,113	19,137	1,110	31,535	1,094	97,656	1,106
Gold ounces produced	33,732		13,604		30,426		77,762	
Direct mining costs	18,555	528	12,336	871	12,817	405	43,708	540
Mining administrative costs	1,457	42	336	24	579	18	2,372	29
Stripping and mine development adjustments	326	9	–	–	–	–	326	4
Third party smelting, refining & transportation	231	7	106	7	121	4	458	6
By-product credits	(375)	(11)	(330)	(23)	(118)	(4)	(823)	(10)
Cash operating costs	20,194	575	12,448	879	13,399	423	46,041	569
Royalty expense and production tax	2,379	68	997	70	1,084	34	4,460	55
Total cash costs	22,573	643	13,445	949	14,483	457	50,501	624
Inventory change	(820)		(3,507)		(3,217)		(7,545)	
By-product credits	375		330		118		823	
Mining amortization and depletion	6,685		3,483		5,651		15,823	
Asset retirement obligation accretion	192		51		44		287	
Total expenses per financial statements	29,004		13,803		17,083		59,890	

Supplemental Cash Cost Information – Q1 2010		C\$ 000s	US\$/oz
Total cash costs			624
By-product credit per above		823	
Administrative costs per financial statements		1,793	
Less: non-cash items			
Stock-based compensation		(66)	
Exploration per financial statements		1,260	
Other expense per financial statements		783	
Less: non cash items			
Unrealized foreign exchange		929	
Gain on sale of assets/write downs		(31)	
Total non-operating cash costs		4,666	58
Total operating and non-operating cash costs			682

March 31, 2009	Buryatzoloto		Berezitovy		Somita		Total	
	C\$ 000s	US\$/oz	C\$ 000s	US\$/oz	C\$ 000s	US\$/oz	C\$ 000s	US\$/oz
Average exchange rate – C\$ to US\$	1,2430		1,2430		1,2430		1,2430	
Gold ounces sold	35,019		19,672		22,400		77,091	
Gold revenue per financial statements	40,367	927	22,713	929	25,699	923	88,779	926
Gold ounces produced	34,790		19,596		22,408		76,794	
Direct mining costs	15,512	359	9,463	389	10,117	363	35,092	368
Mining administrative costs	1,859	43	1,016	42	570	20	3,445	36
Stripping and mine development adjustments	491	11	–	–	–	–	491	5
Third party smelting, refining and transportation	433	10	273	11	122	4	828	9
By-product credits	–	–	(286)	(12)	(56)	(1)	(342)	(4)
Cash operating costs	18,295	423	10,466	430	10,753	386	39,514	414
Royalty expense and production tax	2,442	56	1,275	52	759	27	4,476	47
Total cash costs	20,737	479	11,741	482	11,512	413	43,990	461
Inventory change	–		(645)		3,005		2,360	
By-product credits	–		286		56		342	
Mining amortization and depletion	5,019		4,562		4,405		13,986	
Asset retirement obligation accretion	106		50		44		200	
Total expenses per consolidated financial statements	25,862		15,994		19,022		60,878	
Supplemental Cash Cost Information							C\$ 000s	US\$/oz
Total cash costs per ounce produced								461
By-product credit per above							342	
Administrative costs per financial statements						4,185		
Less: non-cash items								
Stock option benefit expense						(50)		
Restructuring accruals						(1,278)	2,857	
Exploration per financial statements							806	
Other income/(expense) per financial statements						18,829		
Less- non cash items								
Unrealized foreign exchange loss						(11,967)		
Loss on sale of assets						29	6,891	
Total non-operating cash costs							10,554	111
Total operating and non-operating cash costs								572

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

**Interim Consolidated Financial Statements
For the Three Months Ended March 31, 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/ Igor Klimanov
Chief Executive Officer

s/ Andrei Maslov
Chief Financial Officer

May 13, 2010

High River Gold Mines Ltd.
Consolidated Balance Sheets

(Expressed in thousands of Canadian dollars)

(unaudited)	Note	March 31, 2010	December 31, 2009
Assets			
Current Assets			
Cash and cash equivalents	5	\$ 82,540	\$ 82,061
Restricted cash		513	562
Accounts receivable		14,836	18,115
Inventory	6	82,247	81,090
Other assets		16,179	12,382
		196,315	194,210
Investments	7	64,915	64,810
Property, plant and equipment	8	315,994	340,606
Exploration properties and deferred exploration	9	107,646	105,061
Other assets		738	697
Future income taxes		2,494	1,578
Total Assets		\$ 688,102	\$ 706,962
Liabilities			
Current Liabilities			
Accounts payable		\$ 29,744	\$ 39,726
Loans and interest payable	10	48,712	58,666
		78,456	98,392
Loans and interest payable	10	13,914	25,365
Reclamation and closure costs	11	14,541	14,208
Non-hedge derivatives	12	9,855	13,684
Future income taxes		22,901	20,567
		139,667	172,216
Non-controlling interest		24,550	21,922
Total Liabilities		164,217	194,138
Shareholders' Equity			
Share capital	14 (b)	610,987	610,770
Warrants	14 (c)	13,265	13,265
Contributed surplus		15,976	15,907
Debenture conversion option	14 (d)	538	538
Deficit		(94,271)	(121,801)
Accumulated other comprehensive income		(22,610)	(5,855)
Total Shareholders' Equity		523,885	512,824
Total Liabilities and Shareholders' Equity		\$ 688,102	\$ 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 March 31,	
		2010	2009
Revenue			
Gold		\$ 97,656	\$ 88,779
Silver		823	342
		98,479	89,121
Expenses			
Mining costs		41,987	43,247
Mine administrative costs		1,793	3,445
Mine amortization and depletion		15,823	13,986
Asset retirement obligation accretion		287	200
		59,890	60,878
Income before the undernoted			
Administrative costs	15	(787)	(4,185)
Amortization		101	(20)
Exploration expense		(1,260)	(806)
Financing costs and investment income, net	16	334	(3,397)
Other income / expenses	17	(783)	(18,829)
		36,194	1,006
Income before tax and non-controlling interest		36,194	1,006
Income tax expense	18	(6,037)	13
		30,157	1,019
Income before non-controlling interest		30,157	1,019
Non-controlling interest in earnings of subsidiary		(2,627)	(88)
		\$ 27,530	\$ 931
Net income for the period		\$ 27,530	\$ 931
Net income per share – basic and diluted	19	\$ 0.03	\$ 0.00

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 March 31,	
		2010	2009
Operating Activities			
Net income/loss for the period		\$27,530	\$ 931
Non-cash items:			
Non-controlling interest in earnings of subsidiary		2,627	88
Mining costs		(7,545)	(147)
Amortization and depletion		15,722	14,006
Asset retirement obligation accretion		287	200
Financial instrument accretion		41	(207)
Fair value adjustments to financial instruments		(3,829)	(1,778)
Stock based compensation		68	50
Loss on disposal of assets		31	29
Future income taxes		1,661	(2,294)
Interest on capital lease		16	53
Unrealized foreign exchange loss		(619)	11,967
Other		(1,510)	–
Subtotal		34,480	22,898
Change in non-cash working capital	22	(2,981)	6,774
Net cash provided by operating activities		31,499	29,672
Investing Activities			
Property, plant and equipment		(4,046)	(2,589)
Proceeds on disposal		4	113
Exploration properties and deferred exploration		(2,224)	(1,950)
(Increase) decrease in other assets		(73)	54
Net cash used by investing activities		(6,339)	(4,372)
Financing Activities			
Loans received		–	31
Loans repaid		(22,163)	(19,756)
Common shares issued		217	–
Net cash used by financing activities		(21,946)	(19,725)
Effect of exchange rate changes on cash held in foreign currencies		(2,735)	321
Increase in cash and cash equivalents during the period		479	5,896
Cash and cash equivalents - Beginning of period		82,061	19,123
Cash and cash equivalents - End of period		\$ 82,540	\$ 25,019

Supplementary cash flow information 22

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

High River Gold Mines Ltd.

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in thousands of Canadian dollars)

(unaudited)	Note	March 31, 2010	December 31, 2009
Share capital			
Balance at beginning of period		\$ 610,770	\$ 543,244
Issue of common shares		217	67,526
Balance at end of period		610,987	610,770
Warrants			
Balance at beginning of period		13,265	16,627
Expired		–	(3,362)
Balance at end of period		13,265	13,265
Contributed surplus			
Balance at beginning of period		15,907	12,876
Expired warrants		–	2,808
Stock based compensation, net		69	223
Balance at end of period		15,976	15,907
Debenture conversion option		538	538
Deficit			
Balance at beginning of period		(121,801)	(112,037)
Net income		27,530	(9,764)
Balance at end of period		(94,271)	(121,801)
Accumulated other comprehensive income (loss)			
Balance at beginning of period		(5,855)	15,794
Comprehensive income (loss) for the period		(16,755)	(21,649)
Balance at end of period		(22,610)	(5,855)
Shareholders' equity at end of period		\$ (523,885)	\$ (512,824)

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

High River Gold Mines Ltd.

Consolidated Statements of Comprehensive (Loss) Income

(Expressed in thousands of Canadian dollars)

(unaudited)	Three months ended March 31,	
	2010	2009
Net income (loss)	\$ 27,530	\$ 931
Other comprehensive income (loss)		
Unrealized gain (loss) on translation of net foreign operations	(16,608)	(13,842)
Net change in unrealized (loss) gain on available for sale securities	(147)	15,234
Comprehensive (loss) income for the period	(16,755)	1,392
Net comprehensive income (loss) for the period	\$ 10,775	\$ 2,323

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 March 31, 2009, the Company’s interest in Buryatzoloto is 84.94% of the common shares (82.87% of the voting shares), Berezitovy 99% and 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 11(h), 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 312,771,131 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 sold Severstal 59,019,367 shares in a private placement for proceeds of \$10,623,000.

On December 2, 2009, the Company issued an additional 150,000,000 common shares. Severstal did not participate in this financing and, as a result, as at March 31, 2010, Severstal owned approximately 50.1% 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 March 31, 2010.

2. Changes in Accounting Policies

Future Accounting Changes

- (d) 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.

(e) 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.

(f) 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:

	March 31, 2010	December 31, 2009
Cash and cash equivalents	\$ 82,540	\$ 82,061
Accounts receivable	14,836	18,115
Investments	64,915	64,810
	\$ 162,291	\$ 164,986
Accounts payable	\$ 29,744	\$ 39,726
Loans and interest payable	62,626	84,031
Non-hedge derivatives	9,855	13,684
	\$ 102,525	\$ 137,441

(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 Central 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. The foreign currency exchange loss in 2010 of \$929,000 is primarily due to the appreciation of the Russian Rouble against the United States dollar.

Sensitivity of pre-tax earnings to a 10% increase or decrease in the C\$/US\$ exchange rate (1.0409 average) for the Company’s Q1 2010 production is approximately \$132,000 or \$0.00 per share based on shares outstanding March 31, 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\$1,107 per ounce) for the Company's Q1 2010 production is approximately \$9.8 million or \$0.01 per share based on shares outstanding as at March 31, 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\$625 per oz) for the Company's Q1 2010 production is approximately \$9.8 million or \$0.01 per share based on shares outstanding as at March 31, 2010.

Interest rate risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. In 2009, the majority of the Company's debt was restructured with fixed interest rates; therefore, cash interest payments are exposed to interest rate fluctuations. The Company has not used derivatives to mitigate its exposure to interest rate risk. The debt subject to floating interest rates and the estimated weighted average floating interest rates is summarized below.

	Floating interest rate, %	March 31, 2010	Floating interest rate, %	December 31, 2009
Caterpillar Finance France SA	3.9	<u>\$ 680</u>	3.9	<u>\$ 1,049</u>

The sensitivity of annual pre-tax earnings to a 100 basis point increase or decrease in the base case LIBOR in Q1 2010 is approximately \$1,000 or \$nil per share, based on shares outstanding. The six-month LIBOR for United States dollars was 0.4% as at March 31, 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 \$82.5 million at March 31, 2010. Working capital at March 31, 2010 was \$117.9 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 March 31, 2010, are as follows

	Total	2010	2011	2012
Payables and accruals	\$ 29,744	\$ 29,744	\$ –	\$ –
Debt	55,927	40,823	15,104	–
Interest on debt	9,654	8,156	1,498	–
Capital lease obligations	1,284	845	439	–
Purchase obligations	4,762	4,000	762	–
Other long-term obligations	10,359	10,359	–	–
Total	\$ 102,730	\$ 90,327	\$ 17,803	\$ –

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

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.

	March 31, 2010	December 31, 2009
Total loans and interest payable	\$ 62,586	\$ 84,031
Less: Cash and cash equivalents	82,540	82,061
Net debt	(19,954)	1,970
Shareholders' equity excluding accumulated other comprehensive income	501,275	518,679
Total Capital	\$ 521,229	\$ 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. Somita is in the process of trying to meet the requirements of the completion test.

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:

	March 31, 2010	December 31, 2009
Materials and supplies	\$ 43,552	\$ 45,513
Stockpiled ore	25,829	20,374
Gold-in-process	5,617	4,225
Doré alloy	6,963	6,009
Refined gold and silver	286	4,969
	\$ 82,247	\$ 81,090

7. Investments

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

	March 31, 2010		December 31, 2009	
	Fair value	Original Cost	Fair value	Original cost
Detour Gold Corporation (a)	\$ 59,155	\$ 3,616	\$ 55,016	\$ 3,616
Goldrush Resources (b)	1,239	1,657	715	1,657
Other equities (c), (d), (e)	4,521	2,677	9,079	2,677
	\$ 64,915	\$ 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 March 31, 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.
- (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 March 31, 2010, the Company held 7,540,000 common shares or approximately 12.0% 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 March 31, 2010, the Company held 1,790,941 common shares of Intrepid Mines Limited ("Intrepid"). The shares have been pledged as security for a loan to Somita.
- (d) As at March 31, 2010, the Company held 12,015,000 common shares of Pelangio Exploration Inc. ("Pelangio") or approximately 10.2% of Pelangio (2009 – 10.2%). The shares have been pledged as security for a loan to Somita.

- (e) As at March 31, 2010, the Company held 2,245,000 common shares of Merrex Gold Inc. (“Merrex”). These shares have been pledged as security for a loan to High River.

8. Property, Plant and Equipment

Carrying value, March 31, 2010	Buryatzoloto	Somita	Berezitovy	Corporate and exploration	Total
Property	\$ 43,824	\$ 46,967	\$ 16,822	\$ –	\$ 107,613
Land and buildings	36,258	1,807	152,383	2,449	192,897
Plant and equipment	18,124	69,229	–	–	87,353
Mobile equipment	6,030	19,759	–	–	25,789
Capitalized interest	–	8,447	(751)	–	7,696
Assets under construction	3,095	5,894	–	–	8,989
Capital leases	2,730	–	–	–	2,730
Asset retirement obligation	5,766	2,103	–	–	7,869
	115,827	154,206	168,454	2,449	440,936
Accumulated amortization					
Property	(24,040)	(17,190)	(1,944)	–	(43,174)
Land and buildings	(27,917)	(898)	(21,155)	(2,089)	(52,059)
Plant and equipment	(8,013)	(11,616)	–	–	(19,629)
Mobile equipment	(1,485)	(824)	–	–	(2,309)
Capitalized interest	–	(3,704)	–	–	(3,704)
Capital leases	(1,912)	–	–	–	(1,912)
Asset retirement obligation	(1,337)	(818)	–	–	(2,155)
	(64,704)	(35,050)	(23,099)	(2,089)	(124,942)
Net carrying value	\$ 51,123	\$ 119,156	\$ 145,355	\$ 360	\$ 315,994

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	March 31, 2010
West Africa – Bissa project	\$ 62,636	\$ 1,399	\$ –	\$ 64,035
West Africa – other	15,959	762	–	16,721
Russia – Prognoz	24,472	233	–	24,705
Russia – Sergachinsky/South Flank	1,994	191	–	2,185
	\$ 105,061	\$ 2,585	\$ –	\$ 107,646

	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 (b)	12,765	(1,162)	(11,603)	–
Russia – Prognoz (a)	86,185	(3,071)	(58,642)	24,472
Russia – Sergachinsky	938	1,056	–	1,994
	\$ 170,522	\$ 5,303	\$ (70,764)	\$ 105,061

- (a) 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.
- (b) 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:

	March 31, 2010	December 31, 2009
<i>Buryatzoloto</i>		
Nomos Bank – US\$25m (a)	\$ –	\$ 1,312
Nomos Bank – US\$8m (b)	1,625	2,519
Nomos Bank (c)	–	7,631
Finance lease obligations (m)	141	283
	1,766	11,745
<i>Somita</i>		
Royal Gold, Inc. (d)	15,122	21,150
Accrued interest on loan	6,661	8,157
Caterpillar Finance France SA (e)	680	1,049
Ecobank (f)	197	216
	22,660	30,572
<i>Berezitovy</i>		
Nomos Bank (g), (h), (i)	22,610	14,692
Accrued interest on loan	972	859
Finance lease obligations (n)	704	798
	24,286	16,349
	\$ 48,712	\$ 58,666

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

	March 31, 2010		December 31, 2009	
	Amortized cost	Carrying Value	Amortized cost	Carrying value
<i>High River</i>				
8% Debentures (j)	\$ 11,626	\$ 11,921	\$ 11,588	\$ 11,921
<i>Somita</i>				
Government of Burkina Faso (k)	509	509	525	530
Ecobank	34	34	86	86
	543	543	611	616
<i>Berezitovy</i>				
Nomos Bank	–	–	11,302	11,549
Finance lease obligations	439	439	555	555
	439	439	11,857	12,104
<i>Prognoz Invest Ltd.</i>				
Arinvest LLC (l)	1,306	1,306	1,309	1,309
	\$ 13,914	\$ 14,209	\$ 25,365	\$ 25,950

Details of the loans are as follows:

- (a) In May 2006, Buryatzoloto entered into an agreement with Nomos Bank for a loan of US\$15,000,000 plus US\$10,000,000. The loan had a series of fixed repayment dates (2010 – US\$1,250,000) and is outstanding until March 2010. Interest was charged at LIBOR plus 4% on the first US\$15,000,000 and at LIBOR plus 3.8% on the remainder until October 2008. Interest on the loan was fixed at 11.5% from October 2008. This loan is secured by an agreement whereby Nomos Bank acts as Buryatzoloto's exclusive sales agent. The full amount of the loan facility was utilized and repayments have begun.
- (b) In July 2007, Buryatzoloto entered into an agreement with Nomos Bank for a loan of US\$8,000,000 to finance working capital. The loan has a series of fixed repayment dates (2010 – US\$2,400,000) and is outstanding until July 2010. Interest was charged at LIBOR plus 3.5% until October 2008. Interest on the loan was fixed at 11.5% from October 2008. The loan is secured by agreements for the purchase and sale of gold. The full amount of the loan facility was utilized and repayments have begun.
- (c) In December 2009 Buryatzoloto received a loan from Nomos Bank for the delivery of gold. As at December 31, 2009, the balance of the loan was US\$7,272,000. The interest rate on the loan varies from 0.02% to 0.0273% for each day the loan is used.
- (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 March 31, 2010, and December 31, 2009, High River had not met the RGI completion test. The loan was reclassified as current, as Somita is in breach of the loan completion covenant.

- (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 bears interest at LIBOR plus 3.45% and is repayable in 16 quarterly instalments commencing three months after the loan is granted. High River has guaranteed the loan which is secured by a pledge of property purchased.
- (f) Ecobank Burkina granted a loan to Somita for the amount of CFA250,000,000 (approximately US\$585,000). The loan has a term of three years and bears interest at 8%. Principal (CFA8,000,000) and interest are paid monthly. The loan is unsecured.
- (g) In March 2006, Berezitovy entered into a loan agreement with Nomos Bank. The loan was for the amount of US\$9,000,000. Interest was charged at the six-month LIBOR plus 3.7%. Early in 2009, the interest rate on the loan was increased to 14% and a subsidiary of Severstal provided a guarantee to Nomos. The loan had a series of fixed repayment dates and was repaid in 2009.
- (h) In September 2006, Berezitovy entered into a third loan agreement with Nomos Bank. The loan is for the amount of US\$19,000,000. Interest was charged at the six-month LIBOR plus 5.377% pre-project completion and 3.75% post-project completion. The loan has a series of fixed repayment dates (2010 – US\$5,000,000; 2011 – US\$5,000,000) and may be outstanding until April 30, 2011. High River has pledged approximately 37.5% of the shares it owns in Buryatzoloto to secure the loan. In 2009, the interest rate on the loan was increased to 14% and a subsidiary of Severstal provided a guarantee to Nomos.
- (i) In May 2006, Berezitovy entered into a second loan agreement with Nomos Bank. The credit facility is for the amount of US\$32,000,000. Interest was charged at the six-month LIBOR plus 5.38% pre-project completion and 3.75% post-project completion. The loan has a series of fixed repayment dates (2010 – US\$9,000,000; 2011 – US\$6,000,000) and may be outstanding until April 30, 2011. High River has pledged approximately 62.1% of the shares it owns in Buryatzoloto to secure the loan. In 2009, the interest rate on the loan was increased to 14% and a subsidiary of Severstal provided a guarantee to Nomos.
- (j) In November 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.

- (k) 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.
- (l) 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.
- (m) Buryatzoloto has a lease at 8.5% expiring June 2010.
- (n) Berezitovy has a lease at 8.35% expiring November 2011.

Loans and interest payable related to the Company's subsidiary Buryatzoloto are non-recourse to the Company and are repayable solely from the cash flow of the applicable operation. Non-hedge embedded derivatives relating to loans are separated and reported at their estimated fair value (see note 13(b)). Transaction costs are included in long-term debt and amortized using the effective interest method.

During the first quarter, the Company was in negotiations with Nomos Bank to repay the outstanding loans. Consequently, the Nomos loans were classified as current. See note 24. As at March 31, 2009, the long-term loans and estimated interest payable debt maturities for fixed term loans for each of the five years to 2014 are: 2010 - \$48,979,000; 2011 - \$16,602,000; 2012 - \$nil; 2013 - \$nil; 2014 - \$nil. The six-month US\$ LIBOR was 0.4% as at December 31, 2009 (December 31, 2008- 1.75%).

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 Buryatiya 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 estimated to be US\$4,212,000. A credit adjusted risk-free rate of 9.00% was utilized to determine the obligation recorded in the consolidated balance sheets. Management anticipates that such obligations will substantially be settled at or near the closure of the mining facility.

Total undiscounted future cash flows required to settle the decommissioning and restoration asset retirement obligations 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

12. Non-Hedge Derivatives

	March 31, 2010	December 31, 2009
RGI loan (a)	\$ 9,855	\$ 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.

13. Stock-based Compensation

Stock options are granted periodically to directors, officers, consultants and employees of the Company. Stock options are granted at an exercise price that is not less than 100% of the closing share price on the TSX on the day prior to the day the option is granted. Option vesting periods vary depending on the circumstances of the grant. Typically, options have a term of five years and vest as follows: 1/3 immediately, 1/3 after one year, 1/3 after two years. As at March 31, 2010, there were 9,611,087 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, 2007	11,262,566	\$1.97
Granted	3,740,000	\$2.12
Terminated	(2,346,666)	\$1.96
Exercised	(387,883)	\$1.89
Expired	(1,795,833)	\$2.18
Balance – December 31, 2008	10,472,184	\$1.99
Terminated	(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

Stock options outstanding:

Exercise price	March 31, 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	882,500	0.9	882,500	1,042,500	1.2	1,042,500
2.35	–	–	–	75,000	1.5	75,000
2.15	1,890,267	1.6	1,890,267	2,185,267	1.9	2,185,267
2.85	100,000	2.5	100,000	100,000	2.7	100,000
2.80	788,333	2.8	744,994	861,666	3.1	539,999
2.19	340,000	3.0	226,667	340,000	3.3	226,667
1.80	350,000	3.3	233,333	363,333	3.6	246,666
0.64	–	–	–	33,333	3.7	33,333
	4,351,100	1.9	4,077,761	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 \$2.26 (2009 – \$2.07).

The unvested, unamortized fair value of all stock options outstanding at period end was \$52,000 (2009 – \$128,000). The net stock-based compensation expense included in administrative costs in the consolidated statement of operations for the period was \$68,000 (2009 – \$223,000).

14. Share Capital

(a) Authorized

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

(b) Issued and outstanding common shares

	Number of shares	Net share capital
Balance – December 31, 2007	295,662,137	\$ 453,225
Exercise of stock options	387,883	1,068
Exercise of warrants	11,844,500	35,880
Conversion of debenture	10,638	64
Financings (i)	282,288,515	53,228
Warrant and share issue expense	–	(221)
Balance – December 31, 2008	590,193,673	543,244
Financing-Severstal (ii)	59,019,367	10,623
Conversion of debenture	6,382	15
Financing-Polenica (iii)	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	<u>799,544,422</u>	<u>\$ 610,987</u>

- In November 2008, 282,288,515 shares were issued to Severstal for cash proceeds of \$53,228,000 in a private placement.
- 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 sold Severstal 59,019,367 shares in a private placement for proceeds of \$10,623,000.
- 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, 2007	36,070,000	\$3.37	\$ 19,951
Issued	40,674,540	\$0.64	3,138
Exercised	(11,844,500)	\$2.50	(6,269)
Expired	(303,000)	\$2.63	(193)
Balance – December 31, 2008	64,597,040	\$1.82	16,627
Expired	(5,350,000)	\$3.17	(3,362)
Balance – December 31, 2009	59,247,040	\$1.69	13,265
Balance – March 31, 2010	<u>59,247,040</u>	<u>\$1.69</u>	<u>\$ 13,265</u>

Warrants outstanding as at:

Exercise price	March 31, 2010		December 31, 2009	
	Number of warrants outstanding	Expiry date	Number of warrants outstanding	Expiry date
\$4.00	18,572,500	Nov. 8, 2010	18,572,500	Nov. 8, 2010
\$0.64	40,674,540	Sep. 29, 2013	40,674,540	Sep. 29, 2013
	<u>59,247,040</u>		<u>59,247,040</u>	

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. The warrant entitles the holder to acquire one common share for a price of \$0.64 until September 29, 2013.

(d) Debenture conversion option

In November 2006, the Company issued \$12,000,000 of convertible debentures (note 11 (o)). 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 March 31,	
	2010	2009
Other	\$ (542)	\$ (764)
Stock-based compensation	(68)	(50)
Restructuring costs	–	(3,005)
Salaries and benefits	(177)	(366)
	\$ (787)	\$ (4,185)

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

16. Financing Costs and Investment Income, Net

	Three months ended March 31,	
	2010	2009
Investment income	\$ 230	\$ 7
Financing costs	(3,642)	(5,287)
Interest on capital lease	(42)	(102)
Financial instrument accretion expense	(41)	207
Fair value adjustments to derivatives	3,829	1,778
	\$ (334)	\$ (3,397)

Financing costs include interest to RGI of \$3,829,000 (2009 – \$7,268,000) and on the Standard Bank/Severstal loan of \$1,659,000 in 2009.

17. Other Expenses

	Three months ended March 31,	
	2010	2009
Foreign currency exchange	\$ 929	\$ (18,921)
Loss on sale or write-off of assets	(31)	(29)
Write-down of exploration	–	–
Other	(1,681)	121
	\$ (783)	\$ (18,829)

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 March 31,	
	2010	2009
Canada/other	\$ 4,719	\$ (42,580)
Burkina Faso	6,216	18,989
Russia	22,632	17,420
	<u>\$ 33,567</u>	<u>\$ (6,171)</u>

The components of the provision for income taxes comprise:

	Three months ended March 31,	
	2010	2009
Current tax expense:		
Canada	\$ –	\$ –
Foreign	4,376	(2,281)
Future tax expense:		
Canada	(221)	–
Foreign	1,882	2,294
	<u>\$ 6,037</u>	<u>\$ 13</u>

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 March 31,	
	2010	2009
Net income for the period	\$ 27,530	\$ 931
Weighted average number of shares	799,327,755	590,193,673
Basic income per share	\$ 0.03	\$ 0.00
Incremental shares on assumed exercise of options and warrants	–	–
Weighted average number of shares	799,327,755	590,193,673
Diluted income per share	<u>\$ 0.03</u>	<u>\$ 0.00</u>

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 March 31, 2010 and 2009, the Company owned shares in Goldrush. A former officer of the Company serves as a director of Goldrush. During the period, the Company had an account receivable due from Goldrush of

\$427 (2009-\$ nil). 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 during 2009.

As at March 31, 2010 and 2009, the Company owned shares in Pelangio. In 2008, a former director of the Company served as 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.

During the period, officers of the Company who are employees of Severstal have received \$6,000 (2009-\$nil) as consulting fees from the Company.

During the period, Buryatzoloto and Berezitovy paid Severstal US\$ 251,000 (2009 – \$116,000) and US\$ 652,101 (RUB 19,491,525.42) respectively in management fees.

21. Commitments and Contingencies

(a) Legal proceedings

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

Somita withheld final payment due to the contractor for the 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.

(b) Environmental matters

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

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

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

(c) Guarantees

In order to retain its skilled employees, Buryatzoloto has guaranteed employee mortgages given by Sberbank RF. As at December 31, 2009, this guarantee amount is US\$565,000 (2009 – US\$729,000). The Company accounts for guarantees at fair value and it estimates the guarantees to have \$nil value, as historically there have been no defaults.

High River has guaranteed a materials supply contract for Somita up to US\$195,000 and it estimates the guarantees to have \$nil value as forecasts show that the operation will generate sufficient cash in the future to meet this obligation.

(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 Minérais Incanor Inc. The bonus is payable once a defined mineable reserve of 500,000 ounces of gold is documented as part of a feasibility study that demonstrates that economic extraction can be justified. High River prepaid \$100,000 of the bonus in 2007.

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

- (i) an additional payment of US\$20 per ounce for 20% of any exploitable mineral reserves in excess of 150,000 ounces based on a bankable feasibility study. 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	2014 and thereafter
Operating leases ⁽¹⁾	\$ 974	\$ 214	\$ 285	\$ 285	\$ 190	\$ –
Purchase obligations ⁽²⁾	4,762	4,000	762	–	–	–
Other long-term obligations ⁽³⁾	10,359	10,359	–	–	–	–
Total	\$ 16,095	\$ 14,573	\$ 1,047	\$ 285	\$ 190	\$ –

(1) Rent for premises and certain equipment that is not a capital lease. The Company has a lease on office premises in Toronto that extends to 2013. High River must inform the landlord nine months prior to lease termination as to its intention to renew or vacate.

(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 March 31,	
	2010	2009
(a) Net changes in non-cash working capital		
Accounts receivable	\$ 2,909	\$ 5,203
Inventory	1,450	5,014
Other assets	(3,488)	(1,251)
Accounts payable	(3,966)	(2,784)
Interest payable	114	592
	\$ (2,981)	\$ 6,774
(b) Cash paid for interest and financing fees	\$ 854	\$ 3,762
Cash paid for income taxes	\$ 4,375	\$ 270
(c) Non-cash financing activities-shares issued on option exercise	\$ 217	\$ –

23. Comparative Figures

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

24. Subsequent Event

In April 2010, debt owed to Nomos Bank by Buryatzoloto and Berezitovy was repaid without penalty from cash on hand. The amount of the debt was \$ 24,235,000.

25. Segmented Information

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

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

	Three months ended March 31,	
	2010	2009
Property, plant and equipment expenditures, net		
Russia – Buryatzoloto	\$ 2,605	\$ 1,884
Russia – Berezitovy	1,279	57
Burkina – Somita	157	619
Burkina – exploration	5	29
Corporate/other	-	-
	4,046	2,589
Deferred exploration expenditures		
Russia – Berezitovy	191	38
Russia – Prognoz (a)	-	280
Burkina – exploration	2,032	1,632
	2,223	1,950
Total assets as at:	March 31,	December 31,
	2010	2009
Russia – Buryatzoloto	131,624	137,059
Russia – Berezitovy	227,025	200,415
Russia – Prognoz	16,997	27,460
Burkina – Somita	166,306	183,861
Burkina – exploration	63,412	80,459
Corporate/other	82,738	77,708
	\$ 688,102	\$ 706,962

(a) Included with Russia - Buryatzoloto in 2008.

	Three months ended March 31,	
	2010	2009
Revenue (b)		
Russia – Buryatzoloto	\$ 46,067	\$ 40,367
Russia – Berezitovy	19,467	22,999
Burkina – Somita	32,943	25,755
	98,477	89,121
Expenses		
Mining costs		
Russia – Buryatzoloto	20,670	18,878
Russia – Berezitovy	9,932	10,367
Burkina – Somita	11,384	14,002
Mine administrative costs		
Russia – Buryatzoloto	1,457	1,859
Russia – Berezitovy	336	1,015
Burkina – Somita	–	571
Mine amortization and depletion		
Russia – Buryatzoloto	6,685	5,019
Russia – Berezitovy	3,483	4,562
Burkina – Somita	5,655	4,405
Asset retirement obligation accretion		
Russia – Buryatzoloto	192	105
Russia – Berezitovy	51	50
Burkina – Somita	44	45
	59,891	60,878
Administrative costs		
Russia – Buryatzoloto	–	6
Russia – Berezitovy	238	124
Burkina – Somita	25	–
Corporate/other	524	4,055
	787	4,185
Financing costs and investment income, net		
Russia – Buryatzoloto	(139)	978
Russia – Berezitovy	1,847	2,610
Burkina – Somita	(348)	1,585
Corporate/other	(1,693)	(1,776)
	(333)	3,397
Other income/expenses		
Russia – Buryatzoloto	(12)	(5,631)
Russia – Berezitovy	(5,046)	(33,234)
Burkina – Somita	8,976	(8,593)
Corporate/other	(3,137)	28,629
	781	(18,829)
Income tax expense (recovery)		
Russia – Buryatzoloto	4,256	(770)
Russia – Berezitovy	2,003	698
Burkina – Somita	–	–
Corporate/other	–	85
	6,259	13
Net (loss)/income for the period		
Russia – Buryatzoloto	9,752	6,269
Russia – Berezitovy	6,620	(28,267)
Burkina – Somita	6,632	(3,445)
Corporate/other	4,526	26374
	\$ 27,530	\$ 931

(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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¹ Member of the Audit Committee

² Member of the Corporate Governance
and Compensation Committee

³ Chairman

Officers

Igor Klimanov
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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

Warrants Listed

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

Investor Relations

For inquiries, or copies of the
Company's Annual Information
Form, Annual or Quarterly Reports,
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website at www.hrg.ca. The
Company's filings with the Canadian
securities regulatory authorities can
be accessed on SEDAR at
www.sedar.com.