

HRG



HIGH RIVER GOLD

HIGH RIVER GOLD MINES LTD. Q2 REPORT 2008



FOR THE SIX MONTHS ENDED JUNE 30, 2008

High River Gold Mines Ltd.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As at June 30, 2008. Expressed in Canadian Dollars unless otherwise noted.

The following discussion and analysis of the consolidated operating results and financial condition of High River Gold Mines Ltd. (the "Company", "High River") for the quarter ended June 30, 2008 should be read in conjunction with the audited Consolidated Financial Statements and related Notes, and Management's Discussion and Analysis as at December 31, 2007. 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 August 7, 2008. All figures are in Canadian dollars, unless otherwise noted.

Overview

High River is a Canadian-based gold mining company with producing mines, a mine under development, 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 84.9%-owned subsidiary, OJSC Buryatzoloto ("Buryatzoloto"), which will produce approximately 123,000 ounces of gold attributable to High River in 2008. The Company also operates the Taparko-Bouroum Mine in Burkina Faso, through its 90%-owned subsidiary, Société des Mines de Taparko S.A. ("Somita"), which is now expected to produce approximately 37,000 ounces attributable to High River in 2008. The Company is advancing the development of the Berezitovy Gold Project in Russia owned by Berezitovy Rudnik LLC ("Berezitovy") in which the Company has a 99% interest. Commercial production is expected to be achieved in Q3 2008, and gold production in 2008 is now expected to be approximately 41,000 ounces resulting in 40,000 ounces attributable to High River. In total, High River expects to produce approximately 200,000 attributable ounces of gold in 2008.

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 the Second Quarter of 2008

Financial

- Gold revenue of \$43.4 million, an increase of 57% from Q2 2007.
- Funds flow from operations before working capital changes of \$1.2 million.
- Net loss of \$4.7 million (\$ 0.01 per share) compared to \$896,000 (\$0.00 per share) in Q2 2007.
- Attributable gold production increased 61% to 51,537 ounces. Cash cost per ounce increased 67% to US\$616 per ounce (excluding cash costs from Berezitovy which is not yet commissioned).

Operations

- Gold production from the Zun-Holba and Irokinda underground gold mines in Russia of 36,811 ounces (100%) at a cash operating cost of US\$532 per oz.
- Gold production from the Taparko-Bouroum Gold Mine in Burkina Faso of 10,330 ounces at a cash operating cost of US\$916 per oz., as continuing problems in the grinding mill drive line resulted in significant down-time during the quarter.
- The Berezitovy Gold Mine in Russia approached commercial production in the latter part of the quarter, with June showing an average plant capacity utilization rate of 63%. Gold production totalled 11,099 ounces and was credited to development properties.
- At the Bissa Gold Exploration Project in Burkina Faso, an infill drilling programme, designed to expand and upgrade existing National Instrument (“NI”) 43-101 compliant resources as part of a preliminary feasibility study, continued.
- Resources at the Prognoz Silver Project in Russia nearly doubled with the release of an updated NI 43-101 compliant resource estimate:
 - Indicated – 4.49 million tonnes grading 704 g/t silver for 102 million ounces of silver.
 - Inferred – 4.87 million tonnes grading 659 g/t silver for 103 million ounces of silver.Resources are based only on drilling up to December 31, 2007, and only on two of the more than 30 veins on the property.

Corporate

- Mike Kelly, P. Eng., previously Vice-President of Operations at Rio Tinto’s Diavik Mine, joined the Company as Executive Vice-President and Chief Operating Officer.
- John Crow, former Governor of the Bank of Canada, joined the Company’s board of directors.
- Graham Farquharson, President of Strathcona Mineral Services, joined the Company’s board of directors.
- Vladimir Polevanov, a director since 2003, did not stand for re-election.
- High River decided not to proceed with the planned spin out of the Prognoz Silver Project after careful consideration of the views expressed by certain shareholders.

Events Subsequent to Quarter

- On July 31, 2008 High River announced that it had entered into an agreement to acquire the remaining 50% interest in the Prognoz Silver Project not already owned by the Company for 34.1 million common shares of High River.
- On August 1, 2008 High River announced a strategic investment transaction with an indirect wholly-owned subsidiary of the Alfa Group Consortium (“Alfa”), one of Russia’s largest privately owned financial/industrial organizations, whereby High River will issue up to 160,000,000 shares at \$1.79 per share through a non-brokered private placement for proceeds of up to \$286.4 million, subject to regulatory and shareholder approval. Alfa would own approximately 32% of High River upon conclusion of the transaction.

Review of Operations

Selected Financial Results

The Company reported a net loss of \$4.7 million (\$0.01 per share) in the second quarter of 2008 compared to net income of \$896,000 (\$0.00 per share) during the corresponding quarter of 2007.

<i>(in thousands of Canadian dollars except per share amounts)</i>	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2008	2007	2008	2007
Gold revenue	\$ 43,427	\$ 27,603	\$ 88,436	\$ 58,247
Net income (loss)	(4,725)	896	(7,033)	1,162
Net income (loss) per share (basic)	(0.01)	0.00	(0.02)	0.00
Funds flow from operations ⁽¹⁾	1,235	6,637	11,985	14,894
Weighted average number of shares outstanding (basic)	307,905,158	251,078,660	307,846,200	250,558,372

1. *Cash flow from operations before changes in non-cash working capital.*

The Company benefited from higher realized gold prices and higher sales offset by higher operating costs at Buryatzoloto and above-budget costs at Somita.

Buryatzoloto Operations

The Company’s attributable (84.9%) gold production from Buryatzoloto was 31,252 ounces in the second quarter of 2008, essentially similar to the 31,980 ounces in the corresponding period of 2007. Buryatzoloto continues to be profitable and achieved its production objectives for the second quarter of 2008 with 36,811 ounces of gold produced at an estimated cash operating cost of US\$532 per ounce as compared to 37,669 ounces of gold produced at a cash operating cost of US\$368 per ounce in the second quarter of 2007. (See the Non-GAAP Measures note regarding cash operating costs.) The increased operating cash cost reflects labour wage increases (due to indexation and implementing employee performance bonus initiatives designed to retain skilled employees), domestic inflation in materials and energy costs, new payroll legislation regarding payment for statutory holidays, and a stronger Russian Rouble (“RUB”). The resource industry worldwide has experienced significant cost pressures due to strong energy, materials and labour inflation. Domestic inflation in Russia is estimated to be approximately 15% and labour cost increases approximately 30%. The stronger RUB exchange rate compared to the previous year contributes to the increase in costs upon translation to United States dollars. Efforts are continuing on the implementation of procedures and processes to optimize the Buryatzoloto operations with the goal of replacing reserves and containing operating cost increases. Calculated cash costs are based on ounces of gold produced.

Buryatzoloto Combined Operational and Financial Data

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Tonnes mined	154,000	142,000	306,000	284,000
Tonnes milled	139,000	136,000	268,000	257,000
Gold grade (g/t)	8.5	8.8	8.6	9.1
Recovery (%)	95.5	94.4	95.4	94.3
Gold production (oz) – 100% ⁽¹⁾	36,811	37,669	70,805	72,130
High River share of production – 84.9%	31,252	31,980	60,113	61,238
High River share of sales – 84.9%	29,609	32,225	59,911	66,360
Direct mining cost (US\$/oz)	481	329	476	342
Cash operating cost (US\$/oz)	532	368	522	377

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 second quarter of the calendar year. Average grade is lowest when the seasonal circuit operates.

Zun-Holba Mine

In the second quarter of 2008, the mine produced 17,473 ounces of gold compared to 17,859 ounces of gold in the same period of 2007. The mill processed 68,000 tonnes of ore at an average grade of 8.4 g/t gold. In the second quarter of 2008, direct mining costs increased to approximately US\$570 per ounce from approximately US\$370 per ounce in the corresponding period of 2007. The cost per ounce has increased due both to the above noted increased input costs and because more ore is being mined at a lower grade to maintain gold production.

Zun-Holba Operational Data

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Tonnes mined	75,000	65,000	145,000	132,000
Tonnes milled	68,000	65,000	135,000	127,000
Gold grade (g/t)	8.4	8.6	8.4	8.9
Recovery (%)	94.9	93.4	95.3	93.3
Gold production (oz) – 100%	17,473	17,859	34,789	35,066
High River share of production – 84.9%	14,834	15,169	29,536	29,771
Direct mining cost (US\$/oz)	570	370	543	373
Cash operating cost (US\$/oz)	617	401	584	402

Irokinda Mine

In the second quarter of 2008, Irokinda produced 19,011 ounces of gold compared to 19,298 ounces for the same period in 2007. The mill processed 71,000 tonnes of ore at an average grade of 8.7 g/t gold (2007 – 72,000 tonnes at 8.9 g/t). Ore mined exceeds ore milled as Irokinda builds a stockpile of lower grade ore for treatment during the summer in the seasonal circuit. Direct mining costs increased to approximately US\$407 per ounce compared to approximately US\$299 per ounce in 2007. The cost per ounce has increased due both to the above noted increased input costs and because more ore is being mined at a lower grade to maintain gold production.

Irokinda Operational Data

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Tonnes mined	80,000	76,000	161,000	152,000
Tonnes milled	71,000	72,000	133,000	130,000
Gold grade (g/t)	8.7	8.9	8.7	9.3
Recovery (%)	96.0	95.3	95.4	95.1
Gold production (oz) – 100%	19,011	19,298	35,689	36,552
High River share of production – 84.9%	16,141	16,392	30,300	31,047
Direct mining cost (US\$/oz)	407	299	415	317
Cash operating cost (US\$/oz)	468	336	469	353

Somita Operations (Taparko-Bouroum Gold Mine)

Excessive vibration in the Taparko mill drive line resulted in several mill shutdowns and an overall plant capacity utilization rate of only 54% during the quarter. An extensive effort was made to identify and correct this issue. Specialized mill consultants conducted a detailed analysis of all major drive line components. Work is continuing on defining and resolving the problems. Requirement for replacement components will likely mean very limited production in the third quarter, and a further shutdown at a later date for revisions to the grinding mill drive line to provide a permanent and satisfactory solution.

Ore grades and gold recovery during the quarter were near planned levels, indicating no significant problems with these major mine performance factors. A two-month stockpile of higher-grade ore (192,000 tonnes) is available to supply the process plant upon start-up. During the repair period, mining activity has continued unabated in the 3/5 and GT pits. The recent focus has been on waste stripping resulting in a substantial increase of developed ore available for immediate production blasting.

Somita Operating and Financial Data

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Tonnes mined	127,000	–	255,000	–
Tonnes milled	126,000	–	258,000	–
Gold grade (g/t)	2.9	–	3.0	–
Recovery (%)	89.5	–	91.4	–
Gold production (oz) – 100% ⁽¹⁾	10,330	–	22,967	–
High River share of production – 90%	9,297	–	20,670	–
Direct mining cost (US\$/oz)	879	–	751	–
Cash operating cost (US\$/oz)	916	–	785	–

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

Review of Project Development

Berezitovy Gold Project, Russia

Although High River has not yet declared commercial production at Berezitovy, mill throughput has now exceeded the commercial production criteria, as evidenced by the 63% plant capacity utilization in June (4,485 ounces of gold produced) and in July (5,138 ounces of gold produced). Commercial production is defined as 30

consecutive days of production at 60% or more of design capacity. High River will defer the declaration of commercial production until satisfied that commercial levels of production can be achieved on a sustained basis. As with Taparko-Bouroum, grades and recoveries at Berezitovy are close to planned levels.

The previously disclosed filter plant problem, causing unexpected mill down-time, resulted in a plant capacity utilization rate for the quarter of 44%. The problem was corrected in May with the installation of higher quality filter cloth and the construction of a temporary wet tailings storage facility. A permanent solution will include the installation of an additional high-capacity thickener ahead of the tailings filter plant to increase the percentage of solids in the tailings slurry. Operator error caused overloading of the ball mill resulting in minor damage to the ball mill bearings. The damage was corrected through on-site re-machining of the bearings. The mill is expected to operate at 80-90% of design capacity until such time as replacement bearings are installed which is expected in September 2008.

Berezitovy Production Data

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Tonnes milled	166,000	–	214,000	–
Gold grade (g/t)	2.4	–	2.3	–
Recovery (%)	87.3	–	88.0	–
Gold production (oz) – 100% ⁽¹⁾⁽²⁾	11,099	–	13,909	–
High River share of production – 99%	10,988	–	13,770	–

1. Gold production is comprised of refined gold and doré alloy.
2. Revenue from gold production is credited to Development properties for Berezitovy.

At the end of the quarter, 380,000 tonnes of ore have been stockpiled, which approximates 3.5 months of production.

Review of Exploration Projects

Bissa Gold Exploration Project, Burkina Faso

Background

A 31,500-metre drill programme conducted by High River at Bissa in late 2005 and early 2006 established a NI 43-101 compliant resource of:

Resource Category	Tonnes	Gold Grade (g/t)	Gold Ounces
Measured	753,000	3.39	81,980
Indicated	11,253,000	1.60	580,270
Inferred	16,394,000	1.29	679,470

The qualified persons preparing the estimate were Dr. Jean-Francois Couture, P.Geo., Yan Bourassa, P.Geo. and G. David Keller, P.Geo. of SRK Consulting (Canada) Inc. (“SRK”). This resource was based on drilling carried out over a six-kilometre section of the anomalous 35-kilometre strike-length of the Sabce Deformation Corridor. During 2006, High River completed a comprehensive surface exploration programme, which included soil sampling on 100-metre centres over the entire length of the Sabce Deformation Corridor and adjacent structures. Based on this work, 12 target areas were identified for drilling and an exploration programme to test these 12 drill target areas was initiated in November 2006.

Exploration

An infill drilling programme, designed to expand and upgrade existing resources as part of a preliminary feasibility study, continued during the quarter. Three reverse circulation (“RC”) drills and one diamond drill (“DD”)

were used for infill drilling for three kilometres immediately adjacent and along strike to the southwest of the Bissa Resource Area which hosts the current resource. As well, drilling commenced during the quarter for the purpose of obtaining samples for metallurgical analysis and process design.

Prognoz Silver Project, Russia

Background

As at June 30, 2008, High River owns a 50% interest in the Prognoz Silver Project, one of the largest and highest grade undeveloped silver projects in the world. Located in the Republic of Sakha (Yakutia) of the Russian Federation, the property covers 56 square kilometres and hosts over 30 epithermal veins carrying silver-lead-zinc mineralization.

Extensive drilling and trenching has been conducted on the Prognoz property. During 2006 and 2007, High River's subsidiary Buryatzoloto drilled 650 core holes (59,500 metres), completed four adits for a total of 187 metres and extracted a 17-tonne bulk sample for metallurgical testwork. Historical work consisted of 89 diamond drill holes (17,805 metres) and 317 trenches (17,756 metres).

Updated NI 43-101 Resource Estimate

In June 2008, High River announced the results of the updated NI 43-101 resource estimate on the Prognoz Silver Project:

Indicated Resources		
Tonnage (t)	Silver grade (g/t)	Contained Silver (oz)
4,490,000	704	102 million

Inferred Resources		
Tonnage (t)	Silver grade (g/t)	Contained Silver (oz)
4,870,000	659	103 million

The updated NI 43-101 mineral resource estimate almost doubles the previous estimate of resources at Prognoz. This resource estimate is based on drilling two veins (Glavnoye and Boloto) of over 30 identified so far on the property, and on drilling completed up to December 31, 2007. The qualified persons at MICON were William J. Lewis, B.Sc., P. Geo., a senior geologist with MICON based in Toronto, Canada, and Dibya Kanti Mukhopadhyay (MAusIMM), a senior mineral resource geologist with MICON based in Norwich, England.

High River and independent engineering consultant, MICON, the author of the NI 43-101 compliant resource estimate, believe that the potential to increase resources at Prognoz is substantial because of 16 other veins, similar to Glavnoye and Boloto in geology but of shorter strike length, that have not been explored to the same extent.

The silver content at Prognoz is associated with low-grade lead-zinc mineralization. Initial metallurgical tests indicate that a bulk lead-zinc flotation concentrate will carry a very high silver grade.

Exploration

An exploration programme, budgeted at US\$11 million for 2008 (30,000 metres of drilling and 5,000 metres of trenching), continued during the quarter. Excluding hydrogeological drilling, 66 holes totalling 7,391 metres were completed on Boloto and six other veins. The majority encountered mineralization, and assay results are pending. As well, 39 trenches were dug totalling 2,396 m on the Glavnoye, Boloto, and four other veins.

Spin-Out Terminated

In October 2007, High River reported on the results of a Strategic Review, undertaken by the Company's board of directors. Cormark Securities Inc., engaged by the board of directors to assist in the review, recommended that the Company consider spinning out the Prognoz Silver Project to fully realize the value of the project for High River shareholders. On May 28, 2008, High River announced that it had entered into an agreement to spin out its 50% interest in Prognoz, together with the other 50% interest held by a private company, into a single purpose publicly traded corporate vehicle. On June 25, 2008, High River announced that it had decided not to proceed with the planned spin-out of the Prognoz Silver Project after careful consideration of the views expressed by certain shareholders.

Acquisition of the Remaining 50% of the Prognoz Silver Project

On July 31, 2008, High River announced that it had entered into an arm's-length agreement to acquire the 50% interest in the Prognoz Silver Project not already owned by High River. Under the terms of the agreement, High River will issue 34.1 million common shares, representing 9.9% of the issued capital of the Company, and will assume debt obligations totalling approximately US \$16 million related to past exploration expenditures on the Prognoz property. Approximately US \$13.5 million of these debt obligations are owed to High River's 84.9%-owned subsidiary Buryatzoloto.

Novophirsovskoye Gold Exploration Project, Russia

Background

In 2005, Buryatzoloto successfully bid to acquire the license to explore and develop the Novophirsovskoye Ore Field in the Altai Region of Russia. Exploration work during 2007 was carried out on three areas of gold mineralization and consisted of trenching, diamond drilling, and two small bulk samples from one zone.

Exploration

A US\$2.6 million exploration programme to be conducted during 2008 will consist of 15,800 metres of surface drilling and 48,000 cubic metres of trenching.

Chaya Nickel Deposit, Russia

In February 2008, High River's 84.9%-owned subsidiary, Buryatzoloto, was the successful bidder for a 100% ownership interest in the Chaya Nickel deposit ("Chaya") in an auction conducted in Ulan Ude by the Russian Ministry of Natural Resources. The acquisition of Chaya, located in the Republic of Buryatia, was seen by High River as an excellent opportunity to capitalize on Buryatzoloto's local knowledge and expertise in mining and logistics, as Buryatzoloto has been operating the Zun-Holba and Irokinda gold mines in Buryatia for more than 15 years and is a contract driller in the region for numerous third parties. Chaya lies approximately 300 kilometres west of Buryatzoloto's Irokinda mine. It has excellent logistics, as it is located 80 kilometres north of the Baikal-Amur railroad line and a power line.

High River's focus remains precious metals but Buryatzoloto can play a strong supporting role in the development of this nickel project, possibly through a joint venture. Several companies have already expressed an interest in Chaya.

Russian Classified Historical Resource Estimate

Chaya has been subject to nearly 50 years of exploration activity including geophysics, trenching and drilling, with Russian classified resources (cut-off grades of 0.5% for nickel, and 0.3% for copper) as follows:

Resource Category	Tonnes (millions)	Ni grade (%)	Contained Ni (tonnes)	Cu grade (%)	Contained Cu (tonnes)
C2	51.1	0.6%	307,000	0.19	97,000
P1	70.6	0.46%	325,000	0.17	120,000
Total	121.7		632,000		217,000

This resource estimate has been calculated according to standard Russian industry practice and does not conform to the Canadian Institute of Mining, Metallurgy and Petroleum standards and definitions for resource estimates, as set out in NI 43-101. This estimate should not be relied upon until fully confirmed by a NI 43-101 compliant independently estimated resource calculation.

The deposit strikes approximately 1,500 metres in an east-west direction, dips sub-vertically, is on average 20 metres thick, and is open at depth. The dimensions of the deposit appear to be amenable to open-pit mining.

Exposure to Grassroots Exploration in West Africa and Canada

Strategic Alliance Partnership with Goldrush Resources Ltd. (“Goldrush”)

High River acquired its interest in Goldrush when the two companies entered into a strategic alliance early in 2006. High River transferred to Goldrush 21 early-stage exploration permits in Burkina Faso in exchange for 6,540,000 common shares of Goldrush, a non-interest bearing \$1,994,000 convertible debenture with a term of 5 years, and back-in rights for 50%, including operatorship rights, on economic mineral deposit discoveries anywhere in Burkina Faso. High River provides exploration services and expertise to Goldrush on a fee-for-service basis. Goldrush currently controls 100% of 33 exploration permits which cover approximately 5,791 square kilometres of the Birimian greenstone belts in Burkina Faso.

In April 2008, Goldrush announced a NI 43-101 resource estimate on the Ronguen property, undertaken by SRK, consisting of 5.9 million tonnes (cut-off grade of 0.5 g/t gold) grading 1.31 g/t gold for a total of 249,000 ounces, all in the Inferred category. Subsequently, during Q2 2008, Goldrush commenced an initial RC and DD drilling programme on Ronguen consisting of five RC holes totalling 512 metres and two core holes totalling 354 metres. The objective of this programme was to extend the known zone of mineralization down-dip, complete an infill fence in an area of geophysics-defined cross structures, and to confirm down-dip continuity of trench results in the northeast part of the deposit. Further drilling is planned to extend the deposit down-dip and to the northeast.

Strategic Investment in Pelangio Mines Inc. (“Pelangio”)

The Company holds 12,015,000 common shares of Pelangio. During 2006, Pelangio sold its Detour Lake property in Ontario to Detour Gold Corporation. On January 31, 2007, Pelangio received consideration consisting of 20 million common shares of Detour Gold (approximately 50% of the company’s outstanding shares at that time) and a cash payment of \$5 million. In January 2008, Pelangio announced its intention to spin out its assets into two companies: PDX Resources Inc. will hold 19 million shares in Detour Gold Corporation, and Pelangio Exploration Inc. will hold the other 1 million shares of Detour Gold Corporation and Pelangio’s exploration properties in Ghana and in Canada. The purpose of this spin out, to be implemented by the end of August 2008 (assuming all listing and regulatory requirements are met), is to achieve full valuation in the market for both the Detour Gold common shares and the Ghana exploration properties.

Pelangio holds three exploration concessions totalling 290 square kilometres on strike and adjacent to AngloGold Ashanti’s Obuasi gold mine in Ghana, West Africa. The Obuasi Mine has been in production for over 100 years, historically producing over 30 million ounces, and is nearing 500,000 ounces of annual gold production. In late 2007, a detailed airborne geophysical survey covering the extension of the Obuasi mine main mine trend was completed. Results confirmed the extension of the major structures of the Obuasi Mine onto the northwest corner of Pelangio’s Kyereboso 2 concession. In early May 2008, Pelangio commenced a 2,000 metre, 10 hole, DD programme focussing on the extension of the Obuasi mine trend identified from the 2007 geophysical survey. SRK reported in a NI 43-101 compliant Technical Report filed on May 21, 2008 that the exploration results on Pelangio’s Obuasi property to date are of sufficient merit to recommend an exploration programme including geochemical and

geophysical surveys and approximately 12,000 metres of RC and core drilling. The total costs of the recommended work programme are estimated at approximately \$2.9 million.

Overall Financial Performance

Revenues

The Company's consolidated gold revenues for Q2 2008 were \$43.4 million compared to \$27.6 million in 2007. An analysis of the revenue variance appears below. The Company realized a higher gold price on gold sales, and the number of ounces sold increased by 9,967 from 37,938 ounces during the second quarter of 2007 to 47,905 ounces in the second quarter of 2008. Refined gold in inventory increased during the quarter and is 4,914 oz at June 30, 2008 (Q2 2007 – 3,296). The average gold price realized on sales was US\$897 per ounce during the period, up from US\$661 per ounce for the second quarter of 2007 and up from US\$769 in the fourth quarter of 2007.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Ounces sold	47,905	37,938	97,896	78,126
Refined ounces in inventory	4,914	3,296	4,914	3,296
Realized price, US\$/oz	897	661	897	656
Average C\$ to US\$ exchange rate	1.0104	1.1003	1.0075	1.1360
Gold sales	\$ 43,427	\$ 27,603	\$ 88,436	\$ 58,247
Volume (ounces) variance 000's	7,252		14,739	
Price variance 000's	12,411		26,823	
Exchange variance 000's	(3,839)		(11,373)	

Expenses

Direct mining costs (see Non-GAAP Measures table) have increased to \$27.1 million compared to \$13.6 million in Q2 2007. The following analysis relates to the change in the direct mining costs component of mining costs reported in the income statement.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Ounces produced – 100%	47,141	37,669	93,772	72,130
Direct mining costs, US\$/oz	568	329	544	342
Average C\$ to US\$ exchange rate	1.0104	1.1003	1.0075	1.1360
Direct mining cost, C\$	27,098	13,617	51,331	28,020
Change in direct mining cost due to:				
Volume (ounces) variance 000's	3,424		8,407	
Cost variance 000's	12,414		21,445	
Exchange variance 000's	(2,357)		(6,541)	

The volume variance reflects mainly the contribution from Somita in Q2 2008. Somita was not in production in Q2 2007.

The cost variance indicates that costs have increased substantially from last year. At Buryatzoloto, the total cash cost has increased to US\$590 per oz in the quarter compared to US\$413 per oz in the same quarter last year. The increased cost reflects labour wage increases, due to indexation and implementing employee performance bonus initiatives designed to retain skilled employees, domestic inflation in materials and energy costs, and a stronger

RUB. The resource industry worldwide has experienced significant cost pressures due to strong energy, materials and labour inflation. Secondly, Buryatzoloto is mining more ore at a lower grade in order to maintain its gold production at historical levels. Costs at Somita were well above budget in Q2 as the operation experienced several mill shutdowns due to continuing problems in the grinding mill drive train. Costs are expected to decline once the mechanical issues are resolved.

Compared to the same quarter of 2007, the United States dollar has weakened significantly. The lower exchange rate compared to the previous year contributes to the decrease in costs upon translation (exchange variance) to the Company's reporting currency and partially offsets the volume and cost increases.

The increases in mine administrative costs, mine amortization and asset retirement accretion are all primarily due to Somita in Q2 2008. There were no comparable expenses in Q2 2007.

Administrative Costs

General and administrative costs increased to \$2.4 million in the second quarter of 2008 compared to \$1.7 million in the corresponding period of last year. Some stock options were cancelled in the second quarter of 2008 with the result that the Company recovered \$218,000 of previously expensed stock option benefit expense compared to an expense of \$534,000 in 2007.

Financing Costs

Financing expenses totalled \$1.8 million during the second quarter of 2008 compared to \$1.6 million in the corresponding period of 2007. Interest expense increased to \$2.2 million from \$1.4 million due to higher loan balances and recognition of interest expense by Somita that was capitalized in 2007. The fair value adjustment to derivatives was a \$418,000 gain compared to a \$645,000 gain in 2007. This non-cash gain mainly resulted from a decrease in the price of gold in the second quarter. The second production payment due to Royal Gold, Inc. contains an embedded derivative that varies with the price of gold. The fair value of that derivative increases/decreases as the price of gold increases/decreases.

Other Income / (Expense)

Other income increased to \$2.9 million from an expense of \$43,000 in 2007. The increase was due to foreign exchange gains increasing to \$2.6 million from a loss of \$298,000 in 2007. Somita, whose functional currency is the euro-linked CFA, has recorded gains as its United States dollar denominated debt has declined in CFA terms.

Balance Sheet

The Company's total assets were \$759.2 million at June 30, 2008 compared to \$666.1 million at December 31, 2007. Working capital decreased to a deficit of \$11.1 million from \$38.0 million as at December 31, 2007. The decrease is due to an increase in the current portion of debt by \$36.3 million and a \$34.3 million reduction in cash. Inventory includes the following amounts of saleable metals:

	June 30, 2008		December 31, 2007	
	Ounces	\$ 000's	Ounces	\$ 000's
Doré alloy				
Buryatzoloto	4,431	2,025	3,513	675
Somita	–	–	4,314	1,905
Berezitovy	2,577	1,884	1,504	743
Refined gold				
Buryatzoloto	4,826	1,972	4,566	894
Somita	68	57	145	64
Berezitovy	20	15	–	–

Available-for-sale securities increased in 2008 due to the revaluation to fair value of the Company's investment in Pelangio by \$31.6 million and the purchase of \$10.2 million of investments.

Accounts payable increased as Buryatzoloto has accrued the balance of the purchase price of the Chaya property (US\$6.3 million) that is due in the third quarter of 2008.

Liquidity and Capital Resources

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

<i>(in thousands)</i>	As at June 30, 2008	As at December 31, 2007
Cash and cash equivalents	\$ 17,189	\$ 51,491
Working capital (deficit)	(11,073)	38,015
Loans and interest payable (long term)	83,543	107,470

	Three Months Ended June 30,	
	2008	2007
Cash provided by operating activities	\$ 2,671	\$ 2,259
Cash used in investing activities	(30,528)	(32,973)
Cash provided by financing activities	4,904	25,727

Operating Activities

Cash flow provided by operating activities for the quarter ended June 30, 2008 was \$2.7 million compared to \$2.6 million provided by operations in Q2 2007.

Investing Activities

Investing activities consumed \$30.5 million of cash in the second quarter of 2008 compared to \$33.0 million for the same period in 2007. The Berezitovy project required additional funding of \$13.0 million during Q2 2008 and Somita required approximately \$2.0 million.

Financing Activities

All subsidiaries made their scheduled repayments on the current portions of their long-term debt facilities during the quarter. The Company is in compliance with loan covenants under a line of credit provided by Standard Bank Plc.

High River received no proceeds from the exercise of warrants and stock options in Q2 2008. During the second quarter of 2007, the Company received proceeds of \$683,000 as a result of the exercise of warrants and \$2.7 million from a private placement financing.

As of August 7, 2008, some of the Company's stock options are in "in-the-money". If those in-the-money options were exercised, High River could receive approximately \$681,000 in additional funds.

Strategic Investment Transaction with Alfa Group Consortium

On August 1, 2008 High River announced a strategic investment transaction with an indirect wholly-owned subsidiary of the Alfa Group Consortium, one of Russia's largest privately owned financial/industrial organizations. High River will issue up to 160 million common shares at \$1.79 per share by means of a non-brokered private placement for proceeds of up to approximately \$286.4 million. The private placement is subject to regulatory approval.

The financing will be made available in two tranches. Tranche 1 will consist of 75 million shares. Part A of Tranche 1 (16.7 million shares) will close not later than August 29, 2008 and Part B of Tranche 1 (58.3 million shares) is scheduled to close with Tranche 2 on or before December 15, 2008. The closing of Tranche 1 Part B can be subject to the closing of Tranche 2 or can be closed earlier at the discretion of Alfa.

Tranche 2, which is subject to shareholder approval, consists of up to 85 million shares and is scheduled to close on or before December 15, 2008.

The closing of both Tranches 1 and 2 would result in Alfa Group owning an approximate 32% equity interest in High River (assuming 34.1 million shares are issued for the acquisition of the remaining 50% interest in Prognoz). Alfa will be entitled to nominate two persons to the board of High River on the closing of Tranche 1B. Proceeds of the financing will be used for development of the Prognoz Silver Project, to acquire and consolidate advanced projects in Russia and Africa, and to reduce debt.

Uses of Liquidity

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

- Sustaining capital for Somita while mechanical problems with the mill are resolved.
- Completion and commissioning of the Berezitovy gold project.
- Exploration activities, especially on the Bissa and Prognoz properties.
- Repayment of borrowed funds.
- Payment of the balance of the Chaya acquisition cost.
- Corporate, administration and working capital.

The capital costs and working capital expenditures required to complete the Berezitovy project are estimated to be \$2.0 to \$6.0 million. An aggressive exploration programme planned for 2008 could total up to \$20.0 million for Burkina Faso and \$14.0 million for Russia, mainly on Prognoz. It is anticipated that Somita will generate enough cash to meet its debt payment obligations and that Berezitovy will be in the same position once it achieves commercial production.

Management has demonstrated its ability to raise additional funds through the debt and equity markets for further cash requirements to fund any shortfall or new acquisitions.

QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

(\$ thousands, except per share amounts)	2008		2007				2006	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	43,456	45,049	32,177	26,565	27,851	30,644	32,628	30,547
Expenses	(41,634)	(33,763)	(33,824)	(22,275)	(21,449)	(22,148)	(26,408)	(22,497)
All other expenses and taxes	(6,547)	(13,594)	(6,849)	(8,947)	(5,506)	(8,230)	(8,441)	25,616
Net (loss) income	(4,725)	(2,308)	(8,496)	(4,657)	896	266	(2,221)	33,666
Net (loss) income per share: Basic	(0.01)	(0.01)	(0.04)	(0.01)	0.00	0.00	(0.01)	0.14
Diluted	(0.01)	(0.01)	(0.04)	(0.01)	0.00	0.00	(0.01)	0.14
Gold sales, oz	47,905	49,991	40,907	38,199	37,938	40,189	45,818	43,500
Gold sales, US\$/oz	897	898	769	664	661	651	611	626
Gold production, oz	47,141	46,631	45,553	40,403	37,668	34,462	36,432	42,886
Direct mining costs, US\$/oz	568	519	384	334	329	357	333	277
Cash operating costs, US\$/oz	616	557	521	398	368	389	363	345

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 gold sales partially offset by higher production costs.

In the second quarter of 2008, mill availability was a problem at Taparko thereby resulting in increased costs per ounce. Lower costs per ounce and higher production are expected during the fourth quarter. At Buryatzoloto, operating costs per ounce typically decline in the second and third quarters compared to Q1 reflecting in part the seasonal impact on the operation.

Outlook

High River anticipates that problems with mechanical equipment at its two new mines will be resolved. The Company expects to increase its 2008 level of attributable gold production to exceed 200,000 ounces. This is lower than the 281,000 ounces originally planned. High River and Buryatzoloto will maintain their focus on optimizing operations with the objective of replacing reserves and containing operating cost increases.

The discoveries at Bissa indicate potential for a second standalone gold mining operation in Burkina Faso. A preliminary feasibility and updated NI 43-101 report are planned for 2008.

The acquisition of Prognoz gave High River an exceptional but challenging silver exploration project in Russia with the potential for a long-life operation. A NI 43-101 compliant updated resource estimate was released in Q2 2008. High River continues to work on ways to unlock shareholder value for this project. To assist this process, the Company announced the acquisition of the 50% of the project it did not own.

Risks and Uncertainties

Risks and uncertainties about the Company's business are described in the Management's Discussion and Analysis of the 2007 Annual Report and in the Company's Annual Information Form.

Changes in Significant Accounting Policies

Effective January 1, 2008 the Company adopted the Canadian Institute of Chartered Accountants (“CICA”) Handbook Sections 1535, 3031, 3862 and 3863. Section 1535, on capital disclosures, requires the disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate the entity objectives, policies and processes for managing capital. It is expected that the impact on future earnings will not be material.

Section 3031, on inventories, eliminates last-in, first-out accounting for inventories. Certain items (insurance and capital spares) currently carried in inventory will be classed with property, plant and equipment. Other changes include the ability to reverse previous writedowns to net realizable value when there is a subsequent increase in the value of inventories and requirements for additional disclosure. The impact was an after tax gain of \$1,924,000 due to Buryatzoloto changing from the last-in, first-out accounting method for inventories. The gain was charged to 2008 opening retained earnings as a transition adjustment on adoption of a new accounting policy.

Sections 3862 and 3863, on financial instrument presentation and disclosures, places an increased emphasis on disclosures about risks associated with both recognized and unrecognized financial instruments and how these risks are managed and is consistent with Section 3861. The new standard removes duplicative disclosures and simplifies the disclosures relating to concentrations of risk, credit risk, liquidity risk and price risk currently found in Section 3861.

Critical Accounting Policies and Estimates

The critical accounting estimates remain unchanged from those disclosed in the Company’s 2007 Annual Report.

Future Changes in Canadian Accounting Policies

Section 3064, on goodwill and intangible assets, effective January 1, 2009, establishes revised standards on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with this new standard, EIC 27 on revenues and expenses during the pre-operating phase will be withdrawn with the result that the Company may no longer be able to defer costs and revenues incurred prior to commercial production at new mine operations.

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

Changes in Internal Control Over Financial Reporting

During the most recent interim period, there have been no changes in the Company’s policies and procedures and other processes that comprise its internal control over financial reporting, that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Non-GAAP 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 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 upon production activity.

Quarter ended June 30, 2008	Buryatzoloto		Somita		Total	
	C\$ 000s	US\$/oz	C\$ 000s	US\$/oz	C\$ 000s	US\$/oz
Average exchange rate – C\$ to US\$	1.0104		1.0104		1.0104	-
Gold ounces sold	34,875		13,030		47,905	
Gold revenue per financial statements	31,416	892	12,011	905	43,427	897
Gold ounces produced	36,811		10,330		47,141	
Direct mining costs	17,872	481	9,226	879	27,098	568
Mining administrative costs	1,808	48	346	33	2,154	45
Stripping and mine development adjustments	(478)	(13)	–	–	(478)	(10)
Third party smelting, refining and transportation	364	10	72	7	436	9
By-product credits	–	–	(29)	(3)	(29)	(1)
Other	224	6	–	–	224	5
Cash operating costs	19,790	532	9,615	916	29,405	616
Royalty expense and production tax	2,153	58	413	40	2,566	54
Total cash costs	21,943	590	10,028	956	31,971	670
Inventory change	(1,486)		2,597		1,111	
By-product credits	–		29		29	
Mining amortization and depletion	6,354		2,028		8,382	
Asset retirement obligation accretion	81		60		141	
Total expenses per financial statements	26,892		14,742		41,634	

Six months ended June 30, 2008	Buryatzoloto		Somita		Total	
	C\$ 000s	US\$/oz	C\$ 000s	US\$/oz	C\$ 000s	US\$/oz
Average exchange rate – C\$ to US\$	1.0075		1.0075		1.0075	
Gold ounces sold	70,566		27,330		97,896	
Gold revenue per financial statements	63,639	895	24,797	900	88,436	897
Gold ounces produced	70,805		22,967		93,772	
Direct mining costs	33,969	476	17,362	751	51,331	544
Mining administrative costs	3,714	52	745	32	4,459	47
Stripping and mine development adjustments	(1,350)	(19)	–	–	(1,350)	(14)
Third party smelting, refining and transportation	694	10	109	5	803	9
By-product credits	–	–	(69)	(3)	(69)	(1)
Other	224	3	–	–	224	2
Cash operating costs	37,251	522	18,147	785	55,398	587
Royalty expense and production tax	4,059	57	862	38	4,921	52
Total cash costs	41,310	579	19,009	823	60,319	639
Inventory change	(2,268)		2,758		490	
By-product credits	–		69		69	
Mining amortization and depletion	9,415		4,829		14,244	
Asset retirement obligation accretion	158		118		276	
Total expenses per financial statements	48,615		26,783		75,398	

Quarter ended June 30, 2007	Buryatzoloto	
	C\$ 000s	US\$/oz
Average exchange rate – C\$ to US\$	1.1003	–
Gold ounces sold	37,938	–
Gold revenue per financial statements	27,603	661
Gold ounces produced	37,669	
Direct mining costs	13,617	329
Mining administrative costs	1,133	27
Stripping and mine development adjustments	161	4
Third party smelting, refining and transportation	282	7
By-product credits	(248)	(6)
Other	287	7
Cash operating costs	15,232	368
Royalty expense and production tax	1,901	45
Total cash costs	17,133	413
Inventory change	6	
By-product credits	248	
Mining amortization and depletion	4,049	
Reclamation and mine closure	33	
Total expenses per financial statements	21,469	

Six months ended June 30, 2007	Buryatzoloto	
	C\$ 000s	US\$/oz
Average exchange rate – C\$ to US\$	1.1360	–
Gold ounces sold	78,126	–
Gold revenue per financial statements	58,247	656
Gold ounces produced	72,130	
Direct mining costs	28,020	342
Mining administrative costs	3,006	37
Stripping and mine development adjustments	(738)	(9)
Third party smelting, refining and transportation	595	7
By-product credits	(248)	(3)
Other	287	3
Cash operating costs	30,922	377
Royalty expense and production tax	3,522	43
Total cash costs	34,444	420
Inventory change	1,017	
By-product credits	248	
Amortization and depletion	7,840	
Reclamation and mine closure	68	
Total expenses per financial statements	43,617	

Supplement to the Financial Statements

As at August 7, 2008, the share capital consisted of:

- 307,905,158 common shares issued and outstanding.
- 13,131,350 common share purchase options outstanding at an average price of \$2.07 maturing at various dates until July 29, 2013.
- 24,222,500 warrants outstanding at an average exercise price of \$3.80 maturing at various dates until November 8, 2010.
- 5,079,150 shares from conversion of debentures at \$2.35 until December 31, 2011.

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 interim consolidated 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/ David Mosher
President and Chief Executive Officer

s/ Steven Poad
Chief Financial Officer

August 6, 2008

HIGH RIVER GOLD MINES LTD.

Consolidated Balance Sheets (Thousands of Canadian dollars)

<i>(unaudited)</i>	Note	June 30, 2008	December 31, 2007
Assets			
Current Assets			
Cash and cash equivalents		\$ 17,189	\$ 51,491
Restricted cash		–	69
Accounts receivable		31,189	25,339
Inventory	5	55,644	48,777
Other assets		17,939	4,318
		121,961	129,994
Available-for-sale securities	6	79,530	38,131
Property, plant and equipment	7	214,174	202,780
Exploration properties and deferred exploration	8	140,782	115,643
Development properties	9	200,426	177,417
Other assets		2,321	2,090
Total Assets		\$ 759,194	\$ 666,055
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payable		\$ 28,960	\$ 24,186
Loans and interest payable	12	104,074	67,793
		133,034	91,979
Loans and interest payable	12	83,543	107,470
Reclamation	10	8,421	7,866
Non-hedge derivatives	11	13,661	9,867
Future income taxes		13,323	13,062
		251,982	230,244
Non-controlling interest		20,434	17,830
Total Liabilities		272,416	248,074
Shareholders' Equity			
Share capital	15 (b)	490,162	453,225
Warrants	15 (c)	13,680	19,951
Contributed surplus		11,841	11,192
Debenture conversion option	15 (d)	538	538
Deficit		(62,603)	(57,494)
Accumulated other comprehensive income (loss)		33,160	(9,431)
Total Shareholders' Equity		486,778	417,981
Total Liabilities and Shareholders' Equity		\$ 759,194	\$ 666,055

Commitments and contingencies

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

HIGH RIVER GOLD MINES LTD.**Consolidated Statements of Operations**

(Thousands of Canadian dollars except per share figures)

<i>(unaudited)</i>	Note	Three months ended June 30, 2008	2007	Six months ended June 30, 2008	2007
Revenue					
Gold		\$ 43,427	\$ 27,603	\$ 88,436	\$ 58,247
Silver		29	248	69	248
		43,456	27,851	88,505	58,495
Expenses					
Mining costs		33,936	16,319	59,399	32,703
Mine administrative costs		2,154	1,133	4,458	3,006
Mine amortization and depletion		5,403	3,984	11,264	7,840
Asset retirement obligation accretion		141	33	276	68
		41,634	21,469	75,397	43,617
Income before the undernoted					
Administrative costs	16	(2,387)	(1,762)	(5,378)	(4,418)
Amortization and depletion		(193)	(75)	(369)	(108)
Exploration expense		(2,563)	(42)	(4,683)	(160)
Financing costs	17	(1,845)	(1,568)	(8,567)	(5,017)
Other income/(expense)	18	2,869	(43)	5,699	867
Income before tax and non-controlling interest					
		(2,297)	2,892	(190)	6,042
Income tax expense		(2,066)	(1,379)	(4,580)	(3,291)
Income (loss) before non-controlling interest					
		(4,363)	1,513	(4,770)	2,751
Non-controlling interest in earnings of subsidiary		(362)	(617)	(2,263)	(1,589)
Net income (loss) for the period					
		\$ (4,725)	\$ 896	\$ (7,033)	\$ 1,162
Net income (loss) per share					
– basic	19	\$ (0.01)	\$ 0.00	\$ (0.02)	\$ 0.00
– diluted	19	\$ (0.01)	\$ 0.00	\$ (0.02)	\$ 0.00

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

HIGH RIVER GOLD MINES LTD.
Consolidated Statements of Cash Flows
(Thousands of Canadian dollars)

<i>(unaudited)</i>	Note	Three Months Ended June 30,		Six months ended June 30,	
		2008	2007	2008	2007
Operating Activities					
Net income (loss) for the period		\$ (4,725)	\$ 896	\$ (7,033)	\$ 1,162
Non-cash items:					
Non-controlling interest in earnings of subsidiary		363	617	2,263	1,589
Amortization and depletion		5,922	4,068	12,284	7,883
Asset retirement obligation accretion		227	33	448	68
Debenture accretion		51	85	143	170
Financial instrument accretion		300	776	746	1,043
Fair value adjustments to derivatives		(418)	(645)	3,794	1,455
Stock option benefit expense		(218)	534	981	1,265
Loss on disposal of assets		30	9	111	20
Future income taxes		(145)	267	370	237
Unrealized foreign exchange loss		(1,104)	(2)	(3,074)	(6)
Writedown of carrying value and other		952	(1)	952	8
Subtotal		1,235	6,637	11,985	14,894
Change in non-cash working capital	21	1,436	(4,378)	(9,566)	(13,044)
Net cash provided by operating activities		2,671	2,259	2,419	1,850
Investing Activities					
Property, plant and equipment		(7,136)	(3,437)	(11,771)	(7,639)
Proceeds on disposal		-	10	-	5
Exploration properties and deferred exploration		(10,026)	(5,072)	(18,501)	(10,043)
Development properties		(13,337)	(24,876)	(29,384)	(47,101)
Increase in investments		1,000	-	(10,801)	-
Allocation of restricted cash		-	(73)	69	(73)
(Increase) in other long-term assets		(1,029)	475	(850)	(67)
Net cash used by investing activities		(30,528)	(32,973)	(71,238)	(64,918)
Financing Activities					
Loans received		16,634	25,232	30,141	35,812
Loans repaid		(11,730)	(3,250)	(26,170)	(10,122)
Common shares issued		-	3,745	30,334	4,428
Net cash provided by financing activities		4,904	25,727	34,305	30,118
Effect of exchange rate changes on cash held in foreign currencies					
		(248)	(310)	212	(320)
(Decrease) in cash and cash equivalents during the period					
		(23,201)	(5,297)	(34,302)	(33,270)
Cash and cash equivalents - Beginning of period		40,390	7,643	51,491	35,616
Cash and cash equivalents - End of period		\$ 17,189	\$ 2,346	17,189	\$ 2,346
Supplementary cash flow information	21				

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

HIGH RIVER GOLD MINES LTD.
Consolidated Statements of Changes in Shareholders' Equity
(Thousands of Canadian dollars)

<i>(unaudited)</i>	Note	Three Months Ended June 30,		Six months ended June 30,	
		2008	2007	2008	2007
Share capital					
Balance at beginning of period		\$ 490,162	\$ 339,516	\$ 453,225	\$ 338,371
Issue of common shares		–	3,654	36,937	4,799
Balance at end of period	15(b)	490,162	343,170	490,162	343,170
Warrants					
Balance at beginning of period		13,680	6,290	19,951	6,294
Issued		–	565	–	565
Exercised		–	–	(6,269)	–
Expired		–	–	(2)	(4)
Balance at end of period	15(c)	13,680	6,855	13,680	6,855
Contributed surplus					
Balance at beginning of period		12,059	11,635	11,192	11,363
Expired warrants		–	–	2	4
Stock-based compensation, net		(218)	534	981	1,265
Stock options exercised		–	(282)	(334)	(745)
Balance at end of period		11,841	11,887	11,841	11,887
Debenture conversion option	15(d)	538	538	538	538
Deficit					
Balance at beginning of period		(58,211)	(43,955)	(57,494)	(41,562)
Transitional adjustment on adoption of new accounting policies	2	333	–	1,924	(2,659)
Balance at beginning of period as restated		(57,878)	(43,955)	(55,570)	(44,221)
Net income (loss) for the period		(4,725)	896	(7,033)	1,162
Balance at end of period		(62,603)	(43,059)	(62,603)	(43,059)
Accumulated other comprehensive income (loss)					
Balance at beginning of period		20,648	(13,266)	(9,431)	(22,693)
Transitional adjustment on adoption of new accounting policies		–	–	–	8,855
Balance at beginning of period as restated		20,648	(13,266)	(9,431)	(13,838)
Comprehensive income (loss) for the period		12,512	(5,314)	42,591	(4,742)
Balance at end of period		33,160	(18,580)	33,160	(18,580)
Shareholders' equity at end of period		\$ 486,778	\$ 300,811	\$ 486,778	\$ 300,811

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

HIGH RIVER GOLD MINES LTD.
Consolidated Statements of Comprehensive Income (Loss)
(Thousands of Canadian dollars)

(unaudited)	Three Months Ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Net income (loss) for the period	\$ (4,725)	\$ 896	\$ (7,033)	\$ 1,162
Other comprehensive income (loss), net of income taxes				
Unrealized gain (loss) on translation of net foreign operations	(4,149)	(7,996)	13,137	(8,887)
Net change in unrealized gains in available-for-sale securities	16,661	2,682	29,454	4,145
Comprehensive income for the period	12,512	(5,314)	42,591	(4,742)
Net comprehensive income (loss) for the period	\$ 7,787	\$ (4,418)	\$ 35,558	\$ (3,580)

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

HIGH RIVER GOLD MINES LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2008 and 2007

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

1. Disclosure

The unaudited interim consolidated financial statements have been presented in accordance with Canadian generally accepted accounting principles (“GAAP”) for interim reporting. They do not include all the information and disclosure required by Canadian GAAP for annual financial statements. In the opinion of management, all adjustments required for a fair presentation are included in these statements in accordance with the accounting policies of the Company. The interim consolidated financial statements should be read in conjunction with the year-end 2007 audited financial statements for the detailed note disclosure. The statements have not been reviewed by the Company’s independent auditors. Certain prior period figures have been reclassified to conform to the current period presentation.

These consolidated financial statements include the financial statements of the Company, OJSC Buryatzoloto (“Buryatzoloto”), OOO Berezitovy Rudnik (“Berezitovy”), and Société des Mines de Taparko (“Somita”). As of June 30, 2008 the Company’s interest in Buryatzoloto is 84.9%, Berezitovy 99% and Somita 90%. The 50% interest in the Prognoz joint venture is proportionately consolidated.

2. Changes in Accounting Policies

The Company adopted, effective January 1, 2008, new accounting standards mandated by the Canadian Institute of Chartered Accountants (“CICA”).

Sections 3862 and 3863, on financial instrument disclosures and presentation, places an increased emphasis on disclosures about risks associated with both recognized and unrecognized financial instruments and how these risks are managed.

Section 1535, on capital disclosures, requires the disclosure of information about an entity’s objectives, policies and processes for managing capital.

Section 3031, on inventories, eliminates last-in, first-out accounting for inventories. Certain items (insurance and capital spares) previously carried in inventory are classified with property, plant and equipment. Other changes include the ability to reverse previous writedowns to net realizable value when there is a subsequent increase in the value of inventories and requirements for additional disclosure. The impact was an after tax gain of \$1,924,000 due to Buryatzoloto changing from the last-in, first-out accounting method. The gain was charged to 2008 opening retained earnings as a transition adjustment on adoption of a new accounting policy.

Future Accounting Changes

Section 3064, on goodwill and intangible assets, effective January 1, 2009, establishes revised standards on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with this new standard, EIC 27 on revenues and expenses during the pre-operating phase will be withdrawn with the result that the Company may no longer be able to defer costs and revenues incurred prior to commercial production at new mine operations.

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

3. Financial Instruments and Risk Management

The Company’s risk management objectives include minimizing risk relating to cash and cash equivalents to preserve capital for strategic investing. The Company does not enter into or trade financial instruments for

speculative purposes. The Company does not hedge gold sales. The Company does not have written risk management policies or a risk management committee. The Company holds the following financial instruments:

	June 30, 2008	December 31, 2007
Cash and cash equivalents	\$ 17,189	\$ 51,491
Trade receivables	31,189	18,342
Available-for-sale securities	79,530	38,131
	\$ 127,908	\$ 107,964
Accounts payable	\$ 28,960	\$ 24,186
Loans and interest payable	187,617	175,263
Derivative liabilities	13,661	9,867
	\$ 230,238	\$ 209,316

(a) MARKET RISK

FOREIGN EXCHANGE RISK

The Company raises equity predominantly in Canadian dollars and presently reports in Canadian dollars. Certain of the Company's revenue and expenses are denominated in foreign currencies including the Central African franc in Burkina Faso (which is tied to the Euro), the rouble in Russia and the United States dollar. The Company 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.

EQUITY PRICE RISK

The values of the Company's available-for-sale 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 market 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.

COMMODITY PRICE RISK

The future profitability of the Company and the recoverability of deferred project development costs are directly related to the market prices of the products to be sold in the future and its operating costs. The Company does not use derivatives to mitigate its exposure to commodity price risk. Sensitivity of annual earnings to a 10% increase or decrease in the base case gold price (US\$800 per ounce) used for the Company's 2008 production plan is approximately \$15.9 million or \$0.05 per share based on shares outstanding as at June 30, 2008. Sensitivity of annual earnings to a 10% increase or decrease in the base case mining and milling costs used for the Company's 2008 production plan is approximately \$6.9 million or \$0.02 per share based on shares outstanding as at June 30, 2008.

INTEREST RATE RISK

The majority of the Company's debt has variable interest rates, therefore cash interest payments are exposed to interest rate fluctuations. The Company has not used derivatives to mitigate its exposure to interest rate risk. The debt subject to floating interest rates and the estimated weighted average floating interest rates as at June 30, 2008 are summarized below.

	Floating interest rate, %	June 30, 2008	Floating interest rate, %	December 31, 2007
<i>High River</i>				
Standard Bank Plc	6.1	\$ 15,167	–	\$ –
<i>Buryatzoloto</i>				
Nomos Bank	6.1	32,608	8.7	35,598
UniCredit Bank	5.9	7,330	8.1	12,643
		39,938		48,241
<i>Somita</i>				
Caterpillar Finance France SA	6.1	3,004	8.6	3,568
Standard Bank Plc	6.1	10,101	8.6	4,763
		13,105		8,331
<i>Berezitovy</i>				
Nomos Bank	6.4	48,600	9.9	62,260
		\$ 116,810		\$ 118,832

The sensitivity of annual earnings to a 1% increase or decrease in the base case LIBOR used for the Company's 2008 production plan is approximately \$570,000 or \$0.00 per share based on shares outstanding as at June 30, 2008. The six-month LIBOR for United States dollars was 3.109% as at June 30, 2008. In 2008, the International Moscow Bank became the UniCredit Bank.

(b) CREDIT RISK

The Company is exposed to credit risk with respect to managing its cash position. This risk, from deposit granting institutions, is mitigated by using well capitalized financial institutions. Any investments must be less than one year in duration.

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

(c) LIQUIDITY RISK

The 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 market 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 Company has in the past and may in the future seek to acquire additional funding by 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 following table estimates the undiscounted cash flows of contractual liabilities.

<i>(in thousands)</i>	Total	July to December 2008	2009	2010	2011
Debt including interest	\$ 169,800	\$ 39,100	\$ 75,800	\$ 31,100	\$ 23,800
Capital leases	2,300	300	800	800	400
Purchase obligations	9,400	5,400	1,600	1,600	800
Other long-term obligations	17,100	1,500	3,300	9,400	2,900
Total	\$ 198,600	\$ 46,300	\$ 81,500	\$ 42,900	\$ 27,900

The above table does not include exploration after 2008 or development of the Bissa exploration project as none of the projects have, as yet, received board approval.

(d) INSURANCE

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

4. Capital management

The Company manages its capital to ensure that the Company and its subsidiaries will be able to continue as a going concern while attempting to maximize the return to shareholders through the optimization of a reasonable debt and equity balance commensurate with current operating requirements. The strategy remains unchanged from 2007. 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. There were no changes to the Company's approach to capital management during the three month period ended June 30, 2008 compared to the year ended December 31, 2007.

	June 30, 2008	December 31, 2007
Total debt	\$ 187,617	\$ 175,263
Less: Cash and cash equivalents	17,189	51,491
Net debt	170,428	123,772
Shareholders' equity	486,778	417,981
Total Capital	\$ 657,206	\$ 541,753

The loan agreements with Standard Bank plc require that the Company maintain a working capital ratio as specifically defined in the loan agreements. The Company is in compliance with the loan covenants as at June 30, 2008.

5. Inventory

Inventory consists of the following:

	June 30, 2008	December 31, 2007
Materials and supplies	\$ 45,303	\$ 31,257
Stockpiled ore	2,134	8,442
Gold-in-process	3,131	4,797
Doré alloy	3,017	3,323
Refined gold	2,059	958
	\$ 55,644	\$ 48,777

6. Available-For-Sale Securities

The Company's AFS securities comprise the following:

	June 30, 2008		December 31, 2007	
	Fair value	Carrying value	Fair value	Carrying value
Pelangio Mines Inc.	\$ 64,160	\$ 4,914	\$ 32,561	\$ 4,914
Other equities	14,000	14,975	5,274	4,940
Loans	1,074	1,074	-	-
Other equities - no active market	296	296	296	296
	\$ 79,530	\$ 21,259	\$ 38,131	\$ 10,150

The quoted market price used to estimate fair value is the period-end bid price in an active market.

7. Property, Plant and Equipment

Carrying value, June 30, 2008	Buryatzoloto	Somita	Berezitovy	Corporate and exploration	Total
Property	\$ 31,984	\$ 44,102	\$ –	\$ –	\$ 76,086
Land and buildings	30,865	2,044	25	2,563	35,497
Plant and equipment	18,887	67,463	–	–	86,350
Mobile equipment	6,462	10,875	–	–	17,337
Capitalized interest	–	34,569	–	–	34,569
Assets under construction	9,555	90	–	–	9,645
Asset retirement obligation	1,971	2,437	2,426	–	6,834
	99,724	161,580	2,451	2,563	266,318
Accumulated amortization					
Property	(9,080)	(3,839)	–	18	(12,901)
Land and buildings	(22,257)	(484)	–	(1,642)	(24,383)
Plant and equipment	(5,083)	(6,975)	–	–	(12,058)
Mobile equipment	(586)	(411)	–	–	(997)
Capitalized interest	–	(844)	–	–	(844)
Asset retirement obligation	(695)	(266)	–	–	(961)
	(37,701)	(12,819)	–	(1,624)	(52,144)
Net value	\$ 62,023	\$ 148,761	\$ 2,451	\$ 939	\$ 214,174
Carrying value, December 31, 2007	Buryatzoloto	Somita	Berezitovy	Corporate and exploration	Total
Property	\$ –	\$ 60,417	\$ –	\$ –	\$ 60,417
Land and buildings	29,132	1,524	–	2,525	33,181
Plant and equipment	47,167	61,449	–	–	108,616
Mobile equipment	4,122	9,724	–	–	13,846
Capitalized interest	–	11,465	–	–	11,465
Assets under construction	6,742	46	–	–	6,788
Asset retirement obligation	1,914	2,259	2,426	–	6,599
	89,077	146,884	2,426	2,525	240,912
Accumulated amortization					
Property	–	(974)	–	–	(974)
Land and buildings	(20,587)	(330)	–	(1,709)	(22,626)
Plant and equipment	(8,034)	(4,988)	–	–	(13,022)
Mobile equipment	(366)	(274)	–	–	(640)
Capitalized interest	–	(257)	–	–	(257)
Asset retirement obligation	(529)	(84)	–	–	(613)
	(29,516)	(6,907)	–	(1,709)	(38,132)
Net value	\$ 59,561	\$ 139,977	\$ 2,426	\$ 816	\$ 202,780

8. Exploration Properties and Deferred Exploration

	January 1, 2008	Additions	June 30, 2008
West Africa – Bissa project	\$ 50,310	\$ 3,353	\$ 53,663
West Africa – other	11,226	2,702	13,928
Russia – Novophirsovskoye	7,934	1,310	9,244
Russia – Prognoz	45,955	6,855	52,810
Russia – Chaya	–	10,718	10,718
Russia – Sergachinsky	218	201	419
	\$ 115,643	\$ 25,139	\$ 140,782

9. Development Properties

	January 1, 2008	Additions/ revaluation	June 30, 2008
Berezitovy	\$ 177,417	\$ 23,009	\$ 200,426

During the period, interest of \$3,789,000 (2007 – \$3,513,000) was capitalized as additions.

10. Reclamation

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.

Reclamation liability	Buryatzoloto	Somita	Berezitovy	Total
Carrying value, January 1, 2008	\$ 3,130	\$ 2,310	\$ 2,426	\$ 7,866
Accretion expense and revaluation	251	304	–	555
Carrying value, June 30, 2008	\$ 3,381	\$ 2,614	\$ 2,426	\$ 8,421

11. Non-Hedge Derivatives

	June 30, 2008	December 31, 2007
Goldrush debenture (a)	\$ 1,503	\$ 1,217
RGI loan (b)	12,158	8,650
	\$ 13,661	\$ 9,867

(a) The Goldrush debenture may be converted to common shares of Goldrush at the sole discretion of the issuer. The embedded derivative has been treated as an up-and-out put option and the fair value estimated using a barrier pricing model with the following assumptions: 3.02% risk free rate, 80% volatility, market price of Goldrush common shares of \$0.24, strike price of \$1.00, and term of 2.9 years.

(b) The second production payment due to Royal Gold, Inc. 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.

12. Loans and Interest Payable

Current loans and interest payable are comprised of the following:

	June 30, 2008		December 31, 2007	
	Amortized cost	Fair value	Amortized cost	Fair value
<i>High River</i>				
Standard Bank Plc – revolving credit facility	\$ 15,167	\$ 15,167	\$ (427)	\$ –
Accrued interest on loans	42	42	–	–
	15,209	15,209	(427)	–
<i>Buryatzoloto</i>				
Nomos Bank-US\$25M	10,617	10,617	7,856	7,856
Nomos Bank-US\$8M	4,044	4,044	2,357	2,357
Nomos Bank-US\$10M	10,111	10,111	–	–
UniCredit-US\$4M	3,286	3,286	3,928	3,928
UniCredit-US\$6.5M	4,044	4,044	3,191	3,191
UniCredit-US\$4M	–	–	3,928	3,928
Accrued interest on loans	71	71	129	129
Loan to Prognoz Joint Venture	41	41	–	–
	32,214	32,214	21,389	21,389
<i>Somita</i>				
Royal Gold, Inc.	7,939	7,939	10,311	10,311
Accrued interest on loan	3,387	3,387	4,812	4,812
Caterpillar Finance France SA	1,347	1,347	1,310	1,310
Accrued interest on loan	25	25	38	38
Government of Burkina Faso	505	505	491	491
Standard Bank Plc-revolving credit facility	10,101	10,101	4,763	4,913
Accrued interest on loan	51	51	25	25
	23,355	23,355	21,750	21,900
<i>Berezitovy</i>				
Nomos Bank	17,189	17,189	14,730	14,730
Accrued interest on loan	940	940	1,317	1,317
Nomos Bank - revolving credit facility	15,167	15,167	9,034	9,034
	33,296	33,296	25,081	25,081
	\$ 104,074	\$ 104,074	\$ 67,793	\$ 68,370

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

	2008		2007	
	Amortized cost	Fair Value	Amortized cost	Fair value
High River				
8% Debentures	\$ 12,000	\$ 12,000	\$ 11,856	\$ 11,856
Buryatzoloto				
Nomos Bank-US\$25M	3,792	3,792	10,066	10,066
Nomos Bank-US\$8M	4,044	4,044	9,820	9,820
Nomos Bank-US\$10M	–	–	5,499	5,499
UniCredit-US\$4M	–	–	1,596	1,596
Loan to Prognoz joint venture	–	–	1,381	1,381
	7,836	7,836	28,362	28,362
Somita				
Royal Gold, Inc.	24,067	24,447	23,213	23,874
Accrued interest on loan	5,109	5,109	3,285	3,285
Caterpillar Finance France SA	1,657	1,684	2,258	2,293
	30,833	31,240	28,756	29,362
Berezitovy				
Nomos Bank	31,411	32,343	38,496	39,759
Prognoz				
Arinvest	1,463	1,462	–	–
	\$ 83,543	\$ 84,881	\$ 107,470	\$ 109,339

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

13. Capital Lease

In the second quarter of 2008 Berezitovy entered into leases to purchase mining equipment. Berezitovy has the option to purchase the equipment at a nominal amount at the conclusion of the lease agreements. Berezitovy's obligations under the leases are secured by the lessors' title to the leased equipment. The lease runs for 36 months and the implicit interest rate is approximately 8.4%. The equipment will be delivered in August 2008.

	2008	
	Minimum lease payments	Present value of payments
Within one year	\$ 708	\$ 678
After one year but not more than five years	1,595	1,345
Total minimum lease payments	2,303	2,023
Less amounts representing finance charges	(279)	–
Present value of minimum lease payments	\$ 2,024	\$ 2,023

14. 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 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. At June 30, 2008, there are 2,470,836 options available for grant (December 31, 2007 – 1,957,503).

Total outstanding stock options are summarized as follows:

	Number of stock options	Weighted average price
Balance – December 31, 2006	15,643,833	\$1.81
Granted	100,000	\$2.85
Terminated	(436,669)	\$2.18
Exercised	(4,044,598)	\$1.48
Balance – December 31, 2007	11,262,566	\$1.97
Granted	1,850,000	\$2.80
Terminated	(30,000)	\$2.44
Exercised	(387,883)	\$1.89
Balance – March 31, 2008	12,694,683	\$2.06
Granted	370,000	\$2.19
Terminated	(753,333)	\$2.16
Balance – June 30, 2008	12,311,350	\$2.06

Stock options outstanding:

Exercise price	June 30, 2008			December 31, 2007		
	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
2.23	–	–	–	75,000	0.3	75,000
1.70	–	–	–	50,000	0.4	50,000
2.25	1,713,333	0.4	1,713,333	1,790,000	0.9	1,790,000
0.67	82,500	0.3	82,500	120,000	0.8	120,000
0.67	462,500	1.2	462,500	462,500	1.7	462,500
1.85	1,944,000	1.5	1,944,000	2,135,000	2.0	2,135,000
0.67	476,250	1.7	476,250	507,500	2.2	507,500
2.13	1,697,500	2.7	1,697,500	1,809,166	3.2	603,056
2.35	75,000	3.0	50,000	75,000	3.5	25,000
2.15	3,673,600	3.4	2,368,600	4,138,400	3.9	1,379,462
2.85	100,000	4.2	33,333	100,000	4.9	33,333
2.80	1,716,667	4.5	437,222	–	–	–
2.19	370,000	4.7	113,333	–	–	–
	<u>12,311,350</u>	2.6	<u>9,378,571</u>	<u>11,262,566</u>	2.7	<u>7,180,851</u>

The weighted average exercise price of outstanding stock options was \$2.09 per common share (2007 – \$1.97) and for vested and exercisable stock options \$1.98 (2007 – \$1.84). The Company accounts for all stock-based payments using the fair value based method and expenses the stock options. The estimated fair value of the stock options granted is charged to expense and contributed surplus over the vesting period of the options. On exercise of stock options, the contributed surplus is reclassified to capital stock. The fair value of the stock options granted was estimated at the date of grant using a Black-Scholes option pricing model with the following assumptions:

	2008	2007
Number of stock options granted	370,000	100,000
Strike price	\$2.19	\$2.85
Expected dividends	NIL	NIL
Expected volatility	56.0%	56.0%
Risk-free interest rate	3.0%	4.2%
Expected life of option	4 years	5 years
Expected forfeitures	NIL	NIL
Weighted average grant-date fair values	<u>\$ 1.06</u>	<u>\$ 1.49</u>

The unvested, unamortized fair value of all stock options outstanding at period end was \$1,697,000 (2007 – \$4,378,000). The stock based compensation expense included in administrative costs in the income statement was \$981,000 (2007 – \$1,265,000).

15. Share Capital

(a) AUTHORIZED

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

(b) ISSUED AND OUTSTANDING COMMON SHARES

	Number of shares	Net share capital
Balance – December 31, 2006	249,763,444	\$ 338,371
Exercise of stock options	4,044,598	8,470
Exercise of warrants	37,500	114
Conversion of debenture	16,595	–
Financings	41,800,000	112,018
Warrant and share issue expense		(5,748)
Balance – December 31, 2007	295,662,137	453,225
Exercise of stock options	387,883	1,068
Exercise of warrants	11,844,500	35,880
Warrant and share issue expense		(11)
Balance – March 31, 2008	307,894,520	490,162
Conversion of debenture	10,638	–
Balance – June 30, 2008	<u>307,905,158</u>	<u>\$ 490,162</u>

(c) WARRANTS

	Number of warrants	Weighted average price	Estimated fair value
Balance – December 31, 2006	11,912,500	\$2.50	\$ 6,294
Issued	24,222,500	\$3.80	13,681
Exercised	(37,500)	\$2.50	(20)
Expired	(27,500)	\$1.60	(4)
Balance – December 31, 2007	36,070,000	\$3.37	19,951
Exercised	(11,844,500)	\$2.50	(6,269)
Expired	(3,000)	\$2.50	(2)
Balance – March 31, 2008	24,222,500		13,680
Balance – June 30, 2008	<u>24,222,500</u>		<u>\$ 13,680</u>

Warrants outstanding at June 30:

Exercise price	2008		2007	
	Number of warrants outstanding	Expiry date	Number of warrants outstanding	Expiry date
\$2.50 (i)	–	Jan. 28, 2008	11,847,500	Jan. 28, 2008
\$2.63	300,000	Dec. 31, 2008	300,000	Dec. 31, 2008
\$2.90	600,000	Jun. 13, 2009	600,000	Jun. 13, 2009
\$3.25	2,900,000	Jul. 18, 2009	2,900,000	Jul. 18, 2009
\$3.25	600,000	Mar. 31, 2009	600,000	Mar. 31, 2009
\$3.10	1,250,000	Aug. 29, 2009	1,250,000	Aug. 29, 2009
\$4.00	18,572,500	Nov. 08, 2010	18,572,500	Nov. 08, 2010
	24,222,500		36,070,000	

(i) In 2006, holders of warrants due January 27, 2007 having an exercise price of \$1.60 were offered a replacement warrant due on January 27, 2008, having an exercise price of \$2.50 for each \$1.60 warrants exercised prior to June 30, 2006. A total of 11,885,000 warrants due on January 28, 2007 were exercised and 11,885,000 replacement warrants issued. During January 2008, a total of 11,844,500 warrants were exercised for proceeds of \$29,611,000.

(d) DEBENTURE CONVERSION OPTION

In November 2006, the Company issued a Debenture. The fair value of the option component of the Debenture was estimated as approximately \$538,000 using the residual value method. The value of the option is charged to income as accretion expense using the effective interest method and the fair value of the Debenture is increased. The value of the option will be reallocated to capital stock if exercised, or to contributed surplus if it expires unexercised.

16. Administrative Costs

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Stock based compensation	\$ 218	\$ (534)	\$ (981)	\$ (1,265)
Salaries and benefits	(486)	(469)	(1,633)	(1,746)
Other	(2,119)	(759)	(2,764)	(1,407)
	\$ (2,387)	\$ (1,762)	\$ (5,378)	\$ (4,418)

17. Financing Costs

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Investment income	\$ 291	\$ 63	\$ 674	\$ 236
Financing costs	(2,203)	(1,416)	(4,558)	(2,586)
Debenture accretion	(51)	(84)	(143)	(169)
Financial instrument accretion	(300)	(776)	(746)	(1,043)
Fair value adjustments to derivatives	418	645	(3,794)	(1,455)
	\$ (1,845)	\$ (1,568)	\$ (8,567)	\$ (5,017)

18. Other Income

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Loss on sale or write-off of assets	\$ (29)	\$ (8)	\$ (110)	\$ (28)
Management fees	–	15	–	40
Foreign exchange	2,573	(298)	5,069	(258)
Other	325	248	740	1,113
	\$ 2,869	\$ (43)	\$ 5,699	\$ 867

19. Net Income (Loss) Per Share

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

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Net income (loss) for the period	\$ (4,725)	\$ 896	\$ (7,033)	\$ 1,162
Weighted average number of shares	307,905,158	251,078,660	307,846,200	250,558,372
Basic income per share	\$ (0.01)	\$ 0.00	\$ (0.02)	\$ 0.00
Incremental shares on assumed exercise of options and warrants	–	4,235,591	–	4,235,591
Weighted average number of shares	307,905,158	255,314,251	307,846,200	254,793,963
Diluted net income (loss) per share	\$ (0.01)	\$ 0.00	\$ (0.02)	\$ 0.00

20. Related Party Transactions

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

At June 30, 2008 and 2007, the Company had a shareholding in Pelangio. A director of the Company (D. Mosher) serves as a director of Pelangio. At June 30, 2008, the Company has an account receivable due from Pelangio of NIL (2007 – \$16,000) for services provided by High River on behalf of Pelangio.

At June 30, 2008 and 2007, the Company had a shareholding in Goldrush. An officer of the Company (D. Cameron) serves as a director of Goldrush. At June 30, 2008, the Company has an account receivable due from Goldrush of \$44,000 (2007 – \$68,000). Pursuant to an agreement, High River provides Goldrush with technical expertise and operations management on a cost recovery basis.

During the period, legal services were provided by Cassels Brock and Blackwell LLP in which an officer of the Company is a partner. The total cost of the services was \$71,000 (2007 – \$107,000).

Buryatzoloto provides exploration and construction services to the Prognoz joint venture. Revenue in 2008 amounted to US\$1,606,000 (2007 – US\$20,397,000). At June 30, 2008, Buryatzoloto had an account receivable from Prognoz of US\$17,399,000 (2007 – US\$12,823,000).

Strathcona Mineral Services Ltd., a company in which a director of the Company (G. Farquharson) is President, has provided certain advisory services to the Company. The cost of such services at June 30, 2008 was \$11,000 (2007 – NIL).

21. Supplementary Cash Flow Information

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
(a) Net changes in non-cash working capital				
Accounts receivable	\$ (91)	\$ (6,913)	\$ (5,003)	\$ (15,347)
Inventory	306	(4,635)	(4,368)	(9,693)
Other assets	1,194	1,308	(1,678)	2,960
Accounts payable	960	(857)	2,230	1,665
Interest payable	(933)	6,719	(747)	7,371
	\$ 1,436	\$ (4,378)	\$ (9,566)	\$ (13,044)
(b) Cash paid for interest and financing fees	\$ 4,661	\$ 656	\$ 7,906	\$ 2,039
Cash paid for income taxes	\$ 3,831	\$ 2,455	\$ 5,255	\$ 5,480

22. Commitments and Contingencies

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

In order to retain its skilled employees, Buryatzoloto has guaranteed employee mortgages given by Sberbank RF. At June 30, 2008, this guarantee amount is US\$2,476,000 (2007 – US\$782,000). The Company accounts for guarantees at fair value and it estimates the guarantees to have NIL value.

High River has guaranteed a materials supply contract for Somita up to \$227,000 and it estimates the guarantees to have NIL value.

High River has guaranteed the US\$9,000,000 line of credit to Berezitovy from the Nomos Bank and the US\$10,000,000 credit facility of Somita from Standard and it estimates the guarantees to have NIL value.

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

- (i) an additional payment of US\$20 per ounce of gold for 20% of any mineral reserves in excess of 150,000 ounces based on a bankable feasibility study;
- (ii) an annual payment of US\$100,000 per year for four years as an advance on the vendor's 10% non-contributing interest, such payment to cease on commencement of production;
- (iii) a guarantee of a minimum payment of US\$100,000 per year for five years after production starts, should the vendor's proportional share of profits be less than US\$100,000 per year. The first payment was made in 2007; and
- (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.

Berezitovy has entered into a lease. See note 13.

23. 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 June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Property, plant and equipment expenditures, net				
Russia - Buryatzoloto	\$ 4,834	\$ 3,359	\$ 8,384	\$ 7,477
Burkina - Somita	2,219	–	3,236	–
Burkina - Exploration	83	66	151	135
Corporate	–	12	–	27
	\$7,136	\$3,437	\$11,771	\$7,639
Deferred exploration expenditures				
Russia - Buryatzoloto	6,769	3,361	12,199	5,426
Russia - Berezitovy	187	12	201	32
Burkina – Exploration	3,070	1,699	6,101	4,585
	\$ 10,026	\$ 5,072	\$ 18,501	\$ 10,043
Development property expenditures				
Russia - Berezitovy	13,337	15,683	29,384	28,291
Burkina - Somita	–	9,193	–	18,810
	\$ 13,337	\$ 24,876	\$29,384	\$47,101
Total assets				
Russia - Buryatzoloto			177,266	160,270
Russia - Berezitovy			233,479	171,409
Burkina - Somita			177,063	152,331
Burkina - Exploration			69,352	60,541
Corporate			102,034	8,432
			\$ 759,194	\$ 552,983

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Revenue				
Russia - Buryatzoloto	\$ 31,416	\$ 27,851	\$ 63,639	\$ 58,495
Burkina - Somita	12,040	–	24,866	–
	43,456	27,851	88,505	58,495
Expenses				
Mining costs				
Russia - Buryatzoloto	21,628	16,319	38,307	32,703
Burkina - Somita	12,308	–	21,092	–
Mine administrative costs				
Russia - Buryatzoloto	1,808	1,133	3,714	3,006
Burkina - Somita	346	–	744	–
Mine amortization and depletion				
Russia - Buryatzoloto	3,374	3,984	6,436	7,840
Burkina - Somita	2,029	–	4,828	–
Asset retirement obligation accretion				
Russia - Buryatzoloto	81	33	158	68
Burkina - Somita	60	–	118	–
	41,634	21,469	75,397	43,617
Administrative costs				
Russia - Buryatzoloto	43	–	91	–
Burkina - Somita	2	–	2	–
Corporate	2,342	1,762	5,285	4,418
	2,387	1,762	5,378	4,418
Financing costs				
Russia - Buryatzoloto	1,012	1,177	1,997	2,110
Burkina - Somita	2,348	–	4,927	–
Corporate	(1,515)	391	1,643	2,907
	1,845	1,568	8,567	5,017
Other income/(expense)				
Russia - Buryatzoloto	9,179	276	10,177	1,200
Burkina - Somita	(756)	–	7,245	–
Corporate	(5,554)	(319)	(11,723)	(333)
	2,869	(43)	(5,699)	867
Income tax expense				
Russia - Buryatzoloto	2,066	1,379	4,580	3,291
Burkina - Somita	–	–	–	–
	2,066	1,379	4,580	3,291
Net income (loss) for the period				
Russia - Buryatzoloto	6,976	3,464	11,595	8,938
Burkina - Somita	(5,808)	–	399	–
Corporate	(5,893)	(2,568)	(19,027)	(7,776)
	\$ (4,725)	\$ 896	\$ (7,033)	\$ 1,162

24. Subsequent Events

On July 31, 2008 High River announced that it had entered into an agreement to acquire the 50% interest in the Prognoz Silver Project not already owned by the Company for 34,100,000 High River shares.

On August 1, 2008 High River announced a strategic investment transaction with a unit of the Alfa Group Consortium, one of Russia's largest privately owned financial/industrial organizations, whereby High River will issue up to 160,000,000 shares at \$1.79 per share through a non-brokered private placement for proceeds of approximately \$286.4 million.

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Burnaby, British Columbia

John W. Crow^{1,2}
Independent Businessman
Toronto, Ontario

Laurence W. Curtis³
President & CEO
Intrepid Mines Limited
Oakville, Ontario

David D. Davidson^{1,2}
Partner
Paradigm Capital Inc.
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Valery Dmitriev
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Ulan-Ude, Russian Federation

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Mark Rachovides^{1,2,3,4}
Executive Vice President
European Goldfields Limited
London, England

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

¹ Member of the Audit Committee

² Member of the Corporate Governance and Compensation Committee

³ Member of the Health, Safety & Environment Committee

⁴ Lead Director

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Donald A. Whalen
Executive Chairman

David V. Mosher
President and Chief Executive Officer

Michael D. Kelly, P. Eng.
Executive Vice President and Chief Operating Officer
(As of June 2, 2008)

Steven Poad
Chief Financial Officer

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

Dan W. Hrushewsky, CFA
Vice President, Investor Relations

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

David C. Poynton
Assistant Corporate Secretary

Other

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Linda Mosher
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Elaine Simonds
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Investor Relations

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