

Fire River Gold Corp. Update on the Progress of the Nixon Fork Gold Mine

May 16, 2012 Vancouver, Canada - Fire River Gold Corp. and Mystery Creek Resources Inc. (collectively, the "Company") [TSXV: FAU| OTCQX: FVGCF| FSE: FWR] is pleased to provide this update on the progress of the mining and milling activities at the Nixon Fork Mine.

The Company has been developing the Nixon Fork Mine since June 2011. Mill processing started ramping up on July 4, 2011, using gravity and flotation circuits to produce the two products: doré and gold-rich copper concentrate. In addition, mechanical completion of the carbon-in-leach ("CIL") circuit was accomplished on March 20, 2012. The CIL circuit was designed with a capacity of 250 tonnes per day, which is 100 tonnes per day higher than the gravity/flotation mill. The purpose of the CIL circuit is to increase gold recovery from ongoing mined ore and to recover residual gold from the existing gold-rich historic tailings, which run between 7 and 8 grams per tonne of gold.

Accomplishments:

The operation has achieved several milestones over the past few months, including:

- Mill start-up with gravity and flotation processes began July 4, 2011; a total of 34,400 tonnes of ore has been processed to-date.
- Started commissioning the CIL circuit in the mill
- Converted tailings disposal from wet tailings impoundment to dry stack placement
- Successfully implemented longhole open stoping in the mine in two locations (208 to 220 mASL and 240 to 270 mASL of the 3300 zone)
- Developed access to six new mining zones
- Re-established all operating permits and updated the bonding
- Established a broken ore inventory of approximately 14,000 tonnes at an estimated grade of 22 grams of gold per tonne (as of May 9, 2012)



Production:



The ramp up to full production targets continues, albeit at a slower pace than we originally had anticipated. From July 4, 2011 to the end of March 2012 the mine produced 25,875 tonnes of ore grading approximately 15.5 grams of gold per tonne; so a total of 12,875 ounces of gold were mined. From this feed, 175 tonnes of copper concentrate has been sold to Glencore Ltd. containing 5,994 ounces of gold. The doré production over the same period totalled 1,180 ounces of gold.

Processing:

The mill started up on July 4, 2011 using gravitational separation and flotation as its two recovery methods. The construction of the CIL circuit was completed in March 2012, adding leaching as a third gold recovery process, which will allow us to produce doré on-site. The construction project's longer timeline became necessary due to several reasons: retrofits to the existing plant were required in order to incorporate the new process and several modifications to the original CIL design were necessary for process optimization. The addition of the CIL circuit should not only increase overall gold recovery for mined ore, but also provide us a process by which we may recover residual gold from the high-grade historic tailings pond, which runs between 7 and 8 grams per tonne of gold. Going forward, approximately 20% of the gold production will be in the form of doré and 80% will be added to the copper concentrate.

From start-up until mid-January 2012, the mill ran at an average process rate of 130 metric tonnes per day (mtpd), depositing the final tailings into a dammed subaqueous tailings pond. The tailings disposal system was changed in January 2012 from wet tailings impoundment in a lined dam to placement of filtered tailings on a dry stack. The addition of leaching as the third recovery process in April 2012 also imposed a conversion of the mill to a zero-discharge facility. These process changes resulted in numerous commissioning issues and downtime from various sources, including the mechanical reliability of the final tailings filter, maintaining clear water overflow from the tailings thickener, and upgrading key transfer pumps resulting in an average process rate of 92 mtpd so far in 2012. Each issue is being dealt with so that we may achieve steady incremental improvement at the mill, increasing operating times and throughput. It is projected that the mill will achieve its full target of 150 mtpd over the next four weeks.



Mining Operations:



The mine was muck-bound for much of the first quarter due to the commissioning delays in the mill. This allowed the mine operators to focus on developing six new mining zones for future extraction and to create a large inventory of broken and drilled-off ore stored in the longhole stopes. At present, the broken inventory is estimated to be 14,000 tonnes of ore grading 22 grams of gold per tonne. One of the most recent stopes, near the 160 mASL level of the 3300 zone, has just returned a muck pile sample grade of 81 grams of gold per tonne.

Longhole open stoping has been successfully employed in two stopes located in the 3300 zone, one between 208 mASL and 220 mASL and one between 240 mASL and 270 mASL. This mining method will continue to be used to provide most of the mill feed, with supplemental feed coming from selectively mined cut and fill stopes.

The mine has been very successful at mining outside of the known resources. To-date approximately half of the mill feed and half of the current broken inventory was extracted from sources not identified in the current resources. As experience was gained over the past six months, mine management changed its approach to ore definition and thereby improved the selectivity of mining methods used. In general terms, diamond drilling is effective at identifying mineralized zones and the contact location, but it is not useful for defining stopes prior to mine design. After diamond drilling, which defines the zone location, an ore drift is developed through the zone and a smaller bazooka-type of drill is used to drill 15 to 25 m holes that help to define the higher grade pods of mineralization. The Company owns and operates both the bazooka and Hagby drills.

Financing:

On April 4, 2012, the outstanding \$7.5 million Sprott Resource Lending Partnership loan was paid in full using the proceeds from a loan of US\$12.75 million provided by Waterton Global Value LP ("Waterton"). The purpose of the Waterton loan was to provide the property with additional working capital and to defer the first loan repayments while the property overcomes its start-up issues.

Outlook:

Commissioning the mill and ramping up the operation to full production expectations is ongoing. The 2012 production target is 29,000 ounces of gold mined, with targets of 40,000 ounces in 2013 and 50,000 ounces in 2014. It is anticipated that a declaration of full commercial production, defined by 30 days of consecutive operations at 100 metric tonnes per day throughput (two-thirds of our budgeted throughput) with +90% gold recovery is projected to be made within the next three months.

Despite the few delays, our operating costs have conformed fairly closely to our 2012 Budget of \$29.6 M for the calendar year. Accordingly, meeting our production target should result in a near-term operating cost of approximately \$950 per ounce and a projected improvement to \$750 per ounce in 2013 and \$600 per ounce in 2014. Our ability to discover additional resources outside of our current estimate supports our assertion that once the project has realized its full economic potential, it will be possible to sustain operations well beyond the limits of the current mineral inventory.

Fire River Gold Corp. would like to thank our shareholders for their continued support through the project development period.

On behalf of the Board of Directors,



Richard Goodwin
President

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