FIRE RIVER GOLD CORP.

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

30 April 2012 and 2011
SECOND QUARTER

(Expressed in Canadian Funds)

FIRE RIVER GOLD CORP.

Condensed Consolidated Interim Financial Statements

30 April 2012

(Unaudited – See “Notice to Reader” on following page)

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed the condensed consolidated interim financial statements for the period ended 30 April 2012.

NOTICE TO READER OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements of Fire River Gold Corp. (the "Company") and the accompanying condensed consolidated interim statements of financial position as at 30 April 2012, 31 October 2011 and 1 November 2010 and the condensed consolidated interim statements of loss and comprehensive loss, cash flows and changes in equity for the six months ended 30 April 2012 are the responsibility of the Company's management. These condensed consolidated interim financial statements have not been reviewed on behalf of the shareholders by the independent external auditors of the Company, James Stafford Chartered Accountants.

The condensed consolidated interim financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these condensed consolidated interim financial statements in accordance with International Financial Reporting Standards.

"R. David Russell"

R. David Russell, President

June 29, 2012

"Brent Timmons"

Brent Timmons, Chief Financial Officer

June 29, 2012

Fire River Gold Corp.

Statement 1

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Financial Position

(Canadian Funds)(Unaudited)

ASSETS		**30 April 2012**		**31 October 2011**
Current				
Cash and cash equivalents	$	2,849,238	$	1,825,031
Amounts receivable		510,024		428,976
Inventories *(Note 5)*		562,133		320,950
Prepaid expenses, advances and deposits		379,974		377,249
		4,301,369		2,952,206
Property, Plant and Equipment *(Note 6)*		7,747,271		6,492,269
Reclamation Deposits *(Note 9)*		2,858,145		2,050,649
Exploration and Evaluation Properties *(Note 7)*		37,647,635		25,278,067
	$	52,554,420	$	36,773,191
LIABILITIES				
Current				
Trade payables and accrued liabilities	$	4,348,780	$	949,546
Due to related parties *(Note 10)*		–		34,486
Debt *(Note 8)*		2,232,418		–
		6,581,198		984,032
Debt *(Note 8)*		9,653,281		–
Decommissioning Liabilities *(Note 9)*		2,199,301		2,105,379
Deferred Tax Liabilities		22,475		22,475
		18,456,255		3,111,886
SHAREHOLDERS' EQUITY				
Share Capital *(Note 11)*		32,780,999		32,030,999
Reserves		10,678,277		9,115,175
Deficit		(9,361,111)		(7,484,869)
		34,098,165		33,661,305
	$	52,554,420	$	36,773,191

Commitments *(Note 12)*
Contingency *(Note 13)*
Subsequent Events *(Note 16)*

ON BEHALF OF THE BOARD:

"R. David Russell", Director

"Maria Christine Melian", Director

- See Accompanying Notes -

Fire River Gold Corp.

Statement 2

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Canadian Funds)
(Unaudited)

	Three Months Ended 30 April		Six Months Ended 30 April	
	2012	2011 (Note 4)	2012	2011 (Note 4)
General and Administrative Expenses				
Accounting	$ 5,581	$ 6,908	$ 6,433	$ 6,908
Consulting	71,738	573,001	142,276	792,540
Corporate development	-	20,173	7,360	65,388
Couriers	194	3,612	3,649	6,456
Depreciation (recovery)	5,794	(23,238)	8,116	53,929
Filing fees	9,867	20,262	23,158	26,853
Insurance	101,271	4,827	359,023	12,166
Interest and service charges	1,164	1,092	2,196	2,551
Legal	2,500	3,798	2,747	5,519
Lodging and food	3,360	17,265	18,844	27,134
Office and miscellaneous	28,108	44,438	61,449	94,601
Promotion	-	4,826	2,498	5,326
Reclamation and accretion	52,682	72,424	106,768	144,848
Rent	30,137	7,669	47,843	12,782
Share-based payments	110,381	268,644	371,721	506,345
Shareholder relations	85,777	85,071	192,857	187,985
Telephone	9,076	4,531	14,037	12,630
Traveling	34,663	18,821	46,217	26,898
Wages and benefits	144,011	50,508	309,995	50,508
Loss for the Period before Other Items	(696,304)	(1,184,632)	(1,727,187)	(2,041,367)
Other Items				
Loss on early retirement of debt	(158,804)	-	(158,804)	-
Gain on sale of equipment	8,887	-	8,887	-
Foreign exchange gain (loss)	67,392	(259,812)	(1,724)	(356,324)
Interest income	2,112	30,775	2,586	49,192
Loss before Income Taxes	(776,717)	(1,413,669)	(1,876,242)	(2,348,499)
Deferred Tax Recovery	-	-	-	-
Net Loss for the Period	$ (776,717)	$ (1,413,669)	$ (1,876,242)	$ (2,348,499)
Other Comprehensive Loss				
Foreign exchange translation adjustment	(9,922)	(523,952)	320,815	(823,312)
Comprehensive Loss for the Period	$ (786,639)	$ (1,937,621)	$ (1,555,427)	$ (3,171,811)
Net Loss per Share - Basic and Fully Diluted	$ (0.01)	$ (0.02)	$ (0.02)	$ (0.03)
Comprehensive Loss per Share - Basic and Fully Diluted	$ (0.01)	$ (0.02)	$ (0.02)	$ (0.04)
Weighted Average Number of Common Shares Outstanding	102,442,372	79,365,271	100,459,049	79,431,412

- See Accompanying Notes -

Fire River Gold Corp.

Statement 3

(An Exploration Stage Company)

Consolidated Statements of Cash Flows

(Canadian Funds)
(Unaudited)

Cash Resources Provided By (Used In)	Three Months Ended 30 April 2012	Three Months Ended 30 April 2011	Six Months Ended 30 April 2012	Six Months Ended 30 April 2011
Operating Activities				
Net Loss for the period	$ (776,717)	$ (1,413,669)	$ (1,876,242)	$ (2,348,499)
Items not affecting cash				
Depreciation	5,794	(23,238)	8,116	53,929
Reclamation and accretion	52,682	72,424	106,768	144,848
Share-based payments	110,381	268,644	371,721	506,345
Loss on early retirement of debt	158,804	-	158,804	-
Gain on sale of equipment	(8,887)	-	(8,887)	-
Foreign exchange, net	(782,497)	513,609	(713,381)	355,513
Amounts receivable	4,531	(151,088)	(81,048)	(180,890)
Inventories	(93,956)	-	(241,183)	-
Prepaid expenses and deposits	35,685	(172,660)	(2,725)	(250,479)
Trade payable and accrued liabilities	1,756,975	(3,353)	3,399,234	(125,612)
	462,795	(909,331)	1,121,177	(1,844,845)
Investing Activities				
Proceeds from the sale of property, plant and equipment	(189,414)	-	(189,414)	-
Purchase of property, plant and equipment	(1,254,505)	(3,529,208)	(1,817,304)	(3,529,208)
Exploration and evaluation costs, net of cash recovered	(3,670,260)	(2,690,828)	(9,956,343)	(5,041,906)
	(5,114,179)	(6,220,036)	(11,963,061)	(8,571,114)
Financing Activities				
Issuance of Debt, net of cash fees	11,975,577	-	19,400,577	-
Repayment of Debt	(7,500,000)	-	(7,500,000)	-
Due to related parties	-	-	(34,486)	(8,678)
Common share issued, net of issuance costs	-	8,447,868	-	17,294,985
	4,475,577	8,447,868	11,866,091	17,286,307
Net Increase (Decrease) in Cash and Cash Equivalents	(175,807)	1,318,501	1,024,207	6,870,348
Cash and cash equivalent - Beginning of period	3,025,045	13,594,656	1,825,031	8,042,809
Cash and Cash Equivalents - End of Period	$ 2,849,238	$ 14,913,157	$ 2,849,238	$ 14,913,157
Supplemental Disclosure of Non-Cash Investing and Financing Activities				
Debt Finance Fees for Exploration and Evaluation Properties	$ -	$ -	$ 75,000	$ -
Issuance of shares for Exploration and Evaluation Properties	$ -	$ -	$ 750,000	$ -
Issuance of warrants for Exploration and Evaluation Properties	$ 815,018	$ -	$ 815,018	$ -

- See Accompanying Notes -

Fire River Gold Corp.

Statement 4

(An Exploration Stage Company)

Consolidated Statements of Shareholders' Equity

(Canadian Funds)
(Unaudited)

	Common Shares		Reserves				
	Number	Amount	Stock Options	Warrants	Foreign Currency	Deficit	Total
Balance – 1 November 2010 (*Note 4*)	59,821,490	$ 16,265,025	$ 1,100,802	$ 4,893,261	$ –	$ (4,059,363)	$ 18,199,725
Issuance of common shares for cash	18,795,008	8,457,754	–	–	–	–	8,457,754
Issuance of common shares for cash	14,815,326	7,407,663	–	–	–	–	7,407,663
Exercise of warrants	5,159,449	2,923,084	–	(865,139)	–	–	2,057,945
Exercise of options	93,750	37,500	–	–	–	–	37,500
Value assigned to warrants	–	(4,032,412)	–	4,032,412	–	–	–
Share-based payments	–	–	722,210	–	–	–	722,210
Share issuance cost	–	(665,877)	–	–	–	–	(665,877)
Foreign currency translation adjustment	–	–	–	–	(823,312)	–	(823,312)
Loss for the period	–	–	–	–	–	(2,348,499)	(2,348,499)
Balance – 30 April 2011 (*Note 4*)	98,685,023	30,392,737	1,823,012	8,060,534	(823,312)	(6,407,862)	33,045,109
Exercise of warrants	430,854	471,221	–	(304,371)	–	–	166,850
Exercise of options	65,625	74,223	(47,974)	–	–	–	26,249
Value assigned to warrants	–	1,092,818	–	(1,092,818)	–	–	–
Share-based payments	–	–	1,002,186	–	–	–	1,002,186
Warrant expense	–	–	–	205,115	–	–	205,115
Foreign currency translation adjustment	–	–	–	–	292,803	–	292,803
Loss for the period	–	–	–	–	–	(1,077,007)	(1,077,007)
Balance – 31 October 2011 (*Note 4*)	99,181,502	32,030,999	2,777,224	6,868,460	(530,509)	(7,484,869)	33,661,305
Issuance of common shares for exploration and evaluation properties	3,260,870	750,000	–	–	–	–	750,000
Value assigned to warrants	–	–	–	815,018	–	–	815,018
Share-based payments	–	–	427,269	–	–	–	427,269
Foreign currency translation adjustment	–	–	–	–	320,815	–	320,815
Loss for the period	–	–	–	–	–	(1,876,242)	(1,876,242)
Balance – 30 April 2012	102,442,372	$ 32,780,999	$ 3,204,493	7,683,478	$ (209,694)	$ (9,361,111)	$ 34,098,165

- See Accompanying Notes -

1. Nature and Continuance of Operations

Fire River Gold Corp. (the "Company") was incorporated on 22 September 1997 under the laws of the Province of British Columbia and is a mineral exploration company focused on the acquisition, exploration and development of primarily gold, silver and base metal properties. The Company expects to become a production company with a superior technical team focused on bringing its flagship project, the Nixon Fork Gold Mine, back into production within 2012.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company's continued existence are dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write downs of the carrying values. All of the Company's mining assets are located outside of Canada and are subject to the risk of foreign investment, including increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations, environmental constraints and political uncertainty.

Although the Company has taken steps to verify the title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

The head office and principal address of the Company is Suite 340 – 1200 West 73rd Avenue, Vancouver, British Columbia, Canada, V6P 6G5.

2. Basis of Preparation

a) Basis of Consolidation

These condensed consolidated interim financial statements are inclusive of the accounts of the Company and its wholly-owned United States subsidiaries, Fire River Gold Corp. USA ("FAU USA") and Mystery Creek Resources, Inc. ("MCR").

Inter-company balances and transactions have been eliminated on consolidation.

b) Basis of Presentation

The Company's condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in Note 14, and are presented in Canadian dollars except where otherwise indicated.

c) **Statement of Compliance**

These condensed consolidated interim financial statements are a general purpose financial report for the Company and its subsidiary, prepared on a going concern basis, in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Therefore, these condensed consolidated interim financial statements comply with International Accounting Standards ("IAS") 34, *Interim Financial Reporting*.

These condensed consolidated interim financial statements are the second interim financial statements prepared and presented in accordance with IFRS standards, amendments and interpretations the Company expects to adopt in its 31 October 2012 annual consolidated financial statements.

This interim report does not include all of the information required of full general purpose annual financial statements. The report is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that these condensed consolidated interim financial statements be read in conjunction with the annual consolidated financial statements of the Company for the year ended 31 October 2011 prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") and the Company's first condensed consolidated financial statements prepared in accordance with IAS 34 and IFRS for the period ended 30 April 2012. However, these condensed consolidated interim financial statements, being the second IFRS financial statements, include selected significant disclosures that may otherwise only be presented in the consolidated annual financial statements under IFRS.

The disclosures concerning the transition from Canadian GAAP to IFRS are provided in Note 4.

d) **Approval of the Financial Statements**

The condensed consolidated interim financial statements of the Company for the three months ended 30 April 2012 and 2011 were approved and authorized for issue by the Board of Directors on 29 June 2012.

3. Significant Accounting Policies

a) **Significant Accounting Judgments, Estimates and Assumptions**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. Estimates and assumptions are continuously evaluated and are based on management's experience and other relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual results could differ from those estimates.

Areas requiring a significant degree of estimation and judgment relate to the recoverability of the carrying value of exploration and evaluation assets, fair value measurement for financial instruments and share-based payments, the recognition and valuation of provisions for decommissioning liabilities and inventory, the recoverability and measurement of deferred tax assets and liabilities, and ability to continue as a going concern.

b) **Cash and Cash Equivalents**

The Company considers cash and cash equivalents to include amounts held in banks and highly liquid investments with remaining maturities at point of purchase of 90 days or less. The Company places its cash and cash investments with institutions of high-credit worthiness.

c) **Financial Assets**

Financial assets are classified as financial assets at fair value through profit or loss (“FVTPL”), held-to-maturity, loans and receivables, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition. Financial assets are recognized initially at fair value. The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at FVTPL

Financial assets are classified as held for trading and are included in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives, other than those designated as effective hedging instruments, are also categorized as held for trading. These assets are carried at fair value with gains or losses recognized in profit or loss. Transaction costs associated with financial assets at FVTPL are expensed as incurred. Cash and cash equivalents are included in this category of financial assets.

Held-to-maturity and loans and receivables

Held-to-maturity and loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method if the time value of money is significant. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Transaction costs are included in the initial carrying amount of the asset. Amounts receivables are classified as loans and receivables.

Available-for-sale

Available-for-sale financial assets are those non-derivative financial assets that are not classified as loans and receivables. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognized within other comprehensive income. Accumulated changes in fair value are recorded as a separate component of equity until the investment is derecognized or impaired. Transaction costs are included in the initial carrying amount of the asset. Available-for-sale assets include investment in equities of other entities.

The fair value is determined by reference to bid prices at the close of business on the reporting date. Where there is no active market, fair value is determined using valuation techniques. Where fair value cannot be reliably measured, assets are carried at cost.

Derivatives designated as hedging instruments in an effective hedge

The Company does not hold or have any exposure to derivative instruments.

d) **Financial Liabilities**

Financial liabilities are classified as financial liabilities at FVTPL, derivatives designated as hedging instruments in an effective hedge, or as financial liabilities measured at amortized cost, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. The measurement of financial liabilities depends on their classification, as follows:

Financial liabilities at FVTPL

Financial liabilities at FVTPL has two subcategories, including financial liabilities held for trading and those designated by management on initial recognition. Transaction costs on financial liabilities at FVTPL are expensed as incurred. These liabilities are carried at fair value with gains or losses recognized in profit or loss.

Financial liabilities measured at amortized cost

All other financial liabilities are initially recognized at fair value, net of transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognized respectively in interest, other revenues and finance costs. Trade payables and debt are included in this category of financial liabilities.

Derivatives designated as hedging instruments in an effective hedge

The Company does not hold or have any exposure to derivative instruments.

e) **Impairment of Financial Assets**

Financial assets, other than financial assets at FVTPL, are assessed for indicators of impairment at each period end.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost have been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced, with the amount of the loss recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

Available-for-sale

If an available-for-sale financial asset is impaired, the cumulative loss previously recognized in equity is transferred to profit or loss. Any subsequent recovery in the fair value of the asset is recognized within other comprehensive income

f) **Exploration and Evaluation Properties**

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Option payments received are treated as a reduction of the carrying value of the related exploration and evaluation properties and deferred costs until the receipts are in excess of costs incurred, at which time they are credited to income. Option payments are at the discretion of the optionee, and accordingly, are recorded on a cash basis.

Exploration and evaluation assets are assessed for impairment if: (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

g) **Property, Plant and Equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the asset will flow to the Company and the costs can be measured reliably. This would include costs related to the refurbishment or replacement of major parts (components) of an asset. Costs relating to the refurbishment of a major part are capitalized since the refurbishment will typically result in a significant extension in the physical life of that part. All other repairs and maintenance costs are recognized in the statement of income and comprehensive income during the period in which they are incurred.

Depreciation of buildings and processing equipment used for production is calculated on a unit-of-production basis over the remaining proven and probable reserves of the mine. Equipment that is mobile is depreciated on a straight-line basis over the estimated useful life of the equipment of five to ten years, not to exceed the related estimated life of the mine. Depreciation commences on an asset when it is capable of operating in the manner intended by management.

When parts (components) of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. Each asset or part's estimated useful life is determined considering its physical life limitations. This physical life of each asset cannot exceed the life of the mine at which the asset is utilized. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Depreciation of assets used in exploration and evaluation is capitalized to exploration and evaluation properties.

h) **Impairment of Non-Financial Assets**

The carrying amounts of the Company's exploration and evaluation assets and property, plant and equipment are reviewed for indications of impairment at the end of each reporting period. If an indication of impairment exists, the Company makes an estimate of the asset's recoverable amount. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. Recoverable amount of an asset group is the higher of its fair value less costs to sell and its value in use. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in profit or loss. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

i) **Inventories**

Materials and supplies inventories consists of mining supplies and consumables used in the operation of the mines, and are valued at the lower of average cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion, any provisions for obsolescence and selling expenses.

j) **Share-based Payments**

Share-based payments to employees are measured at the fair value of the instruments issued and recognized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the stock option reserve. The fair value of options, as determined using the Black-Scholes Option Pricing Model which incorporates all market vesting conditions, is expensed or capitalized, as appropriate. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that will eventually vest.

k) **Decommissioning, Restoration and Similar Liabilities**

The Company recognizes provisions for statutory, contractual, constructive or legal obligations associated with the reclamation of mineral properties and retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future cost estimates arising from the decommissioning of plant, site restoration work and other similar retirement activities is added to the carrying amount of the related asset, and depreciated on the same basis as the related asset, along with a corresponding increase in the provision in the period incurred. Discount rates using a pre-tax rate that reflect the current market assessments of the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the provision.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the period. The net present value of reclamation costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred. The costs of reclamation projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation properties.

l) **Taxation**

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the reporting date.

m) **Foreign Currency Translation**

The functional currency of each of the Company's entities is measured using the currency of the primary economic environment in which that entity operates. The Company determined that the Company's functional currency is the Canadian dollar. The functional currency of the Company's subsidiaries, FAU USA and MCR, is the U.S. dollar.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined. Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge. Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

On consolidation, each respective entity's financial statements are translated into the presentation currency, being the Canadian dollar. Assets and liabilities are translated at the period-end exchange rate. Income and expenses are translated at the average exchange rate for the period in which they arise. Exchange differences are recognized in other comprehensive income and as a separate component of equity.

n) **Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs not directly attributable to a qualifying asset are expensed in the period incurred.

o) **Comparative Figures**

Certain comparative figures have been adjusted to conform to the current year's presentation.

p) **New and Revised Standards and Interpretations**

At the date of authorization of these financial statements, the IASB and IFRIC has issued the following new and revised standards, amendments and interpretations which are not yet effective:

- IFRS 9, "*Financial Instruments: Classification and Measurement*"(1)
- IFRS 10, "*Consolidated Financial Statements*" (2)
- IFRS 11, "*Joint Arrangements*"(2)
- IFRS 12, *"Disclosure of Interests in Other Entities"* (2)
- IFRS 13, "*Fair Value Measurement*" (2)
- IAS 1 (Amendment), "*Presentation of Financial Statements*" (3)
- IAS 19 (Amendment), *"Employee Benefits"* (2)
- IAS 27 (Amendment), "*Separate Financial Statements*"(2)
- IAS 28 (Amendment), "*Investments in Associates and Joint Ventures*"(2)
- IFRIC 20, "*Stripping Costs in the Production Phase of a Surface Mine*"(2)

(1) Effective for annual periods beginning on or after 1 January 2015
(2) Effective for annual periods beginning on or after 1 January 2013
(3) Effective for annual periods beginning on or after 1 July 2012

The Company has not early adopted these standards, amendments and interpretations and anticipates that the application of these standards, amendments and interpretations will not have a material impact on the financial position and financial performance of the Company.

4. Transition to International Financial Reporting Standards

IFRS 1, "*First-time Adoption of International Financial Reporting Standards*", establishes guidance for the initial adoption of IFRS. The accounting policies in Note 3 have been applied in preparing the condensed consolidated interim financial statements for the three months ended 30 April 2012 and the comparative information for the three months ended 30 April 2011. The consolidated financial statements for the year ended 31 October 2011 were prepared applying available standards under Canadian GAAP. For the first time adoption of IFRS the comparative figures for the year ended and as at 31 October 2011 and the opening IFRS statement of financial position on 1 November 2010 (the "Transition Date") have been revised where appropriate to conform with IFRS using the various exemptions and options available under IFRS 1, as set out below:

a) Foreign Currency Translation and Cumulative Translation Differences

IFRS requires that the functional currency of each entity of the group be determined separately. The Company's functional currency was the Canadian dollar, whereas the functional currency of FAU USA and MCR was the U.S. dollar. On consolidation, each respective entity's financial statements are translated into the presentation currency, being the Canadian dollar, using the current rate method. Foreign exchange translation adjustments are recognized as a separate component of equity.

Under Canadian GAAP, the subsidiaries of the Company were defined as an integrated foreign operation from the date of the acquisition and/or formation and therefore no foreign exchange translation in equity was noted.

IFRS 1 allows first-time adopters to not comply with the requirements of IAS 21, "*The Effects of Changes in Foreign Exchange Rates*", for cumulative translation differences that existed at the date of transition. The Company elected to apply this exemption and, as a result, the cumulative translation differences for all foreign operations are deemed to be zero at Transition Date.

The change in accounting policy related to foreign currency translation resulted in an increase in property, plant and equipment of $34,377 and a decrease in exploration and evaluation properties of $126,804 as at 31 October 2011, and a decrease of $438,082 in net loss for the year ended 31 October 2011. The offsetting entry is to other comprehensive loss of $530,509 for the year ended 31 October 2011.

There was a decrease in exploration and evaluation properties of $1,414,252 and deferred tax liabilities of $189,183 as at 30 April 2011 and an increase of $401,757 in net loss for the six months ended 30 April 2011. The offsetting entry is to other comprehensive loss of $823,312 for the six months ended 30 April 2011.

b) Business Combinations

IFRS 1 provides the option to apply IFRS 3, "*Business Combinations*", retrospectively or prospectively from the date of transition. The Company elected not to retrospectively apply IFRS 3 to business combinations that occurred prior to the Transition Date.

c) **Consolidated and Separate Financial Statements**

In accordance with IFRS 1, if a company elects to apply IFRS 3 retrospectively, IAS 27, "*Consolidated and Separate Financial Statements*" must also be applied retrospectively. As the Company elected to apply IFRS 3 prospectively, the Company has also elected to apply IAS 27 prospectively.

d) **Decommissioning Liabilities**

IFRS 1 provides an optional exemption to elect not to retrospectively recalculate the decommissioning liabilities and the related impact on the cost of the related asset and accumulated depreciation. The Company elected to use this exemption and account for changes in decommissioning liabilities prospectively from Transition Date.

e) **IFRS Mandatory Exceptions**

In accordance with IFRS 1, the Company's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under Canadian GAAP unless there is objective evidence that those estimates were in error. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS.

Other differences between Canadian GAAP and IFRS are noted as follows:

f) **Share-based Payments**

The Company did not elect to use the IFRS 1 exemption related to the share-based payments. The Company adopted IFRS 2, "*Share-based Payments*" retrospectively and recalculated the total share-based payments since inception.

This resulted in an increase in stock options reserve of $672,925, an increase in exploration and evaluation properties of $162,491 and an increase in deficit of $510,434 as at the Transition Date, and a further increase in stock options reserve of $367,744, an increase in exploration and evaluation properties of $227,957 and an increase in share-based payments of $139,787 for the year ended 31 October 2011.

For the six months ended 30 April 2011, there was a increase in stock options reserve of $129,930, an increase in exploration and evaluation properties of $215,865 and a decrease in share-based payments of $85,935.

Differences in accounting for stock options under Canadian GAAP and IFRS are as follows:

Employees vs. non-employees

Under Canadian GAAP, an individual is classified as an employee when the individual is consistently represented to be an employee under law.

Under IFRS, an individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. This definition of an employee is broader than that previously applied by the Company and resulted in certain contractors and consultants being classified as employees under IFRS.

Forfeitures

Under Canadian GAAP, forfeitures are recognized as they occur.

Under IFRS, an estimate of the number of stock options expected to vest is required, which is revised if subsequent information indicates that actual forfeitures are likely to differ from the estimate.

Measurement and Recognition

Under Canadian GAAP, all stock options granted to employees and non-employees are measured and recognized using a fair value based method. For employees, the fair value of the options is measured at the date of grant. For non-employees, the fair value of the options is measured on the earlier of: (a) the date at which the counterparty performance is completed, (b) the date the performance commitment is reached or (c) the date at which the equity instruments are granted if they are fully vested and non-forfeitable. For employees and non-employees, the fair value of the options is expensed or capitalized to exploration and evaluation properties as appropriate over the vesting period. For stock options to employees with graded vesting, the total fair value is recognized on a straight-line basis over the vesting period.

IFRS 2, similar to Canadian GAAP, requires the Company to measure share-based payment expense related to stock options granted to employees at the fair value of the options on the date of grant and to recognize such expense over the vesting period of the options. Each tranche in a stock option with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis. For stock options granted to non-employees, IFRS requires that share-based payment expense be measured at the fair value of the services received unless the fair value cannot be reliably measured.

g) **Reclassification within Equity section**

Under Canadian GAAP, “Contributed Surplus” was used to record the issuance of stock options, share purchase warrants and agent compensation warrants. Upon adoption of IFRS, the balances in “Contributed Surplus” have been reclassified to “Stock Options Reserve” and “Warrants Reserve”.

IFRS 1 requires an entity to reconcile its equity, comprehensive loss and cash flows for prior periods. The reconciliations between the previously reported financial results under Canadian GAAP and the current reported financial results under IFRS are provided as follows:

(Canadian Funds)

Reconciliation of Consolidated Interim Statement of Financial Position as at 30 April 2011

ASSETS	Note	Canadian GAAP	IFRS Adjustments	IFRS
Current				
Cash and cash equivalents		$ 14,913,157	$ -	$ 14,913,157
Amounts receivable		234,342	-	234,342
Prepaid expenses, advances and deposits		344,576	-	344,576
		15,492,075	-	15,492,075
Property, Plant and Equipment		3,528,237	-	3,528,237
Reclamation Deposits		2,243,033	-	2,243,033
Exploration and Evaluation Properties	(a)(f)	16,611,660	(1,035,896)	15,575,764
		$ 37,875,005	$ (1,035,896)	$ 36,839,109

LIABILITIES	Note	Canadian GAAP	IFRS Adjustments	IFRS
Current				
Trade payables and accrued liabilities		$ 4,928	$ -	$ 4,928
Decommissioning Liabilities		3,383,147	-	3,383,147
Deferred Tax Liabilities	(a)	595,108	(189,183)	405,925
		3,983,183	(189,183)	3,794,000
EQUITY				
Share Capital		30,392,737	-	30,392,737
Contributed Surplus	(g)	9,080,691	(9,080,691)	-
Stock Options Reserve	(f)(g)	-	1,823,012	1,823,012
Warrants Reserve	(g)	-	8,060,534	8,060,534
Foreign Currency Reserve	(a)	-	(823,312)	(823,312)
Deficit	(a)(f)	(5,581,606)	(826,256)	(6,407,862)
		33,891,822	(846,713)	33,045,109
		$ 37,875,005	$ (1,035,896)	$ 36,839,109

(Canadian Funds)

Reconciliation of Consolidated Interim Statement of Loss and Comprehensive Loss For the Three Months Ended 30 April 2011

	Note	Canadian GAAP	IFRS Adjustments	IFRS
General and Administrative Expenses				
Accounting		$ 6,908	$ -	$ 6,908
Consulting		573,001	-	573,001
Corporate development		20,173	-	20,173
Couriers		3,612	-	3,612
Depreciation	(a)	(19,268)	(3,970)	(23,238)
Filing fees		20,262	-	20,262
Insurance		4,827	-	4,827
Interest and service charges		1,092	-	1,092
Legal		3,798	-	3,798
Lodging and food		17,265	-	17,265
Office and miscellaneous		44,438	-	44,438
Promotion		4,826	-	4,826
Reclamation and accretion expense		72,424	-	72,424
Rent		7,669	-	7,669
Share-based payments	(f)	171,838	96,806	268,644
Shareholder relations		85,071	-	85,071
Telephone		4,531	-	4,531
Travelling		18,821	-	18,821
Wages and Benefits		50,508	-	50,508
Loss Before Other Income (Expenses)		(1,091,796)	(92,836)	(1,184,632)
Other Income (Expenses)				
Foreign exchange gain (loss)	(a)	305,256	(565,068)	(259,812)
Interest income		30,775	-	30,775
Loss for the Period		$ (755,765)	$ (657,904)	$ (1,413,669)
Other Comprehensive Income (Loss)				
Foreign exchange translation adjustment	(a)	$ -	$ (523,952)	$ (523,952)
Comprehensive Loss for the Period		$ (755,765)	$ (1,181,856)	$ (1,937,621)

(Canadian Funds)

Reconciliation of Consolidated Interim Statement of Loss and Comprehensive Loss
For the Six Months Ended 30 April 2011

	Note	Canadian GAAP	IFRS Adjustments	IFRS
General and Administrative Expenses				
Accounting		$ 6,908	$ -	$ 6,908
Consulting		792,540	-	792,540
Corporate development		65,388	-	65,388
Couriers		6,456	-	6,456
Depreciation	(a)	57,899	(3,970)	53,929
Filing fees		26,853	-	26,853
Insurance		12,166	-	12,166
Interest and service charges		2,551	-	2,551
Legal		5,519	-	5,519
Lodging and food		27,134	-	27,134
Office and miscellaneous		94,601	-	94,601
Promotion		5,326	-	5,326
Reclamation and accretion expense		144,848	-	144,848
Rent		12,782	-	12,782
Share-based payments	(f)	592,280	(85,935)	506,345
Shareholder relations		187,985	-	187,985
Telephone		12,630	-	12,630
Travelling		26,898	-	26,898
Wages and Benefits		50,508	-	50,508
Loss Before Other Income (Expenses)		(2,131,272)	89,905	(2,041,367)
Other Income (Expenses)				
Foreign exchange gain (loss)	(a)	49,403	(405,727)	(356,324)
Interest income		49,192	-	49,192
Loss for the Period		$ (2,032,677)	$ (315,822)	$ (2,348,499)
Other Comprehensive Income (Loss)				
Foreign exchange translation adjustment	(a)	$ -	$ (823,312)	$ (823,312)
Comprehensive Loss for the Period		$ (2,032,677)	$ (1,139,134)	$ (3,171,811)

(Canadian Funds)

Reconciliation of Consolidated Interim Statement of Cash Flows
For the Three and Six Months Ended 30 April 2011

The transition to IFRS did not have a significant impact on the Company's condensed consolidated interim statement of cash flows for the three and six months ended 30 April 2011. The transition adjustments recognized in the statement of financial position and statement of loss and comprehensive loss have resulted in reclassifications of various amounts on the statement of cash flows. However, there were no significant changes to the total operating, financing or investing cash flows, therefore a reconciliation has not been prepared.

5. Inventories

	30 April 2012	31 October 2011
Fuel and mine supplies	$ 562,133	$ 320,950

6. Property, Plant and Equipment

Details are as follows:

	Cost	Accumulated Amortization	30 April 2012 Net Book Value
Office equipment	$ 107,869	$ (19,803)	$ 88,066
Field equipment	8,273,933	(614,278)	7,659,655
	$ 8,381,802	$ (634,081)	$ 7,747,721

	Cost	Accumulated Amortization	31 October 2011 Net Book Value
Office equipment	$ 46,445	$ (11,688)	$ 34,757
Field equipment	6,768,589	(311,077)	6,457,512
	$ 6,815,034	$ (322,765)	$ 6,492,269

During the period ended 30 April 2012, total additions to property, plant and equipment were $1,817,304 (31 October 2011 - $6,653,713).

During the period ended 30 April 2012, the Company recorded a gain of $8,887 for the sale of property, plant and equipment.

During the period ended 30 April 2012, the Company recorded a provision for write-down of $Nil (31 October 2011 - $17,765) related to field equipment.

(Canadian Funds)

7. Exploration and Evaluation Properties

	Draken Property	Golden Zone Property	Kansas Creek Gold Project	ixon Fork Gold Mine	TOTAL
Balance, November 1, 2010	$ 72,838	$ -	$ 161,327	$ 11,384,319	$ 11,618,484
Exploration costs	-	-	-	16,630,312	16,630,312
Cost Recovery	-	-	-	(3,071,882)	(3,071,882)
Effect of foreign currency	-	-	-	101,153	101,153
Balance, October 31, 2011	72,838	-	161,327	25,043,902	25,278,067
Exploration costs	-	-	-	20,658,441	20,658,441
Cost Recovery	-	-	-	(10,207,291)	(10,207,291)
Effect of foreign currency	-	-	-	1,918,418	1,918,418
Balance, April 30, 2012	$ 72,838	$ -	$ 161,327	$ 37,413,470	$ 37,647,635

a) **Draken Property**

On 19 June 2008, the Company issued 500,000 common shares of the Company valued at $50,000 to acquire a 100% interest in certain mineral property claims (“Draken Property”) which covers 960 acres and is located in southeast-central Alaska 288 kilometres ("km") southeast of Fairbanks, Alaska, USA.

On 10 November 2008, the title to the Draken Property was transferred to FAU USA, a wholly-owned subsidiary of the Company.

b) **Golden Zone Property**

On 22 June 2009, the Company signed a Letter Agreement with Hidefield Gold PLC, Hidefield Gold (Alaska) Inc. and Mines Trust Company as Optionors of the Golden Zone Project (“Golden Zone”), whereby the Company will have an option to acquire 100% interest from the Optionors in Golden Zone located in Alaska, USA.

The Golden Zone has a NI 43-101 compliant mineral resource containing a measured and indicated resource of approximately 3.09 million tons grading 0.082 ounces per ton ("opt") gold (2.81 g/t) using a cut-off grade of 0.03 opt gold (1.03 grams per ton ("g/t") for a total of 259,940 ounces with 7.61 million pounds of copper and 1.39 million ounces of silver. A US$250,000 2009 trenching, mapping and assaying program was completed.

On 19 March 2010, the Company formally advised Hidefield Gold PLC, Hidefield Gold (Alaska) Inc. and Mines Trust Company of its decision to terminate the Golden Zone option agreement.

During a prior year, the Company recorded a provision for write-down of $546,530 related to the Golden Zone Property.

c) **Kansas Creek Gold Project**

On 19 June 2008, the Company signed an agreement to acquire a 100% interest from Anglo Alaska Gold Corporation in certain mineral claims referred to as the Kansas Creek Project. In consideration, the Company will pay an aggregate of US$40,000 in instalments (paid) and will also issue an aggregate of 250,000 common shares (200,000 common shares issued). The property is subject to a 1.5% Net Smelter Return (“NSR”) of which the Company may purchase 1.0% of the 1.5% NSR from the vendor in consideration for a cash payment of US$1,000,000 in which case, the vendor shall retain a 0.5% NSR.

The Kansas Creek Project is located in the Bonnifield District of the central Alaska Range in central-interior Alaska approximately 110 km south of Fairbanks, Alaska and 70 km east of Healy, Alaska. The Project consists of 28 State of Alaska mining claims covering a 16.8 square kilometre area. Placer gold was discovered in the district in 1906 and approximately 80,000 ounces of gold have been recovered from alluvial deposits through 2008. The Company's objective is to explore the project for lode gold potential. A three phase program totalling over US$1,000,000 has been recommended.

Management is re-evaluating the data on the project with the objective of outlining a Phase I exploration program. The Company is currently seeking joint venture partners to fund the development of the Kansas Creek Project.

d) **Nixon Fork Gold Mine**

On 22 September 2009, the Company acquired 100% interest in Nixon Fork Gold Mine through the purchase of MCR from Pacific North West Capital Corp. ("PFN"), located 56km northeast of McGrath, Alaska, USA. In consideration, the Company paid $1,336,165 in cash, issued an aggregate of 6,415,000 common shares (issued and valued at $2,670,750) and issued an aggregate of 1,000,000 share purchase warrants at an exercise price of $0.50 per common share (issued and valued at $225,670).

On 18 December 2009, the Company entered into a purchase and sale agreement to acquire a 1% NSR royalty from Ambrian Partners Limited in consideration for $225,000 cash (paid) and 225,000 common share purchase warrants (issued and valued at $35,125) of the Company.

Since 4 July 2011, the Company has been testing the current gold processing plant at the Nixon Fork Gold Mine. For the six months ended 30 April 2012, a total of 82.6 tonnes (31 October 2011 – 68.2 tonnes) of concentrate was recovered and 95.1 tonnes (31 October 2011 – 48.2 tonnes) was sold, resulting in a recovery of $8,306,367 (31 October 2011 - $3,071,882) and doré was sold, consisting of 630.8 ounces of gold and 125.9 ounces of silver, resulting in a recovery of $1,900,934 (31 October 2011 – $Nil).

8. Debt

On 4 November 2011, the Company signed a term sheet with Sprott Resource Lending Partnership ("SRL") for a $7.5 million credit facility (the "Sprott Credit Facility"). An advance payment of $1.0 million was provided on signing the term sheet and the subsequent $6.5 million was received on 9 December 2011. The loan was secured with substantially all of the Company's assets. The funds were repayable by 15 November 2012 and accrued interest at a rate of 12% per annum. SRL also received a structuring fee of $75,000 and a bonus fee of $750,000, 10% of the loan amount and subject to a 4 month hold period, paid in common shares (Note 11(b)). The loan could be repaid at any time subject to a minimum payment of six months interest. Furthermore, six months following the Closing Date, the Company was required to make monthly principal repayments of $1,250,000.

On 4 April 2012, the outstanding principal of $7.5 million and $0.17 million of interest due on the Sprott Credit Facility was repaid early out of proceeds from a new facility agreement described below.

On 4 April 2012, the Company entered into a US$12.75 million gold-backed credit facility (the "Waterton Credit Facility") with Waterton Global Value, L.P. ("Waterton"). The Waterton Credit Facility bears interest at a fixed rate of 5% per annum, consists of a single drawdown on closing and is repayable in 18 monthly instalments, beginning October 2012. The Waterton Credit Facility may be repaid, at Waterton's option, in either cash or ounces of gold at 78% of the then prevailing gold price. As part of the transaction, the Company has also agreed to sell to Waterton all of the gold and silver produced from the Carbon-in-leach ("CIL") circuit until 30 April 2014 pursuant to a gold and silver supply agreement (the "Supply Agreement") at approximately 99% of current prices. In connection with the Waterton Credit Facility, the Company paid Waterton a cash structuring fee of US$255,000 and issued warrants (the "Warrants") to Waterton to purchase 8,250,000 common shares priced at $0.23575 per common share (Note 11(f)). The Warrants expire three years from the date of closing and are subject to a four month holding period. In addition, the Company paid a finder's fee of US$255,000 to a broker.

(Canadian Funds)

As of 30 April 2012, debt is repayable as follows:

Payments due less than 1 Year	$	5,656,352
Payments due 1-2 Years		10,999,091
Total payments due under Debt		16,655,443
Less: imputed interest		(3,957,492)
Less: unamortized debt discount		(812,252)
Total Debt		11,885,699
Less: current portion of Debt		(2,232,418)
Long-term portion of Debt	$	9,653,281

On 22 June 2012, the Company entered into an amendment agreement (the "Amendment Agreement") with Waterton pursuant to which it has amended the terms of the Senior Secured Gold Stream Credit Agreement dated March 30, 2012. Under the terms of the Amendment Agreement, Waterton loaned the Company an additional US$1.5 million (the "Additional Facility") as a single advance and non-revolving loan. The principal amount of the Additional Facility is to be repaid by the Company on the earlier of (1) the date on which the Company closes its next equity offering, and (2) August 1, 2012. (Note 16)

9. Decommissioning Liabilities

The Company's decommissioning liabilities consist of reclamation and closure costs related to its mineral properties. The present value of the estimated obligations relating to properties is $2,199,301 (31 October 2011 - $2,105,379) using discount rates at which cash flows have been discounted by 10%. Significant reclamation and closure cost activities includes land rehabilitation and reforestation, demolition of buildings and mine facilities, fencing, ongoing care and maintenance and other costs.

The undiscounted inflated reclamation and closure cost obligation at 30 April 2012 is $4,229,210 (31 October 2011 - $4,229,210) and the estimated cash outflows will occur in or about 2018. During the six months ended 30 April 2012, an accretion expense component of $106,768 (31 October 2011 - $314,461) has been charged to operations to reflect an increase in the carrying amount of the decommissioning liabilities.

Movements in the reclamation and closure cost balance during the year are as follows:

		30 April 2012		31 October 2011
Balance, beginning of year	$	2,105,379	$	3,238,299
Accretion		106,768		314,461
Revision to Nixon Fork future site reclamation costs		-		(1,348,396)
Effect of translation of foreign currency		(12,846)		(98,985)
Balance, end of period	$	2,199,301	$	2,105,379

On 11 April 2012, the Company increased the bonding amount for its decommissioning liabilities from $3,526,543 to $6,034,000. The increase, based on an independent assessment of reclamation costs, was largely an inflationary adjustment. The additional funding was supplied from two sources: US$1,678,833 was obtained from the conversion of an existing surety and US$827,624 was forwarded in cash to the Bureau of Land Management. The surety has almost been fully converted; US$5,205,376 has been drawn from the policy, which has a limit of US$5.5 million.

In relation to these reclamation obligations, the Company, as at 30 April 2012, had a deposit of $2,858,145 (31 October 2011 - $2,050,649, 1 November 2010 - $2,243,033) with the government of Alaska.

10. Due to Related Parties and Related Party Transactions

Except as disclosed elsewhere, related party transactions are as follows:

a) During the six months ended 30 April 2012, the Company paid or accrued consulting fees of $168,500 (30 April 2011 - $10,000) to a director of the Company, all of these fees were capitalized to Exploration and evaluation properties.

b) During the six months ended 30 April 2012, the Company paid or accrued consulting fees of $10,325 (30 April 2011 - $Nil) to a director of the Company, all of these fees were capitalized to Exploration and evaluation properties.

c) During the six months ended 30 April 2012, the Company paid or accrued $Nil (30 April 2011 - $218,474) to Pacific North West Capital Corp., a company related to the Company by way of former directors in common for general operating expenses.

d) During the period ended 30 April 2012, the Company paid or accrued consulting fees of $Nil (30 April 2011 - $130,955) to the former President of the Company.

e) During the six months ended 30 April 2012, the Company paid or accrued $Nil (30 April 2011 - $60,000) consulting fees to Onestar Consulting Inc., a company owned by the former Vice President of Business Development of the Company.

The above transactions, occurring in the normal course of operations, are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

11. Share Capital

a) Private Placements

On 18 November 2010, the Company completed the first tranche of its non-brokered private placement and issued 12,883,083 units at a price of $0.45 per unit for gross proceeds of $5,797,387. Each unit consists of one common share and one-half of one non-transferable share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one common share of the Company at a price of $0.65 per share for a period of 18 months, subject to an accelerated expiry provision, such that, in the event that the Company's shares close at or above $0.90 per share for 10 consecutive trading days on the TSXV, the expiry date may be accelerated to 30 days.

On 7 December 2010, the Company completed the second tranche of its non-brokered private placement and issued 2,783,411 units at a price of $0.45 per unit for gross proceeds of

$1,252,535 and an aggregate amount of total issuance of 15,666,494 units for gross proceeds of $7,049,922. Each unit consists of one common share and one-half of one non-transferable share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one common share at a price of $0.65 per share for a period of 18 months, subject to an accelerated expiry provision, such that, in the event that the Company's shares close at or above $0.90 per share for 10 consecutive trading days on the TSXV, the expiry date may be accelerated to 30 days.
On 30 December 2010, the Company has completed the third and final tranche of its non-brokered private placement and issued 3,128,514 units at a price of $0.45 per unit for gross proceeds of $1,407,831 and an aggregate amount of total issuance of 18,795,008 units for gross proceeds of $8,457,753. Each unit consists of one common share and one-half of one non-transferable share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one common share of the Company at a price of $0.65 per share for period of 18 months.

On 18 March 2011, the Company completed the first tranche of its non-brokered private placement and issued 4,425,000 units at a price of $0.50 per unit for gross proceeds of $2,212,500. Each unit consists of one common share and one-half of one non-transferable share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one common share of the Company at a price of $0.70 per share for period of 18 months, subject to an accelerated expiry provision, such that, in the event that the Company's shares close at or above $0.90 per share for 10 consecutive trading days on the TSXV, the expiry date may be accelerated to 30 days.

On 8 April 2011, the Company completed the second and final tranche of its non-brokered private placement and issued 10,390,326 units at a price of $0.50 per unit for gross proceeds of $5,195,163. Each unit consists of one common share and one-half of one non-transferable share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one common share of the Company at a price of $0.70 per share for period of 18 months, subject to an accelerated expiry provision, such that, in the event that the Company's shares close at or above $0.90 per share for 10 consecutive trading days on the TSXV, the expiry date may be accelerated to 30 days.

b) **Other**

On 9 December 2011, the Company issued 3,260,870 common shares of the Company valued at $750,000 in connection with the SRL credit facility (Note 8).

c) **Exercise of Warrants and Options**

During the previous year, 113,266 agent compensation warrants were exercised at an exercise price of $0.30 per share.

During the previous year, 5,477,037 warrants were exercised at an exercise price of $0.40 per share.

During the previous year, 159,375 stock options were exercised at an exercise price of $0.40 per share.

During the period ended 30 April 2012, there were no agent compensation warrants, warrants, or stock options exercised.

(Canadian Funds)

d) **Stock Options**

The Company has established a share purchase option plan, as amended on 21 June 2011, whereby the Board may from time to time grant stock options to directors, officers, employees or consultants up to 10% of the issued and outstanding shares. Options granted must be exercised no later than ten years from date of grant or such lesser period as determined by the Company's board of directors. The exercise price of an option will be set by the Board of Directors at the time such option is granted and cannot be less than the closing market price on the TSX Venture Exchange ("TSXV") on the last trading day preceding the grant date, less any allowable discounts that may be permitted under applicable exchange policies.

On 14 November 2011, the Company gave notice to various individuals that any unexercised stock options, vested or not will be cancelled on 28 February 2012. As at 14 November 2011, these individuals held 766,250 stock options with a weighted average exercise price of $0.48.

A summary of the changes in the Company's stock options for the six months ended 30 April 2012 and the year ended 31 October 2011 is as follows:

	Six months ended 30 April 2012		Year ended 31 October 2011	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	8,056,250	$0.48	4,455,000	$0.50
Granted	350,000	$0.25	4,830,000	$0.47
Exercised	-	-	(159,375)	$0.40
Expired	(200,000)	$0.55	-	-
Cancelled	(1,271,250)	$0.51	(1,069,375)	$0.50
Outstanding, end of period	6,935,000	$0.47	8,056,250	$0.48
Exercisable, end of period	5,517,500	$0.48	4,421,048	$0.49

Weighted average grant-date fair value of options granted during the period was $0.14 per option (31 October 2011 - $0.32 per option).

The following table summarizes information regarding stock options outstanding and exercisable at 30 April 2012:

Exercise Price Range	Number of options outstanding	Weighted average remaining years of contractual life	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
$0.25 to $0.49	4,035,000	3.7	$0.41	3,055,000	$0.42
$0.50 to $0.55	2,900,000	3.2	$0.55	2,462,500	$0.55
	6,935,000	3.5	$0.47	5,517,500	$0.48

e) **Share-Based Payments**

The fair value of the options which vested during the six months ended 30 April 2012, estimated using the Black-Scholes model, was $427,269 (30 April 2011 - $722,210). A total of $371,721 (30 April 2011 - $506,345) has been expensed as share-based payments and $55,548 (30 April

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2011 - $215,865) has been capitalized as exploration and evaluation properties, with a corresponding amount recorded as stock options reserve.

The fair value of the stock options granted and vested during the year was determined using the Black-Scholes option pricing model and the following weighted average assumptions:

	2012	2011	2010
Expected dividend yield	0.00%	0.00%	0.00%
Expected stock price volatility	76.0%	91.6%	109.5%
Risk-free interest rate	1.12%	2.13%	1.58%
Expected life of options	5.0 years	4.9 years	5.0 years

The fair value computed using the Black-Scholes model is only an estimate of the potential value of the individual options and the Company is not required to make payments for such transactions.

f) **Share Purchase Warrants**

During the six months ended 30 April 2012, 8,250,000 common share purchase warrants having a fair value of $815,018 were issued in connection with the Waterton Credit Facility. (Note 8)

During the previous year, 16,805,168 common share purchase warrants having a fair value of $2,939,594 were issued.

As at 30 April 2012, the following share purchase warrants were outstanding:

Warrants	Exercise Price	Expiry Date
6,441,542	$0.65	18 May 2012
1,391,706	$0.65	07 June 2012
1,564,247	$0.65	30 June 2012
3,000,000	$0.75	21 June 2012
245,000	$0.75	19 July 2012
2,212,500	$0.70	17 September 2012
5,195,163	$0.70	18 October 2012
8,250,000	$0.24	30 March 2015
28,300,158		

The weighted average grant-date fair value of warrants issued during the six months ended 30 April 2012 was $0.10 per warrant. The weighted average grant-date fair value of warrants issued during the previous year was $0.17 per warrant. The fair value of each warrant granted was determined using the Black-Scholes option pricing model and the following weighted average assumptions:

	2012	2011	2010
Expected dividend yield	0.00%	0.00%	0.00%
Expected stock price volatility	75.9%	94.8%	113.2%
Risk-free interest rate	1.47%	1.68%	1.54%
Expected life of warrants	3 years	1.5 years	1.5 years

The Black-Scholes option pricing model requires the input of highly subjective assumptions including the expected stock price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's share purchase warrants.

(Canadian Funds)

12. Commitments

The Company has outstanding and future commitments under mineral property option agreements to issue common shares of the Company (Note 7).

13. Contingency

The Company is subject to certain legal actions which the Company considers to be routine to its business activities. On 13 February 2012, the Company received a notice and is subject to certain legal actions which the Company considers to be routine to its business activities. As at 30 April 2012, management of the Company believed, after consultation with legal counsel, that the outcome of such legal matters is not likely to have a material adverse effect on the Company's financial position, liquidity or results of operations.

14. Fair Value of Financial Instruments

The estimated fair values of the Company's Financial Instruments are as follows:

	30 April 2012		31 October 2011	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Cash and cash equivalents	$ 2,849,238	$ 2,849,238	$ 1,825,031	$ 1,825,031
Amounts receivable	510,024	510,024	428,976	428,976
Reclamation deposits	2,858,145	2,858,145	2,050,649	2,050,649
Trade payables and accrued liabilities	4,348,780	4,348,780	949,546	949,546
Due to related parties	-	-	34,486	34,486
Debt	11,885,699	11,885,699	-	-

The Company has certain financial assets and liabilities that are held at fair value. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

At 30 April 2012 the levels in the fair value hierarchy into which the Company's financial assets and liabilities are measured and recognized in the Statement of Financial Position at fair value are categorized are as follows:

	Level 1 input
Cash and cash equivalents	$ 2,849,238
Reclamation deposits	2,858,145

15. Capital Management

The Company manages its capital structure which includes issuance of common shares, warrants and stock options, and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The board of directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company manages the capital structure and makes adjustments to it in light of changes in economic condition and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. During the period ended 30 April 2012, the Company borrowed $7.5 million and then repaid that amount from proceeds of a $12.75 million debt facility (Note 8). Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

16. Subsequent Events

The following events occurred from the period ended 30 April 2012 to the date the consolidated financial statements were available to be issued on 29 June 2012:

As of 22 June 2012, the Company accepted the resignations of Richard Goodwin, President and director; Timothy Smith, Vice President and Chief Operating Officer; and Board members, Linda Holmes; and C. Douglas Lang. On 27 June 2012, the Company appointed R. David Russell as the interim President and Chief Executive Officer.

On 22 June 2012, the Company entered into an amendment agreement (the "Amendment Agreement") with Waterton pursuant to which it has amended the terms of the Senior Secured Gold Stream Credit Agreement dated March 30, 2012. Under the terms of the Amendment Agreement, Waterton loaned the Company an additional US$1.5 million (the "Additional Facility") as a single advance and non-revolving loan. The principal amount of the Additional Facility is to be repaid by the Company on the earlier of (1) the date on which the Company closes its next equity offering, and (2) August 1, 2012. As part of the Additional Facility, the Company paid Waterton a two percent (2%) cash structuring fee and will issue 2,250,000 share purchase warrants to Waterton at an exercise price of $0.10 per warrant and the warrants will expire three years from the date of issue, subject to TSX Venture Exchange approval. (Note 8)