



**FORM 51-102F1**

**INTERIM MANAGEMENT DISCUSSION AND ANALYSIS**

**FOR**

**FIRE RIVER GOLD CORP.**

**FOR THE SIX MONTH PERIOD ENDED 30 APRIL 2012**

**MANAGEMENT DISCUSSION AND ANALYSIS**

The following discussion and analysis is Management's assessment of the results and financial condition of Fire River Gold Corp. (the "Company" or "FAU") for the period ended 30 April 2012 and should be read in conjunction with the interim consolidated financial statements and the related notes. The date of this Management Discussion and Analysis is 29 June 2012.

Effective 1 November 2011, the Company adopted accounting principles used under the International Financial Reporting Standards ("IFRS"), using a transition date of 1 November 2010 to accommodate comparative periods. As a result, the interim consolidated financial statements for the six month period ended 30 April 2011 have been prepared in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards, and International Accounting Standard 34, Interim Financial Reporting, as issued by the International Accounting Standards Board. For reporting periods ended prior to 1 November 2011, the Company had prepared and filed its financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Detailed reconciliations of 2010 figures previously reported under Canadian GAAP to IFRS are provided in Note 4 to the 30 April 2012 interim consolidated financial statements.

Additional information on the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com)

**BUSINESS OF FIRE RIVER GOLD CORP.**

Fire River Gold Corp. is a near term production company with an experienced technical team focused on bringing its flagship project, the Nixon Fork Gold Mine, back into production. The Nixon Fork Gold Mine is a fully permitted and bonded gold mine with recent past production. Facilities at the Nixon Fork Gold Mine

include a 250 tonne per day ("tpd") carbon-in-leach ("CIL") gold leaching circuit. The mechanical construction of the CIL was completed in March 2012. Previously, a flotation plant with a gravity gold separation circuit and a sulphide floatation circuit was utilized. The mine also includes a fleet of mining vehicles, a self-contained diesel power plant, maintenance facilities, drilling equipment, an 85 person camp, office facilities and a 1.2 kilometre ("km") long landing strip. Nixon Fork is located within Alaska's Tintina Gold Belt, which hosts numerous world class deposits.

## **FORWARD LOOKING STATEMENTS**

Certain information included in this discussion may constitute forward-looking statements. Forward-looking statements are based on current expectations and entail various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different than those expressed or implied. The Company disclaims any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

### **Project Overview:**

## **DRAKEN PROPERTY**

The first acquisition for the Company was the Draken Project. The property is located in southeast-central Alaska, approximately 288km southeast of Fairbanks, Alaska, and approximately 61km west of the Canadian border.

The property is located in the Yukon-Tanana lithotectonic terrane, a Paleozoic terrane of largely continental affinity. In easternmost Alaska this terrane is bounded by major northwest-trending, dextral strike-slip faults, including the Tintina fault to the north and the Denali fault to the south. The terrane is dissected by a large number of major northeast-trending, high angle faults with significant dip slip displacements which has effectively created a block faulted tectonic regime. This movement has jostled mineral deposits with different metallogenies and other characteristics.

Known mineralization within the Draken property consists of polymetallic sulfide-quartz vein mineralization with anomalous silver ("Ag"), gold ("Au"), bismuth ("Bi"), arsenic ("As"), copper ("Cu"), lead ("Pb"), tungsten ("W") and uranium ("U"). This type of mineralization is documented at the Silver Lining prospect, located on the west portion of the property, as well as the Two Mile prospect just north of the property. Host rocks for the polymetallic veins dominantly consist of massive hornblende-biotite quartz monzonite. Government geologists have documented porphyry style Cu-Molybdenum ("Mo")-Au mineralization at the Two Mile prospect and other occurrences nearby (Singer and others, 1976). Potential for pegmatite- or vein-hosted U-Th-REE mineralization is also noted. Previous workers conducted a radiometric survey indicating anomalous radioactivity associated with the ring dike zone. A sample collected approximately 200m east of the property and within the ring dike complex contained highly anomalous U-Nb-F-REE.

The Company is seeking joint venture partners to fund the development of this project.

## **KANSAS CREEK GOLD PROJECT**

On 19 June 2008, the Company signed an agreement to acquire a 100% interest from Anglo Alaska Gold Corp. certain mineral claims referred to as the Kansas Creek Project. In consideration, the Company paid an aggregate of US\$40,000 and will also issue an aggregate of 250,000 common shares (200,000 shares issued and 50,000 shares upon first transfer of property to a third party). The property is subject to a 1.5% net smelter return royalty ("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 0.5% NSR royalty.

The Kansas Creek Project is located in the Bonfield District of the central Alaska Range in central-interior Alaska approximately 110km south of Fairbanks, Alaska and 70km east of Healy, Alaska. The

Project consists of 28 State of Alaska mining claims covering a 16.8 sq. km 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. A modest exploration program is contemplated for undertaking in 2012 to conduct geochemical sampling in the Kansas Creek granodiorite near its contact with surrounding metasediments where previous sampling returned high grade gold results. The Company is currently seeking joint venture partners to fund the development of the Kansas Creek project.

### **NIXON FORK GOLD MINE**

The Nixon Fork Mine continues to produce at pre-commercial levels. Commercial production is expected to be achieved in July 2012. Mining during the quarter was as follows:

**Mine Production**

<b>Month</b>	<b>Tonnes</b>	<b>Grade (g/t Au)</b>
February 2012	2,584	18.1
March 2012	1,954	12.9
April 2012	12,560	16.8
Total	17,098	16.6

The Company has been developing the Nixon Fork Mine since June 2011. Mill processing started ramping up on 4 July 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 20 March 2012. The CIL plant construction was completed in April 2012 and cyanide was added to the tanks on 18 April 2012, signalling the start of leaching. The CIL start-up is envisioned to take 120-180 days to achieve full expected gold recoveries. 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.

The mill started up on 4 July 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 allows the mill 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. 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.

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 development ore inventory is estimated to be 12,900 tonnes grading 19 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 diamond drills.

### SELECTED ANNUAL INFORMATION

Unless otherwise noted, all currency amounts are stated in Canadian dollars. The following table summarizes selected financial data for FAU for each of the three most recently completed financial years. The information set forth below for the year ended 31 October 2011 was extracted from and should be read in conjunction with the interim consolidated financial statements, prepared in accordance with International Financial Reporting Standards ("IFRS"), and related notes.

	<b>Years Ended 31 October</b>		
	<b>2011</b>	<b>2010 (1)</b>	<b>2009 (1)</b>
Total revenues	\$ 81,608	\$ 90,287	\$ 13,209
General and administrative expenses	4,209,600	2,627,161	1,249,671
Mineral property cash costs incurred	14,128,090	4,826,706	443,832
Loss before other items in total	(4,209,600)	(2,627,161)	(1,249,671)
Loss per share – Basic & fully diluted	(0.04)	(0.06)	(0.07)
Net loss from continuing operations in total	(3,956,015)	(2,448,799)	(808,229)
Comprehensive loss per share – Basic & fully diluted	(0.04)	(0.06)	(0.07)
Total assets	36,773,191	22,009,859	12,291,127
Total long term liabilities	2,127,854	3,833,407	4,358,448

(1) The effective transition date from Canadian GAAP to IFRS was November 1, 2010. As a result, these annual financial data have not been restated to IFRS.

### SELECTED QUARTERLY FINANCIAL INFORMATION

The following selected financial information is derived from the unaudited consolidated financial statements of the Company prepared in accordance with IFRS.

**For the Quarters Ended (unaudited)**

	30 Apr. 2012	31 Jan. 2012	31 Oct. 2011	31 Jul. 2011	30 Apr. 2011	31 Jan. 2011	31 Oct. 2010 (1)	31 Jul. 2010 (1)
Total revenues	\$ 2,112	\$ 474	\$ 9,946	\$ 22,490	\$ 30,775	\$ 18,417	\$ 102,400	\$254,564
Net loss	(776,717)	(1,099,525)	(784,462)	(856,519)	(1,413,669)	(934,830)	(585,180)	(295,338)
Net loss per share	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.01)	(0.01)	(0.01)
Total assets	52,554,420	46,238,869	36,773,191	38,864,004	38,153,663	30,065,932	22,009,859	23,014,144

(1) The effective transition date from Canadian GAAP to IFRS was November 1, 2010. As a result, these quarters have not been restated to IFRS.

## RESULTS OF OPERATIONS

The six months ended 30 April 2012 resulted in a net loss of \$1,876,242 which compares with a net loss of \$2,348,499 for the same period in 2011. General and administrative expenses for the period ended 30 April 2012 were \$1,727,187 compared to \$2,041,367 for the same period in 2011. Equity financing through private placements, shareholder relations and promotional activities were undertaken by the Company, which included attendance at various trade shows, cost \$192,857 for the period ended 30 April 2012 compared to \$187,985 for the same period of 2011. Consulting for the period ended 30 April 2012 was \$142,276 compared to \$792,540 in the previous year. An aggregate stock-based compensation of \$371,721 was recorded for the period ended 30 April 2012 as compared to \$506,345 in the previous year.

## LIQUIDITY AND CAPITAL RESOURCES

At 30 April 2012, the Company's working capital (deficit), defined as current assets less current liabilities, was a deficit of (\$2,279,829) compared with working capital of \$1,968,174 at 31 October 2011 primarily because \$7.5 million of debt that was repaid on 4 April 2012 was classified as current.

On 4 November 2011, the Company signed a term sheet with Sprott Resource Lending Partnership ("SRL") for a \$7.5 million 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 paid in common shares. The loan could be repaid at any time subject to a minimum payment of six months interest.

On 4 April 2012, the outstanding principal and interest due on the SRL credit facility was repaid early out of proceeds of an agreement with Waterton Global Value, L.P. ("Waterton"). On 4 April 2012, the Company entered into a US\$12.75 million gold-backed credit facility with 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. This represents approximately 20% of the mined product; the larger portion is sold under an existing agreement with Glencore Ltd. in the form of a gold and silver rich copper concentrate. 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. The Warrants expire three years from the date of closing and are subject to a four month hold. In addition, the Company paid a finder's fee of US\$255,000 to a broker.

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.

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.

### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements.

### **CRITICAL ACCOUNTING ESTIMATES**

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates used in the preparation of these consolidated financial statements include, amongst other things, depreciation, determination of net recoverable value of assets, determination of fair value on taxes, and share compensation. These estimates are reviewed periodically (at least annually), and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

A detailed summary of all of the Company's significant accounting policies is included in Note 1 of the consolidated financial statements for the period ended 30 April 2012.

### **FUTURE CHANGES IN ACCOUNTING POLICIES**

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.

## **FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

The Company's consolidated financial instruments consist of cash and cash equivalents, amounts receivable, accounts payable and due to related parties. These fair value estimates are subjective in nature and involve uncertainties and matters of significant judgment, and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect these estimates. The Company does not hold or issue financial instruments for trading purposes, nor does it utilize derivative instruments in the management of foreign exchange, commodity price or interest rate market risks.

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risk arising from these financial instruments.

### **a) Credit Risk**

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises primarily from the Company's cash and cash equivalents and amounts receivable. The Company manages its credit risk relating to cash and cash equivalents by dealing only with highly-rated Canadian financial institutions. As at 30 April 2012, amounts receivable of \$39,397 was comprised of Harmonized Sales Tax. As a result, credit risk is considered insignificant.

### **b) Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by continuously monitoring actual and projected cash flows and matching the maturity profile of financial assets and liabilities.

### **c) Currency Risk**

The Company is exposed to currency risk on its acquisition and exploration expenditures on its US properties since it has to convert Canadian dollars raised through equity financing in Canada to US dollars. The Company's expenditures will be negatively impacted if the US dollar increases versus the Canadian dollar.

At 30 April 2012 the majority of the Company's cash flows and financial assets and liabilities are denominated in US dollars, however, the Company's functional and reporting currency is Canadian dollars. Foreign currency risk is therefore limited to accounting for the foreign exchange gain/loss for the portion of the Company's business transactions denominated in currencies other than the Canadian dollar.

The Company monitors and forecasts the values of net foreign currency cash flow and balance sheet exposures and from time to time could authorize the use of derivative financial instruments such as forward foreign exchange contracts to economically hedge a portion of foreign currency fluctuations.

The following tables provide an indication of the Company's significant foreign currency exposures during the period ended 30 April 2012:

	<b>30 April 2012</b>	<b>31 October 2011</b>
Cash and cash equivalents	US\$ 2,849,238	US\$ 1,825,031

The activities at the Company's main operating unit, the Nixon Fork Mine, are conducted primarily in US dollars. The Company receives US dollars for the sale of its products from the Nixon Fork Mine (copper-gold concentrates and gold doré). The Company intends to minimize its net exposures to foreign currency fluctuations by maintaining a large portion of the revenues expected to be produced at the Nixon Fork Mine in US dollars to cover US dollar operating costs.

The Company has not, to the date of these consolidated financial statements, entered into derivative instruments to offset the impact of foreign currency fluctuations.

d) **Interest Risk**

The Company's interest rate risk is primarily related to the Company's cash and cash equivalents for which amounts were invested at interest rates in effect at the time of investment. Changes in market interest rates affect the fair market value of the cash and cash equivalents. However, as these investments come to maturity within a short period of time, the impact would likely not be significant.

e) **Commodity Price Risk**

The Company is in the advanced development stage at its Nixon Fork Mine and is subject to fluctuations in the price of gold. The results of our operations will depend in large part upon the market price of gold. Gold prices fluctuate widely and are affected by numerous factors beyond our control. The level of interest rates, the rate of inflation, the world supply of gold and the stability of exchange rates, among other factors, can all cause significant fluctuations in commodity prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The price of gold has fluctuated widely in recent years, and future price declines could cause a mineral project to become uneconomic, thereby having a material adverse effect on our business and financial condition. We have not entered into derivative contracts to protect the selling price for gold. We may in the future more actively manage our exposure through derivative contracts or other commodity price risk management programs, although we have no intention of doing so in the near-term.

## **RELATED PARTY TRANSACTIONS**

During the period ended 30 April 2012, the following related party transactions took place:

The Company paid or accrued consulting fees of \$168,500 (30 April 2011 - \$Nil) to a director of the Company.

The Company paid or accrued consulting fees of \$10,325 (30 April 2011 - \$Nil) to a director of the Company.

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

The Company paid or accrued consulting fees of \$Nil (30 April 2011 - \$130,955) to the former President of the Company.

The Company paid or accrued consulting fees of \$30,000 (30 April 2011 - \$60,000) to Onestar Consulting Inc., a company owned by the former Vice President of Business Development of the Company.



## **OUTSTANDING SHARE DATA**

The Company is authorized to issue unlimited common shares without par value. As at April 30 2012, there were 102,442,372 outstanding common shares compared to 99,181,502 outstanding shares at 31 October 2011. As at 30 April 2012, there were 6,935,000 outstanding stock options, exercisable for 5,517,500 common shares. The average exercise price of the outstanding stock options was \$0.47. The Company also had 28,300,168 common share purchase warrants outstanding and exercisable, at weighted average exercise price of \$0.55.

### **Private Placements**

On 18 November 2010, the Company completed the first tranche of its non-brokered private placement and has 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. All of the common shares issued pursuant to this closing carry a legend restricting them from trading until 19 March 2011.

On 7 December 2010, the Company completed the second tranche of its non-brokered private placement and has 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. All of the common shares issued pursuant to this closing carry a legend restricting them from trading until 8 April 2011.

On 30 December 2010, the Company completed the third and final tranche of its non-brokered private placement and has 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. All of the common shares issued pursuant to this closing carry a legend restricting them from trading until 1 May 2011.

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.

## **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 as more fully described in the Liquidity and Capital Resources section above.

## **Stock Options**

The Company has established a share purchase option plan as of 21 June 2011, whereby the board of directors ("Board") may from time to time grant to directors, officers, employees or consultants up to 10% of the issued and outstanding shares as stock options. 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 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.

During the previous year, 4,830,000 options were granted at an average exercise price of \$0.47.

On 14 November 2011, the Company gave notice to various individuals that any unexercised stock options, vested or not would 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. The options were cancelled on 28 February 2012 in accordance with the option agreements.

On 15 December 2011, 350,000 options were granted at an exercise price of \$0.25.

## **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.

## **DISCLOSURE CONTROLS AND PROCEDURES**

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported on a timely basis to senior management, so that appropriate decisions can be made regarding public disclosure. As at the end of the period covered by this management's discussion and analysis, management has evaluated the effectiveness of the Company's disclosure controls and procedures as required by Canadian securities laws.

Based on the evaluation of the disclosure controls performed to date, the Company has determined that the internal controls over financial reporting are effective.

## **INTERNAL CONTROLS AND PROCEDURES**

Internal controls and procedures are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. As at the end of the year covered by this management's discussion and analysis, management had designed and implemented internal controls and procedures as required by Canadian securities laws.

The Company has evaluated the design of its internal controls and procedures over financial reporting for the period ended 30 April 2012. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Management continues to review and refine its internal controls and procedures.

## **RISKS AND UNCERTAINTIES**

The mineral industry is intensely competitive in all its phases. The Company competes with many other companies who have greater financial resources and experience. The market price of precious metals and other minerals is volatile and cannot be controlled. Exploration for minerals is a speculative venture. There is no certainty that the money spent on exploration and development will result in the discovery of an economic ore body.

The Company's activities outside of Canada make it subject to foreign currency fluctuations and this may materially affect its financial position and results.

The Company has limited financial resources and no assurances that sufficient funding, including adequate financing, will be available to conduct further exploration and development of its projects or to fulfill its obligations under the terms of any option. If there are delays in bringing the Nixon Fork Mine into commercial production, additional funds will be required for its development. Failure to obtain additional financing could result in the delay or indefinite postponement of further exploration and development or the possible loss of the Company's properties.

## **OUTLOOK**

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.

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.

In terms of future production we expect 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.

## **SUBSEQUENT EVENT**

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. 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.

On May 23, 2012 the Company granted stock options to certain directors, officers, consultants and employees, to purchase up to a total of 2,095,000 common shares in the capital stock of the Company at \$0.15 per common share exercisable until May 23, 2022. The options are granted under the Company's 2011 Stock Option Plan, which allows for the granting of stock options for up to 10% of the issued and outstanding common shares of the Company. There are currently 102,442,372 common shares issued and outstanding.

On May 14, 2012 the Company announced the appointment of Maria Christine Melian as a director of the Company. Ms. Melian has over 19 years of experience in banking and finance. She currently holds the position of Chief Financial Officer of Central Asian Minerals and Resources plc ("CAMAR"), a gold production and exploration company located in Central Asia. Previous to her position at CAMAR, Ms. Melian held various positions with Credit Suisse, Merck & Co. Inc. and BT&T Asset Management AG. Ms. Melian has a B.A. in Modern Languages and has completed graduate studies in Philology and Business in the United States and Switzerland. In connection with the above, the Company has granted 250,000 share options to Maria Christine Melian. The options have an exercise price of \$0.15 per share and are exercisable up to May 14, 2017.

## **CURRENT COMPANY ACTIVITY**

The mill is fully operational, including the new carbon in leach ("CIL") circuit. The circuit was designed with a capacity of 250 tpd, higher than the flotation mill for the purpose of incorporating additional supplemental feed from the existing tailings. The addition of leaching as the third ore recovery process (after gravity and flotation) mandated two significant changes to processing: waste disposal was switched from impoundment in a dammed tailings pond to placement in a dry stack; and the water balance was converted to zero discharge. These necessary changes identified several issues that are systematically being corrected such as, replacing incorrectly sized pumps, programming logic on the main filter, and adjusting reagent usage. A water treatment component will also be added to the recirculating process water.

The mine is operating and at present has a broken ore inventory of 12,900 tonnes grading 19 g/t, a sufficient quantity for approximately three months of processing. This inventory is expected to increase over the coming months due to additional feed provided by surface mining operations, which will complete the extraction of a stope that was partially mined in September 2011.

During recent months, the Company successfully implemented longhole open stoping in the mine in two locations (208 to 220 mASL and 240 to 270 mASL of the 3300 zone). Access to six new mining zones was also developed.

The Company has re-established all operating permits and updated the bonding.

On 21 December 2011 a new resource estimate was announced:

**Table 1: 2011 Resource Estimate for the Nixon Fork Mine (at 10 g/t Au, Giroux)**

Zone	Indicated					Inferred				
	Tonnes	Grade		Contained Au		Tonnes	Grade		Contained Au	
		g/t	opt	g	oz		g/t	opt	g	oz
<i>Hard Rock:</i>										
3000	10,570	31.8	0.93	336,443	10,817	20,350	31.7	0.93	645,909	20,766
3300	81,200	25.6	0.75	2,078,720	66,840	19,800	30.9	0.90	612,018	19,677
3550	1,200	11.7	0.34	14,052	452	1,550	11.6	0.34	17,965	578
Whalen	630	11.2	0.33	7,056	227	10	10.2	0.30	102	3
J5	7,500	16.7	0.49	125,025	4,020	660	13.6	0.40	8,963	288
3100	560	11.3	0.33	6,350	204	410	12.4	0.36	5,076	163
Mystery	27,400	23.7	0.69	649,380	20,878	100	18.9	0.55	1,885	61
Southern Cross						11,100	19.6	0.57	218,004	7,009
<b>Subtotal</b>	<b>129,060</b>	<b>24.9</b>	<b>0.73</b>	<b>3,217,027</b>	<b>103,438</b>	<b>53,980</b>	<b>28.0</b>	<b>0.82</b>	<b>1,509,921</b>	<b>48,545</b>
Existing Tailings*	92,000	7.9	0.23	724,040	23,287	48,000	7.4	0.21	353,760	11,377
<b>Total</b>	<b>221,060</b>	<b>17.8</b>	<b>0.52</b>	<b>3,941,067</b>	<b>126,725</b>	<b>101,980</b>	<b>18.3</b>	<b>0.53</b>	<b>1,863,681</b>	<b>59,922</b>

An adjustment was made to the 2010 Resource Estimate (Giroux), as it was determined that the 3077 zone had been previously extracted. This error inflated the 2010 resource estimate by 9,330 tonnes of indicated resources grading 42.3 g/t plus 10,920 tonnes of inferred resources grading 34.7 g/t.

The updated resource estimate demonstrated the mine's ability to accomplish its operating plan: to replenish what is mined on an annual basis. The results of the Resource Estimate will be compiled in a National Instrument, 43-101, *Standards of Disclosure for Mineral Projects* ("NI 43-101") technical report and filed on SEDAR.

As of 9 April 2012, the Company has sold 168 x 1 tonne bags of copper concentrate. Average shipment grades have varied from 650 g/t to as high as 17,000 g/t of gold plus 400 g/t to 1100 g/t of silver and 2% to 19% copper.

#### **NEW PROJECT ACQUISITION PROGRAM**

The Company continues to review potential new acquisitions that will enhance its current portfolio of mineral properties.