



MANAGEMENT DISCUSSION AND ANALYSIS

FOR

FIRE RIVER GOLD CORP.

FOR THE YEAR ENDED 31 OCTOBER 2012

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 year ended 31 October 2012 and should be read in conjunction with the audited, annual consolidated financial statements and the related notes. The date of this Management Discussion and Analysis is 31 January 2013.

IFRS

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 audited, annual consolidated financial statements for the year ended 31 October 2012 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 2011 and 2010 figures previously reported under Canadian GAAP to IFRS are provided in Note 4.4 to the audited, annual consolidated financial statements for the year ended 31 October 2012.

Additional information on the Company is available on SEDAR at www.sedar.com

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.

BUSINESS OF FIRE RIVER GOLD CORP.

Fire River Gold Corp. is a pre-commercial production company with an experienced technical team focused on bringing its Nixon Fork underground gold mine back into commercial production. The Nixon Fork Gold Mine is a fully permitted and bonded gold mine located 240 miles northwest of Anchorage, Alaska, United States. Production facilities at the Nixon Fork Gold Mine include a 250 tonne per day carbon-in-leach circuit, a sulphide concentration circuit and a gravity recovery circuit. 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 long landing strip.

MANAGEMENT CHANGES

During the fiscal year, in order to expedite the advancement of the Nixon Fork Gold Mine to commercial production, the Company changed most of the senior management and the members of the board of directors. The Board and the senior management are now constituted of the following individuals:

On July 15, 2012, the Company appointed Blane Wilson as President, Chief Executive Officer and Director. Mr. Wilson brings extensive experience to his new position, having worked in the mining industry for the past 25 years. His expertise includes mining, metal processing and recovery, project management, permitting with Federal and State agencies, exploration, and construction. Prior to his position with Fire River Gold, Mr. Wilson held various senior positions with Klondex Mines Ltd., Freeport McMoRan, Minorco, Anglo Gold North American, Queenstake Resources, Yukon Nevada Gold Corporation and Golden Eagle International. He previously spent 19 years at the Jerritt Canyon mine north of Elko, Nevada.

On October 1, 2012 Paul Dyer was appointed the CFO of the Company. Mr. Dyer has over 18 years' experience in the mining industry including controller at the Carson Hill Mine for Carson Hill Gold Corp., U.S. corporate controller for Western Mining Corp. of Australia, controller at the Jerritt Canyon Mine for Queenstake Resources, controller at the start-up of the Mineral Ridge Project for Scorpio Gold US and controller for the El Quevar project in Salta, Argentina for Golden Minerals Company. He received his MBA from Iowa State University.

In October of 2012 the Company appointed Kenneth Stowe as Non-Executive Chairman and Director. Mr. Stowe has over 35 years of mining industry experience. Most recently, he was President and Chief Executive Officer of Northgate Minerals Corporation from September 1999 to July 2011. He was the recipient of the Canadian Mineral Processor of the Year Award in 2006. Mr. Stowe is a graduate of Queen's University with Bachelor and Master of Science degrees in Mining Engineering. He is presently also a director of HudBay Minerals and Alamos Gold.

Fred Sveinson continues as a Director. Mr. Sveinson is a professional mining engineer with 40 years' experience in Canada and internationally in the development, construction and operation of mines for major mining companies such as Echo Bay Mines Ltd where he held senior management positions.

He also worked as a mining contractor as Vice President of Tonto Mining and its parent, Dynatec Corp. During the last 15 years Mr. Sveinson has been involved in the junior exploration business in exploration, financing and managing these companies. Currently Mr. Sveinson is President of Valterra Resource Corporation and a director of several other public exploration or development companies. He also provides consulting services to the mining industry. Mr. Sveinson is a graduate of the University of Saskatchewan in 1970 with a Bachelor of Science in Mining Engineering. He is also a graduate of the University of Waterloo (correspondence program) with a Bachelor of Arts (focus on economics) in 1985.

Jacques McMullen was appointed a Director in October of 2012. Mr. McMullen has over thirty years of industrial experience. He has held numerous operating and corporate positions in mining which have involved him internationally with cross-functional expertise applied to operations, feasibility studies, evaluations, project development and start-ups. He has held various positions with Barrick Gold Corp. including, Senior Vice President of Technical Services and Vice President of Metallurgy and Process Development. Mr. McMullen graduated in 1977 from Laval University (Quebec, Canada) with a degree in Metallurgical Engineering; subsequently, he completed a Master's Degree in Mineral Processing.

Richard Wells was appointed a Director in November of 2012. Mr. Wells was awarded the Canadian Chartered Accountant designation in 2002 while working with PricewaterhouseCoopers. While at PwC, Richard worked in the audit practice, and serviced audit clients ranging from small privately held manufacturing facilities to large multinational public clients. Since 2005, Mr. Wells has been the Chief Financial Officer with Waterton Global Resource Management.

GOING CONCERN

The Company's Financial Statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. The Company had cash and cash equivalents of \$988,989 as at 31 October 2012 (31 October 2011: \$1,825,031; 1 November 2010: \$8,042,809), but management cannot provide assurance that the Company will ultimately achieve profitable operations or become cash flow positive or raise additional debt and/or equity capital. The Company's solvency, ability to meet its liabilities as they become due and to continue its operations is essentially solely dependent on funding provided by Waterton Global Value, L. P. ("Waterton"). If Waterton is unwilling to provide ongoing funding to the Company and/or if the Company is unable to raise additional capital in the immediate future, the Company will need to curtail operations, liquidate assets, seek additional capital on less favourable terms and/or pursue other remedial measures or cease operations. This material uncertainty may cast significant doubt on the ability of the Company to continue as a going concern. These consolidated financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern including adjustments related to employee severance pay and other costs related to ceasing operations.

PROPERTIES

NIXON FORK GOLD MINE OPERATIONS REVIEW

The Nixon Fork Mine continues to produce at pre-commercial levels and the Company plans to achieve commercial production mid-2013. Mining data for the year was as follows:

Mine Production for Fiscal 2012

Quarter	Tonnes Mined	Tonnes Milled	Gold Sold (ozs)
1 st	12,073	10,243(a)	2,666
2 nd	6,093	8,771	2,485
3 rd	13,964	6,260	2,082
4 th	8,967	10,940	1,566
Total	41,097	36,214	8,799

(a)-estimated

The Company has been developing the Nixon Fork Mine since June 2011. Mill processing started ramping up on 4 July 2011 using the gravity and sulphide flotation circuits to produce doré and gold-copper concentrate.

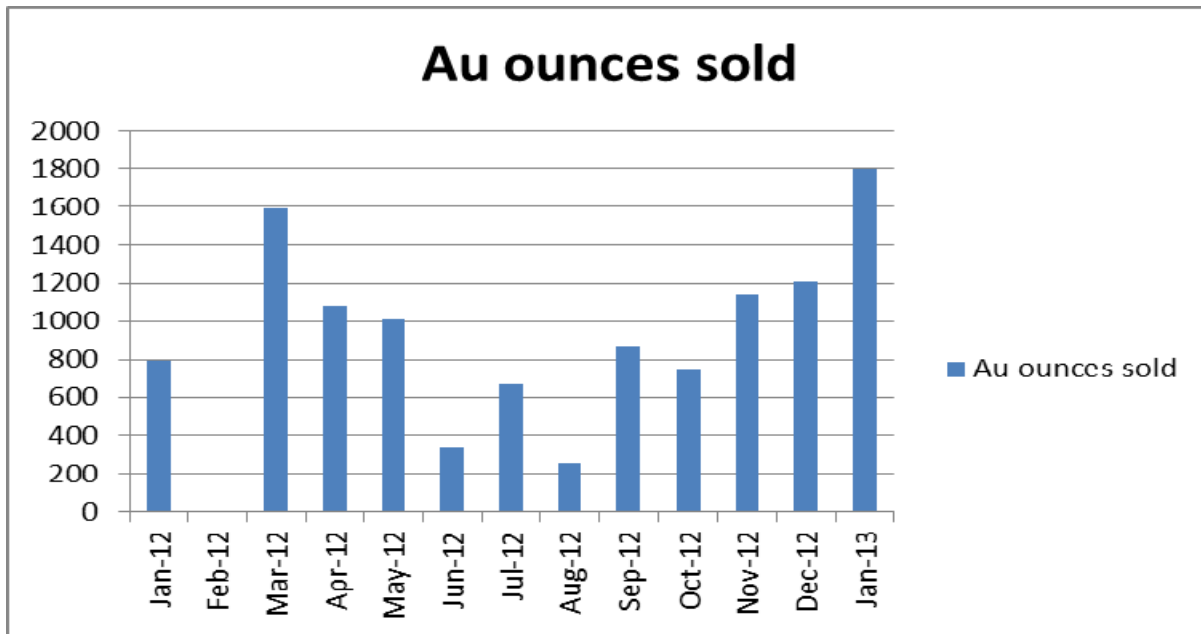
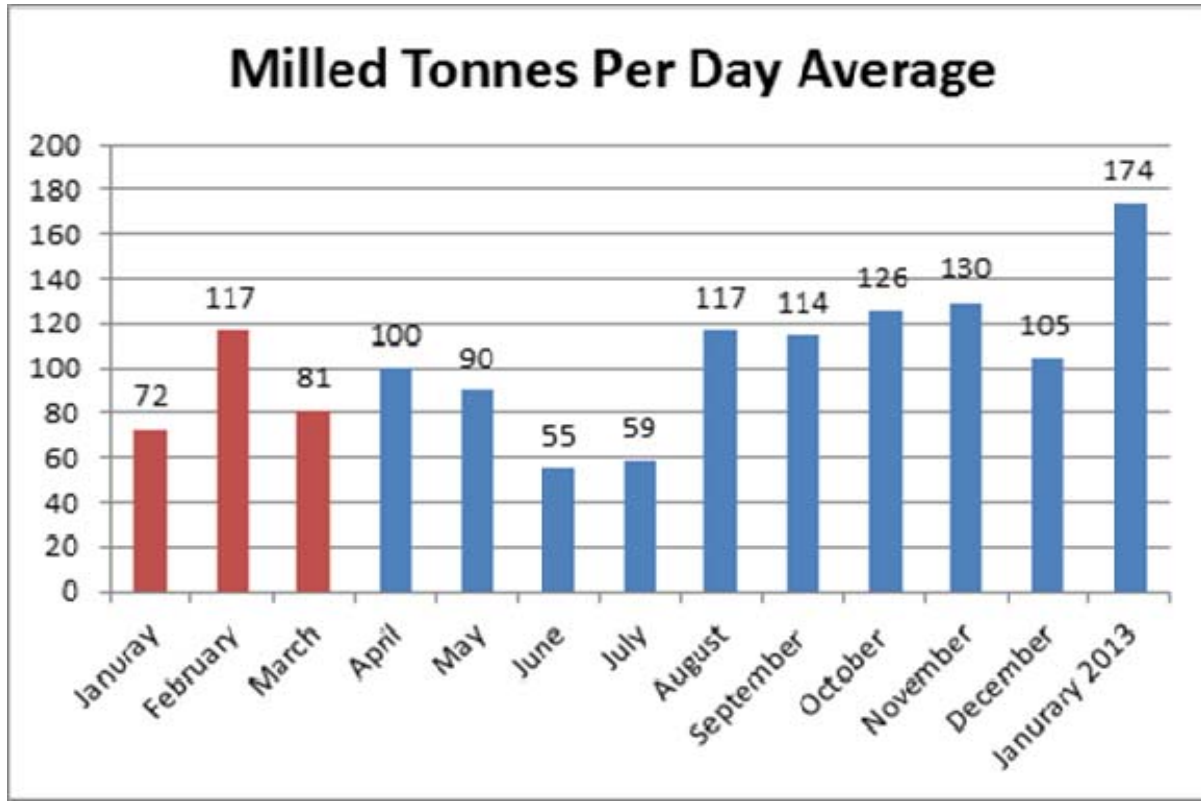
Significant and extensive improvements to the operation of the mine and site have been completed in the fiscal year. Along with the changes to management and the board of directors, the technical expertise of the on-site staff has been enhanced with a new mill manager and maintenance superintendent, upgrading of employee skills and technical advice from qualified mining consultants in the areas of mining, milling and laboratory procedures. Improvements in the mill include replacing the rod mill pinion gear, replacing the air spargers in the CIL circuit, new pumps for the slurry systems and bringing all of the components of the gravity recovery circuit back in to use. Availability of the mill operations has improved by a factor of 15 – 20% and further improvements are expected to be realized in 2013. Relationships with the regulatory agencies have been significantly improved and a spirit of cooperation now exists in all aspects of the permitting and compliance processes. A second Larox unit is being installed in the tailings recovery circuit which is expected to be available by mid-2013.

The initial completion of the carbon-in-leach ("CIL") circuit in March 2012 and commissioning in April 2012 added the third recovery circuit, which add to the dore production. The CIL circuit has required a lengthy implementation process and the sulphide flotation circuit has encountered numerous operational issues in 2012 which have been now resolved. Full operational consistency was achieved in January 2013. With the CIL circuit in place, limited processing of the historic tailings began in October of 2012 and processing levels will increase when warmer weather arrives in 2013.

On an on-going full production basis, the recoverable gold distribution between both streams will be approximately 55% in dore form from the gravity and CIL circuits and 45% in the form of concentrate from the sulphide flotation circuit. The dore produced from the gravity and CIL circuits is processed at the Johnson Matthey facility in Brampton, Ontario, Canada and the out-turned gold and silver is purchased by Waterton Global Value L.P. The concentrate produced from the sulphide flotation circuit is sold to Glencore Ltd.

Mining operations for the year were conducted in the Mystery and Crystal Mines with several new stopes and raises being developed. The development of the Mystery mine was advanced towards the end of the year in order to access higher grade sulphide ore. A new geological model and mining plan were completed in November 2012 which has resulted in a significant enhancement of the ore grade delivered

to the mill. The following charts demonstrate the improvement in mine operations in the first quarter of fiscal 2013 (note that Nov 2012 – Jan 2013 are the first quarter of fiscal 2013):



Exploration drilling for 2012 consisted of 1,953 meters at surface and 16,277 meters underground. Exploration drilling continues underground in the winter months.

A positive relationship with the permitting agencies of the State of Alaska and the US Bureau of Land

Management has been fostered and significant progress on all environmental and regulatory issues has been made. The mine plan of operations must be submitted for review to both the State of Alaska and the US Bureau of Land Management in May 2013. Appropriate contractor support has been obtained and necessary activities are in progress to enable completion of the plan prior to the deadline.

On 15 May 2012, the Company, under the direction of the US Bureau of Land Management, increased the financial assurance for its decommissioning liabilities from US\$3,526,543 to US\$6,033,000. The increase was based on the regulatory agencies assessment of prospective reclamation costs. 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 surety provider who presented the bond to the Bureau of Land Management. In relation to these reclamation obligations, the Company, as at 31 October 2012, had a reclamation costs insurance policy with a total liability limit of US\$5,500,000 and a cash value of US\$2,066,421 and funds on deposit with the surety provider in the amount of US\$827,624.

The resource estimate for the Nixon Fork Mine remains the 2011 estimate as follows:

2011 Resource Estimate for the Nixon Fork Mine (at 10 g/t Au, Giroux)
 Geologic Report NF-12-1 dated 3 February 2012, Technical Report of the Nixon Fork Mine Project,
 Medfra Quadrangle, Alaska; prepared by Curtis J. Freeman, BA, MS PGeo, Avalon Development Corp.

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
Subtotal	129,060	24.9	0.73	3,217,027	103,438	53,980	28.0	0.82	1,509,921	48,545
Existing Tailings*	92,000	7.9	0.23	724,040	23,287	48,000	7.4	0.21	353,760	11,377
Total	221,060	17.8	0.52	3,941,067	126,725	101,980	18.3	0.53	1,863,681	59,922

From this resource 32,046 tonnes from the 3000, 231 tonnes from the 3300, 135 tonnes from the 3100 and 1,552 tonnes from the Mystery were mined in 2012. A new resource estimate is in progress to be completed in fiscal 2013.

OTHER PROPERTIES

The Draken property is located in southeast-central Alaska, approximately 288km southeast of Fairbanks, Alaska, and approximately 61km west of the Canadian border.

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

As the Company focus is on the Nixon Fork Mine, there is no intent to dedicate funds and effort to these properties.

SELECTED ANNUAL INFORMATION

Unless otherwise noted, all currency amounts are stated in Canadian dollars. The following table summarizes selected financial data for the Company for each of the three most recently completed financial years. The information set forth below for the year ended 31 October 2012 was extracted from and should be read in conjunction with the audited consolidated financial statements, prepared in accordance with International Financial Reporting Standards ("IFRS"), and related notes.

Years Ended 31 October

	2012	2011	2010
General and administrative expenses	2,809,633	3,773,776	2,627,161
Mineral property cash costs incurred	27,818,221	14,800,610	4,736,419
Loss before other items in total	30,627,854	18,779,826	7,363,580
Loss per share – Basic & fully diluted	0.21	0.21	0.06
Net comprehensive loss	32,566,782	18,973,108	7,185,218
Comprehensive loss per share – Basic & fully diluted	0.24	0.21	0.06
Total assets	12,511,210	11,495,124	10,553,866
Total long term liabilities	15,040,144	3,217,462	3,565,505

Due to the change in accounting policy to expense exploration and evaluation expenses incurred all incidental metal sales are netted against the mineral property cash costs incurred. The year 2011 had \$81,608 of revenues and the year 2010 had revenues of \$90,287 that are now netted against mineral property cash costs incurred.

REVIEW OF FINANCIAL RESULTS

The focus for the fiscal year ended 31 October 2012 was to move the Nixon Fork Mine close to commercial production. Using the net proceeds from the loan facilities and the share issuances, the Company completed the CIL circuit (necessary to increase the dore production), rebuilt and upgraded much of the existing production circuits, hired additional staff with expertise in all technical areas, engaged consultants and consulting firms to assist with improvements in mine and mill design and processes and brought the permitting to the standards requested by the governmental agencies. The results of this increased activity were a loss for the year of \$32,566,782 (versus \$18,973,108 for fiscal 2011). With this upfront cost for improvements and enhancements completed, the mine is expected to proceed to commercial production in mid-2013.

The Nixon Fork Mine is a fly in/fly out operation, which leads to relatively high and fixed operating costs. The location and weather conditions contribute unique and expensive challenges to operating in this geographical area. Significant costs for the year were:

	2012	2011
Administrative costs	\$3.3 million	\$0.6 million
Camp	\$19.0 million	\$11.1 million
Drilling	\$5.6 million	\$0.1 million
Geological	\$7.2 million	\$0.5 million
Royalties	\$1.0 million	nil
Decommissioning liability	\$2.3 million	(\$0.4 million)

As the employee base was increased to the full budget level, the costs of the camp and general mine administration, particularly fuel, travel and air freight, have increased. The staffing level is now at the expected level for full operations. The extensive drilling program completed in 2012 led to the higher drilling costs and geological costs increased due to the significant enhancement of the underground development work. As cost recoveries from incidental metal production have increased during this development stage, royalties have been incurred. The site carries a 6% royalty. The decommissioning liability was re-assessed by the BLM in May 2012 with an assessment total of US\$6,033,000 resulting in the additional recognized cost.

Management is investigating alternatives to lowering the fuel costs with definitive proposals to be ready by mid-year. Air freight costs are not in the control of the Company but the efficient use of air freight vendors is a major focus for the logistics department. As employees come from diverse geographical areas, the travel cost will remain a major cost component. The employee camp is managed by a third party contractor who is providing the services necessary to maintain morale and the well-being of the employees.

The current staffing at approximately 115 employees is lean but sufficient to operate the site efficiently. Consultants and contractors will continue to be utilized in areas that do not support a full-time employee.

Cost recovery from incidental metal production was \$14,179,482 during the fiscal year and was credited against exploration and evaluation costs.

Financing costs (see the increase in long term liabilities) have increased significantly (\$1,956,818 versus \$50,000 for 2011). This is to be expected as the Company entered into the loan facility with Waterton during the fiscal year but it will obviously be in the best interest of the Company to repay this facility as soon as possible.

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.

	31 Oct 2012	31 Jul 2012	30 Apr 2012	31 Jan 2012	31 Oct 2011	31 Jul 2011	30 Apr 2011	31 Jan 2011
Total revenues	nil	nil	nil	nil	nil	nil	nil	nil
Net loss	11,314,889	7,731,317	5,588,912	8,656,898	5,978,361	6,333,900	2,988,654	3,317,125
Net loss per share	0.05	0.08	0.05	0.09	0.05	0.08	0.04	0.05
Total assets	12,511,210	11,422,023	14,906,785	13,403,429	11,495,124	16,324,886	21,263,345	16,065,153

As the Company has enhanced and improved the milling circuits and increased underground development in order to make progress towards commercial production, costs have increased quarter over quarter during fiscal 2012. The increase in decommissioning costs was mainly recognized in the 4th quarter of 2012. See the discussion under Selected Annual Information for data by expense category.

LIQUIDITY

At 31 October 2012, the Company's working capital (deficit), defined as current assets less current liabilities, was a deficit of \$3,746,776 compared with working capital of \$1,968,174 at 31 October 2011. This issue is the single greatest concern of Company management and is being addressed through the operational improvements being implemented in the mine and mill, which is expected to lead to the increased gold production needed for the financial viability of the Company. Management has also successfully negotiated extensions on loan repayments to Waterton to July 2013 (see subsequent events). As at 31 October 2012, the Company had the following commitments:

	Total	< 1 year	2 – 3 years	➤ 3 years
Operating leases	118,465	52,651	65,814	
Loans Payable	16,339,615	4,084,904	12,254,711	
Total	16,458,080	4,137,555	12,320,525	

FINANCING

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, paid via the issuance of 3,260,870 common shares of the Company. 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 16 monthly instalments, beginning 31 July 2013. 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 98.5% 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. 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.

During June and July 2012, Waterton loaned the Company an additional US\$1.5 million under a separate Note Agreement ("the Waterton Note") bearing interest at 5.0%. As part of the Waterton Note, the Company paid Waterton a two percent (2%) cash structuring fee. The Waterton Note was repaid on 10 August 2012 from proceeds of an equity offering described below.

SHARE PROCEEDS

On August 9, 2012, the Company issued 88,417,458 equity units at a price of \$0.065 for gross proceeds of \$5,747,135 (the "First Tranche"). Each equity unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at an exercise price of \$0.10 for a period of five years. In connection with the offering, various agents were paid \$137,041 and issued 2,108,320 compensation options which entitle the agents to purchase one share and one warrant at a price of \$0.065 with each warrant having the same terms as the equity unit warrants.

On August 31, 2012, the Company issued 16,602,709 equity units at a price of \$0.065 for gross proceeds of \$1,079,176 (the "Second Tranche"). Each equity unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at an exercise price of \$0.10 for a period of five years. In connection with the offering, an agent was paid \$86,334 and issued 1,328,216 compensation options which entitle the agent to purchase one share and one warrant at a price of \$0.065 with each warrant having the same terms as the equity unit warrants.

On Sept 20, 2012, the Company issued 108,694,492 equity units at a price of \$0.065 for gross proceeds of \$7,065,142 (the "Third and Final Tranche"). Each equity unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at an exercise price of \$0.10 for a period of five years. In connection with the offering,

various agents were paid an aggregate of \$409,864 and issued 6,305,603 compensation options which entitle the agents to purchase one share and one warrant at a price of \$0.065 with each warrant having the same terms as the equity unit warrants.

The proceeds of these offerings have been used for the further development of the Nixon Fork Gold Mine, satisfaction of outstanding debt and general working capital.

OUTSTANDING SHARE AND OPTION DATA

The Company is authorized to issue unlimited common shares without par value. As at 31 October 2012, there were 316,157,031 outstanding common shares compared to 99,181,502 outstanding shares at 31 October 2011. As at 31 October 2012, there were 8,341,636 outstanding stock options. The average exercise price of the outstanding stock options was \$0.26. The Company also had 221,964,659 common share purchase warrants outstanding and exercisable, at weighted average exercise price of \$0.11 and 9,671,062 compensation options at an average exercise price of \$.065.

Stock Options

The Company has established a fixed share purchase option plan as of 26 July 2012, whereby the board of directors ("Board") may from time to time grant to directors, officers, employees or consultants up to a maximum of 10,244,237 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 year ended 31 October 2012, 5,956,636 options were granted at a weighted average price of \$0.13.

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

Share Purchase Warrants

During the year ended 31 October 2012, 231,635,721 share purchase warrants were granted at a weighted average exercise price of \$.10.

Exercise of Warrants and Options

During the year ended 31 October 2012, there were no agent compensation warrants, warrants, or stock options exercised.

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.

RELATED PARTY TRANSACTIONS

The remuneration of directors and other members of key management were as follows:

	Years Ended 31 October	
	2012	2011
Short-term benefits	\$907,127	\$610,349
Share-based payments	\$481,173	\$1,147,545
Total	\$1,388,300	\$1,757,894

The assets of the Company include the following amounts due from related parties:

	31 October 2012	31 October 2011
Former director	\$Nil	\$58
Total	\$Nil	\$58

The liabilities of the Company include the following amounts due to related parties:

	31 October 2012	31 October 2011
Chief Executive Officer	\$6,218	\$Nil
Chief Financial Officer	\$3,938	\$Nil
Former Chief Financial Officer	\$32,282	\$Nil
Former Vice President of Business Development	\$Nil	\$6,720
Former director	\$39,984	\$Nil
Former director	\$Nil	\$27,766
Total	\$82,422	\$34,486

SUBSEQUENT EVENTS

Subsequent to year end, Waterton has purchased US\$9,335,333 million in dore under the existing gold and silver supply agreement. The Company has delivered US\$4,953,044 million in dore to Waterton and the balance of US\$4,382,289 million is recorded as an advance and will be carried as a liability. These funds are to assist in the transition to full mill utilization and to bridge the ramp-up to the new mine plan.

The Waterton Credit Facility has been amended to delay principal payments until no earlier than 31 May 2013 at a cost of \$1,200,000 to be paid in future periods under the terms of that amendment.

The Company is involved in a dispute related to human resources matters. Management intends to vigorously defend these claims. Included in trade and other payables at 31 October 2012 is \$500,000 for total costs related to these matters.

Subsequent to 31 October 2012, the Company delivered concentrate to satisfy the advance payments of \$1,004,724.

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 31 October 2012.

CHANGES IN ACCOUNTING POLICIES

The Company's audited consolidated financial statements as at and for the year ended 31 October 2012 have been prepared in accordance with IFRS as issued by the IASB. Previously, the Company prepared its 2011 annual financial statements in accordance with Canadian GAAP.

IFRS 1 requires the consistent and retrospective application of IFRS accounting policies as at and for the year ended 31 October 2011 and an opening Statement of Financial Position as at 1 November 2010.

To assist with the transition, the provisions of IFRS 1 allows for certain mandatory and optional exemptions for first-time adopters to alleviate the full retrospective application of IFRS. The Company has elected to apply the following relevant exemptions:

Cumulative translation differences - 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 the Transition Date.

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.

Share-based payments - IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 'Share-based Payment' to equity instruments that were granted on or before 7 November 2002, or equity instruments that were granted subsequent to 7 November 2002 and vested before 1 November 2010 (the "Transition Date"). The Company elected not to apply IFRS 2 to equity instruments that vested prior to the Transition Date.

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 the Transition Date.

Hindsight was not used to create or revise estimates and accordingly the estimates previously made by the Company under Canadian GAAP are consistent with their application under IFRS. A summary of IFRS 1 mandatory and option exemptions are described in Note 4 to the annual consolidated financial statements.

The IFRS accounting policies are set forth in Note 3 to the annual consolidated financial statements for the year ended 31 October 2012. A detailed explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flow, including the reconciliations required by IFRS 1, is presented in Note 4 to the consolidated financial statements.

FINANCIAL INSTRUMENTS AND RISK

The Company's financial instruments consist of cash and cash equivalents, trade payables and loans payable. The fair value of these financial instruments approximates their carrying value unless otherwise noted.

Fair Values

	Fair value hierarchy	FVTPL, at fair value	Loans and receivables, at amortized cost	Available-for-sale, at fair value	Other liabilities, at amortized cost
Cash and cash equivalents	Level 1	988,989	-	-	-
Trades payable	N/A	-	-	-	1,361,144
Loans payable	N/A	-	-	-	12,582,280

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 and U.S. financial institutions. As at 31 October 2012, amounts receivable included Harmonized Sales Tax of \$93,208. Sales of commodities produced are made to established counterparties (Glencore and Waterton) and a significant portion of the receivable is paid to the Company upon shipment of the product. As a result of all of the above, 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. This issue is the single greatest concern of Company management and is being addressed through the operational improvements being implemented in the mine and mill, which is expected to lead to the increased gold production needed for the financial viability of the Company.

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 31 October 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 table provide an indication of the Company's significant foreign currency exposures during the year ended 31 October 2012 and 2011:

	31 October 2012	31 October 2011
Cash and cash equivalents	US\$988,989	US\$1,825,031
Trade receivables	US\$Nil	US\$311,285
Trade payables	US\$(1,228,532)	US\$(219,611)
Loans payable	US\$(12,750,000)	US\$Nil

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 entered into derivative instruments to offset the impact of foreign currency fluctuations.

d) Interest Risk

The company had no interest bearing investments at 31 October 2012.

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.

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 31 October 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.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.