# Fire River Gold Corp.
## Consolidated Financial Statements - Unaudited
### 31 January 2013
(Expressed in Canadian dollars)

# Fire River Gold Corp.
## Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

| | Notes | 3 Months Ended 31 January 2013 $ | As at 31 October 2012 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 6 | **295,700** | **988,989** |
| Trade and other receivables | 7 | **468,305** | **93,208** |
| Inventories | 8 | **899,157** | **1,946,020** |
| Prepaid expenses and deposits | 9 | **287,257** | **544,686** |
| | | **1,950,419** | **3,572,903** |
| **Property, plant and equipment** | 11 | **5,952,805** | **6,043,504** |
| **Reclamation bond** | 16 | **2,893,989** | **2,894,803** |
| **Total assets** | | **10,797,213** | **12,511,210** |
| **EQUITY AND LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 12 | **3,562,849** | **3,169,385** |
| Advances payable | 13 | **3,376,613** | **1,004,724** |
| Notes payable | 14 | **338,252** | **-** |
| Loans payable | 15 | **3,184,395** | **3,145,570** |
| | | **10,462,109** | **7,319,679** |
| **Loans payable** | 15 | **9,933,525** | **9,436,710** |
| **Decommissioning liability** | 16 | **5,630,482** | **5,603,434** |
| **Total liabilities** | | **26,026,116** | **22,359,823** |
| **Equity** | | | |
| Common shares | 17 | **39,172,995** | **39,172,995** |
| Reserves | | **18,367,572** | **18,298,393** |
| Deficit | | **(72,769,470)** | **(67,320,001)** |
| **Total equity** | | **(15,228,903)** | **(9,848,613)** |
| **Total equity and liabilities** | | **10,797,213** | **12,511,210** |

**APPROVED BY THE BOARD:**

*"Blane Wilson"* — Director

*"Fred Sveinson"* — Director

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

# Fire River Gold Corp.

## Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

| | | 3 Months Ended 31 January | |
|---|---|---|---|
| | Notes | **2013** **$** | 2012 $ |
| Administration expenses | 19 | **370,635** | 976,797 |
| Exploration and evaluation expenses | 10 | **4,301,804** | 7,364,657 |
| **Loss before other items** | | **(4,672,439)** | (8,341,454) |
| **Other items** | | | |
| Finance costs | | **(774,603)** | (145,765) |
| Finance income | | **1,251** | 474 |
| Foreign exchange | | **3,839** | (170,153) |
| **Net loss for the quarter** | | **(5,441,952)** | (8,656,898) |
| **Other comprehensive income (loss)** | | | |
| Foreign currency translation adjustment | | **(7,517)** | - |
| **Net comprehensive loss** | | **(5,449,469)** | (8,656,898) |
| **Loss per share** | | | |
| Basic | 21 | **(0.02)** | (0.08) |
| Diluted | 21 | **(0.02)** | (0.08) |

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

# Fire River Gold Corp.
**Consolidated Statements of Cash Flows**
(Expressed in Canadian dollars)

| | | 3 Months ended 31 January | |
|---|---|---|---|
| | **Notes** | **2013** | 2012 |
| | | **$** | $ |
| **OPERATING ACTIVITIES** | | | |
| Loss for the quarter | | **(5,441,952)** | (8,987,635) |
| Adjustments for: | | | |
| Accretion of notes and loans payable | 14,15 | **589,170** | - |
| Depreciation | 11 | **366,255** | 302,322 |
| Foreign exchange | | **3,839** | 69,116 |
| Reclamation and accretion | 16 | **30,296** | 54,086 |
| Share-based payments | 18 | **69,179** | 261,340 |
| Operating cash flows before movements in working capital | | | |
| Decrease (increase) in inventory | | **1,046,863** | (147,227) |
| Decrease (increase) in trade and other receivables | | **(375,097)** | (85,579) |
| Decrease (increase) in prepaid expenses and deposits | | **257,429** | (38,410) |
| Increase (decrease) in trade and other payables | | **393,464** | 1,642,259 |
| Increase (decrease) in advances payable | | **2,371,889** | - |
| **Cash used in operating activities** | | **(688,665)** | (6,628,991) |
| **INVESTING ACTIVITIES** | | | |
| Purchase of property, plant and equipment | 11 | **(278,908)** | (562,799) |
| **Cash used in investing activities** | | **(278,908)** | (562,799) |
| **FINANCING ACTIVITIES** | | | |
| Cash received for loans payable | 14 | **285,000** | 7,425,000 |
| **Cash from financing activities** | | **285,000** | 7,425,000 |
| Effect of foreign exchange rate changes on cash | | **(10,716)** | () |
| **Increase (decrease) in cash and cash equivalents** | | **(693,289)** | 1,200,014 |
| Cash and cash equivalents, beginning of period | | **988,989** | 1,825,031 |
| **Cash and cash equivalents, end of period** | | **295,700** | 3,025,045 |

**Supplemental cash flow information** (Note 26)

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

# Fire River Gold Corp.

## Consolidated Statements of Changes in Equity

(Expressed in Canadian dollars)

| | Number of shares | Common shares $ | Stock options reserve $ | Warrants reserve $ | Foreign currency translation reserve $ | Deficit $ | Total $ |
|---|---|---|---|---|---|---|---|
| Balances, 31 October 2011 | 99,181,502 | 32,030,999 | 2,777,224 | 6,868,460 | (355,068) | (34,027,985) | 7,293,630 |
| Shares issued for | | | | | | | |
| Cash | 213,714,659 | 13,891,453 | - | - | - | - | 13,891,453 |
| Loan arrangement fee | 3,260,870 | 750,000 | - | - | - | - | 750,000 |
| Fair value allocated to warrants | - | (5,595,029) | - | 5,595,029 | - | - | - |
| Warrants issued for loan arrangement fee | | | | 863,198 | | | 863,198 |
| Share-based payments | - | - | 595,111 | - | - | - | 595,111 |
| Share issue costs | - | (1,904,428) | - | 1,229,205 | - | - | (675,223) |
| Foreign currency translation adjustment | - | - | - | - | 725,234 | - | 725,234 |
| Net loss for the year | | | | | | (33,292,016) | (33,292,016) |
| Balances, 31 October 2012 | **316,157,031** | **39,172,995** | **3,372,335** | **14,555,892** | **370,166** | **(67,320,001)** | **(9,848,613)** |
| Share-based payments | - | - | 69,179 | - | - | | 69,179 |
| Net loss for the quarter | | | | | | (5,449,469) | (5,449,649) |
| **Balances, 31 January 2013** | **316,157,031** | **39,172,995** | **3,441,514** | **14,555,892** | **370,166** | **(72,769,470)** | **(15,228,903)** |

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

## 1. CORPORATE INFORMATION

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 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 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.

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business.

The Company had cash and cash equivalents of $295,700 as at 31 January 2013 (31 January 2012 $3,025,045; 31 October 2012: $988,989) and a working capital deficit of $8,511,690 as at 31 January 2013 (working capital deficiency of $5,668,369 as at 31 January 2012 and $3,746,776 as at 31 October 2012), 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 about 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.

## 2. BASIS OF PREPARATION

### 2.1 Basis of consolidation

The consolidated financial statements include the financial statements of Fire River Gold Corp. and its subsidiaries listed in the following table:

| Name | Country of incorporation | % equity interest as at 31 January | | % equity interest as at 31 October | |
|---|---|---|---|---|---|
| | | **2013** | **2012** | **2012** | 2011 |
| Mystery Creek Resources, Inc. | United States | **100%** | **100%** | **100%** | 100% |
| Fire River Gold Corp. USA | United States | **100%** | **100%** | **100%** | 100% |

### 2.2 Basis of presentation

The Company's consolidated 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 22, and are presented in Canadian dollars except where otherwise indicated.

### 2.3 Statement of compliance

The consolidated financial statements of the Company and its subsidiaries, including comparatives, have been prepared in accordance with and using accounting policies in full compliance with International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

### 2.4 Adoption of new and revised standards and interpretations

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

- IFRS 9 '*Financial Instruments: Classification and Measurement*' is a new financial instruments standard effective for annual periods beginning on or after 1 January 2015 that replaces IAS 39 and IFRIC 9 for classification and measurement of financial assets and financial liabilities.

- IFRS 10 '*Consolidated Financial Statements*' is a new standard effective for annual periods beginning on or after 1 January 2013 that replaces consolidation requirements in IAS 27 (as amended in 2008) and Standing Interpretations Committee 12.

- IFRS 11 '*Joint Arrangements*' is a new standard effective for annual periods beginning on or after 1 January 2013 that replaces IAS 31 and SIC-13.

- IFRS 12 '*Disclosure of Interests in Other Entities*' is a new standard effective for annual periods beginning on or after 1 January 2013 that replaces disclosure requirements in IAS 27 (as amended in 2008), IAS 28 (as revised in 2003) and IAS 31.

- IFRS 13 '*Fair Value Measurement'* is a new standard effective for annual periods beginning on or after 1 January 2013 that replaces fair value measurement guidance in other IFRSs.

- IAS 1 (Amendment) '*Presentation of Financial Statements*' is effective for annual periods beginning on or after 1 July 2012 and includes amendments regarding presentation of items of other comprehensive income.

- IAS 19 (Amendment) '*Employee Benefits*' is effective for annual periods beginning on or after 1 January 2013 and revises recognition and measurement of post-employment benefits.

- IAS 27 (Amendment) '*Separate Financial Statements*' is effective for annual periods beginning on or after 1 January 2013 that prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.

- IAS 28 (Amendment) '*Investments in Associates and Joint Ventures*' is effective for annual periods beginning on or after 1 January 2013 that prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

- IFRIC 20 '*Stripping Costs in the Production Phase of a Surface Mine*' is a new interpretation effective for annual periods beginning on or after 1 January 2013 that prescribes the accounting for stripping costs in the production phase of a surface mine.

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.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment relate to the fair value measurements for financial instruments and share-based payments, the recognition and valuation of provisions for decommissioning liabilities, the recoverability and measurement of deferred tax assets and liabilities, inventory valuation and ability to continue as a going concern. Actual results may differ from those estimates and judgments.

### 3.2 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and hand, and short term money market instruments with an original maturity of three months or less, which are readily convertible into a known amount of cash.

### 3.3 Principles of consolidation

Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of loss and comprehensive loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All inter-company transactions, balances, income and expenses are eliminated in full on consolidation.

### 3.4 Foreign currencies

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, Fire River Gold Corp. USA and Mystery Creek Resources, Inc., is the U.S. dollar.

Foreign currency transactions are translated into the 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 (loss) in the statement of income (loss) and comprehensive income (loss) 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 (loss) and as a separate component of equity.

### 3.5 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.

### 3.6 Inventories

Inventories are stated at lower of production cost and net realizable value. Production costs include direct and indirect labour, operating materials and supplies, transportation costs and an appropriate portion of fixed and variable overhead expenses, including depreciation and depletion. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Materials and supplies inventory consists of consumable parts and supplies which are valued at lower of weighted average cost and net realizable value. Supplies used in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Net realizable value is defined as the selling price of the finished product less any provisions for obsolescence and costs of completion.

### 3.7 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.

Depreciation is provided at rates calculated to write off the cost of property, plant and equipment, less their estimated residual value, using the straight-line method over the following expected useful lives:

- Computer equipment 1 to 5 years
- Field equipment 5 to 6 years
- Furniture and fixtures 5 years
- Leasehold improvements 3 years

### 3.8 Exploration and evaluation properties

Exploration and evaluation costs and option maintenance payments are expensed as incurred. When it has been determined that a resource property can be economically developed as a result of establishing proven and probable reserves, costs incurred prospectively to develop the property are capitalized as incurred and are depreciated using the unit-of-production depreciation method over the estimated life of the ore body based on proven and probable reserves. The Company is currently determining the technical feasibility and commercial viability of extracting resources and, as such, the Company is in the exploration and evaluation phase.

Ownership in exploration and evaluation properties involves certain risks due to the difficulties of determining and obtaining clear title to claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristics of many exploration and evaluation properties.

Although the Company has taken steps to verify title to research permits and/or properties in which it has an option to acquire an interest or has an interest, according to the usual industry standards for the stage of exploration of such properties, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

### 3.9 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.

### 3.10 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 options reserve. The fair value of options is determined using the Black-Scholes Option Pricing Model which incorporates all market vesting conditions. 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.

### 3.11 Taxation

Deferred tax is provided, using the liability method, on all temporary differences at the reporting 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.

### 3.12 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 financial assets classified in this category are derecognized or impaired, as well as through the amortization process. Transaction costs are included in the initial carrying amount of the asset. Trade and other 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.

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.

### 3.13 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 and other payables and loans payable 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.

**3.14 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 has 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.

**3.15 De-recognition of financial assets and liabilities**

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

For financial liabilities, they are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

**3.16 Impairment of non-financial assets**

The carrying amount of the Company's assets is reviewed for an indication 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. 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.

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.

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.

### 3.17 Flow-through shares

Any premium received by the Company on the issuance of flow-through shares is initially recorded as a liability and included in trade payables and accrued liabilities. Upon renouncement by the Company of the tax benefits associated with the related expenditures, a deferred tax liability is recognized and the flow-through liability will be reversed. To the extent that suitable deferred tax assets are available, the Company will reduce the deferred tax liability and record a deferred tax recovery.

### 3.18 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(Expressed in Canadian dollars)

## 4 SEGMENTED INFORMATION

At 31 January 2013, the Company operates in two geographical areas, being Canada and the United States. The following is an analysis of the net loss, current assets and non-current assets by geographical area:

| | Canada<br>$ | United States<br>$ | Total<br>$ |
|---|---|---|---|
| **Net loss** | | | |
| For the 3 months ended 31 January 2013 | **327,736** | **5,121,733** | **5,449,469** |
| For the 3 months ended 31 January 2012 | 768,788 | 7,888,110 | 8,656,898 |
| For the year ended 31 October 2012 | 4,750,944 | 28,541,072 | 33,292,016 |
| **Current assets** | | | |
| For the 3 months ended 31 January 2013 | **266,193** | **1,684,226** | **1,950,419** |
| As at 31 October 2012 | 496,654 | 3,076,249 | 3,572,903 |
| **Property, plant and equipment** | | | |
| For the 3 months ended 31 January 2013 | **65,237** | **5,887,568** | **5,952,805** |
| As at 31 October 2012 | 72,828 | 5,970,676 | 6,043,504 |
| **Reclamation bond** | | | |
| For the 3 months ended 31 January 2013 | | **2,893,989** | **2,893,989** |
| As at 31 October 2012 | | 2,894,803 | 2,894,803 |

## 5 CASH AND CASH EQUIVALENTS

The Company's cash and cash equivalents are denominated in the following currencies:

| | As at 31 January 2013 $ | As at 31 October 2012 $ |
|---|---|---|
| Denominated in Canadian dollars | 113,268 | 335,334 |
| Denominated in U.S. dollars | 182,432 | 653,655 |
| **Total cash and cash equivalents** | **295,700** | **988,989** |

## 6 TRADE AND OTHER RECEIVABLES

The Company's trade and other receivables arise from: trade receivables due from Glencore for concentrate sales, a receivable from Alaska Air Fuel for setting up a fuel flight company, and Goods and Services Tax / Harmonized Sales Tax ("GST/HST") receivable due from the government taxation authorities. These are as follows:

| | As at 31 January 2013 $ | As at 31 October 2012 $ |
|---|---|---|
| Trade receivables | 186,474 | - |
| Alaska Air Fuel | 179,825 | - |
| GST/HST receivable | 102,006 | 93,208 |
| **Total trade and other receivables** | **468,305** | **93,208** |

## 7 INVENTORIES

The Company's inventories are as follows:

| | As at 31 January 2013 $ | As at 31 October 2012 $ |
|---|---|---|
| Concentrate | 444,497 | 1,544,366 |
| Materials and supplies | 454,660 | 401,654 |
| **Total inventories** | **899,157** | **1,946,020** |

(Expressed in Canadian dollars)

## 8 PREPAID EXPENSES AND DEPOSITS

The Company's prepaid expenses and deposits are as follows:

| | **As at 31 January 2013 $** | As at 31 October 2012 $ |
|---|---|---|
| Security deposits | **30,919** | **30,919** |
| Insurance | **217,461** | **14,343** |
| Prepaid exploration /evaluation costs | **18,877** | **476,574** |
| Prepaid administration expenses | **20,000** | **22,850** |
| **Total prepaid expenses /deposits** | **287,257** | **544,685** |

## 9 EXPLORATION AND EVALUATION PROPERTIES

The Company's exploration and evaluation expenditures related to the Nixon Fork Gold Mine for the quarters ended 31 January 2013 and 31 January 2012 are as follows:

| | **For the Qtr ended 31 January 2013 $** | **For the Qtr ended 31 January 2012 $** |
|---|---|---|
| Administrative costs | **946,037** | **1,136,412** |
| Assaying | **313,121** | **161,490** |
| Camp and maintenance costs | **4,440,612** | **5,271,907** |
| Drilling and mining costs | **1,782,403** | **2,794,944** |
| Crushing and milling costs | **1,839,411** | **1,096,956** |
| Geology and engineering | **1,099,657** | **259,170** |
| Safety and environmental | **371,316** | **116,664** |
| Reclamation accretion expense | **30,266** | **54,086** |
| Royalties | **403,644** | **195,476** |
| Share-based payments | **45,545** | **-** |
| Foreign exchange | **-** | **953,228** |
| Cost recovery | **(6,970,208)** | **(4,675,676)** |
| **Total costs** | **4,301,804** | **7,364,657** |

**Nixon Fork Gold Mine**

On 22 September 2009, the Company acquired a 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. During the three month period ended 31 January 2013 recoveries related to concentrate and dore were $6,970,208 ( for the year ended 31 October 2012: $11,332,299).

To date, the Company has not completed economic feasibility evaluations to determine whether development of the reserves is commercially justified.

**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 Fire River Gold Corp. USA, a wholly-owned subsidiary of the Company.

**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 installments (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.

(Expressed in Canadian dollars)

## 10 PROPERTY, PLANT AND EQUIPMENT

The Company’s property, plant and equipment as at 31 January 2013 are as follows:

| | Cost | Accumulated depreciation | Net book value |
|---|---|---|---|
| | $ | $ | $ |
| Computer equipment | 46,446 | 23,356 | 23,089 |
| Furniture and fixtures | 29,233 | 9,160 | 20,075 |
| Leasehold improvements | 32,189 | 10,116 | 22,072 |
| Field equipment | 7,857,025 | 1,969,455 | 5,887,569 |
| **Total** | **7,964,893** | **2,012,087** | **5,952,805** |

During the quarter ended 31 January 2013, the Company wrote-down field equipment in the amount of $Nil (31 Jan 2012: $Nil. During the quarter ended 31 January 2013, the Company disposed of field equipment for total proceeds of $Nil (31 January 2012: $384,846).

(Expressed in Canadian dollars)

The changes in the Company's property, plant and equipment for the quarter ended 31 January 2013and the years ended 31 October 2012 and 2011 are as follows:

| | Computer equipment | Furniture and fixtures | Leasehold improvements | Field equipment | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **COST** | | | | | |
| As at 31 October 2012 | 46,446 | 29,233 | 32,189 | 7,582,741 | 7,690,609 |
| Additions | | | | 278,636 | 278,636 |
| Foreign exchange adjustment | | | | (4,352) | (4,352) |
| **As at 31 January 2013** | **46,446** | **29,233** | **32,189** | **7,857,025** | **7,964,893** |
| **DEPRECIATION** | | | | | |
| As at 31 October 2012 | 18,465 | 5,847 | 10,730 | 1,612,063 | 1,647,105 |
| Depreciation | 4,891 | 3,313 | (613) | 358,315 | 365,905 |
| Foreign exchange adjustment | - | - | - | (922) | (922) |
| **As at 31 January 2013** | **23,356** | **9,160** | **10,116** | **1,969,455** | **2,012,088** |
| **NET BOOK VALUE** | | | | | |
| As at 31 October 2012 | 27,981 | 23,386 | 21,459 | 5,970,678 | 6,043,504 |
| **As at 31 January 2013** | **23,089** | **20,075** | **22,072** | **5,887,568** | **5,952,805** |

(Expressed in Canadian dollars)

## 11 TRADE AND OTHER PAYABLES

The Company's trade and other payables are broken down as follows:

| | **As at 31 January 2013 $** | As at 31 October 2012 $ |
|---|---|---|
| Trade payables | **1,163,998** | **1,361,144** |
| Accrued liabilities | **2,398,851** | **1,808,241** |
| **Total trade and other payables** | **3,562,849** | **3,169,385** |

Included in trade and other payables are amounts due to related parties which are disclosed in Note 23.

The Company is involved in disputes related to human resource matters. Management intends to vigorously defend these claims. Included in trade and other payables as at 31 January 2013 is $500,000 for total costs related to these matters.

## 12 ADVANCES PAYABLE

The Company has received $9,700,977 in dore payments and advances from Waterton through 31 January 2013 and delivered dore of $6,324,364 leaving an advance balance of $3,376,613 to be repaid from future deliveries of dore.

## 13 NOTES PAYABLE

On 5 November 2012 the Company signed a promissory note for USD$210,000 and on 19 November 2012 the Company signed a promissory note for $75,000 both with Core Mining Services. These notes are for the purchase and installation of a second Larox unit at the Nixon Fork Gold Mine. Both notes bear interest at 10% per annum with principal amounts due in equal monthly installments and interest due at the end of each calendar month with payments commencing 31 January 2013 for 12 months.

On 31 December 2012, the Company amended the Waterton Credit Facility to extend the first repayment to 31 July 2013. In consideration for the amendment, the Company must pay USD$1,200,000 to Waterton beginning no earlier than May 2013. Notwithstanding any payments that may be made in 2013, the Company must pay USD$600,000 on 31 January 2014, less any payments made in 2013, and the remainder USD$600,000 on 31 October 2014. The cost of this agreement will be accrued as a liability at present value and over the life of the note.

(Expressed in Canadian dollars)

| | As at 31 January 2013 $ | As at 31 October 2012 $ |
|---|---|---|
| Core Mining Services – Larox | **284,722** | - |
| Waterton note – accrued portion of restructuring fee | **53,530** | - |
| **Total notes payables** | **338,252** | - |

## 14 LOANS PAYABLE

On 30 March 2012 and amended on 18 July 2012 and 31 December 2012, the Company entered into a USD$12,750,000 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, consisting of a single drawdown on closing and is repayable in 16 monthly installments, beginning in July 2013 (Notes 27) and secured against the Company's assets. 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 (Note 27). In connection with the Waterton Credit Facility, the Company paid Waterton a cash structuring fee of $253,121 (USD$255,000) and issued warrants (the "Warrants") to Waterton to purchase 8,250,000 common shares priced at $0.23575 per common share (Notes 17 and 24). 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 $253,121 (USD$255,000) to a broker.

| | **As at 31 January 2013 $** | **As at 31 October 2012 $** |
|---|---|---|
| Balance, beginning of year | **-** | **-** |
| Amounts advanced | **14,244,300** | **21,744,300** |
| Transaction costs | **(1,399,328)** | **(2,174,328)** |
| Accretion of transaction costs | **474,646** | **1,116,455** |
| Accrued interest | **1,674,452** | **1,731,170** |
| Interest paid | **(376,750)** | **(835,917)** |
| Repayment | **(1,499,400)** | **(8,999,400)** |
| | **13,117,920** | **12,582,280** |
| Less: Current portion | **(3,184,395)** | **(3,145,570)** |
| **Balance, end of quarter** | **9,933,525** | **9,436,710** |

(Expressed in Canadian dollars)

## 15 DECOMMISSIONING LIABILITY

Reclamation and closure costs have been estimated based on the Company's interpretation of current regulatory requirements and have been measured at fair value. Fair value is determined based on the net present value of future cash expenditures upon reclamation and closure.

At 31 January 2013, the decommissioning liability relates to reclamation and closure costs of the Company's Nixon Fork Gold Mine.

The decommissioning liability in the amount of $6,030,587 (USD$6,033,000) is calculated as the net present value of estimated future net cash outflows of the reclamation and closure costs, which at 31 January 2013 total $5,630,482 (31 October 2012 $5,603,434) are required to satisfy the obligations, discounted at 3.75% per annum. The settlement of the obligations will occur through to 2018.

The following is an analysis of the decommissioning liability:

| | **As at 31 January 2013 $** | As at 31 October 2012 $ |
|---|---|---|
| Balance, beginning of period | **5,603,434** | **3,217,462** |
| Revisions | **-** | **2,328,095** |
| Accretion | **30,266** | **38,317** |
| Foreign exchange adjustment | **(3,128)** | **19,560** |
| **Total decommissioning liability, end of year** | **5,630,482** | **5,603,434** |

On 12 April 2012, the Company increased the financial assurance for its decommissioning liabilities from USD$3,526,430 to USD$6,033,000. The increase, based on the regulatory agencies assessment of prospective reclamation costs, was largely an inflationary adjustment in the amount of USD$1,678,946 to the previous bond amount that was required and posted in May 2006. In addition, the Company made a cash payment of US$827,624 to the surety provider who provided a bond to the Bureau of Land Management.

In relation to this decommissioning liability, the Company has a reclamation costs insurance policy with a cash value at 31 January 2013 of USD$2,068,504 (31 October 2012: $2,067,813) and funds on deposit with the surety provider at 31 January 2013 in the amount of USD$828,307.

## 16 SHARE CAPITAL

### 16.1 Authorized share capital

The Company has authorized an unlimited number of common shares with no par value. At 31 January 2013, the Company had 316,157,031 common shares outstanding (31 October 2012: 316,157,031).

**16.2 Shares issuances**

No new shares were issued in the quarter ended 31 January 2013.

During the year ended 31 October 2012 the Company issued common shares as follows:

On 9 August 2012, the Company issued 88,417,458 units at a price of $0.065 per unit for aggregate gross proceeds of $5,747,135. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the purchaser to subscribe for one additional common share at an exercise price $0.10 per share for a period of five years. The Company paid $137,041 and issued 2,080,320 compensation options as commission in connection with the offering. Each compensation option is exercisable into one unit at a price of $0.065 for a period of five years.

On 31 August 2012, the Company issued 16,602,709 units at a price of $0.065 per unit for aggregate gross proceeds of $1,079,176. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the purchaser to subscribe for one additional common share at an exercise price $0.10 per share for a period of five years. The Company paid $110,806 and issued 1,328,216 compensation options as commission in connection with the offering. Each compensation option is exercisable into one unit at a price of $0.065 for a period of five years.

On 19 September 2012, the Company issued 108,694,492 units at a price of $0.065 per unit for aggregate gross proceeds of $7,065,142. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the purchaser to subscribe for one additional common share at an exercise price $0.10 per share for a period of five years. The Company paid $427,376 and issued 6,262,526 compensation options as commission in connection with the offering. Each compensation option is exercisable into one unit at a price of $0.065 for a period of five years.

**16.3 Share purchase warrants**

The following is a summary of the changes in the Company's share purchase warrants for the year ended 31 October 2012. There is no change during the quarter ended 31 January 2013:

(Expressed in Canadian dollars)

| | Qtr ended 31 January 2013 and Year ended 2012 | |
|---|---|---|
| | Number of warrants | Weighted average exercise price $ |
| Outstanding, beginning of year | **30,841,293** | **0.68** |
| Granted | **231,635,721** | **0.10** |
| Exercised | **-** | **-** |
| Expired | **(30,841,293)** | **0.68** |
| **Outstanding, end of quarter and year** | **231,635,721** | **0.10** |

On 30 March 2012, the Company issued 8,250,000 warrants to Waterton exercisable at $0.23575 until on 30 March 2015 in relation to the credit facility of USD$12,750,000 (Notes 14 and 24). The fair value of these warrants at the date of grant were estimated to be $863,198, using the Black-Scholes option pricing model with an expected life of three years, interest rate of 1.47%, a dividend yield of 0% and expected volatility of 83.97%.

On 9 August 2012, 88,417,458 warrants and 2,080,320 compensation options were issued pursuant to a private placement of 88,417,458 units. The fair value of these warrants and compensation options at the date of grant were estimated to be $2,293,097 and $244,978, respectively, using the Black-Scholes option pricing model with an expected life of five years, interest rate of 1.35%, a dividend yield of 0% and expected volatility of 87.16%.

On 31 August 2012, 16,602,709 warrants and 1,328,216 compensation options were issued pursuant to a private placement of 16,602,709 units. The fair value of these warrants and compensation options at the date of grant were estimated to be $423,541 and $135,279, respectively, using the Black-Scholes option pricing model with an expected life of five years, interest rate of 1.29%, a dividend yield of 0% and expected volatility of 87.57%.

On 19 September 2012, 108,694,492 warrants and 6,262,526 compensation options were issued pursuant to a private placement of 108,694,492 units. The fair value of these warrants and compensation options at the date of grant were estimated to be $2,878,391 and $848,948, respectively, using the Black-Scholes option pricing model with an expected life of five years, interest rate of 1.34%, a dividend yield of 0% and expected volatility of 88.36%.

The following table summarizes information regarding share purchase warrants outstanding as at 31 January 2013.

(Expressed in Canadian dollars)

| Date issued | Number of warrants | Exercise price $ | Expiry date |
|---|---|---|---|
| 30 March 2012 – Warrants | 8,250,000 | 0.23575 | 30 March 2015 |
| 9 August 2012 – Warrants | 88,417,458 | 0.10 | 9 August 2017 |
| 9 August 2012 – Compensation options | 2,080,320 | 0.065 | 9 August 2017 |
| 31 August 2012 – Warrants | 16,602,709 | 0.10 | 31 August 2017 |
| 31 August 2012 – Compensation options | 1,328,216 | 0.065 | 31 August 2017 |
| 19 September 2012 – Warrants | 108,694,492 | 0.10 | 19 September 2017 |
| 19 September 2012 – Compensation options | 6,262,526 | 0.065 | 19 September 2017 |
| | **231,635,721** | **0.10** | |

### 16.4 Stock options

The Company has established a share purchase option plan whereby the Board may from time to time grant stock options to directors, officers, employees or consultants up to 10,244,237 shares at any time. 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 TSXV on the last trading day preceding the grant date, less any allowable discounts that may be permitted under applicable exchange policies.

The following is a summary of the changes in the Company's stock option plan for the quarter ended 31 January 2013 and years ended 31 October 2012:

| | Quarter ended 31 Jan 2013 | | Year ended 31 Oct 2012 | |
|---|---|---|---|---|
| | Number of options | Weighted average exercise price $ | Number of options | Weighted average exercise price $ |
| Outstanding, beginning | 8,341,636 | 0.26 | 8,056,250 | 0.48 |
| Granted | 200,000 | 0.10 | 5,956,636 | 0.13 |
| Exercised | - | - | - | - |
| Cancelled | (1,940,000) | | (5,671,250) | 0.44 |
| **Outstanding, end of period** | **6,601,636** | **0.25** | **8,341,636** | **0.26** |

(Expressed in Canadian dollars)

The weighted average fair value of the options granted during the quarter ended 31 January 2013 was at $0.10 (2012: $0.13) per option at the grant date using the Black-Scholes Option Pricing Model. The weighted average assumptions used for the calculation were:

| | Quarter ended 31 January 2013 $ | Year ended 31 Oct 2012 $ |
|---|---|---|
| Risk free interest rate | **1.23%** | **1.36%** |
| Expected life | **5.0 years** | **6.76 years** |
| Expected volatility | **89.18%** | **86.91%** |
| Expected dividend per share | **0.00%** | **0.00%** |

The following table summarizes information regarding stock options outstanding and exercisable as at 31 January 2013.

| Exercise price | Number of options outstanding | Weighted-average remaining contractual life (years) | Weighted average exercise price $ |
|---|---|---|---|
| **Options outstanding** | | | |
| $0.10 - $0.19 | 4,306,636 | 5.73 | 0.12 |
| $0.20 - $0.29 | - | - | - |
| $0.40 - $0.49 | 1,205,000 | 2.86 | 0.42 |
| $0.50 - $0.59 | 1,090,000 | 2.62 | 0.55 |
| **Total options outstanding** | **6,601,636** | **4.69** | **0.25** |
| **Options exercisable** | | | |
| $0.10 - $0.19 | 2,862,886 | 6.23 | 0.12 |
| $0.20 - $0.29 | - | - | - |
| $0.40 - $0.49 | 1,205,000 | 2.86 | 0.42 |
| $0.50 - $0.59 | 1,090,000 | 2.62 | 0.55 |
| **Total options exercisable** | **5,157,886** | **4.68** | **0.31** |

## 17 SHARE-BASED PAYMENTS

Share-based payments for the following options granted by the Company will be amortized over the vesting period, of which $69,179 was recognized in the quarter ended 31 January 2013 (31 October 2012: $595,111; 2011: $1,724,396):

(Expressed in Canadian dollars)

| Grant date | Fair value $ | **Amount vested in 2013 $** | **Amount vested in 2012 $** |
|---|---|---|---|
| 2 October 2009 | 662,222 | | **-** |
| 25 June 2010 | 1,452,670 | | **(23,547)** |
| 17 September 2010 | - | **(133,497)** | **11,290** |
| 18 October 2010 | - | **(16,677)** | - |
| 1 February 2011 | - | **(51,051)** | **4,254** |
| 14 February 2011 | 464,501 | | **6,592** |
| 5 May 2011 | - | **(83,445)** | **7,888** |
| 22 June 2011 | 971,746 | | **174,085** |
| 15 December 2011 | - | **(47,047)** | **33,605** |
| 14 May 2012 | - | **(23,790)** | **5,948** |
| 23 May 2012 | 251,274 | | **251,274** |
| 3 October 2012 | 300,429 | | **123,722** |
| 8 November 2013 | 69,179 | **69,179** | **-** |
| **Total** | 4,172,021 | **(286,328)** | **595,111** |

A total of $23,634 in the quarter ended 31 January 2013 (2012: $368,455; 2011: $1,478,219) has been expensed as administration expenses and $45,545 in the quarter ended 31 January 2013 (2012: $226,656; 2011: $246,177) has been expensed as exploration and evaluation expenses, with a corresponding amount recorded as stock options reserve. A total of $355,507 was relieved from the stock options reserve for stock options cancelled.

(Expressed in Canadian dollars)

## 18 ADMINISTRATION EXPENSES

The administration expenses for the Company are broken down as follows:

| | Qtr ended 31 Jan 2013 $ | Qtr ended 31 Jan 2012 $ |
|---|---|---|
| Accounting | **8,068** | **852** |
| Consulting and director fees | **2,855** | **70,538** |
| Corporate development | **-** | **7,360** |
| Couriers | **289** | **3,455** |
| Depreciation | **7,591** | **2,322** |
| Filing fees | **1,993** | **13,291** |
| Insurance | **37,528** | **257,752** |
| Bank service and interest charges | **220** | **1,032** |
| Legal | **10,521** | **247** |
| Lodging and food | **-** | **15,484** |
| Office expenses | **7,113** | **33,341** |
| Promotion | **-** | **2,498** |
| Rent | **8,144** | **17,706** |
| Share-based payments | **23,633** | **261,340** |
| Shareholder relations | **51,911** | **107,080** |
| Telephone | **1,896** | **4,961** |
| Travelling | **7,415** | **11,554** |
| Wages and benefits | **201,458** | **165,984** |
| **Total administration expenses** | **370,635** | **976,797** |

## 19 TAXES

There are no tax recoveries or deferred tax assets for the quarter ended 31 January 2013. Included below are the previous two years calculations.

(Expressed in Canadian dollars)

### 19.1 Provision for income taxes

| Year ended 31 October | **2012** **$** | 2011 $ |
|---|---|---|
| Loss for the year | **(33,292,016)** | (18,618,040) |
| Statutory tax rate | **25.25%** | 26.83% |
| Expected tax recovery | **(8,406,234)** | (4,995,220) |
| Different tax rates in foreign jurisdiction | **(2,497,344)** | (1,060,271) |
| Non-deductible items | **705,312** | 770,201 |
| Change in prior year provision to actual | **6,154** | (1,326,245) |
| Change in future tax rates | **12,864** | 54,159 |
| Change in valuation allowance | **10,179,248** | 6,557,376 |
| **Tax recovery for the year** | **-** | - |

### 19.2 Deferred tax balances

The tax effects of temporary differences that give rise to deferred tax assets and liabilities are as follows:

| | **As at 31 October 2012 $** | As at 31 October 2011 $ |
|---|---|---|
| Tax loss carry-forwards | **16,552,191** | 7,132,037 |
| Property, plant and equipment | **534,656** | 82,082 |
| Exploration and evaluation properties | **195,174** | 195,174 |
| Share issue costs | **552,795** | 246,275 |
| | **17,834,816** | 7,655,568 |
| Valuation allowance | **(17,834,816)** | (7,655,568) |
| **Deferred tax assets** | **-** | - |

### 19.3 Expiry dates

The Company’s recognized and unrecognized deferred tax assets related to unused tax losses have the following expiry dates:

(Expressed in Canadian dollars)

| | As at 31 January 2013 $ |
|---|---|
| **Non-capital losses** | |
| 2027 | **3,745** |
| 2028 | **81,055** |
| 2029 | **928,215** |
| 2030 | **5,902,351** |
| 2031 | **15,405,320** |
| 2032 | **28,755,801** |
| **Total non-capital losses** | **51,076,487** |
| **Total resource-related deduction, no expiry** | **780,695** |

## 20 LOSS PER SHARE

The calculation of basic and diluted loss per share is based on the following data:

| | Qtr ended 31 Jan 2013 | Qtr ended 31 Jan 2012 | Year ended 31 Oct 2012 |
|---|---|---|---|
| Net loss for the quarter/year | **(5,449,469)** | **(8,656,898)** | **$(33,292,016)** |
| Weighted average number of shares – basic and diluted | **316,157,031** | **102,442,372** | **138,356,966** |
| **Loss per share, basic and diluted** | **(0.02)** | **(0.08)** | **$ (0.24)** |

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. All of the stock options and the share purchase warrants were anti-dilutive for the quarters ended 31 January 2013 and 31 January 2012.

## 21 CAPITAL RISK MANAGEMENT

The Company’s objectives are to safeguard the Company’s ability to continue as a going concern in order to support the Company’s normal operating requirements and continue the development and exploration of its mineral properties.

(Expressed in Canadian dollars)

The Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for general administration costs, the Company may issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

As 31 January 2013, the Company's capital structure consists of loans payable (Note 14) and the equity of the Company (Note 16). The Company is not subject to any externally imposed capital requirements. In order to maximize ongoing development efforts, the Company does not pay dividends.

There were no significant changes in the Company's approach or the Company's objectives and policies for managing its capital during the quarter ended 31 January 2013.

## 22 FINANCIAL INSTRUMENTS

### 22.1 Categories of financial instruments

| | **As at 31 January 2013 $** | As at 31 October 2012 $ |
|---|---|---|
| **FINANCIAL ASSETS** | | |
| **FVTPL, at fair value** | | |
| Cash and cash equivalents | **295,700** | **988,989** |
| **Loans and receivables, at amortized cost** | | |
| Trade receivables | **468,305** | **-** |
| **Total financial assets** | **764,005** | **988,989** |
| **FINANCIAL LIABILITIES** | | |
| **Other liabilities, at amortized cost** | | |
| Trade payables | **1,163,998** | **1,361,144** |
| Loans and notes payable | **13,456,172** | **12,582,280** |
| **Total financial liabilities** | **14,620,170** | **13,943,424** |

(Expressed in Canadian dollars)

**22.2 Fair value**

The fair value of financial assets and financial liabilities at amortized cost is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions.

The following table provides an analysis of the Company's financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the inputs used to determine the fair value are observable.

- Level 1 fair value measurements are those derived from quoted prices 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 either directly or indirectly.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data. As at 31 October 2012, the Company does not have any Level 3 financial instruments.

| | **As at 31 January 2013 $** | **As at 31 October 2012 $** |
|---|---|---|
| **LEVEL 1** | | |
| **Financial assets at fair value** | | |
| Cash and cash equivalents | 295,700 | 988,989 |
| **Total financial assets at fair value** | **295,700** | **988,989** |

There were no transfers between Level 1 and 2 in the quarter ended 31 January 2013.

**22.3 Management of financial risks**

The financial risk arising from the Company's operations are credit risk, liquidity risk, interest rate risk, currency risk and commodity price risk. These risks arise from the normal course of operations and all transactions undertaken are to support the Company's ability to continue as a going concern. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

**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 trade receivables. The Company manages its credit risk relating to cash and cash equivalents by dealing only with highly-rated Canadian and United States financial institutions. As at 31 January 2013, amounts receivable was comprised of trade receivables from metal sales contracts of $186,474 (31 October 2012: $Nil), Harmonized Sales Tax receivable of $102,006 (31 October 2012: $93,208) and a note receivable from Alaska Air Fuel for $179,825 (31 October 2012 $Nil). As a result, credit risk is considered insignificant.

**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. The Company is currently in the process of implementing operational improvements at the Nixon Fork Gold Mine which are expected to lead to increased gold production once the Company has started commercial production.

**Interest rate 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.

The interest rate on the Company's loans payable is fixed. Loans payable are measured at amortized cost. Changes in market interest rates will not affect the cash flows or carrying value of loans payable.

**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.

Foreign currency risk is limited to the portion of the Company's business transactions denominated in currencies other than the Canadian dollar. The Company has cash and cash equivalents, trade payables and loans payable held in US dollars.

The Company monitors and forecasts the values of net foreign currency cash flow and statement of financial position 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 as at 31 January 2013 and 2012, 31 October 2012, and 31 October 2011:

(Expressed in Canadian dollars)

| | As at 31 January 2013 US$ | As at 31 January 2012 US$ | As at 31 October 2012 US$ |
|---|---|---|---|
| Cash and cash equivalents | **182,610** | 208,447 | **665,262** |
| Trade receivables | **386,656** | 476,883 | **-** |
| Trade payables | **(1,102,921)** | (1,792,817) | **(1,228,532)** |
| Loans payable | **(12,750,000)** | (7,229,074) | **(12,750,000)** |
| **Total** | **(13,423,706)** | (8,336,561) | **(13,313,270)** |

**Commodity price risk**

The results of the Company's operations will depend in large part upon the market price of gold. Gold prices fluctuate widely and are affected by numerous factors beyond the Company's 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 its business and financial condition. The Company has not entered into derivative contracts to protect the selling price for gold. The Company may in the future more actively manage its exposure through derivative contracts or other commodity price risk management programs, although the Company has no intention of doing so in the near-term.

## 23 Due from/to related parties

The assets and liabilities of the Company include the following amounts due from/to related parties:

(Expressed in Canadian dollars)

| | As at 31 January 2013 $ | As at 31 January 2012 $ | As at 31 October 2012 $ |
|---|---|---|---|
| Former director | - | - | - |
| **Total amount due from related party** | - | - | - |
| Chief Executive Officer | 6,073 | - | 6,218 |
| Chief Financial Officer | 3,846 | - | 3,938 |
| Former Chief Financial Officer | - | - | 32,282 |
| Former Vice President of Business Development | - | - | - |
| Current directors | 22,542 | | |
| Former director | 39,984 | $78,000 | 39,984 |
| Former director | - | - | - |
| **Total amount due to related parties** | 72,445 | $78,000 | 82,422 |

The amounts due from/to related parties are unsecured, non-interest bearing and due on demand.

## 24 KEY MANAGEMENT PERSONNEL COMPENSATION

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

| | Qtr ended 31 Jan 2013 $ | Qtr ended 31 Jan 2012 $ | Year ended 31 Oct 2012 $ |
|---|---|---|---|
| Short-term benefits | 131,312 | 166,528 | 907,127 |
| Share-based payments | 36,318 | 261,340 | 481,173 |
| **Total key management personnel compensation** | 167,630 | 427,868 | 1,388,300 |

(Expressed in Canadian dollars)

## 25 SUPPLEMENTAL CASH FLOW INFORMATION

The Company made the following cash payments for interest and income taxes:

| | Qtr ended 31 Jan 2013 $ | Qtr ended 31 Jan 2012 $ | Year ended 31 Oct 2012 $ |
|---|---|---|---|
| Interest paid | **185,433** | **145,765** | **835,917** |
| Taxes paid | **-** | **-** | **-** |
| **Total cash payments** | **185,433** | **145,765** | **835,917** |

On 30 March 2012, the Company issued 8,250,000 warrants to Waterton exercisable at $0.23575 and expiring on 30 March 2015 related to the credit facility of USD$12,750,000 (Notes 14 and 16).

During the year ended 31 October 2012, the Company issued a total of 9,671,062 compensation options valued at $1,229,205 (Note 16). These compensation options are exercisable into one unit at a price of $0.065 for a period of five years related to the completion of several private placements. No compensation options were issued in the quarter ended 31 January 2013.

## 26 COMMITMENTS

As at 31 January 2013, the Company had the following commitments:

| | < 1 year $ | 2-3 years $ | > 3 years $ | Total $ |
|---|---|---|---|---|
| Rent and lease payments | 52,651 | 52,651 | - | 105,302 |
| Notes for Larox | 284,722 | - | - | 284,722 |
| Waterton loan extension fee | 653,908 | 544,923 | - | 1,198,831 |
| Waterton credit facility | 4,084,904 | 12,254,711 | - | 16,339,615 |
| **Total commitments** | **5,076,185** | **12,852,285** | **-** | **17,928,470** |

The Company is committed to repay the Waterton Credit Facility, at Waterton's discretion, in either cash or ounces of gold at 78% of the then prevailing gold price (Note 14).

In relation to a gold and silver supply agreement between the Company and Waterton, the Company is committed to sell all of the "Refined Gold and Refined Silver" produced or otherwise originating from its Nixon Fork Gold Mine or any portion thereof, to Waterton until March 2014 (Note 15). The Company is committed to repay all dore advances from Waterton.

In relation to an agreement between the Company and Glencore Ltd., the Company is committed to sell copper concentrates form its Nixon Fork Gold Mine to Glencore Ltd. until 31 December 2013.

In relation to a refining agreement between the Company and Johnson Matthey Inc., the Company is committed to sell doré bars containing gold, silver and other impurities from its Nixon Fork Gold Mine to Johnson Matthey Inc. until 31 March 2013.

## 27 CONTINGENCY

The Company has certain employee claims related to wrongful dismissal under investigation. A reasonable estimate of the settlement amounts cannot be made until the results of the investigations have been determined.

## 28 EVENTS AFTER THE REPORTING PERIOD

The following events occurred subsequent to 31 January 2013:

Subsequent to the quarter ended 31 January 2013, the Company received payments and advance payments from Waterton for the sale of gold doré valued at USD$5,456,113. In total since inception under the dore purchase agreement with Waterton, the Company has received payments of US$15,157,091 and delivered USD$8,298,325 in gold doré to Waterton, resulting in a current dore advance balance of USD$6,858,766.

The 200,000 stock options granted in November 2012 were cancelled in February 2013.

Mine operating costs for February 2013 were approximately $3.3 million and cost recoveries were approximately $2.3 million. Mine operating costs for March 2013 are forecasted at $3 million with cost recoveries of $2 million.

Ken Stowe, the chairman of the Board of Directors, resigned effective 25 March 2013.

## 29 APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements of the Company for the quarter ended 31 January 2013 were approved and authorized for issue by the Board of Directors on 26 March 2013.