FIRE RIVER GOLD CORP.

(An Exploration Stage Company)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

31 January 2011 and 2010
FIRST QUARTER

(Expressed in Canadian Funds)

FIRE RIVER GOLD CORP.

Interim Consolidated Financial Statements

31 January 2011

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

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed the unaudited interim consolidated financial statements for the period ended 31 January 2011 in accordance with Section 7050 of the CICA Handbook.

NOTICE TO READER OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The interim consolidated financial statements of Fire River Gold Corp. (the "Company") and the accompanying interim consolidated balance sheet as at 31 January 2011 and the interim consolidated statements of loss, comprehensive loss and cash flows for the three month period then ended are the responsibility of the Company's management. These financial statements have not been reviewed on behalf of the shareholders by the independent external auditors of the Company, James Stafford, Chartered Accountants.

The interim financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these interim consolidated financial statements in accordance with Canadian generally accepted accounting principles.

"Richard Goodwin"	*"Robert Guanzon"*
Richard Goodwin, President and COO	Robert Guanzon, Chief Financial Officer
March 31, 2011	March 31, 2011

Fire River Gold Corp.

Statement 1

(An Exploration Stage Company)

Consolidated Balance Sheets

(Canadian Funds)

(Unaudited)

ASSETS		31 January 2011		31 October 2010 (Audited)
Current				
Cash and cash equivalents	$	13,522,232	$	8,042,809
Amounts receivable		83,254		53,452
Prepaid expenses, advances and deposits		171,916		94,097
		13,777,402		8,190,358
Property, Plant and Equipment *(Note 4)*		44,718		120,475
Reclamation Deposits *(Note 5)*		2,243,033		2,243,033
Mineral Property Costs – *Statement 5 (Note 6)*		13,876,840		11,455,993
	$	29,941,993	$	22,009,859
LIABILITIES				
Current				
Accounts payable and accrued liabilities	$	8,281	$	130,540
Due to related parties *(Note 7)*		-		8,678
		8,281		139,218
Asset Retirement Obligations *(Note 5)*		3,310,723		3,238,299
Future Income Tax Liabilities		595,108		595,108
		3,914,112		3,972,625
Commitments *(Note 9)*				
Subsequent Events *(Note 11)*				
SHAREHOLDERS' EQUITY				
Share Capital - *Statement 2 (Note 8)*				
Authorized:				
Unlimited number of common voting shares				
Issued and fully paid:				
80,568,677 (31 October 2010 – 59,821,490) common shares		22,956,575		16,265,025
Contributed Surplus		7,897,147		5,321,138
Deficit Accumulated During Exploration Stage		(4,825,841)		(3,548,929)
		26,027,881		18,037,234
	$	29,941,993	$	22,009,859

ON BEHALF OF THE BOARD:

“Richard Goodwin” , President & COO

“Spiros Cacos” , Director

- See Accompanying Notes -

Fire River Gold Corp.

Statement 2

(An Exploration Stage Company)

Consolidated Statements of Changes in Shareholders' Equity

(Canadian Funds)

(Unaudited)

	Common Shares										
	Number		Amount		Contributed Surplus		Other Comprehensive Income		Accumulated Deficit		Total
Balance – 31 October 2008	8,330,001	$	733,001	$	–	$	16,238	$	(291,901)	$	457,338
Issuance of common shares for:											
- Initial Public Offering ($0.30 per share)	1,543,100		462,930		–		–		–		462,930
- Cash ($0.30 per share)	12,635,756		3,790,727		–		–		–		3,790,727
- Mineral properties	700,000		275,000		–		–		–		275,000
Business acquisition	6,415,000		2,670,750		225,670		–		–		2,896,420
Exercise of warrants	1,294		609		(178)		–		–		431
Value assigned to warrants	–		(1,495,359)		1,495,359		–		–		–
Stock-based compensation	–		–		57,004		–		–		57,004
Share issuance cost	–		(202,331)		–		–		–		(202,331)
Unrealized loss on available-for-sale securities	–		–		–		(16,238)		–		(16,238)
Loss for the year	–		–		–		–		(808,229)		(808,229)
Balance – 31 October 2009	29,625,151	$	6,235,327	$	1,777,855	$	–	$	(1,100,130)	$	6,913,052
Issuance of common shares for:											
- Cash ($0.30 per share)	438,000		131,400		–		–		–		131,400
- Cash ($0.40 per share)	10,582,250		4,232,900		–		–		–		4,232,900
- Cash ($0.50 per share)	17,490,000		8,745,000		–		–		–		8,745,000
- Finder's fee	26,040		16,666		–		–		–		16,666
- Consulting services	35,000		14,000		–		–		–		14,000
Exercise of warrants	1,625,049		984,688		(338,571)		–		–		646,117
Value assigned to warrants	–		(3,296,700)		3,296,700		–		–		–
Issuance of warrants for mineral property	–		–		35,125		–		–		35,125
Stock-based compensation	–		–		370,873		–		–		370,873
Share issuance cost	–		(798,256)		179,156		–		–		(619,100)
Loss for the year	–		–		–		–		(2,448,799)		(2,448,799)
Balance – 31 October 2010	59,821,490	$	16,265,025	$	5,321,138	$	–	$	(3,548,929)	$	18,037,234
Issuance of common shares for:											
- Cash ($0.45 per share)	18,795,008		8,457,754		-		-		-		8,457,754
Exercise of warrants	1,952,179		984,688		(387,904)		-		-		596,784
Value assigned to warrants	-		(2,543,471)		2,543,471		-		-		-
Stock-based compensation	-		-		420,442		-		-		420,442
Share issuance cost	-		(207,421)		-		-		-		(207,421)
Loss for the period	-		-		-		-		(1,276,912)		(1,276,912)
Balance - 31 January 2011	80,568,677	$	22,956,575	$	7,897,147	$	-	$	(4,825,841)	$	26,027,881

Fire River Gold Corp.

Statement 3

(An Exploration Stage Company)

Consolidated Statements of Loss and Comprehensive Loss

(Canadian Funds)

(Unaudited)

	Three months ended 31 January	
	2011	2010
General and Administrative Expenses		
Accounting	$ -	$ 2,622
Amortization	77,167	5,209
Consulting	219,539	204,336
Corporate development	45,215	61,603
Couriers	2,844	1,268
Filing fees	6,591	61,782
Insurance	7,339	66,035
Interest and service charges	1,459	5,283
Legal	1,721	90,715
Lodging and food	9,869	10,461
Office and miscellaneous	50,163	25,302
Promotion	500	-
Rent	5,113	22,435
Telephone	8,099	4,573
Traveling	8,077	17,583
Shareholder relations	102,914	204,574
Stock-based compensation	420,442	82,778
Reclamation and accretion expense	72,424	-
Loss for the Year before Other Items	(1,039,476)	(866,559)
Other Items		
Foreign exchange gain (loss)	(255,853)	19,712
Interest income	18,417	2,927
Loss and Comprehensive Loss for the period	(1,276,912)	(843,920)
Loss and Comprehensive Loss per Share - Basic and Diluted	$ (0.02)	$ (0.03)
Weighted Average Number of Common Shares Outstanding	73,404,584	32,696,551

Fire River Gold Corp.

Statement 4

(An Exploration Stage Company)

Consolidated Statements of Cash Flows

(Canadian Funds)

(Unaudited)

	Three months ended 31 January	
Cash Resources Provided By (Used In)	2011	2010
Operating Activities		
Loss for the year	$ (1,276,912)	$ (843,920)
Items not affecting cash		
Amortization	77,167	5,209
Stock based-compensation	420,442	82,778
Foreign exchange gain (loss), net	1,245	(17,529)
Amounts receivable	(29,802)	(2,217)
Prepaid expenses and deposits	(77,819)	14,271
Accounts payable and accrued liabilities	(122,259)	(128,736)
	(1,117,938)	(890,144)
Investing Activities		
Purchase of property, plant and equipment	-	(27,148)
Mineral property costs, net of cash recovered	(2,351,078)	(694,226)
	(2,351,078)	(721,374)
Financing Activities		
Due to related parties	(8,678)	(436,059)
Common shares issued, net of issuance costs	8,847,117	2,955,520
	8,838,439	2,519,461
Net Increase in Cash and Cash Equivalents	5,479,423	907,943
Cash and cash equivalents - Beginning of Year	8,042,809	2,580,674
Cash and Cash Equivalents - End of Period	$ 13,522,232	$ 3,488,617

- See Accompanying Notes -

Fire River Gold Corp.

(An Exploration Stage Company)

Statement 5

Consolidated Schedules of Mineral Property Costs

For the Three Month Period Ended 31 January

(Canadian Funds)

(Unaudited)

	2011			
	Acquisition Costs	Exploration Costs	Total	2010 Total
Draken Property – Alaska				
Share acquisition	$ -	$ -	$ -	$ -
Field expenses	-	-	-	-
Engineering and geological consulting	-	-	-	3,473
	-	-	-	3,473
Golden Zone Property – Alaska				
Cash and share acquisition	-	-	-	-
Field expenses	-	-	-	7,544
Engineering and geological consulting	-	-	-	39,880
Maintenance fees	-	-	-	69,677
	-	-	-	117,101
Kansas Creek Gold Project – Alaska				
Cash and share acquisition	-	-	-	20,832
Field expenses	-	-	-	1,447
Engineering and geological consulting	-	-	-	20,785
	-	-	-	43,064
Nixon Fork Gold Mine – Alaska				
Cash and share acquisition	-	-	-	225,000
Share purchase warrant acquisition	-	-	-	35,125
Amortization	-	69,769	69,769	36,205
Camp costs and field supplies	-	673,687	673,687	1,081,108
Claim maintenance and permitting	-	45,005	45,005	30,344
Consulting	-	120,250	120,250	526,912
Drilling	-	196,198	196,198	511,978
Geology	-	162,955	162,955	844,198
Royalties	-	-	-	91,731
Travel and fuel	-	403,731	403,731	1,283,810
Wages	-	894,862	894,862	1,397,119
Cost recovery	-	(145,610)	(145,610)	(1,130,137)
	-	2,420,847	2,420,847	4,933,393
Costs for the Period	-	2,420,847	2,420,847	5,097,031
Write-down of mineral property costs	-	-	-	(546,530)
Balance – Beginning of Year	6,529,078	4,926,915	11,455,993	6,905,492
Balance – End of Period	$ 6,529,078	$ 7,347,762	$ 13,876,840	$ 11,455,993

1. Nature and Continuance of Operations and Significant Accounting Policies

Nature and Continuance of Operations

Fire River Gold Corp. (the "Company") was incorporated on 22 September 1997 under the laws of the Province of British Columbia and is a mineral exploration company focused on the acquisition, exploration and development of primarily gold, silver and base metal properties. The Company expects to become a production company with a superior technical team focused on bringing its flagship project, the Nixon Fork Gold Mine, back into production within 2011. The Company is an exploration stage entity as defined by the Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 11.

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.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and include the following significant accounting policies:

a) **Basis of Consolidation**

The consolidated financial statements include the financial statements of the Company and its wholly owned United States subsidiaries, Fire River Gold Corp. USA ("FAU USA") and Mystery Creek Resources, Inc. ("MCR"). Inter-company balances and transactions have been eliminated on consolidation.

b) **Cash and Cash Equivalents**

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

c) **Mineral Properties and Deferred Exploration Expenditures**

Direct costs related to the acquisition and exploration of mineral properties held or controlled by the Company are deferred on an individual property basis until the viability of a property is determined. When a property is placed in commercial production, deferred costs will be depleted using the units-of-production method. Management of the Company periodically reviews the recoverability of the capitalized mineral properties. Management takes into consideration various information including, but not limited to, results of exploration activities conducted to date, estimated future gold and metal prices, and reports and opinions of outside geologists, mine engineers and consultants.

1. Nature and Continuance of Operations and Significant Accounting Policies (continued)

c) Mineral Properties and Deferred Exploration Expenditures (continued)

When it is determined that a project or property will be abandoned then the costs are written off, or if its carrying value has been impaired, then the mineral properties and deferred costs are written down to fair value.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, 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.

From time to time, the Company acquires or disposes of properties pursuant to the terms of option agreements. Options are exercisable entirely at the discretion of the optionee and, accordingly, are recorded as mineral property costs or recoveries when the payments are made or received. After costs are recovered, the balance of the payments received are recorded as a gain on option or disposition of mineral property.

d) Asset Retirement Obligations

The Company recognizes the legal liability for obligations relating to retirement of property, plant, and equipment, and arising from the acquisition, construction, development, or normal operation of those assets. The Company has estimated the future cost of reclamation and closure, including site rehabilitation and long-term treatment and monitoring costs to net present value. Such estimates are, however, subject to change based on negotiations with regulatory authorities and changes in laws and regulations. These estimates are reviewed annually.

The Company records a liability for the estimated future costs associated with legal obligations relating to the reclamation and closure of its mining properties described above. This amount is initially recorded at its discounted present value with subsequent annual recognition of an accretion amount on the discounted liability. An equivalent amount is recorded as an increase to mining interests and expensed as amortization and depletion using a systematic and rational method over its useful life. Changes resulting from revisions to the timing or the amount of the original estimate of the undiscounted cash flows are recognized as an increase or a decrease in the carrying amount of the liability for reclamation and closure cost obligations, and the related asset retirement cost is capitalized as part of the carrying amount of the related long-lived asset.

e) Property, Plant and Equipment

Property, plant and equipment are recorded at cost and are amortized over their estimated useful lives using the declining balance method at the following annual rates:

Furniture and office equipment	20 %
Field equipment	30 %

Amortization of assets used in exploration is capitalized to mineral properties expenditures.

f) Income Taxes

Income taxes are accounted for using the asset and liability method. Future taxes are recognized for the tax consequences of "temporary differences" by applying enacted or substantively enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and tax basis of existing assets and liabilities. The effect on future taxes for a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. In addition, the method requires the recognition of future tax benefits to

1. Nature and Continuance of Operations and Significant Accounting Policies (continued)

f) **Income Taxes (continued)**

the extent that realization of such benefits is more likely than not. A valuation allowance is provided to the extent that it is more likely than not that future income tax assets will not be realized.

g) **Foreign Currency Translation**

The Company's subsidiaries are integrated foreign operations and their results and financial position are translated into the Company's functional currency, the Canadian dollar, using the temporal basis as follows:

- Monetary assets and liabilities at year-end rates,
- All other assets and liabilities at historical rates, and
- Expense and exploration and development items at the average rate of exchange prevailing during the year.

Exchange gains and losses arising from these translations are reflected in income or expense in the period that they occur.

h) **Stock-Based Compensation**

All stock-based awards made to employees and non-employees are measured and recognized using a fair value based method. For employees, the fair value of the options is measured at the date of the grant. For non-employees, the fair value of the options is measured on the earlier of: (a) the date at which the counterparty performance is complete, (b) the date the performance commitment is reached or (c) the date at which the equity instruments are granted if they are fully vested and non-forfeitable. For employees and non-employees, the fair value of the options is accrued and charged to operations or capitalized to mineral property costs as appropriate, with the offsetting credit to contributed surplus, over the applicable vesting period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

i) **Earnings (Loss) per Share**

Basic earnings (loss) per share is computed by dividing income (loss) available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share which assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. In years in which a loss is incurred, the effect of potential issuances of shares under options and warrants would be anti-dilutive, and therefore basic and diluted loss per share are the same.

j) **Management's Estimates**

The preparation of financial statements in conformity with Canadian GAAP 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 dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates.

1. Nature and Continuance of Operations and Significant Accounting Policies (continued)

k) Financial Instrument Standards

Financial Assets and Financial Liabilities

Financial assets and liabilities are initially recognized at fair value and are subsequently measured based on their classification as held-to-maturity, loans and receivables, available-for-sale or held-for-trading, as described below. The classification is not changed subsequent to initial recognition.

Held-to-Maturity and Loans and Receivables

Financial instruments that have a fixed maturity date, where the Company intends and has the ability to hold to maturity, are classified as held-to-maturity and measured at amortized cost using the effective interest rate method. Held-to-maturity, loans and receivables are measured at amortized cost using the effective interest rate method.

Available-for-sale

Financial assets classified as available-for-sale are carried at fair value (where determinable based on market prices of actively traded securities) with changes in fair value recorded in other comprehensive income or loss. Available-for-sale securities are written down to fair value through earnings whenever it is necessary to reflect an other-than-temporary impairment. Transaction costs that are directly attributable to the acquisition or issue of a financial asset or financial liability are added to its fair value.

Held-for-Trading

Financial assets and financial liabilities that are purchased and incurred with the intention of generating profits in the near term are classified as held-for-trading. These instruments are measured at fair value with the change in the fair value recognized in income or loss.

Derivatives and Hedge Accounting

The Company does not hold or have any exposure to derivative instruments and accordingly is not impacted by CICA Handbook Section 3865, "*Hedges*".

Comprehensive Income (Loss)

Comprehensive income (loss) is composed of the Company's earnings (loss) and other comprehensive income (loss). Other comprehensive income includes unrealized gains and losses on available-for-sale securities, foreign currency translation gains and losses on the net investment in self-sustaining operations and changes in the fair market value of derivative instruments designated as cash flow hedges, all net of income taxes. Cumulative changes in other comprehensive income are included in accumulated other comprehensive income which is presented (if applicable) as a new category in shareholders' equity.

l) International Financial Reporting Standards ("IFRS")

In February 2008, the CICA announced that GAAP for publicly accountable enterprises is to be replaced by IFRS for fiscal years beginning on or after 1 January 2011. Companies are required to provide IFRS comparative information for the previous fiscal year. Accordingly, the conversion from GAAP to IFRS is to be applicable to the Company's reporting for the first quarter of its 2012 year end for which the current and comparative information will be prepared under IFRS. The Company is required to apply all of those IFRS standards which are effective for fiscal years ending 31 October 2012 and 2011 and apply them to its opening 1 November 2010 balance sheet.

1. Nature and Continuance of Operations and Significant Accounting Policies (continued)

m) **Comparative Figures**

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

2. Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, amounts receivable, accounts payable and due to related parties.

The CICA Handbook Section 3862, "Financial Instruments – Disclosures" requires disclosure of a three-level hierarchy for fair value measurements based upon transparency of inputs to the valuation of financial instruments carried on the balance sheet at fair value. The three levels are defined as follows:

Level 1: inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
Level 2: inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
Level 3: inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The fair value of the financial instruments approximates their carrying values, due to their short-term maturity or capacity of prompt liquidation.

a) **Credit Risk**

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises primarily from the Company's cash and cash equivalents and amounts receivable. The Company manages its credit risk relating to cash and cash equivalents by dealing only with highly-rated Canadian financial institutions. As at 31 January 2011, amounts receivable was comprised of Harmonized Sales Tax receivable of $74,671 (31 October 2010 - $49,026) and interest receivable of $8,583 (31 October 2010 - $4,426). As a result, credit risk is considered insignificant.

b) **Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by continuously monitoring actual and projected cash flows and matching the maturity profile of financial assets and liabilities. As the Company's financial instruments are substantially comprised of cash and cash equivalents, liquidity risk is considered insignificant.

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.

The majority of the Company's cash flows and financial assets and liabilities are denominated in Canadian dollars, which is the Company's functional and reporting currency. 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 held in US dollars.

2. Fair Value of Financial Instruments (continued)

c) Currency Risk (continued)

The Company's objective in managing its foreign currency risk is to minimize its net exposures to foreign currency cash flows by holding most of its cash and cash equivalents in Canadian dollars. 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 provides an indication of the Company's significant foreign currency exposures during the period ended 31 January 2011 and 2010:

	31 January 2011	31 October 2010
Cash and cash equivalents	US$ 5,836,719	US$ 3,026,978

The Company receives interest revenues denominated in US dollars on the financial assets denominated in US dollars. However, the Company does not currently view this exposure as a significant foreign exchange risk as the amount of revenue is not significant.

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

d) Interest Risk

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

e) Commodity Price Risk

The Company is in the exploration stage and is not subject to commodity price risk.

3. Acquisition

On 22 September 2009, the Company acquired a 100% interest in MCR (Notes 6 and 7). The aggregate purchase price was $4,232,585 of which $1,336,165 is to be paid in cash ($461,909 paid during the year ended 31 October 2009 and $874,256 paid during the year ended 31 October 2010), the Company issued 6,415,000 common shares of the Company valued at $2,670,750 and issued 1,000,000 share purchase warrants at an exercise price of $0.50 per common share valued at $225,670 (Note 8). The acquisition of MCR expands the Company's business of acquiring and exploring mineral properties.

A valuation of certain assets was completed and the Company internally determined the fair value of other assets and liabilities. In determining the fair value of acquired assets, standard valuation techniques were used including the market and income approach.

(Canadian Funds)

3. Acquisition (continued)

The purchase price allocation has been determined as follows:

Assets purchased:	
Cash and cash equivalents	$ 177,090
Prepaid and advances	2,535
Property, plant and equipment	45,757
Reclamation deposits	2,741,886
Mineral property interests	6,100,001
Total assets acquired	$ 9,067,269
Liabilities assumed:	
Due to related parties	222,152
Asset retirement obligations	2,954,586
Future income tax liabilities	1,657,946
Total liabilities assumed	$ 4,834,684
Purchase price	$ 4,232,585

4. Property, Plant and Equipment

Details are as follows:

	Cost	Accumulated Amortization	31 January 2011 Net Book Value
Office equipment	$ 31,601	$ (6,516)	$ 25,085
Field equipment	131,650	(112,017)	19,633
	$ 163,251	$ (118,533)	$ 44,718

	Cost	Accumulated Amortization	31 October 2010 Net Book Value
Office equipment	$ 31,601	$ (3,883)	$ 27,718
Field equipment	131,650	(38,893)	92,757
	$ 163,251	$ (42,776)	$ 120,475

During the period ended 31 January 2011, total additions to property, plant and equipment are $Nil (31 October 2010 - $83,067).

5. Asset Retirement Obligations

The Company's asset retirement obligations consist of reclamation and closure costs related to its mineral properties. The present value of the estimated obligations relating to properties is $3,238,299 (31 October 2010 - $3,238,299) using discount rates at which cash flows have been discounted by 10%. Significant reclamation and closure cost activities includes land rehabilitation and reforestation, demolition of buildings and mine facilities, fencing, ongoing care and maintenance and other costs.

The undiscounted inflated reclamation and closure cost obligation at 31 January 2011 is $3,729,867 (31 October 2010 - $3,729,867) and the estimated cash outflows will occur in or about 2013. During the period an accretion expense component of $72,424 (31 October 2010 - $300,619) has been charged to operations to reflect an increase in the carrying amount of the asset retirement obligations.

(Canadian Funds)

5. Asset Retirement Obligations (continued)

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

		31 January 2011		31 October 2010
Balance, beginning of year	$	3,238,299	$	3,128,735
Accretion		-		300,619
Addition to Nixon Fork future site reclamation costs		-		-
Effect of translation of foreign currency		-		(191,055)
Balance, end of period	$	3,238,299	$	3,238,299

In relation to these reclamation obligations, the Company, as at 31 January 2011, had a deposit of $2,243,033 (31 October 2010 - $2,243,033) with the government of Alaska.

6. Mineral Property Costs

a) Draken Property

On 19 June 2008, the Company issued 500,000 common shares of the Company valued at $50,000 (Note 8) to acquire a 100% interest in certain mineral property claims ("Draken Property") which covers 960 acres and is located in southeast-central Alaska 288 km southeast of Fairbanks, Alaska, USA.

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

b) Golden Zone Property

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

The Letter Agreement will serve to define terms of the formal option agreement which will be completed within 45 days at the conclusion of the Company's positive due diligence. The Company acquired Golden Zone under the following terms of the agreement:

- US$50,000 on signing of the letter agreement and option agreement (paid);
- US$75,000 on or before 31 May 2010;
- US$75,000 on or before 31 May 2011;
- US$75,000 on or before 31 May 2012;
- 500,000 common shares of the Company on signing of the option agreement (issued) (Note 8);
- US$325,000 in common shares of the Company on or before 31 May 2010;
- US$325,000 in common shares of the Company on or before 31 May 2011;
- US$325,000 in common shares of the Company on or before 31 May 2012; and
- US$325,000 in common shares of the Company on or before 31 May 2013.

6. Mineral Property Costs (continued)

b) Golden Zone Property (continued)

The Project is located 240 km north of Anchorage, Alaska on the south flank of the Alaska Range and is road accessible. A US$250,000 2009 program is in progress and will consist of a trenching and mapping program that will assay for gold silver and copper, a trenching program is in progress to test the southern extension of the Breccia Pipe mineralized zone. The Golden Zone has a NI 43-101 compliant mineral resource containing a measured and indicated resource of approximately 3.09 million tons grading 0.082 ounces per ton (opt) gold (2.81 g/t) using a cut-off grade of 0.03 opt gold (1.03 g/t) for a total of 259,940 ounces with 7.61 million pounds of copper and 1.39 million ounces of silver.

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

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

c) Kansas Creek Gold Project

On 19 June 2008, the Company signed an agreement to acquire a 100% interest from Anglo Alaska Gold Corporation certain mineral claims referred to as the Kansas Creek Project. In consideration, the Company will pay an aggregate of US$40,000 in instalments (paid) and will also issue an aggregate of 250,000 common shares (200,000 common shares issued) (Notes 8 and 9). 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 0.5% NSR royalty.

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

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

d) Nixon Fork Gold Mine

On 22 September 2009, the Company acquired 100% interest in Nixon Fork Gold Mine through the purchase of MCR from Pacific North West Capital Corp. (“PFN”), located 56km northeast of McGrath, Alaska, USA. In consideration, the Company paid $1,336,165 in cash, issued an aggregate of 6,415,000 common shares (issued and valued at $2,670,750) and issued an aggregate of 1,000,000 share purchase warrants at an exercise price of $0.50 per common share (issued and valued at $225,670) (Notes 3 and 8).

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 (Note 8).

6. Mineral Property Costs (continued)

d) Nixon Fork Gold Mine (continued)

During the previous year, $1,130,137 was recovered from the clean up of the ball mill of the Nixon Fork Gold Mine.

7. Due to Related Parties and Related Party Transactions

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

a) During the period ended 31 January 2011, the Company paid or accrued $118,801 to Pacific North West Capital Corp., a company related to the Company by way of directors in common for general operating expenses (31 January 2010 – $57,928).

b) During the period ended 31 January 31 2011, the Company paid or accrued consulting fees of $50,091 (31 January 2010 - $38,000) to the Vice President of Mining of the Company.

c) During the period ended 31 January 31 2011, the Company paid or accrued consulting fees of $22,000 (31 January 2010 - $1,600) to Onestar Consulting Inc., a company owned by the Vice President of Business Development of the Company.

d) During the previous year, the Company exercised its option to purchase a 100% interest in MCR, a wholly-owned Alaskan subsidiary of PFN and a company related to the Company by way of directors in common. (Note 3).

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

8. Share Capital

a) Private Placements

On 21 May 2009, the Company completed an Initial Public Offering ("IPO") of an aggregate of 1,543,100 units at $0.30 per unit for gross proceeds of $462,930. Each unit is consisted of one common share of the Company and one-half of one common share purchase warrant, with each whole warrant entitling the holder thereof to purchase an additional common share of the Company at a price of $0.40 per share until 21 May 2011. Haywood Securities Inc. ("Haywood") acted as an agent in connection with the IPO. In consideration for its services, Haywood received: (i) a cash commission in the amount of $46,293, representing 10% of gross proceeds of the offering; (ii) a work fee of $17,500 plus Goods and Services Tax; and (iii) was granted 154,310 non-transferable Agent's Warrants. Each Agent's Warrant entitles the holder to purchase one unit (the "Agent's Unit") exercisable on or before 21 May 2011 at an exercise price of $0.30 per Agent's Unit. Each Agent's Unit consists of one common share and one-half of one share purchase warrant exercisable at a price of $0.40 per share on or before 21 May 2011.

On 27 July 2009, the Company completed the first tranche closing pertaining to its non-brokered private placement and issued 4,934,044 units at $0.30 per unit for gross proceeds of $1,480,213. Each unit consisted of one common share of the Company and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company for a period of 18 months from the date of issue at an exercise price of $0.40 per share. In connection with this first tranche closing the Company has paid an aggregate of $41,709 as a finder's fee.

8. Share Capital (continued)

a) Private Placements (continued)

On 16 September 2009, the Company completed the second tranche closing pertaining to its non-brokered private placement and issued 1,973,673 units at $0.30 per unit for gross proceeds of $592,102. Each unit consisted of one common share of the Company and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company for a period of 18 months from the date of issue at an exercise price of $0.40 per share. In connection with this second tranche closing the Company has paid an aggregate of $22,035 as a finder's fee.

On 29 September 2009, the Company completed the third tranche closing pertaining to its non-brokered private placement and has issued 2,464,000 units at $0.30 per unit for gross proceeds of $739,200. Each unit consisted of one common share of the Company and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company for a period of 18 months from the date of issue at an exercise price of $0.40 per share. In connection with this third tranche closing the Company has paid an aggregate of $49,644 as a finder's fee.

On 22 October 2009, the Company completed the fourth tranche closing pertaining to its non-brokered private placement and has issued 3,264,039 units at $0.30 per unit for gross proceeds of $979,212. Each unit consisted of one common share of the Company and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company for a period of 18 months from the date of issue at an exercise price of $0.40 per share. In connection with this fourth tranche closing the Company has paid an aggregate of $27,385 as a finder's fee.

On 10 November 2009, the Company completed the fifth and final tranche closing pertaining to its non-brokered private placement and issued 438,000 units at $0.30 per unit for gross proceeds of $131,400. Each unit consisted of one common share of the Company and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company for a period of 18 months from the date of issue at an exercise price of $0.40 per share.

On 17 December 2009, the Company completed the first tranche pertaining to its brokered private placements with Loewen, Ondaatje, McCutcheon Limited, as lead agent, and M Partners Inc. and Macquarie Capital Markets Canada Inc. (collectively the "Agents") and issued 6,000,000 units at $0.50 per unit for gross proceeds of $3,000,000. Each unit consisted of one common share and one-half of one common share purchase warrant, each whole warrant exercisable to acquire one additional common share at a price of $0.75 per common share, for a period of 18 months after the closing date of the private placement, the Agents received a cash commission of $175,880, and were issued an aggregate of 409,700 compensation warrants, each of which is exercisable into one unit at a price of $0.50 expiring on 21 June 2011. These units have the same terms as the units sold under the private placement.

On 18 March 2010, the Company completed the second and final tranche pertaining to its brokered private placements with the Agents and issued 490,000 units at $0.50 per unit for gross proceeds of $245,000. Each unit consisted of one common share and one-half of one common share purchase warrant, each whole warrant exercisable to acquire one additional common share at a price of $0.75 per common share, for a period of 18 months after the closing date of the private placement.

8. Share Capital (continued)

a) Private Placements (continued)

On 11 May 2010, the Company completed the first tranche of its non-brokered private placement and issued 9,063,750 units at $0.40 per unit for gross proceeds of $3,625,500. Each unit consisted of one common share of the Company and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company for a period of 18 months from the date of issue at an exercise price of $0.60 per share. In connection with this first tranche closing the Company has paid in cash an aggregate of $130,675 as a finder's fee.

On 3 June 2010, the Company completed the second and final tranche of its non-brokered private placement and issued 1,518,500 units at $0.40 per unit for gross proceeds of $607,400. Each unit consisted of one common share of the Company and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company for a period of 18 months from the date of issue at an exercise price of $0.60 per share. In connection with this second and final tranche closing the Company has paid in cash an aggregate of $27,570 as a finder's fee

On 21 July 2010, the Company completed its non-brokered private placement and issued 11,000,000 units at $0.50 per unit for gross proceeds of $5,500,000. Each unit consisted of one common share of the Company and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company for a period of 18 months from the date of issue at an exercise price of $0.75 per share. In connection with this non-brokered private placement closing the Company has paid in cash an aggregate of $204,230 and 26,040 common shares valued at $16,666 as finder's fee.

On 18 November 2010, the Company completed the first tranche of its non-brokered private placement and has issued 12,883,083 units at a price of $0.45 per unit for gross proceeds of $5,797,387. Each unit consists of one common share and one-half of one non-transferable share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one common share of the Company at a price of $0.65 per share for a period of 18 months, subject to an accelerated expiry provision, such that, in the event that the Company's shares close at or above $0.90 per share for 10 consecutive trading days on the TSXV, the expiry date may be accelerated to 30 days. All of the common shares issued pursuant to this closing carry a legend restricting them from trading until 19 March 2011.

On 7 December 2010, the Company completed the second tranche of its non-brokered private placement and has issued 2,783,411 units at a price of $0.45 per unit for gross proceeds of $1,252,535 and an aggregate amount of total issuance of 15,666,494 units for gross proceeds of $7,049,922. Each unit consists of one common share and one-half of one non-transferable share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one common share at a price of $0.65 per share for a period of 18 months, subject to an accelerated expiry provision, such that, in the event that the Company's shares close at or above $0.90 per share for 10 consecutive trading days on the TSXV, the expiry date may be accelerated to 30 days. All of the common shares issued pursuant to this closing carry a legend restricting them from trading until 8 April 2011.

On 30 December 2010, the Company has completed the third and final tranche of its non-brokered private placement and has issued 3,128,514 units at a price of $0.45 per unit for gross proceeds of $1,407,831 and an aggregate amount of total issuance of 18,795,008 units for gross proceeds of $8,457,753. Each unit consists of one common share and one-half of one non-transferable share purchase warrant. Each whole share purchase warrant entitles the holder to

(Canadian Funds)

8. Share Capital (continued)

a) **Private Placements (continued)**

purchase one common share of the Company at a price of $0.65 per share for period of 18 months. All of the common shares issued pursuant to this closing carry a legend restricting them from trading until 1 May 2011.

b) **Other**

On 23 June 2009, the Company issued 200,000 common shares of the Company valued at $75,000 to acquire a 100% interest in the Kansas Creek Gold Project (Note 6).

On 2 October 2009, the Company issued 6,415,000 common shares of the Company valued at $2,670,750 and issued 1,000,000 share purchase warrants at an exercise price of $0.50 per share valued at $225,670 to acquire 100% of the issued and outstanding common shares of MCR (Notes 3 and 6).

On 5 October 2009, the Company issued 500,000 common shares of the Company valued at $200,000 to acquire a 100% interest in the Golden Zone Property (Note 6).

On 18 December 2009, the Company issued 225,000 share purchase warrants at an exercise price of $0.75 per share valued at $35,125 to acquire 1% Net Smelter Return Royalty related to Nixon Fork Gold Mine from Ambrian Partners Limited (Note 6).

On 8 April 2010, the Company issued 35,000 common shares of the Company valued at $14,000 to Moody Capital LLC for consulting services.

c) **Exercise of Warrants and Options**

During the previous year, 39,888 agent compensation warrants were exercised at an exercise price of $0.30 per share.

During the previous year, 1,586,455 warrants were exercised at an exercise price of $0.40 per share.

During the period, 54,668 agent compensation warrants were exercised at an exercise price of $0.30 per share.

During the period, 1,450,960 warrants were exercised at an exercise price of $0.40 per share.

During the period, no stock options were exercised.

d) **Escrow Shares**

A total of 2,709,001 common shares of the Company were held in escrow as at 31 January 2011 (31 October 2010 – 3,612,001 common shares). The common shares held in escrow are subject to time release provision and will be released as follows:

21 May 2011	903,000
21 November 2011	903,000
21 May 2012	903,001
	2,709,001

(Canadian Funds)

8. Share Capital (continued)

e) Stock Options

The Company has established a share purchase option plan, as amended on 24 March 2010, whereby the Board may from time to time grant up to 7,215,317 stock options to directors, officers, employees or consultants. Options granted must be exercised no later than ten years from date of grant or such lesser period as determined by the Company's board of directors. The exercise price of an option will be set by the Board of Directors at the time such option is granted and cannot be less than the closing market price on the TSX Venture Exchange ("TSXV") on the last trading day preceding the grant date, less any allowable discounts that may be permitted under applicable exchange policies.

A summary of the changes in the Company's stock options for the years ended 31 January 2011 and 2010 are as follows:

	Period ended 31 January 2011		Year ended 31 October 2010	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of year	4,455,000	$0.40	2,200,000	$0.40
Granted	-	-	3,070,000	$0.55
Exercised	-	-	-	-
Expired	-	-	-	-
Cancelled	-	-	(815,000)	$0.45
Outstanding, end of period	4,455,000	$0.50	4,455,000	$0.50
Exercisable, end of period	2,358,130	$0.48	1,245,210	$0.43

Weighted average grant-date fair value of options granted during the period was $Nil per option (31 October 2010 - $0.52 per option).

The following table summarizes information regarding stock options outstanding and exercisable at 31 January 2011:

Exercise Price Range	Number of options outstanding	Weighted average remaining years of contractual life	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
$0.00 to $0.49	1,650,000	3.67	$0.40	1,168,125	$0.40
$0.50 to $0.99	2,805,000	4.43	$0.56	1,190,005	$0.55
	4,455,000			2,358,130	

f) Stock-Based Compensation

The fair value of the options which vested during the period, estimated using the Black-Scholes model, was $420,442 (31 October 2010 - $370,873) with a corresponding amount recorded as contributed surplus.

(Canadian Funds)

8. Share Capital (continued)

f) Stock-Based Compensation (continued)

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

	2011	2010	2009
Expected dividend yield	-	0.00%	0.00%
Expected stock price volatility	-	109.54%	100.00%
Risk-free interest rate	-	1.58%	2.50%
Expected life of options	-	4.98 years	5.00 years

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

g) Share Purchase Warrants

During the previous year, 7,244,168 common share purchase warrants having a fair value of $1,495,359 were issued relating to private placements.

During the previous year, 1,000,000 common share purchase warrants having a fair value of $225,670 were issued relating to business acquisition (Note 3).

During the period, 9,424,839 common share purchase warrants having a fair value of $2,543,471 were issued.

As at 31 January 2011, the following share purchase warrants were outstanding:

Warrants	Exercise Price	Expiry Date
48,672	$0.40	27 January 2011
636,837	$0.40	17 March 2011
1,202,000	$0.40	29 March 2011
1,426,847	$0.40	23 April 2011
99,000	$0.40	10 May 2011
521,474	$0.40	21 May 2011
59,754	$0.30	21 May 2011
39,140	$0.40	21 May 2011
3,000,000	$0.75	21 June 2011
409,700	$0.50	21 June 2011
204,850	$0.75	21 June 2011
245,000	$0.75	18 September 2011
1,000,000	$0.50	22 September 2011
225,000	$0.75	16 October 2011
4,531,875	$0.60	11 November 2011
770,000	$0.60	03 December 2011
5,500,000	$0.75	21 January 2012
6,441,542	$0.65	18 May 2012
1,391,706	$0.65	07 December 2012
27,334	$0.45	07 December 2012
1,564,257	$0.65	30 June 2012
29,344,988		

(Canadian Funds)

8. Share Capital (continued)

g) Share Purchase Warrants (continued)

The weighted average grant-date fair value of warrants issued during the period was $0.26 per warrant (31 October 2010 - $0.24 per warrant). The fair value of each warrant granted was determined using the Black-Scholes option pricing model and the following weighted average assumptions:

	2011	2010	2009
Expected dividend yield	0.00%	0.00%	0.00%
Expected stock price volatility	108.48%	113.20%	100.00%
Risk-free interest rate	1.50%	1.54%	1.30%
Expected life of options	1.50 years	1.50 years	2.00 years

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

9. Commitments

The Company has outstanding and future commitments under mineral property option agreements to issue common shares of the Company (Note 6).

10. Capital Management

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

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the period ended 31 January 2010. Neither the Company nor its subsidiaries is subject to externally imposed capital requirements.

11. Subsequent Events

The following events occurred during the period from the period ended 31 January 2011 to the date the consolidated financial statements were available to be issued on 31 March 2011.

On 14 February 2011, the Company granted a total of 1,200,000 stock options to directors, officers, employees and consultants of the Company at an exercise price of $0.55 per common share for a period of five years.

18 March 2011, the Company has completed the first tranche of its non-brokered private placement and has issued 4,425,000 units at a price of $0.50 per Unit for gross proceeds of $2,212,500. Each unit will consist of one common share and one-half of one non-transferable share purchase warrant.

11. Subsequent Events (continued)

Each whole share purchase warrant entitles the holder to purchase one common share of the Company at a price of $0.70 per share for 18 months, subject to accelerated expiry, such expiry may be accelerated to 30 days in the event the Company's shares have closed at or above a price of $0.90 per share for 10 consecutive trading days. All common shares issued in connection with the units are subject to regulatory hold periods, restricting them from trading until 18 July 2011. In connection with the closing of the financing, the Company has paid finder's fees of $7,250. The foregoing is subject to final regulatory approval. The proceeds from the private placement will be used primarily to supplement the Company's working capital budget by covering the operating costs (estimated at $2.5 M per month) as the mine ramps up to full production, to evaluate and expand the exploration drilling program, and to review potential acquisitions.