Excerpts from HRG's year end 2010 Financials and Annual Information Form

"Many operational issues were encountered at Berezitovy since the beginning of production" "The mine continued to underperform in 2010. Remedial actions were taken throughout 2010 to stabilize and improve the plant processing rate. The second ball mill was successfully installed in the second half of 2010. However, due to the problems with the first ball mill, the plant availability remained below the planned level in 2010. These problems were solved in February 2011 and all three mills (SAG mill and two ball mills) are working normally as of the date hereof. Also, the secondary crushing unit was ordered in 2010."

The Sergachinsky exploration property package represents a portion of the exploration up-side potential at Berezitovy. Exploration success at Sergachinsky could extend the mine life at Berezitovy beyond the original 10 year mine-life. All six properties have known gold occurrences and some had past gold production. The exploration work at Sergachinsky will continue in 2011.

In May 2008, High River announced the vending of High River's 50% indirect interest in Prognoz Silver Project, together with the other 50% interest held by a private company, to Roscan Minerals Corporation. In June 2008, the Corporation announced that the spin-out of Prognoz Silver Project was terminated due to opposition to this transaction by certain shareholders. A deal to purchase the 50% of Prognoz Silver Project not already owned by High River was announced in July 2008.

In August 2008, the Corporation entered into an agreement to issue up to 160 million shares at $1.79 per share through a non-brokered private placement for proceeds of up to $286.4 million, to the Alfa Group Consortium, one of Russia's largest privately-owned financial/industrial organizations. This strategic investment agreement was subsequently terminated due to market conditions.

The Corporation has paid no dividends on its common shares to date and does not anticipate paying dividends on its common shares in the foreseeable future. The Corporation anticipates that for the foreseeable future it will retain all future earnings and other cash resources for the operation and development of its business. Payment of any future dividends will be at the discretion of the Corporation‟s Board of Directors after taking into account many factors, including the Corporation‟s operating results, financial condition and current and anticipated cash needs.

The Company is preparing a Feasibility Study for a CIL-based project to upgrade the recently expired Research Permit for Zandkom to an "Industrial Operating Permit", or Exploitation Permit, in line with the requirements of the Mining Code.

Exploration at Zun-Holba can be divided into three separate initiatives:
mine exploration to upgrade and develop the existing predominantly P1 resources in the main ore shoots, where some 8t of Au (above 1,290m level) has been estimated which will form the basis for production exploration during 2010 in an effort to prove up 2t Au;
mine exploration to extend the ore shoots within the main mine area; and
new target exploration on the flanks and further down dip in an effort to define new resources.

In addition to this, the Smezhnaya zone is also a target which the exploration team at Zun-Holba will be investigating during 2011. The Corporation has proposed an aggressive budgeted exploration programme for 2011 in order to update the level of reserves as soon as possible and has outlined a budget of circa US$7M.

Vein Types
In total approximately 140 quartz veins have been identified at the Irokinda deposit, of which some 30 veins contain “reserves”, with average gold grades in the different veins between 10.0-36.5g/t Au. The gold bearing quartz veins typically show the following characteristics:

“Exploration Programme and Budget for 2011 [Irokinda]
The Corporation has proposed an aggressive budgeted (approximately US$9.6M) exploration programme for 2011, in order to update the level of reserves as soon as possible”

“Major development is planned for vein No.3, where the sinking of 200m deep shaft (**“Shaft 3G”**) is to be continued. This will allow to access additional resources of 140kt of ore at a grade of approximately 9g/t Au. The sinking is also planned for Vysokaya-2 and Sluchaynaya veins.”

As at December 31, 2010, the long-term loans and estimated interest payable debt maturities for fixed term loans for each of the five years to 2015 are: 2011 -$23,810,000; 2012 - $nil; 2013 - $nil; 2014 - $nil; 2015 - $nil.

Joint venture partner, who holds a 50% interest in the Prognoz silver project, lent funds to the project. The loan is unsecured and is non-interest bearing. Joint venture partner owed the Prognoz silver project approximately $18.0 million. A payment in the amount of 560 million Russian roubles (approximately $18.3 million) was made by the venture partner in February 2011 See note 23(a).

The Company had included approximately $18.0 million due from its joint venture partner to the Prognoz silver project as deferred exploration expense. Any subsequent recovery of this amount will be credited to deferred exploration.

Exploration and evaluation costs are expensed in the year in which they are incurred, unless they relate to the exploration and evaluation activities that are (a) for property acquisition or performed on properties where the Company has a registered or contractual interest (whereby the costs are capitalized as exploration properties and deferred exploration) or (b) performed on development properties, in which case they are capitalized as part of construction-in-progress.

In 2006, the Company issued $12,000,000 of convertible debentures (the “Debentures”) maturing on December 31, 2011. The Debentures are unsecured, have an interest rate of 8%, payable quarterly, and are convertible into common shares of the Company at a conversion price of $2.35 per common share. The Debentures allow forced conversion by the Company after 18 months if High River shares trade above a price of $3.25 for a 30-day period.

Investments

Investments in equity securities are classified as available-for-sale (“AFS”). Unrealized holding gains and losses relating to AFS investments are excluded from net income (loss) and included in other comprehensive income (loss) until such gains or losses are realized or an other than temporary impairment is determined to have occurred. AFS securities are measured at fair value and those which do not have a readily determinable fair value (i.e. a quoted market price in an active market) are carried at historical cost.