

**RUSORO MINING LTD.**  
**(Formerly Newton Ventures Inc.).**  
**(a Development Stage enterprise)**  
**Interim Consolidated Financial Statements**  
**(Unaudited – Prepared by Management)**

**The Company's auditors have not audited or reviewed the comparative periods ended**  
**September 30, 2006**  
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2007**  
**(Expressed in U.S. Dollars)**

**RUSORO MINING LTD.**  
**(Formerly Newton Ventures Inc.)**  
**(A Development Stage Enterprise)**  
**INTERIM CONSOLIDATED BALANCE SHEET**  
**AS AT SEPTEMBER 30, 2007**  
**(Unaudited - Prepared by Management)**  
**(Expressed in U.S. Dollars)**

	September 30, 2007	December 31, 2006
<b>CURRENT ASSETS</b>		
Cash	\$ 45,471,404	\$ 11,121,109
Marketable securities (Note 3)	246,413	-
Loans and other receivables (Note 4)	606,788	339,673
Prepaid expenses and deposits	806,236	3,647
Advances to associated companies (Note 5)	277,896	446,571
Inventories (Note 6)	96,515	96,515
	47,505,252	12,007,515
Plant and equipment (Note 7)	4,786,682	3,696,951
Long-term investments (Note 3)	73,793	-
Mineral properties (Note 8)	102,442,903	26,822,013
	\$ 154,808,630	\$ 42,526,479
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 9)	\$ 3,389,864	\$ 4,065,110
Surface taxes	118,089	172,345
Loan payable on acquisition (Note 13)	2,500,000	2,500,000
Due to related parties (Note 12)	-	71,568
	6,007,952	6,809,023
Asset retirement obligation (Note 11)	333,551	462,609
Non-controlling interest	-	1,933,583
<b>SHAREHOLDERS' EQUITY</b>		
SHARE CAPITAL (Note 10)	198,238,032	89,161,949
ACCUMULATED OTHER COMPREHENSIVE INCOME	110,645	-
CONTRIBUTED SURPLUS (Note 10)	32,421,205	7,198,983
	230,769,882	96,360,932
DEFICIT ACCUMULATED DURING THE DEVELOPMENT STAGE	(82,302,756)	(63,039,668)
	148,467,126	33,321,264
	\$ 154,808,630	\$ 42,526,479
Nature of operations - Note 1		
Contingencies - Note 15		

**APPROVED BY THE DIRECTORS:**

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*"George Salamis"*, Director  
George Salamis

\_\_\_\_\_  
*"Gordon Keep"*, Director  
Gordon Keep

**RUSORO MINING LTD.**  
**(Formerly Newton Ventures Inc.)**  
**(A Development Stage Enterprise)**  
**INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND**  
**DEFICIT ACCUMULATED DURING THE DEVELOPMENT STAGE**  
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006**  
**(Unaudited - prepared by management)**  
**(Expressed in U.S. Dollars)**

	<b>Three Months Ended Sept 30, 2007</b>	<b>Three Months Ended Sept 30, 2006</b>	<b>Nine Months Ended Sept 30, 2007</b>	<b>Nine Months Ended Sept 30, 2006</b>
	\$	\$	\$	\$
<b>EXPENSES</b>				
Administration (Note 12)	3,197,309	594,238	8,392,226	2,158,103
Amortization	63,019	174,272	88,765	600,306
Consulting (Note 12)	3,031,184	-	5,090,198	-
Professional fees	170,380	-	789,460	80,358
Salaries (Notes 10(d) & 12)	621,786	-	1,194,557	3,313
Transfer agent and filing fees	3,774	-	91,560	-
Travel and entertainment	592,782	-	889,149	220,458
Net loss before undernoted	(7,680,234)	(768,510)	(16,535,915)	(3,062,538)
<b>OTHER EXPENSES</b>				
Foreign exchange loss	(4,145,493)	(1,028,843)	(4,382,648)	(729,543)
Interest on shareholder debt	-	(881,343)	-	(8,061,164)
<b>LOSS BEFORE OTHER INCOME, TAX AND DISCONTINUED OPERATIONS</b>				
Other income	(11,825,727)	(2,678,696)	(20,918,563)	(11,853,245)
	639,156	-	1,655,475	-
<b>LOSS BEFORE INCOME TAX AND DISCONTINUED OPERATIONS</b>				
Discontinued operations	(11,186,571)	(2,678,696)	(19,263,088)	(11,853,245)
	-	(330,862)	-	(282,147)
<b>NET LOSS</b>	(11,186,571)	(3,009,558)	(19,263,088)	(12,135,392)
DEFICIT ACCUMULATED DURING THE DEVELOPMENT STAGE, Beginning of period	(71,116,185)	(34,668,568)	(63,039,668)	(25,542,734)
DEFICIT ACCUMULATED DURING THE DEVELOPMENT STAGE, End of period	(82,302,756)	(37,678,126)	(82,302,756)	(37,678,126)
<b>BASIC AND DILUTED LOSS PER SHARE</b>	(0.08)	(28.662)	(0.14)	(115.575)
<b>WEIGHTED AVERAGE NUMBER OF SHARES</b>	147,991,360	105	134,361,723	105

<b>RUSORO MINING LTD.</b>					
(A Development Stage Enterprise)					
<b>INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS</b>					
<b>FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2007</b>					
(Unaudited - Prepared by Management)					
(Expressed in U.S. Dollars)					
		Three months ended		Nine months ended	
		Sept. 30, 2007	Sept. 30, 2006	Sept. 30, 2007	Sept. 30, 2006
<b>BALANCE - BEGINNING OF PERIOD</b>		\$ (11,362,737)	\$ -	\$ (19,439,253)	\$ -
Other comprehensive income, net of tax		-	-	-	-
Unrealized gain (loss) on available-for-sale marketable securities		(95,545)	-	122,830	-
Unrealized gain (loss) on available-for-sale long-term investments		(43,140)	-	(8,300)	-
<b>BALANCE - END OF PERIOD</b>		<b>\$ (11,501,422)</b>	<b>\$ -</b>	<b>\$ (19,324,723)</b>	<b>\$ -</b>

<b>RUSORO MINING LTD.</b>					
(A Development Stage Enterprise)					
<b>INTERIM CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME</b>					
<b>FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2007</b>					
(Unaudited - Prepared by Management)					
(Expressed in U.S. Dollars)					
		Three months ended		Nine months ended	
		Sept. 30, 2007	Sept. 30, 2006	Sept. 30, 2007	Sept. 30, 2006
<b>BALANCE - BEGINNING OF PERIOD</b>		\$ 249,330	\$ -	\$ (3,885)	\$ -
Cumulative impact of accounting changes (Note 3)		-	-	-	-
Unrealized gain (loss) on available-for-sale marketable securities		(95,545)	-	122,830	-
Unrealized gain (loss) on available-for-sale long-term investments		(43,140)	-	(8,300)	-
<b>BALANCE - END OF PERIOD</b>		<b>\$ 110,645</b>	<b>\$ -</b>	<b>\$ 110,645</b>	<b>\$ -</b>

**RUSORO MINING LTD.****(Formerly Newton Ventures Inc.)****(A Development Stage Enterprise)****INTERIM CONSOLIDATED STATEMENTS OF CASHFLOWS DURING THE DEVELOPMENT STAGE  
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006****(Unaudited - prepared by management)****(Expressed in U.S. Dollars)**

	<b>Three Months Ended Sept 30, 2007</b>	<b>Three Months Ended Sept 30, 2006</b>	<b>Nine Months Ended Sept 30, 2007</b>	<b>Nine Months Ended Sept 30, 2006</b>
	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
Net earnings (loss) for the period	(11,186,571)	(2,678,696)	(19,263,088)	(11,853,245)
Items not involving cash				
Amortization	63,019	174,272	88,765	600,306
Accumulation of service indemnity	-	(20,508)	-	44,997
Stock-based compensation	5,427,389	-	9,153,504	-
	<u>(5,696,163)</u>	<u>(2,524,932)</u>	<u>(10,020,819)</u>	<u>(11,207,942)</u>
Changes in non-cash working capital items				
Other assets	-	-	-	(1,155)
Inventories	-	179,342	-	80,613
Loans and other receivables	(82,879)	93,025	(396,735)	(108,158)
Prepaid expenses and deposits	(22,975)	(1,296,973)	(740,166)	(1,645,909)
Accounts payable and accrued liabilities	(1,046,590)	(37,919)	(2,719,410)	1,173,980
Cash used by continuing operations	(6,848,607)	(3,587,457)	(13,877,130)	(11,708,571)
Cash used by discontinued operations	-	(330,862)	-	(282,147)
	<u>(6,848,607)</u>	<u>(3,918,319)</u>	<u>(13,877,130)</u>	<u>(11,990,718)</u>
<b>FINANCING ACTIVITIES</b>				
Cash acquired in Mena transaction (note 1)	-	-	57,709,754	-
Proceeds from share issue	-	-	495,336	-
Share issue costs	-	-	(137,478)	-
Advances to related parties	(150,645)	-	(71,568)	-
Advances from shareholders	-	866,153	-	11,508,813
Loan	-	3,003,610	-	3,036,665
	<u>(150,645)</u>	<u>3,869,763</u>	<u>57,996,044</u>	<u>14,545,478</u>
<b>INVESTING ACTIVITIES</b>				
Mineral property cost	(1,408,273)	-	(8,147,453)	(1,893,458)
Proceeds from collection of collateral loan	-	-	300,000	-
Purchase of plant and equipment	(1,649,026)	-	(1,884,164)	(328,913)
Sales (purchase) of marketable securities	3,884	-	(205,676)	(236,730)
Advances from (to) associated companies	227,069	(78,873)	168,675	(78,873)
	<u>(2,826,346)</u>	<u>-</u>	<u>(9,768,618)</u>	<u>(2,537,974)</u>
<b>INCREASE (DECREASE) IN CASH</b>	<b>(9,825,598)</b>	<b>(127,429)</b>	<b>34,350,296</b>	<b>16,786</b>
Cash – beginning of period	55,297,002	219,875	11,121,108	75,660
<b>CASH – END OF PERIOD</b>	<b>45,471,404</b>	<b>92,446</b>	<b>45,471,404</b>	<b>92,446</b>
<b>Supplemental cash flow information</b>				
Cash interest paid	-	881,343	-	8,061,164
<b>Non-cash transactions (Note 14)</b>				

## **RUSORO MINING LTD.**

**(Formerly Newton Ventures Inc.)**

(a Development Stage Enterprise)

### **NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited - prepared by management)

For the Three and Nine Months Ended September 30, 2007

(Expressed in U.S. Dollars)

#### **1. NATURE OF OPERATIONS**

The Company was incorporated under the laws of the Province of British Columbia on March 1, 2000 under the name "Hollingfield Capital Corporation". The Corporation changed its name to "PKI Innovations (Canada) Inc." on August 10, 2001. During the year ended December 31, 2005, the Company changed its name to Newton Ventures Inc. and consolidated its share capital on a 7 for 1 basis. On September 30, 2006, the Company changed its name to Rusoro Mining Ltd. ("Rusoro") and consolidated its share capital on a 1 to 0.6 basis. Prior to September 30, 2006, the Company had no business activities, but since then has entered into a transaction whereby its business has become the exploration and development of mineral properties in Venezuela, Honduras and Chile.

On November 7, 2006, the Company acquired all of the issued and outstanding securities of Grupo Agapov Corp. ("Grupo Agapov") in consideration for the issuance of 108,333,334 Rusoro shares to the shareholders of Grupo Agapov. Rusoro also issued 5,833,336 share purchase warrants in exchange for 5,833,336 share purchase warrants of Grupo Agapov upon closing the transaction. As part of the acquisition Rusoro also issued 10,000,000 performance warrants, 1,200,000 Rusoro shares as a finders fee and 210,000 Rusoro shares in settlement of debt (Note 10) of approximately \$512,811.

As a result of this acquisition, the shareholders of Grupo Agapov became the owners of the majority amount of the issued and outstanding common shares of the Company. Since effective control of the Company was acquired by the principals of Grupo Agapov, the acquisition was accounted for as a reverse takeover transaction that does not constitute a business combination. In accordance with EIC-10, "Reverse takeover" accounting, Grupo Agapov was considered the acquiring company for accounting purposes and the transaction was accounted for as an issuance of shares by Grupo Agapov with a recapitalization of the consolidated entity. As a result, the comparative financial statements are that of Grupo Agapov.

The net assets of the Company at the acquisition date were as follows:

Cash	\$ 151,138
Other current assets	5,843
Liabilities	<u>(56,001)</u>
	\$ <u>100,980</u>

In conjunction with the Company's acquisition of Grupo Agapov, Grupo Agapov changed its name to Rusoro Mining (Panama) Inc., and completed a \$35,000,000 equity financing and issued a total of 11,666,667 units at a price of US\$3.00 per unit. Each unit consisted of one share of Rusoro Mining (Panama) Inc. and one-half a share purchase warrant, with each whole warrant entitling the holder to purchase one share of Rusoro Mining (Panama) Inc. for a two year period at a price of \$3.55 per share. Of the proceeds \$10,000,000 was used to purchase 3,333,333 shares from existing shareholders. The remaining shares were exchanged into shares of the Company on a one-for-one basis.

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**1. NATURE OF OPERATIONS (cont'd)**

Effective March 5, 2007, the Company acquired all of the issued and outstanding securities of Mena Resources Inc. ("Mena") in consideration of issuing a total of 31,424,255 common shares to the Mena shareholders, one common share of the Company issued for every 1.7 issued and outstanding Mena common shares. In addition, share purchase warrants and incentive stock options which were outstanding in Mena were converted to 9,580,912 warrants and 744,118 options in the Company. Mena holds properties in Venezuela, Honduras and Chile. As a result of the transaction, Mena became a wholly-owned subsidiary of the Company and Mena's shares were de-listed from the TSX Venture Exchange.

Immediately prior to the closing of the Mena Acquisition, Mena completed a brokered private placement which provided net proceeds of CDN \$67,750,810.

The net assets of the Company at the acquisition date were as follows:

Cash	\$ 57,709,754
Other current assets	62,423
Mineral properties	66,025,069
Equipment	16,854
Marketable securities	98,000
Long-term investments	72,380
Liabilities	<u>(32,093)</u>
	<u>\$ 123,952,387</u>
Consideration 31,424,255 shares issued @ \$3.45	\$ 108,286,104
Fair value of options and warrants	<u>15,666,283</u>
	<u>\$ 123,952,387</u>

The allocation of the purchase price is preliminary and the final allocation may be subject to refinement in the next three months.

The Company uses the fair value based method of accounting for share options and warrants granted on the Mena acquisition. This amount has been determined using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	3.88%
Expected stock price volatility	62%
Expected term in years	2 - 5
Expected dividend yield	0.0%

The Company is in the process of exploring its mineral properties and has not yet determined whether the properties contain reserves that are economically recoverable. Accordingly, the recoverability of capitalized costs is dependent upon the existence of economically recoverable reserves, continuation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary exploitation permits on mining properties and financing to complete their development and upon future profitable production or disposition thereof.

Local and international political and economic conditions, such as variations in the price of gold, inflation, fluctuations in the exchange rate or the exchange control, exploitation controls and local political-economic developments can have a significant effect on the financial results of the Company's operations.

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**Expressed in US Dollars**

**2. BASIS OF PRESENTATION**

The accompanying unaudited interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) with respect to the preparation of interim financial statements. Accordingly, they do not include all of the information and disclosures required by Canadian GAAP in the preparation of annual financial statements. The accounting policies used in the preparation of the accompanying unaudited interim consolidated financial statements are the same as those described in the annual consolidated financial statements and the notes thereto for the year ended December 31, 2006. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. These interim consolidated financial statements should be read in conjunction with the Company’s consolidated financial statements including the notes thereto for the year ended December 31, 2006.

These interim consolidated financial statements include the accounts of the Company and its active wholly owned subsidiaries:

Minería MS, C.A.	General Mining de Guayana, C.A.
Lamin Laboreos Mineros, C.A.	Corporación Minera 410879, C.A.
Corporación 80.000, C.A.	Corporación Minera 11-90, C.A.
Inversora Técnica de Minas, C.A.	Balandria Ltd.
Inversora Maryate, C.A.	Cradock United Inc.
Corporacion Minera Sor Teresita, CA	Inversiones Minera El Dorado, S.A.
Inversiones Vipago CA	Rusoro Mining (Panama) Inc.
Inversiones Yuruan, CA	Minera Mena Limitada - Chile
Minera Tapaya, CA	Mena Resources Inc.
Representaciones Carson Gold Int. SA	Minoro, S.A.
Inversiones Fitzcarraldo, C.A.	Tombstone Aruba A.V.V.
Corporación Cabellos Galvez, C.A.	Dotley Financial Corp.
Grupo Agapov De Venezuela, C.A.	Minera 6560433, C.A.
Mineral Ecological Technology de Venezuela, C.A.	

All significant inter-company accounts and transactions have been eliminated upon consolidation.

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions which affect the recorded amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses incurred during the periods. Specific areas requiring the use of estimates include the determination of amortization provisions for equipment and the input variables used to calculate stock-based compensation, future income tax asset valuation allowance, and impairment on mineral properties. Actual results could differ from these estimates.



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**3. CHANGE IN ACCOUNTING POLICIES**

On January 1, 2007, the Company adopted the provisions of CICA Sections 1530 “Comprehensive Income”, 3251 “Equity”, 3855 “Financial Instruments – Recognition and Measurement”, 3861 “Financial Instruments – Presentation and Disclosure”, and 3865 “Hedges” which were effective for the fiscal years beginning on or after October 1, 2006. These sections address the classification, recognition and measurement of financial instruments and hedges in the financial statements and inclusion of other comprehensive income.

As a result of adopting these new standards at January 1, 2007, the Company recorded an unrealized loss of \$3,885 for the change in accounting for financial assets classified as “available-for-sale” and measured at fair value instead of cost.

The Company has made the following classifications:

The long-term investments and marketable securities have been classified as “available-for-sale”. They are initially recorded at fair value which is equal to their cost. Subsequent changes to the gain value of the investments recognized in other comprehensive income.

**4. LOANS AND OTHER RECEIVABLES**

Included in loans and other receivables at December 31, 2006 was \$300,000 advanced during 2006 to an unrelated party as collateral for a loan of BVS\$900,000,000 (\$419,000) which was advanced to Minería MS, C.A. from Minera Hecla Venezuela. On February 15, 2007 the Company was reimbursed the \$300,000 collateral.

**5. ADVANCES TO ASSOCIATED COMPANIES**

Amounts receivable from companies under common administrative operations are comprised of the following:

	<b>September 30 2007</b>	<b>December 31 2006</b>
Urupagua, R.L	\$ 29,415	\$ 38,621
Pequeña Minería	-	31,575
Inversiones Andros, C.A.	3,197	4,198
Prospecciones Mineras, C.A. (PROMINCA)	6,051	8,035
Proyecto Caolin	46,088	60,519
Procesadora de minerales	8,570	11,253
Comunidad Andina Canaima	-	23,713
Minex	104,498	137,472
Others	-	26,041
Inversiones Vargas Gonzalez	<u>80,077</u>	<u>105,144</u>
	<u>\$ 277,896</u>	<u>\$ 446,571</u>

These expenditures were measured by the exchange amount which is the amount agreed upon by the transacting parties. The amounts are unsecured, non-interest bearing and will be collected in the normal course of business, within the next 12 months.

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**Expressed in US Dollars**

**6. INVENTORIES**

Inventories are comprised of the following:

	<b>September 30 2007</b>	<b>December 31 2006</b>
Gold bars	\$ 56,129	\$ 56,129
Gold in process	<u>40,386</u>	<u>40,386</u>
	<u>\$ 96,515</u>	<u>\$ 96,515</u>

The gold is valued at cost and is intended for sale.

**7. PLANT AND EQUIPMENT**

	September 30 2007			December 31 2006		
	Cost	Amortization	Net	Cost	Amortization	Net
Facilities	\$ 3,240,242	\$ (1,063,302)	\$ 2,176,939	\$ 4,057,659	\$ (1,165,621)	\$ 2,892,038
Machinery	1,808,041	(718,406)	1,089,635	914,139	(680,093)	234,046
Furniture & Equipment	493,060	(74,357)	418,703	36,612	(31,253)	5,359
Vehicles	580,970	(248,252)	332,718	207,289	(145,823)	61,466
Geological Equipment	34,776	(3,496)	31,280	-	-	-
Construction in progress	674,103	-	674,103	504,042	-	504,042
Land	63,303	-	63,303	-	-	-
	<u>\$ 6,894,495</u>	<u>\$ (2,107,814)</u>	<u>\$ 4,786,681</u>	<u>\$ 5,719,741</u>	<u>\$ (2,022,790)</u>	<u>\$ 3,696,950</u>

**Construction in progress**

The Company has commenced construction of a production facility to process gold material. Construction in progress includes the cost of materials, construction labour, machinery and equipment. Upon completion, such costs will be amortized over the plant's estimated useful life.

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**8. MINERAL PROPERTIES**

Mineral properties are comprised of the following:

	El Dorado					Other properties	TOTAL
	Emilia	San Rafael Placer	CEIBA II	Valle Hondo	Increible 6		
Balance, December 31, 2006	\$ 3,095,674	\$ 12,315,606	\$ 1,160,291	\$ 974,267	\$ 6,186,295	\$ 3,089,880	\$ 26,822,013
Acquisition of Mena properties				7,126,271	57,658,017	1,661,067	66,445,355
Exploration costs							
Camp, equipment and geological fees	170,487	1,445,754	-	418,040	2,020,007	279,340	4,333,628
Drilling & Assays	-	1,683,602	-	64,808	2,982,435	111,062	4,841,907
	170,487	3,129,356	-	482,848	5,002,442	390,402	9,175,535
Balance, September 30, 2007	\$ 3,266,161	\$ 15,444,962	\$ 1,160,291	\$ 8,583,386	\$ 68,846,754	\$ 5,141,349	\$ 102,442,903

El Dorado

The Company owns a 100% interest in a series of mineral titles in the El Dorado District. Mineral titles include Emilia, Emilia II, El Placer, San Rafael, Ceiba, and others. This block of claims has a history of past gold production and also contains the Emilia Mill. The existing Emilia Mill, which has been on care and maintenance since September 2006, is located in the central portion of the Project. Detailed plans are currently being prepared to upgrade and expand the existing 350 tonne per day capacity of the mill during 2007. Construction in progress referred to in note 7. Additionally, preliminary engineering studies are being prepared for the completion of an underground ramp which will provide access to the main ore bodies at San Rafael and El Placer. Work in 2006 included metallurgical testing. This testing supports the initial design work for the expansion and updating of the existing plant. Additional optimization work is on-going.

Asociación Cooperativa Mixta Chicanan (the "Cooperativa"), the owner of the contract for the exploitation of alluvial gold and its sale in an area named CEIBA II, has granted to the Company's subsidiary, Minería M.S., the rights to the exploration, exploitation and refining operations for the raw material. In return, Minería M.S. has agreed to advance the necessary cash to fund the operations, and will receive 70% of the profits therefrom. The Cooperativa will receive 30% of the gold extracted. The operations are not yet profitable.

The Company's subsidiary, Lamin Laboreos Mineros, C.A. ("Lamin"), is the owner of a contract for the exploitation of gold for sale from the San Rafael concession. Lamin has entered into a contract with Asociacion Agrominera La Camorra ("Agrominca"), pursuant to which the companies have agreed to cooperate in the performance of the mining activities in the San Rafael parcel, and agreed that all the material extracted will be sent for processing, grinding and gold recovery exclusively to the plant located in the Emilia concession, owned by another subsidiary of the Company. Under its contract with Agrominca Lamin has agreed to advance to Agrominca 50% of the necessary cash to fund its operations and in turn Lamin will receive 50% of the profits therefrom. The operations are not yet profitable.

Valle Hondo

The 13,000 hectare Valle Hondo Project is located 40 kilometres east of the Emilia Mill. Previous exploration at Valle Hondo consisted of more than 6.0 kilometres of trenching and 13,000 metres of diamond drilling. In mid 2006, a detailed geological interpretation was incorporated into an updated block model for the Valle Hondo Project.

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**8. MINERAL PROPERTIES (Cont'd)**

Incredible 6

At September 30, 2007, the Company owns a 100% interest in Balandria Limited, which owns four companies holding exploration stage mineral properties including the Incredible 6 Project which is located in the El Callao Gold District, 100 kilometres north of Emilia. Previous work at Incredible 6, including geochemistry, geophysics and trenching, has outlined a series of gold targets.

Other Properties

During 2006, the Company acquired the Oro88 concessions from a significant shareholder and director of the Company (Note 13). The acquisition of these concessions has been recorded at their cost to the related party transferor (\$232,652). The Company has agreed to pay \$5,000,000 for the Oro 88 concessions and as such, the \$232,652 cost of the concessions has been recorded as other acquisition costs with the balance of \$4,767,348 recorded as a reduction to contributed surplus.

At September 30, 2007, \$2,500,000 of this \$5,000,000 remained unpaid (Note 13).

Through the Mena acquisition, the Company obtained concessions through the acquisition of Mena Resources Inc. which include the Trinidad/Angelito concession in Venezuela, the Pampa and Vaquillas concessions in Chile and the Minoro concession in Honduras.

**9. ACCOUNTS PAYBLE AND ACCRUED LIABILITIES**

	<b>September 30, 2007</b>	<b>December 31, 2006</b> <b>(Restated)</b>
Accounts payable	\$ 1,839,914	\$ 1,972,103
Accrued liabilities	1,033,023	1,520,272
Accumulation for labour indemnities	516,927	572,735
	<u>\$ 3,389,864</u>	<u>\$ 4,065,110</u>

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**10. SHARE CAPITAL**

During 2006, Grupo Agapov replaced 105 outstanding shares with 105,000 shares with a nominal value of \$0.10 per share, and issued 99,895,000 shares to settle \$66,114,065 of debt owing to certain shareholders. The shareholders settled the balance of the debt owing in July 2006.

On November 7, 2006 Rusoro Mining completed its business combination with Grupo Agapov together with a share consolidation on the basis of 0.6 post-consolidation common share for one pre-consolidation common share. There were 1,200,000 shares issued for a finders fee which has been recorded as a charge to operations, 210,000 shares issued to settle debt on amount owing to New Dawn Ltd. (a former shareholder of Rusoro Mining) and there were 108,333,334 post consolidation common shares in exchange for all of the issued and outstanding shares of Rusoro Mining (Panama) Inc (formerly "Grupo Agopov"). In addition, the Company issued 10,000,000 performance warrants executable at \$0.05 per share for two years. Share capital has been retroactively restated to reflect the share consolidation.

On March 5, 2007 the Company acquired all of the issued and outstanding securities of Mena Resources Inc. ("Mena") in consideration of issuing a total of 31,424,255 common shares to the Mena shareholders, one common share of the Company issued for every 1.7 issued and outstanding Mena common shares. In addition, share purchase warrants and incentive stock options which were outstanding in Mena were converted to 9,580,912 warrants and 744,118 options in the Company.

**a) Authorized Share Capital of Rusoro**

Unlimited number of common shares without par value

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**b) Issued Capital**

	Number of Shares	Amount \$
<b>Issued in Rusoro pre RTO</b>		
Balance , beginning of the year	1,692,529	1,921,344
Private placement	420,000	115,500
Balance, December 31, 2005	2,112,529	2,036,844
Warrant exercise	420,000	154,000
Consolidation 0.6 for 1	(845,012)	
Balance, pre RTO	1,687,517	2,190,844
<b>Issued in Grupo Agapov pre RTO</b>		
Balance, December 31, 2004 and 2005	105	10,500
Debt settlement (note 8)	99,895,000	66,114,065
Share split	104,895	-
Private Placement	11,666,667	35,000,000
Shares repurchased	(3,333,333)	(10,000,000)
Share issue costs		(2,324,289)
Balance, pre RTO	108,333,334	88,800,276
<b>The Company Post RTO</b>		
Balance the Company, November 6, 2006	1,687,517	88,800,276
Finders fee	1,200,000	-
For debt	210,000	512,811
For Grupo Agapov RTO	108,333,334	-
Share issue costs	-	(151,138)
Balance, December 31, 2006	111,430,851	89,161,949
Mena Acquisition (Note 1)	31,424,255	108,286,104
Options exercised	191,139	224,557
Warrants exercised	5,017,060	270,779
Fair value of warrants exercised		32,185
Fair value of options exercised		399,936
Share issue costs		(137,478)
Balance, September 30, 2007	148,063,305	198,238,032

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**10. SHARE CAPITAL (cont'd)**

**c) Contributed Surplus**

	Nine months ended September 30, 2007	Year ended December 31, 2006
Balance , beginning of period	\$ 7,198,983	\$ 4,449,500
Elimination of equity on acquisition	-	(309,094)
Oro88 acquisition (Note 8)	-	(4,767,347)
Stock based compensation on warrants and options issued in conjunction with Mena acquisition (Note 1)	15,666,283	-
Fair value of warrants exercised	(32,186)	-
Fair value of options exercised	(399,936)	-
Stock based compensation related to options granted to employees, consultants, directors	9,988,061	7,825,924
Balance, end of period	\$ 32,421,205	\$ 7,198,983

**d) Stock Options**

The Company has a stock option plan for its directors, officers, consultants and key employees under which the Company may grant options to acquire a maximum number of common shares equal to 10% of the total issued and outstanding common shares of the Company. Options are non-transferable and may have a term of up to 10 years from the date of issue. Vesting terms, conditions and exercise price (market price at time of grant) are determined by the board of directors at the time of grant.

The following stock options were outstanding at September 30, 2007:

Number	Exercise Price		Expiry Date	Options Exercisable
350,000	\$3.55	CDN	Nov 14, 2008	192,500
38,236	\$1.02	CDN	Nov 26, 2008	38,236
17,647	\$0.85	CDN	Oct 13, 2009	17,647
355,918	\$1.05	CDN	Dec 7, 2009	355,918
47,060	\$1.11	CDN	Mar 7, 2011	47,060
94,118	\$1.70	CDN	Apr 5, 2011	94,118
7,105,000	\$3.00		Nov 7, 2016	3,121,667
6,770,000	\$2.12	CDN	Sept 10, 2017	2,625,000
14,777,979				6,492,146

Stock option transactions are summarized as follows:

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**10. SHARE CAPITAL (cont'd)**

**d) Stock Options (cont'd)**

	Nine Months Ended		Year Ended	
	September 30, 2007		December 31, 2006	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	7,455,000	\$3.00	22,372	\$0.75
Forfeited	-	-	(22,372)	\$0.75
Exercised	(191,139)	\$1.17	-	-
Issued	7,514,118	\$2.09	7,455,000	\$3.00
Outstanding, end of period	14,777,979	\$2.56	7,455,000	\$3.00

The Company uses the fair value based method of accounting for share options granted to consultants, directors, officers and employees. The non-cash compensation charge of \$3,726,115 recognized for the nine months ended September 30, 2007 represents the value attributed in that period to options granted to a consultant, directors, officers and employees. These compensation charges have been determined under the fair value method using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	2.97% - 4.23%
Expected stock price volatility	61% - 125%
Expected term in years	2 - 10
Expected dividend yield	0.0%
Grant date fair value	\$1.57 - \$2.75

**e) Warrants**

Share purchase warrant transactions are summarized as follows:

	Nine Months Ended		Year Ended	
	September 30, 2007		December 31, 2006	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	15,833,336	\$1.28	420,000	\$0.59
Issued	9,580,912	\$4.31	15,833,336	\$1.28
Exercised	(5,017,060)	\$0.05	(420,000)	\$0.59
Outstanding, end of period	20,397,188	\$3.00	15,833,336	\$1.28



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**11. ASSET RETIREMENT OBLIGATION**

The asset retirement obligation is calculated based on costs associated with the retirement of long-lived assets that result from the acquisition, construction, development and normal use of the asset. The calculation has been done with a ten year period. The costs that are required to be incurred are the following:

Expected cash flow before inflation adjustment	\$	258,347
Inflation factor (10% per year for 10 years)		<u>2,5937</u>
Expected cash flow adjusted for inflation		670,075
Market risk premium (5%)		<u>33,504</u>
Expected cash flow adjusted for market premium	\$	<u>703,589</u>
Present value using credit-adjusted risk-free rate of 8.4% per year	\$	<u>333,551</u>

Accretion charged on the asset retirement obligation for the period totals \$6,597.

In view of the uncertainties concerning future asset retirement and progressive reclamation costs, the ultimate costs to the Company could differ materially from the amounts estimated. The estimate for the future liability is subject to change based on possible amendments to applicable laws and legislation, the nature of ongoing operations and technological innovations. Future changes, if any, due to their nature and unpredictability, could have a significant impact and would be reflected prospectively, as a change in an accounting estimate.

**12. RELATED PARTY TRANSACTIONS**

During the nine months ended September 30, 2007, the Company paid or accrued management fees, salaries and consulting fees of \$309,468 and \$621,532 respectively, (December 31, 2006 – \$148,297) to directors, officers and a company controlled by an officer.

Accounts payable and accrued liabilities at September 30, 2007 include \$Nil (December 31, 2006 - \$71,568) owing to directors, officers and a company controlled by an officer arising from these transactions. These balances are non-interest bearing, unsecured and have no specific terms of repayment.

**13. LOAN PAYABLE ON ACQUISITION**

In December 2006 the Company acquired a group of Corporacion Venezolona de Guayana contracts and concessions granted by the Venezuelan Ministry of Energy and Mines known as Oro 88 (Note 8). The contracts and concessions are held by corporations which were previously owned beneficially by a significant shareholder and a director. The purchase price was \$5,000,000 of which \$2,500,000 was paid on signing of the acquisition agreement, with the balance owing to be paid on or before November 30, 2008.

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**14. SUPPLEMENTARY DISCLOSURE OF NON-CASH TRANSACTIONS**

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows.

The following non-cash investing and financing transactions have been excluded from the statements of cash flows and not disclosed elsewhere include:

	Three months ended		Nine months ended	
	Sept. 30, 2007	Sept. 30, 2006	Sept. 30, 2007	Sept. 30, 2006
Accounts payable - mineral property expenditures	\$ (1,016,457)	\$ -	\$ (1,957,815)	\$ -
Amortization - capitalised to mineral properties	208,349	-	722,522	-
Shares issued for the acquisition of Mena resources	-	-	108,286,104	-
Asset retirement obligation	6,597	-	129,058	-
Stock-based compensation capitalised as mineral property expenditures	489,955	-	834,557	-
	\$ (311,556)	\$ -	\$ 108,014,426	\$ -

**15. CONTINGENCIES**

The Company has been named as a defendant in two legal matters outstanding in relation to the disputed ownership of shares of Corporacion Cabello Galvez. The plaintiff expresses rights that would effectively give that party full ownership of the mineral property held by the Company. The Company denies these ownership rights and asserts full ownership of Corporacion Cabello Galvez. The outcome of this matter cannot be estimated at this time and no accrual for any provisions has been made. The only asset held in Corporacion Cabello Galvez is the mineral property concession of Atlantida which has a carrying value of \$nil at September 30, 2007 (December 31, 2006 - \$nil).

In addition, Corporacion Cabello Galvez's term of incorporation elapsed under Venezuelan law on February 1, 1997. This subsidiary remains in wind-up stage unless shareholders resolve to reactivate it pursuant to Venezuelan law.

In the normal course of business, the Company has been named as a defendant in nine matters before the courts and a mediator within Venezuela. Total claims on these matters are \$729,765. The outcome of these matters cannot be determined at this time and the Company has not accrued for any losses on these matters.

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## **16. RISKS**

### **Financial Instruments and Risks**

The carrying value of the Company's financial instruments, consisting of cash, loans and other receivables, advances to related companies, accounts payable and accrued liabilities and amounts due to related parties approximate their fair value due to the short-term maturity of such instruments. The carrying value of the due to loan payable on acquisition approximates fair value. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest rate risk arising from these financial instruments.

### **Title risk**

Title to mineral properties and mining rights involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mining properties. Although the Company has investigated title to all of its mineral properties for which it holds concessions or other mineral leases or licenses, the Company cannot give any assurance that title to such properties will not be challenged or impugned and cannot be certain that it will have valid title to its mining properties. The Company relies on title opinions by legal counsel who base such opinions on the laws of the countries in which the Company operates.

The Company's principal mineral properties and mining rights are located in Venezuela. In 2005 the Government of Venezuela announced that it would be changing the mining title regime from a system where title was granted in the form of either concessions or operating contracts to a system where all new titles would be granted in the form of operating contracts. In order to effect this change, the Government advised that it would need to create a national mining company which would be the nation's contracting party covering the entire country of Venezuela. The Government also indicated that, given this change in title regime, it would also be appropriate to review all existing mining companies in a single comprehensive exercise to ensure that only companies found to be in compliance with their existing title terms and conditions would qualify for the new title.

### **Country Risk**

The Company's mineral exploration and exploitation activities may be adversely affected by political instability and legal and economic uncertainty in the countries where the Company has operations. The risks associated with the Company's foreign operations may include political unrest, labour disputes, invalidation of governmental orders and permits, corruption, war, civil disturbances and terrorist actions, arbitrary changes in laws, regulation and policies, taxation, price controls, exchange controls, delays in obtaining or the inability to obtain necessary permits, opposition to mining from environmental or other nongovernmental organizations, limitations on foreign ownership, limitations on repatriation of earnings, limitations on mineral exports and increased financing costs. These risks may limit or disrupt the Company's projects or operations, restrict the movement of funds or result in the deprivation of contractual rights or the taking of property by nationalization, expropriation or other means without fair compensation. The Company's mineral properties and mining rights are located in Venezuela and as such the Company may be affected by political or economic instabilities.

### **Currency Risk**

The Company is exposed to currency risk as certain of its assets are denominated in foreign currencies. Unfavourable changes in the applicable exchange rate may result in a decrease or increase in foreign exchange gains or losses. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

The Company's Venezuelan operations and cash holdings are currently subject to currency and exchange controls. These government imposed controls may adversely affect the Company as such controls restrict the Company's ability to convert Bolivars into Canadian or US dollars and to repatriate these funds.

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**16. RISKS (Cont'd)**

As at September 30, 2007, the Company holds cash of \$989,690 (December 31, 2006 - \$1,384,420) in Venezuelan Bolivars.

**17. SEGMENT DISCLOSURE**

	Nine Months Ended	Year Ended
	September 30, 2007	December 31, 2006
<b>Canada</b>		
Current assets	\$ 42,395,644	\$ 7,977,072
Plant and equipment	374,424	2,760
Long-term investments	73,793	-
	<u>\$ 42,843,861</u>	<u>\$ 7,979,832</u>
<b>Venezuela</b>		
Current assets	\$ 1,420,967	\$ 2,377,406
Plant and equipment	4,412,258	3,694,191
Mineral Properties	101,807,328	26,822,013
	<u>\$ 107,640,553</u>	<u>\$ 32,893,610</u>
<b>Panama</b>		
Current assets	\$ 3,622,680	\$ 1,653,037
<b>Chile</b>		
Current assets	\$ 44,747	\$ -
Mineral Properties	611,941	-
	<u>\$ 656,688</u>	<u>\$ -</u>
<b>Honduras</b>		
Current assets	\$ 21,214	\$ -
Mineral Properties	23,634	-
	<u>\$ 44,848</u>	<u>\$ -</u>
<b>Total assets</b>	<u>\$ 154,808,630</u>	<u>\$ 42,526,479</u>

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## **18. SUBSEQUENT EVENTS**

### Goldfields Acquisition

On October 11, 2007, the Company entered into a combination agreement with Gold Fields Netherlands Services BV (“GF Netherlands”) a company existing under the law of Netherlands and a wholly-owned subsidiary of Gold Fields Limited (“Gold Fields”). Pursuant to the combination agreement, Rusoro Mining (BVI) Ltd. (“Rusoro BVI”) a wholly owned subsidiary of the Company will merge into Venezuela Holdings (BVI) Ltd. (“VHL”) a wholly owned subsidiary of GF Netherlands. On Closing, the merged entity will be a wholly-owned subsidiary of the Company and will own, directly or indirectly, 100% of the Venezuelan interests currently held by Gold Fields, including the producing Choco 10 mine situated in the El Callao district of Bolivar State, Venezuela.

Pursuant to the Acquisition, GF Netherlands (i) will subscribe for and will be issued 140,000,000 common shares of the Company for an aggregate subscription price in U.S. dollars equal to the aggregate fair market value of all of the companies being acquired by the Company at the time of closing less US\$180,000,000, which the Company anticipates will result in an effective subscription prices of US\$2.36 per common share, and (ii) in addition, will in effect be paid the sum of US\$180,000,000 in cash. The US\$180,000,000 cash portion of the transaction consideration will not be paid to GF Netherlands directly by the Company or any subsidiary nor will the company receive cash consideration for the shares issued to GF Netherlands. Instead, the closing steps contemplated by the Combination Agreement will involve two short term loans being made by a financial institution or other lender to each of the company and VHL and certain other transactions an payments between the parties, which will in effect result in GF Netherlands receiving upon closing the US\$180,000,000 cash amount. Both short term loans will be repaid in their entirety as part of the closing of the Acquisition.

To finance the cash portion of the Acquisition, on October 12th, 2007, in connection with the acquisition, the Company entered into an underwriting agreement with a syndicate of underwriters co-led by Canaccord Adams Limited and GMP Securities and including PI Financial (the “Financing”). Pursuant to the Underwriting Agreement, 93,750,000 Subscription Receipts were sold at a price of CDN\$2.40 per Subscription Receipt for gross proceeds of CDN\$225,000,000. Ultimately, each Subscription Receipt will be exchanged for one Unit consisting of one common share of the Company and one share purchase warrant of the Company. Each warrant will entitle the holder to purchase one common share of the Company at a price of \$4.00 per common share for five years following the effective date of the Acquisition.

The Financing closed into escrow for CDN\$225,000,000 on October 31, 2007 and the net proceeds will be released from escrow, together with accrued interest, to Rusoro BVI for closing of the Acquisition and upon satisfaction of certain release conditions.

On closing of the Acquisition, Gold Fields will hold approximately 36.7% of the Company’s shares. Gold Fields has agreed that it will not sell any of its shares for the period of 8 months after closing and has agreed to restrictions on resales after that time in order to maintain an orderly market. Subject to Gold Fields maintaining certain shareholder thresholds, Gold Fields will be entitled to nominate up to 2 board members to the Company’s board of directors

## **19. COMPARATIVE FIGURES**

Certain of the comparative figures have been reclassified to conform to the current year’s presentation.