

This Management's Discussion and Analysis ("MD&A") for Rusoro Mining Ltd. ("the Company") should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2009 and 2008 and related notes thereto. The financial information presented in this MD&A is reported in US Dollars unless otherwise indicated and is partly derived from the Company's consolidated financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The effective date of this MD&A is April 23, 2010. This MD&A contains "forward-looking statements" that are subject to risk factors set out in a cautionary note contained herein.

Mr. Gregory Smith, P.Geo., the Vice-President of Exploration of the Company, is a "qualified Person" as defined in National Instrument 43-101, and is responsible for the accuracy of the scientific and technical information contained in the MD&A. Additional information about the Company and its business activities is available on SEDAR at www.sedar.com.

Corporate Development Highlights

The Company's highlights for 2009 were:

- Cash cost per ounce sold of \$338 (2008: \$649)
- Record gold production of 150,460 ounces of gold (2008: 99,663 ounces)
- Completed a scoping study to evaluate the potential for gold production expansion of the Choco 10 gold mine ("the Choco Mine") operation to a production rate of up to 20,000 tonnes per day by sourcing gold resources and reserves from the Choco Mine and the near-by Incredible 6 deposit. The scoping study results were reported in the news release dated May 19, 2009, which is available on SEDAR at www.sedar.com. The data and conclusions of the scoping study form the basis for a feasibility study which was initiated during 2009.
- Initiated a pre-feasibility study at the San Rafael and El Placer mineral titles ("SREP") which is on schedule for completion in Q2 2010.
- Advanced construction of the Alvarez underground ramp which will provide access to the main mineralized areas in the contiguous SREP concessions. Subsequent to December 31, 2009, the Company completed construction of the Alvarez underground ramp and has now intercepted the main mineralized zone and begun test sampling.
- Purchased \$20 million of the principal amount and related accrued interest of the convertible loan for \$17.8 million. The remaining principal amount of \$60 million is due in June 2010.
- As at December 31, 2009 gold inventories comprise 56,076 ounces of finished gold (doré form), 3,068 ounces of gold in process and 19,435 ounces of gold in stockpile.

Overview of the Company

The principal business activities of the Company are the acquisition, exploration, development and operation of gold mineral properties in Venezuela. The Company currently holds a 95% controlling interest in the Choco Mine and a 50% interest in the producing Isidora gold mine ("the Isidora Mine") which the Company operates as a joint venture with the Venezuelan government. The Company also holds interests in various exploration and development projects in Venezuela and a single exploration property in Honduras.

The Company's corporate head office is in Vancouver, Canada and the Company has an office of representation in Moscow, Russia and an in-country corporate office in Caracas, Venezuela.

Results of Operations:

(expressed in thousands, except per share amounts)	Year Ended December 31, 2009 (\$)	Year Ended December 31, 2008 (\$)	Year Ended December 31, 2007 (\$)
Total Revenues	72,373	70,287	3,495
Net loss	(16,284)	(72,247)	(32,244)
Basic and diluted loss per share	(0.03)	(0.19)	(0.20)
Total Assets	1,034,057	1,044,204	1,006,524
Total long-term liabilities	268,445	355,974	279,036

The Company recorded a net loss of \$16.3 million during 2009 compared to a net loss of \$72.2 million during 2008. The Company's revenue increased from \$70.3 million in 2008 to \$72.4 million in 2009 due to an increase in ounces sold from 97,582 ounces in 2008 to 104,036 ounces in 2009 which was offset by a reduction in average realized gold price from \$720/ounce in 2008 to \$696/ounce in 2009. The Company sold significantly less in 2009 than it produced in 2009 due to uncertainty caused by the Central Bank of Venezuela ("the CBV") resolutions described in the "Venezuela Currency Exchange Controls and Gold Sales" section. The Company's mining operating expenses decreased from \$63.9 million in 2008 to \$39.4 million in 2009 and mining amortization decreased from \$17.5 million in 2008 to \$10.2 million in 2009 as discussed in the Choco Mine and Isidora Mine results below.

The Company's general and administrative expenses decreased from \$19.7 million in 2008 to \$9.4 million in 2009 as a result of a reduction in exploration and development work, a decrease in the average Venezuelan Bolivar Fuerte ("the BsF") in comparison to the US Dollar and the result of increased efficiencies. The Company's stock-based compensation decreased from \$22.8 million in 2008 to \$6.8 million in 2009. The decrease in stock-based compensation between 2009 and 2008 is mainly the result of options issued in June 2008 having significantly higher fair values than options issued in April 2009. During 2009 the Company's interest on convertible loan was \$13.0 million compared to \$7.1 million in 2008. The increase for 2009 is the result of the convertible loan being issued in June of 2008 and therefore interest was only recorded for a portion of 2008 whereas in 2009 interest was recorded for the entire year.

Foreign exchange loss during 2008 of \$1.6 million significantly related to US Dollar payables held by the Company's Choco Mine whereas foreign exchange gain during 2009 of \$1.1 million significantly related to gains due to the impact of the appreciation of the Canadian Dollar ("C\$") on the Company's C\$ cash and short-term investments. The Company's impairment of mineral properties decreased from \$19.3 million in 2008 to \$11.0 million in 2009 as a result of a reduction in the value of properties the Company determined required impairment. Future income tax recovery decreased from \$13.2 million in 2008 to \$3.5 million in 2009. This was significantly impacted by the decrease in the average BsF exchange rate during 2009 as well as a reduction in the impairment of mineral properties which resulted in a corresponding reduction in future income tax recovery from 2008 to 2009 and differences in valuation of certain assets including inventory between the local tax basis and consolidated financial statements.

The following tables summarize key operating statistics for 100% of the Choco Mine and 50% of the Isidora Mine:

	3 Months Ended December 31, 2009			3 Months Ended December 31, 2008		
	Choco	Isidora	Total	Choco	Isidora	Total
Ore tonnes mined ('000 t)	440	5	445	695	0.3	695
Ore tonnes milled ('000 t)	437	8	445	582	0.7	583
Average grade (g/t)	1.77	23.72	2.15	1.71	28.00	1.74
Average recovery rate (%)	93%	90%	93%	85%	90%	85%
Gold produced (ounces)	21,790	5,268	27,058	26,964	500	27,464
Total mining operating expenses \$(000)	\$1,609	\$2,447	\$4,056	\$11,453	\$117	\$11,570
- asset retirement obligations accretion \$(000)	\$28	(\$75)	(\$47)	(\$107)	-	(\$107)
- fair value differential of inventory acquired \$(000) ⁽¹⁾	-	(\$172)	(\$172)	-	-	-
Total cash costs \$(000) ⁽²⁾	\$1,637	\$2,200	\$3,837	\$11,346	\$117	\$11,463
Total cash costs per ounce sold \$ ⁽³⁾	\$558	\$635	\$600	\$507	\$254	\$502
Gold sold to the CBV (ounces)	-	1,242	1,242	-	-	-
Gold sold to domestic private buyers (ounces)	2,933	2,224	5,157	22,365	460	22,825
Total gold sold (ounces)	2,933	3,466	6,399	22,365	460	22,825
Average spot gold price \$	n/a	n/a	\$1,100	n/a	n/a	\$795
Average realized gold price for gold sold to the CBV (\$) ⁽⁴⁾	-	\$397	\$397	n/a	n/a	n/a
Average realized gold price for gold sold to domestic private buyers (\$) ⁽⁴⁾	\$802	\$797	\$800	\$912 ⁽⁵⁾	\$734	\$908 ⁽⁵⁾
Average realized gold price (\$) ⁽⁴⁾	\$802	\$654	\$722	\$912 ⁽⁵⁾	\$734	\$908 ⁽⁵⁾
Official exchange rate (BsF to US Dollar)	n/a	n/a	2.15	n/a	n/a	2.15
Average implicit exchange rate (BsF to US Dollar)	n/a	n/a	5.57	n/a	n/a	5.17

	12 Months Ended December 31, 2009			12 Months Ended December 31, 2008		
	Choco	Isidora	Total	Choco	Isidora	Total
Ore tonnes mined ('000 t)	2,374	31	2,405	2,363	0.3	2,363
Ore tonnes milled ('000 t)	2,056	35	2,091	2,394	0.7	2,395
Average grade (g/t)	1.97	24.63	2.35	1.44	28.00	1.45
Average recovery rate (%)	90%	90%	90%	87%	90%	87%
Gold produced (ounces)	125,714	24,746	150,460	99,163	500	99,663
Total mining operating expenses \$(000)	\$28,246	\$11,144	\$39,390	\$63,779	\$117	\$63,896
- asset retirement obligations accretion \$(000)	(\$314)	(\$266)	(\$580)	(\$537)	-	(\$537)
- fair value differential of inventory acquired \$(000) ⁽¹⁾	-	(\$3,603)	(\$3,603)	-	-	-
Total cash costs \$(000) ⁽²⁾	\$27,932	\$7,275	\$35,207	\$63,242	\$117	\$63,359
Total cash costs per ounce sold \$ ⁽³⁾	\$328	\$383	\$338	\$651	\$254	\$649
Gold sold to the CBV (ounces)	-	1,242	1,242	-	-	-
Gold sold to domestic private buyers (ounces)	85,057	17,737	102,794	97,122	460	97,582
Total gold sold (ounces)	85,057	18,979	104,036	97,122	460	97,582
Average spot gold price \$	n/a	n/a	\$972	n/a	n/a	\$872
Average realized gold price for gold sold to the CBV \$(⁽⁴⁾)	-	\$397	\$397	n/a	-	-
Average realized gold price for gold sold to domestic private buyers \$(⁽⁴⁾)	\$698	\$703	\$699	\$720	\$734	\$720
Average realized gold price \$(⁽⁴⁾)	\$698	\$683	\$696	\$720	\$734	\$720
Official exchange rate (BsF to US Dollar)	n/a	n/a	2.15	n/a	n/a	2.15
Average implicit exchange rate (BsF to US Dollar)	n/a	n/a	6.12	n/a	n/a	4.37

The following notes are applicable to the above two tables.

- 1) In calculating cash costs per ounce sold the Company has excluded the difference between the book value and fair value of inventory acquired at the date of acquisition of the 50% interest in the Isidora Mine.
- 2) Total cash costs used in the calculation of cash costs per ounce is calculated as mining operating expenses from the consolidated statement of operations excluding accretion expense related to the asset retirement obligations and expense of the fair value differential between the book value and fair value of inventory acquired at the date of acquisition of the 50% interest in the Isidora Mine.
- 3) Cash costs per ounce sold is a non-GAAP measure. Total cash costs per ounce sold as shown above is calculated by dividing the total cash costs by the gold ounces sold during the period. Cash costs per ounce sold includes all expenditures related to the mine such as mining, processing, administration, royalties and production taxes but excludes reclamation, capital and exploration expenditures, adjustment to foreign currency conversion rate and the fair value differential between the book value and fair value of inventory acquired at the date of acquisition of the 50% interest in the Isidora Mine.
- 4) Average realized gold price for gold sold to the CBV was impacted by payment being received in BsF at the official exchange rate and the timing of gold sales. Average realized gold price for sales to private buyers in

the domestic processing industry is impacted by a discount to the spot price of gold and the impact of payment received in BsF at the bid Implicit Rate (See "Venezuela Currency Exchange and Gold Sales" section for definition of Implicit Rate) and timing of gold sales. The impact of these items are discussed in more detail in the "Venezuela Currency Exchange and Gold Sales" section.

- 5) As described in the "Selected Quarterly Information" section, revenue in Q4 2008 was positively impacted by \$5.4 million due to a change in method of computation of the foreign currency conversion rate applied to revenue. Excluding the effect in revenue of the change in the method mentioned above, the average realized gold price for the three months ended December 31, 2008 is \$673 and the Choco Mine average realized gold price for the three months ended December 31, 2008 is \$672.

Choco Mine

On November 30, 2007, the Company acquired a 95% ownership interest in the Choco Mine, located in the El Callao district of Venezuela. The Choco Mine's mineral rights have a 20-year term, which is subject to two 10-year extensions for a maximum term of 40 years.

During 2009 the Choco Mine produced 125,714 ounces compared to 99,163 ounces in 2008. This increase was due to an increase in average grade from 1.44 g/t in 2008 to 1.97 g/t in 2009 and an increase in average recovery rate from 87% in 2008 to 90% in 2009 which offset the decrease in tonnes milled from 2.4 million tonnes in 2008 compared to 2.1 million tonnes in 2009. Tonnes milled decreased in 2009 compared to 2008 as the Company was mining a greater portion of hard rock (fresh unoxidized ore) and a reduced portion of oxide ore in 2009 compared to 2008 which decreased throughput at the Choco Mine mill. Actual production of 125,714 ounces was lower than the outlook provided of 135,000 ounces due to processing of increased hard rock described above without the benefit of improved crushers which were not purchased due to uncertainty caused by the CBV resolutions described in the "Venezuela Currency Exchange Controls and Gold Sales" section. Revenue per ounce decreased from \$720/ounce in 2008 to \$698/ounce in 2009; this decrease resulted from the timing of gold sales in that the majority of sales occurred during the first 9 months of 2009 when the average spot gold price was lower than for the full year 2009. Gold sold from the Choco Mine production was significantly less in 2009 than the mine produced as a result of uncertainty caused by the CBV resolutions described in the "Venezuela Currency Exchange Controls and Gold Sales" section.

Mining operating expenses per ounce sold were \$332 in 2009 compared to \$657 in 2008 and mining amortization per ounce sold were \$100 in 2009 compared to \$180 in 2008. This decrease was due to the depreciation of the BsF in 2009 compared to 2008 and due to the fact that a significant portion of the gold sold in 2009 was produced when the Company was mining high grade areas with higher recovery rates and processing a greater percentage of oxide material which increased throughput at the Choco Mine mill. These factors reduced mining operating expense per ounce and mining amortization per ounce when these ounces were sold in 2009. This also positively impacted the cash cost per ounce sold for 2009 which was \$328 per ounce sold compared to the outlook provided of \$375 per ounce. Income tax expense was \$1.4 million in 2009 compared to an income tax recovery of \$8.7 million in 2008 as the Choco Mine had significantly decreased costs described above.

During Q4 2009 the Choco Mine produced 21,790 ounces compared to 26,964 ounces in Q4 2008. This decrease was due to a decrease in tonnes milled from 0.6 million tonnes in Q4 2008 compared to 0.4 million tonnes in Q4 2009 which offset the increase in average grade from 1.71 g/t in Q4 2008 to 1.77 g/t in Q4 2009 and an increase in average recovery rate from 85% in Q4 2008 to 93% in Q4 2009. Tonnes milled decreased in Q4 2009 as the Company was mining a greater portion of hard rock in Q4 2009 compared to Q4 2008 which decreased throughput at the Choco Mine mill and increased mining and processing costs. Revenue per ounce increased from \$672/ounce (see footnote 5 in table above) in Q4 2008 to \$802/ounce in Q4 2009. This increase resulted from an increase in the average spot gold price which was partially offset by the timing of the gold sales. Mining operating expenses per ounce sold were \$549 in Q4 2009 compared to \$512 in Q4 2008 and mining amortization per ounce sold were \$248 in Q4 2009 compared to \$273 in Q4 2008. Income tax recovery was \$4.2 million in Q4 2009 was comparable to an income tax recovery of \$5.9 million in Q4 2008 as a result of significant tax planning implemented in Q4 2009.

The current 43-101 compliant gold reserves at the Choco Mine based on a 100% interest are 1.83 million ounces Au proven and probable reserves (17.7 million tonnes grading 3.22 g/t). Current 43-101 compliant resources are 4.67 million ounces Au measured and indicated (58.9 million tonnes grading 2.47 g/t) and 3.02 million ounces Au inferred (42.9 million tonnes grading 2.19 g/t). The technical information on the Choco Mine is detailed in a 43-101 compliant technical report titled "Technical Report on the PMG (Gold Fields) Choco 10 Concession and Mine, Estado Bolivar Venezuela" dated November 27, 2007. An updated 43-101 compliant resource estimate is scheduled to be completed in 2010.

In 2008, the Company initiated a scoping study for the Choco Mine and surrounding deposits. The scoping study was completed in May 2009. The data and conclusions of the scoping study now form the basis for a feasibility study (see news releases dated May 19, 2009 and July 20, 2009, which are available on SEDAR at www.sedar.com), which the Company initiated in Q3 2009. These studies are focused on establishing the viability of planned significant gold production expansion at the Choco Mine, including processing gold at the Choco Mine mill from the adjacent Incredible 6 property (see Incredible 6 Project below). The feasibility study is expected to be concluded during 2010.

During 2009 exploration and development work included the drilling of 29 holes totaling 4,302 metres directed at resource and reserve conversion to support expanded production capacity (in approximately 3-4 years) and a feasibility study (refer to the "Outlook" section). Metres drilled was below guidance provided of 20,000 metres as a result of a reduction in capital expenditures due to uncertainty caused by the CBV resolutions described in the "Venezuela Currency Exchange Controls and Gold Sales" section. Additionally work in 2009 continued to evaluate other targets within the surrounding areas.

Isidora Mine

As described in the "Joint Venture" section, on December 23, 2008 the Company started proportionately consolidating its 50% share of the underground Isidora Mine, which the Company operates as a joint venture with the Venezuelan government.

During 2009 the Isidora Mine produced 24,746 ounces compared to 500 ounces in 2008 and sold 18,979 ounces in 2009 compared to 460 ounces in 2008. This increase was due to proportionately consolidating 50% of the Isidora Mine for all of 2009 as compared to from December 23, 2008 to December 31, 2008 for 2008. Actual production of 24,746 ounces was lower than the outlook provided of 35,500 ounces due to lower grade compared to expectations and mining equipment availability which reduced tonnes mined. Capital expenditures were reduced due to uncertainty caused by the CBV resolutions described in "Venezuela Exchange Controls and Gold Sales" section which reduced production. Mining operating expenses increased from \$0.1 million in 2008 to \$11.1 million in 2009 and mining amortization increased from \$0.1 million in 2008 to \$1.8 million in 2009 as a result of proportionately consolidating 50% of the Isidora Mine for the entire year 2009 compared to from December 23, 2008 to December 31, 2008 for 2008. Cash cost per ounce sold for 2009 of \$383 as compared to an outlook of \$350 was negatively impacted by lower grade and mining equipment availability as discussed above and increased labour costs.

During Q4 2009 the Isidora Mine produced 5,268 ounces compared to 500 ounces in Q4 2008 and sold 3,466 ounces in Q4 2009 compared to 460 ounces in Q4 2008. This increase was due to proportionately consolidating 50% of the Isidora Mine for the entire Q4 2009 compared to from December 23, 2008 to December 31, 2008 for Q4 2008. Mining operating expenses increased from \$0.1 million in Q4 2008 to \$2.4 million in Q4 2009 and mining amortization increased from \$0.1 million in Q4 2008 to \$0.6 million in Q4 2009 as a result of proportionately consolidating 50% of the Isidora Mine for the entire Q4 2009 compared to from December 23, 2008 to December 31, 2008 for Q4 2008.

The 43-101 compliant resources at the Isidora Mine based on a 100% interest are detailed in a technical report titled "Technical Report on the Mining and Processing Operations of Hecla Mining Company, Estado Bolivar Venezuela" dated August 1, 2008 and includes both the main Isidora Deposit and near-by Twin Shear Zone. Existing gold resources for the Isidora Mine include the Isidora Deposit which has 185,000 ounces Au proven and probable reserves (179,000 tonnes grading 32.1 g/t) 331,000 ounces measured and indicated (470,000 tonnes grading 21.9 g/t) and 45,000 ounces inferred (99,000 tonnes grading 14.1 g/t) and for the Twin Shear Zone 482,000 ounces inferred (1,200,000 tonnes grading 12.5 g/t).

Exploration and development activities continue at the Isidora Mine with approximately 40,000 metres of drilling planned for 2010 directed at expanding the existing resources at the Isidora Mine. Drilling completed during 2009 on the Isidora Mine included 26,168 metres from a total of 59 holes which was comparable to the outlook provided for 2009.

Exploration and Development

During 2009 the Company's exploration and development segment incurred general and administrative costs of \$1.7 million compared to \$6.8 million in 2008. This decrease in general and administrative costs is the result of a reduction in overall exploration and development work in 2009 compared to 2008, a decrease in the average BsF exchange rate in comparison to the US Dollar, and the result of increased efficiencies. Impairment of mineral properties during 2009 was \$11.0 million compared to \$19.3 million in 2008. The impairments in 2009 relate to certain El Callao properties and Other Properties that the Company does not plan to pursue exploration and development work on in the future. The impairments in 2008 relate to certain Other Properties which the Company chose to return to the Venezuelan government, certain El Callao properties under application that the Company has decided not to pursue the approval of the applications for and to the Minoro property in Honduras as the Company does not currently have plans to pursue exploration and development work on this property in the future.

During Q4 2009 the Company's exploration and development segment incurred general and administrative costs of \$0.6 million compared to \$2.0 million in Q4 2008. This decrease is the result of increased efficiencies. Impairment of mineral properties during Q4 2009 was \$10.4 million compared to \$19.0 million in Q4 2008 as a result of the impairment of properties discussed above. During Q4 2009 the exploration and development segment recorded a foreign exchange gain of \$1.1 million compared to a foreign exchange gain of \$4.0 million in 2008. These foreign exchange gains are significantly the result of the depreciation of the BsF in Q4 2009 and Q4 2008 and the resulting decrease of the Company's future income tax liability of the Company's integrated foreign operations in Venezuela. The following is a description of the Company's exploration and development properties.

San Rafael El Placer

An updated 43-101 compliant resource estimate for the SREP project on the San Rafael and El Placer mineral titles was completed in Q4 2008 and detailed in a technical report titled "Technical Report on the San Rafael-El Placer and Days Vein Deposits, Bolivar State, Venezuela", dated October 2, 2008. The updated gold resource for SREP consists of an indicated resource of 399,000 ounces Au (0.64 million tonnes grading 19.4 g/t) and an additional 523,000 ounces Au in inferred resources (0.70 million tonnes grading 23.1 g/t).

Drilling during 2009 totaled 4,713 metres from 19 holes. The drilling included the collection of samples for metallurgical testing from sections of the indicated resources as well as in-fill drilling designed to upgrade a portion of the resource from inferred to indicated.

Subsequent to year end, the Company has completed construction on the Alvarez underground ramp (4.5 metres x 5.0 metres) in order to provide access to the main SREP gold mineralized zones at a vertical depth of approximately 200 metres below surface. The total ramp length is approximately 1,500 metres. The Company intercepted the mineralized zone and begun test sampling in the first quarter of 2010. The ramp provides all of the necessary access to conduct further exploration with a view to upgrading the classification of the current resources at SREP. The Company has commenced a pre-feasibility study for the SREP project, which it expects to have finalized in Q2 2010.

Incredible 6

The Incredible 6 project is located in the El Callao district, eight kilometres northeast of the Choco Mine mill. Previous work at Incredible 6 includes geochemistry, geophysics trenching, and drilling which has outlined a series of gold targets. The main gold zones (Culebra, Cristina, Elisa, and Olga) are contained within a 4.5 km long and 1.0 km wide east-west trending shear zone, which crosses the central portion of the project. An updated resource estimate increased the resource to 1.59 million ounces Au indicated (23.45 million tonnes grading 2.11 g/t) and 1.1 million ounces Au inferred (17.5 million tonnes grading 1.95 g/t). The technical information on Incredible 6 is detailed in a 43-101 compliant technical report titled "Technical Report on the Incredible 6 Property, Bolivar State, Venezuela" dated November 14, 2007, as revised February 14, 2008.

Exploration and development activities during 2009 comprised largely of surveying, and related work designed to provide additional information for the detailed geological model for on-going mine development. No additional drilling was completed in 2009. All zones remain open. The oxide portion of Incredible 6 is included into the Choco Mine oxide strategy for near term exploitation. An updated 43-101 compliant resource estimate for Incredible 6 is expected to be completed in 2010 as part of the feasibility study.

Subject to the receipt of the permit to affect natural resources from the Ministry of the Environment, the Company expects to start mining ore from Incredible 6 and processing it at the mill at the Choco Mine during 2010. During Q3 2009 the Company received the exploitation permit from MIBAM for mining at the Incredible 6 Project (see news release dated September 11, 2009 which is available on SEDAR at www.sedar.com).

El Callao

The Company holds the rights to several concessions in the area surrounding the Choco Mine totalling 26,644 ha. This area has a long history of gold exploration, development, and small scale gold mining. The Company's plan for the continued exploration of these properties is the definition of gold resources which will allow for the evaluation of various development options including expanding or extending the current operations in the district or additional mine development

Valle Hondo

The 13,000 ha Valle Hondo project is located 40 km east of the Company's Emilia mill. No additional drilling was completed during 2009 and work consisted of continued compilation and interpretation of the 2008 drill results.

The current 43-101 resource estimation for the Apanao Zone is 103,000 ounces Au indicated (3.5 million tonnes grading 0.92 g/t) and 1.34 million ounces Au inferred (47.0 million tonnes grading 0.89 g/t). Technical information on Valle Hondo is detailed in a 43-101 compliant technical report titled "Technical Report on the Mineral Resource Estimate, Valle Hondo Project, Bolivar State, Venezuela", dated April 9, 2007. The overall objective continues to be the expansion and upgrading of the Apanao gold resource and the definition of additional resources (primary target at Arenales) from within the project.

Minoro

In Honduras, the Company holds the mineral rights to the 10,000 ha Minoro project. No fieldwork was completed in 2009 and the Company does not currently have plans to pursue exploration work on this property.

Other Properties

The Company's mineral titles in the El Dorado district in addition to SREP are comprised of Emilia, Emilia II, Ceiba, and others. This block of claims has a history of past gold production and contains the Company's Emilia mill, which is not currently operating.

The updated 43-101 compliant resource estimate for the Days Zone on the Emilia Concession is included in the technical report titled "Technical Report on the San Rafael-El Placer and Days Vein Deposits, Bolivar State, Venezuela" described above. The updated 43-101 compliant resource estimate for the Days Vein consists of 37,000 ounces of inferred resources (209,000 tonnes at 5.5 g/t Au).

The Yuruan Concession is contiguous with several other mineral titles, all 100% controlled by the Company, which total more than 11,000 ha. located between 50 and 80 kilometres south of the Emilia Mill. No additional drilling was completed during 2009. Work to date has outlined a series of gold mineralized zones contained within a large regional-scale structural trend, which cross the Yuruan concession and extends on the adjacent mineral titles controlled by the Company. All results have been received and an updated interpretation of the mineralized structures outlined to date is in progress. The objective of the drilling program in the area is to evaluate the possibility of outlining additional gold resources for the Emilia mill and/or the possibility of a "stand alone" project.

Corporate

During 2009 the Company's corporate segment incurred general and administrative costs of \$7.6 million compared to \$13.0 million in 2008. The Company has made a significant effort in 2009 to reduce the Company's general and administrative costs. During 2009 the Company's stock-based compensation was \$6.8 million compared to \$22.8 million in 2008. The decrease in stock-based compensation between 2009 and 2008 is mainly the result of options issued in June 2008 having significantly higher fair values than options issued in April 2009. During 2009 the Company's interest on convertible loan was \$13.0 million compared to \$7.1 million in 2008. The increase for 2009 is the result of the convertible loan being issued in June of 2008 and therefore interest was only recorded for a portion of 2008 whereas in 2009 interest was recorded for the entire year. During 2009 the Company's litigation and unsuccessful acquisition costs was \$0.8 million compared to \$3.3 million in 2008 (see the section titled "Gold Reserve Bid"). As this acquisition was launched in December 2008 the majority of costs were incurred prior to December 31, 2008 which resulted in the decrease in costs from 2008 to 2009.

During Q4 2009 the Company's corporate segment incurred general and administrative costs of \$2.9 million compared to \$1.9 million in 2008. This increase was significantly impacted by certain professional fees work performed in Q4 2009. During Q4 2009 the Company's interest on convertible loan was \$3.0 million compared to \$3.2 million in 2008. The decrease was the result of repurchasing a portion of the convertible loan in November 2009 and therefore interest was not recorded on the repurchased portion subsequent to the repurchase date in Q4 2009. During Q4 2009 the Company's litigation and unsuccessful acquisition costs was \$Nil compared to \$3.3 million in Q4 2008 (see the section titled "Gold Reserve Bid"). As this acquisition was launched in December 2008 the majority of costs were incurred in Q4 2008 and the Company did not incur any work due to the resulting litigation in Q4 2009.

Venezuelan Currency Exchange and Gold Sales

In 2003, the Venezuelan government implemented foreign exchange controls which fixed the rate of exchange between the Venezuelan Bolivar ("Bs") and the US Dollar. In March of 2005, the rate was fixed at Bs 2,150/\$1.00. Effective January 1, 2008 the Venezuelan government changed the name of the currency to the BsF and modified the currency by fixing the official rate at BsF 2.15/\$1.00. On January 11, 2010 the CBV and Ministry of Finance passed Exchange Agreement No. 14, which modified the currency by fixing the official exchange rate at BsF 4.30/\$1.00 for most goods and services and BsF 2.60/\$1.00 for certain priority items, such as basic foods, medicines and industrial equipment. In October of 2005, the Venezuelan government enacted the Criminal Exchange Law, which imposes sanctions on the exchange of BsF with foreign currency unless the exchange is made by officially designated methods. The exchange regulations do not apply to transactions with certain securities denominated in BsF, which can be swapped for securities denominated in another currency effectively resulting in a swap market which provides an implicit value for the exchange rate for the BsF/US Dollar ("Implicit rate" or "Implicit Exchange Rate").

The Company uses the Implicit Exchange Rate to translate BsF denominated transactions and balances of the Company's subsidiaries. The Implicit Rate is volatile and has been consistently higher than the official rate.

On June 16, 2009, the CBV passed Resolution No. 09-06-03 which became effective June 22, 2009, that replaced Resolution No. 09-04-03 that the CBV had passed on April 30, 2009. Resolution No. 09-06-03 mandates that for companies in which the Venezuela State has no interest or less than 50% interest, 70% of gold produced in the country in each calendar quarter must be allocated to the domestic market, of which at least 60% must be offered for sale to the CBV and up to 10% can be offered for sale to the domestic processing industry. The remaining 30% of the gold produced in Venezuela can be exported or offered for sale to the CBV, at the option of the gold producer after obtaining authorization from the CBV. In companies in which the Venezuelan State has an interest of 50% or greater, at least 50% of the gold produced in the country in each calendar quarter must be allocated to the domestic market of which at least 25% must be offered for sale to the CBV and up to 25% can be offered for sale to the domestic processing industry. The remaining 50% can be exported or offered for sale to the CBV, at the option of the gold producer after obtaining authorization from the CBV.

Exports of gold are subject to foreign currency exchange control regulations in Venezuela which require that the proceeds from gold exports collected in a currency other than BsF must be exchanged for BsF with the CBV at the official rate of BsF 2.15/\$1.00 (BsF 4.30/\$1.00 subsequent to January 11, 2010). The CBV and the Ministry of Finance passed Exchange Agreement No. 12 during 2009 which provides more flexibility for companies in which the Venezuelan State has an interest of 50% or greater as they may keep bank accounts abroad in foreign currency and use the currency received from gold exports to make direct payments in foreign currency. Companies in which the Venezuelan State has no interest or less than 50% interest, are not covered by Exchange Agreement No. 12. The Company has obtained legal advice that indicates that Resolution No. 09-06-03 applies to finished gold produced after June 30, 2009. The above resolutions and Exchange Agreement No. 12 created uncertainty which impacted results as described throughout this MD&A as during 2009 and to the date of this MD&A the Company continued to clarify certain details of these resolutions and Exchange Agreement No. 12 with the Venezuelan government in respect to gold sales.

Finished gold sold to private buyers representing the domestic processing industry was sold based on the US Dollar spot gold price on the date the sale was negotiated minus an average discount of 19%. Payment for these sales was received in BsF based on the bid Implicit Rate on the date the sale was negotiated. Finished gold sold to the CBV during 2009 was sold based on the international spot gold price less a discount of 1.5% with payment received in BsF at the official exchange rate of 2.15 BsF. For sales to the CBV subsequent to January 11, 2010, payment was received at the official exchange rate of 4.30 BsF. No finished gold was exported during 2009 and until the date of this MD&A.

Depending on the outcome of the application of the above resolution, the carrying value of the Company's assets including property, plant and equipment, inventories and mineral properties may be materially negatively impacted.

Gold inventories with a net book value of \$46.8 million as at December 31, 2009 comprise 56,076 ounces of finished gold, 3,068 ounces of gold in process and 19,435 ounces of gold-stockpile. Of these gold inventories, Choco Mine comprise 48,355 ounces of finished gold, 1,418 ounces of gold in process and 18,380 ounces of gold-stockpile; Isidora Mine comprise 7,721 ounces of finished gold, 1,650 ounces of gold in process and 1,055 ounces of gold-stockpile. Finished gold as at April 23, 2010 total 52,403 ounces including 45,697 ounces produced at the Choco Mine and 6,706 ounces produced at the Isidora Mine.

From January 1, 2010 to April 23, 2010 the Company has sold 28,135 ounces of finished gold to the CBV and 10,514 ounces to private buyers representing the domestic processing industry. Of the 28,135 ounces sold to the CBV 26,569 ounces were produced at the Choco Mine and 1,566 ounces were produced at the Isidora Mine and of the 10,514 ounces sold to private buyers representing the domestic processing industry 7,680 ounces were produced at the Choco Mine and 2,834 ounces were produced at the Isidora Mine.

Joint Venture

On July 8, 2008, the Company closed the transaction to acquire from Hecla Mining Company ("Hecla") 100% of the outstanding shares of El Callao Gold Mining Company and Drake-Bering Holdings B.V. ("the Hecla-Venezuela Acquisition") including their subsidiaries Minera Rusoro Venezolana C.A. ("Minera Rusoro") (formerly Minera Hecla Venezolana C.A.) and El Callao Gold Mining Company de Venezuela S.C.S. ("El Callao Gold Mining").

On July 4, 2008, prior to the closing of the Hecla-Venezuela Acquisition, the Company entered into an agreement ("the Mixed Enterprise Agreement") with the Venezuelan Ministry of Mines and Basic Industries ("MIBAM") to create a mixed enterprise. The objective of the mixed enterprise is to carry on with gold exploration, development and operation of the Isidora Mine and exploration properties acquired in the Hecla-Venezuela Acquisition and the operation of the La Camorra mill. The La Camorra mill is an operating mill located in the El Dorado district of Venezuela for the processing of gold which was formerly owned by Hecla and is to be contributed to the mixed enterprise by Empresa de Producción Social Minera Nacional C.A. ("EMN") which is a company owned indirectly by MIBAM. The activities of the mixed enterprise are carried out through Minera Venrus C.A., ("Venrus C.A.") a Venezuelan corporation incorporated on December 23, 2008 which is 50% owned by the Company and 50% owned by EMN. Based on the articles of incorporation and by-laws of Venrus C.A., the Company and EMN contractually agreed to share the continuing power to determine the strategic operating, investing and financing policies of Venrus C.A.

The nature of the assets to be effectively contributed into Venrus C.A. and the timing of their contribution is still pending. Due to the existing Mixed Enterprise Agreement that requires the contribution of the assets into Venrus C.A. and also requires that the Company pledge 50% of its shares in Minera Rusoro and El Callao Gold Mining in favour of the Venezuelan government until that contribution occurs, the incorporation of Venrus C.A. on December 23, 2008, and due to the ongoing collaboration of the Venezuelan government in determining the strategic operating, investing and financing policies of the mixed enterprise, management has determined that starting December 23, 2008 proportionate consolidation of 50% of the net assets acquired in the Hecla-Venezuela Acquisition is appropriate.

MIBAM has agreed in the Mixed Enterprise Agreement to contribute the La Camorra mill to Venrus C.A. Since this contribution is pending and it is uncertain whether this contribution will be made, the Company's interest in the La Camorra mill has not been recognized. Should the La Camorra mill be contributed to Venrus C.A., the accounting treatment will be determined based on the facts and circumstances at the point of contribution. The Venezuelan government has had significant involvement in determining the terms and conditions associated with the Hecla-Venezuela Acquisition. Resolution of these terms and conditions have not yet been finalized due to uncertainty of the transfer of the La Camorra mill to Venrus C.A and uncertainty of the nature and timing of the contribution of other assets (including the Isidora Mine) to Venrus C.A.

Due to the delay in the contribution of the assets to Venrus C.A. as required in the Mixed Enterprise Agreement, additional agreements as described below were signed in the year ended December 31, 2009 which allow Venrus C.A. to operate the assets acquired in the Hecla-Venezuela acquisition and the La Camorra mill for a period of one year from the dates of these agreements which are extendable in one year increments.

On September 8, 2009, an operation agreement was signed between EMN and Venrus C.A. which allows Venrus C.A. to operate the La Camorra mill. Venrus C.A. is responsible for preserving the condition of the La Camorra mill including repair of any environmental damage caused during the mill's operation by Venrus C.A. Upon termination of the operation agreement, the La Camorra mill including any related improvements will be returned to the Venezuelan government for \$Nil monetary compensation. This agreement is for a period of one year from September 8, 2009 and is extendable in one year increments.

On September 17, 2009, a sublease agreement was entered between El Callao Gold Mining and Venrus C.A. which allows Venrus C.A. to perform exploration and exploitation activities in the Isidora Mine. Venrus C.A. will be obligated to pay required royalties and exploitation taxes, to comply with environmental obligations and to ensure the regular maintenance of the Isidora Mine. This agreement is for a period of one year from September 17, 2009 and is extendable in one year increments.

On September 17, 2009, a lending agreement was entered between Minera Rusoro and Venrus C.A. which allows Venrus C.A. to use the assets of Minera Rusoro in the performance of the operation of the Isidora Mine and La Camorra mill. This agreement is for a period of one year from September 17, 2009 and is extendable in one year increments.

The above agreements do not remove the uncertainty regarding the contribution of assets into Venrus C.A. as described above and the accounting treatment as described above is unchanged from the previous year.

Selected Quarterly Information

	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008
Revised Reported (*):								
Revenue	4,617	26,411	11,185	30,160	20,730	14,717	23,152	11,688
Net income (loss)	(10,084)	(350)	(6,393)	543	(14,767)	(10,114)	(30,884)	(16,482)
Basic and diluted earnings (loss) per share	(0.02)	0.00	(0.01)	0.00	(0.04)	(0.03)	(0.08)	(0.04)
Previously reported (*):								
Revenue	N/A	N/A	N/A	N/A	N/A	14,717	23,152	11,688
Net loss	N/A	N/A	N/A	N/A	N/A	(12,490)	(36,818)	(17,263)
Loss per share	N/A	N/A	N/A	N/A	N/A	(0.03)	(0.10)	(0.04)

Note: in thousands of \$ except per share data

(* Effective November 30, 2007, the Company acquired a 95% ownership interest in the Choco Mine and a 95% - 100% ownership interest in the other Venezuelan mineral properties of Gold Fields Netherlands Services BV ("the Goldfields Acquisition"). The purchase price allocation of the assets and liabilities acquired in the Goldfields Acquisition was amended during the fourth quarter of 2008. This resulted in a reallocation of certain costs within property, plant and equipment and reallocation of certain costs to mineral properties from property, plant and equipment resulting in decreased amortization expense and decreased recovery of future income taxes for Q1 to Q3 2008 compared to amounts previously reported in the interim financial statements and MD&A filed for those quarters. The table above shows revised figures compared to amounts previously reported.

The following discussion highlights some of the significant factors that had an impact on the results in the eight most recently completed quarters ended December 31, 2009.

Revenue decreased from \$26.4 million in Q3 2009 to \$4.6 million in Q4 2009. Approximately \$22.0 million of this decrease is due to a decrease in ounces sold to 6,399 ounces sold in Q4 2009 from 38,521 ounces sold in Q3 2009 which is partially offset by a \$0.2 million increase due to the increase in average realized gold price to \$722 in Q4 2009 from \$686 in Q3 2009. The decrease in gold ounces sold in Q4 2009 compared to Q3 2009 resulted from uncertainty of gold sales caused by the resolutions described in the "Venezuelan Currency Exchange and Gold Sales" section.

During Q4 2009, net loss was \$10.0 million compared to \$0.4 million in Q3 2009. Loss from mining operations was \$0.8 million compared to income from mining operations of \$12.0 million in Q3 2009. This decrease was impacted by a decrease in ounces sold and an increase in mining operating expense per ounce and mining amortization per ounce. These expenses increased as ounces sold from the Choco Mine were significantly comprised of ounces produced from hard rock which decreased throughput at the Choco Mine mill and increased mining and processing costs. These costs also increased as a result of higher costs at the Isidora Mine including increased labour and processing costs.

During Q4 2009, impairment of mineral properties was \$10.4 million compared to \$0.4 million in Q3 2009 as a result of a higher value of properties the Company determined required impairment. During Q4 2009 income tax recovery was \$6.1 million compared to an income tax expense of \$3.8 million in Q3 2009 as a result of significant tax planning implemented in Q4 2009.

During Q3 2009, revenue increased by approximately \$15.2 million from Q2 2009. Approximately \$13.6 million of this increase is due to an increase in ounces sold to 38,521 ounces sold in Q3 2009 from 18,484 ounces sold in Q2 2009, \$0.2 million is due to the increase in average realized gold price to \$686 in Q3 2009 from \$681 in Q2 2009 and \$1.4 million is due to the change in computation of foreign currency conversion rate in Q2 2009 described below. The increase in gold ounces sold in Q3 2009 compared to Q2 2009 resulted from selling in Q3 2009 ounces of gold produced in Q2 2009 due to clarifications of some items resulting from the resolutions described in the "Venezuelan Currency Exchange and Gold Sales" section.

During Q3 2009, net loss was \$0.4 million compared to \$6.4 million in Q2 2009. Income from mining operations increased from \$4.1 million in Q2 2009 to \$12.0 million in Q3 2009 mainly as a result of an increase in ounces sold. Mining operating expenses and mining amortization increased from \$7.1 million in Q2 2009 to \$14.4 million in Q3 2009. Approximately \$8.3 million of this increase is due to an increase in ounces sold in Q3 2009 from Q2 2009 and \$0.6 million is due to the change in foreign currency conversion rate in Q2 2009 described below which is offset by a decrease in mining operating expenses and mining amortization of \$1.6 million. The decrease in mining operating expenses and mining amortization per ounce is due to the continuing depreciation of the average BsF in Q3 compared to Q2 and the ounces sold in Q3 2009 being processed from higher grade ore in comparison with the ounces sold in Q2 2009.

Stock-based compensation decreased from \$5.6 million in Q2 2009 to \$0.4 million in Q3 2009 due to the issuance of stock options in April 2009. Foreign exchange gain in Q2 2009 was \$0.6 million compared to a foreign exchange loss of \$1.9 million in Q3 2009. The majority of this increase in foreign exchange loss in Q3 2009 is due to the appreciation of the quarter-end BsF at the end of Q3 2009 compared to Q2 2009 and the resulting impact on the future income tax liability of the Company's integrated foreign operations in Venezuela. Income tax expense increased from \$0.5 million in Q2 2009 to \$3.8 million in Q3 2009 due to the increased profitability of the Choco Mine and Isidora Mine.

During Q2 2009, revenue decreased by approximately \$19.0 million from Q1 2009. Approximately \$1.4 million of this decrease is the result of the adjustment to Q1 2009 revenue recorded in Q2 2009 as a result of changing in Q2 2009 the computation of the foreign currency conversion rate used to convert sales in BsF to US Dollars. The remaining portion of this decrease is due to the decrease in the adjusted average realized gold price to \$681 in Q2 2009 (adjusted to exclude the change in foreign currency conversion rate described above) from \$742 in Q1 2009 and due to the decrease in ounces sold to 18,484 ounces sold in Q2 2009 from 40,632 ounces sold in Q1 2009.

During Q2 2009, net loss was \$6.4 million compared to net income in Q1 2009 of \$0.5 million. Income from mining operations decreased from \$7.4 million in Q1 2009 to \$4.1 million in Q2 2009 as a result of a decrease in ounces sold which was somewhat offset by lower mining operating expenses and mining amortization per ounce sold in Q2 2009 in comparison to Q1 2009. The decrease in mining operating expenses and mining amortization from Q2 2009 to Q1 2009 was due to the change in foreign currency conversion rate described above (decrease of Q2 2009 mining operating expenses of \$0.6 million as a result of adjustment to Q1 2009 mining operating expenses recorded in Q2 2009), the \$2.8 million decrease from Q1 2009 to Q2 2009 as the inventory that was fair valued on the acquisition of a 50% interest in the Isidora Mine was expensed in Q1 2009, the depreciation of the BsF and greater efficiencies at the Choco Mine. Q2 2009 net loss was also significantly impacted by stock-based compensation expense increasing to \$5.6 million in Q2 2009 from \$0.5 million in Q1 2009 as a result of the issuance and re-pricing of stock options in April 2009.

During Q1 2009, revenue increased by approximately \$9.4 million from Q4 2008. Excluding the \$5.4 million increase to revenue in Q4 2008 due to the change in method of computation of the foreign currency conversion rate described below, revenue increased by approximately \$14.8 million from Q4 2008 to Q1 2009. Approximately \$12.0 million of this increase is due to an increase in ounces sold with \$8.0 million of this increase resulting from increased ounces sold from the Choco Mine and \$4.0 million resulting from increased ounces sold from the Isidora Mine. The remaining \$2.8 million increase is due to an increase in the average realized gold price.

During Q1 2009, net income was \$0.5 million compared to a net loss of \$14.8 million in Q4 2008. As described above revenue increased by approximately \$9.4 million (45%) however mining operating expenses and mining amortization increased by only \$5.0 million (28%) due to the depreciation of the BsF and increased mining efficiencies. This resulted in an increase in income from mining operations of approximately \$4.4 million in Q1 2009 compared to Q4 2008. In Q4 2008 the Company recorded an impairment of mineral properties of approximately \$19.0 million compared to an impairment of mineral properties in Q1 2009 of \$0.2 million. The Company also recorded \$0.8 million in litigation and unsuccessful acquisition costs related to the Gold Reserve Bid (see the section titled "Gold Reserve Bid") in Q1 2009 compared to \$3.3 million in Q4 2008. The Company recorded income tax expense of \$0.8 million in Q1 2009 compared to an income tax recovery of \$8.7 million in Q4 2008. The income tax expense in Q1 2009 is related to the positive mining results described above. The income tax recovery in Q4 2008 was the result of tax planning the Company implemented in Q4 2008 which enabled the Company to utilize certain loss carry-forwards, changes to the inflation adjustments in Venezuela used in the calculation of corporate taxes and the income tax recovery on the impairment of mineral properties recorded in Q4 2008 described above.

During Q4 2008, revenue increased by approximately \$6.0 million from the previous quarter. Approximately \$5.4 million of this increase is the result of the Company changing in Q4 2008 the method of computation of the foreign currency conversion rate by converting its revenues for 2008 at the Implicit Exchange Rate in effect on the date of each individual sale rather than at an average exchange rate for the quarter in which the sale transaction occurred as the Company has been doing previous to Q4 2008. Approximately \$0.6 million of this increase is the result of an increase in gold ounces sold and an increase in the average realized gold price from Q3 to Q4.

During Q4 2008, net loss increased by approximately \$4.7 million from the previous quarter. The Company had increased revenue of \$6.0 million as described above and decreased mining operating expenses and mining amortization of \$5.9 million. The decrease in Q4 of mining operating expenses and mining amortization of \$5.9 million from Q3 was due to the depreciation of the BsF which reduces the US Dollar value of the Company's BsF denominated expenses and as a result of implemented mining and milling efficiencies at the Choco Mine. The above resulted in an income from mine operations in Q4 of \$2.9 million in comparison to a loss from mine operations of \$9.0 million in Q3.

During Q4 2008, the Company recorded an impairment of mineral properties of \$19.0 million. Of this impairment \$1.8 million related to certain properties which the Company chose to return to the Venezuelan government, \$3.7 million related to certain El Callao properties under application that the Company had decided not to pursue approval of the applications and \$13.5 million related to the Minoro property in Honduras as the Company does not currently have plans to pursue exploration or development work on this property in the future.

During Q4 2008, the Company's foreign exchange gain decreased by \$4.3 million from Q3 2008 to Q4 2008 due to the depreciation of the BsF and the resulting impact on the future income tax liability of the Company's integrated foreign operations in Venezuela. The Company also recorded \$3.3 million in litigation and unsuccessful acquisition costs related to the Gold Reserve Bid (see the section titled "Gold Reserve Bid") in the fourth quarter with \$Nil recorded in the third quarter. Income tax expense decreased by \$7.6 million from the previous quarter through tax planning the Company implemented in the Q4 which enabled the Company to utilize certain loss carry-forwards and as a result of changes to the inflation adjustments in Venezuela used in the calculation of corporate taxes.

During Q3 2008, revenue decreased by \$8.4 million from the second quarter. This was mainly a result of a reduction in gold ounces sold. Net loss decreased by approximately \$20.8 million over the previous quarter. This was partially due to a decrease in stock-based compensation expense of \$16.7 million versus the previous quarter, as Q2 was impacted by the issuance of fully vested stock options and re-pricing of certain stock options. The Company's mining operating expenses decreased by \$5.4 million in Q3 compared to Q2 and mining amortization decreased by \$0.9 million with a significant portion of this decrease resulting from the appreciation of the BsF. In addition, the Company had a foreign exchange gain of \$6.8 million in Q3 compared to a foreign exchange loss of \$3.5 million in Q2, which was mainly due to the impact of the depreciation of the BsF in Q3 2008 on the future income tax liability of the Company's integrated foreign operations in Venezuela. Interest expense on the convertible loan increased \$2.5 million as the loan was outstanding for the entire Q3 as it was issued in June 2008.

During Q2 2008, revenue increased by \$11.5 million over the previous quarter mainly as a result of an increase in gold ounces sold. Net loss increased by \$14.4 million from the previous quarter principally due to an increase of stock-based compensation expense of \$16.5 million for the issuance and re-pricing of stock options during Q2 2008, due to an increase of mining operating expenses and mining amortization of \$4.1 million and due to a decrease of foreign exchange loss of \$3.9 million recorded during the second quarter versus the previous quarter. The foreign exchange loss arose on the appreciation of the future income tax liability of the Company's integrated foreign operation in Venezuela as a result of the appreciation of the BsF versus the US Dollar. During Q2 2008, the appreciation of the BsF was not as strong as in Q1 2008.

During Q1 2008, revenue increased by \$8.2 million over the previous quarter as in Q4 2007 only one month of revenue was recorded from the Choco Mine since it had been recently acquired. Net loss increased by \$3.5 million from the prior quarter due principally to foreign exchange losses from the Company's integrated foreign operations as a result of the appreciation of the Venezuela BsF against the US Dollar during the quarter.

Fourth Quarter Results

Financial Position

The Company's assets totaled \$1,034 million as at December 31, 2009 (December 31, 2008: \$1,044 million). Total assets primarily consisted of \$10 million in cash (December 31, 2008: \$2 million), \$51 million in inventories (December 31, 2008: \$17 million), \$675 million in property, plant and equipment (December 31, 2008: \$722 million) and \$269 million in mineral properties (December 31, 2008: \$276 million). A large majority of the assets are denominated in BsF from the Company's self-sustaining foreign operations, Choco Mine and Isidora Mine, which according to the Company's accounting policy have been translated from BsF to US Dollars at the prevailing Implicit Exchange Rate at the balance sheet date. Similarly, a significant amount of the Company's liabilities, including accounts payable and accrued liabilities of \$30 million as at December 31, 2009 (December 31, 2008: \$34 million) and future income tax liability of \$264 million (December 31, 2008: \$281 million) have been translated from BsF to US Dollars at the Implicit Rate at the balance sheet date. As the BsF depreciated against the US Dollar from December 31, 2008 to December 31, 2009, this contributed to the decrease in property, plant and equipment, mineral properties and future income tax liability.

Convertible loan of \$58 million (December 31, 2008: \$72 million) represents the balance of the convertible loan which has been discounted and accreted at an effective interest rate of 18.5% and the segregation of the \$5 million equity component (December 31, 2008: \$6 million) attributable to the convertible option of the lenders which is disclosed in shareholders' equity. The loan is held in US Dollars and is repayable as indicated under the "Liquidity and Capital Resources" section of this MD&A.

Liquidity and Capital Resources

The Company's cash position increased \$8.2 million and the Company's short-term investments increased \$3.8 million from December 31, 2008 to December 31, 2009. The majority of the increase in cash was the positive cash flow from financing activities of \$42.9 million which was partially offset by cash outflows from operating activities of \$12.7 million and cash outflows from investing activities of \$22.0 million during 2009.

The reduction of cash outflows from operations during 2009 of \$12.7 million compared to \$31.5 million in 2008 was significantly impacted by a decrease in mining operating expenses at the Choco Mine as discussed in the Choco Mine results above, a decrease in general and administrative costs as discussed in the Corporate and Exploration and Development results above and positive cash flow from operations from Venrus C.A. of \$3.1 million in 2009 compared to \$Nil in 2008 as Venrus C.A. was proportionately consolidated beginning December 23, 2008. These cash inflows were partially offset by cash outflows of \$26.5 million related to the significant increase in inventory. Cash inflows from operations excluding asset retirement costs and changes in non-cash working capital items, receivables non-current and accrual for termination benefits non-current were \$12.5 million during 2009 compared to outflows of \$15.8 million during 2008.

Cash outflows from investing activities during 2009 were \$22.0 million compared to \$70.0 million in 2008. During 2008 the Company incurred \$29.0 million in investing cash outflows related to the acquisition of Venrus C.A. compared to \$Nil in 2009. Due to reductions in expenditures on mineral properties which began in the second half of 2008 and due to the uncertainty as a result of the CBV resolution described in the section "Venezuelan Currency Exchange and Gold Sales" the Company significantly reduced expenditures on mineral properties and property, plant and equipment in 2009 compared to 2008. Expenditures on mineral properties decreased \$8.1 million and expenditures on property, plant and equipment decreased \$15.6 million from 2008 to 2009.

Cash inflows from financing activities were \$43.0 million in 2009 compared to \$72.7 million in 2008. During 2009 the Company received net proceeds of \$60.3 million on the issuance of shares in a public offering and used \$16.9 million to repurchase a \$20 million principal portion of the convertible loan. During 2008 the Company issued the convertible loan for net proceeds of \$75.4 million.

The strategic plan for the Company includes as the main objective to preserve or enhance its existing cash and short-term investments position until June 2010 when the \$60 million principal of the convertible loan becomes due.

As at December 31, 2009, the Company has a working capital deficit of \$13.7 million including the current portion of the convertible loan of \$58.0 million. Management believes sufficient funds exist including cash, short-term investments and proceeds from sales of inventory to meet the Company's obligations until June 2010. In June 2010 the Company is required to make the convertible loan debt principal repayment of \$60.0 million and final convertible loan interest payment of \$3.0 million. Management does not believe the funds described above will be sufficient to make the required debt principal repayment and interest payment in June 2010.

The Company believes it has financing options which could generate sufficient cash to service the Company's debt requirement including, but not limited to, the following:

- a) Issuance of equity or debt securities; and
- b) Refinancing the convertible debt all or in part.

There is, however, no assurance that these sources of funding, or any other initiatives, will be available on terms that are acceptable to the Company.

The Company maintains the majority of its cash and short-term investments in US Dollars. The Company's significant commitments and a large portion of its operating costs are in US Dollars. The Company also maintains necessary cash in BsF and C\$, sufficient to fund short-term operating commitments in those currencies. As of the day of this MD&A, the Company has continued to settle its gold sales in BsF.

Practical restrictions currently exist on the ability of the Company to transfer funds from its 50% joint venture to the Company's other subsidiaries. These restrictions arise from the fact that financial decisions impacting the joint venture are made in collaboration with the Company's joint venture partner, the Venezuelan government. These restrictions may affect the Company's ability to use cash resources from Venrus C.A. to fund the Company's operations or to contribute to repayment of the convertible loan. Cash as at December 31, 2009 includes \$0.3 million held by Venrus C.A.

As at April 23, 2010, the Company has \$4.5 million in cash and the outstanding \$60 million principal portion of the convertible loan is due on June 10, 2010.

Gold Reserve Bid

On December 15, 2008, the Company launched an unsolicited take-over bid ("the Gold Reserve Bid") for Gold Reserve Inc. ("Gold Reserve"). On February 18, 2009, the Company's offer for Gold Reserve expired and because the conditions to the Company's offer were not met, the Company did not take up any securities under the offer. The Company recorded the costs related to the Gold Reserve Bid and the resulting litigation (see the section headed "Contingencies") as an expense in the litigation and unsuccessful acquisition costs in the consolidated statement of operations.

Outlook

The Company has grown significantly during the last 3 years, becoming a junior producer with 2 operating mines and various development and exploration projects in Venezuela.

During 2010, the Company expects to produce 142,000 ounces from the Choco Mine and its 50% interest in the Isidora Mine. Total cash costs per ounce sold for 2010 are expected to be \$613 per ounce which is an increase from \$338 in 2009 as discussed below.

For the cost per ounce estimate, the Company assumes a BsF/US Dollar Implicit Exchange Rate of BsF 7/\$1.00 during the year. Any significant change in the rate will generate a material increase or decrease in our costs.

Choco Mine

For 2010 the projected gold production guidance for the Choco Mine is 116,500 ounces of gold and projected cash cost per ounce sold of \$600. The increase in projected cash cost per ounce sold in 2010 to \$600 compared to \$328 in 2009 is due to expectations the Company will sell gold in 2010 produced from areas of the Choco Mine with lower grades and a greater portion of hard rock compared to 2009. Producing gold from hard rock decreases throughput at the Choco Mine mill and increases mining and processing costs.

Capital expenditures expected for the full year 2010 at the Choco Mine include:

Feasibility study: \$1.7 million
Resource to reserve conversion drilling: \$3.0 million
Processing plant improvements: \$7.0 million
Tailings dam upgrades: \$3.5 million
Other sustaining capital expenditure: \$6.0 million

A scoping study for the expansion of the output at the Choco Mine operation to a production rate of up to 20,000 tons per day was completed on schedule in May 2009. The Choco Mine operation includes the presently operating Rosika, Coacia and Pisolita open pits and planned mine production from the Villa Balazo-Karolina (VBK) pit at the Choco Mine and from the 100% owned Incredible 6 concession which is located 8 km northeast of the Choco Mine as well as from the small Capia and Cerro Azul deposits. The feasibility study initiated in Q3 2009 is expected to be completed during 2010.

The Company expects to incur \$3.0 million in expenditures related to the exploration program with planned drilling of 20,000 metres (resource to reserve conversion drilling) planned for the Choco Mine during 2010. This drilling is to update reserves and resources to support the economic model of the feasibility study. The Company expects to provide a resource update of the Choco Mine in 2010.

Isidora Mine

Ore from the Company's 50% interest in the Isidora Mine is expected to continue to be processed during 2010 at the La Camorra mill which is located 120 kilometres from the Isidora Mine.

For 2010 the projected gold production guidance for the Isidora Mine is 51,000 ounces of gold (25,500 ounces net to the Company) and projected cash cost per ounce sold of \$670. The increase in projected cash cost per ounce sold in 2010 to \$670 compared to \$383 in 2009 is due to expectations of increased labour costs and higher processing costs. Gold produced from the Isidora Mine in 2010 is expected to be milled at the La Camorra mill which is expected to have higher costs than the Choco Mine mill where the Isidora Mine ore was milled for the majority of 2009.

Forecasted capital expenditures at the Isidora Mine for 2010 include sustaining capital expenditures (mainly renewal of mining equipment and fleet) of \$2.0 million (\$1.0 million net to the Company). The Company expects to incur \$4.5 million (\$2.3 million net to the company) in expenditures related to drilling 30,000 metres in 2010. This drilling is designed to expand existing reserves and recourses at the Isidora Mine to support future gold production. The Company is expecting to provide a resource update for the Isidora Mine in 2010 once results for the current drilling program are compiled and interpreted.

Other Advanced Properties

The Company has constructed the 1,500 metres Alvarez underground ramp (4.5 metres x 5.0 metres) in order to provide access to main mineralized areas at a vertical depth of approximately 200 metres below surface. In the first quarter of 2010 the Company intercepted the mineralized zone and began test sampling. The ramp provides all of the necessary access to conduct further underground development around the main mineralized zones and exploration with a view to upgrading the classification of the current resources at SREP. The Company commenced a pre-feasibility study for the SREP project which it expects to have completed by Q2 2010.

Capital expenditures expected for SREP during 2010 includes \$3.5 million in further underground development and \$1.5 million for the purchase of mining equipment.

Commitments

As at December 31, 2009, the Company is committed to payments under operating leases for premises, vehicles and machinery and to payments under contracts for explosives, community relations, security, consulting and other services as follows:

	<u>\$(000)</u>
2010	4,815
2011	2,179
2012	2,090
2013	2,090
2014 and Thereafter	11,167
	<u>22,341</u>

Contingencies

Central Bank of Venezuela Resolution

See the "Venezuelan Currency Exchange and Gold Sales" section for the description of Resolution No. 09-06-03 and the potential impact on the Company.

Gold Reserve Lawsuit

Gold Reserve has claimed \$550 million damages and punitive damages related to an alleged breach of confidence and trespass related to Gold Reserve's property in Venezuela. On February 10, 2009 the Ontario Superior Court of Justice granted Gold Reserve's injunction application by which the Company and Endeavour Financial International Corporation were restrained from making any unsolicited takeover bid for Gold Reserve. The Company denies the allegations made against it and has served a statement of defense and counterclaim claiming \$102.5 million in respect of losses the Company has sustained as a result of the injunction's issuance. The outcome of this matter is not determinable at this time and no amount has been accrued in the financial statements for this claim.

Other Matters

The Company is involved in various claims and litigation arising in the normal course of business. While the outcome of these matters is uncertain and there can be no assurance that such matters will be resolved in the Company's favor, the Company does not currently believe that the outcome of adverse decisions in any pending or threatened proceedings related to these and other matters or any amount which it may be required to pay by reason thereof would have a material impact on its consolidated financial position, results of operations or cash flows.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Related Party Transactions (Expressed in Thousands of US Dollars)

- Included in receivables are amounts owed from companies which Andre Agapov, a director/officer of the Company, and Jay Kaplowitz, a director of the Company, are an officer and a director, respectively, of \$204. These amounts are unsecured and non-interest bearing with no set terms of repayment.
- Included in amounts capitalized as property, plant and equipment is \$1,094 and included in amounts capitalized in mineral properties is \$380 related to the provision of technical and geological services and machinery rental from companies of which Andre Agapov, a director/officer of the Company, and Jay Kaplowitz, a director of the Company, are an officer and a director, respectively.
- On February 20, 2009, the Company issued a promissory note to Andre Agapov, a director/officer of the Company, for \$500 related to an advance for the purchase of a plant for the treatment of diamonds. The promissory note was unsecured, non-interest bearing and repayable at a time agreeable to the Company and Andre Agapov. On May 19, 2009, the Company repaid the promissory note.
- Included in accounts payable and accrued liabilities are amounts due to companies which Andre Agapov, a director/officer of the Company and Jay Kaplowitz, a director of the Company, are an officer and director respectively, and to a law firm, which Jay Kaplowitz, a director of the Company, is a partner of \$96. These amounts are unsecured, due on demand and non-interest bearing.
- Included in general and administrative expenses is \$34 related to the cost of running the Company's office of representation in Moscow from a company that Andre Agapov, a director/officer of the Company, has significant influence and \$102 related to the rental of the Caracas office from a company that Andre Agapov, a director/officer of the Company, and Jay Kaplowitz, a director of the Company, are an officer and a director, respectively.
- Included in share capital is share issuance costs of \$23 related to the provision of legal services for the shares issued in public offering, included in general and administrative expenses is \$164 related to the provision of legal services and included in litigation and unsuccessful acquisition costs is \$190 related to the provision of legal services for the Gold Reserve Bid which were paid to a law firm, of which, Jay Kaplowitz, a director of the Company, is a partner.

Related party transactions are recorded at the exchange amount which is the consideration agreed to between the parties.

Trust and Contribution Agreements

The Company is a party to a trust agreement and a contribution agreement whereby it has agreed to pay to a trust established for members of management and the executive committee of the board of directors, a success fee upon the completion of a transaction or series of transactions. For the purposes of the contribution agreement, a "Transaction" is defined as: (a) any merger, consolidation, reorganization, recapitalization, restructuring, leveraged buyout, business combination, or any transaction pursuant to which the Company is acquired by or combined with a third party; or (b) the acquisition by a third party of any assets or operations of the Company, or any outstanding shares of the Company; or (c) a sale or spin-off of any material assets, of 5% or more of the capital stock of any subsidiary of the Company, or any transaction which has the effect of altering the capitalization of the Company. Where a change in control accompanies the Transaction, the success fee will be equal to 1% of the aggregate transaction value as defined in the contribution agreement. If the Transaction involves the acquisition of less than 50% of the voting power of the then outstanding Company's shares, then the success fee will be equal to 0.5% of the aggregate transaction value. The trustees (the "Trustees") for the trust are Abraham Stein and Peter Hediger, both of whom are independent directors and members of the compensation committee of the board of directors. The Trustees are empowered to allocate the success fee amongst the members of the management of the Company and the executive committee as they deem appropriate.

Disclosure of Outstanding Share Data

As at April 23, 2010, the Company has 529,845,623 common shares issued and outstanding, 51,146,178 stock options to acquire an equal amount of common shares outstanding of which 48,760,346 were exercisable, 108,800,129 warrants to acquire an equal amount of common shares outstanding and the \$60 million principal of the convertible loan is convertible into 55,860,518 common shares.

Changes in Accounting Policies

Accounting Policies Implemented During 2009

Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3862, Financial Instruments – Disclosures

The Company adopted the amended CICA Handbook Section 3862, *Financial Instruments - Disclosures*, which includes additional disclosure requirements regarding fair value measurements for financial instruments and liquidity risk. These amendments require a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements, and were effective for fiscal years ending after September 30, 2009.

EIC Abstract 174 – Mining Exploration Costs

Effective March 2009, the Company adopted EIC Abstract 174 - *Mining Exploration Costs*. This abstract provides additional guidance on determining when exploration costs related to mining properties can be capitalized as well as clarification on impairment indicators for exploration costs that have previously been capitalized. The adoption of this abstract did not result in a material impact on the Company's consolidated financial statements.

CICA Handbook Section 3064, Goodwill and Intangible Assets

Effective January 1, 2009, the Company adopted CICA Handbook Section 3064, *Goodwill and Intangible Assets*, which replaced existing CICA Handbook Section 3062, *Goodwill and Other Intangible Assets*. This new section establishes standards for the recognition of internally developed intangible assets. The standards for the recognition and impairment testing of goodwill are carried forward unchanged. The adoption of this section did not result in a material impact on the Company's consolidated financial statements.

EIC Abstract 173 – Credit Risk and Fair Value of Financial Assets and Financial Liabilities

Effective January 1, 2009, the Company adopted EIC Abstract 173 - *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*. This abstract requires that credit risk be taken into account in determining the fair value of financial instruments and financial liabilities, including derivative instruments. The adoption of this abstract did not result in a material impact on the Company's consolidated financial statements.

Accounting Policies to be Implemented Effective January 1, 2010

In January 2009, the following CICA Handbook sections were issued: Section 1582, *Business Combinations*, Section 1601, *Consolidations*, and Section 1602, *Non-Controlling Interests*. These standards are required for the Company's fiscal year beginning January 1, 2011. Earlier adoption is permitted which requires all three sections be adopted at the same time. The Company has early adopted these sections effective January 1, 2010. Transaction costs related to business combinations will no longer be capitalized, but rather expensed as incurred. Non-controlling interests will be classified as part of equity and net income or loss and total comprehensive income or loss will include the portion attributable to non-controlling interests.

International Financial Reporting Standards

In January 2006, the Canadian Accounting Standards Board adopted a strategic plan, which includes the decision to move financial reporting for Canadian publicly accountable enterprises to a single set of globally accepted high-quality standards, namely, International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("the IASB"). The effective implementation date of the conversion from GAAP to IFRS is January 1, 2011, with an effective transition date of January 1, 2010 for financial statements prepared on a comparative basis. The Company is engaged in an assessment and conversion process which includes consultation with external consulting firms and expects to be ready for the conversion to IFRS in advance of January 1, 2011.

The Company's approach to the conversion to IFRS includes three phases:

- Phase One, an initial general diagnostic of its accounting policies and GAAP relevant to its financial reporting requirements to determine the key differences and options with respect to acceptable accounting standards under IFRS, was completed in 2009.
- Phase Two, an in depth analysis of the impact of those areas identified under phase one, is expected to be completed in the third quarter of 2010.
- Phase Three, the implementation of the conversion process, through the preparation of the opening balance sheet at January 1, 2010 will be carried out in the second half of 2010.

At this point, the Company's IT accounting and financial reporting systems are not expected to be significantly impacted.

Based on the review undertaken under Phase One, the Company believes that IFRS will have limited impact on its current financial position, except for any potential impact of impairment of long-lived assets, and impact of changes in treatment of deferred tax assets. However, this initial analysis is subject to change based on the Company's ongoing review and continued changes to IFRS standards.

Key Area	GAAP (applied by the Company)	IFRS	Analysis and Preliminary Conclusions
Property plant and equipment ("PP&E")	PP&E is recorded at historical cost.	PP&E can be recorded using the cost or revaluation models.	The Company will continue to account for its PP&E using the cost method.

Key Area	GAAP (applied by the Company)	IFRS	Analysis and Preliminary Conclusions
Property plant and equipment ("PP&E") (con't)	Mining properties, net of residual value are amortized by the unit of production method based on proven and probable reserves. Property, plant and equipment other than mining properties are amortized net of residual value, over estimated useful life on the asset.	Mining properties, net of residual value, can continue to be amortized by the unit of production method based on proven and probable reserves. Property, plant and equipment other than mining properties must be amortized based on the useful lives of each significant component within property, plant and equipment. Useful lives and residual values are to be reassessed at least annually.	Based on the current analysis of PP&E's significant components and their useful lives, it is unlikely that changes to their useful lives and, therefore, amortization rates and expenses, will be significant.
Mineral Properties	Exploration and development costs are capitalized when incurred.	IFRS allows these costs and currently allows exploration and evaluation costs to be either capitalized or expensed in accordance with IFRS 6: Exploration for and Evaluation of Mineral Resources.	The existing accounting policy is likely to be maintained.
Asset retirement obligations	GAAP limits the definition of ARO's to legal obligations. ARO is calculated using a current credit adjusted, risk-free rate for upward adjustments and the original credit-adjusted, risk-free rate for downward revisions. The original liability is adjusted for changes in current discount rates.	IFRS defines ARO's as legal or constructive obligations. ARO is calculated using a current pre-tax discount rate (which reflects current market assessment of the time value of money and the risk specific to the liability) and is revised to reflect changes in assumptions or discount rates.	The broadening of this definition is unlikely to cause a significant change in current estimates. The change in calculation of ARO and the discounting process will possibly generate some changes in the value of ARO on transition.
Impairment of long-lived assets	Impairment tests of the Company's long-lived assets are considered annually and when events are circumstance indicate an impairment event may have occurred. Impairment tests are generally done on the basis of undiscounted future cash flows.	Impairment tests of "cash generating units" are considered annually and when events and circumstances indicated an impairment event may have occurred. Impairment tests are generally carried out using the discounted future cash flows.	The Company believes the grouping of long-lived assets for impairment testing will remain unchanged. Impairment tests using discounted values generate a greater likelihood of write-downs in the future.

Key Area	GAAP (applied by the Company)	IFRS	Analysis and Preliminary Conclusions
Impairment of long-lived assets (con't)	Write-downs to net realizable values under an impairment test are permanent changes in the carrying value of assets.	Write downs to net realizable values under an impairment test can be reversed if the conditions of impairment cease to exist.	Potential significant volatility in earnings could arise as a result of the difference in the treatment of write-downs.
Joint Venture	The Company uses proportionate consolidation to record its proportional share of assets, liabilities, revenue and expenses of Venrus C.A.	Under the current IFRS standard, IAS 31 - <i>Interests in Joint Ventures</i> , the Company has the option to account for its interest in Venrus C.A. using proportionate consolidation. The IASB issued Exposure Draft 9 - <i>Joint Arrangements</i> ("ED-9") in September 2007 with comments due January 2008. ED-9 proposed to eliminate the choice to proportionately consolidate jointly controlled entities and required such entities to be accounted for using the equity method. The new IFRS standard for joint arrangements which was originally planned for issuance in the third quarter of 2009 has not yet been issued. During the second quarter of 2009, the IASB commenced redeliberations of ED-9 and now proposes to allow proportionate consolidation of a jointly controlled entity if the agreement between joint venture partners indicate that the rights of each joint venture partner to the assets and net earnings of the joint arrangement, and obligations of each joint venture partner to the risks and liabilities of the joint arrangement are in proportion to their respective interests in the joint arrangement. The IASB continues to discuss various items on this topic and expects publication of the final Standard at the end of the second quarter of 2010.	If the finalized revised standard is consistent with the treatment currently proposed, the Company does not expect a significant change in the treatment of the Venrus C.A. joint venture due to the transition to IFRS.

Key Area	GAAP (applied by the Company)	IFRS	Analysis and Preliminary Conclusions
Income taxes	<p>Deferred (future) tax assets or liabilities for temporary differences arising from translation of non-monetary assets or liabilities are not recognized.</p> <p>Foreign exchange gains and losses from translation of deferred tax assets or liabilities are recorded as foreign exchange gains/losses in the Company's consolidated statement of operations.</p>	<p>Deferred tax assets or liabilities for temporary differences arising from translation of non-monetary assets or liabilities are recognized.</p> <p>Foreign exchange gains and losses from translation of deferred tax assets or liabilities are recorded as future income tax expense (recovery) in the Company's consolidated statement of operations.</p>	<p>This difference will likely result in a change in the balances of future income tax liabilities.</p> <p>Future income tax expense (recovery) may become more volatile as a result of recording foreign exchange gains and losses from translation of deferred tax assets or liabilities as future income tax expense (recovery) in the Company's consolidated statement of operations.</p>

IFRS 1 governs the first-time adoption of IFRS. In general, accounting policies adopted in accordance with IFRS are to be applied retrospectively. IFRS 1 allows certain exemptions from retrospective application. The exemptions the Company currently intends to elect to apply in preparing its first IFRS financial statements include:

- (a) Not accounting for business combinations that occurred prior to January 1, 2010 using the principles of IFRS 3 – *Business combinations* and the Company also elected to early adopt CICA Handbook Section 1582, *Business Combinations* effective January 1, 2010 which is aligned to IFRS 3;
- (b) Not applying the recognition and measurement principles of IFRS 1 – *Changes in Existing Decommissioning, Restoration and Similar Liabilities* for changes in such liabilities that occurred prior to January 1, 2010; and instead measuring the Company's reclamation and closure cost obligations at fair value on January 1, 2010, estimating the amounts that would have been included in the cost of the related mining properties when the obligations first arose using the applicable historical country-specific risk free rates and recalculating the accumulated depreciation and depletion for such assets at January 1, 2010.

The above comments should not be considered as a complete list of changes that will result from the transition to IFRS as the Company's analysis is still in progress and no final determinations have been made where choices of accounting policies are available. In addition, the accounting bodies responsible for issuing Canadian and IFRS accounting standards have significant ongoing projects that could impact the Company's consolidated financial statements as at January 1, 2011 and in subsequent years, including projects regarding income taxes, financial instruments and joint venture accounting. In addition, there is an extractive industries project currently underway that will lead to more definitive guidance on the accounting for exploration and evaluation expenditures, but this is still in the discussion paper stage and may not be completed for some time. The Company is continuing to monitor the development of these projects and will assess their impact in the course of its transition process to IFRS.

Foreign Currencies

As at January 1, 2010 the Company determined that the Venezuelan economy became hyperinflationary. Prior to January 1, 2010 the subsidiaries acquired as a result of the acquisition of a 95% ownership interest in the Choco Mine and 95-100% ownership interest in related exploration properties and the 50% joint venture interest in the Isidora Mine were translated using the current rate method as described in Note 2(c) of the consolidated financial statements. As the Venezuelan economy became hyperinflationary as at January 1, 2010 the subsidiaries discussed above will be translated using the temporal method beginning January 1, 2010.

Under the temporal method, monetary assets and liabilities are translated into US dollars at the exchange rate in effect at the end of the period while non-monetary assets and liabilities are translated using the exchange rate in effect on the date of the transaction. Income and expenses are translated at the exchange rate in effect during the period except for the cost of inventory included in mining operating expenses, amortization of property, plant and equipment and impairment of mineral properties, which are translated using the same rates as the related assets. Foreign exchange gains and losses arising upon translation are included in the consolidated statement of operations.

Effective Internal Control Over Financial Reporting

During 2010, an internal controls report addressing disclosure controls and procedures and internal controls over financial reporting was provided to the Company by an external consultant engaged by Management in an effort to improve the Company's disclosure controls and procedures and internal controls over financial reporting. This report is based on interviews with selected business process owners supported by limited testing of the design and operational effectiveness of the financial controls. The significant key control weaknesses identified by the external consultants and the Company related to a lack of formalized process and responsibilities in specific areas, lack of communicated corporate policies in specific areas, lack of targets and expectations in specific areas, lack of or insufficient audit trail in specific areas and inappropriate segregation of duties in specific areas. The Company plans to implement mitigating controls to address these weaknesses in 2010.

Limitations of Internal Controls and Procedures

The Company's management, including the Chief Executive Officer and Chief Financial Officer, believe that disclosure controls and procedures and internal control over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Inherent limitations in internal controls include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the controls.

Financial Instruments Risks

Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge its obligations. Management does not believe the Company is exposed to any significant concentration of credit risk. Management determines concentration by the percentage of cash, short-term investments and receivables owed by a single party.

The Company's exposure to credit risk on its C\$ and US Dollar cash and short-term investments is limited by maintaining these assets with high-credit quality financial institutions and investing in highly rated corporations and government issuances in accordance with its investment policy as approved by the board of directors. The Company is exposed to the credit risk of Venezuelan banks, which hold cash for the Company's Venezuelan operations. The Company limits its exposure to this risk by maintaining BsF cash balances to fund only the short-term needs of its Venezuelan subsidiaries. The Company minimizes the credit risk on trade receivables by selling to customers with strong credit histories.

Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet its obligations associated with financial liabilities as they fall due. The Company manages liquidity risk by monitoring cash, short-term investments and other financial resources available to meet its maturing obligations.

The Company forecasts cash flows for a period of 12 months to identify financial requirements. These requirements are met through a combination of cash flows from operations and accessing capital markets. The table below provides a summary of the contractual obligations and payments related to financial liabilities included in the consolidated balance sheet as at December 31, 2009. The amounts disclosed are the contractual undiscounted cash flows.

	<u>2010</u> <u>\$(000)</u>	<u>2011-2012</u> <u>\$(000)</u>	<u>Total</u> <u>\$(000)</u>
Accounts payable and accrued liabilities	25,071	4,538	29,609
Accrual for termination benefits non-current	-	915	915
Interest on convertible loan	3,000	-	3,000
Convertible loan	60,000	-	60,000
	<u>88,071</u>	<u>5,453</u>	<u>93,524</u>

Market Risk

The significant market risk exposures to which the Company is exposed are interest rate risk and currency risk.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows and fair values of the Company's financial instruments will fluctuate because of changes in market interest rates. The Company monitors its fair value exposure to interest rates and is comfortable with its exposure given the relatively short term of its convertible loan. As at December 31, 2009, a 1% increase in interest rates would decrease the fair value of convertible loan by \$0.2 million and a 1% decrease in interest rates would increase the fair value of the convertible loan by \$0.2 million.

Currency Risk

Currency risk is the risk that the value of the Company's financial instruments will fluctuate due to changes in foreign exchange rates. The Company is exposed to currency risk as a significant portion of the Company's financial assets and liabilities are denominated in BsF and \$C. Changes in the applicable exchange rate may result in a decrease or increase in foreign exchange gains or losses recognized in the Company's consolidated statement of operations and/or accumulated other comprehensive (loss) income in the Company's consolidated balance sheet. 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 limit the Company's ability to flow US Dollars out of the country. As at December 31, 2009, the Company holds cash of \$0.7 million (December 31, 2008: \$1.7 million) in BsF.

The sensitivity of the Company's net earnings and other comprehensive loss from financial assets and liabilities due to changes in the exchange rate between the BsF, C\$, and the US Dollar are summarized below:

	As at December 31, 2009	
	25% Increase in the BsF	25% Decrease in the BsF
	<u>\$ (000)</u>	<u>\$ (000)</u>
Net earnings	(574)	459
Other comprehensive loss	(4,203)	3,362

	As at December 31, 2009	
	10% Increase in the C\$	10% Decrease in the C\$
	<u>\$ (000)</u>	<u>\$ (000)</u>
Net earnings	371	(337)
Other comprehensive loss	-	-

Other Risks and Uncertainties

Gold Price Volatility

The value of the Company's mineral properties and property, plant and equipment is related to the current price, and outlook for the price, of gold. The gold price can fluctuate widely and is affected by numerous factors beyond the Company's control, including industrial and jewellery demand, inflation and expectations with respect to the rate of inflation, the strength of the US Dollar and other currencies, interest rates, gold sales by central banks, forward sales by producers, global or regional political or financial events, and production and cost levels in major gold-producing regions. The gold price is also subject to rapid short-term changes due to speculative activities. The Company's revenues, cash flow, profitability and the market price of the common shares of the Company are significantly affected by changes in the gold price. If the realized gold price is below the cost of production at the Company's operations for a significant period, the Company may be required to suspend or terminate production at the affected operation. In addition, the Company may be required to restate its mineral reserves and resources, write down its investment and increase or accelerate reclamation and closure charges at the affected operation. Any of these developments could negatively affect the Company's profitability, cash flows and financial position. Accordingly, even if the Company continues to produce gold, there can be no assurance that the realized gold price will be high enough to enable the Company to sell the gold produced by it profitably.

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 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 changed 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 are granted only in the form of operating contracts. In order to effect this change, the Government created a national mining company which became 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.

Any successful challenge to the Company's mineral property title rights would have a seriously detrimental impact on the Company's operations.

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 the repatriation of earnings, limitations on mineral exports, increased financing costs and government-imposed restrictions or conditions to the Company's gold sales in Venezuela. 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 Honduras and as such, the Company may be affected by political or economic instabilities.

Environmental Regulation and Liability

The Company's activities are subject to laws and regulations controlling not only mineral exploration and exploitation activities themselves but also the possible effects of such activities upon the environment. Environmental legislation may change and make the mining and processing of ore uneconomic or result in significant environmental or reclamation costs. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mineral exploitation activities, such as seepage from tailings disposal areas that could result in environmental pollution. A breach of environmental legislation may result in the imposition of fines and penalties or the suspension or closure of operations. In addition, certain types of operations require the submission of environmental impact statements and approval thereof by government authorities. Environmental legislation is evolving, with stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their directors, officers and employees. Permits from a variety of regulatory authorities are required for many aspects of mineral exploitation activities, including closure and reclamation. Future environmental legislation could cause additional expense, capital expenditures, restrictions, liabilities and delays in the development of the Company's properties, the extent of which cannot be predicted.

In the context of environmental permits, in particular the approval of closure and reclamation plans, the Company must comply with standards and laws and regulations, which may entail costs and delays depending on the nature of the activity to be permitted and how stringently the regulations are implemented by the permitting authority. In accordance with applicable laws, the Company has provided various forms of financial assurances to cover the cost of reclamation activities. However, there can be no assurance that the Company will not incur reclamation costs that are in excess of such financial assurances. While the Company established a reserve for reclamation activities, there can be no assurance that the combination of the reserve and financial assurances will be sufficient to meet future reclamation standards, if such standards are materially more stringent than existing standards. The Corporation does not maintain environmental liability insurance. The Corporation has adopted high standards of environmental compliance; however, failure with or unanticipated changes in Venezuela's laws and regulations pertaining to the protection of the environment in the future could adversely affect the Company.

Reserve and Resource Estimates

The Company's reported mineral reserves and resources are estimates only. These estimates are imprecise and depend upon geological interpretation and statistical inferences drawn from drilling and sampling analysis, which may prove to be unreliable. As a result, there can be no assurance that they will be recovered at the rates estimated or at all. Mineral reserve and resource estimates may require revision (either up or down) based on actual production experience. Market fluctuations in the price of metals, increased production costs or reduced recovery rates may render estimated mineral reserves and resources uneconomic and may ultimately result in a restatement of mineral reserves and resources. In addition, short-term operating factors, such as the need for sequential development of mineral deposits and the processing of new or different ore grades, may adversely affect the Company's profitability in any particular accounting period. If its mineral reserve and resource estimates are incorrect, the Company will not correctly allocate its financial resources, causing it either to spend too much on what could be a less than economic deposit or to fail to mine what could be a significant deposit.

Mineral Exploration and Exploitation

Mineral exploration and exploitation involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, explosions, tailings impoundment failures, cave-ins, landslides and the inability to obtain adequate machinery, equipment or labour are some of the risks involved in mineral exploration and exploitation activities. The Corporation has relied on and may continue to rely on consultants and others for mineral exploration and exploitation expertise. Substantial expenditures are required to establish mineral reserves and resources through drilling, to develop metallurgical processes to extract the metal from the material processed and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. There can be no assurance that the Company will discover mineral reserves and resources in sufficient quantities to justify exploitation or that the funds required to exploit any mineral reserves and resources discovered by the Company will be obtained on a timely basis or at all. The economics of exploiting mineral reserves and resources discovered by the Company are affected by many factors, many outside the control of the Company, including the cost of operations, variations in the grade of material mined and metals recovered, price fluctuations in the metal markets, costs of processing equipment, continuing access to smelter facilities on acceptable terms and other factors such as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. There can be no assurance that the Company's mineral exploration and exploitation activities will be successful.

Uninsurable Risks

Mineral exploration and exploitation activities involve numerous risks, including unexpected or unusual geological operating conditions, rock bursts, cave-ins, fires, floods, earthquakes and other environmental occurrences and political and social instability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks as a result of high premiums or other reasons. Should such liabilities arise, they could negatively affect the Company's profitability and financial position and the value of the common shares of the Company.

Production Risks

The Company prepares estimates of future production at its operations. Failure to meet these estimates could adversely affect the corporation's profitability, cash flows and financial position. There can be no assurance that the Company will achieve its production estimates.

The Company's actual production may vary from its estimates for a variety of reasons, including actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; short-term operating factors such as the need for sequential development of ore bodies and the processing of new or different ore grades from those planned; mine failures, slope failures or equipment failures; industrial accidents; natural phenomena such as inclement weather conditions, floods, droughts, rock slides and earthquakes; encountering unusual or unexpected geological conditions; changes in power costs and potential power shortages; shortages of principal supplies needed for operation, including explosives, fuels, chemical reagents, water, equipment parts and lubricants; labour shortages or strikes; civil disobedience and protests; and restrictions or regulations imposed by governmental or regulatory authorities or other changes in the regulatory environments. Such occurrences could result in damage to mineral properties, interruptions in production, injury or death to persons, damage to property of the Company or others, monetary losses and legal liabilities. These factors may cause a mineral deposit that has been mined profitably in the past to become unprofitable forcing the Company to cease production. These factors also apply to the Company's future operations.

Regulations and Permits

The Company's activities are subject to a wide variety of laws and regulations governing health and worker safety, employment standards, waste disposal, protection of the environment, protection of historic and archaeological sites, mine development and protection of endangered species and other matters. The Company is required to have a wide variety of permits from governmental and regulatory authorities to carry out its activities. These permits relate to virtually every aspect of the Company's exploration and exploitation activities. Changes in these laws and regulations or changes in their enforcement or interpretation could result in changes in legal requirements or in the terms of the Company's permits that could have a significant adverse impact on the Company's existing or future operations or projects. Obtaining permits can be a complex, time-consuming process. There can be no assurance that the Company will be able to obtain the necessary permits including any renewals thereof on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining permits and complying with these permits and applicable laws and regulations could stop or materially delay or restrict the Company from continuing or proceeding with existing or future operations or projects. Any failure to comply with permits and applicable laws and regulations, even if inadvertent, could result in the interruption or closure of operations or material fines, penalties or other liabilities.

Dependence on Key Management Personnel

The Company's business and operations are dependent on retaining the services of a small number of key management personnel. The success of the Company is, and will continue to be, to a significant extent, dependent on the expertise and experience of some of the directors and senior management. The loss of one or more key directors or senior management could have a materially adverse effect on the Company.

Common Share Price Volatility

The market price of the common shares of the Company could fluctuate significantly based on a number of factors in addition to those listed in this document, including the Company's operating performance and the performance of competitors and other similar companies; the public's reaction to the Company's press releases, other public announcements and the Company's filings with the various securities regulatory authorities; changes in earnings estimates or recommendations by research analysts who track the common shares or the shares of other companies in the resource sector; changes in general economic conditions; the arrival or departure of key personnel; acquisitions, strategic alliances or joint ventures involving the Company or its competitors; and gold price volatility.

In addition, the market price of the common shares of the Company is affected by many variables not directly related to the Company's success and are, therefore, not within the Company's control.

Cautionary Non-GAAP Measures

Total cash costs per ounce sold is a non-GAAP measure. The Company believes that, in addition to conventional measures, prepared in accordance with GAAP, certain investors use the cash costs per ounce data to evaluate the Company's performance and ability to generate cash flow. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP as it does not have any standardized meaning prescribed by GAAP. Data used in the calculation of total cash costs per ounce may not conform to other similarly titled measures provided by other precious metals companies.

Forward Looking Statements

Certain statements in this MD&A and certain information incorporated herein by reference constitute "forward-looking information" within the meaning of applicable securities laws. Such forward-looking information includes, without limitation, statements with respect to the future financial or operating performance of the Company, its subsidiaries and its projects, the future price of gold and other precious metals, the estimation of mineral reserves and resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, reserve determination and reserve conversion rates. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes" or variations of such words and phrases or words and phrases that state or indicate that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. While the Company has based these statements on its expectations about future events as at the date that such information was prepared, the statements are not guarantees of the Company's future performance and are subject to risks, uncertainties, assumptions and other factors which could cause actual results to differ materially from future results expressed or implied by such forward-looking information. The estimates and assumptions of the Company contained or incorporated by reference in this MD&A which may prove to be incorrect, include, but are not limited to: (1) there being no significant disruptions affecting operations, whether due to labour disruptions, supply disruptions, damage to equipment or otherwise; (2) permitting, development, expansion and power supply proceeding on a basis consistent with the Company's current expectations; (3) permitting and development proceeding on a basis consistent with the Company's current expectations; (4) the exchange rate between the C\$, the BsF and the US Dollar being approximately consistent with current levels; (5) certain price assumptions for gold; (6) prices for and availability of natural gas, fuel oil, electricity, parts and equipment and other key supplies remaining consistent with current levels; (7) production forecasts meeting expectations; (8) the accuracy of the Company's current mineral reserve and mineral resource estimates; and (9) labour and material costs increasing on a basis consistent with the Company's current expectations.

Known and unknown factors could cause actual results or events to differ materially from those projected in the forward-looking statements. Such factors include, but are not limited to, fluctuations in the currency markets; fluctuations in the spot and forward price of gold or certain other commodities (such as diesel fuel and electricity); changes in interest rates; disruption to the credit markets and delays in obtaining financing; inflationary pressures; changes in national and local government legislation, taxation, controls, regulations and political or economic developments in Canada, Venezuela or other countries in which the Company does or may carry on business; business opportunities that may be presented to, or pursued by the Company; the Company's ability to successfully integrate acquisitions; operating or technical difficulties in connection with mining or development activities; actual results of exploration activities; the possibility of cost overruns or unanticipated expenses; employee relations; illegal miners; the speculative nature of gold exploration and development, including the risks of obtaining and renewing necessary licenses and permits; the impact of Venezuelan law on the Company's operations; diminishing quantities or grades of reserves; adverse changes in the Company's credit rating; contests over title to properties particularly title to undeveloped properties; the occurrence of natural disasters, hostilities, acts of war or terrorism; corruption and uncertain legal enforcement; requests for improper payments; on the Company's ability to market gold produced and on its results of operations, of a resolution by the CBV as discussed under section "Venezuela Currency Exchange and Gold Sales" in this MD&A; and the result or outcome of the statement of claim filed by Gold Reserve Inc. against the Company in the Ontario Superior Court of Justice claiming damages and punitive damages in the amount of \$550 million. In addition, there are risks and hazards associated with the business of gold exploration, development and mining, including environmental hazards, industrial accidents, unusual or unexpected formation, pressures, cave-ins, flooding and gold bullion losses (and the risk of inadequate insurance, or inability to obtain insurance to cover these risks). All of the forward-looking statements made in or incorporated by reference in this MD&A are qualified by these cautionary statements and those made in the section of this MD&A entitled "Risks and Uncertainties".

Although we have attempted to identify factors that may cause actual actions, events or results to differ materially from those described in forward-looking statements and information, there may be other factors that cause actual results, performances, achievements or events to not be as anticipated, estimated or intended. Also, many of the factors are beyond our control. As actual results and future events could differ materially from those anticipated in such statements and information, readers should not place undue reliance on forward-looking statements or information. Except as may be required by law, we undertake no obligation to publicly update or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise. All forward-looking statements and information made or incorporated by reference herein are qualified by this cautionary statement.