



RUSORO MINING LTD.
Interim Consolidated Financial Statements - September 30, 2009
(Expressed in thousands, except per share amounts) (US Dollars) - unaudited

RUSORO MINING LTD.
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands, except per share amounts) (US Dollars) - unaudited

	September 30, 2009	December 31, 2008
	\$	\$
ASSETS		
Cash and cash equivalents	35,532	2,245
Short-term investments (Note 4)	21,620	-
Receivables (Notes 5 and 14)	5,627	9,089
Inventories (Note 6)	33,052	16,598
Prepaid expenses and deposits (Note 14)	8,487	9,063
Assets held for sale (Note 21)	-	2,771
Current assets	<u>104,318</u>	<u>39,766</u>
Receivables (Notes 5 and 14)	10,330	6,616
Property, plant and equipment (Notes 7 and 14)	731,995	721,938
Mineral properties (Notes 8 and 14)	286,968	275,884
	<u>1,133,611</u>	<u>1,044,204</u>
LIABILITIES		
Accounts payable and accrued liabilities (Notes 9 and 14)	26,612	34,451
Income taxes payable	10,866	1,671
Current portion of convertible loan (Notes 10 and 14)	75,783	-
Current liabilities	<u>113,261</u>	<u>36,122</u>
Accrual for termination benefits	1,295	783
Asset retirement obligations	3,660	2,631
Convertible loan (Notes 10 and 14)	-	71,733
Future income tax liability	282,761	280,827
	<u>400,977</u>	<u>392,096</u>
NON-CONTROLLING INTEREST	<u>844</u>	<u>-</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 11(a))	736,087	674,556
Equity component of convertible loan (Note 10)	6,310	6,310
Contributed surplus (Note 11(d))	121,432	114,807
	<u>863,829</u>	<u>795,673</u>
Accumulated other comprehensive income (Note 12)	41,692	23,966
Deficit	(173,731)	(167,531)
	<u>(132,039)</u>	<u>(143,565)</u>
	<u>731,790</u>	<u>652,108</u>
	<u>1,133,611</u>	<u>1,044,204</u>

Nature of operations and going concern assumption – Note 1

Commitments and contingencies – Note 19

Subsequent event – Note 23

APPROVED BY THE BOARD:

“George Salamis” , Director

George Salamis

“Gordon Keep” , Director

Gordon Keep

See accompanying notes to the interim consolidated financial statements.

RUSORO MINING LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30,
(Expressed in thousands, except per share amounts) (US Dollars) - unaudited

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
	\$	\$	\$	\$
REVENUES	26,411	14,717	67,756	49,557
COSTS AND EXPENSES				
Mining operating expenses	11,408	21,082	35,334	52,862
Mining amortization	2,991	2,577	8,870	11,380
	14,399	23,659	44,204	64,242
INCOME (LOSS) FROM MINING OPERATIONS	12,012	(8,942)	23,552	(14,685)
General and administrative (Note 14)	2,046	4,350	5,825	15,899
Stock-based compensation (Note 11(b))	362	1,699	6,451	22,048
Amortization	92	22	123	49
Interest on convertible loan	3,443	3,211	10,036	3,909
Foreign exchange loss (gain)	1,925	(6,840)	(258)	4,132
Impairment of mineral properties (Note 8)	383	-	557	238
Other income	(97)	(138)	(151)	(645)
Litigation and unsuccessful acquisition (Notes 13, 14 and 19(b)(ii))	-	-	795	-
	8,154	2,304	23,378	45,630
INCOME (LOSS) BEFORE INCOME TAXES AND NON-CONTROLLING INTEREST	3,858	(11,246)	174	(60,315)
Current income taxes (recovery) expense	(660)	3,093	9,904	6,243
Provision for (recovery of) future income taxes	4,484	(4,225)	(4,753)	(9,078)
	3,824	(1,132)	5,151	(2,835)
INCOME (LOSS) BEFORE NON-CONTROLLING INTEREST	34	(10,114)	(4,977)	(57,480)
Non-controlling interest	(384)	-	(1,223)	-
NET LOSS	(350)	(10,114)	(6,200)	(57,480)
Deficit, beginning of period	(173,381)	(142,650)	(167,531)	(95,284)
DEFICIT, END OF PERIOD	(173,731)	(152,764)	(173,731)	(152,764)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	529,846	391,131	491,377	388,464
BASIC AND DILUTED LOSS PER SHARE	0.00	(0.03)	(0.01)	(0.15)

See accompanying notes to the interim consolidated financial statements.

RUSORO MINING LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30,
(Expressed in thousands, except per share amounts) (US Dollars) - unaudited

	Three Months		Nine Months	
	Ended September 30,		Ended September 30,	
	2009	2008	2009	2008
	\$	\$	\$	\$
NET LOSS	(350)	(10,114)	(6,200)	(57,480)
Unrealized foreign exchange gains (losses) on translation of self-sustaining foreign operations	100,624	(221,424)	17,726	147,031
COMPREHENSIVE INCOME (LOSS)	<u>100,274</u>	<u>(231,538)</u>	<u>11,526</u>	<u>89,551</u>

See accompanying notes to the interim consolidated financial statements.

RUSORO MINING LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30,
(Expressed in thousands, except per share amounts) (US Dollars) - unaudited

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009 \$	2008 \$	2009 \$	2008 \$
OPERATING ACTIVITIES				
Net loss for the period	(350)	(10,114)	(6,200)	(57,480)
Items not involving cash				
Amortization	3,083	2,599	8,993	11,429
Impairment of inventory	-	3,274	-	3,551
Stock-based compensation (Note 11(b))	362	1,699	6,451	22,048
Accretion of interest on convertible loan (Note 10)	1,432	1,200	4,050	1,461
Unrealized foreign exchange loss (gain)	2,375	(5,604)	393	3,876
Impairment of mineral properties (Note 8)	383	-	557	238
Accretion of asset retirement obligations	283	292	765	430
Gain on sale of investments	-	-	-	(161)
Provision for (recovery of) future income taxes	4,484	(4,225)	(4,753)	(9,078)
Non-controlling interest	384	-	1,223	-
	<u>12,436</u>	<u>(10,879)</u>	<u>11,479</u>	<u>(23,686)</u>
Receivables non-current	(5,480)	(4,493)	(3,270)	(4,751)
Accrual for termination benefits non-current	156	-	452	-
Changes in non-cash working capital items (Note 16)	(2,909)	13,584	44	9,510
	<u>4,203</u>	<u>(1,788)</u>	<u>8,705</u>	<u>(18,927)</u>
INVESTING ACTIVITIES				
Expenditures on mineral properties	(3,493)	(5,295)	(8,427)	(16,521)
Expenditures on property, plant and equipment	(3,064)	(16,638)	(5,501)	(21,680)
Proceeds on sale of subsidiary	-	-	-	325
Increase in other assets	-	(17,505)	-	(27,889)
Purchase of short-term investments	(14,181)	-	(26,619)	(1,870)
Redemption of short-term investments	-	-	4,999	-
Proceeds on sale of short-term investment	-	1,870	-	2,561
Cash provided as collateral for loan	-	(1,400)	-	(1,400)
	<u>(20,738)</u>	<u>(38,968)</u>	<u>(35,548)</u>	<u>(66,474)</u>
FINANCING ACTIVITIES				
Gross proceeds from shares issued in public offering (Note 11(a)(iv))	-	-	64,636	-
Share issue costs (Note 11(a)(iv))	-	-	(4,355)	-
Repayment of note payable (Note 14)	-	-	(500)	-
Repayment of short-term borrowings	-	-	-	(522)
Repayment of loan payable on acquisition	-	(1,000)	-	(1,000)
Proceeds on issuance of convertible loan (Note 10)	-	-	-	75,355
Cash received upon the exercising of share warrants (Note 11(a))	-	-	-	354
	<u>-</u>	<u>(1,000)</u>	<u>59,781</u>	<u>74,187</u>
Impact of foreign exchange rate changes on cash and cash equivalents	788	(782)	349	(169)
	<u>(15,747)</u>	<u>(42,538)</u>	<u>33,287</u>	<u>(11,383)</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS				
Cash and cash equivalents – beginning of period	51,279	62,507	2,245	31,352
CASH AND CASH EQUIVALENTS – END OF PERIOD	<u>35,532</u>	<u>19,969</u>	<u>35,532</u>	<u>19,969</u>

Supplemental cash flow information (Note 16)

See accompanying notes to the interim consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN ASSUMPTION

Rusoro Mining Ltd. (“the Company”) was incorporated under the laws of the Province of British Columbia on March 1, 2000. The principal business activities of the Company are the operation, acquisition, exploration and development of gold mineral properties in Venezuela.

The Company has received mining concessions in Venezuela for the exploration, development and exploitation of alluvial and vein gold. The concessions have been granted by the Venezuelan Ministry of Mines and Basic Industries (“MIBAM”) or by Corporacion Venezolana de Guayana (“CVG”), maturing in 20 to 25 years, with some concessions extendable for two additional subsequent periods of 10 years each.

The Company currently holds interest in two producing gold mines in Venezuela. It holds a 95% ownership interest in the Choco mine (“the Choco Mine”) which was acquired on November 30, 2007 and a 50% ownership interest in the Isidora mine (“the Isidora Mine”) which was acquired on December 23, 2008. The Company operates the Isidora Mine under a joint venture agreement with the Venezuelan government. The Company also holds various other exploration properties in different stages of exploration and development in Venezuela and a single exploration property in Honduras.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity’s ability to continue as a going concern.

The ability of the Company to make required debt repayments (Note 10), to fund capital expenditures as required and to continue as a going concern is uncertain and dependent on:

- positively resolving Resolution No. 09-06-03 passed by the Central Bank of Venezuela (“the CBV”) (Note 19(b)(i));
- the Company’s ability to raise capital; and
- the Company’s ability to preserve or enhance its existing cash and cash equivalents and short-term investments

There is no assurance that management will be able to positively resolve the foregoing CBV Resolution and/or successfully raise capital and/or generate positive cash flow. As such, there is significant doubt regarding the going concern assumption and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the going concern assumption were not appropriate. These adjustments could be material.

2. BASIS OF PRESENTATION

These interim unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) for interim financial information and they follow the same accounting policies and methods of application as the audited consolidated financial statements of the Company for the year ended December 31, 2008 except as discussed in Note 3. These unaudited interim consolidated financial statements do not include all the information and note disclosure required by GAAP for annual financial statements and therefore should be read in conjunction with the most recent annual audited consolidated financial statements.

In the opinion of management, all adjustments necessary to present fairly the financial position as at September 30, 2009, and the results of operations, comprehensive income (loss) and cash flows for all periods presented have been made. The interim results are not necessarily indicative of results for a full year.

3. CHANGE IN ACCOUNTING POLICIES

Accounting Policies Implemented Effective January 1, 2009

Goodwill and Intangible Assets

Section 3064, *Goodwill and Intangible Assets*, which replaces Section 3062, *Goodwill and Other Intangible Assets* provides guidance on the recognition of intangible assets in accordance with the definition of an asset and the criteria for asset recognition as well as clarifying the application of the concept of matching revenues and expenses, whether these assets are separately acquired or internally developed. Section 1000, *Financial Statement Concepts* was also amended to provide consistency with this new standard. The adoption of Section 3064 did not result in a material impact on the Company's consolidated financial statements.

Accounting Policies to be Implemented Effective January 1, 2011

Business Combinations, Consolidations, Non-Controlling Interests

In January 2009, the Canadian Institute of Chartered Accountants (“CICA”) issued the following new sections: Section 1582, *Business Combinations*, Section 1601, *Consolidations*, and Section 1602, *Non-Controlling Interests*. These standards are effective January 1, 2011. The Company has not yet determined the impact of the adoption of these standards on its consolidated financial statements.

International Financial Reporting Standards

The Accounting Standards Board of the CICA announced that GAAP for publicly accountable enterprises will be replaced with International Financial Reporting Standards (“IFRS”) for fiscal years beginning on or after January 1, 2011. Early conversion to IFRS for fiscal years beginning on or after January 1, 2009, may also be permitted.

Implementing IFRS will have an impact on accounting, financial reporting, and supporting IT systems and processes. It may also have an impact on taxes, contractual commitments involving GAAP based clauses, long-term employee compensation plans, and performance metrics. Accordingly, as the Company develops its IFRS implementation plan, it will have to include measures to provide extensive training to key finance personnel, to review contracts and agreements and to increase the level of awareness and knowledge amongst management, the Board of Directors and Audit Committee. Additional resources may be engaged to ensure the timely conversion to IFRS. The financial impact of the transition to IFRS cannot be reasonably estimated at this time.

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4. SHORT-TERM INVESTMENTS

Short-term investments include highly liquid investments with original maturities of one year or less but greater than three months.

5. RECEIVABLES

	September 30, 2009	December 31, 2008
	\$	\$
VAT receivable (a)	11,148	8,124
Trade receivables (b)	-	2,413
Receivable from mining contractor (c)	1,302	2,324
Other receivables (d)	3,092	2,793
Receivables from related companies (Note 14)	415	51
Total receivables	<u>15,957</u>	<u>15,705</u>
Non-current VAT receivable (e)	(9,396)	(5,163)
Non-current receivable from mining contractor (f)	(868)	(1,453)
Non-current receivable from related company (Note 14)	(66)	-
Receivables - non-current	<u>(10,330)</u>	<u>(6,616)</u>
Current receivables	<u>5,627</u>	<u>9,089</u>

- a) VAT receivable relates to value added tax paid in Venezuela that is recoverable from the requisite authorities.
b) Trade receivables relate to the sale of gold.
c) Receivable from mining contractor relates to the sale of mining-fleet spare-part inventories.
d) Other receivables consists of GST receivable and sundry receivables.
e) Non-current VAT receivable relates to VAT receivable that management estimates will not be recovered for at least twelve months from the balance sheet date.
f) Non-current receivable from mining contractor relates to the sale of mining-fleet spare-part inventories that management estimates will not be collected for at least twelve months from the balance sheet date.

6. INVENTORIES

	September 30, 2009	December 31, 2008
	\$	\$
Gold bars	20,135	4,682
Gold in circuit	1,404	4,571
Gold – stockpile	6,630	3,634
Materials and supplies	4,883	3,711
	<u>33,052</u>	<u>16,598</u>

As at September 30, 2009 and December 31, 2008, all inventories were recorded at cost.

RUSORO MINING LTD.
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SEPTEMBER 30, 2009
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7. PROPERTY, PLANT, AND EQUIPMENT

	September 30, 2009		
	Cost	Accumulated Amortization and Depletion	Net Book Value
	\$	\$	\$
Mining properties	627,117	(10,233)	616,884
Mining plant and equipment	140,041	(33,651)	106,390
Office and computer equipment	381	(115)	266
Construction in progress	8,455	-	8,455
	<u>775,994</u>	<u>(43,999)</u>	<u>731,995</u>

	December 31, 2008		
	Cost	Accumulated Amortization and Depletion	Net Book Value
	\$	\$	\$
Mining properties	608,245	(4,470)	603,775
Mining plant and equipment	128,523	(19,548)	108,975
Office and computer equipment	391	(63)	328
Construction in progress	8,860	-	8,860
	<u>746,019</u>	<u>(24,081)</u>	<u>721,938</u>

Construction in progress relates to upgrades to the Choco Mine mill and tailing dams being built at the Choco Mine. Upon completion, such costs net of residual value will be amortized over their estimated useful life.

On November 30, 2007, the Company acquired all the Venezuelan assets and liabilities of Gold Fields Netherlands Services BV. The main asset acquired was the Choco Mine, located in the El Callao district, in which the Company acquired a 95% interest. On December 23, 2008, the Company acquired a 50% interest in a joint venture whose main asset is the Isidora Mine, located in the El Callao district.

Included in property, plant and equipment is the net book value associated with the Company's operating mines, mineral properties and corporate head office as follows:

	Mining Properties			Property, Plant and Equipment (excluding mining properties)	September 30, 2009		December 31, 2008	
	Depletable	Non- Depletable(*)	Total		\$	\$	\$	\$
	\$	\$	\$	\$	\$	\$	\$	\$
Choco Mine	53,602	530,137	583,739	100,217	683,956	672,935		
Isidora Mine	1,689	31,456	33,145	10,020	43,165	42,900		
Other Venezuelan properties	-	-	-	4,608	4,608	5,775		
Corporate head office	-	-	-	266	266	328		
	<u>55,291</u>	<u>561,593</u>	<u>616,884</u>	<u>115,111</u>	<u>731,995</u>	<u>721,938</u>		

(*) Carrying value of mining properties attributed to mineral resources other than proven and probable reserves.

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8. MINERAL PROPERTIES

	San Rafael El Placer	Valle Hondo	Increible 6	Minoro	El Callao	Other Properties	Total
	\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2007	16,970	20,658	55,464	13,500	152,994	10,405	269,991
Acquisition of properties in Hecla-Venezuela							
Acquisition	-	-	-	-	-	2,385	2,385
Transfer of mineral properties	-	-	-	-	-	(329)	(329)
Asset retirement obligations	-	-	623	-	-	-	623
Exploration and development costs	8,967	2,508	5,854	38	-	5,258	22,625
Impairment of mineral properties	-	-	-	(13,538)	(3,700)	(2,019)	(19,257)
Unrealized foreign exchange loss	-	-	-	-	(71)	(83)	(154)
Balance, December 31, 2008	25,937	23,166	61,941	-	149,223	15,617	275,884
Exploration and development costs	6,070	448	654	-	-	181	7,353
Impairment of mineral properties	-	-	-	-	-	(557)	(557)
Asset retirement obligations	-	-	190	-	-	-	190
Unrealized foreign exchange gain	-	-	-	-	4,036	62	4,098
Balance, September 30, 2009	32,007	23,614	62,785	-	153,259	15,303	286,968

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2009	December 31, 2008
	\$	\$
Accounts payable	4,584	13,722
Accrued liabilities	16,060	16,866
Accrual for termination benefits	3,022	1,828
Accrual for interest on convertible loan (Note 10)	2,448	462
Due to related parties (Note 14)	273	1,398
Current portion of asset retirement obligations	225	175
	<u>26,612</u>	<u>34,451</u>

10. CONVERTIBLE LOAN

On June 10, 2008, the Company entered into a loan agreement with a syndicate of private lenders to borrow \$80,000 (“the Loan”) to fund the acquisition of El Callao Gold Mining Ltd. and Drake-Bering Holdings B.V. (“the Hecla-Venezuela Acquisition”) including their wholly-owned subsidiaries Minera Rusoro Venezolana C.A. (formerly Minera Hecla Venezolana C.A.) and El Callao Gold Mining Company de Venezuela, SCS from Hecla Mining Company (“Hecla”) and for general corporate purposes. The Loan has a two-year term, bears interest at a contractual rate of 10% per annum, payable semi-annually and is secured by share pledges over the Company’s principal assets including the Choco Mine (Note 7) and San Rafael El Placer and Incredible 6 mineral properties (Note 8) but excluding the Isidora Mine (Note 7). The \$80,000 principal portion of the Loan is due in June of 2010. The lenders have the option, at any time and at their sole discretion, to convert all or part of the outstanding principal of the Loan to common shares of the Company at a conversion price as at September 30, 2009, of \$1.07 per common share (subject to adjustment depending on future equity financings and other transactions entered into by the Company). In addition, the Company has granted to the lenders pro-rata participation in any future equity offerings for the term of the Loan. The Loan may be repaid by the Company at any time subject to the Company providing the lenders with 30 days notice and repaying the outstanding principal in full plus an amount equal to the interest that would have been accrued if the Loan was held for the original two-year term. On November 17, 2009 the Company purchased \$20,000 of the principal amount of the loan and accrued interest (Note 23).

For accounting purposes, the Loan contains both a liability component and an equity component, being the lender’s conversion option to shares, which have been separately presented on the consolidated balance sheet. The Company has allocated the \$80,000 principal of the Loan to the individual liability and equity components by establishing the fair value of the liability component at the date of issue and then allocating the remaining balance of the net proceeds to the equity component. The fair value of the liability component was determined by discounting the stream of future payments of interest and principal amounts at the estimated prevailing market rate at the date of issuance of 15% for a debt instrument of similar maturity and credit quality but without any share conversion option for the lenders.

Including the impact of the costs of issuance, applying the effective interest rate method, the liability component of the Loan bears an effective annual interest rate of 18.5%.

Convertible Loan	\$
Principal of the Loan to be repaid in June 2010	80,000
Cost of issuance including financial advisory fees	(4,645)
Net proceeds	<u>75,355</u>
Equity component at the date of issuance, at December 31, 2008 and at September 30, 2009	<u>6,310</u>

The convertible loan is made up as follows:

	September 30, 2009	December 31, 2008
	\$	\$
Liability component at the date of issuance	69,045	69,045
Accretion of interest	6,738	2,688
Convertible loan	<u>75,783</u>	<u>71,733</u>

11. SHARE CAPITAL

Authorized Share Capital of the Company

Unlimited number of common shares without par value.

(a) Issued Capital

	Number of Shares	Amount \$
Balance, December 31, 2007	386,835	669,252
Issued pursuant to exercise of warrants	347	354
Fair value of warrants exercised	-	770
Hecla-Venezuela Acquisition (i)	4,274	4,960
Working Capital Adjustment (ii)	(678)	(780)
Balance, December 31, 2008	390,778	674,556
Shares issued to financial advisor (iii)	5,734	1,250
Shares issued in public offering (iv)	133,334	64,636
Share issue costs (iv)	-	(4,355)
Balance, September 30, 2009	529,846	736,087

- i. On July 8, 2008, the Company issued 4,274 common shares with a fair value of \$1.16 per share as part of the Hecla-Venezuela Acquisition.
- ii. Hecla had the option to repay in cash or shares of the Company at a value agreed by the parties in the stock purchase agreement for the Hecla-Venezuela Acquisition, the difference between the estimated and actual working capital purchased by the Company in the Hecla-Venezuela Acquisition (“the Working Capital Adjustment”). Hecla chose to repay the Working Capital Adjustment of \$780 in shares of the Company at the contractually agreed value.
- iii. On February 11, 2009, the Company issued 5,734 common shares with a fair value of \$1,250 to its financial advisor for advisory services related to the Company’s unsolicited take-over bid (Note 13) which was included in accounts payable and accrued liabilities at December 31, 2008.
- iv. On March 19, 2009, the Company issued 133,334 common shares at Canadian Dollars (“C\$”) 0.60 per common share for gross proceeds of \$64,636 (C\$80,000). A cash commission of \$3,878 equal to 6.0% of the gross proceeds was paid to the underwriter and other fees related to the public offering were \$477.

(b) Stock Options

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

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The following stock options were outstanding at September 30, 2009:

<u>Number of Options Outstanding</u>	<u>Number of Options Exercisable</u>	<u>Exercise Price</u>	<u>Expiry Date</u>	<u>Weighted Average Remaining Contractual Life (Years)</u>
18	18	0.85	C\$ Oct 13, 2009	0.04
350	350	0.60	C\$ Oct 28, 2009	0.08
334	334	1.05	C\$ Dec 7, 2009	0.19
47	47	1.11	C\$ Mar 7, 2011	1.43
94	94	1.70	C\$ Apr 5, 2011	1.51
150	36	0.60	C\$ Jul 7, 2011	1.77
100	-	0.60	C\$ Sept 13, 2014	4.96
750	750	0.60	C\$ Nov 6, 2016	7.11
600	600	1.31	C\$ Nov 6, 2016	7.11
5,755	5,755	3.00	\$ Nov 6, 2016	7.11
1,170	1,170	0.60	C\$ Sept 10, 2017	7.95
450	450	1.31	C\$ Sept 10, 2017	7.95
5,150	5,150	2.12	C\$ Sept 10, 2017	7.95
550	413	0.60	C\$ Oct 28, 2017	8.08
260	213	1.31	C\$ Oct 28, 2017	8.08
2,975	2,975	2.30	C\$ Oct 28, 2017	8.08
50	17	1.31	C\$ Jan 1, 2018	8.26
50	17	1.60	C\$ Jan 1, 2018	8.26
300	100	1.65	C\$ Jan 15, 2018	8.30
100	100	1.55	C\$ Jan 24, 2018	8.32
690	690	0.60	C\$ Jun 26, 2018	8.74
15,545	15,545	1.31	C\$ Jun 26, 2018	8.74
100	100	0.60	C\$ Jul 20, 2018	8.81
15,980	14,120	0.60	C\$ Apr 23, 2019	9.57
<u>51,568</u>	<u>49,044</u>			

Stock option transactions are summarized as follows:

	<u>Number of Options</u>	<u>Weighted Average Exercise Price \$</u>
Outstanding, December 31, 2007	18,541	2.62
Issued	16,835	1.30
Expired	(38)	0.83
Outstanding, December 31, 2008	<u>35,338</u>	1.61
Issued	16,230	0.50
Outstanding, September 30, 2009	<u>51,568</u>	1.30

As at September 30, 2009, 49,044 stock options were exercisable at a weighted average exercise price of \$1.33.

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The total fair value of the options granted for the periods presented was estimated using the Black-Scholes option-pricing model and resulted in the following amounts:

	<u>2009</u>	<u>2008</u>
Assumptions		
Expected dividend yield	0%	0%
Expected stock price volatility	100% -109%	59% - 77%
Risk-free interest rate	1.28% - 3.01%	3.81% - 4.09%
Expected forfeiture rate	0% - 24%	-
Expected option life (years)	2 - 10	10
Weighted average grant date fair value per option	\$0.35	\$1.05

Option pricing models require the input of highly subjective assumptions, particularly as to the expected price volatility of the stock. Changes in these assumptions can materially affect the fair value estimated.

During the nine-month period ended September 30, 2009, the Company amended the exercise price of 3,610 stock options with original exercise prices ranging from C\$1.31 - \$3.00 to C\$0.60.

(c) Warrants

Share purchase warrant transactions for the year ended December 31, 2008, and the period ended September 30, 2009, were as follows:

	<u>Number of Warrants</u>	<u>Weighted Average Exercise Price</u> \$
Outstanding, December 31, 2007	109,147	4.00
Exercised	(347)	1.02
Outstanding, December 31, 2008	<u>108,800</u>	3.37
Outstanding, September 30, 2009	<u>108,800</u>	3.81

The following warrants were outstanding as at September 30, 2009:

<u>Number of Warrants Outstanding</u>	<u>Exercise Price</u>		<u>Expiry Date</u>
5,833	3.35	\$	November 7, 2011
9,217	5.25	C\$	March 4, 2012
93,750	4.00	C\$	November 30, 2012
<u>108,800</u>			

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(d) Contributed Surplus

	Amount
	\$
Balance, December 31, 2007	91,823
Reclassification to common shares on exercise of warrants	(770)
Stock-based compensation	23,754
Balance, December 31, 2008	<u>114,807</u>
Stock-based compensation	6,625
Balance, September 30, 2009	<u><u>121,432</u></u>

12. ACCUMULATED OTHER COMPREHENSIVE INCOME

The components of accumulated other comprehensive income are as follows:

	September 30, 2009	December 31, 2008
	\$	\$
Unrealized foreign exchange gains on translation of self-sustaining foreign operations	<u>41,692</u>	<u>23,966</u>

13. GOLD RESERVE INC.

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 (Note 19(b)(ii)) as an expense for litigation and unsuccessful acquisition in the consolidated statement of operations.

14. RELATED PARTY TRANSACTIONS

- a) Included in receivables (Note 5) are amounts owed from companies which a director and a director/officer of the Company have significant influence of \$415 (December 31, 2008: \$51). Of these amounts \$236 (December 31, 2008: \$Nil) is unsecured, non-interest bearing and repayable in equal monthly instalments over the period ending March 1, 2011 and \$179 (December 31, 2008: \$51) is unsecured, non-interest bearing with no set terms of repayment.
- b) Included in prepaid expenses and deposits is \$41 (December 31, 2008: \$41) related to a security deposit for an office lease entered into with a company of which a director and a director/officer of the Company have significant influence.
- c) Included in amounts capitalized as property, plant and equipment is \$655 (December 31, 2008: \$Nil) and included in amount capitalized as mineral properties is \$755 (December 31, 2008: \$1,764) related to the provision of technical and geological services and machinery rental from companies of which a director and a director/officer of the Company have significant influence.
- d) Included in the consideration of the Hecla-Venezuela Acquisition is \$Nil (December 31, 2008: \$2,000) for the purchase of a plant for the treatment of diamonds which is owned by a company controlled by a director/officer of the Company. On February 20, 2009, the Company issued a promissory note to 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 the director/officer. On May 19, 2009, the Company repaid the promissory note.

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- e) Included in accounts payable and accrued liabilities (Note 9) are amounts due to a director/officer of the Company, companies which a director and a director/officer of the Company have significant influence, and to a law firm of which a director of the Company is a partner of \$273 (December 31, 2008: \$1,398). These amounts are unsecured, due on demand and non-interest bearing.
- f) Included in general and administrative expenses is \$132 (2008: \$441) for the three-month period and \$362 (2008: \$857) for the nine-month period ended September 30, 2009 related to the cost of running the Company's office of representation in Moscow, \$27 (2008: \$Nil) for the three-month period and \$74 (2008: \$Nil) for the nine-month period ended September 30, 2009 related to the rental of the Caracas office, \$(6) (2008: \$170) for the three-month period and \$51 (2008: \$364) for the nine-month period ended September 30, 2009 related to consulting fees from companies of which a director and a director/officer of the Company have significant influence. Included in general and administration expense is \$Nil (2008: \$Nil) for the three-month period and \$Nil (2008: \$365) for the nine-month period ended September 30, 2009 related to the provision of travel services from a company of which a director of the Company has significant influence.
- g) Included in convertible loan is financing costs of \$Nil (December 31, 2008: \$97), included in acquisition costs of the Hecla-Venezuela acquisition is \$Nil (December 31, 2008: \$143), included in share capital is share issuance costs of \$23 (December 31, 2008: \$Nil) related to the provision of legal services for the shares issued in public offering (Note 11(a)(iv)), included in general and administrative expenses is \$40 (2008: \$43) for the three-month period and \$106 (2008: \$267) for the nine-month period ended September 30, 2009 related to the provision of legal services and included in litigation and unsuccessful acquisition costs is \$Nil (2008: \$Nil) for the three-month period and \$190 (2008: \$Nil) for the nine-month period ended September 30, 2009 related to the provision of legal services for the Gold Reserve Bid (Note 13) which were paid to a law firm of which 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.

15. CAPITAL MANAGEMENT DISCLOSURES

The Company defines the capital that it manages as its shareholders' equity and convertible loan. The Company's objectives when managing capital are to:

- a) Provide an adequate return to shareholders;
- b) Provide adequate and efficient funding for operations;
- c) Support any expansion plans;
- d) Continue the exploration and development of its mineral properties;
- e) Maintain a capital structure, which optimises the cost of capital at acceptable risk.

The Company satisfies its capital requirements through careful management of its cash and cash equivalents and short-term investments and by using debt or equity issues, as necessary, based on the economic conditions and risk characteristics associated with the Company's underlying assets.

The Company is not subject to any externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the three-month and nine-month periods ended September 30, 2009.

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16. SUPPLEMENTAL CASH FLOW INFORMATION

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
	\$	\$	\$	\$
CHANGES IN NON-CASH WORKING CAPITAL ITEMS				
Receivables	4,776	303	3,978	(4,833)
Inventories	(4,695)	1,177	(10,719)	(3,395)
Prepaid expenses and deposits	(2,340)	5,678	1,074	1,563
Accounts payable and accrued liabilities	3,206	3,334	(2,209)	9,933
Deferred revenue	(3,326)	-	-	-
Income tax payable	(530)	3,092	7,920	6,242
	(2,909)	13,584	44	9,510

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
	\$	\$	\$	\$
NON-CASH INVESTING AND FINANCING ACTIVITIES				
Accounts payable and accrued liabilities – Expenditures on mineral properties	(391)	(1,389)	(2,552)	(1,574)
Accounts payable and accrued liabilities – Expenditures on property, plant and equipment	(135)	(2,313)	(55)	2,402
Amortization capitalized – Mineral properties	224	318	1,304	969
Stock-based compensation capitalized – Mineral Properties	137	118	174	882
Shares issued to financial advisor (Note 11(a)(iii))	-	-	1,250	-
Shares received on sale of subsidiary	-	-	-	530
Receivables – Other assets	-	780	-	780
Shares issued for the Hecla-Venezuela Acquisition (Note 11(a)(i))	-	4,960	-	4,960

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
	\$	\$	\$	\$
OPERATING ACTIVITIES INCLUDED THE FOLLOWING CASH PAYMENTS				
Interest paid	-	-	4,000	-
Taxes paid	-	-	1,652	-

CASH AND CASH EQUIVALENTS COMPRISES:

	September 30, 2009	September 30, 2008
	\$	\$
Cash	10,343	19,969
Cash equivalents	25,189	-
	35,532	19,969

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17. SEGMENTED DISCLOSURE

The Company has two distinct business segments:

- a) exploration and development of mineral properties
- b) extraction, processing, and sale of gold ore.

In the three and nine months ended September 30, 2009 and September 30, 2008, all revenue was generated in Venezuela.

The customers with significant sales are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
	\$	\$	\$	\$
Customer A	7,224	-	15,905	-
Customer B	8,709	-	15,775	-
Customer C	9,331	-	14,848	-
Customer D	-	-	11,993	-
Customer E	-	2,891	-	17,798
Customer F	-	1,626	-	9,073
Customer G	-	6,918	-	6,918

	Mineral Exploration & Development Three Months Ended September 30, 2009	Extraction, Processing & Sale Three Months Ended September 30, 2009	Total Three Months Ended September 30, 2009	Total Three Months Ended September 30, 2008
	\$	\$	\$	\$
Revenue	-	26,411	26,411	14,717
Mining operating expenses	-	(11,408)	(11,408)	(21,082)
Mining amortization	-	(2,991)	(2,991)	(2,577)
General and administrative	(73)	(1,973)	(2,046)	(4,350)
Stock-based compensation	(90)	(272)	(362)	(1,699)
Amortization	(69)	(23)	(92)	(22)
Interest on convertible loan	-	(3,443)	(3,443)	(3,211)
Foreign exchange (loss) gain	(2,606)	681	(1,925)	6,840
Impairment of mineral properties	(383)	-	(383)	-
Other income	7	91	98	138
Litigation and unsuccessful acquisition	-	(1)	(1)	-
Income tax (expense) recovery	-	(3,824)	(3,824)	1,132
Non-controlling interest	-	(384)	(384)	-
Net (loss) income	<u>(3,214)</u>	<u>2,864</u>	<u>(350)</u>	<u>(10,114)</u>
Capital expenditures	<u>3,722</u>	<u>2,835</u>	<u>6,557</u>	<u>21,933</u>

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	Mineral Exploration & Development Nine Months Ended September 30, 2009	Extraction, Processing & Sale Nine Months Ended September 30, 2009	Total Nine Months Ended September 30, 2009	Total Nine Months Ended September 30, 2008
	\$	\$	\$	\$
Revenue	-	67,756	67,756	49,557
Mining operating expenses	-	(35,334)	(35,334)	(52,862)
Mining amortization	-	(8,870)	(8,870)	(11,380)
General and administrative	(1,648)	(4,177)	(5,825)	(15,899)
Stock-based compensation	(1,290)	(5,161)	(6,451)	(22,048)
Amortization	(75)	(48)	(123)	(49)
Interest on convertible loan	-	(10,036)	(10,036)	(3,909)
Foreign exchange (loss) gain	(992)	1,250	258	(4,132)
Impairment of mineral properties	(557)	-	(557)	(238)
Other income	18	133	151	645
Litigation and unsuccessful acquisition	-	(795)	(795)	-
Income tax (expense) recovery	-	(5,151)	(5,151)	2,835
Non-controlling interest	-	(1,223)	(1,223)	-
Net loss	<u>(4,544)</u>	<u>(1,656)</u>	<u>(6,200)</u>	<u>(57,480)</u>
Capital expenditures	<u>8,657</u>	<u>5,271</u>	<u>13,928</u>	<u>38,201</u>

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The Company's geographic segment information is as follows:

	Mineral Exploration and Development as at September 30, 2009 \$	Extraction, Processing and Sale as at September 30, 2009 \$	Total as at September 30, 2009 \$	Total as at December 31, 2008 \$
Canada				
Current assets	10,134	40,537	50,671	488
Property, plant, and equipment	53	213	266	328
	10,187	40,750	50,937	816
Venezuela				
Current assets	4,596	49,017	53,613	39,244
Property, plant, and equipment	4,608	727,121	731,729	721,610
Mineral properties	286,968	-	286,968	275,884
Receivables non- current	2,349	7,981	10,330	6,616
	298,521	784,119	1,082,640	1,043,354
Honduras				
Current assets	34	-	34	34
	34	-	34	34
Total assets	308,742	824,869	1,133,611	1,044,204

18. JOINT VENTURE INTEREST

On July 4, 2008, the Company entered into an agreement ("the Mixed Enterprise Agreement") with MIBAM to create a mixed enterprise ("the Joint Venture"). Pursuant to the Mixed Enterprise Agreement, Minera Venrus C.A. ("Venrus C.A."), a Venezuelan corporation was incorporated on December 23, 2008, and is 50% owned by the Company and 50% owned by Empresa de Produccion Social Minera Nacional, C.A. (a Venezuelan government entity). The Company conducts a portion of its business through this Joint Venture under which the venturers are bound by the articles of incorporation and by-laws of Venrus C.A. The Company records its 50% proportionate share of assets, liabilities, revenues, and operating costs of the Joint Venture.

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The following details the Company's share of its investment in the Joint Venture that has been proportionately consolidated:

	September 30, 2009	December 31, 2008
	\$	\$
Assets		
Current assets	11,077	8,500
Property, plant and equipment	43,164	42,900
Mineral properties	2,363	2,301
	<u>56,604</u>	<u>53,701</u>
Liabilities		
Current liabilities	3,939	2,945
Other long-term liabilities	1,011	71
Future income tax liability	14,494	15,364
	<u>19,444</u>	<u>18,380</u>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
	\$	\$	\$	\$
Revenue	4,151	-	10,704	-
Expenses	2,432	-	9,305	-
Net income	<u>1,719</u>	<u>-</u>	<u>1,399</u>	<u>-</u>
Cash Flows				
Operating activities	383	-	2,695	-
Investing activities	(1,656)	-	(2,474)	-
Financing activities	-	-	-	-
(Decrease) Increase in cash	<u>(1,273)</u>	<u>-</u>	<u>221</u>	<u>-</u>

19. COMMITMENTS AND CONTINGENCIES

(a) Commitments

(i) At September 30, 2009, the Company is committed to payments under operating leases for premises, vehicles and machinery and to payments under contracts for community relations, feasibility study, security, computer maintenance, consulting and other services as follows:

	Related Party \$	Non-Related Party \$	Total \$
2009	89	1,318	1,407
2010	355	448	803
2011	89	73	162
2012	-	73	73
2013	-	73	73
2014 and Thereafter	-	79	79
	<u>533</u>	<u>2,064</u>	<u>2,597</u>

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(ii) As part of the Mixed Enterprise Agreement (Note 18) the Company has committed to incur various social costs during a period of 18 months from entering into the agreement. These social costs will be expensed as incurred. The total cost to be incurred has been estimated as \$400 by the Company.

(b) Contingencies

(i) Central Bank of Venezuela Resolution

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 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 60% must be offered for sale to the CBV and 10% must 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. 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 25% must be offered for sale to the CBV and 25% must be offered for sale to the national transforming sector. The remaining 50% can be exported or offered for sale to the CBV, at the option of the gold producer. Although Resolution No. 09-06-03 requires gold producers to offer the gold for sale to the CBV, it does not mandate the terms of such an offer. .

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 Venezuelan Bolivar Fuerte's ("BsF") must be exchanged for BsF with the CBV at the official rate of BsF 2.15 /\$1.00. The CBV and the Ministry of Finance recently passed Exchange Agreement No. 12 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 believes that the above resolution applies to gold bars produced after June 30, 2009, and therefore gold bars in ending inventory at June 30, 2009 were sold during the three-month period ended September 30, 2009 outside the scope of the above resolutions. During the three-month period ended September 30, 2009 the Company did not sell gold produced in the three-month period ended September 30, 2009

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

(ii) Gold Reserve Lawsuit

Gold Reserve has claimed \$550,000 in 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 \$102,500 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 these financial statements for this claim.

(iii) 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.

20. FINANCIAL INSTRUMENTS

Cash and cash equivalents are classified as held-for-trading and measured at fair value. Short-term investments are classified as available-for-sale and measured at fair value. Receivables (excluding VAT receivable) are classified as loans and receivables and measured at amortized cost using the effective interest rate method. Accounts payable and accrued liabilities (excluding current portion of asset retirement obligations), convertible loan and accrual for termination benefits non-current are classified as other financial liabilities and measured at amortized cost using the effective interest rate method.

Management reviewed all significant financial instruments held by the Company and determined that no material differences between fair value and carrying value existed as at September 30, 2009, except for the liability component of the convertible loan which has a fair value of \$76,241. The Company thoroughly examines the various financial instrument risks to which it is exposed, and assesses the impact and likelihood of those risks. Where material, these risks are reviewed and monitored by management. There have not been any significant changes from the previous year as to how these risks are reviewed and monitored by management. The type of risks exposures and the way in which such exposure are managed is provided as follows:

Credit Risk

Management does not believe the Company is exposed to any significant concentration of credit risk. Management determines concentration by the percentage of cash and cash equivalents, short-term investments and receivables (excluding VAT receivable) owed held by a single party.

The Company's exposure to credit risk on its C\$ and US Dollar cash and cash equivalents 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 (Note 5) 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. The Company manages liquidity risk by ensuring that it has sufficient cash and cash equivalents, 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 September 30, 2009. The amounts disclosed are the contractual undiscounted cash flows.

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	2009 \$	2010-2011 \$	Total \$
Accounts payable and accrued liabilities	17,921	6,243	24,164
Accrual for termination benefits non-current	-	1,295	1,295
Interest on convertible loan (*)	4,000	4,000	8,000
Convertible loan (*)	-	80,000	80,000
	21,921	91,538	113,459

(*) On November 17, 2009, the Company purchased \$20,000 of the principle amount of the Loan and accrued interest (Note 23)

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 will fluctuate because of changes in market interest rates. The Company is not exposed to changes in cash flows due to changes in market interest rates as the interest on the Company's convertible loan is at a fixed rate. 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 September 30, 2009, a 1% increase in interest rates would decrease the fair value of convertible loan by \$481 and a 1% decrease in interest rates would increase the fair value of the convertible loan by \$487.

Currency Risk

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

The Company follows the current rate method to account for its self-sustaining operations. Under this approach, the assets and liabilities of these subsidiaries are translated according to the prevailing market exchange rate at the consolidated balance sheet date with all foreign exchange translation adjustments being recorded as a component in accumulated other comprehensive income in the consolidated balance sheets. The translation adjustments are realized in the consolidated statements of operations when there is a reduction in the Company's net investment in the respective foreign operations.

Substantially all of the change in the unrealized foreign exchange gains (losses) on translation of self-sustaining foreign operations is related to the revaluation of the property, plant and equipment, mineral properties and future income tax liability in the Company's self-sustaining Venezuelan subsidiaries and the Joint Venture.

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 September 30, 2009, the Company holds cash and cash equivalents of \$5,603 (December 31, 2008: \$1,721) in BsF.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2009
(Expressed in thousands, except per share amounts) (US Dollars) – unaudited

Financial instruments that influence the Company's net earnings or other comprehensive income due to currency fluctuations include BsF and C\$ denominated cash and cash equivalents, short-term investments, receivables (excluding VAT receivable), accounts payable and accrued liabilities (excluding current portion of asset retirement obligations) and accrual for termination benefits non-current. The sensitivity of the Company's net earnings and other comprehensive income from these financial instruments due to changes in the exchange rate between the BsF, C\$, and the US Dollar are summarized below:

	As at September 30, 2009	
	25% Increase in the BsF \$	25% Decrease in the BsF \$
Net earnings	261	(209)
Other comprehensive income	(2,759)	2,207

	As at September 30, 2009	
	10% Increase in the C\$ \$	10% Decrease in the C\$ \$
Net earnings	413	(376)
Other comprehensive income	-	-

21. ASSETS HELD FOR SALE

As at December 31, 2008, the Company has recorded certain machinery with a net book value of \$2,771 as assets held for sale. As at September 30, 2009 the Company has reclassified this amount to property, plant and equipment as management no longer believes the Company will receive government approval to sell these assets. These assets are included in the extraction and processing segment in Note 17.

22. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the current period's presentation.

23. SUBSEQUENT EVENT

On November 17, 2009, the Company purchased \$20,000 of the principal amount of the Loan and accrued interest (Note 10) for consideration of \$17,000 plus an amount equal to 85% of the outstanding interest accrued.