

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, 2010 and 2009 and related notes. 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 15, 2011. 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 ("NI 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.

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1. 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 (“the Choco Mine”) and a 50% interest in the Isidora gold mine (“the Isidora Mine”) which the Company operates as part of a joint venture (“the Joint Venture”) with the Venezuelan government. The Company also holds interests in various exploration and development projects in Venezuela.

The Company’s corporate head office is in Vancouver, Canada and the Company has an in-country corporate office in Caracas, Venezuela and a regional office in Puerto Ordaz, Venezuela.

2. CORPORATE DEVELOPMENT HIGHLIGHTS

The Company’s highlights for 2010 were:

- Average realized gold price per ounce sold of \$965 (2009: \$696) and cash cost per ounce sold of \$739 (2009: \$338). The higher average realized gold price is a result of a higher international spot price per ounce of gold during 2010. The higher cash cost per ounce sold is mainly due to the increase in labour costs resulting from the Venezuelan inflation rate, lower production ore grade, and the change in the rate used to translate transactions and balances to US Dollars (see “Consolidated Results of Operations” section).
- Gold production of 101,183 ounces of finished gold (doré form) (2010 guidance: 110,000 ounces) (2009: 150,460 ounces) and gold sold of 148,928 ounces (2009: 104,036 ounces).
- Completion of a pre-feasibility study and NI 43-101 technical report on the San Rafael El Placer (“SREP”) project, including completion of a mine plan for the existing indicated resources resulting in a probable reserve of 1,157,000 tonnes grading 10.1 g/t gold (375,700 ounces). The results were reported in a news release dated May 11, 2010; the news release, technical report and pre-feasibility study are available on www.sedar.com.
- Repayment of \$30 million principal of the convertible loan and refinancing of the remaining \$30 million principal portion until June 2011.
- In July 2010 an updated resource estimate (“the Updated Estimate”) prepared by Micon International Limited was released for the Choco Mine resulting in a 78% increase in measured and indicated resources to 8.3 million ounces of gold (139.9 million tonnes grading 1.85 g/t) with an additional 2.8 million ounces of gold inferred (59.2 million tonnes grading 1.48 g/t). The results were reported in a news release dated July 6, 2010 and the technical information on the Updated Estimate is detailed in a NI 43-101 compliant technical report titled “Technical Report on the Mineral Resources of the Choco 10 Deposits, Bolivar State, Venezuela” dated August 18, 2010, both of which are available on www.sedar.com.
- Central Bank of Venezuela (“CBV”) Resolution No. 10-07-01 and an updated Exchange Agreement No. 12 became effective August 12, 2010. The resolution increases the portion of the Company’s gold production that can be exported and the updated exchange agreement provides greater flexibility to the Company’s use of proceeds from exports. Further details on this resolution and the updated exchange agreement are provided in the “Venezuelan Currency Exchange and Gold Sales” section of this MD&A.
- The Ministry of the People’s Power for the Environment (“MinAmb”) issued the authorization to affect natural resources for the Company’s Incredible 6 gold project. The granting of the permit was the final step in the permitting process toward the commencement of mining activities at Incredible 6, which is located 6km from the Company’s mill at the Choco Mine (“the Choco Mine Mill”).

- During the three months ended December 31, 2010 (“Q4 2010”) the Company exported 4,924 ounces of finished gold at the international spot price per ounce, less associated costs and commissions.

The Company’s highlights subsequent to 2010 were:

- During the three months ended March 31, 2011 (Q1 2011), the Company exported 11,817 ounces of finished gold at the international spot price per ounce, less associated costs and commissions.

3. CONSOLIDATED RESULTS OF OPERATIONS

	Year Ended December 31, 2010 (\$)	Year Ended December 31, 2009 (\$)	Year Ended December 31, 2008 (\$)
Total revenues	143,672	72,373	70,287
Net loss	(86,757)	(15,323)	(72,247)
Basic and diluted loss per share	(0.17)	(0.03)	(0.19)
Total assets	1,037,976	1,034,057	1,044,204
Total long-term liabilities	347,915	268,445	355,974

Note: in thousands of \$ except per share data

Results for 2010:

- Effective May 17, 2010, the Venezuelan government enacted a law that effectively closed the swap market which eliminated the implicit exchange rate previously used to translate transactions and balances. As a result of this change, translation of transactions and balances into US Dollars are done using the official rate of BsF 4.30/\$1.00 which significantly increased the US Dollar revenues, costs, expenses, and balance sheet amounts (“the Change in Translation Rate”) (see “Venezuela Currency Exchange and Gold Sales” section).
- Revenue increased to \$143.7 million (148,928 ounces sold) in 2010 from \$72.4 million (104,036 ounces sold) in 2009 due to having sold more gold in 2010 compared to 2009, the increase in the average international spot price of gold to \$1,225 during 2010 from \$972 during 2009, and due to the Change in Translation Rate. Ounces sold increased as the Company sold a substantial portion of its 2009 finished gold production in 2010.
- During 2010 the Company recorded a net loss of \$86.8 million compared to a net loss of \$15.3 million during 2009, which increased significantly as a result of an unrealized foreign exchange loss originated by the Change in Translation Rate.
- Mining operating expenses and mining amortization increased to \$111.5 million and \$21.4 million respectively in 2010 from \$39.4 million and \$10.2 million in 2009. This cost increase is primarily due to having sold more gold in 2010 compared to 2009 and the Change in Translation Rate. Operational factors impacting the amount of tonnes mined and processed and grade as discussed below in the Choco Mine and Isidora Mine results also negatively impacted production costs in 2010.
- General and administrative expenses remained consistent at \$9.2 million in 2010 compared to \$9.4 million in 2009.
- Stock-based compensation decreased to \$1.4 million in 2010 from \$6.8 million in 2009 due to the issuance and vesting of stock-options with significantly lower values than those issued in 2009.
- Interest on the Company’s convertible loan decreased to \$8.0 million in 2010 from \$13.0 million in 2009 due to the partial retirement of the convertible loan.
- Foreign exchange loss was \$100.8 million in 2010 compared to a foreign exchange gain of \$1.1 million in 2009, due significantly to the effect of the Change in Translation Rate on the Company’s future income tax liability and the resulting unrealized foreign exchange loss.

- Income tax recovery increased to \$22.9 million in 2010 from \$1.0 million in 2009 due to declining results at the Choco Mine and the Isidora Mine and due to the Change in Translation Rate.

Results for Q4 2010:

- Revenue increased to \$33.5 million (24,991 ounces sold) in Q4 2010 from \$4.6 million (6,399 ounces sold) in the three months ended December 31, 2009 ("Q4 2009") due to having sold more gold in Q4 2010 compared to Q4 2009, the increase in the average international spot price of gold, and due to the Change in Translation Rate.
- Net income increased to \$14.0 million in Q4 2010 from a loss of \$10.1 million during Q4 2009.
- Mining operating expenses and mining amortization increased to \$20.5 million and \$3.7 million respectively in Q4 2010 from \$4.1 million and \$1.4 million in Q4 2009. This cost increase is primarily due to having sold more gold in Q4 2010 compared to Q4 2009 and due to the Change in Translation Rate. Operational factors impacting the amount of tonnes mined and processed and grade as discussed in the Choco Mine and Isidora Mine results below also negatively impacted production costs.
- General and administrative expenses decreased to \$1.3 million in Q4 2010 from \$3.4 million in Q4 2009 significantly due to increased efficiencies and the non-renewal of consulting agreements with two senior officers of the Company.
- Stock-based compensation decreased to \$0.1 million in Q4 2010 from \$0.4 million in Q4 2009 due to the vesting of stock-options with significantly lower values than those issued in 2009.
- Interest on the Company's convertible loan decreased to \$1.5 million in Q4 2010 from \$3.0 million in Q4 2009 due to the partial retirement of the convertible loan.
- Income tax recovery decreased to \$3.6 million in Q4 2010 from 6.1 million in Q4 2009 due to declining results at the Choco Mine and the Isidora Mine.

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

	3 Months Ended December 31, 2010			3 Months Ended December 31, 2009		
	Choco	Isidora	Total	Choco	Isidora	Total
Ore tonnes mined ('000 t)	565	10	575	440	5	445
Ore tonnes milled ('000 t)	411	5	416	437	8	445
Average grade (g/t)	1.71	18.58	1.91	1.77	23.72	2.15
Average recovery rate (%)	91	90	91	93	90	93
Gold produced (ounces)	22,501	1,661	24,162	21,790	5,268	27,058
Gold sold (ounces)	23,358	1,633	24,991	2,933	3,466	6,399
Total mining operating expenses \$(000)	18,004	2,494	20,498	1,609	2,447	4,056
- asset retirement obligations accretion \$(000)	(155)	(67)	(222)	28	(75)	(47)
- impairment of inventories \$(000)	-	(605)	(605)	-	-	-
- fair value differential of inventory acquired \$(000) ⁽¹⁾	-	-	-	-	(172)	(172)
Total cash costs \$(000) ⁽²⁾	17,849	1,822	19,671	1,637	2,200	3,837
Total cash costs per ounce sold ⁽³⁾	764	1,116	787	558	635	600
Average spot gold price per ounce \$	n/a	n/a	1,367	n/a	n/a	1,100
Average realized gold price per ounce sold \$	1,338	1,373	1,340	802	654	722

	12 Months Ended December 31, 2010			12 Months Ended December 31, 2009		
	Choco	Isidora	Total	Choco	Isidora	Total
Ore tonnes mined ('000 t)	1,790	27	1,817	2,374	31	2,405
Ore tonnes milled ('000 t)	1,833	25	1,858	2,056	35	2,091
Average grade (g/t)	1.62	16.71	1.82	1.97	24.63	2.35
Average recovery rate (%)	92	90	92	90	90	90
Gold produced (ounces)	90,087	11,096	101,183	125,714	24,746	150,460
Gold sold (ounces)	130,890	18,038	148,928	85,057	18,979	104,036
Total mining operating expenses \$(000)	92,277	19,238	111,515	28,246	11,144	39,390
- asset retirement obligations accretion \$(000)	(540)	(266)	(806)	(314)	(266)	(580)
- impairment of inventories \$(000)	-	(605)	(605)	-	-	-
- fair value differential of inventory acquired \$(000) ⁽¹⁾	-	-	-	-	(3,603)	(3,603)
Total cash costs \$(000) ⁽²⁾	91,737	18,367	110,104	27,932	7,275	35,207
Total cash costs per ounce sold \$ ⁽³⁾	701	1,018	739	328	383	338
Average spot gold price per ounce \$	n/a	n/a	1,225	n/a	n/a	972
Average realized gold price per ounce sold \$	949	1,081	965	698	683	696

The following notes are applicable to the above two tables:

- (1) In calculating cash costs per ounce sold for 2009 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, impairments of inventories, 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 (see "Cautionary Non-GAAP Measure" section).

3.1 Choco Mine

Results for 2010:

- During 2010 the Choco Mine produced 90,087 ounces compared to 125,714 ounces in 2009. This decrease was due to a decrease in the tonnes milled and the head-grade of the ore processed to 1.8 million tonnes and 1.62 g/t respectively in 2010 from 2.1 million tonnes and 1.97 g/t in 2009. The decrease in ore processed was due to the decrease in tonnage mined as a result of reduced haulage fleet availability (due to constraints in cash).
- Cash cost per ounce sold increased to \$701 in 2010 from \$328 in 2009. This increase is due to higher labour costs resulting from the Venezuelan inflation rate, lower production ore grade, an increased ratio of hard-rock ore to oxide-ore milled which is more costly to produce and due to the Change in Translation Rate.

Results for Q4 2010:

- During Q4 2010 the Choco Mine produced 22,501 ounces, which is consistent compared to 21,790 ounces in Q4 2009.
- The factors impacting the cash cost per ounce sold as described above had an impact on cash cost per ounce sold during Q4 2010, which increased to \$764 from \$558 in Q4 2009.

The current NI 43-101 compliant gold reserves at the Choco Mine based on a 100% ownership interest are 1.83 million ounces of gold proven and probable reserves (17.7 million tonnes grading 3.22 g/t). Current NI 43-101 compliant resources are 8.3 million ounces of gold measured and indicated (139.9 million tonnes grading 1.85 g/t) and 2.8 million ounces of gold inferred (59.2 million tonnes grading 1.48 g/t). The resources at the Choco Mine are detailed in a news release dated July 6, 2010 and the technical

information on the resources at the Choco Mine are detailed in a NI 43-101 compliant technical report titled “Technical Report on the Mineral Resources of the Choco 10 Deposits, Bolivar State, Venezuela” dated August 18, 2010. The news release, technical report and pre-feasibility study are available on www.sedar.com. The technical information on the reserves at the Choco Mine is detailed in a NI 43-101 compliant technical report titled “Technical Report on the PMG (Goldfields) Choco 10 Concession and Mine, Estado Bolivar Venezuela” dated November 27, 2007.

In 2008, the Company initiated a scoping study for the Choco Mine and surrounding deposits. The scoping study titled “Technical Report on the Preliminary Assessment of the Expansion of Production at Choco 10, Bolivar State, Venezuela” is dated June 2, 2009. The scoping study outlined favorable economics for a significant expansion to 20,000 tonnes per day which would result in production of an average of 558,000 ounces of gold per year at a cash cost of \$331 per ounce of gold over the 12 year life of mine. 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 www.sedar.com), which the Company initiated during the three months ended September 30, 2009 (“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 the three months ended June 30, 2011.

During 2010 no exploration drilling was completed. Exploration and development work included advancement of internal studies which assisted in resource and reserve conversion to support expanded production capacity (in approximately 3-4 years) and the feasibility study.

3.2 Isidora Mine

On December 23, 2008 the Company started proportionately consolidating its 50% share of the underground Isidora Mine, which the Company operates as part of the Joint Venture with the Venezuelan government.

Results for 2010:

- During 2010 the Isidora Mine produced 11,096 ounces compared to 24,746 ounces in 2009. This decrease was due to a decrease in the head-grade of the ore processed to 16.71 g/t and tonnes milled to 25,000 in 2010 from 24.63 g/t and 35,000 tonnes respectively in 2009. Tonnes milled and average grade were negatively impacted as a result of reduced availability of the mining fleet (due to cash constraints), work stoppages by labour union disputes, the temporary closure of the La Camorra Plant for routine maintenance during November 2010, and the temporary closure of the Isidora Mine for the majority of September 2010 to evaluate safety procedures. Average ore grade was negatively impacted as a large portion of the ore processed was from zones in development or in-transition to other high-grade mineralized ore bodies of the Isidora Mine.
- Cash cost per ounce sold increased to \$1,018 during 2010 from \$383 during 2009. This increase is due to the factors discussed above which were partially offset by the fact that 2009 mining operating expenses included the value of inventory sold which was fair valued on the acquisition of the Isidora Mine. The increase in labour costs resulting from the Venezuelan inflation rate and the Change in Translation Rate also negatively impacted the cash cost per ounce sold. The temporary closure of the La Camorra Plant during November 2010 and the temporary closure of the Isidora Mine during September of 2010 increased cash cost per ounce sold by \$134 in 2010.

Results for Q4 2010:

- During Q4 2010 the Isidora Mine produced 1,661 ounces compared to 5,268 ounces in Q4 2009. This decrease was due to a decrease in the head-grade of the ore processed to 18.58 g/t and tonnes milled to 5,000 in 2010 from 23.72 g/t and 8,000 tonnes respectively in Q4 2009. Tonnes milled and average grade were negatively impacted by the factors described above.
- Cash cost per ounce sold increased to \$1,116 during Q4 2010 from \$635 during Q4 2009. This increase is due to the factors discussed above which were partially offset by the fact that the Q4

2009 mining operating expenses included the value of inventory sold which was fair valued on the acquisition of the Isidora Mine.

The NI 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. The Isidora Deposit which has proven and probable reserves of 185,000 ounces of gold (179,000 tonnes grading 32.1 g/t), measured and indicated resources of 331,000 ounces of gold (470,000 tonnes grading 21.9 g/t) and an inferred resource of 45,000 ounces of gold (99,000 tonnes grading 14.1 g/t) and the current resource for the Twin Shear Zone is 482,000 ounces of gold inferred (1,200,000 tonnes grading 12.5 g/t).

A 40,000 metre drilling program was commenced in Q1 2011. A total of four drill rigs are testing known gold mineralization around the current underground development.

3.3 Exploration and Development

San Rafael El Pacer

During the three months ended March 31, 2010 ("Q1 2010") the Company completed construction on the Alvarez underground ramp (4.5 metres x 5.0 metres) in order to provide access to the main San Rafael El Placer ("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 began test sampling in Q1 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. During 2010 an additional 1,000 metres of underground development was completed. The Company has successfully concluded during Q1 2011 the construction of a ventilation shaft and began developing underground tunnels to gain increased access to mineralized zones and is stockpiling pre-commercial production ore from SREP. The pre-commercial production ore from SREP is being processed at the Choco Mine Mill.

A pre-feasibility study ("the SREP Pre-Feasibility Study" or "the Study") and NI 43-101 technical report ("the SREP Technical Report") for the SREP project were completed during the three months ended June 30, 2010 ("Q2 2010"). The SREP Technical Report dated May 7, 2010 authored by Whillans Mine Studies Ltd. was filed on www.sedar.com and the results were reported in a news release dated May 11, 2010 which is available on www.sedar.com. The SREP Pre-Feasibility Study included completion of a mine plan for the existing indicated resources resulting in a probable reserve of 1,157,000 tonnes grading 10.1 g/t of gold (375,700 ounces). The Study used the existing gold resource for SREP consisting of an indicated resource of 399,000 ounces of gold (640,000 tonnes grading 19.4 g/t) and an additional 523,000 ounces of gold in inferred resourced (700,000 tonnes grading 23.1 g/t) 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 Study assumes all mined material is processed at the existing Choco Mine Mill. Gold production from the SREP deposit includes the recovery of a total of 319,456 ounces over a six year mine life reaching a peak of 76,000 ounces in the year 2014 at a life-of-mine cost of production of \$324/oz of gold. Mine capital development is estimated at \$9.8 million, capital infrastructure and equipment at \$17.3 million, capital mine indirect costs at \$14.6 million, and sustaining capital at \$20.4 million over the life of mine (6 years). Life-of-mine net income after taxes is \$51.9 million with a payback estimated at three years. At a gold price of \$950/oz, the SREP Pre-Feasibility Study estimates the net present value (8% discount) to be \$28.2 million with an after-tax internal rate of return of 30%.

No additional exploration drilling was completed during Q4 2010.

Incredible 6

The Incredible 6 project is located in the El Callao district, 6 kilometres northeast of the Choco Mine Mill. 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 of gold indicated (23.45 million tonnes grading 2.11 g/t) and 1.1 million ounces of gold inferred (17.5 million tonnes grading 1.95 g/t). The technical information on Incredible 6 is detailed in a NI 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, which is available on www.sedar.com.

Exploration and development activities during 2010 comprised largely of surveying and related work designed to provide additional information for the detailed geological model for on-going development. No additional drilling was completed in Q4 2010. All zones remain open. The oxide portion of Incredible 6 is included into the Choco Mine oxide strategy for near term exploitation. An updated NI 43-101 compliant resource estimate for Incredible 6 is in progress and is scheduled to be completed during 2011.

The Company received during 2010 the permit to affect natural resources from MinAmb and expects to start mining ore from Incredible 6 and processing it at the Choco Mine Mill during the three months ended June 30, 2011 (see “Outlook” section). The Company is currently negotiating with the communities surrounding the property, constructing haul roads for the mining fleet, contracting haulage and loading services with new contractors, and preparing the property for pre-operating stripping activities to initiate a surface pit mine.

EI Callao

The Company holds the rights to several concessions in the area surrounding the Choco Mine totalling 26,644 hectares (“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 Q4 2010 and work consisted of continued compilation and interpretation of the existing drill results.

The current NI 43-101 resource estimation for the Apanao Zone is 103,000 ounces of gold indicated (3.5 million tonnes grading 0.92 g/t) and 1.34 million ounces of gold inferred (47.0 million tonnes grading 0.89 g/t). Technical information on Valle Hondo is detailed in a NI 43-101 compliant technical report titled “Technical Report on the Mineral Resource Estimate, Valle Hondo Project, Bolivar State, Venezuela”, dated April 9, 2007, which is available on www.sedar.com. 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.

Other Properties

The Company’s mineral titles in the EI 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 NI 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-EI Placer and Days Vein Deposits, Bolivar State, Venezuela” described above. The updated NI 43-101 compliant resource estimate for the Days Vein consists of 37,000 ounces of gold inferred (209,000 tonnes grading 5.5 g/t).

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 Q4 2010. 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.

3.4 Corporate

See “Consolidated Results of Operations” section above for discussion of 2010 and Q4 2010 general and administrative expense and stock-based compensation expense.

4. 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. Effective January 1, 2008 the Venezuelan government changed the name of the currency to the Venezuelan Bolivar Fuerte (“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 did not apply to transactions with certain securities denominated in BsF, which could be swapped for securities denominated in another currency effectively resulting in a swap market (“the Swap Market”) which provided an implicit value for the exchange rate for the BsF/US Dollar (“the Implicit Exchange Rate”).

Effective May 17, 2010, the Venezuelan government enacted the Reform of the Criminal Exchange Law which aims to regulate the Swap Market. The Reform of the Criminal Exchange Law effectively closed the Swap Market and as a result the Company is no longer able to use the Implicit Exchange Rate to translate BsF transactions and balances.

On June 9, 2010 the Venezuelan government enacted additional reforms to its exchange control regulations and introduced Sistema de Transacciones con Titulos en Moneda Extranjera (“SITME”) a newly regulated foreign exchange system controlled by the CBV. The SITME imposes volume restrictions on the conversion of BsF to US Dollars of \$350,000 per month per Venezuelan entity that meets the SITME requirements; Promotora Minera de Guayana, P.M.G., S.A. is registered with SITME.

Due to SITME volume restrictions and the fact the Company settles the majority of sales of finished gold at the Venezuela official exchange rate specified by the CBV of BsF 4.30/\$1.00, the Company translated BsF transactions and balances subsequent to May 17, 2010 at the official exchange rate of BsF 4.30/\$1.00.

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 mandated that for companies in which the Venezuela State has an interest of less than 50%, at least 60% of the gold produced in the country in each calendar quarter was required to 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 could 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, of the gold produced in the country in each calendar quarter, at least 25% was required to be offered for sale to the CBV and up to 25% could be offered for sale to the domestic processing industry. The remaining 50% could be exported or offered for sale to the CBV, at the option of the gold producer after obtaining authorization from the CBV.

On July 15, 2010, the CBV passed Resolution No. 10-07-01 that replaced Resolution No. 09-06-03 and the CBV and Ministry of Finance passed an updated Exchange Agreement No. 12 that replaced the previous version. Resolution No. 10-07-01 and the updated Exchange Agreement No. 12 became effective August 12, 2010. Resolution No. 10-07-01 mandates that 50% of gold produced in the country in each calendar quarter must be offered for sale to the CBV and after obtaining authorization to export from the CBV, the remaining 50% can be exported or offered for sale to the CBV, at the option of the gold producer. Authorization to export is obtained in the form of renewable permits, which are provided by the CBV and which expire 45 days from issuance. The updated Exchange Agreement No. 12 mandates that for companies in which the Venezuelan state has an interest of less than 50%, 50% of proceeds from gold exports collected in a currency other than BsF can be used for certain direct payments in foreign

currency for items which are to be further defined by the CBV. The remaining 50% of the proceeds from gold exports must be exchanged for BsF with the CBV at the official rate of BsF 4.30/\$1.00. For companies in which the Venezuelan State has an interest of 50% or greater all proceeds from gold exports collected in a currency other than BsF can be used for certain direct payments in foreign currency for items which are to be further defined by the CBV.

Prior to the updated Exchange Agreement No. 12 as described above, for companies in which the Venezuelan State has an interest of less than 50%, proceeds from gold exports collected in a currency other than BsF were required to be exchanged for BsF with the CBV at the official rate of BsF 4.30/\$1.00 and companies in which the Venezuelan State has an interest of 50% or greater could use the proceeds from gold exports collected in a currency other than BsF to make direct payments in foreign currency.

During Q4 2010 finished gold sales consisted mainly of sales to the CBV based on the international US Dollar spot gold price less a discount of 1.5% with payment received in BsF at the official exchange rate of BsF 4.30/\$1.00. The Company's first export for 4,924 ounces of finished gold occurred during Q4 2010. The sale amount was based on the international spot price per ounce less, associated costs and commissions.

5. SELECTED QUARTERLY INFORMATION

	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Revenue	33,497	42,688	51,144	16,343	4,617	26,411	11,185	30,160
Net income (loss) attributable to equity shareholders of the Company	13,287	6,869	(151,362)	42,636	(10,084)	(350)	(6,393)	543
Basic and diluted earnings (loss) per share	0.03	0.01	(0.29)	0.08	(0.02)	0.00	(0.01)	0.00

Note: in thousands of \$ except per share data

The Company has experienced significant volatility in its results over the eight most recently completed quarters. Revenues have been volatile primarily as a result of volatile gold sales due to uncertainties caused by the issuance and interpretation of the resolutions and exchange agreements described in the "Venezuela Currency Exchange and Gold Sales" section. Net income/loss has been volatile primarily due to volatility of revenue, changes in mining operating expenses due to decreasing production and the impact of unrealized foreign exchange gains/losses due to changes in the rate used to translate the Company's future income tax liability for periods subsequent to December 31, 2009. More specifically, the translation rate as at December 31, 2009 was BsF 5.97/\$1.00 whereas the translation rate as at December 31, 2010 was BsF 4.30/\$1.00. The amounts in the table above for Q4 2010, Q3 2010 and Q2 2010 were impacted by the Change in Translation Rate.

6. FINANCIAL POSITION

The Company's assets totaled \$1,038 million as at December 31, 2010 (December 31, 2009: \$1,034 million). Total assets primarily consisted of \$4 million in cash (December 31, 2009: \$10 million), \$27 million in receivables (current and non-current) (December 31, 2009: \$16 million), \$39 million in inventories (December 31, 2009: \$53 million) which are recorded at the lower of cost and net realizable value, \$669 million in property, plant and equipment (December 31, 2009: \$675 million) and \$286 million in mineral properties (December 31, 2009: \$267 million). A significant amount of the Company's liabilities, including accounts payable and accrued liabilities of \$59 million as at December 31, 2010 (December 31, 2009: \$30 million) and future income tax liability of \$339 million (December 31, 2009: \$264 million) are monetary items and have been translated from BsF to US Dollars at the official exchange rate of BsF 4.30/\$1.00 at December 31, 2010 (translated at BsF 5.97/\$1.00 at December 31, 2009). The future income tax liability originated from the acquisition of the Choco Mine and Isidora Mine as a result of paying purchase prices greater than the underlying accounting value. The increase in receivables, accounts payable and accrued liabilities and future income tax liability balances were significantly

impacted due to the Change in Translation Rate. Additional factors contributing to the increase in accounts payable and accrued liabilities were the cash constraints experienced by the Company as discussed in the “Liquidity and Capital Resources” section.

A convertible loan of \$29 million (December 31, 2009: \$58 million), which is due on June 10, 2011, represents the balance of the convertible loan which is being accreted at an effective interest rate of 21% (contractual rate of 10%) and the \$1 million equity component (December 31, 2009: \$5 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.

7. LIQUIDITY AND CAPITAL RESOURCES

The Company’s cash position decreased \$6.4 million and the Company’s short-term investments decreased \$3.8 million during 2010. The majority of the decrease in cash was the negative cash flow from financing activities of \$30.5 million and investing activities of \$18.6 million which was offset by cash flow from operations of \$42.7 million.

The increase in cash flow from operations from an outflow of \$12.7 million during 2009 to an inflow of \$42.7 million during 2010 was mainly the result of the Company selling a significant portion of the Company’s 2010 opening finished gold inventory, the increase in accounts payable and accrued liabilities of \$14.7 million and the receipt of deferred revenue of \$6.6 million. The decrease in cash outflow from investments from \$22.0 million for 2009 to \$18.6 million for 2010 was primarily the result of the Company purchasing (net of redemptions and sales) \$3.8 million of short-term investments in 2009 whereas the Company redeemed \$3.8 million of short-term investments in 2010. Cash flow from financing activities was \$42.9 million in 2009 compared to cash outflow from financing activities of \$30.5 million in 2010. This change is significantly the result of the Company issuing shares in a public offering for net proceeds of \$60.3 million in 2009 and the Company repaying \$30.0 million of convertible loan principal in 2010.

The strategic plan for the Company includes the preservation or enhancement of its existing cash position until June of 2011 when the \$30 million principal of the convertible loan becomes due and to make required capital asset expenditures to increase production to the optimal level which should result not only in increased production but should decrease operating expenses and cash cost per ounce.

Management does not believe that cash flows from operations will be sufficient to make the required loan principal repayment in June of 2011.

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

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

There is, however, no assurance that the sources of funding described above will be available to the Company or that they will be available on terms that are acceptable to the Company.

The Company maintains the majority of its cash in US Dollars. The Company incurs operating expenditures and a significant portion of capital expenditures in US Dollars. The Company also maintains necessary cash in BsF and Canadian Dollars (“C\$”), sufficient to fund short-term operating commitments in those currencies.

Practical restrictions currently exist on the ability of the Company to convert BsF to US Dollars and to transfer funds from the Joint Venture to the Company’s other subsidiaries. The restrictions on converting funds from BsF to US Dollars arise as the Company no longer has access to the Swap Market and even though the Company has obtained access to SITME, there are volume restrictions as described in the “Venezuela Currency Exchange and Gold Sales” section. The Company will obtain access to US Dollars from its export of finished gold ounces to make certain direct payments in foreign currency as discussed in the “Venezuela Currency Exchange and Gold Sales” section contingent on the Company’s ability to continue to renew export permits upon expiry. The restrictions on transfers of funds from the Joint

Venture 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 affect the Company's ability to use cash resources from the Joint Venture to fund the Company's operations in segments other than the Isidora Mine segment including the repayment of the convertible loan. Cash as at December 31, 2010 includes \$0.7 million held by the Joint Venture.

As at April 15, 2011, the Company has \$1.5 million in cash and the outstanding \$30 million principal portion of the convertible loan is due on June 10, 2011.

8. OUTLOOK

The Company expects to produce 120,000 ounces of finished gold from the Choco Mine and its 50% interest in the Isidora Mine. Total cash costs per ounce sold for 2011 are expected to be \$830 per ounce. For the cost per ounce estimate, the Company assumes that the Venezuelan government will not devalue the currency in reaction to the highly inflationary economy. As a result, a BsF/US Dollar average exchange rate during the year for translation of BsF 4.30/\$1.00 is forecasted. Any increase in the rate will likely generate a reduction in the Company's expected costs and capital expenditures.

8.1 Choco Mine

For 2011 the projected gold production guidance for the Choco Mine is 100,000 ounces of gold and projected cash cost per ounce sold of \$800.

Capital expenditures expected for the full year 2011 at the Choco Mine (including Incredible 6) include:

Feasibility study: \$0.4 million
Resource to reserve conversion drilling: \$9.3 million
Processing plant improvements: \$15 million
Tailings dam upgrades: \$5.0 million
Other sustaining capital expenditures: \$4.7 million

A scoping study for the expansion of the output at the Choco Mine operation to an ore production rate of up to 20,000 tonnes per day was completed in May 2009. The Choco Mine operation includes the presently operating Rosika, Coacia, Pisolita and Capia 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 Cerro Azul deposit. The feasibility study initiated in Q3 2009 is expected to be completed during 2011.

During 2010 the Company obtained the Incredible 6 permit to affect natural resources from MinAmb. Once in production, this will allow the Company to increase gold production in the near term as the material available at Incredible 6 includes softer ore which will allow for the treatment of a greater volume of material than is currently being processed at the Choco Mine Mill.

8.2 Isidora Mine

Ore from the Company's 50% interest in the Isidora Mine is expected to continue to be processed during 2011 at the La Camorra mill which is located 120 kilometres from the Isidora Mine.

For 2011 the projected gold production guidance for the Isidora Mine is 40,000 ounces of gold (20,000 ounces net to the Company) and projected cash cost per ounce sold of \$1,000.

Forecasted capital expenditures at the Isidora Mine for 2011 include sustaining capital expenditures (mainly renewal of mining equipment and fleet) of \$4.0 million (\$2.0 million net to the Company). The Company expects to incur \$8.2 million (\$4.1 million net to the Company) in expenditures related to drilling. The Company is expecting to provide a resource update for the Isidora Mine in 2011.

8.3 San Rafael El Placer

Forecasted capital expenditures expected for the full year 2011 at SREP is \$20 million which mainly includes underground development, machinery and equipment, and other infrastructure costs. The Company expects SREP to maintain its pre-commercial production status during 2011.

9. COMMITMENTS AND CONTINGENCIES

As at December 31, 2010, 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>
2011	11,961
2012	8,789
2013	7,197
2014	6,059
2015 and thereafter	27,782
	61,788

Gold Reserve Lawsuit

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 (as described below) as an other expense in the consolidated statement of operations.

In December 2008 Gold Reserve commenced a claim against the Company and an advisor of the Company (“the Advisor”) seeking an injunction to restrain the Company’s unsolicited take-over bid for Gold Reserve as well as general damages of \$500 million and punitive damages of \$50 million on the basis that the Advisor improperly used Gold Reserve’s confidential information in advising the Company on the take-over bid. In February 2009, Gold Reserve obtained an interlocutory injunction to restrain the take-over bid. The Company subsequently served its defense and counterclaim in which it denied the allegations against it and sought damages of \$102.5 million in respect of losses it has sustained as a result of the injunction’s issuance.

In June 2010 Gold Reserve amended its claim. The amended claim now seeks from the Company general damages of \$150 million for trespass and conversion, interference with contractual and economic relations, and punitive damages of \$50 million. The claim against the Advisor has also been reduced to a total of \$200 million. The outcome of this matter is not determinable at this time and no amount has been accrued in the consolidated financial statements for this claim.

Non-Compliance

During June 2010 the Company entered transactions in the normal course of operations that were not in compliance with certain Venezuelan laws and regulations. As a result of this non-compliance, the Company may be subject to fines to a maximum of \$19.6 million and/or denial of the Company’s ability to generate revenues. No amount has been accrued in the consolidated financial statements in connection with this matter since the outcome cannot be determined at this time.

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.

10. OFF-BALANCE SHEET ARRANGEMENTS

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

11. RELATED PARTY TRANSACTIONS

The balances and transactions discussed below are expressed in thousands of US Dollars:

- Included in receivables is \$283 related to 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. These amounts are unsecured and non-interest bearing with no set terms of repayment.
- Included in amounts capitalized in mineral properties is \$216 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.
- Included in accounts payable and accrued liabilities is \$309 related to 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. These amounts are unsecured, due on demand and non-interest bearing.
- Included in general and administrative expenses is \$109 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 convertible loan is financing costs of \$80 and included in general and administrative expenses is \$116 related to the provision of legal services 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.

12. DISCLOSURE OF OUTSTANDING SHARE DATA

As at April 15, 2011, the Company has 530,020,623 common shares issued and outstanding, 49,481,589 stock options to acquire an equal amount of common shares outstanding of which 49,266,589 were exercisable, 151,155,044 warrants to acquire an equal amount of common shares outstanding, and the \$30 million principal of the convertible loan is convertible into 75,000,000 common shares.

13. CHANGES IN ACCOUNTING POLICIES

In January 2009, the following Canadian Institute of Chartered Accountants (“CICA”) Handbook sections were issued: Section 1582, *Business Combinations* (“Section 1582”), Section 1601, *Consolidations* (“Section 1601”), and Section 1602, *Non-Controlling Interests* (“Section 1602”). Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards (“IFRS”). Section 1601 and Section 1602 establish standards for the preparation of consolidated financial statements and the accounting for non-controlling interests in financial statements that are equivalent to the standards under IFRS. 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.

Under Section 1582, the definition of a business is expanded, acquisition related costs, other than costs to issue debt or equity securities, of the acquirer, will no longer be capitalized, but rather expensed as incurred and the assets acquired and liabilities assumed are recorded at 100% of fair value even if less than 100% is obtained. Under Section 1602, non-controlling interests are 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. The provisions of Section 1602 have been applied prospectively with exception of the presentation and disclosure provisions, which have been applied for all prior periods presented in the financial statements. The presentation and disclosure provisions resulted in the classification of non-controlling interests as a separate component of equity on the balance sheet amounting to \$2.0 million as at December 31, 2010 (December 31, 2009: \$0.2 million).

As at January 1, 2010, the Company determined that the Venezuelan economy became highly inflationary. Prior to January 1, 2010, the producing subsidiaries acquired as a result of the acquisition of the Choco Mine and the Isidora Mine were considered self-sustaining foreign operations and translated using the current rate method. As the Venezuelan economy became highly inflationary as at January 1, 2010, the subsidiaries as discussed above, beginning January 1, 2010, were translated using the temporal method.

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.

14. 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, 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 will be converted to IFRS for filing of the Q1 2011 financial statements.

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, was completed in 2010.
- Phase Three, the implementation of the conversion process, through the preparation of the opening balance sheet at January 1, 2010 was substantially completed during Q1 2011.

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

Based on the review performed 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, impact of changes in treatment of deferred tax assets, and impact of changes to the calculation of asset retirement obligations. 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.
	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.	Exploration and evaluation costs can 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 ("ARO")	Limits the definition of ARO's to legal obligations.	Defines ARO's as legal or constructive obligations.	The broadening of this definition is unlikely to cause a significant change in current estimates.
	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.	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 change in calculation of ARO and the discounting process will likely generate increases in the value of ARO on transition, due primarily to the use of a lower discount rate, which does not incorporate the entity's credit risk.

Key Area	GAAP (applied by the Company)	IFRS	Analysis and Preliminary Conclusions
Impairment of long-lived assets	Impairment tests of the Company's long-lived assets are considered annually and when events or circumstances indicate an impairment event may have occurred.	<p>Impairment tests are only considered annually for goodwill, intangibles with an indefinite life, and intangibles that are not yet available for use.</p> <p>All assets, aside from amounts related to tax, financial instruments, and inventories, are to be considered for impairment indicators quarterly. Impairment tests are only performed when positive indicators of impairment are recognized.</p> <p>If the independent cash flows of an asset cannot be distinguished from that of other assets, the asset shall be grouped into a cash-generating unit, and impairment shall be assessed at this level.</p>	<p>The Company does not currently have any goodwill or intangibles requiring annual impairment tests.</p> <p>The Company believes the grouping of long-lived assets for impairment testing may change slightly or will remain unchanged.</p> <p>The impacts of changes in groupings will depend on the results of the respective impairment indicator reviews, and related impairment tests, if required.</p>
	Impairment tests are carried out using undiscounted future cash flows.	Impairment tests are carried out using the discounted future cash flows.	Impairment tests using discounted future cash flows generate a greater likelihood of write-downs in the future.
	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.
Income taxes	Deferred (future) tax assets or liabilities for temporary differences arising from translation of non-monetary assets or liabilities are not recognized.	Deferred tax assets or liabilities for temporary differences arising from translation of non-monetary assets or liabilities are recognized.	This difference will likely result in a change in the balances of deferred income tax liabilities.
	Foreign exchange gains and losses from translation of deferred (future) tax assets or liabilities are recorded as foreign exchange gains/losses in the Company's consolidated statement of operations.	Foreign exchange gains and losses from translation of deferred tax assets or liabilities are recorded as deferred income tax expense (recovery) in the Company's consolidated statement of operations.	Deferred 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 deferred income tax expense (recovery) in the Company's consolidated statement of operations.

Key Area	GAAP (applied by the Company)	IFRS	Analysis and Preliminary Conclusions
Joint venture	The Company uses proportionate consolidation to record its proportional share of assets, liabilities, revenue and expenses of the Joint Venture.	Under the current IFRS standard, IAS 31 - <i>Interests in Joint Ventures</i> , the Company has the option to account for its interest in the Joint Venture 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 Q3 2009 has not yet been issued. During Q2 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 during 2011.	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 Joint Venture due to the transition to IFRS.

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 (“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.
- (c) Not accounting for borrowing costs that occurred prior to January 1, 2010 using the principles of IAS 23 – Borrowing Costs.

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.

15. 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. Upon receipt of this report, management began to design and implement mitigating controls to address these weaknesses. During 2010, the Company created an internal audit department which reports directly to the Chief Financial Officer. The mandate of the internal audit department is to address the weaknesses identified.

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.

16. 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 is exposed to the credit risk of the CBV as the Company's trade receivables are due from the CBV.

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 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, accessing capital markets and refinancing of the convertible loan all or in part. 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, 2010. The amounts disclosed are the contractual undiscounted cash flows.

	2011 \$(000)	2012-2013 \$(000)	Total \$(000)
Accounts payable and accrued liabilities	58,895	-	58,895
Interest on convertible loan	1,500	-	1,500
Convertible loan	30,000	-	30,000
	90,395	-	90,395

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, 2010, 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 the Company's financial assets and liabilities include items 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. 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 for US Dollar operating and capital expenditures. As at December 31, 2010, the Company holds cash of \$3.6 million (December 31, 2009: \$0.7 million) in BsF.

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

As at December 31, 2010		
	25% Increase in the BsF \$(000)	25% Decrease in the BsF \$(000)
Net earnings	(8,050)	6,440

As at December 31, 2010		
	10% Increase in the C\$ \$(000)	10% Decrease in the C\$ \$(000)
Net earnings	(46)	42

17. 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.

18. 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.

19. 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, capital expenditures, 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; on the Company's ability to

obtain necessary authorizations from the CBV to export gold and on the Company's ability to retain any portion of the funds from sales of exported gold outside of Venezuela; on the ability to access SITME which impact the Company's ability to obtain US Dollars to fund operating and capital expenditures; the result or outcome of management's efforts to remediate the potential implications of the transactions that were not in compliance with certain Venezuelan laws and regulations; and the result or outcome of the statement of claim filed by Gold Reserve against the Company in the Ontario Superior Court of Justice claiming general damages and punitive damages in the amount of \$200 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 "Financial Instruments Risks" and "Other 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.