RUSORO MINING LTD.

Consolidated Financial Statements

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(Expressed in thousands of US dollars, except per share amounts)

Independent Auditor's Report

Grant Thornton LLP
Suite 1600, Grant Thornton Place
333 Seymour Street
Vancouver, BC
V6B 0A4

T +1 604 687 2711
F +1 604 685 6569
www.GrantThornton.ca

To the Shareholders of
Rusoro Mining Ltd.

We have audited the accompanying consolidated financial statements of Rusoro Mining Ltd., which comprise the consolidated statements of financial position as at December 31, 2013 and December 31, 2012, and the consolidated statements of comprehensive loss, consolidated statements of changes in equity, and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Rusoro Mining Ltd. as at December 31, 2013 and December 31, 2012, and its financial performance and its cash flows for the years ended December 31, 2013 and December 31, 2012 in accordance with International Financial Reporting Standards.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 2 to the consolidated financial statements which indicates that on March 14, 2012 all of the Company's mining concessions expired by force of law and all of its assets and operations reverted to the Venezuelan government. This condition, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Grant Thornton LLP

Vancouver, Canada
April 25, 2014

Chartered Accountants

(Expressed in thousands of US dollars, except per share amounts)

	December 31, 2013	December 31, 2012
ASSETS		
Current Assets		
Cash	$ 903	$ 380
Receivables (Notes 4 and 17)	256	1,265
Prepaid expenses and deposits	-	9
	$ 1,159	$ 1,654
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities (Notes 5 and 12)	$ 72,800	$ 91,752
Decommissioning and restoration provision (Note 7)	20,169	23,136
Derivative financial liability (Note 6)	9,857	12,220
Income taxes payable	2,646	3,878
Convertible loan (Note 8)	30,000	30,000
Other current provisions	2,181	3,193
	137,653	164,179
SHAREHOLDERS' DEFICIENCY		
Issued capital (Note 9)	736,385	736,385
Contributed surplus	65,159	65,009
Deficit	(918,368)	(943,009)
	(116,824)	(141,615)
Non-controlling interests	(19,670)	(20,910)
	(136,494)	(162,525)
	$ 1,159	$ 1,654

Nature of operations (Note 1)
Basis of presentation and going concern assumption (Note 2)
Commitments and contingencies (Note 17)

Approved by the Board of Directors and authorized for issue on April 25, 2014:

"Andre Agapov" Director

"Gordon Keep" Director

See accompanying notes to the consolidated financial statements.

(Expressed in thousands of US dollars, except per share amounts)

	December 31, 2013	December 31, 2012
REVENUES FROM MINING OPERATIONS	$ -	$ 4,926
COSTS OF MINING OPERATIONS		
Mining operating expenses (Note 10)	-	25,256
LOSS FROM MINING OPERATIONS	-	(20,330)
Share-based compensation expense	150	827
General and administrative, net of recoveries (Note 11)	2,109	5,883
Foreign exchange (gain) loss	(204)	1,023
	2,055	7,733
LOSS FROM OPERATIONS	(2,055)	(28,063)
Interest on convertible loan	4,173	3,753
Interest on gold sale contract (Note 6)	646	1,211
(Gain) loss on revaluation of gold sale contract (Note 6)	(3,009)	840
Loss on repatriation of monetary assets	-	534
Impairment loss on write-down of property plant and equipment and mineral properties	-	4,019
Foreign exchange gain on currency devaluation	(33,078)	-
Recovery of Value Added Taxes, net of fees (Note 4)	(1,046)	-
Increase in rehabilitation provision	4,378	5,016
Litigation costs, net of recoveries (Note 11)	-	306
Settlement of Gold Reserve litigation (Note 17)	-	358
Other (income) expenses	-	213
	(27,936)	16,250
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	25,881	(44,313)
Attributable to:		
Non-controlling interests	1,240	(588)
Equity shareholders of the Company	24,641	(43,725)
	$ 25,881	$ (44,313)
EARNINGS (LOSS) PER SHARE		
Basic and diluted (Note 19)	$ 0.05	$ (0.08)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		
Basic	532,621	530,675
Diluted	532,621	530,675

See accompanying notes to the consolidated financial statements.

(Expressed in thousands of US dollars, except per share amounts)

	Issued capital – Shares	Issued capital – Amount	Contributed surplus	Deficit	Non-controlling interests	Equity
Balance, December 31, 2011	530,121	$ 736,283	$ 64,182	$ (899,284)	$ (20,322)	$ (119,141)
Share-based compensation expense (Note 9(c))	-	-	827	-	-	827
Shares issued (Note 9(b))	2,500	102	-	-	-	102
Comprehensive loss	-	-	-	(43,725)	(588)	(44,313)
Balance, December 31, 2012	532,621	736,385	65,009	(943,009)	(20,910)	(162,525)
Share-based compensation expense (Note 9(c))	-	-	150	-	-	150
Comprehensive income	-		-	24,641	1,240	25,881
Balance, December 31, 2013	532,621	$ 736,385	$ 65,159	$ (918,368)	$ (19,670)	$ (136,494)

See accompanying notes to the consolidated financial statements.

(Expressed in thousands of US dollars, except per share amounts)

	December 31, 2013	December 31, 2012
CASH DERIVED FROM (USED IN)		
OPERATING ACTIVITIES		
Net income (loss) for the year	$ 25,881	$ (44,313)
Adjustments for items not involving cash:		
Depreciation and depletion	-	98
Share-based compensation expense	150	827
Impairment of inventories	-	2,437
Impairment loss on property, plant and equipment and mineral properties	-	4,019
Increase in rehabilitation provision	4,378	5,016
Impairment of receivables, prepaid expenses, and deposits	-	11,774
Foreign exchange gain on currency devaluation	(33,078)	-
Interest on gold sale contract	646	1,211
Loss on revaluation of gold sale contract	(3,009)	840
	(5,032)	(18,091)
Accrual for termination benefits non-current	-	1,711
Changes in non-cash working capital items (Note 14)	5,120	15,856
	88	(524)
INVESTING ACTIVITIES		
Expenditures on mineral properties	-	(13,218)
Proceeds from sale of pre-commercial gold production of mining and mineral properties	-	10,740
	-	(2,478)
FINANCING ACTIVITIES		
Advances from related parties (Note 12(b))	435	-
	435	-
INCREASE (DECREASE) IN CASH	523	(3,002)
Cash – beginning of year	380	3,382
Cash – end of year	$ 903	$ 380

Supplemental cash flow information (Note 14)

See accompanying notes to the consolidated financial statements.

1. NATURE OF OPERATIONS

Rusoro Mining Ltd. ("the Company") was incorporated under the laws of the Province of British Columbia on March 1, 2000. The registered office of the Company is 1600-609 Granville Street Vancouver, British Columbia, Canada and the corporate headquarters is located at 3123-595 Burrard Street, Vancouver, British Columbia, Canada. The principal business activities of the Company are the operation, acquisition, exploration and development of gold mining and mineral properties.

The Company received mining concessions in Venezuela for the exploration, development and exploitation of alluvial and vein gold. The concessions were granted by the Venezuelan Ministry of Mines and Basic Industries ("MIBAM") or by Corporacion Venezolana de Guayana ("CVG"), maturing in 20 to 25 years from initial grant date, with some concessions extendable for two additional subsequent periods of 10 years each. Until March 14, 2012, the Company owned two producing gold mines in Venezuela. It held a 95% ownership interest in the Choco 10 mine ("the Choco Mine") which was acquired on November 30, 2007 and a 50% ownership interest in the Isidora mine ("the Isidora Mine") which was acquired on December 23, 2008. The Company operated the Isidora Mine under a joint venture agreement with the Venezuelan government (Note 16). The Company also held various exploration projects and one development project in Venezuela called San Rafael El Placer.

On September 16, 2011, the Venezuelan government, through publication in the Official Gazette of Venezuela, enacted a law-decree ("the Decree") reserving the government of Venezuela exclusive rights over the extraction of gold in Venezuela ("the Nationalization"). The Decree mandated the expiration of all mining concessions held by the Company and their reversal to the Venezuelan government except for those in which the Company and the Venezuelan government agree to continue operating jointly in the form of a mixed-interest enterprise ("the Mixed Enterprise'') and in which the Company could not own more than a 45% share participation. The Decree provided for a 90-day period starting September 16, 2011 for the government of Venezuela and the Company to negotiate the terms and conditions of the migration of its mining assets to the Mixed Enterprise, including the compensation to the Company for the loss of ownership of its assets as a result of the Nationalization. This 90-day negotiation period was subsequently extended to March 14, 2012 by the Venezuelan government through decree No. 8683.

The Company was unable to agree with the Venezuelan government upon the terms and conditions of the migration of its mining assets to the Mixed Enterprise within the designated time periods therefore effective March 14, 2012, in accordance with the procedures outlined in the Decree, all of the Company's mining concessions expired by force of the Decree and all of its assets and operations reverted to the Venezuelan government who took possession and control of the assets and operations in accordance with Venezuelan law, thereby becoming the new operator and employer.

Management determined the Company's sole recourse was to file a Request for Arbitration under the Additional Facility Rules of the International Centre for Settlement of Investment Disputes ("ICSID") against the government of Venezuela alleging violations of the provisions of the Bilateral Treaty for the Protection of Investments entered between the governments of Canada and Venezuela (the "Treaty"). This request was filed on July 17, 2012. The Treaty provides that the Venezuelan government must pay a fair, prompt, and timely compensation to the Company as a result of the Nationalization. In parallel the Company continues to seek an amicable resolution with the Venezuelan government.

The Company's cash balance of $903 as at December 31, 2013 is held in bank accounts in which the Company retained full control after the Nationalization.

1. NATURE OF OPERATIONS (Continued)

On June 14, 2012, the Company entered into a Creditors and Shareholders Agreement (the "CSA") with significant equity holders and creditors who agreed not to take any steps or actions to exercise their rights and remedies against the Company until the expiration of a standstill period, subject to various clauses.

On June 15, 2012, the Company entered into a litigation funding agreement (the "Litigation Funding Agreement") with a subsidiary (the "Funder"), of the Calunius Litigation Risk Fund LP (the "Fund"). Calunius Capital LLP is the exclusive investment advisor to the Fund, which specializes in funding commercial litigation and arbitration claims. Under the terms of the Litigation Funding Agreement, the Funder has agreed to assist in the funding of Rusoro's legal costs in relation to the international arbitration proceedings against the Republic of Venezuela (the "Respondent" or "Venezuela") on a non-recourse basis. Rusoro will continue to have complete control over the conduct of the international arbitration proceedings, insofar as the proceedings relate to the Company's claims, and continues to have the right to settle with the Respondent, discontinue proceedings, pursue the proceedings to trial and take any action Rusoro considers appropriate to enforce judgment.

The Litigation Funding Agreement provides contingent consideration to the Funder and other select parties as described in Note 17 and resulted in an amendment to the terms of the Gold Sale Contract adding an annual interest rate of 11% (Note 6).

On July 17, 2012, the Company filed a Request for Arbitration before the Additional Facility of the World Bank's ICSID against Venezuela pursuant to the Treaty. The arbitration commenced following the passing by the Venezuelan government of a series of measures that dismantled the legal regime for the marketing of gold in Venezuela and culminated in the outright nationalization and control of Rusoro's investments in Venezuela without compensation. The claim is for breach of the Treaty's protections against expropriation, unfair and inequitable treatment and discrimination, and for breach of the guarantees of full protection and security and free transfer of investments.

On March 21, 2013, the Company filed a Statement of Claim in its arbitration against Venezuela before the World Bank's ICSID, in accordance with the provisions of the Canada-Venezuela Bilateral Investment Treaty. Based on a March 15, 2013, valuation performed by an independent expert, the Company is seeking fair-value compensation of $3.03 billion for all its losses caused by the Nationalization.

2. BASIS OF PRESENTATION AND GOING CONCERN ASSUMPTION

a) Basis of Presentation

These annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The date that the Board of Directors approved these consolidated financial statements for issuance was April 25, 2014.

b) Going Concern Assumption

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management is aware in making its assessment, of material uncertainties related to events or conditions, such as those described above and herein, that may cast significant doubt upon the Company's ability to continue as a going concern.

On March 14, 2012, in accordance with the procedures outlined in the Decree, 100% of the Company's Venezuelan mining concessions expired by force of the Decree and the Company's assets and operations reverted to the Venezuelan government.

2. BASIS OF PRESENTATION AND GOING CONCERN ASSUMPTION (Continued)

b) Going Concern Assumption (continued)

Under these circumstances, the Company maintains the position that the application of the going concern assumption is still appropriate, as courses of action have been identified and acted upon which will increase the likelihood of the Company's ability to repay its loan and its other liabilities as follows:

1) The Company continues to negotiate with the Venezuelan government to reach mutually agreed-upon terms, including fair compensation paid to the Company which will be sufficient for the Company to repay all its outstanding liabilities;
2) On June 15, 2012 the Company entered into the Litigation Funding Agreement whereby the Funder agreed to assist in the funding of Rusoro's legal costs in relation to the international arbitration proceedings against Venezuela on a non-recourse basis and funding of the Company's expected operating expenditures;
3) Related to the Litigation Funding Agreement, on June 14, 2012 the Company entered into the CSA with significant equityholders and creditors who agreed not to take any steps or actions to exercise their rights and remedies against the Company until the expiration of a standstill period, subject to various clauses;
4) On July 17, 2012, the Company filed a Request for Arbitration before the Additional Facility of the World Bank's ICSID against Venezuela pursuant to the Treaty; and
5) On March 21, 2013, the Company filed a Statement of Claim in its arbitration against Venezuela before the World Bank's ICSID, in accordance with the provisions of the Canada-Venezuela Bilateral Investment Treaty. Based on a March 15, 2013, valuation performed by an independent expert, the Company is seeking fair-value compensation of $3.03 billion for all its losses caused by the Nationalization.

Management is making efforts to work with vendors and potential creditors not covered by the CSA to have them forbear on demanding currently due amounts while it pursues the above-mentioned courses of action. There is, however, no assurance that the sufficient sources of funding described above will be available to the Company, or that they will be available on terms and timely basis that are acceptable to the Company. Accordingly, these consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported expenses and the statement of financial position classifications used that would be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

There are material uncertainties surrounding the Nationalization (Note 1), including, but not limited to the likelihood of reaching an amicable compensation with the Venezuelan government, the success in the arbitration proceedings against the Venezuelan government and the amount, timing and/or form of any compensation or arbitration award. As at December 31, 2013, the Company had a net working capital deficiency (current assets minus current liabilities) of $136,494. The Company did not perform the repayment of the convertible loan for $30,000 (included in current liabilities) when it became due in June 2011 and on June 14, 2012 the convertible loan lenders signed the CSA which granted a standstill period, subject to various clauses.

(Expressed in thousands of US dollars, except per share amounts)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Consolidation

These consolidated financial statements include the financial statements of the Company, its subsidiaries, and joint arrangements. Intercompany balances and transactions, including any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

The principal subsidiaries, joint arrangements, and the Company's ownership interests therein, are as follows:

Company	Location	Ownership interest	Status
Promotora Minera de Guayana, P.M.G., S.A.	Venezuela	95%	Consolidated
Minera Venrus C.A.	Venezuela	50%	Proportionate Share
Minera Rusoro Venezolana C.A.	Venezuela	50%	Proportionate Share
El Callao Gold Mining Company de Venezuela S.C.S.	Venezuela	50%	Proportionate Share
Proyectos Mineros del Sur, PROMINSUR, C.A.	Venezuela	100%	Consolidated
Corporacion Aurifera de El Callo, C.A.	Venezuela	100%	Consolidated
Corporacion Minera Choco 9 C.A.	Venezuela	100%	Consolidated
Corporacion 80.000 C.A.	Venezuela	100%	Consolidated
Lamin Laboreos Mineros C.A.	Venezuela	100%	Consolidated
Mineria MS C.A.	Venezuela	100%	Consolidated
General Mining de Guayana C.A.	Venezuela	100%	Consolidated
Krysos Mining S.A.	Venezuela	100%	Consolidated
Inversiones Yuruan C.A.	Venezuela	100%	Consolidated
Venezuela Holdings (BVI) Ltd	British Virgin Islands	100%	Consolidated

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Company's equity therein. Similarly, non-controlling interests in the components of comprehensive income (loss) are identified separately. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination. A 5% non-controlling interest exists in Promotora Minera de Guayana, P.M.G., S.A. ("PMG"), which represents the outside interest's share of the carrying value of PMG, which owns the Choco Mine.

b. Basis of Measurement

These consolidated financial statements have been prepared using the measurement basis specified by IFRS for each type of asset, liability, income and expenses as set out in the accounting policies below. Certain items, including derivative financial instruments, are stated at fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Significant Judgments, Estimates and Assumptions

The preparation of the Company's consolidated financial statements using accounting policies consistent with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

The areas that require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to, the following:

i. Interpretation of the Nationalization Decree

The Company made assumptions about the extent of application of the Decree. Those assumptions include that the Company's receivables, prepaid expenses and deposits and all of the Company's liabilities will continue with the Company after the expiration, forced by the Decree, of its mining concessions.

ii. Litigation, Possible Recovery and Related Success Fee Contingencies

The Company made assumptions about the likelihood of litigation success, the possible recovery from litigation award, and the related impact on contingent success fees. Changes in these assumptions and related estimates may materially impact the carrying value of accounts payable and accrued liabilities and accounts receivable.

iii. Decommissioning and Restoration Provision (See also Note 7)

The Company assesses its provision for decommissioning and restoration on an annual basis or when new material information becomes available. Mining and exploration activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. Accounting for decommissioning and restoration provisions requires management to make estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations at each mining operation. Actual costs incurred may differ from those amounts estimated. In addition, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation. The provision represents management's best estimate of the present value of the future decommissioning and restoration provision. The actual future expenditures may differ from the amounts currently provided.

iv. Deferred Taxes

The Company recognizes the deferred tax benefit related to deferred tax assets to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods from deferred tax assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Functional and Presentation Currency and Foreign Currency Translation

As at January 1, 2010, the Company's functional and presentation currency of all of its operations is the US dollar, as this is the principal currency of the economic environments in which they operate. Prior to this date, the functional currency of the Company's Venezuelan subsidiaries, which hold its Choco Mine and Isidora Mine operations, was determined to be the Venezuelan Bolivar Fuerte. However, due to various changes in Venezuelan foreign exchange controls and increased restrictions on gold sales, the Company's business model and customer base were changed in January 2010, thus triggering a change in functional currency to US dollars.

Foreign currency transactions are initially recorded using the foreign currency rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the foreign currency rate of exchange prevailing at the reporting date.

In 2003, the Venezuelan government implemented foreign exchange controls, which fixed the rate of exchange between the Venezuelan Bolivar ("Bs") and the US dollar. In March 2005, the rate was fixed at Bs 2,150/$1.00. Effective January 1, 2008, the Venezuelan government changed the name of the currency to the Venezuelan Bolivar Fuerte ("BsF") and modified the currency by fixing the official rate at BsF 2.15/$1.00. On January 11, 2010, the Venezuelan government 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. On January 13, 2011, the rate of BsF 2.60/$1.00 was eliminated.

In October 2005, the government enacted the Criminal Exchange Law, which imposes sanctions on the exchange of BsF with a 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 ("Swap Market"), which provided an implicit value for the exchange rate for the BsF/US dollar ("the Implicit Exchange Rate").

The Company used the Implicit Exchange Rate to translate BsF transactions and balances of the Company's subsidiaries up to May 17, 2010. However, effective May 17, 2010, the Venezuelan government enacted the Reform of the Criminal Exchange Law which aimed to regulate the Swap Market. The Reform of the Criminal Exchange Law effectively closed the Swap Market and therefore 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 Central Bank of Venezuela ("CBV"). The SITME imposes volume restrictions on the conversion of BsF to US dollars of $350 per month per Venezuelan entity that meets the SITME requirements; Promotora Minera de Guayana, P.M.G., S.A. ("PMG") is registered with SITME.

Due to SITME volume restrictions and the fact the Company settles the majority of sales of finished gold at the 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 February 8, 2013, Venezuela devalued its currency, the bolivar, to 6.3 bolivars per U.S. dollar, from 4.3 BsF per U.S. dollar.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Cash and Cash Equivalents

Cash and cash equivalents comprise cash at banks and on hand, and highly liquid investments with an original maturity of three months or less, which are readily convertible into a known amount of cash.

f. Accrual for Termination Benefits

The Company's Venezuelan subsidiaries accrue liabilities for their workers' termination benefits, which are payable when the working relationship between the employer and an employee comes to a close. Termination benefits are an acquired right of the worker based on the provisions of the Organic Labour Law ("OLL") and the collective bargaining agreements currently in effect. The OLL and the collective bargaining agreements also call for additional benefits that are applicable under certain circumstances and the Company has recorded an additional accrual for such liabilities.

g. Provisions

Liabilities are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. A provision is a liability of uncertain timing or amount.

Provisions are measured as the expenditure expected to be required to settle the obligation at the reporting date. In cases where it is determined that the effects of the time value of money are significant, the provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase of the provision due to the passage of time is recognized as a financing expense included within other expenses.

i. Decommissioning and Restoration Provision

The Company records a provision and corresponding asset for the present value of the estimated costs of legal and constructive obligations for future site reclamation, remediation and closure where the outflow of resources is probable and a reliable estimate can be made of the obligation. Over time, the provision is increased to reflect an interest element in the estimated future cash flows (accretion expense) considered in the initial measurement. The capitalized cost in the asset is amortized using either the UOP method or the straight-line basis, as appropriate. The estimated present value of the obligation is reassessed on an annual basis or when new material information becomes available. Increases or decreases to the obligation usually arise due to changes in legal or regulatory requirements, the extent of environmental remediation required, methods of reclamation, cost estimates, or discount rates.

Changes to the decommissioning and restoration provision are recorded with an offsetting charge to the related asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Interest in Joint Operations

The Company conducts a portion of its business through joint arrangements where the parties are bound by contractual arrangements establishing joint control over such arrangements and requiring unanimous consent of each of the parties regarding those activities that significantly affect the returns of the arrangement. The Company's interest in a joint arrangement is classified as either a joint operation or a joint venture depending on its rights and obligations in the arrangement. In a joint operation, the Company has rights to its share of the assets, and obligations for its share of the liabilities, of the joint arrangement, while in a joint venture, the Company has rights to its share of the net assets of the joint arrangement. For a joint operation, the Company recognizes in the consolidated financial statements, its share of the assets, liabilities, revenue, and expenses of the joint arrangement, while for a joint venture, the Company recognizes in the consolidated financial statements its investment in the joint arrangement using the equity method of accounting.

i. Convertible Loan

The convertible loan was initially recorded at fair value and subsequently measured at amortized cost. The convertible loan is allocated between the debt and equity components based on their respective fair values at the date of issuance and is recorded net of transaction costs. The equity component is estimated using the residual method and the debt component is accreted to the face value using the effective interest method, with the resulting charge recorded as accretion on convertible loan, which is included in interest on convertible loan in profit or loss.

In instances where the Company issues equity instruments to settle all or a part of the outstanding debt, the equity instruments are treated as consideration paid and are measured initially at fair value of the equity instruments issued, or when not reliably measurable, at the fair value of the financial liability extinguished. Any difference between the carrying amount of the financial liability extinguished and the consideration paid is recognized in profit or loss. If the financial liability is not fully extinguished, and terms related to the remaining portion have been modified, the Company allocates the consideration paid between the extinguished portion and the modified portion.

j. Income Tax

The tax expense or benefit for the period consists of two components: current and deferred. Tax expense is recognized in profit or loss except to the extent it relates to a business combination or items recognized directly in equity or other comprehensive income (loss), in which case it is recognized in equity or in other comprehensive income (loss), respectively.

Current tax assets and liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit which differs from profit or loss in the consolidated financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Income Tax (Continued)

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases, unused tax credits and unused tax losses. Deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects taxable profit or accounting profit.

Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same entity or different entities which intend to settle current tax assets and liabilities on a net basis or simultaneously in each future period in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Changes in deferred tax assets or liabilities are recognized as a component of deferred tax recovery or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income (loss) or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income (loss) or equity, respectively.

k. Share Capital

Share capital issued for other than cash is valued at the price at which the stock trades at the time the risks and rewards of ownership of the asset are transferred to the Company or the Company’s liability is extinguished.

Share issuance costs, such as commissions, facilitation payments, professional fees and regulatory fees are charged directly to share capital.

l. Revenue Recognition

Revenue from the sale of finished gold is recognized when all of the following conditions are satisfied:

- Shipment of finished gold, when the title and the risks and rewards of ownership have been passed to the buyer;
- The Company does not retain continuing managerial involvement to the degree usually associated with ownership or effective control over the finished gold sold;
- The selling price can be reliably measured;
- It is probable that economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be reliably measured.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Share-based Payments

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled transactions and, when determinable, are recorded at the value of the goods and services received. If the value of the goods and services received are not determinable, then the fair value of the share-based payment is used.

The Company uses a fair value based method (Black-Scholes Option-Pricing model) for all share options granted to directors, employees and certain non-employees. In this model, expected volatility is determined from historical volatility, adjusted for normalizing factors. For directors and employees, the fair value of the share options is measured at the date of grant.

For grants to non-employees where the fair value of the goods or services is not determinable, the fair value of the share options is measured on the date the services are received.

The fair value of share-based payments is charged either to profit or loss or the related asset as applicable, such as mineral properties or property, plant and equipment, with the offsetting credit to contributed surplus. For directors and employees, the share options are recognized over the vesting period based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods where vested. For non-employees, the share options are recognized over the related service period. When share options are exercised, the amounts previously recognized in contributed surplus are transferred to share capital.

In the event share options are forfeited prior to vesting, the associated fair value recorded to date is reversed. The fair value of any vested share options that expire remain in contributed surplus.

n. Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated by dividing the net earnings (loss) for the period attributable to the equity shareholders of the Company by the weighted average number of common shares outstanding during the period.

Diluted earnings (loss) per share is calculated using the treasury stock method which, for purposes of determining the weighted average number of shares outstanding, assumes that the proceeds to be received on the exercise of the share options and warrants are applied to repurchase common shares at the average market price for the period. Outstanding options, warrants and the equity component of the convertible loan are excluded from the calculation of diluted loss per share, as they are anti-dilutive.

o. Financial Instruments

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, convertible loan, and derivative financial liabilities. Cash and receivables are classified as loans and receivables and measured at amortized cost using the effective interest method.

Accounts payable and accrued liabilities and convertible loan are classified as other financial liabilities and measured at amortized cost using the effective interest method. Share purchase warrants with an exercise price denoted in a foreign currency (other than US dollars) are considered derivative financial liabilities, and are revalued at each reporting period end. Upon exercise into common shares, the carrying amounts of warrants included in derivative financial liabilities are reclassified to issued capital.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p. Financial Instruments

Financial assets are assessed for indicators of impairment at each reporting period end. Financial assets are impaired and impairment losses are incurred if, and only if, there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been negatively impacted, and this impact can be reliably estimated.

A financial asset is derecognized when:

- The contractual right to the asset's cash flows expires; or
- The Company transfers the financial asset and all risks and rewards of ownership to another entity.

Borrowings and other financial liabilities, other than derivative financial liabilities, are recognized initially at fair value, net of transactions costs incurred and are subsequently stated at amortized cost. Any difference between amounts originally received (net of transaction costs) and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method. Borrowings and accounts payable and accrued liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement for at least twelve months after the reporting date.

According to the substance of the related contractual arrangements, the instruments arising from transactions involving financial liabilities and/or equity instruments are either accounted for as debt or equity. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis and charged to profit or loss using the effective interest method.

q. Segment Reporting

In identifying its operating segments, management generally follows the Company's activities. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. The activities are undertaken by the mine operating segments, the Choco Mine and Isidora Mine, and the exploration and development segment, which are supported by the corporate segment.

Each segment is managed separately. The operating results of the segments are reviewed regularly by the Company's senior management (who is comprised of the key strategic leaders of the Company) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

r. Newly Adopted Accounting Standards

The following standards became effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company adopted these standards and they did not have a material impact on the consolidated financial statements.

IFRS 10 – Consolidated Financial Statements identifies the concept of control as the determining factor in assessing whether an entity should be included in the consolidated financial statements of the parent company. Control comprises three elements: power over an investee; exposure to variable returns from an investee; and the ability to use power to affect the reporting entity's returns.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

r. Newly Adopted Accounting Standards (continued)

IFRS 11 – Joint Arrangements focuses on classifying joint arrangements by their rights and obligations rather than their legal form. Entities are classified into two groups: parties having rights to the assets and obligations for the liabilities of an arrangement, and rights to the net assets of an arrangement. Entities in the former case account for assets, liabilities, revenues and expenses in accordance with the arrangement, whereas entities in the latter case account for the arrangement using the equity method.

IFRS 12 – Disclosure of Interests in Other Entities establishes disclosure requirements for entities reporting interest in other entities, including joint arrangements, special purpose vehicles, and off balance sheet vehicles.

IFRS 13 – Fair Value Measurement provides a precise definition of fair value and a single source of fair value measurement considerations for use across IFRS. The key points of IFRS 13 are as follows:

- fair value is measured using the price in a principal market for the asset or liability, in the absence of a principal market, the most advantageous market;
- financial assets and liabilities with offsetting positions in market risks or counterparty credit risks can be measured on the basis of an entity's net risk exposure;
- disclosures regarding the fair value hierarchy has been moved from IFRS 7 to IFRS 13, and further guidance has been added to the determination of classes of assets and liabilities;
- a quantitative sensitivity analysis must be provided for financial instruments measured at fair value;
- a narrative must be provided discussing the sensitivity of fair value measurements categorized under Level 3 of the fair value hierarchy to significant unobservable inputs; and
- information must be provided on an entity's valuation processes for fair value measurements categorized under Level 3 of the fair value hierarchy.

IAS 27 - Separate Financial Statements has the objective of setting standards to be applied in accounting for investments in subsidiaries, jointly ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements.

IAS 28 - Investments in Associates and Joint Ventures prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 applies to all entities that are investors with joint control of, or significant influence over an investee (associate or joint venture).

s. Accounting Standards Issued But Not Yet Effective

IFRS 9 – Financial Instruments is intended to replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39") in three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments, and has an unspecified effective date. In November 2009 and October 2010, IFRS 9 (2009) and IFRS 9 (2010) were issued, respectively, which address the classification and measurement of financial assets and financial liabilities. IFRS 9 (2009) requires that all financial assets be classified as subsequently measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. IFRS 9 (2010) requires that financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified as fair value through profit or loss, financial guarantees and certain other exceptions.

The Company has not yet early adopted this standard and is assessing the impact upon the implementation of this standard.

(Expressed in thousands of US dollars, except per share amounts)

4. RECEIVABLES

	December 31, 2013	December 31, 2012
Financial asset		
Other receivables (a)	$256	$1,265

a) Other receivables includes amounts from the Funder (Note 17) of $246 (December 31, 2012: $1,253) that were approved and receivable at year end. The balance was received subsequent to year end.

During the year ended December 31, 2013, the Company recovered a portion of Value Added Taxes ("VAT") from the Venezuelan tax authority, which was fully impaired in the year ended December 31, 2012. The Company received a gross VAT recovery of $2,353 and incurred $1,307 in related fees and costs to facilitate the recovery. As such, the Company realized a net recovery of VAT for $1,046 during the year ended December 31, 2013.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2013	**December 31, 2012**
Financial liabilities (a)		
Accounts payable	$25,081	$30,151
Accrued liabilities	23,378	38,579
Accrual for termination benefits	9,959	14,592
Accrual for interest on convertible loan (Note 8)	10,575	6,403
Due to related parties (Note 12)	3,807	2,027
	$72,800	$91,752

a) No accounts payable or accrued liability is identified as a non-financial liability.

6. DERIVATIVE FINANCIAL LIABILITY

In 2010 the Company received $6,973 from a gold buyer, Vicolven Enterprises Inc. ("Vicolven"), which operates from Curacao, Netherlands Antilles. This payment represented full payment for the future delivery of six thousand five hundred ounces of finished gold and the commitment to issue 12,400,000 share-purchase warrants. The Company was originally required to deliver the finished gold prior to January 11, 2011. During the year ended December 31, 2010, the transaction was amended for future delivery of six thousand five hundred ounces of finished gold to occur over the six months ended June 2011. In exchange, the Company committed to deliver an additional eight hundred ounces of finished gold in July 2011. No gold has been delivered with respect to this contract. In February 2011, the Company paid Vicolven a portion of the amount owing in US dollars in lieu of delivery of seven hundred ounces (as permitted by Vicolven) for a total of $711. In relation to the Company's commitment to issuing 12,400,000 share-purchase warrants, the $330 value associated with these committed share-purchase warrants has been deducted from the $6,973, resulting in a net amount of $6,643.

On September 20, 2011, as a result of the Decree and proposed nationalization of the Company's Venezuelan gold mining assets by the government of Venezuela, a letter was written to the gold buyer, Vicolven Enterprises Inc., indicating that management no longer expects to settle the obligation with the delivery of finished gold as stated in the agreement. Instead, the Company will settle the outstanding, undelivered ounces of finished gold owing to Vicolven Enterprises Inc. in cash as permitted under the agreement with Vicolven.

(Expressed in thousands of US dollars, except per share amounts)

6. DERIVATIVE FINANCIAL LIABILITY (Continued)

On June 1, 2012, in relation to the Litigation Funding Agreement and the CSA, the Company signed an amendment with Vicolven whereby the Company agrees to pay interest of 11%, compounded annually, on the amount outstanding of 6,642 gold ounces. Interest will ultimately be payable in cash on the same terms as the original balance. Per the agreement, the interest payable was enacted retroactively to January 1, 2012.

Since the contract will be paid in cash in lieu of gold, and will no longer qualify for the own use exemption, it has been reclassified from deferred revenue to a derivative financial instrument. As of December 31, 2013, 8,184 (December 31, 2012 – 7,373) ounces of finished gold were still outstanding and valued at fair market value using the spot price of gold on December 31, 2013 of $1,205 (December 31, 2012 - $1,658) per ounce. Included in this amount is the principal amount of 6,642 gold ounces plus cumulative accrued interest of 1,542 (December 31, 2012 – 731) gold ounces for the period January 1, 2012 through December 31, 2013.

	December 31, 2013	December 31, 2012
Balance, beginning of year	$12,220	$10,169
Change in fair value of principal	(3,009)	840
Fair value of interest expense	646	1,211
Balance, end of year	$9,857	$12,220

7. DECOMMISSIONING AND RESTORATION PROVISION

Decommissioning and restoration provisions are comprised of costs associated with environmental rehabilitation. These costs have been estimated based on the Company's interpretation of current regulatory requirements and have been measured at the net present value of future cash expenditures upon reclamation and closure using the information currently available.

Costs associated with decommissioning and restoration are capitalized depending on the nature of the asset related to the obligation and depreciated over the life of the asset. The decommissioning and restoration provision relates to reclamation and closure costs of the Company's operating Choco Mine and Isidora Mine, as well as to some of the exploration and development activities undertaken on the Company's mineral properties.

In view of the uncertainties concerning decommissioning and restoration, the ultimate cost of reclamation, remediation and closure activities could differ materially from the estimated amount recorded. The estimate of the Company's decommissioning and restoration provision is subject to change based on amendments to laws and regulations and as new information regarding the Company's operations becomes available.

Future changes, if any, to the provision as a result of amended requirements, laws, regulations, operating assumptions, estimated timing and amount of obligations may be significant and would be recognized prospectively as a change in accounting estimate. Any such change would result in an increase or decrease to the provision and a corresponding increase or decrease to the mineral property and/or property, plant and equipment balance(s).

	December 31, 2013	December 31, 2012
Balance, beginning of year	$23,136	$18,285
Change in estimate of future cash flows	(2,967)	4,851
Balance, end of year	$20,169	$23,136

7. DECOMMISSIONING AND RESTORATION PROVISION (Continued)

Due to the expiry by force of the Decree and reversal to the Venezuelan government of all of the Company's mining concessions on March 14, 2012, the Company's decommissioning and restoration provision became an on-demand liability on that date as opposed to be payable in accordance with the Company's long-term closure plan. Consequently as at December 31, 2013 and December 31, 2012, decommissioning and restoration was classified as current.

The acceleration in the timing of the expected settlement of the closure costs and continued high inflation rates significantly increased the Company's liability at December 31, 2012. The decrease of $2,967 during the year ended December 31, 2013 relates to a revision of the estimated future cash flows due to the devaluation of the Venezuelan currency and an increase in expected inflation.

8. CONVERTIBLE LOAN

On June 10, 2008, the Company entered an $80,000 principal amount Convertible Loan (the "Loan") with a two year term and 10% annual interest to fund the acquisition of various Venezuelan mineral interests. During the years ended December 31, 2009 and 2010 the Company made various repurchases and restructured the Loan resulting in a reduced principal amount of $30,000. During the year ended December 31, 2011 the conversion option expired and the Company defaulted on the Loan.

On June 14, 2012, the Company entered into the CSA with significant equity holders and creditors (the "Lendors") who agreed not to take any steps or actions to exercise their rights and remedies against the Company until the expiration of a standstill period, subject to various clauses. In consideration for the CSA the Lenders were provided a contingent success fee in addition to amounts due and payable to the Lenders under the Loan of 20% of the value of the Loan (Note 17).

	December 31, 2013	December 31, 2012
Liability component, beginning and end of period	$30,000	$30,000

As at December 31, 2013, the loan was still in default and outstanding and carried an amount owing of $10,575 (December 31, 2012 - $6,403) in accrued interest.

9. EQUITY

a. Authorized Share Capital of the Company

Unlimited number of common shares without par value.

b. Issued Capital

	Number of Shares (000)	**Amount**
Balance, January 1, 2012	530,121	$736,283
Shares issued pursuant to Gold Reserve Settlement (Note 17(b))	2,500	102
Balance, December 31, 2012	532,621	736,385
Balance, December 31, 2013	532,621	$736,385

9. EQUITY (Continued)

c. Share-based Payments

On September 9, 2013, the Company adopted a fixed share option plan available to its directors, officers, consultants and key employees. The option plan reserves for issuance, pursuant to the exercise of share options, a maximum of 53,250,000 common shares. Options are non-transferable and may have a term of up to 10 years from the date of issue. Amount of options, vesting terms, conditions and exercise price are determined by the board of directors at the time of grant.

The following share options were outstanding and exercisable at December 31, 2013:

	Options Outstanding			Options Exercisable	
Exercise Prices	**Number of Options Outstanding (000)**	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Life (years)**	**Options Outstanding and Exercisable (000)**	**Weighted Average Exercise Price**
C$0.05	12,930	C$0.05	9.00	12,930	C$0.05
C$0.14	8,650	C$0.14	3.05	8,650	C$0.14
C$0.20 – C$0.27	3,290	C$0.20	6.67	3,290	C$0.20
C$0.60	11,000	C$0.60	5.31	11,000	C$0.60
C$1.31 – C$1.55	11,125	C$1.31	4.48	11,125	C$1.31
C$2.12 – C$2.30	4,550	C$2.22	3.77	4,550	C$2.22
$3.00	1,500	C$3.00	2.85	1,500	C$3.00
	53,045	C$0.71	5.55	53,045	C$0.71

Share option transactions are summarized as follows:

	Number of Options (000)	**Weighted Average Exercise Price**
Outstanding, January 1, 2012	42,340	C$0.99
Granted	11,000	0.14
Forfeited	(4,425)	0.41
Outstanding, December 31, 2012	48,915	0.87
Granted	10,700	0.05
Cancelled	(6,570)	0.66
Outstanding, December 31, 2013	53,045	C$0.71

No share options were exercised during the year ended December 31, 2013.

On September 9, 2013, the Company re-priced a total of 2,230,000 share options to non-insiders from their original exercise prices to a new exercise price of C$0.05. The following share options were repriced:

Number of Options (000)	**Original Grant Date**	**Original Exercise Price**
170	June 27, 2008	C$0.20
150	April 24, 2009	C$0.20
1,460	September 2, 2010	C$0.20
450	January 19, 2012	C$0.14

(Expressed in thousands of US dollars, except per share amounts)

9. EQUITY (Continued)

c. Share-based Payments (continued)

Using the Black-Scholes Option-Pricing model, the incremental increase in fair value of the re-pricing was $18, which was recorded as share-based compensation in the statement of comprehensive income (loss) using the following assumptions:

	2013
Assumptions	
Dividend yield	0%
Annualized volatility	75.0%
Risk-free interest rate	2.05 – 2.63%
Expected life (years)	3.0
Weighted average fair value per option	$0.01

On September 9, 2013, the Company granted 10,700,000 share options with an exercise price of C$0.05 and an expiry date of September 9, 2023. The fair value of the share options issued was $132 and was estimated on the date of grant using the Black-Scholes Option-Pricing model with the weighted average assumptions noted below.

On January 19, 2012, the Company granted 11,000,000 share options with an exercise price of C$0.14 and an expiry date of January 18, 2017. The fair value of the share options issued was $827 and was estimated on the date of grant using the Black-Scholes Option-Pricing model with the weighted average assumptions noted below.

	2013	2012
Assumptions		
Dividend yield	0%	0%
Annualized volatility	75.0%	63.4%
Risk-free interest rate	3.32%	1.31%
Expected life (years)	3.0	5.0
Weighted average fair value per option	$0.01	$0.08

d. Share Purchase Warrants Issued

The company had no share purchase warrants (denominated in US$) outstanding as at December 31, 2013 or December 31, 2012.

There were 30,000,000 share purchase warrants outstanding and exercisable denominated in a foreign currency at December 31, 2012 which expired on January 10, 2013.

(Expressed in thousands of US dollars, except per share amounts)

10. MINING OPERATING EXPENSES

	Year ended ended	
	December 31, 2013	December 31, 2012
Raw materials	$-	$1,066
Salaries and employee benefits	-	3,389
Administrative expenses	-	675
Royalties and production taxes	-	297
Rental of machinery	-	1,184
Consulting fees	-	267
Tools and spare parts	-	324
Change in inventories	-	3,804
Write-off / Impairment of inventories	-	2,437
Impairment of prepaid expenses and deposits and receivables	-	11,774
Other	-	39
	$-	$25,256

11. RECOVERIES FROM LITIGATION FUNDING

	Year ended	
	December 31, 2013	December 31, 2012
Litigation costs	$2,004	$2,262
Recoveries (Note 17(b)(iv))	(2,004)	(1,956)
	$-	$306
General and administrative expense	$2,888	$6,186
Recoveries (Note 17(b)(iv))	(779)	(303)
	$2,109	$5,883

(Expressed in thousands of US dollars, except per share amounts)

12. RELATED PARTY TRANSACTIONS

a. Subsidiaries

As at December 31, 2013, the Company's subsidiaries and associates were as follows:

Name of Subsidiary	Location	Ownership
Asterville International Corporation AVV	Aruba	100%
Balandria Limited	British Virgin Islands	100%
Carisma Corporation AVV	Aruba	100%
Cerenex Financial AVV	Aruba	100%
Corporacion 80.000 C.A.	Venezuela	100%
Corporacion Aurifera de El Callao C.A.	Venezuela	100%
Corporacion Cabello Galvez C.A.	Venezuela	100%
Corporacion Minera 11-90 C.A.	Venezuela	100%
Corporacion Minera 410879 C.A.	Venezuela	100%
Corporacion Minera 6560433 C.A.	Venezuela	100%
Corporacion Minera Choco 9 C.A.	Venezuela	100%
Corporacion Minera ECH1 C.A.	Venezuela	100%
Corporacion Minera ECH2 C.A.	Venezuela	100%
Corporacion Minera ECH3 C.A.	Venezuela	100%
Corporacion Minera ECH4 C.A.	Venezuela	100%
Corporacion Minera ECH5 C.A.	Venezuela	100%
Corporacion Minera Sor Teresita C.A.	Venezuela	100%
Cradock United Inc.	Panama	100%
Dotley Financial Corp.	Panama	100%
Drake-Bering Holdings BV	Netherlands	100%
El Callao Gold Mining Company	Delaware	100%
El Callao Gold Mining Company de Venezuela S.C.S.	Venezuela	50%
El Callao Holdings AVV	Aruba	100%
El Callao Holdings C.A.	Venezuela	100%
General Mining de Guayana C.A.	Venezuela	100%
Helvetia Corporation AVV	Aruba	100%
International Gold & Silver BV	Netherlands	100%
Inversiones Anseg C.A.	Venezuela	100%
Inversiones Fitzcarraldo C.A.	Venezuela	100%
Inversiones Goldwana C.A.	Venezuela	100%
Inversiones Mineras El Dorado SA	Panama	100%
Inversiones Vipago C.A.	Venezuela	100%
Inversiones Yuruan C.A.	Venezuela	100%
Inversora Maryate C.A.	Venezuela	100%
Inversora Tecnica de Minas C.A.	Venezuela	100%
Krysos Mining S.A.	Venezuela	100%
Lamin Laboreos Mineros C.A.	Venezuela	100%
Mena Resources Inc.	Canada	100%
Minera Rusoro Venezolana C.A.	Venezuela	50%
Minera Tapaya C.A.	Venezuela	100%
Minera Venrus C.A.	Venezuela	50%
Mineral Ecological Technology de Venzuela MET C.A	Venezuela	100%
Mineria MS C.A.	Venezuela	100%
Minoro Aruba AVV	Aruba	100%
Minplata Aruba AVV	Aruba	100%
Promotora Minera de Guayana, P.M.G., S.A.	Venezuela	95%
Promotora Minera de Venezuela S.A.	Venezuela	100%

(Expressed in thousands of US dollars, except per share amounts)

12. RELATED PARTY TRANSACTIONS (Continued)

a. Subsidiaries (continued)

Name of Subsidiary	Location	Ownership
Prospecciones Mineras Prominca C.A.	Venezuela	100%
Proyectos Mineros del Sur, (PROMINSUR), C.A.	Venezuela	100%
Racal Investments AVV	Aruba	100%
Representaciones Carson Gold Int C.A.	Venezuela	100%
Right Angle Corporation AVV	Aruba	100%
Rusoro MH Acquisition	Canada	100%
Rusoro Mining de Venezuela C.A.	Venezuela	100%
Rusoro Mining (Panama) Inc.	Panama	100%
Tombstone Aruba AVV	Aruba	100%
Tombstone Exploracion de Mexico	Mexico	100%
Tombstone Nevada Inc.	Nevada	100%
Triway Corporation AVV	Aruba	100%
Valet Corporation AVVV	Aruba	100%
Venezuela Holdings (BVI) Ltd	British Virgin Islands	100%
Vicenza Corporation AVV	Aruba	100%

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of the transactions between the Company (including its subsidiaries) and other related parties are disclosed below.

b. Related Party Transactions

The nature of transactions undertaken and the relationships with related parties of the Company are as follows:

	Relationship with the Company	Nature of Transactions
Company A	An officer/director of the Company and a director of the Company are also an officer and director, respectively, of Company A.	Machinery and facilities rental and provision of general mining-related services.
Company B	A director of the Company is also a partner of Company B.	Provision of legal services.
Company C	A director of the Company is also an officer of Company C.	Provision of corporate administrative services.

The Company incurred the following fees and expenses in the normal course of operations in connection with companies owned by key management and directors. Expenses and transactions with related parties have been measured at the price agreed between the parties, which are determined on a cost recovery basis.

		Year ended	
	Notes	**December 31, 2013**	December 31, 2012
Provision of legal services	(a)	$-	$79
Provision of corporate administrative services	*(b)*	67	-
		$67	$79

a) *Included in general and administrative expenses are professional fees paid to Company B for $nil for the year ended December 31, 2013 (year ended December 31, 2012: $79), related to legal services.*
b) *Included in general and administrative expenses are professional fees paid to Company C for $67 for the year ended December 31, 2013, respectively (year ended December 31, 2012: $nil), related to corporate administrative services.*

(Expressed in thousands of US dollars, except per share amounts)

12. RELATED PARTY TRANSACTIONS (Continued)

b. Related Party Transactions (continued)

Included in accounts payable and accrued liabilities (Note 5) are amounts due to Company A, B, and C for $556 (December 31, 2012: $522). These amounts are unsecured, due on demand and non-interest bearing.

Included in accounts payable and accrued liabilities (Note 5) is $535 (December 31, 2012: $355) owed to the CEO of the Company for a non-interest bearing loan with no fixed maturity date. The loan is to be repaid with a contingent success fee upon successful completion of the litigation. As at December 31, 2013, litigation success is deemed to be indeterminable and $nil has been accrued for the contingent success fee.

c. Compensation of Management and Directors

The remuneration of the directors and key management personnel during the year was as follows:

	Notes	**2013**	2012
Salary	*(a)*	$1,148	$1,271
Share-based payments		126	811
		$1,421	$2,082

(a) Of the total, $2,548 remains accrued and unpaid at December 31, 2013 (December 31, 2012: $1,150).

13. CAPITAL MANAGEMENT DISCLOSURES

The Company's capital management objectives are to safeguard the Company's ability to support its normal business requirements which mainly consist of its efforts to reach a compensation agreement with the Venezuelan government or an arbitration award before ICSID for the expropriation of its assets in Venezuela as a result of the Nationalization. In the management of capital, the Company includes the components of shareholders' equity (deficiency) excluding non-controlling interests, plus convertible loan, less cash and short-term investments.

As at December 31, 2013, capital, as defined above was a deficit of $145,921 (December 31, 2012 - deficit of $171,235).

The Company manages its capital structure and makes adjustments to it in light of changes in its economic environment and the risk characteristics of the Company's assets. To effectively manage its capital requirements, the Company plans its funding needs in advance to ensure the Company has liquidity to meet its objectives.

(Expressed in thousands of US dollars, except per share amounts)

14. SUPPLEMENTAL CASH FLOW INFORMATION

	Year ended December 31, 2013	December 31, 2012
CHANGES IN NON-CASH WORKING CAPITAL ITEMS		
Receivables	$1,009	$1,884
Inventories	-	3,804
Prepaid expenses and deposits	9	718
Accounts payable and accrued liabilities	4,102	10,885
Decommissioning and restoration provision	-	-
Other current provision	-	(1,435)
	$5,120	$15,856
CHANGES IN NON-CASH INVESTING AND FINANCING ACTIVITIES		
Share portion of Gold Reserve Settlement	-	$102
Loss capitalized in mineral properties for increase in allowance for doubtful recovery of receivables and prepaid expenses and deposits	-	$1,541

15. SEGMENTED INFORMATION

The Company's reportable operating segments for the year ended December 31, 2013 includes corporate results in Canada and Venezuela as the Company ceased to operate in Venezuela as a result of the Nationalization (Note 1).

The Company's reportable operating segments for the year ended December 31, 2012 include the previously operating Choco Mine and Isidora Mine, the aggregate of mineral properties, which are comprised of exploration and evaluation assets as well as development stage properties, and corporate as the Company was still operating in Venezuela through March 14, 2012 (Note 1). During this period all operating segment assets, liabilities, revenue and expenses for this period relate to Venezuela except for Corporate operating segment assets and expenses, which relate to Canada. The following amounts are presented net of intercompany transactions where applicable.

	Year ended December 31, 2013		
	Venezuela	**Canada**	**Total**
Revenues	$ -	$ -	$ -
Share-based compensation expense	-	150	150
General and administrative	368	1,741	2,109
Foreign exchange loss	-	(204)	(204)
Interest on convertible loan	-	4,173	4,173
Interest on gold sale contract	-	646	646
Loss on revaluation of gold sale contract	-	(3,009)	(3,009)
Recovery of VAT, net of fees	(1,046)	-	(1,046)
Increase in rehabilitation provision	4,378	-	4,378
Foreign exchange gain on currency devaluation	(33,078)	-	(33,078)
Net and comprehensive income	$ (29,378)	$ (6,748)	$ (25,881)
Capital asset expenditures	$ -	$ -	$ -

(Expressed in thousands of US dollars, except per share amounts)

15. SEGMENTED INFORMATION (Continued)

	Year ended December 31, 2012		
	Venezuela	Canada	Total
Revenues	$ 4,926	$ -	$ 4,926
Mining operating expenses	(25,256)	-	(25,256)
Share-based compensation expense	-	(827)	(827)
General and administrative	-	(5,883)	(5,883)
Foreign exchange (loss) gain	(947)	(76)	(1,023)
Interest on convertible debt	-	(3,753)	(3,753)
Interest on gold sale contract	-	(1,211)	(1,211)
Loss on revaluation of gold sale contract	-	(840)	(840)
Loss on repatriation of monetary assets	-	(534)	(534)
Litigation costs, net of recoveries	-	(306)	(306)
Impairment loss	(4,019)	-	(4,019)
Increase in rehabilitation provision	(5,016)	-	(5,016)
Settlement of Gold Reserve litigation	-	(358)	(358)
Other expenses	(213)	-	(213)
Net and Comprehensive Loss	$ (4,036)	$ (13,788)	$ (44,313)
Capital asset expenditures	$ 13,218	$ -	$ 13,218

During the year ended December 31, 2012, the Company had sales of $4.9 million with only one customer. There were no sales during the year ended December 31, 2013.

The Company's geographic segment information is as follows:

	December 31, 2013		
	Venezuela	Canada	Total
Assets			
Current assets	$857	$302	$1,159
Liabilities			
Current liabilities	$96,319	$41,334	$137,653

	December 31, 2012		
	Venezuela	Canada	Total
Assets			
Current assets	$-	$1,654	$1,654
Liabilities			
Current liabilities	$133,706	$30,473	$164,179

(Expressed in thousands of US dollars, except per share amounts)

16. JOINT OPERATION

On July 4, 2008, the Company entered into an agreement ("the Mixed Enterprise Agreement") with MIBAM to create a mixed enterprise. Pursuant to the Mixed Enterprise Agreement, Minera Venrus C.A. ("Venrus C.A."), a Venezuelan corporation was incorporated on December 23, 2008, and is 50% owned by the Company and 50% owned by Empresa de Producción Social Minera Nacional, C.A. (a Venezuelan government entity). Up to March 14, 2012, the Company conducted a portion of its business through this joint operation under which the joint operation participants are bound by the articles of incorporation of Venrus C.A. The Company recorded its 50% proportionate share of assets, liabilities, revenues, and operating costs of the joint operation. Due to the Decree on September 16, 2011, the Company lost its mining concessions operated by the joint operation hence the Company lost any control or influence over the management of the operations of Venrus C.A.

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

	December 31, 2013	December 31, 2012
Liabilities		
Current liabilities	$16,484	$24,151

	Year ended	
	December 31, 2013	December 31, 2012
Revenues	$-	$1,348
Expenses	-	(9,197)
Foreign exchange loss	-	302
Net loss	$-	($7,547)

17. COMMITMENTS AND CONTINGENCIES

a. Commitments

The Company has no general and administrative commitments as at December 31, 2013.

b. Contingencies

i. Gold Reserve Lawsuit

On September 25, 2012, the Company obtained an order from the Ontario Superior Court of Justice dismissing the legal action brought by Gold Reserve against the Company, and the counterclaim brought by the Company against Gold Reserve. On October 11, 2012 the Company paid $255 (C$250) cash to Gold Reserve and the Company issued common shares with a value of C$100 (2,500,000 common shares at fair value of $0.04 per share) (Note 9).

The Company also issued a conditional promissory note in the amount of $1,000 as required per the Settlement. The promissory note will only become due and payable in the event that the Company is successful in the litigation it has commenced against the Venezuelan government seeking compensation for the Nationalization. The promissory note and any payment due under it shall be subordinate and postponed in right of payment to (a) the rights of the Funder (as defined in the Creditors and Shareholders Agreement dated June 14, 2012, and a Litigation Funding Agreement dated May 8, 2012, and (b) the rights of the Funder and Freshfields Bruckhaus Deringer US LLP under a Priorities Agreement dated June 14, 2012. No value has been accrued for the promissory note as at December 31, 2013, as litigation success is deemed indeterminable.

17. COMMITMENTS AND CONTINGENCIES (Continued)

b. Contingencies (continued)

ii. Non-compliance

During June 2010, the Company entered into 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 $19,600 and/or denial of the Company's ability to generate revenues. No amount has been accrued in these consolidated financial statements in connection with this matter since the outcome cannot be determined at this time. Also, based on the information currently available, an estimate of financial impact cannot be reasonably made.

iii. Other Matters

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

iv. Litigation Funding Agreement

Under the terms of the privileged Litigation Funding Agreement, the Company has given certain warranties and covenants to the Funder. In consideration for the provision of arbitration financing, Rusoro has agreed to pay to the Funder a portion of any final settlement of the arbitration claim against the Respondent (the "Funder's Fee"). The Funder's Fee shall only become payable upon a final settlement of the arbitration claim and the value of the Funder's Fee is dependent upon a number of variables including the value of any settlement and the length of time taken to reach a settlement. The agreement also provides that the amount of the Funder's Fee shall not exceed the amount of the aggregate proceeds of the arbitration claim under any circumstances.

For the year ended December 31, 2013, the Funder had approved $2,783 (December 31, 2012: $2,259) in payments to the Company and its vendors which are net against the respective expenses on the Statements of Comprehensive Loss (see Note 11 for details of funding recoveries). Of this balance, $246 (December 31, 2012: $1,265) was receivable at the end of the year and was subsequently collected after year end. As at December 31, 2013 litigation success is deemed to be indeterminable and $nil has been accrued for the Funder's Fee.

v. Contingent Success Fees

In addition to the Litigation Funding Agreement the Company has also provided contingent success fees to select stakeholders, including the Lenders of the Convertible Loan and the board of directors and management of the Company, in consideration for their discounted services or forgiveness of select obligations. The terms, clauses, and priority of the contingent fee agreements are varied, but generally provide each party a contingent success fee based on successful outcome of the litigation. Management estimates the aggregate potential exposure related to these contingent success fees will not exceed 15% of the potential award. As at December 31, 2013 litigation success is deemed to be indeterminable and $nil has been accrued.

17. COMMITMENTS AND CONTINGENCIES (Continued)

b. Contingencies (continued)

vi. Trust and Contribution Agreements

The Company is a party to a trust agreement and a contribution agreement whereby it has agreed to pay to a trust established for members of management and the executive committee of the board of directors, a success fee upon the completion of a transaction or series of transactions. For the purposes of the contribution agreement, a "Transaction" is defined as: (a) any merger, consolidation, reorganization, recapitalization, restructuring, leveraged buyout, business combination, or any transaction pursuant to which the Company is acquired by or combined with a third party; or (b) the acquisition by a third party of any assets or operations of the Company, or any outstanding shares of the Company; or (c) a sale or spin-off of any material assets, of 5% or more of the capital stock of any subsidiary of the Company, or any transaction which has the effect of altering the capitalization of the Company. Where a change in control accompanies the Transaction, the success fee will be equal to 1% of the aggregate transaction value as defined in the contribution agreement. If the Transaction involves the acquisition of less than 50% of the voting power of the then outstanding Company's shares, then the success fee will be equal to 0.5% of the aggregate transaction value. As at December 31, 2013 none of the Transaction criteria had been met and $nil had been paid to the Trust.

On October 9, 2012, the Company entered into a trust agreement and a contribution agreement whereby it has agreed to pay to a trust established for the board of directors and management of the Company a success fee if the Company is successful in legal proceedings (the "Proceedings") it has commenced against the Venezuelan Government to obtain compensation for the nationalization of the Company's gold assets in Venezuela.

If the Company is successful in the Proceedings, the success fee will be equal to 2% of the proceeds received by the Company in respect of the Proceedings. The trustees (the "Trustees") for the trust are independent directors and members of the compensation committee of the board of directors. The Trustees are empowered to allocate the success fee amongst the board of directors and management of the Company as they deem appropriate. As at December 31, 2013 none of the Proceedings criteria had been met and $nil had been paid to the Trust.

18. FINANCIAL INSTRUMENTS

a. Financial Assets and Liabilities

The Company's financial instruments consist of the following: cash, receivables, accounts payable and accrued liabilities, a convertible loan and a gold delivery contract (Note 6).

The carrying amounts of cash, receivables and accounts payable and accrued liabilities are considered to be reasonable approximations of their fair values due to the short-term nature of these instruments. The gold delivery contract is marked to market at each reporting period based on the current spot price of gold and the number of gold ounces owing to the gold buyer (Note 6), and as such, is a reasonable approximation of the fair value. Management reviewed all significant financial instruments held by the Company and determined that no significant differences between fair value and carrying value existed as at December 31, 2013.

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into a hierarchy based on the degree to which the fair value is observable. Level 1 fair value measurements are derived from unadjusted, quoted prices in active markets for identical assets or liabilities. Level 2 fair value measurements are derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability directly or indirectly. Level 3 fair value measurements are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

(Expressed in thousands of US dollars, except per share amounts)

18. FINANCIAL INSTRUMENTS (Continued)

a. Financial Assets and Liabilities (continued)

Financial liabilities at fair value as at December 31, 2013:

	Level 1	Level 2	Level 3	Total
Derivative financial liability – Gold delivery contract	$-	($9,857)	$-	($9,857)
Balance, December 31, 2013	$-	($9,857)	$-	($9,857)

Financial liabilities at fair value as at December 31, 2012:

	Level 1	Level 2	Level 3	Total
Derivative financial liability – Gold delivery contract	$-	($12,220)	$-	($12,220)
Balance, December 31, 2012	$-	($12,220)	$-	($12,220)

b. Financial Instrument Risk Exposure

The Company thoroughly examines the various financial instrument risks to which it is exposed, and assesses the impact and likelihood of those risks. Where material, these risks are reviewed and monitored by management. There have not been any significant changes from the previous period as to how these risks are reviewed and monitored by management. The types of financial instrument risk exposures and the objectives and policies for managing these risks exposures are described below.

i. 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 and receivables owed by a single party.

The Company's exposure to credit risk on its C$ and US dollar cash 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's maximum exposure to credit risk is as follows:

	December 31, 2013	December 31, 2012
Cash and cash equivalents	$903	$380
Accounts receivable	258	1,265
	$1,161	$1,645

(Expressed in thousands of US dollars, except per share amounts)

18. FINANCIAL INSTRUMENTS (Continued)

b. Financial Instrument Risk Exposure (continued)

ii. 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 table below provides a summary of the contractual obligations and payments related to financial liabilities included in the consolidated statement of financial position as at December 31, 2013, all of which are current. The amounts disclosed are the contractual undiscounted cash flows.

	2013
Accounts payable and accrued liabilities	$52,266
Interest on convertible loan	10,575
Convertible loan	30,000
Accrual for termination benefits	9,959
Derivative financial liability	9,857
	$112,657

iii. Market Risk

(a) 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, 2013, a 1% increase in interest rates would decrease the fair value of convertible loan by $nil and a 1% decrease in interest rates would increase the fair value of the convertible loan by $nil, as the convertible loan is in default and is due immediately. In addition, a 1% increase in interest rates would decrease the fair value of the share purchase warrants with foreign currency exercise prices by $nil and a 1% decrease in interest rates would increase the fair value of the share purchase warrants with foreign currency exercise prices by $nil.

(b) 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 profit or loss. 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.

18. FINANCIAL INSTRUMENTS (Continued)

b. Financial Instrument Risk Exposure (continued)

iii. Market Risk (continued)

(b) Currency Risk (continued)

As at December 31, 2013, the Company holds cash of $857 (December 31, 2012: $263) in BsF.

	December 31, 2013	
	25% Increase in the BsF	**25% Decrease in the BsF**
Net (loss) profit	($17,609)	$14,088

	December 31, 2013	
	10% Increase in the C$	**10% Decrease in the C$**
Net (loss) profit	($1)	$1

19. EARNINGS PER SHARE

The computation and reconciliation of basic and diluted earnings per share for the years ended December 31, 2013 and 2012 are as follows:

	Year ended	
	December 31, 2013	December 31, 2012
Net income (loss) used for basic and diluted EPS	$25,881	($44,313)
Weighted average number of shares outstanding (000)	532,621	530,675
Weighted average number of shares for diluted EPS (000)	532,621	530,675
Basic and diluted profit (loss) per share	$0.05	($0.08)

For purposes of computing diluted earnings per share, convertible debt and stock options that would have an anti-dilutive effect on the calculation of diluted earnings per share are excluded from the calculation. For the year ended December 31, 2013, 53,045,000 (December 31, 2012: 50,920,000) share options were excluded from the diluted earnings per share calculation. Convertible debt was excluded from the calculation in 2013 and 2012.

(Expressed in thousands of US dollars, except per share amounts)

20. INCOME TAXES

The Company incurred $nil current tax expense and $nil deferred tax expense in each of the years ending December 31, 2013 and 2012.

Income taxes differ from the amount that would be determined by applying the combined Canadian federal and provincial statutory income tax rate of 25.75% for the year ended December 31, 2013 (2012 – 25%) to income (loss) before income taxes. The differences are the result of:

	2013	2012
Income (loss) before income taxes	$25,881	($44,313)
Statutory tax rate	25.75%	25.00%
Expected income tax recovery	6,664	(11,078)
Rate difference in foreign jurisdictions	2,441	(2,801)
Foreign exchange and other permanent differences	(1,079)	2,016
Impact of currency devaluation	17,769	-
Change in unrecognized deductible temporary items	(25,795)	11,863
Income tax expense	$-	$-

As at December 31, 2013, the Company's tax liability includes income taxes payable of $2,647 (2012 - $3,878).

During the year ended December 31, 2013 the Venezuelan currency devaluation resulted in a significant decrease to the USD value of unrecognized non-capital loss carried forward. As at December 31, 2012, the Company's unrecognized deferred tax assets were substantially reallocated to non-capital loss carried forward as a result of the Nationalization on March 14, 2012 (Note 1). The significant components of deferred tax assets not recognized are as follows:

	2013	2012
Deferred tax assets not recognized:		
Non-capital loss carried forward	$83,721	$109,392
Property, plant and equipment	214	207
Share issuance costs	66	211
Other	339	325
	$84,340	$110,135

As at December 31, 2013, the Company had for deduction against future taxable income in Canada non-capital losses of approximately C$76,835 (December 31, 2012: C$73,635). These losses expire between 2014 to 2033.