



RUSORO MINING LTD.
Interim Consolidated Financial Statements – March 31, 2010
(Expressed in thousands, except per share amounts) (US Dollars) - unaudited

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

	March 31, 2010	December 31, 2009
	\$	\$
ASSETS		
Cash	6,719	10,420
Short-term investments	-	3,806
Receivables (Notes 4 and 12)	3,173	3,357
Inventories (Note 5)	60,585	51,366
Prepaid expenses and deposits	10,422	8,088
Current assets	<u>80,899</u>	<u>77,037</u>
Receivables (Note 4)	11,453	13,041
Property, plant and equipment (Notes 6 and 12)	672,335	675,185
Mineral properties (Notes 7 and 12)	270,934	268,794
	<u>1,035,621</u>	<u>1,034,057</u>
LIABILITIES		
Accounts payable and accrued liabilities (Notes 8 and 12)	33,143	29,959
Income taxes payable	2,393	2,812
Current portion of convertible loan (Note 9)	59,090	57,935
Current liabilities	<u>94,626</u>	<u>90,706</u>
Accrual for termination benefits	1,136	915
Asset retirement obligations	3,029	3,125
Future income tax liability	218,768	264,405
	<u>317,559</u>	<u>359,151</u>
EQUITY		
Share capital (Notes 10(a) and 12)	736,087	736,087
Equity component of convertible loan (Note 9)	4,733	4,733
Contributed surplus (Note 10(d))	121,846	121,674
Accumulated other comprehensive loss (Note 11)	(5,558)	(5,558)
Deficit	(139,602)	(182,238)
Shareholders' equity	<u>717,506</u>	<u>674,698</u>
Non-controlling interest	556	208
	<u>718,062</u>	<u>674,906</u>
	<u>1,035,621</u>	<u>1,034,057</u>

Nature of operations and going concern assumption – Note 1

Commitments and contingencies – Note 17

Subsequent events – Note 20

APPROVED BY THE BOARD:

“Andre Agapov” , Director

Andre Agapov

“Gordon Keep” , Director

Gordon Keep

See accompanying notes to the interim consolidated financial statements.

RUSORO MINING LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
FOR THE THREE MONTHS ENDED MARCH 31,
(Expressed in thousands, except per share amounts) (US Dollars) - unaudited

	Three Months Ended March 31, 2010 \$	Three Months Ended March 31, 2009 \$
REVENUES	16,343	30,160
COSTS AND EXPENSES		
Mining operating expenses	13,537	18,359
Mining amortization	2,960	4,381
	16,497	22,740
(LOSS) INCOME FROM MINING OPERATIONS	(154)	7,420
General and administrative (Note 12)	2,761	2,310
Stock-based compensation (Note 10(b))	172	461
Interest on convertible loan	2,638	3,267
	5,571	6,038
(LOSS) INCOME BEFORE THE UNDERNOTED ITEMS	(5,725)	1,382
Foreign exchange gain	(41,755)	(1,549)
Impairment of mineral properties	-	174
Litigation and unsuccessful acquisition (Notes 12 and 17(b)(ii))	6	784
Other expenses	98	-
	(41,651)	(591)
INCOME BEFORE INCOME TAXES AND NON-CONTROLLING INTEREST	35,926	1,973
Current income taxes expense	-	3,905
Recovery of future income taxes	(7,058)	(3,079)
	(7,058)	826
INCOME BEFORE NON-CONTROLLING INTEREST	42,984	1,147
Non-controlling interest	(348)	(604)
NET INCOME	42,636	543
Deficit, beginning of period	(182,238)	(167,531)
DEFICIT, END OF PERIOD	(139,602)	(166,988)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		
Basic	529,846	413,159
Diluted	585,707	413,159
EARNINGS PER SHARE		
Basic earnings per share	0.08	0.00
Diluted earnings per share	0.08	0.00

See accompanying notes to the interim consolidated financial statements.

RUSORO MINING LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE THREE MONTHS ENDED MARCH 31,
(Expressed in thousands, except per share amounts) (US Dollars) - unaudited

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
	\$	\$
NET INCOME	42,636	543
Unrealized foreign exchange losses on translation of self-sustaining foreign operations	-	(64,887)
COMPREHENSIVE INCOME (LOSS)	<u>42,636</u>	<u>(64,344)</u>

See accompanying notes to the interim consolidated financial statements.

RUSORO MINING LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31,
(Expressed in thousands, except per share amounts) (US Dollars) - unaudited

	Three Month Ended March 31, 2010 \$	Three Month Ended March 31, 2009 \$
OPERATING ACTIVITIES		
Net income for the period	42,636	543
Items not involving cash		
Amortization	2,960	4,381
Stock-based compensation (Note 10(b))	172	461
Accretion of interest on convertible loan (Note 9)	1,155	1,289
Unrealized foreign exchange gain	(40,990)	(1,488)
Impairment of mineral properties	-	174
Accretion of asset retirement obligations	276	233
Recovery of future income taxes	(7,058)	(3,079)
Non-controlling interest	348	604
	(501)	3,118
Receivables non-current	(359)	(2,532)
Accrual for termination benefits non-current	362	135
Changes in non-cash working capital items (Note 14)	(4,041)	6,052
	(4,539)	6,773
INVESTING ACTIVITIES		
Expenditures on mineral properties	(2,060)	(2,804)
Expenditures on property, plant and equipment	(731)	(544)
Redemption (Purchase) of short-term investments	3,806	(3,999)
	1,015	(7,347)
FINANCING ACTIVITIES		
Gross proceeds from shares issued in public offering (Note 10(a)(ii))	-	64,636
Share issue costs (Note 10(a)(ii))	-	(4,355)
	-	60,281
Impact of foreign exchange rate changes on cash	(177)	(343)
	(3,701)	59,364
(DECREASE) INCREASE IN CASH		
Cash – beginning of period	10,420	2,245
CASH – END OF PERIOD	6,719	61,609

Supplemental cash flow information (Note 14)

See accompanying notes to the interim consolidated financial statements.

RUSORO MINING LTD.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2010
(Expressed in thousands, except per share amounts) (US Dollars) - unaudited

1. NATURE OF OPERATIONS AND GOING CONCERN ASSUMPTION

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

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

The Company currently holds interest in two producing gold mines in Venezuela. It holds a 95% ownership interest in the Choco 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 operates the Isidora Mine under a joint venture agreement with the Venezuelan government (Note 16). The Company also holds various exploration projects and one development project in Venezuela and a single exploration project in Honduras (Note 7).

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

Management believes sufficient funds exist including cash and proceeds from sales of inventory to meet the Company’s obligations until June 2010. In June 2010 the Company is required to make a debt principal repayment of \$60,000 and interest payment of \$3,000 under the loan agreement entered into with a syndicate of private lenders (“the Lenders”) in June of 2008 (“the Loan”) (Note 9). Management does not believe the funds described above will be sufficient to make the required debt principal repayment and interest payment in June 2010 and to fund continuing operations.

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

- a) Issuance of equity or debt securities; and
- b) Refinancing the Loan all or in part (the Company is in discussions with the Loan lenders as to the partial repayment and rollover of the \$60,000 principal repayment subject to finalization of terms and wording).

There is, however, no assurance that these sources of funding, including any potential refinancing as a result of the discussions described above, or any other initiatives, will be available to the Company, or that they will be available on terms 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 balance sheet classifications used, that would be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

RUSORO MINING LTD.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") for interim financial information and they follow the same accounting policies and methods of application as the annual audited consolidated financial statements of the Company for the year ended December 31, 2009, except as discussed in Note 3. The accompanying unaudited interim consolidated financial statements should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended December 31, 2009, as they do not contain all disclosures required by GAAP for annual financial statements.

In the opinion of management, all adjustments necessary to present fairly the financial position of the Company, as at March 31, 2010 and the results of operations and cash flows for all periods presented have been made. The interim results are not necessary indicative of results for a full year.

Basis of Presentation and Principles of Consolidation

These unaudited interim consolidated financial statements include the accounts of the Company and all of its subsidiaries. All inter-company balances and transactions have been eliminated on consolidation. The principal subsidiaries of the Company as at March 31, 2010 are as follows:

Subsidiary	Ownership Interest	Status
Promotora Minera de Guayana, P.M.G., S.A.	95%	Consolidated
Minera Venrus C.A. ⁽¹⁾	50%	Proportionately Consolidated
Minera Rusoro Venezolana C.A. ⁽¹⁾	50%	Proportionately Consolidated
El Callao Gold Mining Company de Venezuela S.C.S. ⁽¹⁾	50%	Proportionately Consolidated
Proyectos Mineros del Sur, PROMINSUR, C.A.	100%	Consolidated
Corporación Aurifera de El Callo, C.A.	100%	Consolidated
Corporación Minera Choco 9 C.A.	100%	Consolidated
Venezuela Holdings (BVI) Ltd.	100%	Consolidated
Corporación 80.000 C.A.	100%	Consolidated
Lamin Laboreos Mineros C.A.	100%	Consolidated
Minería MS C.A.	100%	Consolidated
General Mining de Guayana C.A.	100%	Consolidated
Krysos Mining S.A.	100%	Consolidated
Inversiones Yuruan C.A.	100%	Consolidated

(1) The results of Minera Venrus C.A. ("Venrus C.A."), Minera Rusoro Venezolana C.A. ("Minera Rusoro") (formerly Minera Hecla Venezolana C.A.) and El Callao Gold Mining Company de Venezuela S.C.S. ("El Callao Gold Mining") have been proportionately consolidated.

3. CHANGES IN ACCOUNTING POLICIES

Accounting Policies Implemented Effective January 1, 2010

In January 2009, the following Canadian Institute of Chartered Accountants ("CICA") Handbook sections were issued: Section 1582, *Business Combinations* ("Section 1582"), Section 1601, *Consolidations* ("Section 1601"), and Section 1602, *Non-Controlling Interests* ("Section 1602"). Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards ("IFRS"). Section 1601 and Section 1602 establish standards for the preparation of consolidated financial statements and the accounting for non-controlling interests in financial statements that are equivalent to the standards under IFRS. These standards are required for the Company's fiscal year beginning January 1, 2011. Earlier adoption is permitted which requires all three sections be adopted at the same time. The Company has early adopted these sections effective January 1, 2010.

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Under Section 1582, the definition of a business is expanded, acquisition related costs, other than costs to issue debt or equity securities, of the acquirer, will no longer be capitalized, but rather expensed as incurred and the assets acquired and liabilities assumed are recorded at 100% of fair value even if less than 100% is obtained. Under Section 1602, non-controlling interests are classified as part of equity and net income or loss and total comprehensive income or loss will include the portion attributable to non-controlling interests. The provisions of Section 1602 have been applied prospectively with exception of the presentation and disclosure provisions, which have been applied for all prior periods presented in the financial statements. The presentation and disclosure provisions resulted in the classification of non-controlling interests as a separate component of equity on the balance sheet amounting to \$556 as at March 31, 2010 (December 31, 2009: \$208).

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

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

4. RECEIVABLES

	March 31, 2010	December 31, 2009
	\$	\$
VAT receivable (a)	11,555	12,943
Receivable from mining contractor (b)	748	1,172
Other receivables (c)	2,149	2,079
Receivables from related companies (Note 12)	174	204
Total receivables	<u>14,626</u>	<u>16,398</u>
Non-current VAT receivable (d)	(10,937)	(12,335)
Non-current receivable from mining contractor (e)	(516)	(706)
Receivables - non-current	<u>(11,453)</u>	<u>(13,041)</u>
Current receivables	<u>3,173</u>	<u>3,357</u>

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

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5. INVENTORIES

	March 31, 2010	December 31, 2009
	\$	\$
Finished gold	43,601	37,858
Gold in process	2,299	2,226
Gold in stockpile	10,158	6,754
Materials and supplies	4,527	4,528
	<u>60,585</u>	<u>51,366</u>

As at March 31, 2010 and December 31, 2009, all inventories were recorded at cost.

6. PROPERTY, PLANT, AND EQUIPMENT

	March 31, 2010		
	Cost	Accumulated Amortization and Depletion	Net Book Value
	\$	\$	\$
Mining properties	605,827	(13,008)	592,819
Mining plant and equipment	109,423	(36,763)	72,660
Office and computer equipment	381	(152)	229
Construction in progress	6,627	-	6,627
	<u>722,258</u>	<u>(49,923)</u>	<u>672,335</u>

	December 31, 2009		
	Cost	Accumulated Amortization and Depletion	Net Book Value
	\$	\$	\$
Mining properties	605,817	(12,101)	593,716
Mining plant and equipment	109,282	(33,812)	75,470
Office and computer equipment	382	(134)	248
Construction in progress	5,751	-	5,751
	<u>721,232</u>	<u>(46,047)</u>	<u>675,185</u>

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

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

	Mining Properties			Property, Plant and Equipment (excluding mining properties)	March 31, 2010	December 31, 2009
	Depletable	Non-Depletable(*)	Total			
	\$	\$	\$	\$	\$	\$
Choco Mine	54,286	507,291	561,577	67,137	628,714	630,589
Isidora Mine	1,617	29,625	31,242	8,052	39,294	39,991
Other Venezuelan properties	-	-	-	4,098	4,098	4,357
Corporate head office	-	-	-	229	229	248
	<u>55,903</u>	<u>536,916</u>	<u>592,819</u>	<u>79,516</u>	<u>672,335</u>	<u>675,185</u>

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

7. MINERAL PROPERTIES

	San Rafael El Placer	Incredible 6	El Callao	Valle Hondo	Other Properties	Total
	\$	\$	\$	\$	\$	\$
Balance, December 31, 2008	25,937	61,941	149,223	23,166	15,617	275,884
Exploration and development costs	9,251	954	-	495	22	10,722
Impairment of mineral properties	-	-	(5,087)	-	(5,867)	(10,954)
Unrealized foreign exchange gain	-	-	(6,754)	-	(104)	(6,858)
Balance, December 31, 2009	<u>35,188</u>	<u>62,895</u>	<u>137,382</u>	<u>23,661</u>	<u>9,668</u>	<u>268,794</u>
Exploration and development costs	1,992	127	-	12	9	2,140
Balance, March 31, 2010	<u>37,180</u>	<u>63,022</u>	<u>137,382</u>	<u>23,673</u>	<u>9,677</u>	<u>270,934</u>

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2010	December 31, 2009
	\$	\$
Accounts payable	7,180	7,557
Accrued liabilities	21,123	19,571
Accrual for termination benefits	2,650	2,135
Accrual for interest on convertible loan (Note 9)	1,830	350
Current portion of asset retirement obligations	272	250
Due to related parties (Note 12)	88	96
	<u>33,143</u>	<u>29,959</u>

RUSORO MINING LTD.
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9. CONVERTIBLE LOAN

On June 10, 2008 the Company entered into the Loan to fund the acquisition of El Callao Gold Mining Ltd. and Drake-Bering Holdings B.V. including their wholly-owned subsidiaries Minera Rusoro and El Callao Gold Mining from Hecla Mining Company and for general corporate purposes. The Loan has a two-year term, bears interest at a contractual rate of 10% per annum, is payable semi-annually and is secured by share pledges over the Company's principal assets including the Choco Mine (Note 6) and San Rafael El Placer and Incredible 6 mineral properties (Note 7) but excluding the Isidora Mine (Note 6). The lenders have the option, at any time and at their sole discretion, to convert all or part of the outstanding principal of the Loan to common shares of the Company at a conversion price as at March 31, 2010, of \$1.07 per common share (subject to adjustment depending on future equity financings and other transactions entered into by the Company). In addition, the Company has granted to the lenders pro-rata participation in any future equity offerings for the term of the Loan. The Loan may be repaid by the Company at any time subject to the Company providing the lenders with 30 days notice and repaying the outstanding principal in full plus an amount equal to the interest that would have been accrued if the Loan was held for the original two-year term.

For accounting purposes, the Loan contains both a liability component and an equity component, being the lender's conversion option to shares, which have been separately presented on the consolidated balance sheet. The Company allocated the original \$80,000 principal of the Loan to the individual liability and equity components by establishing the fair value of the liability component at the date of issue and then allocating the remaining balance of the net proceeds to the equity component. The fair value of the liability component was determined by discounting the stream of future payments of interest and principal amounts at the estimated prevailing market rate at the date of issuance of 15% for a debt instrument of similar maturity and credit quality but without any share conversion option for the lenders. Including the impact of the costs of issuance, applying the effective interest rate method, the liability component of the Loan bears an effective annual interest rate of 18.5%.

On November 12, 2009, the Company purchased \$20,000 of the principal amount of the Loan and related accrued interest of \$847 for \$17,754 including professional fees. The \$60,000 remaining principal portion of the Loan is due in June of 2010.

	\$
Equity component at the date of issuance and December 31, 2008	6,310
Repurchase of convertible loan	(1,577)
Equity component at December 31, 2009 and March 31, 2010	<u>4,733</u>

The convertible loan is made up as follows:

	March 31, 2010	December 31, 2009
	\$	\$
Liability component at the date of issuance	69,045	69,045
Accretion of interest	9,158	8,003
Liability component repurchased	(19,113)	(19,113)
Convertible loan	<u>59,090</u>	<u>57,935</u>

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10. SHARE CAPITAL

Authorized Share Capital of the Company

Unlimited number of common shares without par value.

(a) Issued Capital

	Number of Shares	Amount \$
Balance, December 31, 2008	390,778	674,556
Shares issued to financial advisor (i)	5,734	1,250
Shares issued in public offering (ii)	133,334	64,636
Share issue costs (ii)	-	(4,355)
Balance, December 31, 2009	<u>529,846</u>	<u>736,087</u>
Balance, March 31, 2010	<u>529,846</u>	<u>736,087</u>

- i. On February 11, 2009, the Company issued 5,734 common shares with a fair value of \$1,250 to its financial advisor for advisory services related to the Company's unsolicited take-over bid (Notes 14 and 17(b)(ii)).
- ii. On March 19, 2009, the Company issued 133,334 common shares at Canadian Dollars ("C\$") 0.60 per common share for gross proceeds of \$64,636 (C\$80,000). A cash commission of \$3,878 equal to 6.0% of the gross proceeds was paid to the underwriter and other fees related to the public offering were \$477.

(b) Stock Options

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

The following stock options were outstanding at March 31, 2010:

<u>Exercise Prices</u>	<u>Options Outstanding</u>			<u>Options Exercisable</u>	
	<u>Options Outstanding</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Life (years)</u>	<u>Options Outstanding & Exercisable</u>	<u>Weighted Average Exercise Price</u>
C\$0.60	19,770	C\$0.60	8.41	18,655	C\$0.60
C\$1.11 – C\$1.70	17,496	C\$1.32	7.99	17,363	C\$1.32
C\$2.12 – C\$2.30	8,125	C\$2.19	7.47	7,300	C\$2.19
\$3.00	5,755	\$3.00	6.53	5,755	\$3.00
	<u>51,146</u>	<u>\$1.35</u>	<u>7.91</u>	<u>49,073</u>	<u>\$1.36</u>

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Stock option transactions are summarized as follows:

	<u>Number of Options</u>	<u>Weighted Average Exercise Price \$</u>
Outstanding, December 31, 2008	35,338	1.61
Issued	16,230	0.50
Expired	(352)	0.99
Forfeited	(70)	0.57
Outstanding, December 31, 2009	51,146	1.32
Outstanding March 31, 2010	51,146	1.35

(c) Warrants

The following share purchase warrants were outstanding as at December 31, 2009 and March 31, 2010:

	<u>Number of Warrants</u>	<u>Weighted Average Exercise Price \$</u>
Outstanding, December 31, 2009	108,800	3.88
Outstanding March 31, 2010	108,800	4.01

The following warrants were outstanding as at March 31, 2010:

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

(d) Contributed Surplus

	<u>Amount \$</u>
Balance, December 31, 2008	114,807
Stock-based compensation	6,867
Balance, December 31, 2009	121,674
Stock-based compensation	172
Balance, March 31, 2010	121,846

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11. ACCUMULATED OTHER COMPREHENSIVE LOSS

The components of accumulated other comprehensive loss are as follows:

	March 31, 2010	December 31, 2009
	\$	\$
Unrealized foreign exchange losses on translation of self-sustaining foreign operations	(5,558)	(5,558)

12. RELATED PARTY TRANSACTIONS

- a) Included in receivables (Note 4) are amounts owed from companies of which a director/officer of the Company and a director of the Company, are an officer and a director, respectively of \$174 (December 31, 2009: \$204). These amounts are unsecured and non-interest bearing with no set terms of repayment.
- b) Included in amounts capitalized as property, plant and equipment is \$Nil (December 31, 2009: \$1,094) and included in amounts capitalized as mineral properties is \$54 (December 31, 2009: \$380) related to the provision of technical and geological services and machinery rental from companies of which a director/officer of the Company and a director of the Company, are an officer and a director, respectively.
- c) On February 20, 2009, the Company issued a promissory note to a director/officer of the Company for \$500 related to an advance for the purchase of a plant for the treatment of diamonds. The promissory note was unsecured, non-interest bearing and repayable at a time agreeable to the Company and the director/officer. On May 19, 2009, the Company repaid the promissory note.
- d) Included in accounts payable and accrued liabilities (Note 8) are amounts due to companies which a director/officer of the Company and a director of the Company are an officer and a director, respectively, and to a law firm of which a director of the Company is a partner of \$88 (December 31, 2009: \$96). These amounts are unsecured, due on demand and non-interest bearing.
- e) Included in general and administrative expenses is \$Nil (2009: \$34) related to the cost of running the Company's office of representation in Moscow from a company of which a director/officer of the Company has significant influence and \$28 (2009: \$28) related to the rental of the Caracas office from companies of which a director/officer of the Company and a director of the Company, are an officer and a director, respectively.
- f) Included in share capital is share issuance costs of \$Nil (December 31, 2009: \$23), included in general and administrative expenses is \$39 (2009: \$20) and included in litigation and unsuccessful acquisition costs is \$Nil (2009: \$186) related to the provision of legal services which were paid to a law firm of which a director of the Company is a partner.

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

13. CAPITAL MANAGEMENT DISCLOSURES

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

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

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

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The Company is not subject to any externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the period ended March 31, 2010.

14. SUPPLEMENTAL CASH FLOW INFORMATION

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
	\$	\$
CHANGES IN NON-CASH WORKING CAPITAL ITEMS		
Receivables	(331)	(1,914)
Inventories	(8,659)	3,422
Prepaid expenses and deposits	(2,334)	(717)
Accounts payable and accrued liabilities	7,283	2,148
Income taxes payable	-	3,113
	(4,041)	6,052

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
	\$	\$
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Accounts payable and accrued liabilities – Expenditures on mineral properties	(226)	(557)
Accounts payable and accrued liabilities – Expenditures on property, plant and equipment	295	537
Amortization capitalized – Mineral properties	306	265
Stock-based compensation capitalized – Mineral Properties	-	24
Shares issued to financial advisor (Note 10(a)(i))	-	1,250

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
	\$	\$
OPERATING ACTIVITIES INCLUDED THE FOLLOWING CASH PAYMENTS		
Interest paid	-	-
Taxes paid	-	500

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15. SEGMENTED DISCLOSURE

The Company's reportable operating segments are the Choco Mine, Isidora Mine, Exploration and Development and Corporate. All operating segment assets are held in Venezuela except for Corporate operating segment assets which are held in Canada.

	Choco Mine Three Months Ended March 31, 2010	Isidora Mine Three Months Ended March 31, 2010	Exploration & Development Three Months Ended March 31, 2010	Corporate Three Months Ended March 31, 2010	Total Three Months Ended March 31, 2010
	\$	\$	\$	\$	\$
Revenues	14,917	1,426	-	-	16,343
Mining operating expenses	(12,199)	(1,338)	-	-	(13,537)
Mining amortization	(2,692)	(268)	-	-	(2,960)
General and administrative	-	-	(424)	(2,337)	(2,761)
Stock-based compensation	-	-	-	(172)	(172)
Interest on convertible loan	-	-	-	(2,638)	(2,638)
Foreign exchange gain	29,688	3,113	8,596	358	41,755
Litigation and unsuccessful acquisition	-	-	-	(6)	(6)
Other (expenses) income	-	-	(102)	4	(98)
Income tax recovery	6,947	111	-	-	7,058
Non-controlling interest	(348)	-	-	-	(348)
Net income (loss)	<u>36,313</u>	<u>3,044</u>	<u>8,070</u>	<u>(4,791)</u>	<u>42,636</u>
Capital expenditures	<u>653</u>	<u>12</u>	<u>2,126</u>	<u>-</u>	<u>2,791</u>

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	Choco Mine Three Months Ended March 31, 2009	Isidora Mine Three Months Ended March 31, 2009	Exploration & Development Three Months Ended March 31, 2009	Corporate Three Months Ended March 31, 2009	Total Three Months Ended March 31, 2009
	\$	\$	\$	\$	\$
Revenues	25,510	4,650	-	-	30,160
Mining operating expenses	(13,123)	(5,236)	-	-	(18,359)
Mining amortization	(3,737)	(644)	-	-	(4,381)
General and administrative	-	-	(391)	(1,919)	(2,310)
Stock-based compensation	-	-	-	(461)	(461)
Interest on convertible loan	-	-	-	(3,267)	(3,267)
Foreign exchange gain	203	-	1,151	195	1,549
Impairment of mineral properties	-	-	(174)	-	(174)
Litigation and unsuccessful acquisition	-	-	-	(784)	(784)
Income tax (expense) recovery	(1,564)	738	-	-	(826)
Non-controlling interest	(604)	-	-	-	(604)
Net income (loss)	<u>6,685</u>	<u>(492)</u>	<u>586</u>	<u>(6,236)</u>	<u>543</u>
Capital expenditures	<u>55</u>	<u>489</u>	<u>2,804</u>	<u>-</u>	<u>3,348</u>

In the periods ended March 31, 2010 and 2009, all revenue was generated in Venezuela.

The customers with significant sales are included in the Choco Mine and Isidora Mine operating segments and are as follows:

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
	\$	\$
Customer A	13,696	-
Customer B	1,964	5,480
Customer C	-	12,598
Customer D	-	5,939

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The Company's geographic segment information is as follows:

	Choco Mine March 31, 2010 \$	Isidora Mine March 31, 2010 \$	Exploration & Development March 31, 2010 \$	Corporate March 31, 2010 \$	Total March 31, 2010 \$
Assets					
Current assets	58,627	12,975	4,304	4,993	80,899
Receivables non-current	9,766	-	1,687	-	11,453
Property, plant, and equipment	628,714	39,294	4,098	229	672,335
Mineral properties	-	-	270,934	-	270,934
	<u>697,107</u>	<u>52,269</u>	<u>281,023</u>	<u>5,222</u>	<u>1,035,621</u>

	Choco Mine December 31, 2009 \$	Isidora Mine December 31, 2009 \$	Exploration & Development December 31, 2009 \$	Corporate December 31, 2009 \$	Total December 31, 2009 \$
Assets					
Current assets	47,901	11,616	3,867	13,653	77,037
Receivables non-current	11,110	-	1,931	-	13,041
Property, plant, and equipment	630,589	39,991	4,357	248	675,185
Mineral properties	-	-	268,794	-	268,794
	<u>689,600</u>	<u>51,607</u>	<u>278,949</u>	<u>13,901</u>	<u>1,034,057</u>

16. JOINT VENTURE INTEREST

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, 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). The Company conducts a portion of its business through this joint venture under which the joint venture participants are bound by the articles of incorporation of Venrus C.A. The Company records its 50% proportionate share of assets, liabilities, revenues, and operating costs of the joint venture.

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

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	March 31, 2010	December 31, 2009
	\$	\$
Assets		
Current assets	14,209	12,081
Property, plant and equipment	39,294	39,991
Mineral properties	184	184
	53,687	52,256
Liabilities		
Current liabilities	6,192	5,932
Other long-term liabilities	1,662	1,587
Future income tax liability	10,606	12,554
	18,460	20,073
	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
	\$	\$
Revenue	1,426	4,650
Expenses	(1,495)	(5,880)
Foreign exchange gain	3,113	738
Net income (loss)	3,044	(492)
Cash Flows		
Operating activities	(93)	1,593
Investing activities	(12)	(622)
Financing activities	-	-
(Decrease) increase in cash	(105)	971

17. COMMITMENTS AND CONTINGENCIES

(a) Commitments

At March 31, 2010, the Company is committed to payments under operating leases for premises, vehicles and machinery and to payments under contracts for explosives, construction of tailing dams, community relations, security, consulting and other services as follows:

	Total \$
2010	3,679
2011	2,162
2012	2,156
2013	2,156
2014 and Thereafter	11,517
	21,670

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(b) Contingencies

(i) Central Bank of Venezuela Resolution

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

On January 11, 2010, the CBV and Ministry of Finance passed Exchange Agreement No. 14, which modified the currency by fixing the official exchange rate at Venezuelan Bolivar Fuerte (“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. Exports of gold are subject to foreign currency exchange control regulations in Venezuela which require that the proceeds from gold exports collected in a currency other than BsF must be exchanged for BsF with the CBV at the official rate of BsF 4.30/\$1.00 subsequent to January 11, 2010 and BsF 2.15/\$1.00 prior to this date. The CBV and the Ministry of Finance passed Exchange Agreement No. 12 during 2009 which provides more flexibility for companies in which the Venezuelan State has an interest of 50% or greater as they may keep bank accounts abroad in foreign currency and use the currency received from gold exports to make direct payments in foreign currency. Companies in which the Venezuelan State has no interest or less than 50% interest, are not covered by Exchange Agreement No. 12. The Company has obtained legal advice that Resolution No. 09-06-03 applies to finished gold produced after June 30, 2009.

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

(ii) Gold Reserve Lawsuit

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

Gold Reserve has claimed \$550,000 in damages and punitive damages related to an alleged breach of confidence and trespass related to Gold Reserve’s property in Venezuela. On February 10, 2009 the Ontario Superior Court of Justice granted Gold Reserve’s injunction application by which the Company and Endeavour Financial International Corporation were restrained from making any unsolicited takeover bid for Gold Reserve. The Company denies the allegations made against it and has served a statement of defense and counterclaim claiming \$102,500 in respect of losses the Company has sustained as a result of the injunction’s issuance. The outcome of this matter is not determinable at this time and no amount has been accrued in these financial statements for this claim.

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(iii) Other Matters

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

18. FINANCIAL INSTRUMENTS

(a) Financial Assets and Liabilities

The Company's financial instruments consist of cash, short-term investments, receivables, accounts payable and accrued liabilities, convertible loan and accrual for termination benefits.

The carrying amounts of cash, short-term investments, receivables, accounts payable and accrued liabilities and accrual for termination benefits are considered to be reasonable approximations of their fair values due to the short-term nature of these instruments. 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 March 31, 2010, except for the liability component of the convertible loan which has a fair value of \$59,353 (December 31, 2009: \$58,403).

CICA Handbook Section 3862, *Financial Instruments – Disclosures* establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair values. The Company's financial instruments at December 31, 2009 and March 31, 2010 classified as "Level One – Quoted prices in active markets" is cash. Short-term investments at December 31, 2009 are classified as "Level Two – Inputs other than quoted prices that are observable for the assets and liabilities either directly or indirectly".

(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 year 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 is described below:

Credit Risk

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

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

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Liquidity Risk

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

The Company forecasts cash flows for a period of 12 months to identify financial requirements. These requirements are met through a combination of cash flows from operations and accessing capital markets (Note 1). The table below provides a summary of the contractual obligations and payments related to financial liabilities included in the consolidated balance sheet as at March 31, 2010. The amounts disclosed are the contractual undiscounted cash flows.

	2010 \$	2011-2012 \$	Total \$
Accounts payable and accrued liabilities	31,313	-	31,313
Accrual for termination benefits non-current	-	1,136	1,136
Interest on convertible loan	3,000	-	3,000
Convertible loan	60,000	-	60,000
	94,313	1,136	95,449

Market Risk

(i) 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 March 31, 2010, a 1% increase in interest rates would decrease the fair value of convertible loan by \$110 and a 1% decrease in interest rates would increase the fair value of the convertible loan by \$111.

(ii) Currency Risk

Currency risk is the risk that the value of the Company's financial instruments will fluctuate due to changes in foreign exchange rates. The Company is exposed to currency risk as the Company's financial assets and liabilities include items denominated in BsF and \$C. Changes in the applicable exchange rate may result in a decrease or increase in foreign exchange gains or losses recognized in the Company's consolidated statement of operations. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

The Company's Venezuelan operations and cash holdings are currently subject to currency and exchange controls. These government-imposed controls may adversely affect the Company as such controls limit the Company's ability to flow US Dollars out of the country (Note 20(b)). As at March 31, 2010, the Company holds cash of \$1,720 (December 31, 2009: \$667) in BsF.

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

	As at March 31, 2010	
	25% Increase in the BsF \$	25% Decrease in the BsF \$
Net earnings	(3,329)	2,663

	As at March 31, 2010	
	10% Increase in the C\$ \$	10% Decrease in the C\$ \$
Net earnings	204	(185)

19. COMPARATIVE FIGURES

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

20. SUBSEQUENT EVENTS

- (a) On May 14, 2010 the Company received an advance of \$6,933 related to the future delivery of 6.5 ounces of finished gold. The Company is required to deliver this finished gold prior to January 11, 2011 at a fixed price of the amount advanced of \$6,933.
- (b) In October of 2005, the Venezuelan government enacted the Criminal Exchange Law, which imposes sanctions on the exchange of BsF with foreign currency unless the exchange is made by officially designated methods. The exchange regulations did not apply to transactions with certain securities denominated in BsF, which could be swapped for securities denominated in another currency effectively resulting in a swap market ("the Swap Market") which provided an implicit value for the exchange rate for the BsF/US dollar ("the Implicit Exchange Rate").

On May 17, 2010, the Venezuelan government enacted the Reform of the Criminal Exchange Law which aims to regulate the Swap Market. The Reform of the Criminal Exchange Law gives the CBV the exclusive jurisdiction for the sale and purchase of foreign currency including securities. The CBV will determine which financial institutions can participate in the Swap Market. The Company utilizes the Swap Market for the majority of the Company's BsF/US dollar exchanges and currently the majority of the Company's revenues are received in BsF. Therefore any restrictions on the Company's ability to access this Swap Market will limit the Company's ability to fund the Company's US dollar expenditures and to use BsF to contribute to required interest and principal payments due under the Loan. The financial impact of the regulation of the Swap Market by the CBV is unable to be determined at this time as certain significant details as to how this regulated Swap Market will function are not available.