This Management's Discussion and Analysis ("MD&A") for Rusoro Mining Ltd. ("the Company") should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2013 and 2012, and supporting notes.

The financial information presented in this MD&A is reported in US dollars, unless otherwise indicated, and is partly derived from the Company's consolidated financial statements prepared consistent with International Financial Reporting Standards ("IFRS"). The effective date of this MD&A is April 25, 2014. This MD&A contains "forward-looking statements" that are subject to risk factors set out in a cautionary note contained herein.

Contents of the MD&A

1. OVERVIEW OF THE COMPANY

The principal business activities of the Company are the acquisition, exploration, development and operation of gold mineral properties.

Until March 14, 2012, the Company held a 95% controlling interest in the Choco 10 mine ("the Choco Mine") and a 50% interest in the Isidora mine ("the Isidora Mine"), which the Company operated as part of a joint operation ("the Joint Operation") with the Venezuelan government. The Company also held interests in various exploration and development projects in Venezuela.

On September 16, 2011, the Venezuelan government, through publication in the Official Gazette of Venezuela, enacted a law-decree ("the Decree") reserving to the government of Venezuela exclusive rights for the extraction of gold in Venezuela ("the Nationalization"). The Decree mandated the expiration of all mining concession held by the Company and their reversal to the Venezuelan government together with all related assets and operations. The Decree permitted the Company to reach an agreement with the Venezuelan government to continue operating jointly, in the form of a mixed-interest enterprise ("the Mixed Enterprise''), the mining concessions and mining assets affected by the Nationalization and in which the Company could not own more than a 45% share participation. The Decree provided for a 90-day period from September 16, 2011 for the government of Venezuela and the Company to negotiate the terms and conditions of the migration of the Company's 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 reach an agreement 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, on 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 related assets and operations reverted to the Venezuelan government who took possession and control in accordance with Venezuelan law becoming the new operator and employer.

Starting March 15, 2012, the Company was relieved of all responsibilities associated to the mining concessions, assets and operations that were subject to expropriation, including without limitation, any contractual, mining, environmental, labor or criminal liability, and for the payment of any tax, fee or contribution of any kind, including any mining or surface tax related to such mining concessions and operations.

In accordance with Venezuelan Labor Law and the Decree, beginning March 15, 2012 the Venezuelan government became the sole and exclusive employer for the workers and employees who provide services for the operations of the mining concessions. The Company is not responsible for the actions or omissions of those workers and employees, by the damages that they may cause or suffer in the exercise of their functions or for the payment of their salaries, bonuses, benefits or any other compensation or benefit generated from the above-mentioned date, as all the workers and employees, starting March 15, 2012, provide their services and run their work daily activities under the exclusive direction, supervision and responsibility of the Venezuelan government.

On June 14, 2012, the Company entered into a Creditors and Shareholders Agreement (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.

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.

On July 17, 2012, the Company filed a Request for Arbitration before the Additional Facility of the World Bank's International Centre for Settlement of Investment Disputes ("ICSID") against Venezuela pursuant to the Agreement between the Government of Canada and the Government of the Republic of Venezuela for the Promotion and Protection of Investments (the "Treaty").

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 Treaty. Based on a March 15, 2013, valuation performed by an independent expert, the Company filed a claim seeking fair-value compensation of $3.03 billion for all its losses caused by the Nationalization.

There are material uncertainties surrounding the Nationalization and related arbitration, including, but not limited to the likelihood of reaching an amicable compensation with the Venezuelan government, the success in an arbitration proceedings against the Venezuelan government and the amount, timing and/or form of any compensation or arbitration award. 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.

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.

2. Consolidated Results of Operations

Effective September 16, 2011, the Decree mandated that 100% of the gold produced in Venezuela be sold to the Central Bank of Venezuela ("CBV"), effectively terminating the Company's ability to export. 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.

Results for the Fourth Quarter 2013 ("Q4 2013'):

— Interest expense on the Company's convertible loan decreased to $1.1 million in Q4 2013 from $1.2 million in Q4 2012.

— Interest expense on the gold sale contract, which became effective in June 2012 amounted to $0.1 million in Q4 2013 compared to $0.2 million in Q4 2012. As of December 31, 2013, 8,184 ounces of finished gold were still outstanding under the contract and valued at fair market value using the spot price of gold on December 31, 2013 of $1,205 per ounce. Included in this amount is the principal amount of 6,642 gold ounces plus accrued interest of 1,542 gold ounces for the period January 1, 2012 through December 31, 2013.

— The revaluation of the gold sale contract created a loss of $0.9 million in Q4 2013 compared to a gain of $0.8 million in Q4 2012, due to the revaluation to its fair value using the current international spot price of gold on December 31, 2013 of $1,205 per ounce.

- General and administrative expenses, net of recoveries were $0.8 million in Q4 2013 compared to $0.3 million in Q4 2012. General and administrative expenses were offset by recoveries of $0.2 million from the Funder for Q4 2013 (Q4 2012: $0.2 million). These recoveries represent general and administrative overhead corporate costs that qualify for funding under the Litigation Funding Agreement.

- Litigation costs relating to the arbitration litigation with the Venezuelan government over the Nationalization amounted to $0.1 million in Q4 2013 compared to $1.4 million for Q4 2012. The costs were offset by recoveries amounting to $0.1 million in Q4 2013 compared to $1.4 million in Q4 2012. This resulted in a net expense of $Nil for Q4 2013. Litigation costs relate to costs directly and solely incurred for the purpose of the litigation with the Venezuelan government. These expenses qualify for recovery from the Funder under the Litigation Funding Agreement.

- Foreign exchange loss of $0.2 million in Q4 2013 was similar to the foreign exchange loss of $0.1 million in Q4 2012.

- Increase in rehabilitation provision of $4.4 million in Q4 2013 (Q4 2012: Nil) due to an increase in expected inflation.

- Net loss amounted to $5.2 million during Q4 2013 compared to $9.7 million during Q4 2012.

Results for the year ended December 31, 2013:

- Revenue decreased to $Nil (Nil gold ounces sold) in the year ended December 31, 2013 from $4.9 million (3,192 gold ounces sold) in the year ended December 31, 2012 due to the ceasing of production with the Nationalization that occurred on March 14, 2012.

- Mining operating expenses decreased to $Nil in the year ended December 31, 2013 from $25.3 million in the year ended December 31, 2012 due to the ceasing of production that occurred on March 14, 2012 as well.

- Interest expense on the Company's convertible loan increased to $4.2 million in the year ended December 31, 2013 from $3.8 million in the year ended December 31, 2012.

- Interest on the gold sale contract, which became effective in June 2012, amounted to $0.6 million in the year ended December 31, 2013 ($1.2 million in the year ended December 31, 2012). The reduction is due to the impact of the change in fair value on the accrued interest liability based on the market price of gold. As of December 31, 2013, 8,184 ounces of finished gold were still outstanding under the contract and valued at fair market value using the spot price of gold on December 31, 2013 of $1,205 per ounce. Included in this amount is the principal amount of 6,642 gold ounces plus accrued interest of 1,542 gold ounces for the period January 1, 2012 through December 31, 2013.

- The revaluation of the gold sale contract created a gain of $3.0 million in the year ended December 31, 2013 from a loss of $0.8 million in the year ended December 31, 2012, due to the revaluation to its fair value using the current international spot price of gold on December 31, 2013 of $1,205 per ounce.

- General and administrative expenses, net of recoveries were $2.1 million in the year ended December 31, 2013 compared to $5.9 million in the year ended December 31, 2012. The decrease is a result of lower corporate operating costs due to the Nationalization as well as expense recoveries from the Litigation Funding Agreement. General and administrative expenses were offset by recoveries of $0.8 million from the Funder for the year ended December 31, 2013 (year ended December 31, 2012: $0.3 million). These recoveries represent general and administrative overhead corporate costs that qualify for funding under the Litigation Funding Agreement.

- Share-based compensation expense decreased to $0.3 million for the year ended December 31, 2013 from $0.8 million for the year ended December 31, 2012. The share-based compensation for the year ended December 31, 2013 is related to the share options grant and the re-pricing that took place on September 9, 2013.

- Litigation costs relating to the arbitration litigation with the Venezuelan government over the Nationalization amounted to $2.0 million in the year ended December 31, 2013 compared to $2.3 million for year ended December 31, 2012. The costs were offset by recoveries amounting to $2.0 million in year ended December 31, 2013 compared to $2.0 million in the year ended December 31, 2012. This resulted in a net expense of $Nil for year ended December 31, 2013. Litigation costs relate to costs directly and solely incurred for the purpose of the litigation with the Venezuelan government. These expenses qualify for recovery from the Funder under the Litigation Funding Agreement.

- Foreign exchange gain was $0.2 million in the year ended December 31, 2013, compared to a foreign exchange loss of $1.0 million in the year ended December 31, 2012 due a decrease in the number of transactions in foreign currencies owing to the Nationalization of Venezuelan entities.

- On February 8, 2013, Venezuela devalued its currency, the bolivar, to 6.3 bolivars per U.S. dollar, from 4.3 bolivars per U.S. dollar. As a result the Company recorded a $33.1 million foreign exchange gain on devaluation of the Venezuelan currency in the year ended December 31, 2013 due primarily to the bolivar denominated payables and accrued liabilities.

- Increase in rehabilitation provision of $4.4 million during the year ended December 31, 2013 (2012: 5,016) due to an increase in expected inflation.

- Net profit amounted to $25.9 million during the year ended December 31, 2013 compared to net loss of $44.3 million during the year ended December 31, 2012. The current period profit arose mostly from the foreign exchange gain on devaluation of the Venezuelan currency.

2.1 Choco Mine

Results for Q4 2013:

- During Q4 2013 and Q4 2012 the Choco Mine had ceased operations due to the Nationalization that occurred on March 14, 2012.

Results for the year ended December 31, 2013:

- During the year ended December 31, 2013 the Choco Mine sold Nil gold ounces compared to 2,176 in the year ended December 31, 2012 for total revenue of $Nil in the year ended December 31, 2013 compared to $3.6 million in the year ended December 31, 2012.

- During the year ended December 31, 2013, the Choco Mine mining operating expenses were $Nil compared to $12.7 million in the nine months ended December 31, 2012.

2.2 Isidora Mine

Results for Q4 2013:

- During Q4 2013 and Q4 2012 the Isidora Mine had ceased operations due to the Nationalization that occurred on March 14, 2012.

Results for the year ended December 31, 2013:

- During the year ended December 31, 2013 the Isidora Mine sold Nil gold ounces compared to 1,016 gold ounces in the year ended December 31, 2012 for total revenue of $Nil and $1.3 million in the year ended December 31, 2013 and 2012, respectively.

- During the year ended December 31, 2013, the Isidora Mine mining operating expenses were $Nil compared to $9.2 million in the year ended December 31, 2012.

2.3 Exploration and Development

San Rafael El Placer

The Company is no longer in possession of the San Rafael El Placer ("SREP") property in 2013 as a result of the Nationalization.

During the first quarter of 2012 the Company was in pre-commercial production at San Rafael El Placer ("SREP") with ore processed at the Choco Mine Mill. During 2012 pre-commercial production revenues were realized for 6,507 ounces of finished gold ($10.7 million) and correspondingly reduced from mineral properties. The costs to produce these gold ounces at the Choco Mine Mill were added to the expenditures incurred on mineral properties in the exploration, evaluation and development segment which, including these capitalized production costs and a non-cash capitalized loss of $1.5 million due to the increase in the impairment of receivables and prepaid expenses and deposits at SREP, totaled $14.7 million during 2012, with the net difference of $4 million being written-off on March 14, 2012, as a result of the Nationalization, to the statement of comprehensive loss as an impairment to mineral properties.

Final Feasibility Study on Expansion of Choco Mine to 20,000 Tonnes per Day

On February 27, 2012 the Company completed a positive feasibility study (the "Study") on the expansion of the Choco Mine from 5,000 to 20,000 tonnes per day.

The Study was conducted by Micon International Limited in association with Ausenco and Knight Piésold, based on gold resources and reserves from the Choco Mine and the near-by Increible 6 (100% owned) mineral property. The Study demonstrates the viability of the project as proposed, and that expansion of the mine to process 20,000 tonnes per day is warranted.

The Company believes the Study will be of significant use in an Arbitration Claim with ICSID against the Venezuelan government in determining the fair value of the Company's recently expropriated Choco Mine and Increible 6 mineral property.

2.4 Corporate

See the "Consolidated Results of Operations" section above for discussion of Q4 2013 and 2012 share-based compensation expense, interest on convertible loan, general and administrative expenses, litigation costs, and gains and losses recognized on the revaluation of the gold sales contract.

3. SELECTED ANNUAL INFORMATION

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Total revenues $(000) (1)	-	4,926	107,333
Net (loss) income $(000) (2)	25,881	(44,313)	(780,137)
Basic and diluted loss per share $ (2)	0.05	(0.08)	(1.43)
Total assets $(000) (3)	1,159	1,654	26,975
Total long-term liabilities $(000) (4)	-	-	-

(1) The decrease in revenues for the year ended December 31, 2013 and 2012 as compared to 2011 was due to ceasing of production on March 15, 2012 as a result of the Nationalization.

(2) The increase in net income for the year ended December 31, 2013 as compared to the year ended December 31, 2012 was predominantly due to the devaluation in the Venezuelan Bolivar, resulting in a $33.1 million gain.

(3) Total assets decreased significantly in 2013 and 2012 as compared to 2011 due to impairment write-downs as a result of the Nationalization.

(4) As a result of the Nationalization the Company reversed the deferred tax liability and reclassified the decommissioning and restoration provision and accrual for termination benefits from non-current to current during the year ended December 31, 2011. As a result, the Company had no long-term liabilities as at December 31, 2012 or 2011.

4. VENEZUELAN CURRENCY EXCHANGE

On February 8, 2013, Venezuela devalued its currency, the bolivar, to 6.3 bolivars per U.S. dollar, from 4.3 bolivars per U.S. dollar.

5. SELECTED QUARTERLY INFORMATION

	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Revenue $(000)	-	-	-	-	-	-	-	4,926
Net (loss) profit attributable to equity shareholders of the Company $(000)	(5,204)	(2,073)	1,552	30,366	(10,673)	(4,047)	(3,335)	(26,670)
Basic and diluted (loss) earnings per share $	(0.01)	(0.01)	0.01	0.06	(0.02)	(0.01)	(0.01)	(0.05)

The Company has experienced volatility in its results over the eight most recently completed quarters. Revenue decreased to Nil for all periods subsequent to Q1 2012 due to the Nationalization. Net profit/loss has been volatile through 2012 due to the Nationalization and related impacts on revenue and production levels as well as the impact of impairment adjustments. Q1 2013 was impacted by the devaluation of the bolivar.

6. FINANCIAL POSITION

The Company's assets totalled $1.2 million as at December 31, 2013 (December 31, 2012: $1.7 million). Total assets consisted of $0.9 million in cash (December 31, 2012: $0.4 million), $0.3 million in receivables (December 31, 2012: $1.3 million), and immaterial prepaid expenses at both year ends.

A significant amount of the Company's liabilities, including accounts payable and accrued liabilities of $69.9 million as at December 31, 2013 (December 31, 2012: $91.8 million) are monetary items and have been translated from BsF to US dollars at the official exchange rate of BsF 6.30/$1.00 at December 31, 2013 and BsF 4.30/$1.00 at December 31, 2012 resulting in a significant foreign exchange gain on currency devaluation in the year.

The Company's working capital increased since December 31, 2012 to a working capital deficiency as at December 31, 2013 of $136.5 million (December 31, 2012: $162.5 million). This is primarily a result of the devaluation of the Venezuelan Bolivar in Q1 2013.

The Company did not repay the convertible loan on the June 10, 2011 maturity date and, as at December 31, 2013, the original principal and accrued and unpaid interest of $30 million and $0.75 million, respectively, continue to incur interest at 11% since June 10, 2011. As at December 31, 2013, the Loan was still in default and outstanding and carried an amount owing of $10.6 million in accrued interest. The loan is held in US dollars and is secured by share pledges over the Company's subsidiaries which prior to the Nationalization held the mining concessions for the Choco Mine and the San Rafael El Placer and Increible 6 mineral properties, but excluding the Isidora Mine. On June 14, 2012, the convertible loan lenders signed the CSA whereby they 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 under the Loan of 20% of the Loan. As at December 31, 2013 litigation success was deemed to be indeterminable and $Nil has been accrued.

The Company's cash balance of $0.9 million as at December 31, 2013 was held in bank accounts in which the Company retained full control after the Nationalization. Of this amount, $0.85 million is held in Venezuela and translated at the official exchange rate of BsF 6.30/$1.00.

On March 14, 2012, as a result of the Nationalization, the Company wrote-off the remaining balances of mineral properties and inventories. As a result of the significant asset write-downs done in 2012 and Q4 2011, as at both December 31, 2013 and 2012 the Company presents a shareholder's deficiency rather than equity on the face of its statement of financial position, as the Company's liabilities exceed the Company's assets.

7. Liquidity and Capital Resources

The Company's cash position increased $0.5 million during the year ended December 31, 2013 owing primarily to the recovery of Value Added Taxes in Venezuela. The Company had positive cash flows from operations of $0.01 million for the year ended December 31, 2013 compared to a negative cash flow of $0.5 million for the year ended December 31, 2012. The Company also had positive cash flow from financing activities of $0.4 million due to advances received from a related party.

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") on a non-recourse basis as well as funding a reasonable amount of corporate costs. Pursuant to the Litigation Funding Agreement, 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.

Since inception the Funder has approved $5.0 million in payments to the Company and its vendors as recoveries on litigation and corporate overhead costs. Of this amount $0.2 million was receivable from the Funder at December 31, 2013. This amount has been received from the Funder subsequent to year end. In addition, the Funder has incurred $0.3 million in outlays on legal and brokerage expenses that fall under the provision of the Litigation Funding Agreement.

There are material uncertainties surrounding the Nationalization and related arbitration, including, but not limited to the likelihood of reaching an amicable compensation with the Venezuelan government, the success in an arbitration proceedings against the Venezuelan government and the amount, timing and/or form of any compensation or arbitration award.

8. Outlook

As a result of the Nationalization, the Company's sole recourse has been to file a Request for Arbitration under the Additional Facility Rules of ICSID against the government of Venezuela alleging violations of the provisions of the Treaty. The Request for Arbitration was filed on July 17, 2012. In parallel the Company will continue to seek an amicable resolution with the Venezuelan government to reach an agreement for fair compensation to the Company. The Company's objective will be to diligently pursue the Arbitration Claim against the Venezuela government and to reduce the Company's general and administration expenses to a minimum so the Company's cash resources are available to fund the costs of the Arbitration Claim. Additionally the Company's CSA signed on June 14, 2012 resulted in a standstill period, subject to various clauses, with its significant equity holders and creditors for the duration of the Arbitration proceedings and until an arbitration or settlement award is collected.

9. Commitments and Contingencies

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

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 $0.3 million (C$0.3 million) cash to Gold Reserve and the Company issued common shares with a value of C$0.1 million (2,500,000 common shares at fair value of $0.04 per share).

The Company also issued a conditional promissory note in the amount of C$1.0 million 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.

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 $19.6 million. 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.

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.

Litigation Funding

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 approved $2.8 million in payments to the Company and its vendors which are net against the respective expenses on the Statements of Comprehensive Profit (Loss). As at December 31, 2013 litigation success is deemed to be indeterminable and $Nil has been accrued for the Funder's Fee.

Contingent Success Fee

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.

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.

The Company is a party to 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.

Notice of Claim

On November 13, 2012, a notice of claim was filed in the Supreme Court of British Columbia by a Venezuelan contractor that claims to be owed the equivalent of approximately $11.8 million. According to the suit, the Company hired the Venezuelan contractor through a subsidiary in August 2008, to provide mining services under a mining services agreement. Of the debt claimed, approximately $3.4 million stems from work done prior to April 2011, while the remaining amount of $8.4 million is for the period from April 2011 to January 2012. As at December 31, 2013, the Company has $9.4 million in accounts payable and accrued liabilities to this contractor (prior to bolivar currency devaluation in February 2013, the amount was $12.0 million) from amounts recorded in 2011 and through December 31, 2012.

On March 7, 2013, the Venezuelan contractor filed an amended notice of claim in which the 36.9 million Venezuelan Bolivars amount of the original claim was removed. Following this action the total claim filed with the Supreme Court of British Columbia stands at $3.4 million plus interest. It is believed this action was taken for legal and jurisdiction purposes and the Company does not believe that the contractor has abandoned its claim to the Bolivars amount.

10. Off-Balance Sheet Arrangements

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

11. 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 $(000)	December 31, 2012 $(000)
Provision for legal services	(a)	$-	$79
Provision for corporate administrative services	(b)	$67	$-

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: $79,000), related to legal services.*
b) *Included in general and administrative expenses are professional fees paid to Company C for $67,000 for the year ended December 31, 2013 (year ended December 31, 2012: $nil), related to corporate administrative services.*

Included in accounts payable and accrued liabilities are amounts due to Company A, B, and C for $0.6 million (December 31, 2012: $0.5 million). These amounts are unsecured, due on demand and non-interest bearing.

Included in accounts payable and accrued liabilities is $0.5 million (December 31, 2012: $0.4 million) 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.

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).

12. Disclosure of Outstanding Share Data

As at the date of this MD&A the Company has 532,620,623 common shares issued and outstanding and 53,045,000 outstanding and exercisable stock options and nil outstanding and exercisable warrants, to acquire an equal amount of common shares.

13. Changes in Accounting Policies

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 accompanying 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.

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).

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not yet early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its consolidated financial statements.

Accounting Standards Issued and Effective January 1, 2015

- 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 is effective for annual periods beginning on or after January 1, 2015, with earlier adoption permitted. 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.

14. INTERNATIONAL FINANCIAL REPORTING STANDARDS

The consolidated financial statements as at and for the year ended December 31, 2013 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The accounting policies have been applied to all periods presented in the consolidated financial statements and are based on the IFRS applicable as at December 31, 2013.

15. FINANCIAL INSTRUMENTS RISKS

Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge its obligations. Management does not believe the Company is exposed to any significant concentration of credit risk. Management determines concentration by the percentage of cash 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. The Company is exposed to the credit risk of Venezuelan banks, which hold cash for the Company's cash needs in Venezuela. The Company limits its exposure to this risk by maintaining BsF cash balances to fund only the short-term needs of its Venezuelan subsidiaries.

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 Company's 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 $(000)
Accounts payable and accrued liabilities	$52,266
Accrual for interest on convertible loan	10,575
Convertible loan	30,000
Accrual for employee termination benefits	9,959
Derivative financial liability	9,857
	$112,222

Market Risk

The significant market risk exposures to which the Company is exposed are interest rate risk and currency 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. The Company's interest is not tied to a variable rate.

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 profit or loss. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

There is a currency and exchange controls system in Venezuela. These government-imposed controls may adversely affect the Company as such controls limit the Company's ability to flow US dollars out of the country. As at December 31, 2013, the Company holds cash of $0.9 million (December 31, 2012: $0.4 million) in BsF.

The sensitivity of the Company's net profit (loss) from financial assets and liabilities due to changes in the exchange rate between the BsF, C$ and the US dollar is summarized below:

	As at December 31, 2013	
	25% Increase in the BsF **$(000)**	**25% Decrease in the BsF** **$(000)**
Net (loss) profit	($17,609)	$14,088

	As at December 31, 2013	
	10% Increase in the C$** **$(000)	**10% Decrease in the C$** **$(000)**
Net (loss) profit	($1)	$1

16. Other Risks and Uncertainties

Gold Price Volatility

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

Title Risk

Title to mineral properties and mining rights involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mining properties. Although the Company had investigated title to all of its mineral properties for which it held concessions or other mineral leases or licenses, prior to Nationalization the Company could not give any assurance that title to such properties would not be challenged or impugned and could not be certain that it would have valid title to its mining properties. The Company relied on title opinions by legal counsel who base such opinions on the laws of countries in which the Company operates.

Prior to Nationalization, the Company's principal mineral properties and mining rights were located in Venezuela. In 2005, the Government of Venezuela changed the mining title regime from a system where title was granted in the form of either concessions or operating contracts to a system where all new titles are granted only in the form of operating contracts. In order to effect this change, the Government created a national mining company which became the nation's contracting party covering the entire country of Venezuela. The Government also indicated that, given this change in title regime, it would also be appropriate to review all existing mining companies in a single comprehensive exercise to ensure that only companies found to be in compliance with their existing title terms and conditions would qualify for the new title.

On March 14, 2012, in accordance with the procedures outlined in the Decree, all of the Company's mining concessions and titles expired by force of the Decree and all its assets and operations reverted to the Venezuelan government who took possession and control of the assets and operations in accordance with Venezuelan law and became the new operator.

There are many material uncertainties surrounding the Nationalization, including, but not limited to, the amount of any compensation to be paid to the Company for its decrease in ownership of its Venezuelan mining assets, either through amicable settlement or agreement with the Venezuelan Government or upon receipt of an arbitration award from ICSID, the timing of receipt of any such compensation, the Company's percentage of ownership in the Mixed Enterprise, if any, and the structure of the transaction. The inability to reach a fair compensation, either through negotiation or other means, or inability to make successful collection of any such compensation could hinder the Company's ability to continue as a going concern.

The Company cannot provide assurances as to the outcome of the Arbitration Claim, which can last a number of years and its cost could be higher than what the Company originally forecasted. Also should the Company be successful in winning an award of compensation to be paid by the Venezuelan government, the Company cannot provide assurances that it would be able to enforce and collect an award of compensation which could hinder the Company's ability to continue as a going concern.

Country Risk

The Company's arbitration activities may be adversely affected by political instability and legal and economic uncertainty in Venezuela where the Company had assets and operations. The risks associated with the Company's Arbitration Claim may include political unrest, labour disputes, invalidation of governmental orders and permits, corruption, war, civil disturbances and terrorist actions, arbitrary changes in laws, regulation and policies, and taxation. Prior to Nationalization risks associated with the Company's operations may have included price controls, exchange controls, delays in obtaining or the inability to obtain necessary permits, opposition to mining from environmental or other nongovernmental organizations, limitations on foreign ownership, limitations on the repatriation of earnings, limitations on mineral exports, increased financing costs and government-imposed restrictions or conditions to the Company's gold sales in Venezuela. These risks may limit or disrupt the Company's arbitration activities, restrict the movement of funds or result in unfavourable compensation for the Nationalization. Prior to Nationalization the Company's mineral properties and mining rights were located in Venezuela.

Regulations and Permits

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

Dependence on Key Management Personnel

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

Common Share Price Volatility

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

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

17. FORWARD LOOKING STATEMENTS

Certain statements in this MD&A and certain information incorporated herein by reference constitute "forward-looking information" within the meaning of applicable securities laws. Such forward-looking information includes, without limitation, statements with respect to the future financial or operating performance of the Company, its subsidiaries, projects and arbitration proceedings, the future price of gold and other precious metals, the estimation of mineral reserves and resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, reserve determination and reserve conversion rates. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes" or variations of such words and phrases or words and phrases that state or indicate that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. While the Company has based these statements on its expectations about future events as at the date that such information was prepared, the statements are not guarantees of the Company's future performance and are subject to risks, uncertainties, assumptions and other factors which could cause actual results to differ materially from future results expressed or implied by such forward-looking information. The estimates and assumptions of the Company contained or incorporated by reference in this MD&A which may prove to be incorrect, include, but are not limited to: (1) the exchange rate between the C$, the BsF and the US dollar being approximately consistent with current levels; (2) certain price assumptions for gold (3) availability and sufficiency of litigation funding to actively pursue Arbitration; (4) corporate overhead costs and litigation spending remain within the Company's expectations; and (5) the CSA remains in effect throughout the Arbitration.

Known and unknown factors could cause actual results or events to differ materially from those projected in the forward-looking statements. Such factors include, but are not limited to, fluctuations in the currency markets; fluctuations in the spot and forward price of gold or certain other commodities (such as diesel fuel and electricity); changes in interest rates; disruption to the credit markets and delays in obtaining financing; inflationary pressures; changes in national and local government legislation, taxation, controls, regulations and political or economic developments in Canada, Venezuela or other countries in which the Company does or may carry on business; business opportunities that may be presented to, or pursued by the Company; the Company's ability to successfully integrate acquisitions; operating or technical difficulties in connection with mining or development activities; actual results of exploration activities; the possibility of cost overruns or unanticipated expenses; employee relations; illegal miners; the speculative nature of gold exploration and development, including the risks of obtaining and renewing necessary licenses and permits; the impact of Venezuelan law on the Company's operations; diminishing quantities or grades of reserves; adverse changes in the Company's credit rating; contests over title to properties particularly title to undeveloped properties; the occurrence of natural disasters, hostilities, acts of war or terrorism; corruption and uncertain legal enforcement; requests for improper payments; on the Company’s ability to market gold produced and on its results of operations; on the Company’s ability to obtain necessary authorizations from the CBV to export gold and on the Company’s ability to retain any portion of the funds from sales of exported gold outside of Venezuela; on the ability to access SITME which impact the Company’s ability to obtain US dollars to fund operating and capital expenditures; the result or outcome of management’s efforts to remediate the potential implications of the transactions that were not in compliance with certain Venezuelan laws and regulations. In addition, there are risks and hazards associated with the business of gold exploration, development and mining, including environmental hazards, industrial accidents, unusual or unexpected formation, pressures, cave-ins, flooding and gold bullion losses (and the risk of inadequate insurance, or inability to obtain insurance to cover these risks). All of the forward-looking statements made in or incorporated by reference in this MD&A are qualified by these cautionary statements and those made in the section of this MD&A entitled “Financial Instruments Risks” and "Other Risks and Uncertainties".

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