RUSORO MINING LTD.

Condensed Interim Consolidated Financial Statements
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016
(Expressed US dollars, except per share amounts)
(Unaudited)

Notice of Disclosure of Non-auditor Review of the Condensed Interim Consolidated Financial Statements for the three and six months ended June 30, 2017.

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company for the interim period ended June 30, 2017, have been prepared in accordance with the International Accounting Standard 34 – *Interim Financial Reporting* as issued by the International Accounting Standards Board and are the responsibility of the Company's management.

The Company's independent auditors, Grant Thornton LLP, have not performed a review of these interim financial statements.

Dated this 29 day of August, 2017

(Expressed in US dollars, except per share amounts)

	June 30, 2017	December 31, 2016
ASSETS		
Current Assets		
Cash	$ 1,197,994	$ 1,968,843
Receivables	2,823	5,413
Prepaids	11,414	3,437
	$ 1,212,231	$ 1,977,693
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities (Note 3)	$ 37,405,021	$ 38,943,312
Convertible loan (Note 6)	29,750,000	30,000,000
Decommissioning and restoration provision (Note 5)	509,167	954,074
Derivative financial liability (Note 4)	14,785,463	13,006,348
Income taxes payable	6,313	24,738
Other current provisions	5,203	20,384
Promissory notes payable (Note 7)	5,503,620	3,398,126
	87,964,787	86,346,982
SHAREHOLDERS' DEFICIENCY		
Issued capital	738,026,817	737,124,445
Contributed surplus	65,997,068	64,864,064
Deficit	(871,106,974)	(866,688,331)
	(67,083,089)	(64,699,822)
Non-controlling interests	(19,669,467)	(19,669,467)
	(86,752,556)	(84,369,289)
	$ 1,212,231	$ 1,977,693

Nature of operations (Note 1)
Basis of presentation and going concern assumption (Note 2)
Contingencies (Note 14)

Approved by the Board of Directors and authorized for issue on August 29, 2017:

"Andre Agapov" Director

"Gordon Keep" Director

See accompanying notes to the unaudited condensed interim consolidated financial statements.

(Expressed in US dollars, except per share amounts)

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	**2017**	2016
OPERATING EXPENSES				
General and administrative, net of recoveries (Note 9)	$ 309,566	$ 176,334	$ 363,855	$ 322,518
Foreign exchange (gain) loss	74,779	(23,711)	(130,926)	103,561
Stock based compensation (Note 8)	-	-	1,480,006	-
LOSS FROM OPERATIONS	(384,345)	(152,623)	(1,712,935)	(426,079)
Interest on convertible loan (Note 6)	1,557,322	1,420,390	3,087,170	2,802,866
Interest on gold sale contract (Note 4)	385,404	758,173	773,293	1,696,199
Loss (gain) on revaluation of gold sale contract (Note 4)	(92,814)	672,835	1,005,821	1,790,684
Increase in decommissioning and restoration provision (Note 5)	611,300	-	1,038,944	803,885
Gain on transfer of convertible loan (Note 6)	-	-	(1,331,691)	-
Foreign exchange gain on currency devaluation (Note 2(b))	(1,774,192)	(1,536,166)	(1,870,329)	(2,654,344)
	687,020	1,315,232	2,703,208	4,439,290
NET LOSS AND COMPREHENSIVE LOSS	(1,071,365)	(1,467,855)	(4,416,143)	(4,865,369)
Attributable to:				
Equity shareholders of the Company	(1,071,365)	(1,467,855)	(4,416,143)	(4,865,369)
	$ (1,071,365)	$ (1,467,855)	$ (4,416,143)	$ (4,865,369)
LOSS PER SHARE				
Basic and diluted	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.01)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - Basic and diluted	544,770,623	532,666,479	544,683,401	532,666,479

See accompanying notes to the unaudited condensed interim consolidated financial statements.

(Expressed in US dollars, except per share amounts)

	Issued capital Shares	Issued capital Amount	Contributed surplus	Deficit	Non-controlling interests	Shareholders' Deficiency
Balance, December 31, 2015	532,620,623	$ 736,385,169	$ 65,158,974	$ (858,589,828)	$ (19,669,467)	$ (76,715,152)
Exercise of stock options	25,000	5,097	(5,097)	-	-	-
Share-based compensation	-	-	12,084	-	-	12,084
Comprehensive loss	-	-	-	(4,865,369)	-	(4,865,369)
Balance, June 30, 2016	532,645,623	$ 736,390,266	$ 65,165,961	$ (863,455,197)	$ (19,669,467)	$ (81,568,437)
Exercise of stock options	6,075,000	734,179	(301,937)	-	-	432,242
Share-based compensation	-	-	40	-	-	40
Comprehensive loss	-	-	-	(3,235,634)	-	(3,235,634)
Balance, December 31, 2016	538,720,623	$ 737,124,445	$ 64,864,064	$ (866,690,831)	$ (19,669,467)	$ (84,371,789)
Exercise of stock options	6,050,000	902,372	(347,002)	-	-	555,370
Share-based compensation	-	-	1,480,006	-	-	1,480,006
Comprehensive loss	-	-	-	(4,416,143)	-	(4,416,143)
Balance, June 30, 2017	544,770,623	$ 738,026,817	$ 65,997,068	$ (871,106,974)	$ (19,669,467)	$ (86,752,556)

See accompanying notes to the unaudited condensed interim consolidated financial statements.

	Six months ended June 30, 2017	2016
CASH DERIVED FROM (USED IN)		
OPERATING ACTIVITIES		
Net loss for the period	$ (4,416,143)	$ (4,865,369)
Adjustments for items not involving cash:		
Share-based compensation	1,480,006	12,084
Interest on gold sale contract	773,293	1,696,199
Interest on convertible loan	3,087,170	2,802,866
Increase in decomissioning and restoration provision	1,038,944	803,885
Foreign exchange gain on currency devaluation	(1,870,329)	(2,654,344)
Loss on revaluation of gold sale contract	1,005,821	1,790,684
Gain on retirement of convertible debt	(290,441)	-
Changes in non-cash working capital items (Note 12)	(4,065,034)	326,216
	(3,256,713)	(87,779)
FINANCING ACTIVITIES		
Proceeds on stock options exercised	555,370	10,000
Proceeds from promissory notes payable	2,105,494	-
Purchase of convertible debt	(175,000)	-
Advances from related parties	-	83,473
	2,485,864	93,473
Foreign exchange effect on cash	-	(1)
INCREASE (DECREASE) IN CASH	(770,849)	5,693
Cash – beginning of period	1,968,843	36,153
Cash – end of period	$ 1,197,994	$ 41,846

Supplemental cash flow information (Note 12)

See accompanying notes to the unaudited condensed interim consolidated financial statements.

1. NATURE OF OPERATIONS

Rusoro Mining Ltd. (the “Company” or “Rusoro”) was incorporated under the laws of the Province of British Columbia on March 1, 2000. The registered office of the Company is 1500-1055 West Georgia Street, Vancouver, British Columbia and the corporate headquarters is located at 3123-595 Burrard Street, Vancouver, British Columbia, Canada. The principal business activities of the Company are the operation, acquisition, exploration and development of gold mining and mineral properties.

The Company received mining concessions in Venezuela for the exploration, development and exploitation of alluvial and vein gold. Until March 14, 2012, the Company owned two producing gold mines in Venezuela. It held a 95% ownership interest in the Choco 10 mine (the “Choco Mine”) which was acquired on November 30, 2007 and a 50% ownership interest in the Isidora mine (the “Isidora Mine”) which was acquired on December 23, 2008. The Company operated the Isidora Mine under a joint venture agreement with the Venezuelan government (Note 14).

On September 16, 2011, the Venezuelan government, through publication in the Official Gazette of Venezuela, enacted a law-decree (the “Decree") reserving the government of Venezuela exclusive rights over the extraction of gold in Venezuela (the “Nationalization”). The Decree mandated the expiration of all mining concessions held by the Company and their reversal to the Venezuelan government except for those in which the Company and the Venezuelan government agree to continue operating jointly in the form of a mixed-interest enterprise (the “Mixed Enterprise’’) and in which the Company could not own more than a 45% share participation.

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

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

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

Also in June 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 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 continued to have complete control over the conduct of the international arbitration proceedings, insofar as the proceedings relate to the Company's claims, and continued to have the right to settle with the Respondent, discontinue proceedings, pursue the proceedings to trial and take any action Rusoro considers appropriate to enforce judgment.

The Litigation Funding Agreement provides contingent consideration to the Funder and other select parties as described in Note 14 and resulted in an amendment to the terms of the Gold Sale Contract adding an annual interest rate of 11% (Note 4).

1. NATURE OF OPERATIONS (Continued)

On August 22, 2016, the Arbitral Tribunal ("Tribunal") operating under the ICSID Additional Facility Rules, awarded ("the Award") the Company compensation of $967.77 million plus pre and post award interest which currently equates to in excess of $1.2 billion. No value has been accrued for the Award as at June 30, 2017, as the final settlement amount and the timing of the receipt of the Award is uncertain.

In its Award, the Tribunal upheld the Company's claims that Venezuela breached its obligations under the Treaty by unlawfully expropriating the Company's investments without paying compensation and by imposing certain restrictions on the export of gold. As a result of these breaches, the Tribunal ordered Venezuela to pay compensation of $967.77 million as of the date of the expropriation (16 September 2011), together with interest accrued between that date and the date of actual payment, calculated at a rate p.a. equal to US$ Libor for one year deposits, plus a margin of 4%, to be compounded annually. The amounts awarded must be paid net of any taxes imposed by Venezuela. The Tribunal also ordered Venezuela to contribute $3.3 million towards Rusoro's costs in the arbitration.

The Award is due and payable immediately and Rusoro expects that Venezuela will comply with its international obligations and make payment of the Award. The Award is immediately enforceable in any of the over 150 member states party to the New York Convention.

Rusoro has received notice that the Bolivarian Republic of Venezuela ("Venezuela") had brought an application before the Paris Court of Appeal on October 19, 2016 to set aside ("recours en annulation") the Award, which was filed by Venezuela in 2017. Rusoro has instructed Freshfields Bruckhaus Deringer to represent it in these proceedings, with the support of a special correspondent.

The Company's cash balance of $1,197,994 as at June 30, 2017, is held in bank accounts in which the Company retained full control after the Nationalization.

2. BASIS OF PRESENTATION AND GOING CONCERN ASSUMPTION

a) Basis of Presentation

The unaudited condensed interim consolidated financial statements ("interim financial statements") have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting on a basis consistent with the accounting policies disclosed in the audited consolidated financial statements for the fiscal year ended December 31, 2016. Hence, these interim financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the fiscal year ended December 31, 2016, which include information necessary or useful to understanding the Company's business and financial statement presentation. In particular, the Company's significant accounting policies were presented in the audited consolidated financial statements for the fiscal year ended December 31, 2016, and have been consistently applied in the preparation of these interim financial statements. The policies applied in these interim financial statements are based on IFRS issued and outstanding as of August 29, 2017, the date the Board of Directors approved the interim financial statements.

b) Foreign Currency Translation

In February 2016, the Venezuelan government replaced the SIMADI exchange rate mechanism with the DICOM free floating exchange rate mechanism, which was further modified in May 2017. The DICOM exchange rate at June 30, 2017 was 2,690 BsF to the US dollar.

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

c) Going Concern Assumption

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

In March 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.

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

1) In August 2016, the Tribunal operating under the ICSID Additional Facility Rules, awarded the Company compensation of $967.77 million plus pre and post award interest which equated to in excess of $1.2 billon;
2) The Company continues to seek enforcement and collection of the Award and to negotiate the settlement of the Award with the Venezuelan government to reach mutually agreed-upon terms, including fair compensation paid to the Company which will be sufficient for the Company to repay all its outstanding liabilities;
3) In June 2012, the Company entered into the Litigation Funding Agreement whereby the Funder agreed to assist in the funding of Rusoro's legal costs in relation to the international arbitration proceedings against Venezuela on a non-recourse basis and funding of the Company's expected operating expenditures; and
4) Related to the Litigation Funding Agreement, the Company entered into the CSA with significant equity holders and creditors who agreed not to take any steps or actions to exercise their rights and remedies against the Company until the expiration of a standstill period, subject to various clauses.

There are material uncertainties surrounding the Nationalization (Note 1), including, but not limited to the timing and/or form of any compensation related to the Award. Management is making efforts to work with vendors and potential creditors not covered by the CSA to have them forbear on demanding currently due amounts while it pursues the above-mentioned courses of action. There is, however, no assurance that the sufficient sources of funding described above will be available to the Company, that they will be available on terms and a timely basis that are acceptable to the Company, or that the Company will be able to secure additional funding.

These financial statements have been prepared on the basis of a going concern, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. As at June 30, 2017, the Company had a net working capital deficiency (current assets minus current liabilities) of $86,752,556. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported expenses and the statement of financial position classifications used that would be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

(Expressed in US dollars, except per share amounts)

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

d) Basis of Consolidation

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

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

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

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

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

e) Accounting Standards Issued But Not Yet Effective

Financial instruments
The IASB intends to replace IAS 39 – Financial Instruments: Recognition and Measurement in its entirety with IFRS 9 – Financial Instruments ("IFRS 9") which will be effective for annual periods commencing on or after January 1, 2018. IFRS 9 is intended to reduce the complexity for the classification and measurement of financial instruments.

Revenue
The IASB issued IFRS 15 - Revenue from Contracts with Customers, which replaces IAS 18 - Revenue, IAS 11 - Construction Contracts, and related interpretations. The standard is required to be adopted either retrospectively or using a modified transition approach for fiscal years beginning on or after January 1, 2018, with earlier adoption permitted.

Leases
In January 2016, the IASB issued IFRS 16, Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of a low value. The mandatory effective date of IFRS 16 for the Company is for the annual period beginning on or after July 1, 2019.

The Company has not yet early adopted these standards and is assessing the impact upon the implementation of these standards but they are not expected to have a material impact.

3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2017	December 31, 2016
Financial liabilities		
Accounts payable and accrued liabilities	$7,092,459	$8,294,684
Accrual for termination benefits	23,766	93,114
Accrual for interest on convertible loan (Note 6)	28,828,067	26,206,337
Due to related parties (Note 10)	1,460,729	4,349,177
	$37,405,021	$38,943,312

No accounts payable or accrued liability is identified as a non-financial liability. During the six months ended June 30, 2017 $352,872 (December 31, 2016, $1,132,970) was recorded as a foreign exchange gain related to the devaluation of the Venezuelan currency.

4. DERIVATIVE FINANCIAL LIABILITY

In 2010 the Company received $6,973,000 from a gold buyer, Vicolven Enterprises Inc. ("Vicolven") in exchange for the delivery of 7,300 ounces of finished gold in 2011 and the commitment to issue 12,400,000 share-purchase warrants. No gold has been delivered with respect to this contract. In February 2011, the Company paid Vicolven a portion of the amount owing in US dollars in lieu of delivery of 700 ounces (as permitted by Vicolven) for a total of $711,000. In relation to the Company's commitment to issuing 12,400,000 share-purchase warrants, the $330,000 value associated with these committed share-purchase warrants has been deducted from the proceeds of $6,973,000 resulting in a net amount of $6,643,000.

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

(Expressed in US dollars, except per share amounts)

4. DERIVATIVE FINANCIAL LIABILITY (Continued)

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

Since the contract will be paid in cash in lieu of gold, and will no longer qualify for the own use exemption, it has been reclassified from deferred revenue to a derivative financial instrument. As of June 30, 2017, 11,912 (December 31, 2016 – 11,291) ounces of finished gold were still outstanding and valued at fair market value using the spot price of gold on June 30, 2017, of $1,241 (December 31, 2016 - $1,152) per ounce. Included in this amount is the principal amount of 6,642 gold ounces plus cumulative accrued interest of 5,270 (December 31, 2016 – 4,649) gold ounces for the period January 1, 2012, through June 30, 2017.

	June 30, 2017	December 31, 2016
Balance, beginning of period	$13,006,348	$10,792,767
Change in fair value	1,005,821	603,757
Fair value of interest expense	773,293	1,609,824
Balance, end of period	$14,785,463	$13,006,348

5. DECOMMISSIONING AND RESTORATION PROVISION

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

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

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

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

	June 30, 2017	December 31, 2016
Balance, beginning of period	$954,074	$1,318,905
Change in estimate of future cash flows	(444,907)	(364,831)
Balance, end of period	$509,167	$954,074

5. DECOMMISSIONING AND RESTORATION PROVISION (Continued)

Due to the expiry by force of the Decree and reversal to the Venezuelan government of all of the Company's mining concessions on March 14, 2012, the Company's decommissioning and restoration provision became an on-demand liability on that date as opposed to be payable in accordance with the Company's long-term closure plan. Consequently as at June 30, 2017 and December 31, 2016, decommissioning and restoration provision was classified as current.

The decrease of $444,907 during the period ended June 30, 2017, relates to a revision of the estimated future cash flows due to the devaluation of the Venezuelan currency of $(1,483,851) (December 31, 2016 - $(2,279,889)) and an increase in expected inflation of $1,038,944 (December 31, 2016 - $1,915,058).

6. CONVERTIBLE LOAN

In June 2008, the Company entered into an $80,000,000 principal amount Convertible Loan (the "Loan") with a two year term and 10% annual interest to fund the acquisition of various Venezuelan mineral interests. During the years ended December 31, 2009 and 2010 the Company made various repurchases and restructured the Loan resulting in a reduced principal amount of $30,000,000. During the year ended December 31, 2011 the conversion option expired and the Company defaulted on the Loan; in addition, the Loan now bears interest at 11%, compounded quarterly.

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

As at June 30, 2017, the loan was still in default and outstanding and carried an amount owing of $28,828,067 (December 31, 2016 - $26,206,337) in accrued interest.

During the period ended June 30, 2017, the Company's existing convertible loan of $30,000,000 was transferred to a new group of investors. The Company bought $250,000 of this debt at a cost of $175,000, and thus retired debt plus accrued interest totalling $465,441, for a gain of $290,441. The remaining $29,750,000 is still in default, however the new investors have become parties to the CSA. The Company also received a partial commission on the transfer of the debt of $1,041,250, which combined with the gain on the retirement of the $250,000 results in a total gain on transfer of convertible loans of $1,331,691.

7. PROMISSORY NOTES PAYABLE

During the year ended December 31, 2016, the Company issued non-interest bearing promissory notes for subscription proceeds of $3,398,126. The notes will become due and payable as to three times their subscription amount on the date that is ninety days from the date that the Company receives its first payment from the Venezuela government in respect of the Award issued in August 2016. Proceeds of the note financing received as at December 31, 2016 have been used to settle existing debt of approximately $1,558,126 and the balance for working capital.

During the period ended June 30, 2017, the Company issued additional promissory notes payable for subscription proceeds of $2,105,494. The notes will become due and payable as to three times their subscription amount on the date that is ninety days from the date that the Company receives its first payment from the Venezuelan government in respect of the Award issued in August 2016.

(Expressed in US dollars, except per share amounts)

8. EQUITY

a. Authorized Share Capital of the Company

Unlimited number of common shares and preferred shares without par value.

b. Share-based Payments

In December 2016, the Company adopted a rolling share option plan available to its directors, officers, consultants and key employees. The option plan reserves for issuance, pursuant to the exercise of share options, is limited to not more than 10% of the issued common shares of the Company at the time of grant. Options are non-transferable and may have a term of up to 10 years from the date of issue. Amount of options, vesting terms, conditions and exercise price are determined by the board of directors at the time of grant.

The following share options were outstanding and exercisable at June 30, 2017:

Exercise Prices	Number of Options Outstanding & Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)
C$0.05	9,430,000	C$0.05	5.74
C$0.17	14,825,000	C$0.17	9.60
C$0.20	3,290,000	C$0.17	3.18
C$0.60	11,000,000	C$0.60	1.81
C$1.31 – C$1.55	11,125,000	C$1.31	0.99
C$2.12 – C$2.30	4,550,000	C$2.23	0.28
	54,220,000	C$0.48	4.41

Share option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2016	45,645,000	C$0.71
Stock options exercised	(6,050,000)	C$0.11
Stock options granted	14,825,000	C$0.17
Balance, June 30, 2017	54,420,000	C$0.48

During the period, 6,050,000 stock options were exercised for proceeds of $555,370 (C$806,500). In addition, 14,825,000 options were granted with a value of $1,480,006, or C$0.13 per option, calculated with the following assumptions: expected volatility of $75%, expected life of 10 years, interest rate of 1.13% and an expected dividend yield of nil.

9. RECOVERIES FROM LITIGATION FUNDING

	Six months ended June 30, 2017	2016
General and administrative expense	$763,855	$-
Recoveries	(400,000)	-
	$363,855	$-

(Expressed in US dollars, except per share amounts)

10. RELATED PARTY TRANSACTIONS

a. 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.

	Six months ended June 30,	
	2017	2016
Provision of corporate administrative services	$59,587	$37,600
	$59,587	$37,600

Included in accounts payable and accrued liabilities (Note 3) are amounts due to Company A, B, and C for $521,960 (December 31, 2016: $521,960). These amounts are unsecured, due on demand and non-interest bearing.

Included in accounts payable and accrued liabilities (Note 3) is $788,769 (December 31, 2016: $750,570) owed to the CEO of the Company and a company owned by the CEO of the Company, and $150,000 (December 31, 2016: $150,000) owed to a director of the Company for a non-interest bearing loan with no fixed maturity date. These loans are to be repaid with a contingent success fee upon successful completion of the litigation. As at June 30, 2017, litigation success is deemed to be indeterminable and $nil has been accrued for the contingent success fee.

b. Compensation of Management and Directors

The remuneration of the directors and key management personnel during the six months ended June 30, 2017 and 2016 was as follows:

	Six months ended June 30,	
	2017	2016
Salary and directors fees	$170,000	$195,000
Stock based compensation	$1,227,931	-
	$1,397,931	$195,000

(Expressed in US dollars, except per share amounts)

11. CAPITAL MANAGEMENT DISCLOSURES

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

As at June 30, 2017, capital, as defined above was a deficit of $86,752,556 (December 31, 2016: deficit of $84,369,289). The Company manages its capital structure and makes adjustments to it in light of changes in its economic environment and the risk characteristics of the Company's assets. To effectively manage its capital requirements, the Company plans its funding needs in advance to ensure the Company has liquidity to meet its objectives.

12. SUPPLEMENTAL CASH FLOW INFORMATION

	Six months ended June 30,	
	2017	**2016**
CHANGES IN NON-CASH WORKING CAPITAL ITEMS		
Receivables and prepaid expenses	($5,388)	$1,882
Accounts payable and accrued liabilities	(4,059,646)	324,334
	($4,065,034)	$326,216

13. JOINT OPERATION

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

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

	June 30, 2017	December 31, 2016
Liabilities		
Current liabilities	$38,606	$154,114

The decrease in liabilities relates to devaluation of the Venezuelan currency.

14. CONTINGENCIES

i. Gold Reserve Lawsuit

Pursuant to a settlement in 2012, with the Company issued a conditional promissory note in the amount of C$1,000,000. 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 Company considers the litigation to be successful when appropriate financial compensation has been received. 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, and Litigation Funding Agreement, and (b) the rights of the Funder and Freshfields Bruckhaus Deringer US LLP under a Priorities Agreement. No value has been accrued for the promissory note as at June 30, 2017, as litigation success is deemed indeterminable.

ii. Non-compliance

During June 2010, the Company entered into transactions in the normal course of operations that were not in compliance with certain Venezuelan laws and regulations. As a result of this non-compliance, the Company may be subject to fines to a maximum of $19,600,000 and/or denial of the Company's ability to generate revenues. No amount has been accrued in these consolidated financial statements in connection with this matter since the outcome cannot be determined at this time. Also, based on the information currently available, an estimate of financial impact cannot be reasonably made.

iii. Litigation Funding Agreement

Under the terms of the privileged Litigation Funding Agreement, the Company has given certain warranties and covenants to the Funder. In consideration for the provision of arbitration financing, Rusoro has agreed to pay to the Funder a portion of any final settlement of the arbitration claim against the Respondent (the "Funder's Fee"). The Funder's Fee shall only become payable upon a final settlement of the arbitration claim and the value of the Funder's Fee is dependent upon a number of variables including the value of any settlement and the length of time taken to reach a settlement. The agreement also provides that the amount of the Funder's Fee shall not exceed the amount of the aggregate proceeds of the arbitration claim under any circumstances. See Note 9 for details of recoveries received under the Litigation Funding Agreement.

iv. Contingent Success Fees

In addition to the Litigation Funding Agreement the Company has also provided contingent success fees to select stakeholders, including the Lenders of the Convertible Loan and the board of directors and management of the Company, in consideration for their discounted services or forgiveness of select obligations. The terms, clauses, and priority of the contingent fee agreements are varied, but generally provide each party a contingent success fee based on successful outcome of the litigation and final settlement. Management estimates the aggregate potential exposure related to these contingent success fees will not exceed 15% of the Award. As at June 30, 2017 litigation success is deemed to be indeterminable and $nil has been accrued.

v. 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

14. CONTINGENCIES (Continued)

v. Trust and Contribution Agreements (continued)

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 June 30, 2017 none of the Transaction criteria had been met and $nil had been paid to the Trust.

In October 2012, the Company entered into a trust agreement and a contribution agreement whereby it has agreed to pay to a trust established for the board of directors and management of the Company a success fee equal to 2% of the proceeds received by the Company in respect of the legal proceedings it has commenced against the Venezuelan Government to obtain compensation for the nationalization of the Company's gold assets in Venezuela.

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 June 30, 2017 none of the proceedings criteria had been met and $nil had been paid to the Trust.

vi. 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.

15. FINANCIAL INSTRUMENTS

a. Financial Assets and Liabilities

The Company's financial instruments consist of the following: cash, receivables, accounts payable and accrued liabilities, a convertible loan, a derivative financial liability ("gold delivery contract") (Note 4) and promissory notes payable.

The carrying amounts of cash, receivables accounts payable and accrued liabilities, and promissory notes payable are considered to be reasonable approximations of their fair values due to the short-term nature of these instruments. The gold delivery contract is marked to market at each reporting period based on the current spot price of gold and the number of gold ounces owing to the gold buyer (Note 4), and as such, is a reasonable approximation of the fair value. Management reviewed all significant financial instruments held by the Company and determined that no significant differences between fair value and carrying value existed as at June 30, 2017.

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into a hierarchy based on the degree to which the fair value is observable. Level 1 fair value measurements are derived from unadjusted, quoted prices in active markets for identical assets or liabilities. Level 2 fair value measurements are derived from inputs other than quoted prices included within Level 1 that are observable

15. FINANCIAL INSTRUMENTS (Continued)

a. Financial Assets and Liabilities (continued)

for the asset or liability directly or indirectly. Level 3 fair value measurements are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The gold delivery contract, being a derivative financial liability, is measured using Level 2 inputs.

b. Financial Instrument Risk Exposure

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

i. Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge its obligations. Management does not believe the Company is exposed to any significant concentration of credit risk as all of its cash is held with Canadian banks.

ii. Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet its obligations associated with financial liabilities as they fall due. The Company manages liquidity risk by monitoring cash and other financial resources available to meet its maturing obligations. The Company currently has a working capital deficiency of $86,752,556.

iii. Market Risk

(a) Interest Rate Risk

Interest rate risk is the risk that the future cash flows and fair values of the Company's financial instruments will fluctuate because of changes in market interest rates. The majority of the Company's financial instruments, if applicable, have fixed interest rates and therefore management does not believe the Company is exposed to any significant concentration of interest rate risk.

(b) Currency Risk

Currency risk is the risk that the value of the Company's financial instruments will fluctuate due to changes in foreign exchange rates. The Company is exposed to currency risk as the Company's financial assets and liabilities include items denominated in BsF and C$.

Changes in the applicable exchange rate may result in a decrease or increase in foreign exchange gains or losses recognized in profit or loss. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

The Company's Venezuelan operations and cash holdings are currently subject to currency and exchange controls. These government-imposed controls may adversely affect the Company as such controls limit the Company's ability to flow US dollars out of the country for US dollar operating and capital expenditures.

As at June 30, 2017, the Company had a net monetary liability position of $132,451 (December 31, 2016: $518,928) denominated in Venezuelan Bolivars.