



**RUSORO MINING LTD.**

**Unaudited Condensed Interim Consolidated Financial Statements**

**For the six months ended June 30, 2023 and 2022**

**(Expressed in US dollars)**

**NOTICE OF NO AUDITOR REVIEW**

The accompanying unaudited condensed interim consolidated financial statements of Rusoro Mining Ltd. have been prepared by and are the responsibility of the Company's management. In accordance with National Instrument 51-102, the Company discloses that its independent auditor has not performed a review of these unaudited interim condensed consolidated financial statements.

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**RUSORO MINING LTD.**  
**Condensed Interim Consolidated Statements of Financial Position**  
**(Unaudited, Expressed in US dollars)**



Note	June 30, 2023	December 31, 2022
	\$	\$
<b>Current Assets</b>		
Cash	1,955,433	36
GST recoverable	3,604	7,338
Prepays	19,699	13,749
	<u>1,978,736</u>	<u>21,123</u>
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	3 99,200,488	91,798,703
Convertible loan	6 29,750,000	29,750,000
Decommissioning and restoration provision	5 6,750,354	3,960,502
Derivative financial liability	4 42,354,710	38,153,738
Promissory notes payable	7 7,558,620	5,503,620
	<u>185,614,172</u>	<u>169,166,563</u>
<b>Shareholders' Deficiency</b>		
Issued capital	739,302,419	738,950,653
Contributed surplus	67,823,353	67,814,314
Deficit	<u>(971,091,741)</u>	<u>(956,240,940)</u>
	<u>(163,965,969)</u>	<u>(149,475,973)</u>
Non-controlling interests	<u>(19,669,467)</u>	<u>(19,669,467)</u>
	<u>(183,635,436)</u>	<u>(169,145,440)</u>
	<u>1,978,736</u>	<u>21,123</u>

Nature of operations (Note 1)  
Basis of presentation and going concern assumption (Note 2)  
Contingencies (Note 13)  
Subsequent events (Note 15)

Approved on behalf of the Board:

/s/"Andre Agapov"

Director

/s/"Gordon Keep"

Director

See accompanying notes to the condensed interim consolidated financial statements.

**RUSORO MINING LTD.**  
**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**  
**(Unaudited, Expressed in US dollars)**



	Note	Three months ended June 30,		Six months ended June 30,	
		2023	2022	2023	2022
		\$	\$	\$	\$
Operating expenses					
General and administrative, net of recoveries	9	1,032,405	884,300	1,685,923	1,077,347
Foreign exchange (gain) loss		(38,310)	(64,240)	255,879	(49,246)
Share based compensation	7	9,039	-	9,039	-
		(1,003,134)	(820,060)	(1,950,841)	(1,028,101)
Other items					
Interest on convertible loan	6	3,010,075	2,679,262	5,909,135	5,316,324
Interest on gold sale contract	4	821,514	941,833	1,959,226	1,946,044
Loss (gain) on revaluation of gold sale contract	4	(975,756)	(2,330,657)	2,241,747	(286,568)
Decommissioning and restoration provision and currency devaluation	5	1,390,807	(139,975)	2,789,852	1,057,588
		4,246,640	1,150,463	12,899,960	8,033,388
<b>Net loss and comprehensive loss</b>		<b>(5,249,774)</b>	<b>(1,970,523)</b>	<b>(14,850,801)</b>	<b>(9,061,489)</b>
Attributable to:					
Equity shareholders of the Company		(5,249,774)	(1,970,523)	(14,850,801)	(9,061,489)
Loss per share					
Basic and diluted		(0.01)	(0.00)	(0.03)	(0.02)
Weighted average number of shares outstanding - Basic and diluted					
		572,025,290	544,820,623	568,467,956	544,815,623

See accompanying notes to the condensed interim consolidated financial statements.

**RUSORO MINING LTD.**  
**Condensed Interim Consolidated Statements of Changes in Equity**  
**(Unaudited, Expressed in US dollars)**



	Number of Shares	Share Capital	Contributed Surplus	Deficit	Non-Controlling Interests	Shareholders' Deficiency
		\$	\$	\$	\$	\$
Balance, December 31, 2021	544,810,623	738,028,283	67,530,382	(937,554,799)	(19,669,467)	(151,665,601)
Exercise of share options	100,000	3,880	-	-	-	3,880
Net loss and comprehensive loss	-	-	-	(9,061,489)	-	(9,061,489)
<b>Balance, June 30, 2022</b>	<b>544,910,623</b>	<b>738,032,163</b>	<b>67,530,382</b>	<b>(946,616,288)</b>	<b>(19,669,467)</b>	<b>(160,723,210)</b>
Balance, December 31, 2022	564,910,623	738,950,653	67,814,314	(956,240,940)	(19,669,467)	(169,145,440)
Exercise of share options	7,360,000	351,766	-	-	-	351,766
Issuance of finders warrants	-	-	9,039	-	-	9,039
Net loss and comprehensive loss	-	-	-	(14,850,801)	-	(14,850,801)
<b>Balance, June 30, 2023</b>	<b>572,270,623</b>	<b>739,302,419</b>	<b>67,823,353</b>	<b>(971,091,741)</b>	<b>(19,669,467)</b>	<b>(183,635,436)</b>

See accompanying notes to the condensed interim consolidated financial statements.

**RUSORO MINING LTD.**  
**Condensed Interim Consolidated Statements of Cash Flows**  
**(Unaudited, Expressed in US dollars)**



	Note	Six months ended June 30,	
		2023	2022
		\$	\$
<b>OPERATING ACTIVITIES</b>			
Net loss and comprehensive loss		(14,850,801)	(9,061,489)
Adjustments for items not involving cash:			
Interest on gold sale contract	4	1,959,226	1,946,044
Interest on convertible loan	6	5,909,135	5,316,324
Decommissioning and restoration provision and foreign currency devaluation	5	2,789,852	1,057,588
Gain on revaluation of gold sale contract	4	2,241,747	(286,568)
Changes in non-cash working capital items		1,989,797	1,029,054
		38,956	953
<b>FINANCING ACTIVITIES</b>			
Proceeds on share options exercised		-	3,880
Proceeds from promissory notes payable, net of issue costs		1,916,441	-
		1,916,441	3,880
Change in cash		1,955,397	4,833
Cash – beginning		36	136
Cash – ending		1,955,433	4,969

See accompanying notes to the condensed interim consolidated financial statements.

## **1. NATURE OF OPERATIONS**

Rusoro Mining Ltd. (the "Company"), was incorporated under the laws of the Province of British Columbia on March 1, 2000. The registered office of the Company is 3200-650 West Georgia Street, Vancouver, British Columbia, Canada and the corporate headquarters is located at 3123-595 Burrard Street, Vancouver, British Columbia, Canada. The principal business activities of the Company are the operation, acquisition, exploration and development of gold mining and mineral properties.

The Company received mining concessions in Venezuela for the exploration, development and exploitation of alluvial and vein gold. 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 12).

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 13 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 combined equates to in excess of \$1.79 billion as of June 30, 2023. No value has been accrued for the Award as at June 30, 2023, as the ultimate receipt, 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 (September 16, 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.

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

In December 2017, the Company amended its Litigation Funding Agreement and was provided with additional litigation funding of \$7 million, which is intended to continue the Company’s efforts to enforce the Award.

In October 2018, the Company executed a settlement agreement (“Settlement Agreement”) with the Venezuelan government whereby the parties agreed that the Company would receive over \$1.28 billion in monthly instalments through 2023 in exchange for the Company’s mining data and full release of the Award. Under the Settlement Agreement, the Venezuelan government agreed to pay an initial payment of \$100 million in November 2018, and upon completion of this initial payment, the Company would suspend legal enforcement of the Award and deliver the Company’s mining data to the Venezuelan government. The Company would be entitled to resume legal enforcement of the Award if payment due under the Settlement Agreement is not received by the Company within the periods provided, and the Company is able to terminate the Settlement Agreement under certain default scenarios. The Venezuelan government retained the right to continue proceedings to set aside the Award at the seat of arbitration in Paris.

As at June 30, 2023 and the date of this report, the Company has not received the payment of \$100 million.

In September 2021, the Supreme Court of the State of New York granted the Company’s motion to enter a default judgment for \$100 million plus interest in favor of Rusoro against Venezuela for breach of the Settlement Agreement dated October 5, 2018 (with further interest at the statutory rate of 9% per annum from the date of judgment to the date of payment). Rusoro will take the necessary steps to enter the order as a judgment, serve it on Venezuela, and vigorously pursue its payment or enforcement as partial payment for the unlawful expropriation of its investments in Venezuela.

In January 2019, the Paris Court of Appeals partially annulled the Award (the “French Court Decision”). Whilst the Paris Court of Appeals upheld the tribunal’s finding on the merits that Venezuela is liable for the unlawful expropriation of the Company’s investments, it annulled the Award’s finding on damages. The French Court Decision did not seek to determine the damages that Venezuela must pay to the Company for its breach of the Treaty.

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## **1. NATURE OF OPERATIONS (Continued)**

In March 2021, the French Supreme Court overturned the French Court Decision, therefore reinstating the arbitral Award in full and will allow the Company to continue to vigorously pursue recognition and enforcement of the Award.

In September 2021, Venezuela voluntarily dismissed its appeal of the Award judgment rendered by the U.S. District Court in Washington DC in favor of Rusoro, and against Venezuela.

## **2. BASIS OF PRESENTATION AND GOING CONCERN ASSUMPTION**

### **a) Basis of Presentation**

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, have been omitted or condensed. These unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2022. The interim condensed consolidated financial statements were authorized for issue by the Board of Directors on August 22, 2023.

### **b) Foreign Currency Translation**

In August 2018, the Venezuelan government replaced the bolivar fuerte ("BsF") with the bolivar soberano ("BsS") at a rate of 1 BsS to 100,000 BsF. In October 2021, the Venezuelan government launched a new version of the bolivar, which effectively removes six zeroes from the BsS. The exchange rate at June 30, 2023 was 30.18 BsS to the US dollar, which is effectively equal to 3,018,000,000,000 BsF to 1 US dollar (December 31, 2022: 2,006,000,000,000 BsF to the US Dollar).

### **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) The Company retains the right to seek reinstatement of the Award, including fair compensation paid to the Company, which will be sufficient for the Company to repay all its outstanding liabilities, if the payments under the Settlement Agreement are not received as provided in the agreement;
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**2. BASIS OF PRESENTATION AND GOING CONCERN ASSUMPTION (Continued)**

- 2) 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, which was further amended in December 2017 and April 2019 for up to \$7 million;
- 3) 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; and
- 4) In October 2018, the Company executed the Settlement Agreement with the Venezuelan government whereby the parties agreed that the Company would receive over \$1.28 billion, including an initial \$100 million to be paid.

There are material uncertainties surrounding the Nationalization, Award and Settlement Agreement (Note 1), including, but not limited to the timing and/or form of any compensation related to the Award or ultimate receipt of payments pursuant to the Settlement Agreement. 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, 2023, the Company had a net working capital deficiency of \$183,635,436. 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.

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

### c) Basis of Consolidation

These 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 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.

## 3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2023	December 31, 2022
<b><i>Financial liabilities</i></b>	<b>\$</b>	<b>\$</b>
Accounts payable and accrued liabilities	11,271,789	9,867,933
Accrual for interest on convertible loan (Note 6)	82,793,684	76,884,549
Due to related parties (Note 10)	5,135,015	5,046,221
	<u>99,200,488</u>	<u>91,798,703</u>

#### 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.

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, 2023, 22,062 (December 31, 2022 – 20,912) ounces of finished gold were still outstanding and valued at fair market value using the spot price of gold on June 30, 2023, of \$1,920 (December 31, 2022 - \$1,825) per ounce. Included in this amount is the principal amount of 6,642 gold ounces plus cumulative accrued interest of 15,420 (December 31, 2022 – 14,270) gold ounces for the period January 1, 2012, through June 30, 2023.

	June 30, 2023	December 31, 2022
	\$	\$
<b>Balance, beginning</b>	38,153,758	34,472,577
Change in fair value	1,959,226	(70,733)
Fair value of interest expense	2,241,746	3,751,894
<b>Balance, ending</b>	<u>42,354,710</u>	<u>38,153,738</u>

## 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, 2023	December 31, 2022
	\$	\$
Balance, beginning	3,960,502	1,199,284
Change in estimate of future cash flows due to:		
Devaluation of the Venezuelan currency	(3,389,218)	(11,645,161)
Inflation	6,179,070	14,406,379
Balance, ending	<u>6,750,354</u>	<u>3,960,502</u>

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, 2023, decommissioning and restoration provision was classified as current.

## 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 "Lenders") 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 13).

## **6. CONVERTIBLE LOAN (Continued)**

During the year ended December 31, 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. The remaining \$29,750,000 is still in default, however the new investors have become parties to the CSA.

As at June 30, 2023, the loan was still in default and outstanding and carried an amount owing of \$82,793,684 (December 31, 2022 - \$76,884,549) in accrued interest.

## **7. PROMISSORY NOTES PAYABLE**

As at June 30, 2023, the Company owes a total of \$7,558,620 in promissory notes as follows:

During the year ended December 31 2016 and 2017, the Company issued \$5,503,620 in promissory notes. 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.

On April 4, 2023, the Company issued \$2,055,000 non-interest-bearing promissory notes in connection with a non-brokered private placement. The promissory notes do not have any fixed maturity date. The notes will become due and payable as to four 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.

## **8. EQUITY**

### **a. Authorized Share Capital of the Company**

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

On September 10, 2022, the Company completed a non-brokered private placement of 20,000,000 units (each, a "Financing Unit ") at a price of C\$0.0625 per Financing Unit for gross proceeds of C\$1,250,000 (\$933,045). Each Financing Unit consists of one common share of the Company, and one common share purchase warrant (each a " Warrant "), with each Warrant entitling the holder to acquire one additional share at a price of C\$0.10 until September 21, 2027. The Company incurred share issuance costs of \$14,555. The Company attributed \$nil value to the Warrants.

During the six months ended June 30, 2023, 7,360,000 share options were exercised for gross proceeds of \$351,766.

### **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.

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## 8. EQUITY (Continued)

In September 2022, the Company granted 6,080,000 incentive share options to certain directors, officers and consultants of the Company pursuant to the Company's share option plan. The options vested immediately and are exercisable at a price of C\$0.075 per share until September 21, 2032. Using the Black-Scholes valuation model, the grant date fair value was \$283,932, or \$0.047 per option. The following weighted average assumptions were used for the valuation of the share options: risk-free interest rate of 3.06%, expected life of 10 years, annualized volatility of 75% and dividend rate of 0.00%.

### b. Share-Based Payments (Continued)

The following share options were outstanding and exercisable at June 30, 2023:

Number of Options Outstanding & Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)
	C\$	
800,000	0.05	0.19
13,025,000	0.17	3.60
4,525,000	0.08	4.59
11,375,000	0.075	5.00
8,850,000	0.105	5.84
4,100,000	0.05	7.18
5,980,000	0.075	9.24
48,655,000	0.08	5.37

Share option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
		C\$
Balance, December 31, 2021	53,510,000	0.10
Share options exercised	(100,000)	0.05
Share options expired	(700,000)	0.12
Share options granted	6,080,000	0.075
Share options cancelled	(2,300,000)	0.14
Balance, December 31, 2022	56,490,000	0.10
Share options cancelled	(475,000)	0.08
Share options exercised	(7,360,000)	0.05
Balance, June 30, 2023	48,655,000	0.08

### b. Warrants

On September 21, 2022, the Company issued 20,000,000 Warrants, with each Warrant entitling the holder to acquire one additional share at a price of C\$0.10 until September 21, 2027.

On April 4, 2023, in connection with the non-brokered private placement issuance of promissory notes (Note 7), the Company issued Warrants entitling the holders to purchase an aggregate of 1,027,500 common shares at a price of US\$0.10 per share exercisable on or before April 4, 2028. The Company attributed \$nil value to the Warrants. The Company paid \$US96,000 in finders fees associated with the transaction and issued 388,800 finders Warrants at a price of C\$0.10 per share exercisable on or before April 4, 2028. Using the Black-Scholes valuation model, the grant date fair value was \$9,039, or \$0.023 per option. The following weighted average assumptions were used for the valuation of the share options: risk-free interest rate of 2.73%, expected life of 5 years, annualized volatility of 75% and dividend rate of 0.00.

On June 7, 2023, in connection with the non-brokered private placement issuance of promissory notes (Note 7), the Company issued an additional 3,132,500 Warrants with each Warrant entitling the holder to acquire one additional share at a price of US\$0.10 until April 4, 2028. The Company attributed \$nil value to the Warrants.

## 8. EQUITY (Continued)

The following Warrants were outstanding and exercisable at June 30, 2023:

Number of Warrants Outstanding & Exercisable	Weighted Average Exercise Price	Expiry Date
20,000,000	C\$0.10	September 21, 2027
4,160,000	US\$0.10	April 4, 2028
388,800	C\$0.10	April 4, 2028
<u>24,548,800</u>	<u>C\$0.11</u>	

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
		C\$
Balance, December 31, 2021	-	-
Warrants issued	20,000,000	0.10
Balance, December 31, 2022	20,000,000	0.10
Warrants issued	4,548,800	0.13
Balance, June 30, 2023	<u>24,548,800</u>	<u>0.11</u>

## 9. GENERAL AND ADMINISTRATIVE, NET OF RECOVERIES

	Six months ended June 30,	
	2023	2022
	\$	\$
General and administrative expense	2,214,606	1,497,582
Recoveries	(528,683)	(420,235)
	<u>1,685,923</u>	<u>1,077,347</u>

## 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.

## 10. RELATED PARTY TRANSACTIONS (Continued)

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	
	2023	2022
	\$	\$
Administrative success fee	20,550	-
Provision of corporate administrative services	60,000	60,000
	80,550	60,000

Included in accounts payable and accrued liabilities (Note 3) are amounts due to Company A, B, and C of \$1,411,957 (December 31, 2022: \$1,405,117). These amounts are unsecured, due on demand and non-interest bearing.

Included in accounts payable and accrued liabilities (Note 3) is \$456,588 (December 31, 2022: \$454,893) owed to the CEO of the Company, and \$150,000 (December 31, 2022: \$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 recovery of fair compensation. As at June 30, 2023, recovery of fair compensation 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 was as follows:

	Six months ended June 30,	
	2023	2022
	\$	\$
Salaries and directors' fees	415,000	415,000

Included in accounts payable and accrued liabilities (Note 3) is \$3,099,445 (December 31, 2022: \$3,036,210) related to compensation of management and directors.

## 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 the enforcement of 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' deficiency excluding non-controlling interests, plus convertible loan, less cash.

As at June 30, 2023, capital, as defined above was a deficiency of \$183,635,436 (December 31, 2022: deficiency of \$169,145,440). 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. 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.

## **13. CONTINGENCIES**

The Company has various contingent liabilities as described below, which are dependent upon successful recovery of compensation pursuant to the Award and Settlement Agreement. As of the date of this report, the Company has not received the initial payment of \$100 million. Due to the uncertainty of the amount of the Award, the enforcement and collection of the Award, the receipt of the payments under the Settlement Agreement (or future litigation success), or ultimately, the Company’s ability to receive fair compensation for the expropriation of its investments in Venezuela, the Company only considers the payment to be received when funds are received by the Company in a bank account which is fully controlled by the Company. As at June 30, 2023 and the date of this report, the Company assessed that the likelihood of receiving the payments or other compensation is indeterminable and the contingent obligations arising as a result of the collection of the Award or Settlement Agreement cannot be reasonably estimated.

### *i. Gold Reserve Lawsuit*

Pursuant to a settlement in 2012, 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, 2023, as recovery of fair compensation is deemed indeterminable.

### *ii. 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 recovery of fair compensation 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 receive the 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 7 for details of recoveries received under the Litigation Funding Agreement.

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### **13. CONTINGENCIES (Continued)**

#### *iii. 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, 2023, recovery of fair compensation is deemed to be indeterminable and \$nil has been accrued.

#### *iv. 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 June 30, 2023, 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. In August, 2022, the Company amended the trust agreement in order to extend the expiry date to October 2032.

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, 2023, none of the criteria had been met and \$nil had been paid to the Trust.

#### *v. Other Matters*

The Company is involved in various claims and litigation arising in the normal course of business. The Company may be exposed to transactions in the normal course of operations that may not be in compliance with certain Venezuelan laws and regulations. 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 loss, or statement of cash flows. Based on the information currently available, estimates of financial impact cannot be reasonably made.

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## **14. 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, 2023.

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

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

### **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 \$183,635,436.

#### *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.

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## **14. FINANCIAL INSTRUMENTS (Continued)**

### *(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 BsS 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, 2023, the Company had a net monetary liability position of \$nil (December 31, 2022: \$nil) denominated in Venezuelan Bolivars.

## **15. SUBSEQUENT EVENTS**

- a) On July 5, 2023, the Company granted 8,555,000 incentive share options to certain directors, officers and consultants of the Company pursuant to the Company's share option plan. The options vested immediately and are exercisable at a price of C\$0.225 per share until July 5, 2033.
- b) Subsequent to the period end, a total of 1,451,080 share options were exercised for gross proceeds of \$63,600.