



Consolidated Financial Statements

RUSORO MINING LTD.

For the years ended December 31, 2023 and 2022
(Expressed in thousands of US Dollars)



Independent Auditor's Report

Grant Thornton LLP
Suite 1600
333 Seymour Street
Vancouver, BC
V6B 0A4
T +1 604 687 2711
F +1 604 685 6569

To the shareholders of Rusoro Mining Ltd:

Opinion

We have audited the consolidated financial statements of Rusoro Mining Ltd. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023, and December 31, 2022 and the consolidated statements of loss comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2023 and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the consolidated financial statements which indicates that in March 2012 all of the Company's mining concessions expired by force of law and all of its assets and operations reverted to the Venezuelan government. This condition, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined that there are no other key audit matters to communicate in our auditor's report.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because of the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Robert J. Riecken.



Vancouver, Canada
April 26, 2024

Chartered Professional Accountants

	Note	December 31, 2023	December 31, 2022
		\$	\$
Current Assets			
Cash		1,857	-
GST recoverable		3	7
Prepays		12	14
Total Assets		1,872	21
Current Liabilities			
Accounts payable and accrued liabilities	4	105,976	91,797
Convertible loan	7	29,750	29,750
Decommissioning and restoration provision	6	7,789	3,961
Derivative financial liability	5	47,885	38,154
Promissory notes payable	8	7,559	5,504
Total Current Liabilities		198,959	169,166
Shareholders' Deficiency			
Issued capital		740,273	738,951
Contributed surplus		68,800	67,814
Deficit		(986,491)	(956,241)
Total Shareholders' Deficiency Attributable to the Company		(177,418)	(149,476)
Non-controlling interests		(19,669)	(19,669)
Total Shareholders' Deficiency		(197,087)	(169,145)
Total Liabilities and Shareholders' Deficiency		1,872	21

Nature of operations (Note 1)
Basis of presentation and going concern assumption (Note 2)
Contingencies (Note 14)
Subsequent Events (Note 17)

Approved on behalf of the Board:

/s/"Andre Agapov"

Director

/s/"Gordon Keep"

Director

RUSORO MINING LTD.
Consolidated Statements of Comprehensive Income (Loss)
(Expressed in thousands of US dollars, except per share amounts)
(Unaudited)



	Note	Years ended December 31,	
		2023	2022
		\$	\$
Operating expenses			
General and administrative, net of recoveries	10	3,176	1,251
Foreign exchange (gain) loss		195	(282)
Share based compensation	9(b), 11(b)	1,150	284
Total operating expenses		(4,521)	(1,253)
Other items			
Interest income		(102)	-
Interest on convertible loan	7	12,272	10,991
Interest on gold sale contract	5	4,491	3,752
Loss (gain) on revaluation of gold sale contract	5	5,240	(71)
Decommissioning and restoration provision and currency devaluation	6	3,828	2,761
Total other items		25,729	17,433
Net loss and comprehensive loss		(30,250)	(18,686)
Attributable to:			
Equity shareholders of the Company		(30,250)	(18,686)
Loss per share			
Basic and diluted		(0.05)	(0.03)
Weighted average number of shares outstanding -			
Basic and diluted		570,056,469	550,413,096

See accompanying notes to the consolidated financial statements.

RUSORO MINING LTD.

Consolidated Statements of Changes in Equity

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



	Number of Shares	Share Capital	Contributed Surplus	Deficit	Non-Controlling Interests	Shareholders' Deficiency
		\$	\$	\$	\$	\$
Balance, December 31, 2021	544,810,623	738,028	67,530	(937,555)	(19,669)	(151,666)
Exercise of share options	100,000	4	-	-	-	4
Share-based compensation	-	-	284	-	-	284
Private placement	20,000,000	933	-	-	-	933
Share issue costs	-	(14)	-	-	-	(14)
Net loss and comprehensive loss	-	-	-	(18,686)	-	(18,686)
Balance, December 31, 2022	564,910,623	738,951	67,814	(956,241)	(19,669)	(169,145)
Exercise of share options	9,680,000	551	(164)	-	-	387
Exercise of warrants	591,233	58	(9)	-	-	49
Issuance of finders warrants	-	(9)	9	-	-	-
Share-based compensation	-	-	1,150	-	-	1,150
Private placement	2,500,000	729	-	-	-	729
Share issue costs	-	(7)	-	-	-	(7)
Net loss and comprehensive loss	-	-	-	(30,250)	-	(30,250)
Balance, December 31, 2023	577,681,856	740,273	68,800	(986,491)	(19,669)	(197,087)

See accompanying notes to the consolidated financial statements.

RUSORO MINING LTD.

Consolidated Statements of Cash Flows
(Expressed in thousands of US Dollars)



	Note	Years ended December 31,	
		2023	2022
		\$	\$
OPERATING ACTIVITIES			
Net loss		(30,250)	(18,686)
Adjustments for items not involving cash:			
Interest on gold sale contract	5	4,491	3,752
Interest on convertible loan	7	12,272	10,991
Decommissioning and restoration provision and foreign currency devaluation	6	3,828	2,761
Stock based compensation		1,150	284
Gain on revaluation of gold sale contract	5	5,240	(71)
Changes in non-cash working capital items		2,187	47
Net cash outflows from operating activities		(1,082)	(922)
FINANCING ACTIVITIES			
Proceeds on share options exercised	9	113	4
Proceeds on warrants exercised	9	49	-
Private placement, net of share issue costs	9	722	918
Proceeds from promissory notes payable	8	2,055	-
Net cash inflows from financing activities		2,939	922
Change in cash		1,857	-
Cash – beginning		-	-
Cash – ending		1,857	-

See accompanying notes to the consolidated financial statements.

RUSORO MINING LTD.

Notes to the Consolidated Financial Statements
Years ended December 31, 2023 and December 31, 2022
(Expressed in thousands of US Dollars)



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 13).

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 5).

RUSORO MINING LTD.

Notes to the Consolidated Financial Statements
Years ended December 31, 2023 and December 31, 2022
(Expressed in thousands of US Dollars)

**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 \$1.87 billion as of December 31, 2023. No value has been accrued for the Award as at December 31, 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 December 31, 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.

RUSORO MINING LTD.

Notes to the Consolidated Financial Statements
Years ended December 31, 2023 and December 31, 2022
(Expressed in thousands of US Dollars)



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.

In March 2023, U.S. District Court for the District of Delaware issued Rusoro a conditional writ of attachment fieri facias regarding the shares of PDV Holding, Inc. ("PDVH"), a subsidiary of Petroleos de Venezuela ("PDVSA") and the indirect parent of Citgo Petroleum Corp., the fifth-largest independent oil refiner in the United States. In issuing the writ, the court found that Rusoro had proven that PDVSA is the corporate "alter ego" of Venezuela, and that Rusoro's arbitration award, which including interest exceeds \$1.7 billion and which a U.S. court in Washington DC has already confirmed and converted to a court judgment, may be enforced against PDVSA's assets. The court's alter ego finding was based on an evidentiary record demonstrating that the Venezuelan government effectively dominates PDVSA and treats its assets as its own. The court's attachment order is conditional and will not be executed unless and until the U.S. Office of Foreign Assets Control ("OFAC"), which administers the current U.S. sanctions regime against Venezuela and PDVSA, authorizes the attachment and sale of PDVH shares in satisfaction of Rusoro's judgment and judgments issued to various other creditors of Venezuela. If OFAC permits the sale to go forward (or if Venezuelan sanctions are lifted or modified in such a way that OFAC permission is no longer required to conduct it), a federal marshal will serve the attachment order, which will allow the sale process to move forward. In preparation for this, Rusoro has asked the Delaware court to find that its judgment is an "Additional Judgment," i.e., one that may be satisfied through the court-ordered sale of PDVH shares.

A court-appointed special master is continuing his work developing sales procedures that will govern the sale of the PDVH shares, using criteria that are designed to maximize the proceeds of the sale. PDVSA and Venezuela had sought to have the special master disqualified from the case on grounds that the special master had been communicating with OFAC. On March 30, 2023, the Delaware court rejected the Venezuela parties' efforts to disqualify the special master, allowing him to continue his work on the process for auctioning the PDVH shares.

On August 14, 2023, the Company submitted to the United States District Court for the District of Delaware a statement (the "Additional Judgment Statement") setting forth the current value and certain other information concerning the Federal Court judgment issued on March 2, 2018 by the United States District Court for the District of Columbia in favor of Rusoro and against the Bolivarian Republic of Venezuela (the "U.S. Judgment"). In the Additional Judgment Statement, the Company reported the amount of the U.S. Judgment as US\$1.48 billion, inclusive of federal post-judgment interest accruing from the date of the U.S. Judgment (March 2, 2018) to August 14, 2023. Because the U.S. Judgment accrues interest at a different rate than the arbitral award that the U.S. Judgment recognized (the "Award"), the current value of the U.S. Judgment does not capture the full value of the Award, which is now US\$1.84 billion, as of October 25, 2023. The Company intends to pursue any difference in value between the U.S. Judgment and the Award in other appropriate jurisdictions. Although the Delaware Court has not issued a final determination on the relative priority of the various judgments, based on the guidelines set forth by the Delaware Court on July 27, 2023, Rusoro is eighth in order of priority behind approximately US\$3.7 billion in claims from other claimants, plus US\$1.95 billion in PDVSA 2020 bonds.

RUSORO MINING LTD.

Notes to the Consolidated Financial Statements
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(Expressed in thousands of US Dollars)



1. NATURE OF OPERATIONS (Continued)

On January 9, 2024, the U.S. Court of Appeals for the Third Circuit ruled that various parties holding judgments against the Republic of Venezuela, including Rusoro Mining Ltd., were entitled to enforce their judgments against property owned by PDVSA, on the grounds that PDVSA was the corporate alter-ego of the Venezuelan state. On this basis, the U.S. District Court for the District of Delaware has commenced a sale process whereby the shares of PDV Holding, Inc., a company 100% owned by PDVSA and the indirect owner of CITGO Petroleum Corporation, are to be sold in satisfaction of the Venezuela creditors' judgments. Venezuela and PDVSA asked the U.S. Supreme Court to review this ruling, and on January 8, 2024, the Supreme Court refused to hear the case, meaning that the Third Circuit's ruling is final and unappealable.

Further, on January 8, 2024, the Delaware court designated certain of the judgment creditors in the case, including Rusoro, to be "Additional Judgment Creditors", meaning that they are entitled to share in the proceeds of the sale of the PDV Holding, Inc. shares when they are auctioned. Non-binding bids were submitted on January 22, 2024, and the auction is scheduled to take place in July 2024.

The Non-Binding Indication of Interest is not binding and is revocable, and does not require the Company to take any further actions or to submit any final bid. Prior to submitting a final bid, if at all, the Company shall, among other things, obtain all necessary and advisable consents and approvals of its stakeholders.

2. BASIS OF PRESENTATION AND GOING CONCERN ASSUMPTION

a) Basis of Presentation

These annual audited consolidated financial statements, including comparatives, have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

The consolidated financial statements were authorized for issue by the Board of Directors on April 24, 2024.

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 December 31, 2023 was 39.79 BsS to the US dollar, which is effectively equal to 3,979,000,000,000 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 considers 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:

RUSORO MINING LTD.

Notes to the Consolidated Financial Statements
 Years ended December 31, 2023 and December 31, 2022
 (Expressed in thousands of US Dollars)



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

- 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;
- 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 December 31, 2023, the Company had a net working capital deficiency of \$197,087. 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.

d) 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

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

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. MATERIAL ACCOUNTING POLICIES

a) Basis of Measurement

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

b) Significant Judgments, Estimates and Assumptions

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

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

i. Interpretation of the Nationalization Decree

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

ii. Litigation, Possible Recovery and Related Success Fee Contingencies

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

3. MATERIAL ACCOUNTING POLICIES (Continued)

iii. Decommissioning and Restoration Provision

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

iv. Deferred Taxes

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

v. Share-based compensation

Management is required to make certain estimates when determining the fair value of share option awards, and the number of awards that are expected to vest. These estimates affect the amount recognized as share-based compensation in profit or loss.

c) Functional and Presentation Currency and Foreign Currency Translation

Since January 1, 2010, the Company's functional and presentation currency of all of its operations is the US dollar, as this is the principal currency of the economic environments in which they operate. Foreign currency transactions are initially recorded using the foreign currency rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the foreign currency rate of exchange prevailing at the reporting date.

d) Cash

Cash comprises cash at banks.

e) Accrual for Termination Benefits

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

f) Provisions

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

3. MATERIAL ACCOUNTING POLICIES (Continued)

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

g) Decommissioning and Restoration Provision

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

h) Unit Offering

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market trading price of the common shares at the time the units are priced, and any excess is allocated to warrants.

i) Convertible Loan

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

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

j) Income Tax

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

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

3. MATERIAL ACCOUNTING POLICIES (Continued)

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

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

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

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

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

k) Share Capital

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

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

l) Share-based Payments

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

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

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

3. MATERIAL ACCOUNTING POLICIES (Continued)

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

m) Earnings (Loss) Per Share

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

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

n) Financial Instruments

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

Accounts payable and accrued liabilities, and convertible loan are classified and measured at amortized cost using the effective interest method. The promissory notes payable are recognized initially at fair value, net of transactions costs incurred and are subsequently stated at amortized cost. Any difference between amounts originally received (net of transaction costs) and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method. Derivative financial liabilities are recognized at fair value through profit and loss.

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

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

o) Recent Accounting Standards

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Disclosure of Accounting Policies (Amendments to IAS 1)

The IASB has issued amendments to IAS 1 Presentation of Financial Statements which require entities to disclose their “material” accounting policy information rather than their “significant” accounting policies.

The amendments explain that accounting policy information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that the primary users of the financial statements make on the basis of those financial statements. The amendments also clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial. This amendment is effective for annual periods beginning on or after January 1, 2023. The adoption of these amendments did not have a significant impact on the Company’s Financial Statements.

Definition of Accounting Estimates (Amendments to IAS 8)

The IASB has issued amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which introduce a definition of accounting estimates and provide other clarifications to help entities distinguish accounting policies from accounting estimates. Under the amendments, accounting estimates are defined as “monetary amounts in financial statements that are subject to measurement uncertainty”. The amendments also emphasize that a change in an accounting estimate that results from new information or new developments is not an error correction, and that changes in an input or a measurement technique used to develop an accounting estimate are considered changes in accounting estimates if those changes in an input or measurement technique are not the result of an error correction. This amendment is effective for annual periods beginning on or after January 1, 2023. The adoption of these amendments did not have a significant impact on the Company’s Financial Statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IFRS 1 and IAS 12)

The IASB has issued amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 12 Income Taxes which clarify that the initial recognition exemption set out in IAS 12 does not apply to transactions that give rise to equal taxable and deductible temporary differences. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations. This amendment is effective for annual periods beginning on or after January 1, 2023. The adoption of these amendments did not have a significant impact on the Company’s Financial Statements.

Amendment to standard not yet adopted

Following is the new amendment to a standard issued by the IASB which is applicable to the Company’s financial statements:

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The IASB has published Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place “at the end of the reporting period”
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability
- make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. The amendment is expected to have no impact on the Company’s financial statements on adoption.

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**4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	December 31, 2023	December 31, 2022
Financial liabilities	\$	\$
Accounts payable and accrued liabilities	11,311	9,868
Accrual for interest on convertible loan (Note 7)	89,156	76,885
Due to related parties (Note 11)	5,510	5,046
	<u>105,977</u>	<u>91,799</u>

5. DERIVATIVE FINANCIAL LIABILITY

In 2010, the Company received \$6,973 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. In relation to the Company’s commitment to issuing 12,400,000 share-purchase warrants, the \$330 value associated with these committed share-purchase warrants has been deducted from the proceeds of \$6,973 resulting in a net amount of \$6,643.

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

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

Since the contract will be paid in cash in lieu of gold, and will no longer qualify for the own use exemption, it has been reclassified from deferred revenue to a derivative financial instrument. As of December 31, 2023, 23,212 (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 December 31, 2023, of \$2,063 (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 16,570 (December 31, 2022 – 14,270) gold ounces for the period January 1, 2012, through December 31, 2023.

	December 31, 2023	December 31, 2022
	\$	\$
Balance, beginning	38,154	34,473
Change in fair value	5,240	(71)
Fair value of interest expense	4,491	3,752
Balance, ending	<u>47,885</u>	<u>38,154</u>

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6. DECOMMISSIONING AND RESTORATION PROVISION

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

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

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

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

	December 31, 2023	December 31, 2022
	\$	\$
Balance, beginning	3,961	1,199
Change in estimate of future cash flows due to:		
Devaluation of the Venezuelan currency	(7,629)	(11,644)
Inflation	11,457	14,406
Balance, ending	<u>7,789</u>	<u>3,961</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 December 31, 2023, decommissioning and restoration provision was classified as current.

7. CONVERTIBLE LOAN

In June 2008, the Company entered into an \$80,000 principal amount Convertible Loan (the "Loan") with a two-year term and 10% annual interest to fund the acquisition of various Venezuelan mineral interests. During the years ended December 31, 2009 and 2010 the Company made various repurchases and restructured the Loan resulting in a reduced principal amount of \$30,000. During the year ended December 31, 2011 the conversion option expired and the Company defaulted on the Loan; 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 14).

During the year ended December 31, 2017, the Company's existing convertible loan of \$30,000 was transferred to a new group of investors. The Company bought \$250 of this debt at a cost of \$175, and thus retired debt plus accrued interest totalling \$465. The remaining \$29,750 is still in default, however the new investors have become parties to the CSA.

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7. CONVERTIBLE LOAN (Continued)

As at December 31, 2023, the loan was still in default and outstanding and carried an amount owing of \$89,156 (December 31, 2022 - \$76,885) in accrued interest. The total interest accrued on the note was \$12,272 (December 31, 2022 - \$10,991).

8. PROMISSORY NOTES PAYABLE

As at December 31, 2023, the Company owes a total of \$7,559 in promissory notes as follows:

During the year ended December 31, 2016 and 2017, the Company issued \$5,504 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 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. 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 were issued as part of the transaction.

9. EQUITY

a) Authorized Share Capital of the Company

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

On November 20, 2023, the Company completed a non-brokered private placement of 2,500,000 common shares at a price of C\$0.40 per share for gross proceeds of C\$1,000 (\$729).

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 (\$933). 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 \$15. The Company attributed \$nil value to the Warrants.

During the year ended December 31, 2023, 9,680,000 share options were exercised for gross proceeds of \$551, of which \$274 was applied against director fees owing. Upon exercise, the Company transferred \$164 of fair value out of contributed surplus, resulting in \$113 in cash proceeds.

During year ended December 31, 2023, 591,233 warrants were exercised for gross proceeds of \$49.

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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**9. 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 \$284, 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%, forfeiture rate of 0.00%, and dividend rate of 0.00%.

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. Using the Black-Scholes valuation model, the grant date fair value was \$1,150, or \$0.13 per option. The following weighted average assumptions were used for the valuation of the share options: risk-free interest rate of 3.61%, expected life of 10 years, annualized volatility of 75%, forfeiture rate of 0.00%, and dividend rate of 0.00%.

The following share options were outstanding and exercisable at December 31, 2023:

Number of Options Outstanding & Exercisable	Weighted Average Exercise Price C\$	Weighted Average Remaining Contractual Life (years)
13,025,000	0.17	3.10
4,025,000	0.08	4.08
10,750,000	0.075	4.49
8,850,000	0.105	5.34
3,755,000	0.05	6.68
5,930,000	0.075	8.73
8,550,000	0.225	9.52
54,855,000	0.12	5.66

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 granted	8,550,000	0.23
Share options exercised	(9,680,000)	0.05
Balance, December 31, 2023	54,885,000	0.12

The average trading price of the share options exercised were \$0.24.

c) 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.

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**9. EQUITY (Continued)**

On April 4, 2023, in connection with the non-brokered private placement issuance of promissory notes (Note 8), 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 \$96 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, or \$0.023 per option. The following weighted average assumptions were used for the valuation of the warrants: 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 8), the Company issued an additional 3,132,500 Warrants with each Warrant entitling the holder to acquire one additional share at a price of \$0.10 until April 4, 2028. The Company attributed \$nil value to the Warrants.

The following Warrants were outstanding and exercisable at December 31, 2023:

Number of Warrants Outstanding & Exercisable	Weighted Average Exercise Price	Expiry Date
20,000,000	C\$0.10	September 21, 2027
3,957,567	US\$0.10	April 4, 2028
<u>23,957,567</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
Warrants exercised	(591,233)	0.10
Balance, December 31, 2023	<u>23,957,567</u>	<u>0.11</u>

10. GENERAL AND ADMINISTRATIVE, NET OF RECOVERIES

	Years ended December 31,	
	2023	2022
	\$	\$
General and administrative expense	3,715	2,212
Recoveries	(539)	(961)
	<u>3,176</u>	<u>1,251</u>

General and administrative expense

	Years ended December 31,	
	2023	2022
	\$	\$
Advisory and consulting	120	120
Professional fees	2,676	1,175
Regulatory and transfer agent	28	31
Rent and office	7	5
Salaries, director fees and wages	829	840
Travel	55	41
	<u>3,715</u>	<u>1,251</u>

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**11. 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.

	Years ended December 31,	
	2023	2022
	\$	\$
Administrative success fee	21	37
Provision of corporate administrative services	120	120
	<u>141</u>	<u>157</u>

Included in accounts payable and accrued liabilities (Note 4) are amounts due to Company A, B, and C of \$1,442 (December 31, 2022: \$1,405). These amounts are unsecured, due on demand and non-interest bearing.

Included in accounts payable and accrued liabilities (Note 4) is \$464 (December 31, 2022: \$455) owed to the CEO of the Company, and \$150 (December 31, 2022: \$150) 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 December 31, 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:

	Years ended December 31,	
	2023	2022
	\$	\$
Salaries and directors' fees	830	830
Share-based compensation	1,116	284
	<u>1,946</u>	<u>1,114</u>

Included in accounts payable and accrued liabilities (Note 4) is \$3,454 (December 31, 2022: \$3,036) related to compensation of management and directors.

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12. 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 December 31, 2023, capital, as defined above was a deficiency of \$149,525 (December 31, 2022: deficiency of \$119,726). 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.

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.

14. 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 December 31, 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. 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 December 31, 2023, as recovery of fair compensation is deemed indeterminable.

14. CONTINGENCIES (Continued)

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 10 for details of recoveries received under the Litigation Funding Agreement.

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 December 31, 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 December 31, 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 December 31, 2023, none of the criteria had been met and \$nil had been paid to the Trust.

14. CONTINGENCIES (Continued)

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.

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 5) 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 5), and as such, is a reasonable approximation of the fair value. Management reviewed all significant financial instruments held by the Company and determined that no significant differences between fair value and carrying value existed as at December 31, 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.

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**15. FINANCIAL INSTRUMENTS (Continued)***ii. Liquidity Risk*

Liquidity risk is the risk that the Company will be unable to meet its obligations associated with financial liabilities as they fall due. The Company manages liquidity risk by monitoring cash and other financial resources available to meet its maturing obligations. The Company currently has a working capital deficiency of \$197,087.

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

16. INCOME TAX

The Company incurred \$nil current tax expense and \$nil deferred tax expense in each of the years ending December 31, 2023 and 2022.

Income taxes differ from the amount that would be determined by applying the combined Canadian federal and provincial statutory income tax rate of 27.00% for the year ended December 31, 2023 (2022 – 27.00%) to loss before income taxes. The differences are the result of:

	2023	2022
	\$	\$
Loss before income taxes	(30,250)	(18,686)
Statutory tax rate	27.00%	27.00%
Expected income tax expense / (recovery)	(8,168)	(5,045)
Rate difference in foreign jurisdictions	3,313	2,968
Impact of currency devaluation	1,034	746
Foreign exchange and other differences	1,778	(19)
Change in unrecognized deductible temporary items	2,043	1,350
Income tax expense	-	-

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**16. INCOME TAX (Continued)**

As at December 31, 2023, the Company's tax liability includes income taxes payable of \$nil (2022 - \$nil).

The significant components of deferred tax assets not recognized are as follows:

	2023	2022
Deferred tax assets not recognized:	\$	\$
Non-capital loss carried forward	22,559	21,012
Property, plant and equipment	49	49
Other	32	32
	22,640	21,093

As at December 31, 2023, the Company's non-capital losses relate entirely to Canada and expire between 2024 to 2043.

17. SUBSEQUENT EVENTS

Subsequent to December 31, 2023:

- a) 150,000 share options were exercised for gross proceeds of \$9.
- b) 3,126,496 warrants were exercised for gross proceeds of \$313.