This Management's Discussion and Analysis ("MD&A") for Rusoro Mining Ltd. ("the Company") should be read in conjunction with the Company's annual audited consolidated financial statements of the Company and supporting notes for the year ended December 31, 2016.

The financial information presented in this MD&A is reported in US dollars, unless otherwise indicated, and is partly derived from the Company's interim financial statements prepared consistent with International Financial Reporting Standards ("IFRS"). The effective date of this MD&A is April 25, 2017. This MD&A contains "forward-looking statements" that are subject to risk factors set out in a cautionary note contained herein.

Contents of the MD&A

1. OVERVIEW OF THE COMPANY

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

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

On September 16, 2011, the Venezuelan government, through publication in the Official Gazette of Venezuela, enacted a law-decree ("the Decree") reserving to the government of Venezuela exclusive rights for the extraction of gold in Venezuela ("the Nationalization"). The Decree mandated the expiration of all mining concession held by the Company and their reversal to the Venezuelan government together with all related assets and operations. The Decree permitted the Company to reach an agreement with the Venezuelan government to continue operating jointly, in the form of a mixed-interest enterprise ("the Mixed Enterprise''), the mining concessions and mining assets affected by the Nationalization and in which the Company could not own more than a 45% share participation.

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

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

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

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.

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 related 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.

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

In March 2013, the Company filed a Statement of Claim in its arbitration against Venezuela, in accordance with the provisions of the Canada-Venezuela Bilateral Investment Treaty. Based on a March 2013, valuation performed by an independent expert, the Company was seeking fair-value compensation of $3.03 billion for all its losses caused by the Nationalization.

On August 22, 2016, the Arbitral Tribunal ("Tribunal") operating under the ICSID Additional Facility Rules, awarded ("the Award") the Company compensation of $967.77 million plus pre and post award interest which currently equates to in excess of $1.2 billion. No value has been accrued for the Award as at December 31, 2016, as the final settlement amount and the timing of the receipt of the Award is uncertain.

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

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

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

The registered office of the Company is 1500-1055 West Georgia Street, Vancouver, British Columbia, Canada and the corporate headquarters is located at 3123-595 Burrard Street, Vancouver, British Columbia, Canada.

2. CONSOLIDATED RESULTS OF OPERATIONS

Results for the three months ended December 31, 2016:

— Interest expense on the Company's convertible loan increased for the three months ended December 31, 2016 to $1,518,114 from $1,359,962 in 2015 due to quarterly compounding.

— Interest expense on the gold sale contract, which became effective in June 2012 amounted to $322,231 for the three months ended December 31, 2016 compared to $267,390 in 2015. As of December 31, 2016, 11,291 ounces of finished gold were still outstanding under the contract and valued at fair market value using the spot price of gold on December 31, 2016 of $1,152 per ounce. Included in this amount is the principal amount of 6,642 gold ounces plus accrued interest of 4,649 gold ounces for the period January 1, 2012 through December 31, 2016.

— The revaluation of the gold sale contract created a gain of $1,133,127 for the three months ended December 31, 2016 compared to a gain of $417,782 in 2015, due to the revaluation to its fair value using the current international spot price of gold on December 31, 2016 of $1,152 per ounce.

— General and administrative expenses were $180,967 for the three months ended December 31, 2016 compared to $133,116 in 2015. The increase related to additional professional fees associated with the issuance of the promissory notes and debt restructuring as well as legal fees relating to the arbitration proceeding against Venezuela.

— Foreign exchange gain of $83,772 for the three months ended December 31, 2016 compared to a gain of $34,501 in 2015. The difference was due to the USD/CAD movement.

— During February 2016, Venezuela replaced the SIMADI exchange rate mechanism with the DICOM free floating exchange rate mechanism. As a result of the change, the Company recorded a gain of $799,898 in statement of operations for the three months ended December 31, 2016 primarily related to the revaluation of accounts payables and accruals and decommissioning and restoration liability. The DICOM exchange rate at December 31, 2016 was 673.83 BsF to the U.S. dollar.

— Net loss amounted to $370,255 during the three months December 31, 2016 compared to net gain of $78,388,385 during the three months ended December 31, 2015.

Results for the year ended December 31, 2016:

— Interest expense on the Company's convertible loan increased for the year ended December 31, 2016 to $5,796,361 from $5,183,868 in 2015.

— Interest expense on the gold sale contract, which became effective in June 2012 amounted to $1,609,824 for the year ended December 31, 2016 compared to $762,105 in 2015. As of December 31, 2016, 11,291 ounces of finished gold were still outstanding under the contract and valued at fair market value using the spot price of gold on December 31, 2016 of $1,152 per ounce. Included in this amount is the principal amount of 6,642 gold ounces plus accrued interest of 4,649 gold ounces for the period January 1, 2012 through December 31, 2016.

— The revaluation of the gold sale contract created a loss of $603,757 for the year ended December 31, 2016 compared to a gain of $809,660 in 2015, due to the revaluation to its fair value using the current international spot price of gold on December 31, 2016 of $1,152 per ounce.

— General and administrative expenses were $1,767,488 for the year ended December 31, 2016 compared to $809,792 in 2015. The increase primarily related to legal fees being accrued relating to a conditional fee agreement entered into with the lead counsel in the arbitration proceeding against Venezuela.

— Foreign exchange gain of $20,727 for the year ended December 31, 2016 compared to a gain of $192,662 in 2015. The difference was due to the USD/CAD movement.

— Increase in decommissioning and restoration provision amounted to $1,915,058 for the year ended December 31, 2016 compared to $14,348,439 in 2015 due to an increase in expected inflation.

— During February 2016, Venezuela replaced the SIMADI exchange rate mechanism with the DICOM free floating exchange rate mechanism. As a result of the change, the Company recorded a charge of $3,520,758 in statement of operations for the year ended December 31, 2016 primarily related to the revaluation of accounts payables and accruals and decommissioning and restoration liability. The DICOM exchange rate at December 31, 2016 was 673.83 BsF to the U.S. dollar.

— Net loss amounted to $8,101,003 during the year ended December 31, 2016 compared to net income of $73,719,821 during the year ended December 31, 2015

3. VENEZUELAN CURRENCY EXCHANGE

In 2015, the Venezuelan government introduced a new open market system, "SIMADI." The SIMADI market is intended to have a floating exchange rate determined by market participants. The Company adopted the SIMADI rate to remeasure BsF denominated monetary assets and liabilities of its Venezuelan subsidiary to the U.S. dollar as of December 31, 2015. The SIMADI exchange rate as of December 31, 2015 was 198.7 BsF to the U.S. dollar.

During February 2016, Venezuela replaced the SIMADI exchange rate mechanism with the DICOM free floating exchange rate mechanism. The DICOM exchange rate at December 31, 2016 was 673.83 BsF to the U.S. dollar.

4. Selected Annual Information

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Total revenues	-	-	-
Net (loss) income attributable to equity shareholders of the Company (1)	(8,101,003)	73,719,821	(13,938,559)
Basic and diluted income (loss) per share $	(0.02)	0.14	(0.03)
Total assets	1,977,693	37,527	494,661
Total long-term liabilities	-	-	-

(1) The increase in net income for the year ended December 31, 2015 compared to 2014 and 2016 was due to the devaluation of the Venezuelan bolivar, resulting in a $93.8 million gain.

5. Selected Quarterly Information $(000)

	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Revenue	-	-	-	-	-	-	-	-
Net (loss) profit attributable to equity shareholders of the Company	(371)	(2,865)	(1,468)	(3,397)	78,389	(1,256)	(1,558)	(1,855)
Basic and diluted (loss) earnings per share $	(0.00)	(0.01)	(0.00)	(0.01)	0.15	(0.00)	(0.00)	(0.00)

Q4 2015 was impacted by the devaluation of the Venezuelan bolivar which resulted in a gain of $93,821,703. Q1 2016 was impacted by the further devaluation of the Venezuelan bolivar which resulted in a gain of $1,117,849 which partially net the increased loss on the revaluation of the gold loan and interest on the gold loan due to an increased gold price. Q3 and Q4 2016 was also impacted by additional professional fees being accrued relating to the arbitration proceeding against Venezuela.

6. Financial Position

The Company's assets totalled $1,977,693 as at December 31, 2016 (December 31, 2015: $37,527). Total assets included $1,968,843 in cash (December 31, 2015: $36,153).

The Company's working capital decreased since December 31, 2015 to a working capital deficiency as at December 31, 2016, of $84,369,289 (December 31, 2015: $76,712,652).

The Company did not repay the convertible loan on the June 10, 2011 maturity date and, as at December 31, 2016, the original principal of $30,000,000 continues to incur interest at 11% since June 10, 2011. As at December 31, 2016, the Loan was still in default and outstanding and carried an amount owing of

$26,206,337 in accrued interest. The loan is held in US dollars and is secured by share pledges over the Company's subsidiaries which prior to the Nationalization held the mining concessions for the Choco Mine and the San Rafael El Placer and Increible 6 mineral properties, but excluding the Isidora Mine. On June 14, 2012, the convertible loan lenders signed the CSA whereby they agreed not to take any steps or actions to exercise their rights and remedies against the Company until the expiration of a standstill period, subject to various clauses. In consideration for the CSA the Lenders were provided a contingent success fee in addition to amounts due and payable under the Loan of 20% of the Loan. As at December 31, 2016, the final settlement was deemed to be indeterminable and $nil has been accrued. Subsequent to December 31, 2016 the Loan was transferred to new holders.

As at December 31, 2016 and 2015, all cash was held in Canadian bank accounts.

In March 2012, as a result of the Nationalization, the Company wrote-off the remaining balances of mineral properties and inventories. As a result of the significant asset write-downs done in 2012 and Q4 2011, as at both December 31, 2016 and 2015 the Company presents a shareholder's deficiency rather than equity on the face of its statement of financial position, as the Company's liabilities exceed the Company's assets.

7. LIQUIDITY AND CAPITAL RESOURCES

The Company's cash position increased by $1,932,690 during the year ended December 31, 2016. The Company had negative cash flows from operations of $2,008,485 for the year ended December 31, 2016, compared to negative cash flows of $143,814 for the year ended December 31, 2015, offset by proceeds from promissory notes payable, stock option exercises and advances from related parties of $3,941,175 for the year ended December 31, 2016 (December 31, 2015: $168,810) .

Under the terms of the Litigation Funding Agreement, the Funder has agreed to assist in the funding of Rusoro's legal costs in relation to the international arbitration proceedings against the Republic of Venezuela (the "Respondent") on a non-recourse basis as well as funding a reasonable amount of corporate costs. Pursuant to the Litigation Funding Agreement, the Company entered into the CSA with significant 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.

Since inception the Funder has approved $10.1 million in payments to the Company and its vendors as recoveries on litigation and corporate overhead costs through December 31, 2016. There was no receivable from the Funder as at December 31, 2016 and 2015.

There are material uncertainties surrounding the Nationalization and the related Award, including, but not limited to the timing and/or form of the settlement of the Award.

8. OUTLOOK

As a result of the Nationalization, the Company's sole recourse has been to file a Request for Arbitration under the ICSID Additional Facility Rules against the Bolivarian Republic of Venezuela alleging violations of the provisions of the Treaty. The Request for Arbitration was filed in July 2012. On August 22, 2016, the Tribunal, awarded the Company compensation of US$967.77 million plus pre and post award interest which currently equates to in excess of US$1.2 billion. The Company's objective is to diligently pursue the collection of the Award.

9. COMMITMENTS AND CONTINGENCIES

The Company has no general and administrative commitments as at December 31, 2016.

Gold Reserve Lawsuit

Pursuant to a settlement in 2012, with the Company issued a conditional promissory note in the amount of C$1,000,000. The promissory note will only become due and payable in the event that the Company is successful in the litigation it has commenced against the Venezuelan government seeking compensation for the Nationalization. The Company considers the litigation to be successful when appropriate financial compensation has been received. The promissory note and any payment due under it shall be subordinate and postponed in right of payment to (a) the rights of the Funder as defined in the Creditors and Shareholders Agreement, and Litigation Funding Agreement, and (b) the rights of the Funder and Freshfields Bruckhaus Deringer US LLP under a Priorities Agreement. No value has been accrued for the promissory note as at December 31, 2016, as litigation success is deemed indeterminable.

Non-compliance

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

Litigation Funding Agreement

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

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, 2016 litigation success is deemed to be indeterminable and $nil has been accrued.

Trust and Contribution Agreements

The Company is a party to a trust agreement and a contribution agreement whereby it has agreed to pay to a trust established for members of management and the executive committee of the board of directors, a success fee upon the completion of a transaction or series of transactions. For the purposes of the contribution agreement, a "Transaction" is defined as: (a) any merger, consolidation, reorganization, recapitalization, restructuring, leveraged buyout, business combination, or any transaction pursuant to which the Company is acquired by or combined with a third party; or (b) the acquisition by a third party of any assets or operations of the Company, or any outstanding shares of the Company; or (c) a sale or spin-off of any material assets, of 5% or more of the capital stock of any subsidiary of the Company, or any transaction which has the effect of altering the capitalization of the Company. Where a change in control accompanies the Transaction, the success fee will be equal to 1% of the aggregate transaction value as defined in the contribution agreement. If the Transaction involves the acquisition of less than 50% of the voting power of the then outstanding Company's shares, then the success fee will be equal to 0.5% of the aggregate transaction value. As at December 31, 2016 none of the Transaction criteria had been met and $nil had been paid to the Trust.

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

The trustees (the "Trustees") for the trust are independent directors and members of the compensation committee of the board of directors. The Trustees are empowered to allocate the success fee amongst the board of directors and management of the Company as they deem appropriate. As at December 31, 2016 none of the proceedings criteria had been met and $nil had been paid to the Trust.

Other Matters

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

10. OFF-BALANCE SHEET ARRANGEMENTS

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

11. RELATED PARTY TRANSACTIONS

The nature of transactions undertaken and the relationships with related parties of the Company are as follows:

	Relationship with the Company	Nature of Transactions
Company A	An officer/director of the Company and a director of the Company are also an officer and director, respectively, of Company A.	Machinery and facilities rental and provision of general mining-related services.
Company B	A director of the Company is also a partner of Company B.	Provision of legal services.
Company C	A director of the Company is also an officer of Company C.	Provision of corporate administrative services.

The Company incurred the following fees and expenses in the normal course of operations in connection with companies owned by key management and directors. Expenses and transactions with related parties have been measured at the price agreed between the parties, which are determined on a cost recovery basis.

	Year ended December 31	
	2016	2015
Provision of corporate administrative services	$95,320	$78,201

Included in accounts payable and accrued liabilities are amounts due to Company A, B, and C for $541,382 (December 31, 2015: $521,960). These amounts are unsecured, due on demand and non-interest bearing.

Included in accounts payable and accrued liabilities is $750,570 (December 31, 2015: $642,571) owed to the CEO of the Company and a company owned by the CEO of the Company, and $150,000 (December 31, 2015: $150,000) owed to a director of the Company for a non-interest bearing loan with no fixed maturity date. These loans are to be repaid with a contingent success fee upon successful completion of the litigation and final settlement. As at December 31, 2016, litigation success is deemed to be indeterminable and $nil has been accrued for the contingent success fee.

Compensation of Management and Directors

The remuneration of the directors and key management personnel during the year was as follows:

	2016	2015
Salary and directors fees	$390,000	$390,000
Stock based compensation	12,124	-
Total	$402,124	$390,000

As at December 31, 2016, $4,349,177 is due to directors and key management personnel (December 31, 2015: $4,157,225).

12. Disclosure of Outstanding Share Data

Subsequent to December 31, 2016, 6,050,000 stock options were exercised for proceeds of C$806,500 and 14,825,000 stock options with an exercise price of C$0.17 and a term of ten years were granted.

As at the date of this MD&A the Company has 544,770,623 common shares issued and outstanding, 54,420,000 stock options outstanding and exercisable and nil warrants outstanding.

13. Changes in Accounting Policies

Accounting Standards Issued But Not Yet Effective

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

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

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

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

14. Financial Instruments Risks

Credit Risk

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

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 $84,369,289.

Market Risk

The significant market risk exposures to which the Company is exposed are interest rate risk and currency risk.

i. Interest Rate Risk

Interest rate risk is the risk that the future cash flows and fair values of the Company's financial instruments will fluctuate because of changes in market interest rates. The 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.

ii. Currency Risk

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

Changes in the applicable exchange rate may result in a decrease or increase in foreign exchange gains or losses recognized in 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, 2016, the Company had a net monetary asset position of $38,127 (December 31, 2015 - $36,140) denominated in Canadian dollars, and a net monetary liability position of $518,928 (December 31, 2015 - $1,759,795) denominated in Venezuelan Bolivars.

	As at December 31, 2016	
	25% Increase in the BsF	**25% Decrease in the BsF**
Net (loss) profit	($129,732)	$103,786
	10% Increase in the C$	**10% Decrease in the C$**
Net (loss) profit	$3,813	$(3,466)

15. OTHER RISKS AND UNCERTAINTIES

Title Risk

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

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

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

There are many material uncertainties surrounding the Nationalization, including, but not limited to, the timing and final settlement amount of the Award, either through enforcement and collection proceedings or amicable settlement or agreement with the Venezuelan Government, and the structure of such transaction. The inability to make successful collection of the Award could hinder the Company's ability to continue as a going concern.

The Company cannot provide assurances that it would be able to enforce and collect the Award which could hinder the Company's ability to continue as a going concern.

Country Risk

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

Regulations and Permits

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

Dependence on Key Management Personnel

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

Common Share Price Volatility

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

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

16. FORWARD LOOKING STATEMENTS

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

Known and unknown factors could cause actual results or events to differ materially from those projected in the forward-looking statements. Such factors include, but are not limited to, fluctuations in the currency markets; fluctuations in the spot and forward price of gold or certain other commodities (such as diesel fuel and electricity); changes in interest rates; disruption to the credit markets and delays in obtaining financing; inflationary pressures; changes in national and local government legislation, taxation, controls, regulations and political or economic developments in Canada, Venezuela or other countries in which the Company does or may carry on business; business opportunities that may be presented to, or pursued by the

Company; the Company's ability to successfully integrate acquisitions; operating or technical difficulties in connection with mining or development activities; actual results of exploration activities; the possibility of cost overruns or unanticipated expenses; employee relations; illegal miners; the speculative nature of gold exploration and development, including the risks of obtaining and renewing necessary licenses and permits; the impact of Venezuelan law on the Company's operations; diminishing quantities or grades of reserves; adverse changes in the Company's credit rating; contests over title to properties particularly title to undeveloped properties; the occurrence of natural disasters, hostilities, acts of war or terrorism; corruption and uncertain legal enforcement; requests for improper payments; on the Company's ability to market gold produced and on its results of operations; on the Company's ability to obtain necessary authorizations from the CBV to export gold and on the Company's ability to retain any portion of the funds from sales of exported gold outside of Venezuela; on the ability to access SITME which impact the Company's ability to obtain US dollars to fund operating and capital expenditures; the result or outcome of management's efforts to remediate the potential implications of the transactions that were not in compliance with certain Venezuelan laws and regulations. In addition, there are risks and hazards associated with the business of gold exploration, development and mining, including environmental hazards, industrial accidents, unusual or unexpected formation, pressures, cave-ins, flooding and gold bullion losses (and the risk of inadequate insurance, or inability to obtain insurance to cover these risks). All of the forward-looking statements made in or incorporated by reference in this MD&A are qualified by these cautionary statements and those made in the section of this MD&A entitled “Financial Instruments Risks” and "Other Risks and Uncertainties".

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