# ROMIOS GOLD RESOURCES INC.

## CONSOLIDATED FINANCIAL STATEMENTS

**For the years ended June 30, 2014 and 2013**
**(Expressed in Canadian $)**

**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS**

The accompanying consolidated financial statements have been prepared by and are the responsibility of the management of Romios Gold Resources Inc. (the "Company"). The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and reflect management's best estimates and judgments based on currently available information. The Company has developed and maintains a system of internal controls in order to ensure, on a reasonable and cost effective basis, the reliability of the financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibility and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee. The consolidated financial statements have been audited by Wasserman Ramsay, an independent firm of chartered accountants. Their report outlines the scope of their examination and opinion on the consolidated financial statements.

(*signed*) "*Tom Drivas*"
Chief Executive Officer

*(signed) "Michael D'Amico"*
Chief Financial Officer

October 7, 2014

Wasserman
Ramsay

Chartered Accountants

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**INDEPENDENT AUDITORS' REPORT**

**To the Shareholders of**
**Romios Gold Resources Inc.:**

We have audited the accompanying consolidated financial statements of Romios Gold Resources Inc. and its subsidiary, which comprise the consolidated statements of financial position as at June 30, 2014 and 2013 and the consolidated statements of loss and comprehensive loss, equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Romios Gold Resources Inc. and its subsidiary as at June 30, 2014 and 2013 and the results of its operations, changes in equity and cash flows for the years then ended in accordance with International Financial Reporting Standards.

**Emphasis of matter**

Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Wasserman Ramsay

Markham, Ontario
October 7, 2014

Chartered Accountants
Licensed Public Accountants

# Romios Gold Resources Inc.

***Consolidated Statements of Financial Position***
***(Expressed in Cdn $)***

| As at | **June 30 2014 $** | June 30 2013 $ |
|---|---|---|
| **Assets** | | |
| Current | | |
| Cash and cash equivalents (note 4) | **913,874** | 1,674,104 |
| Accounts receivable | **7,757** | 14,687 |
| Prepaid expenses | **64,843** | 65,013 |
| **Total current assets** | **986,474** | 1,753,804 |
| | | |
| **Exploration and evaluation assets** (note 5) | | |
| Acquisition costs | **4,246,427** | 4,202,775 |
| Deferred exploration and evaluation expenditures | **21,609,189** | 21,246,318 |
| **Total assets** | **26,842,090** | 27,202,897 |
| | | |
| **Liabilities** | | |
| Current | | |
| Accounts payable & accruals | **105,688** | 81,516 |
| | | |
| Deferred income tax (note 8) | **2,270,522** | 2,270,522 |
| **Total liabilities** | **2,376,210** | 2,352,038 |
| *Contingencies and commitments (note 12)* | | |
| | | |
| **Shareholders' equity** | | |
| Share capital (note 6(a)) | **30,871,993** | 30,796,443 |
| Contributed surplus (note 7) | **3,925,568** | 3,758,933 |
| Deficit | **(10,331,681)** | (9,704,517) |
| **Total shareholders' equity** | **24,465,880** | 24,850,859 |
| **Total liabilities and shareholders' equity** | **26,842,090** | 27,202,897 |

*The accompanying notes are an integral part of these consolidated financial statements.*

APPROVED ON BEHALF OF THE BOARD on October 7, 2014

"Signed"
Anastasios (Tom) Drivas

"Signed"
Frank van de Water

**Romios Gold Resources Inc.**

***Consolidated Statements of Changes in Equity***

***(Expressed in Cdn $)***

| | Share Capital<br>$ | Warrants<br>$ | Contributed Surplus<br>$ | Deficit<br>$ | Total<br>$ |
|---|---|---|---|---|---|
| **At June 30, 2012** | 30,796,443 | 198,403 | 3,380,051 | (9,404,173) | 24,970,724 |
| Net loss and comprehensive loss for the period | - | - | - | (300,344) | (300,344) |
| Adjustment of expired warrants | - | (198,403) | 198,403 | - | - |
| Share-based compensation | - | - | 180,479 | - | 180,479 |
| **At June 30, 2013** | 30,796,443 | - | 3,758,933 | (9,704,517) | 24,850,859 |
| Net loss and comprehensive loss for the period | - | - | - | (627,164) | (627,164) |
| Flow-through shares issued, net | 75,550 | - | - | - | 75,550 |
| Share-based compensation | - | - | 166,635 | - | 166,635 |
| **At June 30, 2014** | 30,871,993 | - | 3,925,568 | (10,331,681) | 24,465,880 |

*The accompanying notes are an integral part of these consolidated financial statements.*

## Romios Gold Resources Inc.

***Consolidated Statements of Loss, and Comprehensive Loss***

***(Expressed in Cdn $)***

| | For the years ended June 30 | |
|---|---|---|
| | **2014** | 2013 |
| | **$** | $ |
| **Expenses** | | |
| Professional fees | **94,385** | 145,831 |
| Management fees and salaries | **201,751** | 215,163 |
| Office and general | **108,895** | 113,698 |
| Shareholder communication | **73,314** | 120,946 |
| Share-based compensation | **166,635** | 180,479 |
| Loss for the period before the following | **(644,980)** | (776,117) |
| Write-down of carrying value of shares | - | (18,182) |
| Interest income | **17,816** | 26,255 |
| Net loss for the period | **(627,164)** | (768,044) |
| Deferred income tax recovery (expense) (note 8) | **-** | 467,700 |
| **Net loss and comprehensive loss** | **(627,164)** | (300,344) |
| Basic and diluted loss per share | **0.00** | 0.00 |
| Weighted average number of shares outstanding | **157,557,605** | 156,762,001 |

*The accompanying notes are an integral part of these consolidated financial statements.*

## Romios Gold Resources Inc.
***Consolidated Statements of Cash Flows***
***(Expressed in Cdn $)***

| | For the years ended June 30 | |
|---|---|---|
| | **2014** | 2013 |
| | **$** | $ |
| **Operating activities** | | |
| Net loss for the period | **(627,164)** | (300,344) |
| Items not affecting cash: | | |
| Share-based compensation | **166,635** | 180,479 |
| Write-down of carrying value of shares | **-** | 18,182 |
| Deferred income tax | **-** | (467,700) |
| | **(460,529)** | (569,383) |
| Net change in non-cash working capital | | |
| Accounts receivable | **6,931** | 9,292 |
| Prepaid expenses | **169** | 233,350 |
| Accounts payable and accrued liabilities | **24,172** | (129,476) |
| Net cash used in operating activities | **(429,257)** | (456,217) |
| **Investing activities** | | |
| Exploration and evaluation assets acquisition costs | **(43,652)** | (37,199) |
| Deferred exploration and evaluation expenditures | **(362,871)** | (1,026,729) |
| Net cash used in investing activities | **(406,523)** | (1,063,928) |
| **Financing activities** | | |
| Private placement of flow-through shares | **80,000** | - |
| Share issue expense | **(4,450)** | - |
| Net cash from financing activities | **75,550** | - |
| Change in cash and cash equivalents | **(760,230)** | (1,520,145) |
| Cash and cash equivalents, beginning of period | **1,674,104** | 3,194,249 |
| **Cash and cash equivalents, end of period** | **913,874** | 1,674,104 |

*The accompanying notes are an integral part of these consolidated financial statements.*

### 1. Nature of operations and going concern

Romios Gold Resources Inc. (“Romios” or "the Company") is a listed public Company incorporated in Ontario, Canada and has interests in resource properties which are being evaluated to determine their economic viability.

These consolidated financial statements (“Statements”) have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at June 30, 2014 the Company had no sources of operating cash flows. The Company will therefore require additional funding which, if not raised, would result in the curtailment of activities and project delays. The Company had working capital of $880,786 as at June 30, 2014, and has incurred losses since inception, resulting in an accumulated deficit of $10,331,681 as at June 30, 2014. The Company’s ability to continue as a going concern is uncertain and is dependent upon its ability to continue to raise adequate financing. There can be no assurances that the Company will be successful in this regard, and therefore, there is doubt regarding the Company’s ability to continue as a going concern, and accordingly, the use of accounting principles applicable to a going concern. These consolidated financial statements do not reflect adjustments that would be necessary if the “going concern” assumption is not appropriate. If the “going concern” assumption is not appropriate, adjustments to the carrying values of the assets and liabilities, the expenses and the balance sheet classifications, which could be material, would be necessary.

The recoverability of expenditures on its resource properties and related deferred exploration expenditures is dependent upon the existence of resources that are economically recoverable, confirmation of the Company's ownership interests in the claims, the ability of the Company to obtain necessary financing to complete the exploration and the development of the properties, and upon future profitable production or proceeds from disposition thereof.

### 2. Basis of preparation and statement of compliance

The Statements of the Company as at and for the year ended June 30, 2014 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) in effect as of June 30, 2014.

### 3. Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the Statements and in preparing the opening IFRS statement of financial position at July 1, 2010 for the purpose of the transition to IFRS unless otherwise indicated.

#### Principles of consolidation

The Statements include the accounts of 100% owned McLymont Mines Inc. All inter-company accounts and transactions have been eliminated on consolidation.

#### Presentation Currency

The Company's presentation currency and functional currency is the Canadian dollar ("$").

**Significant Accounting Judgments and Estimates**

The preparation of financial statements requires management to make estimates, judgments and assumptions that affect the amounts reported in the Statements and notes. By their nature, these estimates, judgments and assumptions are subject to measurement uncertainty and the effect on the Statements of changes in such estimates in future periods could be material. These estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The more significant estimates and judgments are as follows:

*Critical accounting estimates*

The amounts recorded for share-based compensation transactions are based on estimates. The Black-Scholes model is based on subjective estimates of assumptions for expected volatility, expected number of option to vest, dividend rate, risk-free interest rate and expected life of the options.

The recoverability of amounts shown for exploration and evaluation assets is dependent on the discovery of economical reserves, the ability of the Company to obtain financing to complete development of the properties and on future production or proceeds of disposition.

Management's opinion that there is no material restoration, rehabilitation and environmental obligation, is based on the existing facts and circumstances.

Deferred income tax assets and liabilities are computed based on differences between the carrying amounts of assets and liabilities on the statement of financial position and their corresponding tax values. Deferred income tax assets also result from unused loss carry-forwards and other deductions. The valuation of deferred income tax assets is adjusted to reflect the uncertainty of realization through profitable operations.

*Critical accounting judgments*

The following accounting policies involve judgments or assessments made by management:

- The determination of categories of financial assets and financial liabilities;
- The determination of a cash-generating unit for assessing and testing impairment;
- The allocation of exploration costs to cash-generating units; and
- The determination of when an exploration and evaluation asset moves from the exploration stage to the development stage.

**Financial Instruments**

*Financial assets*

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company’s accounting policy for each category is as follows:

*Loans and receivables* - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

*Held-to-maturity investments* - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Corporation's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of earnings in the period of determination.

*Fair value through profit or loss* - This category includes derivatives, and investments acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the balance sheet at fair value with changes in fair value recognized in the statement of comprehensive income (loss).

*Available-for-sale* - Non-derivative financial assets not included in the above categories are classified as available-for-sale ("AFS"). They are carried at fair value with changes in fair value recognized directly in other comprehensive earnings. Where a decline in the fair value of an AFS financial asset constitutes objective evidence of impairment, the amount of the loss is removed from other comprehensive earnings and recognized in the statement of comprehensive income (loss).

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets are impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

*Financial liabilities*

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the balance sheet at fair value with changes in fair value recognized in the statement of earnings.

*Other financial liabilities* - This category includes accounts payables and accrued liabilities, all of which are recognized at amortized cost.

*Fair value hierarchy:*

The Company classifies financial instruments recognized at fair value in accordance with a fair value hierarchy that prioritizes the inputs to the valuation technique used to measure fair value as per IFRS 7. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The Company has valued all of its financial instruments using Level 1 measurements.

*Impairment of financial assets:*

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to profit or loss in the period.

Financial assets are assessed for indicators of impairment at the end of each reporting period.

Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. For marketable securities classified as AFS, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

For certain categories of financial assets, such as amounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

**Cash and Cash Equivalents**

Cash and cash equivalents consists of cash, Canadian Chartered Bank demand deposits and high-interest savings vehicles.

**Foreign Currency Translation**

In preparing the financial statements, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities are translated using the period-end exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction.

All gains and losses on translation of these foreign currency transactions are included in the consolidated statement of loss and comprehensive loss.

**Exploration and Evaluation Assets**

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized as incurred. Costs incurred before the Company has obtained the legal rights to explore an area are expensed.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, which management has determined to be indicated by a feasibility study, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

It is management's judgment that none of the Company's exploration and evaluation assets have reached the development stage and as a result are all considered to be exploration and evaluation assets.

**Share-based Compensation**

The Company grants stock options to buy common shares of the Company to directors, officers, employees and services providers. The board of directors generally grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted.

The fair value of share purchase options granted is recognized as an expense or charged to exploration and evaluation assets as appropriate, with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value for share purchase options granted to employees or those providing services similar to those provided by a direct employee is measured at the grant date and each tranche is recognized using the accelerated method basis over the period during which the share purchase options vest. The fair value of the share purchase options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share purchase options were granted.

The fair value for share purchase options granted to non-employees for services provided is measured at the date the services are received. The fair value of the share purchase options granted is measured at the fair value of the services received, unless the fair value of services received cannot be estimated reliably, in which case the fair value of the share purchase options is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share purchase options were granted.

At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share purchase options that are expected to vest.

**Income Taxes**

Income tax on the profit or loss consists of current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

The following temporary differences do not result in deferred tax assets or liabilities:

- the initial recognition of assets or liabilities, not arising in a business combination, that does not affect accounting or taxable profit;
- goodwill not deductible for tax purposes; and
- investments in subsidiaries, associates and jointly controlled entities where the timing of reversal of the temporary differences can be controlled and reversal in the foreseeable future is not probable.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied.

**Restoration, Rehabilitation and Environmental Obligations**

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of an interest in an exploration and evaluation asset. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses. The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

**Provisions**

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance expense (“notional interest”).

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic benefits will be required, the provision is reversed. The Company presently does not have any amounts considered to be provisions.

**Flow-through shares**

The Company will, from time to time, issue flow-through common shares to finance a portion of its exploration program. Pursuant to the terms of the flow-through share subscription agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders and the premium liability is reversed. The reversal of the premium liability and the deferred tax liability are recognized as tax recoveries to the extent that suitable deferred tax assets are available.

**Loss per share**

Loss per share is calculated using the weighted average number of common shares outstanding during the year. Since the Company is in a loss position, the effects of exercising share purchase options and warrants are anti-dilutive.

**Impairment**

Exploration and evaluation assets are reviewed on a quarterly basis and when changes in circumstances suggest their carrying value may become impaired. Management considers exploration and evaluation assets to be impaired if the carrying value exceeds the estimated undiscounted future projected cash flows from the use of the property and its related assets and their eventual disposition. If impairment is deemed to exist, the property and its related assets will be written down to fair value. Fair value is generally determined using a discounted cash flow analysis. Management determined that there was no impairment of carrying value on its properties in the current period.

**Accounting pronouncements issued but not yet adopted**

The following standards are either currently effective or will be effective soon with earlier adoption permitted. The Company has not early adopted any standards which are not yet effective and is currently assessing the impact they will have on the Statements

IFRS 9, Financial Instruments, introduces new requirements for the classification, measurement and derecognition of financial instruments. Specifically, IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or fair value. The adoption of IFRS 9 has been postponed indefinitely.

International Accounting Standard 32, Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) ("IAS 32"), clarifies the application of the offsetting requirements. The amendments are effective for annual periods beginning on or after January 1, 2014, with earlier application permitted.

Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) outlines new disclosure requirements that enable users of the financial statements to better compare financial statements prepared in accordance with IFRS and US Generally Accepted Accounting Principles.

**4. Cash and cash equivalents**

Cash and cash equivalents and cash and cash equivalents held for future exploration activities consist of cash and investments in Canadian Chartered Bank demand money market funds.

During the year ended June 30, 2014, the Company spent a total of $367,016 on exploration and evaluation activities, including the balance of all funds raised exclusively for Canadian Exploration Expenditures ("CEE") in the current fiscal year.

## 5. Exploration and evaluation assets

| **Acquisition costs** | **British Columbia** | **Quebec** | **Nevada, USA** | **Total** |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Balance, June 30, 2012 | 4,052,113 | 74,997 | 38,466 | 4,165,576 |
| Total additions for the period | 37,199 | - | - | 37,199 |
| Balance, June 30, 2013 | 4,089,312 | 74,997 | 38,466 | 4,202,775 |
| Total additions for the period | 43,652 | - | - | 43,652 |
| Balance June 30, 2014 | 4,132,964 | 74,997 | 38,466 | 4,246,427 |

On August 27, 2012, the Company announced the acquisition of an additional 5,700 hectares of mineral tenures and on May 30, 2013 the Company announced the acquisition of two claims totalling approximately 2,900 hectares in the Golden Triangle area in northwestern British Columbia. On January 27, 2014, the Company announced the staking of two claims totalling 2,780 hectares of mineral tenures and on February 7, 2014 the Company announced the staking of an additional 3 claims totalling 3,459 hectares all in the Sheslay Valley area in northwestern British Columbia. The five claims held by Romios form a contiguous block in an area where recent drilling by other property owners has indicated potential for porphyry-type copper-gold deposits. On May 2, 2013, the Company staked an additional 3 claims totalling approximately 1,456 hectares (3,598 acres) in the Galore Creek area of Northwestern British Columbia for a total cost of $2,548.

The Company's total holding in the Golden Triangle area is approximately 82,000 hectares (203,000 acres). Additional acquisition costs for British Columbia relate primarily to the value of shares for property payment obligations and maintenance fees for claims.

**Deferred exploration and evaluation expenditures**

| | **British Columbia** | **Quebec** | **Ontario** | **Total** |
|---|---|---|---|---|
| | **$** | **$** | **$** | **$** |
| Balance, June 30, 2012 | 19,223,988 | 995,601[1] | [2]- | 20,219,589 |
| Additions: | | | | |
| Assessment filings | 6,680 | - | 53 | 6,733 |
| Assaying | 120,676 | 3,552 | 11,071 | 135,299 |
| Contract flying | 421,473 | - | - | 421,473 |
| Drilling | 390,472 | - | - | 390,472 |
| Field communications | 7,533 | - | 192 | 7,725 |
| Contract labour | 298,551 | 5,638 | 68,774 | 372,963 |
| Subcontract labour | 36,724 | - | - | 36,724 |
| Camp costs | 48,575 | - | 10,654 | 59,229 |
| Other | 89,871 | 2,653 | 1,546 | 94,070 |
| Total additions for the period | 1,420,555 | 11,843 | 92,290 | 1,524,688 |
| British Columbia and Quebec refunds | (441,053) | (56,906) | - | (497,959) |
| Balance, June 30, 2013 | 20,203,490 | 950,538 | 92,290 | 21,246,318 |
| Additions: | | | | |
| Assessment filings | 1,372 | 1,000 | - | 2,372 |
| Assaying | 30,619 | - | 2,283 | 32,902 |
| Contract flying | 23,961 | - | 27,650 | 51,611 |
| Drilling | 4,000 | - | - | 4,000 |
| Contract labour | 55,943 | 8,613 | 20,790 | 85,346 |
| Camp costs | 32,380 | 925 | 17,591 | 50,896 |
| Other | 83,682 | 2,898 | 53,309 | 139,889 |
| Total additions for the period | 231,957 | 13,436 | 121,623 | 367,016 |
| Quebec refund | - | (4,145) | - | (4,145) |
| Balance, June 30, 2014 | 20,435,447 | 959,829 | 213,913 | 21,609,189 |

(1) Amounts shown are net of refunds totalling $365,349 received from the province of Quebec (2011 - $20,021 and 2010 - $345,328).
(2) During the 2013 year, the Company completed exploration activities on an Ontario property which was previously written down to $0.

**British Columbia**

In 2006, the Company acquired a 100% interest in 5 land tenures (2,693 hectares) located in the Liard Mining Division of British Columbia, known as the Trek Property from the Galore Creek Staking Syndicate, 2003 (Galore Creek Syndicate).

By September 27, 2012, the Company had earned, from Gulf International Minerals Inc. ("Gulf"), a 100% interest in the Newmont Lake property in British Columbia, which consists of 18 mineral claims (6,175 hectares) in the Liard Mining Division of British Columbia, subject to a 1.5% Net Smelter Returns Royalty ("Gulf NSR") in favour of Gulf. The Company has the option to purchase 1/3 of the Gulf NSR for $1,000,000. Exploration activities to date have resulted in the establishment of an NI 43-101 inferred resource of 1.406 million tonnes containing 200,000 oz Au, 6,790,000 lbs Cu, and 291,000 oz Ag.

Under an option agreement with Roca Mines Inc. ("Roca") the Company earned a 50% interest in 8 exploration and evaluation assets (4,000 hectares) known as the Seagold Property in the Liard Mining Division of British Columbia and entered into a joint venture with Roca for the further exploration and development on the properties. Upon reaching commercial production the Company is required to issue a further 200,000 shares to Roca. The joint venture agreement calls for a 50/50 sharing of costs incurred for exploration and maintenance of the property. A total of $600,269 has been spent on exploration activities without any proportionate contribution by Roca. Consequently, the Company's share of the joint venture has increased to 57% in accordance with the joint venture agreement.

The Company entered into option agreements for the RP Property (1,321 hectares) and JW Property (641 hectares) in the Liard Mining Division of British Columbia. The Company has not fulfilled its obligations with respect to these agreements but was notified that the owner, the Galore Creek Syndicate, reserves the right to issue a default notice in the future at which time the Company will have the opportunity to fulfill all of its obligations under the revised agreement, or lose these properties.

The Company also holds a 100% interest in 229 mineral claims in the Liard Mining Division of British Columbia.

**Quebec**

During the year ended June 30, 2009 the Company acquired a molybdenum property that was the site of the former producing La Corne molybdenum mine approximately 30 kilometres from the town of Val d'Or, Quebec. The property is subject to a 3% Net Smelter Return (NSR) retained by the vendors, of which half (1.5%) can be repurchased for $500,000. The total amount expended to June 30, 2014 before refunds received from the Province of Quebec is $1,386,229.

**Ontario and Nevada**

At June 30, 2009, the Company wrote down the carrying value of its Ontario and Nevada properties to a nominal amount as the Company's focus was on its BC and Quebec properties. The Company incurred additional costs as it re-evaluated previous drilling results for its Timmins Hislop Ontario property. It is of the opinion that the property is of continuing interest, considering strong gold mineralization and visible gold extending to neighbouring properties. Consequently these expenditures have been included in deferred exploration and evaluation expenditures.

In January 2014, a three-year exploration permit was received from the Ministry of Northern Development and Mines, Ontario with respect to the Lundmark-Akow Lake property. On February 19, 2014 the Company announced that a Letter of Intent had been entered into with the North Caribou Lake First Nations Community, recognizing the need for both parties to work together for their mutual benefit.

## 6. Share capital

### (a) Common shares

The Company is authorized to issue an unlimited number of no par value common shares. The following table provides the details of changes in the number of issued common shares.

| | ***Number*** | ***Amount*** |
|---|---:|---:|
| | # | $ |
| Balance, June 30, 2012 and June 30, 2013 | 156,762,001 | 30,796,443 |
| Flow through units issued | 1,600,000 | 80,000 |
| Share issue costs | - | (4,450) |
| Balance, June 30, 2014 | 158,362,001 | 30,871,993 |

### (b) Common share purchase options

The Company has a stock option plan for the benefit of directors, officers, key employees, and consultants. The total number of shares which may be reserved and set aside for issuance to eligible persons may not exceed 10% of the issued and outstanding common shares. As at June 30, 2014, 11,850,000 common shares were reserved for the exercise of stock options granted under the Company's stock option plan (the "Plan").

The following table provides the details of changes in the number of issued common share purchase options during the period:

| | **Options** | **Weighted-average exercise price** |
|---|---:|---:|
| | # | $ |
| Outstanding at June 30, 2012 | 9,125,000 | 0.23 |
| Granted | 250,000 | 0.10 |
| Expired | (2,250,000) | 0.32 |
| Outstanding at June 30, 2013 | 7,125,000 | 0.18 |
| Granted | 5,800,000 | 0.10 |
| Expired | (1,075,000) | 0.25 |
| Outstanding at June 30, 2014 | 11,850,000 | 0.14 |
| Options exercisable at June 30, 2014 | 8,950,000 | 0.15 |

| Number of stock options | Number exercisable | Remaining contractual life | Exercise price per share | Expiry date |
|---:|---:|---:|---:|---:|
| 150,000 | 150,000 | 0.8 months | $0.15 | July 24, 2014 |
| 1,750,000 | 1,750,000 | 9.3 months | $0.14 | April 9, 2015 |
| 1,000,000 | 1,000,000 | 1 month | $0.15 | July 30, 2014 |
| 2,900,000 | 2,900,000 | 35.4 months | $0.20 | June 12, 2017 |
| 250,000 | 250,000 | 45.3 months | $0.10 | April 9, 2018 |
| 5,800,000 | 2,900,000 | 58.2 months | $0.10 | May 5, 2019 |
| 11,850,000 | 8,950,000 | | | |

The weighted average fair value of all the options granted and outstanding is $0.14 per option, each contract fair value having been estimated at the date of grant using the Black-Scholes pricing model with the following assumptions: risk-free weighted-average interest rate ranging from 1.30% to 2.0%, expected dividend yield of nil, average expected volatility ranging from 126.85% to 141% and expected life term ranging from 24 to 60 months. Under this method of calculation, the Company has recorded $166,635 as stock based compensation during the year ended June 30, 2014, being the fair value of the options vested during the year ended June 30, 2014. Options that have been issued and remain outstanding vest either immediately on the date of grant, or in equal instalments over a period of up to eighteen months from the date of grant.

**(c) Warrants**

On certain issuances of common shares, the Company grants warrants entitling the holder to acquire additional common shares of the Company, and the Company grants warrants as consideration for services associated with the placement of such common share issues.

The following table provides the details of changes in the number of outstanding common share purchase warrants:

| | ***Number*** | ***Price Range*** |
|---|---|---|
| | # | $ |
| Balance June 30, 2012 | 5,432,301 | 0.52 to 1.00 |
| Expired | (5,432,301) | 0.52 to 1.00 |
| Balance June 30, 2013 | Nil | |
| Private placement warrants issued to investors | 1,600,000 | 0.05 |
| Balance June 30, 2014 | 1,600,000 | 0.05 |

**7. Contributed surplus**

A summary of changes in contributed surplus is:

| | Amount |
|---|---|
| | $ |
| Balance, June 30, 2012 | 3,380,051 |
| Common share purchase warrants expired | 198,403 |
| Share-based compensation | 180,479 |
| Balance, June 30, 2013 | 3,758,933 |
| Share-based compensation | 166,635 |
| Balance, June 30, 2014 | 3,925,568 |

The number of common shares outstanding on June 30, 2014 was 158,362,001. Taking into account outstanding share purchase options and 1,000,000 shares reserved for property transactions, the fully diluted common shares that could be outstanding on June 30, 2014 was 172,812,001.

**8. Income taxes**

The Company's effective income tax rate differs from the amount that would be computed by applying the combined Federal and Provincial statutory tax rate of 26.25% (2013 - 26.25%) to the net loss for the year for reasons noted below:

| | **June 30 2014** | June 30 2013 |
|---|---|---|
| | **$** | $ |
| Income tax recovery based on statutory rate | **164,631** | 201,612 |
| | | |
| Actual provision per financial statements | **-** | (467,700) |
| Non-deductible items for tax purposes | **(45,141)** | (52,914) |
| Tax effect of tax rate change | **143,184** | 113,526 |
| Tax effect of adjustments to prior year balances | **(98,043)** | 205,476 |
| | **-** | (201,612) |

The Company has incurred tax losses of $4,995,200 (2013 - $4,158,500) which may be used to reduce future taxable income. The potential benefit of these losses will expire in the fiscal years ended June 30, if unused, as follows:

| | Amount<br>$ |
|---|---|
| 2027 | 642,000 |
| 2029 | 709,000 |
| 2030 | 622,000 |
| 2031 | 931,000 |
| 2032 | 950,500 |
| 2033 | 685,700 |
| 2034 | 455,000 |
| | 4,995,200 |

In addition to the above losses the Company has available CEE of approximate $4.3 million, CDE of $2.9 million and FDEE $1.6 million which can be used to offset future taxable income.

The components of future income tax asset (liability) are as noted below:

| | **June 30 2014 $** | June 30 2013 $ |
|---|---|---|
| Non-capital losses | **1,362,784** | 1,039,556 |
| Capital assets | **4,708** | 4,708 |
| Exploration and evaluation assets | **(3,099,327)** | (3,314,786) |
| Valuation allowance | **(538,687)** | - |
| Net deferred income tax liability | **(2,270,522)** | (2,270,522) |

The Company's flow-through share expenditures are being audited by the Canada Revenue Agency ("CRA") for the fiscal years from 2009 to 2013, however no assessment notice has been received. The effect of the CRA's position on the Company's income tax accounts, if any, will be evaluated after receipt of a formal Notice of Assessment.

**9. Related party transactions**

During the year ended June 30, 2014, the Company incurred related party expenses of $214,575 (2013 – $244,725). These expenses related to salary and consulting fees paid to the Company's key senior officers, Tom Drivas, President and Chief Executive Officer, Frank van de Water, Chief Operating Officer (effective April 2013), Thomas Skimming, V.P. Exploration, Michael D'Amico, Chief Financial Officer and Mel de Quadros, Director. As at June 30, 2014, $34,534 (2013 - $20,371) is due and payable to these related parties. Key management personnel were not paid post-retirement benefits, termination benefits, or other long-term benefits during the years ended June 30, 2014 and 2013.

Share based compensation to key management and directors for the year ended June 30, 2014 was $137,291 (2013 - $166,336).

During the year ended June 30, 2014, the Company incurred expenses of $10,894 (2013 - $39,690) for legal fees to a law firm related to a Director of the Company, William R. Johnstone. At June 30, 2013, $2,590 (2013 - $4,345) was due and payable.

During the year ended June 30, 2014, the Company incurred expenses of $22,000 (2013 - $23,000) related to directors' fees to independent directors. At June 30, 2014, $ 7,500 (2012 - $6,000) was due and payable.

These amounts were expensed in the period incurred as administrative and general expenses. Expenses and amounts paid and owing are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

**10. Financial instruments and risk management**

*Categories of financial assets and liabilities*

Under IFRS, financial instruments are classified into one of the following five categories: Fair value through profit and loss (“FVTPL”), held to maturity investments, loans and receivables, AFS financial assets and other financial liabilities. The carrying values of the Company’s financial instruments, including those held for sales are classified into the following categories:

| | **June 30 2014 $** | June 30 2013 $ |
|---|---|---|
| FVTPL [1] | **913,874** | 1,674,104 |
| Loans and receivables [2] | **7,757** | 5,206 |
| Other financial liabilities [3] | **43,493** | 72,035 |

*(1) Includes cash, committed cash and short-term investments.*
*(2) Includes accounts receivable related to HST tax refunds.*
*(3) Includes accounts payable.*

*Financial Instruments*

The carrying amounts for the Company’s financial instruments approximate their fair values because of the short-term nature of these items.

(i) Cash and cash equivalents and cash and cash equivalents held for future exploration are designated as FVTPL financial assets and are recorded at market value. The interest on deposits is insignificant.
(ii) HST receivable is designated as loans and receivables and is recorded at cost.
(iii) Accounts payable is designated as other financial liabilities and is recorded at cost.

*Risks arising from financial instruments and risk management*

The Company’s activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Company’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company.

The Company uses various methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks.

*Carrying value of exploration and evaluation assets*

The Company regularly reviews the carrying value of its properties for impairment to determine whether the carrying amount of these assets will be recoverable from future cash flows. Assumptions underlying the cash flow estimates include the forecasted prices for gold, copper, silver and molybdenum, planned production levels, and operating, capital, exploration and reclamation costs, which are subject to risks and uncertainties. Management has determined that there is no impairment of carrying value on its British Columbia and Quebec properties.

**(a) Market risk**

*(i) Price risk*
*Commodity price risk*

The price of gold and base metals may have an impact on the Company's exploration projects.

*Sensitivity price risk*

Anticipated changes in the value of gold and base metals would not, in management's opinion, change the recognized value of any of the Company's financial instruments.

*(ii) Cash flow fair value interest rate risk*

The Company does not have interest-bearing borrowings for which general rate fluctuations apply. The Company is exposed to interest rate risk to the extent of the balance of the bank accounts.

**(b) Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. Credit risk arises from cash and deposits with Canadian Chartered Banks as well as credit exposures to outstanding receivables.

The Company has no concentration of credit risk. The carrying amounts of financial assets recorded in the Statements are at cost.

**(c) Liquidity risk**

Prudent liquidity risk management implies maintaining at all times sufficient cash, liquid investments and committed credit facilities to meet the Company's commitments as they arise. The Company manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows. The Company is currently assessing all options to address its liquidity issues. It is not possible to determine with any certainty the success and adequacy of these initiatives.

**11. Capital disclosures**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of exploration and evaluation assets. The capital of the Company consists of capital stock, warrants and contributed surplus.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and will raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company is not subject to externally imposed capital requirements.

**12. Contingencies and commitments**

As at June 30, 2014:

a) the Company has a lease commitment to December 31, 2015 for its principle office location which totals $54,000, and
b) the Company has $40,894 on deposit as property reclamation bonds with various governmental agencies. These amounts are included with prepaid expenses.

The Company's flow-through share expenditures are being audited by the Canada Revenue Agency ("CRA") for the fiscal years from 2009 to 2013, however no assessment notice has been received. The effect of the CRA's position on the Company's income tax accounts, if any, will be evaluated after receipt of a formal Notice of Assessment.

**13. Subsequent events**

On July 15, 2014, the Company received $165,248 with respect to a British Columbia Mining Exploration tax credit. This amount will be recorded as a reduction of deferred exploration expenditures.

On July 24, 2014, 150,000 options held by a consultant at exercise price of $0.15 per share expired unexercised.

On July 30, 2014, 1,000,000 options held by a Director at exercise price of $0.15 per share expired unexercised.