

**ROMIOS GOLD RESOURCES INC.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**For the three months ended September 30, 2012 and 2011  
(unaudited)  
(Expressed in Cdn \$)**

**Romios Gold Resources Inc.**  
**Condensed Consolidated Interim Statements of Financial Position**  
**(Expressed in Cdn \$)**  
*Unaudited*

As at	September 30 2012 \$	June 30 2012 \$
<b>Assets</b>		
Current		
Cash and cash equivalents (note 4)	2,118,309	2,601,758
Cash and cash equivalents for future exploration activities (note 4)	-	592,491
Accounts receivable	136,792	23,978
Prepaid expenses	75,384	298,363
	<b>2,330,485</b>	3,516,590
Marketable securities (note 5)	18,182	18,182
<b>Exploration and evaluation assets</b>		
Acquisition costs (note 5)	4,166,696	4,165,576
Deferred exploration expenditures (note 5)	21,482,157	20,219,589
	<b>27,997,520</b>	27,919,937
<b>Liabilities</b>		
Current		
Accounts payable & accruals	414,190	210,991
Deferred flow through share premium liability	-	158,011
Deferred income tax	2,580,211	2,580,211
	<b>2,994,401</b>	2,949,213
<i>Contingencies and commitments (note 12)</i>		
<b>Shareholders' equity</b>		
Share capital (note 6(a))	30,796,443	30,796,443
Warrants (note 6(c))	-	198,403
Contributed surplus (note 7)	3,629,615	3,380,051
Deficit	(9,422,938)	(9,404,173)
	<b>25,003,120</b>	24,970,724
	<b>27,997,520</b>	27,919,937

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

APPROVED ON BEHALF OF THE BOARD on November 27, 2012

"Signed"  
Anastasios (Tom) Drivas

"Signed"  
Frank van de Water

**Romios Gold Resources Inc.**

**Condensed Consolidated Interim Statements of Changes in Equity**

**(Expressed in Cdn \$)**

*Unaudited*

	Share Capital \$	Warrants \$	Contributed Surplus \$	Deficit \$	Total \$
<b>At June 30, 2011</b>	24,853,487	3,659	3,093,790	(7,678,070)	20,272,866
Net loss and comprehensive loss for the period	-	-	-	(274,691)	(274,691)
Common shares issued, net	910,924	-	-	-	910,924
Flow throw shares issued, net	2,472,499	-	-	-	2,472,499
Valuation of compensation warrants	(198,403)	198,403	-	-	-
Contribution on exercise of warrants	3,659	(3,659)	-	-	-
Common shares issued on exercise of options and warrants	35,200	-	-	-	35,200
Contribution on exercise of options	80,301	-	(80,301)	-	-
Share-based payments	-	-	82,104	-	82,104
<b>At September 30, 2011</b>	28,157,667	198,403	3,095,593	(7,952,761)	23,498,902
Net loss and comprehensive loss for the period	-	-	-	(1,451,412)	(1,451,412)
Shares issued for property acquisition	2,000,000	-	-	-	2,000,000
Common shares issued on exercise of options and warrants	15,000	-	-	-	15,000
Flow throw shares issued, net	663,269	-	-	-	663,269
Contribution on exercise of options	(39,493)	-	39,493.34	-	-
Share-based payments	-	-	244,965	-	244,965
<b>At June 30, 2012</b>	30,796,443	198,403	3,380,051	(9,404,173)	24,970,724
Net loss and comprehensive loss for the period	-	-	-	(18,765)	(18,765)
Adjustment of expired warrants	-	(198,403)	198,403	-	-
Share-based payments	-	-	51,161	-	51,161
<b>At September 30, 2012</b>	30,796,443	-	3,629,615	(9,422,938)	25,003,120

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

**Romios Gold Resources Inc.****Condensed Consolidated Interim Statements of Profit and Loss, and Comprehensive Profit and Loss  
(Expressed in Cdn \$)**

Unaudited

	For the three months ended September 30	
	2012	2011
	\$	\$
<b>Expenses</b>		
Professional fees	41,924	87,580
Management fees and salaries	37,500	37,500
Office and general	25,780	19,867
Shareholder communication	26,340	60,881
Share-based payments	51,161	82,104
Loss for the period before the following	(182,705)	(287,932)
Interest income	5,929	13,241
Net loss for the period	(176,776)	(274,691)
Deferred income tax recovery	158,011	-
<b>Net loss and comprehensive loss</b>	<b>(18,765)</b>	<b>(274,691)</b>
Basic and diluted loss per share	0.00	0.00
Weighted average number of shares outstanding	156,762,001	130,780,870

The accompanying notes are an integral part of these condensed consolidated interim financial statements

**Romios Gold Resources Inc.**  
**Condensed Consolidated Interim Statements of Cash Flows**  
**(Expressed in Cdn \$)**  
*Unaudited*

	For the three months ended September 30	
	2012	2011
	\$	\$
<b>Operating activities</b>		
Net profit/(loss) for the period	(18,765)	(274,691)
Items not affecting cash:		
Share-based payments	51,161	82,104
Deferred income tax	(158,011)	-
	<b>(125,615)</b>	<b>(192,587)</b>
Net change in non-cash working capital		
Accounts receivable	(112,814)	(281,916)
Prepaid expenses	222,979	(3,745)
Accounts payable and accrued liabilities	203,197	198,947
<b>Net cash from operating activities</b>	<b>187,747</b>	<b>(279,301)</b>
<b>Investing activities</b>		
Exploration and evaluation assets acquisition costs	(1,120)	(170)
Deferred exploration expenditures	(1,262,568)	(4,135,850)
<b>Net cash used in investing activities</b>	<b>(1,263,688)</b>	<b>(4,136,020)</b>
<b>Financing activities</b>		
Private placement of common shares	-	3,954,800
Exercise of options and warrants	-	35,200
Share issue expense	-	(271,376)
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>3,718,624</b>
Change in cash and cash equivalents	(1,075,940)	(696,697)
Cash and cash equivalents, beginning of period	3,194,249	4,844,114
<b>Cash and cash equivalents, end of period</b>	<b>2,118,309</b>	<b>4,147,417</b>
<b>Cash comprises:</b>		
Cash and cash equivalents	2,118,309	4,147,417

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

**Romios Gold Resources Inc.**  
**(the "Company")**  
**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

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

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by, and are the responsibility of, the Company's management. The Company's independent auditor has not performed a review of these financial statements.

DATED this 27<sup>th</sup> day of November, 2012.

**ROMIOS GOLD RESOURCES INC.**

Per: (signed) "Tom Drivas"  
Name: Tom Drivas  
Title: Chief Executive Officer

Per: (signed) "Michael D'Amico"  
Name: Michael D'Amico  
Title: Chief Financial Officer

## **ROMIOS GOLD RESOURCES INC.**

### ***Notes to Condensed Interim Consolidated Financial Statements***

**September 30, 2012**

**(expressed in Canadian dollars unless otherwise stated)**

**(Unaudited)**

#### **1. Nature of operations and going concern**

Romios Gold Resources Inc. ("Romios" or "the Company") has interests in resource properties and is in the process of determining whether its properties contain resources that are economically recoverable.

The accompanying unaudited condensed interim consolidated financial statements ("Financial Statements") of the Company have been prepared by, and are the responsibility of, the Company's management. The Company's independent auditor has not performed a review of these Financial Statements.

These Financial 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 September 30, 2012 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 \$ 1,916,294 as at September 30, 2012, and has incurred losses since inception, resulting in an accumulated deficit of \$9,422,939 as at September 30, 2012. 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 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 for these Financial Statements, then 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 with IAS 34**

These Financial Statements form part of the period covered by the Company's IFRS annual consolidated financial statements. These Financial Statements have been prepared in accordance with IAS 34-*Interim Financial Reporting* and on the basis of IFRS standards and interpretations expected to be effective as at the Company's IFRS annual reporting date, June 30, 2013.

These Financial Statements may not contain all the disclosures required by IFRS for annual financial statements and should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended June 30, 2012 prepared in accordance with International Accounting Standards 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, 2012.

## **2. Basis of preparation and statement of compliance with IAS 34 (continued)**

An explanation of the transition to IFRS with a transition date of July 1, 2010 has been provided in the Company's audited annual consolidated financial statements for the year ended June 30, 2012.

In the opinion of management, all adjustments considered necessary for fair presentation have been included in these Financial Statements. Operating results for the three months ended September 30, 2012, may not be indicative of the results that may be expected for the year ending June 30, 2013.

## **3. Summary of significant accounting policies**

The company's first annual consolidated IFRS statements were dated June 30, 2012 and included all required disclosure for conversion to IFRS. Readers should refer to these annual consolidated financial statements for the accounting policies used in the preparation of these condensed interim consolidated financial statements. The IASB continues to amend and add to current IFRS standards and interpretations with several projects underway. Accordingly, the accounting policies adopted by the Company for the Company's IFRS annual consolidated financial statements will be determined as at June 30, 2013. In the event that accounting policies adopted at June 30, 2013 differ materially from the accounting policies used in the preparation of these Financial Statements, these Financial Statements will be restated to retrospectively account for the application of those policies adopted at June 30, 2013.

The accounting policies have been applied consistently to all periods presented in these financial 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 Financial Statements include the accounts of 100% owned McLymont Mines Inc. All inter-company accounts and transactions have been eliminated on consolidation.

## **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.

On July 28, 2011, the Company completed a private placement of 4,999,997 flow-through units for gross proceeds of \$3,000,000 and on December 8, 2011, the Company completed a private placement of 3,333,000 flow-through shares for gross proceeds of \$999,900. These funds were committed to be expended on Canadian Exploration Expenditures ("CEE") and were therefore not available for current working capital purposes.

During the three months to September 30, 2012, the Company spent a total of \$1,262,568 on exploration activities, including the balance of all funds raised exclusively for CEE in the current and prior fiscal years.



## 5. Exploration and evaluation assets

### Acquisition costs

	British Columbia \$	Quebec \$	Nevada, USA \$	Total \$
Balance, June 30, 2011	2,036,944	74,997	38,466	2,150,407
Total additions for the period	2,015,169	-	-	2,015,169
Balance, June 30, 2012	4,052,113	74,997	38,466	4,165,576
Total additions for the period	1,120	-	-	1,120
Balance September 30, 2012	4,053,233	74,997	38,466	4,166,696

On October 14, 2011, the Company issued common shares to acquire the remaining 25% interest in the Gulf Claims forming part of the Company's Newmont Lake Property for total consideration and costs of \$2,000,000 (Note 6(a)).

Additional costs for British Columbia and Quebec relate primarily to the value of shares for property payment obligations and maintenance fees for claims.

On August 27, 2012, the Company announced the acquisition of approximately 5,700 hectares of mineral tenures within the so-called Golden Triangle area in northwestern British Columbia.

### Deferred exploration expenditures

	British Columbia \$	Quebec \$	Total \$
Balance, June 30, 2011	14,954,158	895,519 <sup>(1)</sup>	15,849,677
Additions:			
Assessment filings	103,815	1,331	105,146
Assaying	298,543	59,323	357,866
Contract flying	1,265,404	-	1,265,404
Drilling <sup>(2)</sup>	980,003	-	980,003
Field communications	37,803	-	37,803
Contract labour	864,437	35,836	900,273
Subcontract labour	228,443	-	228,443
Camp costs	414,476	-	414,476
Other	76,906	3,592	80,498
Total additions for the period	4,269,830	100,082	4,369,912
Balance, June 30, 2012	19,223,988	995,601	20,219,589
Additions:			
Assessment filings	500	-	500
Assaying	83,368	2,460	85,828
Contract flying	421,473	-	421,473
Drilling <sup>(2)</sup>	395,906	-	395,906
Field communications	6,620	-	6,620
Contract labour	187,593	-	187,593
Subcontract labour	35,099	-	35,099
Camp costs	48,334	-	48,334
Other	80,808	407	81,215
Total additions for the period	1,259,701	2,867	1,262,568
Balance, September 30, 2012	20,483,689	998,468	21,482,157

<sup>(1)</sup> Amounts shown are net of refunds totaling \$365,349 from the province of Quebec received (2011-\$20,021 and 2010 - \$345,328)

<sup>(2)</sup> On February 10, 2012, the Company renegotiated its 2011 exploration program drilling contract resulting in a net reduction of \$530,455 in drilling expenses which were previously recorded in Deferred Exploration Expenditures. This amount was reversed in the quarter ending March 31, 2012. As part of this revised agreement, the Company had paid a non-refundable deposit of \$200,000 toward its 2012 drilling expenditures. As at September 30, 2012 this amount is included in drilling expenditures.

## **British Columbia**

On March 1, 2005, the Company acquired, through an exchange of shares, a 100% interest in McLymont Mines Inc., a company whose only significant asset is an interest in the Newmont Lake Property in British Columbia.

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

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.

The Company completed its obligations under an option agreement with Roca Mines Inc. ("Roca") to earn 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. In the current quarter, \$509,139 was spent on exploration; however, Roca has notified the Company that it will not be contributing its proportionate share. Consequently, the Company's share of the joint venture has increased to 56% in accordance with the joint venture agreement.

During the year ended June 30, 2006, the Company entered into an option agreement with Galore Creek Syndicate to acquire a 100% interest, subject to a 2% net smelter returns royalty, in 2 land tenures (1,321 hectares) located in the Liard Mining Division of British Columbia, known as the RP Property. The agreement was amended in 2010 and now requires a payment of \$115,000 cash (\$15,000 paid to date with the remaining \$100,000 due December 1, 2014). In addition, the Company must issue a total of 800,000 common shares of which 400,000 have been issued and the remaining 400,000 are to be issued as follows: 50,000 shares on each of March 31, 2012 and December 1, 2012 with the remaining 300,000 common shares to be issued December 1, 2013. The revised expenditure commitments now include optional expenditure commitments on the property totaling \$900,000, with \$100,000 to be spent before December 1, 2012; an additional \$300,000 before December 1, 2013; and an additional \$500,000 before December 1, 2014. The amendment agreement also required the expansion of the size of the property to a minimum of 248 contiguous cells (claim units) from the current 75 cells (claim units) prior to March 31, 2012. By March 31, 2012 the Company had not fulfilled its obligations, however it received notification that it would not be given a default notice until after December 31, 2012 unless the vendor receives another offer for the properties, at which time the Company will have 30 days to remedy the default or be deemed to be in default.

In 2006, the Company entered into an option agreement with Galore Creek Syndicate to acquire a 100% interest, subject to a 2% net smelter returns royalty, in 1 land tenure (614 hectares) located in the Liard Mining Division of British Columbia, known as the JW Property. The agreement was amended in 2010 and now requires the payment of \$115,000 cash, of which \$15,000 has been paid with the remaining \$100,000 due December 1, 2014, the issue of 700,000 common shares of which 300,000 common shares have been issued, and certain expenditure requirements. The remaining 400,000 common shares are to be issued with the revised share issuance schedule as follows: 50,000 shares on each of March 31, 2012 and December 1, 2012; with the remaining 300,000 common shares to be issued December 1,

2013. The expenditure commitments have been replaced with optional expenditure commitments on the property totaling \$1,400,000; with \$100,000 to be spent before December 1, 2012; an additional \$250,000 to be spent before December 1, 2013; an additional \$450,000 before December 1, 2014; and an additional \$600,000 before December 1, 2015. The amendment agreement also required the expansion of the size of the property to a minimum of 220 contiguous cells (claim units) from the current 35 cells (claim units) prior to March 31, 2012. By March 31, 2012 the Company had not fulfilled its obligations, however it received notification that it would not be given a default notice until after December 31, 2012 unless the vendor receives another offer for the properties, at which time the Company will have 30 days to remedy the default or be deemed to be in default.

The Company also holds a 100% interest in 208 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 September 30, 2012 before refunds received from the Province of Quebec is \$1,363,817.

### 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 is currently on its BC and Quebec properties.

On January 11, 2012, the Company signed an option agreement with Mexivada Mining Corp. ("Mexivada") pursuant to which Mexivada can earn up to 60% interest in the mining rights to the Company's Timmins Hislop property in Hislop Township in the Matheson gold camp, Ontario, Canada. Under the terms of the agreement, the Company has received the first option payment of \$25,000 in cash and 454,545 Mexivada shares valued at \$25,000, and retains all surface rights. As at June 30, 2012, the Company marked to market the value of the Mexivada shares resulting in a fair value of \$18,182. As at September 30, 2012 the current fair market value of the Mexivada shares remained unchanged at \$18,182.

## 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

	<i>Number</i> #	<i>Amount</i> \$
Balance, June 30, 2011	141,950,196	24,853,487
Common shares issued on exercise of broker warrants	60,000	7,200
Flow through common shares issued, net	8,332,997	3,433,260
Common shares issued July 28, 2011	480,769	250,000
Common shares issued on exercise of options	300,000	43,000
Common shares issued for property acquisition	4,282,655	2,000,000
Common shares issued August 9, 2011	1,355,384	704,800
Contribution on exercise of options	-	40,808
Contribution on exercise of warrants	-	3,659
Share issue costs	-	(539,771)
Balance, June 30, 2012	156,762,001	30,796,443
Balance, September 30, 2012	156,762,001	30,796,443

On July 28, 2011, the Company placed 4,999,997 flow-through units (“FT units”) at a price of \$0.60 per unit, for gross proceeds of \$3,000,000. Each FT unit consisted of one flow-through common share of the Company and one-half non flow-through share purchase warrant. All of these warrants have expired.

On July 28, 2011, the Company placed 480,769 working capital units (“WC units”) at a price of \$0.52 per unit, for gross proceeds of \$250,000. Each working capital unit consisted of one common share of the Company and one share purchase warrant (“WC warrant”). All of these warrants have expired.

A finder’s fee of \$162,500, a due diligence fee of \$65,000 and 548,075 broker options exercisable into units on the same terms as the working capital units at a price of \$ 0.52 for a period of twelve months after the Closing Date was paid in respect of the closing.

On August 9, 2011, the Company completed an additional private placement of 1,355,384 working capital units (“WC units”) priced at \$0.52 per WC unit for gross proceeds of \$704,800. Each WC unit consisted of one common share of the Company and one share purchase warrant (“WC warrant”). All of these warrants have expired.

On October 14, 2011, the Company issued 4,282,655 common shares priced at \$0.467 per share to acquire the remaining 25% interest in the Gulf Claims forming part of the Company’s Newmont Lake Property.

On December 9, 2011, the Company placed 3,333,000 flow-through shares at a price of \$0.30 per share for gross proceeds of \$999,900. A finder’s fee of \$69,993 was paid in respect of the closing.

**(b) Common share purchase options**

The Company has created 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 September 30, 2012, 8,975,000 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:

	<b>Options #</b>	<b>Weighted-average exercise price \$</b>
Outstanding at June 30, 2011	7,543,000	0.32
Granted	3,400,000	0.20
Exercised	(300,000)	0.14
Expired	(1,518,000)	0.65
Outstanding at June 30, 2012	9,125,000	0.23
Expired	(150,000)	0.65
Outstanding at September 30, 2012	8,975,000	0.22
Options exercisable at September 30, 2012	7,275,000	0.22

On August 5, 2011, 200,000 options held by consultants were exercised at a price of \$0.14 per share.

On January 12, 2012, 100,000 options held by consultants were exercised at a price of \$0.15 per share.

On June 7, 2012 500,000 options to purchase common shares of the Company at \$0.20 per share for two years were granted to geological and financial consultants.

On June 12, 2012 2,900,000 options to purchase common shares of the Company at \$0.20 per share for five years were granted to four directors and four senior officers.

On June 26, 2012, 1,518,000 options held by insiders at an exercise price of \$0.65 per share expired unexercised.

On July 9, 2012, 150,000 options held by a Director at an exercise price of \$0.65 per share expired unexercised.

Number of stock options	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
1,000,000	1,000,000	8.4 months	\$0.32	June 12, 2013
700,000	700,000	8.9 months	\$0.32	June 27, 2013
500,000	500,000	15.7 months	\$0.15	January 22, 2014
150,000	150,000	21.8 months	\$0.15	July 24, 2014
1,750,000	1,750,000	30.3 months	\$0.14	April 9, 2015
1,000,000	1,000,000	37.3 months	\$0.15	November 8, 2015
225,000	225,000	7.2 months	\$0.475	May 6, 2013
250,000	250,000	19.3 months	\$0.53	May 10, 2014
500,000	250,000	20.2 months	\$0.20	June 7, 2014
2,900,000	1,450,000	56.4 months	\$0.20	June 12, 2017
8,975,000	7,275,000			

The weighted average fair value of all the options granted and outstanding is \$0.22 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 1.63%, expected dividend yield of nil, average expected volatility ranging from 106% to 137% and expected life term ranging from 24 to 60 months. Under this method of calculation, the Company has recorded \$51,161 as stock based compensation during the three months ended September 30, 2012, being the fair value of the options vested during the three months ended September 30, 2012. Options that have been issued and remain outstanding vest either immediately on the date of grant, or in equal installments 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:

	<b>Number</b> #	<b>Price Range</b> \$
Balance June 30, 2011	3,786,666	0.12 to 0.40
Private placement warrants issued	5,432,301	0.52 to 1.00
Warrants exercised	(60,000)	0.12
Expired	(3,726,666)	0.30 to 0.40
Balance June 30, 2012	5,432,301	0.52 to 1.00
Expired	(5,432,301)	0.52 to 1.00
Balance September 30, 2012	-	-

On July 7, 2011, 60,000 compensation warrants were exercised at a price of \$0.12.

By August 9, 2012, all warrants outstanding expired unexercised.

## 7. Contributed surplus

A summary of changes in contributed surplus is as follows:

	Amount \$
Balance, June 30, 2011	3,093,790
Stock based compensation	327,069
Exercise of options	(40,808)
Balance, June 30, 2012	3,380,051
Common share purchase warrants expired	198,403
Stock based compensation	51,161
Balance, September 30, 2012	3,629,615

The number of common shares outstanding on September 30, 2012 was 156,762,001. 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 September 30, 2012 was 166,737,001.

## 8. Related party transactions

During the three months ended September 30, 2012, the Company incurred related party expenses of \$66,875 (2011 – \$58,900). These expenses related to management and consulting fees and salaries paid to the Company's senior officers, Tom Drivas, President and Chief Executive Officer, Tom Skimming, V.P. Exploration, Michael D'Amico Chief Financial Officer, Garth Kirkham, Director and Antonio de Quadros, Director. As at September 30, 2012 \$13,916 (2011 - \$20,758) was due and payable to these related parties.

Compensation of key management personnel and directors for the period ended September 30, 2012 and 2011 is summarized as follows:

	<u>2012</u>	<u>2011</u>
Compensation and directors' fees	\$ 56,500	\$ 56,500
Share-based payments	39,522	17,446

During the three months ended September 30, 2012, the Company incurred expenses of \$2,244 (2011 - \$12,247) for legal fees to a law firm related to a senior officer and director of the Company, William R. Johnstone. At September 30, 2012, \$11,077 (2011 - \$19,937) was due and payable.

During the three months ended September 30, 2012, the Company incurred expenses of \$4,000 (2011 - \$4,000) related to directors' fees to Antonio de Quadros, Frank van de Water, Brian Robertson, Jack McOuat and Garth Kirkham. At September 30, 2012, \$4,000 (2011 - \$7,000) 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.

## 9. 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, available-for-sale 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:

	<b>September 30</b>	June 30
	<b>2012</b>	2012
	<b>\$</b>	<b>\$</b>
FVTPL <sup>(1)</sup>	<b>2,118,309</b>	3,194,249
Loans and receivables <sup>(2)</sup>	<b>136,792</b>	23,978
Other financial liabilities <sup>(3)</sup>	<b>414,191</b>	210,991

(1) Includes cash, committed cash and short-term investments.

(2) Includes accounts receivable related to HST tax refunds.

(3) Includes accounts payable and bank overdraft.

### 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) H.S.T. 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 mining and exploration properties

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, 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 programs.

#### *Sensitivity*

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 banks and financial institutions 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 condensed interim consolidated financial statements are adjusted for any impairment and represent the Company's maximum exposure to credit risk.

### **(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.

## **10. 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.

## **11. Contingencies and commitments**

As at September 30, 2012:

- a) the Company has \$ 23,515 in future lease commitments on its principle location,
- b) the Company has \$40,894 on deposit as property reclamation bonds with various governmental agencies. These amounts are included with prepaid expenses.

## **12. Subsequent events**

On October 2, 2012, the Company received \$389,000 with respect to a British Columbia Mining Exploration tax credit. This amount will be recorded as a reduction of deferred exploration expenditures.

On November 6, 2012 the Company received a Notice of Assessment advising that the Company will receive \$21,956 with respect to a Quebec Mining Exploration Tax Credit. Upon receipt, this amount will be recorded as a reduction of deferred exploration expenditures.