ROMIOS GOLD RESOURCES INC.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended December 31, 2009
(unaudited)

Romios Gold Resources Inc.

Consolidated Balance Sheets

(unaudited)

As at	December 31 2009 $	June 30 2009 $
Assets		
Current		
Cash and cash equivalents (note 3)	**609,020**	24,421
Cash and cash equivalents for future exploration activities (note 3)	**1,339,959**	1,333,779
Accounts receivable	**44,786**	103,892
Prepaid expenses	**52,976**	92,782
	2,046,741	1,554,873
Mineral properties		
Acquisition costs (note 4)	**1,987,369**	1,985,569
Deferred exploration expenditures (note 4)	**11,425,744**	9,911,498
	15,459,855	13,451,940
Liabilities		
Current		
Accounts payable & accruals	**173,897**	143,990
Common shares subscribed, not issued	**-**	40,603
	173,897	184,593
Future income tax (note 7)	**2,480,046**	2,480,046
	2,653,943	2,664,639
Contingencies and commitments (note 10)		
Shareholders' equity		
Share capital (note 5(a))	**16,379,955**	14,263,078
Common shares to be issued	**24,000**	-
Warrants (note 5(c))	**202,164**	234,672
Contributed surplus (note 5(d))	**3,057,011**	2,855,306
Deficit	**(6,857,219)**	(6,565,756)
	12,805,911	10,787,301
	15,459,855	13,451,940

The accompanying notes are an integral part of these financial statements

APPROVED ON BEHALF OF THE BOARD

"Anastasios (Tom) Drivas"	"William R. Johnstone"
Anastasios (Tom) Drivas	William R. Johnstone

Romios Gold Resources Inc.

Consolidated Statements of Loss, Comprehensive Loss and Deficit

(unaudited)

	For the three months ended December 31		For the six months ended December 31	
	2009	2008	**2009**	2008
	$	$	**$**	$
Expenses				
Professional fees	**50,621**	47,184	**122,254**	80,476
Management fees and salaries	**37,500**	37,500	**75,422**	75,000
Office and general	**41,467**	56,700	**76,331**	111,745
Exploration expenditures	**6,342**	-	**6,342**	-
Stock based compensation	**9,208**	80,000	**18,987**	136,000
Loss for the period before the following	**(145,138)**	(221,384)	**(299,336)**	(403,221)
Write down of mineral properties (note 4)	**-**	-	**-**	-
Interest income	**7,732**	13,410	**7,873**	37,977
Net loss for the period before income tax	**(137,406)**	(207,974)	**(291,463)**	(365,244)
Future income tax (recovery)(note 7)	**-**	-	**-**	30,000
Net loss and comprehensive loss	**(137,406)**	(207,974)	**(291,463)**	(335,244)
Deficit, beginning of period	**(6,719,812)**	(4,746,549)	**(6,565,756)**	(4,619,279)
Deficit, end of the period	**(6,857,219)**	(4,954,523)	**(6,857,219)**	(4,954,523)
Weighted average number of shares outstanding	**89,437,158**	69,161,040	**88,774,310**	69,140,676
Basic and diluted loss per share	**0.00**	0.01	**0.00**	0.01

The accompanying notes are an integral part of these financial statements

Romios Gold Resources Inc.
Consolidated Statements of Cash Flows
(unaudited)

	For the three months ended December 31		For the six months ended December 31	
	2009	2008	**2009**	2008
	$	$	**$**	$
Operating activities				
Net loss for the period	**(137,406)**	(207,974)	**(291,463)**	(335,244)
Items not affecting cash:				
Stock based compensation	**9,208**	80,000	**18,987**	136,000
Future income tax recovery	**-**	-	**-**	(30,000)
	(128,198)	(127,974)	**(272,476)**	(229,244)
Net change in non-cash working capital				
Accounts receivable	**43,718**	-	**59,106**	-
Prepaid expenses	**636**	-	**39,806**	-
Accounts payable and accrued liabilities	**(130,365)**	(13,243)	**(10,697)**	120,850
	(214,209)	(141,217)	**(184,261)**	(108,394)
Investing activities				
Additions to capital equipment	**-**	15,000	**-**	7,657
Mineral property acquisition costs	**(1,800)**	(1,087,340)	**(1,800)**	(4,826,422)
Deferred exploration expenditures	**(159,655)**	-	**(1,514,246)**	-
	(161,456)	(1,072,340)	**(1,516,047)**	(4,818,765)
Financing activities				
Private placement of common shares	**1,707,500**	1,941,467	**2,331,242**	1,941,467
Warrants issued	**24,000**	-	**101,060**	-
Share issue expense	**(119,690)**	(63,100)	**(141,215)**	(63,100)
	1,611,810	1,878,367	**2,291,087**	1,878,367
Change in cash and cash equivalents	**1,236,145**	664,810	**590,779**	(3,048,792)
Cash and cash equivalents, beginning of period	**712,834**	1,319,650	**1,358,200**	5,033,252
Cash and cash equivalents, end of period	**1,948,979**	1,984,460	**1,948,979**	1,984,460
Cash comprises:				
Cash and cash equivalents	**609,020**	337,460	**609,020**	337,460
Cash and cash equivalents for future exploration activities	**1,339,959**	1,647,000	**1,339,959**	1,647,000

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 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 24th day of February 2010.

ROMIOS GOLD RESOURCES INC.

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

Per: *(signed) "Errol Farr"*
Name: Errol Farr
Title: Chief Financial Officer

1. Nature of Operations

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 interim consolidated 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 consolidated interim financial statements.

These interim consolidated 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 December 31, 2009 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 $1,860,444 as at December 31, 2009, and has incurred losses since inception, resulting in an accumulated deficit of $6,869,619 as at December 31, 2009. 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 interim consolidated financial statements do not reflect adjustments that would be necessary if the “going concern” assumption were not appropriate. If the “going concern” assumption were not appropriate for these interim consolidated 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. Summary of significant accounting policies

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) with respect to preparation of interim financial statements on a basis consistent with the Company’s audited annual financial statements as at and for the year ended June 30, 2009 and should be read in conjunction with those statements as they do not contain all information or disclosure to be in accordance with Canadian generally accepted accounting principles for annual financial reporting. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. Operating results for the three and six months ended December 31, 2009 may not be indicative of the results that may be expected for the year ending June 30, 2010.

Use of estimates and assumptions

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Future changes in accounting policy

Business combinations

In January 2009, the CICA issued Section 1582, Business Combinations, replacing Section 1581 of the same name. The new section will apply prospectively to business combinations for which the acquisition date is on or after January 1, 2011. Section 1582, which provides the Canadian equivalent to International Financial Reporting Standard 3, Business Combinations, establishes standards for the accounting for a business combination. Section 1582 requires business acquisitions (including non-controlling interests and contingent consideration) to be measured at fair value on the acquisition date, generally requires acquisition-related costs to be expensed, requires gains from bargain purchases to be recorded in net earnings, and expands the definition of a business. As Section 1582 will apply only to future business combinations, it will not have a significant effect on the Company's consolidated financial statements prior to such acquisitions.

Consolidated financial statements and non-controlling Interests

In January 2009, the CICA issued Sections 1601 "Consolidated Financial Statements", and 1602, "Non-controlling Interests", which replaces existing guidance. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards are effective on or after the beginning of the first annual reporting period beginning on or after January 2011 with earlier application permitted.

International financial reporting standards – include IFRS Disclosure

In February 2008, the Accounting Standards Board confirmed that Canadian GAAP for publicly accountable enterprises will be replaced by IFRS for fiscal years beginning on or after January 1, 2011. IFRS uses a conceptual framework similar to Canadian GAAP, however there may be significant differences on recognition, measurement and disclosures required by some companies.

A detailed analysis of the differences between IFRS and the Company's accounting policies as well as an assessment of the impact of various alternatives is being carried out. The Company's project plan involves four phases, analysis, identification of changes, solution development and implementation.

The Company is in a preproduction stage and therefore has not adopted a number of accounting policies that a producing company would have. In a number of cases, the Company will be adopting IFRS as an initial policy, rather than a change from existing policies to IFRS.

Impairment

Mineral properties are reviewed on a quarterly basis and when changes in circumstances suggest their carrying value may become impaired. Management considers mineral properties 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 British Columbia or Quebec properties.

3. Cash and cash equivalents

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

On July 31, 2009, the Company completed a private placement of 1,750,000 flow-through shares for gross proceeds of $245,000 and on December 30, 2009 the Company completed a private placement of 8,883,329 flow-through shares for gross proceeds of $1,332,500.These funds were committed to be expended on Canadian Exploration Expenditures ("CEE") and are therefore not available for current working capital purposes. During the six months to December 31, 2009, the Company spent a total of $1,519,388 on exploration activities, including committed funds raised in the prior fiscal year, leaving a balance of $1,339,959 at December 31, 2009 to be spent on CEE.

4. Mineral properties

Acquisition costs

	British Columbia	Quebec	Ontario	Nevada, USA	Total
	$	$	$	$	$
Balance, June 30, 2008	1,856,376	-	2	179,940	2,036,318
Total additions for the year	106,093	23,100	-	-	129,193
Abandonments & write-offs	-	-	(2)	(179,940)	(179,942)
Balance, June 30, 2009	1,962,469	23,100	-	-	1,985,569
Total additions for the period	1,800	-	-	-	1,800
Balance, December 31, 2009	1,964,269	23,100	-	-	1,987,369

Deferred exploration expenditures

	British Columbia	Quebec	Ontario	Nevada, USA	Total
Balance, June 30, 2009	8,980,220	931,278	100	100	9,911,698
Additions:					
Assessment filings	16,452	-	-	-	16,452
Assaying	51,734	-	-	-	51,734
Contract flying	514,348	-	-	-	514,348
Drilling	438,173	-	-	-	438,173
Field communications	4,646	-	-	-	4,646
Contract labour	256,029	-	-	-	256,029
Subcontract labour	73,385	-	-	-	73,385
Camp costs	84,035	-	-	-	84,285
Other	25,695	49,549	-	-	75,244
Total additions for the year	1,464,497	49,549	-	-	1,514,046
Write offs	-	-	-	-	-
Balance, December 31, 2009	10,444,717	980,827	100	100	11,425,695

British Columbia

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

In 2006, the Company entered into an option agreement with Galore Creek Staking Syndicate, 2003 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. The agreement calls for payments of $115,000 cash ($15,000 paid to date with the remaining $100,000 due April, 2010) and the issue of 500,000 common shares (300,000 issued to date and the remaining 200,000 to be issued April, 2010).

During the year ended June 30, 2008, the Company completed its obligations under an option agreement with Gulf International Minerals Inc. (“Gulf”) to earn a 50% 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. The Company also exercised its option to acquire an additional 25% interest in the property by issuing 2,777,778 common shares at a deemed value of $0.36 per share. The Company has an option until July 31, 2010 to acquire the remaining 25% interest, subject to a 1.5% net smelter return royalty, for payment of $2,000,000 in cash and/or shares. If the Company elects not to exercise the option, a 75/25 joint venture will be formed with Gulf. The Company also has the option to purchase 0.5% of the net smelter return royalty for $1,000,000.

During the year ended June 30, 2008, the Company completed its obligations under an option agreement with Roca Mines Inc. (“Roca”) to earn a 50% interest in 8 mineral properties (4,000 hectares) in the Liard Mining Division of British Columbia. On August 14, 2008 the Company entered into a joint venture with Roca for the further exploration and development on the property.

During the year ended June 30, 2006, the Company entered into an option agreement with Galore Creek Staking Syndicate, 2003 (“**Galore Creek**”) 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 for the payment of $115,000 cash ($15,000 paid to date with the remaining $100,000 due April, 2010), the issue of 500,000 common shares of which 300,000 have been issued and the remaining 200,000 were to have been issued April, 2010 and certain expenditure requirements. The agreement was amended on February 24, 2010. The amendment agreement extends the payment of $100,000 cash to December 1, 2013. A further 300,000 common shares are to be issued with the revised share issuance schedule as follows: 50,000 shares on or before March 10, 2010; 50,000 shares on each December 1, 2010, 2011 and 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 $900,000, with $100,000 to be spent before December 1, 2011; an additional $300,000 before December 1, 2012; and an additional $500,000 before December 1, 2013. The amendment agreement also requires the expansion of the size of the property to a minimum of 248 contiguous cells from the current 75 cells prior to December 1, 2010.

In 2006, the Company entered into an option agreement with Galore Creek 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 for the payment of $115,000 cash, of which $15,000 has been paid with the remaining $100,000 due November 21, 2010, the issue of 500,000 common shares of which 200,000 common shares have been issued and certain expenditure requirements. The agreement was amended on February 24, 2010. The amendment agreement extends the payment of $100,000 cash to December 1, 2013. A further 200,000 common shares are to be issued with the revised share issuance schedule as follows: 50,000 shares on or before March 10, 2010; 50,000 shares on each of December 1, 2010, 2011 and 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, 2011; an additional $250,000 to be spent before December 1, 2012; an additional $450,000 before December 1, 2013; and an additional $600,000 before December 1, 2014. The amendment agreement also requires the expansion of the size of the property to a minimum of 220 contiguous cells from the current 35 cells prior to December 1, 2010.

The Company also holds a 100% interest in 72 mineral properties (26,291 hectares) in the Liard Mining Division of British Columbia.

Quebec

During the year ended June 30, 2009 the Company concluded an option agreement to acquire a molybdenum property that was the site of the former producing La Corne molybdenum mine approximately 30 kilometers from the town of Val d'Or, Quebec. The agreement provides for an initial payment schedule of $20,000 cash, completion of a minimum of $50,000 in exploration expenditures and the issuance of 650,000 shares of the Company over the three year period. To December 31, 2009, the Company has issued 65,000 common shares as per the agreement. The agreement 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 amount expended to December 31, 2009 is $980,827.

Ontario

At June 30, 2009, the Company wrote down the carrying value of its Ontario properties to a nominal amount.

Nevada

At June 30, 2009, the Company wrote down the carrying value of this property to a nominal amount as the Company's focus is currently on its BC and Quebec properties.

5. Share capital

(a) Common Shares

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

	Number	***Amount***
	#	$
Balance, June 30, 2008	68,710,993	12,813,360
Flow through common shares issued	10,980,000	1,647,000
Common shares issued for property acquisition	495,000	106,775
Common shares issued for cash	2,438,891	241,973
Common shares issued for acting as agent	483,333	72,500
Share issue costs	-	(140,900)
Flow through shares future income tax liability	-	(477,630)
Balance, June 30, 2009	83,108,217	14,263,078
Common shares issued July 15, 2009	4,514,267	392,742
Flow through common shares issued July 31, 2009	1,750,000	231,000
Common shares issued December 30, 2009	3,016,666	324,058
Flow through common shares issued December 30, 2009	8,883,329	1,331,611
Share issue costs	-	(162,534)
Balance, December 31, 2009	101,272,479	16,379,955

On July 15, 2009, the Company completed a private placement of 4,514,267 units priced at $0.10 per unit for gross proceeds of $451,427. Each unit consists of one common share and one-common share purchase warrant with each warrant entitling the holder to acquire a further share at a price of $0.15 per share for a term of one year. Brian Robertson and Garth Kirkham and Tom Drivas, directors of the Company, subscribed for 50,000, 100,000 and 1,000,000 units respectively.

On July 31, 2009, the Company completed a flow-through private placement of 1,750,000 flow-through units at an issue price of $0.14 per flow-through share and one-half common share purchase warrant for gross proceeds of $245,000. Each full warrant entitles the holder to acquire a further share at a price of $0.20 per share for a term of one year. The Company paid a finder's fee of $17,150 in cash and 175,000 share purchase warrants to acquire common shares at a price of $0.14 per share for a term of 18 months.

On December 30, 2009, the Company completed a private placement of 2,583,333 units priced at $0.12 per unit for gross proceeds of $310,000. Each unit consists of one common share and one-common share purchase warrant with each warrant entitling the holder to acquire a further share at a price of $0.25 per share for a term of one year.

On December 30, 2009, the Company completed a flow-through private placement of 8,883,329 flow-through units at an issue price of $0.15 per flow-through share and one-half common share purchase warrant for gross proceeds of $1,332,500. Each full warrant entitles the holder to acquire a further share at a price of $0.90 per share for a term of one year. The Company paid finder's compensation consisting of 433,333 common shares valued at $0.15 per share, a due diligence fee of $54,600 and 693,333 compensation options exercisable at $0.15 into units consisting of one common share and one-half common share purchase warrant, with each whole warrant exercisable into a common share at $0.90 for a term of one year. Thomas Skimming and Garth Kirkham, directors of the Company, subscribed for 50,000 and 34,444 units respectively.

(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 December 31, 2009, 6,910,500 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, 2009	6,260,500	0.36
Granted	650,000	0.15
Outstanding at September 30 and December 31, 2009	6,910,500	0.34
Options exercisable at December 31, 2009	6,598,000	0.35

On July 24, 2009, the Company granted 350,000 options to consultants of the Company. These options, priced at $0.15, vest over a four month period commencing July 24, 2009.

On August 1, 2009, the Company granted 300,000 options to a consultant of the Company. These options, priced at $0.15, vest over a one year period commencing October 31, 2009 on the basis that the consultant continues to provide services to the Company during that period.

Number of stock options	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
235,500	235,500	0.19 years	$0.21	March 10, 2010
457,000	457,000	0.94 years	$0.12	December 13, 2010
750,000	750,000	1.19 years	$0.25	March 13, 2011
600,000	600,000	1.47 years	$0.32	June 27, 2011
100,000	75,000	2.03 years	$0.15	January 22, 2012
1,518,000	1,518,000	2.45 years	$0.65	June 26, 2012
150,000	150,000	2.49 years	$0.65	July 09, 2012
300,000	75,000	2.55 years	$0.15	August 1, 2012
1,000,000	1,000,000	3.40 years	$0.32	June 12, 2013
700,000	700,000	3.44 years	$0.32	June 27, 2013
750,000	687,500	4.01 years	$0.15	January 22, 2014
350,000	350,000	4.50 years	$0.15	July 24, 2014
6,910,500	6,598,000			

The weighted average fair value of all the options granted and outstanding is $0.35 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 3.45% to 4.75%, expected dividend yield of nil, average expected volatility ranging from 66.48% to 105.5% and expected life term ranging from 24 to 60 months. Under this method of calculation, the Company has recorded $9,208 as stock based compensation during the three months and $18,987 as stock based compensation during the six months ended December 31, 2009, being the fair value of the options vested during the six months ended December 31, 2009. Options that have been issued and remain outstanding vest either: immediately on date of grant; or a period of up to eighteen months from the date of grant over the period of vesting in equal installments.

(c) Warrants

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

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

	Number #	***Amount*** $
Balance, June 30, 2009	3,947,648	234,672
Private placement warrants issued	5,389,267	77,525
Compensation warrants issued	175,000	4,375
Compensation warrants issue expense	-	(4,375)
Balance, September 30, 2009	9,511,915	307,357
Private placement warrants issued	7,024,998	51,831
Compensation warrants issued	1,040,000	25,694
Warrants expired	(915,424)	(182,718)
Balance, December 31, 2009	16,661,489	202,164

A summary of outstanding warrants and broker warrants is as follows:

	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
Warrants	2,258,891	0.38 years	$0.25	May 18, 2010
Warrants	4,514,267	0.53 years	$0.15	July 15, 2010
Warrants	875,000	0.58 years	$0.20	July 31, 2010
Broker warrants	773,333	0.97 years	$0.15	December 23, 2010
Warrants	7,024,998	0.99 years	$0.15	December 30, 2010
Compensation warrants	1,040,000	0.99 years	$0.14	December 30, 2010
Compensation warrants	175,000	1.07 years	$0.14	January 31, 2011

On November 16, 2009 the Company granted an extension to the November 18, 2009 expiry date of 2,258,891 common share purchase warrants to expire on May 18, 2010. There is no change to the warrant exercise price of $0.25 per common share.

(d) Contributed Surplus

A summary of changes in contributed surplus is as follows:

	Amount $
Balance, June 30, 2008	1,824,227
Common shares purchase warrants expired during the year	797,171
Stock based compensation	233,908
Balance, June 30, 2009	2,855,206
Stock based compensation	9,779
Balance, September 30, 2009	2,865,085
Stock based compensation	9,208
Common shares purchase warrants expired	182,718
Balance, December 31, 2009	3,057,011

The number of common shares outstanding on December 31, 2009 was 101,272,479. Taking into account outstanding share purchase options, warrants and 855,000 shares reserved for property transactions, the fully diluted common shares that could be outstanding on December 31, 2009 was 125,699,468.

6. Related Party Transactions

During the three months ended December 31, 2009, the Company incurred related party expenses of $72,098 (for the three months ended December 31, 2009 - $140.105) and $162,728 for the six months ended December 31, 2009 (for the six months ended December 31, 2008 - $123,319). 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, Errol Farr, Chief Financial Office and Garth Kirkham, Director. At December 31, 2009, $42,379 was due and payable to these related parties.

During the three months ended December 31, 2009, the Company incurred expenses of $20,799 (for the three months ended December 31, 2008 - $19,919) and during the six months ended December 31, 2009, $35,769 (for the six months ended December 31, 2008, $47,623) for legal fees to a law firm related to a senior officer of the Company, William R. Johnstone. At December 31, 2009, $68,597 was due and payable.

During the three months ended December 31, 2009, the Company incurred expenses of $3,000 (for the three months ended December 31, 2008 - $1,000) related to directors' fees and during the six months ended December 31, 2009, the Company incurred expenses of $8,000 (for the six months ended December 31, 2008 - $4,000) related to directors' fees to Antonio de Quadros, Frank van de Water and Brian Robertson. At December 31, 2009, $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.

7. Financial instruments and risk management

Categories of financial assets and liabilities

Under Canadian GAAP, financial instruments are classified into one of the following five categories: held-for-trading, 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 sale are classified into the following categories:

	December 31 2009 $	June 30 2009 $
Held for trading (1)	**1,948,978**	1,358,200
Available for sale (2)	**-**	-
Loans and receivables (3)	**44,786**	103,891
Other financial liabilities (4)	**137,026**	69,756

(1) Includes cash, committed cash and short-term investments.
(2) Includes marketable securities.
(3) Includes accounts receivable related to GST tax refunds.
(4) 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 financial assets held for trading and are recorded at market value. The interest on deposits is insignificant.
(ii) G.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.

(a) Market risk

(i) Price risk

Commodity price risk
Commodity price risk is the risk of financial loss resulting from movements in the price of the Company's commodity inputs and outputs. The Company is exposed to commodity price risk arising from the fluctuation of the value of the metals it is exploring for. The Company does not manage commodity price risk through the use of derivative instruments.

Sensitivity
At December 31, 2009, a change in the value of gold and base metals would not 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 amount of financial assets recorded in the 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. Prior to the world-wide financial liquidity crisis, the Company maintained operations by way of equity financings. 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.

9. 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 mineral properties. 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.

There were no changes in the Company's approach to capital management during the year ended June 30, 2009 and the period ended December 31, 2009. The Company is not subject to externally imposed capital requirements.

10. Contingencies and commitments

As at December 31, 2009;

- the Company has no contingency obligations,
- the Company is committed to spend $1,339,959, on qualified exploration activities to December 31, 2010,
- the Company has $40,894 on deposit as property reclamation bonds with various governmental agencies and $10,000 on deposit with a mining services consultant. These amounts are included with prepaid expenses,
- the Company has the following minimum lease cost commitment for its head office space:

	Amount
	$
2010	11,542
	11,542

11. Subsequent events

On January 6 and 26, 2010, the Company closed the final tranche of the private placement of 250,000 working capital units for gross proceeds of $30,000. Each unit consists of one common share and one common share purchase warrant entitling the holder to acquire a further share at a price of $0.25 per share for a term of one year.

On January 18, 2010, the Company issued 195,000 common shares valued at $0.105 in payment for the La Corne property acquisition, as per the agreement of January 22, 2009.

On February 24, 2010, the Company entered into an amended option agreement with Galore Creek on its RP Property. The revised agreement calls for the issuance of a further 300,000 common shares, extends the time for payment of the further option payment of $100,000 until December 1, 2013 and extends the time for expenditures on the property. The amendment agreement also requires the expansion of the size of the property to a minimum of 248 contiguous cells from the current 75 cells prior to December 1, 2010. Reference is made to Note 4 under the heading British Columbia for further particulars.

On February 24, 2010, the Company entered into an amended option agreement with Galore Creek on its JW Property. The revised agreement calls for the issuance of a further 200,000 common shares, extends the time for payment of the further option payment of $100,000 until December 1, 2013 and extends the time for expenditures on the property. The amendment agreement also requires the expansion of the size of the property to a minimum of 220 contiguous cells from the current 35 cells prior to December 1, 2010. Reference is made to Note 4 under the heading British Columbia for further particulars.