

**ROMIOS GOLD RESOURCES INC.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**For the three and six months ended December 31, 2011 and 2010  
(unaudited)  
(Expressed in Cdn \$)**

**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 28<sup>th</sup> day of February, 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.**  
**Condensed Consolidated Interim Statement of Financial Position**  
**(Expressed in Cdn \$)**  
*Unaudited*

As at	December 31 2011 \$	June 30 2011 \$
<b>Assets</b>		
Current		
Cash and cash equivalents (note 4)	3,121,531	4,844,114
Cash and cash equivalents for future exploration activities (note 4)	949,858	-
Accounts receivable	107,197	236,469
Prepaid expenses	136,483	172,339
	<b>4,315,069</b>	<b>5,252,922</b>
<b>Mineral properties</b>		
Acquisition costs (note 5)	4,165,577	2,150,407
Deferred exploration expenditures (note 5)	20,388,608	15,849,677
	<b>28,869,254</b>	<b>23,253,006</b>
<b>Liabilities</b>		
Current		
Accounts payable & accruals	808,793	1,435,315
Common shares subscribed, not issued	-	-
	<b>808,793</b>	<b>1,435,315</b>
Deferred flow through share premium liability	252,773	-
Deferred income tax	1,844,823	1,544,823
	<b>2,906,389</b>	<b>2,980,138</b>
<i>Contingencies and commitments (note 11)</i>		
<b>Shareholders' equity</b>		
Share capital (note 6(a))	30,820,935	24,853,488
Warrants (note 6(c))	198,403	3,659
Contributed surplus (note 6(d))	3,129,635	3,095,103
Deficit	(8,186,109)	(7,679,382)
	<b>25,962,864</b>	<b>20,272,868</b>
	<b>28,869,254</b>	<b>23,253,006</b>

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

APPROVED ON BEHALF OF THE BOARD

"Signed"  
Anastasios (Tom) Drivas

"Signed"  
William R. Johnstone

**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 July 1, 2010</b>	16,843,673	42,442	3,277,190	(7,398,048)	12,765,257
Net loss and comprehensive loss for the period	-	-	-	(891,849)	(891,849)
Common shares issued, net	972,000	-	-	-	972,000
Shares issued for property acquisition	12,000	-	-	-	12,000
Flow through shares issued, net	1,182,887	-	-	-	1,182,887
Valuation of compensation warrants	(293,945)	293,945	-	-	-
Contribution on exercise of warrants	37,720	(38,067)	347	-	-
Common shares issued on exercise of options and warrants	902,596	-	-	-	902,596
Share-based payments	-	-	112,720	-	112,720
<b>At December 31, 2010</b>	19,656,931	298,320	3,390,257	(8,289,897)	15,055,611
Net loss and comprehensive loss for the period	-	-	-	610,515	610,515
Common shares issued, net	1,251,930	-	-	-	1,251,930
Common shares issued on exercise of options and warrants	3,200,957	-	-	-	3,200,957
Shares issued for property acquisition	27,300	-	-	-	27,300
Contribution on exercise of warrants	294,658	(294,661)	3	-	-
Contribution on exercise of options	421,712	-	(421,712)	-	-
Share-based payments	-	-	126,555	-	126,555
<b>At June 30, 2011</b>	24,853,488	3,659	3,095,103	(7,679,382)	20,272,868
Net loss and comprehensive loss for the period	-	-	-	(506,727)	(506,727)
Common shares issued, net	910,924	-	-	-	910,924
Shares issued for property acquisition	2,000,000	-	-	-	2,000,000
Common shares issued on exercise of options and warrants	35,200	-	-	-	35,200
Flow through shares issued, net	3,135,766	-	-	-	3,135,766
Valuation of compensation warrants	(198,403)	198,403	-	-	-
Contribution on exercise of warrants	3,659	(3,659)	-	-	-
Contribution on exercise of options	80,301	-	(80,301)	-	-
Share-based payments	-	-	114,833	-	114,833
<b>At December 31, 2011</b>	30,820,935	198,403	3,129,635	(8,186,109)	25,962,864

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

**Romios Gold Resources Inc.**

**Consolidated Condensed Interim Statements of Profit and Loss, and Comprehensive Profit and Loss**

(Expressed in Cdn \$)

Unaudited

	For the six months ended December 31		For the three months ended December 31	
	2011 \$	2010 \$	2011 \$	2010 \$
<b>Expenses</b>				
Professional fees	197,905	114,708	110,325	75,910
Management fees and salaries	75,000	75,000	37,500	37,500
Office and general	47,054	39,448	27,186	14,339
Shareholder communication	105,526	115,565	44,645	59,733
Share-based payments	114,833	112,720	32,729	92,963
Loss for the period before the following	(540,319)	(457,441)	(252,385)	(280,446)
Interest income	19,723	5,439	6,482	1,911
Net profit/(loss) for the period	(520,595)	(452,001)	(245,902)	(278,535)
Deferred income tax (recovery)	13,868	(439,848)	-	(45,269)
<b>Net profit/(loss) and comprehensive profit/(loss)</b>	<b>(506,727)</b>	<b>(891,849)</b>	<b>(245,902)</b>	<b>(323,804)</b>
Deficit, beginning of period	(7,679,382)	(7,398,048)	(7,679,382)	(7,966,093)
<b>Deficit, end of the period</b>	<b>(8,186,109)</b>	<b>(8,289,897)</b>	<b>(7,925,284)</b>	<b>(8,289,897)</b>
Weighted average number of shares outstanding	145,719,160	114,315,858	148,356,088	115,279,337
Basic and diluted loss per share	0.00	0.01	0.00	0.00

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 six months ended December 31		For the three months ended December 31	
	2011 \$	2010 \$	2011 \$	2010 \$
<b>Operating activities</b>				
Net profit/(loss) for the period	(506,727)	(891,849)	(245,902)	(323,804)
Items not affecting cash:				
Share-based payments	114,833	112,720	32,729	92,963
Deferred income tax recovery	(13,868)	439,848	-	45,269
	<b>(405,762)</b>	<b>(339,281)</b>	<b>(213,173)</b>	<b>(185,572)</b>
Net change in non-cash working capital				
Accounts receivable	129,271	(26,250)	411,188	179,476
Prepaid expenses	35,856	(7,339)	39,602	(1,052)
Accounts payable and accrued liabilities	(626,521)	(374,131)	(825,470)	(4,363)
	<b>(867,156)</b>	<b>(747,001)</b>	<b>(587,852)</b>	<b>(11,511)</b>
<b>Investing activities</b>				
Mineral property acquisition costs	(15,170)	(60,438)	(15,000)	(19,122)
Deferred exploration expenditures	(4,538,931)	(2,131,560)	(403,081)	(279,721)
	<b>(4,554,101)</b>	<b>(2,191,998)</b>	<b>(418,081)</b>	<b>(298,843)</b>
<b>Financing activities</b>				
Private placement of common shares	4,954,700	2,369,500	999,900	600,000
Exercise of options and warrants	35,200	902,596	-	902,596
Share issue expense	(341,369)	(91,780)	(69,994)	-
	<b>4,648,531</b>	<b>3,180,316</b>	<b>929,906</b>	<b>1,502,596</b>
Change in cash and cash equivalents	(772,725)	241,317	(76,027)	1,192,242
Cash and cash equivalents, beginning of period	4,844,114	1,732,924	4,147,417	781,999
<b>Cash and cash equivalents, end of period</b>	<b>4,071,389</b>	<b>1,974,241</b>	<b>4,071,390</b>	<b>1,974,241</b>
<b>Cash comprises:</b>				
Cash and cash equivalents	3,121,531	1,920,447	3,121,531	1,920,447
Cash and cash equivalents for future exploration activities	949,858	53,794	949,858	53,794
	<b>4,071,389</b>	<b>1,974,241</b>	<b>4,071,389</b>	<b>1,974,241</b>

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

## **ROMIOS GOLD RESOURCES INC.**

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

**December 31, 2011**

**(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 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 condensed interim consolidated financial statements.

These unaudited condensed 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, 2011 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 \$3,506,276 as at December 31, 2011, and has incurred losses since inception, resulting in an accumulated deficit of \$8,186,109 as at December 31, 2011. 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 unaudited condensed 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 unaudited condensed 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. Basis of preparation and statement of compliance with IAS 34**

These unaudited condensed interim consolidated financial statements form part of the period covered by the Company's first IFRS annual consolidated financial statements. These unaudited condensed interim consolidated 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 first IFRS annual reporting date, June 30, 2012.

These unaudited condensed interim consolidated 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, 2011 prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The basis of preparation of these unaudited condensed interim consolidated financial statements is different to that of the Company's most recent annual consolidated financial statements due to the adoption of IFRS.

## **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 September 30, 2011 unaudited condensed interim consolidated financial statements.

IFRS 1 – *First-time Adoption of International Financial Reporting Standards* ("IFRS 1") governs the first-time adoption of IFRS. IFRS 1 in general requires accounting policies under IFRS to be applied retrospectively to determine the opening balance sheet of the Company as of transition date of January 1, 2010, and allows certain exemptions.

In the opinion of management, all adjustments considered necessary for fair presentation have been included in these unaudited condensed interim consolidated financial statements. Operating results for the six months ended December 31, 2011, may not be indicative of the results that may be expected for the year ending June 30, 2012.

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

The company's first IFRS statements were dated September 30, 2011 and included all required disclosure for conversion to IFRS. 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 first IFRS annual consolidated financial statements will be determined as at June 30, 2012. In the event that accounting policies adopted at June 30, 2012 differ materially from the accounting policies used in the preparation of these unaudited condensed interim consolidated financial statements, these unaudited condensed interim consolidated financial statements will be restated to retrospectively account for the application of those policies adopted at June 30, 2012.

The significant accounting policies used in the preparation of these unaudited condensed interim consolidated financial statements are identical to the policies used in the preparation of the September 30, 2011 unaudited condensed interim consolidated financial statements. Please refer to those statements for further information.

## **4. Cash and cash equivalents**

Cash and cash equivalents and cash and cash equivalents held for future exploration activities consists 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 are therefore not available for current working capital purposes.

During the six months to December 31, 2011, the Company spent a total of \$4,538,931 on exploration activities, including all committed funds raised in the current and prior fiscal years, leaving a balance of \$949,858 at December 31, 2011 to be spent on CEE.



## 5. Mineral properties

### Acquisition costs

	British Columbia	Quebec	Nevada, USA	Total
	\$	\$	\$	\$
Balance, June 30, 2010	2,000,442	43,575	-	2,044,017
Total additions for the period	36,502	31,422	38,466	106,390
Balance, June 30, 2011	2,036,944	74,997	38,466	2,150,407
Total additions for the period	2,015,170	-	-	2,015,170
Balance December 31, 2011	4,052,114	74,997	38,466	4,165,577

On August 7, 2010, the Company exercised an option and acquired sixty-four acres adjacent to their existing claims in Nevada for total consideration and costs of \$38,466.

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.

### Deferred exploration expenditures

	British Columbia	Quebec*	Total
	\$	\$	\$
Balance, June 30, 2011	14,954,158	895,519	15,849,677
Additions:			
Assessment filings	85,828	-	85,828
Assaying	288,984	59,282	348,266
Contract flying	1,206,575	-	1,206,575
Drilling	1,507,454	-	1,507,454
Field communications	33,032	-	33,032
Contract labour	680,428	27,889	708,317
Subcontract labour	205,333	-	205,333
Camp costs	382,027	-	382,027
Other	60,338	1,761	62,099
Total additions for the period	4,449,999	88,932	4,538,931
Balance, December 31, 2011	19,404,157	984,451	20,388,608

\* Amounts shown are net of refunds totaling \$365,349 from the province of Quebec.

### 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 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 June 30, 2011, the Company had earned, from Gulf International Minerals Inc. ("Gulf"), a 75% 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. On September 27, 2011, the Company exercised its option

## **British Columbia (continued)**

to earn the remaining 25% interest in the Gulf Claims forming part of the Company's Newmont Lake property for \$2,000,000 to be satisfied through the issuance of 4,282,655 common shares priced at \$0.467 per share. As a result, the Company now holds a 100% interest in the Gulf Claims, 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 mineral properties (4,000 hectares) 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.

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 February 24, 2010 and November 25, 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 requires 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.

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 on February 24, 2010 and November 25, 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 requires 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.

The Company also holds a 100% interest in 175 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 amount expended to December 31, 2011 is \$1,349,800.

## 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.

### 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, 2010	102,017,479	16,843,673
Flow through common shares issued, net	9,316,667	1,274,667
Common shares issued July 5, 2010	2,000,000	240,000
Common shares issued July 15, 2010	1,100,000	132,000
Common shares issued for property acquisition	360,000	39,300
Common shares issued December 15, 2010	3,000,000	600,000
Common shares issued March 28, 2011	4,453,333	1,336,000
Common shares issued on exercise of options	2,332,000	469,590
Common shares issued on exercise of broker warrants	2,498,333	377,300
Common shares issued on exercise of warrants	14,872,384	3,256,661
Contribution on exercise of warrants	-	332,380
Contribution on exercise of options	-	421,712
Share issue costs	-	(469,795)
Balance, June 30, 2011	141,950,196	24,853,488
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	200,000	28,000
Common shares issued for property acquisition	4,282,655	2,000,000
Common shares issued August 10, 2011	1,355,384	704,800
Contribution on exercise of options	-	80,301
Contribution on exercise of warrants	-	3,659
Share issue costs	-	(539,773)
Balance, December 31, 2011	156,662,001	30,820,935

On July 5, 2010, the Company completed a private placement of 2,000,000 units priced at \$0.12 per unit for gross proceeds of \$240,000. 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. The warrants were exercised. A cash fee of \$12,600 and 150,000 broker warrants to acquire non flow-through common shares at a price of \$0.12 per share was paid in respect of the closing. The broker warrants were exercised.

On July 5, 2010, the Company completed a private placement of 5,066,667 flow-through units priced at \$0.15 per unit for gross proceeds of \$760,000. Each flow-through unit consists of one common share and one-half of a common share purchase warrant with each full warrant entitling the holder to acquire a further share at a price of \$0.25 per share. The warrants were exercised. A cash fee of \$49,000 and 466,667 broker warrants to acquire non flow-through common shares at a price of \$0.15 per share for 12 months from closing was paid in respect of the closing. The broker warrants were exercised.

**(a) Common shares (continued)**

On July 15, 2010, the Company completed an additional private placement of 1,100,000 units priced at \$0.12 per unit for gross proceeds of \$132,000. 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. The warrants were exercised. A cash fee of \$8,400 and 100,000 broker warrants to acquire non flow-through common shares at a price of \$0.12 per share was paid in respect of the closing. The broker warrants were exercised.

On July 15, 2010, the Company completed an additional private placement of 2,250,000 flow-through units priced at \$0.15 per unit for gross proceeds of \$337,500. Each flow-through unit consists of one common share and one-half of a common share purchase warrant with each full warrant entitling the holder to acquire a further share at a price of \$0.25 per share. The warrants were exercised. A cash fee of \$21,780 and 200,000 compensation options to acquire units at a price of \$0.15 per unit were issued. Each compensation unit is comprised of one common share and one-half of one non-transferable share purchase warrant. Each full warrant entitles the holder to purchase one common share of the Company at a price of \$0.25 per warrant share. These warrants were exercised.

On August 31, 2010, the Company completed a private placement of 2,000,000 flow-through units priced at \$0.15 per unit for gross proceeds of \$300,000. Each flow-through unit consists of one flow-through common share and one-half of a common share purchase warrant with each full warrant entitling the holder to acquire a further share at a price of \$0.25 per share. These warrants were exercised.

On December 15, 2010, the Company completed an additional private placement of 3,000,000 units priced at \$0.20 per unit for gross proceeds of \$600,000. Each unit consists of one common share and one-half of a common share purchase warrant. These warrants expired on December 15, 2011.

On March 28, 2011, the Company completed an additional private placement of 4,453,333 units priced at \$0.30 per unit for gross proceeds of \$1,336,000. Each unit consists of one common share and one-half common share purchase warrant. Each warrant entitles the holder to acquire a further common share at a price of \$0.40 per share until the earlier of (i) March 28, 2012 and; and (ii) in the event that the closing price of the common shares on the TSX Venture Exchange is at least \$0.60 for twenty (20) consecutive trading days (the "**Final Trading Day**"), the date which is thirty (30) days from the Final Trading Day.

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. Each full warrant entitles the holder to acquire an additional common share at \$1.00 per share until the earlier of: (i) July 28, 2012; and (ii) in the event that the closing price of the common shares on the TSX Venture Exchange is at least \$1.25 for ten consecutive trading days (the "**Final Trading Day 2**"), the date which is thirty days from the Final Trading Day 2 (the "**Trigger Date**").

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"). Each WC warrant entitles the holder to acquire an additional common share at \$1.00 per share until the earlier of: (i) July 28, 2012; and (ii) the Trigger Date.

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 consists of

**(a) Common shares (continued)**

one common share of the Company and one share purchase warrant ("WC warrant"). Each WC warrant entitles the holder to acquire an additional common share at \$1.00 per share until the earlier of: (i) August 9, 2012; and (ii) the Trigger Date. Cash finder's fees of \$45,696 were paid in respect of the final closing of the offering.

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 Newmount 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. Securities issued pursuant to the above referenced private placements are legended and restricted from trading until April 9, 2012.

**(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, 2011, 7,343,000 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, 2010	8,675,000	0.36
Granted	1,475,000	0.26
Cancelled	(2,332,000)	0.20
Expired	(275,000)	0.27
Outstanding at June 30, 2011	7,543,000	0.32
Exercised	(200,000)	0.14
Outstanding at December 31, 2011	7,343,000	0.32
Options exercisable at December 31, 2011	7,193,000	0.32

On November 1, 2010, 150,000 options and 75,000 options for consultants at exercise prices of \$0.32 and \$ 0.15 respectively, expired.

On November 5, 2010, the Company issued 1,000,000 stock options exercisable at \$0.15 per share until November 5, 2015 to a director of the Company.

On December 9, 2010, 457,000 options held by insiders were exercised at a price of \$0.12 per share.

On March 3, 2011, 750,000 options held by insiders were exercised at a price of \$0.25 per share. In addition, on March 30, 2011, 250,000 options at a price of \$0.15 per share were exercised.

On April 14, 2011, 100,000 options and 125,000 options were exercised at prices of \$0.14 and \$ 0.15 respectively

On April 19, 2011, 300,000 options held by consultants were exercised at a price of \$0.15 per share.

### (b) Common share purchase options (continued)

On May 6, 2011, 225,000 options at an exercise price of \$0.475 per share were granted to geological consultants of the Company and on May 10, 2011, 250,000 options at an exercise price of \$0.53 per share were granted to a financial consultant of the Company.

On June 27, 2011 350,000 options were exercised at a price of \$0.32 per share and 50,000 options for consultants at exercise prices of \$0.32 expired.

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

Number of stock options	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
100,000	100,000	0.7 months	\$0.15	January 22, 2012
1,518,000	1,518,000	5.9 months	\$0.65	June 26, 2012
150,000	150,000	6.3 months	\$0.65	July 09, 2012
1,000,000	1,000,000	17.4 months	\$0.32	June 12, 2013
700,000	700,000	17.9 months	\$0.32	June 27, 2013
500,000	500,000	24.7 months	\$0.15	January 22, 2014
150,000	150,000	30.8 months	\$0.15	July 24, 2014
1,750,000	1,750,000	39.3 months	\$0.14	April 9, 2015
1,000,000	1,000,000	46.3 months	\$0.15	November 8, 2015
225,000	225,000	16.2 months	\$0.475	May 6, 2013
250,000	100,000	28.3 months	\$0.53	May 10, 2014
7,343,000	7,193,000			

The weighted average fair value of all the options granted and outstanding is \$0.32 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 1.98%, expected dividend yield of nil, average expected volatility ranging from 130.10% to 155.26% and expected life term ranging from 24 to 60 months. Under this method of calculation, the Company has recorded \$114,833 as stock based compensation during the six months ended December 31, 2011, being the fair value of the options vested during the six months ended December 31, 2011. Options that have been issued and remain outstanding vest either immediately on 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:

	Number #	Price Range \$
Balance June 30, 2010	14,652,598	0.14 to 0.90
Private placement warrants issued	12,501,668	0.12 to 0.40
Warrants exercised	(17,370,718)	0.14 to 0.25
Expired	(5,996,882)	0.15 to 0.90
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	(1,500,000)	0.30
Balance December 31, 2011	7,658,967	0.40 to 1.00

**(c) Warrants (continued)**

On December 30, 2010, 83,333 warrants at a price of \$0.25 and 4,788,332 warrants at a price of \$0.90 expired unexercised.

On December 21, 2010, 693,333 broker compensation warrants were exercised at a price of \$0.15 per share, on December 21, 2010 11,023 warrants at a price of \$0.25 per share were exercised by an individual, on December 22, 2010, 773,333 broker compensation warrants were exercised at a price of \$0.15 and on December 30, 2010, 2,500,000 warrants were exercised at a price of \$0.25.

During the three months ended March 31, 2011 broker compensation warrants were exercised as follows: on January 17, 2011, 175,000 at a price of \$0.14 per share, on March 8, 2011 150,000 at a price of \$0.12 per share and 100,000 at a price \$0.15, on March 31, 2011 50,000 at a price \$0.15 per share.

In addition, during the three months ended March 31, 2011 2,586,378 warrants were exercised at a price of \$0.15 per share and 774,207 warrants were exercised at a price of \$0.25 per share.

On January 6, 2011, 200,000 warrants at an exercise price of \$0.25 expired unexercised and on January 26, 2011, 50,000 warrants with an exercise price of \$0.25 expired unexercised.

During the three months ended June 30, 2011 2,444,523 warrants were exercised at a price of \$0.15 per share and 7,072,920 warrants were exercised at a price of \$0.25 per share.

In addition, during the three months ended June 30, 2011 40,000 broker compensation warrants were exercised at a price of \$0.12 per share.

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

On December 15, 2011, 1,500,000 warrants at a price of \$0.30 expired unexercised.

Certain issuances of common shares include warrants entitling the holder to acquire additional common shares of the Company. A summary of the outstanding warrants is as follows:

	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
Warrants	2,226,666	2.9 months	\$0.40	March 28, 2012
Warrants	2,499,998	6.9 months	\$1.00	July 28, 2012
Warrants	480,769	6.9 months	\$1.00	July 28, 2012
Warrants	1,355,384	7.3 months	\$1.00	August 9, 2012
Balance December 31, 2011	6,562,817			

Certain issuances of common shares include warrants as partial consideration to the agent for services associated with the share issues. A summary of the outstanding broker warrants is as follows:

	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
Compensation warrants	548,075	6.9 months	\$0.52	July 28, 2012
Underlying compensation warrants	548,075	6.9 months	\$1.00	July 28, 2012
Balance, December 31, 2011	1,096,150			

#### (d) Contributed surplus

A summary of changes in contributed surplus is as follows:

	Amount \$
Balance, June 30, 2010	3,277,190
Stock based compensation	239,275
Exercise of options	(421,712)
Common shares purchase warrants expired	350
Balance, June 30, 2011	3,095,103
Stock based compensation	114,833
Exercise of options	(80,301)
Balance, December 31, 2011	3,129,635

The number of common shares outstanding on December 31, 2011 was 156,662,001. Taking into account outstanding share purchase options, warrants and 1,000,000 shares reserved for property transactions, the fully diluted common shares that could be outstanding on December 31, 2011 was 172,663,968.

#### 7. Related party transactions

During the three months ended December 31, 2011, the Company incurred related party expenses of \$68,988 (for the three months ended December 31, 2010 – \$56,400) and \$127,888 for the six months ended December 31, 2011 (for the six months ended December 31, 2010 – \$93,900). 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, Errol Farr, then Michael D'Amico Chief Financial Officer, Garth Kirkham, Director and Antonio de Quadros, Director.

Compensation of key management personnel for the three and six months ending December 31, 2011 and 2010 is summarized as follows:

	For the three months ended Dec 31, 2011 \$	For the three months ended Dec 31, 2010 \$	For the six months ended Dec 31, 2011 \$	For the six months ended Dec 31, 2010
Compensation and directors' fees	68,988	47,900	125,488	106,288
Share-based payments	6,811	81,563	23,061	89,016

Key management personnel were not paid post-retirement benefits, termination benefits, or other long-term benefits during the three and six months ended December 31, 2011 and 2010.

During the three months ended December 31, 2011, the Company incurred expenses of \$50,669 (for the three months ended December 31, 2010- \$42,544) and \$ 62,917 for the six months ended December 31, 2011 (for the six months ended December 31, 2010 - \$90,462) for legal fees to a law firm related to a senior officer and director of the Company, William R. Johnstone. At December 31, 2011, \$40,760 was due and payable.

During the three months ended December 31, 2011, the Company incurred expenses of \$4,000 (for the three months ended December 31, 2010 - \$4,000) related to directors' fees and during the six months ended December 31, 2011, the Company incurred expenses of \$8,000 (for the six months ended December 31, 2010 - \$7,000) related to directors' fees to Antonio de Quadros, Frank van de Water, Brian Robertson and Jack McQuat. At December 31, 2011, \$3,000 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.



## 8. 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 sale are classified into the following categories:

	<b>December 31 2011 \$</b>	June 30 2011 \$
FVTPL <sup>(1)</sup>	<b>4,071,389</b>	4,844,114
Available for sale <sup>(2)</sup>	-	-
Loans and receivables <sup>(3)</sup>	<b>107,198</b>	236,469
Other financial liabilities <sup>(4)</sup>	<b>808,793</b>	1,435,315

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

(2) Includes marketable securities.

(3) Includes accounts receivable related to HST 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 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.

#### **(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*

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.

## **8. Financial instruments and risk management (continued)**

### *(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 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.

## **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, 2011 and the period ended December 31, 2011. The Company is not subject to externally imposed capital requirements.

## **10. Contingencies and commitments**

As at December 31, 2011;

- a) the Company has no contingent obligations,
- b) the Company has \$40,894 on deposit as property reclamation bonds with various governmental agencies. These amounts are included with prepaid expenses.

## **11. Impact of adoption of IFRS**

The Company has elected to apply the following optional exemptions in its preparation of an opening statement of financial position dated July 1, 2010, the Company's "Transition Date":

## 11. Impact of adoption of IFRS (continued)

- Business combinations  
To apply IFRS 3 Business Combinations prospectively from the Transition Date, therefore not restating business combinations that occurred prior to July 1, 2010.
- Share-based payment transactions  
To apply IFRS 2 Share-based Payments only to equity instruments that were issued after November 7, 2002 and had not vested by the Transition Date.
- IAS 27 – Consolidated and separate financial statements  
To apply IAS 27 Consolidated and Separate Financial Statements prospectively, as the Company has elected to apply IFRS 3 Business Combinations prospectively.
- Restoration, rehabilitation and environmental obligations  
The company has elected to apply the exemption from full retrospective application of decommissioning provisions allowed under IFRS 1. As a result, the company has re-measured the provisions at January 1, 2010 under IAS 37 Provisions, Contingent Liabilities and Contingent Assets and estimated the amount to be included in the cost of the related asset by discounting the liability to the date at which the liability first arose.
- IFRIC 4 Determining Whether an Arrangement Contains a Lease  
The Company has elected to apply the transition provisions of IFRIC 4 Determining Whether an Arrangement Contains a Lease, therefore determining if arrangements existing at the Transition Date contain a lease based on the circumstances existing at that date. The Company has no leases.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS statement of financial position as at the Transition Date are consistent with those made under Canadian GAAP.

Reconciliation of comprehensive loss, equity and liabilities:

	Twelve months ended June 30, 2011	Six months ended December 31, 2010
	\$	\$
<b>Comprehensive loss</b>		
Comprehensive loss under Canadian GAAP	177,385	(452,001)
Adjustments for flow through shares accounting treatment	(458,720)	(439,848)
<b>Comprehensive loss under IFRS</b>	<b>(281,335)</b>	<b>(891,849)</b>
	June 30, 2011	December 31, 2010
<b>Liabilities</b>		
Future Income Tax, Canadian GAAP	1,544,825	2,480,046
Adjustments for flow through shares under IFRS	(2)	319,876
Future Income Tax, under IFRS	1,544,823	2,799,922
Deferred liabilities for flow-through shares, under IFRS	-	10,251

Total adjustments under IFRS	(2)	330,127
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<b>Equity</b>		
Total shareholders' equity, Canadian GAAP	20,272,866	15,385,738
Adjustments for flow through shares under IFRS	2	(330,127)
Total shareholders' equity, IFRS	20,272,868	15,055,611

#### Changes to Accounting Policies

The Company has changed certain accounting policies to be consistent with IFRS effective or available for early adoption on June 30, 2012, the Company's first annual IFRS reporting date. Adoption of IFRS has had no material impact on the Company's statements of cash flows for the six months ended December 31, 2010 and the twelve months ended June 30, 2011. The changes to accounting policies have not resulted in any significant change to the recognition and measurement of assets, liabilities, equity, revenue and expenses within its financial statements, except as disclosed below.

##### a) Share-based payment transactions

Under IFRS, each tranche of an award with different vesting dates is considered a separate grant for the calculation of fair value, and the resulting fair value is amortized over the vesting period of the respective tranches. Forfeiture estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods. 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, including directors of the Company. 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 they are valued using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share purchase options were granted.

Under Canadian GAAP, the fair value of stock-based awards to employees with graded vesting are calculated as one grant and the resulting fair value is recognized on a straight line basis over the vesting period. Forfeitures of awards are recognized as they occur.

The Company's accounting policies relating to share-based payment transactions have been changed to reflect these differences. There is no impact on the financial statements.

##### b) Impairment of (non-financial) Assets

IFRS requires a write-down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Canadian GAAP required a write-down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

The Company's accounting policies relating to impairment of non-financial assets have been changed to reflect these differences and there is no impact on the financial statements.

##### c) Decommissioning Liabilities (Asset Retirement Obligations)

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while Canadian GAAP only requires the recognition of such liabilities for legal obligations. A

## 11. Impact of adoption of IFRS (continued)

constructive obligation exists when an entity has created reasonable expectations that it will take certain actions.

The Company's accounting policies related to decommissioning liabilities have been changed to reflect these differences. In management's opinion, this change in policy had no impact on the financial statements.

### d) 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. Under IFRS, 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. Under Canadian GAAP, the Company recorded the tax cost of expenditures renounced to subscribers on the date the deductions were renounced to the subscribers. Share capital was reduced and future income tax liabilities were increased by the tax cost of expenditures renounced to the subscribers, except that the amount was recognized as a tax recovery to the extent that suitable future tax assets were available.

## 12. Subsequent Events

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 (the "Roger gold 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, and retains all surface rights.

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

On February 10, 2012, the Company renegotiated its 2011 exploration program drilling contract resulting in a net reduction of \$594,110 in drilling expenses which were previously recorded in Deferred Exploration Expenditures. This amount will be reversed in the quarter ending March 31, 2012. As part of this revised agreement, the Company has paid a non-refundable deposit of \$200,000 toward its 2012 drilling expenditures.

## 13. Other items

Certain amounts have been reclassified to conform to the presentation adopted in the current period.