# ROMIOS GOLD RESOURCES INC.

## CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

# REPORT OF MANAGEMENT

**To the Shareholders of**
**ROMIOS GOLD RESOURCES INC.:**

The accompanying Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations are the responsibility of management. Management is also responsible for the effectiveness of systems, controls and procedures to ensure that the information is reliable and up-to-date. Management has a direct involvement in operations and has developed and maintains systems of internal accounting controls in order to assure, on a reasonable and cost-effective basis, the reliability of its financial information and the safeguarding of assets from loss. These statements have been prepared in accordance with generally accepted accounting principles in Canada and reflect management's best estimates and judgments based on currently available information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit Committee comprised of two outside directors and two related directors, which meets with management and auditors during the year, to review reporting and control issues and to satisfy itself that each party is properly discharging its responsibilities. The Committee reviews the financial statements before they are presented to the Board of Directors for approval, and considers the independence of the auditors.

The Consolidated Financial Statements have been audited by Wasserman Ramsay an independent firm of chartered accountants appointed by the shareholders at the Company's last annual meeting. Their report outlines the scope of their examination on the consolidated financial statements.

*"Tom Drivas"*
Chief Executive Officer

*"Doug Bolton"*
Chief Financial Officer

October 27, 2008

Wasserman
Ramsay
Chartered Accountants

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# AUDITORS' REPORT

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

We have audited the consolidated balance sheets of Romios Gold Resources Inc. as at June 30, 2008 and 2007 and the consolidated statements of loss and comprehensive loss, deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. These standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2008 and 2007 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Wasserman Ramsay

Markham, Ontario
October 27, 2008

Chartered Accountants
Licensed Public Accountants

# ROMIOS GOLD RESOURCES INC.

*(Incorporated under the Laws of the Province of Ontario)*

## CONSOLIDATED BALANCE SHEETS - JUNE 30, 2008 AND 2007

### ASSETS

| | 2008 | 2007 |
|---|---|---|
| Current: | | |
| Cash and cash equivalents *(Note 3(b))* | $ 261,505 | $ 1,657,920 |
| G.S.T Receivable | 323,865 | 152,207 |
| Cash and cash equivalents held for future exploration *(Note 3(b) and 5)* | 4,771,747 | 1,805,196 |
| Prepaid expenses | 131,521 | 243,055 |
| | 5,488,638 | 3,858,378 |
| Long term: | | |
| Equipment | - | 9,223 |
| Interest in mineral properties *(Note 4)* | 2,036,318 | 1,013,796 |
| Deferred exploration expenditures | 5,645,276 | 3,314,612 |
| | 7,681,594 | 4,337,631 |
| | $ 13,170,232 | $ 8,196,009 |

### LIABILITIES

| | 2008 | 2007 |
|---|---|---|
| Current: | | |
| Accounts payable and accrued liabilities *(Note 8)* | $ 261,797 | $ 401,439 |
| Future income tax *(Note 9)* | 1,910,777 | 555,941 |
| | 2,172,574 | 957,380 |
| *Commitments and contingencies (Note 12)* | | |

### SHAREHOLDERS' EQUITY

| | 2008 | 2007 |
|---|---|---|
| Capital Stock *(Note 6)* | 13,792,709 | 9,048,299 |
| Contributed surplus *(Note 11)* | 1,824,227 | 1,160,727 |
| Deficit | (4,619,278) | (2,970,397) |
| | 10,997,658 | 7,238,629 |
| | $ 13,170,232 | $ 8,196,009 |

Approved on behalf of the Board:

*"Tom Drivas"*
Anastasios (Tom) Drivas, Director

*"William R. Johnstone"*
William R. Johnstone, Director

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

# ROMIOS GOLD RESOURCES INC.

## CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

## FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

| | 2008 | 2007 |
|---|---|---|
| Operating expenses: | | |
| Stock-compensation expense *(Note 7)* | $ 663,500 | $ 819,585 |
| Management salaries and fees *(Note 8)* | 150,000 | 85,000 |
| Office and general *(Note 13)* | 355,215 | 433,346 |
| Professional fees *(Note 8)* | 329,887 | 263,348 |
| Depreciation | 9,223 | 9,070 |
| | 1,507,825 | 1,610,349 |
| Net loss for the year before undernoted item | (1,507,825) | (1,610,349) |
| Write-down of interests in mineral properties and deferred exploration expenditures | (649,555) | (20,100) |
| Interest income | 127,733 | 45,344 |
| Net loss for the year before income tax | (2,029,647) | (1,585,105) |
| Future income tax recovery | 380,766 | 469,831 |
| Net loss and comprehensive loss for the year | $ (1,648,881) | $ (1,115,274) |
| Basic and diluted loss per share | $ (0.03) | $ (0.03) |
| Weighted average number of shares outstanding | 61,043,464 | 33,018,041 |

## CONSOLIDATED STATEMENTS OF DEFICIT

## FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

| | 2008 | 2007 |
|---|---|---|
| Deficit, beginning of year | $ (2,970,397) | $ (1,855,123) |
| Loss for the year | (1,648,881) | (1,115,274) |
| Deficit, end of year | $ (4,619,278) | $ (2,970,397) |

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

# ROMIOS GOLD RESOURCES INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

## FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

| | 2008 | 2007 |
|---|---|---|
| Cash was provided by (used in) the following activities: | | |
| **Operating:** | | |
| Loss for the year | $ (1,648,881) | $ (1,115,274) |
| Add: items not requiring an outlay of cash: | | |
| Depreciation | 9,223 | 9,070 |
| Stock-based compensation expense | 663,500 | 819,585 |
| Future income tax | (380,766) | (469,831) |
| Write-down of interests in mineral properties and deferred exploration Expenditures | 649,555 | 20,100 |
| Net change in non-cash working capital items *(Note 10)* | (199,766) | (93,178) |
| | (907,135) | (829,528) |
| **Financing:** | | |
| Capital stock issued for cash – net of cash issue costs | 5,346,562 | 4,963,245 |
| **Investing:** | | |
| Investments in mineral properties | (108,578) | (91,384) |
| Purchase of equipment | - | (17,910) |
| Deferred exploration expenditures | (2,760,713) | (1,671,928) |
| Cash and cash equivalents held for future exploration | (2,966,551) | (1,805,196) |
| | (5,835,842) | (3,586,418) |
| Net change in cash and cash equivalents | (1,396,415) | 547,299 |
| Cash and cash equivalents, beginning of the year | 1,657,920 | 1,110,621 |
| Cash and cash equivalents, end of the year | $ 261,505 | $ 1,657,920 |

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

# ROMIOS GOLD RESOURCES INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**1. Nature of Operations:**

Romios Gold Resources Inc. ("Company") has interests in resource properties and is in the process of determining whether or not its properties contain resources that are economically recoverable.

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.

As at June 30, 2008, the Company has working capital of $5,226,841 (2007-$3,456,939). As at June 30, 2008, the Company has no source of operating cash flows. The Company's ability to meet its obligations and continue as a going concern is dependent on the ability to identify and complete future financings. While the Company has been successful in raising financings to date, there can be no assurance that it will be able to do so in the future.

**2. Acquisition of McLymont Mines Inc.:**

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. The Company issued a total of 2 million common shares at a price of $0.15 per share and 500,000 warrants to acquire all of the issued and outstanding shares of MMI consisting of 3,000,001 common shares. Each warrant entitled the holder to acquire one additional common share at a price of $0.20 per share in the first year and $0.25 per share in the second year from closing. Of the total share consideration of 2.0 million shares, 1,000,000 were issued immediately. The warrants issued in the transaction were valued at $34,000. The balance of the shares were held in escrow and were released in the previous fiscal year.

The acquisition has been recorded using the purchase method of accounting.

The following represents the allocation of the consideration among the fair market value of the net assets acquired as originally recorded and as adjusted for inclusion of the common shares held in escrow:

| | Original allocation | Adjusted allocation |
|---|---|---|
| Working capital deficit | $ (14,556) | $ (14,556) |
| Resource properties | 243,556 | 393,556 |
| Total consideration given | $ 229,000 | $ 379,000 |

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

The consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

a) **Basis of presentation:**

These consolidated financial statements, for the year ended June 30, 2008, include the accounts of the Company's wholly-owned subsidiary, McLymont Mines Inc. (see Note 2). All intercompany transactions and balances have been eliminated.

b) **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.

**3. Summary of significant accounting policies (continued):**

c) **Mineral properties:**

Mineral properties are stated at cost.

d) **Deferred exploration expenditures:**

Expenditures incurred in the acquisition and exploration of the Company's mineral properties have been deferred with the intention that the deferred expenditures and the cost of the mineral properties be amortized by charges against income from future mining operations. If the mineral properties are allowed to lapse or the properties are abandoned, the cost of the mineral properties and all associated exploration expenditures are written off.

e) **Long-lived assets:**

The Company monitors the recoverability of long-lived assets, based on factors such as current market value, future asset utilization, business climate and future undiscounted cash flows expected to result from the use of the related assets. The Company's policy is to record an impairment loss in the period when it is determined that the carrying amount of the asset may not be recoverable. The impairment loss is calculated as the amount by which the carrying amount of the asset exceeds the undiscounted estimate of future cash flows from the asset.

f) **Stock based compensation plan:**

The Company has a stock-based compensation plan that is described in Note 7. CICA 3870 establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments in exchange for goods and services. Compensation expense is recognized when the granted options become vested, with the same amount being recorded as contributed surplus. Stock-based compensation calculations have no effect on the Company's cash position.

g) **Earnings per share:**

The Company has adopted the recommendations of the CICA Handbook section 3500, Earning per Share ("EPS"). The revised section requires the presentation of both basic and diluted EPS on the face of the income statement regardless of the materiality of the difference between them. In addition, the new recommendations require the use of the treasury stock method to compute the dilutive effects of options, warrants and similar instruments as opposed to the previous method used which was the imputed earnings approach. The section also requires the disclosure of a reconciliation of the calculation of basic and diluted EPS be disclosed.

h) **Income taxes:**

The Company has adopted the liability method of accounting for income taxes as outlined in the provisions of Section 3465 of the Handbook of the Canadian Institute of Chartered Accountants. Under this method, current income taxes are recognized for the estimated taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized.

i) **Asset retirement obligations:**

The Company has adopted CICA 3110, “Asset Retirement Obligations” which requires that the estimated fair value of liabilities for asset retirement obligations be recognized in the period in which they are incurred. A corresponding increase to the carrying amount of the related asset is recorded and depreciated over the life of the asset. The estimates used in the valuations are based primarily on legal and regulatory requirements. It is possible that the Company’s estimates of its ultimate reclamation and closure liabilities could change as a result of changes in regulations, the extent of environmental remediation required, the means of reclamation or cost estimates. Changes in estimates are accounted for prospectively from the period the estimate is revised.

**3. Summary of significant accounting policies (continued):**

i) **Asset retirement obligations (continued):**

An obligation has not been recorded with respect to asset retirement obligations (i.e. environmental remediation) for the Company's exploration and development properties. This is based on the fact that the mining and processing activities that give rise to the legal obligation have not yet occurred and/or the environmental disturbance which has occurred is not yet significant.

j) **Use of estimates:**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results may differ from those estimates.

k) **Changes in accounting policy:**

CICA Handbook Sections 3855, *"Financial Statements-Recognition and Measurement"*; 1530, *"Comprehensive Income"*, and 3865, *"Hedges"* were adopted effective July 1, 2007, on a prospective basis; accordingly, comparative amounts for prior years have not been restated.

(i) Financial Instruments – Recognition and Measurement:

Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented and requires that:

(i) All financial assets to be measured at fair value on initial recognition and certain financial assets to be measured at fair value subsequent to initial recognition;
(ii) All financial liabilities to be measured at fair value if they are classified as held for trading purposes. Other financial liabilities are measured at amortized cost using the effective interest method; and
(iii) All derivative financial instruments to be measured at fair value on the balance sheet, even when they are part of an effective hedging relationship.

(ii) Comprehensive Income

Section 1530 introduces a new requirement to temporarily present certain gains and losses from changes in fair value outside net income. It includes unrealized gains and losses, such as: changes in currency translation adjustment relating to self-sustaining foreign operations; unrealized gains or losses on available-for-sale investments; and the effective portion of gains or losses on derivatives designated as cash flow hedges or hedges of the net investment in self-sustaining foreign operations.

(iii) Hedges

Section 3865 provides alternative treatments to Section 3855 for entities which choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guideline 13 *"Hedging Relationships"* and the hedging guidance in Section 1650 *"Foreign Currency Translation"* by specifying how hedge accounting is applied and what disclosures are necessary when it is applied. The Company currently does not have any components of hedges in place and, therefore, this policy has had no impact on the financial statements.

(iv) Impact upon adoption of Sections 1530, 3855 and 3865

The Company has evaluated the impact of Sections 1530, 3855, and 3865 on its financial statements and determined that no adjustments are currently required.

k) **Changes in accounting policy (continued):**

The Company has made the following classifications:

- Cash and cash equivalents and cash and cash equivalents held for future exploration are classified as a financial asset "held for trading" and is measured at fair value. Gains and losses resulting from periodic revaluation are recorded in net loss.
- GST receivable is classified as "loans and receivables" and is recorded at amortized cost, which upon their initial measurement is equal to their fair value. Subsequent measurements are recorded at amortized costs using the effective interest rate method.
- Accounts payable are classified as "other financial liabilities" and are initially measured at its fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

l) **New accounting pronouncements:**

CICA Handbook Section 1535 Capital Disclosures; 3862 Financial Instruments-Disclosures; and 3863 Financial Instruments-Presentation, are effective for interim and annual financial statements beginning on July 1, 2008. Section 1535 specifies the disclosure of (i) the entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. Sections 3862 and 3863 replace Handbook Section 3861 Financial Instruments-Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged it presentation requirements. These new sections place increased emphasis on disclosures about the nature and the extent of risks arising from financial instruments and how the entity manages those risks.

In 2006, the Canadian Accounting Standards Board published a new strategic plan that will significantly affect financial reporting requirements for Canadian public companies. The Standards Board plan outlines the convergence of Canadian Generally Accepted Accounting Principles ("GAAP") with International Financial Reporting Standards ("IFRS") over an expended five year transitional period. In February, 2008, the Board announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of July 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended June 30, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time. The Company's management will continue to monitor these developments.

**4. Mineral properties:**

| | British Columbia | Ontario | Nevada, USA | Total |
|---|---|---|---|---|
| Balance, July 1, 2006 | $ 492,598 | $ 179,449 | $ 203,338 | $ 875,385 |
| Additions | 157,150 | | 1,361 | 158,511 |
| Abandonments/write-offs | | (20,100) | | (20,100) |
| Balance, June 30, 2007 | 649,748 | 159,349 | 204,699 | 1,013,796 |
| Additions | 1,238,429 | | 3,600 | 1,242,029 |
| Abandonments/write-offs | (31,801) | (159,347) | (28,359) | (219,507) |
| Balance, June 30, 2008 | $ 1,856,376 | $ 2 | $ 179,940 | $ 2,036,318 |

**4. Mineral properties (continued):**

**Deferred Exploration Expenditures**

| | Galore Creek British Columbia | Ontario | Nevada | Total |
|---|---|---|---|---|
| Balance, June 30, 2006 | $ 762,946 | $ 394,605 | $ 485,133 | $ 1,642,684 |
| Additions: | | | | |
| Assaying | 13,713 | | 36,021 | 49,734 |
| Contract flying | 87,014 | | | 87,014 |
| Drilling | 493,034 | | 185,028 | 678,062 |
| Geological surveys | 183,912 | | | 183,912 |
| Geophysics | 262,074 | | | 262,074 |
| Contract labour | 131,309 | | | 131,309 |
| Subcontract labour | 46,561 | | 17,584 | 64,145 |
| Camp costs | 26,841 | | | 26,841 |
| Other | 12,881 | | 4,861 | 17,742 |
| General and administration | 156,466 | | 14,629 | 171,095 |
| | 1,413,805 | - | 258,123 | 1,671,928 |
| Balance, June 30, 2007 | 2,176,751 | 394,605 | 743,256 | 3,314,612 |
| Additions: | | | | |
| Assaying | 67,563 | | | 67,563 |
| Contract flying | 536,778 | | | 536,778 |
| Drilling | 400,213 | | 35,011 | 435,224 |
| Field communications | 7,096 | | | 7,096 |
| Fuel costs | 9,569 | | | 9,569 |
| Geological surveys | 160,403 | | | 160,403 |
| Geophysics | 458,039 | | | 458,039 |
| Contract labour | 468,340 | | 1,300 | 469,640 |
| Subcontract labour | 382,482 | | | 382,482 |
| Camp costs | 93,213 | (500) | 300 | 93,013 |
| Other | 113 | | | 113 |
| General and administration | 133,736 | | 7,057 | 140,793 |
| | 2,717,545 | (500) | 43,668 | 2,760,713 |
| Abandonments and write-offs | (35,944) | (394,105) | - | (430,049) |
| Balance, June 30, 2008 | $ 4,858,352 | $ - | $ 786,924 | $ 5,645,276 |

**4. Mineral properties (continued):**

a) **British Columbia**

During the year the Company completed its obligations under an option agreement with Gulf International Minerals Inc. 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 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. This option expires July 31, 2010. The Company has the option to purchase a 0.5% net smelter return royalty for the payment of $1,000,000.

During the year 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. Subsequent to the year end the Company entered into a joint venture with Roca for the further exploration and development on the property.

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, know 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 (200,000 issued to date with 100,000 to be issued April, 2009 and the remaining 200,000 to be issued April, 2010). The Company is also required to expend a total of $2 million in exploration expenditures on or before April, 2010. The amount expended to June 30, 2008 is $202,824.

In 2006, the Company entered into an option agreement with Galore Creek Staking Syndicate, 2003 to acquire a 100% interest in 2 land tenures (1,321 hectares) located in the Liard Mining Division of British Columbia, know as the Royce/Pork 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 (200,000 issued to date with 100,000 to be issued April, 2009 and the remaining 200,000 to be issued April, 2010). The Company is also required to expend a total of $1 million in exploration expenditures on or before April, 2010. The amount expended to June 30, 2008 is $86,236.

In 2006, the Company entered into an option agreement with Galore Creek Staking Syndicate, 2003 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 calls for payments of $115,000 cash ($15,000 paid to date with the remaining $100,000 due November 21, 2010) and the issue of 500,000 common shares (100,000 issued to date with 100,000 to be issued on each of November 21, 2008 and 2009 and the remaining 200,000 to be issued November 21, 2010). The Company is also required to expend a total of $2 million in exploration expenditures on or before November 21, 2010. The amount expended to June 30, 2008 is $635,070.

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

b) **Ontario**

The Company owns a 100% interest in 13 claims (2,751 hectares) in the Lundmark-Akow Lake Area, Patricia Mining Division. These claims are subject to a 3% net smelter returns royalty. The Company has an option to purchase up to 2% net smelter returns royalty in consideration for payment of $1,000,000 for each 1% purchased.

The Company owns a 161 acre mineral property located in the Hislop Township near Timmins, Ontario.

During the year the Company wrote down its investments in the Ontario properties to a nominal value.

c) **Nevada**

The Company has a 100% working interest in 16 unpatented mineral claims (388 hectares) in Pershing County, Nevada, USA, subject to a 2% gross proceeds royalty. The Company has the right to purchase up to a 1% gross proceeds royalty in consideration of the payment of US$775,000.

The Company has leased 80 acres private land (32.36 hectares) and acquired by staking 29 unpatented mineral claims (approximately 176 hectares) in Pershing County. These claims are subject to a 1% net proceeds royalty and net smelter return royalties varying between 2.25% and 4.0%.

### 5. Cash held for future exploration:

During the current year the Company completed flow-through private placements for 10,361,800 shares for gross proceeds of $5,180,900. These funds were committed to be expended on Canadian Exploration Expenditures ("CEE") and as such were not available for current working capital purposes. During the year the Company spent a total of $409,153 of the funds raised on CEE, leaving a balance to be spent at year end in the amount of $4,771,747. From June 30, 2008 to October 27, 2008, the Company spent $3,784,428 on exploration expenditures.

### 6. Capital stock:

The Company is authorized to issue an unlimited number of common shares.

| Capital stock is made up as follows: | 2008 | 2007 |
|---|---|---|
| Warrants (i) | $ 979,349 | $ 1,005,778 |
| Common shares (ii) | 12,813,360 | 8,042,521 |
| | $ 13,792,709 | $ 9,048,299 |

(i) Warrants issued:

| | Number | Value |
|---|---|---|
| Balance June 30, 2006 | 8,796,640 | $ - |
| Issued during the year - Agents' warrants | 680,000 | 74,800 |
| Issued during the year - Private placements | 9,919,640 | 1,070,390 |
| Exercised during the year | (9,144,338) | (35,642) |
| Expired during the year | (165,137) | - |
| Less: issue costs | - | (103,770) |
| Balance June 30, 2007 | 10,086,805 | 1,005,778 |
| Issued during the year - Agents' warrants | 825,424 | 160,685 |
| Issued during the year - property acquisition | 50,000 | 11,000 |
| Exercised during the year | (340,266) | (37,429) |
| Less: issue cost | - | (160,685) |
| Balance June 30, 2008 | 10,621,963 | $ 979,349 |

(ii) Common shares issued:

| | Number | Value |
|---|---|---|
| Balance as at June 30, 2006 | 32,666,842 | $ 4,893,676 |
| Issued pursuant to flow-through private placements | 9,466,328 | 1,798,604 |
| Issued pursuant to private placements | 799,482 | 208,608 |
| Issued - finders' fee on private placements | 370,000 | 111,000 |
| Exercise of warrants | 9,144,338 | 2,023,735 |
| Issued for acquisition of MMI - resolution of contingency *(Note 2)* | 1,000,000 | 150,000 |
| Issuance of shares for mineral properties | 300,000 | 67,150 |
| Less: issue costs | - | (184,480) |
| Reduction re: future income tax liability- flow through shares *(Note 9)* | - | (1,025,772) |
| Balance as at June 30, 2007 | 53,746,990 | 8,042,521 |
| Issued pursuant to flow-through private placements | 10,361,800 | 5,180,900 |
| Issued pursuant to private placements | 525,000 | 210,000 |
| Issued - finders' fee on private placements | 480,000 | 240,000 |
| Exercise of warrants | 340,266 | 241,589 |
| Exercise of options | 29,159 | 7,290 |
| Issuance of shares for mineral properties | 3,227,778 | 1,122,450 |
| Less: issue costs | - | (495,788) |
| Reduction re: future income tax liability-flow through shares *(Note 9)* | - | (1,735,602) |
| Balance as at June 30, 2008 | 68,710,993 | $ 12,813,360 |

**6. Capital stock (continued):**

a) During the year the Company entered into private placement agreements for 10,361,800 flow-through common shares for gross proceeds of $5,180,900.

As part of the financing, the Company issued 480,000 common shares and 785,424 common share purchase warrants with each full warrant exercisable at $0.50 per share in the first year and at $0.90 per share in the second year until expiry on December 28, 2009. The Company also paid a cash finder's fee in the amount of $152,712.

A total of 544,000 flow-through common shares were placed with insiders of the Company and an additional arm's-length subscriber.

b) During the year the Company entered into a private placement agreement for 525,000 common shares for gross proceeds of $210,000.

As part of the financing, the Company issued 40,000 common share purchase warrants with each full warrant exercisable at $0.40 per share in the first year and at $0.90 per share in the second year until expiry on December 31, 2009. The Company also paid a cash finder's fee in the amount of $16,000.

A total of 25,000 common shares were placed with an insider of the Company.

c) During the prior year the Company entered into private placement agreements for 9,466,328 units ("Units") priced at $0.30 per Unit for gross proceeds of $2,839,898. Each Unit consists of one flow-through common share and one share purchase warrant with each full warrant entitling the holder to acquire one additional share at $0.60 per share for the first year and at $0.90 per share until expiry after two years. The expiry date of the warrants issued can be accelerated, at the Company's discretion, if the shares of the Company trade at certain predefined values.

The value attributable to the warrants, calculated using a Black-Scholes option pricing model, was approximately $0.11 per warrant with the balance being allocated to the flow-through shares issued.

As part of the financing, the Company issued 680,000 Agents' warrants with each full warrant exercisable into a common share at $0.60 per share for the first year and at $0.90 per share until expiry after two years. The expiry date of the warrants issued can be accelerated, at the Company's discretion, if the shares of the Company trade at certain predefined values.

A finder's fee was paid on the private placements through the issuance of 370,000 common shares valued at $111,000.

d) During the prior year the Company entered into private placement agreements for 692,339 working capital units ("Units") priced at $0.30 per Unit for gross proceeds of $207,702. Each Unit consists of one common share and one-half of one share purchase warrant with each full warrant entitling the holder to acquire one additional share at $0.50 per share for one year after closing. The expiry date of the warrants issued can be accelerated, at the Company's discretion, if the shares of the Company trade at certain predefined values.

During the year the Company entered into private placements agreements for 107,143 working capital ("Units") priced at $0.28 per Unit for gross proceeds of $30,000. Each Unit consists of one common share and one share purchase warrant with each full warrant entitling the holder to acquire one additional share at $0.60 per share for the first year and $0.90 per share in the second year. The expiry date of the warrants issued can be accelerated, at the Company's discretion, if the shares of the Company trade at certain predefined values.

The value attributable to the warrants issued, calculated using a Black-Scholes option pricing model, was approximately $0.11 per warrant with the balance being allocated to the common shares issued.

### 7. Common shares subject to issuance:

As at June 30, 2008 the Company has 18,687,463 common shares subject to issuance as follows:

**Stock 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.

In determining the stock-based compensation expense, the fair value of the options granted were estimated using the Black-Scholes option pricing model with the following weighted average assumptions used for grants as follows: dividend yield of 0% (2007 - 0%), expected volatility of 95.8% to 105.5% (2007 – 105.5%),, risk-free interest rate of 4.0%-4.75% (2007 - 4.0%), and expected life ranging from 24 to 60 months (2007 – 24-60 months).

A summary of the Company's options at June 30, 2008 and 2007 and the changes for the years then ended is presented below:

| | Options Outstanding | Weighted-Average Exercise price |
|---|---|---|
| At June 30, 2006 | 1,887,876 | $ 0.22 |
| Granted | 2,768,000 | $0.54 |
| At June 30, 2007 | 4,655,876 | $0.41 |
| Granted | 2,450,000 | $0.34 |
| Exercised | (29,159) | $0.25 |
| Expired | (211,217) | $0.31 |
| At June 30, 2008 | 6,865,500 | $0.39 |

The following table summarizes information about the options outstanding at June 30, 2008:

**Options:**

| | Weighted Average | | | |
|---|---|---|---|---|
| Exercise Price Range | Number Outstanding | Exercise Price | Contractual Life | Number Issuable |
| $0.12 - $0.27 | 2,397,500 | $0.212 | 1.53 years | 2,397,500 |
| $0.32 | 2,300,000 | $0.320 | 4.07 years | 1,200,000 |
| $0.60 - $0.65 | 2,168,000 | $0.656 | 2.38 years | 2,155,500 |
| | 6,865,500 | $0.386 | 3.05 years | 5,753,000 |

The weighted average fair value price of options granted during the year is $0.21.

# ROMIOS GOLD RESOURCES INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**7. Common shares subject to issuance (continued):**

**Warrants:**

A summary of the Company's share purchase warrants at June 30, 2008 and 2007 and the changes for the years then ended is presented below:

| | Warrants Outstanding | Weighted-Average Exercise price |
|---|---|---|
| At June 30, 2006 | 8,796,640 | $0.19 |
| Issued | 10,599,640 | $0.60 |
| Exercised | (9,144,338) | $0.22 |
| Expired | (165,137) | $0.24 |
| At June 30, 2007 | 10,086,805 | $0.60 |
| Issued | 875,424 | $0.30 |
| Exercised | (340,266) | $0.60 |
| At June 30, 2008 | 10,621,963 | $0.59 |

The following table summarizes information about the share purchase warrants outstanding at June 30, 2008:

**Warrants:**

| Exercise Price Range | Number Outstanding | Contractual Life |
|---|---|---|
| $0.90 | 9,746,539 | 0.45 years |
| $0.60 - $0.65 | 875,424 | 1.42 years |
| | 10,621,963 | 0.53 years |

**For Property transactions:**

The Company has 1,200,000 common shares reserved for issuance under the terms of the property acquisition agreements disclosed in Note 4 (a).

**Maximum shares outstanding:**

The following table sets out the maximum number of common shares that would be outstanding if all of the outstanding options and unexpired warrants are exercised:

| | |
|---|---|
| Common shares outstanding, June 30, 2008 | 68,710,993 |
| Options to purchase common shares | 6,865,500 |
| Exercisable share purchase warrants | 10,621,963 |
| | 86,198,456 |

**8. Related party transactions:**

The total of $150,000 (2007 - $25,000) was charged for management salaries and $Nil (2007 - $85,000) was charged for management fees by an individual who is an officer, director and shareholder of the Company. At June 30, 2008, $Nil (2007 - $30,000) of the amount charged is outstanding and is included under accounts payable.

During the year, the Company paid $8,500 (2007 - $Nil) in directors fees.

During the year, the Company expensed $30,712 (2007 - $Nil) to a company controlled by an officer for consulting services. At June 30, 2008, the amount of $7,500 is included in accrued liabilities.

During the year, the Company paid $30,450 (2007 - $nil) to a director for consulting services.

During the year, the Company expensed $54,844 to an officer and director for consulting services. At June 30, 2008, the amount of $8,100 is included in accrued liabilities.

During the year, the Company expensed $33,200 to a company controlled by a director for consulting services. At June 30, 2008, the amount of $5,200 of the amount charged is included in accounts payable.

The Company incurred legal fees in the amount of $119,373 (2007 - $125,899) with a law firm of which one of the partners is a director of the Company. Included in accounts payable is $7,690 (2007 - $30,474) owing to this firm.

The Company granted 1,700,000 stock options to seven individuals who are officers and/or directors of the Company with an exercise price of $0.32 per share expiring June, 2013 and 150,000 stock options to a director of the Company with an exercise price of $0.65 per share expiring July, 2012.

**9. Income taxes:**

The Company has incurred tax losses of approximately $2,251,000 which may be used to reduce future taxable income. The potential benefit of these losses will expire in the fiscal years ended June 30, if unused, as follows:

| | |
|---|---|
| 2009 | $ 114,000 |
| 2010 | 93,000 |
| 2014 | 120,000 |
| 2015 | 166,000 |
| 2026 | 241,000 |
| 2027 | 814,000 |
| 2028 | 703,000 |
| | $ 2,251,000 |

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

| | 2008 | 2007 |
|---|---|---|
| Non-capital losses | $ 802,143 | $ 550,000 |
| Exploration and development expenses | 47,454 | (80,169) |
| Future income tax liability recognized as a result of flow-through share issuance | (2,760,374) | (1,025,772) |
| Liability recognized in the financial statements | $(1,910,777) | $ (555,941) |

As required by CICA Handbook EIC 146, the Company has, for renunciations of flow-through amounts subsequent to March 2004, treated the future income tax liability related to this temporary difference as a reduction in share capital at the time that the expenditure is renounced. During the year this amounted to $1,735,602 (2007 - $1,025,772) and is included in share issue costs.

**10. Supplemental cash flow information:**

Net chang

| | 2008 | 2007 |
|---|---|---|
| G.S.T Receivable | $ (171,658) | $ (102,728) |
| Prepaid expenses and deposits | 111,534 | ( 79,894) |
| Accounts payable and accrued liabilities | (139,642) | 89,444 |
| | $ (199,766) | $ (93,178) |
| Non-cash investing and financing activities: | | |
| Common shares issued for interest in mineral properties | $ 1,122,450 | $ 67,150 |
| Warrants issued for interest in mineral properties | 11,000 | - |
| Common shares recognized on settlement of Contingency *(Note 2)* | - | 150,000 |
| Transferred to common shares on exercise of warrants | 37,429 | - |
| Common shares issued as commission on private placement *(Note 7)* | 450,000 | 111,000 |
| Share issue costs - future income tax effect of flow-through shares | 1,735,602 | 1,025,272 |

**11. Contributed surplus:**

Contributed surplus consists of the following:

| | |
|---|---|
| Balance June 30, 2006 | $ 341,142 |
| Stock compensation expense | 819,585 |
| Balance June 30, 2007 | 1,160,727 |
| Stock compensation expense | 663,500 |
| Balance June 30, 2008 | $ 1,824,227 |

**12. Commitments:**

The Company signed a lease for office premises under which it is committed to the following payments by fiscal year:

| | |
|---|---|
| 2009 | $ 9,418 |
| 2010 | 785 |
| | $ 10,203 |

As at June 30, 2008, the Company had entered into major contracts with respect to the upcoming exploration programme. The amount committed under these contracts was approximately $2 million.

**13. Office and General:**

Office and general expenses comprise the following:

| | 2008 | 2007 |
|---|---|---|
| Advertising | $ 115,374 | $ 161,933 |
| Salaries and benefits | 65,658 | 42,123 |
| Office and general | 60,749 | 94,475 |
| Insurance | 28,998 | 31,104 |
| Travel | 22,722 | 31,534 |
| Rent | 22,398 | 18,092 |
| Filing fees | 20,393 | 34,015 |
| Transfer agent fees | 18,923 | 20,070 |
| | $ 355,215 | $ 433,346 |

## 14. Financial instruments:

| | June 30, 2008 | | June 30, 2007 | |
|---|---|---|---|---|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Financial assets: | | | | |
| Cash and cash equivalents | $ 261,505 | $ 261,505 | $1,657,920 | $1,657,920 |
| Cash and cash equivalents held for future exploration | 4,771,747 | 4,771,747 | 1,805,196 | 1,805,196 |
| G.S.T. receivable | 323,865 | 323,865 | 152,207 | 152,207 |
| Financial liabilities | | | | |
| Accounts payable | 261,797 | 261,797 | 401,439 | 401,439 |

- 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.
- G.S.T. receivable is designated as loans and receivables and is recorded at amortized cost.
- Accounts payable is designated as other financial liabilities and is recorded at amortized cost.

**Risks:**

The Company is exposed to various credit and market risks associated with it financial instruments.

- Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.
- Market risk comprises currency risk, interest rate risk and other price risks.

The Company manages its risks as follows:

- Cash and cash equivalents and cash and cash equivalents held for future exploration: The credit risk is limited to the amount of the balance sheet. All amounts are on deposit with a Canadian Chartered bank and are not considered to be at risk. The functional currency for the Company is the Canadian dollar. Cash held in non-Canadian funds is limited to funds for the corporate expenses incurred in the United States.
- G.S.T. receivable: These are taxes paid on goods and services purchased that are recoverable from the Canadian government and are not considered to be at credit risk.
- Accounts payable: The exposure to market risk relates to changes in the currency rates for that portion of the accounts payable that is in United States dollars.

## 15. Capital disclosures:

- The Company's current objective when managing capital is to ensure the Company's financial capacity to safeguard its assets and advance its exploration activity.

During the year the Company raised gross proceeds of $5,180,900 through the issue of flow-through shares to finance ongoing exploration activities. The sum is expected to be sufficient to cover the Company's proposed exploration activities for 2008.

Liquidity risk is managed to the best of the Company's ability by raising capital when market conditions permit.

**16. Subsequent events:**

a) On August 14, 2008, the Company announced that it had earned its 50% interest in the Roca Mines Inc.'s ("Roca") Galore Creek area claims and had formed a 50:50 joint venture with Roca for the further exploration and development of the 4,000 hectare (9,883.8 acre) property adjoining the Company's Newmont Lake property to the southwest.

b) On September 10, 2008, the Company issued 100,000 common shares to the Galore Creek Staking Syndicate, 2003 due under the option agreement on the 613.8 hectare (1,516.7 acre) JW Property located in the Galore Creek area.in northwestern British Columbia.

c) From June 30, 2008 to October 27, 2008, the Company spent $3,784,428 on exploration expenditures.