

ROMIOS GOLD RESOURCES INC
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

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, 2005 and 2004 and the consolidated statements of operations, 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, 2005 and 2004 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
October 28, 2005

Wasserman Ramsay

Chartered Accountants

ROMIOS GOLD RESOURCES INC
(Incorporated under the Laws of the Province of Ontario)

CONSOLIDATED BALANCE SHEETS - JUNE 30, 2005 AND 2004

ASSETS

	<u>2005</u>	<u>2004</u>
Current:		
Cash and cash equivalents	\$ 137,586	\$ 60,289
G.S.T Receivable	31,819	17,750
Prepaid expenses	<u>8,287</u>	<u>3,061</u>
	<u>177,692</u>	<u>81,100</u>
Long term:		
Computer equipment (Note 4)	667	951
Interest in mining claims and properties (Note 5)	604,174	356,262
Deferred exploration expenditures	1,101,877	1,385,682
Cash held for future exploration (Note 6)	<u>425,456</u>	<u>119,467</u>
	<u>2,132,174</u>	<u>1,862,362</u>
	<u>\$ 2,309,866</u>	<u>\$ 1,943,462</u>

LIABILITIES

Current:		
Accounts payable and accrued liabilities (Note 9)	\$ <u>181,096</u>	\$ <u>230,939</u>
Future income tax (Note 10)	<u>-</u>	<u>135,200</u>

SHAREHOLDERS' EQUITY

Capital stock (Note 7)	3,393,989	2,264,989
Contributed surplus (Note 13)	280,225	21,300
Deficit	<u>(1,545,444)</u>	<u>(708,966)</u>
	<u>2,128,770</u>	<u>1,577,323</u>
	<u>\$ 2,309,866</u>	<u>\$ 1,943,462</u>

Approved on behalf of the Board:
"Tom Drivas"
Anastasios (Tom) Drivas, Director

"Carl Von Einsiedel"
Carl Von Einsiedel, Director

SEE NATURE OF OPERATIONS (NOTE 1)

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

ROMIOS GOLD RESOURCES INC

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
Revenue:		
Interest income	\$ <u>1,955</u>	\$ <u>3,192</u>
Operating expenses:		
Depreciation	284	408
Management fees <i>(Note 9)</i>	27,750	24,000
Office and general <i>(Note 9)</i>	51,468	58,126
Professional fees <i>(Note 9)</i>	87,895	40,428
Stock-compensation expense <i>(Note 8)</i>	<u>22,050</u>	<u>-</u>
	<u>189,447</u>	<u>122,962</u>
Net loss for the year before undernoted item	(187,492)	(119,770)
Write-down of interests in mining properties	<u>(732,611)</u>	<u>(61,306)</u>
Net loss for the year before income tax	(920,103)	(181,076)
Future income tax recovery	<u>(159,200)</u>	<u>-</u>
Net loss for the year	\$ <u>(760,903)</u>	\$ <u>(181,076)</u>
Basic and diluted loss per share	\$ <u>(0.06)</u>	\$ <u>(0.02)</u>
Weighted average number of shares outstanding		
-basic and diluted	<u>12,790,893</u>	<u>8,722,415</u>

CONSOLIDATED STATEMENTS OF DEFICIT

FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
Deficit, beginning of year before restatement	\$ (708,966)	\$ (527,890)
Stock-based compensation expense	<u>(75,575)</u>	<u>-</u>
Deficit, beginning of year, as restated <i>(Note 12)</i>	(784,541)	(527,890)
Loss for the year	<u>(760,903)</u>	<u>(181,076)</u>
Deficit, end of year	\$ <u>(1,545,444)</u>	\$ <u>(708,966)</u>

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, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
Cash was provided by (used in) the following activities:		
Operating:		
Loss for the year	\$ (760,903)	\$ (181,076)
Add: items not requiring an outlay of cash:		
Depreciation	284	408
Stock-based compensation expense	22,050	-
Future income tax	(159,200)	135,200
Write-down of interests in mining properties	732,611	-
Net change in non-cash working capital items <i>(Note 11)</i>	<u>133,512</u>	<u>45,913</u>
	<u>(31,646)</u>	<u>445</u>
Financing:		
Shares issued for cash	343,140	6,402
Warrants issued for cash	85,900	-
Issuance of flow-through shares	533,960	170,360
Shares issue costs	<u>(113,250)</u>	<u>-</u>
	<u>849,750</u>	<u>176,762</u>
Investing:		
Investments in mining claims and properties	(68,534)	(2,177)
Deferred exploration expenditures	(366,284)	(228,662)
Cash held for future exploration	<u>(305,989)</u>	<u>50,687</u>
	<u>(740,807)</u>	<u>(180,152)</u>
Net change in cash and cash equivalents	77,297	(2,945)
Cash and cash equivalents, beginning of the year	<u>60,289</u>	<u>63,234</u>
Cash and cash equivalents, end of the year	<u>\$ 137,586</u>	<u>\$ 60,289</u>

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

ROMIOS GOLD RESOURCES INC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

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 resource properties contain reserves that are economically recoverable.

The recoverability of expenditures on its resource properties and related deferred exploration expenditures is dependent upon the existence of economically recoverable reserves, confirmation of the Company's ownership of 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, 2005 the Company has a working capital deficiency of \$3,404 (2004 - \$149,839). The ability of the Company to realize on its assets and discharge its liabilities in the normal course of operations is contingent on it being able to raise funds for working capital purposes in the future primarily through issuing capital stock.

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 entitles 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 balance are to be held in escrow and released at the rate of one share for each \$2.325 of work incurred on the Newmont Lake Property after an initial expenditure on the property of \$1,000,000. Therefore \$3,325,000 must be expended on the property for all of the escrowed shares to be released.

The warrants issued in the transaction have been valued at \$34,000. The fair value of the warrants issued in the transactions were estimated using the Black-Scholes option pricing model with the following weighted average assumptions used for grants as follows: dividend yield of 0%, expected volatility of 11%, risk-free interest rate of 4.5% and expected life of 9 months.

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

In management's opinion there is no reasonable certainty that the Company will be able to raise additional funds to spend on this property and therefore management is of the opinion that none of the contingent consideration should be recognized. Therefore the shares subject to the contingency will only be recognized when the actual funds (over and above the initial \$1.0 million dollar expenditure) are expended on the property or sufficient funds are raised for and specifically earmarked for the Newmont Lake Property. The purchase equation will be adjusted accordingly when the results of the contingency become clear.

The consideration was paid as follows: 1,000,000 shares at \$0.15 for a total of \$150,000; finders fees of 150,000 shares at \$0.15 per share for \$15,000 in total; warrants valued at \$34,000; and cash costs incurred in the acquisition in the amount of \$30,000; for a grand total of \$229,000.

The consolidated financial statements includes the results of operations of MMI from March 1, 2005 to June 30, 2005. The following represents the allocation of the consideration among the fair market value of the net assets acquired:

Working capital deficit	\$ (14,556)
Resource properties	<u>243,556</u>
Total consideration given	<u><u>\$ 229,000</u></u>

ROMIOS GOLD RESOURCES INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

3. Summary of significant accounting policies:

The consolidated financial statements of Romios Gold Resources Inc. [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, 2005, include the accounts of the Company's wholly-owned subsidiary, Mclymont Mines Inc. (see Note 2) from the date of acquisition, March 1, 2005. All intercompany transactions and balances have been eliminated.

b) Mining claims and properties:

Mining claims and properties are stated at cost.

c) Deferred exploration expenditures:

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

d) Computer equipment:

Computer equipment is carried at cost and is depreciated at the rate of 30% per annum on a declining balance basis.

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. Effective July 1, 2004 the Company adopted the new recommendations of the Canadian Institute of Chartered Accountant ("CICA") Handbook Section 3870, "Stock-based compensation and other stock-based payments". As required by the Handbook Section, effective for fiscal periods beginning after January 1, 2004, entities will no longer have the option of disclosing pro-forma information for employee, officers and directors options, that is, all awards must be recorded in the financial statements at fair value. This change is reflected in the current Company's June 30, 2005 consolidated financial statements.

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.

ROMIOS GOLD RESOURCES INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

3. Summary of significant accounting policies (Continued):

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:

Effective July 1, 2004, the Company 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.

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) Financial instruments:

The Company's financial instruments recognized in the balance sheet consists of cash and cash equivalents, and current liabilities. The fair value of these financial instruments approximate their carrying value due to the short maturity or current market rate associated with these instruments.

4. Computer equipment:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>2005 Net</u>	<u>2004 Net</u>
Computer equipment	\$ <u>5,464</u>	\$ <u>4,797</u>	\$ <u>667</u>	\$ <u>951</u>

5. Mining claims and properties:

- (i) The Company acquired properties from a corporation controlled by an individual who is also an officer, director and shareholder of the Company, as follows:

a) Akow Lake area, Province of Ontario

On October 2, 1995, the Company acquired unpatented mining claim blocks in the Akow Lake Area, Patricia Mining Division. Consideration paid for these claims was issuance of 1,350,000 common shares of the Company at the value of \$0.01 per share for a total price of \$13,500. During the 1997 fiscal year 130,000 of the issued common shares were returned to treasury for cancellation. As the assets acquired remained Company property, the donation of shares for cancellation resulted in capital stock being reduced by \$1,300 and a corresponding amount was added to contributed surplus.

ROMIOS GOLD RESOURCES INC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

5. Mining claims and properties (continued):

b) Lundmark-Akow Lake Area, Province of Ontario

On January 26, 1996, the Company acquired unpatented mining claim blocks in the Lundmark-Akow Lake Area, Patricia Mining Division. The purchase price was \$24,700, based on reimbursement of out-of-pocket costs, and was paid with the issuance of 98,800 common shares at \$0.25 per share.

On June 27, 1996, under a separate agreement, the Company acquired further mining claim blocks in the Lundmark-Akow Lake Area, Patricia Mining Division. The purchase price was \$20,000, based on reimbursement of out-of-pocket costs, and was paid with the issuance of 80,000 common shares at \$0.25 per share. During the 1997 fiscal year the 80,000 common shares issued to acquire this property were returned to treasury for cancellation. This resulted in a reduction of capital stock by \$20,000 and a corresponding amount was added to contributed surplus.

Currently the Company has 13 claims comprised of 170 units in the Akow Lake area.

During the current year the Company wrote down its interest in these claims to \$500,000 which is management's estimate of the recoverable amount of the claims.

c) Net smelter returns royalty agreement

The former owner retains a 3% net smelter returns royalty in respect of each of the properties noted above. The Company has the right to re-purchase up to 2% of the royalty in respect of the entire block of claims as a whole in consideration for payment of \$1,000,000 for each 1% royalty re-purchased.

- (ii) On July 14, 1998 the Company entered into an option to purchase agreement with Platoro West, LLC ("Platoro") for the acquisition of a 100% working interest in sixteen (16) unpatented mining lode claims in Pershing County, Nevada, USA. Consideration payable to Platoro in order to exercise the option includes; US\$82,500 in cash (US\$45,500 paid to date), payable in installments ranging from \$3,000 to \$25,000 and the issuance of 100,000 common shares of the Company (issued to date 100,000 common shares). Platoro retains a 2% Gross Proceeds Royalty ("GPR") on the claims with the Company having the right to purchase up to a 1% of the GPR from Platoro in consideration for the payment of US\$725,000. The Company also issued 10,000 common shares at \$0.40 per share as a finder's fee upon execution of the agreement.

During a prior year the Company acquired and staked further claims in Pershing County, Nevada, USA. The properties are subject to a 1% Gross Proceeds Royalty as well as Net Smelter Returns Royalties varying between 2.25% to 4.0%. In order to save working capital the Company also stretched out the cash payments required to acquire the Nevada claims so that the final payment will not be due until May 14, 2006. The Company also agreed to pay the optionor an additional \$US 2,000 for the right to stretch out the payments. The option to purchase the 1% Gross Proceeds Royalty has been increased to \$US 775,000 from \$US 725,000. All other terms of the original agreement remain the same

- (iii) In prior years the Company had acquired, principally through staking, a 100% interest in 506 unpatented mineral claims and a 50% interest in 282 unpatented mineral claims located in southwestern Quebec in the vicinity of the mining community of Chibougamau. During the current year the Company staked additional claims. The Company continues to hold and interest in 56 unit claims in the Province of Quebec and has written off the cost associated with the lapsed claims during the prior year.
- (iv) The Company acquired by staking a total of 391 claims units in an area of approximately 15,640 acres west of the Sudbury Basin in the townships of McKinnon and Mongowin near the town of Espanola, Ontario. The Company granted an individual a 10% interest in the property pursuant to agreement with him for his proprietary knowledge and technical data which led to the decision to acquire the property.

ROMIOS GOLD RESOURCES INC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

5. Mining claims and properties (continued):

- (v) The Company has entered into an agreement to acquire a 161 acre property located in the Hislop Township near Timmins, Ontario in consideration for issuance of 350,000 common shares priced at \$0.225 per share and granting vendor a 2% NSR. The Company will have the right to reacquire the NSR from the vendor by paying a sum of \$250,000 for each 1% NSR or by issuing a further 350,000 common shares of the Company for entire 2% NSR.
- (vi) The Company has entered into option agreement to acquire 100% interest in 72 unpatented mining claim units totaling 2,880 acres in the Baldwin and Shakespeare Townships, Sudbury District, Ontario. In order to exercise its option the Company must pay a total of \$72,000 by December 31, 2005 and expend a total of \$81,000 on the claims by December 31, 2005. The optionors will retain a 2% NSR which can be purchased by the Company for sum of \$750,000 for each 1% NSR.

During the current year the Company decided that these claims did not warrant further exploration and has written-off all exploration expenditures and mining costs associated with these claims.

- (vii) On July 8, 2004 the Company entered into an option agreement to acquire a 100% interest in the mineral rights in a parcel of land totaling 148 acres in the Baldwin Township, contiguous to its larger and aforementioned Baldwin/Shakespeare property in Note 4(vi). The Company's only binding commitment under the agreement is to make an initial \$5,000 payment (paid) and issue of 10,000 common shares (issued), all further payments are at the option of the Company.

During the current year the Company decided not to pursue further these claims and thus has written-off all exploration expenditures and mining costs associated with these claims.

- (viii) On March 1, 2005 the Company acquired 100% interest in MMI by issuing 2.0 million common shares and 500,000 warrants. Each warrant entitles 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. MMI currently has a option to earn a 50% interest in the Newmont Lake property in British Columbia which consist of 23 mining claims totaling 282 claim units in the Laird Mining Division of British Columbia. Of the 2.0 million common shares 1.0 million are held in escrowed and release on the basis of one share for each \$2.325 of work incurred on the Newmont Lake property following the completion of \$1 million in expenditures. As part of the acquisition agreement the Company has also issued 250,000 common shares to Gulf International Minerals Inc. ("GIM") at a price of \$0.15 per share in place of MMI issuing shares as part of the option agreement between MMI and GIM.
- (ix) The Company also acquired from a director and shareholder a 100% interest in a further 71 mining claims totaling 1,500 claim units in the Laird Mining Division of British Columbia by payment in cash of \$25,000.
- (x) On May 17, 2005 the Company entered into an option agreement with Roca Mines Inc ("Roca") to acquire an option to earn 50% interest in 8 mining claims comprising 160 claim units in the Laird Mining Division of British Columbia in consideration for payment of \$200,000 (\$25,000 paid to date) and issuance of 600,000 common shares (150,000 common shares have been issued to date at a price of \$0.15 per share). The balance of cash and shares are due in increments of \$50,000 and 150,000 shares respectively on or before December 1 of each year for the next three years, with the exception that \$75,000 cash is payable in the third year. The Company is also required to expend \$1 million in exploration work on the property and issue 200,000 common shares to the holder of the 2.5% NSR upon commencement of commercial production and pay an annual advance royalty of \$30,000 per annum on the earlier of one year from the date on which the Company earns its interest in the property and December 31, 2007. The Company also has the right to increase its interest to 75% by paying \$2 million to Roca either in cash or in shares of the Company.

6. Cash held for future exploration:

During the current year the Company completed flow-through private placements for 3,903,331 shares priced at \$0.15 per share for gross proceeds of \$585,500. These funds are committed to be expended on Canadian Exploration Expenditures ("CEE") and as such are not available for current working capital purposes. During the year the Company spent \$160,044 on CEE leaving a balance to be spent in the amount of \$425,456.

ROMIOS GOLD RESOURCES INC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

7. Capital stock:

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

During the year, the Company issued common shares as follows:

	<u>Number of shares</u>	<u>Value</u>
Balance as at June 30, 2003	7,993,398	\$ 2,009,477
Issued pursuant to flow-through private placements	100,000	30,000
Issued pursuant to private placement	371,000	92,750
Issued - commission on flow-through private placements	49,100	12,275
Exercise of stock options and warrants	824,290	204,266
Issuance of shares for mining claims	350,000	78,750
Less: share issue costs		(27,329)
Reduction re: future income tax liability -flow through share <i>(Note 9)</i>		<u>(135,200)</u>
Balance as at June 30, 2004	9,687,788	2,264,989
Issued pursuant to flow-through Private placements	3,903,331	533,960
Issued pursuant to private placement	2,516,667	343,140
Issued - commission on private placements	184,650	27,698
Issued for acquisition of MMI	1,000,000	150,000
Issued for acquisition of MMI -released	-	-
Issued for finders fee on acquisition of MMI	100,000	15,000
Issuance of shares for mining claims	410,000	62,900
Shares issued for debt settlement with related parties	1,350,999	202,650
Less: Share issue costs <i>(Note 7)</i>		(182,348)
Reduction re: future income tax liability- flow through shares <i>(Note 9)</i>		<u>(24,000)</u>
Balance as at June 30, 2005	<u>19,153,435</u>	<u>\$ 3,393,989</u>

According to the records of the Company's transfer agent the Company presently has 20,153,435 common shares outstanding, a difference of 1,000,000 representing the shares contingently issuable on the acquisition of MMI which have not been recognized for accounting purposes (see Note 2).

(b) On March 1, 2005 the Company completed flow-through private placements for 3,903,331 common shares priced at \$0.15 per share. The Company also entered into non flow-through private placement agreements for 2,516,667 units ("Units") priced at \$0.15 per Unit. Each Unit consists of one common share priced at \$0.15 per share and one half share purchase warrant. Each full warrant entitles 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.

Commission equal to \$0.012 per Unit/FT share or 8% of the total gross proceeds raised was paid to Canaccord Capital Corporation related to these private placements. The Company also granted Canaccord 586,833 Agent Warrants with an exercise price of \$0.20 per share for the next two years. In addition, a Corporate finance fee equal to 150,000 Corporate Finance fee units priced at \$0.15 per unit was granted to Canaccord. Each Corporate Finance fee unit consists of one common share priced at \$0.15 per share and one share purchase warrant with an exercise price of \$0.20 per share over the next two years from closing.

The agent warrants issued on the financing are valued at \$41,400 and are included in share issue costs. The warrants included with the private placement units have been valued at \$85,900. The fair value of the warrants was estimated using the Black-Scholes option pricing model with the following weighted average assumptions used for grants as follows: dividend yield of 0%, expected volatility of 11%, risk-free interest rate of 4.5% and expected life of 9 months.

Total cash costs including legal and agents fees related to these private placements are \$113,250 and are included in share issue costs.

ROMIOS GOLD RESOURCES INC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

7. Capital stock (continued):

- (c) During the prior year the Company entered into private placement agreements for 371,000 units ("Units") priced at \$0.25 per Unit. Each Unit consists of one common share priced at \$0.25 per share and one share purchase warrant entitling the holder to acquire one additional share at \$0.33 per share for a period of one year from date of closing. The funds raised were for working capital purposes. Commissions were paid with respect to these private placements by issuing a total 49,100 shares priced at \$0.25 per share which amount is included under share issue costs.
- (d) On March 5, 2004 the Company completed a private placement for 100,000 flow-through units ("FT units") for total proceeds of \$30,000. Each FT unit was issued at a price of \$0.30 per unit and consisted of one flow-through common share priced at \$0.30 per share and one share purchase warrant. Each warrant entitles the holder to acquire an additional share at a price of \$0.35 per share for a period of one year from closing. The Company used the funds raised on qualifying expenditures that constitute Canadian Exploration Expenses ("CEE").

8. Common shares subject to issuance:

As at June 30, 2005 the Company has 4,096,868 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 for the current year, the fair value of the options were estimated using the Black-Scholes option pricing model with the following weighted average assumptions used for grants as follows: dividend yield of 0%, expected volatility of 11%, risk-free interest rate of 4.5% and expected life of 60 months.

A summary of the Company's options at June 30, 2005 and 2004 and the changes for the years then ended is presented below:

	Options Outstanding	Weighted-Average Exercise price
At June 30, 2003	715,554	\$ 0.28
Granted	255,000	\$ 0.27
Exercised	(159,624)	\$ 0.25
	<hr/>	
At June 30, 2004	810,930	\$ 0.28
Granted	471,000	\$ 0.21
Expired	(297,554)	\$ 0.35
	<hr/>	
As at June 30, 2005	<u>984,376</u>	<u>\$ 0.33</u>

The following table summarizes information about the options outstanding at June 30, 2005:

Exercise Price	Options outstanding and exercisable	Remaining contractual life
\$ 0.21	471,000	4.70 years
\$ 0.27	255,000	3.33 years
\$ 0.25	90,376	2.5 years
\$ 0.15	118,000	0.92 years
\$ 0.30	<u>50,000</u>	<u>.21 years</u>
	<u>984,376</u>	<u>3.50 years</u>

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8. Common shares subject to issuance (continued):

Warrants:

A summary of the Company's warrants at June 30, 2005 and 2004 and the changes for the years then ended is presented below:

	Warrants Outstanding	Weighted-Average Exercise price
At June 30, 2003	1,522,000	\$ 0.26
Issued	471,000	\$ 0.33
Exercised	(664,666)	\$ 0.25
Expired	(357,334)	\$ 0.28
At June 30, 2004	971,000	\$ 0.29
Issued	2,462,492	\$ 0.20
Expired	(971,000)	\$ 0.29
As at June 30, 2005	<u>2,462,492</u>	<u>\$ 0.20</u>

The following table summarizes information about the warrants outstanding at June 30, 2005:

Exercise Price	Warrants outstanding and exercisable	Remaining contractual life
<u>\$ 0.20</u>	<u>2,462,492</u>	<u>.72 years</u>

For Property transactions

The Company has 650,000 common shares reserved for issuance under the terms of the property acquisition agreements disclosed in Notes 5(x).

9. Related party transactions:

The total of \$24,000 (2004 - \$24,000) was charged for management fees by an individual who is an officer, director and shareholder of the Company. At June 30, 2005 \$8,000 (2004 - \$71,000) of the amount charged is outstanding and is included under accounts payable and accrued liabilities. During the current year \$79,000 of this debt was settled by issuance of 526,666 common shares at price of \$0.15 per share.

A company related to the director noted above charged the Company \$6,000 (2004 - \$6,000) for office administration services. This amount is included under office and general expenses. At June 30, 2005 \$nil (2004 - \$20,000) of the amount charged is outstanding and is included under accounts payable and accrued liabilities. During the current year \$20,000 of this debt was settled by an issuance of 133,334 shares at a price of \$0.15 per share.

The Company's solicitor, who is also a director of the Company, charged legal fees in the amount of \$100,996 (2004 - \$45,232) of which \$35,000 is included undershare issue costs, \$30,000 is included in the costs associated with the MMI acquisition and \$35,996 is included under professional fees. Included in accounts payable is \$85,761 (2004 - \$105,687) owing to the firm of this individual. During the current year \$65,000 of this debt was settled by issuance of 433,333 common shares at a price of \$0.15 per share.

During the current year the Company was charged \$69,203 by two individuals who are directors of the Company for geological and consulting work done on the Company's mining claims. Of this amount \$8,000 is included in professional fees and \$61,203 is included under deferred exploration expenditures. Included in accounts payable and accrued liabilities is \$nil (2004 - \$8,000) outstanding to the directors. During the current year \$38,650 of debt due to one of the directors was settled by issuance of 257,666 common shares at a price of \$0.15 per share.

Included in the the private placements described in Note 7(b) was 535,000 flow through common shares and 216,667 working capital units for gross proceeds of \$112,750 subscribed for by related parties.

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10. Income taxes:

The Company has incurred tax losses of approximately \$635,000 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:

2007	\$ 77,000
2008	65,000
2009	114,000
2010	93,000
2014	120,000
2015	<u>166,000</u>
	<u>\$ 635,000</u>

The components of future income tax liability is as noted below:

	<u>2005</u>	<u>2004</u>
Non-capital losses	\$ 229,000	\$ 144,000
Exploration and development expenses	(59,000)	(279,200)
Valuation allowance	<u>(170,000)</u>	<u>-</u>
Liability recognized in the financial statements	<u>\$ -</u>	<u>\$ (135,200)</u>

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 current year this amounted to \$24,000 and is included in share issue costs.

11. Supplemental cash flow information:

Net change in non-cash working capital:

	<u>2005</u>	<u>2004</u>
G.S.T. receivable	\$ (14,069)	\$ (5,630)
Prepaid expenses and deposits	(5,226)	2,091
Accounts payable and accrued liabilities	<u>152,807</u>	<u>49,452</u>
	<u>\$ 133,512</u>	<u>\$ 45,913</u>
Non-cash investing and financing activities:		
Common shares issued for interest in mining properties	\$ 227,900	\$ 78,750
Common shares issued for debt (Note 9)	202,650	-
Common shares issued as commission on private placement (Note 7)	27,698	-
Warrants issued for as part of acquisition of MMI (Note 2)	<u>34,000</u>	<u>-</u>
	<u>\$ 492,248</u>	<u>\$ 78,750</u>
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>

12. Change in Accounting policy:

As disclosed in Note 3(f) the Company had previously chosen to disclose stock-based compensation for employee stock options on a pro-forma basis. Effective January 1, 2004 this option was no longer available. The change in accounting policy has been applied retroactively without restatement of prior years figures. The effect on the June 30, 2004 figures is as follows; increase deficit by \$75,575 and an increase in contributed surplus by \$75,575. The effect on the current year figures is to increase loss by \$22,050 and increase contributed surplus by the same amount.

In determining stock-based compensation expense for prior years, the fair value of the options was estimated using the Black-Scholes option pricing model with the following weighted average assumptions used for grants as follows: dividend yield of 0%, expected volatility of 57%, risk-free interest rate of 4% and expected life of 60 months.

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13. Contributed surplus:

Contributed surplus consists of the following:

Balance June 30, 2004 and 2003	\$ 21,300
Stock-based compensation - current year	22,050
Restatement relating to prior year's stock based-compensation	75,575
Value of warrant and agent's warrants issued in private placement	127,300
Value of warrants issued on acquisition of MMI	<u>34,000</u>
Balance June 30, 2005	<u>\$ 280,225</u>

14. Subsequent events:

Subsequent to the year end the Company entered into a vending agreement in which the Company issued 125,000 common shares to acquire 2% NSR in the Company's Hislop Township property.

The Company also granted 100,000 stock options at an exercise price of \$0.15 per share expiring August 16, 2010 to a consultant of the Company.