

Romarco Minerals Inc.

Consolidated Financial Statements
December 31, 2009 and 2008
(in thousands of US dollars)

Auditors' Report

To the Shareholders of Romarco Minerals Inc.

We have audited the consolidated balance sheets of Romarco Minerals Inc. as at December 31, 2009 and 2008 and the consolidated statements of operations, comprehensive loss and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed) PricewaterhouseCoopers LLP

Chartered Accountants

Vancouver, B.C.

April 27, 2010

Romarco Minerals Inc.
Consolidated Balance Sheets
As at December 31, 2009 and 2008

(in thousands of US dollars)

	2009	2008
	\$	\$ (As restated - note 2(a))
Assets		
Current assets		
Cash and cash equivalents	41,463	4,495
Accounts receivable	60	39
Prepaid expenses	119	46
Other assets	292	196
	<u>41,934</u>	<u>4,776</u>
Mineral property interests (note 4)	44,601	12,197
Property, plant and equipment - net (note 5)	3,030	1,510
Reclamation bonds	1,123	1,136
	<u>90,688</u>	<u>19,619</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	3,295	371
Asset retirement obligations (note 7)	957	762
Mineral property obligation (note 4)	1,643	-
	<u>5,895</u>	<u>1,133</u>
Asset retirement obligation (note 7)	1,202	515
	<u>7,097</u>	<u>1,648</u>
Shareholders' Equity		
Share capital (note 6(a))	115,780	47,443
Warrants (note 6(b))	3,278	1,858
Stock options (note 6(c))	2,370	1,173
Compensation options (note 6(e))	1,869	-
Contributed surplus	3,112	3,112
Accumulated other comprehensive loss	(13)	(13)
Deficit	<u>(42,805)</u>	<u>(35,602)</u>
	<u>83,591</u>	<u>17,971</u>
	<u>90,688</u>	<u>19,619</u>
Commitments and contingencies (note 13)		
Subsequent events (note 14)		

Approved on behalf of the Board

"Diane Garrett"

Director

"Don R. J. Macdonald"

Director

Romarco Minerals Inc.

Consolidated Statements of Loss and Deficit For the years ended December 31, 2009 and 2008

(in thousands of US dollars, except shares and per share data)

	2009	2008
	\$	\$
		(As restated - note 2(a))
General and administrative expenses		
Amortization	92	47
Audit and accounting	179	177
Consulting fees	299	145
Insurance	93	71
Legal fees	209	101
Office and communications	907	318
Salaries and benefits	2,986	1,417
Shareholder relations and transfer agent	629	381
Stock-based compensation (note 6(d))	1,440	448
Travel	465	307
Donation	-	50
Accretion expense (note 7)	47	75
Other	23	54
	<u>7,369</u>	<u>3,591</u>
Loss before other income (expenses)	<u>(7,369)</u>	<u>(3,591)</u>
Other income (expenses)		
Interest income	106	250
Financing fees	-	(150)
Foreign exchange gain (loss)	212	(203)
Mineral property termination fees (note 4)	(268)	-
Write-down of mineral property interests	-	(1,435)
Other	116	126
	<u>166</u>	<u>(1,412)</u>
Net loss	(7,203)	(5,003)
Deficit - Beginning of year	<u>(35,602)</u>	<u>(30,599)</u>
Deficit - End of year	<u>(42,805)</u>	<u>(35,602)</u>
Loss per share		
Basic and diluted	<u>(0.02)</u>	<u>(0.03)</u>
Weighted average number of shares outstanding	<u>297,596,333</u>	<u>164,336,644</u>

Romarco Minerals Inc.

Consolidated Statements of Other Comprehensive Loss and Accumulated Other Comprehensive (Loss) Income

For the years ended December 31, 2009 and 2008

(in thousands of US dollars)

Other comprehensive loss

	2009 \$	2008 \$ (As restated - note 2(a))
Loss for the year	(7,203)	(5,003)
Other comprehensive loss		
Cumulative translation adjustment (note 2(a))	-	(3,618)
	<u>(7,203)</u>	<u>(8,621)</u>

Accumulated other comprehensive (loss) income

	2009 \$	2008 \$
Accumulated other comprehensive (loss) income - Beginning of year	(13)	3,605
Cumulative transition adjustment (note 2(a))	-	(3,618)
Accumulated other comprehensive loss - End of year	<u>(13)</u>	<u>(13)</u>

Romarco Minerals Inc.

Consolidated Statements of Cash Flows

For the years ended December 31, 2009 and 2008

(in thousands of US dollars)

	2009 \$	2008 \$ (As restated - note 2(a))
Cash flows from (used in) operating activities		
Net loss for the year	(7,203)	(5,003)
Items not affecting cash		
Amortization	92	47
Write-down of mineral property interests	-	1,435
Accretion expense	47	75
Accrued interest on investment accounts	(6)	(17)
Stock-based compensation (note 6(d))	1,440	448
Unrealized foreign exchange gain on translation of reclamation bond	-	(282)
Recovery of asset retirement obligation costs previously written off (note 7)	(33)	-
Recovery of mineral property reclamation bonds (note 4)	(83)	-
Gain on asset retirement obligation (note 7)	-	(126)
Asset retirement obligation (note 7)	(202)	(486)
	(5,948)	(3,909)
Change in non-cash working capital (note 12)	741	(108)
	(5,207)	(4,017)
Cash flows from (used in) investing activities		
Reclamation bonds	95	2,188
Mineral property interests	(27,560)	(10,181)
Property, plant and equipment	(1,251)	(1,716)
	(28,716)	(9,709)
Cash flows from (used in) financing activities		
Gross proceeds from share issuance	63,607	14,874
Share issuance costs	(4,440)	(19)
Exercise of stock options	748	54
Exercise of broker compensation options	652	-
Exercise of warrants	10,324	93
	70,891	15,002
Increase in cash and cash equivalents	36,968	1,276
Cash and cash equivalents - Beginning of year	4,495	3,219
Cash and cash equivalents - End of year	41,463	4,495
Cash and cash equivalents consist of		
Cash	4,587	126
Cash equivalents	36,876	4,369
	41,463	4,495
Supplemental information		
Common shares issued for mineral property interests	214	-
Promissory note for mineral property acquisition	1,625	-

Romarco Minerals Inc.

Notes to Consolidated Financial Statements December 31, 2009 and 2008

(in thousands of US dollars unless otherwise stated)

1 Nature of operations

Romarco Minerals Inc. (the “Company” or “Romarco”) is a TSX-V listed company whose principal business activities are the acquisition, exploration and development of precious metals mineral properties. Romarco’s strategic objective is to become a gold producer through development of its own projects or through acquisition of advanced stage projects. To date, the Company has not generated any operating revenues from any of its existing properties and is a development stage entity as defined by the Canadian Institute of Chartered Accountants (the “CICA”) Accounting Guideline 11.

The Company prepared a feasibility study for the Haile Gold Mine in February 2009 and is in the process of updating that study. The underlying value of the Company’s mineral properties and the recoverability of the related deferred costs are entirely dependent on the Company’s ability to obtain the necessary financing to complete development and upon future profitable production from, or the proceeds from the disposition of, its mineral properties.

2 Significant accounting policies

a) Basis of presentation

These consolidated financial statements are expressed in thousands of US dollars and have been prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”) and include the accounts of Romarco Minerals Inc. and its wholly owned subsidiaries, Haile Gold Mine Inc., Romarco Minerals US Inc., Romarmex S.A. de C.V. and Exploraciones Santo Tomas S.A. de C.V., (companies incorporated under the laws of Mexico). All significant inter-company transactions were eliminated upon consolidation.

Effective January 1, 2009, the Company adopted the US dollar as its functional and reporting currency, as significant portions of the Company’s assets, liabilities and expenses are denominated in US dollars. Prior to January 1, 2009, the Company’s operations were measured in Canadian dollars and the consolidated financial statements were expressed in Canadian dollars.

The Company followed the recommendations of the Emerging Issues Committee (“EIC”) of the Canadian Institute of Chartered Accountants (“CICA”), set out in EIC-130, “Translation method when the reporting currency differs from measurement currency or there is a change in the reporting currency.” In accordance with EIC-130 the consolidated comparative financial statements for all years and periods presented have been translated into the new reporting currency using the current rate method. Under the current rate method, assets and liabilities were translated into US dollars using the exchange rate in effect at the balance sheet date.

Revenues, expenses and equity and cash flows were translated at historical average rates.

Any exchange differences resulting from the translation were included in the statement of other comprehensive income.

Romarco Minerals Inc.

Notes to Consolidated Financial Statements December 31, 2009 and 2008

(in thousands of US dollars unless otherwise stated)

- b) Adoption of new accounting policies

Financial Instruments- Disclosures

In 2009, the Accounting Standards Board amended CICA handbook Section 3862, *Financial Instruments - Disclosures* (“Section 3862”), to require enhanced disclosures - a “fair value hierarchy” that classifies financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate fair values. The new disclosure requirements of this standard are addressed in note 3.

Goodwill and intangible assets

Effective January 1, 2009, the CICA issued handbook section 3064, *Goodwill and Intangible Assets*, which replaced Section 3062, *Goodwill and Other Intangible Assets*, and Section 3450, *Research and Development Costs*. The new standard revises the requirement for recognition, measurement, presentation and disclosure of intangible assets. The adoption of this standard had no impact on the Company’s financial statements.

EIC 173: Credit risk and the fair value of financial assets and financial liabilities

Effective on or after January 20, 2009, this section considers whether an entity’s own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments, for presentation and disclosure purposes. The adoption of this standard did not have any material effect on the Company’s financial statements.

EIC 174: Mining exploration costs

This section applies to financial statements issued after March 27, 2009. EIC 174 considers the issues of (i) when exploration costs related to mining properties may be capitalized, and (ii) if exploration costs are initially capitalized, when should impairment be assessed to determine whether a write down is required, and what conditions indicate impairment. Currently, the Company assesses the impairment of long-lived assets, which consist of mineral property interests and equipment, whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of assets to be held and used are measured by a comparison of the carrying value of the asset to future undiscounted net cash flows expected to be generated by the asset. Where estimates of future cash flows are not available and where other conditions suggest impairment, management assesses whether the carrying value can be recovered on costs spent on the project itself. If such assets are considered to be impaired, the amount of the impairment is measured by the amount by which the carrying amount of the asset exceeds its fair value. As of December 31, 2009, the Company believes that no such event or change in circumstances has occurred which would have triggered impairment assessment on its mineral properties.

Romarco Minerals Inc.

Notes to Consolidated Financial Statements December 31, 2009 and 2008

(in thousands of US dollars unless otherwise stated)

- c) Recent accounting pronouncements

Consolidated financial statements

In 2009, the CICA issued Section 1601, *Consolidated Financial Statements*, which replaces the existing standard. This section establishes the standards for preparing consolidated financial statements and is effective for periods beginning on or after January 1, 2011. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial standards.

Business combinations

In 2009, the CICA issued a new Canadian standard, Handbook Section 1582, *Business Combinations*. This section specifies a number of changes including: an expanded definition of a business, a requirement to measure all business acquisitions initially at fair value, a requirement to measure non-controlling interests initially at fair value and a requirement to recognize acquisition-related costs as expenses. Section 1582 applies prospectively to business combinations occurring on or after January 1, 2011.

- d) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and highly liquid short term investments with a maturity date of three months or less at acquisition.

- e) Mineral property interests

The Company is in the process of exploring and developing its resource properties and has not completed the final feasibility study for all the properties that delineates ore reserves that are economically recoverable. Resource exploration, development costs and acquisition costs are capitalized on an individual prospect basis until such time as the Company begins commercial production or the prospect is sold, abandoned, allowed to lapse, or determined to be impaired.

Deferred acquisition, exploration and development costs for properties placed into production are amortized on a unit-of-production basis, based on proven and probable reserves and a portion of measured, indicated and inferred resources. Costs for prospects are written off at the time a decision is made not to continue exploration and development.

The recoverability of the amount capitalized for the undeveloped resource properties is dependent upon the development of a commercially viable mining operation, the ability to market its resource properties, the ability to obtain the necessary financing to complete their development and the future profitable production or proceeds from the disposition thereof.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration or development of such properties, these procedures do not guarantee a clear title. Property title may be subject to unregistered prior agreements and regulatory requirements. The Company is not aware of any disputed claim of title.

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(in thousands of US dollars unless otherwise stated)

f) Property, plant and equipment

Property, plant and equipment is recorded at cost and is being amortized on a declining balance basis, with the exception of leasehold improvements (which is on straight-line), over their estimated useful lives at the following annual rates:

Computer equipment	30%
Field equipment	30%
Building	4%
Office furniture and equipment	20% - 30%
Vehicles	30%
Leasehold improvements	5 years

g) Impairment of long-lived assets

The Company assesses the impairment of long-lived assets, which consist of mineral property interests and equipment, whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of assets to be held and used are measured by a comparison of the carrying value of the asset to future undiscounted net cash flows expected to be generated by the asset. Where estimates of future cash flows are not available and where other conditions suggest impairment, management assesses whether the carrying value can be recovered on costs spent on the project itself. If such assets are considered to be impaired, the amount of the impairment is measured by the amount by which the carrying amount of the asset exceeds its fair value.

h) Asset retirement obligations

The fair value of a liability for an asset retirement obligation, such as site closure and reclamation costs, is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The Company is required to record the estimated present value of future cash flows associated with site closures and reclamation as a liability and increase the carrying value of the related assets for that amount. Subsequently, these asset retirement costs will be amortized to expense over the life of the related assets. At the end of each period, the liability is revised to reflect the passage of time and changes in the estimated future cash flows underlying any initial fair value measurements.

i) Stock-based compensation

The Company recognizes stock based compensation expense using the fair value method at the date of grant. Under the fair value based method, compensation cost attributable to options granted is measured at the fair value at the grant date using the Black-Scholes option pricing model, with the offset to a separate component of shareholders' equity (stock options). Compensation expense is recognized over the vesting period of the underlying options. Any consideration paid by employees on exercise of stock options, along with the related fair value previously credited to the separate component of shareholders' equity, is credited to share capital.

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Notes to Consolidated Financial Statements December 31, 2009 and 2008

(in thousands of US dollars unless otherwise stated)

j) Foreign currency translation

Monetary assets and liabilities of the Company denominated in currencies other than the US dollar are translated to US dollars at the rate of exchange in effect at the balance sheet date. Non-monetary assets and liabilities are translated to US dollars at historical rates of exchange on the date of the transaction. Transactions in foreign currencies are translated at the actual rates of exchange on the transaction dates. Gains and losses on foreign currency translation are included in results from operations. Transactions for revenues and expenses are translated at the average rates during the period in which they occurred with the exception of amortization of property, plant and equipment which is recorded at the historical rates of exchange.

k) Income taxes

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in operations in the year that includes the date of enactment or substantive enactment. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

l) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant areas requiring the use of management estimates include recoverability of mineral property interests, amortization periods of equipment, obligations for site reclamation cost, valuation allowances for future income tax assets and stock-based compensation. Actual results could differ from these estimates.

m) Loss per share

Basic loss per share is calculated by dividing loss attributable to common shareholders by the weighted average number of common shares outstanding. For all periods presented, loss attributable to common shareholders equals reported loss. The Company uses the treasury stock method to calculate diluted loss per share. Diluted loss per share is similar to basic loss per share, except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential dilutive exercise of stock options is used to repurchase common shares at the average market value for the period. In the periods when a loss is incurred the exercise of outstanding stock options and warrants would not be included in this calculation as it would be anti-dilutive.

Romarco Minerals Inc.

Notes to Consolidated Financial Statements December 31, 2009 and 2008

(in thousands of US dollars unless otherwise stated)

n) Financial instruments

All financial instruments are classified into one of the following five categories: held for trading, held-to-maturity, loans and receivables, available-for-sale financial assets and other financial liabilities. Initial and subsequent measurement and recognition of changes in the value of financial instruments depends on their initial classification:

- Held-to-maturity investments, loans and receivables and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost. Amortization of premiums or discounts and losses due to impairment are included in current period net earnings.
- Available-for-sale financial assets are measured at fair value. Revaluation gains and losses are included in other comprehensive income until the asset is removed from the balance sheet. Losses due to impairment are included in net earnings.
- Held for trading financial instruments are measured at fair value. All gains and losses are included in net earnings in the period in which they arise.
- All derivative financial instruments are classified as held for trading financial instruments and are measured at fair value, even when they are part of a hedging relationship. All gains and losses are included in net earnings in the period in which they arise, except for derivative instruments which represent a cash flow hedge, where the gain or loss is recognized in other comprehensive income.

The Company's financial instruments primarily consist of cash (classified as held for trading), short-term deposits (classified as held to maturity), accounts receivable (classified as loans and receivables), reclamation bonds (held-for-trading), accounts payable and accrued liabilities (classified as held for trading) and mineral property obligations (loans). Cash and cash equivalents are recorded at fair value. The fair value of these remaining financial instruments approximates their carrying values due to their short-term nature. Reclamation bonds are classified as held to maturity.

Comprehensive income comprises the Company's net income and other comprehensive income. Comprehensive income represents changes in shareholders' equity during a period arising from non-owner sources.

Financial assets and financial liabilities are recognized on the balance sheet when the Company has become party to the contractual provisions of the instruments.

o) Comparative figures:

Certain of the prior year comparative figures have been reclassified to conform to the current year presentation.

Romarco Minerals Inc.

Notes to Consolidated Financial Statements December 31, 2009 and 2008

(in thousands of US dollars unless otherwise stated)

3 Financial instruments and related risks

During 2009, CICA Handbook Section 3862, "Financial Instruments - Disclosures", was amended to require disclosures about the classification and fair value of financial instruments, including their classification within a hierarchy that prioritizes the inputs to fair value measurements. The three levels of the fair value hierarchy are:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - Inputs that are not based on observable market data.

As at December 31, 2009, the carrying value and fair value of financial instruments by category are as follows:

	Held for trading \$	Loans and receivables \$	Other financial liabilities \$	Carrying value \$	Fair value \$	Fair value hierarchy level
Financial assets						
Cash and cash equivalents	41,463	-	-	41,463	41,463	Level 1
Accounts receivable	-	60	-	60	60	n/a
Reclamation bonds	1,123	-	-	1,123	1,123	Level 2
	<u>42,586</u>	<u>60</u>	<u>-</u>	<u>42,646</u>	<u>42,646</u>	
Financial liabilities						
Accounts payable and accruals	-	-	3,295	3,295	3,295	n/a
Mineral property obligation	-	-	1,643	1,643	1,643	n/a
	<u>-</u>	<u>-</u>	<u>4,938</u>	<u>4,938</u>	<u>4,938</u>	

The Company's financial instruments are exposed to certain financial risks, including currency risk, interest risk, and commodity risk.

Romarco Minerals Inc.

Notes to Consolidated Financial Statements December 31, 2009 and 2008

(in thousands of US dollars unless otherwise stated)

Foreign exchange risk

The Company is exposed to financial risk related to foreign exchange rates. The Company operates in Canada, United States and Mexico. As at December 31, 2009, the Company conducts the majority of its business in the United States and project development and exploration expenditures are expected to be paid in US dollars. The Company's common shares trade in Canadian dollars and the Company expects that any future equity raised will be raised in Canadian dollars. A significant change in the currency exchange rates between the Canadian dollar and the US dollar could have an effect on the Company's results of operations, and the jurisdictions in which they will likely be made. At December 31, 2009, the company is exposed to currency risk through the following assets and liabilities denominated in CA dollars:

(CA dollars)	2009 \$	2008 \$
Cash and cash equivalents	6,575	2,280
Other assets	116	44
Accounts payable and other liabilities	(574)	(91)

Based on the above net exposures as at December 31, 2009, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar would result in an increase/decrease of approximately \$582 (after translation into the US dollar reporting currency at the December 31, 2009 US dollar exchange rate) in the Company's net loss.

The Company also has net assets denominated in the Mexican Pesos and any potential impact is considered minimal.

Credit risk

Credit risk is the risk of unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to cash and cash equivalents. The credit risk on short-term investments (presented as part of cash and cash equivalents) is limited since the majority of short-term investments are held at a large Canadian financial institution and are composed of financial instruments issued by a Canadian bank that mature daily. As of December 31, 2009 the Company had \$251 in a South Carolina bank, all of which is held in a money market investment account.

In addition, the Company has reclamation bonds totaling \$1,123 of which \$68 are held in trust by government agencies. The remaining balance of \$1,055 relates to the Haile Gold Mine subsidiary in South Carolina and is held in multiple certificates of deposits (CDs) in various financial banks in South Carolina which are FDIC insured. The Company has no investments in asset-backed commercial paper.

Romarco Minerals Inc.

Notes to Consolidated Financial Statements December 31, 2009 and 2008

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Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage. Accounts payable and accrued liabilities are due within the current operating period.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of the short-term investments included in cash and cash equivalents is limited as these investments, although held for trading, roll over daily. Based on the current interest rates, any 10% increase or decrease in rates would have minimal impact.

The risk that the Company will realize a loss as a result of a decline in the fair value of the reclamation bonds is limited because these bonds are held until maturity, have a fixed interest rate and may be renewed annually.

Commodity price risk

The value of the Company's mineral resource properties are related to the price of gold and other minerals and the outlook for these minerals. The Company does not have any hedging or other commodity based risks respecting its operations. To date, the Company has not generated any operating revenues from any of its existing properties as it has not commenced the construction phase.

Gold and other mineral prices historically have fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial demand, central bank lending, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand because of speculative hedging activities, and certain other factors related specifically to gold.

Romarco Minerals Inc.

Notes to Consolidated Financial Statements December 31, 2009 and 2008

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4 Mineral property interests

	Balance - December 31, 2008 \$ (As restated - note 2(a))	Expenditures during the year \$	Balance - December 31, 2009 \$
Haile Gold Mine District, USA			
Acquisition, advance royalty and land holding costs	4,532	12,880	17,412
Exploration			
Drilling	1,367	9,518	10,885
Geological and geochemistry	228	2,489	2,717
Permitting	43	109	152
Environmental	-	2,770	2,770
Feasibility	3,034	-	3,034
Site office and staff	1,201	2,759	3,960
Property maintenance	123	416	539
Project development	30	1,158	1,188
	<u>10,558</u>	<u>32,099</u>	<u>42,657</u>
Pinos Gold District, Mexico			
Acquisition, advance royalty and land holding costs	439	142	581
Exploration			
Drilling	578	37	615
Data compilation	116	58	174
Geological and geochemistry	11	-	11
Assaying	94	2	96
Logistics, permitting and reporting	351	39	390
Other	50	27	77
	<u>1,639</u>	<u>305</u>	<u>1,944</u>
	<u>12,197</u>	<u>32,404</u>	<u>44,601</u>

Haile Gold Mine District, South Carolina, USA

In January 2009 the Company issued 100,000 shares in connection with a purchase agreement entered into in December 2008 with a private party. Total consideration for this mineral property included cash consideration of \$720 of which \$500 was paid in December 2008 and \$220 was paid in December 31, 2009.

In January 2009 the Company entered into a purchase agreement with a private party for the sum of \$3,000 for the transfer of two mineral lease agreements for additional land within the Haile land position, and the transfer of approximately 15 acres of land near the Haile Gold Mine. Pursuant to the terms of the purchase agreement a payment of \$1,500 net of fees was made upon signing and a non-interest bearing promissory note in the amount of \$1,500 was issued to the private party which provides that the private party will collaterally assign its interest in the leases as security for the note. The note is payable on or before February 26, 2010 and with an imputed interest rate of 4.5% has a carrying value of \$1,489 as at December 31, 2009.

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In June 2009, the Company purchased land for \$476 after entering into a purchase agreement with a private party. Pursuant to the terms of the purchase agreement, cash consideration was paid with the remaining \$157 set up as a non-interest bearing promissory note to be paid on or before May 19, 2010. With an imputed interest rate of 3.75%, the promissory note has a carrying value of \$154 as at December 31, 2009.

In August 2009, the Company entered into several agreements to purchase a total of 726 acres of land in the Haile district. In total \$2,428 in cash payments and 200,000 common shares were issued for the properties and a \$1,600 cash payment was made to purchase a 5% advance royalty.

The land carrying value as at December 31, 2009 is \$17,412 (2008 - \$4,532)

Pinos Gold District, Mexico

In each of January and July 2009, the Company made advance minimum royalty payments of \$60 for a total of \$120 plus other fees and taxes in accordance with the Pinos Property Agreement with Mineral Apolo S.A. de C.V.

The land carrying value as at December 31, 2009 is \$581 (2008 - \$439)

Mineral Property Termination Fees

In late March 2009, pursuant to a termination agreement, with Carlin Gold Corporation, the owner of the Pine Grove property, the Company agreed to and paid the amount of \$244. Additional write down costs of \$24 were recorded in the second quarter.

Recoveries of Mineral Property Costs Write Downs

During the year, the Company recovered \$83 in reclamation bonds previously written off in connection with mineral properties written down in 2008.

Furthermore, the Company recognized a recovery of \$33 after its determination that there were no remaining reclamation obligations in connection with two mineral properties written off in 2008.

In 2009, the Company divested itself of two Nevada properties, Pine Grove and Golden Zebra. In accordance with Section 3063 of the CICA Handbook Romarco wrote down a total of \$1,435 in mineral property interests as of December 31, 2008.

Romarco Minerals Inc.

Notes to Consolidated Financial Statements December 31, 2009 and 2008

(in thousands of US dollars unless otherwise stated)

5 Property, plant and equipment

	2009		
	Cost \$	Accumulated amortization \$	Net book value \$
Computer equipment	398	138	260
Office furniture and equipment	272	37	235
Field equipment	2,026	589	1,437
Vehicles	695	179	516
Buildings	411	23	388
Leasehold improvements	215	21	194
	<u>4,017</u>	<u>987</u>	<u>3,030</u>
	2008 (As restated - note 2(a))		
	Cost \$	Accumulated amortization \$	Net book value \$
Computer equipment	155	54	101
Office furniture and equipment	109	23	86
Field equipment	1,078	180	898
Vehicles	269	67	202
Buildings	233	10	223
	<u>1,844</u>	<u>334</u>	<u>1,510</u>

Romarco Minerals Inc.

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6 Capital stock

a) Common shares

Authorized

Unlimited common shares

Issued

	Number of shares	Amount \$ (As restated - note 2(a))
As at December 31, 2007	120,905,611	34,447
Period adjustment	147	-
Issued for April 2008 private placement	27,580,246	4,679
Issued for July 2008 private placement	51,625,284	10,195
Fair market value of warrants from private placement	-	(2,073)
Private placement share issue costs	-	(15)
Issued on exercise of warrants	513,600	120
Issued on exercise of stock options	350,000	90
As at December 31, 2008	200,974,888	47,443
Issued for mineral property	300,000	214
Issued for March 2009 brokered private placement	72,100,000	21,176
Fair value of warrants from private placement	-	(3,508)
Fair value of compensation options private placement	-	(520)
Private placement share issue costs	-	(1,476)
Issued for August 2009 bought deal financing	52,325,000	42,431
Bought deal financing share issue costs	-	(2,964)
Fair value of compensation options bought deal	-	(1,328)
Issued on exercise of warrants	45,046,442	12,092
Issued on exercise of stock options	3,540,000	1,269
Issued on exercise of compensation options	1,411,750	951
As at December 31, 2009	375,698,080	115,780

The Company's primary market is the Toronto Stock Exchange (TSX Venture Exchange) and historically all share issuances have been denominated in CA dollars, and all options granted and warrants denominated in CA dollars.

Romarco Minerals Inc.

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In March 2009, the Company completed an underwritten private placement consisting of 72,100,000 units (the "Units") at a price of CA\$0.38 per Unit, for aggregate gross proceeds of \$21,176 (CA\$27,398). Each Unit was comprised of one common share in the capital of the Company and one-half of one Common Share purchase warrant (a "Warrant"). Each whole Warrant entitles the holder thereof to purchase one Common Share at an exercise price of CA\$0.60 per Common Share until March 3, 2011.

The underwriters received a cash commission of 6% of the gross proceeds raised in the private placement. The underwriters also received compensation options (the "Compensation Options") to purchase an aggregate of 4,326,000 Units, or 6% of the total Units issued. Each Compensation Option will entitle the underwriters to purchase one Unit of the Company at the exercise price of CA\$0.38 until March 3, 2011. Each Unit is comprised of one common share in the capital of the Company and one-half of one Warrant. Each whole Warrant will entitle the holder thereof to purchase one Common Share at an exercise price of CA\$0.60 per Common Share until March 3, 2011 (note 6(e)).

On August 13, 2009 the Company closed a bought-deal financing which consisted of 52,325,000 common shares at a price of CA\$0.88 per common share, for aggregate gross proceeds of \$42,431 (CA\$46,046). The underwriters of the bought deal received a 6% cash commission of the gross proceeds received and compensation options to purchase an aggregate of 3,139,500 shares, or 6% of the total shares issued at an exercise price of CA\$0.88 until August 13, 2011 (note 6(e)).

b) Warrants:

The following warrants to purchase common shares of the Company were outstanding at December 31, 2009:

	Number	Average exercise price CA\$	Value assigned \$ (As restated - note 2(a))
As at December 31, 2007	46,748,380	0.29	2,296
Issued for April 2008 private placement	27,580,246	0.21	1,245
Issued for July 2008 private placement	25,812,642	0.25	828
Warrants expired	(46,234,780)	0.30	(2,479)
Warrants exercised	(513,600)	0.19	(27)
Share issue costs	-	-	(5)
As at December 31, 2008	53,392,888	0.23	1,858
Issued for March 2009 brokered private placement	36,050,000	0.60	3,508
Issued for broker compensation warrants	548,900	0.60	64
Issuance cost	-	-	(384)
Warrants exercised ¹	(45,046,442)	0.24	(1,768)
As at December 31, 2009	44,945,346	0.52	3,278

Romarco Minerals Inc.

Notes to Consolidated Financial Statements December 31, 2009 and 2008

(in thousands of US dollars unless otherwise stated)

¹Warrants exercised

For the year ending December 31, 2009, the Company received \$10,324 (CA\$11,001) for the exercise of 45,046,442 warrants at an average exercise price of CA\$0.24.

Warrants exercised, by expiry date	Number	Exercise price CA\$
July 5, 2009	25,812,642	0.25
April 1, 2010	17,930,000	0.21
March 3, 2011	1,303,800	0.60
	<hr/>	
	45,046,442	0.24

Warrants outstanding

The following warrants to purchase common shares of the Company were outstanding as at December 31, 2009:

Warrants outstanding, by expiry date	Number	Exercise price CA\$
April 1, 2010	9,650,246	0.21
March 3, 2011	35,295,100	0.60
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	44,945,346	0.52

Romarco Minerals Inc.

Notes to Consolidated Financial Statements December 31, 2009 and 2008

(in thousands of US dollars unless otherwise stated)

c) Stock options:

The following stock options to purchase common shares of the Company were authorized and outstanding at December 31, 2009:

	Number	Average exercise price CA\$	Value assigned \$ (As restated - note 2(a))
As at December 31, 2007	7,015,000	0.26	938
Issued	4,350,000	0.17	490
Expired	(1,300,000)	0.22	(175)
Forfeited - vested	(168,750)	0.28	(26)
Forfeited - non-vested	(106,250)	0.28	(16)
Exercised	(350,000)	0.15	(38)
As at December 31, 2008	9,440,000	0.26	1,173
Stock-based compensation	5,425,000	0.70	1,820
Forfeited - non-vested	(462,500)	0.43	(102)
Exercised	(3,540,000)	0.24	(521)
As at December 31, 2009	10,862,500	0.49	2,370

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Expiry date	Number of outstanding options	Exercise price CA\$	Number of vested and exercisable options
January 18, 2010	300,000	0.25	300,000
October 24, 2010	100,000	0.14	100,000
April 26, 2011	300,000	0.29	300,000
December 13, 2011	150,000	0.19	150,000
February 8, 2012	1,225,000	0.27	1,225,000
April 27, 2012	50,000	0.23	50,000
August 7, 2012	1,225,000	0.29	1,225,000
October 16, 2012	100,000	0.24	100,000
November 14, 2012	50,000	0.25	50,000
May 4, 2013	50,000	0.20	50,000
July 22, 2013	2,262,500	0.17	1,587,500
November 30, 2013	50,000	0.14	37,500
January 4, 2014	100,000	0.21	50,000
April 6, 2014	2,575,000	0.65	1,275,000
May 11, 2014	500,000	0.57	250,000
June 1, 2014	50,000	0.78	25,000
July 6, 2014	150,000	0.70	37,500
August 3, 2014	50,000	0.88	12,500
August 31, 2014	150,000	1.15	37,500
September 4, 2014	300,000	1.11	75,000
September 8, 2014	25,000	1.09	6,250
September 15, 2014	150,000	1.18	37,500
October 1, 2014	50,000	1.07	12,500
October 30, 2104	400,000	1.20	100,000
November 9, 2014	500,000	1.20	125,000
Outstanding as at December 31, 2009	10,862,500	0.49	7,218,750

d) Stock based compensation:

For the year ending December 31, 2009, the Company recognized stock based compensation of \$1,718 (2008 - \$469). Of the \$1,718, the amount of \$1,440 (2008 - \$448) was expensed during the year and \$278 (2008 - \$21) was capitalized to mineral properties, net of forfeitures.

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Notes to Consolidated Financial Statements December 31, 2009 and 2008

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The weighted average fair value of the options granted was estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

	For the year ending December 31, 2009	For the year ending December 31, 2008
Expected option lives	5 years	5 years
Risk-free interest rate	1.64% - 2.41%	2.17% - 3.44%
Dividend yield	nil	nil
Volatility	88% - 94%	85% - 90%
Weighted average fair value	CA\$0.45	CA\$0.07 - \$0.11

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's warrants and stock options granted and/or vested during the period.

e) Compensation options

	Number	Average exercise price CA\$	Value assigned \$ (As restated - note 2(a))
As at December 31, 2008	-	-	-
Issued for March 2009 brokered private placement	4,326,000	0.38	904
Issued for August 2009 bought deal financing	3,139,500	0.88	1,328
Exercised	(1,411,750)	0.49	(363)
As at December 31, 2009	<u>6,053,750</u>	<u>0.61</u>	<u>1,869</u>

In connection with the March 2009 private placement and August 2009 bought-deal financing, the Company granted to the underwriters 4,326,000 and 3,139,500 compensation options (note 6(a)) with an estimated fair value of \$904 and \$1,328, respectively.

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Notes to Consolidated Financial Statements December 31, 2009 and 2008

(in thousands of US dollars unless otherwise stated)

The fair value of the compensation options granted was estimated on the dates of the grants using the Black-Scholes option pricing model with the following assumptions:

	For the year ending December 31, 2009
Expected option lives	2 years
Risk-free interest rate	0.99% - 1.21%
Dividend yield	nil
Volatility	94% - 96%
Weighted average fair value	CA\$0.31

7 Asset retirement obligation

The Company's activities are subject to various laws and regulations regarding the environmental restoration and closure provisions for which the Company estimates future costs. These provisions may be revised on the basis of amendments to such laws and regulations and the availability of new information such as changes in reserves corresponding to a change in the mine life, acquisition or construction of new mines.

	Year ended December 31, 2009 \$	Year ended December 31, 2008 \$ (As restated - note 2(a))
Asset retirement obligation - Beginning of year	1,277	2,170
Conversion adjustment on change in measurement currency	-	(356)
Settlement of obligations during the year	(202)	(486)
Increase in estimated obligations	1,070	-
Gain on reclamation costs incurred	-	(126)
Reversal of liabilities for property previously written down	(33)	-
Accretion expense	47	75
	<hr/>	<hr/>
Asset retirement obligation - End of year	2,159	1,277
Less: Current portion	(957)	(762)
	<hr/>	<hr/>
Long-term portion	1,202	515

At December 31, 2009, the total estimated inflated undiscounted cash flows required to settle the asset retirement obligations of Haile Gold Mine are \$2,371. These expenditures are expected to be incurred over the period to 2015. In determining the carrying value of the asset retirement obligation, the Company has assumed a credit-adjusted risk free rate of 3.25% and a long term inflation rate of 2.5%.

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8 Management of capital

The Company's objective when managing capital are to safeguard the Company's ability to continue as a going concern to pursue the continued development of its mineral properties, and to maintain a flexible capital structure which optimizes the costs of capital within a framework of acceptable risk.

In the management of capital, the Company includes the components of shareholders' equity, as well as cash and cash equivalents.

Management reviews its capital management approach on an ongoing basis and adjusts it for changes in economic conditions. To maintain or adjust the capital structure, the Company may issue new shares or new debt to facilitate the management of its capital requirements. There can be no assurance that the Company will be able to continue to meet its funding requirements in this manner.

The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments (in government securities or with high credit quality financial institutions) with maturities 90 days or less from the original date of acquisition, based on the expected timing of required expenditures.

The Company is not subject to any externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during 2009.

9 Related party transactions

Amounts paid to related parties in the normal course of business are measured at the exchange amount which is the fair value consideration established and agreed to by the related parties. These are as follows:

	December 31, 2009	December 31, 2008
	\$	\$
		(As restated - note 2(a))
Consulting fees paid to directors	-	127
Fees paid to close family members of key management personnel for graphic design	16	4
Legal fees paid to corporate secretary's law firm	248	86
	<hr/>	<hr/>
	264	217
	<hr/>	<hr/>

Romarco Minerals Inc.

Notes to Consolidated Financial Statements December 31, 2009 and 2008

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10 Tax note

The Company operates in Canada, United States and Mexico, and is subject to various rates of taxation. In addition the company has various non-capital tax losses and deferred exploration expenditures that are available for carry forward that can be used to reduce taxable income in future years. Details of income tax expense for the years ended December 31 is as follows:

	2009	2008
	\$	\$
		(As restated - note 2(a))
Details of income tax expense		
Accounting loss for the year	7,203	5,003
Statutory tax rates	30.0%	30.5%
	\$	\$
Income tax recovery based on above tax rates	2,161	1,526
Non-deductible expenses	(432)	(120)
Difference in foreign tax rates	152	7
Foreign exchange and other items	1,877	(84)
Income tax benefits not recognized	(3,758)	(1,329)
	-	-

- a) Future income taxes reflect the net effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant components of the Company's future income tax assets as at December 31 are as follows:

	2009	2008
	\$	\$
		(As restated - note 2(a))
Future income tax assets		
Non-capital losses	6,921	3,013
Capital losses	3,368	3,108
Financing/share issue expenses	967	76
Asset retirement obligation	826	485
Mineral property, plant and equipment	384	31
Other	312	-
	12,778	6,713
Future income tax liabilities		
Mineral property, plant and equipment	(149)	(19)
	12,629	6,694
Valuation allowance	(12,629)	(6,694)
Future income tax asset (liabilities) - net	-	-

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- b) As at December 31, 2009 the Company has cumulative non-capital losses for income tax purposes of \$23,403 (2008 - \$10,501) in Canada and the United States which may be used to reduce future taxable income. The income tax benefits, if any, of these losses have not been recorded in these consolidated financial statements because of uncertainty of their recovery. These losses will expire as follows:

Expiry date	Canada \$	US \$	Total \$
2023	632	3	635
2024	497	171	668
2025	1,556	263	1,819
2026	-	375	375
2027	1,294	2,524	3,818
2028	1,601	1,945	3,546
2029	8,795	3,747	12,542
	<u>14,375</u>	<u>9,028</u>	<u>23,403</u>

11 Segmented information

The Company currently operates in one business segment, being the acquisition and exploration of mineral properties.

- a) Operating segment

The Company's operations are primarily directed towards the acquisition and exploration of mineral properties.

- b) Geographic segments

The Company's assets, revenues and expenses by geographic areas are as follows:

	Canada \$	United States \$	Mexico \$	Total \$
Assets at December 31, 2009	<u>41,029</u>	<u>47,420</u>	<u>2,239</u>	<u>90,688</u>
Capital expenditures in 2009	<u>450</u>	<u>28,056</u>	<u>305</u>	<u>28,811</u>
	\$	\$	\$	\$
Interest income	81	25	-	106
General and administrative expenses	(4,033)	(3,329)	(7)	(7,369)
Other income, net	<u>18</u>	<u>35</u>	<u>7</u>	<u>60</u>
Net (loss) income for the year	<u>(3,934)</u>	<u>(3,269)</u>	<u>-</u>	<u>(7,203)</u>

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	Canada \$	United States \$	Mexico \$	Total \$ As restated - note 2(a)
Assets at December 31, 2008	2,205	15,557	1,857	19,619
Capital expenditures in 2008	6	11,212	679	11,897
	\$	\$	\$	\$
Interest income	114	136	-	250
General and administrative expenses	(1,989)	(1,587)	(15)	(3,591)
Other income (expenses), net	(1,352)	36	(346)	(1,662)
Net loss for the year	(3,227)	(1,415)	(361)	(5,003)

The United States figures presented above primarily represent the results of the Haile Gold Mine operations located in South Carolina.

12 Net changes in non-cash working capital

	2009 \$	2008 \$ As restated - note 2(a)
Accounts receivable	(22)	22
Prepaid expenses	(73)	(20)
Other assets	(89)	(98)
Accounts payable and accrued liabilities	925	(12)
	741	(108)

13 Commitments and contingencies

The following is a summary of the Company's contractual obligations and commitments as at December 31, 2009:

	Payments due by period			
	Total \$	2010 \$	2011 - 2012 \$	2013 and beyond \$
Office operating leases	1,894	295	756	843
Promissory note	1,643	1,643	-	-

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14 Subsequent events

Bought Deal

On April 13, 2010, the Company closed the previously announced bought deal common share public offering (“the offering”) for aggregate gross proceeds of approximately CA\$120 million and net proceeds of approximately CA\$114 million.

A syndicate of underwriters, led by BMO Nesbitt Burns Inc. and Paradigm Capital Inc., and including GMP Securities L.P. and Wellington West Capital Markets Inc., purchased an aggregate of 61,000,000 common shares of the Company at a price of CA\$1.97 per share.

The Company will use the net proceeds from the offering to fund the continued development of the Haile Gold Mine, the potential acquisition of lands adjacent to and in the region of the Haile Gold Mine, regional exploration, working capital and general corporate resources.

The underwriters have also been granted an over-allotment option to purchase up to an additional 9,150,000 common shares, equal to 15% of the common shares sold pursuant to the offering, exercisable at any time, in whole or in part, up to 30 days from the closing of the offering.

Stock Appreciation Rights Plan

The Company has a stock option plan (the “SOP”) pursuant to which option grants are made to employees; however virtually all of the shares reserved for issuance under the plan have been consumed in prior grants. At the Company’s Annual General Meeting (“AGM”) in September, 2009, the Company proposed amendments to its Stock Option Plan to increase the number of options available for grant in light of the fact that there were a limited number of stock options available for grant to employees. The resolution to approve the amendments to the SOP was withdrawn prior to the meeting due to the fact that it did not receive the requisite support from shareholders. The Company believes that this lack of support was due to a number of reasons, including the fact that RiskMetrics published a report that recommended that its institutional shareholder clients withhold their support of the plan due to a number of features of the plan that RiskMetrics did not approve of. RiskMetrics did not object to the proposed increase in the number of shares reserved under the SOP.

As a result, the directors of the Company resolved to adopt an alternative system for compensating employees in a manner other than through stock options and following a thorough review of the alternatives available, the Compensation Committee developed a Stock Appreciation Rights plan (the “SAR Plan”) for use by the Company in order to provide appropriate incentive for the Company’s employees. The SAR Plan was adopted effective January 1, 2010. A total of 4,000,000 rights were granted to directors, officers and employees, with each right representing the right to receive payment of an amount equal to the market price of the Company’s shares on the date of vesting, less CA\$1.02 – representing the approximate market price on the day following the AGM, the date on which such directors, officers or employees would have received a grant of options pursuant to the SOP. The SAR Plan provides that payment will be made to the recipients of rights on the date of the Company’s AGM in 2010, currently June 9, 2010.

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Warrants activity

In the period since December 31, 2009, a total of 15,214,346 warrants (9,650,246 at CA\$0.21 and 5,564,100 at CA\$0.60) were exercised generating proceeds of CA\$5,365.

Compensation options activity

In the period since December 31, 2009, a total of 3,342,150 broker compensation options (3,028,200 at CA\$0.38 and 313,950 at CA\$0.88) were exercised generating proceeds of CA\$1,427.