

Consolidated Financial Statements of

**ROMARCO MINERALS INC.**

Nine month period ended September 30, 2009 and 2008  
(Unaudited)  
*(in US dollars)*

# ROMARCO MINERALS INC.

## Consolidated Balance Sheets (Unaudited) (in US dollars)

|  | September 30,<br>2009 | December 31,<br>2008 |
|--|-----------------------|----------------------|
| <b>Assets</b>                          |                       |                      |
| Current assets:                        |                       |                      |
| Cash and cash equivalents              | \$ 49,932,609         | \$ 4,495,423         |
| Accounts receivable                    | 59,350                | 38,438               |
| Prepaid expenses                       | 150,313               | 46,235               |
| Other                                  | 236,796               | 181,578              |
|  | <u>50,379,068</u>     | <u>4,761,674</u>     |
| Mineral property interests (note 4)    | 31,346,741            | 12,196,989           |
| Property, plant and equipment (note 5) | 2,792,306             | 1,510,226            |
| Reclamation bonds                      | 1,122,763             | 1,135,739            |
| Security deposit                       | 15,397                | 14,374               |
|  | <u>\$ 85,656,275</u>  | <u>\$ 19,619,002</u> |

## Liabilities and Shareholders' Equity

|   |                      |                      |
|---|----------------------|----------------------|
| Current Liabilities:                              |                      |                      |
| Accounts payable and accrued liabilities          | \$ 2,321,374         | \$ 371,143           |
| Asset retirement obligations ("ARO") (note 7)     | 325,534              | 762,468              |
| Payable for mineral property acquisition (note 4) | 1,624,560            | -                    |
|   | <u>4,271,468</u>     | <u>1,133,611</u>     |
| Long-term liabilities:                            |                      |                      |
| Long term lease on software                       | 11,089               | -                    |
| Asset retirement obligations ("ARO") (note 7)     | 667,068              | 514,599              |
|   | <u>4,949,625</u>     | <u>1,648,210</u>     |
| Shareholders' equity:                             |                      |                      |
| Share capital (note 6(a))                         | 109,069,556          | 47,443,071           |
| Warrants (note 6(b))                              | 4,190,470            | 1,858,025            |
| Stock options (note 6(c))                         | 1,977,815            | 1,173,099            |
| Compensation options (note 6(e))                  | 2,134,816            | -                    |
| Contributed surplus                               | 3,111,664            | 3,111,664            |
| Accumulated other comprehensive loss (note 2)     | (12,827)             | (12,827)             |
| Deficit   | (39,764,844)         | (35,602,240)         |
|   | <u>80,706,650</u>    | <u>17,970,792</u>    |
|   | <u>\$ 85,656,275</u> | <u>\$ 19,619,002</u> |

Commitments (note 11)  
Subsequent events (note 12)

See accompanying notes to consolidated financial statements

Approved on behalf of the Board:

"Diane Garrett"  
Director

"R. J. MacDonald"  
Director

## ROMARCO MINERALS INC.

### Consolidated Statements of Loss, Comprehensive Loss and Deficit (Unaudited) (in US dollars)

|   | Three month period ended September 30, |                        | Nine month period ended September 30, |                        |
|---|--|------------------------|---------------------------------------|------------------------|
|   | 2009                                   | 2008                   | 2009                                  | 2008                   |
| General and administrative expenses:  |  |                        |                                       |                        |
| Amortization  | \$ 19,229                              | \$ 31,584              | \$ 49,177                             | \$ 88,012              |
| Audit and accounting  | 25,895                                 | 34,455                 | 89,978                                | 97,736                 |
| Consulting fees   | 111,825                                | 4,014                  | 119,509                               | 62,401                 |
| Insurance   | 23,344                                 | 18,589                 | 69,258                                | 50,880                 |
| Legal fees  | 52,707                                 | 68,110                 | 128,897                               | 188,328                |
| Office and communication  | 207,776                                | 81,439                 | 449,054                               | 241,893                |
| Salaries and benefits   | 434,330                                | 454,986                | 1,809,764                             | 1,037,532              |
| Shareholder relations and transfer agent  | 104,894                                | 111,670                | 406,409                               | 287,119                |
| Stock based compensation (note 6(d))  | 334,391                                | 189,004                | 885,042                               | 341,258                |
| Travel  | 145,338                                | 82,641                 | 330,454                               | 218,855                |
| Vehicle   | 515                                    | (4,043)                | 3,448                                 | 5,152                  |
| Donation  | -                                      | 50,000                 | -                                     | 50,000                 |
| Accretion expense (note 7)  | 12,744                                 | 21,052                 | 47,168                                | 67,640                 |
| Other   | (10,751)                               | 9,949                  | 4,563                                 | 12,579                 |
|   | <b>1,462,237</b>                       | <b>1,153,450</b>       | <b>4,392,721</b>                      | <b>2,749,385</b>       |
| Other income (expense):   |  |                        |                                       |                        |
| Interest income   | 26,254                                 | 83,634                 | 79,394                                | 200,714                |
| Financing fees  | -                                      | -                      | -                                     | (150,137)              |
| Gain (loss) on foreign exchange   | (192,906)                              | (40,516)               | 245,742                               | (63,383)               |
| Mineral property termination fees (note 4)  | -                                      | -                      | (267,662)                             | -                      |
| Recovery of reclamation bonds previously written off in mineral property write downs (note 4) | -                                      | -                      | 82,649                                | -                      |
| ARO for mineral properties previously written down (note 7)                                   | -                                      | -                      | 32,605                                | -                      |
| Gain on asset retirement obligation (note 7)  | -                                      | 27,722                 | 57,389                                | 74,946                 |
|   | <b>(166,652)</b>                       | <b>70,840</b>          | <b>230,117</b>                        | <b>62,140</b>          |
| Net loss and comprehensive loss for the period  | <b>(1,628,889)</b>                     | <b>(1,082,610)</b>     | <b>(4,162,604)</b>                    | <b>(2,687,245)</b>     |
| Deficit, beginning of period  | <b>(38,135,955)</b>                    | <b>(32,204,224)</b>    | <b>(35,602,240)</b>                   | <b>(30,599,589)</b>    |
| Deficit, end of period  | <b>\$ (39,764,844)</b>                 | <b>\$ (33,286,834)</b> | <b>\$ (39,764,844)</b>                | <b>\$ (33,286,834)</b> |
| Loss per share  |  |                        |                                       |                        |
| - basic and diluted   | <b>\$ (0.01)</b>                       | <b>\$ (0.01)</b>       | <b>\$ (0.02)</b>                      | <b>\$ (0.02)</b>       |
| Weighted average number of shares outstanding   | <b>320,260,542</b>                     | <b>187,031,923</b>     | <b>272,874,705</b>                    | <b>152,034,800</b>     |

See accompanying notes to consolidated financial statements

# ROMARCO MINERALS INC.

## Consolidated Statements of Cash Flows (Unaudited) (in US dollars)

|  | Three month period ended September 30, |                    | Nine month period ended September 30, |                    |
|--|--|--------------------|---------------------------------------|--------------------|
|  | 2009                                   | 2008               | 2009                                  | 2008               |
| Cash provided by (used in):                                    |  |                    |                                       |                    |
| Operating activities:  |  |                    |                                       |                    |
| Net loss for the period  | \$ (1,628,889)                         | \$ (1,082,610)     | \$ (4,162,604)                        | \$ (2,687,245)     |
| Items not involving cash:                                      |  |                    |                                       |                    |
| Amortization   | 19,229                                 | 31,584             | 49,177                                | 88,012             |
| Accretion expense  | 12,744                                 | 21,052             | 47,168                                | 67,640             |
| Accrued interest on investment accounts                        | (5,597)                                | (14,831)           | (9,843)                               | (14,831)           |
| Stock based compensation                                       | 334,391                                | 189,004            | 885,042                               | 341,258            |
| Interest on reclamation bonds                                  | -                                      | (36,781)           | -                                     | (109,644)          |
| Unrealized foreign exchange on translation of reclamation bond | -                                      | (136,763)          | -                                     | (231,285)          |
| Recovery of ARO costs previously written off (note 7)          | -                                      | -                  | (32,605)                              | -                  |
| Recovery of mineral property reclamation bonds                 | -                                      | -                  | (82,649)                              | -                  |
| Gain on asset retirement obligation                            | -                                      | (27,722)           | (57,389)                              | (74,946)           |
| Reclamation bonds refunded                                     | -                                      | -                  | 95,625                                | -                  |
| Asset retirement obligation                                    | (49,238)                               | (130,974)          | (241,639)                             | (401,896)          |
| Change in non-cash working capital (note 10)                   | (55,538)                               | 172,299            | 13,384                                | 498,624            |
|  | <b>(1,372,898)</b>                     | <b>(1,015,742)</b> | <b>(3,496,333)</b>                    | <b>(2,524,313)</b> |
| Financing activities:  |  |                    |                                       |                    |
| Repayment of lease   | (1,304)                                | -                  | (4,626)                               | -                  |
| Proceeds from share issuance                                   | 42,313,524                             | 10,195,618         | 63,489,535                            | 14,874,316         |
| Share issue costs  | (2,954,663)                            | (3,526)            | (4,387,874)                           | (19,492)           |
| Exercise of stock options                                      | 293,394                                | -                  | 409,275                               | 51,636             |
| Exercise of broker compensation options                        | 151,963                                | -                  | 151,963                               | -                  |
| Exercise of warrants   | 5,887,634                              | 92,550             | 5,919,707                             | 92,550             |
|  | <b>45,690,548</b>                      | <b>10,284,642</b>  | <b>65,577,980</b>                     | <b>14,999,010</b>  |
| Investing activities:  |  |                    |                                       |                    |
| Mineral property interests                                     | (8,253,843)                            | (2,975,229)        | (14,885,618)                          | (6,680,906)        |
| Property, plant and equipment                                  | (624,732)                              | (41,437)           | (1,758,843)                           | (281,742)          |
| Deposit on field equipment                                     | -                                      | (202,166)          | -                                     | (207,917)          |
|  | <b>(8,878,575)</b>                     | <b>(3,218,832)</b> | <b>(16,644,461)</b>                   | <b>(7,170,565)</b> |
| Increase in cash and cash equivalents                          | 35,439,075                             | 6,050,068          | 45,437,186                            | 5,304,132          |
| Cash and cash equivalents at beginning of period               | 14,493,534                             | 2,473,155          | 4,495,423                             | 3,219,091          |
| Cash and cash equivalents at end of period                     | \$ 49,932,609                          | \$ 8,523,223       | \$ 49,932,609                         | \$ 8,523,223       |
| Cash and cash equivalents consist of the following:            |  |                    |                                       |                    |
| Cash   | \$ 1,128,240                           | \$ 150,728         | \$ 1,128,240                          | \$ 150,728         |
| Short term investments   | 48,804,369                             | 8,372,495          | 48,804,369                            | 8,372,495          |
|  | \$ 49,932,609                          | \$ 8,523,223       | \$ 49,932,609                         | \$ 8,523,223       |
| Supplementary information:                                     |  |                    |                                       |                    |
| Issuance of common shares for:                                 |  |                    |                                       |                    |
| - mineral property interests                                   | \$ 201,523                             | \$ -               | \$ 214,663                            | \$ -               |
| Promissory note for mineral property acquisition               | (32,040)                               | -                  | 1,624,560                             | -                  |
| Accounts payable and accrued liabilities in mineral properties | 679,960                                | 361,364            | 1,757,632                             | 329,102            |

See accompanying notes to consolidated financial statements

# ROMARCO MINERALS INC.

## Notes to Consolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2009

(in 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 goal is to seek producer status through development of its own projects or through acquisition of advanced stage projects. To date, the Company has not generated significant operating revenues from any of its existing properties and is therefore considered to be in the development stage.

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

#### Basis of presentation

These unaudited consolidated interim financial statements have been prepared using Canadian generally accepted accounting principles ("Canadian GAAP") and include the accounts of Romarco Minerals Inc. and its wholly owned subsidiaries, Romarmex S.A. de C.V. and Exploraciones Santo Tomas S.A. de C.V., (companies incorporated under the laws of Mexico), Romarco Minerals US Inc., and Haile Gold Mine Inc. All significant inter-company transactions are eliminated upon consolidation. They do not include all the disclosures as required for annual financial statements under generally accepted accounting principles. These interim consolidated financial statements should be read in conjunction with the Company's 2008 audited annual consolidated financial statements.

#### Change in functional and reporting currency:

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 this method, assets and liabilities were translated into US dollars using the exchange rate in effect on that date. Revenues, expenses, 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. Consolidated Financial statements presented after December 31, 2008 have been measured and presented in US dollars.

In addition, the accounting policies followed by the Company are set out in note 2 of the audited consolidated financial statements for the year ended December 31, 2008 and have been followed in the preparation of these interim consolidated financial statements, with the exception of the new accounting policies adopted in the period as outlined below.

# ROMARCO MINERALS INC.

## Notes to Consolidated Financial Statements

(Unaudited)

For the nine months ended September 30, 2009

(in US dollars unless otherwise stated)

### Section 3064, Goodwill and Intangible Assets

In February 2008, the CICA issued Handbook Section 3064 which replaced Handbook Section 3062 – *Goodwill and Other Intangible Assets*. This revision aligned Canadian GAAP with International Financial Reporting Standards (“IFRS”) and established standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. The new standard also provides guidance for the treatment of pre-production and start-up costs and requires that these costs be expensed as incurred. The adoption of this standard did not have any 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 September 30, 2009, the Company believes that no such event or change in circumstances has occurred which would have triggered impairment assessment on its mineral properties.

## 3. Financial instruments and related risks

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

### Currency risk

The Company is exposed to financial risk related to foreign exchange rates. The Company operates in Canada, United States and Mexico. As at September 30, 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 U.S. 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 September 30, 2009, the company is exposed to currency risk through the following assets and liabilities denominated in CDN dollars:

| <b>(CDN Dollars)</b>                    | <b>September 30,<br/>2009</b> | <b>December 31,<br/>2008</b> |
|---|-------------------------------|------------------------------|
| Cash and cash equivalents               | \$ 10,951,500                 | \$ 2,279,590                 |
| Other assets                            | 103,349                       | 43,579                       |
| Accounts payables and other liabilities | (258,232)                     | (91,030)                     |

# ROMARCO MINERALS INC.

## Notes to Consolidated Financial Statements

(Unaudited)

For the nine months ended September 30, 2009

(in US dollars unless otherwise stated)

---

Based on the above net exposures as at September 30, 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 \$1.0 million in the Company's net earnings.

### **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 receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Company's management based on the current economic environment. 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. The Company has \$1,096,598 in a South Carolina bank, of which \$903,683 is held in a money market investment account.

In addition, the Company has reclamation bonds totaling \$1,122,763 of which \$67,913 are held in trust by government agencies. The remaining balance of \$1,054,850 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.

### **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 payables 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.

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.

# ROMARCO MINERALS INC.

## Notes to Consolidated Financial Statements

(Unaudited)

For the nine months ended September 30, 2009

(in US dollars unless otherwise stated)

### 4. Mineral Property Interests

|   | Balance<br>December 31,<br>2008 | Expenditures<br>for nine<br>months ended<br>September 30,<br>2009 | Balance<br>September 30,<br>2009 |
|---|---------------------------------|---|----------------------------------|
| <b>Haile Gold Mine District</b>                     |                                 |   |                                  |
| Acquisition, advance royalty and land holding costs | \$ 4,531,747                    | \$ 7,666,311  | \$ 12,198,058                    |
| Exploration:  |                                 |   |                                  |
| Drilling  | 1,366,354                       | 6,350,134   | 7,716,488                        |
| Geological and geochemistry                         | 228,272                         | 1,536,843   | 1,765,115                        |
| Permitting  | 42,988                          | 103,913   | 146,901                          |
| Environmental                                       | —                               | 752,480   | 752,480                          |
| Feasibility   | 3,037,919                       | —   | 3,037,919                        |
| Site office and staff                               | 1,200,956                       | 1,677,451   | 2,878,407                        |
| Property maintenance                                | 122,897                         | 261,571   | 384,468                          |
| Project development                                 | 30,585                          | 522,019   | 552,604                          |
| ARO adjustment                                      | (3,817)                         | —   | (3,817)                          |
|   | 10,557,901                      | 18,870,722  | 29,428,623                       |
| <b>Pinos Gold District, Mexico</b>                  |                                 |   |                                  |
| Acquisition, advance royalty and land holding costs | 439,172                         | 142,284   | 581,456                          |
| Exploration:  |                                 |   |                                  |
| Drilling  | 577,654                         | 36,651  | 614,305                          |
| Data compilation                                    | 115,812                         | 41,984  | 157,796                          |
| Geological and geochemistry                         | 10,944                          | —   | 10,944                           |
| Assaying  | 94,258                          | 2,203   | 96,461                           |
| Logistics, permitting and reporting                 | 350,900                         | 29,499  | 380,399                          |
| Other   | 50,348                          | 26,409  | 76,757                           |
|   | 1,639,088                       | 279,030   | 1,918,118                        |
|   | \$ 12,196,989                   | \$ 19,149,752   | \$ 31,346,741                    |

#### 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 \$720,000 of which \$500,000 was paid in December 2008 and \$220,000 is due by December 31, 2009.

In January 2009 the Company entered into a purchase agreement with a private party for the sum of \$3.0 million 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 \$1.5 million net of fees was made upon signing and a non-interest bearing promissory note in amount of \$1.5 million 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 \$1.5 million as at September 30, 2009.

In June 2009, the Company purchased land for \$0.5 million 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 \$156,600

# ROMARCO MINERALS INC.

## Notes to Consolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2009

(in US dollars unless otherwise stated)

set up as a non-interest bearing promissory note to be paid May 2010. With an imputed interest rate of 3.75%, the promissory note has a carrying value of \$152,685 as at September 30, 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 \$2.6 million in cash payments and 200,000 common shares were issued for the properties and a \$1.6 million cash payment was made to purchase a 5% advance royalty.

### Pinos Gold District, Mexico

In each of January and July 2009, the Company made advance minimum royalty payments of \$60,000 for a total of \$120,000 plus other fees and taxes in accordance with the Pinos Property Agreement with Mineral Apolo SA de CA.

### 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 \$243,893. Additional write down costs of \$23,769 were recorded in the second quarter.

### Recoveries of Mineral Property Costs Write Downs

In the second quarter of 2009 the Company recovered \$82,649 in reclamation bonds previously written off in connection with mineral properties written down in 2008.

Furthermore, the Company recognized a recovery of \$32,605 after its determination that there were no remaining reclamation obligations in connection with two mineral properties written off in 2008.

## 5. Property, plant and equipment

|                                | 30-Sep-09           |                          |                     |
|--------------------------------|---------------------|--------------------------|---------------------|
|                                | Cost                | Accumulated amortization | Net book value      |
| Computer equipment             | \$ 357,157          | \$ 125,670               | \$ 231,487          |
| Office furniture and equipment | 234,950             | 45,555                   | 189,395             |
| Field equipment                | 1,983,080           | 486,695                  | 1,496,385           |
| Vehicles                       | 597,795             | 156,252                  | 441,543             |
| Buildings                      | 417,364             | 19,918                   | 397,446             |
| Leasehold Improvements         | 36,050              | —                        | 36,050              |
|                                | <u>\$ 3,626,396</u> | <u>\$ 834,090</u>        | <u>\$ 2,792,306</u> |

  

|                                | 31-Dec-08           |                          |                     |
|--------------------------------|---------------------|--------------------------|---------------------|
|                                | Cost                | Accumulated amortization | Net book value      |
| Computer equipment             | \$ 155,144          | \$ 54,362                | \$ 100,782          |
| Office furniture and equipment | 108,965             | 23,164                   | 85,801              |
| Field equipment                | 1,077,641           | 179,478                  | 898,163             |
| Vehicles                       | 268,753             | 66,898                   | 201,855             |
| Buildings                      | 233,508             | 9,883                    | 223,625             |
|                                | <u>\$ 1,844,011</u> | <u>\$ 333,785</u>        | <u>\$ 1,510,226</u> |

# ROMARCO MINERALS INC.

## Notes to Consolidated Financial Statements

(Unaudited)

For the nine months ended September 30, 2009

(in US dollars unless otherwise stated)

### 6. Capital Stock

#### (a) Common shares:

|  | Number of shares | Amount         |
|--|------------------|----------------|
| Authorized:  |                  |                |
| Unlimited common shares                              |                  |                |
| Issued:  |                  |                |
| As at December 31, 2007                              | 120,905,611      | \$ 34,446,663  |
| Period adjustment                                    | 147              | —              |
| Issued for April 2008 private placement              | 27,580,246       | 4,678,697      |
| Issued for July 2008 private placement               | 51,625,284       | 10,195,618     |
| Fair market value of warrants from private placement | —                | (2,073,307)    |
| Private placement share issue costs                  | —                | (14,682)       |
| Issued on exercise of warrants                       | 513,600          | 120,088        |
| Issued on exercise of stock options                  | 350,000          | 89,994         |
| As at December 31, 2008                              | 200,974,888      | 47,443,071     |
| Issued for Mineral Property                          | 300,000          | 214,663        |
| Issued for March 2009 brokered private placement     | 72,100,000       | 21,176,011     |
| Fair market value of warrants from private placement | —                | (3,519,813)    |
| Private placement share issue costs                  | —                | (1,985,436)    |
| Issued for August 2009 bought deal financing         | 52,325,000       | 42,313,524     |
| Bought deal financing share issue costs              | —                | (4,249,594)    |
| Issued on exercise of warrants                       | 26,288,942       | 6,741,522      |
| Issued on exercise of stock options                  | 2,075,000        | 705,752        |
| Issued on exercise of compensation options           | 432,600          | 229,856        |
| As at September 30, 2009                             | 354,496,430      | \$ 109,069,556 |

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

In March 2009, the Company completed an underwritten private placement consisting of 72,100,000 units (the "Units") at a price of \$0.38 CDN per Unit, for aggregate gross proceeds of \$21,176,011 (\$27,398,000 CDN). 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 \$0.60 CDN 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 \$0.38 CDN 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 \$0.60 CDN 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 CDN\$0.88 per common share, for aggregate gross proceeds of \$42,313,524 (CDN \$46,046,000). 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 \$0.88 CDN until August 13, 2011 (note 6 (e)).

# ROMARCO MINERALS INC.

## Notes to Consolidated Financial Statements

(Unaudited)

For the nine months ended September 30, 2009

(in US dollars unless otherwise stated)

(b) **Warrants:**

The following warrants to purchase common shares of the Company were outstanding at September 30, 2009:

|  | Number       |    | Average<br>exercise<br>price<br>(CDN \$) |    | Value assigned |
|--|--------------|----|--|----|----------------|
| As at December 31, 2007                          | 46,748,380   | \$ | 0.29                                     | \$ | 2,295,976      |
| Issued for April 2008 private placement          | 27,580,246   |    | 0.21                                     |    | 1,244,822      |
| Issued for July 2008 private placement           | 25,812,642   |    | 0.25                                     |    | 828,484        |
| Warrants expired                                 | (46,234,780) |    | 0.30                                     |    | (2,478,909)    |
| Warrants exercised                               | (513,600)    |    | 0.19                                     |    | (27,537)       |
| Share issue costs                                | —            |    | —  |    | (4,811)        |
| As at December 31, 2008                          | 53,392,888   | \$ | 0.23                                     | \$ | 1,858,025      |
| Issued for March 2009 brokered private placement | 36,050,000   |    | 0.60                                     |    | 3,519,813      |
| Issued for broker compensation warrants          | 216,300      |    | 0.60                                     |    | 30,241         |
| Private placement share issue costs              | —            |    | —  |    | (395,794)      |
| Warrants exercised <sup>1</sup>                  | (26,288,942) |    | 0.25                                     |    | (821,815)      |
| As at September 30, 2009                         | 63,370,246   | \$ | 0.43                                     | \$ | 4,190,470      |

<sup>1</sup> Warrants exercised

For the nine month period ending September 30, 2009, the Company received \$5,919,707 (CDN\$ 6,641,441) for the exercise of 26,288,942 warrants at an average exercise price of CDN\$ 0.25.

| Warrants exercised, by expiry date | Number     | \$ | Exercise<br>price<br>(CDN \$) |
|------------------------------------|------------|----|-------------------------------|
| July 25, 2009                      | 25,812,642 |    | 0.25                          |
| April 1, 2010                      | 250,000    |    | 0.21                          |
| March 3, 2011                      | 226,300    |    | 0.60                          |
| Warrants exercised                 | 26,288,942 |    | 0.25                          |

Warrants outstanding

The following warrants to purchase common shares of the Company were outstanding as at September 30, 2009:

| Warrants outstanding, by expiry date          | Number     | \$ | Exercise<br>price<br>(CDN \$) |
|---|------------|----|-------------------------------|
| April 1, 2010                                 | 27,330,246 |    | 0.21                          |
| March 3, 2011                                 | 36,040,000 |    | 0.60                          |
| Warrants outstanding as at September 30, 2009 | 63,370,246 | \$ | 0.43                          |

# ROMARCO MINERALS INC.

## Notes to Consolidated Financial Statements

(Unaudited)

For the nine months ended September 30, 2009

(in US dollars unless otherwise stated)

(c) **Stock options:**

The following stock options to purchase common shares of the Company were authorized and outstanding at September 30, 2009:

|   | Number      | Average<br>exercise<br>price<br>(CDN \$) | Value assigned |
|---|-------------|--|----------------|
| Outstanding as at December 31, 2007       | 7,015,000   | \$ 0.26                                  | \$ 937,535     |
| Issued                                    | 4,350,000   | 0.17                                     | 490,635        |
| Expired                                   | (1,300,000) | 0.22                                     | (174,437)      |
| Forfeited – vested                        | (168,750)   | 0.28                                     | (26,093)       |
| Forfeited - non-vested                    | (106,250)   | 0.28                                     | (16,183)       |
| Exercised                                 | (350,000)   | 0.15                                     | (38,358)       |
| Outstanding as at December 31, 2008       | 9,440,000   | \$ 0.26                                  | \$ 1,173,099   |
| Stock compensation – Issued this period   | 4,475,000   | 0.70                                     | 1,064,790      |
| Stock compensation – Issued prior periods | –           | –  | 138,779        |
| Forfeited – non-vested                    | (437,500)   | 0.43                                     | (102,376)      |
| Exercised                                 | (2,075,000) | 0.24                                     | (296,477)      |
| Outstanding as at September 30, 2009      | 11,402,500  | \$ 0.34                                  | \$ 1,977,815   |

| Expiry date                          | Number of<br>outstanding<br>options | Exercise<br>price<br>(CDN \$) | Number of<br>vested and<br>exercisable<br>options |
|--------------------------------------|-------------------------------------|-------------------------------|---|
| January 18, 2010                     | 465,000                             | \$ 0.25                       | 465,000   |
| March 31, 2010                       | 25,000                              | 0.17                          | –   |
| March 31, 2010                       | 125,000                             | 0.65                          | 62,500  |
| October 24, 2010                     | 100,000                             | 0.14                          | 100,000   |
| April 26, 2011                       | 400,000                             | 0.29                          | 400,000   |
| December 13, 2011                    | 150,000                             | 0.19                          | 150,000   |
| February 8, 2012                     | 1,375,000                           | 0.27                          | 1,375,000   |
| 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                          | 100,000                             | 0.20                          | 75,000  |
| July 22, 2013                        | 3,125,000                           | 0.17                          | 2,337,500   |
| November 30, 2013                    | 50,000                              | 0.14                          | 25,000  |
| January 4, 2014                      | 100,000                             | 0.21                          | 50,000  |
| April 6, 2014                        | 2,587,500                           | 0.65                          | 637,500   |
| May 11, 2014                         | 500,000                             | 0.57                          | 125,000   |
| June 1, 2014                         | 50,000                              | 0.78                          | 12,500  |
| 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  |
| Outstanding as at September 30, 2009 | 11,402,500                          | \$ 0.40                       | 7,446,250   |

# ROMARCO MINERALS INC.

## Notes to Consolidated Financial Statements

(Unaudited)

For the nine months ended September 30, 2009

(in US dollars unless otherwise stated)

(d) **Stock based compensation:**

During the nine months ended September 30, 2009, the Company recognized stock based compensation of \$1,203,569 (\$1,064,790 and \$138,779 for options issued in 2009 and options issued in prior years, respectively). Forfeited options valued at \$102,376 reduced the \$1,203,569 to \$1,101,193. Of the \$1,101,193, the amount of \$885,042 (2008 - \$341,258) was expensed during the nine months and \$216,151 (2008 - \$42,328) was capitalized to mineral properties.

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:

|                             | <b>Nine months<br/>ended<br/>September 30,<br/>2009</b> |
|-----------------------------|---|
| Expected option lives       | 5 years   |
| Risk-free interest rate     | 1.64 – 2.41%  |
| Dividend yield              | nil   |
| Volatility                  | 88 - 94%  |
| Weighted average fair value | CDN \$ 0.45   |

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:**

|  | <b>Number</b> | <b>Average<br/>exercise<br/>price<br/>(CDN \$)</b> | <b>Value<br/>assigned</b> |
|--|---------------|--|---------------------------|
| As at December 31, 2008                          | –             | –  | –                         |
| Issued for March 2009 brokered private placement | 4,326,000     | \$ 0.38  | \$ 904,132                |
| Issued for August 2009 bought deal financing     | 3,139,500     | 0.88   | 1,338,819                 |
| Exercised  | (432,600)     | 0.38   | (108,135)                 |
| As at September 30, 2009                         | 7,032,900     | \$ 0.60  | \$ 2,134,816              |

In connection with the stock issues of March 2009 and August 2009, the Company granted to the underwriters 4,326,000 and 3,139,500 compensation options (note 6 (a)) with an estimated fair value of \$904,132 and \$1,338,819, respectively.

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:

# ROMARCO MINERALS INC.

## Notes to Consolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2009

(in US dollars unless otherwise stated)

|                             | Nine months<br>ended<br>September 30,<br>2009 |
|-----------------------------|---|
| Expected option lives       | 2 years                                       |
| Risk-free interest rate     | 0.99 – 1.21%                                  |
| Dividend yield              | nil   |
| Volatility                  | 94 – 96%                                      |
| Weighted average fair value | CDN \$ 0.31                                   |

### 7. Asset retirement obligation

|   | Nine months<br>ended<br>September 30,<br>2009 | Year ended<br>December 31,<br>2008 |
|---|---|------------------------------------|
| Asset retirement obligation - Beginning of period     | \$ 1,277,067                                  | \$ 2,170,394                       |
| Foreign exchange translation                          | –   | (356,408)                          |
| Settlement of obligations during the period           | (241,639)                                     | (486,429)                          |
| Gain on reclamation costs incurred                    | (57,389)                                      | (125,855)                          |
| Write off of ARO for property previously written down | (32,605)                                      | –                                  |
| Accretion expense                                     | 47,168  | 75,365                             |
| Asset retirement obligation - End of period           | \$ 992,602                                    | \$ 1,277,067                       |
| Less: current portion                                 | (325,534)                                     | (762,468)                          |
| Long-term portion                                     | \$ 667,068                                    | \$ 514,599                         |

At September 30, 2009, the total estimated undiscounted cash flows required to settle the asset retirement obligations of Haile Gold Mine are \$985,542. 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 4.5% and a long term inflation rate of 3%.

### 8. 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:

|   | Nine months<br>ended<br>September 30,<br>2009 | Nine months<br>ended<br>September 30,<br>2008 |
|---|---|---|
| Consulting fees paid to directors                                     | \$ 30,000                                     | \$ 26,446                                     |
| Fees paid to a relative of the Company's President for graphic design | –   | 2,834   |
| Legal fees paid to corporate secretary's law firm                     | 83,872  | 73,440  |
|   | \$ 113,872                                    | \$ 102,720                                    |

# ROMARCO MINERALS INC.

## Notes to Consolidated Financial Statements

(Unaudited)

For the nine months ended September 30, 2009

(in US dollars unless otherwise stated)

### 9. 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 resource properties.
- (b) Geographic segments – The Company's assets, revenues and expenses by geographic areas are as follows:

|  | Canada         | United States  | Mexico       | Total          |
|--|----------------|----------------|--------------|----------------|
| Assets at September 30, 2009                                   | \$ 47,287,918  | \$ 35,990,578  | \$ 2,377,779 | \$ 85,656,275  |
| Interest income  | \$ 58,448      | \$ 20,946      | \$ –         | \$ 79,394      |
| General and administrative expenses                            | (2,118,808)    | (2,268,683)    | (5,230)      | (4,392,721)    |
| Other income (expenses)  | 47,000         | 82,183         | 21,540       | 150,725        |
| Net income (loss) for the nine months ended September 30, 2009 | \$ (2,013,360) | \$ (2,165,554) | \$ 16,310    | \$ (4,162,604) |

|   | Canada         | United States  | Mexico       | Total          |
|---|----------------|----------------|--------------|----------------|
| Assets at December 31, 2008                           | \$ 2,205,121   | \$ 15,556,541  | \$ 1,857,340 | \$ 19,619,002  |
| Interest income                                       | \$ 91,069      | \$ 109,645     | \$ –         | \$ 200,714     |
| General and administrative expenses                   | (1,417,462)    | (1,326,449)    | (5,474)      | (2,749,385)    |
| Other income (expenses)                               | (107,926)      | 74,947         | (105,595)    | (138,574)      |
| Net loss for the nine months ended September 30, 2008 | \$ (1,434,319) | \$ (1,141,857) | \$ (111,069) | \$ (2,687,245) |

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

### 10. Net changes in non-cash working capital

|  | Nine months ended September 30, 2009 | Nine months ended September 30, 2008 |
|--|--------------------------------------|--------------------------------------|
| Accounts receivable                      | \$ (20,912)                          | \$ (3,737)                           |
| Prepaid expenses                         | (104,078)                            | (176,565)                            |
| Other assets                             | (46,398)                             | (56,554)                             |
| Accounts payable and accrued liabilities | 184,772                              | 735,480                              |
|  | \$ 13,384                            | \$ 498,624                           |

# ROMARCO MINERALS INC.

## Notes to Consolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2009

(in US dollars unless otherwise stated)

---

### 11. Commitments

The following is a summary of the Company's contractual obligations and commitments as at September 30, 2009:

|                         | Payments due by period |            |            |               |
|-------------------------|------------------------|------------|------------|---------------|
|                         | Total                  | 2009       | 2010-2011  | 2012 & beyond |
| Office operating leases | \$ 721,957             | \$ 287,519 | \$ 398,210 | \$ 36,228     |

### 12. Subsequent events

#### Office Changes

On October 31, 2009, Romarco Minerals Inc. closed its office in Reno (Nevada). Many of the operations and functions from the Reno office are now handled between Romarco's Haile and Vancouver offices. The Company negotiated a termination buyout of \$137,850 in connection with its office lease in Reno.

#### Warrants Activity

In the period since September 30, 2009, a total of 18,257,500 warrants (17,680,000 at CDN \$0.21 and 577,500 at CDN \$0.60) were exercised generating proceeds of CDN \$4,059,300.

#### Compensation Options Activity

In the period since September 30, 2009, a total of 779,150 broker compensation options (465,200 at CDN \$0.38 and 313,950 at CDN \$0.88) were exercised generating proceeds of CDN \$453,052.