

## **Romarco Minerals Inc.**

Condensed Consolidated Interim Financial Statements

**For the three and nine months ended September 30, 2011**

(Unaudited, expressed in thousands of US dollars, unless otherwise stated)

# Romarco Minerals Inc.

## Condensed Consolidated Interim Statements of Financial Position

(Unaudited, expressed in thousands of US dollars, unless otherwise stated)

	September 30, 2011	December 31, 2010
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 44,823	\$ 109,760
Accounts receivable	172	337
Prepaid expenses	776	553
	<u>45,771</u>	<u>110,650</u>
<b>Non-current assets</b>		
Mineral property interests (note 4)		
Land and royalty costs	76,466	50,705
Development costs	35,006	-
Plant and equipment - net (note 5)	16,090	7,127
Equipment deposits (note 5)	3,609	-
Reclamation bonds (note 7)	1,123	1,123
	<u>\$ 178,065</u>	<u>\$ 169,605</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 6,151	\$ 4,197
Asset retirement obligation (note 7)	1,137	1,026
Derivative warrant liability (note 8)	-	31,094
	<u>7,288</u>	<u>36,317</u>
<b>Non-current liabilities</b>		
Asset retirement obligation (note 7)	2,027	1,774
	<u>9,315</u>	<u>38,091</u>
<b>Shareholders' Equity</b>		
Share capital (note 6(a))	354,881	309,548
Stock options (note 6(b))	10,710	6,523
Contributed surplus	3,112	3,112
Deficit	(199,953)	(187,669)
	<u>168,750</u>	<u>131,514</u>
	<u>\$ 178,065</u>	<u>\$ 169,605</u>

### Commitments and contingencies (note 15)

The financial statements approved by the Board of Directors on November 7, 2011 are signed on its behalf by:

*"Diane R. Garrett"*

*"R. J. MacDonald"*

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

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

# Romarco Minerals Inc.

## Condensed Consolidated Interim Statements of Loss, Comprehensive Loss and Deficit For the three and nine months ended September 30, 2011 and 2010

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

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2011	2010	2011	2010
Exploration expenses (note 10)	\$ 483	\$ 8,862	\$ 996	\$ 23,920
General and administrative expenses (note 11)	2,701	3,701	8,854	9,662
Finance (income) expense, net	(16)	(63)	(17)	(107)
Foreign exchange (gain) loss	767	(327)	365	(77)
Loss on valuation of derivative warrant liability (note 8)	-	14,501	2,086	14,519
<b>Net loss and comprehensive loss attributable to shareholders</b>	<b>(3,935)</b>	<b>(26,674)</b>	<b>(12,284)</b>	<b>(47,917)</b>
<b>Deficit - beginning of period</b>	<b>(196,018)</b>	<b>(142,671)</b>	<b>(187,669)</b>	<b>(121,428)</b>
<b>Deficit - end of period</b>	<b>\$ (199,953)</b>	<b>\$ (169,345)</b>	<b>\$ (199,953)</b>	<b>\$ (169,345)</b>
<b>Loss per share</b>				
Basic and diluted	\$ (0.01)	\$ (0.06)	\$ (0.02)	\$ (0.11)
<b>Weighted average number of shares outstanding (000s)</b>	<b>503,279</b>	<b>469,706</b>	<b>498,712</b>	<b>435,061</b>

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

# Romarco Minerals Inc.

## Condensed Consolidated Interim Statements of Cash Flows

### For the three and nine months ended September 30, 2011 and 2010

(Unaudited, expressed in thousands of US dollars, unless otherwise stated)

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
<b>Operating Activities</b>				
Net loss for the period	\$ (3,935)	\$ (26,674)	\$ (12,284)	\$ (47,917)
Items not affecting cash				
Depreciation	41	390	124	835
Finance expense (note 7)	35	15	136	46
Stock-based compensation (note 6(b) and note 6(c))	1,044	3,083	3,176	3,671
Unrealized foreign exchange (gain) loss	732	(323)	636	32
Loss on valuation of derivative warrant liability (note 8)	-	14,501	2,086	14,519
Asset retirement obligation	(3)	(64)	(38)	(84)
	(2,086)	(9,072)	(6,164)	(28,898)
Net changes in non-cash working capital (note 14)	130	863	(2,376)	621
Cash used in operating activities	(1,956)	(8,209)	(8,540)	(28,277)
<b>Investing Activities</b>				
Reclamation bonds	-	-	17	-
Land and royalty costs -net (note 4)	69	(8,297)	(25,761)	(10,847)
Mineral property interests – development costs (note 4)	(8,568)	-	(27,955)	-
Equipment deposits (note 5)	(3,609)	(1,699)	(3,609)	(1,699)
Plant and equipment (note 5)	(3,770)	(369)	(10,203)	(776)
Cash used in investing activities	(15,878)	(10,365)	(67,511)	(13,322)
<b>Financing Activities</b>				
Gross proceeds from share issuance	-	-	-	137,414
Share issuance costs	-	15	-	(7,180)
Exercise of stock options	-	590	649	836
Exercise of broker compensation options	-	536	-	3,619
Exercise of warrants and broker warrants	-	1,433	11,122	7,854
Cash provided from financing activities	-	2,574	11,771	142,543
<b>Increase (decrease) in cash and cash equivalents</b>	(17,834)	(16,000)	(64,280)	100,944
Effect of foreign exchange on cash and cash equivalents	(766)	337	(657)	(23)
<b>Cash and cash equivalents - beginning of period</b>	63,423	158,047	109,760	41,463
<b>Cash and cash equivalents - end of period</b>	\$ 44,823	\$ 142,384	\$ 44,823	\$ 142,384
<b>Cash and cash equivalents consist of:</b>				
Cash	\$ 1,342	\$ 844	\$ 1,342	\$ 844
Cash equivalents	43,481	141,540	43,481	141,540
	\$ 44,823	\$ 142,384	\$ 44,823	\$ 142,384

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

# Romarco Minerals Inc.

## Condensed Consolidated Interim Statements of Changes in Shareholders' Equity For the three and nine months ended September 30, 2011 and 2010

(Unaudited, expressed in thousands of US dollars, unless otherwise stated)

	Equity attributable to shareholders							Total equity
	Share capital		Warrants	Stock options	Compensation options	Contributed surplus	Deficit	
	# (000s)	\$	\$	\$	\$	\$	\$	
<b>Balance at January 1, 2011</b>	<b>483,474</b>	<b>309,548</b>	-	<b>6,523</b>	-	<b>3,112</b>	<b>(187,669)</b>	<b>131,514</b>
Stock based compensation	-	-	-	4,570	-	-	-	4,570
Issued on exercise of warrants	18,067	44,302	-	-	-	-	-	44,302
Issued on exercise of stock options	1,738	1,031	-	(383)	-	-	-	648
Loss and comprehensive loss for the period	-	-	-	-	-	-	(12,284)	(12,284)
<b>Balance at September 30, 2011</b>	<b>503,279</b>	<b>354,881</b>	-	<b>10,710</b>	-	<b>3,112</b>	<b>(199,953)</b>	<b>168,750</b>
<b>Balance at January 1, 2010</b>	<b>375,698</b>	<b>115,672</b>	<b>59</b>	<b>2,295</b>	<b>1,869</b>	<b>3,112</b>	<b>(121,428)</b>	<b>1,579</b>
Issued for common share offering	70,150	130,234	-	-	-	-	-	130,234
Stock based compensation	-	-	-	3,671	-	-	-	3,671
Issued on exercise of warrants and broker warrants	19,719	34,353	(59)	-	-	-	-	34,294
Issued on exercise of stock options	1,563	1,378	-	(542)	-	-	-	836
Issued on exercise of compensation options	6,054	5,201	-	-	(1,869)	-	-	3,332
Loss and comprehensive loss for the period	-	-	-	-	-	-	(47,917)	(47,917)
<b>Balance at September 30, 2010</b>	<b>473,184</b>	<b>286,838</b>	-	<b>5,424</b>	-	<b>3,112</b>	<b>(169,345)</b>	<b>126,029</b>

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

# Romarco Minerals Inc.

## Notes to Condensed Consolidated Interim Financial Statements For the three and nine months ended September 30, 2011 and 2010

---

(Unaudited, expressed in thousands of US dollars, unless otherwise stated)

### 1 Nature of operations

Romarco Minerals Inc. (the “Company” or “Romarco”) is formed under the laws of British Columbia, Canada and its registered office is Three Bentall Centre, 595 Burrard Street, Suite 2600, Vancouver, British Columbia, V7X 1L3. The Company is listed on the TSX and its 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. The consolidated unaudited interim financial statements of the Company at and for the three and nine month period ended September 30, 2011 include the accounts of Romarco Minerals Inc. and its wholly owned US subsidiaries, Haile Gold Mine Inc., Romarco Minerals U.S. Inc. and Romarco Minerals NC LLC and its wholly owned Mexican subsidiaries Romarmex S.A. de C.V. and Exploraciones Santo Tomas S.A. de C.V., (companies incorporated under the laws of Mexico). The Company’s principal development project is Haile Gold Mine Inc., located in Lancaster County, South Carolina, USA.

The Company is a development stage entity that has not generated any operating revenues from any of its existing properties and has limited financial resources. Going forward, the Company will be required to raise funds for the Haile project, and to support its exploration, drilling and land activities. The Company has no assurance that additional funding will be made available.

The underlying value of the Company’s mineral properties and the recoverability of the related capitalized costs are entirely dependent on the Company’s ability to obtain the necessary permits to mine and the required 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 preparation and adoption of IFRS

These condensed consolidated interim financial statements are expressed in thousands of US dollars and have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) as set out in the Handbook of the Canadian Institute of Chartered Accountants (“CICA Handbook”). In 2010, the CICA Handbook was revised to incorporate IFRS, and requires publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company commenced reporting on this basis in its 2011 consolidated interim financial statements. In these condensed consolidated interim financial statements, the term Canadian generally accepted accounting principles (“Canadian GAAP”) refers to Canadian GAAP before the adoption of IFRS.

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with IFRS applicable to the preparation of consolidated interim financial statements, including IAS 34, Interim Financial Reporting, and IFRS 1, First-time Adoption of IFRS. The accounting policies followed in these condensed consolidated interim financial statements are the same as those applied in the

# Romarco Minerals Inc.

## Notes to Condensed Consolidated Interim Financial Statements

### For the three and nine months ended September 30, 2011 and 2010

---

(Unaudited, expressed in thousands of US dollars, unless otherwise stated)

Company's interim consolidated financial statements for the periods ended March 31, 2011 and June 30, 2011. The Company has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect. Note 16 discloses the impact of the transition to IFRS on the Company's reported equity at September 30, 2010, and comprehensive income for the three and nine months ended September 30, 2010.

The preparation of consolidated interim financial statements in accordance with IAS 34, Interim Financial Reporting, requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities and expenses.

The policies applied in these condensed consolidated interim financial statements are based on IFRS effective for the year ended December 31, 2011, as issued and outstanding as of November 7, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these condensed consolidated interim financial statements, including transition adjustments recognized on change-over to IFRS on January 1, 2010.

These condensed consolidated interim financial statements should be read in conjunction with the Company's Canadian GAAP annual audited financial statements for the year ended December 31, 2010, and the Company's interim financial statements for the periods ended March 31, 2011 and June 30, 2011 in accordance with IFRS applicable to interim financial statements.

#### **b) Recent accounting pronouncements**

##### *Financial instruments*

IFRS 9, "Financial instruments" was issued by the IASB and will replace IAS 39, "Financial Instruments: Recognition and Measurement" (IAS 39). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

##### *Consolidation*

IFRS 10, "Consolidation" replaces SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements. IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to

# Romarco Minerals Inc.

## Notes to Condensed Consolidated Interim Financial Statements

### For the three and nine months ended September 30, 2011 and 2010

---

(Unaudited, expressed in thousands of US dollars, unless otherwise stated)

obtain benefits from its activities. IFRS 10 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 10 on its consolidated financial statements.

#### *Joint Arrangements*

IFRS 11, "Joint Arrangements" supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities - Non-monetary Contributions by Ventures. IFRS 11 requires a venture to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venture will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 11 on its consolidated financial statements.

#### *Disclosure of Interests in Other Entities*

IFRS 12, "Disclosure of Interests in Other Entities" sets out the disclosure requirements for interests in other entities, such as joint arrangements, associates, and special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 12 on its consolidated financial statements.

#### *Fair Value Measurement*

IFRS 13, "Fair Value Measurement" is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 13 on its consolidated financial statements.

#### *Amendments to Other Standards*

In addition, there have been amendments to existing standards, including IAS 27, Separate Financial Statements (IAS 27), and IAS 28, Investments in Associates and Joint Ventures (IAS 28). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13. These standards are effective for periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of these amendments on its consolidated financial statements.

# Romarco Minerals Inc.

## Notes to Condensed Consolidated Interim Financial Statements

### For the three and nine months ended September 30, 2011 and 2010

---

(Unaudited, expressed in thousands of US dollars, unless otherwise stated)

### 3 Significant Accounting Estimates and Judgements

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.

The following are the critical judgements that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

a) Mineral property interests and exploration and evaluation expenditures

Exploration costs are expensed in the period incurred until such time that the mineral resources are classified as proven or probable ore reserves and the Company has decided to develop the project. Subsequent development costs of the project are capitalized. There may be instances where judgement will be necessary to differentiate between exploration and development costs and the accounting treatment.

b) Asset retirement obligation

The net present value of the asset retirement obligation has been discounted to their present value at a credit-adjusted risk free rate which represents the 10 year United States Treasury Bond Rate and an estimate of the Company's pricing in the market to obtain debt. Assuming that all other variables remain constant, a one percentage point change in the discount rate would result in a liability change of approximately \$100. The estimate also assumes a long term inflation rate. Assuming that all other variables remain constant, a one percentage point change in the long term inflation rate would result in a liability change of approximately \$130. See note 7 for additional information.

c) Stock-based compensation

The compensation cost attributable to stock options granted is measured at the grant date using the Black-Scholes option pricing model to determine fair value. The Black-Scholes option pricing model requires estimates for the expected life of options and stock price volatility which can materially affect the fair value estimate. In addition, under IFRS, the Company is required to estimate the forfeiture rate which impacts the timing of amounts being recorded.

d) Warrants

The Canadian dollar denominated warrants outstanding during each reporting period are accounted for as a derivative warrant liability which are measured at fair value using the Black-Scholes option pricing model. The Black-Scholes option pricing model requires inputs and the stock price volatility assumption can materially affect the fair value estimate. For the three months ended September 30, 2011, assuming all other variables remained constant, a 10 percentage point increase in the volatility assumption increased the loss on derivative warrant liabilities by \$nil (2010 - \$42). For the nine months ended September 30, 2011,

# Romarco Minerals Inc.

## Notes to Condensed Consolidated Interim Financial Statements

### For the three and nine months ended September 30, 2011 and 2010

(Unaudited, expressed in thousands of US dollars, unless otherwise stated)

assuming all other variables remained constant, a 10 percentage point reduction in the volatility assumption decreased the loss on derivative warrant liabilities by \$nil (2010 - \$18).

#### 4 Mineral Property Interests

	Land and royalty costs	Development	Total
<b>Nine months ended September 30, 2011</b>			
Net book value at December 31, 2010	\$ 50,705	-	\$ 50,705
Additions	25,761	35,006	60,767
Net book value at September 30, 2011	\$ 76,466	35,006	\$ 111,472

Development costs are as follows:

	September 30, 2011	December 31, 2010
Drilling	\$ 17,419	\$ -
Geological and geochemistry	4,685	-
Environmental and permitting	4,148	-
Administration	4,269	-
Maintenance	1,365	-
Depreciation	1,726	-
Stock based compensation	1,394	-
	\$ 35,006	\$ -

# Romarco Minerals Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2011 and 2010

(Unaudited, expressed in thousands of US dollars, unless otherwise stated)

## 5 Plant and Equipment

	Office equipment	Mobile/Other equipment	Buildings	Assets under construction	Total
<b>At December 31, 2010</b>					
Cost	\$ 1,170	7,525	411	553	\$ 9,659
Accumulated amortization	(444)	(2,049)	(39)	-	(2,532)
Net book value	\$ 726	5,476	372	553	\$ 7,127
<b>Nine months ended September 30, 2011</b>					
Opening net book value	\$ 726	5,476	372	553	\$ 7,127
Additions, net of reallocations	725	3,324	3,449	3,315	10,813
Amortization for the period	(213)	(1,574)	(63)	-	(1,850)
Closing net book value	\$ 1,238	7,226	3,758	3,868	\$ 16,090
<b>At September 30, 2011</b>					
Cost	\$ 1,895	10,849	3,860	3,868	\$ 20,472
Accumulated amortization	(657)	(3,623)	(102)	-	(4,382)
Net book value	\$ 1,238	7,226	3,758	3,868	\$ 16,090

Equipment deposits of \$3,609 (2010 - \$nil) reflect payments on long-lead time capital equipment.

## 6 Capital Stock

### a) Common shares

Authorized

Unlimited common shares

Issued

	Number of shares	Amount
At December 31, 2010	483,474,475	\$ 309,548
Issued on exercise of warrants	18,067,300	44,302
Issued on exercise of stock options	1,737,500	1,031
At September 30, 2011	503,279,275	\$ 354,881

The Company's common shares primarily trade on the TSX and historically all shares, option and warrant issuances have been denominated in Canadian dollars.

# Romarco Minerals Inc.

## Notes to Condensed Consolidated Interim Financial Statements

### For the three and nine months ended September 30, 2011 and 2010

(Unaudited, expressed in thousands of US dollars, unless otherwise stated)

b) Stock options:

The following stock options to purchase common shares of the Company were authorized and outstanding at September 30, 2011:

	Number	Average exercise price C\$	Amortized value
At December 31, 2010	14,976,500	1.13	\$ 6,523
Stock-based compensation	4,164,000	1.97	4,579
Forfeited - non-vested	(20,000)	1.71	(9)
Exercised	(1,737,500)	0.36	(383)
At September 30, 2011	17,383,000	1.41	\$ 10,710

There were no options granted and exercised during the three-month period ended September 30, 2011. For the nine months ended September 30, 2011, the Company received \$649 (C\$634) for the exercise of 1,737,500 stock options at an average exercise price of C\$0.36.

Exercise price per share (C\$)	Options outstanding			Options exercisable	
	Number outstanding	Weighted- average remaining life (years)	Weighted- average exercise price (C\$)	Number exercisable	Weighted- average exercise price (C\$)
\$0.14 - \$0.99	5,000,000	1.97	0.46	5,000,000	0.46
\$1.00 - \$1.80	4,129,000	3.30	1.55	3,182,250	1.53
\$1.81 - \$2.00	8,004,000	3.80	1.90	3,996,000	1.85
\$2.01 - \$2.65	250,000	4.10	2.62	125,000	2.62
Total	17,383,000		1.41	12,303,250	1.21

The Company recognized stock based compensation related to stock options, net of actual and estimated forfeitures, of \$1,493 (2010 - \$3,083) and \$4,570 (2010 - \$3,671) for the three and nine months ended September 30, 2011 respectively. Of the \$1,493 recorded during the three month period ended September 30, 2011, the amount of \$1,031 (2010 - \$2,005) was charged to general and administrative expenses, \$13 (2010 - \$1,078) was recorded to exploration expenses and \$449 was capitalized to mineral properties (2010 - \$nil). Of the \$4,570 recorded during the nine month period ended September 30, 2011, the amount of \$3,142 (2010 - \$2,496) was charged to general and administrative expenses, \$34 (2010 - \$1,175) was recorded to exploration expenses and \$1,394 (2010 - \$nil) was capitalized to mineral properties. Compensation expense is recognized over the vesting period of the underlying options.

# Romarco Minerals Inc.

## Notes to Condensed Consolidated Interim Financial Statements

### For the three and nine months ended September 30, 2011 and 2010

(Unaudited, expressed in thousands of US dollars, unless otherwise stated)

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 nine months ended	
	September 30, 2011	September 30, 2010
Expected option lives	2.5 - 4 years	2 - 5 years
Risk-free interest rate	1.55% - 2.26%	1.63% - 2.44%
Dividend yield	nil	nil
Volatility	80%	80% - 90%
Weighted average fair value	C\$1.14	C\$0.92

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 stock options granted and/or vested during the period.

#### c) Stock Appreciation Rights

Effective January 1, 2010, the Company adopted a Stock Appreciation Rights plan ("SAR's") where 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 vesting date of June 9, 2010, less the strike price of C\$1.02.

Stock based compensation expense related to the stock rights were accrued over the term of the plan based on the estimated total compensation to be paid out at the end of the June 9, 2010 vesting period. The total SAR's vested liability of \$3,033 at June 9, 2010 was paid during the three month period ended June 30, 2010 and there is no remaining liability. For the three month period ended September 30, 2011, the Company recognized stock based compensation related to the SAR's plan of \$nil (2010 - \$nil). For the nine month period ended September 30, 2011, the Company recognized stock based compensation related to the SAR's plan of \$nil (2010 - \$3,033). Of the \$3,033 recorded during the nine month period ended September 30, 2010, the amount of \$2,048 was recorded to general and administrative expenses and \$985 was recorded to exploration expenses.

## 7 Asset Retirement Obligation

The Company's activities are subject to various laws and regulations regarding the reclamation 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 the mine life, acquisition or construction of new mines.

# Romarco Minerals Inc.

## Notes to Condensed Consolidated Interim Financial Statements

### For the three and nine months ended September 30, 2011 and 2010

(Unaudited, expressed in thousands of US dollars, unless otherwise stated)

At December 31, 2010	\$ 2,800
Settlement of obligations during the period	(38)
Increase in estimated obligations	266
Finance expense	136
	<hr/>
At September 30, 2011	3,164
Less: Current portion	(1,137)
	<hr/>
Long-term portion	\$ 2,027

Although the ultimate amount of the reclamation costs incurred cannot be predicted with certainty, the total undiscounted amount of estimated cash flows required to settle the Company's estimated obligations at Haile Gold Mine is \$3,962. These expenditures are expected to be incurred over the period to 2021. In determining the carrying value of the asset retirement obligation, the Company has assumed a credit-adjusted risk free rate of 5.92% for the September 30, 2011 estimate and 7.4% for the December 31, 2010 liability and a long term inflation rate of 2.5%.

The Company has in place reclamation bonding of \$1,055 which relates to the Haile Gold Mine that is restricted to the funding of future reclamation costs as anticipated under a plan approved by the State of South Carolina. The \$1,055 is held in United States Treasury Bills with a maturity date of October 31, 2012.

## 8 Derivative Warrant Liability

Romarco Minerals Inc., whose functional currency is the US dollar, issued Canadian dollar warrants. Under IFRS, with the exception of broker warrants issued to underwriters for services, these warrants outstanding during the reporting period were accounted for as a derivative warrant liability, measured at fair value using Black-Scholes and translated into US dollars.

The following table summarizes warrants to purchase common shares of the Company through September 30, 2011:

	Number	Average exercise price C\$	Liability
At December 31, 2010	18,067,301	0.60	\$ 31,094
Warrants exercised	(18,067,300)	0.60	(33,180)
Warrants expired	(1)	0.60	-
Loss on revaluation	-	-	2,086
	<hr/>		
At September 30, 2011	-	-	\$ -

# Romarco Minerals Inc.

## Notes to Condensed Consolidated Interim Financial Statements

### For the three and nine months ended September 30, 2011 and 2010

(Unaudited, expressed in thousands of US dollars, unless otherwise stated)

For the three month period ended September 30, 2011, the Company recognized \$nil on revaluation (2010 - \$14,501 loss). For the nine month period ended September 30, 2011, the Company recognized a loss on revaluation of \$2,086 (2010 - \$14,519 loss) which represents the increase in the fair market value of the warrants just prior to their exercise.

For the nine month period ended September 30, 2011, the Company received \$11,122 (C\$10,840) for the exercise of 18,067,300 warrants at an average exercise price of C\$0.60. The warrants were exercised during the three month period ended March 31, 2011 and there are no outstanding warrants remaining at September 30, 2011.

## 9 Related Party Transactions

### *Key Management and Directors Compensation*

Key management includes the Chief Executive Officer, Chief Financial Officer and the Chief Operating Officer. The compensation expense for key management and directors amounted to \$1,444 (2010 - \$1,254) and \$4,345 (2010 - \$4,416) for the three and nine months ended September 30, 2011, respectively.

## 10 Exploration Expenses

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
<b>Haile Gold Mine District, USA</b>				
Administration	\$ -	\$ 1,419	\$ -	\$ 3,244
Depreciation	-	352	-	723
Drilling	-	4,135	-	10,655
Environmental and permitting	-	690	-	1,650
Feasibility and project development	-	350	-	1,789
Geological and geochemistry	-	937	-	2,827
Maintenance	-	(267)	-	372
Stock based compensation	-	1,078	-	2,160
	-	8,694	-	23,420
<b>Carolina Slate Belt District, USA</b>				
Drilling	307	-	307	-
Environmental and permitting	13	-	13	-
Geological and geochemistry	105	-	184	-
Maintenance & leases	3	-	288	-
Stock based compensation	13	-	34	-
	441	-	826	-
<b>Pinos Gold District, Mexico</b>				
Advance royalty costs	-	60	-	120
Other	-	108	-	380
Wind-up costs	42	-	170	-
	42	168	170	500
Total Exploration Expenses	\$ 483	\$ 8,862	\$ 996	\$ 23,920

# Romarco Minerals Inc.

## Notes to Condensed Consolidated Interim Financial Statements

### For the three and nine months ended September 30, 2011 and 2010

(Unaudited, expressed in thousands of US dollars, unless otherwise stated)

Exploration expenses for the three and nine month period ended September 30, 2011 includes salaries and benefits of \$165 (2010 - \$841) and \$259 (2010 - \$2,716), respectively.

#### 11 General and Administrative Expenses

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
<b>General and administrative expenses</b>				
Depreciation	\$ 41	\$ 38	\$ 124	\$ 112
Office and other	378	262	1,153	840
Professional fees	174	440	873	928
Salaries and benefits	877	728	2,670	2,207
Shareholder relations and transfer agent	79	119	452	406
Stock-based compensation – stock options (note 6(b))	1,031	2,005	3,142	2,496
Stock-based compensation – stock appreciation rights (note 6(c))	-	-	-	2,048
Travel	121	109	440	625
	<u>\$ 2,701</u>	<u>\$ 3,701</u>	<u>\$ 8,854</u>	<u>\$ 9,662</u>

#### 12 Financial Instruments

The carrying amount and fair value of derivative warrant liability amounted to \$nil and \$31,094 at September 30, 2011 and December 31, 2010, respectively. The financial liability was classified as held for trading and level 2 under the fair value hierarchy level.

#### 13 Segmented Information

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

##### a) Operating segment

In order to determine reportable operating segments, the chief operating decision maker reviews various factors, including geographical location, quantitative thresholds and managerial structure.

# Romarco Minerals Inc.

Notes to Condensed Consolidated Interim Financial Statements

**For the three and nine months ended September 30, 2011 and 2010**

(Unaudited, expressed in thousands of US dollars, unless otherwise stated)

b) Geographic segments

The following tables present revenue, expense and cash flow information by geographic area:

<b>Nine months ended Sept 30, 2011</b>	<b>Canada</b>	<b>United States</b>	<b>Mexico</b>	<b>Total</b>
Capital expenditures	\$ -	63,919	-	\$ 63,919
Finance income	\$ 153	-	-	\$ 153
Finance expense	-	(136)	-	(136)
Depreciation	(98)	(26)	-	(124)
Exploration expenses	-	(826)	(170)	(996)
General and administrative expenses	(6,141)	(2,589)	-	(8,730)
Other expense, net	(2,451)	-	-	(2,451)
Net loss for the period	\$ (8,537)	(3,577)	(170)	\$ (12,284)

<b>Nine months ended Sept 30, 2010</b>	<b>Canada</b>	<b>United States</b>	<b>Mexico</b>	<b>Total</b>
Capital expenditures	\$ 198	11,425	-	\$ 11,623
Finance income	\$ 153	-	-	\$ 153
Finance expense	-	(46)	-	(46)
Depreciation	(106)	(723)	(6)	(835)
Exploration expenses	-	(22,697)	(500)	(23,197)
General and administrative expenses	(6,391)	(3,149)	(10)	(9,550)
Other income (expense), net	(14,439)	-	(3)	(14,442)
Net loss for the period	\$ (20,783)	(26,615)	(519)	\$ (47,917)

The following table presents assets by geographic area at September 30, 2011 and December 31, 2010:

	<b>Canada</b>	<b>United States</b>	<b>Mexico</b>	<b>Total</b>
Assets at September 30, 2011	\$ 45,219	132,816	30	\$ 178,065
Assets at December 31, 2010	\$ 99,802	69,784	19	\$ 169,605

The United States assets presented above primarily represent amounts for the Haile Gold Mine located in South Carolina while general and administrative expenses in the United States relate primarily to certain members of senior management.

# Romarco Minerals Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2011 and 2010

(Unaudited, expressed in thousands of US dollars, unless otherwise stated)

## 14 Net Changes in Non-cash Working Capital

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Decrease in accounts receivable	\$ (38)	\$ (180)	\$ 153	\$ 112
Increase in prepaid expenses	56	21	(226)	(154)
Decrease in accounts payable and accrued liabilities	112	1,022	(2,303)	663
	<u>\$ 130</u>	<u>\$ 863</u>	<u>\$ (2,376)</u>	<u>\$ 621</u>

## 15 Commitments and Contingencies

The following is a summary of the Company's contractual obligations and commitments at September 30, 2011:

	Payments due by period				
	Total	Less than 1 year	1-3 years	4 – 5 years	Beyond 5 years
Operating leases	\$ 2,394	673	1,120	601	-
Equipment	40,488	6,826	33,662	-	-
Land contracts	2,800	2,800	-	-	-
Other contracts	1,424	249	1,175	-	-
Total	<u>\$ 47,106</u>	<u>10,548</u>	<u>35,957</u>	<u>601</u>	<u>-</u>

# Romarco Minerals Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2011 and 2010

(Unaudited, expressed in thousands of US dollars, unless otherwise stated)

## 16 IFRS Reconciliation

Reconciliation of statement of financial position and comprehensive loss as previously reported under Canadian GAAP to IFRS.

		<u>September 30, 2010</u>		
	Note	Canadian GAAP	Adj	IFRS
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents		\$ 142,384	-	\$ 142,384
Accounts receivable		242	-	242
Prepaid expenses		274	-	274
Equipment deposits		1,699	-	1,699
		<u>144,599</u>	<u>-</u>	<u>144,599</u>
Mineral property interests	(i)	77,839	(51,287)	26,552
Plant and equipment		4,024	-	4,024
Reclamation bonds		1,123	-	1,123
		<u>\$ 227,585</u>	<u>(51,287)</u>	<u>\$ 176,298</u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities		\$ 4,940	-	\$ 4,940
Asset retirement obligation	(v)	946	-	946
Derivative warrant liability	(ii)	-	43,156	43,156
		<u>5,886</u>	<u>43,156</u>	<u>49,042</u>
<b>Non-current liabilities</b>				
Asset retirement obligation	(v)	1,227	-	1,227
		<u>7,113</u>	<u>43,156</u>	<u>50,269</u>
<b>Shareholders' Equity</b>				
Share capital	(ii)	261,683	25,155	286,838
Broker warrants	(ii)	2,361	(2,361)	-
Stock options	(iii)	5,797	(373)	5,424
Contributed surplus		3,112	-	3,112
Accumulated other comprehensive loss	(iv)	(13)	13	-
Deficit	(vi)	(52,468)	(116,877)	(169,345)
		<u>220,472</u>	<u>(94,443)</u>	<u>126,029</u>
		<u>\$ 227,585</u>	<u>(51,287)</u>	<u>\$ 176,298</u>

# Romarco Minerals Inc.

Notes to Condensed Consolidated Interim Financial Statements

**For the three and nine months ended September 30, 2011 and 2010**

(Unaudited, expressed in thousands of US dollars, unless otherwise stated)

	Note	Three months ended September 30, 2010			Nine months ended September 30, 2010		
		Cdn GAAP	Adj	IFRS	Cdn GAAP	Adj	IFRS
<b>Exploration expenses</b>	(i)	-	8,862	8,862	-	23,920	23,920
<b>General and administrative</b>							
Accretion and depreciation	(v)	53	(15)	38	158	(46)	112
Office and other		262	-	262	840	-	840
Professional fees		440	-	440	928	-	928
Salaries and benefits		728	-	728	2,207	-	2,207
Shareholder relations and transfer agent		119	-	119	406	-	406
Stock-based compensation - stock options	(iii)	2,207	(202)	2,005	2,681	(185)	2,496
Stock-based compensation - stock appreciation rights		-	-	-	2,048	-	2,048
Travel		109	-	109	625	-	625
		<u>3,918</u>	<u>(217)</u>	<u>3,701</u>	<u>9,893</u>	<u>(231)</u>	<u>9,662</u>
<b>Loss before other income (expenses)</b>		(3,918)	(8,645)	(12,563)	(9,893)	(23,689)	(33,582)
<b>Other income (expenses)</b>							
Interest income		78	-	78	153	-	153
Finance expense	(v)	-	(15)	(15)	-	(46)	(46)
Foreign exchange gain		327	-	327	77	-	77
Loss on valuation of derivative warrant liability	(ii)	-	(14,501)	(14,501)	-	(14,519)	(14,519)
		<u>405</u>	<u>(14,516)</u>	<u>(14,111)</u>	<u>230</u>	<u>(14,565)</u>	<u>(14,335)</u>
<b>Net loss and comprehensive loss</b>		(3,513)	(23,161)	(26,674)	(9,663)	(38,254)	(47,917)
Deficit - beginning of year		(48,955)	(93,716)	(142,671)	(42,805)	(78,623)	(121,428)
Deficit - end of period		<u>(52,468)</u>	<u>(116,877)</u>	<u>(169,345)</u>	<u>(52,468)</u>	<u>(116,877)</u>	<u>(169,345)</u>

# Romarco Minerals Inc.

## Notes to Condensed Consolidated Interim Financial Statements

### For the three and nine months ended September 30, 2011 and 2010

(Unaudited, expressed in thousands of US dollars, unless otherwise stated)

#### Notes to Reconciliation

##### *i) Exploration expenses*

Under Canadian GAAP, the Company's policy was to capitalize all exploration, development and acquisition costs to Mineral Property Interests until such time as the Company begins commercial production or the property is sold, abandoned, allowed to lapse, or determined to be impaired. While this policy is permitted to be continued under IFRS, the Company evaluated its accounting policy for exploration and project expenses as part of its conversion to IFRS and elected to change its accounting policy in accordance with the IFRS framework for recognizing an asset.

The Company's new policy is to expense exploration and project costs, including costs incurred to determine technical and commercial viability and economic evaluations, until such time that the resources are classified as proven or probable ore reserves and the Company has decided to develop the project, subject to financing and permitting. Subsequent development costs are capitalized and regional exploration costs are expensed.

During the first quarter of 2011, the Company reported the results of its feasibility study at the Haile Gold Mine project. Subject to obtaining the necessary permits and financing, the Company plans to develop the project. For purposes of the new policy, all exploration and development costs incurred prior to January 1, 2011, have been expensed. The Mineral Property Interests balance as at September 30, 2010 and December 31, 2010 represents the original acquisition cost for the Haile property in 2007 and the cost of subsequent land purchases at Haile.

The restated Mineral Property Interests balance of \$26,552 at September 30, 2010 represents an adjustment of \$51,287 from the Canadian GAAP reported figure, with Haile accounting for \$48,843 of the reduction and \$2,444 at Pinos. The adjustment for the three month period ended September 30, 2010 amounted to \$8,978 due to the \$8,862 exploration expense recorded during this period with the \$116 difference representing the treatment of stock options under IFRS as compared to Canadian GAAP. The adjustment for the nine month period ended September 30, 2010 amounted to \$24,034 due to the \$23,920 exploration expense recorded during this period with the \$114 difference representing the treatment of stock options under IFRS as compared to Canadian GAAP.

##### *ii) Functional Currency and Warrants*

Under IFRS, the functional currency of each legal entity included in the consolidated financial statements must be determined separately in accordance with the indicators in IAS 21 – Foreign exchange, and should be measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The group's functional and presentation currency is the US dollar.

Based on the analysis performed, management concluded that the functional currency for each legal entity is the US dollar. Under IFRS, when warrants are denominated in a currency which is different than the

# Romarco Minerals Inc.

## Notes to Condensed Consolidated Interim Financial Statements

### For the three and nine months ended September 30, 2011 and 2010

---

(Unaudited, expressed in thousands of US dollars, unless otherwise stated)

functional currency of the legal entity in which they were issued, the warrants are accounted for as a derivative. As Romarco Minerals Inc. issued Canadian dollar warrants, the warrants are accounted for as a derivative and the outstanding warrants are recorded as a derivative warrant liability and are to be fair valued using Black-Scholes and translated into US dollars at the statement of financial position period foreign exchange rate.

The warrants outstanding at January 1, 2010 which related to the conversion of compensation options expiring March 3, 2011 were provided to underwriters in exchange for services provided for the March 3, 2009 equity offering and are known as broker warrants. These broker warrants are accounted for as a share-based payment under IFRS 2 with the original fair value being recognized as a share issue cost. The accounting treatment for these broker warrants is the same under both IFRS and Canadian GAAP. These broker warrants were fully converted from compensation options and exercised during the second quarter of 2010 which resulted in the nil balance as at September 30, 2010.

At each reporting period during 2010, for the warrants which are accounted for as a derivative warrant liability, the Company re-valued the Canadian dollar denominated warrant liability using Black-Scholes and translated into US dollars at the period end foreign exchange rate. The liability change between reporting periods for these outstanding warrants were recorded in the income statement. As warrants are exercised, immediately before exercise, the liability on these exercised warrants are re-measured and the valuation change is recorded into the income statement. Upon exercise, the re-measured warrant liability on these exercised warrants is eliminated and there is an offsetting entry to share capital.

The derivative warrant liability of \$43,156 at September 30, 2010 represented an increase of \$10,444 from the June 30, 2010 balance. The \$10,444 increase during the third quarter of 2010 relates to the \$14,501 loss on valuation recorded during the three-month period ended September 30, 2010 partially offset by a liability reduction of \$4,057 from the exercise of 2,460,000 warrants. The \$14,501 loss was due to a share price increase of C\$0.48 during the quarter and a 3% appreciation of the Canadian dollar.

The derivative warrant liability of \$43,156 at September 30, 2010 represented a decrease of \$11,603 from the January 1, 2010 balance of \$54,759. The \$11,603 reduction was primarily due to the exercise of warrants during the nine-month period ended September 30, 2010 partially offset by the loss on derivative warrants of \$14,519.

#### *iii) Stock Options*

An election was applied to stock options such that IFRS2 only applies to those stock options issued after November 7, 2002 and which remain unvested as at January 1, 2010. For the Company, this only applied to those tranches of stock options issued after July 1, 2008 and which remained unvested at January 1, 2010. Under Canadian GAAP, the Company expensed the full value of issued stock options over the vesting period and adjusted as stock options were forfeited. Under IFRS, the Company is required to

# Romarco Minerals Inc.

## Notes to Condensed Consolidated Interim Financial Statements

### For the three and nine months ended September 30, 2011 and 2010

---

(Unaudited, expressed in thousands of US dollars, unless otherwise stated)

estimate a forfeiture rate and adjust the expense as the stock options either vest or are forfeited. The estimated forfeiture rate for the 2010 and prior period stock option grants was 10%.

For the three month period ended September 30, 2010, total stock based compensation expense decreased by \$318, with \$202 of the decrease recorded to general and administrative expenses and \$116 was recorded to exploration expenses. For the nine-month period ended September 30, 2010, total stock based compensation expense decreased by \$299, which resulted in a cumulative reduction to stock option equity of \$373. Of the \$299 decrease, the amount of \$185 was recorded to general and administrative expenses and \$114 was recorded to exploration expenses.

iv) *Accumulated Other Comprehensive Loss*

In accordance with IFRS transitional provisions, the Company has elected to reset the cumulative adjustment account, which was reported under accumulated other comprehensive loss, to nil at the date of transition to IFRS. Accumulated other comprehensive loss has been decreased and deficit has been increased by \$13.

v) *Asset Retirement Obligation*

Under Canadian GAAP, asset retirement obligations are measured at fair value, incorporating market assumptions and discount rates based on the entity's credit-adjusted risk free interest rate. Estimate reductions to the liability are discounted using the same credit-adjusted risk free rate used upon initial recognition of the liability while changes in estimates that increase the liability are discounted using the current credit-adjusted risk free rate.

IFRS requires the asset reclamation obligations costs and obligations to be measured based on management's best estimate of future expenditures and adjustments to the liability are made in each period for changes in the timing or amount of cash flow, changes in the discount rate and the accretion expense. The estimated future cash flows are discounted at the period end credit-adjusted risk free rate and upward revisions in the liability are not tracked separately as is required under Canadian GAAP.

The impact of this change to the asset retirement obligation under IFRS was nil at September 30, 2010 and the December 31, 2010 year-end balance was reduced by \$260. Under IFRS, accretion expense is recorded as finance expense which represents a reclassification from accretion and depreciation to finance expense.

# Romarco Minerals Inc.

## Notes to Condensed Consolidated Interim Financial Statements For the three and nine months ended September 30, 2011 and 2010

(Unaudited, expressed in thousands of US dollars, unless otherwise stated)

### vi) Reconciliation of Deficit

The following reconciles deficit as at September 30, 2010 between Canadian GAAP and IFRS.

	<b>Note</b>	<b>Sept 30, 2010</b>
Deficit under Canadian GAAP		\$ (52,468)
Mineral property interests	(i)	(51,287)
Warrants	(ii)	(65,950)
Stock options	(iii)	373
Accumulated other comprehensive loss	(iv)	(13)
Total IFRS adjustments		<u>(116,877)</u>
Deficit under IFRS		<u>\$ (169,345)</u>

### vii) Reconciliation of Total Shareholders' Equity

The following reconciles total shareholders' equity as at September 30, 2010 between Canadian GAAP and IFRS.

	<b>Note</b>	<b>Sept 30, 2010</b>
Total Shareholders' Equity under Canadian GAAP		\$ 220,472
Mineral property interests	(i)	(51,287)
Warrants	(ii)	(43,156)
Total IFRS adjustments		<u>(94,443)</u>
Total Shareholders' Equity under IFRS		<u>\$ 126,029</u>

### b) Adjustments to the consolidated statement of cash flows

The transition from Canadian GAAP to IFRS had no significant impact on the Consolidated Statement of Cash Flows, except that under IFRS, exploration and development costs previously capitalized during 2010 are now expensed. This had the impact of reclassifying cash used in Investing Activities to Operating Activities in the consolidated cash flow statement. The reclassified amounts were \$6,560 and \$21,280 for the three and nine months ended September 30, 2010, respectively.

# **Romarco Minerals Inc.**

Notes to Condensed Consolidated Interim Financial Statements

**For the three and nine months ended September 30, 2011 and 2010**

---

(Unaudited, expressed in thousands of US dollars, unless otherwise stated)

## **17 Subsequent events**

### **Common share offering**

On October 19, 2011, the Company closed the previously announced bought deal for common shares, including the full exercise of the over-allotment option for aggregate gross proceeds of approximately C\$92.6 million and net proceeds of approximately C\$87.5 million. A syndicate of underwriters purchased an aggregate of 80,500,000 common shares of the Company, including 10,500,000 shares pursuant to the exercise of the over-allotment option, at a price of C\$1.15 per share.