



**ROMARCO MINERALS INC.**

# M D & A

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MANAGEMENT'S DISCUSSION AND ANALYSIS

- For the period ended September 30, 2011 -

**ROMARCO MINERALS INC.**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2011

**THIRD QUARTER HIGHLIGHTS**

**Highlights from the third quarter include** (all dollar amounts are expressed in US dollars unless otherwise indicated):

- Cash balance at September 30, 2011 was \$45 million.
  - On October 19, 2011, the Company announced the closing of a bought-deal financing for gross proceeds of C\$92.6 million. The Company's current cash position is approximately \$125 million.
- The US Army Corps of Engineers ("Corps") requested the Company complete an Environmental Impact Statement ("EIS") for its Haile Gold Mine project in South Carolina. The EIS is expected to add approximately 12 months to the project schedule proposed in the Company's feasibility study (dated February 10, 2011), primarily as a result of the extended technical review period and the public comment and review periods dictated by the EIS schedule. The Company will utilize the additional time to increase exploration drilling and further optimize the project.
- The Corps selected the dates for the first three milestones in the EIS process:
  - September 23, 2011 – filed the Notice of Intent to Prepare an EIS in the Federal Register.
  - October 27, 2011 – held the Public Scoping Meeting in Kershaw, South Carolina.
  - November 28, 2011 – the close of the public comment period following the Public Scoping Meeting.
- The Corps selected Cardno ENTRIX as the third-party contractor to complete the EIS for the Haile project.
- Exploration at Haile continued to demonstrate high-quality continuity of the mineralized system. Horseshoe, Snake and the mineralized area between these two deposits remain open to the south and at depth. Several widely spaced intercepts between Snake and South Pit remain open in multiple directions. Mustang remains open to the northeast and northwest at depth and Mill Zone is currently open along strike.
  - Returned 117 meters of 5.5 g/t gold from a newly designated mineralized zone, Mustang.
    - Mustang is positioned approximately 180 meters below the \$950 reserve pit and within the saddle between South Pit and Ledbetter.
  - Encountered 23 meters of 45.8 g/t at Horseshoe, the fourth best hole ever completed on the Haile property.
- Initiated regional exploration program at Bayberry and Hickory properties in South Carolina and North Carolina, respectively.
- Secured key equipment for Haile, including the mobile mine fleet, primary SAG and secondary Ball grinding mills.
- Reported \$3.9 million net loss for the three months ended September 30, 2011 and \$12.3 million for the nine months ended September 30, 2011.

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*The following Management's Discussion and Analysis ("MD&A") of Romarco Minerals Inc. and its subsidiaries ("Romarco", "we", "our" or the "Company") is intended to provide investors with a reasonable basis for assessing the financial performance of the Company as well as certain forward-looking statements relating to its potential future performance. This MD&A is prepared as of November 7, 2011 and should be read in conjunction with the unaudited interim consolidated financial statements and the related notes for the three and nine months ended September 30, 2011 and the audited consolidated financial statements for the year-ended December 31, 2010 and the related notes for the year then ended.*

*The unaudited condensed consolidated interim financial statements 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 has reported on this basis in these unaudited condensed interim consolidated financial statements. Comparative information included in the September 30, 2011 unaudited condensed interim consolidated financial statements and MD&A have been restated in accordance with IFRS. The audited annual financial statements for the year ended December 31, 2010 have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). In this document, the term Canadian GAAP refers to Canadian GAAP before the adoption of IFRS. All dollar amounts referred to in this MD&A are expressed in US dollars unless otherwise indicated.*

This MD&A contains certain forward – looking statements. Please see Cautionary Language to U.S. Investors, Risks and Uncertainties and Additional Risks on pages 18 – 22.

## **CORPORATE OVERVIEW**

Romarco Minerals Inc. is an exploration and development company engaged in the acquisition, exploration and development of precious metals mineral properties. The Company is formed under the laws of British Columbia with its head office in Toronto, Ontario.

The Company's primary asset is the Haile Gold Mine ("Haile") in Lancaster County, South Carolina, USA. The Company owns approximately 9,921 acres (4,014 hectares) of land in fee simple at September 30, 2011, including approximately 3,293 acres (1,333 hectares) for regional exploration. Further, the Company has a 100% leasehold interest in an additional 1,074 acres (435 hectares), of which approximately 610 acres (247 hectares) is targeted for regional exploration. The Company's interest in the fee simple properties includes surface, water and mineral rights with no associated royalties and is free of all claims and access restriction.

The Company is a reporting issuer in all of the provinces and territories of Canada except Québec and trades on the TSX under the symbol "R".

## **REVIEW OF PROJECTS**

### **Haile Gold Mine, South Carolina, USA**

The Haile Gold Mine is located in Lancaster County, South Carolina and is an approximate one hour drive north of Columbia, South Carolina and one and a half hour drive south of Charlotte, North Carolina. Geologically, Haile is situated in the Carolina Slate Belt, which also hosts the past-producing Brewer Gold Mine to the northeast and the past-producing Ridgeway Gold Mine to the southwest.

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***Business Overview***

On February 9, 2011, the Company announced the completion of an updated feasibility study for the Haile Gold Mine project. The feasibility study was compiled by M3 Engineering & Technology Corporation ("M3") with the participation and contribution of Independent Mining Consultants ("IMC") and AMEC Americas Limited ("AMEC"). Drill data for the feasibility study was as of September 30, 2010 and replaces the feasibility study announced on February 3, 2009. The feasibility study does not include Horseshoe, Snake Deep, Mustang and some portions of the Mill Zone, Small and Champion deposits. The National Instrument ("NI") 43-101 compliant Technical Report was filed on SEDAR ([www.sedar.com](http://www.sedar.com)) on February 22, 2011 and is available on the Company's website at [www.romarco.com](http://www.romarco.com).

During the fourth quarter of 2010 the Company submitted the State Mine Operating permit application to the State of South Carolina Department of Health and Environmental Control ("DHEC"), and on January 12, 2011, the current Federal 404 Wetlands permit application was submitted to the Corps. On July 1, 2011, the Corps advised the Company that an EIS would be required for the Federal 404 Wetlands permit. The EIS is expected to add approximately 12 months to the project schedule proposed in the Company's feasibility study (dated February 10, 2011), primarily as a result of the extended technical review period and the public comment and review periods dictated by the EIS schedule.

***Permitting***

The Federal 404 Wetlands permit is the only Federal permit Romarco requires for the Haile project. Other pending State permits include, but are not limited to, the State Mine Operating permit and the State 401 Water Quality Certification. The notice of intent to issue the Federal 404 Wetlands permit must occur prior to the State 401 Water Quality Certification permit and Mining permit being issued. For a list of other required permits please see NI 43-101 report prepared for the feasibility study.

During the third quarter, the Company held meetings with the Corps to launch the EIS. The Corps selected its project manager, established weekly communications, and developed a compact schedule for selecting an independent third-party contractor to prepare the EIS. On September 26, 2011, the Company announced that the Corps had selected the firm of Cardno ENTRIX to complete the EIS for the Haile project. Cardno ENTRIX are environmental and natural resource management consultants with extensive mine permitting experience as well as experience with the Corps Charleston District office.

In accordance with the National Environmental Policy Act ("NEPA"), on September 23, 2011 the Corps filed the Notice of Intent ("NOI") to prepare an EIS which was published in the Federal Register. The NOI informed the public that the Public Scoping Meeting will be held on October 27, 2011 in Kershaw, South Carolina and the Corps also issued a local public notice on September 27, 2011, to ensure all concerned individuals were notified of the meeting and provide additional information on the process.

The EIS process includes the following six primary stages, each involving a series of related activities, and all allowing for input from the public:

- 1) Notice of Intent (completed);
- 2) Scoping Period (completed with 30 day comment period);
- 3) Draft EIS (and public comment period);
- 4) Notice of Availability of Draft EIS;
- 5) Final EIS (with 30 day comment period); and
- 6) Record of Decision

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The scoping phase is an early and open process for determining the issues and alternatives to be addressed in the Draft EIS. The Public Scoping Meeting provides a venue for the public to provide oral and written comments to the Corps on the scope of the issues to be addressed in the Draft EIS. In addition, the Corps accepts written comments from the public for a period of up to 30 days following the Public Scoping Meeting, which in this case is November 28, 2011. Following the November 28, 2011 comment period, the EIS schedule will be developed.

The Corps will inform the public of the EIS process through public meetings, mailing lists and newsletters and the project website managed independently by Cardno ENTRIX at: [www.HaileGoldMineEIS.com](http://www.HaileGoldMineEIS.com).

***Exploration Activities***

The Company has completed 46,500 and 138,500 meters of drilling for the three and nine months ended September 30, 2011, respectively. The Company's exploration drilling program is on schedule and budget and the year-to-date 138,500 meters of drilling represents an increase of 78% over the same period in 2010. The Company is also currently focused on its five regional targets, of which two are located in North Carolina and three are located in South Carolina. During the third quarter, drilling on regional targets commenced and five holes were drilled in a North Carolina target (Hickory) and fourteen holes in a South Carolina regional target (Bayberry). Drilling on regional targets accounted for 5,900 metres of the three and nine month period figures noted above.

During the three month period ended September 30, 2011, Haile had 11 drill rigs in operation (five Company-owned) of which seven were core drill rigs (four Company-owned) and four reverse circulation ("RC") drill rigs (one Company-owned), as compared to a total of six rigs in operation during the same period in 2010.

The Company continued to make significant exploration and development progress in the third quarter of 2011. Infill drilling continues to demonstrate high-quality continuity of the Haile mineralization system. Horseshoe, Snake, and the mineralized area between these two deposits remain open to the south and at depth. Several widely spaced intercepts between Snake and South Pit remain open in multiple directions. Mustang remains open to the northeast and northwest at depth and Mill Zone is currently open along strike.

On July 21, 2011, the Company announced positive drill results in a new designated zone called Mustang. The Mustang zone demonstrates that the grade and continuity between South Pit and Ledbetter is increasing and may lead to the merging of the designated pits within this area. Mustang is also open at depth and may have potential as an underground target. On July 25, 2011, the Company announced a drill result at Horseshoe which is the fourth best drill hole ever completed on the Haile property. This intercept remains open to the southwest and additional drilling is planned to test this area.

The drilling samples are assayed by AHK Geochem (formerly Alaska Assay Labs) of Fairbanks, Alaska. The drill cuttings from the reverse circulation drilling are picked up at site and taken to AHK Geochem's sample prep facility in Spartanburg, South Carolina. Once prepped, the split pulp material is shipped to Fairbanks, Alaska for analysis. Duplicate sample checks are performed by ALS Chemex in Reno, Nevada. Control samples are submitted with the drill samples. The control samples consist of blanks and third party standards. Standards with variances greater than 20 percent and positive blanks warrant that the batch be re-assayed.

***Development Activities***

The analytical and metallurgical lab ("Kershaw Minerals Laboratory" or "KML") was commissioned and commenced operations for internal purposes in August. KML will facilitate improved planning of future drill holes and add value to the exploration program by reducing the turnaround time on assay data. Sample lots submitted to KML will include the same number of duplicates, blanks and standards as sample lots submitted to third party labs

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currently used. Internally, KML will process these lots using industry accepted Quality Assurance / Quality Control protocol consisting of duplicates, blanks and standards to ensure lab results are accurate and reproducible. These are the same procedures used by third party labs. All assays reported to the public will be completed by third party, independent assay laboratories as has been conducted in the past. The laboratory started the 17025 accreditation process in September (approximately 18 months to complete) and passed the first of three certification tests. This accreditation process involves development, documentation and approval of control systems and proficiency testing of round-robin samples issued by the Canada Centre for Mineral and Energy Technology ("CANMET"). The lab will be accredited by the Standards Council of Canada.

During the third quarter of 2011 the Company continued advancing Haile Gold Mine project design, engineering and construction with a focus on ensuring high standards for safety, quality and environmental compliance. M3, the organization selected for engineering, procurement and construction management ("EPCM") services for the project, continued basic engineering and significantly advanced design and detailed engineering for crushing, grinding and processing equipment, as well as for the ancillary buildings. AMEC significantly advanced design and engineering for the tailings and overburden storage facilities.

During the quarter ended September 30, 2011, the Company secured delivery of the majority of the long-lead time mobile mine equipment fleet and the primary and secondary grinding mills for the process plant.

The local Caterpillar dealer will provide delivery of the Caterpillar equipment that was previously targeted for delivery in late 2011 or early 2012 on a revised schedule aligned with the expected start-up of construction in early 2013. The Company will incur monthly expenses of approximately \$0.2 million for the local Caterpillar dealer to maintain the inventory. This agreement locks in the previously agreed pricing, ensures timely delivery of new equipment with tires, and allows the Company to defer the majority of the payment until the earlier of March 31, 2013, or when the equipment is delivered to Haile.

The Company selected the supplier for, and ordered, the primary SAG and secondary Ball grinding mills for delivery on a schedule aligned with the expected start-up of construction in early 2013. Progress payments are based on milestones with the majority of the payment due upon shipment in late 2012.

The Company prepared a preliminary cost update for the Haile Gold Mine project during the third quarter concurrent with completing approximately 25 percent of the engineering. The cost of the project is currently estimated at approximately \$295 million, including engineering and other project costs of approximately \$7 million having been spent to date. The \$295 million estimate includes approximately \$27 million for contingencies. Additional costs for wetlands mitigation are approximately \$26 million, including \$3 million previously expended for land with wetlands mitigation potential. The approximate \$20 million increase in project costs as compared with the feasibility study is primarily associated with the delay in starting construction (approximately \$9 million includes longer holding costs and inflation) and the balance is primarily attributable to changes and refinements in design. The project and engineering team is continuing to work through opportunities to mitigate the increases identified as well as manage or offset possible future increases in the cost estimate.

#### ***Land Purchases***

In an effort to conserve cash during the third quarter, the Company deferred its land acquisitions and did not acquire any land during the three month period September 30, 2011 or enter into any lease agreements for land.

During the nine-month period ended September 30, 2011, the Company purchased approximately 3,544 acres (1,434 hectares) of land at a net total cost of \$25.8 million. Of the \$25.8 million, \$11.8 million was spent on 919 acres (372 hectares) related to the Haile project, \$11.1 million was spent on 1,860 acres (752 hectares) for four regional

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exploration targets in North and South Carolina and \$2.9 million on 765 acres (310 hectares) for land to be used for other purposes. The Company also entered into a lease agreement for regional exploration in North Carolina on 610 acres (247 hectares).

**Pinos Gold District, Mexico**

In late 2010 the Company began negotiations to terminate its exploration agreement with the owner of the Pinos Gold District, Mexico property. The termination and release was executed in May 2011.

**Corporate Activities**

As a result of the additional time needed to complete the EIS, the Company extended its agreement with its Financial Adviser, Barclays Capital through June 2013, with the aim of securing project debt financing for a significant portion of the funds to construct and commission Haile's future mining and processing operations.

On September 26, 2011 the Company announced that it had entered into an agreement with a syndicate of underwriters led by National Bank Financial Inc. and BMO Capital Markets (the "Underwriters"), under which the Underwriters agreed to buy from the Company, on a bought deal basis, 70,000,000 common shares at an issue price of C\$1.15 per common share for gross proceeds of C\$80.5 million (the "Offering"). On October 17, 2011, the Underwriters exercised the over-allotment option to acquire an additional 10,500,000 common shares of the Company at the issue price applicable to the Offering, bringing gross proceeds to C\$92.6 million. On October 19, 2011, the Company closed the Offering for net proceeds of approximately C\$87.5 million

The net proceeds from the Offering will be used to fund the continued development of the Haile gold mine project including exploration and condemnation drilling and related optimization and metallurgical work, project development including engineering and select equipment purchases, permitting including wetlands mitigation, and completing the EIS, and for working capital and general corporate purposes.

**OUTLOOK**

**Haile Development**

As noted earlier, completing an EIS in order to obtain the Federal 404 Permit from the Corps is expected to add approximately 12 months to the schedule proposed in the Company's feasibility study. The estimated funding required for the project is approximately \$325 to \$350 million, including initial capital, wetlands mitigation, reclamation bonding, working capital and other start-up costs. While the EIS is being completed, the Company will take advantage of the additional time to increase its focus on exploration and development drilling, continue metallurgical test work at the Company-owned laboratory with the goal of improving upon current gold recoveries (83.7%), and optimize design and mine planning through additional trade-off studies. The Company will also continue to define underground targets and conduct economic studies on potential underground mining. In addition to the cash on hand (approximately \$125 million at November 7, 2011), the Company will be required to raise funds for the project construction and development, and to support its exploration, drilling and land activities beyond 2012.

**Exploration**

Exploration will continue to focus on step-out drilling at Haile in order to identify additional resources. With the additional time in the current development schedule the Company will postpone the remaining condemnation

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drilling until 2012. The drilling forecast for 2011 is slightly above the budgeted 172,000 meters of exploration and development drilling.

The Company will continue to conduct exploration drilling on its regional targets. Approximately 19,000 meters of the fourth quarter exploration and development drilling program will be directed to regional targets. The regional targets have been drilled in the past, most recently in the 1980s and 1990s, with positive results. The planned programs are intended to confirm the historical drilling and test for strike and dip extensions of the known mineralization. The exploration drill plan is as follows:

- 1) Step-out drilling to expand the overall mineralized footprint at Haile.
- 2) Expand the exploration program to all five regional exploration targets (three in South Carolina and two in North Carolina).
- 3) Infill drilling focused within the permit area on targets with highest likelihood of converting existing resources into reserves.

The Company is actively pursuing strategic property on trend with Haile as well as land positions in regional targets with favourable geology and, in some cases, historical drilling or mining information. Accordingly, the Company expects it will be conducting exploration drilling for several years, throughout the permitting and construction phases and into the production phase at Haile.

#### **Economic Studies**

The Company has made good progress to complete a NI 43-101 compliant Preliminary Economic Assessment ("PEA") of underground mineralization at Haile based on its drill data at Haile through July 18, 2011. The PEA is studying the trade-offs and boundaries of underground and open-pit methods at Haile, developing underground design criteria, performing stope designs, evaluating underground access alternatives, determining mining inventories, developing a preliminary mining schedule, calculating an underground resource, identifying underground infrastructure requirements, and constructing a financial model. Using these studies, the Company expects to determine the optimum resource extraction plans which may be a combination of open pit and underground mining. The Company expects the NI 43-101 compliant underground resource to be completed by the end of 2011, with the associated technical report to be completed in the first quarter of 2012.

The Company is planning to complete an updated technical report of the open pit resource based on its drill data at Haile through November 15, 2011. The Company anticipates publishing the updated NI 43-101 technical report in the first quarter of 2012.

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**RESULTS OF OPERATIONS**

**Summary of Quarterly Results**

For the quarters ended:

	IFRS				Canadian GAAP			
	Sept 30, 2011	June 30, 2011	Mar 31, 2011	Dec 31, 2010	Sept 30, 2010	June 30, 2010	Mar 31, 2010	Dec 31, 2009
(\$000s)								
Interest income	51	30	72	80	78	67	8	27
Exploration expenses	(483)	(360)	(153)	(11,200)	(8,862)	(7,358)	(7,700)	-
Gain (loss) on derivative warrant liability	-	-	(2,086)	(4,743)	(14,501)	7,290	(7,308)	-
General and administrative	(2,701)	(3,329)	(2,824)	(2,885)	(3,701)	(2,555)	(3,406)	(2,976)
Other income (loss)	(802)	64	237	424	312	(499)	218	(91)
Net loss	(3,935)	(3,595)	(4,754)	(18,324)	(26,674)	(3,055)	(18,188)	(3,040)
Loss per share								
Basic and diluted	(0.01)	(0.01)	(0.01)	(0.04)	(0.06)	(0.01)	(0.05)	(0.01)
Total assets	178,065	180,150	182,165	169,605	176,298	180,769	58,808	90,688
Total liabilities	9,315	8,958	9,547	38,091	50,269	37,779	50,589	7,097

The most recent seven quarters have been reported under IFRS while the 2009 fourth quarter results are reported under Canadian GAAP. The Company's most significant income statement differences reported under IFRS as compared to Canadian GAAP are i) treatment of warrants as a derivative warrant liability under IFRS compared to equity under Canadian GAAP and ii) exploration expenses were capitalized under Canadian GAAP, whereas under IFRS exploration costs are expensed until an economic feasibility study is produced and the decision to develop the property is made.

During the first quarter of 2011, the Company reported the results of its feasibility study at the Haile Gold Mine project and subject to permits and financing will develop the project. Accordingly, the Company began capitalizing the exploration and development costs beginning January 1, 2011. All exploration expenses incurred prior to 2011 were expensed and only land and fixed asset purchases were capitalized.

The Company's warrants were denominated in Canadian dollars and the functional currency of the legal entity in which they were issued is the United States ("US") dollar. Under IFRS, when the currency of the warrants is different than the functional currency of the legal entity in which they were issued, the warrants are accounted for as a derivative warrant liability. The issued Canadian dollar warrants are accounted for as a derivative liability, which are fair valued each reporting period under Black-Scholes. The total gain (loss) on the derivative warrant liability above represents the change in valuation and has a share valuation and foreign exchange component to it. The \$14.5 million loss on the derivative warrant liability for the three-month period ended September 30, 2010 was primarily due to an increase of the Company's share price from C\$1.77 at June 30, 2010 to C\$2.25 at September 30, 2010, as well as the strengthening of the Canadian dollar by approximately 3% during this three month period.

Excluding the impact of total stock-based compensation expense, general and administrative expenses in 2010 and 2011 have been relatively consistent from quarter to quarter and have averaged approximately \$1.8 million per quarter over this period.

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The significantly higher total liability figures during 2010 are primarily due to the derivative liability on outstanding warrants.

**Three months ended September 30, 2011 compared with 2010**

The Company reported a net loss of \$3.9 million (\$0.01 loss per share) for the three-month period ended September 30, 2011 as compared to a net loss of \$26.7 million (\$0.06 loss per share) during the same comparable period in 2010. The \$22.8 million reduction in net loss from the prior year is primarily due to the \$14.5 million loss on derivative warrant liabilities recorded in 2010 compared to \$nil in 2011, reduced exploration expenses of \$8.4 million, reduced general and administrative expenses of \$1.0 million partially offset by a \$1.1 million expense increase in foreign exchange.

The \$0.5 million of exploration costs reported during the third quarter is primarily due to costs associated with regional exploration drilling in North and South Carolina and are \$8.4 million lower than exploration expenses in the same period in 2010. As noted earlier, in accordance with the Company's new accounting policy implemented with the adoption of IFRS, the Company began capitalizing exploration and development costs at Haile beginning January 1, 2011. All exploration expenses incurred prior to 2011 were expensed.

For the three-month period ended September 30, 2011, the Company recognized \$nil on the revaluation of the warrants, as all outstanding warrants were redeemed on March 3, 2011, as compared to a loss of \$14.5 million for the same period in 2010. The 2010 loss was primarily due to a 27% appreciation in the share price between June 30, 2010 and September 30, 2010 and a 3% strengthening of the Canadian dollar against the US dollar during the same three-month period.

General and administrative expenses were \$2.7 million during the three-month period ended September 30, 2011 as compared to \$3.7 million during the same period in 2010, for a decrease of \$1.0 million. The reduced expenses were primarily due to lower non-cash stock-based compensation expense. As calculated using Black-Scholes, non-cash stock-based compensation expense amounted to \$1.0 million in 2011 compared to \$2.0 million in 2010, which is primarily due to timing as the 2011 annual stock option grant was made during the month of June while the 2010 annual stock option grant was made during the month of July. These annual stock option grants were both made at the Company's Annual General and Special Meeting. The Company did not issue any stock options during the three-month period ended September 30, 2011 while it issued 7,582,000 stock options during the same comparable period in 2010.

For the three-month period ended September 30, 2011, foreign exchange loss amounted to \$0.8 million as compared to a \$0.3 million gain in 2010. The Canadian dollar depreciated by approximately 8% against the US dollar during the three-month period ended September 30, 2011, while it appreciated by approximately 3% during the same period in 2010.

**Nine months ended September 30, 2011 compared with 2010**

The Company reported a net loss of \$12.3 million (\$0.02 loss per share) for the nine-month period ended September 30, 2011 as compared to a net loss of \$47.9 million (\$0.11 loss per share) during the same comparable period in 2010. The \$35.6 million reduction in net loss is primarily due to lower exploration expenses of \$22.9 million, reduced loss on derivative warrant liabilities of \$12.4 million, lower general and administrative expenses of \$0.8 million partially offset by a \$0.4 million expense increase in foreign exchange.

The \$1.0 million of exploration costs recorded during the nine-month period ended September 30, 2011 is primarily due to costs associated with regional exploration drilling in North and South Carolina (\$0.8 million) and \$0.2

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million of Pinos wind-up costs and is \$22.9 million lower than exploration expenses in the same period in 2010. As noted earlier, the Company began capitalizing the exploration and development costs at Haile beginning January 1, 2011. All exploration expenses incurred prior to 2011 were expensed.

For the nine-month period ended September 30, 2011, the Company recognized a loss of \$2.1 million on revaluation of the warrants as compared to a loss of \$14.5 million during the same period in 2010. The 2011 loss of \$2.1 million was primarily due to the share price increase between January 1, 2011 and March 3, 2011 when the outstanding warrants at December 31, 2010 were fully redeemed and due to foreign exchange as the Canadian dollar strengthened by approximately 2% against the US dollar during this same period. The 2010 loss of \$14.5 million was primarily due to an appreciation in the share price between December 31, 2009 and September 30, 2010 and a strengthening of the Canadian dollar against the US dollar during the same nine-month period.

General and administrative expenses were \$8.9 million during the nine-month period ended September 30, 2011 as compared to \$9.7 million during the same period in 2010, for a decrease of \$0.8 million or 8%. The \$0.8 million expense reduction was primarily due to lower total stock-based compensation expense of \$1.4 million, partially offset by higher salaries and benefits of \$0.5 million. The reduced total stock-based compensation expense of \$1.4 million is primarily due to \$nil cash-based stock based compensation expense in 2011 compared to \$2.0 million in 2010 partially offset by higher non-cash stock-based compensation expense of \$0.6 million. The 2010 cash-based stock based compensation expense of \$2.0 million related to the Stock Appreciation Rights plan introduced in January 2010, which vested on June 9, 2010.

The \$0.4 million foreign exchange loss recorded during the nine-month period ended September 30, 2011 is primarily due to the Canadian dollar having depreciated by approximately 5% against the US dollar.

**CASH FLOWS, LIQUIDITY AND CAPITAL RESOURCES**

<b>Sources and Use of Cash (\$000s)</b>	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30</b>		<b>September 30</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Cash used in operations prior to changes in working capital	\$ (2,086)	\$ (9,072)	\$ (6,164)	\$ (28,898)
<u>Net changes in non-cash working capital</u>	<u>130</u>	<u>863</u>	<u>(2,376)</u>	<u>621</u>
Cash used in operating activities	(1,956)	(8,209)	(8,540)	(28,277)
Cash used in investing activities	(15,878)	(10,365)	(67,511)	(13,322)
Cash provided from financing activities	-	2,574	11,771	142,543
<u>Effect of foreign exchange on cash and cash equivalents</u>	<u>(766)</u>	<u>337</u>	<u>(657)</u>	<u>(23)</u>
<u>Increase (decrease) in cash and cash equivalents</u>	<u>\$ (18,600)</u>	<u>\$ (15,663)</u>	<u>\$ (64,937)</u>	<u>\$ 100,921</u>

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At September 30, 2011, cash and cash equivalents amounted to \$44.8 million which decreased by \$18.6 million during the quarter ended September 30, 2011 as compared to a decrease of \$15.7 million during the same period in 2010. Cash and cash equivalents decreased by \$64.9 million during the nine-month period ended September 30, 2011 as compared to an increase of \$100.9 million during the same period in 2010.

**Financing activities**

The Company's sole source of funding has been the issuance of equity securities for cash. Romarco has not generated any revenue from its current operations and does not expect to generate any such revenue in the next twelve-month period.

The net cash flows from financing activities amounted to \$nil during the three-month period ended September 30, 2011 as compared to \$2.6 million during the same period in 2010. The 2010 proceeds were due to the exercise of warrants and broker warrants (\$1.4 million) and the exercise of broker compensation and employee stock options (\$1.2 million).

The net cash flows from financing activities amounted to \$11.8 million during the nine-month period ended September 30, 2011 as compared to \$142.5 million during the same period in 2010. The 2011 proceeds were due to the exercise of warrants (\$11.1 million) and employee stock options (\$0.7 million) while the 2010 proceeds were primarily due to a bought deal common share public offering (\$130.2 million), exercise of warrants and broker warrants (\$7.9 million) and broker compensation and employee stock options (\$4.4 million).

**Operating and investing activities**

During the first quarter of 2011, the Company reported the results of its feasibility study at the Haile Gold Mine project and subject to permits and financing will develop the project. Under the new policy for mineral property interests, all exploration costs incurred prior to January 1, 2011, have been expensed while development costs in 2011 are capitalized. Therefore cash used in the 2010 exploration program is included in cash used from operating activities while the cash expenditures to develop the mine during 2011 are reflected in cash flows from investing activities. To improve comparability, the analysis will combine the two cash flows.

During the three months ended September 30, 2011, cash used in operating activities and investing activities amounted to \$17.8 million as compared to \$18.6 million during the same period in 2010. The \$0.8 million reduction is primarily due to reduced land purchases of \$8.4 million, partially offset by increased capital asset and equipment deposit payments of \$5.3 million (\$7.4 million in 2011 as compared to \$2.1 million in 2010) and to the increased drilling program, permitting activities and mine project development costs at Haile.

During the nine months ended September 30, 2011, cash used in operating activities and investing activities amounted to \$76.1 million as compared to \$41.6 million during the same period in 2010. The \$34.5 million increase in use of cash is primarily due to increased land purchases of \$14.9 million, increased capital asset and deposit payments of \$11.3 million and to the increased drilling program, permitting activities and mine project development costs at Haile.

**Liquidity and capital resources**

During the three-month period ended September 30, 2011, the Company generated \$nil from financing activities, which is the only present source of possible cash flow.

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At September 30, 2011, the Company's net working capital (current assets minus current liabilities) was \$38.5 million (December 31, 2010 - \$74.3 million). Excluding the non-cash derivative warrant liability of \$31.1 million, net working capital at December 31, 2010 would have amounted to \$105.4 million. At September 30, 2011, the Company had cash and cash equivalents totalling \$44.8 million compared to \$109.8 million at December 31, 2010. Cash and cash equivalents are primarily held in major Canadian chartered banks and consist of short-term interest bearing deposits with maturity dates of three months or less at acquisition.

As noted above under Corporate Activities and below under Subsequent Events, on October 19, 2011, the Company closed a bought deal common share public offering, 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. The Canadian dollar proceeds received at closing were converted into US\$.

The Company will still be required to raise funds in the future and the net proceeds from any future equity offerings and/or debt arrangements will be used, together with the Company's cash resources, to fund the Haile Gold Mine project, land acquisitions, drilling program, working capital and general corporate objectives. At November 7, 2011, the Company had cash and cash equivalents totalling approximately \$125 million.

**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 \$1.4 million (2010 - \$1.3 million) and \$4.3 million (2010 - \$4.4 million) for the three and nine months ended September 30, 2011, respectively.

**CONTRACTUAL OBLIGATIONS AND COMMITMENTS**

**Commitments**

The Company has contractual obligations pursuant to various exploration and corporate agreements as follows:

	Total	Payments due by period			Beyond 5 years
		Less than 1 year	1 - 3 years	4 - 5 years	
(\$000s)					
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	\$ 47,106	10,548	35,957	601	-

**OFF BALANCE SHEET ARRANGEMENTS**

The Company has not entered into any off balance sheet arrangements.

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**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.

**OUTSTANDING SHARE DATA**

At November 7, 2011, the Company had the following outstanding securities:

- 583,779,275 common shares issued and outstanding; and
- 17,383,000 stock options to purchase Common Shares at a weighted average exercise price of C\$1.41, of which, 12,315,750 options are vested and exercisable. The expiry dates range from February 8, 2012 through to June 20, 2016.

**SIGNIFICANT ACCOUNTING POLICIES**

All of the financial information presented herein is expressed in US dollars, unless otherwise indicated.

**CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The Company considers the estimates concerning mineral properties and exploration and evaluation expenditures, stock-based compensation, warrants and asset retirement obligations to be significant.

- **Mineral Property Interests and Exploration and Evaluation Expenditures**

The Company explores and develops its resource properties. Acquisition costs for land and mineral rights and costs to acquire tangible assets are capitalized. Exploration and project development costs, including costs incurred to determine technical and commercial viability and economic evaluations, are expensed in the period incurred until such time that the reserves are classified as proven or probable ore reserves and the Company has decided to develop the project. Option and lease payments prior to an acquisition decision are expensed. Subsequent development costs of the project will be capitalized and regional exploration costs will continue to be expensed. Once the mine is in production, capitalized development costs will be amortized on a units-of-production basis, based on proven or probable reserves. There may be instances where judgement will be necessary to differentiate between exploration and development costs and the accounting treatment.

- **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.

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- **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.

- **Asset Retirement Obligation (ARO)**

Future obligations for an asset retirement obligation, including a provision for statutory, contractual, constructive or legal obligations associated with decommissioning of operations and reclamation costs arising when environmental disturbance is caused by the exploration or development of mineral properties, plant and equipment. Provisions for site closure and reclamation are recognized in the period in which the obligation is incurred or acquired and recorded as a liability based on estimated future cash flows discounted at a credit adjusted risk free rate. The liability is adjusted at each reporting period for changes to factors including the expected amount of cash flows required to discharge the liability, the timing of such cash flows and the credit-adjusted risk-free discount rate.

The liability is accreted to full value over the obligation period through periodic charges to earnings and is recorded to finance expense in the statement of comprehensive loss.

Assuming that all other variables remain constant, a one percentage point change in the discount rate would result in a liability change of approximately \$0.1 million. 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 \$0.1 million.

## **CONVERSION TO IFRS**

In 2010, the CICA Handbook was revised to incorporate IFRS issued by the IASB, and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. During 2010, the Company provided updates in the quarterly MD&A's regarding the Company's progress on the conversion from Canadian GAAP to 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 company's interim consolidated financial statements for the periods ended June 30, 2011 and March 31, 2011. Subject to certain selected transition elections, the Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at January 1, 2010 and throughout the current and 2010 comparative periods, as if these policies had always been in effect.

As a result of the conversion to IFRS, significant adjustments have been made to the opening January 1, 2010 balance sheet and material adjustments were made to the 2010 year-end audited balance sheet and comprehensive statement of loss. Note 16 in the consolidated interim financial statements for the three-month period ended March 31, 2011 explains the adjustments in restating its Canadian GAAP consolidated statement of financial position as at January 1, 2010 and its audited Canadian GAAP financial statements for the year ended December 31, 2010. For the

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year ended December 31, 2010, total assets decreased by \$59.8 million, total liabilities increased by \$30.8 million and shareholders' equity was reduced by \$90.6 million.

**Reconciliations as previously reported under Canadian GAAP to IFRS**

**Shareholders' equity (\$000s)**

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

**Deficit (\$000s)**

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

**Loss and comprehensive loss (\$000s)**

	<b>Three months ended Sept 30, 2010</b>	<b>Nine months ended Sept 30, 2010</b>
Loss and Comprehensive Loss under Canadian GAAP	\$ (3,513)	\$ (9,663)
<b>Exploration expenses</b>		
Mineral property interests	(8,978)	(24,034)
Stock options	116	114
<b>Total exploration expenses</b>	(8,862)	(23,920)

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**General and administrative**

Stock options	202	185
<b>Loss on valuation of derivative warrant liability</b>	<u>(14,501)</u>	<u>(14,519)</u>
Total IFRS adjustments	<u>(23,161)</u>	<u>(38,254)</u>
Loss and Comprehensive Loss under IFRS	<u>\$ (26,674)</u>	<u>\$ (47,917)</u>

**Mineral property interests**

The Company's previous policy under Canadian GAAP of capitalizing exploration expenses is permitted to be continued under IFRS; however, as part of the IFRS conversion, 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 and probable ore reserves and the Company has decided to develop the project. Subsequent development costs of the project will be capitalized and regional exploration costs will continue to be expensed.

During the first quarter of 2011, the Company reported the results of its feasibility study at the Haile Gold Mine project and subject to permits and financing will develop the project. For purposes of the new policy, all exploration costs incurred prior to January 1, 2011, have been expensed. Under the new accounting policy, the December 31, 2010 Mineral Property Interests balance only includes acquisition costs for land and mineral rights relating to the Haile project.

**Stock options**

The Company selected the exemption election such that IFRS 2 only applied to those employee stock options which were issued after November 7, 2002 and were unvested at January 1, 2010. With the Company's vesting policy, IFRS 2 only applied to those tranches of stock options issued after July 1, 2008 and which remained unvested at January 1, 2010. On transition to IFRS, management was required to estimate the forfeiture percentage at the grant date for the outstanding share based payments and record the revised accounts against the stock options equity account and deficit. Under Canadian GAAP, the Company was not required to estimate a forfeiture rate.

**Warrants**

As noted earlier, the Company's warrants were denominated in Canadian dollars and the functional currency of the legal entity in which they were issued was the US dollar. Under IFRS, when the currency of the warrants is different than the functional currency of the legal entity in which they were issued, the warrants are accounted for as a derivative warrant liability. The issued Canadian dollar warrants are accounted for as a derivative warrant liability which are measured at fair value each reporting period under Black-Scholes.

The Company had warrants which were converted from broker compensation options that were issued to underwriters as a cost of the March 3, 2009 equity offering ("broker warrants"). As a result, these broker warrants were not recorded as a derivative liability and were accounted for under IFRS 2 as they were under Canadian GAAP. These broker warrants were fully converted from compensation options and exercised during the second quarter of 2010 which resulted in \$nil balance at September 30, 2010.

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At each reporting period during 2010, the Company re-valued the Canadian dollar denominated derivative 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 through earnings. As warrants are exercised, immediately before their exercise, the liability on these warrants are re-measured and the valuation change is recorded in the income statement. Upon exercise, the re-measured warrant liability on these warrants were reversed to \$nil and an offsetting entry was recorded to share capital.

**Asset retirement obligation**

The most significant difference for the Company in calculating the asset retirement obligation under IFRS as compared to Canadian GAAP is when there are upward adjustments to the undiscounted liability. Under Canadian GAAP, increases in the liability are separately identified and discounted using the credit-adjusted risk free rate in effect at the time of adjustment. Based on the Company's 2010 asset retirement liability estimates, the changeover had no impact on the asset retirement obligation until the 2010 year-end balance. The impact on converting to IFRS was to reduce the December 31, 2010 balance by \$0.3 million.

**FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

The Company's financial instruments primarily consist of cash and cash equivalents (classified as loans and receivables), accounts receivable (classified as loans and receivables), reclamation bonds (classified as loans and receivables), accounts payable and accrued liabilities (classified as other financial liabilities) and derivative warrant liability (classified as held for trading). The fair values of these financial instruments approximate their carrying values. The Company has not used any hedging or any other financial derivatives.

**INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS**

Management, including the President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), is responsible for designing, establishing, and maintaining a system of internal controls over financial reporting ("ICFR") to provide reasonable assurance that the all information prepared by the Company for external purposes is reliable and timely. Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS.

The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately reflect the transactions of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's Financial Statements. Due to its inherent limitations, internal control over financial reporting and disclosure may not prevent or detect all misstatements.

The CEO and CFO have evaluated whether there were changes to the ICFR during the three and nine months ended September 30, 2011 that have materially affected, or are reasonably likely to materially affect, the ICFR. The conversion to IFRS from Canadian GAAP impacts the way we present our financial results. We have evaluated the impact of the conversion on our accounting and financial reporting systems to enable the reporting of historical Canadian GAAP information related to our initial IFRS adoption and for future periods to be reported under IFRS. Our internal and disclosure control processes have not required significant modification as a result of our adoption to

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IFRS. As a result, no such significant changes were identified through their evaluation.

There have been no material changes in the Company's internal control over financial reporting during the three-month period ended September 30, 2011 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

**CAUTIONARY NOTE TO U.S. INVESTORS CONCERNING MINERAL RESERVES AND RESOURCES**

Canadian standards, including NI 43-101, differ significantly from the requirements of the United States Securities and Exchange Commission ("SEC"), and mineral resource and reserve information contained herein may not be comparable to the similar information disclosed by U.S. companies. In particular, and without limiting the generality of the foregoing, the term "resource" does not equate the term "reserves". Under U.S. standards, mineralization may not be classified as a "reserve, unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. The SEC's disclosure standards normally do not permit the inclusion of information concerning "measured mineral resources", "indicated mineral resources" or "inferred mineral resources" or other descriptions of the amount of mineralization in mineral deposits

that do not constitute "reserves" by U.S. standards in documents filed with the SEC. U.S. investors should also understand that "inferred mineral resources" have a great amount of uncertainty as to their existence and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an "inferred mineral resource" will ever be upgraded to a higher category. Under Canadian rules, estimated "inferred mineral resources" may not form the basis of feasibility or pre-feasibility studies except in rare cases. Investors are cautioned not to assume that all or any part of "inferred mineral resource" exists or is economically or legally mineable. Disclosure of "contained ounces" in a resource is permitted disclosure under Canadian regulation; however, the SEC normally only permits issuers to report mineralization that does not constitute "reserves" by SEC standards as in-place tonnage and grade without reference to unit measures. The requirements of NI 43-101 for identification of "reserves" are also not the same as those of the SEC, and reserves reported by Romarco in compliance with NI 43-101 may not qualify as "reserves" under SEC standards. Accordingly, information concerning mineral deposits set forth herein may not be comparable with information made public by companies that report in accordance with U.S. standards.

**RISKS AND UNCERTAINTIES**

**Financial Capability and Additional Financing**

The Company has limited financial resources and has no source of operating income. The development and exploration of Romarco's properties will require additional financing. Failure to obtain sufficient and timely financing may result in delaying or indefinitely postponing exploration, development or production on any or all of Romarco's properties. If there is a delay in receipt of any required permits, additional financing will be required to fund operations pending receipt of such permits. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to Romarco. If Romarco obtains debt financing, it will be exposed to the risk of leverage and its operations could become subject to restrictive loan and lease covenants and undertakings. If Romarco obtains equity financing, existing shareholders may suffer dilution. There can be no assurance that Romarco would be successful in overcoming these risks or any other problems encountered in connection with such financings.

**Exploration Risk**

Mineral exploration and development involve a high degree of risk and few projects are ultimately developed into

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producing mines. There is no assurance that the Company's future exploration and development activities will result in the definition of a body of commercial ore. Whether an ore body will be commercially viable depends on a number of factors including the particular attributes of the deposit such as size, grade and proximity to infrastructure, as well as mineral prices and government regulations, including environmental regulations.

**Resource Estimates**

The mineral resource figures included herein are only estimates and no assurance can be given that any particular level of recovery of gold will be realized. Mineral resources which are not mineral reserves have not demonstrated economic viability. Any material change in the quantity of mineralization, grade or ore to waste ratio, or the price of gold may affect the economic viability of any property held by Romarco. The failure of the Company to achieve its production forecast could have a significant impact on future cash flows and results of operations. Until mined, the quantity of mineral and resource grades can only be considered estimates.

**Environment**

Both the exploration and production phases of the Company's operations will be subject to environmental protection regulations in the jurisdictions in which it operates. Globally, environmental legislation is evolving towards stricter standards and enforcement, more stringent environmental impact assessments of new mining projects and increasing liability exposure for companies and their directors and officers. There is no assurance that future environmental regulations will not adversely affect the Company's operations. In regards to environmental permits, including the approval of reclamation plans, the Company must comply with standards and regulations which may entail additional costs and delays depending on the nature of the activity to be permitted and how stringent are the regulations being implemented by the regulator.

**Permits**

The Company's current and anticipated future operations, including further exploration and development activities and commencement of production on the Company's properties, require permits from various governmental authorities. Delays or a failure to obtain such permits, or a failure to comply with the terms of any such permits that the Company has obtained, could have a material adverse impact on the Company. The decision by the Corps to require the Company to undertake an EIS is an example of this risk, resulting in a delay in development of the project of approximately one year. Furthermore, as a result of the EIS process, other permits required for the development of the project may be affected or delayed and it may be necessary to change the Company's plan for the project which could be impractical or uneconomic. Any changes or delays to the project will cause the Company additional expense. There can be no assurance that all permits that the Company requires will be obtainable on reasonable terms, or at all.

**Liquidity**

The development and exploration of the Company's properties will require additional financing. Failure to obtain sufficient and timely financing may result in delaying or indefinitely postponing exploration, development or production on any or all of Romarco's properties. If there is a delay in receipt of any required permits, additional financing will be required to fund operations pending receipt of such permits. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to Romarco.

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**Fluctuating Prices**

Gold prices historically have fluctuated widely and are affected by numerous external factors beyond the Company's control. There are numerous factors, all of which are outside of the Company's control, that may affect the price of gold, including industrial and retail demand, central bank lending, sales and purchases of gold, forward sales of gold by producers and speculators, levels of gold production, short-term changes in supply and demand because of speculative hedging activities, confidence in the global monetary system, expectations of the future rate of inflation, the strength of the United States dollar (the currency in which the price of gold is generally quoted), interest rates, terrorism and war, and other global or regional political or economic events. A decline in the market price of gold may also require the Company to write-down its mineral resources, or may result in the Company choosing to cease or limit exploration or development activities at any mineral property. Should any significant write-down in current or future reserves or current or future resources be required, material write-downs of the Company's investment in the affected mining properties and increased amortization charges may be required.

**Currency Risk**

At September 30, 2011, the Company's expenditures are predominantly made in US dollars and any future equity raised is expected to be predominantly in Canadian dollars. The Company conducts the majority of its business in the United States, which uses the US dollar as its primary economic currency. Future project development expenditures are expected to be paid in US dollars. As such, the Company is subject to risk due to fluctuations in the exchange rates between the US and Canadian dollar. The Company does not actively hedge against foreign currency fluctuations.

**Senior Management and Technical Personnel**

The future success of Romarco is largely dependent on the performance of its senior management and technical personnel. Shareholders rely on the experience and expertise of senior management to provide effective leadership and to properly manage the business of the Company. Strong technical skills of our exploration personnel are essential in locating mineral deposits. There is no assurance that Romarco can maintain the services of its senior management or qualified technical personnel to operate the business. The loss of such individuals could have a material adverse effect on the Company's business and prospects.

**Insurance and Uninsurable Risks**

Exploration, development and production operations on mineral properties involve numerous risks, including unexpected or unusual geological operating conditions, environmental occurrences such as hurricane/tropical storms that could result in damage to or destruction of mineral properties, personal injury or death, environmental damage or delays in mining caused by industrial accidents. The insurance policies of the Company and its subsidiaries do not provide coverage for all losses related to their business and the occurrence of losses, liabilities or damage not covered by such insurance policies could have a material and adverse effect on the Company's profitability, results of operations and financial condition. Insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to companies in the mining industry on acceptable terms.

**Conflict of Interest**

Certain directors of the Company also serve as directors and or officers of other companies involved in the mining sector. Consequently, there exists the possibility that such directors will be in a position of conflict of interest.

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Canadian securities law requires that each director of the Company act honestly, in good faith, and in the best interests of the Company and its shareholders. In conflict of interest situations, our directors may owe the same duty to another company and will need to balance the competing obligations and liabilities of their actions, or declare and refrain from voting on any matters in which such directors have a conflict of interest.

**Accounting Policies and Internal Controls**

In 2010, the CICA Handbook was revised to incorporate IFRS issued by the IASB, and requires publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. These interim consolidated financial statements, including comparatives, have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting and IFRS 1, First-time Adoption of IFRS. The preparation of our 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 income and expenses during the year. In order to have a reasonable level of assurance that financial transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported, the Company has implemented and continues to analyze its internal control systems for financial reporting. The Company believes its financial reporting and financial statements are prepared with reasonable safeguards to ensure reliability; however, the Company cannot provide absolute assurance.

**ADDITIONAL RISKS**

Certain statements in this document, including statements which may contain words such as “outlook”, “anticipate”, “project”, “target”, “believe”, “estimate”, “expect”, “intend”, “should”, “scheduled”, “will”, “plan”, and similar expressions and statements related to matters that are not historical facts, are forward-looking statements. These forward-looking statements relate to, among other things, Romarco’s business strategy, financial results, future plans, timing, results of exploration and related expenses, property acquisitions, mine development, industry expectations, and general economic, business and political conditions. All forward-looking statements in this document are based on management's beliefs, intentions and expectations with respect to future events. Such forward-looking statements involve known and unknown risks and uncertainties, including those set out below under the headings Risks and Uncertainties and Additional Risks and described in greater detail under Risk Factors in Romarco’s Annual Information Form (“AIF”), which may cause the actual results, performances, or achievements of the Company to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. In light of the many risks and uncertainties that may cause future results to differ materially from those expected, the Company cannot give assurances that the forward-looking statements contained in this document will be realized. Forward-looking statements are not guarantees of future performance.

Although Romarco has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this MD&A based on the opinions and estimates of management, and Romarco disclaims any obligation to update any forward-looking statements, whether as a result of new information, estimates or opinions, future events or results or otherwise, except to the extent required by law. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

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In addition to those risks and uncertainties described elsewhere in this document, the Company is subject to the following risks and uncertainties which are described in greater detail in the Company's AIF:

- The Company's gold exploration and development properties may not be successful, are highly speculative in nature, and may not result in the development of a producing mine.
- Gold price volatility may adversely affect the Company.
- Romarco's resources and reserves are estimates based on interpretation and assumptions and may yield less mineral production under actual conditions than is currently estimated.
- The assumptions that the Company is making regarding the need for further financing and related to the cost, timing or availability of such financing may prove incorrect.
- Romarco's operations will require further capital.
- Romarco requires various permits to conduct its current and anticipated future operations, and delays or a failure to obtain such permits, or a failure to comply with the terms of any such permits that Romarco has obtained, could have a material adverse impact on Romarco.
- Exploration and development activities have inherent risks and are subject to conditions or events beyond Romarco's control, which could have a material adverse effect on Romarco's business.
- Actual capital costs, sustaining capital costs, engineering and construction schedules, operating costs and expenditures, production schedules, and economic returns may differ significantly from those Romarco has anticipated.
- Romarco's operations are subject to government regulations and environmental laws.
- The Company will be responsible for reclamation activities and will have to provide assurance of its capacity to finance such activities; such financial assurance may not be available on reasonable terms or at all;
- Romarco's title to properties could be challenged.
- Increased competition could adversely affect Romarco's ability to attract necessary capital funding or acquire suitable producing properties or prospects for mineral exploration in the future.
- Romarco may be subject to legal proceedings.
- There can be no assurance that Romarco will successfully acquire additional mineral rights.
- Romarco may experience difficulty attracting and retaining qualified management and technical personnel to meet the needs of its anticipated growth, and the failure to manage Romarco's growth effectively could have a material adverse effect on the Company's business and financial condition.
- The Company has a limited operating history and no history of earnings, positive cash flow or dividend payments.
- The Company's insurance coverage does not cover all of its potential losses, liabilities and damage related to its business and certain risks are uninsured or uninsurable.
- General economic conditions may adversely affect Romarco's growth and profitability.
- Romarco's directors and officers may have conflicts of interest.

Additional information related to Romarco is available on the Company's website at [www.romarco.com](http://www.romarco.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).