

Romarco Minerals Inc.

Condensed Consolidated Interim Financial Statements

For the three and six months ended June 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)

	June 30, 2011	December 31, 2010
Assets		
Current assets		
Cash and cash equivalents	\$ 63,423	\$ 109,760
Accounts receivable	153	337
Prepaid expenses	837	553
	<u>64,413</u>	<u>110,650</u>
Non-current assets		
Mineral property interests (note 4)		
Land and royalty costs	76,535	50,705
Development costs	25,587	-
Plant and equipment - net (note 5)	12,492	7,127
Reclamation bonds (note 7)	1,123	1,123
	<u>\$ 180,150</u>	<u>\$ 169,605</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 6,043	\$ 4,197
Asset retirement obligation (note 7)	1,035	1,026
Derivative warrant liability (note 8)	-	31,094
	<u>7,078</u>	<u>36,317</u>
Non-current liabilities		
Asset retirement obligation (note 7)	1,880	1,774
	<u>8,958</u>	<u>38,091</u>
Shareholders' Equity		
Share capital (note 6(a))	354,881	309,548
Stock options (note 6(b))	9,217	6,523
Contributed surplus	3,112	3,112
Deficit	(196,018)	(187,669)
	<u>171,192</u>	<u>131,514</u>
	<u>\$ 180,150</u>	<u>\$ 169,605</u>

Commitments and contingencies (note 15)

The financial statements approved by the Board of Directors on August 8, 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 six months ended June 30, 2011 and 2010

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

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2011	2010	2011	2010
Exploration expenses (note 10)	\$ 360	\$ 7,358	\$ 513	\$ 15,058
General and administrative expenses (note 11)	3,329	2,555	6,153	5,961
Finance (income) expense, net	19	(51)	(1)	(44)
Foreign exchange (gain) loss	(113)	483	(402)	250
(Gain) loss on valuation of derivative warrant liability (note 8)	-	(7,290)	2,086	18
Net loss and comprehensive loss attributable to shareholders	(3,595)	(3,055)	(8,349)	(21,243)
Deficit - beginning of period	(192,423)	(139,616)	(187,669)	(121,428)
Deficit - end of period	\$ (196,018)	\$ (142,671)	\$ (196,018)	\$ (142,671)
Loss per share				
Basic and diluted	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.05)
Weighted average number of shares outstanding (000's)	503,211	454,076	496,403	417,545

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 six months ended June 30, 2011 and 2010

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

	Three Months Ended June 30		Six Months Ended June 30	
	2011	2010	2011	2010
Operating Activities				
Net loss for the period	\$ (3,595)	\$ (3,055)	\$ (8,349)	\$ (21,243)
Items not affecting cash				
Depreciation	44	224	83	445
Finance expense (note 7)	49	16	101	31
Stock-based compensation (note 6(b) and note 6(c))	1,477	181	2,132	588
Unrealized foreign exchange (gain) loss	25	497	(96)	355
(Gain) loss on valuation of derivative warrant liability (note 8)	-	(7,290)	2,086	18
Asset retirement obligation	(27)	(20)	(35)	(20)
	(2,027)	(9,447)	(4,078)	(19,826)
Net changes in non-cash working capital (note 14)	(425)	(1,315)	(2,506)	(242)
Cash used in operating activities	(2,452)	(10,762)	(6,584)	(20,068)
Investing Activities				
Reclamation bonds	-	-	17	-
Land and royalty costs (note 4)	(4,805)	(376)	(25,830)	(2,550)
Mineral property interests – development costs (note 4)	(14,751)	-	(21,039)	-
Plant and equipment (note 5)	(2,925)	(208)	(4,781)	(407)
Cash used in investing activities	(22,481)	(584)	(51,633)	(2,957)
Financing Activities				
Gross proceeds from share issuance	-	137,414	-	137,414
Share issuance costs	-	(7,195)	-	(7,195)
Exercise of stock options	72	105	649	246
Exercise of broker compensation options	-	1,693	-	3,083
Exercise of warrants and broker warrants	-	1,935	11,122	6,421
Cash provided from financing activities	72	133,952	11,771	139,969
Increase (decrease) in cash and cash equivalents	(24,861)	122,606	(46,446)	116,944
Effect of foreign exchange on cash and cash equivalents	(23)	(516)	109	(360)
Cash and cash equivalents - beginning of period	88,307	35,957	109,760	41,463
Cash and cash equivalents - end of period	\$ 63,423	\$ 158,047	\$ 63,423	\$ 158,047
Cash and cash equivalents consist of:				
Cash	\$ 1,955	\$ 4,388	\$ 1,955	\$ 4,388
Cash equivalents	61,468	153,659	61,468	153,659
	\$ 63,423	\$ 158,047	\$ 63,423	\$ 158,047

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 six months ended June 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	
	# (000's)	\$	\$	\$	\$	\$	\$	
Balance at January 1, 2011	483,474	309,548	-	6,523	-	3,112	(187,669)	131,514
Stock based compensation	-	-	-	3,077	-	-	-	3,077
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	-	-	-	-	-	-	(8,349)	(8,349)
Balance at June 30, 2011	503,279	354,881	-	9,217	-	3,112	(196,018)	171,192
Balance at January 1, 2010	375,698	115,672	59	2,295	1,869	3,112	(121,428)	1,579
Issued for common share offering	70,150	130,219	-	-	-	-	-	130,219
Stock based compensation	-	-	-	588	-	-	-	588
Issued on exercise of warrants and broker warrants	17,259	28,864	(59)	-	-	-	-	28,805
Issued on exercise of stock options	675	401	-	(155)	-	-	-	246
Issued on exercise of compensation options	5,426	4,402	-	-	(1,606)	-	-	2,796
Loss and comprehensive loss for the period	-	-	-	-	-	-	(21,243)	(21,243)
Balance at June 30, 2010	469,208	279,558	-	2,728	263	3,112	(142,671)	142,990

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 six months ended June 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 six month period ended June 30, 2011 include the accounts of Romarco Minerals Inc. and its wholly owned US subsidiaries, Haile Gold Mine Inc. and Romarco Minerals U.S. Inc., 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

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Notes to Condensed Consolidated Interim Financial Statements For the three and six months ended June 30, 2011 and 2010

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

Company's interim consolidated financial statements for the period ended March 31, 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 June 30, 2010, and comprehensive income for the three and six months ended June 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 August 8, 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 three months ended March 31, 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

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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.

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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 \$110. 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 \$112. 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 six months ended June 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 - \$253). For the six months ended June 30, 2011, assuming

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all other variables remained constant, a 10 percentage point reduction in the volatility assumption decreased the loss on derivative warrant liabilities by \$nil (2010 - \$181).

4 Mineral Property Interests

	Land and royalty costs	Development	Total
Six months ended June 30, 2011			
Net book value at December 31, 2010	\$ 50,705	-	\$ 50,705
Additions	25,830	25,587	51,417
Net book value at June 30, 2011	\$ 76,535	25,587	\$ 102,122

The development costs are as follows:

	June 30, 2011	December 31, 2010
Drilling	\$ 11,749	\$ -
Geological	2,438	-
Environmental and permitting	3,048	-
Feasibility and project	2,729	-
Administration	2,703	-
Maintenance	949	-
Depreciation	1,026	-
Stock based compensation	945	-
	\$ 25,587	\$ -

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Notes to Condensed Consolidated Interim Financial Statements For the three and six months ended June 30, 2011 and 2010

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

5 Plant and Equipment

	Office equipment	Mobile equipment	Buildings	Assets under construction	Total
At December 31, 2010					
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
Six months ended June 30, 2011					
Opening net book value	\$ 726	5,476	372	553	\$ 7,127
Additions	550	1,833	20	4,071	6,474
Amortization for the period	(130)	(971)	(8)	-	(1,109)
Closing net book value	\$ 1,146	6,338	384	4,624	\$ 12,492
At June 30, 2011					
Cost	\$ 1,720	9,358	431	4,624	\$ 16,133
Accumulated amortization	574	3,020	47	-	3,641
Net book value	\$ 1,146	6,338	384	4,624	\$ 12,492

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 June 30, 2011	503,279,275	\$ 354,881

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

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Notes to Condensed Consolidated Interim Financial Statements For the three and six months ended June 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 June 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	3,086
Forfeited - non-vested	(20,000)	1.71	(9)
Exercised	(1,737,500)	0.36	(383)
At June 30, 2011	<u>17,383,000</u>	1.41	<u>\$ 9,217</u>

For the three month period ended June 30, 2011, the Company received \$72 (C\$68) for the exercise of 200,000 stock options at an average exercise price of C\$0.34. For the six month period ended June 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	2.22	0.46	5,000,000	0.46
\$1.00 - \$1.80	4,129,000	3.55	1.55	2,341,750	1.50
\$1.81 - \$2.00	8,004,000	4.05	1.90	2,998,500	1.87
\$2.01 - \$2.65	250,000	4.35	2.62	125,000	2.62
Total	<u>17,383,000</u>		1.41	<u>10,465,250</u>	1.12

The Company recognized stock based compensation related to stock options, net of actual and estimated forfeitures, of \$2,098 (2010 - \$181) and \$3,077 (2010 - \$588) for the three and six months ended June 30, 2011 respectively. Of the \$2,098, recorded during the three month period ended June 30, 2011, the amount of \$1,456 (2010 - \$137) was charged to general and administrative expenses, \$21 (2010 - \$44) was recorded to exploration expenses and \$621 was capitalized to mineral properties (2010 - \$nil). Of the \$3,077 recorded during the six month period ended June 30, 2011, the amount of \$2,111 (2010 - \$491) was charged to general and administrative expenses, \$21 (2010 - \$97) was recorded to exploration expenses and \$945 (2010 - \$nil) was capitalized to mineral properties. Compensation expense is recognized over the vesting period of the underlying options.

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

	For the six months ended June 30, 2011	For the six months ended June 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\$0.94

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 June 30, 2011, the Company recognized stock based compensation related to the SAR's plan of \$nil (2010 - \$988). Of the \$988 recorded during the three month period ended June 30, 2010, the amount of \$672 was recorded to general and administrative expenses and \$316 was recorded to exploration expenses. For the six month period ended June 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 three month period ended June 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.

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At December 31, 2010	\$ 2,800
Settlement of obligations during the period	(35)
Increase in estimated obligations	49
Finance expense	101
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At June 30, 2011	2,915
Less: Current portion	(1,035)
	<hr/>
Long-term portion	\$ 1,880

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 \$3,849. 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 7.18% for the June 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 August 18, 2011.

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 June 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 June 30, 2011	-	-	\$ -

For the three month period ended June 30, 2011, the Company recognized \$nil on revaluation (2010 - \$7,290 gain). For the six month period ended June 30, 2011, the Company recognized a loss on revaluation

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of \$2,086 (2010 - \$18) which represents the increase in the fair market value of the warrants just prior to their exercise.

For the six month period ended June 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 June 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 \$1,743 (2010 - \$1,182) and \$2,901 (2010 - \$3,162) for the three and six months ended June 30, 2011, respectively.

10 Exploration Expenses

	Three Months Ended June 30		Six Months Ended June 30	
	2011	2010	2011	2010
Haile Gold Mine District, USA				
Administration	\$ -	\$ 995	\$ -	\$ 1,825
Depreciation	-	185	-	371
Drilling	-	3,395	-	6,520
Environmental and permitting	-	180	-	960
Feasibility and project development	-	776	-	1,439
Geological and geochemistry	44	897	79	1,890
Property maintenance & leases	285	368	285	639
Stock based compensation	21	360	21	1,082
	<u>350</u>	<u>7,156</u>	<u>385</u>	<u>14,726</u>
Pinos Gold District, Mexico				
Advance royalty costs	-	-	-	60
Other	-	202	-	272
Wind-up costs	10	-	128	-
	<u>10</u>	<u>202</u>	<u>128</u>	<u>332</u>
Total Exploration Expenses	<u>\$ 360</u>	<u>\$ 7,358</u>	<u>\$ 513</u>	<u>\$ 15,058</u>

Exploration expenses for the three and six month period ended June 30, 2011 includes salaries and benefits of \$49 (2010 - \$939) and \$94 (2010 - \$1,875), respectively.

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Notes to Condensed Consolidated Interim Financial Statements For the three and six months ended June 30, 2011 and 2010

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

11 General and Administrative Expenses

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2011	2010	2011	2010
General and administrative expenses				
Depreciation	\$ 44	\$ 39	\$ 83	\$ 74
Office and other	392	306	775	578
Professional fees	262	281	699	488
Salaries and benefits	878	786	1,793	1,479
Shareholder relations and transfer agent	121	81	373	287
Stock-based compensation – stock options (note 6(b))	1,456	137	2,111	491
Stock-based compensation – stock appreciation rights (note 6(c))	-	672	-	2,048
Travel	176	253	319	516
	<u>\$ 3,329</u>	<u>\$ 2,555</u>	<u>\$ 6,153</u>	<u>\$ 5,961</u>

12 Financial Instruments

The carrying amount and fair value of derivative warrant liability amounted to \$nil and \$31,094 at June 30, 2011 and December 31, 2010, respectively. The financial liability is 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.

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(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:

Six months ended June 30, 2011	Canada	United States	Mexico	Total
Capital expenditures	\$ -	51,650	-	\$ 51,650
Finance income	\$ 102	-	-	\$ 102
Finance expense	-	(101)	-	(101)
Depreciation	(65)	(18)	-	(83)
Exploration expenses	-	(385)	(128)	(513)
General and administrative expenses	(4,282)	(1,788)	-	(6,070)
Other expense, net	(1,684)	-	-	(1,684)
Net loss for the period	\$ (5,929)	(2,292)	(128)	\$ (8,349)

Six months ended June 30, 2010	Canada	United States	Mexico	Total
Capital expenditures	\$ 187	2,770	-	\$ 2,957
Finance income	\$ 75	-	-	\$ 75
Finance expense	-	(31)	-	(31)
Depreciation	(70)	(371)	(4)	(445)
Exploration expenses	-	(14,355)	(332)	(14,687)
General and administrative expenses	(3,295)	(2,582)	(10)	(5,887)
Other income (expense), net	(287)	-	19	(268)
Net loss for the period	\$ (3,577)	(17,339)	(327)	\$ (21,243)

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

	Canada	United States	Mexico	Total
Assets at June 30, 2011	\$ 63,304	116,820	26	\$ 180,150
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.

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Notes to Condensed Consolidated Interim Financial Statements For the three and six months ended June 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 June 30		Six months ended June 30	
	2011	2010	2011	2010
Decrease in accounts receivable	\$ 153	\$ 333	\$ 191	\$ 292
Increase in prepaid expenses	(237)	(92)	(282)	(175)
Decrease in accounts payable and accrued liabilities	(341)	(1,556)	(2,415)	(359)
	<u>\$ (425)</u>	<u>\$ (1,315)</u>	<u>\$ (2,506)</u>	<u>\$ (242)</u>

15 Commitments and Contingencies

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

	Payments due by period				
	Total	Less than 1 year	1-3 years	4 – 5 years	Beyond 5 years
Operating leases	\$ 2,726	752	1,204	755	15
Equipment	2,628	2,628	-	-	-
Land contracts	1,787	1,787	-	-	-
Other contracts	1,349	1,204	145	-	-
Total	<u>\$ 8,490</u>	<u>6,371</u>	<u>1,349</u>	<u>755</u>	<u>15</u>

Romarco Minerals Inc.

Notes to Condensed Consolidated Interim Financial Statements For the three and six months ended June 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.

	Note	June 30, 2010		
		Canadian GAAP	Adj	IFRS
Assets				
Current assets				
Cash and cash equivalents		\$ 158,047	-	\$ 158,047
Accounts receivable		59	-	59
Prepaid expenses		294	-	294
		<u>158,400</u>	<u>-</u>	<u>158,400</u>
Mineral property interests	(i)	60,564	(42,309)	18,255
Plant and equipment		2,991	-	2,991
Reclamation bonds		1,123	-	1,123
		<u>\$ 223,078</u>	<u>(42,309)</u>	<u>\$ 180,769</u>
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities		\$ 2,845	-	\$ 2,845
Asset retirement obligation	(v)	934	-	934
Derivative warrant liability	(ii)	-	32,712	32,712
		<u>3,779</u>	<u>32,712</u>	<u>36,491</u>
Non-current liabilities				
Asset retirement obligation	(v)	1,288	-	1,288
		<u>5,067</u>	<u>32,712</u>	<u>37,779</u>
Shareholders' Equity				
Share capital	(ii)	258,242	21,316	279,558
Broker warrants	(ii)	2,578	(2,578)	-
Stock options	(iii)	2,784	(56)	2,728
Compensation options		263	-	263
Contributed surplus		3,112	-	3,112
Accumulated other comprehensive loss	(iv)	(13)	13	-
Deficit	(vi)	(48,955)	(93,716)	(142,671)
		<u>218,011</u>	<u>(75,021)</u>	<u>142,990</u>
		<u>\$ 223,078</u>	<u>(42,309)</u>	<u>\$ 180,769</u>

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Notes to Condensed Consolidated Interim Financial Statements For the three and six months ended June 30, 2011 and 2010

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

	Note	Three months ended June 30, 2010			Six months ended June 30, 2010		
		Cdn GAAP	Adj	IFRS	Cdn GAAP	Adj	IFRS
Exploration expenses	(i)	-	7,358	7,358	-	15,058	15,058
General and administrative							
Accretion and depreciation	(v)	55	(16)	39	105	(31)	74
Office and other		306	-	306	578	-	578
Professional fees		281	-	281	488	-	488
Salaries and benefits		786	-	786	1,479	-	1,479
Shareholder relations and transfer agent		81	-	81	287	-	287
Stock-based compensation - stock options	(iii)	104	33	137	474	17	491
Stock-based compensation - stock appreciation rights		672	-	672	2,048	-	2,048
Travel		253	-	253	516	-	516
		<u>2,538</u>	<u>17</u>	<u>2,555</u>	<u>5,975</u>	<u>(14)</u>	<u>5,961</u>
Loss before other income (expenses)		(2,538)	(7,375)	(9,913)	(5,975)	(15,044)	(21,019)
Other income (expenses)							
Interest income		67	-	67	75	-	75
Finance expense	(v)	-	(16)	(16)	-	(31)	(31)
Foreign exchange loss		(483)	-	(483)	(250)	-	(250)
Gain (loss) on valuation of derivative warrant liability	(ii)	-	7,290	7,290	-	(18)	(18)
		<u>(416)</u>	<u>7,274</u>	<u>6,858</u>	<u>(175)</u>	<u>(49)</u>	<u>(224)</u>
Net loss and comprehensive loss		(2,954)	(101)	(3,055)	(6,150)	(15,093)	(21,243)
Deficit - beginning of year		(46,001)	(93,615)	(139,616)	(42,805)	(78,623)	(121,428)
Deficit - end of period		<u>(48,955)</u>	<u>(93,716)</u>	<u>(142,671)</u>	<u>(48,955)</u>	<u>(93,716)</u>	<u>(142,671)</u>

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(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 June 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 \$18,255 at June 30, 2010 represents an adjustment of \$42,309 from the Canadian GAAP reported figure, with Haile accounting for \$40,033 of the reduction and \$2,276 at Pinos. The adjustment for the three month period ended June 30, 2010 amounted to \$7,357 due to the \$7,358 exploration expense recorded during this period with the \$1 difference representing the treatment of stock options under IFRS as compared to Canadian GAAP. The adjustment for the six month period ended June 30, 2010 amounted to \$15,056 due to the \$15,058 exploration expense recorded during this period with the \$2 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 for each legal entity, Romarco Minerals Inc.'s functional currency is deemed to be the US dollar. Under IFRS, when warrants are denominated in a currency which is different

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than the 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 June 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 \$32,712 at June 30, 2010 represented a decrease of \$10,951 from the March 31, 2010 balance. The \$10,951 reduction during the second quarter of 2010 related to a liability reduction of \$3,661 from the exercise of 2,862,499 warrants and the \$7,290 gain on valuation recorded during the three-month period ended June 30, 2010. The \$7,290 gain was due to a decrease in the share price of C\$0.18 during the quarter and a 5% weakening of the Canadian dollar.

The derivative warrant liability of \$32,712 at June 30, 2010 represented a decrease of \$22,047 from the January 1, 2010 balance of \$54,759. The \$32,712 reduction was primarily due to the exercise of warrants as only \$18 was attributed to a valuation change.

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 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%.

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

For the three month period ended June 30, 2010, total stock based compensation expense increased by \$34, with \$33 recorded to general and administrative expenses and \$1 was recorded to exploration expenses. For the six-month period ended June 30, 2010, total stock based compensation expense increased by \$19, which resulted in a cumulative reduction to stock option equity of \$56. Of the \$19 increase, the amount of \$17 was recorded to general and administrative expenses and \$2 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 June 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.

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Notes to Condensed Consolidated Interim Financial Statements For the three and six months ended June 30, 2011 and 2010

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

vi) *Reconciliation of Deficit*

The following reconciles deficit between Canadian GAAP and IFRS.

	Note	June 30, 2010
Deficit under Canadian GAAP		\$ (48,955)
Mineral property interests	(i)	(42,309)
Warrants	(ii)	(51,450)
Stock options	(iii)	56
Accumulated other comprehensive loss	(iv)	(13)
Asset retirement obligation	(v)	-
Total IFRS adjustments to deficit		<u>(93,716)</u>
Deficit under IFRS		<u>\$ (142,671)</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 \$7,519 and \$14,720 for the three and six months ended June 30, 2010, respectively.