

ROME RESOURCES LTD.

(an exploration stage company)

Consolidated Financial Statements
(audited)

September 30, 2009 and 2008

AUDITORS' REPORT

To the Directors of
Rome Resources Ltd.
(An Exploration Stage Company)

We have audited the consolidated balance sheets of Rome Resources Ltd. (An Exploration Stage Company) as at September 30, 2009 and 2008 and the consolidated statements of operations and deficit and comprehensive income and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Accountants

January 22, 2010



ROME RESOURCES LTD.

(an exploration stage company)

Consolidated Balance Sheets

As at September 30,

	2009	2008
ASSETS		
Current		
Cash and cash equivalents	\$ 92,389	\$ 354,118
Marketable securities (Note 2(m))	860,071	3,897,155
Accounts and advances receivable	11,999	84,280
Prepaid expenses	9,747	11,127
Total current assets	974,206	4,346,680
Equipment (Note 4)	5,860	7,658
Mineral interests (Note 5)	3,750,689	3,628,414
Total assets	\$ 4,730,755	\$ 7,982,752
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 286,669	\$ 154,391
Future income tax liability (Note 10)	—	89,484
Total liabilities	286,669	243,875
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	10,051,923	9,751,923
Contributed surplus (Note 6)	1,520,748	1,443,789
Accumulated other comprehensive income	518,245	2,648,262
Deficit	(7,646,830)	(6,105,097)
Total shareholders' equity	4,444,086	7,738,877
Total liabilities and shareholders' equity	\$ 4,730,755	\$ 7,982,752

Nature of operations and going concern (Note 1)

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

On behalf of the Board:

"Colin I. Godwin"
Colin I. Godwin

"Reiner Specht"
Reiner Specht

ROME RESOURCES LTD.

(an exploration stage company)

Consolidated Statements of Operations and Deficit

For the years ended September 30,

	2009	2008
Expenses		
Accounting, audit and legal	\$ 101,369	\$ 109,845
Administration and general	70,066	135,484
Amortization	1,798	2,260
Consulting	65,489	67,423
Interest and bank charges	9,643	6,567
Stock-based compensation	76,959	161,391
Property development	7,029	2,929
Foreign exchange loss	8,794	2,280
	<u>341,147</u>	<u>488,179</u>
Loss before the following	(341,147)	(488,179)
Gain on sale of marketable securities	—	138,998
Write off mineral property	(284,169)	
Write off of accounts receivable	(101,747)	—
Other income – interest	2,913	14,279
	<u>(383,003)</u>	<u>153,277</u>
Loss for the year before income taxes	(724,150)	(334,902)
Future income tax recovery (expense) (Note 10)	(817,583)	467,807
Net (loss) income for the year	(1,541,733)	132,905
Deficit, beginning of year	(6,105,097)	(6,238,002)
Deficit, end of year	\$ (7,646,830)	\$ (6,105,097)
Basic and diluted (loss) income per share for the year (Note 7)	\$ (0.15)	\$ 0.01
Basic and diluted weighted average number of shares outstanding (Note 7)	10,388,672	10,341,001

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

ROME RESOURCES LTD.

(an exploration stage company)

Consolidated Statements of Comprehensive Income

For the years ended September 30,

	2009	2008
Net (Loss) Income For The Year Before Other Comprehensive Income	\$ (1,541,733)	\$ 132,905
Unrealized (loss) gain on available for sale investments, net of tax (note 2(m))	(2,130,017)	1,051,199
Comprehensive (Loss) Income For The Year	\$ (3,671,750)	\$ 1,184,104

Consolidated Statements of Accumulated Other Comprehensive Income

For the years ended September 30,

	2009	2008
Accumulated Other Comprehensive Income – Beginning of year	\$ 2,648,262	\$ 1,597,063
Adjustment on disposition of shares	—	(534,938)
Fair value adjustment for available-for-sale securities	(3,037,084)	2,143,428
	(388,822)	3,205,553
Future income taxes (expense) recovery	907,067	(557,291)
Accumulated Other Comprehensive Income – End Of The Year	\$ 518,245	\$ 2,648,262

ROME RESOURCES LTD.

(an exploration stage company)

Consolidated Statements of Cash Flows

For the years ended September 30,

	2009	2008
Operating activities		
Net (loss) income for the year	\$ (1,541,733)	\$ 132,905
Add items not involving cash:		
Amortization	1,798	2,260
Stock-based compensation	76,959	161,391
Write off of accounts receivable	101,747	—
Write off mineral property	284,169	—
Gain on sale of marketable securities	—	(138,998)
Future income tax (recovery) expense	817,583	(467,807)
Net change in non-cash working capital balances related to operations:		
Accounts and advances receivable	(29,466)	25,574
Prepaid expenses	1,380	(7,281)
Accounts payable and accrued liabilities	120,289	(2,382)
Cash used in operating activities	(167,274)	(294,338)
Investing activities		
Purchase of equipment	—	(2,449)
Proceeds on the sale of marketable securities	—	468,430
Acquisition of mineral interests	(394,455)	(610,823)
Cash used in investing activities	(394,455)	(144,842)
Financing activities		
Proceeds from issuance of shares	300,000	—
Cash provided by financing activities	300,000	—
Decrease in cash and cash equivalents during the year	(261,729)	(439,180)
Cash and cash equivalents, beginning of year	354,118	793,298
Cash and cash equivalents, end of year	\$ 92,389	\$ 354,118
Supplementary Cash Flow Information		
Interest paid in cash	\$ —	\$ —
Income taxes paid in cash	—	—
	\$ —	\$ —

Supplemental Disclosure with respect to Cash Flows (Note 12).

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

ROME RESOURCES LTD.

(an exploration stage company)

Notes to the Consolidated Financial Statements

September 30, 2009 and 2008

1. Nature of Operations and Going Concern

Rome Resources Ltd. (the "Company") was incorporated in British Columbia on April 11, 1990 and is actively involved in the business of mineral exploration.

The Company is considered to be in the exploration stage. The Company is in the process of exploring its mineral interests and has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete development and upon future profitable production.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company has incurred significant losses since incorporation and as at September 30, 2009 had an accumulated deficit of \$7,646,830.

The ability of the Company to continue as a going concern is dependent on the continued financial support from its directors, public equity financing, or achieving profitable operations in the future which cannot be predicted at this time. These financial statements do not reflect any adjustments to the carrying values and classifications of assets and liabilities that might be necessary should the Company be unable to continue realizing its assets and discharging its liabilities in the normal course of business.

The Company has been trying to raise further funds to meet its cash requirements, and did raise \$300,000 during 2009. This helped in the short term, but the Company will need some sizeable private placements to meet its ongoing mineral property costs, including further exploration programs, and for working capital requirements. This would be achieved by either raising funds through a private placement, or by the sale of all or part of its holdings in marketable securities. The marketable securities of \$860,071 at September 30, 2009 include 2,000,000 shares of Uranio AG, which trades on the Frankfurt Stock Exchange. Due to the size of this block it may be difficult to sell these shares on the market, and a sale would need to be arranged. The value of these shares is included in Rome's total current assets of \$974,206 at September 30, 2009.

Unless a sale of these marketable securities can be arranged, or the Company can arrange a substantial private placement of shares, the Company otherwise does not have sufficient funds to sustain operations and would be unable to make the mandatory regulatory and exploration filings and payments to maintain the Company's assets. The Company needs at least \$700,000 in funding to meet its minimum working capital and mineral property requirements for the next twelve months. The Company has only enough funds on hand to meet minimum administration requirements for the next few months. Unless it can raise further funds and/or sell all or part of its Uranio AG shares within this time period, the Company will be unable to meet its listing requirements and may lose some of its mineral properties.

ROME RESOURCES LTD.

(an exploration stage company)

Notes to the Consolidated Financial Statements

September 30, 2009 and 2008

2. Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with the following significant accounting policies;

(a) Principles of consolidation

These consolidated financial statements include the accounts of Rome Resources Ltd. and its wholly owned subsidiaries, Minera Jackman, S.A. de C.V. and Roma Recursos de Mexico S.A. de C.V., companies incorporated in Mexico; and Rome Nevada Inc., a company incorporated in the State of Nevada, U.S.A.. All inter-company accounts and transactions have been eliminated.

(b) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the amount of revenues and expenses reported during the period. Actual results may differ from those estimates.

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash and highly liquid investments with maturities of less than 90 days when purchased and are readily convertible into cash. As at September 30, 2009 and 2008, cash and cash equivalents consist of cash and Canadian treasury bills and/or Canadian banker's acceptances. At September 30, 2009 the Company held \$5,339 (2008 - \$291,853) in Canadian banker's acceptances which have been included in cash equivalents.

(d) Equipment

Equipment is recorded at cost less accumulated amortization and is amortized over their estimated useful life on a declining-balance basis at the following rates:

Computer Equipment	30%
Exploration Equipment	20%

(e) Mineral interests

All costs related to the acquisition, exploration and development of mineral properties are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

ROME RESOURCES LTD.

(an exploration stage company)

Notes to the Consolidated Financial Statements

September 30, 2009 and 2008

2. Significant Accounting Policies, *continued*

(f) Property option agreements

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received.

(g) Income (loss) per share

The calculation of basic income (loss) per share is based on net income (loss) divided by the weighted-average number of common shares outstanding during the year. Diluted earnings per share reflect the assumed conversion of all dilutive securities using the treasury stock method. For the year ended September 30, 2009 and 2008 the calculation of income (loss) per share on a diluted basis excluded all potential common shares because the effect was anti-dilutive.

(h) Stock-based compensation

The Company has a stock option plan as described in note 6(d). The fair value method is used to determine the expense for stock-based awards granted to employees and non-employees. Under the fair value method, compensation cost is measured at fair value at the date of grant using the Black-Scholes option pricing model with assumptions described in note 6(d). The compensation cost is expensed over the vesting period with a corresponding credit to contributed surplus. Consideration paid on the exercise of stock options plus the amount of previously recognized expense is credited to share capital when the options are exercised.

(i) Impairment of long-lived assets

The Company monitors the recoverability of long-lived assets, based on factors such as current market value, future asset utilization, business climate and future undiscounted cash flows expected to result from the use of the related assets. The Company's policy is to record an impairment loss in the period where it is determined that the carrying value of the assets may not be recoverable. The impairment loss is calculated as the amount by which the carrying amount of the assets exceeds the undiscounted estimate of future cash flows from the assets.

(j) Foreign currency translation

The Company's functional currency is the Canadian dollar. Foreign currency transactions and the accounts of its subsidiaries, all of which are considered to be integrated foreign operations, are translated into Canadian dollars using the temporal method. Under this method, assets and liabilities in foreign currencies related to integrated foreign operations are translated into Canadian dollars using current exchange rates at the balance sheet dates for monetary assets and liabilities, historical exchange rates for non-monetary assets and liabilities, and the average monthly exchange rate for revenues and expenses, except for amortization, which is translated at the historical exchange rate of the corresponding non-monetary assets. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in operations in the year incurred.

ROME RESOURCES LTD.

(an exploration stage company)

Notes to the Consolidated Financial Statements

September 30, 2009 and 2008

2. Significant Accounting Policies, *continued*

(k) Income taxes

Future income taxes are recorded using the asset and liability method. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

(l) Asset retirement obligations

Asset retirement obligations are recognized when a legal or constructive obligation arises. This liability is recognized at the fair value of the asset retirement obligation. When the liability is initially recorded the Company capitalizes the cost by increasing the carrying amount of the related long-lived assets. Over time the liability is accreted to its present value each period, and the capitalized cost is amortized over the useful life of the related asset. Upon settlement of the liability, the Company may incur a gain or loss. As at September 30, 2009 and 2008 the Company did not have any asset retirement obligations.

(m) Financial instruments

The Company follows the recommendations of the Canadian Institute of Chartered Accountants ("CICA") under CICA Handbook Section 1530 "Comprehensive Income" ("Section 1530"), Section 3251 "Equity", Section 3855 "Financial Instruments – Recognition and Measurement" ("Section 3855"), Section 3861 "Financial Instruments – Disclosure and Presentation" and Section 3865 "Hedges". These sections provide requirements for the recognition and measurement of financial instruments and on the use of hedge accounting. Section 1530 establishes standards for reporting and presenting comprehensive income which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with Canadian generally accepted accounting principles.

Under Section 3855, all financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification as follows: (1) held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; (2) available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired; and (3) all derivative instruments, including embedded derivatives, are recorded in the balance sheet at fair value unless they qualify for the normal sale normal purchase exemption and changes in their fair value are recorded in income unless cash flow hedge accounting is used, in which case changes in fair value are recorded in other comprehensive income.

ROME RESOURCES LTD.

(an exploration stage company)

Notes to the Consolidated Financial Statements

September 30, 2009 and 2008

2. Significant Accounting Policies, *continued*

(m) Financial instruments, *continued*

The Company has classified its cash and cash equivalents as held-for-trading. Marketable securities are classified as available-for-sale. Accounts and advances receivable are classified as loans and receivables and accounts payable and accrued liabilities are classified as other financial liabilities, all of which are measured at amortized cost.

Section 3855 also provides guidance on accounting for transaction costs incurred upon the issuance of debt instruments or modification of a financial liability. Transaction costs are now deducted from the financial liability and are amortized using the effective interest method over the expected life of the related liability.

As at September 30, 2009, marketable securities consisted of equity securities listed on the TSX Venture Exchange, the NASDAQ Bulletin Board Exchange ("NASDAQ BB") and the Frankfurt Stock Exchange.

Accumulated other comprehensive income consists of unrealized gains on available-for-sale financial assets of \$518,245.

Costs and fair values of available for sale marketable securities are as follows:

	<u>Cost</u>	<u>Adjustment to Fair Value</u>	<u>Fair Value at September 30, 2009</u>
Available for sale – marketable securities	\$ <u>164,158</u>	\$ <u>695,913</u>	\$ <u>860,071</u>
	<u>Cost</u>	<u>Adjustment to Fair Value</u>	<u>Fair Value at September 30, 2008</u>
Available for sale – marketable securities	\$ <u>164,158</u>	\$ <u>3,732,997</u>	\$ <u>3,897,155</u>

3. Changes in Accounting Policies and Recent Accounting Pronouncements

Section 1400, *General Standards of Financial Statement Presentation*

In June 2007, the CICA amended Section 1400 to include requirements to assess an entity's ability to continue as a going concern and disclose any material uncertainties that cast doubt on its ability to continue as a going concern. The mandatory effective date is for annual and interim financial statements for years beginning on or after January 1, 2008. This new requirement was adopted by the Company on October 1, 2008. The adoption of this Section did not have an impact on the financial statements other than disclosure in the notes to the financial statements. Refer to Note 1.

ROME RESOURCES LTD.

(an exploration stage company)

Notes to the Consolidated Financial Statements

September 30, 2009 and 2008

3. Changes in Accounting Policies and Recent Accounting Pronouncements, *continued*

EIC – 173, Credit Risk and the Fair Value of Financial Assets and Liabilities

In January 2009, the Emerging Issues Committee (“EIC”) issued EIC -173 “Credit Risk and the Fair Value of Financial Assets and Financial Liabilities.” This abstract requires companies to take counterparty credit risk into account when measuring the fair value of financial assets and liabilities, including derivatives. This new standard is effective for the Company’s annual consolidated financial statements for the year ended September 30, 2009. The Company has performed an assessment as of September 30, 2009 and believes there to be no impact on its financial statements.

EIC – 174, Mining Exploration Costs

On March 27, 2009, the CICA approved EIC-174 “Mining Exploration Costs.” This guidance clarified that an entity that has initially capitalized exploration costs has an obligation in the current and subsequent accounting periods to test such costs for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. This new standard is effective for the Company’s annual consolidated financial statements for the year ended September 30, 2009.

The accounting treatment provided for in EIC-174 has been applied in the preparation of these financial statements and did not have an impact on the valuation of the Company’s mineral properties.

New Accounting Standards Not Yet Adopted

International Financial Reporting Standards

In January 2006, the CICA Accounting Standards Board (ACSB) adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies are expected to converge with International Financial Reporting Standards (“IFRS”) by the end of 2011. For the Company, the transition date will be October 1, 2011 and will require the restatement for comparative purposes of amounts reported by the Company for the year ended September 30, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the impact of the transition to IFRS on the Company’s financial statements has not yet been determined.

Business combinations, consolidated financial statements and non-controlling interest

In January 2009, the CICA issued CICA Handbook Section 1582, “Business Combinations”, Section 1601, “Consolidations”, and Section 1602, “Non-Controlling Interests”. These sections replace the former Section 1581, “Business Combinations”, and Section 1600, “Consolidated Financial Statements”, and establish a new section for accounting for a non-controlling interest in a subsidiary. Section 1582 establishes standards for the accounting for a business combination, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. It provides the Canadian equivalent to IFRS 3, Business Combinations (January 2008). The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

ROME RESOURCES LTD.

(an exploration stage company)

Notes to the Consolidated Financial Statements

September 30, 2009 and 2008

3. Changes in Accounting Policies and Recent Accounting Pronouncements, *continued***New Accounting Standards Not Yet Adopted, *continued***

Section 1601 establishes standards for the preparation of consolidated financial statements.

Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS International Accounting Standards (“IAS”) 27, Consolidated and Separate Financial Statements (January 2008).

Sections 1601 and 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

4. Equipment

	September 30, 2009		
	Cost	Accumulated Amortization	Net Book Value
Computer Equipment	\$ 7,174	\$ 4,169	\$ 3,005
Exploration Equipment	5,720	2,865	2,855
	<u>\$ 12,894</u>	<u>\$ 7,034</u>	<u>\$ 5,860</u>
	September 30, 2008		
	Cost	Accumulated Amortization	Net Book Value
Computer Equipment	\$ 7,174	\$ 3,085	\$ 4,089
Exploration Equipment	5,720	2,151	3,569
	<u>\$ 12,894</u>	<u>\$ 5,236</u>	<u>\$ 7,658</u>

ROME RESOURCES LTD.

(an exploration stage company)

Notes to the Consolidated Financial Statements

September 30, 2009 and 2008

5. Mineral Interests

	Deferred Costs September 30, 2008	Acquisition and Exploration Costs	Mineral Property Recovery (Write-offs)	Deferred Costs September 30, 2009
Argentina – 100% interest in the following mineral rights:				
El Dorado, Neuquen Province	\$ 283,877	\$ 292	\$ (284,169)	\$ —
Varvarco, Neuquen Province	421,881	1,651	—	423,532
	705,758	1,943	(284,169)	423,532
Mexico - mineral concessions in the states of Michoacan and Sonora.				
San Isidro – 90% to 100% interest	\$ 22,140	\$ 8,123	\$ —	\$ 30,263
Inguaran – 100% interest	2,131,049	53,728	—	2,184,777
Sonora – 100% interest	696,085	342,399	—	1,038,484
La Verdosa – 100% interest	73,382	251	—	73,633
	2,922,656	404,501	—	3,327,157
Total	\$ 3,628,414	\$ 406,444	\$ (284,169)	\$ 3,750,689

The following is a summary of deferred exploration costs incurred during the current year:

	Acquisition Costs	Assays and Analysis	Geological & Geophysical	Travel	Supplies and Misc.	Mining Taxes	Total
El Dorado	\$ —	\$ —	\$ 292	\$ —	\$ —	\$ —	\$ 292
Vavarco	—	—	1,651	—	—	—	1,651
San Isidro	—	—	—	—	—	8,123	8,123
Inguaran	—	—	10,638	8,515	1,360	33,215	53,728
Sonora	169,405	4,972	84,283	23,207	4,141	56,391	342,399
La Verdosa	—	—	—	—	—	251	251
Total	\$ 169,405	\$ 4,972	\$ 96,864	\$ 31,722	\$ 5,501	\$ 97,980	\$ 406,444

	Deferred Costs September 30, 2007	Acquisition and Exploration Costs	Mineral Property Recovery (Write-offs)	Deferred Costs September 30, 2008
Argentina – 100% interest in the following mineral rights:				
El Dorado, Neuquen Province	\$ 283,556	\$ 321	\$ —	\$ 283,877
Varvarco, Neuquen Province	414,601	7,280	—	421,881
	698,157	7,601	—	705,758
Mexico - mineral concessions in the states of Michoacan and Sonora.				
San Isidro – 90% to 100% interest	\$ 4,387	\$ 17,753	\$ —	\$ 22,140
Inguaran – 100% interest	2,025,726	105,323	—	2,131,049
Sonora – 100% interest	229,713	466,372	—	696,085
La Verdosa – 100% interest	63,386	9,996	—	73,382
	2,323,212	599,444	—	2,922,656
Total	\$ 3,021,369	\$ 607,045	\$ —	\$ 3,628,414

ROME RESOURCES LTD.

(an exploration stage company)

Notes to the Consolidated Financial Statements

September 30, 2009 and 2008

5. Mineral Interests, *continued*

The following is a summary of deferred exploration costs incurred during the 2008 year:

	Acquisition Costs	Assays and Analysis	Geological & Geophysical	Travel	Supplies and Misc.	Mining Taxes	Total
El Dorado	\$ —	\$ —	\$ 288	\$ 33	\$ —	\$ —	\$ 321
Vavarco	—	—	6,868	412	—	—	7,280
San Isidro	—	—	5,359	1,062	237	11,095	17,753
Inguaran	20,012	(32)	40,633	10,524	3,147	31,039	105,323
Sonora	74,320	57,037	246,874	34,812	32,791	20,538	466,372
La Verdosa	9,530	—	—	—	466	—	9,996
Total	\$ 103,862	\$ 57,005	\$ 300,022	\$ 46,843	\$ 36,641	\$ 62,672	\$ 607,045

The Company's mineral interests now consist of properties located in Neuquen, La Rioja, and San Luis Provinces of Argentina and properties in the state of Michoacan, Mexico, as follows:

El Dorado and Vavarco Properties, Argentina

These properties are located in the northern part of Neuquen Province in central-western Argentina. The claims were acquired by staking, and the Company holds a 100% interest.

San Isidro Property, Mexico

The San Isidro property is located in Michoacan State, Mexico. Certain of the claims (San Juan III and La Laguna) were acquired by staking, and the Company holds a 100% interest. The remaining claim groups were optioned from an arm's length company. During 2005 certain issues arose regarding title to certain of the San Juan claims, (part of the San Isidro property), which issues management is investigating currently. At December 31, 2005 the Company wrote down the property to recognize impairment in carrying value. The claims that are in dispute include the San Juan, San Juan I and San Juan II. The Company optioned these properties from an arm's length company in 1995. The Company complied with the terms of the option agreement, except that the Optionee refused to accept 10% of the shares of the Company's Mexican subsidiary that was called for under the agreement.

The arm's length company has not transferred title to these claims to the Company, as was called for under the agreement. The Company is pursuing appropriate action against the arm's length company to obtain its rightful title to the three claim groups.

Inguaran Property, Mexico

The Inguaran property is located in Michoacan State, Mexico. Except as noted below, the claims were acquired by staking or outright purchase (Manga concession) and the Company holds a 100% interest in them.

In 2006, the Company optioned additional claims to add to the Inguaran Property. The terms of these option agreements, which allowed the Company to acquire a 100% interest, consisted of payments totalling \$US140,000 over a period to 10 July, 2010, which have been paid in full.

ROME RESOURCES LTD.

(an exploration stage company)

Notes to the Consolidated Financial Statements

September 30, 2009 and 2008

5. Mineral Interests, *continued*

Inguaran Property, Mexico, *continued*

Subsequent to September 30, 2009, a third party acquired certain claims from the Company. Under the terms of the sale agreement, the Company will receive a total of US\$275,000 over a period to October, 2010.

Sonora Project, Mexico

The Sonora properties consist of the Don Luis Tungsten gold property, the La Colorada gold property and the Los Muertos gold-silver property. These concessions are owned by the Company through its wholly owned subsidiary in Mexico as follows:

Don Luis Tungsten Gold Property, was optioned by the Company. Option payments, staged over five years total US\$500,000, and if completed, these payments will allow the Company to own the property outright.

The La Colorada gold and Los Muertos gold-silver properties were acquired by staking.

La Verdosa Property, Mexico

The La Verdosa copper property is located in Michoacan State, Mexico. This property was acquired for approximately \$51,000 (485,000 Mexican pesos) from the mining arm of the Mexican government. Title has been transferred to the Company's Mexican subsidiary with the provisions that:

1. The Mexican government retains a 1.0% net smelter return on production;
2. Taxes and work commitments start from established date of ownership.

6. Share Capital

The following is a description of the authorized and issued share capital:

(a) Authorized: Unlimited common shares without par value.

(b) Issued:

	Number of shares	Amount
Balance September 30, 2007 and 2008	10,341,001	\$9,751,923
Issued for cash pursuant to a private placement at \$0.25 per share	600,000	150,000
Issued for cash pursuant to a private placement at \$0.15 per share	1,000,000	150,000
Balance September 30, 2009	11,941,001	\$ 10,051,923

During the current year the Company issued a total of 1,600,000 units in two private placements of 600,000 at \$0.25 and 1,000,000 at \$0.15. Each unit consists of one share and one share purchase warrant to purchase 600,000 shares at \$0.32 until September 2, 2014 and 1,000,000 at \$0.20 until September 30, 2014.

ROME RESOURCES LTD.

(an exploration stage company)

Notes to the Consolidated Financial Statements

September 30, 2009 and 2008

6. Share Capital, continued

(c) Escrow Shares

As at September 30, 2009, 209,452 common shares are held in escrow; the release of the balance of these shares is subject to the approval of the regulatory authorities having jurisdiction.

(d) Stock Options

The Company has established a stock option plan the purpose of which is to attract, retain and motivate directors, officers, employees and persons engaged to provide ongoing management and consulting services (“service providers”) by providing them with the opportunity, through stock options, to acquire a proprietary interest in the Company and benefit from its growth. The maximum number of shares which may be issued under the plan is fixed at 2,068,200. This number is subject to adjustment resulting from changes in the share capital of the Company. Such adjustments are subject to approval by the TSX Venture Exchange and by the shareholders of the Company. The number of shares reserved for issuance to any one person may not exceed 5% of the issued and outstanding shares at the date of such grant. All options granted under the plan shall be subject to a vesting restriction such that one quarter of the options shall vest on the date of grant, and one quarter each six month period thereafter until fully vested at eighteen months.

The option price of the shares which are the subject of any option shall in no circumstances be less than the market price of the shares at the date of the grant of the option.

A summary of the status of the stock options outstanding as of September 30, 2009 and 2008, and changes during the years then ended are presented below:

	2009		2008	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Options outstanding at beginning of year	1,071,000	\$0.60	1,113,000	\$1.46
Granted	520,000	0.32	—	—
Cancelled/Expired	(404,000)	0.60	(42,000)	0.60
Exercised	—	—	—	—
Options outstanding at end of year	1,187,000	\$0.32	1,071,000	\$0.60
Options exercisable at end of year	797,000	\$0.32	1,071,000	\$0.60

Exercise Price	Number Outstanding	Number Exercisable	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price
\$0.32	1,187,000	797,000	2.66	\$0.32

ROME RESOURCES LTD.

(an exploration stage company)

Notes to the Consolidated Financial Statements

September 30, 2009 and 2008

6. Share Capital, *continued*(d) **Stock Options, *continued***

During the year ended September 30, 2009, the Company amended the exercise price of all options from \$0.60 to \$0.32. 520,000 stock options were granted and 404,000 stock options originally exercisable at \$0.60 expired unexercised.

Stock based compensation expense using the Black Scholes option pricing model was \$76,959 (2008 – \$161,391) of which \$17,634 relates to the re-pricing of options. The weighted average fair value of options granted during the year was \$0.29 (2008 - \$Nil) per option.

During the year ended September 30, 2008, the Company amended the exercise price of all outstanding options from the original exercise prices ranging from \$1.10 - \$1.70 to \$0.60, and 42,000 stock options originally exercisable at \$0.60 expired unexercised.

The fair values of the stock options granted during 2009 were estimated using the Black-Scholes option pricing model with the following assumptions and results:

	2009
Risk-free interest rate	3.57%
Dividend yield	0%
Expected volatility	137%
Expected term	5 Years

(e) **Contributed surplus**

The following table sets forth the continuity of contributed surplus for the periods ended September 30, 2009 and 2008:

Balance, September 30, 2007	\$ 1,282,398
Stock-based compensation expense during the year	161,391
Balance, September 30, 2008	1,443,789
Stock-based compensation expense during the year	76,959
Balance, September 30, 2009	\$ 1,520,748

ROME RESOURCES LTD.

(an exploration stage company)

Notes to the Consolidated Financial Statements

September 30, 2009 and 2008

6. Share Capital, continued

(f) Share Purchase Warrants

A summary of share purchase warrants outstanding at September 30, 2009 and 2008:

	2009		2008	
	Warrants	Weighted Average Exercise Price	Warrants	Weighted Average Exercise Price
Outstanding at beginning of period	1,150,000	\$1.46	1,150,000	\$1.46
Granted	1,600,000	0.25	—	—
Expired	(1,150,000)	1.46	—	—
Exercised	—	—	—	—
Outstanding at end of period	1,600,000	\$0.25	1,150,000	\$1.46

As at September 30, 2009, the Company had share purchase warrants outstanding to purchase 600,000 shares at \$0.32 expiring September 2, 2014 and 1,000,000 shares at \$0.20 expiring September 30, 2014. Each share purchase warrant entitles the holder to acquire one common share of the Company.

7. Basic and Diluted Income (Loss) per Share

The basic and diluted income (loss) per share is calculated based on the following at September 30:

	2009	2008
Weighted average number of common shares outstanding	10,388,672	10,341,001

The calculation of loss per share is based on net income (loss) divided by the weighted average number of common shares outstanding during the period. The effect of options under the stock option plan and warrants to purchase shares is not presented as it would have an anti-dilutive effect on the loss per share.

8. Financial Instruments*Credit risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to accounts receivable. The Company believes it has no significant credit risk.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2009, the Company had a cash and cash equivalent balance of \$92,389 (2008 - \$354,118) to settle current liabilities of \$286,669 (2008 - \$243,875). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

ROME RESOURCES LTD.

(an exploration stage company)

Notes to the Consolidated Financial Statements

September 30, 2009 and 2008

8. Financial Instruments, *continued*

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As of September 30, 2009, the Company had \$5,339 invested in investment-grade short-term deposit certificates.

(b) Foreign currency risk

As at September 30, 2009, the Company's expenditures are in Canadian dollars, Mexican pesos, and Argentinean pesos, and any future equity raised is expected to be predominantly in Canadian dollars. As at September 30, 2009, the Company has accounts payable denominated in Mexican Pesos of \$547,626, accounts receivable of \$1,364,822 Mexican Pesos and cash of \$47,728 Mexican Pesos. The Company also has accounts receivable of \$10,907 Argentinean Pesos and accounts payable of \$19,805 Argentinean Pesos. For each 10% change in the Canadian dollar versus the Mexican Peso and Argentinean Peso a \$6,618 gain/loss would arise.

(c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of resources, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. The Company currently maintains investments in certain publicly listed companies. There can be no assurance that the Company can exit these positions if required, resulting in proceeds approximating the carrying value of the securities.

9. Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral interests and to maintain flexible capital structure for its projects for the benefit of its stakeholders.

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

ROME RESOURCES LTD.

(an exploration stage company)

Notes to the Consolidated Financial Statements

September 30, 2009 and 2008

9. Capital Management, continued

The Company manages the capital structure and makes adjustments to it in light of changes in the economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, enter into joint venture property arrangements, acquire or dispose of assets or adjust the amount of cash.

Management reviews the capital structure on a regular basis to ensure that the above-noted objectives are met.

10. Income Taxes

A reconciliation of income taxes at statutory rates at September 30 is as follows:

	2009	2008
Net loss for the year before income taxes	\$ (724,150)	\$ (334,902)
Income tax recovery	\$ (218,150)	\$ (106,850)
Changes in taxes resulting from:		
Non-deductible expenses for tax purposes	141,728	7,866
Unrealized foreign exchange loss	2,649	727
Taxable gain on sale of marketable securities	—	37,037
Effect of differences in foreign tax rates	(776)	(1,007)
Recognized benefit of non-capital losses	892,132	(405,580)
Income tax (recovery) expense	\$ 817,583	\$ (467,807)

The significant components of the Company's future income tax assets (liabilities) are as follows:

	2009	2008
Future income tax assets:		
Non-capital loss carry-forwards - Canada	\$ 370,008	\$ 384,808
Non-capital loss carry-forwards - Mexico	362,138	323,841
Mineral interests	212,220	494,926
Other	1,758	1,361
	946,124	1,204,936
Future income tax liability:		
Marketable securities	(172,748)	(970,579)
Valuation allowance	(773,376)	(323,841)
Net future income tax liabilities	\$ —	\$ (89,484)

The Company has approximately \$1,480,000 of Canadian non-capital losses which may be carried forward to reduce taxable income in future years. If not utilized the Canadian non-capital losses will expire through 2029. Subject to certain restrictions, the Company also has resource expenditures available to reduce taxable income in future years.

ROME RESOURCES LTD.

(an exploration stage company)

Notes to the Consolidated Financial Statements

September 30, 2009 and 2008

11. Related Party Transactions

- a) The Company incurred the following expenses to September 30, to a director and a director of its subsidiary, and a corporation of which an officer is an employee:

	2009	2008
Mineral property exploration costs and geological consulting	\$ 96,920	\$ 149,087
Accounting, audit and legal fees	31,540	10,631
	<u>\$ 128,460</u>	<u>\$ 159,718</u>

- b) Included in accounts payable and accrued liabilities is \$62,346 (2008 - \$9,152) due to a director or a corporation controlled by a director of the Company, or to a corporation of which a former officer of the Company is an employee.
- c) Included in accounts and advances receivable is \$6,795 (2008 - \$8,256) advanced to a director of the Company and to a director of the Company's Mexican subsidiary for future travel and property expenditures.

These transactions were in the normal course of operations and were measured at the exchange amount which is the amount of consideration established and agreed to by related parties.

12. Supplemental Disclosure with Respect to Cash Flows

Significant non-cash transactions for the year ended September 30, 2009 and 2008 include:

- a) Incurring mineral property expenditures of \$30,174 (2008 - \$18,185) through accounts payable
- b) Fair market value adjustment of marketable securities, net of tax, resulting in a loss of \$2,130,017 (2008 - a gain of \$1,051,199) which is included in other comprehensive income.

13. Segmented Information

The Company has one reportable segment, being the acquisition and exploration of mineral properties.

The Company's mineral interests are located in Mexico and Argentina, and all other assets are held in Canada.

14. Subsequent events

Subsequent to September 30, 2009 the Company:

- Closed a private placement of 500,000 units at \$0.20 per unit, each unit consisting of one share and one warrant to buy one share for \$0.26 for a period of two years;
- Announced a private placement, subject to regulatory approval of 4,000,000 units at \$0.25 per unit, each unit consisting of one share and one-half of one warrant, each full warrant entitling the holder to buy one share for \$0.30 for a period of two years. Finders' fees are payable in accordance with regulatory policies.