



## Rocmec Mining Inc.

(Exploration Stage Company)

### **INTERIM CONSOLIDATED FINANCIAL STATEMENTS** 6-MONTH PERIOD ENDED MARCH 31, 2010 AND 2009

These unaudited interim consolidated financial statements have been prepared by management. The external auditors have not examined these interim consolidated financial statements.

#### **INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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# Rocmec Mining Inc.

(Exploration Stage Company)

## CONSOLIDATED BALANCE SHEETS

(unaudited)

	\$	\$
	March 31, 2010	September 30, 2009
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Precious metals - realizable value	14,659	15,186
Investment in shares	11,250	11,250
Accounts receivable and other receivable	247,996	269,823
Sales taxes receivable	117,330	52,216
Tax credits receivable	808,095	808,095
Prepaid expenses	156,160	111,962
	<u>1,355,490</u>	<u>1,268,532</u>
<b>PROPERTY, PLANT AND EQUIPMENT (Note 8)</b>	2,870,177	2,765,547
<b>FUNDS HELD FOR EXPLORATION AND DEVELOPMENT CHARGES</b>	17,759	773,174
<b>MINING PROPERTIES (Note 9)</b>	2,528,417	888,417
<b>DEFERRED EXPLORATION AND DEVELOPMENT CHARGES (Note 10)</b>	18,800,088	17,398,214
<b>SECURITY DEPOSITS</b>	6,440	6,440
<b>THERMAL FRAGMENTATION - EXCLUSIVE LICENCE</b>	1,298,775	1,367,132
	<u>26,877,146</u>	<u>24,467,456</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	1,781,456	1,676,655
Loans (Note 11)	1,169,777	1,383,755
Mining property acquisition obligation	400,000	-
Current portion of long-term debt (Note 12)	957,100	1,501,409
Current portion of debentures (Note 13)	1,471,875	1,723,822
	<u>5,780,208</u>	<u>6,285,641</u>
<b>LONG-TERM DEBT (Note 12)</b>	1,827,091	1,342,799
<b>DEBENTURES (Note 13)</b>	983,998	774,172
<b>FUTURE INCOME TAXES</b>	2,256,010	2,087,778
	<u>10,847,307</u>	<u>10,490,390</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 14)	34,289,934	30,883,276
Contributed surplus	4,992,086	3,490,758
Warrants (Note 14)	1,798,197	3,012,971
Equity component of convertible debentures	467,069	493,975
Deficit	(25,517,447)	(23,903,914)
	<u>16,029,839</u>	<u>13,977,066</u>
	<u>26,877,146</u>	<u>24,467,456</u>

## CONTINGENCIES AND COMMITMENTS (Notes 15 and 16)

The accompanying notes form an integral part of these consolidated financial statements

ON BEHALF OF THE BOARD OF DIRECTORS

(s) Donald Brisebois \_\_\_\_\_, Director

(s) Daniel Gilbert \_\_\_\_\_, Director

# Rocmec Mining Inc.

(Exploration Stage Company)

## CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME

(unaudited)

	\$	\$	\$	\$
	3-month period ended March 31, 2010	6-month period ended March 31, 2010	3-month period ended March 31, 2009	6-month period ended March 31, 2009
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>				
Salaries and fringe benefits	152,106	248,447	127,018	256,424
Training	-	800	-	-
Stock-based compensation	9,320	18,639	-	-
Insurance	4,833	9,774	4,781	9,492
Bank charges	2,649	4,751	2,135	3,967
Trustee fees and registration	12,710	28,303	10,360	13,538
Management fees	1,500	3,000	1,500	3,000
Patents fees	18,349	24,076	4,357	11,329
Professional fees	114,803	218,434	80,398	129,516
Financial fees	21,000	125,475	63,206	134,549
Reporting to shareholders	9,109	14,547	5,644	7,628
Directors' fees	1,000	2,000	600	600
Rent	13,114	24,529	23,777	46,877
Stationary and office expenses	6,583	10,892	4,196	11,194
Telecommunications	2,935	5,746	3,233	10,359
Travelling and promotion	4,880	27,680	14,990	40,203
Improvement of the method	17,895	28,358	-	-
Interest on debentures and long-term debt and other interest (A)	247,624	501,135	301,988	613,013
Amortization of fixed assets	3,934	7,822	2,801	8,506
Amortization of thermal fragmentation - exclusive licence	34,179	68,357	-	-
Realizable value variation of precious metals	(436)	1,318	1,388	6,092
Fair value variation on investment in shares	2,500	-	-	-
Gain on change rate	-	-	(3,022)	(2,289)
Part XII.6 income taxes	25,420	30,203	2,208	11,190
Write-off (disposal) of mining properties	(198,882)	(198,882)	700	20,880
	507,125	1,205,404	652,258	1,336,068
<b>CONTRACTS INCOME</b>	364,881	979,716	16,926	166,499
<b>DIRECT COST</b>				
Direct cost	510,240	1,019,865	111,613	243,496
Stock-based compensation	1,218	2,437	-	-
Interest - capital lease	7,014	13,329	619	2,625
Foreign exchange loss	19,274	24,047	-	-
Royalties	(21,941)	-	-	-
Amortization of equipment	13,278	25,448	2,929	2,929
	529,083	1,085,126	115,161	249,050
<b>LOSS BEFORE INCOME TAXES</b>	(671,327)	(1,310,814)	(750,493)	(1,418,619)
<b>INCOME TAXES</b>				
Future income taxes	1,432,426	1,403,890	901,193	748,774
<b>NET EARNINGS (LOSS) AND COMPREHENSIVE INCOME</b>	761,099	93,076	150,700	(669,845)
<b>NET EARNING (LOSS) PER SHARE</b>				
Basic	0.003	0.000	0.001	(0.005)
Diluted	0.003	0.000	0.001	(0.005)
Weighted average number of shares outstanding	233,189,419	233,189,419	123,283,929	123,283,929
<b>(A) INTEREST ON DEBENTURES AND LONG-TERM DEBT AND OTHER INTEREST</b>				
Interest on debentures and long-term debt	217,472	440,738	268,395	550,962
Other interest	30,152	60,397	33,593	62,051
<b>INTEREST ON DEBENTURES AND LONG-TERM DEBT AND OTHER INTEREST</b>	247,624	501,135	301,988	613,013

The accompanying notes form an integral part of these consolidated financial statements

# Rocmec Mining Inc.

(Exploration Stage Company)

## CONSOLIDATED DEFICIT

(unaudited)

	\$	\$	\$	\$
	3-month period ended March 31, 2010	6-month period ended March 31, 2010	3-month period ended March 31, 2009	6-month period ended March 31, 2009
<b>DEFICIT AT BEGINNING OF YEAR</b>	(24,592,387)	(23,903,914)	(20,612,768)	(19,642,059)
<b>NET EARNINGS (LOSS)</b>	761,099	93,076	150,700	(669,845)
<b>SHARE ISSUANCE EXPENSES</b>				
shares	(1,572,122)	(1,572,122)	(1,053,690)	(1,053,690)
Other share issuance expenses	(114,037)	(134,487)	(119,342)	(269,506)
	(1,686,159)	(1,706,609)	(1,173,032)	(1,323,196)
<b>Prior years adjustment</b>	-	-	-	-
<b>DEFICIT AT END OF YEAR</b>	(25,517,447)	(25,517,447)	(21,635,100)	(21,635,100)

The accompanying notes form an integral part of these consolidated financial statements

# Rocmec Mining Inc.

(Exploration Stage Company)

## CONSOLIDATED CONTRIBUTED SURPLUS

(unaudited)

	\$ March 31, 2010	\$ September 30, 2009
<b>BALANCE, BEGINNING OF YEAR</b>	3,490,758	1,618,204
Equity component of convertible debentures reimbursed	26,906	280,969
Options granted - Stock-based compensation (Note 14)	22,096	-
Brokers' units options granted (Note 14)	33,510	189,844
Warrants expired (Note 14)	1,426,998	1,401,741
Options exercised	(8,182)	-
<b>BALANCE, END OF YEAR</b>	<b>4,992,086</b>	<b>3,490,758</b>

The accompanying notes form an integral part of these consolidated financial statements

# Rocmec Mining Inc.

(Exploration Stage Company)

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	\$	\$	\$	\$
	3-month period ended March 31, 2010	6-month period ended March 31, 2010	3-month period ended March 31, 2009	6-month period ended March 31, 2009
<b>OPERATING ACTIVITIES</b>				
Net earnings (loss)	761,099	93,076	150,700	(669,845)
<b>Operating items not involving cash</b>				
Non-cash interest expense capitalized on convertible debentures	9,375	21,941	43,967	117,505
Fair value variation on investment in shares	2,500	-	-	-
Amortization of property, plant and equipment	17,212	33,270	5,730	11,435
Amortization of thermal fragmentation - exclusive licence	34,179	68,357	-	-
Stock-based compensation	11,558	22,096	-	-
Write-off (disposal) of mining properties	(198,882)	(198,882)	700	20,880
Future income taxes	(1,432,426)	(1,403,890)	(901,193)	(748,774)
Changes in working capital items	804,066	447,294	398,860	417,320
Cash flows from operating activities	8,681	(916,738)	(301,236)	(851,479)
<b>INVESTING ACTIVITIES</b>				
Acquisition of property, plant and equipment	(64,622)	(78,159)	(383,857)	(479,111)
Acquisition of mining properties	(1,118)	(501,118)	(975)	(21,155)
Deferred exploration and development charges	(317,450)	(1,059,569)	(1,047,794)	(2,040,761)
Funds held for exploration and development charges	(17,759)	755,415	70,084	215,217
Cash flows from investing activities	(400,949)	(883,431)	(1,362,542)	(2,325,810)
<b>FINANCING ACTIVITIES</b>				
Loans	-	-	-	141,000
Loan reimbursement	(2,665)	(216,000)	(3,234)	(18,555)
Issuance of debenture	-	200,000	-	-
Debenture reimbursement	(134,375)	(264,062)	-	(175,000)
Issuance of long-term debt	-	-	300,000	900,000
Long-term debt reimbursement	(155,242)	(289,492)	(49,907)	(44,333)
Share issuance expenses	(70,527)	(90,977)	(119,341)	(168,441)
Issuance of shares	799,527	2,256,658	1,223,029	1,992,712
Issuance of warrants	124,698	204,042	313,231	549,906
Cash flows from financing activities	561,416	1,800,169	1,663,778	3,177,289
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
	169,148	-	-	-
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>				
	(169,148)	-	-	-
<b>CASH AND CASH EQUIVALENTS AT BEGINNING AND END OF YEAR</b>				
	-	-	-	-
Interest paid	239,166	473,274	243,442	484,799

Supplemental cash flows information (Note 17)

The accompanying notes form an integral part of these consolidated financial statements

# Rocmec Mining Inc.

(Exploration Stage Company)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2010 and 2009 (unaudited)

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### 1- GENERAL

The interim consolidated financial statements have been prepared in accordance with accounting policies generally accepted in Canada. They follow the same accounting policies as the annual consolidated financial statements for September 30th, 2009. These financial statements do not include all required information for generally accepted accounting principles used in annual financial statements and should be read with the accompanying notes on the Company's September 30, 2009 financial statements.

### 2- GOING CONCERN

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and on the basis on the going concern assumption, meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

Given that the Company has not yet found a mineral property containing mineral deposits that are economically recoverable, the Company has not generated any income or cash flows from its mining exploration operations. As at March 31, 2010, the Company has a deficit and a working capital deficiency. The Company's current liquidity position is not sufficient to fund next year's administrative and exploration expenses. These conditions raise significant doubt regarding the Company's ability to continue as a going concern and the use of the going concern assumption.

The Company's ability to continue as a going concern is dependant upon its ability to raise additional financing to further explore its mineral properties and, even if the Company has been successful in the past in doing so, there is no assurance that it will manage to obtain additional financing in the future. Management is assessing its alternatives in terms of financing options to maintain its current liquidity and to meet its commitment including those related to flow-through financing.

The carrying amounts of assets, liabilities, revenues and expenses presented in the financial statements and the balance sheet classification have not been adjusted as would be required if the going concern assumption were not appropriate.

### 3- ACCOUNTING CHANGES

#### Going concern

In June 2007, The Canadian Institute of Chartered Accountants (CICA) modified section 1400, "General standards of financial statements presentation", in order to require of the management the assessment of the capacity of the Company to continue its operations over at least, but not limited to, a period of 12 months, from the balance sheet date. These new requirements come into force for the fiscal periods from January 1, 2008 and the Company applied them on October 1, 2008 in accordance with its transitional provisions. The new requirements only address disclosures and have no impact on the Company's financial results.

# Rocmec Mining Inc.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2010 and 2009 (unaudited)

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### 3- ACCOUNTING CHANGES (continued)

#### Mining Explorations Costs

On March 27, 2009, the Emerging Issues Committee issued EIC-174, Mining exploration costs of the CICA handbook, to provide additional guidance for mining exploration enterprises the exploration expenses that can be capitalized as asset and on when an impairment test is required. This Abstract must be applied to financial statements issued after March 27, 2009. The adoption of this Abstract had no impact on the financial statements of the Company.

### 4- FUTURE ACCOUNTING CHANGES

#### Convergence with International Financial Reporting Standards

In February 2008, Canada's Accounting Standards Board (AcSB) confirmed January 1, 2011 as the changeover date to move financial reporting for Canadian publicly accountable enterprises to the International Financial Reporting Standards ("IFRS"). The Company will adopt the IFRS for the interim financial statement that will end on December 31, 2011 and the Company is not able to assess the impact of the application of the IFRS will have on its financial statements.

### 5- SIGNIFICANT ACCOUNTING POLICIES

#### Basis of presentation

The financial statements are prepared using the historical cost method, except for certain financial instruments that are recognized at fair value. No information on fair value is presented when the carrying amount corresponds to a reasonable approximation of the fair value.

#### 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 amounts recorded in the financial statements and notes to financial statements. Significant estimates include these related the estimated useful of property, plant and equipment, the recoverability of mineral properties and deferred exploration expenses and thermal fragmentation - exclusive licence, future income taxes and stock-based compensation. While management believes that these estimates and assumptions are reasonable, actual results could vary significantly.

#### Principles of consolidation and subsidiary name change

The consolidated financial statements include the accounts of the Company and its subsidiary; Rocmec Technologies Inc. (formerly 9167-6718 Quebec Inc.) On March 24th, 2010, the subsidiary adopted a new name. This subsidiary is presently inactive.

# Rocmec Mining Inc.

(Exploration Stage Company)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2010 and 2009 (unaudited)

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### 5- SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Property, plant and equipment

Property, plant and equipment are accounted for at cost. Amortization is based on their estimated useful life less estimated residual value using the straight-line method at the following annual rates:

Equipment	5 to 10 years
Mill plant	5 to 10 years
Computer equipment	2 to 4 years
Automotive equipment	4 years
Leasehold improvements	lease term - 3 years
Telephone system	5 years

#### Funds held for exploration and development charges

Exploration funds consist of cash and represent the unexpended proceeds of flow-through financing agreement under which the Company has committed to spend the amounts on exploration.

#### Mining rights tax credit and tax credit for mining exploration companies

The Company is entitled to a refundable mining rights tax credit on mining exploration expenses incurred in Quebec. Furthermore, the Company is entitled to the refundable tax credit that may reach 38.75% for mining exploration companies on qualified expenditures incurred after March 29, 2001.

Those tax credits are recorded and accounted for against the costs incurred provided that the Company has reasonable assurance that these credits will be received.

#### Mining properties and deferred exploration and development charges

Mining properties, composed of mining exploration permits, claims and options to acquire undivided interests in properties are accounted for at their acquisition cost.

Costs related to the acquisition, exploration and development of mining properties are capitalized by property until the commencement of commercial production. If commercially profitable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized on the unit of production method. If it is determined that capitalized acquisition, exploration and development costs are not recoverable over the estimated economic life of the property, or the project is abandoned, the project is written down to its net realizable value.

Management assesses recoverability of amounts recorded for mining properties and deferred exploration expenses by considering whether results from exploration work justify further investment, the confirmation of the interest of the Company in the mining claims, the ability of the Company to obtain the necessary financing to complete the development and future profitable production or the disposal of the properties for proceeds in excess of their carrying value.

# Rocmec Mining Inc.

(Exploration Stage Company)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2010 and 2009 (unaudited)

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### 5- SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Thermal fragmentation - Exclusive licence

The thermal fragmentation exclusive licence is accounted for at cost and amortization will be based on its estimated useful life using the straight-line method over 10 years beginning with the first of the following: Beginning of the commercial production using the thermal fragmentation or the sale of the first sub license of thermal fragmentation.

#### Impairment of long-lived assets

Property, plant and equipment and the exclusive licence thermal fragmentation subject to amortization are tested for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. The carrying amount of a long-lived asset is non-recoverable when it exceeds the sum of the undiscounted cash flows expected from its use and eventual disposal. In such a case, an impairment loss must be recognized and is equivalent to the excess of the carrying amount of a long-lived asset over its fair value.

#### Foreign currency translation

Transactions pertaining to the statement of earnings are translated at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities resulting from these transactions are translated at the rate of exchange in effect at the balance sheet date. Non monetary assets are translated at the exchange rate in effect at the transaction date. Exchange gains or losses are included in earnings of the year.

#### Share capital

Capital stock issued for non-monetary consideration is generally recorded at the quoted market price of the shares at the date of agreement. The resource expenditure deductions for income tax purposes related to exploration and development activities funded by the proceeds of the flow-through share arrangements are renounced to investors in accordance with tax legislation. Under the liability method of accounting of income taxes, the future income taxes related to temporary differences arising at the renunciation are recorded at that time together with a corresponding charge in the share issue expense.

#### Fair value of the warrants

Proceeds from unit placements are allocated between shares and warrants issued using the Black-Scholes pricing model to determine the fair value of warrants issued.

#### Basic and diluted net loss per share

Net loss per share is calculated using the weighted average number of outstanding shares during the year. The diluted net loss per share is equal to the basic net loss per share due to the anti-dilutive effect of convertible debenture, stock options, warrants and borkers' units options described in note 14.

#### Revenue recognition

The Company recognizes revenue from metals when they have been delivered and title has passed to a purchaser. Up until beginning of commercial production, revenue are accounted for in decrease of deferred explorations and development charges.

The Company recognizes revenue from contract income under the percentage of completion method. Under this method, contract income and profit are recognized proportionately with the degree of completion. The degree of completion is determined based on the number of linear feet completed. Losses on contract are recognized when total cost estimates indicate a loss.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2010 and 2009 (unaudited)

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### 5- SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Stock-option plan

The Company uses the fair value method based on the Black-Scholes pricing model to record the compensation cost related to the issue of stock options to its employees, directors, officers and consultant to earnings or deferred exploration expenses over the vesting period with a corresponding credit to contributed surplus. The expense is recorded over the vesting period for employees and the performance period for consultants. Any consideration received when options are exercised is credited to capital stock together with the related compensation cost recorded previously as contributed surplus.

#### Share issue expenses

Share issue expenses are recognized in the statement of deficit.

#### Income taxes

Future income taxes are a result of the future tax consequences attributable to differences between the financial statements carrying amounts for existing assets and liabilities and their respective tax bases. Future tax assets are accounted for only if the management believes that it will be more likely than not that future tax assets will be recoverable. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the fiscal years in which those temporary differences are expected to be recovered or settled.

#### Financial instruments - Recognition and measurement

All financial instruments are required to be measured at fair value on initial recognition, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other liabilities.

Financial assets and liabilities classified as held-for-trading are required to be measured at fair value, with gains and losses recognized in net earnings.

Financial assets classified as held-to-maturity, loans and receivables and other financial liabilities (other than those held-for-trading) are required to be measured at amortized cost using the effective interest method.

Available-for-sale financial assets are required to be measured at fair value, with unrealized gains and losses recognized in Other Comprehensive Income (loss). Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market should be measured at cost.

Transaction costs are recognized in earnings as they are incurred.

Embedded derivatives that are not closely related to the host contract must be separated and classified as held-for-trading financial instruments. They are therefore measured at fair value and changes in fair value are recognized in earnings and the transaction costs related to these embedded derivatives are recognized in earnings as administrative expenses. As at March 31, 2010 and 2009, the Company has no financial instruments including an embedded derivative that should be separated from the host contract.

# Rocmec Mining Inc.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2010 and 2009 (unaudited)

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### 5- SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial instruments - Recognition and measurement (continued)

The Company has adopted the following classification:

Cash and cash equivalents, investment in shares and funds held for exploration and development charges are classified as "Financial Assets Held for Trading".

Investment in shares is classified under level I that is valuation based on active market price in determining fair value.

Trade accounts receivable and other receivable are classified as "loans and receivables".

Accounts payables and accrued liabilities, loans, long-term debt and debentures are classified as "Other Financial Liabilities".

### 6- CAPITAL MANAGEMENT

In terms of capital management, the objectives of the Company are to preserve its ability to continue its mining exploration and development of its thermal fragmentation mining method as well as its current bulk sampling program at the Rocmec 1 mining site. If necessary, the Company raises funds by private placement of common shares, in loans and debentures in order to support the development of its activities. The Company does not intend to pay dividend in the foreseeable future.

The Company includes loans, long-term debt, debentures, share capital, contributed surplus, warrants and equity component of convertible debenture in the definition of capital for a total amount of \$48,357,127 (\$44,606,937 - September 30, 2009).

The property in which the Company has an interest is in the development stage and the use of the thermal fragmentation mining method by other mining companies is also in the development stage; As such, the Company is dependant on external financing to fund its activities.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no significant changes in the Company's approach to capital management during the period ended March 31, 2010. The Company does not have any externally imposed capital requirements neither regulatory nor contractual requirements to which it is subject, other than those related to its flow-through financing agreements for which the Company is in compliance during the year.

### 7- FINANCIAL INSTRUMENTS

The Company is exposed to various financial risks that result from both its operations and its investment activities. Financial risk management is carried out by the Company's management.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2010 and 2009 (unaudited)

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### 7- FINANCIAL INSTRUMENTS (continued)

#### Credit risk

The credit risk is the risk associated with non-payment of financial obligations by the customers of the Company. The credit risks that the Company faces are mainly attributable to recovery of various accounts receivable. Cash and funds held for exploration and development charges are held by a Canadian Chartered Bank in which management believes that the risk of loss is minimal but the Company is subject to concentration of credit risk. The maximum risk is equivalent to the carrying value.

The Company is also subject to concentration of credit risk through its accounts receivable that amounts to \$247,996 which are entirely receivable from one customer for which management believes that the risk of loss is minimal.

#### Liquidity risk

The liquidity risk is the risk that the Company experiences difficulty honoring commitments related to financial liabilities. The management approach concerning cash management is to ensure, as much as possible, that the Company has the necessary funds to meet its financial obligations at maturity. If considered necessary, management renegotiates extensions to maturity dates to balance the needs in cash and financings.

The Company expects to satisfy obligations under accounts payable and accrued liabilities, interest payment on convertible debentures and borrowings and repayment of the short-term part of long-term debts and convertible debentures. Management intends to continue, as was done in the past, to finance its activities by raising funds by private equity investments, in loans or debentures. Even if it succeeded in financing its activities in the past, management cannot comment on the success of its future fund raising and it believes that the liquidity risk is high.

#### Interest rate risk

The interest rate risk is the risk that the fair value of future cash flows of a financial instrument fluctuate because of changes in market interest rates. Loans, long-term debt and debentures issued by the Company bear interest at a fixed rate thus exposing it to the risk of changes in fair value arising from interest rate fluctuations.

#### Exchange risk

The Company is exposed to exchange risk as a result of its contract income in foreign currency. As at March 31, 2010, accounts receivable amounts to US\$ 244,138 (CAD\$ 247,996).



# Rocmec Mining Inc.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2010 and 2009 (unaudited)

### 9- MINING PROPERTIES

	Balance as at September 30, 2009	Addition (Decrease)	Write-off	Balance as at March 31, 2010
	\$	\$	\$	\$
Montauban (Quebec, Canada) (a)	-	(200,000)	200,000	-
Denain (Quebec, Canada) (b)	-	338	(338)	-
Courville-Maruska (Quebec, Canada) (c)	-	780	(780)	-
Rocmec 1 (Quebec, Canada) (d)	888,417	1,640,000	-	2,528,417
	888,417	1,441,118	198,882	2,528,417

	Balance as at September 30, 2008	Addition (Decrease)	Write-off	Balance as at September 30, 2009
	\$	\$	\$	\$
Montauban (Quebec, Canada) (a)	-	425	(425)	-
Denain (Quebec, Canada) (b)	-	275	(275)	-
Vauquelin (Quebec, Canada) (e)	-	(10,000)	10,000	-
Rocmec 1 (Quebec, Canada) (d)	888,142	275	-	888,417
Puma (Arequipa, Peru)	-	20,180	(20,180)	-
	888,142	11,155	(10,880)	888,417

**a) Montauban project - Montauban and Grondines township, Québec**

Property sold in March 2010 (2009 - 100% interest in 10 mining claims.)

**b) Denain project - Denain township, Québec**

A 85% interest in 23 mining claims subject to a 3.5% net smelter return (NSR) royalty.

**c) Courville-Maruska project - Courville township, Québec**

A 100% interest in 20 mining claims.

**d) Rocmec 1 project - Dasserat township, Québec**

A 100% interest in 11 mining claims subject to a 5% Net Metal Royalty on first 25,000 ounces and 3% on the additional ounces and 99 mining claims subject to a 2% (NSR) royalty.

# Rocmec Mining Inc.

(Exploration Stage Company)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2010 and 2009 (unaudited)

### 10- DEFERRED EXPLORATION AND DEVELOPMENT CHARGES

	Balance as at September 30, 2009	Deferred exploration and development charges	Write-off	Tax credit	Balance as at March 31, 2010
Rocmec 1 (Quebec, Canada)	\$ 17,398,214	\$ 1,401,874	\$ -	\$ -	\$ 18,800,088
	17,398,214	1,401,874	-	-	18,800,088

	Balance as at September 30, 2008	Deferred exploration and development charges	Write-off	Tax credit	Balance as at September 30, 2009
Rocmec 1 (Quebec, Canada)	\$ 13,274,792	\$ 4,195,615	\$ -	\$ (72,193)	\$ 17,398,214
	13,274,792	4,195,615	-	(72,193)	17,398,214

# Rocmec Mining Inc.

(Exploration Stage Company)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2010 and 2009 (unaudited)

### 10- DEFERRED EXPLORATION AND DEVELOPMENT CHARGES (continued)

Deferred exploration and development expenses capitalized are as follows:

	<b>March 31, 2010</b>	<b>September 30, 2009</b>
	\$	\$
Diamond drilling	370,047	73,125
Thermal fragmentation	17,770	105,731
Underground development	16,707	692,596
Supervision	122,090	211,209
Maintenance	207,472	709,295
Surface	150,736	413,241
Technical services	390,238	461,500
Other exploration expenses	79,783	292,374
Milling	24,044	481,218
Royalty	13,071	3,243
Equipment rental	29,590	322,403
Precious metals sales	(190,428)	(20,573)
Stock-based compensation	1,020	-
Amortization of fixed assets	169,734	450,253
	<b>1,401,874</b>	<b>4,195,615</b>

### 11- LOANS

Loans, bearing 15% (2009 - 12% and 15%) interest, secured by tax credit receivable having a net book value of \$808,095, maturing between December 2009 and December 2010.

658,000	658,000
---------	---------

Loans, bearing 15% and 18% interest, maturing between December 2010 and December 2011.

68,000	184,000
--------	---------

Loans, bearing interest at an annual rate of 18%, maturing December 2009. Additional interest of \$ 1 for each of the 50,000 first ounces of gold processed from the Puma site (Peru) will be payable in the event that the site is put into production. Additional interest will be payable even if the loans have been reimbursed before the production of the first 50 000 ounces of gold.

400,000	500,000
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Loans reimbursable in gold payable at demand.

43,777	41,755
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<b>1,169,777</b>	<b>1,383,755</b>
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# Rocmec Mining Inc.

(Exploration Stage Company)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2010 and 2009 (unaudited)

### 12- LONG-TERM DEBT

	March 31, 2010	September 30, 2009
	\$	\$
Obligations under capital lease secured by the equipment of a net book value of \$585,631, repayable by monthly installments varying from \$4,000 to \$10,502 including interest calculated at rates varying from 8.75% to 10.00% (8.75% to 18.02% in September 2009), maturing between December 2009 and September 2011.	348,573	311,234
Loans secured by automotive equipment of a net book value of \$88,547 repayable by monthly installments of \$3,356 including principal and interest calculated at rates varying from 0.00% to 5.49% (0.00% to 1.95% in September 2009), maturing between August 2011 and January 2015.	106,290	70,781
Loans secured by loader of a net book value of \$110,600 repayable by monthly installments of \$2,835 including principal and interest calculated at rate of 4.8%, maturing in August 2011.	46,515	62,193
Loan secured by a modular plant of a net book value of \$1,565,176, repayable 1 installment of \$300,000 on February 2010 and by quarterly installments of \$61,688 commencing on March 2010, including principal and interest at a rate of 18.00%, maturing in February 2014.	2,269,813	2,400,000
Loans bearing interest rate of a minimum of 5% per annum plus a variable participating interest rate based on quarterly service contract revenues, payable semi-annually, maturing in December 2012.	13,000	-
	2,784,191	2,844,208
Current portion	957,100	1,501,409
	1,827,091	1,342,799

Long-term debt principal repayments to be made during the following years are as follows:

	Long-term debt	Capital lease
	\$	\$
2011	669,726	303,710
2012	517,788	63,012
2013	602,044	-
2014	636,534	-
2015	9,526	-
Total minimum lease payments	2,435,618	366,722
Amounts included in minimum lease payments		
Interest expense		18,149
		348,573

# Rocmec Mining Inc.

(Exploration Stage Company)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2010 and 2009 (unaudited)

### 13- DEBENTURES

	March 31, 2010	September 30, 2009
	\$	\$
<u>Liability component of convertible debentures</u>		
<p>Eight \$100,000 convertible debentures totalling \$1,000,000, bearing interest rate of 12% (effective rate of 40%), repayable monthly, maturing at different maturity dates between January 2010 and November 2010. The debentures are convertible at the holder's option, into common shares at conversion prices ranging between \$0.23 and \$0.28. The holders, subject to regulatory approval, may request that interest payments be paid in common shares, semi-annually.</p>		
<p><i>The Company has agreed to new terms of repayment; these new terms of reimbursement allows the Company to postpone capital repayment until December 31, 2011; commencing on January 1, 2010 the annual interest rate for each debenture will be 13.5%; the conversion price will be reduced to \$0.13 per share and the Company will issue 4,000,000 warrants which can be exercised until July 1, 2011. Each share purchase warrant entitles its holder to purchase one common share at a price of \$0.16.</i></p>	783,998	762,057
<p>Convertible totalling \$621,875 (\$885,937 on September 30, 2009) debentures bearing interest rate of 12%, plus a maximum NSR royalty of 1.8% on gold ounces produced during the first year at Rocmec 1 and 1.2% thereafter. The debentures will mature from January 2010 and December 31, 2010, are redeemable on demand, at the Company's option, with a 3 month interest and royalty penalty. The debenture holders may convert 30% of the total amount of the debentures into common shares at a price of \$0.30 per share and the issuer has the right to force conversion of 70% of the total amount of the debentures into common shares at a price of \$0.70 if the closing stock price of the last 30 days preceding conversion exceeds \$0.90.</p>	621,875	885,937
<p>Debentures totalling \$200,000 bearing interest rate of 12% repayable quarterly, plus royalty of 1 ounce per 1,000 ounces produced at Rocmec 1, maturing December 2012.</p>	200,000	-
Balance to carry-forward	<u>1,605,873</u>	<u>1,647,994</u>

# Rocmec Mining Inc.

(Exploration Stage Company)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2010 and 2009 (unaudited)

### 13- DEBENTURES (continued)

	March 31, 2010	September 30, 2009
	\$	\$
Carry-forward balance	1,605,873	1,647,994
<u>Others debentures</u>		
Debentures, totalling \$450,000, redeemable at any time with a penalty equal to three months interest and are convertible into common shares at the option of the issuer, at the market price on the date of conversion subject to a minimum price of \$0.22, bearing interest at a rate of 12% per year, repayment of interest may be done semi-annually in common shares at the holder's option, subject to approval by regulatory authorities having jurisdiction on the securities of the Company, payable quarterly, repayable at maturity in December 2010.	450,000	450,000
Debentures, totalling \$400,000, redeemable at any time with a penalty equal to three months interest and are convertible into common shares at the option of the issuer, at the market price on the date of conversion subject to a minimum price of \$0.22, bearing interest at a rate of 12% per year, repayment of interest may be done semi-annually in common shares at the holder's option, subject to approval by regulatory authorities having jurisdiction on the securities of the Company, payable quarterly. The Company has reached an agreement with lenders allowing a reimbursement at demand.	400,000	400,000
	2,455,873	2,497,994
Current portion	1,471,875	1,723,822
	983,998	774,172

Debentures principal repayments to be made during the following years are as follows:

	\$
2011	1,471,875
2012	800,000
2013	200,000
	2,471,875

# Rocmec Mining Inc.

(Exploration Stage Company)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2010 and 2009 (unaudited)

### 14- SHARE CAPITAL

#### Authorized

Unlimited number of common shares without par value, voting, participating, dividend as declared by the Board of Directors.

Changes in the Company's common share capital were as follows:

	March 31, 2010		September 30, 2009	
	Number	Amount	Number	Amount
<b>Shares issued</b>		\$		\$
<b>Balance, beginning of year</b>	206,917,391	29,846,643	138,963,295	25,283,415
Paid in cash	-	-	16,808,599	822,683
Flow-through financing	37,551,779	3,112,291	47,548,320	3,479,095
Mining properties	12,000,000	1,140,000	-	-
Exercise of warrants	442,857	31,000	-	-
Debt settlement	-	-	3,106,606	224,000
Brokers' fees	125,000	10,000	490,571	37,450
	<u>257,037,027</u>	<u>34,139,934</u>	<u>206,917,391</u>	<u>29,846,643</u>
<b>Shares to be issued</b>				
Flow-through shares	1,875,000	150,000	13,835,443	1,036,633
	<u>1,875,000</u>	<u>150,000</u>	<u>13,835,443</u>	<u>1,036,633</u>
<b>Balance, end of year</b>	<u>258,912,027</u>	<u>34,289,934</u>	<u>220,752,834</u>	<u>30,883,276</u>
Weighted average number of shares outstanding	<u>233,189,419</u>		<u>170,532,505</u>	

# Rocmec Mining Inc.

(Exploration Stage Company)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2010 and 2009 (unaudited)

### 14- SHARE CAPITAL (continued)

#### Common share purchase options

The Company maintains a stock option plan (the "Plan") whereby the Board of Directors may from time to time grant to employees, officers, directors of, or consultants to the Company, options to acquire common shares in such numbers, for such terms and at such exercise prices as may be determined by the Board of Directors.

The Plan provides that the maximum number of common shares in the capital of the Company that may be reserved for issuance under the Plan shall be equal to 5,000,000 common shares and that the maximum number of common shares which may be reserved for issuance to any one optionee may not exceed 5% of the common shares outstanding at the time of vest. These options must be exercised no later than 5 years after the date of vest. The options currently granted are subject to a minimum of a sixth vesting period for which options will vest gradually, except those granted to consultants providing investor relations services for which options will vest over 12 months.

The option exercise price is established by the Board of Directors and may not be lower than the market price of the common shares at the time of grant.

A summary of changes in the Company's common share purchase options are as follows:

	March 31, 2010		September 30, 2009	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
<b>Balance, beginning of year</b>	2,360,000	0.146	3,170,000	0.169
Granted	1,830,000	0.093	-	-
Expired	(100,000)	0.300	(810,000)	0.237
<b>Balance, end of year</b>	<b>4,090,000</b>	<b>0.119</b>	<b>2,360,000</b>	<b>0.146</b>
Options exercisable at the end	<u>2,869,999</u>		<u>2,151,665</u>	

# Rocmec Mining Inc.

(Exploration Stage Company)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2010 and 2009 (unaudited)

### 14- SHARE CAPITAL (continued)

#### Options granted and exercisable as at March 31, 2010:

	Options granted	Options exercisable	Exercise price	Expiry date
	100,000	100,000	0.300 \$	January 2011
	300,000	300,000	0.210 \$	November 2011
	360,000	360,000	0.160 \$	October 2012
(a)	1,500,000	1,500,000	0.110 \$	August 2013
	1,630,000	576,666	0.095 \$	November 2014
	200,000	33,333	0.080 \$	February 2015
	<u>4,090,000</u>	<u>2,869,999</u>		

#### Accounting for compensation plans

The fair value of options was estimated using the Black-Scholes option pricing model with the following assumptions:

	March 31, 2010	September 30, 2009
Weighted average risk-free interest rate	1.28%	-
Weighted average expected volatility	112.14%	-
Weighted average expected life	60 months	-
Expected dividends	0.0%	-
Weighted average fair value of options granted at market value	0.036 \$	-

Compensation cost for stock-based employee recognized in earning amounts to \$22,096 (\$0 in 2009).

(a) Stock options granted at an exercise price of \$0.11 while the market value was \$0.09.

# Rocmec Mining Inc.

(Exploration Stage Company)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2010 and 2009 (unaudited)

### 14- SHARE CAPITAL (continued)

#### Warrants

Outstanding common share purchase warrants, entitling their holders to subscribe to an equivalent number of common shares, were as follows:

	March 31, 2010		
	Number of warrants	Weighted average exercise price	Fair value allocated
		\$	
<b>Balance, beginning of year</b>	86,433,756	0.161	3,012,971
Granted	7,510,311	0.126	212,224
Expired	(29,727,655)	(0.257)	(1,426,998)
<b>Balance, end of year</b>	<b>64,216,412</b>	<b>0.112</b>	<b>1,798,197</b>

	September 30, 2009		
	Number of warrants	Weighted average exercise price	Fair value allocated
		\$	
<b>Balance, beginning of year</b>	57,764,916	0.272	3,056,799
Granted	52,504,766	0.106	1,357,913
Expired	(23,835,926)	(0.309)	(1,401,741)
<b>Balance, end of year</b>	<b>86,433,756</b>	<b>0.161</b>	<b>3,012,971</b>

# Rocmec Mining Inc.

(Exploration Stage Company)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2010 and 2009 (unaudited)

### 14- SHARE CAPITAL (continued)

Warrants outstanding as at March 31, 2010 are as follows:

Number	Exercise price	Expiry date
3,658,335	0.180 \$	May 2010
432,000	0.120 \$	August 2010
111,000	0.120 \$	September 2010
450,000	0.100 \$	September 2010
4,871,427	0.100 \$	October 2010
4,225,000	0.120 \$	December 2010
2,400,000	0.120 \$	January 2011
130,000	0.100 \$	January 2011
7,340,000	0.120 \$	February 2011
505,000	0.120 \$	April 2011
3,125,000	0.100 \$	April 2011
9,872,957	0.100 \$	May 2011
2,637,500	0.100 \$	June 2011
10,473,017	0.100 \$	July 2011
6,917,722	0.100 \$	October 2011
2,499,166	0.150 \$	December 2011
1,443,288	0.150 \$	March 2012
3,125,000	0.100 \$	March 2012
<u>64,216,412</u>		

The fair value of warrants was estimated using the Black-Scholes option pricing model with the following assumptions:

	March 31, 2010	September 30, 2009
Weighted average risk-free interest rate	1.32%	3.89%
Weighted average expected volatility	137.38%	93.65%
Weighted average expected life	24 months	24 months
Expected dividends	0.0%	0.0%

During the period, the Company issued 7,510,311 warrants. Each warrant entitles the holder to purchase one common share with expiry dates from October 2010 to March 2012 at a price between \$0.10 to \$0.15 per share.

The warrants were issued under private placements to common shareholders. They have been accounted for at their value of \$212,224 in warrants under share holder's equity.

# Rocmec Mining Inc.

(Exploration Stage Company)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2010 and 2009 (unaudited)

### 14- SHARE CAPITAL (continued)

#### Brokers' units options

During the period, the Company issued brokers' units options are as follows:

	March 31, 2010		
	Number of units options	Weighted average exercise price	Fair value allocated
		\$	\$
<b>Balance, beginning of year</b>	6,247,199	0.114	508,742
Granted	625,000	0.080	33,510
Exercised	(442,857)	(0.070)	(17,818)
Expired	(2,278,934)	(0.180)	(318,898)
<b>Balance, end of year</b>	<b>4,150,408</b>	<b>0.077</b>	<b>205,536</b>
	September 30, 2009		
	Number of units options	Weighted average exercise price	Fair value allocated
		\$	\$
<b>Balance, beginning of year</b>	2,278,934	0.180	318,898
Granted	3,968,265	0.075	189,844
<b>Balance, end of year</b>	<b>6,247,199</b>	<b>0.114</b>	<b>508,742</b>

Each unit is comprised of one common share that will entitle to one warrant upon the exercise of the option on the common share that will entitle to subscribe to one additional share.

Outstanding brokers' units options as at March 31, 2010:

Number	Exercise price	Expiry date
310,000	0.100 \$	December 2010
625,000	0.080 \$	April 2011
1,198,445	0.070 \$	May 2011
30,000	0.070 \$	June 2011
427,500	0.080 \$	June 2011
750,713	0.070 \$	July 2011
183,750	0.080 \$	July 2011
625,000	0.080 \$	March 2012
<b>4,150,408</b>		

The fair value of each brokers' units granted was estimated using the Black-Scholes option pricing model with the following assumptions:

	March 31, 2010	September 30, 2009
Weighted average Risk-free interest rate	1.22%	4.07%
Weighted average expected volatility	137.19%	92.92%
Weighted average expected life	24 months	24 months
Expected dividends	0.0%	0.0%

The fair value of each Brokers' units options granted have been accounted for at their value of \$33,510 under share issuance charges (\$189,844 in 2009).

# Rocmec Mining Inc.

(Exploration Stage Company)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2010 and 2009 (unaudited)

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### 15- CONTINGENCIES

The Company's operations are governed by governmental laws and regulations regarding environmental protection. The environmental consequences are hardly identifiable, whether it is the result level, the impact or its deadline. At the present time and to the best knowledge of its management, the Company is in conformity with the laws and regulations. In 2009 and 2008, a provision of \$18,500 for restoration of the premises is included in the accounts payable and accrued liabilities. It is possible that real account payable differ from this estimate.

### 16- COMMITMENTS

- i) The Company has entered into long-term lease agreements until September 2011 for the hiring of spaces and the hiring of equipment. The balance of engagements according to these leases, is established to \$84,612. The minimum lease payments for the following years are as follows:

	\$
2011	64,212
2012	20,400
	<hr/>
	84,612
	<hr/>

- ii) The Company entered into an agreement with an private independent company to acquire the exclusive rights to operate the thermal fragmentation in the narrow vein. By this agreement, the company can use the exploitation method, develop it or transfer sub-licenses.

The Company is responsible for expenses for maintaining the registration of patents held by the private independent company.

In counterpart of the rights acquired by this agreement, the Company will pay a royalty calculated on the quarterly production and royalty payments at \$15,00 per ounce produced by way of thermal fragmentation or 30% of all economic benefits.

The Company can terminate this agreement at any time without penalty or compensation, by giving the assignor a written notice of 90 days, by which the Company will be released of all it's obligations towards the assignor.

At its annual general and special shareholder meeting that was held on October 29, 2009, the Company obtained the shareholders approval pertaining to the proposed share acquisition of Rocmec International Inc. The Company will issue 85,000,000 common shares of its share capital in consideration of all the issued and outstanding shares of Rocmec International inc. at a deemed price of \$0.0712 for a total consideration of \$6,052,000 payable in common shares of the Company. The common shares will be issued to the shareholders of Rocmec International inc. subject to the satisfaction, over a period of 24 months following the signature of the share

- 1) Rocmec must have at least three thermal fragmentation units in operation with clients;
  - 2) Gross margins from service agreements must represent an average of at least \$225,000 per month over a period of 3 consecutive months.
- iii) The Company is committed to spend exploration expenses amounting to \$5,289,829 relating to flow-through financing. These expenses have to be spent before December 31, 2010.
- iv) The Company is committed to spend exploration expenses amounting to \$767,975 relating to flow-through financing. These expenses have to be spent before December 31, 2011.

# Rocmec Mining Inc.

(Exploration Stage Company)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2010 and 2009 (unaudited)

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### 17- CASH FLOWS

#### Supplemental cash flows information:

	<u>March 31, 2010</u>	<u>March 31, 2009</u>
	\$	\$
Non-cash investing and financing activities:		
Asset under capital lease	229,475	279,805
Acquisition of mining properties financed by share capital	1,140,000	-
Amortization included in the deferred exploration and development charges	169,734	450,253
Share issuance expense paid by the issuance of unit and warrants	33,510	88,665
Future income taxes included in share issuance expenses	1,572,122	1,053,690
Tax credit receivable deducted from exploration and development charges	-	72,193
Deferred exploration and development charges financed by accounts payable	826,898	1,016,452
Debenture and interest paid by the issuance of share capital	-	12,000
Brokers' fees paid by the issuance of share capital	10,000	(12,400)
Warrants expired carried to contributed surplus	1,426,998	653,372
Options exercised carried to share capital	(8,182)	-