



**ROMIOS GOLD RESOURCES, INC.**

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# Investment Analysis

**Company Overview**

Romios Gold Resources Inc. (Romios or the Company) is a Canadian mineral exploration company which focuses on the acquisition, exploration and development of mineral resources, primarily gold and base metals, throughout North America. Currently, Romios is involved in several major exploration projects in British Columbia, Nevada and Ontario.

The Company's Galore Area Project is the most noteworthy property and has the potential to be a significant part of what is already a "World Class" asset for NovaGold Inc, (ASE:NG). These properties are located in North-Western British Columbia, which hosts two of the world's largest gold and copper deposits: Barrick Gold's (TO:ABX) Eskay Creek Mine & NovaGold Resources' massive copper-gold-silver Galore Creek Project, considered to be NovaGold's crown jewel.

Since late in 2004, Romios Gold Resources Inc. has systematically been acquiring an extensive land position between the NovaGold and the Barrick properties. A recent geological map published by the BC Ministry of Energy and Mines suggests the underlying rocks may be the same age as those hosting the porphyry copper-gold deposits at Galore Creek and management believes the project has exceptional exploration potential.

Romios has been a public company since 1995 and trades on the Toronto Venture Exchange under the symbol RG, on the U.S. over-the-counter market under the symbol RMIOF, and on the Frankfurt Stock Exchange under the symbol D4R.

|                                    |                                     |
|------------------------------------|-------------------------------------|
| <b>DJIA</b> .....                  | <b>12,653.49</b>                    |
| <b>S&amp;P 500</b> .....           | <b>1,448.39</b>                     |
| <b>Initial Coverage</b> .....      | <b>Strong Buy<br/>(Speculative)</b> |
| <b>Closing Price</b> .....         | <b>C\$0.42</b>                      |
| <b>18 Month Target Price</b> ..... | <b>C\$1.80</b>                      |
| <b>International Equity</b> .....  | <b>Micro Cap</b>                    |
| <b>Mining</b> .....                | <b>Metals</b>                       |
| <b>Shares Outstanding</b> .....    | <b>34,636,681</b>                   |
| <b>Fully Diluted</b> .....         | <b>47,025,365</b>                   |
| <b>Market Cap.</b> .....           | <b>C\$19.7 million</b>              |
| <b>52 Week Range</b> .....         | <b>C\$0.175-C\$0.70</b>             |

**The Galore Area Project**

*approx. 60,850 acres / 24,630 hectares*

Located in the Liard Mining Division of N.W. British Columbia where all mineralized zones remain open to further expansion, the Galore Creek District was extensively explored for its copper potential throughout the 1960's, following the discovery in 1955 of the Galore Creek Deposit.

A second wave of exploration through the Galore Creek area in the late 1980's focused on gold, following the discovery of the Snip and Eskay Creek mines 70 kilometers to the south and the recognition that similar geology extends north through the Galore Creek area.

In 2006, NovaGold announced an indicated resource estimated at approximately 5.9 million ounces of gold, 6.8 billion pounds of copper,

and 76 million ounces of silver, as well as an additional inferred resource estimate of 7.8 million ounces of gold, 5.2 billion pounds of copper, and 81 million ounces of silver. The updated Economic Assessment [EA], released in October 2006, indicates very robust annual production numbers averaging more than 300,000 ounces of gold, 2.3 million ounces of silver and 370 million pounds of copper, over a 22 year mine life. Clearly Galore Creek represents a “World Class” asset.

## **The Hostile Take-Over of NovaGold**

NovaGold has been embroiled in a hostile takeover initiated by Barrick Gold in late July. The original offer (of C\$14.50) represented a premium of 24% over the closing price of NovaGold. However, subsequent to the offering, NG shares opened at over C\$15 and traded above the HTO price for the next 30 days.

Obviously the market felt that a higher competing bid was imminent. NovaGold responded with an “unfair and undervalued” analysis of the offer and a barrage of legal initiatives. Major shareholders dug in their heels and labeled the bid “too low”.

From the early September high at C\$18, NovaGold’s stock declined steadily to C\$15.50. Barrick extended its bid on September 26th and eventually increased its all cash offer to C\$16 per share on October 24th. This was termed its “best and final” offer and was contingent on Barrick receiving no less than 50.1%. Barrick supported their C\$1.6B offer with the fact that NG had lost every legal effort and had aggressively shopped themselves to other potential bidders/partners, to no avail.

NovaGold clearly has some devoted shareholders. Perhaps it is because NovaGold shares have returned an average of 70% over the last 5 years. Perhaps it is because Barrick is considered the “Black Knight” for its aggressive takeover tactics. Or perhaps it is because many gold bugs are convinced that many parties, including Barrick, have conspired to manipulate gold prices lower for many years. At least part of the reason is because management of NovaGold has done such a good job of delineating its crown assets, Galore Creek, in BC and Donlin Creek in Alaska.

The Romios Galore Area Project is comprised of 9 properties including options.

The More Advanced Romios Galore Area Projects Include:

## **Romios Claim Blocks**

*approx. 37,000 acres / 15,000 hectares*

The Company has acquired a 100% interest in approximately 1,500 map-staked units immediately to the north of the Gulf International Minerals Ltd. (Gulf) claims associated with Romios’ Newmont Lake Property, and within and adjoining the NovaGold property.

## **Newmont Lake Property**

*approx. 15,300 acres / 6200 hectares*

### **■ Location**

The Newmont Lake Project is approximately 30 kilometers southeast of NovaGold Resources’ Galore Creek Project and approximately 30 kilometers northwest of Barrick Gold’s Eskay Creek Mine. The property lies adjacent to the large parcel of land which houses NovaGold Resources’ Galore Creek deposits. The project encompasses an area of about 60 square kilometers and includes an advanced stage gold-copper-silver prospect that was the subject of extensive drill testing between 1987 and 1990 and a large tract of ground underlain by the same rock units that host the known mineralization.

### **■ Ownership**

Romios holds an option to earn up to a 75% interest in the 243 claim units (approx. 6,200 hectares) from Gulf. Subsequent to acquiring the Gulf claims, Romios entered into an option agreement to acquire up to a 75% interest in an additional 160 claim units (approx. 4,000 hectares) from Roca Mines Inc. These claims cover all of the potential strike extensions of the NW Zone and all of the remaining known mineral occurrences in the targeted area of interest.

### **■ Mineralization**

In the Iskut River region, there is potentially high grade, vein-type gold occurrences such as the Snip deposit, volcanogenic massive sulfide mineralization similar to that developed at Eskay Creek, skarn-type copper/gold occurrences, and alkalic, porphyry copper/gold mineralization similar to that presently being evaluated by NovaGold Resources at their Galore Creek Project. According to published technical information there are a total of 22 intrusion related gold, copper and silver prospects located in the Newmont Lake area all of which are located within the Newmont Lake property.

The known prospects include three advanced stage targets refer to as the NW Zone, the Ken Zone and the Camp Zone where drilling by previous operators has partially defined several significant mineralized zones. With the exception of several scattered drill holes, the majority of the remaining 19 occurrences have not been tested by diamond drilling.

### ■ Exploration History

In the early 1960's work by Newmont Exploration identified a prospect known as the Ken Zone and drill testing in the late 1980's intersected wide zones of copper gold mineralization that have never been followed up. In 1980, DuPont Canada staked the southern part of the Romios property. Work by both DuPont and Placer identified intrusion-hosted gold-bearing quartz veins in an area now referred to as the Camp Zone. One of the advanced prospects, the NW Zone, underwent extensive drill testing between 1986 and 1990 (16,633 meters of drilling in 148 drill holes) however at the time the drilling was carried out Gulf did not control the claims that covered potential strike extensions of the zone.

The initial focus of Romio's exploration program will be the NW Zone and its possible extensions to the north-east and the Ken Zone.

### ■ Exploration Activities

Romios' 2006 program consisted of diamond drilling 10 holes, a ground 3D induced polarization survey (IP), prospecting and the logging and sampling of diamond drill hole R-05-01. The drilling program was designed to expand the known gold/copper resource at the NW zone and to test a 3D IP anomaly located 500 meters northeast of the NW zone that was identified in a ground geophysical survey by Romios during the summer of 2005. The ground geophysical survey was designed to extend the IP anomaly, located last year, to the northeast in the vicinity of the Jazzman and Jazzman Extension zones of gold/copper mineralization.

The data collected during the survey is being processed currently by SJ Geophysics Ltd. and the final results will be announced when available; however, the raw field data suggests that the 3D IP anomaly located northeast of the NW zone that was discovered last year, continues for at least another 700 meters to the northeast and coincides with surface exposures of the Jazzman zone mineralization.

## **Royce/Porc Property**

*approx. 3260 acres / 1320 hectares*

### ■ Location

The property lies within the large parcel of land which hosts NovaGold Resources Galore Creek Project, approximately 160 kilometers northwest of Stewart. Approximately 50 kilometers to the southeast of the Porc property, quartz sulphide veins at the Snip Mine contained 1.0 million oz. Au, and were successfully mined by Cominco during the 1990's.

### ■ Ownership

Romios holds an option to earn a 100% interest.

### ■ Mineralization

Previous work by Royce Industries Inc. resulted in the discovery of Gold mineralization in three zones, namely North Creek, Split Ridge and Split Creek Canyon.

The Royce/Porc Property covers several Au-rich quartz-sulphide veins within relatively unexplored multi-element soil geochemical anomalies. Geological and geochemical work was carried out to evaluate the known showings. The results of this work enhanced the Split Ridge showings. Hand trenching discovered lode gold mineralization at the "JEFE" zone on Split Ridge and a float sample containing 769.2 grams per ton gold was discovered 400 meters north of the Jefe zone that led to the recognition of the "ROLLS ROYCE" zone.

The analytical results of detailed litho-geochemical sampling at the Jefe zone extended the gold mineralization southerly for approximately 70 meters. The highest gold values, such as those returned from samples 9103-38 (13.10 gpt or 0.382 opt gold in trench number Tr91-100) and 9103-42 (10.23 gpt or 0.298 opt gold in trench Tr 91-06) are associated with sulphide-rich quartz veining with gold values generally diminishing with the vein widths. High gold values correlate with elevated values of copper, zinc, silver and arsenic.

### ■ Exploration History

The Royce property has had a very short, but productive history. No work was reported on the Royce property prior to 1988. Initial exploration in 1988 and 1989 was carried out on the Royce properties, revealing encouraging silt and soil geochemical anomalies and quartz vein float. In 1989 and 1990, several Au-rich quartz-sulphide veins



were discovered through prospecting and following up soil geochemical anomalies from 1990 grid-work. After limited trenching in 1990, no further work was ever done on the property. The burst of exploration on the Royce property from 1989-1991 was part of the exploration boom which followed the discovery of the Snip and Eskay Creek mines.

### ■ Exploration Activities

An exploration program, consisting of geological mapping, prospecting and a grid soil sampling survey was carried out on the Porc Property during the summer of 2006 by personnel of Equity Engineering Ltd., under contract to Romios Gold resources Inc. This work revealed the existence of two main types of mineralization on the property: a wide continuous quartz-sulphide vein system and a possible VMS (volcanic massive sulphide) type of mineralization.

The quartz-sulphide vein is best defined by the silver content in the soil where a large silver geochemical anomaly that trends for 1200 meters across the grid was found to coincide with mapped outcrops of the large quartz-sulphide vein.

In addition to the quartz-sulphide vein system, a large zone of interlayered rhyolite and fine-grained clastic sedimentary rocks containing quartz-sulphide stringers and conformable sulphide lenses were discovered over a strike length of 500 meters. These sulphides were found to consist of mineralization that coincides with multi-element geochemical anomaly that appears to transcend the entire Porc Property.

We are highly encouraged by the results of the recent exploration program on the Porc Property with management's intention to carry out a more comprehensive program to assess the significance of the geochemical anomalies and the precious and base metal mineralization identified during the 2006 summer field season.

## **Trek Property**

*approx. 6640 acres / 2690 hectares*

### ■ Location

The Trek Property covers an Au-Cu porphyry system, approximately 140 kilometers northwest of Stewart. The Trek property consists of approximately 26 km<sup>2</sup>. The Trek claims surround 5 Sphal and 3 Kim 2-post claims, purchased in 2004 by NovaGold for \$251,538 in cash and shares. These claims are surrounded by the Trek claims and at least the West Zone trends onto the Trek Property, where it assayed 3.0% Cu and 5.83 g/t Au across 1.5 meters. Several

other porphyry zones have been identified on the Trek property, associated with a diorite plug at the south end of the trend of porphyry prospects.

### ■ Ownership

The property is owned outright by the Galore Syndicate, with no underlying royalties, and is available for option. Romios holds an option to earn a 100% interest.

### ■ Mineralization

There are a number of potentially important copper-gold occurrences on the Trek Property, identified as the Grey, Heel, West and Gully Zones, hosting four types of potentially economic gold-bearing mineralization: Au-Cu porphyry prospects, Au-Cu shear veins, quartz-sulphide veins and possible VMS mineralization. Of these, the most significant are the porphyry prospects and the shear veins, which appear to be related. The porphyry prospects are hosted by a string of monzonite and diorite plugs which trend northerly through the centre of the property. The Gully and Wall shear veins, which are hosted in andesitic lapilli tuffs, lie a few hundred metres east and west of this string of intrusives and are enveloped by porphyry style mineralization.

The only drilling carried out on the Trek Property was in 1993 when 6 short holes (450 meters) were drilled into the Gully zone, a semi-massive sulphide shear vein system. Two of these holes intersected significant gold-copper mineralization. The first, Hole TRK93-1 intersected 10.4 meters grading 1.49% copper and 1.5 grams per tonne in gold and Hole TRK-93-4 intersected 6.0 meters grading 1.26% copper and 3.1 grams per ton in gold. Surface chip samples of massive pyrrhotite and chalcopyrite across a true width of 3.6 meters from the surface exposure of the Gully Zone assayed 5.31% copper and 8.77 grams per ton gold.

### ■ Exploration History

Silver Standard Mines explored porphyry occurrences on their Spahl and Kim claims (enclosed within the current Trek property) in the late 1960's and drilled 488 meters in seven holes on their West and North zones. In 1980-81, Silver Standard carried out mapping and soil geochemistry on the property, collecting 25 soil samples exceeding 100ppb Au.

From 1988 to 1990 the Trek property was explored by Lorica Resources Ltd. Grid-based soil geochemical and magnetometer/VLF-EM surveys, mapping and prospecting were focused in the vicinity of Trek Creek and resulted in the discovery of a number of mineralized zones.



In 1993, Warner Ventues Ltd. drilled six core holes (450 meters) on the Gully Zone. No further work has been carried out on the Trek property, but Equity Engineering Ltd. still maintains data and pulps from the 1988-93 work programs and forms part of the Galore Syndicate which now holds the property.

## **JW Property**

*approx. 1510 acres / 610 hectares*

### **■ Location**

Consists of one land tenure which encompasses approximately 614 hectares of land, and lies within the large parcel of land which houses NovaGold Resources' Galore Creek Project, approximately 170 kilometers northwest of Stewart.

### **■ Ownership**

Romios holds an option to earn a 100% interest.

### **■ Mineralization**

The JW Property covers an under-explored Cu-Au porphyry target with several peripheral gold-rich quartz-sulphide veins. With two types of potentially economic gold-bearing mineralization: the North Fork Cu-Au porphyry prospect and a number of high-grade quartz-sulphide veins.

The North Fork prospect is characterized by large, coincident gold and copper soil geochemical anomalies over an area of 500 X 1400 meters which is open to the north and the south.

In 1990, five core holes that were drilled, tested a small portion of the North Fork prospect. Each hole intersected porphyry-style copper-gold mineralization which included 45 meters grading 0.24% copper and 0.4 grams/ton gold in DDH 90JW-3 and 51 meters grading 0.24% copper and 0.5 grams/ton in gold in DDH 90JW-1. However, the 1990 holes were confined to a 300 meter long section of the soil anomaly and were drilled almost entirely away from its higher-grade (>200 ppb Au, >500 ppm Cu) core.

In 1990, Bellex's geophysical interpretation dismissed the northwestern portion of the soil anomaly as covered by thick glaciofluvial gravel and hence insignificant, despite its extremely anomalous soil geochemistry. This interpretation seems unlikely, given the presence of near-surface outcrop in blast trenches and the very high levels of Cu and Au in the soils, levels which would be difficult to imagine in transported material. In any case, the majority of the soil anomaly, and the strongest portions of it, have never been drilled.

In addition to the North Fork porphyry prospect, at least six gold-rich quartz-sulphide veins have been discovered and sampled north and east of the North Fork porphyry prospect, within its pyretic halo. In fact, there are only three other porphyry prospects close enough to Galore Creek itself to be considered as eventual satellite deposits: Copper Canyon (being explored by NovaGold), JW, and Trek/Sphal.

### **■ Exploration History**

In 1959, Kennco discovered Cu mineralization along North Fork Creek on the current JW property and carried out mapping, induced polarization and soil geochemical surveys from 1963 to 1965. Since then, the JW property has received only sporadic exploration attention because of its remote location and mountainous topography.

From 1988 to 1990, the current JW property was explored intensively by Bellex Mining and Sarabat Gold. As a result, Sarabat discovered and explored a number of Au-rich quartz sulphide veins in the steeper terrain to the north, including the Diorite, Jake's, Fourteen, Cliff and boundary veins. This work led to the discovery of the Copper Canyon deposit and two other Cu-Au porphyry prospects covered by the current JW and Trek properties.

Bellex carried out mapping, prospecting, hand-trenching and grid-based soil geochemical, IP, magnetic and VLF-EM surveys from 1988 to 1990. In 1990, Bellex drilled 5 holes totaling 1,392 meters, to test Kennco's mineralized trench and their own geophysical anomalies. Each of the holes intersected minor porphyry-style Cu-Au mineralization.

## **United States, Ontario & Quebec Properties**

### **Nevada - Scossa Gold Property**

*approx. 960 acres / 388 hectares*

### **■ Location**

The Scossa Gold Property in Pershing County, Nevada consists of 41 claims encompassing 960 acres. It is located in the north central portion of Nevada approximately 6 miles southeast of the Rosebud Mine and about 8 miles southeast of Vista Gold Corporation's open pit Hycroft gold mine. More than 1 million ounces of gold has been produced at the Hycroft mine to date. Currently, it is on a "care and maintenance" basis.



## ■ Ownership

Romios Gold Resources acquired the property in July of 1999 along with additional claims in the immediate vicinity. The Company holds options on an additional 310 acres.

## ■ Exploration History

The Scossa Property operated as an underground mine during the 1930's. Until the exploration program initiated by Romios in 1999, the property had never been subjected to any form of modern exploration or tested by diamond drilling.

During the summer of 1999, Romios embarked on an exploration program consisting of detailed surface mapping of the geology and all of the historical workings on the property. This work was performed by Global Mineral Resources of Reno, NV, specialists in re-entering old underground workings. This led to a program of diamond drilling that was carried out during the summer of 2000. A total of 14 holes were completed to test a number of gold-bearing, epithermal quartz breccia veins. A number of exceptional high grade gold intersections were encountered during this program.

In 2003, Romios carried out additional drilling designed to intersect the Scossa Vein at various intervals below the deepest underground workings. This drilling indicated a significant widening of the Scossa Vein at depth. While the program returned lower grades of gold mineralization, it confirmed the continuity of the vein with an encouraging increase in width.

## ■ Exploration Activities

Higher gold prices in 2005-2006 and a successful financing prompted Romios to resume an aggressive exploration program on this promising property. In 2006, the Company drilled a number of large diameter holes at depths below those previously drilled.

In October, 2006 Romios announced the results of the reverse circulation drill program on its Scossa Property. A total of 11 holes, collectively amounting to 9,847 feet in length, were completed, logged and sampled. As a result of this phase of drilling on the property, several encouraging zones of gold mineralization were encountered in the drilling and many more veins on the property remain to be tested.

The principal targets in this phase of drilling were the Scossa, North Star No.2 and the Angel Wing veins between 500 and 1,200 feet down dip from their surface exposures. The deeper levels on these targeted veins are totally unexplored. In the opinion of management, the results from this phase of drilling

are encouraging in that the veins were found to be increasing in width and gold content with depth.

## **Ontario - Lundmark-Akow Lake**

*approx. 6,800 acres / 2,751 hectares*

This project consists of 13 unpatented mineral claims which consist of 170 units in the centre of the North Caribou Lake greenstone belt located in the Patricia Mining Division of northwestern Ontario, Canada.

The property is underlain by over 23 kilometers of strike length of banded iron formations analogous to those hosting the Musselwhite gold deposits (3,000,000 reported ounces of gold) being developed by Placer Dome Mines Limited, 18 kilometers to the southeast.

Romios has identified evidence of widespread gold mineralization and a zone of extensive, copper mineralization believed to reflect a more massive sulphide occurrence at depth.

Exploration of the Lundmark-Akow Lake property has been suspended since the latter part of 2003 pending discussions with the North Caribou Lake First Nation Community. These discussions are ongoing and the Company ultimately hopes to reach an agreement with the North Caribou Lake First Nation Community, after which the Company intends to resume exploration on the property.

Although somewhat intermittent, we are optimistic that the discussions with the North Caribou Lake First Nation Community will eventually lead to a mutually acceptable working relationship and as a result, exploration will eventually resume on the Company's Lundmark-Akow Lake Property. In recognition of the unresolved issue with the First Nation Community, a further extension of time until November 27, 2006 within which to perform the required assessment work on the claims was granted to the Company by the Ministry of Natural Resources of Ontario.

## **Ontario - Sudbury West Basin**

*approx. 480 acres / 194 hectares*

The property was acquired by staking during the early part of 2004. It encompasses an area west of the Sudbury Basin in the townships of McKinnon



and Mongowin near the town of Espanola, Ontario. The property is underlain by a large basin-like geological structure which includes a gabbroic unit that contains notable amounts of nickel and copper mineralization elsewhere in the area. Geophysical surveys carried out by Romios have identified several conductive zones as possible areas of interest.

### **Ontario - Timmins Hislop Property**

*approx. 161 acres / 65 hectares*

This property is located in Hislop Township, on the southwestern edge of the prolific Destor-Porcupine Fault surrounded by a number of significant gold occurrences and deposits. In 1988, a diamond drilling program carried out by Chevron Minerals encountered gold mineralization in 6 of the 15 holes that were drilled, the most significant of which was in Drill Hole C-88-202 which intersected 2.36 feet (0.72 meters) of 0.351 ounces per ton (opt) in gold. The Company intends to undertake an exploration program on the property when adequate funds are available.

### **Financial Perspective**

As of the year ended June 30, 2006 the Company had a working capital (deficiency) of C\$1,011,266 compared to C\$3,404 as at June 30, 2005.

On Nov. 17, 2006 Romios announced that the Mineralfields Group has agreed to complete a C\$1,500,000 private placement by acquiring 5,000,000 units of the Corporation priced at C\$0.30 per unit. Each unit consists of one common share and one transferable warrant. Each warrant entitles the holder to acquire a further common share at a price of C\$0.60 per share if exercised in the first year following closing and C\$0.90 if exercised in the second year following closing.

The Corporation also announced that it is offering a further 1,666,667 FT Units with the same characteristics described above for additional gross proceeds of C\$500,000 (the "Additional Offering"). Insiders may subscribe for up to C\$180,000 of the Additional Offering representing 600,000 FT Units.

The funds will be used primarily for exploration on the Corporation's properties in British Columbia.

The climate for equity financings in junior resource companies has improved dramatically during the last several years. The attention currently being drawn to the Galore Creek Area in particular, due to ABX's attempted takeover of NG, makes us very confident that Romios will be successful in raising additional new capital to continue to finance exploration on its various properties and to finance its ongoing business expenditures.

### **Industry Analysis**

Romios focuses primarily on Gold, Silver and Copper mineralization. Since the Company does not intend to go into production in 2007, a long term perspective of the commodities market will help in understanding the effects of commodity prices on the value of the Company. Although current equity market conditions are positive, we believe, it does not have as meaningful an impact on the value of the Company's properties as the long-term outlook in commodity prices.

Worth noting is a report by the Silver Institute, that the U.S. Congress is considering lowering tax rates on Capital Gains on Investments in Precious Metals, including Gold, Silver, Platinum and Palladium to 15% from the current tax rate of 28%. We believe this would be a major positive effect on the industry as investors move significant assets to these metals due to much improved after-tax returns.

### **Gold**

As of February 2, 2007, Gold was trading at US\$656.00/oz. Investment in Gold Exchange Traded Fund (ETF) Holdings remains strong and most other factors are favorable, including, interest rates, and general economic conditions both in the U.S. and Globally.

The current average forecasted price for Gold is US\$720/oz. in 2007.

The total Exchange Traded Gold (ETG) assets held by the New York Stock Exchange (NYSE:GLD) and the London Stock Exchange (LSE:GBS) have never undergone a decline since the beginning of 2006. Even during times of declining Gold prices in 2006 investors have shown strong demand for ETG assets, giving us confidence that this is a strong long-term trend in Gold prices

Furthermore, any slowdown in the U.S. economy and/or declining inflation will give the Fed reason enough to maintain current interest rates and most likely decrease rates slightly in 2007. This is the scenario we consider most likely, and we believe the U.S. Dollar will continue to be under pressure relative to other major global currencies in 2007. The U.S. Dollar has had an inverse relationship with Gold in the past, and this is just one of several good reasons to be long-term bullish on Gold.

## Silver

As of February 2, 2007, Silver was trading at US\$ 13.68/oz. Prices in 2006 have ranged between US\$8.32/oz. – US\$14.94/oz. Current prices represent an increase of approximately 20% in 2006. The average forecasted price for Silver in 2007 is US\$13.00/oz.

Although demand for Silver in the photographic industry (constituting almost 20% of total Silver demand) is decreasing, we believe the decrease in demand will be offset by demand for industrial applications and jewelry (constituting 45% and 30%, respectively, of total Silver demand). Furthermore, increasing demand for Silver ETF's as well as physical demand for silver, will support prices in 2007.

## Copper

As of November 30, 2006 Copper was trading at US\$2.50/lb. Like all metals, Copper prices increased significantly in the past year. Copper prices currently represent an increase of over 60% from the 2006 low. The average forecasted price for Copper is US\$2.70/lb. in 2007.

The demand for Copper in China, now the worlds leading consumer of Copper, has been the biggest factor in the metal's price increase this past year. The Chinese economy is expected to grow at over 8% per annum from 2006 to 2010. China consumed over 3.5 million tons of Copper in 2005 and is expected to reach 3.9 million by the end of 2006. Most forecasts for Copper demand in China for 2007 call for an increase of well over 10%.

A slowdown of the global economy could lead to a dampening of demand for Copper. Although we see this as likely, we also see support for prices significantly above average historical prices.

## Industry Conclusion

Among Romios' focus metal's, we are very bullish on long-term Gold Prices, followed by an only slightly less bullish outlook for Silver. We expect Copper prices to soften in the future but to stay well above their historical lows and thereby help support the value of Romios' assets.

## Valuation & Conclusion – Strong Buy (Speculative) 18 Month Price Target - C\$1.80

More drilling is needed to better define the shapes and sizes of the mineralizations and to improve grade estimations at Romios' Galore Area properties. However, we are confident that the Romios proposed exploration programs will ultimately result in the identification of large viable mineral deposits, while the Newmont Lake Property looks almost easy. The Romios Galore Area Properties, in and of themselves are worth the price of admission. With a market capitalization of approximately C\$19.7 million we believe these properties are a first rate speculation as over the next 18 months some of them become part of Galore Creek's incredible success story.

Romios' other projects in the U.S. and Ontario are worthy of a close look. We see the potential for significant news flow from some of these properties over the next 12-18 months as well.

The Scossa Gold Property is living up to every management expectation and could have a major impact on the value of the Company all of its own. We believe that further exploration on the Scossa property will lead to the discovery of potentially high-class deposits as surrounding geology and the Company's drilling efforts suggests.

To date, three limited phases of drilling have been completed at Scossa. We are encouraged that the gold grades are consistently anomalous and often variable, which is normal for an epithermal vein system. Many important targets remain to be tested at Scossa and there is plenty of room for an undiscovered bonanza gold zone within the known vein systems on the property. Management has stated that the next drill program will be planned with this precept in mind.

After looking at several models, including Cash Flow Models and Comparable Valuations (Table 1), we are very confident of a much higher share price over the next 18 months. Accordingly, we are initiating coverage with a Strong Buy (Speculative) and an 18 month price target of C\$1.80.





## **Risks to Model**

**Exploration Risk** – The Company does not have any operating mines and hence does not generate revenues or cash flow. Mineral exploration and development involve a high degree of risk. A very low percentage of exploration projects ultimately evolve into producing mines. There is no assurance that the Company's future exploration and development activities will result in the definition of a commercial ore body.

**Competition** – There is aggressive competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. The Company competes with other mining companies, many of which have greater financial resources than Romios, for the acquisition of mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel.

**Fluctuating Prices** – The price of gold and other metals have fluctuated widely in recent years and is affected by factors beyond the control of the Company. International economic and political trends, currency exchange fluctuations, economic inflation in the consuming economies, interest rates, global and local economic health and trends are some of the factors that could impact on the viability of the Company's exploration projects that are impossible to predict with certainty.

**Environment** – The Company's properties are all in an early stage of exploration and as a result, the Company has no source of operating cash flow. Failure to obtain additional financing could result in a delay or indefinite postponement of further exploration with the possible loss of such properties. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. The Company will require new capital to continue to operate its business and to continue exploration on its various properties, and there is no assurance that capital will be available when needed, if at all.



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