Consolidated Financial Statements of

PMI GOLD
CORPORATION

Years ended June 30, 2011 and 2010

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of PMI Gold Corporation.

We have audited the accompanying consolidated financial statements of PMI Gold Corporation, which comprise the consolidated balance sheets as at June 30, 2011 and June 30, 2010, the consolidated statements of operations, comprehensive loss and deficit and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of PMI Gold Corporation as at June 30, 2011 and June 30, 2010, and its consolidated results of operations and its consolidated cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

September 20, 2011
Vancouver, Canada

PMI GOLD CORPORATION

Consolidated Balance Sheets

June 30, 2011 and 2010

	2011	2010
Assets		
Current assets:		
Cash	$ 28,659,345	$ 2,862,489
Receivables	535,420	5,397
Prepaid expenses (note 7)	230,983	114,558
	29,425,748	2,982,444
Mineral properties (note 5)	34,098,789	23,328,223
Equipment (note 6)	491,804	203,552
	$ 64,016,341	$ 26,514,219
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 7)	$ 1,484,864	$ 366,417
Future income tax liability (note 9)	2,212,113	1,840,955
Shareholders' equity:		
Capital stock (note 10)	76,701,915	38,802,861
Contributed surplus (note 10)	6,415,525	3,151,705
Deficit	(22,798,076)	(17,647,719)
	60,319,364	24,306,847
Nature of operations (note 1)		
Commitments (notes 5 and 14)		
	$ 64,016,341	$ 26,514,219

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board:

President & Chief Executive Officer

Director

PMI GOLD CORPORATION

Consolidated Statements of Operations, Comprehensive Loss and Deficit

Years ended June 30, 2011 and 2010

	2011	2010
Expenses:		
Amortization	$ 2,154	$ 2,690
Foreign exchange gain	(763,587)	(183,382)
Write-off of mineral properties	88,325	509,589
Management and consulting fees (note 7)	531,984	401,552
Office and miscellaneous	267,004	94,103
Professional fees	775,441	513,096
Shareholder communications	462,207	277,712
Stock-based compensation (note 10(d))	3,434,934	789,517
Transfer agent and regulatory fees	157,884	101,814
Travel and promotion	602,464	163,764
Loss before the following:	(5,558,810)	(2,670,455)
Other income (expenses):		
Interest and financing costs	(6,043)	(104,115)
Interest income	522,238	3
	516,195	(104,112)
Loss and comprehensive loss before taxes	(5,042,615)	(2,774,567)
Income taxes	(107,742)	-
Loss and comprehensive loss for the year	(5,150,357)	(2,774,567)
Deficit, beginning of year	(17,647,719)	(14,873,152)
Deficit, end of year	$ (22,798,076)	$ (17,647,719)
Basic and diluted loss per common share	$ (0.031)	$ (0.029)
Basic and diluted weighted average number of common shares outstanding	166,198,713	96,760,157

See accompanying notes to the consolidated financial statements.

PMI GOLD CORPORATION
Consolidated Statements of Cash Flows

Years ended June 30, 2011 and 2010

	2011	2010
Cash provided by (used in):		
Operations:		
Loss and comprehensive loss for the year	$ (5,150,357)	$ (2,774,567)
Items not affecting cash:		
Amortization	2,154	2,690
Write-off of mineral properties	88,325	509,589
Foreign exchange on future income tax liability	(144,450)	(58,743)
Stock-based compensation (note 10(d))	3,434,934	789,517
	(1,769,394)	(1,531,514)
Changes in non-cash operating working capital:		
Receivables	(530,023)	5,003
Prepaid expenses	(116,425)	(11,738)
Accounts payable and accrued liabilities	1,118,447	(1,657,458)
	(1,297,395)	(3,195,707)
Financing:		
Proceeds from issuance of shares	41,657,449	12,940,380
Share issuance costs	(3,929,509)	(158,978)
Payment to Trafalgar	-	(3,143,920)
	37,727,940	9,637,482
Investments:		
Mineral properties	(10,343,283)	(3,573,923)
Purchase of equipment	(290,406)	(167,061)
	(10,633,689)	(3,740,984)
Increase in cash	25,796,856	2,700,791
Cash, beginning of year	2,862,489	161,698
Cash, end of year	$ 28,659,345	$ 2,862,489
Supplementary information:		
Interest paid	$ -	$ 72,961
Interest received	101,790	
Taxes paid	-	-
Shares issued as Finders' Fees	350,161	-

See accompanying notes to the consolidated financial statements.

1. Nature of operations and going concern:

PMI Gold Corporation (PMI or the Company) was incorporated in British Columbia and its principal business is the acquisition, exploration, and development of mineral properties. The Company's principal properties are located in Ghana, West Africa with the Obotan Project advancing towards a development decision and the Kubi Project subject to advanced exploration. The Company has several other mineral concessions in Ghana in various stages of exploration to determine whether they contain economically viable mineral deposits.

The Company has not generated revenues from operations. These consolidated financial statements have been prepared assuming the Company will continue as a going concern which contemplates the ability of the Company to realize its assets and discharge its liabilities in the normal course of business. These consolidated financial statements do not include adjustments that would have been required if going concern were not an appropriate basis for preparation of the financial statements.

The Company, through acquisition and exploration of mineral properties, has incurred losses since inception and is currently not generating any revenues. For the year ended June 30, 2011, the Company has net cash inflows of $25,796,856 (2010 - $2,700,791). At June 30, 2011, the Company's cash balance was $28,659,345 (2010 - $2,862,489) and working capital was $27,940,884 (2010 - $2,616,027).

On October 19, 2009, the Company discharged in full the remaining outstanding indebtedness on financing obtained in July 2008 to complete the purchase of the Kubi property. The Company relies on equity to finance its exploration activities, and raised $32.5 million through non-brokered private placements and the issuance of CHESS Depository Instruments (CDIs) on the Australian Securities Exchange (note 10(b)) during the year.

The Company has not generated revenues from operations. Management believes that the Company's cash on hand at June 30, 2011 is sufficient to finance exploration activities and operations for a period of at least the next twelve months. The Company's ability to continue as a going concern on a longer term basis depends on its ability to successfully raise additional financing for further exploration activity and development or to enter into profitable operations. While the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company.

2. Significant accounting policies:

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). All amounts are recorded as Canadian dollars unless specified otherwise. The significant accounting policies adopted by the Company are as follows:

(a) Principles of consolidation:

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Adansi Gold Company (GH) Limited (Adansi), which is incorporated under the laws of Ghana; and Nevsun Resources (Ghana) Ltd. (NS Ghana), which is incorporated under the laws of Barbados and its wholly owned subsidiary, Kubi Gold Company Ltd. (Kubi), which is incorporated under the laws of Ghana. All material inter-company transactions and balances have been eliminated upon consolidation.

(b) Use of estimates:

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Significant areas requiring the use of estimates are the determination of fair values of financial instruments, the evaluation of impairment of mineral properties, determination of valuation allowances for future income tax assets and assumptions used in determining the fair value of non-cash stock-based compensation. Actual results could differ from these estimates.

(c) Mineral properties:

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 fair value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

2. Significant accounting policies (continued):

(c) Mineral properties (continued):

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 their development and future profitable production or proceeds from the disposition thereof.

(d) Asset retirement obligations:

The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset. The Company has assessed each of its mineral properties and has determined that no material asset retirement obligations exist at June 30, 2011 and 2010.

(e) Equipment:

Equipment is recorded at cost. Amortization is recorded on a declining balance basis at the following annual rates:

Asset	Rate
Field tools and equipment	30%
Computer equipment	30%
Office furniture and equipment	20%
Vehicles	30%

2. Significant accounting policies (continued):

(f) Foreign currency translation and transactions:

The Company's subsidiaries are considered to be integrated foreign operations for accounting purposes. Accordingly, transactions and account balances originally stated in currencies other than Canadian dollars, have been translated into Canadian dollars using the temporal method.

- Revenue and expense items at the rate of exchange in effect on the dates they occur;
- Non-monetary assets and liabilities at historical exchange rates;
- Monetary assets and liabilities at the exchange rate at the balance sheet date; and
- Exchange gains and losses are recorded as foreign exchange gains (losses) in the period in which they occur.

(g) Stock-based compensation:

The Company has a stock option plan, which is described in note 10(c). The Company uses the fair value method for measuring stock-based compensation. The Company estimates fair value at the date of grant using the Black-Scholes option-pricing model. Any consideration paid by the option holders to purchase shares is credited to capital stock.

Under the fair value based method, stock-based payments to non-employees are measured at the fair value of the consideration received, or the fair value of the equity instruments issued, or liabilities incurred, whichever is more reliably measurable. The fair value of stock-based payments to non-employees is periodically re-measured until counterparty performance is complete, and any change therein is recognized over the period in the same manner as if the Company had paid cash instead of paying with, or using equity instruments. The cost of stock-based payments to non-employees that are fully vested and non-forfeitable at the grant date is measured and recognized at that date.

Under the fair value based method, compensation cost for grants to employees is measured at fair value at the grant date and recognized over the vesting period. For awards that vest at the end of the vesting period, compensation is recognized on a straight-line basis; for awards that vest on a graded basis, compensation cost is recognized on a pro-rata basis over the vesting period.

2. Significant accounting policies (continued):

(h) Future income taxes:

Future income taxes are recorded using the asset and liability method whereby 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 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 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.

(i) Loss per share:

The Company uses the treasury stock method to compute the dilutive effect of options, warrants, and similar instruments. Under this method, the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants, and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. For the years presented, this calculation proved to be anti-dilutive.

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year.

(j) Financial instruments:

Financial instruments are measured and classified as follows:

- Cash is designated as held for trading and is carried at fair value, with the unrealized gain or loss recorded in the statement of operations. Interest income is recorded in the statement of operations.
- Receivables are classified as loans and receivables, and accounts payable and accrued liabilities and due to related parties are classified as other financial liabilities, all of which are initially measured at fair value and subsequently measured at amortized cost using the effective interest method, less any impairment. Transaction costs are expensed as incurred.
- Derivatives embedded in other financial instruments or non-financial contracts (the host instrument) are treated as separate derivatives with fair value changes recognized in the statement of operations when their economic characteristics and risks are not clearly and closely related to those of the host instrument, and the combined instrument or contract is not held for trading. The Company identified certain embedded derivatives to be separately accounted for at June 30, 2009. These financial instruments were settled during the year ended June 30, 2010 (note 8).

2. Significant accounting policies (continued):

(k) Comparative figures:

Certain comparative figures have been reclassified to conform to the presentation in the current year.

3. Adoption of new accounting standards:

Effective July 1, 2010, the Company adopted new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA) as follows:

(a) *Business Combinations*, CICA Handbook Section 1582; *Consolidations,* CICA Handbook Section 1601; *Non-Controlling Interests,* CICA Handbook Section 1602:

In January 2009, the CICA issued CICA Handbook Section 1582, *Business Combinations*, Section 1601, *Consolidations*, and Section 1602, *Non-Controlling Interests*. These three new Sections replace the former CICA Handbook 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. CICA Handbook Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. CICA Handbook Sections 1582 and 1602 requires net assets, non-controlling interests, and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests to be reported as a component of equity.

In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred. CICA Handbook Section 1601 establishes standards for the preparation of consolidated financial statements.

The adoption of this standard did not have an effect on the Company's consolidated financial statements.

4. Accounting standards issued for adoption in future periods:

(a) *International Financial Reporting Standards:*

On February 13, 2008, the CICA Accounting Standards Board (AcSB) confirmed January 1, 2011 as the official changeover date for Canadian Publicly Accountable Enterprises (PAE) to commence reporting under International Financial Reporting Standards (IFRS). The transition date will require the restatement for comparative purposes of interim and annual amounts reported by the Company for the year ended June 30, 2011.

5. Mineral properties:

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mining properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge; title to all of its properties is in good standing. The properties in which the Company has committed to earn an interest are located in Ghana, West Africa and the Company is therefore relying on title opinion by legal counsel who is basing such opinions on the laws of Ghana.

			2011	2010
	Ashanti II Project	Kubi	Total	Total
Acquisition costs:				
Balance, beginning of year	$ 3,030,006	$ 5,621,700	$ 8,651,706	$ 8,824,874
Additions during the year	88,325	-	88,325	-
Write-off of acquisition costs	(88,325)		(88,325)	(173,168)
Balance, end of year	3,030,006	5,621,700	8,651,706	8,651,706
Deferred exploration costs:				
Balance, beginning of year	12,945,152	1,731,365	14,676,517	10,682,194
Additions during the year:				
Assaying, testing and analysis	320,973	24,169	345,142	70,187
Contract labour	92,081	18,193	110,274	34,636
Diamond drilling	4,264,678	698,744	4,963,422	1,543,650
Field office	729,434	49,065	778,499	164,143
Future income tax liability	363,655	151,954	515,609	760,645
Geology and geophysics	1,851,025	302,795	2,153,820	764,279
Lease rental and claims maintenance	231,552	28,252	259,804	379,347
Legal	155,914	3,983	159,897	101,816
Project management and related exploration costs	1,167,959	236,070	1,404,029	481,528
Transportation and travel	68,161	11,909	80,070	30,513
Write-off of deferred exploration costs	-	-	-	(336,421)
	9,245,432	1,525,134	10,770,566	3,994,323
Balance, end of year	22,190,584	3,256,499	25,447,083	14,676,517
	$ 25,220,590	$ 8,878,199	$ 34,098,789	$ 23,328,223

5. Mineral properties (continued):

(a) Properties held by the Company:

All of the Company's mineral properties consist of leases, licenses and options covering mineral concessions and are located in Ghana, West Africa. The governing agreement for the majority of the concessions held by the Company is a Purchase and Sale Agreement dated for reference May 12, 2006, between Goknet Mining Company Limited (Goknet), a company with two directors in common, and the Company.

(b) Properties held by the Company's subsidiary, NS Ghana:

NS Ghana holds a 100% interest in the Kubi Mining Leases. Further details are provided in note 5(d).

(c) Adansi entered into license agreements with the Government of Ghana to prospect for gold in various areas, as described in note 5(d).

5. Mineral properties (continued):

(d) Exploration property summary:

The Company holds interests in the concessions summarized below. All concessions carry a 10% carried Net Profits Interest Royalty ("NPI") to the Ghanaian government. Certain other concessions are subject to a Net Smelter Return Royalty ("NSR") or Net Proceeds of Production royalty ("NPP") and on issue of a Mining Permit a 5% NSR payable to the Ghanaian government.

	Current License Standing(i)	Interest original vendor (ii)	NSR on License	NPP on License	Amounts payable under acquisition agreements
Ashanti II Project					\$50,000 advance royalty payment per year for Ashanti II project to related party
Abore-Abirem	1st phase		2%		
Adubea	1st phase		2.5%		
Agyakaa Manso (iii)	2nd phase 1st 2 years		2%		
Diaso-Afiefiso	1st phase		2%		
Juabo	1st phase	15%	2%		
Kaniago	1st phase		2%		
Manhia (iii)	2nd phase 1st 2 years		2%		
New Obuase	2nd phase renewal		2%		
Amuabaka, Nkronua, Atifi, Gyagyatreso (Switchback) (iii)	1st phase	10%	2%		\$3,000 per quarter to a related party
Kubi Project					
Kubi	mining lease			3%	
Kubi Forest Reserve	mining lease			3%	
Dunkwa-Gyimigya	1st phase				
Gyimigya	1st phase				

(i) Under the Ghanaian Minerals and Mining Act after an initial period as a Reconnaissance License prospecting licenses are granted. Prospecting licenses have an initial phase (1st phase) and a subsequent renewal phase (2nd phase) where unless they are small in size, a reduction of 50% of the area is required. The 2nd phase is initially for a two year period then has a two year extension period. Further renewals can be granted where 50% reductions are required down to a size of 26.25km^2.

(ii) Interest retained by original vendors. These interests are free carried up to any decision to mine.

(iii) Title is vested in related party Goknet Mining Company Limited. The Company has the rights to Goknet's interest in the concession (subject to the NSR royalty set out above) and title transfers are underway.

6. Equipment:

2011		Cost		Accumulated amortization		Net book value
Field tools and equipment	$	147,927	$	83,603	$	64,324
Office furniture and equipment		207,698		66,737		140,961
Computer equipment		210,702		188,223		22,479
Vehicles		358,527		94,487		264,040
	$	924,854	$	433,050	$	491,804

2010		Cost		Accumulated amortization		Net book value
Field tools and equipment	$	81,954	$	68,806	$	13,148
Office furniture and equipment		79,154		62,890		16,264
Computer equipment		24,412		18,530		5,882
Vehicles		207,015		38,757		168,258
	$	392,535	$	188,983	$	203,552

7. Related party transactions:

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

During the year ended June 30, 2011, the Company:

(a) Paid or accrued $136,769 (2010 - $Nil) for management and consulting fees to the current president of the Company and $263,000 (2010 - $120,000) to the former president of the Company;

(b) Paid or accrued $59,000 (2010 - $Nil) for management and consulting fees to a director of the Company and $72,000 (2010 - $60,000) to two former directors of the Company;

c) Paid or accrued $110,387 (2010 - $Nil) for management and consulting fees to a former officer of the Company;

(d) Paid or accrued $101,386 (2010 - $24,000) for directors' fees to directors of the Company and $10,090 (2010 - $Nil) to former directors of the Company;

(e) Paid or accrued $126,418 (2010 - $139,622) for professional fees included in deferred exploration costs to a firm controlled by a director of the Company's Ghanaian subsidiary.

(f) Paid or accrued $59,754 (2010 - $64,978) for property option and sustaining payments included in deferred exploration costs to firms controlled by two directors of the Company's Ghanaian subsidiary.

Included in accounts payable and accrued liabilities at June 30, 2011 is $164,995 (2010 - $13,634) owing to related parties, all in respect of to the above transactions. Included in accounts receivable at June 30, 2011 (2010 - $Nil) is $24,108 owed by related parties.

Amounts due related parties are unsecured and non-interest bearing with no specific terms of repayment, and accordingly, the fair value cannot be determined.

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

8. Due to Trafalgar:

On July 4, 2008, the Company entered into a CAD$3,500,000 secured loan (Loan) with Trafalgar Capital (the Lender) comprised of a $1,750,000 90-day bridge loan and a $1,750,000 convertible debenture maturing July 7, 2010. This Loan was used to settle the final payment towards the USD$3,000,000 purchase of the Kubi Gold Project from Nevsun Africa (Barbados) Ltd. The Loan was secured by 100% of outstanding shares of the Company's subsidiaries, Adansi and NS Ghana.

The debenture was initially recorded net of the conversion options and embedded derivatives and was accreted to the face value over its 90-day expected life. For the year ended June 30, 2011 nil (2010 - $1,238,464) was included in interest and financing costs in relation to accretion expense. Accretion of the liability component of the debenture was calculated using an effective interest rate of 253% based on a 90-day term.

During the year ended June 30, 2009, the Company made partial payments on the bridge loan and convertible debenture, and received extensions to the loan terms for additional consideration payable in shares and cash.

On October 19, 2009, the Company settled all remaining obligations to the Lender, (including interest of $61,618 for the period July 1, 2009 to October 19, 2009), with a final payment totaling $2,205,538, apart from the issuance of 7,409,911 shares.

9. Income taxes:

A reconciliation of income taxes at statutory rates with the reported income taxes is as follows:

	2011	2010
Loss for the year	$ (5,042,615)	$ (2,774,567)
Expected income tax recovery	$ (1,386,719)	$ (811,561)
Change in statutory tax rate	-	-
Deductible items charged to equity	(1,069,531)	-
Non-deductible expenses	875,254	259,718
Unrecognized benefit of non-capital losses	1,767,350	551,843
Other	(78,612)	-
Total income taxes	$ 107,742	$ -

9. Income taxes (continued):

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

	2011	2010
Future income tax assets:		
Non-capital loss carry-forwards	$ 3,338,054	$ 2,710,879
Cumulative exploration and development expenses	4,360,909	4,519,369
Equipment	181,746	154,573
Share issuance costs	1,001,611	114,733
	8,882,320	7,499,554
Valuation allowance	(8,882,320)	(7,499,554)
	-	-
Future income tax liabilities:		
Resource assets	(2,212,113)	(1,840,955)
Net future income tax liabilities	$ (2,212,113)	$ (1,840,955)

The Company has non-capital losses of approximately $13,392,782 available for deduction against future taxable income. These losses, if not utilized, will expire through 2031.

Year	Canada	Ghana	Total
2014	$ 828,030	$ -	$ 828,030
2015	731,134	-	731,134
2016	-	55,061	55,061
2017	-	514,227	514,227
2018	-	995	995
2019	-	18,948	18,948
2020	-	49,219	49,219
2026	743,135	-	743,135
2027	718,750	-	718,750
2028	1,492,968	-	1,492,968
2029	3,360,294	-	3,360,294
2030	1,968,908	-	1,968,908
2031	2,911,113	-	2,911,113
	$ 12,754,332	$ 638,450	$ 13,392,782

Subject to certain restrictions, the Company has resource expenditures available to reduce taxable income earned in Ghana in future years. Future tax benefits, which may arise as a result of these non-capital losses and resource deductions, have not been recognized in these financial statements and have been offset by a valuation allowance.

10. Capital stock and contributed surplus:

(a) Authorized:

Unlimited common shares, without par value

(b) Common shares issued:

	Capital stock		
	Number of shares	Amount	Contributed surplus
Balance, June 30, 2009:	59,458,785	$ 25,446,185	$ 2,572,075
Private placements	58,562,366	12,412,626	-
Shares issued for loan extension	3,704,955	222,297	(222,297)
Share issuance costs	-	(158,978)	-
Warrants issued as finders' fees	-	(36,987)	36,987
Exercise of warrants	3,854,236	610,847	-
Exercise of options	529,688	212,508	(212,464)
Extinguishment of debt	-	-	187,887
Stock-based compensation	-	94,363	789,517
Balance, June 30, 2010:	126,110,030	38,802,861	3,151,705
Fractional adjustment on share Consolidation (*i*)	13	-	-
Private placement (*ii*)	13,888,889	5,000,000	-
Share issuance costs		(205,980)	-
CDI's issued (*iii*)	39,285,714	27,485,355	-
Shares issued as finder's fee	500,000	350,161	-
Share issuance costs	-	(2,450,448)	-
Special warrant conversion (*iv*)	11,786,500	7,500,500	-
Share issuance costs	-	(790,470)	-
Exercise of warrants	5,330,000	1,399,000	-
Exercise of options	1,033,438	273,094	-
Reallocation on exercise of options	-	171,114	(171,114)
ASX listing costs	-	(833,272)	
Stock-based compensation	-	-	3,434,934
Balance, June 30, 2011	197,934,584	$ 76,701,915	$ 6,415,525

During the year ended June 30, 2011, the following share transactions occurred:

(*i*) Share consolidation

During the year ended June 30, 2011, the Company consolidated its share capital on the basis of two old common shares for one new common share. All common share, per share, option, warrant and weighted average price amounts were restated to reflect this consolidation.

10. Capital stock and contributed surplus (continued):

(b) Common shares issued:

(*ii*) 13,888,889 common shares were issued for gross proceeds totaling $5,000,000 pursuant to a private placement. The net value after finders' fees was $4,794,020.

(*iii*) On December 17, 2010, the Company issued 39,285,714 CHESS Depository Instruments (CDIs) tradable on the Australian Securities Exchange (ASX) for gross proceeds of AUD$27,500,000 (CAD$ 27,485,355). Net proceeds after issue costs and finders' fees were $24,410,291. 500,000 common shares, with a value of $350,161, were issued as finders' fees.

CDIs trading on the ASX are convertible to common shares tradable on the TSX-V. In accordance with Canadian securities laws, trading of these shares was restricted for four months and one day from issuance. Subsequent to expiry of the restriction, in order to trade on the TSX-V, holders need to convert their CDIs tradable on the ASX to shares tradable on the TSX-V. Conversely holders of common shares tradable on the TSX-V will have to convert these to CDIs tradable on the ASX in order to trade on the ASX.

(*iv*) On December 17, 2010 the Company raised $7,500,500 through a special warrant offering at a price of $0.70 per warrant.

(v) On March 14, 2011, these special warrants were converted into 11,786,500 common shares of the Company.

During the year ended June 30, 2010, the following stock transactions occurred:

(*i*) On October 16, 2009, pursuant to a private placement, the Company issued 18,227,500 units for gross proceeds totalling $3,645,500. Each unit is comprised of one share and one share purchase warrant exercisable for two years at $0.15. $90,000 finders' fees were paid, and 112,500 warrants were issued as finders' fees. The warrants are exercisable for two years at a price of $0.30. These warrants are valued at $29,640 using Black-Scholes model assumptions of 1.30% risk free interest rate and 202% volatility. The related cost is included in share issuance costs.

(*ii*) On November 23, 2009, 3,704,955 common shares with a fair market value of $222,227 were issued to Trafalgar Capital Specialized Investment Fund (Trafalgar) pursuant to the loan extension granted on February 3, 2009.

(*iii*) On April 7, 2010, 16,666,667 common shares were issued pursuant to a private placement for net proceeds totalling $4,666,666.

(i*v*) On April 7, 2010, 8,668,199 common shares were issued subsequent to a private placement for gross proceeds of $2,600,460. Finders' fees of $149,278 were paid.

10. Capital stock and contributed surplus (continued):

(c) Stock option plan:

During the year, the Company adopted a new stock option plan covering the grant options to its directors, officers and employees and reducing the limit to acquire from 20% to 10% of the issued and outstanding common shares. It also limits the number of shares that may be allocated for subscription (upon exercise of the options) to eligible persons in Australia to 5% of the number of issued and outstanding shares. The stock option plan provides that the options are for a maximum term of five years and that the option exercise price shall be for not less than the market price on the grant date.

As at June 30, 2011, the Company had outstanding stock options enabling the holders to acquire common shares as follows:

Number of options	Exercise price	Date of grant	Expiry date	Maximum future proceeds	Number of exercisable options
412,500	$ 0.20	14 Dec 06	13 Dec 11	$ 82,500	412,500
125,000	0.20	26 Jun 07	26 Jun 12	25,000	125,000
317,500	0.20	26 Mar 08	26 Mar 13	63,500	317,500
50,000	0.20	12 Sep 08	12 Sep 13	10,000	50,000
3,900,000	0.30	10 Sep 09	9 Sep 14	1,170,000	3,900,000
500,000	0.40	29 Oct 09	28 Oct 14	200,000	500,000
531,875	0.50	13 May 10	13 May 15	265,938	368,750
2,000,000	1.05	15 Dec 10	15 Dec 15	2,100,000	2,000,000
5,000,000	0.90	19 Jan 11	20 Jan 16	4,500,000	1,000,000
500,000	0.90	18 Feb 11	18 Feb 16	450,000	500,000
2,000,000	0.80	1 Jun 11	1 Jun 15	1,600,000	200,000
560,000	0.80	1 Jun 11	1 Jun 16	448,000	15,000
15,896,875	$ 0.69			$10,914,938	9,388,750

10. Capital stock and contributed surplus (continued):

(c) Stock option plan (continued):

Stock option transactions and the number of stock options outstanding are summarized as follows:

	2011	
	Number of options	Weighted average price
Pre-consolidation balance, beginning of period	14,341,875	$ 0.15
Granted	850,000	0.24
Exercised	(896,250)	0.10
Cancelled/expired	(601,250)	0.10
Pre-consolidation balance, October 22, 2010	13,694,375	$ 0.15
Consolidation at 2:1 basis	(6,847,188)	
Balance after 2:1 consolidation at October 22, 2010	6,847,188	$ 0.29
Granted	10,060,000	0.90
Exercised	(585,313)	0.31
Cancelled/expired	(425,000)	0.47
Options at June 30, 2011	15,896,875	$ 0.68
Total options exercisable at June 30, 2011	9,388,750	$ 0.57

	2010	
	Number of options	Weighted average price
Options, pre-consolidation, beginning of year	5,642,500	$ 0.10
Granted	10,938,750	0.17
Exercised	(1,059,375)	0.10
Cancelled/expired	(1,180,000)	0.11
Options, pre-consolidation, at June 30, 2010	14,341,875	$ 0.15
Total options at June 30, 2010 (restated)	7,170,938	$ 0.30
Total options exercisable at June 30, 2010 (restated)	4,841,797	$ 0.27

10. Capital stock and contributed surplus (continued):

(d) Stock-based compensation:

During the year ended June 30, 2011, the Company granted stock options enabling the holders to acquire up to 10,485,000 (2010 - 5,469,375) common shares. Certain of these stock options include performance based vesting criteria. The fair value of these stock options is $5,956,054 (2010 - $1,228,721), based on the Black-Scholes option pricing model. For the year ended June 30, 2011, the stock-based compensation expense recognized was $3,434,934 (2010 - $789,517).

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted.

	2011	2010
Risk-free interest rate	2.04% - 2.75%	2.20% - 2.76%
Expected life of options	5 years	5 years
Stock price volatility	161% - 200%	156% - 165%
Dividend rate	0%	0%

(e) Warrants:

The following share purchase warrants were outstanding as at June 30, 2011:

Expiry dates	Number of warrants	Exercise price
October 16, 2011	15,010,000	$ 0.30
March 30, 2012	10,000,000	0.10
March 30, 2012	225,000	0.20
May 14, 2012	3,600,000	0.20
July 16, 2012	13,468,000	0.20
October 12, 2012	2,000,000	0.50
December 17, 2013	2,500,000	0.60
	46,803,000	0.25

10. Capital stock and contributed surplus (continued):

(e) Warrants (continued):

Warrant transactions and the number of warrants outstanding are summarized as follows:

	2011	
	Number of warrants	Weighted average exercise price
Pre-consolidation balance, beginning of period	95,453,500	$ 0.11
Exercised	(3,120,000)	0.13
Expired	(187,500)	0.13
Broker warrants	4,000,000	0.25
Pre-consolidation balance, October 22, 2010	96,146,000	$ 0.12
Warrant consolidation at 2:1 basis	(48,073,000)	$ 0.25
Balance after 2:1 consolidation at October 22, 2010	48,073,000	0.25
Exercised	(3,770,000)	0.26
Broker warrants	2,500,000	0.60
Warrants at June 30, 2011	46,803,000	$ 0.25

	2010	
	Number of warrants	Weighted average exercise price
Warrants, pre-consolidation, beginning of year	42,991,251	$ 0.08
Issued	66,766,000	0.13
Exercised	(7,708,473)	0.09
Expired/forfeited	(6,595,278)	0.11
Warrants at June 30, 2010	95,453,500	$ 0.11

11. Financial instruments:

(a) Disclosures:

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities.

The carrying values of cash, receivables, accounts payable and accrued liabilities and due to related parties approximate their respective fair values due to the short-term nature of these instruments.

All financial instruments measured at fair value are categorized into one of three hierarchy levels, described below for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities. The hierarchy of inputs disclosed is summarized below:

- Level 1 - valuation based on quoted prices in active markets for identical assets or liabilities.
- Level 2 - valuation techniques based on inputs other than quotes prices that are observable for the asset or liability.
- Level 3 - valuation is based on inputs that are not based on observance market data (undeservable inputs).

Changes in valuation methodology may have resulted in transfers in or out of an investment's assigned level.

All financial instruments carried at fair value at June 30, 2011 and 2010 were determined using Level 1 inputs.

11. Financial instruments:

(b) Financial instrument risk exposure and risk management:

(*i*) Credit risk:

Credit risk is the unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. With very limited receivables and cash on deposit with sound financial institutions, it is management's opinion that the Company is not exposed to significant credit risks arising from the financial instruments.

(*ii*) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's liquidity improved significantly during the year. As at June 30, 2011, the Company had current liabilities totaling $1,484,864 and cash reserves of $28,659,345.

11. Financial instruments:

(b) Financial instrument risk exposure and risk management (continued):

(*iii*) Market risk:

Market risk is the risk that changes in market prices such as commodity prices, foreign exchange rates and interest rates will affect the Company's income. The objective of market risk management is to manage and control market risk exposure within acceptable parameters.

The Company does not use derivative instruments to reduce its exposure to market risks.

Currency risk:

The Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates. At June 30, 2011, the Company is exposed to currency risk through the following financial instruments denominated in foreign currencies:

	Ghanaian cedis	US dollars	AUS dollars
Financial Assets	216,949	44,194	25,988,953
Financial Liabilities	(25,944)	(953,402)	(215,004)
	191,005	(909,208)	25,773,949
CAD foreign exchange rate	0.6431	0.9765	1.0346
CAD equivalent	$ 122,835	$(887,842)	$26,665,728

A 10% change in the Canadian (CAD) dollar against the foreign currency at June 30, 2011 would result in an increase (decrease) to net income in the amounts shown below.

This analysis assumes that all other variables, in particular, interest rates, remain constant:

	Change
Ghanaian cedis	$ 12,284
US dollars	(88,784)
AUS dollars	2,666,573

11. Financial instruments:

(b) Financial instrument risk exposure and risk management (continued):

(*iii*) Market risk (continued):

Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's has no interest bearing debt as of June 30, 2011.

(*iv*) Other risk:

As all of the Company's exploration activities are conducted in Ghana, the Company is subject to different considerations and other risks not typically associated with companies operating in North America. These include risks associated with, among others, political, economic and legal environments. The Company's results may be adversely affected by changes in the political and social conditions in Ghana and by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation, amongst other things.

12. Capital management:

The Company manages its capital structure, consisting of shareholders' equity and cash, in order to have funds available to support its exploration activities and sustain the future development of the business.

The Company's capital management approach is revised on an ongoing basis and reflects adjustments in the light of economic conditions affecting metal markets and the mining industry in particular. To maintain or adjust the capital structure, the Company may issue new shares, options and warrants, and issue debt.

The Company expects that it will be necessary to raise additional capital in the near term in order to proceed with its exploration and development plans.

There were no changes in the Company's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

13. Segmented information:

The Company primarily operates in one reportable operating segment, being the acquisition and exploration of mineral properties in Ghana. The Company's assets geographically were as follows:

	2011	2010
Assets:		
Canada	$ 2,395,363	$ 2,591,776
Ghana	34,655,022	23,922,443
Australia	26,965,956	-
	$ 64,016,341	$ 26,514,219

14. Commitments:

The Company has entered into operating lease agreements for office premises in Canada, Ghana and Australia. The approximate annual payments are as follows:

2011	$ 163,252
2012	200,037
2013	157,021
2014	161,192
2015	170,321

Current exploration commitments to the Minerals Commission of Ghana amount to $6,973,038.