Consolidated Financial Statements of

PMI GOLD CORPORATION

For the Six Months ended December 31, 2010

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INDEPENDENT AUDITOR'S INTERIM REVIEW REPORT

To the Members of PMI Gold Corporation

In accordance with our engagement letter dated November 23, 2010, we have reviewed the consolidated interim financial statements of PMI Gold Corporation, consisting of:

- the consolidated balance sheet as at December 31, 2010
- the consolidated statements of operations, comprehensive loss and deficit for the three-month and six-month periods ended December 31, 2010 and 2009
- the consolidated statements of cash flows for the three-month and six-month periods ended December 31, 2010 and 2009.

These consolidated interim financial statements are the responsibility of management.

We performed our reviews in accordance with Canadian generally accepted standards for a review of interim financial statements by an entity's auditors (an "interim review"). Such an interim review consists principally of applying analytical procedures to financial data, and making enquiries of and having discussions with persons responsible for financial and accounting matters. An interim review is substantially less in scope than an audit, whose objective is the expression of an opinion regarding the financial statements; accordingly, we do not express such an opinion. An interim review does not provide assurance that we would become aware of any or all significant matters that might be identified in an audit.

Based on our reviews, we are not aware of any material modification that needs to be made for these consolidated interim financial statements to be in accordance with Canadian generally accepted accounting principles.

We have previously audited, in accordance with Canadian generally accepted auditing standards, the consolidated financial statements of PMI Gold Corporation, which comprise the balance sheet as at June 30, 2010, the statements of operations, comprehensive loss and deficit and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information (not presented herein). In our report dated September 24, 2010, we expressed an unmodified audit opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as at June 30, 2010, is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

This report is for the use of the Members of PMI Gold Corporation as at the date of this report, and should not be used for any other purpose. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this document has not been prepared for, and is not intended for, and should not be used by, any third party or any other purpose.

KPMG LLP

Chartered Accountants

Vancouver, Canada
February 13, 2011

PMI GOLD CORPORATION

Consolidated Balance Sheets

	December 31, 2010 (Unaudited)	June 30, 2010
Assets		
Current assets:		
Cash	$ 37,108,971	$ 2,862,489
Receivables (note 6)	187,535	5,397
Prepaid expenses	679,387	114,558
	37,975,893	2,982,444
Mineral properties (note 4)	27,408,058	23,328,223
Equipment (note 5)	375,653	203,552
	$ 65,759,604	$ 26,514,219
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	$ 2,545,297	$ 366,417
Future income tax liability	1,978,780	1,840,955
Shareholders' equity:		
Capital stock (note 7)	70,138,556	38,802,861
Special warrants (note 7(e))	6,645,068	
Contributed surplus (note 7)	4,685,485	3,151,705
Deficit	(20,233,582)	(17,647,719)
	61,235,527	24,306,847
	$ 65,759,604	$ 26,514,219

Nature of operations (note 1)
Commitments (notes 4 and 10)
Subsequent events (note 11)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

"Collin Ellison"	*"Peter Buck"*
Collin Ellison	Peter S. Buck
President & Chief Executive Officer	*Director*

PMI GOLD CORPORATION

Consolidated Statements of Operations, Comprehensive Loss and Deficit
For the three and six months ended December 31, 2010 and 2009 (unaudited)

	Three months ended December 31		Six months ended December 31	
	2010	2009	2010	2009
Expenses				
Amortization	$ 525	$ 725	$ 1,128	$ 1,501
Foreign exchange loss	(323,297)	188,824	(315,499)	148,737
Investor relations	146,849	46,801	302,712	88,115
Management and consulting fees (note 6)	66,000	96,052	143,275	127,372
Office and miscellaneous	43,342	25,496	64,569	56,412
Professional fees	51,257	87,552	299,556	193,646
Stock-based compensation (note 7(d))	1,408,985	155,363	1,756,928	387,869
Transfer agent and regulatory fees	67,265	31,991	105,182	51,872
Travel and promotion	173,445	31,473	238,799	43,324
Loss before the following:	(1,634,371)	(664,277)	(2,596,650)	(1,098,848)
Other income/(expenses)				
Interest and financing costs	(1,782)	(5,510)	(2,854)	(73,256)
Interest income	13,641	0	13,641	3
	11,859	(5,510)	10,787	(73,253)
Net loss and comprehensive loss for the period	(1,622,512)	(669,787)	(2,585,863)	(1,172,101)
Deficit, beginning of period	(18,611,070)	(15,575,466)	(17,647,719)	(14,873,152)
Deficit, end of period	(20,233,582)	(16,245,253)	(20,233,582)	(16,045,253)
Basic and diluted loss per common share	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.01)
Basic and diluted weighted average number of common shares outstanding	151,182,822	92,213,392	138,760,305	82,046,610

See accompanying notes to consolidated financial statements.

PMI GOLD CORPORATION

Consolidated Statements of Cash Flows
Three and six months ended December 31, 2010 and 2009 (unaudited)

	Three months ended December 31 2010	Three months ended December 31 2009	Six months ended December 31 2010	Six months ended December 31 2009
Cash provided by (used in):				
Operations:				
Net loss for the period	$ (1,622,512)	$ (669,787)	$ (2,585,863)	$ (1,172,101)
Items not affecting cash:				
Amortization	525	725	1,128	1,501
Unrealized foreign exchange loss	-	69	-	11,809
Foreign exchange on future income tax liability	(131,533)	-	(157,441)	-
Stock-based compensation (note 7(d))	1,408,985	155,363	1,756,928	387,869
	(344,535)	(513,630)	(985,248)	(770,922)
Changes in non-cash working capital:				
Receivables	(156,763)	-	(182,138)	10,400
Prepaid expenses	(489,737)	(35,882)	(564,829)	47,889
Accounts payable and accrued liabilities	1,947,330	(726,898)	2,178,880	(598,664)
Due to related parties	-	45,145	-	(146,622)
	956,295	(1,231,265)	446,665	(1,457,919)
Financing:				
Proceeds from issuance of shares and warrants	37,086,341	4,177,034	41,686,256	5,684,234
Share issuance costs	(3,928,641)	7,500	(3,928,641)	(9,700)
Advance subscriptions	-	(110,000)	-	(177,500)
Payments to Trafalgar	-	(2,203,907)	-	(3,143,920)
Redeemable debenture	-	(187,887)	-	(187,887)
	33,157,700	1,682,740	37,757,615	2,165,227
Investments:				
Mineral properties	(2,332,890)	(438,079)	(3,784,569)	(835,038)
Purchase of equipment	(142,410)	-	(173,229)	-
	(2,475,300)	(438,079)	(3,957,798)	(835,038)
Increase (decrease) in cash	31,638,695	13,396	34,246,482	(127,730)
Cash, beginning of period	5,470,276	20,572	2,862,489	161,698
Cash, end of period	37,108,971	33,968	37,108,971	33,968
Supplementary information				
Interest paid	$ (1,782)	$ (5,510)	$ (2,854)	$ (73,256)
Taxes paid	-	-	-	-
	(1,782)	(5,510)	(2,854)	(73,256)

See accompanying notes to consolidated financial statements.

1. Nature of operations:

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 its Obotan and Kubi gold projects in Ghana. The Company is currently undertaking a 40,000 metre resource-expansion drill program on its Obotan and Kubi projects, and has several other mineral concessions in Ghana in various stages of exploration to determine whether these contain economically viable mineral deposits.

These unaudited 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 is not an appropriate basis for preparation of the financial statements.

The Company is not currently generating revenues, and has incurred losses since inception. Expenditures related to the acquisition of mineral properties and exploration activities are capitalized under mineral properties, and corporate administrative costs are expensed as incurred. During the six month period ended December 31, 2010, the Company raised $41,686,256 (2009 - $5,684,234) and had net cash inflows of $34,246,482 (2009 - net cash outflows of $127,730). At December 31, 2010, the Company's cash balance was $37,108,971 and working capital was $35,430,596.

Management believes that the Company now has the full funding required to carry out its exploration objectives over the next two years.

The longer term continuation of the Company as a going concern necessitates the creation of a revenue stream from its mineral assets. The Company intends to invest the proceeds of the recent financing activities in its exploration program, with a view to later development and transition into gold production.

2. Significant accounting policies:

These unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and have been prepared using the same accounting policies and methods of application as those disclosed in the notes to the Company's annual audited consolidated financial statements for the year ended June 30, 2010.

3. Accounting standards issued for adoption in future periods:

a) On February 13, 2008, the CICA Accounting Standards Board ("AcSB") confirmed January 1, 2011 as the official change-over 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 amounts reported by the Company for the year ended June 30, 2011. Although IFRS is principles-based and uses a conceptual framework similar to Canadian GAAP, there are significant differences and choices in accounting policies, as well as increased disclosure requirements under IFRS.

3. Accounting standards issued for adoption in future periods (continued):

The Company has done an assessment of the impact of IFRS on its financial statements in preparation for restatement of comparative amounts, and has prepared comparative IFRS statements as at March 31, 2010 and as at June 30, 2010. Differences in financial statement reporting and in disclosures applicable to the IFRS conversion have been identified, and the Company has determined which elections are likely to be made on adoption of IFRS. These elections will be ratified in the upcoming quarter.

IFRS will be applied going forward from the date of adoption for the period beginning July 1, 2011. The Company's opening IFRS balance sheet will be as at June 30, 2011, and the first published interim financial statements under IFRS will be for the 3 month period ending September 30, 2011. Comparative financial statements will need to be provided for the period ending September 30, 2010.

The Company is continuing its assessment of current and future business processes and related controls, considering the impact of IFRS.

(b) *Business Combinations*, Handbook Section 1582; *Consolidations* - Handbook Section 1601; *Non-Controlling Interests* - 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. Section 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity.

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

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.

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

4. 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

4. Mineral properties (continued):

Ghana, West Africa and the Company is therefore relying on title opinions by legal counsel who is basing such opinions on the laws of Ghana.

			December 31, 2010	June 30 , 2010
	Ashanti II Project	Kubi	Totals	Total
Acquisition costs				
Balance, beginning of the year July 1, 2010	$ 3,030,006	$ 5,621,700	$ 8,651,706	$ 8,824,874
Additions during the period	-	-	-	(173,168)
Balance, end of the period December 31, 2010	3,030,006	5,621,700	8,651,706	8,651,706
Deferred exploration costs				
Balance, beginning of the year July 1, 2010	12,945,152	1,731,365	14,676,517	10,682,194
Additions during the period				
Assaying, testing and analysis	165,773	20,485	186,258	70,187
Contract labour	39,086	2,626	41,712	34,636
Diamond drilling	1,257,346	69,528	1,326,874	1,543,650
Field office	245,642	20,614	266,256	164,143
Future Income Tax Liability	210,147	85,119	295,266	760,645
Geology and geophysics	790,389	326,940	1,117,329	764,279
Lease rental and claims maintenance	85,909	3,851	89,760	379,347
Legal	88,850	13,197	102,047	101,816
Proj Mgmt & related exploration costs	560,683	60,863	621,546	481,528
Transportation and travel	27,562	5,225	32,787	30,513
Write-off of deferred costs	-	-	-	(336,421)
Subtotal Deferred Exploration	3,471,387	608,448	4,079,835	3,994,323
Balance, end of the period December 31, 2010	16,416,539	2,339,813	18,756,352	14,676,517
	$ 19,446,545	$ 7,961,513	$ 27,408,058	$ 23,328,223

(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 (the "Agreement") dated for reference May 12, 2006, between Goknet Mining Company Limited, a company with two common directors, and the Company.

The Agreement completed the purchase of Goknet's interest in nine (9) concessions formerly under option between PMI, Goknet and, in some cases, certain third parties. Goknet retains a 2% Net Smelter Return Royalty ("NSR") on the Ashanti ll concessions including Obotan, and all concessions carry a 10% royalty carried Net Profits Interest Royalty ("NPI") to the Ghanaian government. Certain concessions carry small royalties to original related and non-related parties.

4. Mineral properties (continued):

(a) Properties held by the Company (continued):

Prior to the Agreement Goknet retained a 4% NSR in the concessions. The Agreement allowed for the acquisition of the half of the NSR which called for payments of US$100,000 cash (paid during 2006) and the issuance of three million shares (3,000,000) shares of the Company (issued during 2006). The Agreement received the approval of the TSX Venture Exchange ("TSX-V") on September 18, 2006.

The Agreement requires payment of an advance NSR to Goknet in the amount of US$50,000 per year commencing on December 15, 2007 with such advance NSR payments deductible against future NSR payments.

The overall interest, area weighted, in these concessions held by the Company is 87.08%.

Pursuant to the Agreement, the Company has completed registration of title to seven (7) of the concessions through its wholly-owned subsidiary Adansi Gold Company (GH) Limited ("Adansi") which are:

- Juabo (Gemap);
- Diaso;
- Abore-Abirem;
- New Obuase (Fromenda);
- Adubea (Edubia);
- Dunkwa Gyimigya; and,
- Kaniago (Adansi).
- Juabo (Gemap): The prospecting license has been extended for one year and will expire on July 12, 2011. The property is 100% owned by the Company and is subject to a 15% carried interest retained by the original vendor (Gemap Mining Company Ltd) and a 2% NSR payable to Goknet. Based on the Deed of Assignment dated April 30, 2004, the Juabo Concession was assigned by Nevsun Resources (Ghana) Ltd. ("NS Ghana") to Adansi upon the Minister of Mines' (GH) consent on March 26, 2004.
- Diaso: A one-year prospecting license extension has been granted, which will expire on July 12, 2011. The property is 100% owned by the Company subject to a 2% NSR payable to MIA Investments Ltd., a private Canadian Corporation controlled by an Executive Director..
- Abore-Abirem: The one-year extension of the prospecting license expired on October 13, 2010. The Company has a 100% interest in the concession, subject to Goknet's underlying 2% NSR. The Company is in communication with the Minerals Commission with regard to an application to convert to a mining lease, and preparatory work is in progress.
- New Obuase (formerly known as and commonly referred to as Fromenda): The prospecting license was extended for one year and expired on January 12, 2011. The Minerals Commission has been notified of a pending application to extend this license. The property is 100% owned by the Company, subject only to a 2% NSR payable to Goknet.

4. Mineral properties (continued):

(a) Properties held by the Company (continued):

The remaining five (5) concessions are held in trust by Goknet and are described as follows:

- Concessions optioned by Goknet from Switchback Mining Company Limited ("Switchback") and, in turn, optioned by Goknet to the Company.

  - Gyagyatreso;
  - Nkronua; and,
  - Amuabaka.

  Title is presently vested in Switchback, a company with two common directors. The Company anticipates registration of these concessions in the name of Adansi when exploration results justify the increased holding costs.

- Concession optioned by Goknet from EJT Exploration Ltd. and, in turn, optioned by Goknet to the Company:

  Manhia:

  Title is presently vested in Goknet, a company with two common directors. The Company has earned 100% of Goknet's interest in the concession subject to a 2% NSR payable to Goknet. The Company anticipates registration of these concessions in the name of Adansi during the next quarter. The two-year license renewal expires on September 17, 2011.

- Concession held by Goknet and optioned directly to the Company:

  Agyaka-Manso:

  Title is presently vested in Goknet, a company with two common directors. The Company anticipates registration of these concessions in the name of Adansi during the next quarter. A two-year extension was received on July 22, 2010.

Certain concessions are subject to a 10% carried interest in favour of a company related by virtue of a common director.

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

NS Ghana holds a 100% interest in the Kubi Mining Leases, subject to a 10% Net Profits Interest Royalty ("NPI") to the Ghanaian government. In addition, on the Kubi Mining Leases, a 3% net proceeds of production ("Net Profits") royalty is payable to Royal Gold. The property is comprised of two overlapping mining leases, both with renewable 20-year terms expiring September 17, 2028 and totaling 0.018 sq. km and 19.16 sq. km, respectively. The mining lease requires NS Ghana to pay royalties as proscribed by legislation based on the quarterly production.

(c) Properties held by the Company's subsidiary, Adansi:

- In August 2008, Adansi entered into a license agreement with the Government of Ghana to prospect for gold in the Kaniago area. The license expired on August 10, 2010. A terminal expenditure report on the property has been submitted to support an application for an extension of the license on the property.

4. Mineral properties (continued):

(c) Properties held by the Company's subsidiary, Adansi (continued):

Kaniago (Adansi):

The license area connects the Company's Abore-Abirem, Switchback, Fromenda and Diaso concessions. The concession is also subject to Goknet's underlying 2% NSR.

The agreement requires Adansi to spend a minimum of US$198,495 and Ghana Cedi 11,484 as agreed in the work program by August 10, 2010 and pay an annual rent of Ghana Cedi 11. The Company has applied for an extension of the prospecting license pursuant to the regulations of the Minerals Commission. Such extension is expected to be granted pursuant to the usual regulatory procedures and practices in Ghana.

- In September 2008, Adansi entered into a licence agreement with the Government of Ghana to prospect for gold in the Adubea (Edubia) area.

Adubea (Edubia):

The original title was secured by purchasing a 99-year lease from the Biney family (January 10, 1931) by deed of Assignment to Adansi dated January 10, 2007 by the payment of US$200,000 in installments (paid) and the reservation of a 0.5% NSR in right of the Biney family. The initial 2-year prospecting license expired on September 10, 2010 and a terminal report has been submitted to the Minerals Commission in support of an application to extend the prospecting license, with a later convertion to a mining lease. Adansi has a 100% interest in the concession, subject to Goknet's underlying 2% NSR and the vendor's 0.5% NSR interest.

The prospecting license required Adansi to spend a minimum of US$280,060 and Ghana Cedi 79,640 as agreed in the work program by September 10, 2010, and pay annual rent of Ghana Cedi 3. Conversion from prospecting to mining license supersedes work program requirements.

- In October 2008, Adansi entered into a license agreement with the Government of Ghana to prospect for gold in the Gyimigya and Dunkwa-on-Ofin area. The prospecting license expired on October 9, 2010 and, pursuant to normal licensing practice, an application has been submitted for its 'extension.

The license area is situated at Gyimigya in the Adansi South District Assembly and the Dunkwa-on-Ofin in the Upper Denkyira District. The prospecting license requirement of a minimum spend of US$194,183 and Ghana Cedi 17,644 as agreed in the work program has been met.

(d) Properties held under option:

The Company entered into a letter agreement dated December 10, 2005 with Goknet whereby the Company has an option to acquire up to 80% of Goknet's interest in the Ofoase Concession located on the Ashanti Gold Belt in Ghana, West Africa. The Company entered into an agreement on January 26, 2007 to acquire the continuous Bankame concession from Goknet.

The Company relinquished its options on these concessions and at June 30, 2010 had written-off costs incurred to date.

5. Equipment:

2011	Cost	Accumulated amortization	Net book value
Field tools and equipment	$ 130,475	$ 68,141	$ 62,334
Office furniture and equipment	124,630	68,851	55,779
Computer equipment	24,411	19,182	5,229
Vehicles	307,873	55,561	252,312
	$ 587,389	$ 211,735	$ 375,653

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

6. 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.

Related party transactions, other than as described in Note 4, are as follows:

	2011	2010
Management and consulting fees:		
Management fees charged by a company controlled by a director of the company (D. MacQuarrie)	$ 80,000	$ 60,000
Consulting fees charged by a director of the Company (J. Clarke)	48,000	-
Consulting fees charged by an officer of the Company (P. Gibbs)	35,000	30,000
Directors' fees:		
J. H. Mensah	9,307	3,000
Len Dennis	9,000	3,000
Deferred exploration costs:		
Legal and other services and expenses charged by a firm controlled by a director of the Company's Ghanaian subsidiary (T. Ennison)	60,000	63,735
Cash loans issued and repaid:		
Waratah (Australia) Pty. Ltd. (Shareholder)	-	114,358

6. Related party transactions (continued):

Amounts due to (from) related parties, reflected in accounts payable and accrued liabilities, are:

	2011	2010
Management and consulting fees:		
Amount payable to a company controlled by a director of the company (D. MacQuarrie)	$ -	$ -
Consulting fees charged by a director of the Company (J. Clarke)	24,000	-
Amount payable to an officer of the Company providing consulting services (P. Gibbs)	-	-
Consulting fees payable ro a former director of the Company (P. Hooper)	-	-
Amount payable to a company controlled by a director of the Company providing management services (prepayment)	-	(10,000)
Amounts payable for directors' fees:		
J. H. Mensah	-	-
Len Dennis	3,000	-
Deferred exploration costs:		
Amount payable to (receivable from) a firm controlled by a director of the Company's Ghanaian subsidiary providing legal and other services and expenses (T. Ennison)	20,676	(3,634)
Accrued cash loans payable to (receivable from):		
D. Buckle	-	-
T. Ennison	-	-
Waratah (Australia) Pty. Ltd.	(38,521)	-
	$ 9,155	$ (13,634)
Amounts payable for reimbursable expenses		
D. MacQuarrie	$ 1,251	$ (357)
J. Clarke	$ 2,533	$ -

During fiscal 2010, the Company executed two Management Services Agreements and a Legal Services Agreement with companies related to or controlled by officers of the Company with respect to consulting services. The agreements are for thirty-six month terms effective August 2010 and are subject to a termination fee of one year’s fees. Payments pursuant to these contracts total $30,000 per month. Subsequent to the period end the Management Services Agreements were terminated and paid out.

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

Amounts due from and to related parties are unsecured and non-interest bearing with no specific terms of repayment. It is not practicable to determine the fair value of these amounts due to their related party nature and the absence of a secondary market for such investments.

7. Capital stock and contributed surplus:

(a) Authorized - Unlimited common shares, without par value

On October 22, 2010, the Company completed a 2 for 1 share, warrant, and option consolidation. The number of shares, warrants and options, as well as earnings per share data presented in these financial statements reflect the impact of the 2 for 1 consolidation except where indicated in continuities for activities within the period, which show pre- and post-consolidation share, warrant and option movements that have been reconciled to an ending post-consolidation balance.

(b) Common shares issued:

	Capital stock		Contributed Surplus
	Number of shares	Amount	
Pre-consolidation balance, June 30, 2009	118,917,570	25,446,185	2,572,075
Private placements	117,124,731	12,311,024	36,987
Shares for loan extension	7,409,911	222,297	(222,297)
Exercise of warrants	7,708,473	610,847	-
Exercise of options	1,059,375	212,508	(212,464)
Extinguishment of debt	-	-	187,887
Stock-based compensation	-	-	789,517
Pre-consolidation balance, June 30, 2010	252,220,060	$ 38,802,861	$ 3,151,705
Private placements	27,777,778	5,000,000	-
Finders fees		(205,980)	
Exercise of warrants	3,320,000	437,000	-
Exercise of options	896,250	260,739	(171,114)
Pre-consolidation balance, October 21, 2010	284,214,088	44,294,620	2,980,591
Share consolidation at 2:1 basis	(142,107,044)		
Balance after share consolidation at October 22, 2010	142,107,044	44,294,620	2,980,591
CDI's issued	39,285,714	27,483,500	-
Share issuance costs	-	(2,867,229)	-
Warrants exercised	2,960,438	804,131	-
Options exercised	107,500	73,534	(52,034)
Shares issued as finder's fees	500,000	350,000	-
Stock-based compensation	-	-	1,756,928
Balance at December 31, 2010	184,960,696	$ 70,138,556	$ 4,685,485

During the six months ended December 31, 2010, the following stock transactions occurred:

(i) 896,250 stock options were exercised at a price of $0.10 for net proceeds of $89,625.

(ii) 1,220,000 warrants were exercised at a price of $0.10 for net proceeds of $122,000.

(iii) 2,100,000 warrants were exercised at a unit price of $0.15 for net proceeds of $315,000.

(iv) 27,777,778 shares were issued at a price of $0.18 pursuant to a Private Placement. The net value after Finders' Fees was $4,794,020.

(v) on October 22, 2010 the Company completed a 2:1 share consolidation

7. Capital stock and contributed surplus (continued):

(b) Common shares issued (continued):

Post consolidation:

(vi) On December 17, 2010 the Company issued 39,285,714 CHESS Depository Instruments (‘CDIs”) tradeable on the Australian Securities (“ASX”) for gross proceeds of AUD$27,500,000 (CAD$ 27,483,500). Net proceeds after issue costs and Finders’ Fees was $24,410,291. 500,000 shares were issued as Finders’ Fees.

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

(vii) 840,000 warrants were exercised at a price of $0.20 for net proceeds of $168,000.

(viii) 2,120,438 warrants were exercised at a price of $0.30 for net proceeds of $636,131.

(ix) 107,500 options were exercised at a price of $0.20 for net proceeds of $21,500.

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

(i) On July 16, 2009, pursuant to a private placement, the Company issued 30,000,000 units at a per unit value of $0.05 for gross proceeds of $1,500,000. Each unit is comprised of one share and one share purchase warrant exercisable for three years at $0.10. finders’ fees of $17,200 were paid, and 86,000 warrants were issued as finders’ fees. The warrants are exercisable for three years at a price of $0.10. These warrants are valued at $7,347 using Black-Scholes model assumptions of 1.33% risk free interest rate and 205% volatility. The related cost is included in share issuance costs.

(ii) On October 16, 2009, pursuant to a private placement, the Company issued 36,455,000 units at a per unit value of $0.10 for gross proceeds of $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 225,000 warrants were issued as finders’ fees. The warrants are exercisable for two years at a price of $0.15. 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.

(iii) On November 23, 2009, 7,409,911 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.

(iv) On April 7, 2010, 33,333,333 shares at a per unit value of $0.14 were issued subsequent to a private placement for net proceeds of $4,666,666.

(v) On April 7, 2010, 17,336,398 shares at a per unit value of $0.15 were issued subsequent to a private placement for gross proceeds of $2,600,460. Finders’ fees of $149,278 were paid.

7. Capital stock and contributed surplus (continued):

(c) Stock option plan:

The Company has a stock option plan in place under which it is authorized to grant options to its directors, officers and employees to acquire up to 10% of the issued and outstanding common shares. The stock option plan provides that the options are for a maximum term of five years and vest as to one-quarter on regulatory approval and one-eighth every three months thereafter.

As at December 31, 2010, the following incentive stock options were outstanding and exercisable; reflecting the impact of the October 22, 2010 share, warrant, and option consolidation:

Number of Options		Exercise Price	Date of Grant	Expiry Date		Maximum Future Proceeds	Number of Vested Options
25,000		0.20	12-Jan-06	12-Jan-11		5,000	25,000
387,500		0.20	15-Dec-06	15-Dec-11		77,500	387,500
125,000		0.20	26-Jun-07	26-Jun-12		25,000	125,000
50,000		0.20	21-Sep-07	21-Sep-12		10,000	50,000
317,500		0.20	26-Mar-08	26-Mar-13		63,500	317,500
50,000		0.20	14-Sep-08	14-Sep-13		10,000	50,000
4,209,688		0.30	10-Sep-09	9-Sep-14		1,105,044	3,683,477
500,000		0.40	29-Oct-09	28-Oct-14		150,000	375,000
650,000		0.50	13-May-10	13-May-15		162,500	325,000
2,000,000		1.05	17-Dec-10	17-Dec-15		2,100,000	2,000,000
8,314,688	$	0.45			$	3,708,544	7,338,477

7. 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			2010		
	Number of options		Weighted average price	Number of options		Weighted average price
Pre-consolidation balance June 30,2010	14,341,875	$	0.15	5,642,500	$	0.10
Granted	850,000		0.24	9,638,750		0.16
Exercised	(896,250)		0.10	-		
Cancelled/forfeited	(601,250)		0.10	(886,250)		0.10
Pre-consolidation balance October 22,2010	13,694,375		0.15	14,395,000	$	0.14
Option consolidation at 2:1 basis	(6,847,188)			(7,197,500)		
Options post consolidation 2:1	6,847,188	$	0.29			
Granted	2,000,000		1.05			
Exercised	(107,500)		0.20			
Cancelled	(425,000)		0.47			
Options, end of period	8,314,688	$	0.49	7,197,500	$	0.27
Total stock options exercisable	7,338,477	$	0.51	4,129,661	$	0.24

(d) Stock-based compensation:

During the period ended December 31, 2010, the Company granted options totaling 2,850,000 (2009 – 9,638,750). Of these, 850,000 were cancelled on December 17, 2010. The fair value of the options not subject to cancellation is $1,250,810 (2009 – $868,280), based on the Black-Scholes option pricing model. For the six month period ended December 31, 2010, the stock-based compensation recognized was $1,756,928 (2009 - $387,869).

Options awarded prior to October 22, 2010 underwent a two for one consolidation on that date, with an accompanying adjustment to the exercise price to reflect the consolidation.

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

	2011	2010
Risk-free interest rate	2.05%	2.56%
Expected life of options	5 years	5 years
Stock price volatility	163%	157%
Dividend rate	0%	0%

7. Capital stock and contributed surplus (continued):

(e) Warrants:

The following share purchase warrants, reflecting the October 22, 2010 share, option and warrant consolidation, were outstanding at December 31, 2010:

Number of Warrants		Exercise Price	Expiry Date
9,385,000		$0.10	31-Mar-12
550,000		0.20	31-Mar-12
2,062,500		0.10	14-May-12
1,837,500		0.20	14-May-12
13,758,000		0.20	16-Jul-12
15,169,562		0.30	16-Oct-12
2,000,000		0.50	16-Oct-12
2,500,000		0.60	16-Dec-13
47,262,562	$	0.24	

Fully paid special warrants*:

10,715,000

* Convertible into 11,785,500 common shares

Warrant transactions and the number of warrants outstanding at December 31, 2010 are summarized as follows:

	December 31, 2010		
	Number of warrants	Weighted average price	
Pre-consolidation balance begining of period	97,103,500	$	0.11
Exercised	(3,320,000)		0.13
Expired	(2,337,500)		0.10
Broker warrants	4,000,000		0.25
Pre-consolidation balance October 22,2010	95,446,000	$	0.12
Warrant consolidation at 2:1 basis	(47,723,000)	$	0.11
Balance after 2:1 consolidation at October 22, 2010	47,723,000		0.25
Exercised	(2,960,438)		0.27
Broker warrants	2,500,000		0.60
Warrants at December 31, 2010	47,262,562	$	0.27

Special warrants, fully paid* (Note 7 (f))	10,715,000		

* Convertible into 11,786,500 shares

7. Capital stock and contributed surplus (continued):

(f) Special warrants:

On December 17, 2010, the Company raised $7.5 million through a special warrant offering and issuance of 10,715,000 special warrants at a price of $0.70 per warrant. The special warrants are fully paid and are convertible into common shares at a ratio of one share for each special warrant, subject to a four month and one day trading or the receipt of a prospectus, whereupon the hold period would expire. The terms of the warrant offering allowed for a conversion ratio of 1:1 shares for each special warrant in the event that the prospectus was not received by December 22, 2010. The latter condition was not met, and the warrants are consequently convertible at a ratio of 1:1 common shares for each special warrant, for a total of 11,786,500 shares.

8. Capital management:

The Company manages its capital structure, currently consisting of shareholders' equity, 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.

There were no changes in the Company's approach to capital management during the period ended December 31, 2010.

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

9. 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
Canada	$ 11,024,703	$ 2,591,776
Ghana	26,447,995	23,922,443
Australia	28,410,503	-
	$ 65,759,604	$ 26,514,219

10. Commitments:

The Company has entered into operating lease agreements for office premises of $99,171 for 2011.

11. Subsequent events:

On January 31, 2011 the Company announced the signing of an Executive Services Agreement with its newly appointed President and CEO, Collin Ellison, to serve as its Managing Director and Chief Executive Officer. The agreement has a term of three years and provides for salary of $300,000 per annum plus vehicle allowance and other benefits.

The Company has granted 5,000,000 incentive stock options to Mr. Ellison to purchase common shares of the Company under its Stock Option Plan. The options are exercisable for a five-year period at a price of $0.90 per share (based on the combined 30-day volume weighted average price of the Company's shares of the TSX-V and the ASX). Vesting provisions are available on the SEDAR and the Company’s website at www.pmigoldcorp.com.