Consolidated Financial Statements
(Expressed in Canadian dollars)

PMI GOLD

CORPORATION

For the year ended June 30, 2012

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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 statements of financial position as at June 30, 2012, June 30, 2011 and July 1, 2010, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended June 30, 2012 and June 30, 2011, 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 International Financial Reporting Standards, 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, 2012, June 30, 2011 and July 1, 2010, and its consolidated financial performance and its consolidated cash flows for the years ended June 30, 2012 and June 30, 2011 in accordance with International Financial Reporting Standards.

KPMG LLP

September 21, 2012
Vancouver, Canada

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PMI GOLD CORPORATION

Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	June 30, 2012	June 30, 2011	July 1, 2010
		(note 19)	(note 19)
Assets			
Current assets:			
Cash and cash equivalents	$ 40,722,548	$ 28,659,345	$ 2,862,489
Receivables (note 5)	235,569	535,420	5,397
Prepaid expenses	475,601	230,983	114,558
	41,433,718	29,425,748	2,982,444
Property & equipment (note 6)	1,015,955	491,804	203,552
Exploration and evaluation assets (note 7)	64,203,875	31,353,377	21,098,420
	$ 106,653,548	$ 61,270,929	$ 24,284,416
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities (note 8)	$ 8,582,163	$ 1,484,863	$ 366,417
Shareholders' equity:			
Share capital (note 9)	119,578,794	76,701,915	38,802,861
Reserves (note 9)	8,034,686	6,256,463	3,353,934
Deficit	(29,542,095)	(23,172,312)	(18,238,796)
	98,071,385	59,786,066	23,917,999
	$ 106,653,548	$ 61,270,929	$ 24,284,416

Corporate information (note 1)
Commitments (note 17)
Subsequent events (note 18)

See accompanying notes to the consolidated financial statements.

Approved by the Board:

President & Chief Executive Officer

Director

PMI GOLD CORPORATION

Consolidated Statements of Operations, Loss and Comprehensive Loss
Years ended June 30,

	2012	2011
		(note 19)
Expenses:		
Amortization	$ 53,961	$ 2,154
Consulting fees	622,503	181,188
Directors' and management fees	784,433	325,437
Foreign exchange (gain) loss	768,961	(619,137)
Office and miscellaneous	788,529	267,004
Professional fees	932,504	775,441
Salaries and benefits	255,241	25,359
Shareholder communications	224,093	462,207
Share-based payments (note 10(b))	2,158,905	3,073,643
Transfer agent and regulatory fees	143,353	157,884
Travel and promotion	751,259	602,464
Write-off of exploration and evaluation assets (note 7)	17,379	88,325
Loss from operations	(7,501,121)	(5,341,969)
Other income (expenses):		
Gain on disposal of equipment	2,817	-
Interest and financing costs	-	(6,043)
Interest income	1,169,432	522,238
	1,172,249	516,195
Loss and comprehensive loss before taxes	(6,328,872)	(4,825,774)
Income taxes	(40,911)	(107,742)
Loss and comprehensive loss for the year	(6,369,783)	(4,933,516)
Basic and diluted loss per common share	$ (0.028)	$ (0.030)
Basic and diluted weighted average number of common shares outstanding	225,336,747	166,198,713

See accompanying notes to the consolidated financial statements.

PMI GOLD CORPORATION

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)
Years ended June 30,

	2012	2011
		(note 19)
Cash provided by (used in):		
Operating activities:		
Loss for the year	$ (6,369,783)	$ (4,933,516)
Items not affecting cash:		
Amortization	53,961	2,154
Gain on sale of equipment	(2,817)	-
Share-based payments	2,158,905	3,073,643
Write-off of exploration and evaluation assets	17,379	88,325
	(4,142,355)	(1,769,394)
Changes in non-cash working capital items:		
Receivables	299,851	(530,023)
Prepaid expenses	(244,618)	(116,425)
Accounts payable and accrued liabilities	486,670	1,118,447
	(3,600,452)	(1,297,395)
Investing activities:		
Proceeds from the sale of equipment	11,616	-
Additions to property & equipment	(841,440)	(290,406)
Additions to exploration and evaluation assets	(25,592,172)	(10,343,283)
	(26,421,996)	(10,633,689)
Financing activities:		
Shares issued for cash	44,269,050	41,657,449
Share issuance costs	(2,183,399)	(3,929,509)
	42,085,651	37,727,940
Increase in cash and cash equivalents during the year	12,063,203	25,796,856
Cash and cash equivalents, beginning of year	28,659,345	2,862,489
Cash and cash equivalents, end of year	$ 40,722,548	$ 28,659,345
Effect of exchange rate fluctuations on cash held	$ 218,918	$ 113,105
Cash paid during the year for income taxes	131,155	-
Cash received (paid) during the year for interest	1,520,701	101,790
Shares issued as finders' fees	-	350,161

Supplemental disclosure with respect to cash flows (note 11)

See accompanying notes to the consolidated financial statements.

PMI GOLD CORPORATION

Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)

Years ended June 30, 2012 and 2011

	Number of shares	Share capital	Reserves	Deficit	Total
Balance, July 1, 2010	126,110,030	$ 38,802,861	$ 3,353,934	$ (18,238,796)	$ 23,917,999
Loss for the year	-	-	-	(4,933,516)	(4,933,516)
Functional adjustment on share consolidation	13	-	-	-	-
Private placements	13,888,889	5,000,000	-	-	5,000,000
Finder's fees	-	(205,980)	-	-	(205,980)
CDI's issued	39,285,714	27,485,355	-	-	27,485,355
Share issuance costs	-	(3,240,918)	-	-	(3,240,918)
Shares issued as finder's fees	500,000	350,161	-	-	350,161
Exercise of options	1,033,438	273,094	-	-	273,094
Exercise of warrants	5,330,000	1,399,000	-	-	1,399,000
Reallocation on exercise of options	-	171,114	(171,114)	-	-
Special warrants	11,786,500	7,500,500	-	-	7,500,500
ASX listing costs	-	(833,272)	-	-	(833,272)
Share-based payments	-	-	3,073,643	-	3,073,643
Balance, June 30, 2011	197,934,584	76,701,915	6,256,463	(23,172,312)	59,786,066
Loss for the year	-	-	-	(6,369,783)	(6,369,783)
Private placement	28,000,000	35,000,000	-	-	35,000,000
Share issuance costs	-	(2,183,399)	-	-	(2,183,399)
Exercise of options	3,862,500	1,087,500	-	-	1,087,500
Exercise of warrants	32,373,000	8,181,550	-	-	8,181,550
Reallocation on exercise of options	-	791,228	(791,228)	-	-
Share-based payments	-	-	2,569,451	-	2,569,451
Balance, June 30, 2012	262,170,084	$ 119,578,794	$ 8,034,686	$ (29,542,095)	$ 98,071,385

See accompanying notes to the consolidated financial statements.

1. Corporate Information

PMI Gold Corporation ("PMI" or the "Company") was incorporated in British Columbia. The consolidated financial statements of the Company as at and for the year ended June 30, 2012 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The principal business of the Group is the acquisition, exploration, and development of mineral properties. The Company has two subsidiaries; Adansi Gold Company Ghana Limited ("Adansi") is incorporated in Ghana and Nevsun Resources (Ghana) Ltd ("NS Ghana") is incorporated in Barbados. The Group'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 Group has several other mineral concessions in Ghana in various stages of exploration to determine whether they contain economically viable mineral deposits.

The Company's head office, principal address and registered and records office is 408-837 West Hastings Street, Vancouver, British Columbia, Canada, V6C 3N6.

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 aside from interest income. For the year ended June 30, 2012, the Company had net cash inflows of $12,063,203 (2011-$25,796,856). At June 30, 2012, the Company's cash and cash equivalents balance was $40,722,548 (2011- $28,659,345; July 1, 2010-$2,862,489) and working capital was $32,851,555 (2011-$27,940,885; July 1, 2010-$2,616,027).

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. Basis of presentation and statement of compliance:

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). These are the Company's first consolidated financial statements prepared in accordance with IFRS with a transition date of January 1, 2010, and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 19.

These consolidated financial statements were authorized for issue by the Board of Directors on September 19, 2012.

2. Basis of presentation and statement of compliance (continued):

(b) Basis of consolidation and presentation:

These consolidated financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, which is also the Company's functional currency.

These consolidated financial statements incorporate the financial statements of the Company and its controlled subsidiaries. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. These consolidated financial statements include the accounts of the Company and its direct wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements and in preparing the opening IFRS balance sheet at July 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated.

(a) Foreign currency transactions:

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and each of its subsidiaries is the Canadian dollar. The functional currency determinations were conducted through an analysis of the factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the period-end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the period-end date and the related translation differences are recognized in net income. Exchange gains and losses arising on the retranslation of monetary available-for-sale financial assets are treated as a separate component of the change in fair value and recognized in net income. Exchange gains and losses on non-monetary available-for-sale financial assets form part of the overall gain or loss recognized in respect of that financial instrument.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net income or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

3. Significant accounting policies (continued):

(b) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and Canadian guaranteed investment certificates ("GIC's") with a major Canadian banking institution with maturities on the date of purchase of 90 days or less. The GIC's are cashable on demand without interest penalties. Cash and cash equivalents are considered to be financial instruments and are classified as "Loans and Receivables".

(c) Leased assets:

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Company (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognized as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analyzed between capital and interest. The interest element is charged to the statement of comprehensive loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Company (an "operating lease"), the total rentals payable under the lease are charged to the statement of comprehensive loss on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognized as a reduction of the rental expense over the lease term on a straight-line basis.

(d) Financial instruments:

(*i*) Financial assets:

Financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified at FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss. The Company has no financial assets classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that provide object evidence of impairment, which are recognized in profit and loss. The Company's cash and cash equivalents and receivables are classified as loans and receivables.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included the initial carrying amount of the asset. Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated present value of the future cash flows of the financial assets are less than their carrying values.

3. Significant accounting policies (continued):

(*ii*) Financial liabilities:

All financial liabilities are initially recorded at fair value and designated upon inception at FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized costs using the amortized cost of a financial liability and of allocating interest expense over the relevant period or, where appropriate, a shorter period. The Company's financial liabilities consist of accounts payable and accrued liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including embedded derivatives, are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss. The Company has no financial liabilities classified as FVTPL.

(e) Property & equipment:

(*i*) Recognition and measurement:

On initial recognition, property, plant and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property, plant and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(*ii*) Subsequent costs:

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in the statement of comprehensive loss as incurred.

(*iii*) Major maintenance and repairs:

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive loss during the financial period in which they are incurred.

3. Significant accounting policies (continued):

(e) Property & equipment (continued):

(*iv*) Gains and losses:

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within other income in the statement of comprehensive loss.

(*v*) Amortization:

Amortization is recognized in the statement of comprehensive loss or exploration and evaluation assets and is provided on a declining balance basis over the estimated useful life of the assets as follows:

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

Amortization methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(f) Exploration and evaluation assets:

(*i*) Pre-exploration costs:

Pre-exploration costs are expensed as incurred.

(*ii*) Exploration and evaluation expenditures:

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures ("E&E") are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

When a project is deemed to no longer have commercially viable prospects for the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as 'mines under construction'.

3. Significant accounting policies (continued):

(f) Exploration and evaluation assets (continued):

(*ii*) Exploration and evaluation expenditures (continued):

Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Mineral exploration and evaluation expenditures are classified as intangible assets.

(g) Impairment of financial and non-financial assets:

(*i*) Impairment of financial assets:

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

(*ii*) Impairment of non-financial assets:

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financial assets, including exploration and evaluation assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

An impairment loss is charged to the profit or loss, except to the extent they reverse gains previously recognized in other comprehensive loss.

(h) Provisions:

(*i*) Rehabilitation provision:

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

3. Significant accounting policies (continued):

(h) Impairment of financial and non-financial assets (continued):

(*i*) Rehabilitation provision (continued):

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur.

The Company has no rehabilitation obligations.

(*ii*) Other provisions:

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

(i) Share capital:

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares and share warrants are classified as equity instruments. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(j) Share-based payments:

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

3. Significant accounting policies (continued):

(j) Share-based payments (continued):

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period.

(k) Income taxes:

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

(l) Loss per share:

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

3. Significant accounting policies (continued):

(m) Standards, amendments and interpretations not yet effective:

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting years beginning after January 1, 2011 or later years.

The Company has early adopted the amendments to IFRS 1 which replaces references to a fixed date of '1 January 2004' with 'the date of transition to IFRSs'. This eliminates the need for the Company to restate derecognition transactions that occurred before the date of transition to IFRSs. The amendment is effective for year-ends beginning on or after July 1, 2011. The impact of the amendment and early adoption is that the Company only applies IAS 39 derecognition requirements to transactions that occurred after the date of transition.

The following new standards, amendments and interpretations that have not been early adopted in these consolidated financial statements will or may have an effect on the Company's future results and financial position:

(*i*) IFRS 9 *Financial Instruments*:

IFRS 9 *Financial Instruments* is part of the IASB's wider project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2015.

(*ii*) IFRS 10 *Consolidated Financial Statements*:

IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Company is yet to assess the full impact of IFRS 10 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

(*iii*) IFRS 11 *Joint Arrangements:*

IFRS 11 describes the accounting for arrangements in which there is joint control; proportionate consolidation is not permitted for joint ventures (as newly defined). IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC 13 *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. The Company is yet to assess the full impact of IFRS 11 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

(*iv*) IFRS 12 *Disclosures of Interests in Other Entities:*

IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company is yet to assess the full impact of IFRS 12 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

3. Significant accounting policies (continued):

(m) Standards, amendments and interpretations not yet effective (continued):

(*v*) IFRS 13 *Fair Value Measurement*:

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Company is yet to assess the full impact of IFRS 13 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

(*vi*) IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine:*

In IFRIC 20, the IFRS Interpretations Committee sets out principles for the recognition of production stripping costs in the balance sheet. The interpretation recognizes that some production stripping in surface mining activity will benefit production in future periods and sets out criteria for capitalizing such costs. While the Company is not yet in the production phase, the Company is currently assessing the future impact of this interpretation.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

4. Critical accounting estimates and judgments:

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are discussed below:

(a) Exploration and evaluation expenditure:

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the statement of comprehensive loss in the period the new information becomes available.

4. Critical accounting estimates and judgments (continued):

(b) Title to mineral property interests:

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.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are discussed below:

(c) Income taxes:

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

(d) Share-based payment transactions:

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 10.

5. Receivables:

The Company's receivables are as follows:

	June 30, 2012	June 30, 2011	July 1, 2010
HST/GST receivable	$ 163,635	$ 111,235	$ 5,397
Interest receivable	7,870	359,140	-
Other receivables	64,064	65,045	-
	$ 235,569	$ 535,420	$ 5,397

6. Property & equipment:

	Field tools & equipment	Vehicles	Furniture & equipment	Computer equipment	Total
Cost					
Balance at July 1, 2010	$ 21,309	$ 207,015	$ 79,154	$ 24,412	$ 331,890
Additions	65,973	151,512	128,544	186,290	532,319
Balance at June 30, 2011	87,282	358,527	207,698	210,702	864,209
Additions	156,700	453,922	40,311	210,600	861,533
Disposals	(19,232)	(18,503)	-	-	(37,735)
Balance at June 30, 2012	$ 224,750	$ 793,946	$ 248,009	$ 421,302	$ 1,688,007
Amortization					
Balance at July 1, 2010	$ 8,161	$ 38,757	$ 62,890	$ 18,530	$ 128,338
Additions	14,797	55,730	3,847	169,693	244,067
Balance at June 30, 2011	22,958	94,487	66,737	188,223	372,405
Additions	55,556	145,773	18,158	89,003	308,490
Disposals	(1,442)	(7,401)	-	-	(8,843)
Balance at June 30, 2012	$ 77,072	$ 232,859	$ 84,895	$ 277,226	$ 672,052
Carrying amounts					
Balance at July 1, 2010	$ 13,148	$ 168,258	$ 16,264	$ 5,882	$ 203,552
Balance at June 30, 2011	$ 64,324	$ 264,040	$ 140,961	$ 22,479	$ 491,804
Balance at June 30, 2012	$ 147,678	$ 561,087	$ 163,114	$ 144,076	$ 1,015,955

7. Exploration and evaluation assets:

The Company has incurred the following exploration and evaluation asset expenditures for the year ended June 30, 2012:

	Obotan	Asanko	Kubi	Total
Acquisition costs:				
Balance, June 30, 2011	$ 1,523,042	$ 1,506,965	$ 5,621,700	$ 8,651,707
Additions during the year	5,008,632	-	-	5,008,632
Write-off of acquisition costs	-	-	-	-
Balance, June 30, 2012	6,531,674	1,506,965	5,621,700	13,660,339
Exploration and evaluation expenditures:				
Balance, June 30, 2011	14,982,789	3,586,297	4,132,584	22,701,670
Additions during the year:				
Pre-feasibility costs	4,623,076	-	-	4,623,076
Assaying testing and analysis	638,460	113,276	132,695	884,431
Contract labour	152,066	24,240	43,288	219,594
Drilling	9,586,296	2,419,046	2,397,589	14,402,931
Field office	926,807	43,875	146,956	1,117,638
Geology and geophysics	1,242,463	152,398	299,655	1,694,516
Lease rental and claims maintenance	1,275,578	49,398	110,407	1,435,383
Legal	218,818	16,758	22,782	258,358
Project management and related exploration costs	2,219,243	323,165	572,732	3,115,140
Transportation and travel	77,470	12,795	17,913	108,178
Write off of exploration costs	-	(17,379)	-	(17,379)
	20,960,276	3,137,572	3,744,018	27,841,866
Balance, June 30, 2012	35,943,065	6,723,869	7,876,602	50,543,536
Total, June 30, 2012	$ 42,474,739	$ 8,230,834	$ 13,498,302	$ 63,203,875

7. Exploration and evaluation assets (continued):

The Company has incurred the following exploration and evaluation asset expenditures for the year ended June 30, 2011:

	Obotan	Asanko	Kubi	Other	Total
Acquisition costs:					
Balance, July 1, 2010	$ 1,523,041	$ 1,506,965	$ 5,621,700	$ -	$ 8,651,706
Additions during the year	-	-	-	88,325	88,325
Write-off of acquisition costs	-	-	-	(88,325)	(88,325)
Balance, June 30, 2011	1,523,041	1,506,965	5,621,700	-	8,651,706
Exploration and evaluation expenditures:					
Balance, July 1, 2010	6,804,945	3,461,774	2,179,995	-	12,446,714
Additions during the year:					
Assaying testing and analysis	300,401	-	44,741	-	345,142
Contract labour	81,555	515	28,204	-	110,274
Drilling	4,283,028	-	680,394	-	4,963,422
Field office	704,793	518	73,188	-	778,499
Geology and geophysics	1,474,257	24,958	654,605	-	2,153,820
Lease rental and claims maintenance	124,585	93,169	42,049	-	259,803
Legal	116,940	-	42,957	-	159,897
Project management and related exploration costs	1,031,289	5,199	367,543	-	1,404,031
Transportation and travel	60,997	164	18,908	-	80,069
	8,177,845	124,523	1,952,589	-	10,254,957
Balance, June 30, 2011	14,982,790	3,586,297	4,132,584	-	22,701,671
Total, June 30, 2011	$ 16,505,831	$ 5,093,262	$ 9,754,284	$ -	$ 31,353,377

7. Exploration and evaluation assets (continued):

(a) Properties held by the Company:

All of the Company's exploration and evaluation assets consist of leases, licenses and options covering mineral concessions and are located in Ghana, West Africa. The majority of the licences are held by Adansi. NS Ghana holds a 100% interest in the Kubi Mining Leases.

(b) Exploration property summary:

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

	Interest of original vendor (*ii*)	NSR on License	NPP on License	Amounts payable under acquisition agreements
Obotan Project				
Abore-Abirem		2%		$50,000 advance
Adubea		2.5%		royalty payment per year
Kaniago		2%		for Obotan and Asanko
New Obuase		2%		projects to related party
Amuabaka, Nkronua,	10%	2%		$3,000 per quarter
Atifi, Gyagyatreso				to a related party
(Switchback) (*iii*)				US$4,500,000 payable
				on or before
				September 30, 2012
Asanko Project				
Agyakaa Manso (*iii*)		2%		
Diaso-Afiefiso		2%		
Juabo	15%	2%		
Manhia (*iii*)		2%		
Kubi Project				
Kubi			3%	
Kubi Forest Reserve			3%	
Dunkwa-Gyimigya				
Gyimigya				

(i) Under the Ghanaian Minerals and Mining Act prospecting licenses are granted after an initial period as a Reconnaissance Licence. 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.

(c) In October 2011, the Company entered into an agreement for core sampling analysis services and has committed to pay the vendor a total of US$330,540 (paid US$220,360 to June 30, 2012) over a twelve month period.

8. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities are as follows:

	June 30, 2012	June 30, 2011	July 1, 2010
Trade payables	$ 6,789,275	$ 1,250,183	$ 291,417
Accrued liabilities	1,792,888	234,680	75,000
	$ 8,582,163	$ 1,484,863	$ 366,417

9. Share capital and reserves:

Authorized:

- unlimited common shares, without par value and are fully paid.

During the year ended June 30, 2012, the Company:

- issued 32,373,000 common shares for gross proceeds totaling $8,181,550 pursuant to the exercise of warrants.
- issued 3,862,500 common shares for gross proceeds totaling $1,087,500 pursuant to the exercise of stock options. As a result of the exercise, the Company reclassified $791,228 from contributed surplus to share capital.
- issued 28,000,000 common shares for gross proceeds totaling $35,000,000 pursuant to the completion of a private placement. The Company paid $2,183,399 in share issuance costs relating to the private placement.

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.
- issued 13,888,889 common shares for gross proceeds totaling $5,000,000 pursuant to a private placement. The net value after finders' fees was $4,794,020.
- 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. The company issued 500,000 common shares with a value of $350,161 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.
- raised $7,500,500 through a special warrant offering at a price of $0.70 per warrant. These special warrants were subsequently converted into 11,786,500 common shares of the Company.
- issued 5,330,000 common shares for gross proceeds totaling $1,399,000 pursuant to the exercise of warrants.
- issued 1,033,438 common shares for gross proceeds totaling $273,094 pursuant to the exercise of stock options. As a result of the exercise, the Company reclassified $171,114 from contributed surplus to share capital.

10. Stock options and warrants:

(a) Stock options:

(*i*) Option plan:

The Company has adopted a new stock option plan (first adopted during the year ended June 30, 2011) covering the grant of 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.

	Number of options	Weighted average exercise price
Balance, July 1, 2010	7,170,938	$ 0.30
Granted	10,485,000	0.85
Exercised	(1,033,438)	0.26
Cancelled / expired	(725,625)	0.36
Balance, June 30, 2011	15,896,875	0.68
Granted	4,040,000	1.63
Exercised	(3,862,500)	0.28
Cancelled / expired	(856,875)	0.91
Balance, June 30, 2012	15,217,500	$ 1.03
Number of options currently exercisable	8,564,167	$ 0.83

The weighted average remaining contractual life for the share options outstanding as at June 30, 2012 is 3.52 years (2011 – 3.89 years).

As at June 30, 2012, the Company had outstanding stock options enabling the holders to acquire common shares as follows:

Number of options	Exercise price	Expiry date
117,500	$ 0.20	March 26, 2013[1]
750,000	0.30	September 9, 2014[2]
500,000	0.40	October 28, 2014
2,000,000	1.05	December 15, 2015
5,000,000	0.90	January 20, 2016
500,000	0.90	February 18, 2016
2,000,000	0.80	June 1, 2015
1,750,000	2.00	March 11, 2016
560,000	0.80	June 1, 2016
240,000	0.77	October 2, 2016
200,000	1.17	November 19, 2016
550,000	1.75	November 19, 2016
750,000	1.28	June 7, 2017
300,000	0.86	June 12, 2017
15,217,500		

(1) Subsequent to year end, 30,000 options were exercised for proceeds of $6,000.
(2) Subsequent to year end, 350,000 options were exercised for proceeds of $105,000.

10. Stock options and warrants (continued):

(b) Share-based payments:

During the year ended June 30, 2012, the Company granted 4,040,000 (2011 – 10,485,000) and cancelled 856,875 (2011 – 725,625) stock options. Certain of these stock options include performance based vesting criteria. The fair value of is the options granted during the year is $2,564,449 (2011 - $5,956,054), based on the Black-Scholes option pricing model. For the year ended June 30, 2012, the share-based payments recognized was $2,569,451 (2011 - $3,073,643).

The following weighted average assumptions were used for the Black-Scholes option pricing model:

	2012	2011
Risk-free interest rate	1.36%	2.05%
Expected life of options	4.5 years	5 years
Annualized volatility	88%	163%
Dividend rate	0.00%	0.00%
Forfeiture rate	0.00%	0.00%

(c) Warrants:

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

	Number of warrants	Weighted average exercise price
Balance July 1, 2010 – pre-consolidation	47,726,750	$ 0.22
Exercised	(5,330,000)	0.26
Expired	(93,750)	0.26
Broker warrants	4,500,000	0.56
Balance, June 30, 2011	46,803,000	0.25
Exercised	(32,273,000)	0.25
Expired	(375,000)	0.21
Balance, June 30, 2012	14,055,000	$ 0.23

As at June 30, 2012, warrants were outstanding enabling the holders to acquire common shares as follows:

Number of warrants	Exercise price	Expiry date
13,055,000	$ 0.20	July 16, 2012*
1,000,000	0.62	December 17, 2013
14,055,000		

*Subsequent to year end 12,955,000 warrants were exercised and 100,000 warrants expired unexercised (note 18).

11. Supplemental disclosure with respect to cash flows:

During the year ended June 30, 2012, significant non-cash investing and financing activities included:

- incurring $254,529 of amortization expense capitalized to exploration and evaluation assets;
- incurring exploration and evaluation asset expenditures of $7,386,846 included in accounts payable;
- incurring $410,546 of share-based payment expense capitalized to exploration and evaluation assets;
- recording of a fair value reversal of $791,228 out of contributed surplus on the exercise of stock options; and

During the year ended June 30, 2011, significant non-cash investing and financing activities included:

- recording of a fair value reversal of $171,114 out of contributed surplus on the exercise of stock options;
- incurring exploration and evaluation asset expenditures of $776,216 included in accounts payable; and
- incurring $241,913 of amortization expense capitalized to exploration and evaluation assets.

12. Related party transactions:

The Company incurred the following expenses charged by key management personnel and companies controlled by key management personnel:

	June 30, 2012	June 30, 2011
Executive compensation(1)(2)	$ 1,090,675	$ 696,328
Non-executive directors fees(3)(4)	209,715	242,476
Share-based payments(5)	2,100,839	2,902,699
	$ 3,401,229	$ 3,841,503

(1) Included in the year ended June 30, 2011 was $373,387 in fees paid to former officers of the Company.

(2) Of these, there are $154,732 (2011 - $126,418) for professional fees included in deferred exploration costs paid to a firm controlled by an executive director of the Company and $54,020 (2011 - $59,754) for property option payments included in deferred exploration costs, made to two companies controlled by an executive director of the Company's Ghanaian subsidiary.

(3) Included in the year ended June 30, 2011 was $72,000 in fees paid to former directors of the Company for consulting fees and $10,090 for directors' fees.

(4) Of these, there are $16,545 (2011 - $Nil) for exploration expenses included in deferred exploration costs paid to a director of the Company.

(5) Included in the year ended June 30, 2011 were $60,101 of share-based payments made to former directors and officers of the Company.

Included in accounts payable and accrued liabilities at June 30, 2012 is $456,228 (2011 - $164,995: July 1, 2010 - $13,634) owing to related parties, all in respect of to the above transactions. Included in accounts receivable at June 30, 2012 is $Nil (2011 - $24,108; July 1, 2010 - $Nil) owed by related parties.

13. Segmented information:

The Company operates in one business segment, being the acquisition and exploration of mineral properties. The Company's capital assets are located primarily in the Republic of Ghana.

Geographic information is as follows:

	June 30, 2012	June 30, 2011	July 1, 2010
Assets:			
Canada	$ 34,443,768	$ 2,395,363	$ 2,591,776
Ghana	66,675,729	31,909,610	21,692,640
Australia	5,534,051	26,965,956	-
	$ 106,653,548	$ 61,270,929	$ 24,284,416

14. Financial instruments and risk management:

IFRS 7, Financial Instruments: Disclosures ("IFRS 7") establishes a fair value hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2: Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantively the full term of the asset or liability.
- Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The Company does not have any financial instruments recognized at fair value. The carrying values of cash and cash equivalents, receivables, and accounts payable and accrued liabilities approximate their fair values because of their short terms to maturity.

(a) Financial instrument risk exposure and risk management:

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes. The type of risk exposure and the way in which such exposure is managed is provided below:

Credit risk

Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash and cash equivalents, advances from employee, receivable from related parties and other accounts receivable. The Company limits the exposure to credit risk by only investing its cash and cash equivalents with high credit quality financial institutions in business and saving accounts, and guaranteed investment certificates, which are available on demand by the Company. The carrying amount of cash and cash equivalents, advances to employees, receivables from related parties and other accounts receivable represents the Company's maximum exposure to credit risk.

14. Financial instruments and risk management (continued):

(a) Financial instrument risk exposure and risk management (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 interest bearing financial assets are comprised of cash and cash equivalents, which bear interest at fixed or variable rates. The Company is not exposed to material interest rate risk.

Foreign currency

The Company is exposed to foreign currency risk as some of its cash and cash equivalents, receivables and accounts payable and accrued liabilities are held in Ghanaian Cedes (GHS), US Dollars (USD), and Australian Dollars (AUD). The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

The exposure of the Company's cash and cash equivalents and receivables is as follows:

	June 30, 2012		June 30, 2011	
	Amount in Foreign currency	Amount in CAD dollars	Amount in foreign currency	Amount in CAD dollars
United States dollars:				
Cash and cash equivalents	$ 15,681	$ 16,070	$ 44,108	$ 43,071
Australian dollars:				
Cash and cash equivalents	5,068,571	5,276,910	25,717,200	26,606,816
Receivables	51,376	53,488	391,231	378,144
Ghanaian cedes				
Cash and cash equivalents	2,551,342	1,348,129	115,806	74,475
Receivables	75,526	39,908	101,143	65,045
Total financial assets		$ 6,734,505		$ 27,167,551

The exposure of the Company's accounts payable and accrued liabilities is as follows:

	June 30, 2012		June 30, 2011	
	Amount in Foreign currency	Amount in CAD dollars	Amount in foreign currency	Amount in CAD dollars
United States dollars:				
Accounts payable and accrued liabilities	$ 6,398,141	$ 6,556,878	$ 714,371	$ 697,569
Australian dollars:				
Accounts payable and accrued liabilities	1,593,295	1,658,779	454,644	470,370
Ghanaian cedes				
Accounts payable and accrued liabilities	356,546	187,864	173,583	111,631
Total financial liabilities		$ 8,403,521		$ 1,279,570

Based on the above net exposures and assuming that all other variables remain constant, a 10% change of the CAD dollar against the various currencies would result in a change in net loss of approximately $166,902 for the year ended June 30, 2012 (2011 – gain $2,588,798).

14. Financial instruments and risk management (continued):

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company ensures, as far as reasonably possible, it will have sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Company's holdings of cash and cash equivalents. The Company's cash and cash equivalents are currently invested in business accounts which are available on demand by the Company for its programs. As at June 30, 2012, the Company had cash and cash equivalents of $40,722,548 to settle liabilities of $8,582,163. All of the Company's liabilities are due currently. The Company's exploration expenditure commitments, pursuant to its option agreement related to its mineral properties, are described in note 7, and other commitments are described in note 17.

15. Capital management:

The Company's objectives when managing capital are:

To maintain and safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds to support continued evaluation and maintenance at the Company's existing properties, and to acquire, explore, and develop other mineral properties.

To invest cash on hand in highly liquid and highly rated financial instruments with high credit quality issuers, thereby minimizing the risk of loss of principal.

To obtain the necessary financing to complete exploration and development of its properties, if and when it is required.

In the management of capital, the Company includes shareholders' equity and loans and borrowings in the definition of capital. The Company is not exposed to externally imposed capital requirements.

The Company manages the capital structure and makes adjustments to it, based on the level of funds required to manage its operations in light of changes in economic conditions and the risk characteristics of its underlying assets.

In order to maximize ongoing development efforts, the Company does not pay dividends. Notwithstanding the risks described in note 1 of the financial statements, the Company expects to continue to raise funds, from time to time, to continue meeting its capital management objectives.

The Company is not subject to any externally imposed capital requirements.

16. Income taxes:

The provision for income taxes reported differs from the amount computed by applying cumulative Canadian Federal and provincial income tax rates to the loss before the tax provision due to the following:

	2012	2011
Loss and Comprehensive loss for the year before taxes	$ (6,328,872)	$ (4,825,774)
Statutory tax rate	25.75%	27.5%
Expected income tax recovery	$ (1,629,684)	$ (1,327,088)
Difference between current and deferred tax rates	47,467	120,644
Current year losses not recognized	1,115,219	528,995
Stock based compensation	539,726	768,411
Other permanent difference	(112,728)	(90,962)
Foreign taxes	40,911	107,742
Total income taxes	$ 40,911	$ 107,742

Deferred tax assets have not been recognized in respect of the following items:

	2012	2011
Non-capital losses and other future tax deductions	$ 17,146,384	$ 22,831,444
Mineral properties, deferred development and capital assets	(62,290)	85,949
	17,084,094	22,917,393

As at June 30, 2012, the Company had deductible temporary difference for which deferred tax assets have not been recognized because it is not probably that future profit will be available against which the Company can utilize the benefits.

Non Capital Losses

Year of Expiration	PMI	Ghana	Total
2013	$ -	$ 514,227	$ 514,227
2014	828,030	995	829,025
2015	731,134	18,948	750,082
2016	-	49,219	49,219
2017	-	651,358	651,358
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	2,697,874	-	2,697,874
2032	5,014,095	-	5,014,095
	$ 17,555,188	$ 1,234,747	$ 18,275,708

17. Commitments:

The Company has entered into operating lease agreements for office premises in Canada, Ghana and Australia. The future minimum lease payments under non-cancellable leases are as follows:

	2012	2011	July 1, 2010
Less than 1 year	$ 358,509	$ 263,271	$ 130,155
Between 1 and 5 years	611,763	588,552	257,258
	$ 970,272	$ 851,823	$ 387,413

Current exploration commitments to the Minerals Commission of Ghana amount to $1,639,696. Additional commitments related to the Company's exploration and evaluation assets are disclosed in note 7(b).

18. Subsequent events:

Subsequent to June 30, 2012, the Company:

- Issued 12,955,000 shares pursuant to the exercise of share purchase warrants for proceeds of $2,591,000.
- Announced on August 28, 2012 the completion of an independent NI 43-101 compliant feasibility study confirming a financially and technically robust mining operation at Obotan.
- Issued 380,000 shares pursuant to the exercise of share purchase options for proceeds of $111,000.
- Entered into an agreement with Midras Mining Company Ltd ("Midras") to acquire 100% of the Datano Mining Lease for US$6 million. The agreement is contingent upon obtaining the approval of the sale and transfer of the Mining Lease to the Company.

19. Transition to IFRS:

As stated in note 2, these are the Company's first consolidated financial statements prepared in accordance with IFRS.

The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended June 30, 2012, the comparative information presented in these consolidated financial statements for the year ended June 30, 2011 and the preparation of an opening IFRS statement of financial position at July 1, 2010 (the Company's 'Transition Date').

In preparing the Company's opening IFRS financial statements, the Company has adjusted amounts reported previously in the financial statements prepared in accordance with previous Canadian GAAP. IFRS 1 requires retrospective application of the standards in the transition statement of financial position, with all adjustments to assets and liabilities taken to deficit unless certain optional and mandatory exemptions are applied.

(a) Optional exemptions:

The IFRS 1 applicable exemptions and exceptions applied in the conversion from pre-changeover Canadian GAAP to IFRS are as follows:

19. Transition to IFRS (continued):

(a) Optional exemptions (continued):

(*i*) Business combinations:

The Company elected not to retrospectively apply IFRS 3 Business Combinations to any business combinations that may have occurred prior to its Transition Date and such business combinations have not been restated.

(*ii*) Share-based payment transactions:

The Company has elected not to retrospectively apply IFRS 2 to equity instruments that were granted and had vested before the Transition Date. As a result of applying this exemption, the Company applied the provisions of IFRS 2 only to all outstanding equity instruments that are unvested as at the Transition Date to IFRS.

(*iii*) Compound financial instruments:

The Company has elected not to retrospectively separate the liability and equity components of compound instruments for which the liability component is no longer outstanding at the Transition date to IFRS.

(*iv*) Borrowing costs:

The Company has elected to apply the transitional provisions of IAS 23 *Borrowing Costs*, which permits prospective capitalization of borrowing costs on qualifying assets from the Transition Date.

(*v*) Extinguishing financial liabilities with equity instruments:

The Company has elected to apply the transitional provisions of IFRIC 19 *Extinguishing financial liabilities with equity instruments*, which requires its application only from the beginning of the earliest comparative period presented, i.e. the Transition Date.

(b) Mandatory exceptions:

(*i*) De-recognition of financial assets and liabilities:

The Company has applied the de-recognition requirements in IAS 39 *Financial Instruments: Recognition and Measurement* prospectively from the Transition Date. As a result any non-derivative financial assets or non-derivative financial liabilities derecognized prior to the Transition Date in accordance with pre-changeover Canadian GAAP have not been reviewed for compliance with IAS 39.

(*ii*) Estimates:

The estimates previously made by the Company under pre-changeover Canadian GAAP were not revised for the application of IFRS except where necessary to reflect any difference in accounting policy or where there was objective evidence that those estimates were in error. As a result the Company has not used hindsight to revise estimates.

19. Transition to IFRS (continued):

(c) Reconciliations of pre-changeover Canadian GAAP equity and comprehensive loss and cash flows to IFRS:

IFRS 1 requires an entity to reconcile equity, comprehensive loss and cash flows for prior periods. The changes made to the statements of financial position and statements of comprehensive loss as shown below have resulted in reclassifications of various amounts on the statements of cash flows, however as there have been no material adjustments to the net cash flows, no reconciliation of the statement of cash flows has been prepared.

Reconciliation of equity

	Previous Canadian GAAP	Effect of transition to IFRS	IFRS	Previous Canadian GAAP	Effect of transition to IFRS	IFRS
		June 30, 2011			July 1, 2010	
Assets						
Current assets						
Cash & cash equivalents	28,659,345	-	28,659,345	2,862,489	-	2,862,489
Receivables	535,420	-	535,420	5,397	-	5,397
Prepaid expenses	230,983	-	230,983	114,558	-	114,558
Total current assets	29,425,748	-	29,425,748	2,982,444	-	2,982,444
Property & equipment	491,804	-	491,804	203,552	-	203,552
Exploration & evaluation assets	34,098,788	(2,745,411)	31,353,377	23,328,223	(2,229,803)	21,098,420
Total non current assets	34,590,592	(2,745,411)	31,845,181	23,531,775	(2,229,803)	21,301,972
Total assets	64,016,340	(2,745,411)	61,270,929	26,514,219	(2,229,803)	24,284,416
Liabilities & shareholders' equity						
Current liabilities						
Accounts payable & accrued liabilities	1,484,863	-	1,484,863	366,417	-	366,417
Total current liabilities	1,484,863		1,484,863	366,417	-	366,417
Future income tax liability	2,212,113	(2,212,113)	-	1,840,955	(1,840,955)	-
Total non current liabilities	2,212,113	(2,212,113)	-	1,840,955	(1,840,955)	-
Shareholders' equity						
Share capital	76,701,915		76,701,915	38,802,861	-	38,802,861
Reserves	6,415,525	(159,062)	6,256,463	3,151,705	202,229	3,353,934
Deficit	(22,798,076)	(374,236)	(23,172,312)	(17,647,719)	(591,077)	(18,238,796)
Total shareholders' equity	60,319,364	(533,298)	59,786,066	24,306,847	(388,848)	23,917,999
Total liabilities & shareholders' equity	64,016,340	(2,745,411)	61,270,929	26,514,219	(2,229,803)	24,284,416

19. Transition to IFRS (continued):

(c) Reconciliations of pre-changeover Canadian GAAP equity and comprehensive loss and cash flows to IFRS (continued):

Reconciliation of comprehensive loss for the year ended June 30, 2011

	Canadian GAAP	Effect of transition to IFRS	IFRS
Expenses			
Amortization	2,154	-	2,154
Consulting fees	181,188	-	181,188
Directors & management fees	325,437	-	325,437
Foreign exchange (gain) loss	(763,587)	144,450	(619,137)
Office & miscellaneous	267,004	-	267,004
Professional fees	775,441	-	775,441
Salaries & benefits	25,359	-	25,359
Shareholder communications	462,207	-	462,207
Share based payments	3,434,934	(361,291)	3,073,643
Transfer agent and regulatory fees	157,884	-	157,884
Travel & promotion	602,464	-	602,464
Write-off exploration & evaluation assets	88,325	-	88,325
Loss from operations	5,558,810	(216,841)	5,341,969
Other income (expenses):			
Gain on disposal of equipment	-	-	-
Interest & financing costs	(6,043)	-	(6,043)
Interest income	522,238	-	522,238
	516,195	-	516,195
Loss & comprehensive loss before taxes	5,042,615	-	4,828,774
Income taxes	107,742		107,742
Loss & comprehensive loss for the year	5,150,357	(216,841)	4,933,516

(d) Explanations for the adjustments are as follows:

(*i*) Share-based payments:

IFRS 2 is effective for the Company from July 1, 2010 and is applicable to:

- New grants of share-based payments subsequent to July 1, 2010;
- Equity-settled share-based compensation awards that vest after July 1, 2010; and

19. Transition to IFRS (continued):

(*i*) Share-based payments (continued):

- Awards that are modified on or after July 1, 2010, even if the original grant of the award was not accounted for in accordance with IFRS 2.

Pre-changeover Canadian GAAP allows the Company to calculate the fair value of the share-based compensation on awards granted and recognizes the expense from the date of grant over the vesting period using the graded vesting methodology. The Company determined the fair value of stock options granted using the Black-Scholes option-pricing model. Forfeitures of awards are recognized as they occur.

IFRS 2 requires each tranche in an award with graded vesting features to be treated as a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis. IFRS 2 also requires estimates to be made of forfeiture and a consequent reduction of share compensation expense and contributed surplus.

Prior to the Transition Date to IFRS, non-employee options under pre-changeover Canadian GAAP were measured at the share price on the vesting date. Under IFRS, certain options were reclassified as employee options and these are measured at grant date. As a result, the Company has recognized an IFRS transitional adjustment within equity of $202,229 increasing contributed surplus and accumulated deficit. The effect on total comprehensive income for the year ended June 30, 2011 amounted to a reduced share-based payment expense of $361,291.

(*ii*) Deferred tax:

Under pre-changeover Canadian GAAP, the Company previously accounted for a portion of deferred tax as capitalized exploration and evaluation expenditures. These temporary differences do not arise as a result of business combinations and affect neither accounting nor taxable profit on initial recognition. As a result, they meet the criteria outlined in IAS 12 *Income Taxes*, to exempt the Company from recognizing deferred tax on initial recognition (the “initial recognition exemption”). This has led to the de-recognition of all deferred tax impacts which had previously been recognized, resulting in a decrease in exploration and evaluation assets of $2,229,803 and deferred tax liabilities of $1,840,955 at July 1, 2010. Further, under pre-changeover Canadian GAAP, the Company previously recognized foreign exchange gains or losses on deferred tax liabilities through the statement of operations. As a result, accumulated deficit increased by $388,848 at July 1, 2010. Total comprehensive loss for the year ended June 30, 2011 increased $144,450.