Consolidated Financial Statements
(Expressed in Canadian dollars)

PMI GOLD
CORPORATION

For the years ended June 30, 2013 and 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, 2013 and 2012, the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years ended June 30, 2013 and 2012, 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.

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

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of PMI Gold Corporation as at June 30, 2013 and 2012, and its consolidated financial performance and its consolidated cash flows for the years ended June 30, 2013 and 2012 in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants

Vancouver, Canada

September 10, 2013

PMI GOLD CORPORATION

Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

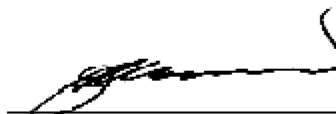
	June 30, 2013	June 30, 2012
Assets		
Current assets:		
Cash and cash equivalents	$ 107,782,056	$ 40,722,548
Receivables (note 5)	194,777	235,569
Prepaid expenses	153,241	475,601
	108,130,074	41,433,718
Property & equipment (note 6)	906,007	1,015,955
Exploration and evaluation assets (note 7)	100,863,505	64,203,875
	$ 209,899,586	$ 106,653,548
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 8)	$ 5,520,523	$ 8,582,163
Provision for reclamation (note 9)	1,519,508	-
Total liabilities	7,040,031	8,582,163
Shareholders' equity:		
Share capital (note 10)	232,112,812	119,578,794
Reserves (note 10)	8,430,941	8,034,686
Deficit	(37,684,198)	(29,542,095)
	202,859,555	98,071,385
	$ 209,899,586	$ 106,653,548

Corporate information (note 1)
Commitments (note 19)

See accompanying notes to the consolidated financial statements.

Approved by the Board:

Director, President & Chief Executive Officer



Director

PMI GOLD CORPORATION

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

	2013	2012
Expenses:		
Accretion (note 9)	$ 13,834	$ -
Amortization	55,127	53,961
Professional and consulting fees	1,572,426	1,253,176
Directors' fees and costs	1,288,883	692,842
Foreign exchange (gain) loss	(654,411)	768,961
Office and support costs	1,167,834	788,529
Pre-exploration costs	249,441	-
Salaries and benefits	1,996,894	648,663
Shareholder communications	324,176	224,093
Share-based payments (note 11(b))	481,864	2,158,905
Transfer agent and regulatory fees	320,392	143,353
Travel and promotion	806,767	751,259
Write-off of exploration and evaluation assets	-	17,379
Loss from operations	(7,623,227)	(7,501,121)
Other income (expenses):		
Transaction costs (note 15)	(1,489,238)	-
Gain on sale of equipment	-	2,817
Loss on disposal of equipment	(7,800)	-
Interest and financing costs	(90,557)	-
Interest income	1,092,410	1,169,432
	(495,185)	1,172,249
Loss and comprehensive loss before taxes	(8,118,412)	(6,328,872)
Income tax expense	(23,691)	(40,911)
Loss and comprehensive loss for the year	$ (8,142,103)	$ (6,369,783)
Basic and diluted loss per common share	$ (0.023)	$ (0.028)
Basic and diluted weighted average number of common shares outstanding	361,824,981	225,336,747

See accompanying notes to the consolidated financial statements.

PMI GOLD CORPORATION

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

	2013	2012
Cash provided by (used in):		
Operating activities:		
Loss for the year	$ (8,142,103)	$ (6,369,783)
Items not affecting cash:		
Accretion	13,834	-
Amortization	55,127	53,961
Unrealized foreign exchange on provision	81,448	-
Gain on sale of equipment	-	(2,817)
Loss on disposal of equipment	7,800	-
Share-based payments	481,864	2,158,905
Write-off of exploration and evaluation assets	-	17,379
	(7,502,030)	(4,142,355)
Changes in non-cash working capital items:		
Receivables	40,792	299,851
Prepaid expenses	322,360	(244,618)
Accounts payable and accrued liabilities	150,304	486,670
	(6,988,574)	(3,600,452)
Investing activities:		
Proceeds from the sale of equipment	-	11,616
Additions to property & equipment	(331,540)	(841,440)
Additions to exploration and evaluation assets	(37,930,595)	(25,592,172)
	(38,262,135)	(26,421,996)
Financing activities:		
Shares issued for cash	118,531,800	44,269,050
Share issuance costs	(6,221,583)	(2,183,399)
	112,310,217	42,085,651
Increase in cash and cash equivalents during the year	67,059,508	12,063,203
Cash and cash equivalents, beginning of year	40,722,548	28,659,345
Cash and cash equivalents, end of year	$ 107,782,056	$ 40,722,548
Effect of exchange rate fluctuations on cash held	$ 379,126	$ 218,918
Cash paid during the year for income taxes	41,189	131,155
Cash received during the year for interest	966,252	1,520,701

Supplemental disclosure with respect to cash flows (note 12)

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, 2013 and 2012

	Number of shares	Share capital	Reserves	Deficit	Total
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
Loss for the year	-	-	-	(8,142,103)	(8,142,103)
Private placement	136,907,500	115,002,300	-	-	115,002,300
Share issuance costs	-	(6,221,583)	-	-	(6,221,583)
Exercise of options	967,500	328,500	-	-	328,500
Exercise of warrants	13,955,000	3,201,000	-	-	3,201,000
Reallocation on exercise of options	-	223,801	(223,801)	-	-
Share-based payments	-	-	620,056	-	620,056
Balance, June 30, 2013	414,000,084	$ 232,112,812	$ 8,430,941	$ (37,684,198)	$ 202,859,555

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, 2013 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 wholly-owned subsidiaries: Adansi Gold Company Ghana Limited ("Adansi") is incorporated in Ghana and Nevsun Resources (Ghana) Ltd 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, 2013, the Company had net cash inflows of $67,059,508 (2012 - $12,063,203). At June 30, 2013, the Company's cash and cash equivalents balance was $107,782,056 (2012 - $40,722,548) and working capital was $102,609,551 (2012 - $32,851,555).

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. The Company currently has sufficient funds available to fund the Company's operations over the next twelve months.

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 (IFRSs), as issued by the International Accounting Standards Board ('IASB').

These consolidated financial statements were authorized for issue by the Board of Directors on September 10, 2013.

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 or 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.

(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.

Transactions in currencies other than the functional currency are translated into Canadian dollars using the exchange rate prevailing on the date of transaction. 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 Australian & Canadian guaranteed investment certificates (“GIC’s”) with a major Australian and Canadian banking institutions with maturities on the date of purchase of 1 year or less. The GIC’s are cashable on demand.

(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 apportioned between the outstanding liability and interest expense on the statement of comprehensive loss.

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 cost using the effective interest method. The Company's financial liabilities consist of accounts payable and accrued liabilities, which is classified as other financial 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) Materials and supplies inventory:

Materials and supplies inventory consists of consumables used in exploration and evaluation and future development activities, such as explosives, fuel and spare parts which are valued at the lower of cost and net realizable value and, where appropriate, less a provision for obsolescence.

(f) Property & equipment:

(*i*) Recognition and measurement:

On initial recognition, property 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. Property and equipment will include capitalized development expenditures categorized as construction in progress subsequent to the Company making a decision to enter the development state, and will include the cost of plant and mine development.

Property and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated. No depreciation will be provided for construction in progress during the period of construction.

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 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.

3. Significant accounting policies (continued):

(f) Property & equipment (continued):

(*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.

(*iv*) Gains and losses:

Gains and losses on disposal of an item of property 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.

(g) Exploration and evaluation assets:

(*i*) Pre-exploration costs:

Pre-exploration costs are expensed as incurred.

(*ii*) Exploration and evaluation expenditures:

Exploration and evaluation activities involve the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest.

Exploration and evaluation expenditure is capitalised and carried forward to the extent that:

- rights to tenure of the identifiable area of interest are current; and
- at least one of the following conditions is also met:

3. Significant accounting policies (continued):

(g) Exploration and evaluation assets (continued):

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

(i) the expenditure is expected to be recovered through the successful development of the identifiable area of interest, or alternatively, by its sale; or

(ii) where activities in the identifiable area of interest have at the reporting date reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and activities in, or in relation to, the area of interest.

Exploration and evaluation assets are reviewed by area of interest at each reporting date for indicators of impairment and tested for impairment where such indicators exist. Accumulated costs in relation to an area where the tests are not met or an area that the Company decides that is not commercial are written off in full in profit and loss in the year in which the decision to abandon the area is made.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from exploration and evaluation expenditure to development expenditure.

(h) Reserve estimates:

The Company will be estimating its ore reserves and mineral resources based on information compiled by Qualified Persons as defined in accordance with Canadian Securities Administrators National Instrument 43-101 *Standards for Disclosure of Mineral Project* (NI 43-101). Reserves are used when performing impairment assessments on the Company's mineral properties and for forecasting the timing of payment of mine closure, reclamation and rehabilitation costs.

There are numerous uncertainties inherent in estimating ore reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecasted prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated.

(i) 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.

3. Significant accounting policies (continued):

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

(*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 asset does not generate cash flows that are independent from other assets, the impairment test is carried out on the asset's cash-generating unit ("CGU"), 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.

Where the carrying value of an asset, or CGU exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset or CGU is written down accordingly.

An impairment loss is charged to the statement of operations. Where an impairment loss subsequently reverses, the carrying value of the asset or CGU is increased to its recoverable amount to the extent that the increased carrying amount does not exceed the carrying value that would have been determined had no impairment loss been recognized for the asset or CGU in the prior years. The reversal of impairment loss is recognized immediately in the statement of operations.

(j) 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 relating to all 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.

When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. In subsequent periods, the liability is adjusted for any changes in the amount, timing and for discounting the underlying future cash flows. Foreign exchange translation differences relating to rehabilitation provisions denominated in a foreign currency are recognized in the statement of operations.

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.

3. Significant accounting policies (continued):

(j) Provisions (continued):

(*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 recognized when the obligation occurred and is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

(k) 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, share options 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. Common shares issued for consideration other than cash are valued at the quoted market price on the date the shares are issued.

(l) 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.

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.

3. Significant accounting policies (continued):

(l) Share-based payments: (continued)

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.

(m) 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. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted, or substantially enacted by the reporting date.

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. Deferred tax assets and liabilities are offset if there is a legal enforceable right to offset the tax liabilities and assets, and they related to income taxes levied by the same tax authority.

(n) 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. Diluted loss per share equals basic loss per share for the periods presented as all potential shares are anti-dilutive.

3. Significant accounting policies (continued):

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

The following accounting standards, which may be relevant to the Company have been introduced or revised by the IASB:

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

IFRS 9 *Financial Instruments* and its amendments replaced guidance in IAS 39 *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets. 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. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

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

In May 2011, the IASB issued IFRS 10, *Consolidated Financial Statements* and IFRS 12, *Disclosure of Interests in Other Entities.* IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This standard defines the principle of control and establishes control as the basis for determining which entities are consolidated in an entity's consolidated financial statements. IFRS 10 sets out three elements of control: a) power over the investee; b) exposure, or right, to variable returns from involvement with the investee; and c) the ability to use power over the investee to affect the amount of the investors return. IFRS 10 sets out the requirement on how to apply the control principle. IFRS 12 outlines the disclosure requirements for interests in subsidiaries and other entities to enable users to evaluate the risks associated with interests in other entities and the effects of those interests on an entity's financial position, financial performance and cash flows. IFRS 10 and IFRS 12 supersede IAS 27, *Consolidated and Separate Financial Statements and SIC-12, Consolidated – Special Purpose Entities.*

IFRS 10 and IFRS 12 are effective for annual periods beginning on or after January 1, 2013. The Company does not anticipate the applications of IFRS 10 and IFRS 12 to have a material impact on its consolidated financial statements and intends to adopt as of July 1, 2013.

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

IFRS 11 describes the accounting for arrangements in which there is joint control which requires joint arrangements to be classified either as point operations or joint ventures based on set criteria. In addition, IFRS 11 requires use of equity accounting as; 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 standard is effective for annual periods beginning on or after January 1, 2013. The Company does not anticipate the adoption of IFRS 11 to have a significant impact on its consolidated financial statements and intends to adopt the standard as of July 1, 2013.

3. Significant accounting policies (continued):

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

(*iv*) 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 standard is effective for annual periods beginning on or after January 1, 2013. The Company does not anticipate the application of IFRS 13 to have a significant impact on its consolidated financial statements and intends to adopt the standard as of July 1, 2013.

(*v*) 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) Economic recoverability and probability of future economic benefits upon future decision to proceed to development:

The decision to proceed with development with respect to Note 3(g) Exploration and evaluation assets 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. 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. Amounts shown for assets represents costs incurred less any write-downs and recoveries, and are not intended to represent present or future values.

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.

(c) Functional currency:

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. It has been determined that the functional currency for the Company and its subsidiaries is the Canadian dollar. Assessment of functional currency involves certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in the events and conditions, which determine the primary economic environment.

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

(a) Estimated exploration rehabilitation provision costs:

The Company's provision for rehabilitation represents management's best estimate of the present value of the future cash outflows required to settle the liability which reflects estimates of future costs, inflation, movements in foreign exchange rates and assumption of risks associated with the future cash outflows. Changes in the above factors can result in a change to the provision recognized by the Company.

Changes to the provision for rehabilitation are recorded with a corresponding change to the carrying amounts of the related exploration and evaluation asset for the period. Adjustments to the carrying amounts of the related exploration asset can result in a change to the future depletion expense.

(b) 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.

4. Critical accounting estimates and judgments (continued):

(c) 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 11.

5. Receivables:

The Company's receivables are as follows:

	June 30, 2013	June 30, 2012
HST/GST receivable	$ 42,750	$ 163,635
Interest receivable	134,028	7,870
Other receivables	17,999	64,064
	$ 194,777	$ 235,569

6. Property & equipment:

	Field tools & equipment	Vehicles	Furniture & equipment	Computer equipment	Total
Cost					
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
Additions	13,292	66,724	98,881	157,153	336,050
Disposals	-	-	(16,333)	(24,411)	(40,744)
Balance at June 30, 2013	$ 238,042	$ 860,670	$ 330,557	$ 554,044	$1,983,313
Amortization					
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
Additions	53,087	171,656	41,842	171,613	438,198
Disposals	-	-	(13,058)	(19,886)	(32,944)
Balance at June 30, 2013	$ 130,159	$ 404,515	$ 113,679	$ 428,953	$1,077,306
Carrying amounts					
Balance at June 30, 2012	$ 147,678	$ 561,087	$ 163,114	$ 144,076	$1,015,955
Balance at June 30, 2013	$ 107,883	$ 456,155	$ 216,878	$ 125,091	$ 906,007

7. Exploration and evaluation assets:

The Company has incurred the following exploration and evaluation asset expenditures for the year ended June 30, 2013:

	Obotan	Asanko	Kubi	Total
Acquisition costs:				
Balance, June 30, 2012	$ 6,531,674	$ 1,506,965	$ 5,621,700	$ 13,660,339
Additions during the year	7,878,242	-	-	7,878,242
Balance, June 30, 2013	14,409,916	1,506,965	5,621,700	21,538,581
Exploration and evaluation expenditures:				
Balance, June 30, 2012	35,943,065	6,723,869	7,876,602	50,543,536
Additions during the year:				
Feasibility and pre-development costs	13,659,376	-	-	13,659,376
Assaying testing and analysis	861,302	704,268	440,298	2,005,868
Contract labour	81,844	34,389	37,524	153,757
Drilling	2,779,859	1,822,966	542,852	5,145,677
Field office	296,238	213,824	207,655	717,717
Geology and geophysics	732,476	248,976	140,988	1,122,440
Lease rental and claims maintenance	115,660	94,184	25,241	235,085
Legal	242,882	21,945	6,169	270,996
Project management and related exploration costs	2,577,917	795,180	2,004,896	5,377,993
Transportation and travel	59,077	24,934	8,468	92,479
	21,406,631	3,960,666	3,414,091	28,781,388
Balance, June 30, 2013	57,349,696	10,684,535	11,290,693	79,324,924
Total, June 30, 2013	$ 71,759,612	$ 12,191,500	$ 16,912,393	$ 100,863,505

7. Exploration and evaluation assets (continued):

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
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	2,219,242	323,165	572,733	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	$ 64,203,875

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. Nevsun Resources (Ghana) holds a 100% interest in the Kubi Mining Leases.

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 26.25km2.

(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") that varies between 2% and 3%. PMI is currently disputing certain royalties claimed by a third party on the concessions that constitute the Obotan Gold Project, which is the subject to an ongoing arbitration proceeding. The Company also pays a yearly advance royalty of $50,000 and a quarterly advance royalty of $3,000 for certain licenses within the Obotan and Asanko projects to a related party. The Amuabaka & Nkronua licenses within the Obotan project retain a 10% interest by the original vendor, and the Juabo license within the Asanko project retains a 15% interest by the original vendor. Interests retained by original vendors are free carried up to any decision to mine.

8. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities are as follows:

	June 30, 2013	June 30, 2012
Trade payables	$ 955,918	$ 6,789,275
Accrued liabilities	4,564,605	1,792,888
	$ 5,520,523	$ 8,582,163

9. Provision for reclamation:

The Company has estimated the present value of the reclamation obligations which exist in relation to its properties to June 30, 2013 based on the best available information regarding the timing and amount of expected expenditure and recorded a provision of $1,519,508 (2012 - $Nil). The present value of the future reclamation obligation as at June 30, 2013 assumes a year of settlement and anticipated year of close of 2024, a discount rate of 1.75%, and an inflation rate of 1.40%.

Provision for reclamation	June 30, 2013	June 30, 2012
Balance, beginning of year	$ -	$ -
Liabilities incurred during the period	1,424,226	-
Accretion expense	13,834	-
Foreign exchange	81,448	-
	$ 1,519,508	$ -

10. Share capital and reserves:

Authorized:

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

During the year ended June 30, 2013, the Company:

- Issued 136,907,500 common shares for gross proceeds totaling $115,002,300 pursuant to the completion of a private placement. In conjunction with the issuance of the shares, the Company incurred $6,221,583 in share issuance costs.
- Issued 13,955,000 common shares for gross proceeds totaling $3,201,000 pursuant to the exercise of warrants.
- Issued 967,500 common shares for gross proceeds totaling $328,500 pursuant to the exercise of stock options. As a result of the exercise, the Company reclassified $223,801 from contributed surplus to share capital.

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 reserves 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.

11. Stock options and warrants:

(a) Stock options:

Option plan:

The Company has a stock option plan covering the grant of options to its directors, officers and employees. A limit of 10% of the issued and outstanding common shares base can be issued in stock options without shareholder approval. 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, June 30, 2011	15,896,875	$ 0.68
Granted	4,040,000	1.63
Exercised	(3,862,500)	0.28
Cancelled	(856,875)	0.91
Balance, June 30, 2012	15,217,500	1.03
Granted	3,000,000	0.66
Exercised	(967,500)	0.34
Cancelled	(3,025,000)	1.03
Balance, June 30, 2013	14,225,000	$ 1.00
Number of options currently exercisable	10,013,333	$ 0.81

The weighted average remaining contractual life for the share options outstanding as at June 30, 2013 is 3.07 years (2012 – 3.52 years).

11. Stock options and warrants (continued):

(a) Stock options (continued):

As at June 30, 2013, the Company had outstanding stock options enabling the holders to acquire common shares as follows:

Number of options	Exercise price	Expiry date
400,000	$ 0.30	September 9, 2014
1,000,000	1.05	December 15, 2015
4,000,000	0.90	January 20, 2016
500,000	0.90	February 18, 2016
1,600,000	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 18, 2016
425,000	1.75	November 18, 2016
250,000	1.28	June 7, 2017
300,000	0.86	June 12, 2017
1,000,000	0.91	April 17, 2018
2,000,000	0.54	June 12, 2018
14,225,000		

(b) Share-based payments:

During the year ended June 30, 2013, the Company granted 3,000,000 (2012 – 4,040,000) and cancelled 3,025,000 (2012 – 856,875) stock options. Some of these stock options include performance based vesting criteria. The fair value of is the options granted during the year is $579,442 (2012 - $2,564,449), based on the Black-Scholes option pricing model. For the year ended June 30, 2013, the share-based payments recognized was $620,056 (2012 - $2,569,451), of which $138,192 (2012 - $410,546) was capitalized to exploration and evaluation assets.

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

	2013	2012
Risk-free interest rate	1.43%	1.36%
Expected life of options	5 years	4.5 years
Annualized volatility	75%	88%
Dividend rate	0.00%	0.00%
Forfeiture rate	0.00%	0.00%

11. Stock options and warrants (continued):

(c) Warrants:

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

	Number of warrants	Weighted average exercise price
Balance June 30, 2011	46,803,000	$ 0.25
Exercised	(32,373,000)	0.25
Expired	(375,000)	0.21
Balance, June 30, 2012	14,055,000	0.23
Granted	600,000	1.05
Exercised	(13,955,000)	0.23
Expired	(100,000)	0.20
Balance, June 30, 2013	600,000	$ 1.05

As at June 30, 2013, warrants were outstanding enabling the holders to acquire common shares as follows:

Number of warrants	Exercise price	Expiry date
600,000	$ 1.05	September 26, 2015

12. Supplemental disclosure with respect to cash flows:

During the year ended June 30, 2013, significant non-cash investing and financing activities included:

- incurring $378,561 (2012 - $254,529) of amortization expense capitalized to exploration and evaluation assets;
- incurring exploration and evaluation asset expenditures of $1,424,226 (2012 - $nil) included in the provision for reclamation;
- incurring exploration and evaluation asset expenditures of $4,174,902 (2012 - $7,386,846) included in accounts payable;
- incurring $138,192 (2012 - $410,546) of share-based payment expense capitalized to exploration and evaluation assets; and
- recording of a fair value reversal of $223,801 (2012 - $791,228) out of contributed surplus on the exercise of stock options.

13. Related party transactions:

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

	June 30, 2013	June 30, 2012
Executive compensation (2)	$ 2,309,065	$ 1,090,675
Non-executive directors fees (1)(4)	580,221	209,715
Share-based payments (3)	284,877	2,100,839
	$ 3,174,163	$ 3,401,229

(1) Included is $124,543 (2012 - $71,605) in fees paid to a former director of the Company.

(2) Of these, there are $192,125 (2012 - $154,732) for professional fees included in deferred exploration costs paid to a firm controlled by an former executive director of the Company and $63,130 (2012 - $54,020) 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) A total of 3,025,000 options ranging from $0.80 to $1.75 expired due to performance conditions not being met before June 30, 2013.

(4) Of these, there is $nil (2012 – $16,545) for exploration expenses included in deferred exploration costs paid to a director of the Company.

Included in accounts payable and accrued liabilities at June 30, 2013 is $727,781 (June 30, 2012 - $456,228) owing to related parties, all in respect of the above transactions.

14. 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, 2013	June 30, 2012
Assets:		
Canada	$ 102,368,776	$ 34,443,768
Ghana	102,535,541	66,675,729
Australia	4,995,269	5,534,051
	$ 209,899,586	$ 106,653,548

15. Transaction costs:

During the year ended June 30, 2013, the Company entered into a definitive agreement with Keegan Resources Inc. to merge and form a new company under the name “Asanko Gold Inc.” (“Asanko”). The Company and Keegan terminated the definitive agreement on February 18, 2013 and, as such all cost associated with this transaction is recorded in the statement of operations, loss and comprehensive loss.

16. 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, receivables from related parties and other accounts receivable represents the Company’s maximum exposure to credit risk.

16. 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, 2013		June 30, 2012	
	Amount in Foreign currency	Amount in CAD dollars	Amount in foreign currency	Amount in CAD dollars
United States dollars:				
Cash and cash equivalents	$ 2,287,968	$ 2,408,315	$ 15,681	$ 16,070
Australian dollars:				
Cash and cash equivalents	4,898,455	4,715,743	5,068,571	5,276,910
Receivables	74,065	71,302	51,376	53,488
Ghanaian cedes				
Cash and cash equivalents	403,644	211,267	2,551,342	1,348,129
Receivables	13,150	6,883	75,526	39,908
Total financial assets		$ 7,413,510		$ 6,734,505

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

	June 30, 2013		June 30, 2012	
	Amount in Foreign currency	Amount in CAD dollars	Amount in foreign currency	Amount in CAD dollars
United States dollars:				
Accounts payable and accrued liabilities	$ 1,126,711	$ 1,185,976	$ 6,398,141	$ 6,556,878
Australian dollars:				
Accounts payable and accrued liabilities	3,443,948	3,315,489	1,593,295	1,658,779
Ghanaian cedes				
Accounts payable and accrued liabilities	951,973	498,263	356,546	187,864
Total financial liabilities		$ 4,999,728		$ 8,403,521

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 $241,378 for the year ended June 30, 2013 (2012 –$166,902).

16. 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, 2013, the Company had cash and cash equivalents of $107,782,056 to settle current liabilities of $5,520,523. The Company has recorded a provision which is described in note 9. 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 19.

17. 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 exploration and future 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.

18. 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:

	2013	2012
Loss and Comprehensive loss for the year before taxes	$ (8,118,412)	$ (6,328,872)
Statutory tax rate	25.25%	25.75%
Expected income tax recovery	$ (2,049,899)	$ (1,629,684)
Difference in foreign and deferred tax rates	(292,462)	47,467
Change in unrecognized deferred tax assets	3,910,299	1,115,219
Stock based compensation	125,285	539,726
Deductible expenses charged to equity	(1,617,612)	(545,850)
Other permanent differences	(75,611)	109,661
Foreign taxes	23,691	40,911
Total income taxes	$ 23,691	$ 40,911

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

	2013	2012
Non-capital losses and other future tax deductions	$ 36,521,348	$ 22,831,444
Mineral properties, deferred development and capital assets	148,875	85,949
	$ 36,670,223	$ 22,917,393

As at June 30, 2013, the Company had deductible temporary difference for which deferred tax assets have not been recognized because it is not probable that future profit will be available against which the Company can utilize the benefits.

Non Capital Losses

Year of Expiration	PMI	Ghana	Total
2014	$ 828,030	$ -	$ 828,030
2015	731,134	79,400	810,534
2016	-	72,169	72,169
2017	-	137,844	137,844
2018	-	325,480	325,480
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	5,142,034	-	5,142,034
2033	10,533,528	-	10,533,528
	$ 28,216,655	$ 614,893	$ 28,831,548

19. 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:

	2013	2012
Less than 1 year	$ 365,704	$ 358,509
Between 1 and 5 years	273,240	611,763
	$ 638,944	$ 970,272

Additional commitments related to the Company's exploration and evaluation assets are disclosed in note 7(b).