Consolidated Financial Statements of

PMI GOLD

CORPORATION

Years ended June 30, 2010 and 2009

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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of PMI Gold Corporation as at June 30, 2010 and 2009 and the consolidated statements of operations, comprehensive loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP (signed)

Chartered Accountants

Vancouver, Canada
September 24, 2010

PMI GOLD CORPORATION

Consolidated Balance Sheets

June 30, 2010 and 2009

		2010		2009
				(Revised - note 2(l))
Assets				
Current assets:				
Cash	$	2,862,489	$	161,698
Receivables (note 7)		5,397		10,400
Prepaid expenses (note 7)		114,558		102,820
		2,982,444		274,918
Mineral properties (note 5)		23,328,223		19,507,068
Equipment (note 6)		203,552		39,181
	$	26,514,219	$	19,821,167
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	$	366,417	$	1,584,441
Due to related parties (note 7)		-		439,434
Due to Trafalgar (note 9)		-		3,143,920
Advance subscriptions (note 10)		-		177,500
		366,417		5,345,295
Future income tax liability (note 11)		1,840,955		1,142,877
Shareholders' equity:				
Capital stock (note 12)		38,802,861		25,446,185
Equity component of convertible debenture (note 9)		-		187,887
Contributed surplus (note 12)		3,151,705		2,572,075
Deficit		(17,647,719)		(14,873,152)
		24,306,847		13,332,995
Nature of operations and going concern (note 1)				
Commitments (notes 5 and 17)				
Subsequent events (notes 5(c) and 18)				
	$	26,514,219	$	19,821,167

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

"Douglas MacQuarrie"
President & Chief Executive Officer

"John Clarke"
Director

PMI GOLD CORPORATION

Consolidated Statements of Operations, Comprehensive Loss and Deficit

Years ended June 30, 2010 and 2009

	2010	2009
		(Revised - note 2(l))
Expenses:		
Amortization	$ 2,690	$ 3,525
Foreign exchange gain	(183,382)	(123,195)
Write-off of mineral properties	509,589	-
Write-off of assets	-	16,685
Investor relations	277,712	108,154
Management and consulting fees (note 7)	401,552	309,564
Office and miscellaneous	94,103	80,804
Professional fees	513,096	649,382
Stock-based compensation (note 12(d))	789,517	102,399
Transfer agent and regulatory fees	101,814	63,522
Travel and promotion	163,764	83,295
Loss before the following:	(2,670,455)	(1,294,135)
Other income (expenses):		
Interest and financing costs	(104,115)	(1,824,656)
Loss on extinguishment of debt (note 9(b))	-	(188,065)
Interest income	3	167
	(104,112)	(2,012,554)
Net loss and comprehensive loss for the year	(2,774,567)	(3,306,689)
Deficit, beginning of year	(14,873,152)	(11,566,463)
Deficit, end of year	$ (17,647,719)	$ (14,873,152)
Basic and diluted loss per common share	$ (0.014)	$ (0.037)
Basic and diluted weighted average number of common shares outstanding	193,245,357	90,384,424

See accompanying notes to consolidated financial statements.

PMI GOLD CORPORATION

Consolidated Statements of Cash Flows

Years ended June 30, 2010 and 2009

	2010	2009
		(Revised - note 2(l))
Cash provided by (used in):		
Operations:		
Net loss and comprehensive loss for the year	$ (2,774,567)	$ (3,306,689)
Items not affecting cash:		
Amortization	2,690	3,525
Write-off of assets	-	16,685
Write-off of mineral properties	509,589	-
Financing costs settled by share issuance	-	241,866
Shares reserved for payment of extension fee	-	222,297
Payable settled by issuance of shares	-	214,140
Finder's fees paid by issuance of warrants	-	12,293
Accretion of convertible debenture	-	230,334
Unrealized foreign exchange loss	-	5,724
Foreign exchange on future income tax liability	(58,743)	(183,375)
Stock-based compensation (note 12(d))	789,517	102,399
	(1,531,514)	(2,440,801)
Changes in non-cash operating working capital:		
Receivables	5,003	21,255
Prepaid expenses	(11,738)	74,867
Accrued interest	-	481,463
Accounts payable and accrued liabilities	(1,218,024)	912,752
Due to related parties	(439,434)	(38,115)
	(3,195,707)	(988,579)
Financing:		
Proceeds from issuance of shares	12,940,380	2,742,500
Share issuance costs	(158,978)	(100,000)
Due to Nevsun Resources Ltd.	-	(3,055,800)
Proceeds from Trafalgar	-	3,500,000
Payment to Trafalgar	(3,143,920)	(881,861)
	9,637,482	2,204,839
Investments:		
Mineral properties	(3,573,923)	(1,167,018)
Purchase of equipment	(167,061)	(2,259)
Proceeds from disposal of equipment	-	68,152
	(3,740,984)	(1,101,125)
Increase in cash	2,700,791	115,135
Cash, beginning of year	161,698	46,563
Cash, end of year	$ 2,862,489	$ 161,698
Supplementary information (note 13):		
Interest paid	$ 72,961	$ 292,639
Taxes paid	-	-

See accompanying notes to consolidated financial statements.

1. Nature of operations and going concern:

PMI Gold Corporation ("PMI" or the "Company") was incorporated in British Columbia and its principal business is the acquisition, exploration, and development of mineral properties. The Company's principal properties are its Obotan and Kubi mineral concession in Ghana, which the Company is advancing towards the development phase. The Company has several other mineral concessions in Ghana in various stages of exploration to determine whether they contain economically viable mineral deposits.

The Golder Associates Preliminary Assessment-Scoping Study results, as announced in May 2008, indicate that the Company's 100% owned Kubi Gold Project can be developed as a profitable underground mining operation. The Company is in ongoing investigation with consultants to determine the optimal configuration for the Kubi Mine.

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, in acquisition of mineral properties and exploration, has incurred losses since inception and is currently not generating any revenues. For the year ended June 30, 2010, the Company has net cash inflows of $2,700,791 (2009 - $115,135). At June 30, 2010, the Company's cash balance was $2,862,489 (2009 - $161,698) and working capital was $2,616,027 (2009 – deficiency of $5,070,377).

On October 19, 2009, the Company discharged in full the remaining outstanding indebtedness on financing obtained in July 2008 to complete the purchase of the Kubi property. The Company relies on equity to finance its exploration activities, and raised $12.4 million through non-brokered private placements during the year.

The Company's cash position as at June 30, 2010, is sufficient to meet minimum operating expenditures and procurement commitments for the ensuing twelve months. An additional $5 million private placement has been announced subsequent to the year end (note 18) and the Company is proceeding with a co-listing in Australia which is expected to raise between $5 million and $20 million during the second quarter of the 2011 fiscal year. It is also anticipated that the exercise of warrants in 2011 will provide additional funds for the planned drilling and exploration program to continue. There can be no assurance that the co-listing will raise the anticipated funds or warrants will be exercised, in which case, the Company may be unable to meet its obligations, planned exploration, and commitments described in notes 5 and 17. Further exploration activity and development of the Company will be contingent upon financing in one form or another. The long-term continuation of the Company as a going concern necessitates the creation of a revenue stream from its mineral assets, and the Company is actively pursuing financing alternatives in order to bring one or other of its mineral properties into production within 12 to 18 months.

1. Nature of operations and going concern (continued):

Failure to meet its obligations and commitments would require the Company to restate its assets and liabilities on a liquidation basis, which amounts would differ materially from the going concern basis.

2. Significant accounting policies:

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

(a) Principles of consolidation:

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

(b) Use of estimates:

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

(c) Mineral properties:

All costs related to the acquisition, exploration and development of mineral properties are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

2. **Significant accounting policies (continued):**

(c) Mineral properties (continued):

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete their development and future profitable production or proceeds from the disposition thereof.

(d) Asset retirement obligations:

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

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

(e) Equipment:

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

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

2. Significant accounting policies (continued):

(f) Foreign currency translation and transactions:

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

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

(g) Stock-based compensation:

The Company has a stock option plan, which is described in note 12(c). The Company uses the fair value method for measuring stock-based compensation. The Company estimates the fair value at the date of grant using the Black-Scholes option-pricing model. Any consideration paid by the option holders to purchase shares is credited to capital stock.

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

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

2. Significant accounting policies (continued):

(h) Future income taxes:

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

(i) Loss per share:

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

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

(j) Financial instruments:

Financial instruments are measured and classified as follows:

- Cash is designated as held for trading and is carried at fair value, with the unrealized gain or loss recorded in the statement of operations. Interest income is recorded in the statement of operations.
- Receivables are classified as loans and receivables, and accounts payable and accrued liabilities, due to related parties and debt components of amounts due to Trafalgar are classified as other financial liabilities, all of which are initially measured at fair value and subsequently measured at amortized cost using the effective interest method, less any impairment. Transaction costs are expensed as incurred.
- Derivatives embedded in other financial instruments or non-financial contracts (the "host instrument") are treated as separate derivatives with fair value changes recognized in the statement of operations when their economic characteristics and risks are not clearly and closely related to those of the host instrument, and the combined instrument or contract is not held for trading. The Company identified certain embedded derivatives to be separately accounted for at June 30, 2009, as discussed in note 9. These financial instruments were settled during the year ended June 30, 2010.

2. Significant accounting policies (continued):

(k) Comprehensive income:

Comprehensive income is the change in shareholders equity during a period from transactions and other events from non-owner sources. These gains and losses are transferred into net earnings when it is considered appropriate.

(l) Comparative figures:

The Company has recasted its prior year comparatives for the impact of correcting the recognition of an accrual of $200,000 in consulting expenses in fiscal 2009 that related to fiscal 2010.

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

3. Adoption of new accounting standards:

Effective July 1, 2009, the Company adopted new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"). Management has evaluated the impact of these new standards on its financial position and results of operations and their adoption did not result in any material changes to its financial statements. These accounting policy changes were adopted on a prospective basis with no restatement of prior period financial statements. The new standards and accounting policy changes are as follows:

(a) *Goodwill and Intangible Assets*, CICA Handbook Section 3064:

The Company adopted the new CICA Handbook Section 3064, *Goodwill and Intangible Assets*, which has replaced CICA Handbook Section 3062, *Goodwill and Other Intangible Assets*, and CICA Handbook Section 3450, *Research and Development Costs*, on July 1, 2009. The objectives of the section reinforces the principle-based approach to the recognition of costs as an asset under the current definition of assets and the recognition principles in the conceptual framework and clarify the application of the concept of matching of revenues and expenses. There was no significant impact on the Company's consolidated financial statements as a result of adopting this abstract.

3. Adoption of new accounting standards (continued):

(b) *Financial Instruments Disclosures*, CICA Handbook Section 3862:

In June 2009, the CICA amended Handbook Section 3862, *Financial Instruments – Disclosures*, to include additional disclosure requirements about fair value measurement for financial instruments and liquidity risk. These amendments entail a three-level hierarchy that takes into account the significance of the inputs used in making the fair value measurements.

The hierarchy of inputs to be disclosed is summarized below:

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

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

The amendments to CICA Handbook Section 3862 apply for annual financial statements relating to fiscal years ending after September 30, 2009. The Company has adopted this standard for the year ended June 30, 2010. For additional disclosure see note 14.

4. Accounting standards issued for adoption in future periods:

(a) *International Financial Reporting Standards:*

On February 13, 2008, the CICA Accounting Standards Board ("AcSB") confirmed January 1, 2011 as the official changeover date for Canadian Publicly Accountable Enterprises ("PAE") to commence reporting under International Financial Reporting Standards ("IFRS"). The transition date will require the restatement for comparative purposes of interim and annual amounts reported by the Company for the year ended June 30, 2011. Although IFRS is principles-based and uses a conceptual framework similar to Canadian GAAP, there are significant differences and choices in accounting policies, as well as increased disclosure requirements under IFRS. The Company has performed a preliminary assessment of the impact of IFRS on its financial statements in preparation for restatement of comparative figures.

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

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

In January 2009, the CICA issued CICA Handbook Section 1582, *Business Combinations,* Section 1601, *Consolidations*, and Section 1602, *Non-Controlling Interests*. These three new sections replace the former CICA Handbook Section 1581, *Business Combinations*, and Section 1600, *Consolidated Financial Statements*, and establish a new section for accounting for a non-controlling interest in a subsidiary. CICA Handbook Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. CICA Handbook Sections 1582 and 1602 will require net assets, non-controlling interests, and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity.

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

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

5. Mineral properties:

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

5. Mineral properties (continued):

	Ashanti II Project	Ofoase and Bankame Concessions	Kubi	2010 Total	2009 Total
Acquisition costs:					
Balance, beginning of year	$ 3,030,006	$ 173,168	$ 5,621,700	$ 8,824,874	$ 8,824,874
Additions during the year	-	-	-	-	-
Expensed costs	-	(173,168)	-	(173,168)	-
Balance, end of year	3,030,006	-	5,621,700	8,651,706	8,824,874
Deferred exploration costs:					
Balance, beginning of year	8,989,199	301,017	1,391,978	10,682,194	9,338,387
Additions during the year:					
Assaying, testing and analysis	36,859	-	33,328	70,187	-
Contract labour	27,476	-	7,160	34,636	8,778
Diamond drilling	1,542,610	-	1,040	1,543,650	130,072
Field office	135,045	-	29,098	164,143	44,856
Future income tax liability	760,645	-	-	760,645	194,298
Geology and geophysics	674,900	-	89,379	764,279	299,672
Lease rental and claims maintenance	328,102	31,279	19,966	379,347	199,117
Legal	97,691	4,125	-	101,816	176,484
Project management and related exploration costs	329,827	-	151,701	481,528	269,683
Transportation and travel	22,798	-	7,715	30,513	20,847
Write-off of deferred exploration costs	-	(336,421)	-	(336,421)	-
	3,955,953	(301,017)	339,387	3,994,323	1,343,807
Balance, end of year	12,945,152	-	1,731,365	14,676,517	10,682,194
	$ 15,975,158	$ -	$ 7,353,065	$ 23,328,223	$ 19,507,068

5. **Mineral properties (continued):**

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

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

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

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

The Agreement requires payment of an advance NSR to Goknet in the amount of US$50,000 per year commencing on December 15, 2007 with such advance NSR payments deductible against future NSR payments. As at June 30, 2010, nil (2009 - $100,814) is outstanding.

The overall interest, area weighted, in these concessions held by the Company is 87.14%.

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

- Juabo (Gemap);
- Diaso;
- Abore-Abirem;
- New Obuasi (Framenda); and;
- Ofoase Bankame
- Adubea (Edubia)
- Dunkwa Gyimigya; and,
- Kaniago (Adansi).

Juabo (Gemap): The prospecting license has been extended for one-year and will expire on July 12, 2011. The property is 100% owned by the Company. Property is subject to 15% carried interest retained by the original vendor (Gemap Mining Company Ltd.) and a 2% NSR payable to Goknet. Per Deed of Assignment dated April 30, 2004, the Juabo Concession was assigned by NS Ghana to Adansi upon the Minister of Mines' (GH) consent on March 26, 2004.

5. Mineral properties (continued):

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

- Diaso: A one-year prospecting license extension has been granted, which will expire on July 12, 2011. The property is 100% owned by the Company, subject to a 2% NSR payable to MIA Investments Ltd., a private Canadian Corporation controlled by the Chief Executive Officer.
- Abore-Abirem: The one-year extension of the prospecting license expires October 13, 2010. The Company has a 100% interest in the concession, subject to Goknet's underlying 2% NSR. Application to convert to a mining lease is in process.
- New Obuasi (formerly known as and commonly referred to as Framenda): The prospecting license has been extended for one year and will expire on January 12, 2011. The property is 100% owned by the Company, subject only to a 2% NSR payable to Goknet.

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

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

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

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

  Manhia:

  Title is presently vested in Goknet, a company with two common directors. The Company has the right to earn 100% of Goknet's interest in the concession subject to a 2% NSR payable to Goknet. The Company anticipates registration of these concessions in the name of Adansi when exploration results justify the increased holding costs. The two-year license renewal expires on September 17, 2011.

5. Mineral properties (continued):

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

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

  Agyaka-Manso:

  Title is presently vested in Goknet, a company with two common directors. The Company anticipates registration of these concessions in the name of Adansi when exploration results justify the increased holding costs. At June 30, 2010, application for license renewal was in process. A two-year extension was received on July 22, 2010.

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

(b) Properties held by the Company's subsidiary, Nevsun Resources (Ghana) Ltd. ("NS Ghana"):

NS Ghana holds a 100% interest in the Kubi Mining Leases, subject to a 10% Net Profits Interest Royalty ("NPI") to the Ghanaian government. In addition, on the Kubi Mining Leases, a 3% net proceeds of production ("Net Profits") royalty is payable to Royalty Gold. The property is comprised of two overlapping mining leases, both with renewable 20-year terms expiring September 17, 2028 and totaling 0.018 sq. km. and 19.16 sq. km., respectively. The mining lease required NS Ghana to pay US$60,000 on the grant of lease. The mining lease requires NS Ghana to pay royalties as prescribed by legislation based on the quarterly production.

(c) Properties held by the Company's subsidiary, Adansi Gold Company (Gh) Limited ("Adansi"):

- In August 2008, Adansi entered into a licence agreement with the Government of Ghana to prospect for gold in the Kaniago area. This license will expired on August 10, 2010.

  Kaniago (Adansi):

  An application for extension pursuant to the regulations has been submitted to the Minerals Commission. The concession is also subject to Goknet's underlying 2% NSR.

The license area connects the Company's Abore-Abirem, Switchback, Framenda, and Diaso concessions. Adansi was required to pay:

- US$15,000 by September 10, 2008 (paid)

The agreement requires Adansi to spend at a minimum of US$198,495 and Ghana Cedi ¢11,484 as agreed in the work program by August 10, 2010, and pay an annual rent of Ghana Cedi 11.

5. Mineral properties (continued):

(c) Properties held by the Company's subsidiary, Adansi Gold Company (Gh) Limited ("Adansi") (continued):

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

  Adubea (Edubia):

  The original title was secured by purchasing 99-year lease from Biney family (January 10, 1931) by deed of Assignment to Adansi dated January 10, 2007 by the payment of US$200,000 in installments (paid) and the reservation of a 0.5% NSR in right of the Biney family. The initial two-year prospecting license will expire on September 10, 2010 and an application to convert to a mining lease is underway. Adansi has 100% interest in the concession, subject to Goknet's underlying 2% NSR and the vendor's 0.5% NSR interest.

  The prospecting licence required Adansi to pay:

  - US$15,000 by October 11, 2008 (paid)

  It also requires Adansi to spend a minimum of US$280,060 and Ghana Cedi 79,640 as agreed in the work programme by September 10, 2010, and pay annual rent of Ghana Cedi 3.

- In October 2008, Adansi entered into a licence agreement with the Government of Ghana to prospect for gold in the Gyimigya and Dunkwa-on-Ofin area. The prospecting license will expire on October 9, 2010, and an application has been submitted for extension.

  The licence area is situated at Gyimigya in the Adansi South District Assembly and the Dunkwa-on-Ofin in the Upper Denkyira District. The prospecting licence required Adansi to pay:

  - US$15,000 by November 10, 2008 (paid)

  The required minimum spend of US$194,183 and Ghana Cedi 17,644 as agreed in the work programme has been met. Annual rent of Ghana Cedi 6 is paid.

(d) Properties held under option:

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

The Company has determined to relinquish its options on these concessions and has written-off costs of $509,589 incurred to date.

6. Equipment:

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

2009	Cost	Accumulated amortization	Net book value
Field tools and equipment	$ 63,171	$ 63,171	$ -
Office furniture and equipment	93,518	62,170	31,348
Computer equipment	24,411	16,578	7,833
Vehicles	10,111	10,111	-
	$ 191,211	$ 52,318	$ 39,181

7. Related party transactions:

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

Related party transactions are as follows:

	2010	2009
Management and consulting fees:		
Management fees charged by a company controlled by a director of the Company (D MacQuarrie)	$ 120,000	$ 120,000
Consulting fees charged by a director of the Company (D Buckle) who resigned November 2008	-	40,000
Management fees charged by a director of the Company (P Hooper) who resigned November 2008	-	30,000
Consulting fees charged by an officer of the Company (P Gibbs)	60,000	60,000
Directors' fees:		
J.H. Mensah	12,000	12,000
Peter Hooper	-	2,000
Len Dennis	12,000	12,000
Deferred exploration costs:		
Legal and other services and expenses charged by a firmcontrolled by a director of the Company and its Ghanaian subsidiary (T. Ennison)	139,622	96,600

7. Related party transactions (continued):

Amounts due to (from) related parties are as follows:

	2010	2009
Management and consulting fees:		
Amount payable to a company controlled by a director of the Company providing management services (prepayment)	$ (10,000)	$ 94,100
Amount payable to a director of the Company, who resigned November 2008, providing consulting services	-	40,000
Amount payable to a director of the Company, who resigned November 2008, providing management services	-	38,175
Amount payable to an officer of the Company providing consulting services	-	57,750
Amounts payable for directors' fees:		
J.H. Mensah	-	9,000
Peter Hooper	-	2,000
Len Dennis	-	3,000
Deferred exploration costs:		
Amount payable to (receivable from) a firm controlled by a director of the Company's Ghanaian subsidiary providing legal and other services and expenses (retainer)	(3,634)	52,963
Accrued cash loans:		
D. MacQuarrie	-	3,587
D. Buckle	-	100,409
T. Ennison	-	25,714
Peter Hooper	-	1,958
Accounts payable (receivable) for reimbursable expenses:		
D. MacQuarrie	(357)	3,731
D. Buckle	-	6,087
P. Gibbs	-	4,689

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

Other related party transactions are disclosed in note 5.

8. Acquisition of Nevsun Resources (Ghana) Ltd.:

In September 2007, the Company entered into an Agreement to acquire 100% of the issued and outstanding shares of Nevsun Resources (Ghana) Ltd. ("NS Ghana"), a Barbados corporation, wholly owned by Nevsun Africa (Barbados) Ltd. ("Nevsun"), in turn a wholly owned subsidiary of Nevsun Resources Ltd. of Canada. NS Ghana is the sole owner of the Kubi Gold Project located 20 kilometers south of the AngloGold Ashanti Obuasi mine and 46 kilometers southeast of the Obotan project.

8. Acquisition of Nevsun Resources (Ghana) Ltd. (continued):

The Agreement with Nevsun required payment by April 8, 2008 of 9,000,000 shares (at a deemed value of $2,700,000 and paid October 12, 2007) and US$3,000,000 in cash or shares of the Company or a combination of both at the discretion of the Company. The Agreement was subsequently amended on April 1, 2008 to reflect US$3,000,000 payable in cash on or by June 27, 2008; with interest calculated at the rate of 6% per annum, from April 12, 2008 until the date of payment. As security for the payable, the Company pledged the shares of NS Ghana. On July 8, 2009, the Company completed the payment of US$3,000,000 and accrued interest to Nevsun.

The acquisition of NS Ghana has been accounted for as an acquisition of an asset, as the entity did not meet the definition of a business under CICA EIC-124, *Definition of a Business*. The fair value of the consideration paid of $5,621,700 has been allocated to the Kubi Mineral Property.

9. Due to Trafalgar:

	2010	2009
Trafalgar loans:		
Bridge loan	$ -	$ 1,571,960
Convertible debt	-	1,571,960
	$ -	$ 3,143,920

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

(a) Initial contract terms and fees:

Upon Loan issuance, the Lender withheld a 7% commitment fee totaling $245,000, 2 monthly interest payments for the Loan and debenture totaling $81,697, $12,500 in legal fees, and $35,000 in investor relations fees (subsequently applied towards interest payments) for net proceeds of $3,125,803. In conjunction with the Loan, the Company issued 1,000,000 bonus common shares to the Lender with an estimated fair value of $0.20 per common share based on the quoted closing price, for a total value of $200,000 and agreed to pay finders' fees of $122,500 in cash and 218,750 in warrants with an estimated fair value of $12,293 (note 12(b)(*i*)).

The proceeds raised from financing were allocated between the convertible debenture (liability), conversion feature (equity) and embedded derivative by fair valuing the conversion feature and embedded derivative and allocating the residual to the debt host contract.

9. Due to Trafalgar (continued):

(a) Initial contract terms and fees (continued):

The debenture gave the Lender the right to demand, on written notice, full cash repayment of all principal, interest, and redemption premium outstanding on the debenture upon successful completion of a $65 million bond financing. This feature represents an embedded derivative that was not closely related to the host contract and therefore required separate accounting from the debt host contract. The embedded derivative was classified as held for trading and was measured at fair value of $40,000 at inception with a nil value at June 30, 2009.

The remaining embedded derivatives included in the debenture were not material to bifurcate from the debt host contract.

The debenture was initially recorded net of the conversion options and embedded derivatives and was accreted to the face value over its 90-day expected life. For the year ended June 30, 2010, nil (2009 - $1,238,464) was included in interest and financing costs in relation to accretion expense. Accretion of the liability component of the debenture was calculated using an effective interest rate of 253% based on a 90-day term.

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

(b) On July 15, 2009, in order to extend the loan agreement to October 12, 2009, the Company entered into an additional agreement and paid $1,025,000 to the Lender - $1,000,000 in partial payment of the remaining bridge and debenture amounts outstanding, and $25,000 to cover the Lender's legal fees.

(c) On October 19, 2009, the Company settled all remaining obligations to the Lender, (including interest of $61,618 for the period July 1, 2009 to October 19, 2009), with a final payment totaling $2,205,538, apart from the issuance of 7,409,911 shares, as disclosed in note 9(c).

10. Advance subscriptions:

On May 26, 2009, the Company announced a private placement intended to raise up to $1,500,000 to be used partly to expand the drilling program underway on the Kubi Project in Ghana, and the balance as working capital. At June 30, 2009, the Company was in receipt of advance subscription payments totaling $177,500. The fully subscribed private placement closed on July 20, 2009. No advance subscriptions were outstanding at June 30, 2010.

11. Income taxes:

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

	2010	2009
Loss for the year	$ (2,774,567)	$ (3,506,689)
Expected income tax recovery	$ (811,561)	$ (1,069,540)
Change in statutory tax rate	-	51,373
Non-deductible expenses	259,718	31,504
Un-recognized benefit of non-capital losses	551,843	986,663
Total income taxes	$ -	$ -

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

	2010	2009
Future income tax assets:		
Non-capital loss carry-forwards	$ 2,710,879	$ 2,219,231
Cumulative exploration and development expenses	4,519,369	4,984,238
Equipment	154,573	154,441
Other	114,733	63,012
	7,499,554	7,420,922
Valuation allowance	(7,499,554)	(7,420,922)
	-	-
Future income tax liabilities:		
Resource assets	(1,840,955)	(1,142,877)
Net future income tax liabilities	$ (1,840,955)	$ (1,142,877)

11. Income taxes (continued):

The Company has non-capital losses of approximately $10,799,070 available for deduction against future taxable income. These losses, if not utilized, will expire through 2030.

Year	Canada	Ghana	Total
2011	$ 319,481	$ -	$ 319,481
2015	828,030	-	828,030
2016	731,134	55,061	786,195
2017	-	514,227	514,227
2018	-	995	995
2019	-	18,948	18,948
2020	-	49,219	49,219
2027	743,135	-	743,135
2028	2,148,601	-	2,148,601
2029	3,360,294	-	3,360,294
2030	2,029,945	-	2,029,945
	$ 10,160,620	$ 638,450	$10,799,070

Subject to certain restrictions, the Company has resource expenditures of $18,158,108 available to reduce taxable income earned in Ghana in future years. Future tax benefits, which may arise as a result of these non-capital losses and resource deductions, have not been recognized in these financial statements and have been offset by a valuation allowance.

12. Capital stock and contributed surplus:

(a) Authorized:

Unlimited common shares, without par value

(b) Common shares issued:

	Capital Stock		
	Number of shares	Amount	Contributed surplus
Balance, June 30, 2008:	78,749,736	$ 22,558,210	$ 2,202,055
Private placements	36,300,000	2,565,000	-
Issue of shares for financing fees and redemption of debenture	2,083,334	241,866	-
Issue of shares for settlement of debts	1,784,500	214,140	-
Share issuance costs	-	(100,000)	-
Warrants issued as finder's fees	-	(33,031)	45,324
Stock-based compensation	-	-	102,399
Shares reserved for payment of extension fee	-	-	222,297
Balance, June 30, 2009:	118,917,570	25,446,185	2,572,075
Private placements	117,124,731	12,412,626	-
Shares issued for loan extension	7,409,911	222,297	(222,297)
Share issuance costs	-	(158,978)	-
Warrants issued as finders' fees	-	(36,987)	36,987
Exercise of warrants	7,708,473	610,847	-
Exercise of options	1,059,375	212,508	(212,464)
Extinguishment of debt	-	-	187,887
Stock-based compensation	-	-	789,517
Balance, June 30, 2010	252,220,060	$ 38,802,861	$ 3,151,705

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

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

12. Capital stock and contributed surplus (continued):

(b) Common shares issued (continued):

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

(*ii*) On October 16, 2009, pursuant to a private placement, the Company issued 36,455,000 units at a per unit value of $0.10 for gross proceeds of $3,645,500. Each unit is comprised of one share and one share purchase warrant exercisable for two years at $0.15. $90,000 finders' fees were paid, and 225,000 warrants were issued as finders' fees. The warrants are exercisable for two years at a price of $0.15. These warrants are valued at $29,640 using Black-Scholes model assumptions of 1.30% risk free interest rate and 202% volatility. The related cost is included in share issuance costs.

(*iii*) On November 23, 2009, 7,409,911 shares with a fair market value of $222,227 were issued to Trafalgar Capital Specialized Investment Fund ("Trafalgar") pursuant to the loan extension granted on February 3, 2009.

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

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

During the year ended June 30, 2009, the following stock transactions occurred:

(*i*) On July 8, 2008, pursuant to the terms of the bridge financing agreement, 1,000,000 common shares with a fair value of $0.20 per share were issued to the lender as a commitment fee. $122,500 was paid and 218,750 warrants were issued as a finder's fee. The warrants are exercisable until January 6, 2010 at an exercise price of $0.24. These warrants were valued at $12,293 using Black-Scholes model assumptions of 3.77% risk free interest rate and 68% volatility. The related finder's fees were expensed under the Company's policy for transaction costs.

(*ii*) On September 3, 2008, pursuant to a non-brokered private placement, the Company issued 5,000,000 units at a price of $0.20 per unit for gross proceeds of $1,000,000. Each unit is comprised of one common share and one share purchase warrant exercisable for two years at a price of $0.30.

(*iii*) On December 12, 2008, 1,083,334 shares at a market value of $41,866 were issued to Trafalgar to pay interest on the convertible debenture in accordance with the July debenture agreement.

(*iv*) On December 31, 2008, 1,784,500 shares at a value of $0.12 per share were issued in settlement of $214,140 of amounts owed to the Company's creditors.

12. Capital stock and contributed surplus (continued):

(b) Common shares issued (continued):

During the year ended June 30, 2009, the following stock transactions occurred (continued):

(*v*) On March 30, 2009, pursuant to a non-brokered private placement, the Company issued 20,000,000 units at a price of $0.05 per unit for gross proceeds of $1,000,000. Each unit is comprised of one common share and one share purchase warrant exercisable for three years at an exercise price of $0.05. 10% of the gross proceeds received were paid and 2,000,000 warrants were issued as a finder's fee. The warrants are exercisable for three years at an exercise price of $0.10. These warrants were valued at $33,031 using Black-Scholes model assumptions of 1.55% risk free interest rate and 126.8% volatility. The related cost is included in share issuance costs.

(*vi*) On May 14, 2009, pursuant to a non-brokered private placement, the Company issued 11,300,000 units at a price of $0.05 per unit for gross proceeds of $565,000. Each unit is comprised of one common share and one share purchase warrant. 7,625,000 of the share purchase warrants can be exercised at a price of $0.05 per share in the first year and $0.10 per share in the second and third years. The remaining 3,675,000 share purchase warrants are exercisable at a price of $0.10 per share for three years.

(*vii*) On November 20, 2008, Trafalgar extended the repayment date of the loan to January 31, 2009. In February 2009, both parties agreed the fee would be paid through the issuance of 7,409,911 common shares with a fair market value of $222,297. The fee was accrued in contributed surplus. The shares were issued on November 23, 2009 upon obtaining a release from the TSX-V.

(c) Stock option plan:

The Company has a stock option plan in place under which it is authorized to grant options to its directors, officers, and employees to acquire up to 20% of the issued and outstanding common shares. The stock option plan provides that the options are for a maximum term of five years and vest as to one-quarter on regulatory approval and one-eighth every three months thereafter.

12. Capital stock and contributed surplus (continued):

(c) Stock option plan (continued):

As at June 30, 2010, the following incentive stock options were outstanding and exercisable:

Number of options	Exercise price	Date of grant	Expiry date	Maximum future proceeds	Number of exercisable options
1,316,250	$ 0.10	13-Sep-05	13-Sep-10	$ 131,625	1,316250
225,000	0.10	12-Jan-06	12-Jan-11	22,500	225,000
850,000	0.10	15-Dec-06	15-Dec-11	85,000	850,000
250,000	0.10	26-Jun-07	26-Jun-12	25,000	250,000
100,000	0.10	21-Sep-07	21-Sep-12	10,000	100,000
750,000	0.10	26-Mar-08	26-Mar-13	75,000	750,000
100,000	0.10	14-Sep-08	14-Sep-13	10,000	100,000
8,450,625	0.15	10-Sep-09	09-Sep-14	1,267,594	5,267,344
1,000,000	0.20	28-Oct-09	28-Oct-14	200,000	500,000
1,300,000	0.25	13-May-10	13-May-15	325,000	325,000
14,341,875	$ 0.15			$ 2,151,719	9,683,594

As at June 30, 2009, the following incentive stock options were outstanding and exercisable:

Number of options	Exercise price	Date of grant	Expiry date	Maximum future proceeds	Number of exercisable options
811,250	$ 0.10	1-Sep-04	1-Sep-09	$ 81,125	811,250
190,000	0.10	9-Mar-05	9-Mar-10	19,000	190,000
500,000	0.10	4-Apr-05	4-Apr-10	50,000	500,000
1,466,250	0.10	13-Sep-05	13-Sep-10	146,625	1,466,250
225,000	0.10	12-Jan-06	12-Jan-11	22,500	225,000
1,200,000	0.10	15-Dec-06	15-Dec-11	120,000	1,200,000
300,000	0.10	26-Jun-07	26-Jun-12	30,000	300,000
100,000	0.10	21-Sep-07	21-Sep-12	10,000	100,000
750,000	0.10	26-Mar-08	26-Mar-13	75,000	500,000
100,000	0.10	12-Sep-08	12-Sep-13	10,000	33,333
5,642,500	$ 0.10			$ 564,250	5,325,833

12. Capital stock and contributed surplus (continued):

(c) Stock option plan (continued):

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

	2010		2009	
	Number of options	Weighted average price	Number of options	Weighted average price
Options, beginning of year	5,642,500	$ 0.10	8,900,000	$ 0.31
Granted	10,938,750	0.17	100,000	0.30
Exercised	(1,059,375)	0.10	-	-
Cancelled/expired	(1,180,000)	0.11	(3,357,500)	0.21
Options, end of year	14,341,875	$0.15	5,642,500	$ 0.10
Total stock options exercisable	9,683,594	$0.15	5,325,833	$ 0.10

(d) Stock-based compensation:

During the year ended June 30, 2010, the Company granted options totaling 10,938,750 (2009 – 100,000). The fair value of these options is $1,228,721 (2009 - $4,550), based on the Black-Scholes option pricing model. The re-pricing of the stock options to $0.10 per share resulted in an additional stock based compensation expense of $39,859. For the year ended June 30, 2010, the stock-based compensation recognized was $789,517 (2009 - $102,399).

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

	2010	2009
Risk-free interest rate	2.20% - 2.76%	3.90%
Expected life of options	5 years	5 years
Stock price volatility	156% - 165%	100%
Dividend rate	0%	0%

(e) Warrants:

3,769,855 of the warrants expiring on July 30, 2009; 519,213 warrants expiring on March 10, 2010 and 2,662,500 of the warrants expiring on August 28, 2010 were re-priced to $0.10 in May 2009 with the inception fair value vesting concurrently with the original vesting pattern.

12. Capital stock and contributed surplus (continued):

(e) Warrants (continued):

Re-priced warrants had a forced exercise provision. If the closing price for the Company's shares is $0.12 or greater for a period of 10 consecutive trading days then the warrant holders will have 30 days to exercise or the warrants will expire. The forced exercise provision was triggered during the current year. 758,473 of the re-priced warrants were exercised for proceeds off $75,847 and 2,423,240 warrants expired.

The following share purchase warrants were outstanding at June 30, 2010:

Expiry dates	Number of warrants	Exercise price
August 28, 2010	2,337,500	$ 0.10
March 31, 2012	21,000,000	0.05
May 14, 2012	7,400,000	0.10
July 16, 2012	28,336,000	0.10
October 16, 2011	36,380,000	0.15
	95,453,500	$ 0.11

The following share purchase warrants were outstanding at June 30, 2009:

Expiry dates	Number of warrants	Exercise price
July 30, 2009	3,769,855	$ 0.10
July 30, 2009	183,433	0.45
March 10, 2010	519,213	0.10
January 6, 2010	218,750	0.24
August 28, 2010	2,662,500	0.10
August 28, 2010	2,337,500	0.30
March 31, 2012	2,000,000	0.10
March 31, 2012	20,000,000	0.05
May 14, 2010 / May 14, 2012	7,625,000	0.05 / 0.10
May 14, 2012	3,675,000	0.10
	42,991,251	$ 0.08

12. Capital stock and contributed surplus (continued):

(e) Warrants (continued):

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

	2010		2009	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants, beginning of year	42,991,251	$ 0.08	10,622,501	$ 0.375
Issued	66,766,000	0.13	38,518,750	0.080
Exercised	(7,708,473)	0.09	-	-
Expired/forfeited	(6,595,278)	0.11	(6,150,000)	-
Warrants, end of year	95,453,500	$ 0.11	42,991,251	$ 0.080

13. Supplemental disclosure with respect to cash flows:

As of October 19, 2009, the remaining indebtedness with respect to the Trafalgar Loan was settled in full. The significant non-cash transaction pursuant to the settlement of the Trafalgar debt was the issuance of 7,409,911 shares with a fair value of $222,227 to Trafalgar on November 23, 2009 in terms of the loan extension granted on February 3, 2009.

A further significant non-cash transaction for the year ended June 30, 2010 consisted of the issuance of 311,000 warrants with respect to finder's fees with a fair value of $36,987.

The significant non-cash transactions of the Company for the year ended June 30, 2009 consisted of the issuance of 2,218,750 warrants with respect to finder's fees with a fair value of $45,324.

14. Financial instruments:

(a) Disclosures:

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, due to related parties and due to Trafalgar.

The carrying values of cash, receivables, accounts payable and accrued liabilities and due to related parties approximate their respective fair values due to the short-term nature of these instruments. The Trafalgar debt in 2009 had been settled prior to June 30, 2010. All financial instruments carried at fair value were determined using Level 1 inputs.

14. Financial instruments (continued):

(b) Financial instrument risk exposure and risk management:

(*i*) Credit risk:

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

(*ii*) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet it liabilities when due without incurring unacceptable losses or risking damage to the Company's reputation. The Company's liquidity improved significantly during the year, permitting the settlement of all debt other than current accounts payable in the normal course of business. As at June 30, 2010, the Company had current liabilities totaling $366,417 and cash reserves of $2,862,489.

(*iii*) Market risk:

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

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

Currency risk:

The Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates. At June 30, 2010, the Company is exposed to currency risk through the following financial instruments denominated in foreign currencies:

	Ghanaian Cedis	US Dollars	AUS Dollars
Cash	451,917	186	-
Accounts payable and accrued liabilities	(38,434)	(308,459)	(66,606)
	413,483	(308,273)	(66,606)
CAD foreign exchange rate	0.739	1.056	0.897
CAD equivalent	305,564	(325,536)	(59,746)

14. Financial instruments (continued):

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

(*iii*) Market risk (continued):

Currency risk (continued):

A 10% change in the Canadian (CAD) dollar against the foreign currency at June 30, 2010 would result in an increase (decrease) to net income in the amounts shown below.

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

		Change
Ghanaian Cedis	$	3,056
US Dollars		3,255
AUS Dollars		5,975

Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's has no interest bearing debt as of June 30, 2010.

A change of 100 basis points in the interest rates would not be material to the financial statements.

(*iv*) Other risk:

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

15. Capital management:

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

15. Capital management (continued):

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

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

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

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

16. Segmented information:

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

	2010	2009
Assets:		
Canada	$ 2,591,776	$ 278,381
Ghana	23,922,443	19,542,786
	$ 26,514,219	$19,821,167

17. Commitments:

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

2011	$ 130,155
2012	139,397
2013	117,861
2014	-
2015	-

18. Subsequent events:

In August 18, 2010, the Company announced it has entered into an agreement with JNS Capital Corp. for the provision of corporate development sources. The Company has granted stock options to JNS Capital Corp. to purchase up to 850,000 common shares at $0.235 per share for the three-year period.

18. Subsequent events (continued):

On September 20, 2010, the Company announced a private placement of up to 27,777,778 common shares at $0.18 per share for gross proceeds of $5 million, subject to receipt of necessary stock exchange approvals. Commissions of 6% are payable. On closing of this financing, Macquarrie Bank Limited will hold 19.7% of the issued capital of the Company on a partially diluted basis.

At the same time the Company announced that in order to facilitate its planned Australian public offering, it would undertake a consolidation of its outstanding capital on the basis of one new common share for every four existing common shares, subject to final advice from the Australian Regulatory Authorities.

MANAGEMENT DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010

PMI GOLD CORPORATION

Introduction

The following discussion and analysis of the operations, results, financial position and related Notes of the Company for the year ended June 30, 2010 should be read in conjunction with the June 30, 2010 Audited Financial Statements and related Notes. The effective date of this report is October 15, 2010. All monetary amounts, unless otherwise indicated, are expressed in Canadian dollars. The Company's website can be found at www.pmigoldcorp.com. Additional regulatory filings for the Company can be found on the SEDAR website at www.sedar.com.

Forward-Looking Statements

Certain statements contained in this document constitute "forward-looking statements". When used in this document, the words "may", "would", "could", "will", "intend", "plan", "propose", "anticipate", "believe", "forecast", "estimate", "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Such statements reflect the Company's current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Company does not intend, and does not assume any obligation, to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments.

Executive Summary

PMI Gold Corporation is a junior resource company with gold exploration properties in Ghana's Golden Triangle, a region with combined historic and current reserves in excess of 200 million ounces of gold. Currently the Company has no productive asset, but its strategic intent includes bringing one or more of its properties into production in the medium term. It is currently engaged in an extensive drilling program for further resource updating of NI43-101 gold resources, defining of other identified discoveries, and testing of additional exploration targets. The Company has been successful in raising $12.9 million in equity issues during the past year, enabling it to eliminate all debt and provide funding for its exploration plan. The Company intends to co-list in Australia with an IPO planned for late 2010, to complement its existing listings on the Toronto Venture Exchange and the Frankfurt and Berlin Exchanges.

Structure and Business Description

PMI Gold Corporation (the "Company") is incorporated under the laws of British Columbia. The Company has three wholly owned subsidiaries, Adansi Gold Company (Gh) Limited ("Adansi"), and Kubi Gold Company Limited ("Kubi"), incorporated under the laws of Ghana, West Africa, and Nevsun Resources (Ghana) Ltd. ("NS Ghana") incorporated under the laws of Barbados.

The Company's head office is located at Suite 511 – 475 Howe Street, Vancouver, British Columbia, V6C 2B3 and its registered and records office is located at 10th Floor, 595 Howe Street, Vancouver, BC, V6C 2T5. The Company is registered in Ghana as a foreign corporation and has a branch located at 10 Quarcoo Lane, Roman Ridge, PMB CT471Cantonments, Accra, Ghana, West Africa.

The Company is a junior mining exploration company engaged in the acquisition, exploration, and development of mineral concessions in Ghana, West Africa. The Company is a reporting issuer in British Columbia and Alberta and trades on the TSX Venture Exchange under the symbol "PMV".

The Company is listed on the Berlin and Frankfurt Exchanges and on the European gold web site www.golddesk.ch to better inform our growing investor base in Europe, and has a website for investors in China.

The Company has commenced the IPO process to secure a co-listing of its shares in Australia.

Long-term goals for PMI Gold include:

- finding, acquiring and developing profitable revenue producing assets;
- growing and strengthening core operations in gold exploration and development;
- growing market capitalization.

Operating Activities

The elimination of a debt burden in the form of bridge and debenture loans early in the year provided the opportunity to concentrate on enhancing the value of the Company and on strategic development. The Company's activities focused on continuing exploration on its existing Ghana properties, as well as on ongoing preparation to transform itself into a producer. The Exploration section below sets out in greater detail the exploration achievements on the various properties. In all, investment in exploration during the year increased by $2.4 million over the prior years spend of $1.2 million. The net loss for the year ended June 30, 2010 was $2,774,567 compared to a net loss of $3,306,689 for the year ended June 30, 2009.

Capital Stock and Financing

During the year ended June 30, 2010, $12.9 million was raised through private placements and the exercise of warrants and options. Issued shares increased from 118.9 million at July 1, 2009 to 252.2 million at June 30, 2010, while outstanding warrants increased by 52.4 million to 95.5 million. Outstanding options increased from 5.6 million at the beginning of the year to 14.3 million at June 30, 2010. Further details of transactions are provided in Note 12 to the Financial Statements.

Corporate Developments

Through the series of private placements which took place over the year, several large shareholding blocks have accumulated. Shareholders approved a private placement of shares which resulted in Mr. Arlyn James Miller's holding rising to 21.76% of the then issued and outstanding shares. A further purchase of 4,000,000 shares resulted in Mr. Miller's holding rising to 34.17%.

Waratah Investments Ltd. of Ghana acquired 14,000,000 shares and share purchase warrants, and undertook to purchase an additional 4,000,000 shares and share purchase warrants, upon which their holding represented approximately 21.57% of the then issued and outstanding common shares.

The proceeds of these placements enabled the Company to reduced indebtedness to Trafalgar by $1,000,000 in July 2009 and so obtain an extension to the repayment of the remaining indebtedness until October 12, 2009, and to settle the debt in full on October 19, 2009. Mr. Jeffrey Sternberg who had joined the Board to assist with the loan, resigned effective October 16, 2009.

Pursuant to a private placement which closed on March 16, 2010, Macquarie Bank Limited ("Macquarie") of Level 1, No. 1 Martin Place, Sydney, New South Wales, 2000, Australia, obtained a 13.4% interest in the issued capital of the Company. Macquarie announced it acquired the shares for investment purposes only, and that depending on market and other conditions, it may change its beneficial ownership of, or potential deemed control or direction over, shares of PMI through market transactions, private agreements, treasury issuances, exercise of options, convertible securities or otherwise.

The Company entered into a corporate advisory engagement with Hartleys Limited of Perth, Western Australia. As part of the engagement, Hartleys will act as Lead Broker to an Initial Public Offering ("IPO") of the Company and a co-listing of the Company's shares in Australia.

The ASX is regarded as one of the best performing, natural resource based, stock exchanges in the World. Australian investors are quite familiar with Ghana and in particular with our Obotan assets that previously produced +-100,000 oz of gold per year for Australia-based Resolute Mining. Recent announcements in Australia of a profits tax on Australian based producers have created an opportunity for ASX listed companies with non-Australian projects to trade at a premium to their Australian based peers. The Company will file a full prospectus to raise further equity on its Australian IPO.

On October 29, 2009, the Company announced that Dr. John Clarke was appointed an Executive Director of the Company. Dr. Clarke holds a B.Sc. in metallurgy from University College Cardiff, a Ph.D. in metallurgy from Cambridge University and an MBA from Middlesex Polytechnic. During his long career in African mining he has held a number of executive positions including Executive Director of Ashanti Goldfields and most recently that of CEO of Nevsun Resources Limited, an exploration and development company engaged in gold and base metals exploration and development in Africa. While at Ashanti, Dr. Clarke was responsible for strategic planning and business development and contributed to establishing Ashanti's gold exploration program throughout sub-Saharan Africa, including the acquisition of the Geita deposit in Tanzania, the Siguiri deposit in Guinea and the Bibiani deposit in Ghana. At Nevsun, Dr. Clarke was responsible for the commissioning of their first mine in a remote and logistically difficult part of Mali, and the exploration and resource definition and major project planning in Eritrea with respect to their Bisha Mine, now under final construction. In addition he was responsible for leasing the Kubi gold project, now owned by PMI Gold, to AngloGold Ashanti for a surface mining operation. Dr. Clarke is also a Director of several other African based exploration and development companies which affords him an excellent 'continent wide' African outlook.

On October 29, 2009, the Company announced the issuance, subject to regulatory approval, of five year incentive stock options expiring on October 28, 2014 to purchase a total of 1,000,000 common shares of the Company at a price of $0.20 per share to a Director.

Proceeds from private placements during the year were designated for debt settlement, general working capital, expediting the drilling program on the Obotan Gold project, completion of a maiden NI43-101 resource estimate at Obotan, completion of follow-up drilling on the new 513 Zone gold discovery and its extensions at our Kubi Gold project, and to commence an application to co-list in Australia.

Exploration Results

Significant exploration was undertaken during the year on the Company's concessions, with $3.5 million being spent to advance exploration and development of the Kubi and Obotan projects.

Obotan Project

The Company commenced a third party review of the near surface gold resources that remain at its Obotan project, under a program designed by Hellman & Schofield, Consulting Geologists, Perth. The drilling program consisted of a total of 10,877 metres, with 6,315 metres in 35 resource definition drill holes and 4,562 metres in 30 quality control (QC) drill holes in the four separate target areas of the Abore, Adubiaso, Edubia and Nkran deposits. The results of this definition and QC program have been added to the historical Obotan database of 2,930 drill holes totaling some 202,250 metres. Significant near surface gold mineralization remains at Obotan, and the indicated strong gold mineralization remaining under the Nkran pit suggests the potential to develop deep resources in plunging ore shoots as is noted elsewhere in Ghana.

Helicopter borne, high resolution magnetic and radiometric surveys were also flown over the 70 kilometre long Ashanti II Gold Project, including the Obotan concession, all located on the Asankrangwa Gold Belt. The high resolution (100 metre line spacing) geophysical data set collected in the survey forms the basis of an expanded exploration program to tie together all previous exploration results and locate additional targets for follow up drilling.

The results of the Obotan Maiden NI43-101 compliant Resource Estimate for Obotan were released subsequent to June 30, 2010, and full details are available on the Company's website, www.pmigoldcorp.com, and will shortly be filed on Sedar.

Kubi Project

Four square kilometers (4 km^{2}) of the Kubi property were surveyed by local source VLF followed by geophysical ground surveys to map the geology around identified drill targets. An initial six holes were drilled on the Ashanti trend for a total of 628 metres. Results from second phase drilling provided significant mineralization, leading to commencement of a third phase of drilling. In all, a total of 2,226 metres in 19 holes were drilled on the Kubi property, leading to the identification of a new gold zone (the "513 Zone") located 1.2 km east of the main Kubi deposit where a NI43-101 compliant mineral resource estimate of 604,085 oz Au Indicated and 316,079 oz Au Inferred has previously been outlined (see Sedar). Results of 3.76g/t Au over a core length of 4.75 metres at a depth of 85 metres in hole KV-09-517, and of 2.57g/t Au over a core length of 1.75m at a depth of 72 metres in hole KV-09-513, were obtained.

Gold assay results from an auger soil drilling program confirmed an additional 600 metres of strike potential to the '513 Zone' discovery. The auger drilling program was completed to prioritize ground geophysical VLF-EM targets prior to diamond drill testing. Auger holes were drilled on 12.5 metre centers and 50.0 metre line spacing across the four strongest VLF-EM anomalies. Of the 412 assayed samples from 188 auger drill holes, 21 assayed greater than 100 ppb gold with a maximum of 1,780 ppb. Significantly, all 21 of the anomalous gold samples occur in a distinct linear trend from the 513 Zone in the north and for a distance of 600 metres to the south. The southern-most 200 metres of this trend is highly anomalous and is currently being drill tested.

A high resolution magnetic and radiometric geophysical survey was conducted by New Resolution Geophysics over the full Kubi property, flown with a terrain clearance of 30 metres and a line spacing of 100 metres. This is the highest resolution airborne data set obtained to date over our project areas. Data analysis is being performed by Mira Geoscience, Advanced Geophysical Interpretation Centre in Vancouver, who will integrate the survey data with the previous airborne geophysical, ground geochemical and geological, and drill hole data, to prioritize targets for follow up drilling.

Engineering pre-design work with respect to building a 750 ton per day underground mine and mill facility commenced, building on previous scoping/pre-feasibility level studies which indicated a strong economic basis for advancing the project to production. Detailed metallurgical analysis on a 75 kg sample of mineralized drill core has commenced in order to further define the appropriate process flow sheet for an eventual mill design. The Company will continue to move Kubi along towards a production decision.

On the adjoining Dunkwa-Gyimigya property, a total of 2.21 square km of local source VLF and two lines of IP were carried out, and two diamond drill holes for a total of 275 metres were drilled. Further drill testing of targets outlined from the airborne survey is also planned for the second and third quarter.

Results of Operations

The Company is currently engaged in mineral property acquisition, exploration and development and does not have revenues from its operations. Operational results reflect costs incurred for mineral property acquisitions and associated exploration expenses as well as other regulatory expenses incurred in Ghana, and to maintain the administrative infrastructure required to operate in Ghana, Canada and Barbados.

The net loss for the year ended June 30, 2010 was $2,774,567 compared to a net loss of $3,306,689 for the year ended June 30, 2009. Elimination of debt in the form of bridge and debenture loans resulted in a reduction in interest and financing costs of $1.7 million over the prior year. This favorable movement was partly offset by a charge of $509,589 to write off the cost of mineral property expenditures on properties in which the Company has no further economic interest, and by an increase in stock based compensation charges of $687,118 over the prior year, arising from option awards.

The Company is continuing to operate as a going concern and is focused on advancing the Kubi and Obotan Gold Projects to production. Until profitable production is obtained, the Company will continue to operate at a loss. Given the uncertain market conditions, the Company cannot guarantee that sufficient financing will be obtained, however it will continue to source and evaluate all reasonable financing alternatives.

Selected Annual Information

The following are highlights of financial data of the Company for the most recently completed three financial years:

	2010	2009	2008
	$	$	$
Loss for the period	(2,774,567)	(3,306,689)	(1,603,238)
Loss per common share basic and diluted	(0.014)	(0.037)	(0.021)
Weighted average number of common shares	193,245,357	90,384,424	78,874,324
Balance Sheet Data:			
Working capital	2,616,027	(5,270,377)	(3,949,133)
Total assets	26,514,219	19,821,167	18,530,794

Revenues

The Company is currently engaged in mineral property acquisition, exploration and development, and does not have revenues from its operations.

Expenses

	2010	2009
Amortization	2,690	3,525
Foreign exchange loss/(gain)	(183,382)	(123,195)
Write-off of mineral properties	509,589	-
Investor relations	277,712	108,154
Management and consulting fees	401,552	309,564
Office and miscellaneous	94,103	80,804
Professional fees	513,096	649,382
Stock based compensation	789,517	102,399
Transfer agent and regulatory fees	101,814	63,522
Travel and promotion	163,764	83,295
Loss before other items	(2,670,455)	(1,477,450)
Interest and financing	(104,115)	(1,824,656)
Loss on extinguishment of liability	-	(188,065)
Write off of assets	-	(16,685)
Interest	3	167
Net Loss	(2,774,567)	(3,506,689)

Foreign exchange gains rose by $60,187 over the prior year due to movements between Ghana cedis, Canadian dollars and US dollars. Stock based compensation increased by $687,118 over the prior year as a result of options awarded during the current year. Transfer agent and regulatory fees increased by $38,292 and Investor relations expenditures by $169,558, reflecting the increased level of activity surrounding the raising of capital through private placements. Management and consulting fees increased by $91,988, while the professional fees arising from the Trafalgar loan transaction in the prior year were eliminated, providing a reduction of $136,286.

Travel and promotion expenditures rose by $80,469 as the Company resumed greater activity following its successful capital raises.

Summary of Quarterly Results

The following table sets out selected consolidated quarterly information for the current quarter and historically for the preceding eight quarters ending June 30, 2010.

	2010				2009				2008
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Net sales or revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Gain/(Loss) before other items	(1,267,574)	(347,557)	(664,277)	(434,571)	(790,266)	(232,069)	(1,223,195)	(1,006,577)	(426,912)
Other Items	(23,209)	(7,644)	(5,513)	(67,743)	(1,100,847)	-	-	-	1,554
Net Profit/(Loss)	(1,290,783)	(355,001)	(669,790)	(502,314)	(1,891,113)	(232,069)	(1,223,195)	(1,006,577)	(425,358)
Basic and diluted Net Loss per share	(0.005)	(0.002)	-	(0.003)	(0.038)	(0.022)	(0.014)	(0.010)	(0.021)

*This financial data has been prepared in accordance with Canadian generally accepted accounting principles and all figures are stated in Canadian dollars.

For the Three months ended June 30, 2010

	2010	2009
Amortization	644	830
Foreign exchange loss/(gain)	(75,082)	55,763
Investor relations including directors fees	156,356	5,919
Management & Consulting Fees	114,023	244,078
Office & Miscellaneous	(48,242)	150,937
Professional Fees	226,466	372,039
Stock based compensation	238,323	(47,073)
Transfer agent and regulatory fees	8,908	7,589
Travel and promotion	136,589	184
Write off mineral properties	509,589	-
Financing	23,209	1,100,847
	$ 1,290,783	$ 1,891,113

Loss before financing charges for the three months ended June 30, 2010 is $1,267.574 as compared to a loss of $790,266 for the three months ended June 30, 2009.

Stock based compensation is calculated at $238,323 for the three months ended June 30, 2010 as compared to $(47,073) for the three months ended June 30, 2009, arising from new option awards during the current year. During the quarter, $509,589 was expensed arising from the write-off of costs spent on properties in which the Company has no further economic interest. Favorable Exchange Gain movements were recorded arising from movements between Canadian dollars, US dollars, and Ghana cedis.

Treasury Summary

Capital Stock Summary

	Number of shares	Amount	Contributed Surplus
Balance June 30, 2010	252,220,060	$ 38,802,861	$3,151,705

Warrants Summary

The following share purchase warrants were outstanding at June 30, 2010:

Number of Warrants	Exercise Price
95,453,400	$0.05 - $0.15

Options Summary

The following options were outstanding at June 30, 2010:

Number of Options	Exercise Price	Maximum Future Proceeds	Number of Options Vested
14,341,875	$0.10 - $0.25	$2,151,719	9,683,594

Liquidity and Capital Resources

As at June 30, 2010, the Company had a net working capital of $2,616,027 as compared to a deficiency in 2009 of $5,070,377.

There are no commitments for capital expenditures, or mineral properties commitments other than ongoing option and regulatory fee payments. The Company's cash position as at June 30, 2010 is sufficient to meet minimum operating expenditures and procurement commitments for the ensuing twelve months. The Company is proceeding with a co-listing in Australia which is expected to raise between $5 million and $20 million during the second quarter of the 2011 financial year. While there can be no assurance that the co-listing will raise the anticipated funds, further exploration activity and development of the Company will be contingent upon financing of one form or another. The longer term continuation of the Company as a going concern necessitates the creation of a revenue stream from its mineral assets, and the Company is actively pursuing the moving of the Company's assets to production.

As a mineral exploration and development company with no current production or revenue from mining operations, the Company's cash flows consist of cash outflows for administrative expenses, salaries, property acquisition and evaluation, exploration, development, and expenditures for depreciable equipment. Financing activities, such as share issuances and shareholder loans, result in cash inflows to the Company. Since its inception, the Company has relied on capital markets (and in particular, equity markets) to fund its exploration and development activities as well as its investments in machinery and equipment.

The Company has successfully raised capital in an extremely difficult market and is confident that further financing will be sourced through these markets until one or more of its projects are in production.

Related Party Transactions

The Company entered into the following related party transactions during the year ended June 30, 2010:

	2010	2009
Management and consulting fees:		
Management fees charged by a company controlled by a director of the Company (D MacQuarrie)	$ 120,000	$ 120,000
Consulting fees charged by a director of the Company (D Buckle) who resigned November 2008	NIL	40,000
Management fees charged by a director of the Company (P Hooper) who resigned November 2008	NIL	30,000
Consulting fees charged by an officer of the Company (P Gibbs)	60,000	60,000
Management fees charged by a director of the Company (J Clarke)	NIL	NIL
Directors' fees:		
J.H. Mensah	12,000	12,000
Peter Hooper	NIL	2,000
Len Dennis	12,000	12,000
Deferred exploration costs:		
Legal and other services and expenses charged by a firm controlled by a director of the Company and its Ghanaian subsidiary (T. Ennison).	139,622	96,600

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

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

Income Tax Liability – "FITL"

The company has incurred certain exploration-related expenditures in Canada that relate to its properties in Ghana and for which no tax basis exists in Ghana. This generates a future income tax liability in Ghana which would become payable upon future profitable production or disposition of the properties. The Company has no current income taxes payable.

The future income tax liability is denominated in the local Ghana currency and, as a monetary liability, is translated to Canadian dollars using the closing rate at each period end. This gives rise to foreign exchange gains and losses in the income statement.

Off Balance Sheet Arrangements

The Company has not entered into any off-balance sheet arrangements.

Critical Accounting Estimates

The preparation of financial statements requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the periods reported. Significant areas requiring the use of estimates are the evaluation of impairment of mineral properties, determination of valuation allowances for future income tax assets and the assumptions used in determining the fair value of non-cash stock-based compensation. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in operations in the period in which they become known and filed in a timely manner with appropriate regulatory authorities in Canada. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies commented on below:

Accounting Policies including Subsidiaries and Initial Adoption

The accounting policies and methods of application are disclosed in the notes to the Company's annual audited consolidated financial statements for the year ended June 30, 2010.

International Financial Reporting Standards

Effective January 1, 2011 the accounting framework under which financial statements are prepared in Canada for all publicly accountable enterprises is scheduled to change to International Financial Reporting Standards ("IFRS"). The Accounting Standards Board has implemented changes to Canadian generally accepted accounting principles ("Canadian GAAP") over the past few years to ease the transition. Nevertheless it is likely that IFRS implementation will have a significant impact on current financial statement presentation and disclosure. The Company's IFRS convergence plan is based on the following key steps:

- Identification of applicable IFRS 1 Exemptions and Exceptions;
- Identification of differences between Canadian GAAP and IFRS Accounting Policies applicable to the Company;
- Selection of Applicable IFRS 1 Exemptions and IFRS Accounting Policies where options exist;
- Preparation of Opening IFRS Balance Sheet;
- Application of IFRS Accounting Policies to Comparative Financial Statements and Effective Date of Adoption;
- Assessment of Process, Internal Control, System and Business changes; and
- Communication and Disclosure.

Identification of Applicable IFRS Exemptions and Exceptions

The Company has conducted a preliminary assessment of the impact of *IFRS 1 First-time Adoption of International Financial Reporting Standards*. The key principle of IFRS 1 is full retrospective application of all IFRS in force at the closing balance sheet date for the first IFRS financial statements prepared on transition to IFRS. IFRS 1 also outlines certain optional exemptions that reduce the burden of retrospective application. There are also four mandatory exceptions currently where retrospective application is not permitted. In summary, IFRS 1 will require the Company to:

- Identify the first IFRS financial statements;
- Prepare an opening balance sheet at the date of transition to IFRS;
- Select accounting policies that comply with IFRS, and apply these policies retrospectively to all of the periods presented in the first IFRS financial statements;
- Consider whether to apply any of the available exemptions from retrospective application;
- Apply the mandatory exceptions from retrospective application;
- Present other note disclosure to explain the transition to IFRS

In its review of available exemptions, the Company has identified the following areas as being applicable and requiring a determination; Stock-based compensation; Property, Plant and Equipment valuations; Mineral Property Exploration and Development expenditures; Impairments; Foreign Currency transactions; Asset Retirement obligations; Provisions.

Identification of differences between Canadian GAAP and IFRS Accounting Policies applicable to the Company

The Company is in the process of preparing an analysis to compare current financial statement balances and disclosures based on Canadian GAAP to applicable IFRS. There is the potential for significant impact on accounting policies and financial statement balances, depending upon elections made on adoption of IFRS. Determinations will be made nearer to implementation date once a full evaluation is concluded.

Selection of Applicable IFRS 1 Exemptions and IFRS Accounting Policies where options exist

The Company will need to select from the IFRS 1 alternatives identified above and plans to do so by the end of 2010.

Preparation of Opening IFRS Balance Sheet

The opening IFRS balance sheet will :

- Measure all items in accordance with IFRS;
- Classify all assets, liabilities and equity in accordance with IFRS;
- Include all assets and liabilities that IFRS requires;
- Exclude any assets and liabilities that IFRS does not permit.

The Company has not yet prepared an opening IFRS balance sheet, but has prepared a preliminary view based on the March 30, 2010 balance sheet as part of its overall decision–making process for conversion.

Application of IFRS Accounting Policies to Comparative Financial Statements and Effective Date of Adoption

For the Company, the first published interim financial statements under IFRS will be for the 3 month period ending September 30, 2011. Comparative financial statements will need to be provided for the period ending September 30, 2010. IFRS will then be applied going forward from the date of adoption for the period beginning July 1, 2011.

Assessment of Process, Internal Control, System and Business changes

The Company has begun assessing current and future business processes and related controls considering the impact of IFRS. Evaluation is ongoing.

Communication and Disclosure

The Company will continue to monitor and assess the impact of adopting IFRS including changes to IFRS standards as they arise, and will update its MD&A disclosure quarterly to report on progress. In addition to regulatory disclosure requirements, the Company will assess the nature and extent of investor relations activity required, if any, to communicate to shareholders changes in accounting policies and account balances due to IFRS reporting.

Financial Instruments

Fair value

The Company's financial instruments include cash, receivables, accounts payable and accrued liabilities, and amounts due to related parties and the Trafalgar loan from the prior year. The carrying value of these financial instruments approximates fair value due to their short-term to maturity and the normal market conditions they entail.

Financial risk

Financial risk is risk arising from changes in interest rates and foreign currency exchange rates. The Company does not use any derivative instruments to reduce its exposure to fluctuations in interest rates and foreign currency exchange rates. The Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates. Total liabilities denominated in foreign currencies at June 30, 2010 had a Canadian dollar equivalent of $413,881, and a 10% movement in the Canadian dollar would result in increase/decrease to net income of $41,388.

Credit risk

Credit risk is the unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of accounts receivable, which are generally negligible, and it is management's opinion that the Company is not exposed to any significant credit risk from financial instruments.

Liquidity risk

The existing financial resources are not sufficient to bring any of the Company's properties into commercial production. The Company will need to obtain additional financing from external sources in order to fund the development of the Kubi or Obotan properties. There is no assurance that the Company will be able to obtain financing on favorable terms, which could result in a delay or postponement of further exploration and development plans.

Failure to meet its obligations and commitments would require the Company to restate its assets and liabilities on a liquidation basis, which amounts would differ materially from the going concern basis.

Risks and Uncertainties

Investment Risk

It is not expected that the Company's mineral properties will create positive cash flow for the Company in the near future, as this is dependent upon bringing a mine to production.

Issuer Risk

The Company does not have an established record of earnings and financial performance against which its operations can be easily evaluated.

The Company intends to retain future earnings to finance growth and expand operations and does not anticipate paying any dividends until it has sustainable, profitable production.

Exploration and development involves significant capital investment. While a recommended work program has been identified for the Company's Ghanaian concessions, there is no assurance that financing will be adequate to complete the recommended work program. Additional financing may be required and there is no assurance that the Company will be able to raise the additional funds required.

Title to mining properties involves certain inherent risks. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties is in good standing. The properties in which the Company has committed to earn an interest are located in Ghana, West Africa and the Company is therefore relying on title opinion by legal counsel who is basing such opinions on the laws of Ghana.

The success of the Company will depend on management and key personnel, particularly those individuals with mineral exploration and development expertise. Loss of such management or personnel could adversely affect the success of the business operations and prospects of the Company. The Company currently does not have key man insurance in place.

Certain directors of the Company or its subsidiaries are associated with other natural resource companies which could give rise to conflicts of interest. In addition, some of the directors and officers of the Company have either full time employment or other business or time restrictions placed on them and accordingly, these directors and officers will not devote their whole time to the affairs of the Company.

Commodity Price Risk

Longer term plans as a gold producer are dependent upon sustained gold commodity prices at a level which permits profitable exploitation of the Company's resources. A substantial decline in the price of gold on world markets could conceivably result in a re-evaluation of project viability.

Industry Risk

Mineral exploration involves significant risk and the mining industry is highly speculative. Areas of uncertainty include the size and nature of the mineral resource, environmental issues associated with exploitation and the activity of competitors. Shareholders of the Company should therefore be willing to risk their entire investment.

Penalties, Sanctions and Bankruptcy

No penalties, sanctions, declarations of bankruptcy, voluntary assignments in bankruptcy, proposals under any bankruptcy or insolvency legislation, proceedings, arrangements or compromises with creditors or appointment of a receivers, receiver managers, or trustees to hold assets in effect in the last 10 years was levied against any director, senior officer or control person of the Issuer or any issuer of which any of the above persons was a director, senior officer or control person at the time.

Investor Relations

Investor relations are largely managed "in-house" through telephone and email contact with investors in addition to providing web site information and regular news releases. In addition selected advertising campaigns have been undertaken in Europe, Africa, China and Canada to increase the Company's exposure to new investors.

Segmented Information

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

		2010	2009
Canada		2,591,776	278,381
Ghana		23,922,443	19,452,786
	$	26,514,219.00	$19,821,167

Subsequent Events

Subsequent to the period:

On August 18, 2010 the Company announced it has entered into an agreement with JNS Capital Corp. for the provision of corporate development services. The Company has granted stock options to JNS Capital to purchase up to 850,000 common shares at $0.235 per share for a three year period.

On September 20, 2010 the Company announced a private placement of up to 27,777,778 common shares at $0.18 for gross proceeds of $5 million. The fully subscribed private placement closed on October 12, 2010 upon receipt of approval from the TSX Venture Exchange. Fees of $198,059 and 4,000,000 non-transferable warrants at an exercise price of $0.25 for two years were paid. On closing of this financing, the Company announced that Macquarie Bank Limited now holds 19.5% of the issued and outstanding common shares of the company on a partially diluted basis.

The Company also announced on October 12, 2010 that in order to facilitate its planned Australian public offering, and with the written consent of holders of more than 51% of the currently issued shares, the Company would proceed to seek regulatory approval to undertake a consolidation of its outstanding capital on the basis of 1 new common share for every 2 existing common shares.

On October 15th the Company released its NI43-101 compliant Mineral Resources Estimate for its Obotan project encompassing the Abore, Adubiaso, Asuadai and Nkran deposits. Combined NI43-101 compliant Mineral Resources for Obotan and Kubi Gold Projects total 761,000 oz Au Indicated and 1,368,000 oz Au Inferred Mineral Resources for five nearby gold deposits at Obotan were estimated by Hellman and Schofield Pty Ltd of Australia

("H&S"): Indicated 3.06 million tonnes grading 1.59g/t gold for 156,000 oz; Inferred 15.64 million tonnes grading 2.1g/t gold for 1,053,000 oz.

Based on the significant resources now confirmed at Obotan, PMI Gold has initiated an internal Feasibility Study, which on acceptance by the Government of Ghana, will allow us to convert mineral licenses at Obotan into a Mining Lease to prepare for future production. PMI Gold will also undertake a significant follow-up drilling program following its Australian co-listing which will be aimed at increasing the gold resource at Obotan.

Disclosure Controls

In connection with Exemption Orders issued in November 2007 and revised in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis.

In contract to the certificates under National Instrument ('NI') 52-109 (Certification of disclosure in an Issuer's Annual and Interim Filings), the Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting as defined in NI 52-109.

Other MD&A Requirements

As at October 12, 2010, the Company has 284,014,088 shares outstanding or 393,434,463 shares on a fully diluted basis. If the Company were to issue 95,676,000 shares upon the conversion of all of its outstanding warrants and 8,837,344 shares upon the conversion of all of its outstanding vested stock options it would raise $12,234,690.

PMIGOLD CORPORATION

CORPORATE DATA

October 12, 2010

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Philip N. Gibbs	Chief Financial Officer
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CAPITALIZATION

Authorized:	Unlimited
Issued:	284,014,088

LISTINGS

TSX Venture Exchange "PMV"
Frankfurt/Berlin "WKN AOJMW7"