

Consolidated Financial Statements of

PMI GOLD
C O R P O R A T I O N

Years ended June 30, 2009 and 2008



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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of PMI Gold Corporation as at June 30, 2009 and 2008 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, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, thin horizontal line that tapers at both ends.

Chartered Accountants

Vancouver, Canada

October 27, 2009

PMI GOLD CORPORATION

Consolidated Balance Sheets

June 30, 2009 and 2008

	2009	2008
Assets		
Current assets:		
Cash	\$ 161,698	\$ 46,563
Receivables	10,400	31,655
Prepaid expenses	102,820	177,687
	274,918	255,905
Mineral properties (note 5)	19,507,068	18,163,261
Equipment (note 6)	39,181	111,628
	\$ 19,821,167	\$ 18,530,794

Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,784,441	\$ 671,689
Due to related parties (note 7)	439,434	477,549
Due to Nevsun Resources Ltd. (note 8)	-	3,055,800
Due to Trafalgar (note 9)	3,143,920	-
Advance subscriptions (note 10)	177,500	-
	5,545,295	4,205,038
Future income tax liability (note 11)	1,142,877	1,131,954
Shareholders' equity:		
Capital stock (note 12)	25,446,185	22,558,210
Equity component of convertible debenture (note 9)	187,887	-
Contributed surplus (note 12)	2,572,075	2,202,055
Deficit	(15,073,152)	(11,566,463)
	13,132,995	13,193,802
Nature of operations and going concern (note 1)		
Commitments (notes 5 and 17)		
Subsequent events (notes 9 and 18)		
	\$ 19,821,167	\$ 18,530,794

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

"Douglas MacQuarrie"
President & Chief Executive Officer

"Philip Gibbs"
Chief Financial Officer

PMI GOLD CORPORATION

Consolidated Statements of Operations, Comprehensive Loss and Deficit

Years ended June 30, 2009 and 2008

	2009	2008
Expenses:		
Amortization	\$ 3,525	\$ 9,673
Foreign exchange gain	(123,195)	(94,216)
Investor relations	108,154	418,006
Management and consulting fees (note 7)	509,564	328,507
Office and miscellaneous	80,804	226,617
Professional fees	649,382	327,965
Stock-based compensation (note 12(d))	102,399	249,597
Transfer agent and regulatory fees	63,522	39,977
Travel and promotion	83,295	113,815
Loss before the following:	(1,477,450)	(1,619,941)
Other income (expenses):		
Interest and financing costs	(1,824,656)	-
Loss on extinguishment of debt (note 9(b))	(188,065)	-
Write-off of assets	(16,685)	-
Interest income	167	16,703
	(2,029,239)	16,703
Net loss and comprehensive loss for the year	(3,506,689)	(1,603,238)
Deficit, beginning of year	(11,566,463)	(9,963,225)
Deficit, end of year	\$ (15,073,152)	\$ (11,566,463)
Basic and diluted loss per common share	\$ (0.039)	\$ (0.021)
Basic and diluted weighted average number of common shares outstanding	90,384,424	74,874,324

See accompanying notes to consolidated financial statements.

PMI GOLD CORPORATION

Consolidated Statements of Cash Flows

Years ended June 30, 2009 and 2008

	2009	2008
Cash provided by (used in):		
Operations:		
Net loss for the year	\$ (3,506,689)	\$ (1,603,238)
Items not affecting cash:		
Amortization	3,525	9,673
Write-off of assets	16,685	-
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	32,575
Foreign exchange on future income tax liability	(183,375)	(264,589)
Stock-based compensation (note 12(d))	102,399	249,597
	(2,640,801)	(1,575,982)
Changes in non-cash working capital:		
Receivables	21,255	39,624
Prepaid expenses	74,867	(25,465)
Accrued interest	481,463	-
Accounts payable and accrued liabilities	1,112,752	398,046
Due to related parties	(38,115)	365,823
	(988,579)	(797,954)
Financing:		
Proceeds from issuance of shares	2,565,000	1,676,318
Share issuance costs	(100,000)	(77,067)
Due to Nevsun Resources Ltd.	(3,055,800)	3,055,800
Proceeds from Trafalgar	3,500,000	-
Payment to Trafalgar	(881,861)	-
Advance subscriptions	177,500	-
	2,204,839	4,655,051
Investments:		
Mineral properties	(1,167,018)	(4,858,485)
Purchase of equipment	(2,259)	(13,265)
Proceeds from disposal of equipment	68,152	-
	(1,101,125)	(4,871,750)
Increase (decrease) in cash	115,135	(1,014,653)
Cash, beginning of year	46,563	1,061,216
Cash, end of year	\$ 161,698	\$ 46,563
Supplementary information (note 13):		
Interest paid	\$ 292,639	\$ -
Taxes paid	-	-

See accompanying notes to consolidated financial statements.

PMI GOLD CORPORATION

Notes to Consolidated Financial Statements

Years ended June 30, 2009 and 2008

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 property is its 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 and to prepare for start-up.

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 is 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, 2009, the Company has net cash inflows \$115,135 (2008 - net cash outflows of \$1,014,653). At June 30, 2009, the Company’s cash balance was \$161,698 (2008 - \$46,563) and working capital deficiency is \$5,270,377 (2008 - \$3,949,133).

On July 4, 2008, the Company obtained bridge financing of approximately \$3,126,000 (net of financing costs), sufficient to settle a past due purchase commitment in respect of the Kubi property and release all liens levied upon mineral properties, and to provide working capital to meet certain accounts payable and accrued liabilities that were outstanding as of July 8. Terms of the bridge financing (note 9) required the full settlement of all outstanding amounts owed to Nevsun Africa (Barbados) Ltd in respect of the Kubi property.

The original terms for the repayment of this bridge financing were not met, and the full amount became due and payable upon service of a notice of default on March 26, 2009. Subsequently further payments were made and extensions obtained as described in note 9. The final installment on the financing, due October 12, 2009, was settled in full on October 19, 2009.

Interim funding was provided through a series of non-brokered private placements which are fully described in note 12.

PMI GOLD CORPORATION

Notes to Consolidated Financial Statements

Years ended June 30, 2009 and 2008

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

The Company's cash position as at June 30, 2009 is not sufficient to meet planned future expenditures and procurement commitments for the ensuing twelve months. It is expected that within the first quarter of the 2010 financial year, proceeds from private placements (as outlined in note 18, Subsequent events) will provide working capital for at least a further quarter. These conditions raise substantial doubt about the Company's ability to continue as a going concern. There can be no assurance that the Company will be able to continue to raise the necessary funds in which case the Company may be unable to meet its obligations and commitments described in notes 5 and 17. The Company has 6,951,568 share purchase warrants with an exercise price of \$0.10 that will expire between July 30, 2009 and August 28, 2010. These warrants also have a forced exercise provision, whereby if the closing price is greater than \$0.12 for 10 consecutive trading days then the warrant holders will have 30 days to exercise the warrants or the warrants expire. On October 26, 2009, the forced exercise provision was triggered. It is also anticipated that the exercise of warrants in 2010 will provide sufficient funds for the planned drilling and exploration program to continue. 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 financing alternatives in order to bring one or other of its mineral properties into production within 12 to 18 months.

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. 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.

PMI GOLD CORPORATION

Notes to Consolidated Financial Statements

Years ended June 30, 2009 and 2008

2. Significant accounting policies (continued):

(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.

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 determined that no material asset retirement obligation exists at June 30, 2009.

PMI GOLD CORPORATION

Notes to Consolidated Financial Statements

Years ended June 30, 2009 and 2008

2. Significant accounting policies (continued):

(e) Equipment:

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

Asset	Rate
Small tools and field equipment	30%
Computer equipment	30%
Computer software	100%
Furniture and equipment	20%
Vehicles	30%

(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 and 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.

PMI GOLD CORPORATION

Notes to Consolidated Financial Statements

Years ended June 30, 2009 and 2008

2. Significant accounting policies (continued):

(g) Stock-based compensation (continued):

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.

(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.

PMI GOLD CORPORATION

Notes to Consolidated Financial Statements

Years ended June 30, 2009 and 2008

2. Significant accounting policies (continued):

(j) Financial instruments (continued):

- 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 has identified certain embedded derivatives to be separately accounted for at June 30, 2009, as discussed in note 9.

(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:

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

3. Adoption of new accounting standards:

Effective July 1, 2008, 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) *Financial Instrument Disclosures* - Handbook Section 3862 and *Financial Instruments - Presentation* - Handbook Section 3863:

The CICA issued Section 3862 on *Disclosures*, and Section 3863 on *Presentation*. These two sections replace Section 3861, *Financial Instruments - Disclosure and Presentation*, and set out additional financial instrument disclosure requirements while carrying forward unchanged its presentation requirements.

Section 3862 - *Financial Instruments - Disclosures* requires additional qualitative and quantitative disclosures about an entity's financial assets and liabilities and their associated risks. Such disclosures include information on the significance of financial instruments to an entity's financial position and the nature and extent of risks arising from the financial instruments. Disclosures include designation of criteria for the classification of types of financial instruments and the determination of when impairment is recorded against a financial asset or when an allowance is used. See additional disclosures in note 14.

PMI GOLD CORPORATION

Notes to Consolidated Financial Statements

Years ended June 30, 2009 and 2008

3. Adoption of new accounting standards (continued):

- (a) *Financial Instrument Disclosures* - Handbook Section 3862 and *Financial Instruments - Presentation* - Handbook Section 3863 (continued):

Section 3863 - *Financial Instruments - Presentation* establishes presentation standards for financial instruments and non-financial derivatives. It also deals with classification of financial instruments from an issuers perspective between liabilities and equity, related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

- (b) *General Standards on Financial Statement Presentation*, Handbook Section 1400:

CICA Handbook Section 1400 has been amended to include requirements for management of the Company to assess at each balance sheet date and, if necessary, disclose any uncertainty surrounding the ability of the Company to continue as a going concern. The Company's disclosures are provided in note 1.

- (c) *Capital Disclosures*, Handbook Section 1535:

CICA Handbook Section 1535 requires additional disclosures relating to capital management strategies. Such information includes qualitative and quantitative disclosures about the Company's objectives, policies, and processes for managing capital, as well as summary quantitative data about what it manages as capital.

The Company will also be required to disclose whether during the period it complied with externally imposed capital requirements and the consequences of non-compliance if applicable. Such disclosures will be based on information provided internally by the Company's management. Additional disclosure is provided in note 15.

- (d) *Mining Exploration Costs* - EIC-174:

On March 27, 2009, the Emerging Issues Committee ("EIC") of the CICA issued EIC-174 Mining Exploration Costs, which provides guidance on capitalization of exploration costs related to mining properties and on assessment for impairment of such capitalized costs. It further provides additional discussion on recognition for long lived assets.

EIC-174 is applicable to the Company's annual consolidated financial statements for the year ending June 30, 2009, with retroactive application without restatement of prior periods. The Company has adopted this recommendation in its fair value determinations for the year ended June 30, 2009. There was no significant impact on the Company's consolidated financial statements as a result of adopting this abstract.

PMI GOLD CORPORATION

Notes to Consolidated Financial Statements

Years ended June 30, 2009 and 2008

3. Adoption of new accounting standards (continued):

(e) *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities* - EIC-173

EIC-173 provides guidance which clarifies that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and liabilities, including derivative instruments. EIC-173 is to be applied retrospectively without restatement of prior periods in interim and annual financial statements for periods ending on or after the date of issuance of EIC-173. The Company has adopted this recommendation in its fair value determinations for the fiscal year ended June 30, 2009. There was no significant impact on the Company's consolidated financial statements as a result of adopting this abstract.

4. Accounting standards issued for adoption in future periods:

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

In November 2007, CICA issued Handbook Section 3064, *Goodwill and Intangible Assets*, replacing Handbook Section 3062, *Goodwill and Other Intangible Assets*, and Handbook Section 3450, *Research and Development Costs*. The objectives of the new Standard is to reinforce 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. This section applies to annual and interim financial statements beginning on or after October 1, 2008.

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

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

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

PMI GOLD CORPORATION

Notes to Consolidated Financial Statements

Years ended June 30, 2009 and 2008

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

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

In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred.

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

- (d) *Financial Instruments*, Section 3862:

In June 2009, the CICA amended 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 amendments to Section 3862 apply for annual financial statements relating to fiscal years ending after September 30, 2009. The Company has not yet adopted the disclosure requirements of this standard and does not expect them to have a material impact on the Company's consolidated financial statements.

PMI GOLD CORPORATION

Notes to Consolidated Financial Statements

Years ended June 30, 2009 and 2008

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.

				2009	2008
	Ashanti II Project	Ofoase and Bankame Concessions	Kubi	Total	Total
Acquisition costs:					
Balance, beginning of the year	\$ 3,030,006	\$ 173,168	\$ 5,621,700	\$ 8,824,874	\$ 3,040,608
Additions during the year	-	-	-	-	5,784,266
Balance, end of year	3,030,006	173,168	5,621,700	8,824,874	8,824,874
Deferred exploration costs:					
Balance, beginning of year	8,259,803	281,801	796,783	9,338,387	7,262,540
Additions during the year:					
Assaying, testing and analysis	-	-	-	-	18,694
Contract labour	3,962	4	4,812	8,778	34,406
Diamond drilling	-	-	130,072	130,072	29,505
Field office	16,484	122	28,250	44,856	192,282
Future income tax liability	194,298	-	-	194,298	288,844
Geology and geophysics	133,968	132	165,572	299,672	726,710
Lease rental and claims maintenance	114,645	18,383	66,089	199,117	110,899
Legal	112,987	-	63,497	176,484	203,694
Project management and related exploration costs	145,165	540	123,978	269,683	459,136
Transportation and travel	7,887	35	12,925	20,847	11,677
	729,396	19,216	595,195	1,343,807	2,075,847
Balance, end of year	8,989,199	301,017	1,391,978	10,682,194	9,338,387
	\$ 12,019,205	\$ 474,185	\$ 7,013,678	\$ 19,507,068	\$ 18,163,261

PMI GOLD CORPORATION

Notes to Consolidated Financial Statements

Years ended June 30, 2009 and 2008

5. Mineral properties (continued):

(a) Properties held by the Company:

All of the Company's mineral properties consist of leases, licenses and options covering mineral concessions and are located in Ghana, West Africa. The governing agreement for the majority of the concessions held by the Company is a Purchase and Sale Agreement (the "Agreement") dated for reference May 12, 2006 between Goknet Mining Company Limited, a company with a common director, 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) shares of the Company (issued during 2006). The Agreement received the approval of the TSX Venture Exchange ("TSX-V") on September 18, 2006.

The Agreement requires payment of an advance NSR to Goknet in the amount of US\$50,000 per year commencing on December 15, 2007 with such advance NSR payments deductible against future NSR payments. As at June 30, 2009, \$100,814 (2008 - \$50,538) is outstanding.

The overall interest, area weighted, in these concessions held by the Company is 86.83%.

Pursuant to the Agreement, the Company has completed registration of title to four (4) concessions through its wholly-owned subsidiary Adansi Gold Company (GH) Limited which are:

- Juabo (Gemap),
- Diaso,
- Abore Abirem, and
- New Obuasi (Fromenda)

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Notes to Consolidated Financial Statements

Years ended June 30, 2009 and 2008

5. Mineral properties (continued):

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

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

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

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

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

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

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, 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 International Royalty Corporation. The property is comprised of two overlapping mining leases, both with renewable 20 year terms expiring September 17, 2028 and totaling 0.018 and 19.16 sq km respectively. The mining lease requires NS Ghana to pay US\$60,000 (paid) on the grant of lease. The mining lease requires NS Ghana to pay royalties as proscribed by legislation based on the quarterly production.

PMI GOLD CORPORATION

Notes to Consolidated Financial Statements

Years ended June 30, 2009 and 2008

5. Mineral properties (continued):

(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. The licence expires on August 11, 2010. The licence area connects the Company's Abore Abirem, Switchback, Fromenda and Diaso Afiefiso concessions. Adansi is required to pay:

- US\$15,000 by September 10, 2008 (paid) and annual rent of Ghana Cedi 11.

The agreement requires Adansi to spend at a minimum of US\$198,495 and Ghana Cedi 11,484 as agreed in the work programme by August 10, 2010.

In September 2008, Adansi entered into a licence agreement with the Government of Ghana to prospect for gold in the Adubea area. The licence expires on September 11, 2010. The prospecting licence requires Adansi to pay:

- US\$15,000 by October 11, 2008 (paid) and annual rent of Ghana Cedi 3.

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.

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 licence expires on October 10, 2010. 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 requires Adansi to pay:

- US\$15,000 by November 10, 2008 (paid) and annual rent Ghana Cedi 6.

The agreement requires Adansi to spend at a minimum of US\$194,183 and Ghana Cedi 17,644 as agreed in the work programme by October 9, 2010.

(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. To acquire a 60% interest, the Company was required to:

- Pay US\$16,000 annually to an arm's length vendor;
- Pay an annual payment of US\$10,000 to Goknet in December each year until the option is exercised. As at June 30, 2009, this amount is included in accounts payable and accrued liabilities;
- Complete a feasibility study by December 31, 2010.

The Company can increase its interest in the concession to 70% by financing Goknet's 20% share of capital expenditures to build a mine; or to 80% by purchasing all of Goknet's interest for US\$1,000,000 plus a 2% NSR interest.

PMI GOLD CORPORATION

Notes to Consolidated Financial Statements

Years ended June 30, 2009 and 2008

5. Mineral properties (continued):

(d) Properties held under option (continued):

The Company entered into an agreement dated January 26, 2007 to acquire the Bankame concession, a contiguous property to Ofoase concession, from Goknet by undertaking all exploration, keeping the concession in good standing, making annual payments of US\$5,000 in December each year and reserving a 2% NSR on behalf of Goknet. As at June 30, 2009, the US\$5,000 is included in accounts payable and accrued liabilities.

In January 2008, PMI entered into a Letter Agreement with Golden Lion Resources (Ghana) Ltd. and Goknet Mining Company (Ghana) Limited whereby Golden Lion will purchase a 100% interest, subject to the Government of Ghana's 10% free carried interest, in the Bankame and Ofoase Concessions. The completion of a final purchase agreement was pending Golden Lion listing on the Australian stock exchange ("ASX") and as at year end this had still not occurred. In accordance with the letter of offer, the period of offer has not expired and it is now at the Company's discretion as to whether they will proceed with the transaction when and if Golden Lion lists on the ASX.

In August 2007, the Company reached agreement with Mr. Emmanuel Acquah the overall head of the Tuakwa Biney Dehyena Family, whereby Adansi Gold Company (Gh) Limited ("Adansi Gold") the 100% owned subsidiary of PMI Gold, has the right to acquire 100% of the Edubia Mining Lease situated at Adubea in the Ashanti Region of Ghana, and more particularly located 8 km northeast of our Nkran Mine.

Adansi can earn a 100% interest in the lease by making cash payments of US\$100,000 (paid); by paying a further US\$100,000 upon the receipt of a positive pre-feasibility study recommending production; and by reserving for the vendor a 0.5% net smelter returns royalty. In addition, Adansi retains the first right of refusal on any other Biney leases that form a part of the estate.

The above concessions are in three groups of contiguous concessions; the Ashanti II Project, which are all located on the Asankrangwa gold belt, the Kubi Project, and the Ofoase/Bankame Project on the Ashanti Belt.

6. Equipment:

2009	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 24,411	\$ 16,578	\$ 7,833
Furniture and equipment	67,088	35,740	31,348
	\$ 91,499	\$ 52,318	\$ 39,181

PMI GOLD CORPORATION

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Years ended June 30, 2009 and 2008

6. Equipment (continued):

2008	Cost	Accumulated amortization	Net book value
Small tools and field equipment	\$ 62,825	\$ 22,016	\$ 40,809
Computer equipment	22,152	13,774	8,378
Computer software	4,411	4,411	-
Furniture and equipment	9,551	1,433	8,118
Vehicles	94,394	40,070	54,323
	\$ 193,333	\$ 81,704	\$ 111,628

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:

	2009	2008
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	70,000
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	15,000
Directors' fees:		
J.H. Mensah	12,000	12,134
Peter Hooper	2,000	18,000
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's Ghanaian subsidiary (T. Ennison).	96,600	87,000

PMI GOLD CORPORATION

Notes to Consolidated Financial Statements

Years ended June 30, 2009 and 2008

7. Related party transactions (continued):

Amounts due to related parties are as follows:

	2009	2008
Management and consulting fees:		
Amount payable to a company controlled by a director of the Company providing management services.	\$ 94,100	\$ 30,000
Amount payable to a director of the Company, who resigned November 2008, providing consulting services.	40,000	70,000
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	15,750
Amounts payable for directors' fees:		
J.H. Mensah	9,000	6,000
Peter Hooper	2,000	6,000
Len Dennis	3,000	6,000
Deferred exploration costs:		
Amount payable to a firm controlled by a director of the Company's Ghanaian subsidiary providing legal and other services and expenses.	52,963	21,862
Accrued cash loans:		
D. MacQuarrie	3,587	52,304
D. Buckle	100,409	233,409
T. Ennison	25,714	20,962
Peter Hooper	1,958	-
Accounts payable for reimbursable expenses:		
D. MacQuarrie	3,731	15,262
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.

PMI GOLD CORPORATION

Notes to Consolidated Financial Statements

Years ended June 30, 2009 and 2008

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 our Obotan project.

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:

	2009	2008
Trafalgar loans:		
Bridge loan	\$ 1,571,960	\$ -
Convertible debt	1,571,960	-
	<u>\$ 3,143,920</u>	<u>\$ -</u>

On July 4, 2008 the Company entered into a C\$3,500,000 secured loan ("Loan") with Trafalgar Capital (the Lender) comprised of a \$1,750,000 ninety 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 Gold Company (Gh) Limited and Nevsun Resources (Ghana) Ltd. Various payments of cash and common shares were required over the course of the Loan resulting from initial debt facility terms, issue costs and various extension agreements until settlement of the Loan on October 19, 2009. In total, the Company paid \$4,785,068 in cash (of which \$3,230,538 was paid subsequent to June 30, 2009), issued 10,493,245 of common shares (of which 7,409,911 remain issuable subsequent to June 30, 2009) and issued 218,750 warrants to settle the liability.

PMI GOLD CORPORATION

Notes to Consolidated Financial Statements

Years ended June 30, 2009 and 2008

9. Due to Trafalgar (continued):

(a) Initial contract terms and fees:

The bridge loan carried interest at 14% per annum for the first ninety days, with an optional 12.5% redemption premium on principal for earlier redemption at the Company's election. The Company evaluated the agreement for embedded derivatives and determined that although this redemption feature required separation from the host contract, it had no material value at inception and at June 30, 2009.

The convertible debenture bears interest at 14% per annum for the first ninety days, and 10% per annum thereafter with an additional 12.5% redemption premium on any principal repayments made by the Company.

The Loan was classified as an other financial liability and the Company elected to expense transactions costs as incurred. Upon Loan issuance, the Lender withheld a 7% commitment fee totaling \$245,000, two 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)). Debenture principal, interest and redemption premium were repayable commencing November 5, 2008 in equal installments comprised of shares and cash. In the event the market price is less than \$0.20, the Company must pay the difference in cash.

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.

The convertible debt includes a conversion feature whereby the holder can convert outstanding principal and interest owing by the Company at a rate of \$0.28 per common share within the first 18 months following loan inception, and \$0.308 per common share within the last six months, provided the Lender does not exceed 9.99% ownership interest in the Company. This is considered a conversion feature. The equity portion of the debenture was assigned a total value of \$230,334 using a Black-Scholes valuation model upon issuance, which was recorded in equity. The following assumptions were estimated for the Black-Scholes valuation of the equity component of the convertible debenture:

Risk-free interest rate	3.24%
Expected life of options	2 years
Stock price volatility	67%
Dividend rate	0%

PMI GOLD CORPORATION

Notes to Consolidated Financial Statements

Years ended June 30, 2009 and 2008

9. Due to Trafalgar (continued):

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

Total financing fees of \$322,500 related to the convertible debenture, of which \$42,447 were allocated to the equity component.

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 is not closely related to the host contract and therefore requires separate accounting from the debt host contract. The embedded derivative was classified as held for trading and is measured at fair value. The estimated fair value of the embedded derivative at Loan inception was \$40,000 with a nil value at June 30, 2009. The change in fair value is recorded in net income under interest and financing costs.

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, 2009, \$1,238,464 (June 30, 2008 - nil) has been 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 ninety day term.

- (b) On October 3, 2008, the Company received a 30 day extension of the bridge loan by amending the optional early redemption premium into a fixed redemption premium of \$218,750 and issuing 1,000,000 common shares valued at \$120,000 to the Lender. Due to the significant change in terms of the debt, the Company accounted for this extension as a debt extinguishment under EIC 88 - *Debtor's Accounting for a Modification or Exchange of Debt Instruments*, recognizing a loss on extinguishment of \$188,065. There were no embedded derivatives requiring separation in the new debt instrument. Subsequent to the extension, the Company was not able to meet this revised maturity deadline, nor fully comply with repayment terms of the convertible debenture. The Company continued to accrue interest on outstanding principal for both the bridge loan and convertible debenture at 10% per annum over this term.
- (c) On February 3, 2009, the Company signed an additional one month extension agreement with the Lender by agreeing to issue 7,409,911 shares with a fair market value of \$222,297 to the Lender in extension fees. The TSX-V withheld final approval to release the shares until full settlement of the debt (note 12(b)(vii)). The Company has expensed this amount as part of interest expense.
- (d) On February 24, 2009, the Company made a \$1,000,000 payment towards partial settlement of the bridge loan and convertible debenture in order to extend the loan terms to March 25, 2009. The Company was not able to make an additional extension payment of \$1,000,000 before March 25, 2009 requested by the Lender in order to extend outstanding loan terms to May 25, 2009.

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Notes to Consolidated Financial Statements

Years ended June 30, 2009 and 2008

9. Due to Trafalgar (continued):

- (e) On March 26, 2009, the Company received formal notice of default from the Lender, whereupon all principal, accrued interest, and redemption premiums outstanding on the bridge loan and convertible debenture became due and payable in full. At June 30, 2009, the Company remained in default on the bridge loan and debenture. Interest on both loans continued to accrue at 10% per annum on principal amounts outstanding. At June 30, 2009, \$3,143,920 in accrued interest, principal and redemption premiums was outstanding.
- (f) 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.
- (g) On October 19, 2009, the Company settled all remaining obligations to the Lender with a final payment totaling \$2,205,538, except for the issuance of 7,409,911 shares (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.

11. Income taxes:

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

	2009	2008
Loss for the year	\$ (3,506,689)	\$ (1,603,238)
Expected income tax recovery	\$ (1,069,540)	\$ (522,014)
Change in statutory tax rate	51,373	488,454
Non-deductible expenses	31,504	17,809
Un-recognized benefit of non-capital losses	986,663	15,751
Total income taxes	\$ -	\$ -

PMI GOLD CORPORATION

Notes to Consolidated Financial Statements

Years ended June 30, 2009 and 2008

11. Income taxes (continued):

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

	2009	2008
Future income tax assets:		
Non-capital loss carry-forwards	\$ 2,219,231	\$ 1,422,600
Cumulative exploration and development expenses	4,984,238	4,326,613
Equipment	154,441	127,157
Other	63,012	54,130
	7,420,922	5,930,500
Valuation allowance	(7,420,922)	(5,930,500)
	-	-
Future income tax liabilities:		
Resource assets	(1,142,877)	(1,131,954)
Net future income tax liabilities	\$ (1,142,877)	\$ (1,131,954)

The Company has non-capital losses of approximately \$8,876,924 available for deduction against future taxable income. These losses, if not utilized, will expire through 2029.

Year	Canada	Ghana	Total
2010	\$ 83,297	\$ -	\$ 83,297
2011	319,481	-	319,481
2015	828,030	-	828,030
2016	731,134	60,999	792,133
2017	-	569,677	569,677
2027	743,135	-	743,135
2028	2,148,601	-	2,148,601
2029	3,392,570	-	3,392,570
	\$ 8,246,248	\$ 630,676	\$ 8,876,924

Subject to certain restrictions, the Company also has resource expenditures available to reduce taxable income 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.

PMI GOLD CORPORATION

Notes to Consolidated Financial Statements

Years ended June 30, 2009 and 2008

12. Capital stock and contributed surplus:

- (a) Authorized - Unlimited common shares, without par value
- (b) Common shares issued:

	Capital stock		Contributed surplus
	Number of shares	Amount	
Balance, June 30, 2007	63,841,456	\$ 18,258,958	\$ 1,952,458
Private placements	4,808,280	1,346,319	-
Issue of shares for mineral properties	9,000,000	2,700,000	-
Share issuance costs	-	(77,067)	-
Exercise of warrants	1,100,000	330,000	-
Exercise of options	-	-	-
Stock-based compensation	-	-	249,597
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 finders 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

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.

PMI GOLD CORPORATION

Notes to Consolidated Financial Statements

Years ended June 30, 2009 and 2008

12. Capital stock and contributed surplus (continued):

(b) Common shares issued (continued):

- (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 the amounts owed to the Company's creditors.
- (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 was 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 will be issued on obtaining a release from the TSX-V.

During the year ended June 30, 2008, the following stock transactions occurred:

- (A) In July 2007, pursuant to a non-brokered private placement, the Company issued 3,769,855 units at a price of \$0.28 per unit for proceeds of \$1,055,559. Each unit is comprised of one common share and one share purchase warrant exercisable for two years at a price of \$0.375 per share until July 31, 2008 and at \$0.45 per share from July 31, 2008 to July 31, 2009.
- (B) In September 2007, 1,100,000 shares were issued pursuant to the exercise of 1,100,000 share purchase warrants at \$0.30 per warrant for proceeds of \$330,000.
- (C) In October 2007, 9,000,000 shares were issued at \$0.30 per share pursuant to an agreement with Nevsun Africa (Barbados) Ltd. to purchase Nevsun Resources (Ghana) Ltd.
- (D) In March 2008, pursuant to a non-brokered private placement, the Company issued 1,038,425 units at a price of \$0.28 per unit for proceeds of \$290,759. Each unit is comprised of one common share and one half share purchase warrant exercisable for two years at a price of \$0.375 per share until March 8, 2009 and at \$0.45 per share from March 9, 2009 to March 8, 2010.

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Notes to Consolidated Financial Statements

Years ended June 30, 2009 and 2008

12. Capital stock and contributed surplus (continued):

(c) Stock option plan:

On December 12, 2008, the shareholders approved a new stock option plan. Under the Company's stock-based compensation plan, the Company may grant options to its directors, officers, employees and consultants. The maximum number of shares issuable under the plan is 16,949,947 shares and cannot exceed 20% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option shall be fixed by the board of directors but shall not be less than the quoted closing market price of the shares on the TSX-V on the date the option is granted less a discount of up to 25%. The amount of the discount varying with market price in accordance with the policies of the TSX-V. 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.

During the year ended June 30, 2009 stock options previously issued with exercise prices of between \$0.25 to \$0.35 per share were re-priced to \$0.10 per share. On November 19, 2008 the board of directors approved the re-pricing of 4,880,000 non-insider stock options and 2,975,000 insider options subject to disinterested shareholder approval at the Annual General Meeting on December 12, 2008

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

PMI GOLD CORPORATION

Notes to Consolidated Financial Statements

Years ended June 30, 2009 and 2008

12. Capital stock and contributed surplus (continued):

(c) Stock option plan (continued):

As at June 30, 2008, 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
50,000	\$ 0.45	28-Aug-03	28-Aug-08	\$ 22,500	50,000
45,000	0.45	14-Oct-03	14-Oct-08	20,250	45,000
1,412,500	0.30	28-Jun-04	28-Jun-09	423,750	1,412,500
811,250	0.30	1-Sep-04	1-Sep-09	243,375	811,250
190,000	0.25	9-Mar-05	9-Mar-10	47,500	190,000
500,000	0.25	4-Apr-05	4-Apr-10	125,000	500,000
500,000	0.25	14-Aug-05	14-Aug-10	125,000	500,000
1,466,250	0.30	13-Sep-05	13-Sep-10	439,875	1,466,250
325,000	0.25	12-Jan-06	12-Jan-11	81,250	325,000
1,300,000	0.35	15-Dec-06	15-Dec-11	455,000	1,300,000
200,000	0.35	29-Jan-07	29-Jan-12	70,000	133,333
300,000	0.35	26-Jun-07	26-Jun-12	105,000	200,000
300,000	0.35	21-Sep-07	21-Sep-12	105,000	100,000
500,000	0.35	24-Dec-07	24-Dec-12	175,000	166,667
1,000,000	0.35	26-Mar-08	26-Mar-13	350,000	-
8,900,000	\$ 0.31			\$ 2,788,500	7,200,000

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

	2009		2008	
	Number of options	Weighted average price	Number of options	Weighted average price
Options, beginning of year	8,900,000	\$ 0.31	7,965,000	\$ 0.35
Granted	100,000	0.30	1,800,000	0.35
Exercised	-	-	-	-
Cancelled/forfeited	(3,357,500)	0.21	(865,000)	0.38
Options, end of year	5,642,500	\$0.10	8,900,000	\$ 0.31
Total stock options exercisable	5,325,833	\$0.10	7,200,000	\$ 0.31

PMI GOLD CORPORATION

Notes to Consolidated Financial Statements

Years ended June 30, 2009 and 2008

12. Capital stock and contributed surplus (continued):

(d) Stock-based compensation:

During the year ended June 30, 2009, the Company granted options totaling 100,000 (2008 - 1,800,000). The fair value of these options is \$4,550 (2008 - \$245,808), based on the Black-Scholes option pricing model. The repricing 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, 2008, the stock-based compensation recognized was \$102,399 (2008 - \$249,597).

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

	2009	2008
Risk-free interest rate	3.90%	3.43% - 3.95%
Expected life of options	5 years	3.5 - 5 years
Stock price volatility	100%	75% - 81%
Dividend rate	0%	0%

(e) Warrants:

3,769,855 of 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 repriced to \$0.10 in May 2009.

Repriced warrants have 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 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

PMI GOLD CORPORATION

Notes to Consolidated Financial Statements

Years ended June 30, 2009 and 2008

12. Capital stock and contributed surplus (continued):

(e) Warrants (continued):

The following share purchase warrants were outstanding at June 30, 2008:

Expiry dates	Number of warrants	Exercise price
March 28, 2009	6,150,000	\$ 0.45
July 30, 2008 / July 30, 2009	3,953,288	0.375 / 0.45
March 10, 2009 / March 10, 2010	519,213	0.375 / 0.45
	10,622,501	\$ 0.42

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

	2009		2008	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants, beginning of year	10,622,501	\$ 0.375	15,221,400	\$ 0.350
Issued	38,518,750	0.080	4,472,501	0.375
Exercised	-	-	(1,100,000)	-
Expired/forfeited	(6,150,000)	-	(7,971,400)	-
Warrants, end of year	42,991,251	\$ 0.080	10,622,501	\$ 0.375

13. Supplemental disclosure with respect to cash flows:

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.

The significant non-cash transaction of the Company for the year ended June 30, 2008 consisted of the issuance of 9,000,000 shares to Nevsun Africa (Barbados) Ltd. at a deemed value of \$2,700,000 for the purchase of Nevsun Resources (Ghana) Ltd. and the Kubi property it holds.

PMI GOLD CORPORATION

Notes to Consolidated Financial Statements

Years ended June 30, 2009 and 2008

14. Financial instruments:

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 fair value of due to Trafalgar is \$3,143,920.

(a) 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 financial institutions, it is management's opinion that the Company is not exposed to significant credit risks arising from the financial instruments.

(b) 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 has been in a highly illiquid state throughout the year, following the mothballing of its planned bond issue in October 2008, culminating in a Notice of Default from its secured creditor, Trafalgar Capital Specialized Investment Fund, FIS, on March 26, 2009.

At the Balance Sheet date, the total outstanding amount due to Trafalgar was \$3,143,920 comprising principal, interest and redemption premium. Upon payment of a further \$1,000,000, an agreement was signed on July 15, 2009 granting extension of the remaining balance to October 12, 2009. This total remaining outstanding amount of \$2,205,538 was settled in full on October 19, 2009. Further details surrounding the Trafalgar transaction are outlined in note 9.

As at June 30, 2009 the Company had current liabilities totaling \$5,545,295, inclusive of the amount owed to Trafalgar. The Company's ability to meet its obligations is dependent upon its ability to raise further financing, as noted in the discussion on going concern in note 1.

PMI GOLD CORPORATION

Notes to Consolidated Financial Statements

Years ended June 30, 2009 and 2008

14. Financial instruments (continued):

(c) 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.

(i) 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, 2009 the Company is exposed to currency risk through the following liabilities denominated in foreign currencies:

	Ghanaian Cedis	US Dollars	Pound Sterling	Euros
Cash	1,677	6,199	-	-
Accounts payable and accrued liabilities	(202,924)	(301,998)	(38,721)	(8,500)
	(201,247)	(295,799)	(38,721)	(8,500)
CAD foreign exchange rate	0.7818	1.156	1.9097	1.624
CAD equivalent	(157,335)	(341,944)	(73,945)	(13,804)

A 10% change in the Canadian dollar against the foreign currency at June 30, 2009 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	\$ 15,733
US Dollars	34,194
Pound Sterling	7,395
Euros	1,380

(ii) 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 debt consists of fixed rate loans and debentures.

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

PMI GOLD CORPORATION

Notes to Consolidated Financial Statements

Years ended June 30, 2009 and 2008

14. Financial instruments (continued):

(d) 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 and foreign currency exchange. 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.

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:

	2009	2008
Assets:		
Canada	\$ 278,381	\$ 232,610
Ghana	19,542,786	18,298,184
	<hr/>	<hr/>
	\$ 19,821,167	\$ 18,530,794

PMI GOLD CORPORATION

Notes to Consolidated Financial Statements

Years ended June 30, 2009 and 2008

17. Commitment:

The Company has entered into an operating lease agreement for office premises of \$8,490 for 2010.

18. Subsequent events:

On July 17, 2009, the Company closed a private placement of 30,000,000 units at a price of \$0.05 per unit for gross proceeds of \$1,500,000. Each unit is comprised of one common share and one share purchase warrant exercisable for three years at a price of \$0.10 per share. \$17,200 was paid and 86,000 warrants were issued as a finder's fee. The warrants are exercisable for three years at an exercise price of \$0.10. The proceeds of the private placement were used to pay some of the outstanding accounts payable and reduce the debt owing to Trafalgar Specialized Investment Fund, FIS ("Trafalgar") by \$1,000,000. Trafalgar extended the repayment of the amount outstanding to October 12, 2009 (note 9).

On September 10, 2009, the Company granted 8,638,750 stock options to directors, officers, employees and advisors. The options expire on September 9, 2014 and the exercise price is \$0.15 per share.

On October 20, 2009, the Company closed a non-brokered private placement of 36,455,000 units at a price of \$0.10 per unit for gross proceeds of \$3,645,500. Each unit is comprised of one common share and one share purchase warrant exercisable for two years at a price of \$0.15 per share. \$90,000 was paid and 225,000 warrants were issued as a finder's fee. The majority of the proceeds were used to repay the outstanding debt to Trafalgar (note 9).



Introduction

The following discussion and analysis of the operations, results, financial position and related Notes of the Company for the year ended June 30, 2009 should be read in conjunction with the June 30, 2009 Audited Financial Statements and related Notes. The effective date of this report is October 26, 2009. 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.

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 1 Switchback Crescent, Cantonments, 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.

The long-term goals for PMI Gold include:

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

Operating Activities

The net loss for the year ended June 30, 2009 was \$3,506,689 compared to a net loss of \$1,603,238 for the year ended June 30, 2008.

The major increase in the net loss in the period relative to the prior period was as a result of interest and financing charges pursuant to the outstanding bridge and debenture loan re the final purchase of our Kubi Gold Project; and to the increased operating activities undertaken by management to finalize a rated bond offering including, but not limited to: legal fees, bond rating agency fees and set up of the trust corporate vehicle in Jersey. In the light of

global economic conditions developing towards the latter stages of 2008, the Company has not proceeded with its bond offering, though this is not excluded as a potential future source of funding.

Capital Stock and Financing

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

On July 8, 2008, pursuant to the terms of the Trafalgar Capital Specialized Investment Fund, FIS ("Trafalgar) 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..

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.

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.

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

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 was 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.

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.

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 will be issued on the settlement of the debt.

Corporate Developments

In July 2008 the Company arranged and closed a \$3.5 million secured loan, the Trafalgar loan, the proceeds of which were applied to the final payment of US\$3 million and accrued interest outstanding and payable to Nevsun Africa (Barbados) Ltd. pursuant to the agreement to acquire Kubi announced on September 17, 2007. The secured loan comprises a \$1,750,000 ninety day bridge loan and a \$1,750,000 Convertible Debenture maturing July 7, 2010. Full terms of these loans are disclosed in the consolidated Annual Financial statements.

During the period the Company acquired the Kaniago (Adansi) Prospecting License by direct application to the Minerals Commission of Ghana. This license joins our Abore Abirem concession to our Switchback and Diaso concessions, giving PMI Gold a continuous 70 km long mineral title, the largest land holding in the central part of the Asankrangwa Gold Belt.

In September, Peter Hooper, Director, was appointed as the new President and CEO; and Douglas MacQuarrie as Executive Director of New Business and Exploration. The Company also announced, subject to regulatory approval, five year incentive stock options expiring on September 12, 2013, to purchase a total of 100,000 common shares of the Company, at a price of \$0.30 per share to a consultant.

The Company also acquired two new concessions adjoining to the north and south of the Kubi Mining Leases. The new prospecting license is in two parts, known as the Gyimigya and Dunkwa and cover 8.20 and 26.26 sq km respectively. Gyimigya adjoins immediately to the south of the AngloGold Ashanti Obuasi mine concession.

Approval was also received from the Minister of Lands, Forestry and Mines of Ghana to a twenty (20) year extension to PMI Gold's two Kubi Mining Leases, located just northeast of the regional capital of Dunkwa in SW Ghana. The lease extensions were requested as part of the requirements to fund and develop a new mine at Kubi.

In October, as a result of the world wide economic difficulties and on the advice of its corporate finance advisors, Devitor AB of Sweden, the Company announced they would postpone its bond offering pending a return to more stable capital market conditions.

In November, the Company accepted the resignation of David M. Buckle, and re-appointed Douglas R. MacQuarrie as the President and CEO.

In November the Company announced that considering the depressed state of the equity markets and its negative working capital position, it resolved to lower the price of all the outstanding share purchase options and warrants to \$0.10, or such other price acceptable to the TSX Venture Exchange. The majority of the disinterested shareholders of the Company approved the resolution at the Annual General Meeting held on December 12, 2008.

The Company, subsequent to TSX Venture Exchange approval, settled \$214,140 of its accounts payable by issuing 1,784,500 shares for debt at a deemed price of \$0.12 per share to those creditors who accepted the offer.

On January 5, 2009 the Company announced that Jeffery Sternberg was appointed as a Director of the Company.

The Company announced January 30, 2009 that the financing facilities entered into with Trafalgar in July 2008 for \$3.5 million, had as of that date not been re-extended. The Company also advised that they were in discussions with numerous financing sources with respect to satisfying the outstanding debt issues and moving the Company's projects forward, and that it was continuing to work with Trafalgar and other investor groups.

On February 19, 2009, the Company announced that it entered into an Engagement Agreement with Jessup & Lamont Securities Corporation of New York (the "Agent") to raise US\$20 million in Senior Convertible Promissory Notes (the "Notes"). The Notes will be offered on a private placement basis to accredited investors and qualified institutional buyers. The engagement was on a non exclusive, best efforts basis. On June 16th the Company announced that it would not be proceeding with this placement.

On February 24, 2009, the Company made a \$1,000,000 payment towards partial settlement of the Trafalgar loan and convertible debenture in order to extend the loan terms to March 25, 2009. The Company was not able to make an additional extension payment of \$1,000,000 before March 25, 2009 as requested by the Lender in order to extend outstanding loan terms to May 25, 2009. A proposed private placement of up to 30,000,000 units at \$0.05 for this purpose closed on May 14 for a total of \$565,000.

On March 26, 2009 the Company received a "Notice of Default" from Trafalgar. In accordance with Agreements in place, the Company was provided a ten day period in which to remedy the situation. On April 7, 2009 the Company issued a news release advising that this Notice would not be acted upon by Trafalgar, and that further discussions to resolve the outstanding indebtedness were occurring. On April 27, 2009 the Company reported that it would commence a 1,000 metre diamond drilling program on its Kubi Gold Project. The purpose of this drilling was to test numerous airborne electromagnetic targets which had been previously outlined, for additional gold mineralization.

On June 16, 2009 the Company announced that approval had been received from the TSX Venture Exchange to the repricing of some share purchase warrants to \$0.10, with a forced exercise provision that if a closing share

price of \$0.12 or greater was reached for ten consecutive trading days, the warrant holders would have 30 days in which to exercise their warrants, otherwise expiry would take place on the 31st day.

Exploration Results

During the period, a total of \$1,149,503 was expended on exploration and development on the Company's projects. Work during the period consisted primarily of drilling, ground geophysics, land acquisition and holding/renewal and reporting costs. Corporate operations were maintained at the minimum level to preserve our major staff and sites at the Accra, Sefwi, Obotan and Dunkwa operations.

At Kubi, a total of 1,005 metres in 8 holes were completed in the first program, with several of the tested electromagnetic conductors containing enhanced levels of gold mineralization. The results from this program confirmed that there were substantial untested, gold mineralized structures in near vicinity to our current NI 43-101 resources at the Kubi Main zone and that further drilling to outline additional mineralization was warranted. A second program was planned to commence in the 1st 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 locally in Ghana and in Vancouver.

General and administrative costs can be expected to fluctuate relationally with acquisitions, exploration and operations.

Despite the working capital deficiency, the Company is continuing to operate as a going concern and is focused on obtaining financing to place it's Kubi and Obotan Gold Projects into production. Until 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 including equity, long term debt, gold loans or joint ventures.

Selected Annual Information

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

	2009	2008	2007	2006
	6 months			
	\$	\$	\$	\$
Loss for the period	(3,640,165)	(1,603,238)	(835,217)	(1,118,442)
Loss per common share basic and diluted	(0.038)	(0.021)	(0.010)	(0.020)
Weighted average number of common shares	90,384,424	74,874,324	60,501,395	54,242,070
Balance Sheet data				
Working Capital	(5,270,377)	(3,949,133)	899,348	139,367
Total assets	19,821,167	18,530,794	11,741,259	9,795,906

Revenues

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

Expenses

	2009	2008
Amortisation	3,525	9,673
Foreign Exchange loss/(gain)	(123,195)	(94,216)
Investor relations	108,154	418,006
Management and consulting fees	509,564	328,507
Office and miscellaneous	80,804	226,617
Professional fees	649,382	327,965
Stock based compensation	102,399	249,597
Transfer agent and regulatory fees	63,522	39,977
Travel and promotion	<u>83,295</u>	<u>113,815</u>
Loss before other items	(1,477,450)	(1,619,941)
Interest and financing	(1,824,656)	-
Loss on extinguishment of liability	(188,065)	-
Write of off assets	(16,685)	-
Interest	<u>167</u>	<u>16,703</u>
Net Loss	<u>(3,506,689)</u>	<u>(1,603,328)</u>

Management and consulting fees increased to \$509,564 as a result of consultant activities surrounding the rating of the proposed bond for the Kubi development. Professional fees rose to \$649,382, mainly for services provided in connection with obtaining the Trafalgar loan, and subsequent extensions thereof.

Investor relations as well as Office and miscellaneous costs reflect the scaling back of activity during the year in order to focus on elimination of the secured debt.

Interest and financing charges are specific to the Trafalgar transaction, as is the Loss on extinguishment which is detailed in the Notes to the Financial Statements.

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, 2009.

	2009				2008			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net sales or revenue		Nil	Nil	Nil	Nil	Nil	Nil	Nil
Gain/(Loss) before other items	(790,266)	(232,069)	(1,223,195)	(1,006,577)	(426,912)	(151,241)	(646,516)	(395,272)
Other Items	(1,100,847)	-	-	-	1,554	3,406	8,164	3,579
Net Profit/(Loss)	(1,891,113)	(232,069)	(1,223,195)	(1,006,577)	(425,358)	(147,835)	(638,352)	(391,693)
Basic and diluted Net Loss per share	(0.038)	(0.022)	(0.014)	(0.010)	(0.021)	(0.010)	(0.010)	(0.010)

*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, 2009

	2009	2008
Amortization	830	(4,733)
Foreign exchange loss/(gain)	55,763	(84,166)
Investor relations	5,919	79,365
Management & Consulting Fees	244,078	85,586
Office & Miscellaneous	150,937	164,361
Professional Fees	372,039	155,124
Stock based compensation	(47,073)	(13,424)
Transfer agent and regulatory fees	7,589	2,251
Travel and promotion	184	42,548
Financing	1,100,847	-
	\$1,891,113	\$426,912

Loss before financing charges for the three months ended June 30, 2009 is \$790,266 as compared to a loss of \$426,912 for the three months ended June 30, 2008. Expenses generally increased due to the costs of financing associated with the Trafalgar loan, including an increase in professional services charges associated with agreements to extend the life and terms of the loans. Consulting fees increased to \$244,078 in the quarter over \$85,586 in the prior year due to a once-off fee in the current year associated with consultancy to assist in raising financing.

Stock based compensation is calculated at \$(47,073) for the three months ended June 30, 2009 as compared to (\$13,424) for the three months ended June 30, 2008, which reflected a revaluation of contractor and employee options vested in the prior year.

Treasury Summary

Capital Stock Summary

	Number of shares	Amount	Contributed Surplus
Balance June 30, 2009	118,917,570	\$ 25,311,392	\$ 2,605,324

Warrants Summary

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

Number of Warrants	Exercise Price
42,991,251	\$0.079

**On May 13th the company obtained TSX Venture Exchange approval to decrease the price of the 6,451,568 outstanding warrants held by non-insiders to \$0.10; and 500,000 of the warrants held by insiders to \$0.10.*

Options Summary

The following options were outstanding at June 30, 2009:

Number of Options	Exercise Price	Maximum Future Proceeds	Number of Options Vested
5,642,500	\$0.10	\$564,250	5,325,833

Subsequent to final TSX Venture Exchange approval, all options have been re-priced to \$0.10 in accordance with the resolution passed by the Shareholders at the Annual General Meeting held on 12 December 2008.

Liquidity and Capital Resources

As at June 30, 2009, the Company had a net working capital deficiency of (\$5,270,377) (2008: (\$3,949,133)). The increase is primarily due to the Trafalgar loan and debenture becoming payable in full.

There are no commitments for capital expenditures, or mineral properties commitments other than ongoing option and regulatory fee payments. Whilst the Company's cash position as at June 30, 2009 is not sufficient to meet planned future expenditures and procurement commitments for the ensuing twelve months, it is expected that within the first quarter of the 2010 financial year, proceeds from private placements (as outlined in the commentary on Subsequent events) will permit the settlement of secured debt and provide working capital for at least a further quarter. In addition the Company has 6,951,568 share purchase warrants with an exercise price of \$0.10 that will expire between July 30, 2009 and August 28, 2010, and these warrants have a forced exercise provision, whereby if the closing price is greater than \$0.12 for 10 consecutive trading days then the warrant holders will have 30 days to exercise the warrants or the warrants expire. On October 26, 2009, the forced exercise provision was triggered. It is anticipated that the exercise of warrants in 2010 will provide sufficient funds for the planned drilling and exploration program to continue.

The Company's ability to continue as a going concern is dependent upon its ability to raise further funding, and there can be no assurance that the Company will be able to do so, in which event the Company may be unable to meet its obligations and commitments and proceed with its future 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. 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 financing alternatives in order to bring one or other of its mineral properties into 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 in addition to those already disclosed, during the year ended June 30, 2009:

- (a) paid or accrued management fees of \$120,000 (\$97,100 accounts payable) (2008 - \$120,000 (\$30,000 accounts payable)), accrued cash loans of \$3,587 (2008 - \$52,304) and \$15,262 in accounts payable for reimbursable expenses to and by a company controlled by a director (Douglas MacQuarrie) of the Company;
- (b) paid or accrued consulting fees of \$40,000 (2008 - \$70,000) (\$40,000 accrued) and accrued cash advances and reimbursable expenses of \$17,000 (2008 - \$233,409) to and by a director (David M. Buckle) of the Company, who resigned effective November 2008;
- (c) paid or accrued legal and other services and expenses, included in deferred exploration costs of \$96,600 (2008 - \$87,000) (\$52,963 accounts payable), and accrued cash advances of \$ 24,752 (2008 - \$87,000) to a firm controlled by a director (Thomas Ennison) of the Company's Ghanaian subsidiary.
- (d) paid directors fees included in investor relations of \$26,000 (JH Mensah - \$12,000 (\$9,000 accounts payable); Peter Hooper - \$2,000 (\$2,000 accounts payable); Len Dennis - \$12,000 (\$3,000 accounts payable); [(2008 - \$42,134); JH Mensah - \$12,134);], (Len Dennis - \$12,000) and (Peter Hooper - \$18,000)];
- (e) paid or accrued consulting fees of \$60,000 (\$55,000 accounts payable) (2008 - \$15,000) and reimbursable expenses of \$4,688 to an officer (Philip N. Gibbs) of the Company;
- (f) paid or accrued consulting fees of \$4,000 (2008 - \$38,507) to a former officer (Ford Cannon) of the Company.

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.

Future 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, 2009

Financial Instruments

Fair value

The Company's financial instruments include cash, receivables, accounts payable and accrued liabilities, amounts due to related parties and due to Trafalgar. 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. The total liability denominated in foreign currencies at June 30, 2009 had a Canadian dollar equivalent of \$513,009, and a 10% movement in the Canadian dollar would result in increase/decrease to net income of \$51,300.

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 Company has been exposed to considerable liquidity risk primarily from the additional debt associated with its Kubi Project acquisition. The liquidity position is elaborated on in the section dealing with Liquidity and Capital Resources, however the Company's ability to continue as a going concern is dependent upon its ability to raise further funding, and there can be no assurance that the Company will be able to do so. In such an event the Company may be unable to meet its obligations and commitments and proceed with its future 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 Issuer 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 our 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 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:

Geographic Location of Capital Assets	30-Jun-09	30-Jun-08
Canada	278,381	232,610
Ghana	19,542,786	18,298,184
	<u>\$19,821,167</u>	<u>\$18,530,794</u>

Subsequent Events

Subsequent to the period:

On July 13, 2009 the Company announced that shareholders had approved a private placement of shares which could result in Arlyn James Miller acquiring 20% or more of the shares of the Company. This placement was expected to close on or before July 17, 2009 following which the second phase of the drilling program at Kubi Gold would commence. On July 22, 2009 Mr. Miller's holding was confirmed at 32,401,700 common shares or 21.76% of the then issued and outstanding shares.

On July 17, 2009 the Company closed a private placement of 15,000,000 units at a price of \$0.10 per unit for gross proceeds of \$1,500,000, as initiated on May 26, 2009. Proceeds were used to pay some accounts payable and reduce the debt owing to Trafalgar by \$1,000,000. In return for this payment, Trafalgar extended the repayment date for the remaining loan to October 12, 2009.

On July 27, 2009 the Company announced Mr. Miller's agreement to purchase a further 4,000,000 shares and share purchase warrants, which would represent approximately 34.17% of the issued and outstanding share capital when completed. It was further announced that Waratah Investments Ltd. Of Ghana had acquired 14,000,000 shares and share purchase warrants, and had undertaken to purchase an additional 4,000,000 shares and share purchase warrants, upon which their holding would represent approximately 21.57% of the then issued and outstanding common shares.

On August 25, 2009 the Company announced a private placement to raise up to \$2.75 million by the private placement of 27.5 million units at \$0.10 to accredited investors of the Company, each unit comprising one common share and one share purchase warrant exercisable at \$0.15 per share for two years. With subsequent increases, the private placement was closed at \$3.645 million for 36.45 million units on October 20th. Proceeds were used to pay down the outstanding debt to Trafalgar, and for working capital. On October 21, 2009 the Company announced the repayment in full of all amounts due to Trafalgar, as well as the resignation effective October 16, 2009 of Mr. Jeffrey Sternberg who had joined the Board to assist with the loan.

On September 9, 2009 final drill results from the 2nd phase diamond drilling program on the Kubi gold project were announced. Gold mineralization was noted in hole KV-09-513 from 69.0m to 75.8m. Best assays were 2.57 g/t Au over a core length of 1.75m at a depth of 72.0m, within mineralized garnet zone assaying 1.07 g/t Au over its full 6.8m length. True widths are estimated at 70% to 80% of the indicated core lengths. This mineralization is considered significant and a follow up program to test for increased grades and widths is planned to commence in the 2nd Qtr.

On September 10, 2009 the Company granted 8,638,750 stock options to directors, officers, employees and advisors. The options expire on September 9, 2014 and the exercise price is \$0.15 per share.

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 contrast 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 23, 2009, the Company has 185,444,570 shares outstanding or 305,304,753 shares on a fully diluted basis. If the Company were to issue 105,578,963 shares upon the conversion of all of its outstanding warrants; and 5,325,833 shares upon the conversion of all of its outstanding vested stock options (re-priced to \$0.10) it would raise \$12.8 million. In terms of a forced exercise provision attached to warrants repriced to \$0.10 during the year, if the Company's closing share price is \$0.12 or greater for 10 consecutive trading days, warrant holders will have 30 days in which to exercise their warrants, otherwise warrants expire on the 31st day. The condition was reached on Monday October 26, 2009.



CORPORATE DATA

October 26, 2009

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Thomas Ennison	Executive Director
Len Dennis	Director
J.H. Mensah	Director
Philip N. Gibbs	Chief Financial Officer
Dianne Szigety	Corporate Secretary

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CAPITALIZATION

Authorized:	Unlimited
Issued:	185,444,570

LISTINGS

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