

**Consolidated Financial Statements of**

**PMIGOLD**  
C O R P O R A T I O N

**For the Six Months ended December 31, 2009**

### Notice of No Auditor Review of Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying un-audited interim financial statements of the Company have been prepared by, and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of the financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of financial statements by an entity's auditor.

# PMI GOLD CORPORATION

## Consolidated Balance Sheets

(unaudited)

	December 31 2009	June 30 2009
<b>Assets</b>		
Current assets:		
Cash	\$ 33,968	\$ 161,698
Receivables	-	10,400
Prepaid expenses	54,931	102,820
	88,899	274,918
Mineral properties (note 4)	20,342,106	19,507,068
Equipment (note 5)	25,871	39,181
	\$ 20,456,876	\$ 19,821,167

## Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,185,780	\$ 1,784,441
Due to related parties (note 6)	292,812	439,434
Advance subscriptions	-	177,500
Due to Trafalgar (note 9)	-	3,143,920
	1,478,592	5,545,295
Future income tax liability (note 10)	1,142,877	1,142,877
Shareholders' equity:		
Capital stock (note 7)	31,155,059	25,446,185
Contributed surplus (note 7)	2,925,604	2,572,075
Equity component of convertible debenture	-	187,887
Deficit	(16,245,256)	(15,073,152)
	17,835,407	13,132,995
Nature of operations and going concern (note 1)		
Commitments (notes 4 and 12)		
Subsequent events (note 15)		
	\$ 20,456,876	\$ 19,821,167

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

For the six months ended December 31, 2009 & 2008 (unaudited)

	Three and Six Months Ended			
	December 31st			
	FY 2010		FY 2009	
	3 mths	6 mths	3 mths	6 mths
Revenue				
Expenses				
Amortization	725	1,501	923	1,807
Foreign Exchange loss (gain)	188,824	148,737	(24,220)	(81,337)
Investor relations including directors fees	46,801	88,115	70,578	95,487
Management and consulting fees	96,052	127,372	153,530	219,050
Office and miscellaneous	25,496	56,412	156,308	457,223
Professional fees	87,552	193,646	132,398	221,225
Stock-based compensation (note 7)	155,363	387,869	(20,803)	105,404
Transfer agent and regulatory fees	31,991	51,872	33,575	39,828
Travel and promotion	31,473	43,324	68,317	69,837
Loss before interest	664,277	1,098,848	570,606	1,128,524
Interest and financing costs	5,513	73,259	652,595	1,101,415
Interest income	(3)	(3)	(6)	(167)
Net loss and comprehensive loss for the period	(669,790)	(1,172,104)	(1,223,195)	(2,229,772)
Deficit, beginning of period	(15,575,466)	(15,073,152)	(12,573,040)	(11,566,463)
Deficit, end of period	(16,245,256)	(16,245,256)	(13,796,235)	(13,796,235)
Basic and diluted loss per common share	\$ -	\$ (0.01)	\$ (0.01)	\$ (0.03)
Basic and diluted weighted average number of common shares outstanding	184,426,785	164,093,221	84,992,865	83,224,561

See accompanying notes to consolidated financial statements.

# PMI GOLD CORPORATION

## Consolidated Statements of Cash Flows

For the six months ended December 31, 2009 & 2008 (unaudited)

	FY 2010		FY 2009	
	3 Mths	6 Mths	3 Mths	6 Mths
Cash provided by (used in):				
Operations:				
Net loss for the period	(669,790)	(1,172,104)	(1,223,195)	(2,229,772)
Items not affecting cash:				
Amortization	725	1,501	923	1,807
Unrealized foreign exchange loss (gain)	63	11,810	(119)	10,603
Profit / Loss on disposal of assets	-	-	(624)	(25,597)
Stock-based compensation (note 7(d))	155,363	387,869	(20,803)	105,404
	(513,639)	(770,924)	(1,243,818)	(2,137,555)
Changes in non-cash working capital:				
Receivables	-	10,400	(10,750)	21,718
Prepaid expenses	(35,882)	47,889	70,576	114,199
Accounts payable and accrued liabilities	(726,898)	(598,661)	1,205,939	1,266,658
Due to Nevsun Resources Ltd.	-	-	-	(3,055,800)
Due to Trafalgar	(2,203,907)	(3,143,920)	-	1,750,000
Redeemable debenture	-	-	-	1,000,000
Due to related parties	45,145	(146,622)	125,462	(121,644)
	(2,921,542)	(3,830,914)	1,391,227	975,131
Financing:				
Proceeds from issuance of shares/warrants	3,989,147	5,496,347	414,140	1,456,006
Share issuance costs	7,500	(9,700)	-	(122,500)
Long-term portion of redeemable debenture	-	-	(166,667)	583,333
Advance subscriptions	(110,000)	(177,500)	-	-
	3,886,647	5,309,147	247,473	1,916,839
Investments:				
Mineral properties	(438,079)	(835,038)	(395,686)	(805,050)
(Purchase)/reductions of equipment	-	-	804	24,713
	(438,079)	(835,038)	(394,882)	(780,337)
Increase (decrease) in cash	13,387	(127,729)	(7,848)	(25,921)
Cash, beginning of period	20,582	161,698	28,490	46,563
Cash, end of period	33,969	33,969	20,641	20,641

See accompanying notes to consolidated financial statements.

# PMI GOLD CORPORATION

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended December 31, 2009

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### 1. Nature of operations and going concern:

PMI Gold Corporation ("PMI" or the "Company") was incorporated in British Columbia and its principal business is the acquisition, exploration and development of mineral properties. The Company's principal properties are its Obotan (Ashanti II) and Kubi gold projects 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. The Company, in acquisition of mineral properties and exploration, has incurred losses since inception and is currently not generating any revenues. For the six months ended December 31, 2009, the Company has net cash outflows of \$127,729. At December 31, 2009 the Company's cash balance was \$33,968 and working capital deficiency is \$1,389,693.

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, 2008. Terms of the bridge financing required the full settlement of all outstanding amounts owed to Nevsun Africa (Barbados) Ltd in respect of the Kubi property. The final installment on the financing, due October 12, 2009 was settled in full on October 19, 2009.

The Company's cash position as at December 31, 2009 is not sufficient to meet planned future expenditures and procurement commitments for the ensuing twelve months. The ability of the Company to continue as a going concern depends upon its ability to raise adequate financing for the development of its gold development projects and to pursue further exploration of its other mineral properties.

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.

### 2. Significant accounting policies:

These unaudited consolidated financial statements have been prepared using the same accounting policies and methods of application as those disclosed in the Notes to the Company's annual audited consolidated financial statements for the year ended June 30, 2009.

### 3. Accounting standards issued for adoption in future periods:

These unaudited consolidated financial statements have been prepared using the same accounting policies and methods of application as those disclosed in the Notes to the Company's annual audited consolidated financial statements for the year ended June 30, 2009.

### 4. Mineral properties:

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mining properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge title to all of its properties is in good

# PMI GOLD CORPORATION

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended December 31, 2009

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.

				2010	2009
	Ashanti II Project	Ofoase & Bankame Concessions	Kubi	Totals	Total
<b>Acquisition costs</b>					
Balance, beginning of the year July 1, 2009	3,030,006	173,168	5,621,700	8,824,874	8,824,874
Additions during the period					
Balance, end of the year December 31, 2009	3,030,006	173,168	5,621,700	8,824,874	8,824,874
<b>Deferred exploration costs</b>					
Balance, beginning of the year July 1, 2009	8,989,199	301,017	1,391,978	10,682,194	9,338,387
Additions during the period					
Assaying, testing and analysis	4,974	-	31,017	35,990	-
Contract labour	5,353	-	7,033	12,386	8,778
Diamond drilling	179,462	-	125,735	305,197	130,072
Field office	9,039	-	20,683	29,722	44,856
Future Income Tax Liability	-	-	-	-	194,298
Geology and geophysics	142,591	-	33,206	175,797	299,672
Lease rental and claims maintenance	16,775	796	17,644	35,214	199,117
Legal	34,125	4,125	12,750	51,000	176,484
Proj Mgmt & related exploration costs	67,175	-	113,224	180,399	269,683
Transportation and travel	1,969	-	7,364	9,332	20,847
Subtotal Deferred Exploration	461,462	4,921	368,655	835,038	1,343,807
Balance end of the year	9,450,661	305,938	1,760,633	11,517,232	10,682,194
	12,480,667	479,106	7,382,333	20,342,106	19,507,068

(a) Properties held by the Company:

The Company's mineral properties consist of leases, licenses and options covering mineral concessions located in Ghana, West Africa. The governing agreement for the majority of the original 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 private Ghana registered company with two common directors, and the Company.

The Agreement completed the purchase of Goknet's interest in concessions formerly under option between PMI, Goknet and, in some cases, certain third parties. Goknet retains a 2% Net Smelters Return Royalty ("NSR") on the Ashanti II Project located on the Asankrangwa gold belt, and all concessions carry a 10% 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 \$100,000 cash (paid during

# PMI GOLD CORPORATION

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended December 31, 2009

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2006) and the issuance of Three Million Shares (3,000,000) shares of the Company (issued during 2006).

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

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

Pursuant to the Agreement, and by direct acquisition, the Company has completed registration of title to six (6) concessions through its wholly-owned subsidiary Adansi Gold Company (GH) Limited which are:

- Juabo (Gemap),
- Diaso,
- Abore Abirem
- New Obuasi (Fromenda),
- Gyimigya and Dunkwa (located to north and south of the Kubi Mining Leases, and
- Kaniago (Adansi)

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

- Concession optioned by Goknet from Switchback Mining Company Limited and, in turn, optioned by Goknet to the company (one concession/three land parcels):
  - Gyagyatreso,
  - Nkronua, and
  - Amuabaka

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

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

Title is presently vested in Goknet. 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. The Company anticipates registration of this concession in the name of Adansi when exploration results justify the increased holding costs.

(b) Properties held by the Company's 100% owned Barbados 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 and in addition on the Kubi Mining Leases, a 3% net proceeds of production ("Net Profits") royalty 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.

(c) Properties held under option:

# PMI GOLD CORPORATION

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended December 31, 2009

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;
- 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.

The Company entered into an agreement dated January 26, 2007 to acquire the Bankame concession, a contiguous property to Ofoase, 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. 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 has 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.

The above concessions are in three groups of contiguous concessions; the Ashanti II Project located on the Asankrangwa gold belt; and the Kubi and Ofoase/Bankame Projects on the Ashanti Belt. The outstanding indebtedness to Goknet as at 31 December 2009 is C\$110,879.

### 5. Equipment:

<b>December 31, 2009</b>	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net book value</b>
Computer equipment	24,411	17,682	6,729
Furniture and equipment	45,944	26,802	19,141
	<b>\$ 70,354</b>	<b>\$ 44,484</b>	<b>\$ 25,870</b>

<b>June 30, 2009</b>	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net book value</b>
Computer equipment	24,411	16,578	7,833
Furniture and equipment	67,088	35,740	31,348
	<b>\$ 91,499</b>	<b>\$ 52,318</b>	<b>\$ 39,181</b>

<b>December 31, 2008</b>	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net book value</b>
Small tools and field equipment	\$ 62,825	\$ 24,416	\$ 38,409
Computer equipment	22,152	14,402	7,750
Computer software	4,411	4,411	-
Furniture and equipment	9,551	1,433	8,118
Vehicles	94,394	61,837	32,557
	<b>\$ 193,333</b>	<b>\$ 106,499</b>	<b>\$ 86,834</b>

# PMI GOLD CORPORATION

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended December 31, 2009

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### 6. Related party transactions:

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. 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.

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	December 31,	
	2009	2008
Management and consulting fees:		
Management fees charged by a company controlled by a director of the company (D. MacQuarrie)	60,000	60,000
Consulting fees charged by a director of the Company (D. Buckle) who resigned November 2008	Nil	40,000
Management fees charged by a company controlled by a director of the company (P. Hooper) who resigned in November 2008	Nil	30,000
Consulting fees charged by an officer of the Company (P. Gibbs)	30,000	20,000
Consulting fees charged by a former officer of the Company (F. Cannon)	Nil	1,200
Directors' fees:		
J. H. Mensah	3,000	6,000
Peter Hooper	Nil	2,000
Len Dennis	3,000	6,000
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)	63,735	32,564

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# PMI GOLD CORPORATION

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended December 31, 2009

Amounts due to related parties are as follows:

	December 31,	
	2009	2008
Management and consulting fees:		
Amount payable to a company controlled by a director of the company (D. MacQuarrie)	55,739	60,000
Amount payable to a director of the Company (D. Buckle) who resigned November 2008	Nil	40,000
Amount payable to a company controlled by a director of the company (P. Hooper) who resigned in November 2008	40,175	Nil
Amount payable to an officer of the Company providing consulting services (P. Gibbs)	30,000	20,000
Amount payable to a former officer of the Company providing consulting services (F. Cannon)	Nil	Nil
Amounts payable for directors' fees:		
J. H. Mensah	3,794	6,000
Peter Hooper	Nil	2,000
Len Dennis	6,000	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 (T. Ennison)	29,329	32,564
Accrued Cash Loans to the Company:		
D. MacQuarrie	Nil	Nil
D. Buckle	8,996	100,409
T. Ennison	962	25,714
P. Hooper	1,958	1,958
Waratah (Aust) Pty. Ltd. (PMI Shareholder)	114,358	Nil
Accounts payable for reimbursable expenses:		
D. MacQuarrie	Nil	Nil
D. Buckle	Nil	Nil
P. Gibbs	1,500	Nil

# PMI GOLD CORPORATION

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended December 31, 2009

### 7. 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, 2009	118,917,570	\$ 25,446,185	\$ 2,572,075
Private placements	66,455,000	5,145,500	-
Shares Issues for Loan Extension	7,409,911	222,227	(222,227)
Share issuance costs	-	(9,700)	-
Exercise of warrants	4,558,473	350,847	-
Exercise of options	-	-	-
Extinguishment of debt	-	-	187,887
Stock-based compensation	-	-	387,869
Balance, December 31, 2009	197,340,954	\$ 31,155,059	\$ 2,925,604

During the six months ended December 31, 2009, the following stock transactions occurred:

- On July 16, 2009 30,000,000 shares at a per unit value of \$0.05 were issued subsequent to a Private Placement. The net value after Finders' Fees was \$1,482,800.
- On August 4, 2009 72,000 warrants were exercised at a value of \$7,200.
- On October 16, 2009 36,455,000 shares at a per unit value of \$0.10 were issued subsequent to a Private Placement. The Net Value after Finders' Fees was \$3,555,500.
- On October 27, 2009 2,000,000 warrants were exercised at a value of \$100,000.
- On November 23, 2009 7,409,911 shares with a fair market value of \$222,227 were issued to Trafalgar Capital Specialized Investment Fund (Trafalgar) pursuant to the loan extension granted on February 3, 2009.
- On November 29, 2009 2,386,473 warrants were exercised at a value of \$238,647.
- On December 14, 2009 100,000 warrants were exercised at a value of \$5,000.

(c) Stock option plan:

The Company has a stock option plan in place under which it is authorized to grant options to its directors, officers and employees to acquire up to 20% of the issued and outstanding common shares. The stock option plan provides that the options are for a maximum term of five years and vest as to one-third every six months from date of grant. All outstanding options were re-priced at \$0.10 in December 2008.

# PMI GOLD CORPORATION

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended December 31, 2009

As at December 31, 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 Vested Options
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	750,000
100,000	0.10	14-Sep-08	14-Sep-13	10,000	66,666
8,563,750	0.15	10-Sep-09	9-Sep-14	1,284,563	3,227,031
1,000,000	0.20	29-Oct-09	28-Oct-14	200,000	250,000
<b>14,395,000</b>	<b>0.137</b>			<b>\$ 1,967,688</b>	<b>8,274,947</b>

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

	2010		2009	
	Number of options	Weighted average price	Number of options	Weighted average price
Options, beginning of period	5,642,500	\$ 0.10	8,650,000	\$ 0.31
Granted	9,638,750	0.15 & 0.20	-	-
Exercised	-	-	-	-
Cancelled/forfeited	(886,250)	0.10	(995,000)	0.35
<b>Options, end of period</b>	<b>14,395,000</b>	<b>\$0.137</b>	<b>7,655,000</b>	<b>\$ 0.10</b>
<b>Total stock options exercisable</b>	<b>8,274,947</b>	<b>\$0.122</b>	<b>7,021,667</b>	<b>\$ 0.307</b>

(d) Stock-based compensation:

During the six months ended December 31, 2009, the Company granted options totaling 9,638,750 (2008 – 100,000). Accordingly, the fair value of options was \$982,458 (2008 - \$4,550), based on the Black-Scholes option pricing model. In December 2008 all options were re-priced at

# PMI GOLD CORPORATION

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended December 31, 2009

\$0.10 in line with prevailing market conditions. The stock-based compensation recognized during the period was \$387,869 (2008 - \$105,404).

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

	2010	2009
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:

All existing warrants were re-priced to \$0.10 in December 2008, with the exception of certain insider warrants ineligible under Stock Exchange rules.

The following share purchase warrants were outstanding at December 31, 2009:

Number of warrants	Exercise price	Expiry date
218,750	\$0.24	7-Jan-10
2,337,500	\$0.10 & \$0.30	28-Aug-10
22,000,000	\$0.05 & \$0.10	31-Mar-12
9,200,000	\$0.05 & \$0.10	14-May-12
30,086,000	\$0.10	16-July-12
36,680,000	\$0.15	16-Oct-12
100,522,250	\$0.087	

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

	December 31, 2009	
	Number of warrants	Weighted average exercise price
Warrants, beginning of period	42,991,251	\$ 0.08
Issued	66,455,000	0.10
Issued as finder's fee	311,000	0.10
Exercised	(4,558,473)	0.10
Expired/forfeited	(4,676,528)	0.10
Warrants, end of period	100,522,250	\$0.087

### 8. Financial instruments:

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, due to related parties and due to Trafalgar (repaid in full October 19, 2009).

# PMI GOLD CORPORATION

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended December 31, 2009

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. Due to Trafalgar is carried at fair value.

It is management's opinion that the Company is not exposed to significant interest or credit risks arising from the financial instruments.

The Company is exposed to liquidity risk due to the highly illiquid state it maintained during the course of the previous financial year. This position was greatly ameliorated subsequent to December 31, 2009 through the funds generated through a private placement (Note 7) and the subsequent settlement of indebtedness to Trafalgar (Note 9). The Company's ability to meet its ongoing obligations is dependent upon its ability to raise further financing.

The Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency 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.

### 9. Due to Trafalgar

On July 4, 2008 PMI received a \$3,500,000 secured loan (\$3,126,000 net of costs) from Trafalgar (the Trafalgar Loan), which was applied to settle the final payment of US\$3,000,000 and accrued interest payable to Nevsun Africa (Barbados) Ltd. pursuant to the agreement to acquire the Kubi Gold Project. The loan was initially made up in equal parts of a Bridge Loan carrying interest at 14% repayable in full on October 8, 2008, and a Convertible Debenture. The Convertible Debenture carried interest at 14% p.a. for 90 days, and 10% p.a. for the balance of the term. The Maturity date of the Convertible was July 7, 2010 with principal repayable in equal monthly installments, together with interest and a redemption premium of 12.5%, commencing November 5, 2008.

All remaining obligations were settled with a final payment of \$2,205,538 on October 19, 2009.

### 10. Income taxes:

The Company, as of June 30, 2009 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

# PMI GOLD CORPORATION

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended December 31, 2009

losses and resource deductions have not been recognized in these financial statements and have been offset by a valuation allowance.

### 11. Supplemental disclosure with respect to cash flows:

As of October 19, 2009 the remaining indebtedness with respect to the Trafalgar Loan was settled in full.

### 12. Commitment:

The Company has entered into an operating lease agreement for office premises. The annual lease commitments under this lease are as follows:

2010	\$ 9,798
	\$ 9,798

### 13. Segmented information:

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

	2010	2009
Capital assets:		
Canada	\$ 60,802	\$ 14,112
Ghana	20,396,074	18,227,440
	\$ 20,456,876	\$ 18,241,552

### 14. 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.

To maintain or adjust the capital structure the Company may issue new shares, options and warrants, and issue debt, according to prevailing economic conditions. 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. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

### 15. Subsequent events:

- On January 7, 2010 the Company announced that initial gold assay results from an auger soil drilling program on the Kubi Gold Project in Ghana have confirmed an additional 600 metres of strike potential to the new '513 Zone' discovery (previously reported results to 3.76 g/t gold over 4.75 metres). The auger drilling program was completed to prioritize ground geophysical VLF-EM targets prior to diamond drill testing. The auger holes were drilled on 12.5 metre centers and 50.0 metre line spacing across the four strongest VLF-EM anomalies. The results from 188 auger drill holes completed have been received. Of the 412 samples assayed, 21 assayed greater than 100 ppb gold with a maximum of 1,780 ppb. Significantly, all 21 of the anomalous gold samples occur in a distinct linear trend from the 513 Zone in the north and for 600 metres to the south. The southern most 200

# PMI GOLD CORPORATION

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended December 31, 2009

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metres of this trend is highly anomalous and will be targeted with diamond drilling on completion of additional financing.

The Kubi Main Deposit, which the Company is currently sourcing funding to develop as a contract mining and custom milling underground operation (NI43-101 resource: 604,085 oz Indicated; 316,079 oz Inferred), is located 1.2 km to the east of the 513 Zone.

- On January 14, 2010 the Company announced a best efforts private placement to accredited investors and institutions to raise a minimum of \$3 million from the issuance of up to 20 million shares in the capital stock of the Company, at a minimum price of \$0.15 per share. Proceeds from the private placement will be used for general working capital; to expedite the QC drilling program currently underway on our Obotan Gold project; to complete a maiden NI43-101 resource estimate on our Obotan gold deposits; to complete follow up drilling on the new 513 Zone gold discovery and its extensions at our Kubi Gold project; and to commence an application for a prospectus offering in Australia.

The Australian Securities Exchange (ASX) is currently one of the best performing, natural resource based, stock exchanges in the World. Australian investors are quite familiar with Ghana and in particular with our Obotan assets that previously produced +-100,000 oz of gold per year for Australia based Resolute Mining. Australia's geographic position close to the Chinese resource and financial colossus, suggests their markets will continue to perform strongly for the foreseeable future. Based on investor demand at the time of the Australian offering, the Company may also file a full prospectus to raise CAPEX to put Obotan and/or Kubi into commercial production. Further developments will be reported as they occur. The private placement is subject to receipt of necessary stock exchange approvals.

- February 4, 2009 the Company announced that drilling resumed on PMI Gold's Obotan concessions in Ghana. The drill program is to confirm the results of the previous drill database. Once completed, this will allow for the preparation of a maiden NI 43-101 mineral resource estimate on the gold resources remaining at Obotan post mining by Resolute Amansie in 2003. Drilling is currently planned for the Abore, Adubiaso, Edubia and African Star targets. In addition, the significant drill intersections under the Nkran pit from the historical database were published, with 42 composite drill results exceeding 50 g/t Au metres, and results to 3.63 g/t Au over a core length of 68.0 metres. In order to publicly disseminate the drill information on which the resource estimate will be based, the gold intersections under the Adubiaso pit were published on December 23, 2009, and the historical drill database from remainder of the pit areas will also be published over the next few months.

Confirmation of the historical Obotan drill hole data base is ongoing and the data is believed to be reliable, however it is presented as received by PMI Gold Corporation. The full drill data base is available for viewing at the offices of PMI Gold Corporation.



## MANAGEMENT DISCUSSION & ANALYSIS FOR THE SIX MONTHS ENDED DECEMBER 31, 2009

### Introduction

The following discussion and analysis of the operations, results, financial position and related Notes of the Company for the three months ended December 31, 2009 should be read in conjunction with the December 31, 2009 and June 30, 2009 Audited Financial Statements, and the related Notes. The effective date of this report is February 26, 2010. All monetary amounts, unless otherwise indicated, are expressed in Canadian dollars. The Company's website can be found at [www.pmigoldcorp.com](http://www.pmigoldcorp.com). Additional regulatory filings for the Company can be found on the SEDAR website at [www.sedar.com](http://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 10<sup>th</sup> 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](http://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.

### Operating Activities

The net loss for the three months ended December 31 2009 was \$669,790 (2008: \$1,223,195) and for the six months the net loss was \$1,172,104 compared to a net loss of \$2,229,772 for the comparable period ended December 31, 2008.

The major decrease in the net loss in the period relative to the comparative prior period relates to the lower costs incurred on our Kubi Gold Project. The prior period included substantial once-off costs associated with the debt financing of the final purchase of the Kubi Gold Project, as well as costs incurred in preparation of a rated bond offering. Lower interest and financing costs as well as consulting fees and miscellaneous expenditures reflect this reduction in spending relative to the prior period. 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 six months ended December 31, 2009 the following stock transactions occurred:

On July 16, 2009 30,000,000 shares at a per unit value of \$0.05 were issued subsequent to a Private Placement. The net value after Finders' Fees was \$1,482,800.

On August 4, 2009 72,000 warrants were exercised at a value of \$7,200.

On October 16, 2009 36,455,000 shares at a per unit value of \$0.10 were issued subsequent to a Private Placement. The Net Value after Finders' Fees was \$3,555,500.

On October 27, 2009 2,000,000 warrants were exercised at a value of \$100,000.

On November 23, 2009 7,409,911 shares were issued to Trafalgar Capital Specialized Investment Fund ('Trafalgar') in respect of the loan extension granted on February 3, 2009. The fair market value of these shares was \$222,227

On November 29, 2009 2,386,473 warrants were exercised at a value of \$238,647.

On December 14, 2009 100,000 warrants were exercised at a value of \$5,000.

### **Corporate Developments**

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. 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 30,000,000 units at a price of \$0.05 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, 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 off 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 October 29, 2009 the Company announced that Dr. John Clarke was appointed an Executive Director of the Company. Dr. Clarke holds a B.Sc. in metallurgy from University College Cardiff, a Ph.D. in metallurgy from Cambridge University and an MBA from Middlesex Polytechnic. During his long career involved in African mining he has held a number of executive positions including Executive Director of Ashanti Goldfields and most recently was the CEO of Nevsun Resources Limited, an exploration and development company engaged in gold and base metals exploration and development in Africa. While at Ashanti, Dr. Clarke was responsible for strategic planning and business development and contributed to establishing Ashanti's gold exploration program throughout sub-Saharan Africa, including the acquisition of the Geita deposit in Tanzania, the Siguiri deposit in Guinea and the Bibiani deposit in Ghana. At Nevsun, Dr. Clarke was responsible for the commissioning of their first mine in a remote and logistically difficult part of Mali, and the exploration and resource definition and major project planning

in Eritrea with respect to their Bisha Mine, now under final construction. In addition he was responsible for leasing the Kubi gold project, now owned by PMI Gold, to AngloGold Ashanti for a surface mining operation. Dr. Clarke is also a Director of several other Africa based exploration and development companies which affords him an excellent 'continent wide' African outlook.

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

## **Exploration Results**

During the six months, a total of \$835,038 was expended on exploration and development on the Company's projects. Work consisted primarily of drilling and ground geophysical surveys.

In the 1<sup>st</sup> quarter, on the Kubi property, 4 square kilometers were surveyed by local source VLF ground geophysical surveys to identify drill targets. Six exploration diamond drill holes were drilled on the Ashanti trend for a total of 628 metres. Final drill results from the 2<sup>nd</sup> phase diamond drilling program noted gold mineralization in hole KV-09-513 from 69.0 metres to 75.8 metres. Best assays were 2.57 g/t Au over a core length of 1.75 metres, at a depth of 72.0 metres, within mineralized garnet zone assaying 1.07 g/t Au over its full 6.8 metre length. True widths are estimated at 70% to 80% of the indicated core lengths.

In late October, the 3<sup>rd</sup> phase drilling commenced on the Kubi gold project to follow up on the discovery in hole KV-09-513. A total of 2,226 metres in 19 holes were drilled at Kubi during 2009, with 317 metres in 3 holes completed in the latest phase. Best results were 3.76 g/t Au over a core length of 4.75 metres at a depth of 85.0 metres in hole KV-09-517. This new gold zone, referred to as the "513 Zone", was discovered by drilling a ground geophysical VLF-EM anomaly. Gold is associated with silicified, quartz veined, and sulfide rich garnet formation, similar in style to mineralization at our Kubi Main deposit located 1.2 km to the east (where a NI43-101 compliant mineral resource estimate of 604,085 oz Au Indicated; and 316,079 oz Au Inferred, has been outlined. (please see: [http://www.pmigoldcorp.com/i/pdf/Kubi\\_Preliminary\\_Assessment\\_May08.pdf](http://www.pmigoldcorp.com/i/pdf/Kubi_Preliminary_Assessment_May08.pdf) ).

In order to assist in prioritizing other VLF-EM targets prior to their drilling a test auger drill geochemical sampling program consisting of 740 metres in 188 holes was completed. Holes were drilled on 12.5 metre centres across the four strongest VLF-EM anomalies located in the Target 1 area, including the 513 Zone anomaly (please see a detail map of the exploration target areas is available at:

<http://www.pmigoldcorp.com/i/maps/KubiCollarSep0909.jpg> ).

Also in late October, the Company announced that it was commencing a third party review of near surface gold resources that may remain at our Obotan Gold project in Ghana, with respect to a potential toll milling operation. The program, which started in late November, consists of a series of QC and QP drill holes in four separate target areas to confirm the previous drill database.

In late December the results from the first two QC holes in the Adubiaso pit area were reported along with composited drill intersections from 60 of 92 historical drill holes that drilled below the pit, where results to 5.88 g/t gold over 40.0 metres had been previously obtained. The QC holes confirmed that significant near surface gold mineralization remains at this location. The strong gold mineralization remaining under the pit suggests the potential to develop deep resources in plunging ore shoots as is typical at our Nkran deposit and elsewhere in Ghana. True widths are estimated at 70% to 80% of the stated core lengths. Once the QC drilling is completed, it is expected that a NI 43-101 compliant resource estimate will be prepared.

## **Results of Operations**

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

### 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 December 31, 2009:

	2010		2009			2008		
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Net sales or revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Gain/(Loss) before other items	(664,277)	(434,571)	(790,266)	(232,069)	(1,223,195)	(1,006,577)	(426,912)	(151,241)
Other Items	(5,513)	(67,743)	(1,100,847)	-	-	-	1,554	3,406
Net Profit/(Loss)	(669,790)	(502,314)	(1,891,113)	(232,069)	(1,223,195)	(1,006,577)	(425,358)	(147,835)
Basic and diluted Net Loss per share	(0.00)	(0.003)	(0.038)	(0.022)	(0.014)	(0.010)	(0.021)	(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 December 31, 2009

	2010	2009
Amortization	725	923
Foreign exchange loss/(gain)	188,824	(24,220)
Investor relations including directors fees	46,801	70,578
Management & Consulting Fees	96,052	153,530
Office & Miscellaneous	25,496	156,308
Professional Fees	87,552	132,398
Stock based compensation	155,363	(20,803)
Transfer agent and regulatory fees	31,991	33,575
Travel and promotion	31,473	68,317
	664,277	570,606

Loss before financing charges for the three months ended December 31 2009 is \$664,277 as compared to a loss of \$570,606 for the three months ended December 31, 2008. With the exception of the foreign exchange loss attributed to fluctuating exchange rates, and an increase in Stock Based Compensation, expenses generally decreased in line with the company's actions to reduce overheads.

Stock based compensation is calculated at \$155,363 for the three months ended December 31, 2009 as compared to \$(20,803) for the three months ended December 31, 2008, reflecting the employee stock options awarded in the current year, and an adjustment in the prior year's period.

## Treasury Summary

The following table presents a summary of issued capital stock, share purchase warrants and options as at December 31, 2009:

	Quantity	Value	Avg. Exercise Price
Issued Shares	197,340,954	\$ 31,057,559	
Contributed Surplus		\$ 2,690,009	
Share purchase warrants outstanding	100,522,250		\$ 0.087
Options outstanding	14,395,000		\$ 0.122
Options vested	8,249,947		
Maximum future proceeds from outstanding options		\$ 1,778,938	

## Liquidity and Capital Resources

As at December 31, 2009, the Company had a net working capital deficiency of (\$1,389,693) (2008: (\$4,950,186)).

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 December 31, 2009 is not sufficient to meet planned future expenditures and procurement commitments for the ensuing twelve months, the Company has announced a best efforts private placement to raise a minimum of \$3 million; and is intent on raising additional capital to cover the working capital deficiency and provide funds for planned exploration activity for the remainder of 2010. Further detail is provided in the "Subsequent Events" note below.

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.

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 during the six months ended December 31, 2009:

	December 31,	
	2009	2008
Management and consulting fees:		
Management fees charged by a company controlled by a director of the company (D. MacQuarrie)	60,000	60,000
Consulting fees charged by a director of the Company (D. Buckle) who resigned November 2008	Nil	40,000
Management fees charged by a company controlled by a director of the company (P. Hooper) who resigned in November 2008	Nil	30,000
Consulting fees charged by an officer of the Company (P. Gibbs)	30,000	20,000
Consulting fees charged by a former officer of the Company (F. Cannon)	Nil	1,200
Directors' fees:		
J. H. Mensah	3,000	6,000
Peter Hooper	Nil	2,000
Len Dennis	3,000	6,000
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)	63,735	32,564

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 three months 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 three months 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 quarterly, and, as adjustments become necessary, they are

reported in operations in the period 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 arises 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 these rates. The Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates; however exposure to foreign currencies is minimal at this stage.

#### 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 was exposed to considerable liquidity risk primarily from the debt associated with its Kubi Project acquisition, which has now been fully paid. 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.

### **Risks and Uncertainties**

#### **Investment Risk**

It is possible that the Company's mineral properties will create positive cash flow for the Issuer in the near future, however this is not guaranteed as this is dependent upon raising sufficient capital, completing permitting and arranging a toll milling agreement among other requirements, and 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:

	2010	2009
Capital assets:		
Canada	\$ 60,802	\$ 14,112
Ghana	20,396,074	18,227,440
	<b>\$ 20,456,876</b>	<b>\$ 18,241,552</b>

## Subsequent Events

Subsequent to December 31<sup>st</sup>:

- On January 7, 2010 the Company announced that initial gold assay results from an auger soil drilling program on the Kubi Gold Project in Ghana have confirmed an additional 600 metres of strike potential to the new '513 Zone' discovery (previously reported results to 3.76 g/t gold over 4.75 metres). The auger drilling program was completed to prioritize ground geophysical VLF-EM targets prior to diamond drill testing. The auger holes were drilled on 12.5 metre centers and 50.0 metre line spacing across the four strongest VLF-EM anomalies. The results from 188 auger drill holes completed were received. Of the 412 samples assayed, 21 assayed greater than 100 ppb gold with a maximum of 1,780 ppb. Significantly, all 21 of the anomalous gold samples occur in a distinct linear trend from the 513 Zone in the north. The southern most 200 metres of this trend is highly anomalous and will be targeted with diamond drilling on completion of additional financing.

The Kubi Main Deposit, which the Company is currently sourcing funding to develop as a contract mining and custom milling underground operation (NI43-101 resource: 604,085 oz Indicated; 316,079 oz Inferred), is located 1.2 km to the east of the 513 Zone.

- On January 14, 2010 the Company announced a best efforts private placement to accredited investors and institutions to raise a minimum of \$3 million from the issuance of up to 20 million shares in the capital stock of the Company, at a minimum price of \$0.15 per share. Proceeds from the private placement will be used for general working capital; to expedite the QC drilling program currently underway on our Obotan Gold project; to complete a maiden NI43-101 resource estimate on our Obotan gold deposits; to complete follow up drilling on the new 513 Zone gold discovery and its extensions at our Kubi Gold project; and to commence an application for a prospectus offering in Australia.

The Australian Securities Exchange (ASX) is currently one of the best performing, natural resource based, stock exchanges in the World. Australian investors are quite familiar with Ghana and in particular with our Obotan assets that previously produced +-100,000 oz of gold per year for Australia based Resolute Mining. Australia's geographic position close to the Chinese resource and financial colossus, suggests their markets will continue to perform strongly for the foreseeable future. Based on investor demand at the time of the Australian offering, the Company may also file a full prospectus to raise up to \$20 million to fund Obotan and/or Kubi into commercial production. Further developments will be reported as they occur. The private placement is subject to receipt of necessary stock exchange approvals.

- February 4, 2009 the Company announced that drilling resumed on PMI Gold's Obotan concessions. The drill program is to confirm the results of the previous drill database. Once completed, this will allow for the preparation of a maiden NI 43-101 mineral resource estimate on the gold resources remaining at Obotan post mining by Resolute Amansie in 2003. Drilling is currently planned for the Afore, Adubiaso, Edubia and African Star targets. In addition, the significant drill intersections under the Nkran pit from the historical database were published, with 42 composite drill results exceeding 50 g/t Au metres, and results to 3.63 g/t Au over a core length of 68.0 metres. In order to publicly disseminate the drill information on which the resource estimate will be based, the gold intersections under the Adubiaso pit were published on December 23, 2009, and the historical drill database from remainder of the pit areas will also be published over the next few months.

Confirmation of the historical Obotan drill hole data base is ongoing and the data is believed to be reliable, however it is presented as received by PMI Gold Corporation. The full drill data base is available for viewing at the offices of PMI Gold Corporation.

## 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 February 25, 2010, the Company has 197,790,954 shares outstanding or 312,014,454 shares on a fully diluted basis. If the Company were to issue 100,003,500 shares upon the conversion of all of its outstanding warrants; and 6,999,271 shares upon the conversion of all of its outstanding vested stock options it would raise \$11.9 million.



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## CORPORATE DATA

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February 25, 2010

### HEAD OFFICE

Suite 511 - 475 Howe Street  
Vancouver, BC V6C 2B3  
Tel: (604) 682-8089  
Fax: (604) 682-8094  
Email: [info@pmigoldcorp.com](mailto:info@pmigoldcorp.com)  
Website: [www.pmigoldcorp.com](http://www.pmigoldcorp.com)

### SOLICITOR

Du Moulin Black  
Attn: Ken Embree  
10<sup>th</sup> Floor – 595 Howe Street  
Vancouver, BC V6C 2T5  
Tel: (604) 687-1224  
Fax: (604) 687-8772

### REGISTRAR & TRANSFER AGENT

Computershare Trust Company  
3<sup>rd</sup> Floor, 510 Burrard Street  
Vancouver, BC V6C 3B9  
Tel: (604)-661-9400  
Fax: (604)-683-3694

### AUDITORS

KPMG LLP  
9<sup>th</sup> Floor, 777 Dunsmuir St.  
PO Box 10426 Pacific Centre  
Vancouver, BC V7Y 1K3  
Tel: (604) 691-3000  
Fax: (604) 691-3031

### DIRECTORS & OFFICERS

Douglas R. MacQuarrie	President & CEO
Thomas Ennison	Executive Director
Len Dennis	Director
J.H. Mensah	Director
Dr. John Clarke	Executive Director
Philip N. Gibbs	Chief Financial Officer
Dianne Szigety	Corporate Secretary

### INVESTOR CONTACTS

Douglas R. MacQuarrie  
Tel: (604) 682-8089  
Fax: (604) 682-8094  
Email: [info@pmigoldcorp.com](mailto:info@pmigoldcorp.com)  
Web: [www.pmigoldcorp.com](http://www.pmigoldcorp.com)

### CAPITALIZATION

Authorized:	Unlimited
Issued:	197,790,954

### LISTINGS

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