GOLD CORPORATION

# CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**(Expressed in Canadian Dollars)**

**For the period ended October 31, 2012**

**UNAUDITED**

**NOTE TO READER**

The accompanying unaudited condensed interim financial statements have been prepared by the Company's management and the Company's independent auditors have not performed a review of these condensed interim consolidated financial statements.

# STATEMENT OF FINANCIAL POSITION

| | October 31, 2012 | January 31, 2012 |
|---|---|---|
| | (Unaudited) | |
| **Assets** | | |
| **Current Assets** | | |
| Cash (Note 5) | $ 193,103 | $ 756,374 |
| Short term investments | 46,000 | - |
| Receivables | 45,226 | 46,729 |
| Prepaid expenses and deposits | 195,172 | 87,172 |
| | 479,501 | 890,275 |
| **Non-current Assets** | | |
| Fixed assets | 54,928 | 2,498 |
| Deferred financing cost | - | 31,013 |
| Exploration and evaluation assets (Note 6) | 1,762,766 | 282,622 |
| **Total assets** | $ 2,297,195 | $ 1,206,408 |
| **Liabilities and shareholders' equity** | | |
| **Current Liabilities** | | |
| Trade and other payables | $ 196,176 | $ 71,504 |
| **Total current liabilities** | 196,176 | 71,504 |
| **Total liabilities** | 196,176 | 71,504 |
| **Shareholders'equity** | | |
| Share capital (Note 7) | 3,601,506 | 1,818,660 |
| Reserve for share based payments | 605,400 | 557,400 |
| Cumulative translation reserve | 6,876 | - |
| Accumulated deficit | (2,112,763) | (1,241,156) |
| **Total shareholders' equity** | 2,101,019 | 1,134,904 |
| **Total liabilities and shareholders' equity** | $ 2,297,195 | $ 1,206,408 |

**Events after the reporting period (Note 13)**

*"Douglas Maquarrie"* *"Jagtar Sandhu"*

Signed on behalf of the Board of Directors

The accompanying notes form an integral part of these interim financial statements

# STATEMENT OF COMPREHENSIVE LOSS/INCOME

| | Nine months ended October 31 2012 | Three months ended October 31 2012 | *Period ended October 31 2011 | Three months ended October 31 2011 |
|---|---|---|---|---|
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| **Interest and other income** | | | | |
| Expenses | | | | |
| Advertising | 72,757 | 49,191 | 4,272 | 1,968 |
| Amortization | 462 | 462 | - | - |
| Directors' fees (Note 10) | 18,000 | 6,000 | - | - |
| Foreign exchange (gain)/loss | 6,808 | (63) | - | 1,376 |
| Stock based compensation (Note 8) | 48,000 | - | 557,400 | 464,400 |
| Management and consulting fees (Note 10) | 190,619 | 61,512 | 122,639 | 69,201 |
| Professional services | 202,282 | 55,688 | 90,731 | 66,568 |
| Shareholder communications (Note 10) | 118,154 | (513) | 52,789 | 35,989 |
| Transfer agent and regulatory fees | 55,755 | 1,355 | - | - |
| Travel | 60,827 | 20,741 | 27,648 | 13,228 |
| General office | 97,943 | 32,982 | 53,502 | 47,950 |
| **Net loss for the period** | 871,607 | 227,355 | 908,981 | 700,679 |
| **Other comprehensive income** | | | | |
| Currency translation adjustment | (6,876) | 2,908 | - | - |
| **Total comprehensive loss for the period** | 864,731 | 230,263 | 908,981 | 700,679 |
| **Loss per common share, basic and diluted (Note 12)** | $ 0.044 | $ 0.011 | $ 0.090 | $ 0.09 |

*Covers period from business commencement May 4, 2011

The accompanying notes form an integral part of these interim financial statements

# STATEMENT OF CHANGES IN EQUITY

| | Share capital | Deficit | Reserve for share based payments | Cumulative translation reserve | Total |
|---|---|---|---|---|---|
| **Balance at May 4, 2011** | $ - | $ - | $ - | $ - | $ - |
| Loss for the period | - | (1,241,156) | - | - | (1,241,156) |
| Reserve for share based compensation | - | - | 557,400 | - | 557,400 |
| Share capital issued (Note 7) | 1,865,250 | - | - | - | 1,865,250 |
| Share issuance costs | (46,590) | - | - | - | (46,590) |
| **Balance at January 31, 2012** | $ 1,818,660 | $ (1,241,156) | $ 557,400 | | $ 1,134,904 |
| Loss for the period | - | (871,607) | - | 6,876 | (864,731) |
| Reserve for share based compensation | - | - | 48,000 | - | 48,000 |
| Share capital issued | 2,075,000 | - | - | - | 2,075,000 |
| Share issuance costs | (261,141) | - | - | - | (261,141) |
| **Balance at October 31, 2012** | $ 3,632,519 | $ (2,112,763) | $ 605,400 | $ 6,876 | $ 2,132,032 |

The accompanying notes form an integral part of these interim financial statements

| | Share capital | Deficit | Reserve for share based payments | Cumulative translation reserve | Total |
|---|---|---|---|---|---|
| **Balance at May 4, 2011** | $ - | $ - | $ - | $ - | $ - |
| Loss for the period | - | (908,981) | - | - | (908,981) |
| Reserve for share based compensation | - | - | 557,400 | - | 557,400 |
| Share capital issued (Note 7) | 1,865,250 | - | - | - | 1,865,250 |
| Share issuance costs | (80,248) | $ - | - | - | (80,248) |
| **Balance at October 31,2011** | $ 1,785,002 | $ (908,981) | $ 557,400 | | $1,433,421 |

The accompanying notes form an integral part of these interim financial statements

# STATEMENT OF CASH FLOWS

| | Nine months ended October 31 2012 | 2011 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Loss for the period | $ (871,607) | $ (908,981) |
| Items not affecting cash: | | |
| Amortization | 462 | - |
| Stock based compensation | 48,000 | 557,400 |
| Changes in non-cash working capital balances: | | |
| Prepaid expenses | (108,000) | (79,883) |
| Receivables | 1,505 | (14,238) |
| Trade and other payables | 124,671 | 25,986 |
| **Total cash inflows from operating activities** | (804,970) | (419,716) |
| **Cash flows from investing activities** | | |
| Short term investments | (46,000) | - |
| Acquisition of exploration and evaluation assets | - | (50,630) |
| Investment in exploration and evaluation assets | (1,473,268) | (208,504) |
| Property and equipment | (52,892) | - |
| **Total cash (outflows) from investing activities** | (1,572,160) | (259,134) |
| **Cash flows from financing activities** | | |
| Proceeds from share issuance,net of share issue costs | 1,813,859 | 1,785,002 |
| **Total cash inflows from financing activities** | $ 1,813,859 | 1,785,002 |
| **Total increase in cash during the period** | (563,271) | $ 1,106,152 |
| **Cash and cash equivalents at beginning of period (Note 5)** | 756,374 | - |
| **Cash and cash equivalents at end of period (Note 5)** | $ 193,103 | 1,106,152 |

The accompanying notes form an integral part of these interim financial statements

| | |
|---|---|
| **Interest paid** | $ - |
| **Income taxes paid** | $ - |

# 1. CORPORATE INFORMATION

Asante Gold Corporation's business activity is the exploration and evaluation of mineral properties in Ghana, West Africa. Asante Gold Corporation (the "Company") was incorporated under the Canada Business Corporations Act on May 4, 2011, and has continued as a company under the Business Corporations Act of British Columbia. The Company listed on the TSX Venture Exchange on February 28, 2012 under the symbol "ASE" and is in the process of exploring its mineral properties.

The address of the Company's corporate office and principal place of business is Suite 206, 595 Howe Street, Vancouver, British Columbia, V6C 2T5 Canada.

# 2. BASIS OF PREPARATION

a) **Statement of Compliance**

These financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting ("IAS 34"), and in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The financial statements were authorized for issue by the Board of Directors on December 19, 2012.

b) **Basis of Measurement**

The financial statements are presented in Canadian dollars, which is also the Company's functional currency. The functional currency of the Company's foreign subsidiaries is the United States dollar.

The accounting policies applied in these interim condensed financial statements are consistent with the policies and methods of computation applied in the most recent annual financial statements for the year ending January 31, 2012.These interim condensed financial statements do not include certain information and disclosures normally included in annual financial statements prepared in accordance with IFRS and should be read in conjunction with the Company's annual financial statements for the year ended January 31, 2012.

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

c) **Going Concern of Operations**

The Company has not generated revenue from operations. The Company incurred a comprehensive loss of $864,731 during the nine months ended October 31, 2012 and, as of that date the Company's accumulated deficit was $2,112,763. The Company intends to raise further financing through equity issues.

These financial statements have been prepared on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. The Company will periodically have to raise funds to continue operations and, although it has been successful thus far in doing so, there is no assurance it will be able to do so in the future. These material uncertainties raises substantial doubt about the Company's ability to continue as a going concern, these financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

# 3. STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning after January 1, 2012 or later periods.

The following new standards, amendments and interpretations, which have not been early adopted in these financial statements, are not expected to have an effect on the Company's future results and financial position:

| | |
|---|---|
| IFRS 7 | Financial Instruments: Disclosures, amendments regarding Disclosures – Transfers of Financial Assets |
| IFRS 9 | Financial Instruments (New; to replace IAS 39 and IFRIC 9) |

IFRS 10 Consolidated Financial Statements (New; to replace consolidation requirements in IAS 27 (as amended in 2008) and SIC-12)
IFRS 11 Joint Arrangements (New; to replace IAS 31 and SIC-13)
IFRS 12 Disclosure of Interests in Other Entities (New; to replace disclosure requirements in IAS 27 (as amended in 2008), IAS 28 (as revised in 2003) and IAS 31)
IFRS13 Fair Value Measurement (New; to replace fair value measurement guidance in other IFRSs)

IAS 1 Presentation of Financial Statements, amendments regarding Presentation of Items of Other Comprehensive Income
IAS 12 Income Taxes, amendments regarding deferred Tax: Recovery of Underlying Assets
IAS 19 Employee Benefits (Amended in 2011)
IAS 27 Separate Financial Statements (Amended in 2011)
IAS 28 Investments in Associates and Joint Ventures (Amended in 2011)
IAS 32 Financial Instruments Presentation
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (New)

# 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Asante Gold Corporation makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the condensed interim financial statements within the next financial year are discussed below:

**i) Rehabilitation Provisions**

No rehabilitation provisions have been created based on Asante Gold Corporation's activity to date. Ongoing assumptions, based on the current economic environment, will be made on a basis which management believes are reasonable upon which to estimate the future liability. These estimates will take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period. Actual rehabilitation costs, if any, will ultimately depend on future market prices for the rehabilitation costs which will reflect the market condition at the time the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for.

**ii) Exploration and Evaluation Expenditure**

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

**iii) Title to Mineral Property Interests**

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

**iv) Income Taxes**

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

Expressed in Canadian Dollars

**v) Share-based Payment Transactions**

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. The Company has used the Black-Scholes model for estimating fair value, which requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and related assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 8.

# 5. CASH

Cash at banks and on hand earns interest at floating rates based on daily bank deposit rates.

# 6. EXPLORATION AND EVALUATION ASSETS

| Capitalized exploration and evaluation costs for: | January 31, 2012 | Expenditure year to date | October 31, 2012 |
|---|---|---|---|
| a) Fahiakoba Concession | | | |
| Acquisition | 50,630 | - | 50,630 |
| Assays | 18,249 | 45,992 | 64,241 |
| Drilling | 45,669 | 1,116,125 | 1,161,794 |
| Geology and geophysics | 102,289 | 169,565 | 271,854 |
| General, Administrative | 65,785 | 148,463 | 214,248 |
| **Total** | 282,622 | 1,480,144 | 1,762,766 |

On June 15, 2011, the Company entered into the Purchase Agreement with Goknet Mining Company Limited ("Goknet") to acquire the Fahiakoba Concession, in the Ashanti and Central Regions in the Republic of Ghana, whereby the Company acquired a 100% interest in the Fahiakoba Concession (subject to a royalty interest) by paying Goknet the sum of US$51,976 (C$50,630) (paid July 12, 2011) and by agreeing to expend US$1,000,000 over a five year period, which has been fully met by the expenditures of $1,762,766 incurred to date. In the event that the Company sells its interest in the Fahiakoba Concession within two years from June 15, 2011, it must pay Goknet a sum, in cash, equal to 10% of the sale price. The Company also granted Goknet a 3% net smelter return royalty on production from the Fahiakoba Concession.

The impairment assessment of exploration and evaluation assets resulted in no amounts being written off the Company's properties.

Expressed in Canadian Dollars

# 7. SHARE CAPITAL AND RESERVES

a) **Common Shares**

The Company is authorized to issue an unlimited number of common shares.

The holders of common shares will be entitled to receive dividends which will be declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares are ranked equally with regards to the Company's residual assets.

The following is a summary of changes in common share capital from incorporation to October 31, 2012:

| | Number of shares | | Issue Price | | Amount |
|---|---|---|---|---|---|
| **Balance at May 4, 2011** | - | | | $ | - |
| Shares issued via private placement | 2,325,000 | $ | 0.01 | | 23,250 |
| Shares issued via private placement | 7,835,000 | $ | 0.05 | | 391,750 |
| Shares issued via private placement | 5,608,000 | $ | 0.25 | | 1,402,000 |
| Shares issued via private placement | 193,000 | $ | 0.25 | | 48,250 |
| Share issue costs | | | | | (46,590) |
| **Balance at January 31, 2012** | 15,961,000 | | | $ | 1,818,660 |
| Shares issued via IPO | 4,150,000 | $ | 0.50 | | 2,075,000 |
| Share issue costs | | | | | (292,154) |
| **Balance at October 31, 2012** | 20,111,000 | | | $ | 3,601,506 |

From incorporation to the period ended October 31, 2012 the following stock transactions occurred:

On June 10, 2011 pursuant to a non-brokered private placement, the Company issued 2,325,000 shares at a per share value of $0.01 for gross proceeds of $23,250. The fair value of the 2,325,000 common shares was determined to be $116,250 and therefore $93,000 of stock based compensation was expensed during the period ended October 31, 2011. $nil finder's fees were paid; and $nil warrants were issued as finder's fees. On June 10, 2011 pursuant to a non-brokered private placement, the Company issued 7,835,000 units at a per unit value of $0.05 for gross proceeds of $391,750. Each unit is comprised of one share and one share purchase warrant exercisable for two years at $0.25. $nil finders' fees were paid, and nil warrants were issued as finders' fees.

On August 31, 2011 the Company closed a non-brokered private placement for total gross proceeds of $1,402,000 consisting of 5,608,000 shares; 294,600 brokers' warrants exercisable at $0.25 and expiring February 29, 2013 were issued in connection with this private placement. Finder's fees totaled $44,190.

On September 14, 2011 the Company closed a non-brokered private placement for total proceeds of $48,250 consisting of 193,000 shares; 16,000 brokers' warrants exercisable at $0.25 and expiring March 14, 2013 were issued in connection with this private placement. Finder's fees totaled $2,400.

On October 24, 2011 the Company granted 1,340,000 options exercisable at $0.75 for a period of 5 years.

On February 28, 2012 upon completion of the Company's IPO a total of 4,000,000 units were issued at a per unit value of $0.50 for gross proceeds of $2,000,000. Each unit is comprised of one share and one half of one share purchase warrant. Each full warrant is exercisable for two years at $0.70. Additionally issued were 150,000 broker

Expressed in Canadian Dollars

# 7. SHARE CAPITAL AND RESERVES (CONTINUED)

compensation shares and 300,000 brokers warrants exercisable at $0.50. Finder's Fees, Brokers Compensation Shares and share issuance costs totaled $292,154.

Pursuant so TSX-V requirements, shares and warrants held by insiders prior to the IPO became subject to escrow. A total of 5,285,000 shares and 2,700,000 warrants were initially placed into escrow, of which 1,324,250 shares and 675,000 warrants have been released to date. Currently 3,963,750 shares and 2,025,000 warrants remain in escrow as at October 31, 2012. The next release from escrow takes place on February 28, 2013.

b) **Share-based Payments**

The following is a summary of share based payments from May 4, 2011 to October 31, 2012:

| | | |
|---|---|---|
| Opening balance May 4, 2011 | $ | - |
| Founders Shares | | 93,000 |
| Share Options | | 464,400 |
| Balance January 31, 2012 | | 557,400 |
| Share Options April 2012 | | 48,000 |
| Contributed Surplus October 31, 2012 | $ | 605,400 |

c) **Share Purchase Warrants**

The following is a summary of warrants issued to October 31, 2012 together with exercise conditions:

| | Total Number of Warrants | Number of warrants | | Exercise price | Expiry |
|---|---|---|---|---|---|
| **Balance at May 4, 2011** | **-** | | | | |
| Issue of warrants | 8,145,600 | | | | |
| Exercised warrants | - | 7,835,000 | $ | 0.25 | 10-Jun-13 |
| **Balance January 31, 2012** | **8,145,600** | 294,600 | $ | 0.25 | 28-Feb-13 |
| | | 16,000 | $ | 0.25 | 14-Mar-13 |
| Issue of warrants | 2,300,000 | 2,000,000 | $ | 0.70 | 27-Feb-14 |
| Exercised warrants | - | 300,000 | $ | 0.50 | 27-Feb-14 |
| **Balance October 31, 2012** | **10,445,600** | **10,445,600** | | | |

d) **Nature and Purpose of Equity and Reserves**

The reserves recorded in equity on the Company's statement of financial position reflect 'Reserves for Share Based Payments'. 'Reserves for Share Based Payments' is used to recognize the value of shares, stock option grants and share warrants prior to exercise. 'Cumulative translation reserve' reflects the currency translation adjustments arising on exploration and evaluation assets denominated in the functional currency of US dollars. 'Accumulated Deficit' is used to record the Company's change in deficit from earnings from period to period.

Expressed in Canadian Dollars

# 8. SHARE BASED PAYMENTS

a) **Option Plan Details**

The Company has an incentive Stock Option Plan ("the Plan") under which non-transferable options to purchase common shares of the Company may be granted to directors, officers, employees or service providers of the Company. The terms of the Plan provide that the Directors have the right to grant options to acquire common shares of the Company at not less than the closing market price of the shares on the day preceding the grant less any discount allowable under TSX rules, at terms of up to five years. No amounts are paid or payable by the recipient on receipt of the option, and the options granted are not dependent on any performance-based criteria. In accordance with the Plan, options vest immediately upon grant; with the exception of personnel working in Investor Relations whose options vest at 25% upon grant and 25% every three months thereafter until all options are fully vested.

| Grant Date | Expiry Date | Exercise Price | Opening Balance | During the Period | | | Closing Balance | Vested and Exercisable | Unvested |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Granted | Exercised | Forfeited | | | |
| 24/10/2011 | 24/10/2016 | $ 0.75 | 1,350,000 | | - | - | 1,350,000 | 1,350,000 | - |
| 03/04/2012 | 03/04/2017 | $ 0.75 | - | 200,000 | - | - | 200,000 | 200,000 | - |
| | | | 1,350,000 | 200,000 | - | - | 1,550,000 | 1,550,000 | - |
| Weighted Average Exercise Price | | | $ 0.75 | $ 0.75 | $ - | $ - | $ 0.75 | $ 0.75 | $ - |

i) During the three months ended April 30, 2012, 200,000 options were granted with a fair value of $0.24 per option. The fair value of each option granted is estimated on the grant date using the Black-Scholes option-pricing model with the following weighted average assumptions:

| | |
|---|---|
| Number of options | 200,000 |
| Estimated life | 5 years |
| Share price at date of grant | $0.37 |
| Option exercise price | $0.75 |
| Risk free interest rate | 1.11% |
| Estimated annual volatility | 100% |
| Option fair value | $0.24 |
| Fair value of compensation granted during period | $48,000 |

ii) During the period ended January 31, 2012, 1,350,000 options were granted with a fair value of $0.34 per option. The fair value of each option granted is estimated on the grant date using the Black-Scholes option-pricing model with the following weighted average assumptions:

| | |
|---|---|
| Number of options | 1,350,000 |
| Estimated life | 5 years |
| Share price at date of grant | $0.50 |
| Option exercise price | $0.75 |
| Risk free interest rate | 1.11% |
| Estimated annual volatility | 100% |
| Option fair value | $0.34 |
| Fair value of compensation granted during period | $464,400 |

# 9. FINANCIAL INSTRUMENTS

(a) Disclosures:
The Company's financial instruments consist of cash, short term investments, trade and other payables, and due to related parties.

The carrying values of cash, accounts payable and accrued liabilities and due to related parties approximate their respective fair values due to the short-term nature of these instruments.

(b) Financial instrument risk exposure and risk management:

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

(*ii*) Liquidity risk:
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's liquidity improved significantly during the year. As at October 31, 2012, the Company had current liabilities totaling $196,176 and cash reserves of $193,103. The Company has announced that it intends to raise further funding through a private placement.

(*iii*) Market risk:
Market risk is the risk that changes in market prices such as commodity prices, foreign exchange rates and interest rates will affect the Company's income. The objective of market risk management is to manage and control market risk exposure within acceptable parameters. The Company does not use derivative instruments to reduce its exposure to market risks.

(*iv*) 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 October 31, 2012, accrued liabilities net of cash and cash equivalents included 90,318 United States Dollars. If the Canadian Dollar had weakened (strengthened) 10% against the US dollar with all other variables constant, the comprehensive loss would have been $9,035 higher (lower). The Company held cash and cash equivalents of 60,253 Ghana Cedis. If the Canadian Dollar had weakened (strengthened) 10% against the Cedi with all other variables constant, the comprehensive loss would have been $3,117 higher (lower).

(*v*) Interest rate risk:
The Company has no interest bearing debt as of October 31, 2012.

(*vi*) 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 risks relate primarily to those typically associated with developing nations, and include a greater political risk, changes in government's ownership interest, sovereign risk, less developed infrastructure, and greater currency and inflation volatility.

(c) Capital management

The Company includes cash and equity, comprising of issued common shares, share based payment reserve, accumulated other comprehensive income (loss) and deficit, in the definition of capital. The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management but rather relies on the expertise of the Company's management and consultants to sustain future development of the business.

Expressed in Canadian Dollars

## 9. FINANCIAL INSTRUMENTS (CONTINUED)

The Company's properties are in the exploration stage and as such the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds required.

Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable given the relative size of the Company. The Company is not subject to any external covenants.

## 10. RELATED PARTY TRANSACTIONS

The following is a summary of the Company's related party transactions during the period:

a) **Management Fees**

Management fees of $135,000 incurred in connection with day-to-day management and general corporate matters were paid to a consulting firm owned by a director of the Company. At October 31, 2012, $nil was owing to this consulting firm.

Corporate development fees of $67,500 incurred in connection with the general corporate matters were paid to a consulting firm owned by a director of the Company. At October 31, 2012, $nil was owing to this consulting firm.

Consulting fees of $67,500 charged by an officer of the Company.

Deferred acquisition/exploration costs and expenses of $34,068 charged through a firm which has a director in common with the Company.

b) **Key Management Compensation**

Key management personnel are engaged as consultants and are recorded in notes above.

| | October 31, 2012 | October 31, 2011 |
|---|---|---|
| Management and consulting fees: | | |
| Management fees charged by a company controlled by a director of the company | $ 135,000 | $ 75,000 |
| Management fees charged by a company controlled by a director of the company | 67,500 | 37,500 |
| Consulting fees charged by an officer of the Company | 67,500 | 15,000 |
| Directors' fees: | | |
| M. Holcombe | 9,000 | 3,000 |
| F. Riedl-Riedenstein | 9,000 | 3,000 |
| Deferred exploration costs: | | |
| Services and expenses charged by a firm controlled by a director of the Company (Goknet) | 34,068 | - |
| Stock based compensation | - | 450,200 |

c) **Property Acquisition**

Fees of $50,630 for the acquisition at cost of the Fahiakoba property were paid to a firm with a common director of the Company in the period ended January 31, 2012.

These transactions have been entered into in the normal course of operations and are recorded at their exchange amounts, which is the consideration agreed upon by the related parties. Amounts due to and from related parties have no fixed terms of repayment, are unsecured, and are non-interest bearing.

Expressed in Canadian Dollars

## 11. SEGMENTAL REPORTING

The Company is organized into business units based on mineral properties and has one reportable operating segment, being that of acquisition and exploration and evaluation activities.

## 12. LOSS PER SHARE

| **Weighted Averge Number of Common Shares** | **October 31,2012** |
|---|---|
| Issued common shares | 20,111,000 |
| Weighted average number of common shares (basic and diluted) | 19,469,011 |

The loss per common share, basic and diluted, is $0.044

## 13. EVENTS AFTER THE REPORTING DATE

The Company announced on November 12, 2012 that it has reached agreement with Goknet Mining Company Limited, of Accra, Ghana, (“Goknet”) to purchase a 1% NSR royalty Goknet holds on PMI Gold Corporation’s Obotan Gold Project in Ghana (the “Royalty”).

The Royalty is being purchased for the fair value of $22.5 million consisting of the issuance of 45 million shares in the capital stock of the Company at a deemed value of $0.50 per share.

Closing of the Royalty purchase by the Company will be subject to receipt of all requisite regulatory, required third party, and shareholder approvals. Shares of the Company to be issued as consideration for the purchase of the Royalty will be subject to a four month plus one day hold period, unless they are traded pursuant to an exemption to the resale restrictions. Goknet has voluntarily agreed that 10% of the shares of the Company will not be subject to any resale restrictions beyond the four month and a day hold period. The remaining 90% of the shares will be released from resale restrictions as to 15% every three months after the four month and a day period has expired.

Preparations for the finalization of the royalty purchase are in an advanced stage, and the Company is pursuing its plans to raise funds through a private placement as announced. Further information regarding the transaction is available in the press release dated November 12, 2012 which may be found on www.Sedar.com .

On November 22, 2012 a total of 400,000 Warrants were exercised for a consideration of $100,000.00.