



## PMI Gold Corporation

### Gold Resource Expands to Over 4.8 moz, With More to Come!

### Corporate Structure

Code	PVM	
Shares	215	m.
Opt's/Warrants *	45	m.
Share price	\$1.12	
Market Cap	\$240	m.
Net Cash (est)	\$20	m.
* Av C\$0.382		

### Directors

Peter Buck	Non-Executive Chairman
Collin Ellison	Managing Director
J.H. Mensah	Non-Exec Director
Ross Ashton	Non-Exec Director
John Clarke	Non-Exec Director
Thomas Ennison	Executive Director

### Assessed Valuation

Valuation	\$m.	\$/share
Obotan	730	\$ 2.34
Kubi	38	\$ 0.12
Net cash (est)	20	\$ 0.06
New Equity	60	\$ 0.19
Exploration	25	\$ 0.08
Options	22	\$ 0.07
Corporate	-24	-\$ 0.08
<b>Total</b>	<b>871</b>	<b>\$ 2.79</b>

Source: Strachan Corporate

### Opinion\*

A massive gold Resource upgrade at the Obotan gold project in Ghana, lifts PMI's assessed value to over \$2.50 per share. Ongoing drilling is certain to add to an estimated 4.86 moz of gold in Resource, while high grade mineralisation at depth virtually guarantees future underground mining development.

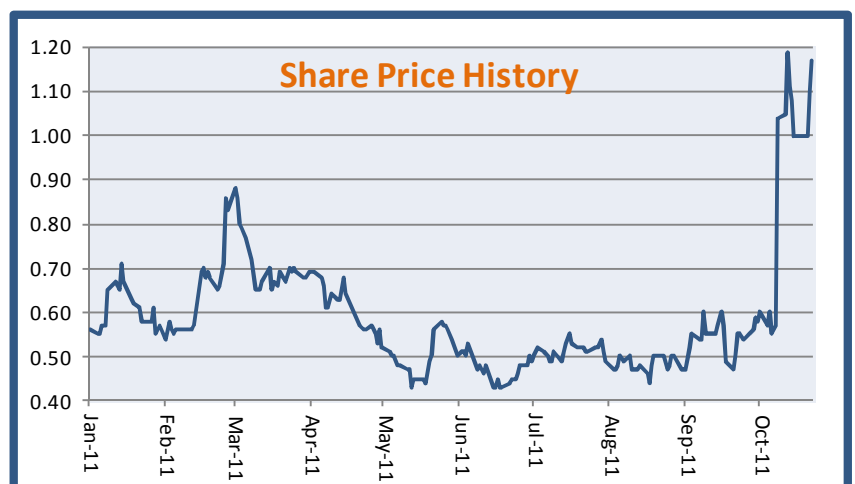
The results of feasibility work due in December '11 will enable a more accurate assessment of likely value from gold production, commencing in 2013 at the Obotan gold project. The company's Board and management continue to work at a frenetic pace to assimilate this deluge of new data.

Peter Strachan.

\*No recommendation is offered for commissioned research.

### Investment Drivers

- ◆ An upgrade at Obotan takes PMI's estimated total Measured and Indicated contained gold in Resource to 3.22 moz grading 2.4g/t, while the Inferred Resource stands at an additional 1.29 moz at a grade of 2.35g/t Au.
- ◆ The company trades with a modest market capitalisation of \$48 per ounce of gold in Resource, including its Kubi deposit, when industry average is closer to \$120/oz.
- ◆ A bankable study due by mid 2012, should signal low cost open pit gold production, beginning by late 2013 at an initial rate of 100,000 oz of gold pa. Current Resources might support a 29 year mine life at that rate.
- ◆ Ongoing drilling to define a high grade zone at the northern extent of the Nkran deposit aims to outline a potential underground mining target. Strachan Corporate sees shallower drilling on new exploration targets as highly likely to outline additional mineralisation, suitable for open pit mining.
- ◆ Strachan Corporate sees potential to add many more gold Resource ounces along 70 kilometres of prospective Asankrangwa Gold Belt. Many assay results are pending, which will continue this process, while three new drilling rigs will be commissioned on-site by the end of Q1 2012.
- ◆ Strachan Corporate sees room for PMI Gold to triple its market capitalisation as its gold Resource expands and feasibility work determines capital and operating costs for the Obotan project.
- ◆ The company is well funded to complete a preliminary feasibility study by December '11 and move to a full bankable study by mid 2012.
- ◆ Early economics for full development at Obotan indicate potential to generate about \$1.2 billion of free cash flow at a gold price of A\$1,550/oz, before allowing any value for the company's 313 Koz of high grade Resources at the Kubi project. This compares favourably with the company's current market capitalisation of \$232 million.



## Introduction

Fig 1: PMI Gold - Project Locations

Prime gold real estate in Ghana



Source: PMI

PMI Gold Corporation is a dual listed, Canadian and Australian entity with 39.3 million ASX traded shares and approximately 158 million Canadian listed shares.

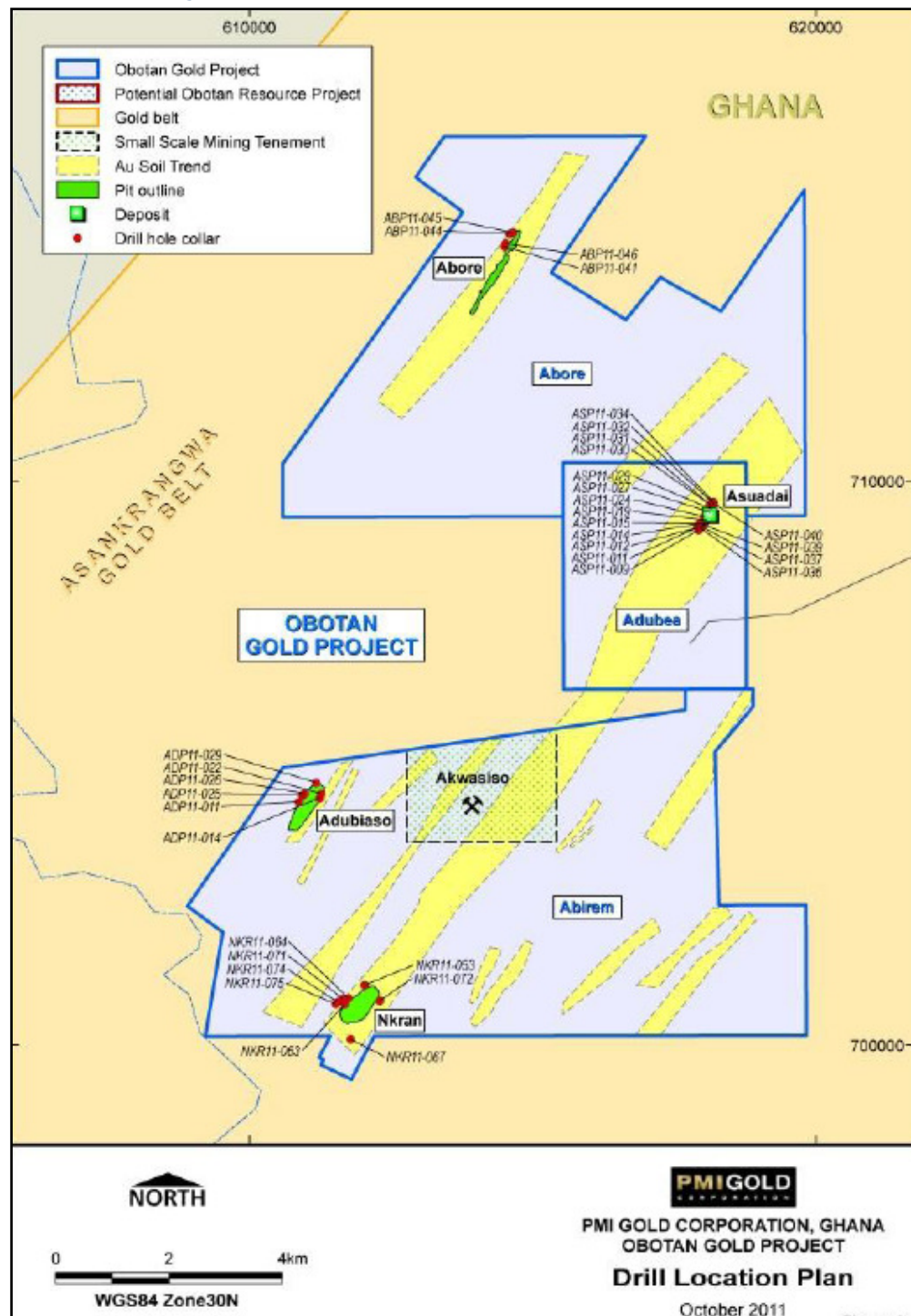
Resolute Mining, the previous permit owner of the Obotan project, produced 730 Koz of gold over a five year project life. Mining ceased in 2002 at a time when the gold price was US\$320 per ounce. The permits were returned to the Ghanaian government in July 2006 and the Obotan project was acquired by PMI Gold in November 2006.

About 70% of the ore for Resolute's project was sourced from the Nkran pit, which was mined to a depth of about 150 metres. Some ore was also mined from the Adubiaso deposit, some 4 kilometres north of Nkran.

PMI Gold holds exploration leases along 70 kilometres of highly prospective Asankrangwa Gold Belt, between the Ashanti and Bibiani Belts, in the heart of the Ghanaian gold province, in the southwest of the country. Several mineralised zones have been mapped and sampled intermittently along these permits and there are many high grade gold occurrences which require follow-up drilling.

Fig 2: Obotan Gold Project Plan

Very active  
Resource drilling  
underway



Source: PMI

To the east, the company’s 90% held Kubi project sits on the Ashanti Gold Belt some 10 kilometres south of the 60 million ounce, Anglo-Ashanti gold mine.

### Upgraded Gold Resource

A large Resource upgrade to over 4.8 million ounces to PMI’s account, accompanied by drilling results which show high-grade zones at depths from 150 metres to at least 250 metres below the bottom of the existing open pit, supports potential for a deeper open pit operation and ultimately underground mining. Better zones of over 400 gram-metres and up to 500 gram-metres indicate for example, grades of 20 grams per tonne over 20 metre intercepts or a grade of say 7 g/t over 60 to 70 metres. This is a very exciting development which indicates that a large portion of the Resources outlined at the Nkran deposit will be converted into commercial Reserves.

The company has boosted total gold Resource at Nkran to 3.5 million ounces, lifting total gold in Resource at the Obotan project to 4.5 moz in 59.6 mt of mineralisation grading 2 g/t Au. Importantly, the overall quality of Resource has been lifted, with 71% of the gold categorised at Measured and Indicated while overall gold grade has been lifted by PMI’s drilling, which intersected higher grade material at depth.

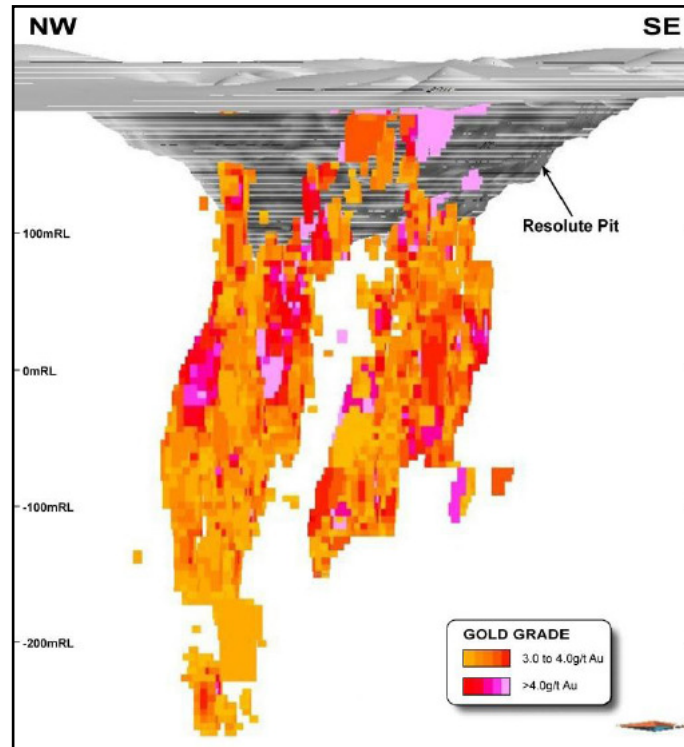
4.5 moz of gold  
Resource at Obotan  
Project...

Fig 3: Gold Resource (Oct 2011)

Deposit	mt	grade G/t	Gold Koz	Comments
Nkran	43.4	2.6	3520	
Asuadai	1.88	1.7	100	0.5g/t cut; unmined
Adubaso	4.57	2.3	330	0.5g/t cut; mined to 50-100m
Abore	9.79	1.8	560	0.5g/t cut; mined to 50-100m
Obotan Total	59.64	2.0	4510	
Kubi	1.99	5.42	348	2g/t cut
<b>Total</b>	<b>61.4</b>	<b>2.5</b>	<b>4858</b>	

Source: PMI

Fig 4: High Grade Core in Oblique Section



Source:PMI

... Should translate  
into over 2.5 moz of  
Reserves

Results from latest resource extension and in-fill drilling at PMI Gold's flagship Nkran deposit at the Obotan Gold Project (Ghana) extend the continuity of mineralisation. A higher grade core of mineralisation has shown extension at depth with further wide and high grade intersections, including:

**Hole NKR11-063 with 22 metres grading 3.28 g/t from 236 metres  
plus 30 metres grading 3.47 g/t from 200 metres  
and 16 metres grading 3.41 g/t from 262 metres  
9 metres grading 16.11 g/t from 243 m  
8 metres grading 51.17g/t from 383m  
35 metres grading 3.11g/t from 390m**

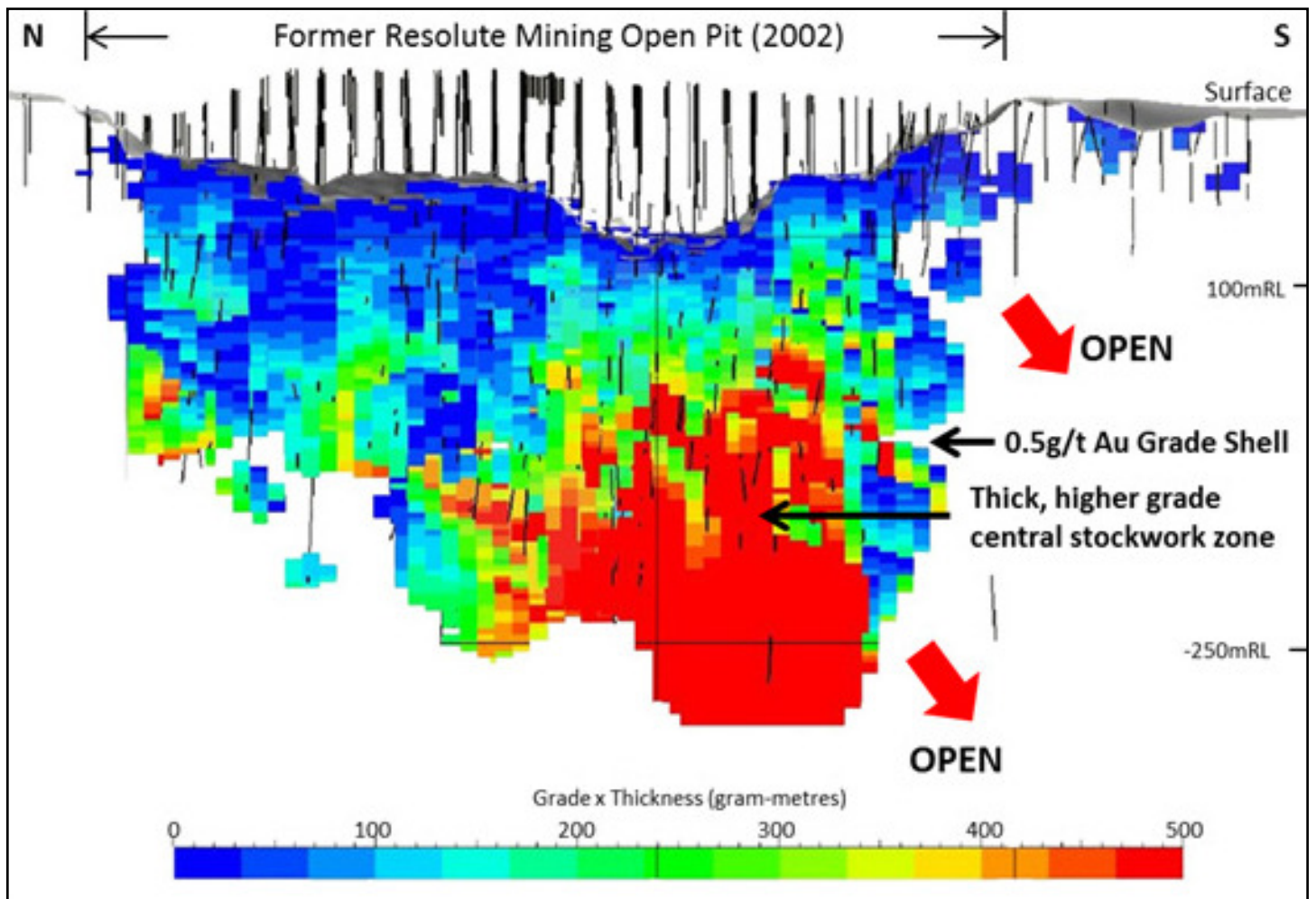
8m @ 51g/t Au  
from 383 m shows  
depth potential

Assay results are awaited for a large number of holes which will be incorporated in a Resource update planned for the March quarter, 2012 as part of a Bankable Feasibility Study.

New assay data received after the October 2011 Resource estimate reinforce confidence in the model for each of the deposits and confirms potential for further conversion of Resource ounces from Indicated to Measured and Inferred to Indicated categories.

The company will drill into a steep southerly plunging zone of high grade gold mineralisation which offers longer term underground mining potential. Re-interpretation of the Resource grade model has revealed that the higher grade mineralisation extends down plunge from the base of the pit, providing an immediate benefit to a future open pit mining. Higher grade shoots persist down plunge to the lower limit of drilling of the resource (approximately 350 metres below the open pit). A lower grade (0.5 to 3.0g/t Au) margin enveloping this high grade zone appears to narrow at depth.

Fig 5: Nkran Long Section



Source: PMI

Scout drilling has discovered a new zone of gold mineralisation located 200 metres to south of the main Nkran mineralisation. One hole, intersected 1 metre grading 15.05 g/t Au from 45 metres and 3 metres @ 6.3 g/t from 173 metres before it was abandoned, due to technical difficulties, prior to reaching a secondary target of testing for a down plunge extension of the Nkran central stockwork. The company plans to follow up this promising result during the coming quarter.

Drilling has revealed that gold mineralisation continues strongly at depth and also just below the base of the Nkran open pit. Deepening of the open pit will almost certainly be possible at the current gold price, but ultimately the mine will make a transition to underground operations, with development paid for by the operating cash flow generated by open pit operations.

Additional drilling was undertaken at the unmined **Asudai deposit**, located 10 kilometres northwest of Nkran on the same north-northeast trending shear zone which hosts Nkran. Better intercepts from the reported 17 holes testing shallow dipping stacked quartz veins outcropping on a small rise include:

- 24 metres grading 2.32 g/t from 108m**
- 7 metres grading 3.38 g/t from 71 metres**
- 11 metres grading 4.33 g/t from 90 metres**

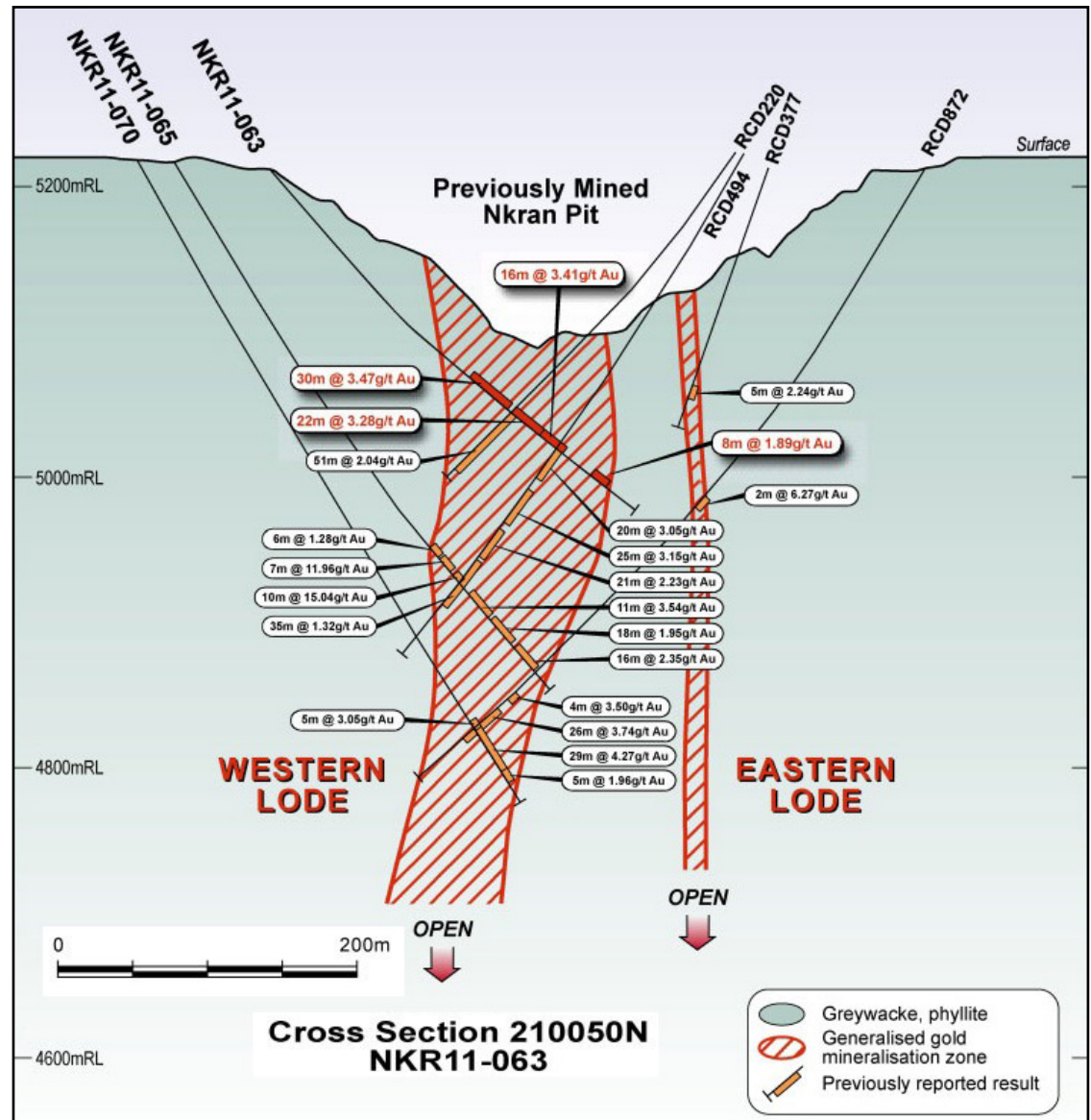
**Adubaso deposit** is located 4 kilometres north of Nkran on a parallel western shear zone. The best intercept reported from 6 holes was:

- 5 metres grading 3.76 g/t from 207 metres**

The **Abore deposit** is located 15 kilometres north of Nkran on a shear zone west of the Adubaso structure which appears to correlate with the structure that hosts Keegan Resources Inc's multi-million ounce Esaase deposit to the north of the project area. Best intercepts from 4 holes include:

- 7.45 metres grading 2.74 g/t from 120 metres**
- 22 metres grading 1.62 g/t from 126 metres**

Fig 6: Cross Section 210050 N – NKR11-063



Source: PMI

### Valuation Update

Target value of \$2.70 per share

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After allowing for equity dilution, Strachan Corporate now assesses PMI Gold to have a value of \$871 million, which equates to a modest \$179 per ounce of gold in current Resource.

As further drilling and metallurgical results are revealed and capital costs for reopening the Obotan project are estimated, the stock will continue to move towards its assessed value of over \$2.70 per share.

### Disclaimer

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