

27 Jul 2011

PMI GOLD CORPORATION LIMITED

Quality Exploration and Development Opportunities in Ghana

We had a site visit to PMI Gold Corporation ("PMI", "Company") operations in Ghana, visiting both the Obotan and Kubi Projects. The site visit confirmed to us the significant exploration upside within the Ghanaian projects and confidence that the Obotan Project is a near-term gold development opportunity for the Company. We believe the accelerated exploration programmes underway will also deliver future near-mine expansion opportunities and significant discoveries within both project areas.

Obotan resource upgrade end of September 2011

The Obotan project is the most advanced of the Company's projects, comprising the large Nkran deposit and the smaller satellite deposits at Abore, Adubiaso and Asuadi. The current Obotan global resource, based on historical drilling by Resolute prior to 2002, is over 1.2Moz (@ 2g/t), primarily contained within the Nkran deposit (69%). Recent resource drilling (2010 – 2011) by PMI at Nkran has confirmed the historical drill results of Resolute by continuing to intersect wide zones of mineralisation with readily observable free-gold. The wide widths will yield benefits to both open pit and underground mining (bulk mining). The drilling has improved confidence in the integrity of the deposit, and may increase the ore tonnes and ounces per vertical metre of the deposit where previous gaps in the drilling had been excluded in the resource estimate. The deposit remains open at depth. PMI currently has three drill rigs on site at Obotan, with one rig continuing with resource drilling at Nkran and the other two rigs concentrating on delineating shallower oxide mineralisation at the nearby satellite deposits. An updated resource estimate is expected at the end of September 2011.

The Company is planning to commence production in 2013 at a targeted rate of +100kozpa at sub US\$500/oz cash costs. To this end, PMI plans to complete a prefeasibility study (PFS) into the development of Obotan by the end of CY2011, with a view to making a decision to mine in early to mid 2012. In addition, exploration will be undertaken in parallel with the development studies with over \$7m allocated for the next 12 – 18 months.

First class exploration address

Outside of the development targets, the PMI's exploration ground is considered 'first class'. On its contiguous Obotan and Asankrangwa projects, the Company controls 3 sub-parallel mineralised trends over a regional strike extent of ~70km. On the Asankrangwa project, historic drilling has intersected a number of good grades and widths, yet follow up work has been minimal. Also, a regional investigation of the project by SRK Consulting in 2006 identified a widespread series of broad targets yet to be investigated. At Kubi, PMI's ground is just 15km along strike to the south of the major 60Moz (pre-mined) Obuasi mine. PMI controls a 25km corridor over two prospective, parallel shear zones associated with the Obuasi mineralisation, which has only been sporadically tested by past drilling. PMI Gold has secured another three drill rigs, which are expected to commence operation in September 2011.

We consider the potential for PMI's ground to host large gold deposits as relatively high, with any such discovery likely to have a very material impact on the share price. PMI is currently trading at a significant discount to our 88cps valuation and is recommended as a Speculative Buy.

Share Price	A\$0.525
Valuation	A\$0.88
Price Target	A\$0.96

Brief Business Description:

Gold explorer and developer

Hartleys Brief Investment Conclusion

Ghana focussed explorer seeking to transition to gold producer through the development of Obotan.

Chairman & MD

Mr Peter Buck (Non-Exec Chair.)
Mr Collin Ellison (Pres & CEO)

Top Shareholders

Macquarie Group	13.2%
Private Investor Denver	6.8%

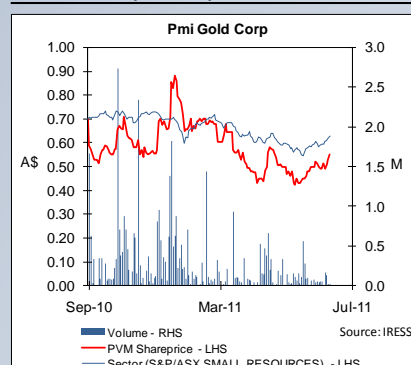
Company Address

680 Murray Street
Perth WA 6005

Issued Capital	197.9m
- fully diluted	247.8m
Market Cap	\$103.9m
- fully diluted	\$130.1m
Cash (est)	\$27.0m
Debt	\$0.0m
EV	\$76.9m
EV/Resource Oz	\$49/oz

	FY12e	FY13e	FY14e
Prod (koz Au)	-	24	140
Op Cash Flw	8.1	(3.5)	71.8
NPAT	(3.9)	(5.8)	42.4
CF/Share (cps)	(1.4)	0.04	20.9
EPS (cps)	(1.4)	(1.7)	12.4
P/E	(36.8)	(31.0)	4.3

Resources (koz Au) 1,557



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Hartleys has provided corporate advice within the past 12 months and continues to provide corporate advice to PMI Gold Corporation. See back page for Disclosure.

SUMMARY MODEL

Pmi Gold Corporation PVM		Share Price		July 2011	
				Speculative Buy	
				Company Information	
Key Market Information		Share Price		Directors	
		\$0.525		Mr Peter Buck (Non-Exec Chair.)	
Share Price		C\$0.53		680 Murray Street	
Market Capitalisation		C\$104m		Perth WA 6005	
52 Week High-Low		C\$0.96/C\$0.21		Tel: +61 (08) 6188 7900	
Issued Capital		197.9m		Dr. John Clarke (Exec. Dir.)	
Issued Capital (fully diluted)		247.8m		Fax: +61 (08) 9321 8881	
Options & Warrants		62.47m @ A\$0.35		Mr Ross Ashton (Non-Exec. Dir.)	
Hedging		-		Web: www.pmigoldcorp.com	
Valuation - A\$		A\$0.88		Honourable J.H. Mensah (Non-Exec. Dir.)	
Price Target - A\$		A\$0.96			
Financial Performance		Unit		Shares (m)	
				%	
		FY2010A		FY2011F	
		FY2012F		FY2013F	
Net Revenue		C\$m		0.1	
Total Costs		C\$m		(3.0)	
EBITDA		C\$m		(2.9)	
Depreciation/Amort		C\$m		-	
EBIT		C\$m		(2.9)	
Net Interest		C\$m		(0.1)	
Pre-Tax Profit		C\$m		(3.0)	
Tax Expense		C\$m		-	
NPAT		C\$m		(3.0)	
Abnormal Items		C\$m		-	
Reported Profit		C\$m		(3.0)	
Financial Position		Unit		Mt	
				g/t Au	
				Koz	
				Attrib.	
		FY2010A		FY2011F	
		FY2012F		FY2013F	
Cash		C\$m		2.9	
Other Current Assets		C\$m		0.1	
Total Current Assets		C\$m		3.0	
Property, Plant & Equip.		C\$m		0.2	
Exploration & Develop.		C\$m		21.1	
Investments/other		C\$m		-	
Tot Non-Curr. Assets		C\$m		21.3	
Total Assets		C\$m		24.3	
Short Term Borrowings		C\$m		-	
Other		C\$m		(0.4)	
Total Curr. Liabilities		C\$m		(0.4)	
Long Term Borrowings		C\$m		-	
Other		C\$m		-	
Total Non-Curr. Liabil.		C\$m		(0.4)	
Total Liabilities		C\$m		(0.4)	
Net Assets		C\$m		23.9	
Cashflow		Unit		Mt	
				g/t Au	
				Koz	
				Attrib.	
		FY2010A		FY2011F	
		FY2012F		FY2013F	
Operating Cashflow		C\$m		(1.5)	
Income Tax Paid		C\$m		-	
Interest & Other		C\$m		(1.7)	
Operating Activities		C\$m		(3.2)	
Prop. Plant, Equip & Devel		C\$m		(0.2)	
Exploration & Eval.		C\$m		(3.6)	
Investments		C\$m		-	
Investment Activities		C\$m		(3.7)	
Borrowings		C\$m		-	
Equity		C\$m		12.8	
Dividends Paid		C\$m		-	
Financing Activities		C\$m		9.6	
Net Cashflow		C\$m		2.7	
Ratio Analysis		Unit		Est. A\$m	
				Est. A\$/share	
		FY2010A		FY2011F	
		FY2012F		FY2013F	
Cashflow Per Share		C¢		(1.6)	
Cashflow Multiple		X		(33.7)	
Earnings Per Share		C¢		(3.1)	
Price to Earnings Ratio		X		(16.8)	
Dividends Per Share		C¢		-	
Dividend Yield		%		-	
Net Debt / Equity		%		na	
Interest Cover		X		-	
Return on Equity		%		na	
Resources		Category		Mt	
				g/t Au	
				Koz	
				Attrib.	
		FY2011F		FY2012F	
		FY2013F		FY2014F	
Obotan		C\$m		3.06	
Nkran OC		C\$m		5.95	
Nkran UG		C\$m		3.66	
Abore		C\$m		2.24	
Asuadi		C\$m		1.13	
Adubasio		C\$m		2.67	
Total		C\$m		15.64	
Obotan Total		C\$m		18.70	
Kubi		C\$m		1.32	
Kubi Main		C\$m		0.67	
Kubi Total		C\$m		1.99	
Grand Total		C\$m		20.69	
Production Summary		Unit		Valuation (\$/s)	
				Base Case	
		FY2011F		FY2012F	
		FY2013F		FY2014F	
*Attributable		000oz		-	
Payable Gold Metal		\$US/oz		-	
Cash Cost (excl. royalties)		\$US/oz		-	
Price Assumptions		Unit		Valuation (\$/s)	
				Base Case	
		FY2011F		FY2012F	
		FY2013F		FY2014F	
Gold		US\$/oz		1383	
CADUSD		C\$/US\$		1.00	
AUDUSD		A\$/US\$		0.99	
Hedging		Unit		Valuation (\$/s)	
				Base Case	
		FY2011F		FY2012F	
		FY2013F		FY2014F	
Total Forward Sales - Gold		000oz		-	
Forward Gold Price		\$A/oz		-	
Sensitivity Analysis		Unit		Valuation (\$/s)	
				Base Case	
		FY2011F		FY2012F	
		FY2013F		FY2014F	
Exchange Rate +10%		0.76		0.76	
Exchange Rate -10%		1.03		1.03	
Gold Price +10%		1.02		1.02	
Gold Price -10%		0.75		0.75	
Operating Costs +10%		0.82		0.82	
Operating Costs -10%		0.94		0.94	
Share Price Valuation (NAV)		Est. A\$m		Est. A\$/share	
Obotan (NPV @ 14%)- risk weighted		157.6		0.64	
Exploration		40.0		0.16	
Cash		27.0		0.11	
Forwards		0.0		0.00	
Corporate Overheads		(15.3)		(0.06)	
Total Debt		-		-	
Tax Losses		1.9		0.01	
Options & Other Equity		8.0		0.03	
Total		219.3		0.88	
Spot Valuation		349.2		1.41	
Spot Val: Gold: US\$1,611/oz, AUDUSD: 1.09, CADUSD: 1.06					
Analyst: Mike Millikan				Last Updated: 27/07/2011	
Phone: +61 8 9268 2805					
Sources: IRESS, Company Information, Hartleys Research					

Focused on Gold in Ghana

PMI Gold Corporation has been actively exploring for gold in Ghana since 2002 and currently holds a 537km² land position over two main project areas (Obotan and Kubi). The Company's projects are located in the main gold producing region of Ghana on the southwest coast of the African continent.

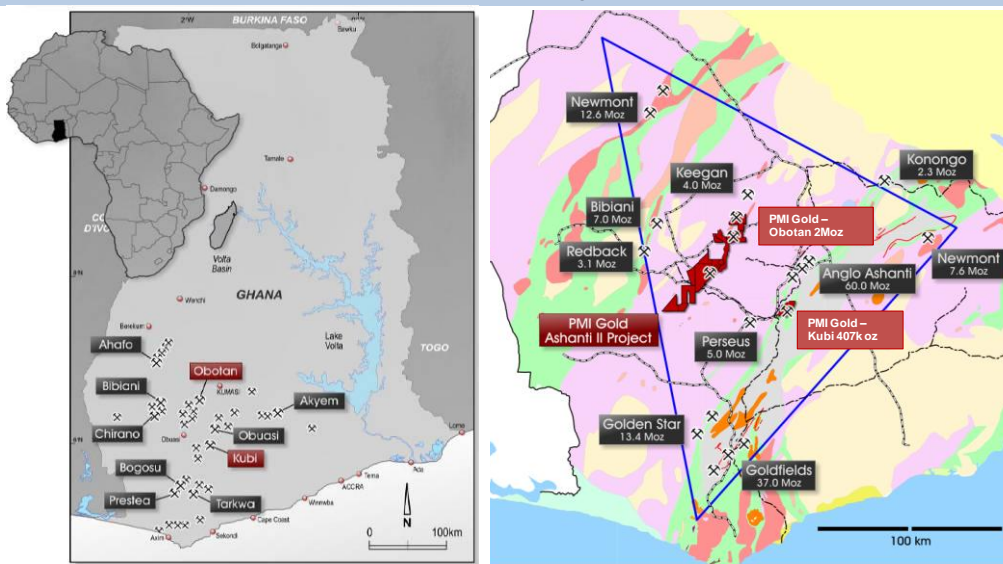
Advanced explorer/developer in Ghana

Production planned from 2013

The Company is planning to commence production in 2013 at a targeted rate of +100kozpa at sub US\$500/oz cash costs. To this end, PMI plans to complete a prefeasibility study into the development of its Obotan projects during CY2011, with a view to making a decision to mine in mid 2012. PMI Gold has in recent months made a number of key appointments to ensure that the Company is well resourced to progress it's assets towards production; cash remains strong at ~A\$27m.

The Company currently has three drill rigs on site at Obotan with one rig continuing with resource drilling at Nkran and the other two rigs concentrating on delineating shallower oxide mineralisation at the nearby Adubiaso and Asuadi deposits. The Company expects to have 5 rigs operational before year end. An updated resource estimate is expected at the end of September quarter 2011.

Fig. 1: PMI Project locations and surrounding deposits



Source: PMI Gold Corporation

Obotan comprises the large Nkran deposit and the smaller satellite deposits at Abore, Adubiaso and Asuadi

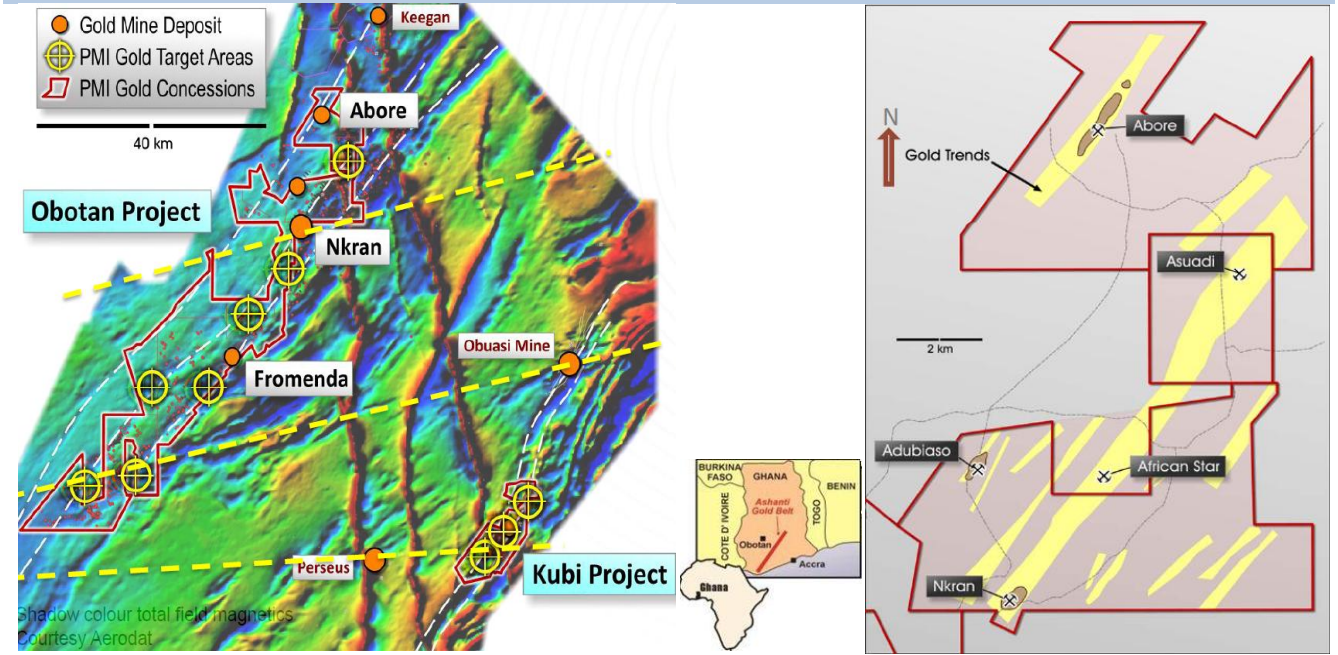
Obotan Near-term Development Opportunity

The 100% owned Obotan project is located in the Ashanti Region of Ghana, ~250km northwest of Accra. The project has had selective work by past explorers since the early 1990's, mainly involving soil sampling, exploration and resource drilling using both RC and diamond methods, as well as various geophysical surveys. These methods delineated the current known deposits of Nkran, Abore, Adubiaso and Asuadi.

Resolute extracted ~730koz from open pits, but stopped due to the low gold price

Resolute Mining Limited (Resolute) mined the project between 1997 and 2002, producing a total of 730koz from three mainly oxide open pits. The mining operation achieved recoveries of ~95%, with a high gravity gold component. At the completion of the open pits Resolute had planned to commence underground mining, having delineated mineralisation over 400m below the final depth of the Nkran pit. However the prevailing gold price at the time (~US\$350/oz) yielded the underground mine uneconomic and the operation was closed, the plant was sold and handed back to the Ghanaian government in mid 2006, with the mining village gifted to the Church.

Fig. 2: PMI projects (LHS) and Obotan resources (RHS)



Source: PMI Gold Corporation

Obotan Resource is currently 1.2Moz

Project team appointed to ensure PFS delivery

Nkran remains the most significant of the resources

~830koz at grade of ~2.6g/t

The global Obotan resource is estimated to comprise 1.209Moz (Hellman and Schofield 2011), contained within the Nkran, Abore, Asuadi and Adubiaso deposits. Nkran, Abore and Adubiaso were previously mined by Resolute, with Nkran containing by far the largest proportion of the resource.

PMI has appointed several international engineering and consultancy companies as key technical advisors to the Obotan pre-feasibility study (PFS), which is underway. GR Engineering Services are the project managers providing process and engineering services with SRK Consulting providing geological and mining related services for resource studies and mine planning. Knight Piésold Consulting and CSA Global round out the project team with waste management (tailings and water management) and database management. The engagement of the pre-feasibility study team ensures PMI is well placed to unlock the potential of gold project, which remains on track for a resource upgrade in late September and the release of the PFS by year end. PMI's objective is to become a significant West African gold producer.

Nkran remains the flagship deposit

The most significant of the resources is that at Nkran, relating to the wide thickness of the mineralisation (up to 100 horizontal metres) in the central stockwork/ladder vein portion of the deposit. Recent infill resource drilling of Nkran has continued to deliver wide, high-grade mineralised intercepts. The Company has now completed over 56 infill, extensional and confirmatory diamond drill holes at Nkran, with 25 holes reported to date and some of the latest results including **125m @ 2.18g/t Au** from 271m; **118m @ 2.43g/t Au** from 386m and **52m @ 3.37g/t Au** from 201m.

Multiple broad zones of mineralisation have been intersected ~150m below the base of the Nkran open pit, which has a current resource of ~830koz at grade of ~2.6g/t. Drilling has primarily focussed on that portion of the resource to about 350m below the surface to fully evaluate the volume of ore that may be open pitable and should lead to an updated resource estimate during the September quarter 2011. Additional assays are waited from a further 24 holes and are expected in August 2011, contingent on laboratory backlogs being cleared.

Broad widths of high-grade gold mineralisation intersected within ~150m below the base of the Nkran open pit

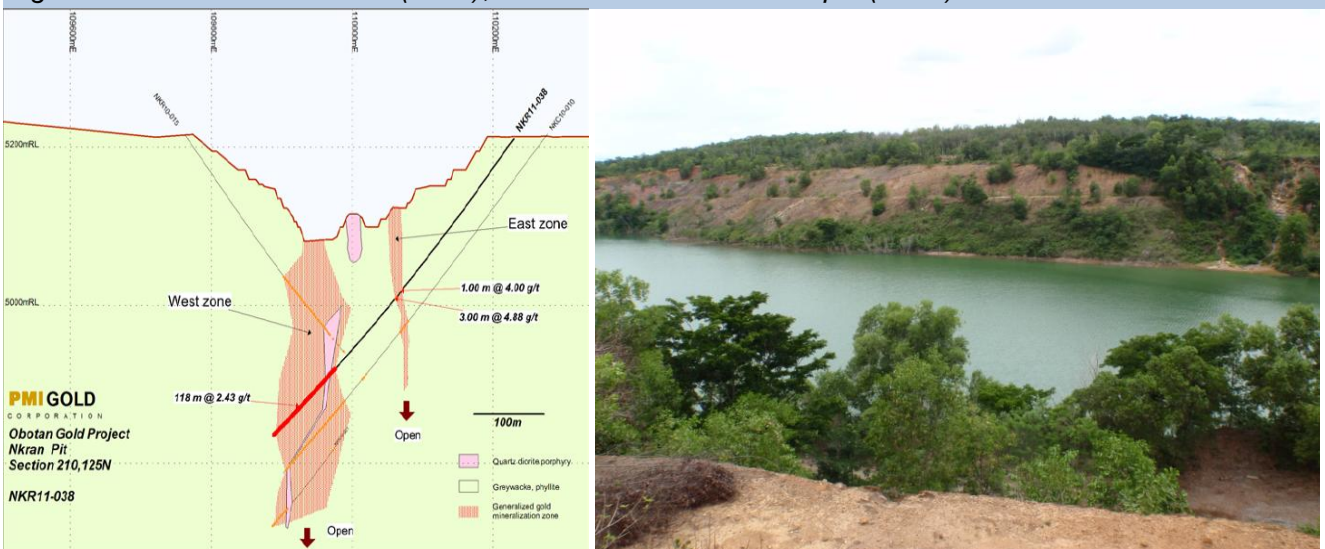
Deposit remains open at depth, and has not been effectively closed off along strike

Fig. 3: Nkran Deposit			
Resource	Nkran OC	Nkran UG	Total
Mt	6.484	3.74	10.224
Grade g/t	1.97	3.51	2.2
'000 oz	412	420	832
Lower Cut	0.9g/t	1.5g/t	
Categories (M/Ind/Inf) %	0/8/92	0/2/98	0/6/94
LOM strip ratio (W:O)	4.5:1		
Resource upside	Open at depth and along strike to the south, adjustments to lower cuts, ongoing resource drilling		
Mining Method	Open pit down to ~350m depth and future underground operation		
Comments	Thick mineralisation amenable for bulk mining methods. Large pre-strip required but production strip ratio is good Lower cut of the Open Cut (OC) expected to be lowered		

Source: PMI Gold Corporation; Hartleys Research

Multiple broad zones of mineralisation have been intersected ~150m below the base of the Nkran open pit, which has a current resource of ~830koz at grade of ~2.6g/t. Drilling is primarily focusing on the open pit potential down to ~350m depth, and should lead to an updated resource estimate during the September quarter 2011. Pending assays from a further 24 holes are expected in August 2011.

Fig. 4: Nkran Cross Section (LHS); Photo of mined Nkran pit (RHS)



Source: PMI Gold Corporation; Hartleys Research

Potential mineralised extensions to the west of Nkran pit

The thickness of the mineralisation should enable bulk open pit and underground mining methods, yielding lower costs and greater productivity. Given the size of this deposit, PMI intends Nkran to provide the bulk of mill feed for the proposed operation at Obotan. Significantly, the deposit has not been effectively closed off along strike/down plunge to the south, indicating the potential for future resource upgrades. The mineralisation underneath Nkran pit has not been sufficiently deeply drilled and consequently remains open at depth.

PMI has a 1–2Moz exploration target for the mineralisation below the Nkran pit

We understand that the Company has a “resource target” of ~2Moz for the mineralisation below the Nkran pit, given the thick widths of the deposit, and that mineralisation in Ghana typically has significant depth extensions.

Due to the targeted depth of the Nkran open pit the pre-strip is expected to take some time and add considerably to the project capital costs, which we expect will cost over A\$30m. Depending on the cut-off grade, the deposit however should deliver LOM stripping ratio in the approximate range of 4 to 5:1 due to the wide mineralisation.

Fig. 5: Active artisanals at the Nkran waste dump (LHS); On-going drilling at Nkran (RHS)



Source: Hartleys Research

Obotan also contains the smaller satellite deposits at Abore, Adubiaso and Asuadi

Satellite deposits currently being drilled for the resource update

The smaller satellite deposits at Abore, Adubiaso and Asuadi are currently being drilled as part of the Obotan resource update. The Abore and Adubiaso deposits were previously mined by Resolute whereas the Asuadi deposit has not been previously mined.

Fig. 6: Asuadi Deposit

Resource	Indicated	Inferred	Total
Mt	0.390	1.131	1.521
Grade g/t	1.29	1.30	1.30
'000 oz	16.2	48.4	64.6
Lower Cut	0.5g/t		
Categories %	25%	75%	
Resource upside	Hasn't been previously mined, minor oxide, ongoing resource drilling, remains open		
Mining Method	Open pit for target ounces of 60-70koz		
Comments	~10km from Nkran, ~15km haul road, cocoa plantation over some of the site, minor compensation required to remove, deposit on side of hill		

Source: PMI Gold Corporation; Hartleys Research

Fig. 7: Asuadi Deposit view (LHS); On-going drilling at Asuadi (RHS)



Source: Hartleys Research

Fig. 8: Adubiaso Deposit

Resource	Indicated	Inferred	Total
Mt	1.03	2.67	3.700
Grade g/t	1.58	1.30	1.38
'000 oz	52.6	113.2	165.8
Lower Cut	0.5g/t		
Categories %	32%	68%	
Resource upside	Previously mined pit shallow pit 50m-100m deep, ongoing resource drilling, remains open		
Mining Method	Open pit for target ounces of 165koz @ 1.4g/t Au, likely resource additions		
Comments	Only 4kms from Nkran, good ore feed		

Source: PMI Gold Corporation; Hartleys Research

Fig. 9: Adubiaso mined pit (LHS); Diamond drilling at Adubiaso (RHS)



Source: Hartleys Research

*2.0Mtpa CIL plant
proposed yielding
100kozpa*

*Open pit initially with
underground potential*

*95% historic
recoveries*

The Company has a current development concept of constructing a (~2Mtpa) conventional carbon in leach (CIL) gold processing plant. These resources would likely to be mined via open pits in the early years, and then accessed from underground if viable, generating in the region of +100kozpa over an initial 8 year mine life. Nkran would provide the majority of feed for the plant, augmented by the other lower grade satellite deposits. Given that some of the deposits have been previously mined, PMI has a good understanding of the performance of the mineralisation. Resolute was able to achieve recoveries of ~95%, from oxide and fresh ore. We understand that that the ore is not refractory and preliminary test work has indicated that PMI should be able to achieve similar recoveries through a traditional gravity and CIL plant.

Exploration upside with 70km of strike to test

*The licences contain
~70km strike of a
major gold endowed
belt, which has been
cross cut by key
region structures
thought to be
associated with
hosting large gold
deposits*

In addition to the infill and extensional drilling, the Company will also progress regional exploration with a view to delineating additional deposits. The Company has proposed to undertake drilling of up to 40,000m across all of these programs. The Company has a number of drill targets that it believes have the potential to host a multi-million ounce gold deposit. The combined Obotan and Asankrangwa licences contain ~70km strike of a gold endowed belt, which has been cross cut by key regional east northeast trending structures thought to be associated with large gold deposits. However, many of the regional targets have only undergone limited drilling. The regional gold potential is somewhat confirmed by the presence of widespread local artisanal mining, indicating the presence of surficial gold. The delineation of additional bedrock hosted deposits would likely to have a significant impact on the mining scenarios and project economics.

*Kubi is smaller scale
than Obotan, based
on existing resources*

Kubi is in a first-rate exploration address

*Close to the 60Moz
Obuasi mine*

The 90% owned Kubi gold project is located ~65km southeast of Obotan and ~15km south of, and adjacent to, the 60Moz Obuasi mine. The Kubi licences are situated on the Ashanti Trend (Ashanti/Kubi shear zones), which hosts Obuasi. Obuasi is the largest underground mine in West Africa, and has been mined continuously for 113 years. The Kubi project covers a 20-year mining lease and like Obotan, has had some historic mining over the area, with Ashanti Goldfields mining ~500kt of ore at a grade of 3.65g/t Au for 59koz in two shallow pits in 2005.

Fig. 10: Kubi Deposit

Resource	Measured	Indicated	Inferred	Total
Mt	0.66	0.66	0.67	1.99
Grade g/t	5.30	5.65	5.31	5.42
'000 oz	112	121	115	348
Lower Cut			2g/t	
Categories %	32%	35%	33%	
Resource upside	Previously mined open pit which has been rehabilitated, remains open along strike and depth. 95% fresh and 5% oxide mineralisation			
Mining Method	Underground mining due to Forestry Reserve			
Comments	>100kms by road to Nkran, high-grade ore feed			

Source: PMI Gold Corporation; Hartleys Research

Fig. 11: Kubi project location (LHS) and 60Moz Obuasi Mine (RHS)



Source: PMI Gold Corporation; AngloGold Ashanti

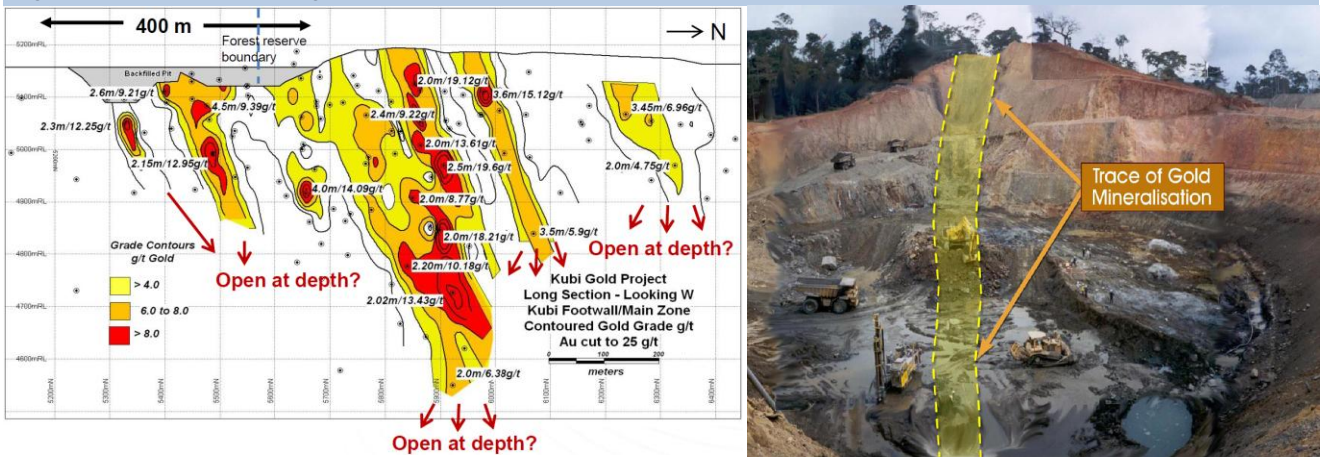
Kubi Main orebody ideal for underground mining

The previous mining at Kubi focused on ~400m out of the ~1.2km strike length of mineralisation. The deposit is hosted in sedimentary rocks coincident with the intersection of a main ENE trending cross structure and a regional NE trending structure (Kubi Shear). The mineralisation is steeply plunging averaging ~2.6m in width with higher grades at depth. The width, geometry and grade of the deposit suggest that it may be suitable for conventional underground narrow-vein mining.

Previous development study looked at Kubi as a 65kozpa underground operation and toll treating the ore

In 2008, PMI commissioned Golder Associates to undertake a scoping study into the development of Kubi as an underground mine. The study indicated the potential for production of up to 65kozpa based on a 500 - 750tpd operation using a shaft for access. The proposed mine had a ~14 year life, with the ore to be toll treated at a nearby third party mill.

Fig. 12: Kubi long section (LHS) and Historic Ashanti Goldfields pit (RHS)



Source: PMI Gold Corporation

The Kubi deposit is ~65km from Obotan

We understand the Company has previously investigated the viability of trucking high-grade ore to Obotan or toll-treating through a near-by third party mill (such as Perseus Mining Limited's CAGP operation). Whilst the Kubi deposit is ~65km from Obotan, by road the ore may need to be trucked ~110km due to the lack of a direct

route between the two projects. Having travelled on this route with the Company, the road would need to be upgraded, so we see third party treatment or a standalone operation as potentially better options). However, given the expected high grades of the mineralisation, this distance is not seen as being a major cost factor, particularly if the Company may investigate pre-concentrating the ore.

Some of the Kubi deposit is located within a Forestry Reserve, so if mined in the future it will have to be via underground methods

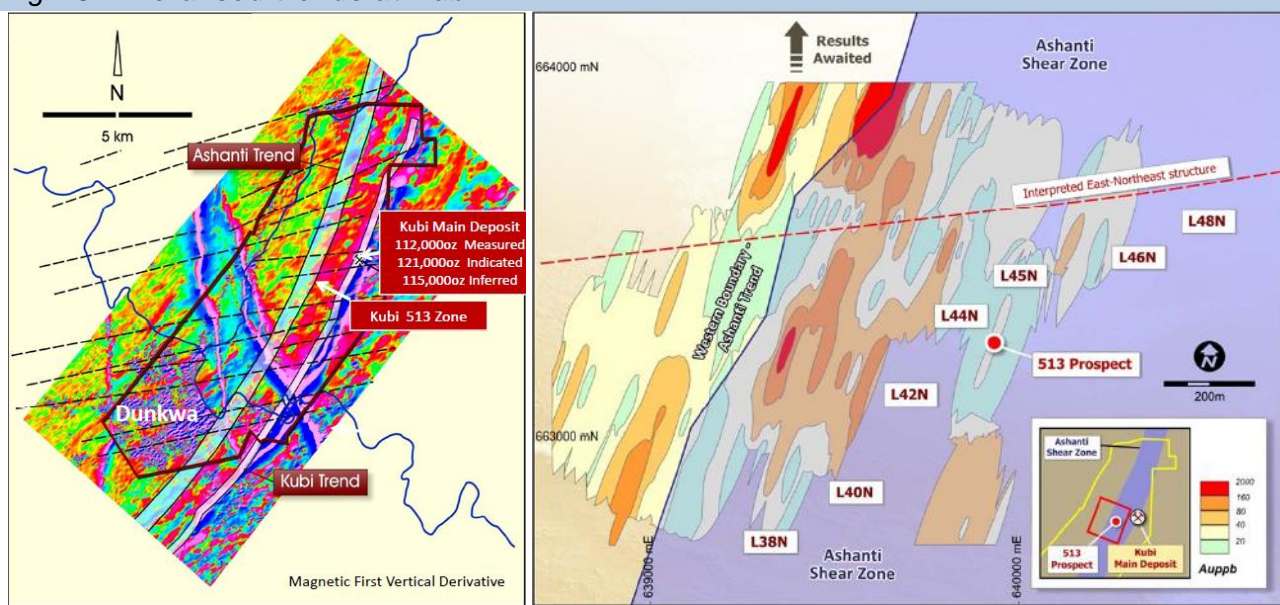
The underground development of Kubi (if considered viable) would likely be accessed by a decline down to the 150m level with PMI then undertaking a detailed underground drilling program to better define the orebody, to enable more confident mine planning and development studies. A significant amount of the Kubi resource lies underneath the Supuma Shelterbelt Forest Reserve. However, as the Company plans to access the deposit underground via a decline portal located outside of the Forest Reserve, there would be minimal ground disturbance to the forest.

Exploration Upside at Kubi

Excellent ground though still underexplored

Given the highly prospective geology of the Kubi project, there has been minimal previous drilling undertaken outside of the Kubi Main deposit area. Consequently, the Company plans to aggressively test a number of regional targets. Activities completed include geophysical surveys and geochemical sampling as well as auger drilling to define targets for RC and diamond drilling.

Fig. 13: Mineralised trends at Kubi



Source: PMI Gold Corporation

Mineralisation contained in Kubi and Ashanti shears

The project contains ~25km of the prospective Ashanti and Kubi shear zones. The Ashanti shear zone hosts the Obuasi deposits. However, given the prospectivity of the ground, only 9 of the 25km of prospective strike length has been drill tested. Consequently, the main focus for exploration will be along the trend of these shears and where they intersect a number of cross cutting ENE trending structures. Based on interpretations of deposits elsewhere in Ghana, the intersection points along these shears are thought to be the most favourable areas for large scale gold deposits.

Larger deposits seem to occur where cross cutting structures intersect these two shears

The Company has tested a prospect called the 513 Zone following up on a previously defined auger gold anomaly. This zone is ~1.3km south of the Kubi Main zone. The drill program returned some very encouraging results of similar grades and widths to Kubi, warranting further follow up drilling. Better results (all true widths) included 3.05m @ 3.76g/t Au from 85.25m, incl. 0.32m @ 11.95g/t Au, and 5.14m @ 3.68g/t Au from 64m, incl. 0.64m @ 15.35g/t Au.

Recently completed a shallow auger-drilling program over the 513 prospect and surrounding area

PMI Gold recently completed a 4,800m shallow auger-drilling program beyond the 513 prospect and surrounding area. Interpretation of the geochemical sample results has identified widespread gold anomalism over 1.2km of strike, only 1.4km SW of the Kubi Main Zone. Higher grade zones are contained within this broad anomaly with grades up to 2g/t Au over 100-200m in strike length. Further results are awaited (so far only 35% of assays are reported). Exploration drilling is planned commence at Kubi in August with the addition of a RC and RAB/ aircore drill rig.

Fig. 14: 513 Zone Drill Core showing garnetised volcanic host rock



Source: Hartleys Research

PMI Gold is rated as a Speculative Buy

PMI Gold is about to shift exploration focus for new gold discoveries with a regional drill program about to commence. The Company has over 70km of highly prospective ground to test within major gold belts which have largely been untested.

On-going infill and extensional drilling at Obotan will continue to de-risk the project via resource growth and conversion to reserves, which will be critical in progressing the project towards development and eventual mining.

We consider the potential for PMI's ground to large gold deposits is relatively high, with any such discovery likely to have a very material impact on the share price. The Company is currently trading at a considerable discount to our 88cps valuation and 96cps price target.

The Company has a strong balance sheet with over A\$27m in cash and no debt. We see the Company as significantly undervalued when compared to West African peers (PMI currently trading at \$49 per resource ounce (/oz) versus peer average of \$105/oz). We continue to recommend PMI Gold as a Speculative Buy.

The Company is currently trading at a considerable discount to our 88cps valuation and is recommended as a Speculative Buy

HARTLEYS RESEARCH COVERAGE LIST

Hartleys Research Coverage						Hartleys Research Coverage					
Name	Ticker	Last Price*	M. CAP (A\$m)	Status	Hartleys Research Recommendation	Name	Ticker	Last Price*	M. CAP (A\$m)	Status	Hartleys Research Recommendation
Resources						Oil & Gas					
Gold / Precious Metals						Conventional Oil & Gas					
1. Intrepid Mines Limited	IAU	1.90	989	Explorer	Speculative Buy	1. Woodside Petroleum Ltd	WPL	39.80	31,571	Major	Buy
2. Beadell Resources Limited	BDR	0.860	566	Developer	Accumulate	2. Nexus Energy Ltd	NXS	0.30	287	Developer / Explorer	No Rating
3. Integra Mining Limited	IGR	0.525	442	Producer	Accumulate	3. Tap Oil Ltd	TAP	0.87	208	Producer / Explorer	Buy
4. Gold One International Limited	GDO	0.505	408	Producer	No Rating	4. Carnarvon Petroleum Ltd	CVN	0.21	144	Producer / Explorer	Accumulate
5. Silver Lake Resources Limited	SLR	2.18	390	Producer	Buy	5. Cooper Energy Ltd	COE	0.41	118	Producer / Explorer	Buy
6. Catalpa Resources Limited	CAH	1.60	284	Producer	Buy	6. FAR Ltd	FAR	0.09	107	Explorer / Producer	Speculative Buy
7. Tanami Gold NL	TAM	1.09	283	Producer	Accumulate	7. Otto Energy Ltd	OEL	0.09	100	Explorer / Producer	Buy
8. Focus Minerals Ltd	FML	0.074	255	Producer	Buy	8. Amadeus Energy Ltd	AMU	0.25	74	Producer / Explorer	Neutral
9. YTC Resources Limited	YTC	0.685	170	Developer	Buy	9. Hawkey Oil and Gas Ltd	HOG	0.31	59	Producer / Explorer	Buy
10. Cerro Resources NL	CJO	0.210	157	Developer / Explorer	Accumulate	10. WHL Energy Ltd	WHN	0.03	29	Explorer / Producer	Speculative Buy
11. Northern Star Resources Ltd	NST	0.495	149	Producer	Buy	11. Sun Resources NL	SUR	0.03	10	Explorer / Producer	Neutral
12. FMI Gold Corporation Limited	PVM	0.650	129	Developer	Speculative Buy	Non Conventional Oil & Gas					
13. Papillon Resources Limited	PIR	0.515	105	Explorer	Speculative Buy	12. Aurora Oil and Gas Ltd	AUT	3.22	1,300	Producer / Developer	Reduce
14. Augur Resources Ltd	AUK	0.380	67	Explorer	Speculative Buy	13. Samson Oil & Gas Ltd	SSN	0.135	233	Developer / Producer	Buy
15. Cortona Resources Limited	CRC	0.165	32	Developer	Speculative Buy	14. Transerv Energy Ltd	TSV	0.03	88	Developer	Buy
16. Emmerson Resources Limited	ERM	0.140	32	Explorer	Speculative Buy	15. Oilx Ltd	OEX	0.34	86	Explorer / Producer	Speculative Buy
17. Southern Gold Limited	SAU	0.060	15	Explorer	Speculative Buy	16. European Gas Ltd	EPG	0.37	74	Producer / Explorer	Speculative Buy
18. Canyon Resources Limited	CAY	0.310	13	Explorer	Speculative Buy	Sub-Total 34,488					
19. Geopacific Resources NL	GPR	0.200	7	Explorer	Speculative Buy	Industrials					
Diversified Base / Precious Metals						Resource Services - Capital Intensive					
20. Independence Group NL	IGO	6.160	1,248	Gold & Base Prod./Dev.	Buy	1. Ausdrill Limited	ASL	3.18	969	Contract Drilling	Buy
21. Aviva Corporation Limited	AVA	0.250	34	Gold & Base Explorer	Speculative Buy	2. NRW Holdings Ltd	NWH	2.80	785	Contract mining	Accumulate
22. Ausquest Limited	AQD	0.110	25	Diversified explor	Speculative Buy	3. Mermaid Marine Ltd	MRM	3.26	695	Oil & Gas Services	Accumulate
Iron Ore						4. Fleetwood Corporation	FWD	11.77	674	Accommodation	Neutral
23. Atlas Iron Limited	AGO	4.250	3,510	Producer	Buy	5. Matrix Composites &	MCE	7.13	520	Oil & Gas Services	Buy
24. Centaurus Metals Ltd	CTM	0.079	67	Explorer	Speculative Buy	6. Index Ltd	IMD	2.36	472	Drilling Supplies	Buy
Uranium						7. Macmahon Holdings Limited	MAH	0.59	433	Contract mining	Speculative Buy
25. Peninsula Energy Ltd	PEN	0.081	170	Developer	Buy	8. MACA Ltd	MLD	2.48	372	Contract mining	Buy
26. Impact Minerals Limited	IPT	0.081	10	Explorer	Speculative Buy	9. Pacific Energy Ltd	PEA	0.46	160	Remote Power	Buy
Other metals						10. Swick Mining Services Ltd	SWK	0.39	91	Contract Drilling	Speculative Buy
27. Kasbah Resources Limited	KAS	0.230	84	Tin Developer	Buy	Resource Services - Labour Intensive					
28. Shaw River Resources Limited	SRR	0.175	44	Manganese: Developer	Speculative Buy	11. Monadelphous Group Limited	MND	19.18	1,650	Construction	Buy
29. Hazelwood Resources Ltd	HAZ	0.140	37	Tungsten Developer	Speculative Buy	12. Decmil Group Limited	DCG	2.56	317	Construction	Buy
Sub-Total 9,719						13. Lycopodium Limited	LYL	6.26	242	Engineer. & Constr.	Accumulate
						14. RCR Tomlinson Ltd	RCR	1.63	214	Engineer. & Constr.	Buy
						15. LogiComms Limited	LCM	1.00	67	Engineer. & Constr.	Speculative Buy
						16. VDM Group Limited	VMG	0.16	34	Engineer. & Constr.	Speculative Buy
						Other Industrial Companies					
						17. Seven West Media Limited	SWM	3.85	3,003	Media	Accumulate
						18. Austal Limited	ASB	3.02	568	Civil and Military	Buy
						19. iNet Limited	IN	2.48	377	Telecommunications	Buy
						20. Cash Converters Internat.	CCV	0.77	306	Unsecured Finance	Buy
						21. Amcom Telecommunications	AMM	0.35	247	Telecommunications	Buy
						22. RedHill Education Ltd	RDH	0.14	4	'For profit' education	Neutral
Sub-Total 12,199						Sub-Total 12,199					
67. GRAND TOTAL 56,407						67. GRAND TOTAL 56,407					

Source: IRESS, Hartleys Research. * 26 Jul 2011

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Hartleys Recommendation Categories

Buy	Share price appreciation anticipated.
Accumulate	Share price appreciation anticipated but the risk/reward is not as attractive as a "Buy". Alternatively, for the share price to rise it may be contingent on the outcome of an uncertain or distant event. Analyst will often indicate a price level at which it may become a "Buy".
Neutral	Take no action. Upside & downside risk/reward is evenly balanced.
Reduce / Take profits	It is anticipated to be unlikely that there will be gains over the investment time horizon but there is a possibility of some price weakness over that period.
Sell	Significant price depreciation anticipated.
No Rating	No recommendation.
Speculative Buy	Share price could be volatile. While it is anticipated that, on a risk/reward basis, an investment is attractive, there is at least one identifiable risk that has a meaningful possibility of occurring, which, if it did occur, could lead to significant share price reduction. Consequently, the investment is considered high risk.

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