Fundamental Research Corp.

Investment Analysis for Intelligent Investors

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November 17, 2007

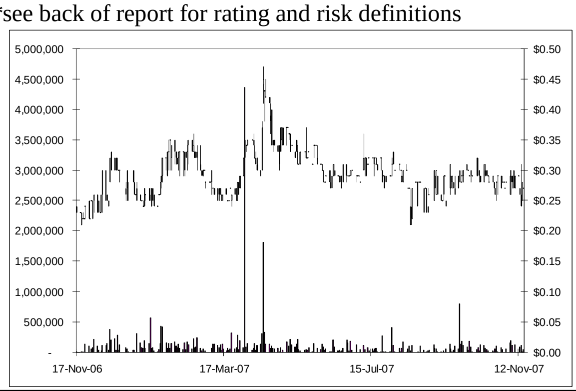
PMI Gold Corp. (TSX.V: PMV) – Initiating Coverage; Development Strategy on Emerging Gold Belt in Ghana

Sector/Industry: Junior Mining/Gold **www.pmigoldcorp.com**

Market Data (as of November 16, 2007)

Current Price	C$0.27
Fair Value	C$0.80
Rating*	BUY
Risk*	5 (Highly Spec)
52 Week Range	C$0.21 – C$0.47
Shares O/S	77,711,311
Market Cap	C$20.98 mm
Current Yield	N/A
P/E (forward)	N/A
P/B	2.05
YoY Return	17.4%
YoY TSXV	12.2%

*see back of report for rating and risk definitions



Investment Highlights

- The company controls two advanced stage gold exploration properties in Ghana with strong grassroots and resource expansion potential.
- They recently acquired the Kubi property, which has a NI 43-101 compliant resource estimate of 604,000 ounces of gold indicated and 315,079 ounces of gold inferred.
- Scoping and pre-feasibility work is ongoing at Kubi. The company is in the market to raise debt and equity financing of approximately $50 million to support development of Kubi and build a central processing plant at the Obotan property.
- The Obotan property has significant potential for underground gold resources, especially below the formerly producing Nkran open pit.
- They control a district scale property package in the emerging Asankrangwa Gold Belt. These properties have potential for open pittable oxide deposits and also larger underground sulfide gold deposits.

Risks

- The value of the company is dependent on the success of drilling, expansion, and determination of favorable resource estimates.

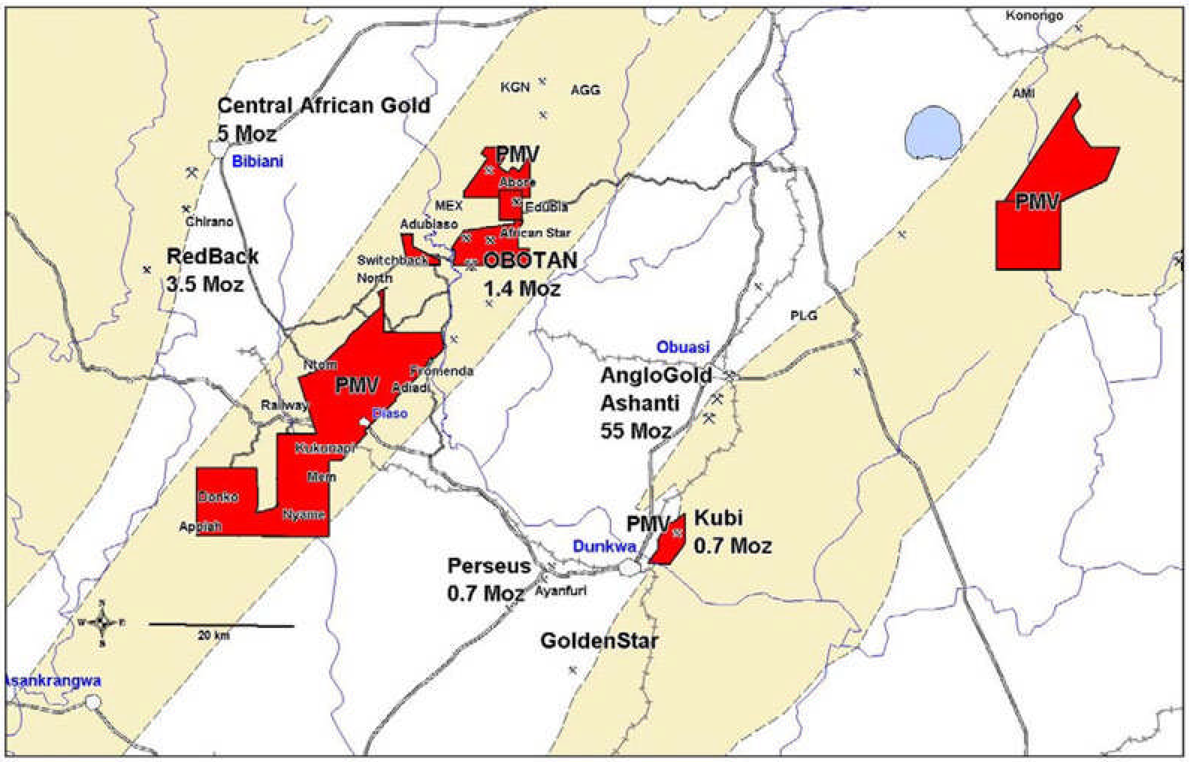
Key Financial Data (FYE - December 31) (C$)	2005	2006	2007 (6 mo)
Cash	94,547	242,844	1,061,216
Working Capital	(173,854)	139,367	899,348
Mineral Properties	5,865,384	9,354,189	10,303,148
Total Assets	6,046,153	9,795,905	11,741,259
LT Debt	-	-	-
Net Income	(1,090,816)	(1,118,442)	(835,217)
EPS	(0.03)	(0.02)	(0.01)

Note: FRC's mining advisor and a senior FRC executive have visited PMI Gold's Obotan, Kubi, and Asankrangwa properties in the past twelve months; see the back of this report for additional disclosures

PMI Gold Corp. controls two advanced stage gold properties in Ghana where they are exploring for gold under former open pit mines. The company plans to develop the Kubi property in the next year and build a central processing plant to exploit the Obotan and Asankrangwa Gold belt properties in the future.

Company Overview

PMI Gold Corp. has a strategy of acquiring former open pit gold producers in Ghana and exploring for high-grade, narrow vein gold at depth, which could be amenable to underground extraction. This includes Resolute's former Obotan Mine, comprised of the Nkran, Adubiaso, and Abore pits, and Nevsun Resources' former Kubi Mine in the Ashanti Gold Belt. They control a district scale property in the emerging Asankwrangwa Gold Belt, where they are exploring a number of early stage prospects. The company is moving towards development at the Kubi property, and has an aggressive growth strategy outlined for the next three years. Their property holdings are outlined in red in the image below.



Source: PMI Gold Corp.

Corporate History

PMI Gold's president, Doug MacQuarrie, has been working in Ghana since the 1990s and has been acquiring properties with his Ghana based partners since 1998. These properties were optioned to PMI Gold beginning in 2003, and Doug joined the company at that time.

Mining Outlook-Ghana

Ghana is one of the best jurisdictions for mining in Africa. The advantages of operating in Ghana are many. It defies typical stereotypes of African countries. It has a stable, democratic government based on a British model, it is English speaking and it has good security. Accessibility and infrastructure, while still not to first world standards, is among the best in Africa. Road transport can still be difficult, and we observed power outages daily during our site visit. Due to Ghana's long mining history, qualified persons trained in mining, engineering, geophysics and geology are available. The infrastructure and support for exploration and mining are good as well.

Permitting Structure

The government of Ghana retains a 10% carried interest in all mining operations and have the option to increase their interest to 20% through negotiation. There are three levels of mineral tenure in Ghana. A Reconnaissance License allows the holder to search for minerals using geophysical, geochemical, and geological means. This does not necessarily include drilling and physical excavation, except where specifically allowed. A Reconnaissance License is granted for a period of 12 months and is renewable. A Prospecting License allows the holder to explore for minerals and determine their extent and economic value. This permit is granted for a period of 2 years, and is generally renewable although the government may request a reduction of the permitted area. This permit allows for drilling, excavation, and other activities. When the holder of a Prospecting License has determined an economically viable project through a feasibility study, they apply to the Minister of Mining for a mining lease. A Mining Lease is granted for a period of 30 years, usually for an area not exceeding 5,000 hectares, and is renewable. An Environmental Impact Statement is required. According to management, one of the advantages of the Kubi project is that it already holds a Mining Lease.

Geology of Ghana

The geologic potential for gold in Ghana is excellent. While in Ghana, we observed small scale mining operations where artisinal workers, known as galamsey, recover placer gold from the soil using gravity concentration. This highlights the gold potential in the country, as these miners are essentially exploiting geochemical gold anomalies. Ghana is Africa's second largest gold producer after South Africa and number 10 in the World. They are producing approximately 2 million ounces per year. Ghana is the home of major mining companies including Anglogold Ashanti, Goldfields Ghana, Newmont, GoldenStar Resources and other mid-tier operators. Large exploration programs are still ongoing. PMI Gold is targeting smaller, <1 million ounce projects that provide favorable economics but are usually too small for the majors to take on.

The company is focused on the emerging Asankrangwa Gold Belt between the Birimian age Sefwi and Ashanti Gold Belts. Although the Asankrangwa belt has not produced as many ounces as its neighbors, geophysical surveys, exploration, and historic production to date suggest great potential for a large, deep seated gold deposit. The company's management has targeted the Asankrangwa Gold Belt since 1995, when a regional magnetic survey identified major deformation zones and cross structures related to Ashanti's gold mine at Obuasi and numerous other gold mines and showings in southwestern Ghana along other gold belts. The company believes major gold mineralized zones in southwestern Ghana are associated with the intersection of major cross structures where lateral dilation zones occur. This theory was confirmed by a structural geology technical report by SRK Consulting in 2005. SRK defined 17 targets where northeast trending structures and contacts intersected with cross structures that they believed had high potential for gold mineralization.

Kubi Property

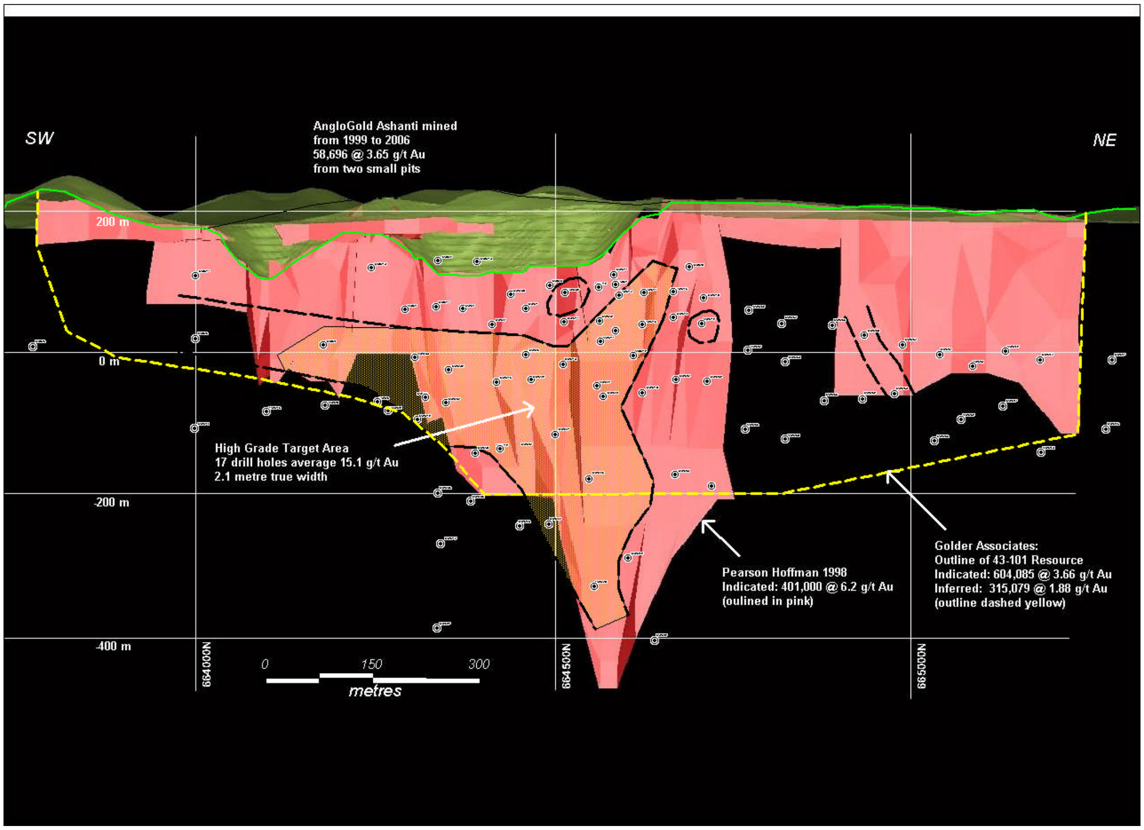
Property Overview: The company acquired the Kubi property in September 2007 from Nevsun Resources. The strategy is to delineate a high-grade core underneath the open pit that is amenable to narrow vein underground mining techniques.

Ownership: The company acquired the property in September 2007. They acquired all the shares of Nevsun Resources (Ghana) Ltd., a Barbados incorporated company that is a wholly owned subsidiary of Nevsun Resources (TSX: NSU). PMI issued nine million shares and will pay an additional $3 million in cash and or stock to acquire the property. At $0.28/share, PMI paid approximately U$5.5 million all in. Nevsun now holds approximately 9% of PMI on a fully diluted basis. The property is subject to a 3% net profits royalty payable to IRC of Englewood, Colorado (an assignment from BHP Minerals Ghana Inc). All mining projects in Ghana are subject to 10% carried interest by the government.

Historic Exploration/Production: AngloGold Ashanti optioned the property from Nevsun in the late 1990s and mined 500,230 tonnes grading 3.65 g/t from two small open pits between 1999 and 2006 on an intermittent basis. The ore was shipped to Anglogold Ashanti's Obuasi mine 14 kilometers to the north and to its leach pads at Ayanfuri. They recovered approximately 60,000 ounces of gold. The Obuasi gold mine has been in continuous production for 110 years. There are seven producing mines in the Ashanti Gold Belt.

Accessibility and Infrastructure: We visited the Kubi property on our site visit, and observed its easy, paved road access. The western boundary of the property is adjacent to the main paved road linking Kumasi, a major regional city, to Takoradi, a coast port 173 kilometers to the south. The Kubi deposit is located 4 kilometers away from this highway by dirt road. The nearest town is Dunkwa, located just 15 minutes drive to the southwest. The company has acquired the camp and leased offices, as well as historic drill core. No mill was ever constructed on site, as Ashanti trucked the ore off-site.

Geology and Mineralization: Mineralization at Kubi is found in shear zones in Birimian age metasediments at the contact between Birimian and Tarkwaian rocks. The mineralization occurs as typical vein type and disseminated deposits within a garnetiferous (garnet bearing) horizon. Additional mineralization occurs in quartz veins outside of the garnetiferous horizon that crosscut the contact. Mineralization has been identified in seven mineralized zones over a 1.2 kilometer strike length along the contact and there is great potential for additional gold mineralization at depth. The majority of the resource base is within the "Main Garnet Zone", where the main open pit is. The known depth of the deposit is 700 meters. It is located on the Kubi trend which sub-parallels 2 km to the east of the main Ashanti trend, a prolific gold producing trend that hosts at least 8 current or former producing mines.



Source: PMI Gold Corp.

Metallurgy: Kubi ore is amenable to gravity concentration and cyanidation, with recoveries of over 90% gold.

Current Status: The company is compiling information on Kubi to guide future development and production work. A "recommendation" study is underway with Golder Associates, who are considering the economics of an underground operation to exploit the high-grade vein beneath the Kubi pit.

Resource Estimate: The Kubi property has a NI 43-101 compliant resource estimate of 604,085 ounces gold indicated and 315,079 ounces inferred. This is based only on Nevsun's and AngloGold's exploration work to date. We believe there is great potential to increase the tonnage and grade of the deposit with further exploration. At this time, the company has chosen to focus on the high-grade central core underneath the Kubi open pit, which has been drilled with results averaging in the 8-12 g/t gold range.

Category	Tonnage	Grade (g/t gold)	Contained Gold (oz)
Indicated	5,133,652	3.66	604,085
Inferred	5,380,392	1.88	315,079

Potential: The acquisition of the Kubi property transitions the company into the development stage. They plan to begin their development strategy by building a 500 tpd modular mill at Obotan and sinking an underground shaft at Kubi for a proposed 500 tpd operation. A recommendation study is underway, focusing on the underground potential of the high-grade "Main Garnet Zone."

Timeline: Following Golder's recommendation study, we expect the company to aggressively implement the recommendations, including exploration and development, to bring the Kubi property into production as quickly as possible. We have estimated production in 2009.

Obotan

Property Overview: The Obotan property is a former gold producer from three open pits: Nkran, Adubiaso, and Abore. The company has identified potential for 1-2 million ounces of gold grading +3 g/t beneath the Nkran pit, based on drilling and the resources left by Resolute when they abandoned the project.

Ownership: The company acquired the property through staking from the Ghanaian government. All mining projects in Ghana are subject to 10% carried interest by the government.

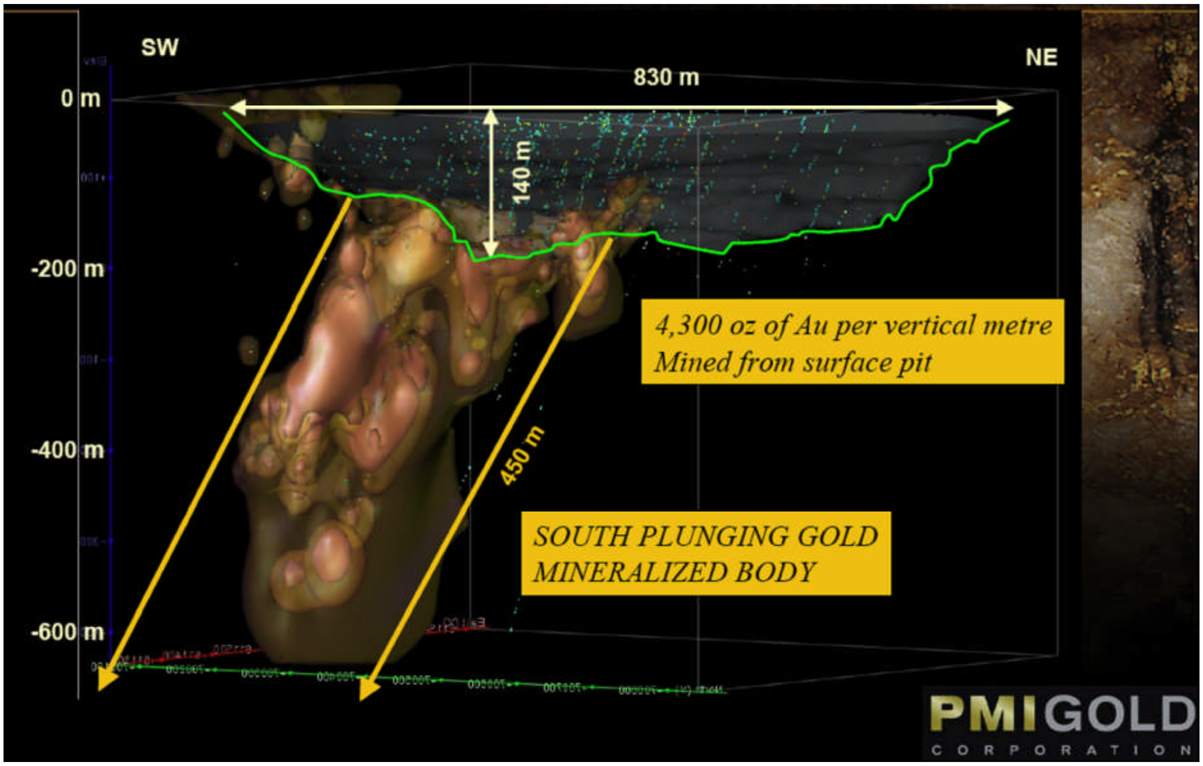
Historic Exploration/Production: Three open pits were exploited by Resolute from 1997 to 2002. 730,000 ounces were produced in total: 590,000 ounces at 2.2 g/t gold from Nkran and 140,000 ounces from Adubiaso and Abore combined. Resolute only mined 730,000 ounces of the 2.8 million ounces delineated in a feasibility study in 1997. Resolute was planning to go underground using a decline, but low gold prices made the project subeconomic, and Resolute was forced to abandon the mine in December 2002. In 2003, the mill was sold for $5 million, dismantled, and moved. The three open pits and mill site have been reclaimed and the pits allowed to flood.

As is the case with many projects along Ghana's gold belts, small-scale artisinal miners, known as the galamsey, have established operations around the Nkran pit, mining near surface laterite and vein gold mineralization.

The company has access to Resolute's drilling data and has completed one drilling program below the pit to confirm Resolute's results. Analysis of the previous drilling results indicates a weighted average gold grade of 10.02 g/t gold over an average true width of 4.40 meters in the main Galamsey vein. The company has identified 30 drill intersections below the pit exceeding 22.5 g/t gold. Gold mineralization has been identified to a depth of 425 meters below the pit in a bulk mineralized zone varying from 20 to 45 meters.

Accessibility and Infrastructure: This property has an established footprint with good accessibility and infrastructure due to its recent history as a producer. Power and water are readily available.

Geology and Mineralization: The company's focus at this time is exploration and resource delineation beneath the Nkran pit, where Resolute identified two major vertical structures, known as the West Zone and East Zone. The West Zone is a larger, plunging structure that is generally lower grade (3-5 g/t) than the East Zone. The West Zone is the company's focus at this time. The East Zone represents interesting exploration potential, as it is much narrower (2-10 meters wide) and higher grade. This ore body is complex, and contains high-grade pockets of mineralization within a broadly mineralized zone.



Source: PMI Gold Corp.

Metallurgy: The Obotan ore is free milling and has simple metallurgy. It is readily amenable to gravity concentration and followed by cyanidation of the gravity concentrator tails with indicated high recoveries of over 90%.

Economic Studies: RSG completed a project overview report on the Obotan project that recommends an underground development and exploration program. This study estimated capital and operating costs for a ramp decline underground development program below the Nkran pit. According to management, they are planning a shaft based, bulk underground mining operation at Obotan and future economic studies will be focused on this.

Current Status: The company recently completed a drilling program to test the continuity of mineralization beneath the Nkran pit. This drilling program was very successful. At this time, no exploration is occurring at Obotan specifically, but exploration is ongoing over all the Askangrangwa Gold Belt properties (see below).

Resource Estimate: There are no historic or NI 43-101 compliant resource estimates at this time. While in Ghana, we reviewed historic drill core, assay results, and audited the “in-house” resource estimate calculated by the company. Based on this, and our calculations, we believe the West Zone has approximately 6.46 million tonnes of ore grading 3.31 g/t gold equaling 687,000 ounces. There is additional potential that requires further exploration, especially in the East Zone. Longer term, we believe there is potential for 1-2 million ounces of gold below the Nkran pit.

Potential: The company plans to use the Obotan property as a base of operations for exploiting the Kubi, Obotan, and Asankrangwa Belt projects. The Obotan property has an established footprint and space to build a conventional gravity and cyanidation mill to process material from Obotan, Kubi, and satellite deposits. The company will utilize cash flows from operations at Kubi to continue underground exploration at Obotan. They plan to build a modular mill starting at 500 tpd, which could be expanded to 1,000 tpd when the Obotan deposit is brought online.

Asankrangwa Gold Belt/ Ashanti II Properties

Property Overview: The company controls a large land position in the Asankrangwa gold belt, which includes the three former Obotan pits. This should be considered a district scale target, which includes dozens of individual prospects where grassroots exploration is ongoing. The company has compiled an excellent exploration database on this large property. The Asankrangwa Belt is located between the famous Ashanti and Sefwi (Bibiani) Gold Belts, and while lesser known, the company considers it an emerging gold belt with similar potential to its neighbors. Structural geology and exploration to date suggests longer term potential for a large, deep seated gold deposit similar to AngloGold Ashanti's Obuasi Mine.

Ownership: The company has acquired their large land package through staking and option agreements and hold a net 85% direct interest in 698 sq km. All mining projects in Ghana are subject to 10% carried interest by the government.

Historic Exploration/Production: A number of these prospects have seen limited historic exploration that indicated anomalous to high-grade mineralization. The company has completed the most drilling at the Main Zone in the Fromenda concession. Drilling results included 43 meters of 3.0 g/t gold and 23 meters of 5.7 g/t gold. Further exploration is required, however, as the structure is complex. Any future ore developed at Fromenda would be within trucking distance to a mill located at Obotan. Small scale artisinal mining operations by locals indicate the presence of anomalous gold in soils that may indicate mineralized targets at depth.

Accessibility and Infrastructure: Many of these projects are in early stages and have limited accessibility at this time. The company is required to negotiate with local land owners for surface access to the property and compensate them for land use. Surface use is mostly agricultural, including food crops and cocoa. The rainy season may also hinder access to more hilly targets.

Geology and Mineralization: At this time, the company is primarily exploring for high-grade underground and or open pittable oxide gold deposits. Longer term, they are exploring for larger sulfide systems.

Metallurgy: Gold oxide deposits in Ghana are typically amenable to gravity recovery.

Current Status: The company is currently trenching Switchback North with the intention of completing a drilling program. We observed trenching while on site, and the geologic structures were very interesting.

Resource Estimate: There are no NI 43-101 compliant resource estimates for the company's prospects in the Asankrangwa gold belt at this time, however, in 2004, Resolute had outlined, at a gold price of US$550 per oz, an inferred resources of 46,000 ounces at 2.7 g/t gold remaining in the Nkran pit; 85,000 ounces at 2.6 g/t gold remaining in the Adubiaso pit; and 48,000 ounces at 1.9 g/t gold at the African Star deposit located 4.6 km northeast of the Nkran pit. The company is primarily seeking long life, high grade underground mineable and open pittable oxide deposits suitable for processing at the mill to be built at the Obotan site.

Ashanti Belt Properties

Property Overview: The company has optioned two concessions in the Ashanti Gold Belt from Goknet, a private company. The adjacent Ofoase and Bankame properties have interesting geologic potential for gold deposits.

Ownership: The company entered into the Ofoase option agreement in 2005. The company has an option to acquire 60% interest in the Ofoase concession from Goknet by making payments to Goknet and the underlying owner totaling US$26,000/year for five years. They can increase to 70% by financing Goknet's share of capital expenditures to build a mine or increase to 80% by purchasing all of Goknet's interest for US$1 million. Goknet maintains a 2% NSR royalty.

The company can earn an 80% interest in the Bankame concession by keeping the concession in good standing and making payments of US$5,000/year to Goknet. Goknet maintains a 2% NSR royalty.

Historic Exploration/Production: Numerous gold anomalies have been identified through geochemical and geophysical surveys. Limited drilling has been completed on one priority anomaly, but the results were disappointing and did not warrant further exploration in this area. Many targets remain to be tested.

Current Status: The company is focused on the Askangrangwa Gold Belt properties at this time, but continue to keep the concessions in good standing. According to management, they are considering a joint venture to advance these concessions.

From left to right: The Nkran, Adubiaso, and Abore open pits, all owned by PMI Gold.
Source: PMI Gold Corp.

Management

PMI Gold's management team is drawn from experienced professionals with experience in exploration and development in Africa, especially Ghana. Douglas MacQuarrie is trained as a geologist and geophysicist and utilizes advanced geophysics techniques to identify and explore their district scale holdings. He is the company's primary prospect generator due to his many years of experience in Ghana. The company is very well established in Ghana and has brought in senior directors and a country manager who are based in Ghana.

Douglas R. MacQuarrie, P. Geo. - President and CEO
Mr. MacQuarrie is a consulting geologist/geophysicist specializing in gold exploration. He received a combined Honours degree in Geology and Geophysics from the University of British Columbia in 1975 and has worked continuously in mineral exploration for the last 14 years exploring for new gold deposits in West Africa. He also has extensive public company experience and has been involved in the prior discovery of over one million ounces of gold. He was also a runner up in the Gold Corp. Red Lake Exploration Challenge.

Peter Hooper, B.Sc., Mining Engineering - Chairman
Mr. Hooper is a senior mining executive with broad-based mining and finance experience. Responsibilities have ranged from Manager Mining at Rustenburg Platinum Mines in South Africa, General Manager at the Ruttan Copper Mine in Manitoba, General Mines Manager of Prestea Gold Mines Ltd in Ghana -- to President of Dynatec Engineering Ltd in Canada. His corporate experience has included Vice President of Nevsun Resources, COO of Afcan Mining Corp., as well as merchant banking experience as Managing Director Mineral Resources for Kingsdale Capital Corporation.

Ford Cannon, B.A. Economics - Chief Financial Officer
Mr. Cannon has been involved in all aspects of finance and administration, project planning, project management and economic modeling in both the mining and other industries for over 30 years. Mining industry projects include feasibility studies and project management for both open pit/heap leach and small-scale underground operations.

Leonard Dennis - Independent Director
Manager, Contract Support, CHC Global Operations since 1975. Mr. Dennis holds the position of Manager, Aircraft Lease Agreements & Contracts at CHC Global Operations and has been with the company since 1975. Mr. Dennis has also served as a senior officer and director to several resource based public companies since 1989. Duties have included corporate restructuring, financing and investor relations.

Honourable J.H. Mensah - Independent Director
Mr. Mensah is Chairman of the National Development Planning Commission of Ghana, an advisory board that reports directly to the President and to Parliament. He is also a Member of Parliament for the riding of Sunyani East, a seat which he has held periodically since 1969. Trained as an Economist, Mr. Mensah is widely respected in global development planning including the United Nations. Previously, he held the post of Minister of Finance and Economic Planning and latterly as Leader of Government Business, head of Economic Management Team, and senior Minister of the Government of Ghana. He was also a member of the African Advisory Council of the African Development Bank. Mr. Mensah also serves

as a Director of AngloGold Ashanti Limited.

Thomas Ennison, LLM - Ghana Legal Counsel
Mr. Ennison is a Barrister and Solicitor of the Supreme Court of Ghana and serves as Corporate Secretary to Adansi Gold Company (Gh) Ltd., the 100% owned subsidiary of PMI Gold. Formerly the Ghanaian Ambassador to Italy and Advisor to the U.N. on mining law, Mr. Ennison was also the Principal State Attorney in the Attorney General's Dept and Head of the International Law Unit, with the responsibility for the preparation of mining agreements. He has also served as General Legal Counsel for the Economic Community of West African States (ECOWAS).

Neil Macfarlane, M.Sc. - Country Manager
Mr. Macfarlane has 30 years' experience in exploration, geology, underground gold mining and reserve definition. He has a thorough knowledge of the gold deposits of Eastern Canada working with Agnico Eagle, Selco/BP and has worked and lived throughout Africa in Ghana, Kenya, Zambia, Mali, Guinea and Niger.

Godfried Kesse, M.Sc. Geol. - Advisor to the Board
Mr. Kesse is the former Director of the Ghana Geological Survey 1973-1993 and has held international appointments including: President of the Geological Society of Africa; Vice President of the Commission for the Geological Map of the World, Paris; and Vice President of the International Union of Geological Sciences (IUGS).

Alan McKerron, M.A.Hons - Advisor to the Board
Mr. McKerron is a former Executive Director of Anglo American Corporation and served in many capacities including Chairman of the New Mining Business Division and as Vice President Anglo American Corporation of Canada. He was also past Chairman, Kroondal Platinum; Director, Aquarius Platinum.

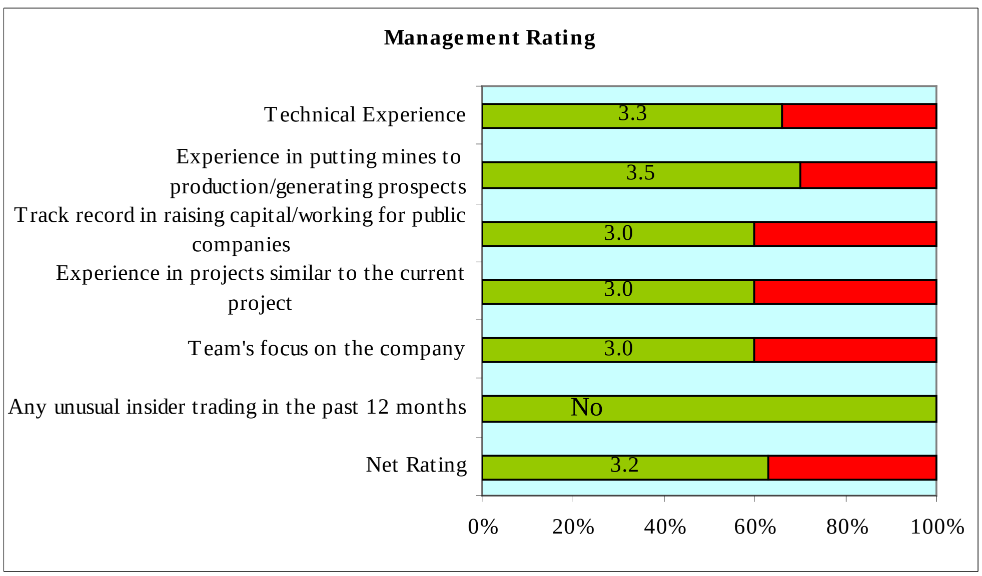
Florian Riedl-Riedenstein - Advisor to the Board
Mr. Riedl-Riedenstein is a self-employed financial consultant and served as Managing Director of the Investment Department of Schoeller & Co., Bank AG from 1969 to 1990 and worked extensively with the investment banking firm of Deacon, Barclays de Zoete Wedd from 1986 to 1994. Mr. Riedl-Riedenstein has more than 25 years experience in corporate finance and international banking and specializes in funding junior resource companies. He also serves as director to numerous other resource based public companies.

Pearce Bowman, PEng. – Advisor to the Board
Mr. Bowman has extensive experience in managing major resource companies, including roles as VP/Exec. General Manager for Luscar Ltd. of Alberta and WMC Resources Ltd. (Western Mining Corp.). For WMC, he managed the copper uranium division, including oversight of a $1.8 billion expansion of its Olympic Dam operations. Previously Mr. Bowman was the Chief Executive Officer of Generation Victoria a major Australian electrical power producer. Mr. Bowman holds a Master's Degree in civil/geotechnical engineering, a Master of Business Administration and is a Fellow of the Australian Institute of Engineers.

Ernie Black - Consultant
Ernest Black is a registered Professional Engineer in the Provinces of Ontario and British Columbia and holds a Bachelor's Degree in Agriculture and a Masters degree in Geology from McGill University in Montreal, Quebec. Ernie has worked domestically and internationally in mining and oil and gas exploration since 1955. Approximately 40 years of his career has been spent in corporate management, consulting, and project development. Ernie is the founder of MPH Consulting Ltd. in Toronto and MPH Consulting Inc. in Denver, Colorado. Over the years Ernie has serves as an officer and/or Director of several Canadian and American companies and continues to actively consult for clients in the mineral industry.

Management Rating

We believe that the most important aspect of a junior mining company is its management. Our management rating system is a quantitative way to rate management based on a number of factors, including technical experience, the ability to raise financing, and management's time commitment to the company. We also analyzed trading records to identify for evidence of unusual trading by management. **Our net rating for PMI Gold is 3.2, which we have rated average.** The company's strengths include a locally based management team with experience in Ghana and prospect generation.



Strength of Board

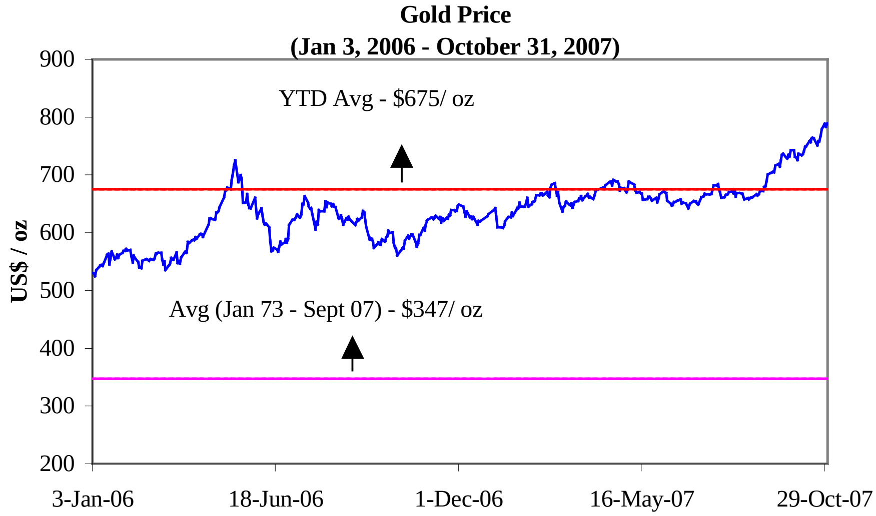
The Toronto Stock Exchange recommends that the Board of Directors of every company include independent or unrelated directors who are free of any relationship or business that could materially interfere with the director's ability to act in the best interest of the company. An unrelated/independent director can be a shareholder. In this report, we introduce our strength of board rating for PMI Gold Corp, which uses information available from the company's annual "Management Information Circular" to ensure that the company has an independent Board of Directors, Audit Committee, and Compensation Committee. This report also identifies any non-arms length transactions and management's compensation.

PMI Gold's Board of Directors is made up of 5 individuals: Douglas R. MacQuarrie, Peter

Hooper, J.H. Mensah, Thomas Ennison and Leonard Dennis. Peter Hooper does not hold any shares in the company. The related/non-independent directors are Douglas MacQuarrie and Peter Hooper, as they are executive officers of the company and receive compensation. The Audit Committee is made up of Peter Hooper, Len Dennis and J.H. Mensah. The company does not have a Compensation Committee. We have confidence in the independence of PMI Gold's governing boards.

Outlook on Gold

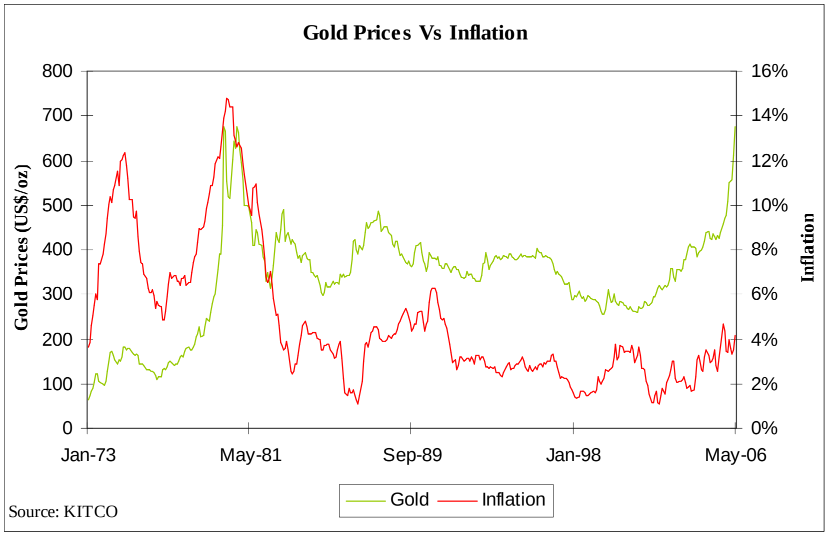
The chart below shows gold prices since January 2006. As of October 31, 2007, gold was trading at US$790/oz, which reflects a YOY increase of 29%.



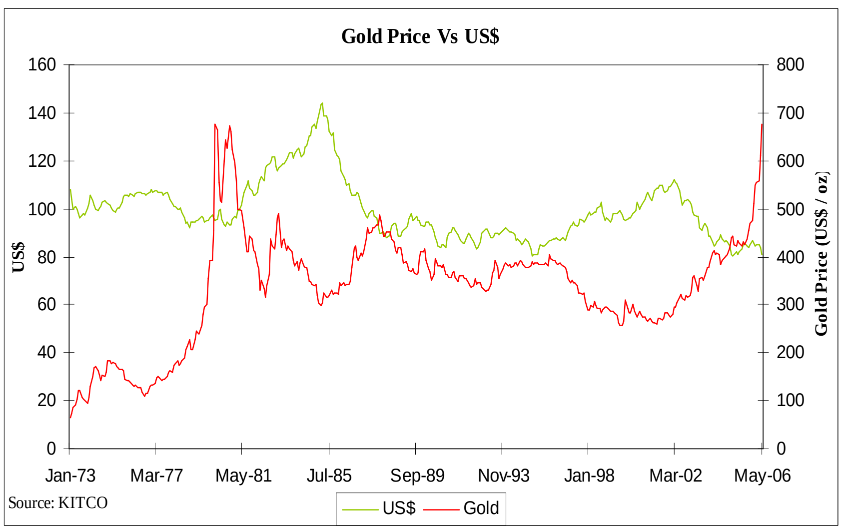
Source: KITCO

Prices have not dropped below the historical average price of US$347/oz since April 2003. Although gold prices have risen considerably in the past few weeks, and are currently trading at record highs, we have maintained our positive outlook on gold due to the following macro economic conditions.

Projected depreciation of the U.S. dollar: Gold is traditionally viewed as a capital preservation asset and regarded as a better hedge against the U.S. dollar, inflation and geopolitical risks, than any other commodity. The chart below shows the relationship between gold prices and inflation. It can be noted from the chart that gold prices were higher whenever inflation was high.



We believe that the demand for gold will stay high as long as it is perceived as a capital preservation asset by investors. Gold is a non-perishable asset that bears no credit risk and has a high value to volume ratio, which makes it easily transferable, with low transport and storage costs. Hence, we do not expect any other commodity to substitute gold as a capital preservation asset. Historically, gold prices have been negatively correlated to the U.S. dollar (as shown in the chart below).



The U.S. dollar is expected to depreciate with respect to other major global currencies, based on an expected slow down in the U.S. economy, and relatively lower real interest rates in the U.S., compared to other major countries in the world.

The U.S. housing industry is not expected to recover before mid-2008, and recently, the U.S. economy reported job losses for the first time in four years. Both these factors further signal a slowdown in the U.S. economy. The U.S. Federal Reserve cut interest rates by 75 basis points (to 4.50%) in their last two meetings, as a move to tackle the ongoing credit crunch problems and the softening U.S. housing industry. All these factors suggest that the U.S.

dollar will depreciate further going forward, which will help gold prices stay high.

Solid Investment Demand: As of October 15, 2007, total ETG assets held by two major exchanges, the New York Stock Exchange (NYSE: GLD) and the London Stock Exchange (LSE: GBS), were 22.26 million ounces, which reflects a YOY increase of 47%. We believe that it is the steady rise in investment demand, and not physical demand, which will play a more significant role in setting gold prices going forward.

Positive correlation with oil prices: We have also noticed a positive correlation between gold and oil prices in times of high oil prices. We found that changes in the average monthly prices of the two commodities during January 2006 – September 2007, had a significant positive coefficient of correlation of 0.53. High oil prices create inflationary expectations among investors and lead them to drift towards the capital preservation asset, gold. According to Oil and Gas Consultants, Sproule and GLJA, oil prices are expected to stay above US$60.00/bbl for the rest of 2007 and 2008, which we believe will have a positive effect on the demand for gold.

Forecast: Therefore, based on a forecasted depreciation in the U.S. dollar, higher inflationary expectations, relatively lower U.S. real interest rates, and high oil prices, we continue to be bullish on gold prices. We do not expect prices to move up from current levels for the rest of the year, however, we expect prices to gradually move up, as the U.S. economy moves closer to a recession. The average forecasts for gold prices are US$670/oz in 2007, and US$749/oz in 2008.

Financials

In the six month period ended June 2007, PMI recorded a net loss of $0.84 million (EPS: -$0.01), compared to a net loss of $1.12 million (EPS: -$0.02) in the 12 – month period ended December 2006. We estimate the company had a burn rate (cash spent on operating and investing activities) of $0.25 million per month in the first six months of 2007, compared to $0.22 million per month in FY2006 (12-month period). The table below shows the company's cash and liquidity position.

(in C$)	**2005**	**2006**	**2007 (6 mo)**
Cash	94,547	242,844	1,061,216
Working Capital	(173,854)	139,367	899,348
LT Debt/ Assets	-	-	-
Burn Rate (per month)	(131,703)	(219,901)	(246,667)
Cash Flows From Financings	1,128,111	2,787,113	2,298,376

At the end of June 2007, the company had $1.06 million in cash, compared to $0.24 million at the end of FY2006. PMI has raised $1.39 million since the end of June 2007 through a private placement and exercise of warrants.

- In August 2007, the company raised $1.06 million through a non-brokered private placement, by issuing 3.77 million units at a unit price of $0.28 per unit. Each unit consists of one share and one share purchase warrant at a price of $0.375 per share if exercised within the first year, and at a price of $0.45 if exercised in the second year.

- The company also raised $0.33 million in September 2007 through the exercise of 1.1 million warrants at $0.30 per share.

Stock Options and Warrants: The company had 7.97 million stock options outstanding (1.74 million are currently 'in-the-money' – assuming that none of the outstanding options at the end of June 2007 were exercised) at the end of June 2007, with exercise prices ranging between $0.25 and $0.45, and maturity periods between November 2007 and June 2012. We estimate the company currently has 14.12 million warrants outstanding (all of them are currently 'out-of-the-money') with exercise prices ranging between $0.30 and $0.375.

Conclusions: We expect the company to spend $1 million in exploration in the next 12 months. In addition to that, the company will have to spend $3 million to make the final payment to Nevsun. Based on cash at the end of FY2007 ($1.06 million), and the capital raised since then ($1.39 million), we believe the company will have to raise $4.5 million (through equity or debt) in the next three to six months.

Valuation

We have valued PMI based on the 43-101 compliant resource estimate on the Kubi Property, our estimate of resources for the Obotan Property, and Resolute's resource estimates of the remaining gold in the Nkran pit, Adubiaso pit, and the African Star deposit. We believe one of PMI's biggest advantages is that, the mined ore from all their properties with resource estimates can be processed in the proposed central processing plant at the Obotan property.

PMI's goal is to have long life, high grade underground mineable and open pittable oxide deposits. Therefore, the company intends to gradually increase their operating rate with the increase in known resource estimates of their projects. Their current plan is to build a 500tpd modular mill, and then expand to 1,000 tpd when the Obotan deposit is brought online.

Since we only accounted for the value of the current resource estimates (we do not account for any upside potential from an increase in resource estimates), we have valued the company as if the project will be put into full-scale production based on the current resource estimates. We have performed a Discounted Cash Flow (DCF) and a real options analysis to value the company. We have also presented a relative analysis to show how PMI is valued compared to other companies operating in Africa.

A summary of our DCF and real options valuation models are shown below.

DCF Valuation Summary	
Resource (in tonnes)	13,386,430
Recovery (%)	90.0%
Recovered Metal (in troy oz)	1,147,848
Production Commencement	2010
Mill Processing (tpd)	3,500
Mine Life (in years)	11
Long-Term Au Price (US$/oz)	$600.00
Average Operating Costs ($/oz)	$275.00
Capital Costs (in $)	$70,000,000
Discount Rate	14.49%
Net Present Value (PMV's Interest)	**$64,167,282**
Working Capital	1,460,106
Debt	-
Net Fair Value	$65,627,388
No. of Shares (diluted)	77,840,200
Value per Share	**$0.84**

Real Options Valuation Model				
	Resources (in tonnes)	**Contained Metal (in troy oz)**	**Gold Price (US$/oz)**	**Value (C$)**
Gold	13,386,430	1,284,336	600.00	723,144,141
Operating Costs ($/oz)	$275.00		Total Value (C$)	$723,144,141
Recovery (Au)	90%		Operating Costs (C$)	$384,085,656
C$/US$	1.05		**Net Value (C$)**	**$339,058,485**

Inputs relating to the underlying asset	
Estd.Value of Minerals if extracted today	$280,019,073
Annualized Standard Deviation of Mineral prices	19%
Capital Investment	$70,000,000
Estd. Mine Life (years)	11
Riskfree Rate	4.20%

Output			
Stock Price	$280,019,073	T.Bond rate	4.20%
Strike Price	$70,000,000	Variance	0.04
Expiration (in years)	10.8	Annualized div yield	9.23%
		Value of Option (PMV's Interest)	$54,260,054
d1 =	1.658	Working Capital	$1,460,106
N(d1) =	0.951	Debt	-
d2 =	1.033	No of outstanding shares (diluted)	77,840,200
N(d2) =	0.849	**Value per Share**	**$0.72**

All our assumptions and inputs used in the models are shown in the table above. However, some of them need explanation, which we have presented below.

- Resource estimate – We have used all the indicated resources, but have discounted the inferred resources (including our resource estimate on the Obotan property) by 50% as we typically do for inferred resource estimates.

- We have used a discount rate of 14.49%, which was based on a discount rate of 11.49% for similar projects in a relatively risk-free country plus a country risk premium of 3% for projects in Ghana. Although the company has announced their intentions to raise up to $50 million through equity and debt financings, we have not accounted for the impact of tax shield benefits (from debt financings) in our valuation, for conservatism. We will account for the tax shield benefits as we get more information on how much the company intends to raise through debt financings.
- Based on the company's current plan, we expect the Kubi project to be put into production in 2009 (at 500 tpd). However, for valuation purposes, we have assumed that the project will be put into production in 2010 at a much higher operating rate of 3,500 tpd.

Based on all these assumptions, our DCF model gave a fair value estimate of $65.63 million ($0.84 per share), and our real options valuation gave a fair value of $55.72 million ($0.72 per share).

Our fair value estimate is highly sensitive to changes in discount rate and gold prices. Below is a sensitivity analysis of our fair value estimate based on changes in discount rates and gold prices.

Gold Prices Discount Rates	-20%	-10%	0%	10%	20%
10.00%	$0.52	$0.86	$1.19	$1.53	$1.86
12.00%	$0.43	$0.72	$1.02	$1.32	$1.62
14.49%	$0.32	$0.58	$0.84	$1.10	$1.36
17.00%	$0.24	$0.47	$0.70	$0.92	$1.15

We also performed a relative analysis on the company based on an enterprise value (EV) to mineral assets (book value of mineral assets) ratio of comparables operating in Africa. The EV to mineral assets ratio, we believe, is a good metric to determine a relative valuation on any junior mining company. As shown in the table below, PMV is undervalued compared to four of the six comparables that we used in this analysis.

Comparables Valuation

	Company	SYM	Price	Enterprise Value	Mineral Assets	EV / Mineral Assets
1	Centrasia Mining Corp.	CTM	$0.80	$44,200,136	39,753,702	1.11
2	Midlands Mineral Corporation	MEX	$0.30	$11,693,658	6,344,903	1.84
3	PMI Gold Corp.	PMV	$0.27	$19,556,748	10,303,148	1.90
4	AXMIN Inc.	AXM	$0.80	$146,917,587	55,816,000	2.63
5	AMI Resources Inc.	AMU	$0.35	$9,728,052	3,586,418	2.71
6	Lakota Resources Inc.	LAK	$0.19	$9,333,747	3,267,674	2.86
7	Keegan Resources	KGN	$4.20	$87,696,811	10,894,667	8.05

However, all the comparables in the above list are operating in different parts of Africa, and are in different stages. Therefore, we do not believe any of them are real comparables, and therefore, we do not assign a fair value on the company based on this analysis. We performed this analysis only to get a rough idea of how PMI is valued relative to its peers operating in Africa.

Conclusions & Rating

We like the company's prospects in Ghana, especially their focus on the emerging Asankrangwa Gold Belt, which is highly under explored and has significant potential. The company has an aggressive growth strategy to exploit advanced assets and continue exploration using cash flow. This organic growth strategy has been highly successful in the past, and is the strategy on which many majors have grown from junior status. The company is "in the market" to acquire approximately $50 million, which will build a processing plant at Obotan and advance the Kubi project towards production.

Therefore, based on our valuation models, and analysis of the company's projects, we initiate coverage on PMI Gold with a BUY rating, and a fair value estimate of $0.80 per share. Our fair value reflects an upside potential of 196% from current price levels. Upside catalysts will arise as the company finalizes the structure of the proposed $50 million financing, and as the Kubi project approaches production.

Risks

The following risks, though not exhaustive, may cause our estimates to differ from actual results:

- The success of drilling, project studies, and development are important long-term success factors for the company.
- The value of the company depends on commodity prices.
- The company is subject to dilution risk as they attempt to advance their very large property holdings, especially in the Asankrangwa Gold Belt.
- The company is subject to delays that are affecting the entire mining industry.
- The company has not defined NI 43-101 compliant resource estimates for the Obotan and Asankrangwa Gold Belt properties.

We have rated PMV shares Risk 5 (Highly Speculative) as we do for similar stage junior mining companies.

Appendix – Site Visit Pictures

Trenching at Switchback North.

A mineralized section from the Obotan drill core.
Source: Fundamental Research Corp.

Fundamental Research Corp. Equity Rating Scale:
Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk
Hold – Annual expected rate of return is between 5% and 12%
Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk
Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:
1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

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