

Premier Gold Equity Research Report



MAC IC
MAC INVESTMENT CLUB

Metals and Mining Sector

Date: 10/11/2011

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Mac Investment Club

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Stock Rating:

BUY

Sector Weighting:

NEUTRAL

Today's Date: \$5.29

Price Target: \$7.00

Target Price Date: 03/01/2012

COMPANY MARKET STATISTICS

Ticker: PG

Exchange: TSX

Fiscal Year End December

52-week range (High/Low) \$4.56/\$8.00

Shares Outstanding 121.900M

Avg. Daily Trading Vol. 495,800

Market Capitalization \$644.6M

Annual Dividend -

Dividend Yield -

Price/Earnings -

Enterprise Value \$621.38M

EV/EBITDA -

Price to Book 3.91

BETA 1.67

Short Interest % 0.71%

HIGHLIGHTS

- PG is a strong takeover target with strategic land positions
- Joint Venture partnership with Goldcorp in Red Lake Mining Camp
- Saddle project located next to Newmont's Emigrant Spring mine
- Enormous land package in Beardmore/Geraldton with close to five million ounces of gold and growing

OVERVIEW

Premier is a North American focused exploration and development company with multiple gold projects located in the heart of proven mining districts in North America. Several projects are within the prolific Superior Sub-Province of Ontario, widely considered to be one of the world's most endowed mineral regions and the birthplace of several world class Canadian gold producers and one is located in the heart of Nevada's Carlin Trend, one of the largest and most productive accumulation of gold deposits in North America. Our business model is designed to shorten the pathway to exploration success, while reducing our shareholder's exposure to risk, by focusing on:

- PROVEN mining districts.
- ACCESSIBLE regions
- HIGH GRADE deposits
- SAFE jurisdictions

The Company holds a strategic property portfolio, unrivalled in the industry, with core projects that are all potential "company-makers" in their own right.

Trans-Canada Project (100%PG) - over 50 kilometres of the Geraldton-Beardmore district's most prospective geological structures including the multi-million ounce Hardrock deposit.

Rahill-Bonanza Joint Venture (49%PG - 51%G) - the last piece of the prolific Red Lake "Mine Trend" not 100% owned by Goldcorp.

Saddle Project (100%PG) - Located down plunge of Newmont's Rain Gold Mine in the Heart of Nevada's fertile Carlin Trend.

PQ North Project (100%PG) - Sits along strike on the same host iron formation that Goldcorp's Musselwhite Gold Mine is operating on.

ANNUAL EARNINGS PER SHARE (EPS)

2010	-\$0.10
2009	-\$0.04
2008	\$0.00

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PRICE CHARTS

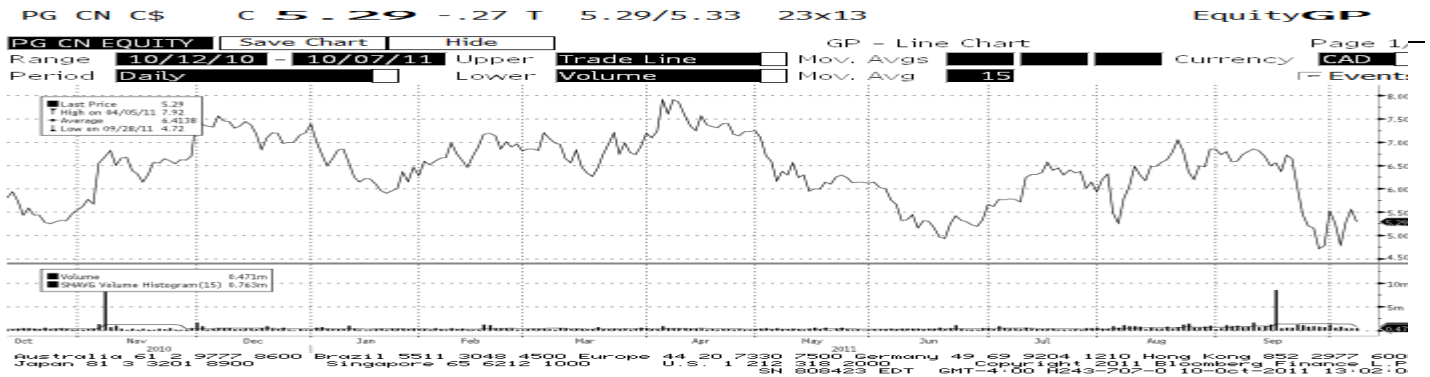


Figure 1) One year chart



Figure 2) Peer comparisons showing 1 year annual return vs. Mega Precious Metals and Marathon Gold.

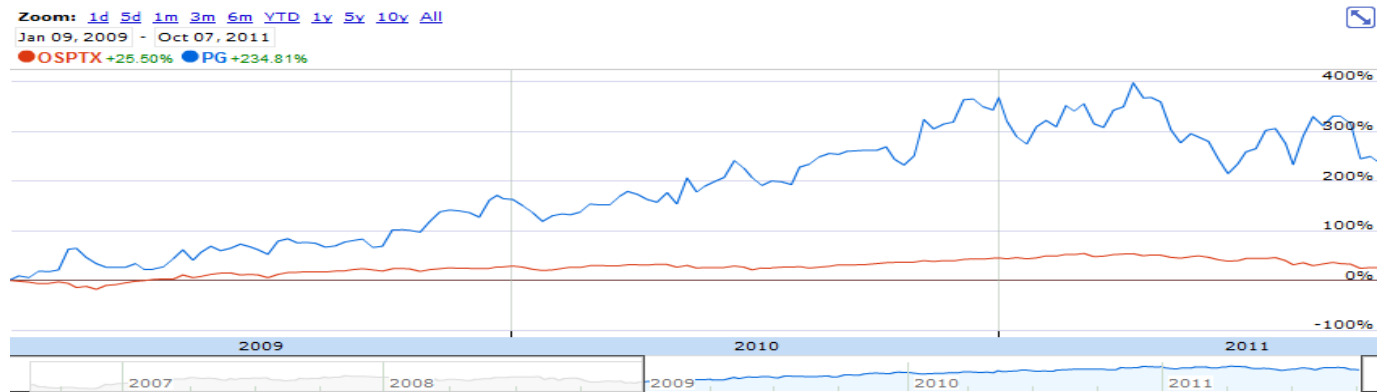


Figure 3) Annual return vs. TSX Composite index beginning in 2009

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NEWS AND EVENTS

Premier Gold is focussed on exploring in regions which are considered to be in very mining friendly jurisdictions – Ontario and Nevada. In August, the company completed the acquisition of Goldstone Resources (TSX:GRC) which consolidated the 70/30 joint venture partnership on the Hardrock project. In addition to consolidating the Hardrock project, Premier also gained ownership in Goldstone’s adjacent Key Lake Project, as well as the high grade Brookbank deposit, and the prospective Leitch and Northern Empire properties which were the former host to some of Canada’s highest grade gold mines. On September 29, the company announced that it has retained the services of JDS Energy & Mining Inc. to complete a Preliminary Economic Assessment on the Trans Canada project to assess how to best optimize the key assets in the project. The company expects to release the results of this PEA, as well as an updated NI43-101 resource estimate in Q1 of 2012. Further news flow is expected as the company is actively drilling in Nevada, and Goldcorp is in the process of constructing a high speed underground tram which will run through the Rahill-Bonaza project and provide an excellent exploration platform.

COMPANY RISK

Premier Gold is an exploration stage company and is subject to certain risk factors. The price of gold and the overall climate of the capital markets can fluctuate quite substantially. Since the company is an exploration stage company, it currently does not generate revenue and relies primarily on the equity markets to raise capital. The company has taken measures to mitigate risk by exploring in regions which have low geopolitical risk and are in proven mining districts. Furthermore, the company is well capitalized and currently has a net cash position in excess of \$30M.

BETA

1.67

WACC

20.05

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REVENUE AND EARNINGS

Due to the nature of junior mining companies, it is standard that these companies will operate at a loss during the exploration stage. Revenue, Net Income and EPS tables are provided for reference.

Revenue

	Q1	Q2	Q3	Q4	Total
Current	\$	\$	\$	\$	\$
2010	\$17,372	\$88,972	\$112,125	\$117,012	\$335,481
2009	\$33,742	\$8,861	\$29,000	\$16,612	\$88,215
2008	\$239,225	\$106,056	\$50,484	\$54,558	\$450,323

Net Income

	Q1	Q2	Q3	Q4	Annual Total
Current	\$	\$	\$	\$	\$
2010	-\$2,125,428	-\$7,775,312	-\$423,814	\$267,679	-\$10,056,875
2009	-\$276,589	-\$3,847,686	\$533,132	-\$93,449	-\$3,684,592
2008	\$23,742	\$3,156,791	-\$2,947,061	-\$11,288	\$222,184

EPS

	Q1	Q2	Q3	Q4	Total
Current	CAD \$ --.	CAD \$ --.	CAD \$ --.	CAD \$ --.	CAD \$ --.
2010	CAD\$(0.02)	CAD\$(0.08)	CAD\$0.00	CAD\$0.00	CAD\$(0.10)
2009	CAD\$0.00	CAD\$(0.04)	CAD\$0.00	CAD\$0.00	CAD\$(0.04)
2008	CAD\$0.00	CAD\$0.05	CAD\$(0.05)	CAD\$0.00	CAD\$0.00

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TECHNICAL ANALYSIS



The stock price seems to be hovering around a support line of about \$4.75. Over the past two weeks the price has also continually touched or dropped below the lower Bollinger band where prices are said to be oversold, triggering a buy signal. The RSI sits at 43.21, which is considered to be neutral. The MACD line looks like it may cross the signal line from below which is considered to be a sign of positive momentum.

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SELECTION METHODOLOGY

In our view, Premier Gold Mines is a very attractive junior mining company for several reasons. The company has strategically acquired and defined large gold deposits next to Goldcorp in Red Lake and Newmont in Nevada. It is our belief that these properties strongly increase the chances of an acquisition. Furthermore, the massive land package in Beardmore/Geraldton combined with the 5M+ ounces discovered to date is one of the fastest growing gold districts in Canada. The company has aggressively been drilling on all of its' major projects, and is quickly adding ounces to the bottom line.

The management team is led by Ewan Downie, a highly regarded mining professional. Downie has acquired hands on M&A experience as he has already completed the successful sale of his former company Wolfden, and spun off the gold assets into Premier Gold. Since the spin off in 2007, Premier's shares have increased by over 340% and we believe there is still a lot of upside in the share price. After speaking with representatives from the company, as well as several mining analysts, we believe that Premier Gold may spin off one or more of its' key projects to again enhance shareholder value:

<http://www.bloomberg.com/apps/news?pid=newsarchive&sid=a3sVp5RSaq6w>

When valuing junior mining companies, the accepted method is an Adjusted Market Capitalization per ounce valuation. The company's market capitalization is adjusted by subtracting any debt and adding the company's cash.

A breakdown of the estimated number of ounces for each project is presented below. According to an RBC research report on Premier Gold, an acceptable AMC/oz multiple is \$175 and the target number of ounces by project is as follows:

Project	Target Resource (M Ounces)	Ownership	Value (\$M)
Transcanada	5	100%	875
Rahill-Bonanza JV	2	49%	171.5
PQ North	1	100%	175
Saddle (Nevada)	0.5	100%	87.5
Cash & Equivalents			30
Total Liabilities			-37
Net Asset Value			\$1,302

With a NAV of \$1.302B and 120M shares outstanding, we arrive at a one year target price of \$10.85/share. Currently, the company is trading at an AMC/Oz of approximately \$83/ounce, well below the industry average of approximately \$175/ounce, making Premier Gold very undervalued. It is also important to note that three insiders have purchases shares in the open market over the past two weeks.

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