

PMI GOLD

C O R P O R A T I O N

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PMI Implements Multi-Pronged Strategy for Advancing the Obotan Project

Measures include maximising margins by reducing capital and operating costs as well as plans to accelerate early project cash flow

Key Points

- **Studies underway to reduce capital costs, strengthen margins and optimize returns from the Obotan Gold Project, with key initiatives including:**
 - a review of all major contracts and re-tendering process to take advantage of falling costs industry-wide;
 - opportunities to accelerate development of satellite oxide prospects, such as the recently discovered Dynamite Hill prospect, which could potentially defer some or all of the capitalized pre-stripping at Obotan; and
 - a review of mining strategies and cut-off grades.
- **PMI continuing to progress a range of financing options for Obotan while the final EIS approval is awaited.**
- **Until a suitable financing package is secured, the Company has taken a number of decisive steps to cut costs across the organization to preserve its strong cash reserves of US\$102M for project development and refocus exploration. These initiatives include:**
 - a material reduction in Directors' fees and salaries for all executives and senior staff;
 - a reduction in exploration staff in Ghana;
 - a reduction in corporate and administrative overheads across the Company, including revised arrangements with all contractors; and
 - a significant reduction in exploration expenditure, with the exception of advanced prospects such as Dynamite Hill.

PMI Gold Corporation (TSX: PMV, ASX: PVM, Frankfurt: PN3N.F) ("PMI" or the "Company") today announced that it is pursuing initiatives to optimize and enhance its flagship Obotan Gold Project in Ghana, including strategies to reduce forecast capital and operating costs while it progresses project finance and final environmental approvals.

PMI completed a Feasibility Study in 2012 which confirmed that Obotan is an extremely robust project with attractive economic parameters including forecast production of over 220,000oz a year at a highly competitive C1 cash operating cost of US\$626/oz. This Study was based on a gold price of US\$1,300 per ounce.

The Company has recently identified a number of areas where significant improvements and enhancements can be made to the August 2012 Feasibility Study in order to reduce pre-production capital requirements and strengthen forecast operating margins.

Some of the changes have emerged as a result of changed market conditions over the past six months which have seen a significant slow-down across the global mining and contracting industries.

Another key factor has been the recent discovery of the Dynamite Hill oxide gold prospect, located 7km north-east of the proposed processing plant. This has highlighted the potential to delineate additional sources of high-grade oxide ore feed in close proximity to the plant which could have a significant impact on the overall development configuration and economics of the Obotan Project.

Some of the initiatives currently underway include:

- a review of the pricing of all major contracts incorporated in the Feasibility Study, with a process of re-tendering currently underway to take advantage of rapidly changing cost structures across the mining and contracting industry;
- the potential to defer some or all of the capitalized pre-stripping required in the early stage of the Project's development by defining alternative sources of oxide ore feed within a 5-10km radius of the mill. This opportunity has recently been significantly progressed as a result of the discovery of the Dynamite Hill prospect, where a new zone of gold mineralization has been defined and a maiden JORC Mineral Resource could be targeted towards the end of this year; and
- a review of mining strategies and cut-off grades at the key deposits with a view to maximising cash flows during the early years of the project;

PMI is continuing to review a wide range of project financing alternatives for the Obotan Project while it awaits the final approval for the Environmental Impact Study (EIS) from the Environmental Protection Authority (EPA) in Ghana.

The delay in achieving EIS approval has been due to ongoing discussions regarding recently introduced changes over and above the EPA guidelines concerning the tails storage facilities, waste dumps and mine closure requirements. These changes have all been addressed and EIS approval is expected during the second half of 2013.

This is the final remaining outstanding regulatory approval required.

Until project finance is secured and a Final Investment Decision has been made, the Board of PMI has moved decisively to reduce costs across the Company in order to protect its strong cash position (circa US\$102 million at the end of the June Quarter). This will ensure that it is in the best possible position to proceed with development once it secures project finance.

Importantly, none of these changes will impact on the Company's ability to move ahead rapidly with the development of Obotan at the appropriate time.

Key initiatives include:

1. All PMI Directors have agreed to an immediate material reduction in their fees.
2. The base salary for the CEO, all executives and senior management will also be significantly reduced. In accordance with ASX Listing Rule 3.16.4, Mr Collin Ellison, CEO & Managing Director, has varied his existing Executive Services Agreement with a 20% reduction from his previous pay level of C\$525k pa inclusive of all entitlements to C\$420k pa inclusive of all entitlements.
3. Limited “Early Works” will be completed at Obotan including completion of approximately one-third of the camp upgrade and the Process plant detailed design work will be progressed to approximately 70 per cent completion. Both of these elements will enable PMI to move rapidly to commence construction and development of the project once project finance is secured. No major additional contracts will be let until project finance is in place.
4. There will be a significantly reduced regional exploration commitment for FY2014. The Company will focus on those advanced exploration opportunities which offer the best chance for defining JORC Mineral Resources and Ore Reserves in the near-term, such as the recent Dynamite Hill discovery.
5. Staff salaries in the corporate offices will be reduced or some staff will move to a reduced-hours basis. In addition, the planned recruitment of two senior corporate executives will be deferred until a decision on project commencement has occurred.
6. Corporate and administrative overheads have been reduced across the organization, with all key contractors being asked for, and agreeing to, reductions in their remuneration structures.

PMI Gold’s CEO Collin Ellison said the studies on the Obotan Project had always shown that the project would enjoy strong margins and robust rates of return, with the new initiatives designed to strengthen its position in a lower gold price environment.

“We have identified several key opportunities to reduce capital and operating expenses at Obotan which we believe will go a long way to offsetting the impacts of the lower gold price. It is now well known that construction costs and other contracting expenses have fallen since commodity prices came off. This is particularly the case in West Africa, where project developments have slowed dramatically.

“Obotan already had the significant advantage of being a low-cost, high-margin producer, as shown by the 2012 Feasibility Study, and we are confident that this multi-pronged strategy will protect our margins and ensure that we are able to secure finance on attractive terms.”

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Cautionary Statement Regarding Forward-Looking Statements

This Announcement contains forward looking statements or forward looking information under applicable Canadian securities laws (hereinafter collectively referred to as “forward looking statements”) which concern the Company’s Obotan Gold Project and other matters. These statements relate to analyses and other information that are based on forecasts or projections of future results, estimates of amounts not yet determinable and assumptions of management. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, strategies, assumptions or future events or performance (often, but not always, using words or phrases such as “expects” or “does not expect”, “is expected”, “anticipates” or “does not anticipate”, “plans”, “estimates” or “intends”, or stating that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved) are not statements of historical fact and may be forward-looking statements.

Forward-looking statements included in this Announcement include statements with respect to the reduction of capital and operating costs at the Obotan Gold Project; early year cash flow maximization; receipt of EIS approval in the second half of 2013; the delineation of additional high-grade oxide ore feed at the Dynamite Hill gold prospect; and development of the Obotan Gold Project.

Forward looking statements are subject to a variety of risks and uncertainties, which could cause actual events or results to differ materially from those reflected in the forward-looking statements, including without limitation: the actual results of exploration activities; changes in gold prices; the actual results of studies; changes in exchange rates; possibility of equipment breakdowns, delays and availability; changes in mine development plans; the unknown impact of the 10% windfall profit tax announced by the Government of Ghana; title defects; the failure of contract parties to perform their obligations; the unavailability of capital and financing; adverse general economic, market or business conditions; regulatory changes; failure to receive necessary government or regulatory approvals; the loss of key personnel; interference with and potential delays to the Company’s exploration and development activities as a result of the artisanal mining sector in Ghana; and other risks and factors detailed from time to time in the filings made by the Company with securities regulators and stock exchanges. These forward looking statements are based on certain assumptions which the Company believes are reasonable at the date they are made.

Any forward looking statement or information only speaks as of the date on which it was made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward looking statement, whether as a result of new information, future events or otherwise. Although the Company believes that the assumptions inherent in the forward looking statements are reasonable, forward looking statements are not guarantees of future performance and accordingly undue reliance should not be put on such.