

19 February 2013

Dear Fellow Shareholder

## TERMINATION OF PROPOSED MERGER WITH KEEGAN

As you may have seen, we have today announced that we will not be proceeding with the proposed merger with Keegan on the terms previously agreed. I am writing to provide some background to our decision and to let you know our plans from here.

### Background

Your directors have an obligation to consider all options for creating value for shareholders. For that reason and, in light of our unanimous view on the merits of the merger with Keegan, we were pleased to present the Keegan merger to you for your consideration. Both Glass Lewis & Co (which provides proxy voting recommendations to pension funds, investment managers and institutional investors) and Institutional Shareholder Services (ISS) (which provides governance research and analysis to 1,700 clients) recommended that PMI shareholders vote in favour of the merger.

In the opinion of your directors, the Keegan merger provided a number of advantages to PMI shareholders over a stand-alone development. We have previously outlined these to you but in summary the deal would: fully fund and therefore de-risk project development; provide a development pipeline; strengthen the board and management of the combined company; and create a more appealing investment vehicle to international investors.

As you may be aware, despite a majority by number of PMI shareholders supporting the merger several of our major shareholders were not happy with the deal. They made it clear to us that they objected to the transaction for three primary reasons:

1. Dilution – they believe that PMI shareholders will be better off if PMI takes on more debt at this time to fund the development of Obotan rather than gain access to Keegan's cash reserves through the merger.
2. Value of Keegan assets – they concluded that too much value was being ascribed to the Keegan assets by the terms of the merger.
3. Deal structure – they objected to the fact that PMI was being taken over and would not be the surviving listed company and raised concerns about the composition of the board of the combined company.

In the last few weeks, we have had discussions with those shareholders about these issues. Unfortunately, we have not yet been able to reach agreement on arrangements which would satisfy their concerns. As a result, we have today announced the termination of the Arrangement Agreement entered into with Keegan on December 5, 2012.

### **The Way Forward**

PMI's future remains bright and your directors will continue to focus our efforts on progressing the development of Obotan as expeditiously as possible. Among other things, this will involve continuing discussions and negotiations with a number of banks in relation to project financing. In addition, we have a substantial commitment to exploration resulting in the discovery of several new gold prospects. We have also today released an update on the progress we have made in recent months with the Obotan Project. A copy of that update is available on our website and on ASX.

We also intend to hold further discussions with Keegan and our major shareholders to see if there are amended merger terms which are acceptable to the boards of PMI and Keegan and all our shareholders. Of course we will address any other options which arise.

We will provide you with more information on these fronts at the appropriate time.

In the meantime, your directors have one simple objective in mind. To make sure that all options for creating value are fully explored so that we can unlock the full potential of PMI in the best interests of all of our shareholders.

In closing, I would like to thank you for your support to date and invite you to call me or our managing director Collin Ellison on (+61 8 6188 7900) should you have any questions about the matters discussed above.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Peter Buck', written in a cursive style.

Peter Buck  
Chairman