

# NIOGOLD MINING CORPORATION

Equity Research | Metals & Mining

Please see important disclosures at the end of this document

| Ticker              | Recommendation           | 12-month Target       |
|---------------------|--------------------------|-----------------------|
| TSXV:NOX<br>\$0.335 | SPEC. BUY<br>(unchanged) | \$0.85<br>(unchanged) |

Unfortunate News for Agnico-Eagle a Positive for NioGold

October 27, 2011

| Market Data              |                             |
|--------------------------|-----------------------------|
| 52-week High-Low         | \$0.55-\$0.19               |
| Shares Outstanding       |                             |
| – Basic                  | 97.1 million                |
| – Fully Diluted          | 117.7 million               |
| Market Capitalization    | \$32.5 million              |
| Enterprise Value         | \$22.4 million              |
| Cash & ST Investments    | \$7.0 million               |
| Marketable Securities    | \$3.1 million               |
| 90-Day Avg. Daily Volume | 220,000                     |
| Fiscal Year End          | August 31                   |
| Major shareholders:      | Management: 1.2%            |
|                          | Pinetree Capital Ltd.: 8.3% |

## Event

Yesterday, Agnico-Eagle reported Q3-11 results, which included a \$161 million after tax write-off of the Goldex operations (plus additional \$33 million in closure costs). Agnico-Eagle announced October 19<sup>th</sup> that it has suspended operations at Goldex indefinitely. Goldex is located in the Val d'Or mining camp, in close proximity to NioGold's Marban Block properties.

## Comments

It appears increasingly unlikely the Goldex main zone, known as the Goldex Extension Zone (GEZ), with 1.6 million ounces of proven and probable reserves will ever be mined. While other smaller, satellite zones and deposits may be brought online, development will take time and mill feed will run out at the end of October.

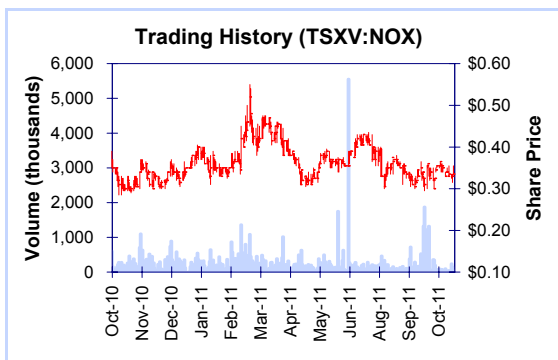
This leaves the Val d'Or area with significant excess mill capacity and improves the position of gold exploration and development companies such as NioGold, which have one+ million ounce gold deposits.

Goldex's sizable 8,000 tpd capacity plant will soon sit idle and add to other spare capacity at plants operated by Wesdome, Richmond, Century and Alexis in the camp. We believe this puts NioGold in a good position when it eventually looks at options for developing the Marban block.

While there are several mining exploration/development companies with projects in the Val d'Or camp, including Alexandria Minerals (TSXV:AZX), Alexis Minerals (TSX:AMC), Integra Gold (TSXV:ICG) and Adventure Gold (TSXV:AGE) to name a few, all of these contain far fewer than one million ounces.

### Marban Resource

NioGold's Marban resource is 960,000 ounces. However, based on available information, we are anticipating a new NI 43-101 resource estimate at the Marban project (using the same cut-offs of 0.5 g/t Au for 0-200metres and 2.5 g/t Au for 200-600metres) in the range of 1.4 to 1.5 million ounces. The upside is if the Marban resource proves amenable to mining by open pit. Using a 0.5 g/t cut-off the Marban Block has 2.3 million ounces in a resource block model but mineralization thins out near surface so may not be economically minable. If additional drilling leads to defining sufficient near surface mineralization, a lower strip ratio could make these ounces economically minable.



Source: Bloomberg

## Company Description

NioGold Mining Corporation is a gold exploration company with land holdings in northern Quebec's most prominent gold mining region, the Malartic, Cadillac and Val-d'Or gold camps. Its principal properties include the Marban Block, Malartic Hygrade, Malartic H, Camflo West, and Siscoe East located in the Abitibi Greenstone belt. The Company controls a 20 km segment of this prospective fault zone with gold resources defined over a 3 km segment in and around three former mines: Marban, Norlartic and Kierens, which collectively produced 600,000 ounces gold.

## Key Project

### Marban Block – JV with Aurizon Mines Ltd.

|           |               |                 |
|-----------|---------------|-----------------|
| Indicated | 598,000 oz Au | 8.1Mt @ 2.3 g/t |
| Inferred  | 361,000 oz Au | 5.8Mt @ 1.9 g/t |
| Historic* | 145,050 oz Au | 0.8Mt @ 5.8 g/t |

\*non NI 43-101 compliant

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## Marban Block Resources - Bulk Tonnage Potential

| Category   | cut-off Au<br>(g/t) | tonnes      | grade      | oz Au            |
|--|---------------------|-------------|------------|------------------|
| <b>Global Mineralization</b><br>(Includes Marban, Norlartic & Kierens) | <b>0.5</b>          | <b>54.4</b> | <b>1.3</b> | <b>2,287,000</b> |

Source: Company documents, NSI

**Conclusion**

Agnico-Eagle's loss is potentially a positive for NioGold's Marban deposit. In addition, we believe NioGold's shares which have dropped from above \$0.40 this summer and back to the low end of the 1-year trading range, are considerably undervalued and the dip represents a buying opportunity. We reiterate our \$0.85 target price and SPECULATIVE BUY recommendation.