

NIOGOLD MINING CORPORATION

Equity Research | Metals & Mining

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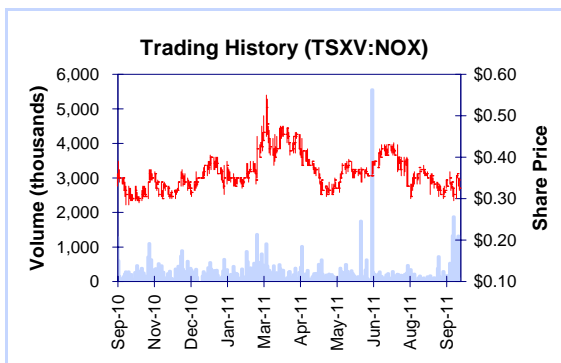
Ticker	Recommendation	12-month Target
TSXV:NOX \$0.325	SPEC. BUY (unchanged)	\$0.85 (unchanged)

Analyst Conference Highlights Marban's Growing Importance To Aurizon

September 30, 2011

Market Data

52-week High-Low	\$0.55-\$0.19
Shares Outstanding	
– Basic	97.1 million
– Fully Diluted	117.7 million
Market Capitalization	\$31.6 million
Enterprise Value	\$21.4 million
Cash & ST Investments	\$7.0 million
Marketable Securities	\$3.2 million
90-Day Avg. Daily Volume	290,000
Fiscal Year End	August 31
Major shareholders:	Management: 1.2%
	Pinetree Capital Ltd.: 8.3%



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

Matthew Zylstra
(416) 644-8109
mzylstra@northernsec.com

Event

NioGold Mining this week participated in Aurizon Mining's (TSX:ARZ) analyst conference to discuss the Marban block.

Highlights

- Aurizon is highly likely to proceed with the second year of the Marban earn-in option after the September 30th anniversary. Marban is the most advanced of Aurizon's six JVs.
- Aurizon is facing challenges at its flagship Casa Berardi mine and production is expected to decline sharply in 2016.
- Aurizon is proceeding with its Joanna project to bolster its production pipeline around 2015. The Joanna project is likely to see capex increase sharply because of refractory ore.
- Marban could offer an attractive production alternative to Joanna. A new resource estimate is expected before the end of the year. The updated resource will include an additional 58,000 metres of drilling and contain an in pit resource. We believe the Marban resource may start to resemble Joanna, but with additional deep high grade resources.
- Marban looks increasingly important to Aurizon. Aurizon stated that it is looking for acquisition opportunities in Quebec and NioGold is an obvious target.

Comments

Aurizon's analyst conference this week featured joint venture partners which discussed their respective projects. In attendance were representatives of Typhoon Exploration (TSXV:TYP, Fayolle project), Azimut Exploration (TSXV:AZM, Rex South project), Midland Exploration (TSXV:MD, Patris project) and of course NioGold.

Both NioGold's President and COO, Rock Lefrancois, and Aurizon's Manager of Exploration, Martin Demers, discussed the Marban project.

What was evident from the event is Marban's growing importance; Aurizon needs to fill its project pipeline in order to pick up production that will eventually taper off at its operating Casa Berardi mine as shown in the following chart.

Aurizon production from Casa Berardi



Source: Company documents

Joanna Project

Aurizon's 100% owned Joanna project is expected to be brought into production as early as 2015 but could take longer to develop and Aurizon has yet to make a production decision. Joanna, which is currently at the feasibility stage, could prove to be a challenge and will have significantly higher capex and operating costs than initially expected because the project requires an additional step of pressure oxidation to handle refractory ore.

Aurizon completed a prefeasibility study in Q4-2009 which estimated preproduction capex of \$187 million for an operation that would produce on average 110,000 ounces over an 8.3 year mine life starting in 2014 however the scope of the project has changed considerably since the prefeasibility report was published. Aurizon now expects to have a feasibility study complete by early 2012 which we expect to show capex roughly 50% higher.

Marban Project

Marban is in a good position; the project is the most advanced project after Joanna and could fit Aurizon's requirement of near term production opportunities in Quebec that could add 80,000 to 100,000 ounces of production.

Aurizon Project Pipeline



Note 1: Dollars = 2011 Exploration Budget
Source: Company documents

While Aurizon is in their "risk assessment" phase with Marban, Aurizon appears committed to phase 2 of the program for a total of \$15 million. Aurizon has stated it expects to complete and announce a resource calculation by the end of Q4-2011 and is working on an open pit model.

Aurizon is looking at different options for the Marban project: high grade underground, bulk underground mining or open pit scenarios. They seem intent on increasing drill density to be able to define an open pit resource. As mentioned in our initiation report for NioGold we note that a viable open pit scenario for Marban would be dependent on defining additional shallow mineralization in sufficient quantities to lower the strip ratio.

Marban Resource

The Marban resource estimate is out of date. The resource is based on historic drilling plus 46,000 metres completed by NioGold (between 2006 and 2009). Near surface lower grade material was overlooked and an open pit scenario was not considered. An updated resource, expected by year end, will include an additional 56,000 metres of drilling and contain an estimate for open pit material.

Marban's current 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 and would make Marban an attractive alternative to Joanna. Based on a 0.5 g/t gold cut-off for Marban the resource is similar to the Joanna Hosco in pit resource for both tonnage and grade.

Marban Block Resources - Bulk Tonnage Potential

Category	cut-off Au (g/t)	tonnes	grade	oz Au
Global Mineralization (includes Marban, Norlartic & Kierens)	0.5	54.4	1.3	2,287,000

Source: Company documents, NSI

Aurizon's Joanna Resources

Category	cut-off Au (g/t)	tonnes	grade	oz Au
Hosco In Pit Resource	0.5	61.8	1.3	2,529,000
Global Mineralization (includes Hosco, Heva & Alexandria Areas)	0.5 & 2.0	75.9	1.4	3,346,000

Source: Company documents, NSI

The million dollar question is how much will the Marban estimate increase and what will be included in a pit-shell. While Aurizon updated the resource estimate for Joanna in June 2011, at Marban an additional 56,000 metres have been drilled in 2010 and 2011 and are not included in the resource calculation which was released in January 2010.

Marban Joint Venture Agreement

Aurizon Mines has completed the initial drill program on August 9, 2011 which was required as part of the option agreement to earn a 50% interest (and up to 65%) in the Marban Block property. 170 diamond drill holes and 8 extensions of previous holes were completed for a total of 50,253 metres and results are pending for another 33 drill holes.

Aurizon has a September 30th deadline to decide if it will continue to work towards completing the option agreement which involve spending \$20 million on exploration over three years, completing an updated NI 43-101 resource estimate and making a payment based on the total measured and indicated plus inferred gold resources. We had originally anticipated a formal announcement that Aurizon would continue with the joint venture on or prior to September 30th deadline but it appears that will not be the case.

Conclusion

Recent comments out of Aurizon's President and CEO, George Paspalas have been very positive, calling the Marban drill results so far "extremely encouraging". Martin Demers, Aurizon's Manager of Exploration has also made very positive comments about Marban. These comments along with our impression from the analyst conference lead us to believe Aurizon will carry on with the remaining planned \$15 million in expenditures over three years. The situation at Aurizon and the growing importance of Marban means the project will likely move much faster than originally anticipated through exploration and development.

Since dropping from above \$0.40 this summer and back to the low end of the 1-year trading range we believe Niogold shares are considerably undervalued and the dip represents a buying opportunity. **We reiterate our \$0.85 target price and SPECULATIVE BUY recommendation.**

September 30, 2011

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NioGold Mining Corporation 1,8,9

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