

Growth Stocks Weekly

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Performance: Year ended April 1996 116.9%; 1997 28.1%; 1998 36.4%; 1999 39.4%; 2000 180.9%; 2001 -50.5%; 2002 18.7%; 2003 28.8%; 2004 166.7%; 2005 28.2%; 2006 153.3%; 2007 8.8%

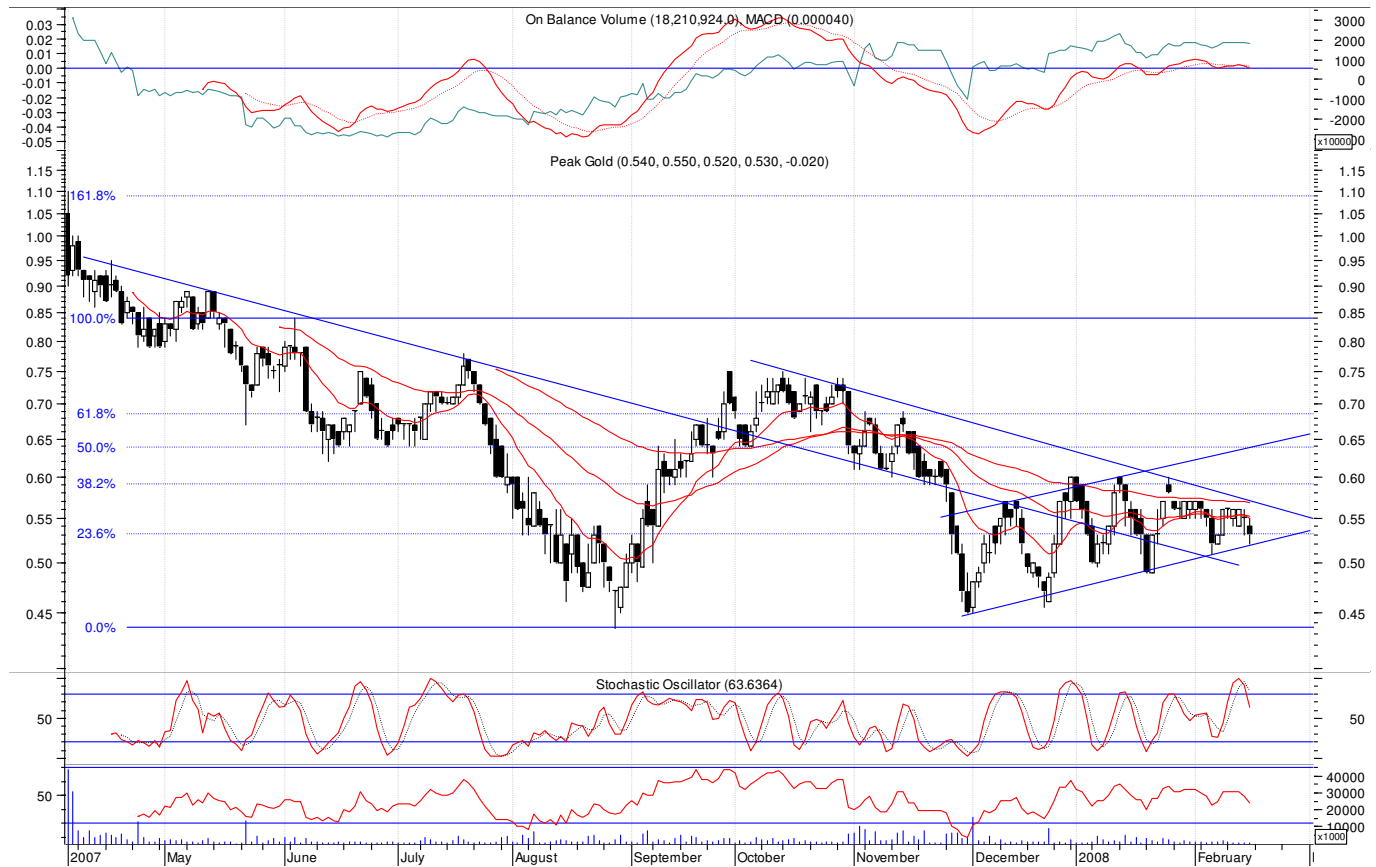
Junior Gold and Natural Resource Sector Report February 18, 2008

Emerging Intermediate Gold Producer

(The Return of the Wheaton River Team)

UPDATE

Peak Gold (PIK-TSX Venture)



Daily chart, High CDN\$1.10, Low \$0.435, Last Trade \$0.53

We issued our Initial Report on Peak Gold on September 9, 2007, but had positioned our subscribers in its predecessor shell Imperial Plastech Inc. (IPG.H-TSXv) starting in early May 2005, with 650,000 shares being accumulated by us at an average cost in the low \$0.30's over that year. Imperial Plastech was then renamed GPJ Ventures (GPJ.H) for a short time. We were originally attracted by its structure and strong sponsorship in the form of Endeavour Mining Finance, which we suspected had acquired effective control of the shell. The payoff came within the year with us selling most of our shares as the stock ran up through the \$1.10 area. The shares were then halted, and subsequently came back to trade after announcing a large acquisition, financing and name change to Peak Gold.

Given the exceptional management group and our desire for exposure to gold and need to recycle some of our profits, we bought 150,000 units in the \$0.75/unit private placement in February 2007. We then revisited after the share price dropped

back to the \$0.55 level, adding 50,000 shares to the model portfolio. On August 29th 2007 we put out another pre-opening alert suggesting that the \$0.48 area is likely to be looked at as a bargain once we leave the recent investor fear and summer months behind. We added 100,000 shares to the portfolio that week, to hold a total of 300,000 shares and 175,000 of the 5-year warrants.

Profile

In early 2007 Peak Gold raised CDN\$326 million in equity at \$0.75 per share. US\$200 million cash and US\$100 million in shares was used to acquire two mines from Goldcorp – the Peak mine in Australia, and the Amapari mine in Brazil – essentially a spinout of Goldcorp's non-core assets following the Glamis acquisition.

Peak Gold has an aggressive growth strategy, targeting annual production of 500,000 ounces of gold for 2008 through both acquisitions and organic growth.

Market insiders believe Peak Gold is destined to become the next Wheaton River. Key members of this team took Wheaton from a \$0.40 junior in 2001 to its merger with Goldcorp at about \$4.25 by 2005, and ultimately to \$11.50-equivalent post-merger with Ian Telfer at the helm and Endeavour's Frank Giustra behind the scenes.

Similar to Wheaton River, this management team intends to build up its value through accretive acquisitions. Goldcorp became Peak Gold's largest single shareholder with 22% of the company following last year's acquisition of the two mines.

On October 30, 2007 Peak Gold announced its intention to raise a further \$225 million through a special warrants issue at \$0.75 to fund future acquisitions. It appears that the targeted acquisition fell through however as discussions were terminated, with the vendor withdrawing as the gold price broke out to the upside. The size of the funding was then reduced to \$110.8 million and included one-half warrant per unit, exercisable at \$0.90 for 5 years.

Both the Amapari and Peak mine have upside potential that is being underestimated by the market. Goldcorp took a US\$170 million write-down upon its sale of the assets to Peak Gold, with first year results at Amapari falling well short of initial expectations. All the bad news is already out in the market, with the stock down substantially from its financing price. Looking forward there is significant upside, with the underlying price of gold already up substantially since the acquisition of these assets.

We expect Peak Gold's 4th quarter results for 2007 to show substantial progress over 2006 production at their Peak and Amapari projects that totaled 206,800 gold ounces and 6.6 million lbs of copper. 2007 production is forecast at 220,000 ounces of gold, at a cash cost of US\$340 per ounce. Gold production is forecast to increase to 300,000 oz by 2012 with a cash cost below \$300/oz.

The company does not hedge their production, leaving them fully exposed to gold's upside. The company holds no asset-backed commercial paper, and has approximately \$180 million in cash & equivalents (January 2008).

Peak Gold's Net Asset Value (NAV), or Book Value – assets less liabilities, was \$0.52 per share as at September 30, 2007. We await the December 31, 2007 year end results which will be released before market opens on Monday, March 17, 2008, but given the capital raise completed at \$0.75 since the 3rd quarter, all things being equal the NAV should be more like about \$0.56 per share now. Using a 1.1x NAV valuation (we note that this multiple is in the middle of the 0.85 to 1.40 times NAV range at which target prices are set for other junior gold producers in Canaccord Adams' research universe) this would suggest a \$0.615 per share fair market valuation. Using a 1.1x NAV-based target price on discounted cash flow (5%) with management's projections, \$900/oz gold and \$2.50/lb copper, a \$0.95 per share target price is realistic.

The strong M&A experience of the board of directors and management is key to the future growth profile of Peak Gold, and can provide additional upside surprises to the share price without warning.

Gold and Copper Exposure

Peak Gold is predominantly exposed to fluctuations in the gold price, but also has some exposure to the copper price. The Amapari mine is entirely gold with some minor unpaid silver credits, and the Peak mine is composed of several zones with varying gold/copper content. In 2006 over 90% of metal sales from the company's assets were derived from gold, with the remaining sales from copper. Depending on which zones are being mined at Peak, and the prevailing gold and copper commodity prices, the level of copper exposure can vary. However, we expect the company will continue to blend ore and maintain a gold/copper ratio near historical levels. With a primary focus on gold, Peak Gold's share price is highly levered to movements in the gold price and will benefit in an increasing gold price environment, which we expect to continue for some years.

Technicals

The share price made a strong technical bottom in the \$0.45 area, with a now-well-tested triple-bottom formation coincident with the recent market panics. Significant overhead is found in the \$0.60 area, where investors essentially break even from the \$0.75/unit financings (taking into account the attached ½ warrants which are also listed for trade). Both OBV and MACD are in established uptrends, and price has formed a pattern of higher lows since the November 30 retest of the August panic bottom. The strength of this move has been somewhat dissipated recently where additional resistance was met at the long term downtrend line. There are two clear channels we need to be aware of, one in downtrend, one in uptrend. A strong volume move above the 80-day MA and upper boundary of the down-trending channel, both in the \$0.58 area, would be very bullish. Next

resistance would then be found at \$0.60, and then \$0.65. A break below \$0.49 would set up for a retest of the \$0.45 support area.

Conclusion

Acquisitions will be key to Peak's future growth strategy. It is well funded, cash flow positive, and is back-boned by a very creative finance team. The company is targeting high quality assets worldwide that can produce at least 100,000 to 200,000 ounces of gold per year for at least 10 years with cash costs under US\$300 per ounce. Management is reportedly in ongoing discussions with several parties.

Meanwhile, the two mines provide Peak Gold with an operating base from which to build a significant intermediate gold company. There already exists 2.6 million ounces of gold in total resources at the two mines, including reserves of 920,000 ounces. Over the next few years we can expect gold production of around 220-250,000 oz at a total cash operating cost of US\$340/oz before any potential acquisitions are considered.

The company has an aggressive exploration program to test highly prospective land holdings around the existing mines, with a view to increasing resources and reserves further. We can expect reserve and resource updates on both the Amapari and Peak mines. At the Peak mine, the key to success is the delineation of additional reserves and extension of the current mine life. At Amapari, the focus is on cost reduction, with plans to reduce costs to below \$400/oz, and eventually below \$300/oz through a processing upgrade and the optimization of operating and processing practices.

An announcement of plans to proceed with the construction of a mill at Amapari and a reclassification of sulphide material into proven and probable reserve categories would be a potential catalyst for share price appreciation.

Website: <http://www.peakgold.com>

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