Zacks Small-Cap Research

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Pelangio Exploration (V.PX – TSX-V)

V.PX: Zacks Report – OUTPERFORM

An NI 43-101 compliant resource report is expected on the Manfo property in 2012. Also, 2011 highlights.

Current Recommendation	**Outperform**
Prior Recommendation	N/A
Date of Last Change	12/16/2010
Current Price (12/30/11)	$0.36
Six- Month Target Price	**$1.00**

OUTLOOK

Pelangio Exploration is a junior gold exploration company proceeding with drilling programs on its Manfo and Obuasi properties in Ghana. Positive assay results from the first Manfo drilling program in late 2010 significantly increased shareholder value with the stock rallying from $0.41 to over $1.00. Positive results from the second drilling program are confirming and extending the strike lengths of the discoveries on the Manfo property. Importantly, an NI 43-101 compliant resource report on the Manfo property is expected in 2012. We reiterate the Outperform rating and target of $1.00.

SUMMARY DATA

52-Week High	**$1.08**
52-Week Low	**$0.34**
One-Year Return (%)	**-65.05**
Beta	**0.33**
Average Daily Volume (shrs.)	**139,554**
Shares Outstanding (million)	**158.1**
Market Capitalization ($ mil.)	**$56.9**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**17.7**
Insider Ownership (%)	**10.7**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/M**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/M**
P/E using #Lin Estimate	**N/M**
P/E using #Lin Estimate	**N/M**
Zacks Rank	**3**

Risk Level	**Above Average**
Type of Stock	**Small - Value**
Industry	**Mining -Gold**
Zacks Rank in Industry	**N/A**

ZACKS ESTIMATES

Revenue
(in millions of $ CAD)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2009	0.47 A	0.05 A	0.02 A	4.89 A	5.43 A
2010	4.81 A	1.18 A	1.54 A	2.34 A	9.86 A
2011	1.99 A	9.74 A	12.89 A	10.00 E	34.62 E
2012					32.00 E

Earnings per Share
(EPS is operating earnings before non recurring items)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2009	$0.00 A	-$0.00 A	-$0.01 A	$0.01 A	-$0.00 A
2010	-$0.01 A	$0.00 A	-$0.00 A	-$0.01 A	-$0.02 A
2011	-$0.01 A	-$0.00 A	-$0.00 A	-$0.01 E	-$0.02 E
2012					-$0.03 E

Zacks Projected EPS Growth Rate - Next 5 Years % **N/A**

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KEY POINTS

- Pelangio Exploration is a junior gold exploration company currently proceeding with a second phase drilling program of over 30,000 meters at the company's Manfo property in Ghana. An exploratory diamond drill program of 7,000+ meters on the Obuasi property began in March 2011.
- **A NI 43-101[1] compliant inferred resource report on the Manfo property is expected in 2012**.
- An updated non-resource technical report is expected on the Obuasi property in early 2012.
- Pelangio has a 100% interest in the Obuasi and the Manfo properties in Ghana.
- We expect Pelangio's stock to react to the announcements of drilling results, both at Manfo and Obuasi.
- Pelangio entered into an agreement to acquire a 100% interest in the Akroma property in the Brong Ahafo region of Ghana.
- Management's strategy is to increase shareholder value by acquiring and exploring properties on world class gold belts, discovering and improving the understanding of the mineralization through drilling programs, while using innovative corporate restructuring to create additional shareholder value.
- Consult our basic report dated December 20, 2010 for background information.
- We reiterate an Outperform rating on Pelangio with a target of $1.00.

2011 HIGHLIGHTS

- **Manfo property:**
  - Over 25,000 meters of diamond drill holes were completed on the Manfo property in 2011.
  - Drilling results during 2011 at **Pokukrom East** defined a strike length of bulk gold mineralization of at least **850 meters**, which is open to the north. The geochemical anomaly is much longer at approximately 1,200 meters in length.
  - Having added a second drilling rig in July, a third drilling rig is expected in 2012.
  - On November 1st, an NI 43-101 compliant non-resource technical report was issued, which upgraded the Manfo property to a resource delineation stage gold exploration project from an early stage exploration project.
  - An initial NI 43-101 compliant inferred resource report is now expected in 2012.
- **Obuasi property**
  - Diamond drill program was expanded from 5,000 meters to 7,000+ meters during the summer.
  - As of November 24th, 41 diamond drill holes totaling 8,604 meters had been completed.
- **Akroma property**
  - In June, Pelangio entered into an agreement to acquire a 100% interest in the Akroma property, a 160 square kilometer very early stage exploration parcel in the Brong Ahafo region of Ghana.
- **Financing**
  - Pelangio completed a private placement and a public offering in 2011; the placement in February raised $3.65 million and the offering in December funded the company with an estimated $7.44 million. In addition, the exercise of options and warrants provided a further $6.1 million (as of September 30th).
- **Accounting**
  - Pelangio is adopting IFRS, and the company's financial statements for the year ending December 31, 2011 will comply with IFRS.

[1] National Instrument 43-101 is a mineral resource classification methodology that Canadian securities regulatory authorities required to report publicly disclosed information related to mineral properties by companies listed on stock exchanges within Canada. The terms "measured", "indicated" and "inferred" mineral resources are terms specifically defined pursuant to NI 43-101 compliant rules and guidelines. The U.S. Securities and Exchange Commission does not recognize these terms, which are not equivalent to the standards of "proven" and "probable" reserves set forth in SEC Industry Guide 7.

OVERVIEW

Based in Toronto, Ontario, Pelangio Exploration (PGXPF: OTCBB and PX: TSX-V) is a junior gold exploration company[2] that targets, acquires, and then explores properties in world-class gold belts, currently in Canada and Ghana. **Management's strategy** is to increase shareholder value by **acquiring and exploring camp-sized properties on world class gold belts**, discovering and improving the understanding of the mineralization through drilling programs, while using innovative corporate restructuring to create additional shareholder value. **Pelangio seeks to own 100% of these properties, usually through option agreements.** Since exploration programs are capital-intensive, sources of cash are necessary to continue drilling. Pelangio owns a 100% interest in its **Manfo and Obuasi properties in Ghana, which are being** actively explored through geophysical and geochemical surveying and diamond core drilling programs. Exploratory results to-date have been very encouraging, especially at Manfo. The exploration results from the second phase drilling program at the company's Manfo property will contribute to the initial NI 43-101 compliant inferred resource report, which is expected to be completed in 2012. In addition, additional assay results are expected from the diamond drill program on the Obuasi property.

Management can realize value for shareholders in several ways. Though management could proceed to carefully delineate the mineralization on its properties through exploration, advance to develop open pit or underground mines, and ultimately become a gold production company, it is not expected. More likely and based on historical track record (see below), **management will proactively maximize shareholder value through innovative corporate restructuring** when a particular property reaches late-exploration or early-development stage, or Pelangio will become an attractive acquisition candidate for a major gold production company. Junior gold companies with projects in West Africa are all potential targets for larger producers, which are seeking acquisitions for growth. For example, Kinross Gold acquired Red Back Mining[3] for $7.2 billion in September 2010.

Management highlights the series of transactions involving Detour Gold from 2007 to 2009 as an example of the company's ability to use innovative corporate restructuring to enhance shareholder value. As a property reaches the late-exploration or development stage, management plans to actively seek partners for the development of the property or to sell an interest in it while maintaining an equity interest in the partner to gain exposure to the resource and participate in its development and any potential new discoveries. For example, Pelangio Exploration's predecessor, Pelangio Mines, acquired the Detour Lake deposit in Northern Ontario from Placer Dome for C$1.5 million in 1998 during a severe downturn in the market for gold and gold related equities. From 1998 to 2006, Pelangio Mines outlined a 3.4 million ounce resource[4] (1,379,500 ounces in the measured and 2,035,650 ounces in the inferred categories). In January 2007, Pelangio Mines transferred the Detour Lake deposit to a newly formed corporation, Detour Gold, for C$5 million and 20,000,000 Detour Gold shares in Detour Gold Corporation. Detour Gold was led by CEO Gerald Panneton, formerly of Barrick Gold Corporation. Pelangio Mines thereby gaining proven expertise and retaining exposure to the Detour Lake project through its late-stage exploration phase. Subsequent to the transaction (from 2007 to 2010), Detour Gold increased gold resources at Detour Lake to over 20 million ounces and developed a reserve of 11.4 million ounces[5].

Concurrently, in September 2008, Pelangio Mines completed a tax deferred spin-off of its exploration properties and 1,000,000 Detour Gold shares to Pelangio Exploration. This transaction was effected to increase the market visibility for Pelangio Mines' exploration properties in Ghana and to address the "holding company" discount between the value of the Detour Gold shares held by Pelangio Mines relative

[2] Pelangio is a development stage company, as defined by the Canadian Institute of Chartered Accountants' ("CICA") Handbook.
[3] Red Back Mining owned the 5.39 million ounce resource at the Chirano mine in Ghana.
[4] Technical Report for the Detour Lake Mine Option Property" dated September 21, 2006 and prepared by Eric Kallio, P.Geo.
[5] "Technical Report – Feasibility Study of the Detour Lake Project, Ontario for Detour Gold Corporation" dated June 30, 2010 and prepared by BBA Inc. in cooperation with SGS Canada Inc. and AMEC Earth & Environmental, a division of AMEC Americas Limited.

to Pelangio Mines' market capitalization. Pelangio Exploration Inc. (PX: TSX-V) was listed on the TSX Venture Exchange (TSX-V) on September 10, 2008

Subsequently, in March 2009, Pelangio Mines (then called PDX Resources) merged with Detour Gold and the 19,000,000 Detour Gold shares held by it at the time were distributed pro rata to its shareholders, again on a tax deferred basis. Shareholders were thus provided with a direct interest in the Detour Lake deposit's continuing development, as well as the upside of Pelangio Exploration's exploration properties in Canada and Ghana.

The Canadian dollar is the functional currency of the company. Pelangio is phasing in the adoption of IFRS with the financial statements for the year ending December 31, 2011 being the first annual financial statements that will fully comply with IFRS.

RECENT EVENTS

On December 20, 2011, Pelangio Exploration **closed a 20,000,000 Unit public offering**, which was **at the high-end** of the 12.5 million to 20.0 million Unit range. Gross proceeds were $8,003,708, and **net proceeds are estimated to be $7.44 million**. Each Unit is composed of one common share and one-half of a warrant that entitles the holder the ability to purchase one common share at $0.60 prior to December 20, 2013. Directors and management purchased approximately $2 million worth of the Units. The offering syndicate was led by Fraser Mackenzie Limited and included Raymond James Ltd., Jones Gable & Company Ltd. and Maison Placements Canada Inc. Pelangio intends to use the net proceeds to fund exploration activities and resource delineation at Manfo and Obuasi.

On November 10, 2011, Pelangio Exploration reported **financial results for the third quarter** ending September 30, 2011. The company reported a loss for the quarter of $588,803 versus a loss of $553,833 in the comparable quarter last year. Professional fees increased 129% to $109,562 from $47,816 in the third quarter of 2010, primarily due to increased costs related to the transition to IFRS. Also stock-based compensation (a non-cash expense) increased 122% to $202,745 compared to $91,288 mostly due to the vesting of options granted in 2009 and 2010.

During the quarter, exploration at Manfo continued: Pokukrom East (20 holes totaling 4,354 meters), Pokukrom West (three holes totaling 916 meters), Nfante West (four holes totaling 1,102 meters), Nfante East (three holes totaling 718 meters) and Nfante Central (three holes totaling 541 meters). At Obuasi seven new trenches (1,100 linear meters) and 95 auger holes (620 meters) were completed. Recent exploration efforts have primarily focused on the Ayaase and Bura targets.

During the first nine months of 2011, $3,653,271 was raised in a private placement in February. In addition, the exercise of options and warrants provided a further $6,085,197. As of September 30, 2011, working capital was $3,557,167, including cash and cash equivalents of $4,640,318.

In November 2011, Pelangio announced further discoveries at Pokukrom East. Over the span of three weeks, Pelangio has announced the results of 30 drill holes totaling 6,685 meters on the Manfo property in Ghana. The in-fill drilling at Pokukrom East continues to confirm and expand the bulk tonnage gold zone. In addition, seven holes intersected zones of gold mineralization in sections which had not previously been drilled. Management plans further in-fill drilling at 50 meter intervals, along with step-out drilling in hope of extending the strike length to 1,000 meters. The recent drilling results expanded the vertical depth to 275 meters from 175 meters. Currently, **drilling results at Pokukrom East imply a strike length of 850 meters, which is open to the north with the geochemical anomaly being much longer at approximately 1,200 meters in length**. Broader widths are being seen at Pokukrom East with seven of the 30 drill holes assaying 1.0 g/t or greater over at least 20 meters. Importantly, a drill hole along the footwall of the mineralization graded at 2.24 g/t gold over 19 meters to a depth of 277 meters. Having added a second drilling rig in July, a third drilling rig is expected in 2012. Given the aggressive

drilling program this year and the significant results announced, **a resource report on the Manfo property is expected to be completed sometime in 2012.**

On November 1, 2011, Pelangio Exploration filed an initial NI 43-101 on Manfo. According to the SRK report, which is effective as of June 30, 2011, at Pokukrom East, a zone with broad intervals of moderate grade (1.0 to 2.0 g/t Au) extends at least 660 meters and to a depth of 200 meters. The NI 43-101 pre-dates the announcements results that have extended the strike length to 850 meters. In addition, a narrower high grade zone (3.0 to 5.0 g/t Au) occurs along 400 meter strike length. At Pokukrom West, near surface high grade gold mineralization over a 100 meter strike length and to a depth of 110 meters has been identified that remains open along strike. At Nfante West, also open along strike, a zone of gold mineralization over a 280 meter strike length has been identified. SRK recommended a Phase 2 program of primarily in-fill and step-out drilling at 25 meter spacing to a depth of 300 meters on Nfante East, Nfante West, Pokukrom East and Pokukrom West.

In June 2011, Pelangio made the final option payment on the **Obuasi property**, thereby attaining a **100% interest**.

In June 2011, Pelangio has entered into an agreement to acquire a 100% interest in the **Akroma property**, a 160 square kilometer parcel in the Brong Ahafo region of Ghana. The Akroma property is a very early stage exploration property with a reconnaissance license. Initial prospecting and geochemical and geophysical surveys have indicated the potential for significant exploration discoveries. The property is not expected to be drill-ready for at least a year.

MANFO (GHANA) PROPERTY

Pelangio's 100 square kilometer Manfo property lies on the Bibiani shear in the Sefwi greenstone belt[6], a fault network running from Newmont Mining's Ahafo mine (resources of 16 million ounces) 14 kilometers to the north and extending south through Noble Minerals' Bibiani property (resources of 1.98 million ounces) and down 50 kilometers to Kinross' Chirano property (resources of 5.39 million ounces). Within Pelangio's Manfo property, five significant Au anomalies have been identified, with discoveries made by drilling at all five of them: Pokukrom East (1,300 meters x 300 meters), Nfante East (800 meters x 350 meters), Nfante West (700 meters x 150 meters), Pokukrom West (200 meters x 150 meters), and Nfante Central. The sixth anomaly, Sika North (two areas measuring 700 meters x 100 meters and (500 meters x 100 meters), has been explored by geochemical and geophysical surveying, but has yet to be drilled.

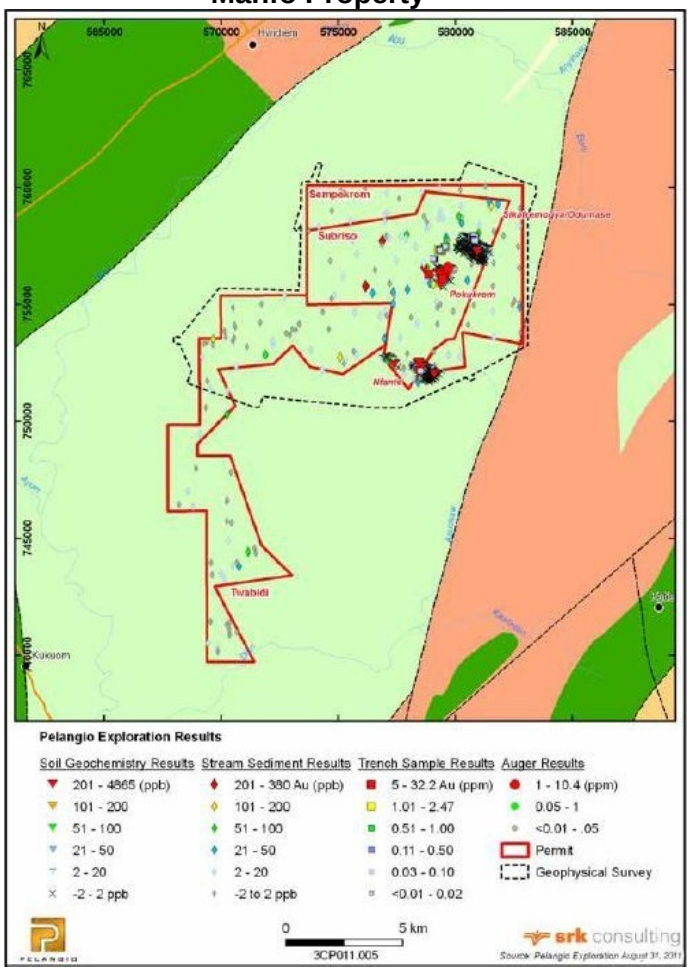
In September 2011, Pelangio acquired a 100% interest in the Manfo property, having made all the necessary option payments and work expenditures. Pelangio's Manfo property is actually composed of three contiguous concessions: Subriso, Sempekrom, and Twabidi. Pelangio entered into option agreements with the owner of the Manfo property (a local Ghanaian company) to acquire 100% of each of the three concessions for total payment of $435,000, along with $2,000,000 in expenditures, to be paid over a three-year period. Pelangio accelerated the payments and completed the required work expenditures. Pelangio (or its successor) must pay the optionor a discovery bonus of $1,000,000 plus $1.00 per ounce of proven and probable gold reserves set out in the first positive feasibility study of the Manfo property. In addition, the Manfo property is subject to Ghana's legislated 10% carried interest upon commencement of mining operations[7] and a 2% royalty interest.

[6] The Sefwi Gold Belt is a 40-to-60 km wide Birimian volcanic belt extending from Ghana to the coast of Côte d'Ivoire. It is located northwest of, and parallel to, the Ashanti Gold Belt.
[7] The Ghanaian government also has the right to acquire a further 20% interest on mutually agreed terms.

Ghana



Manfo Property



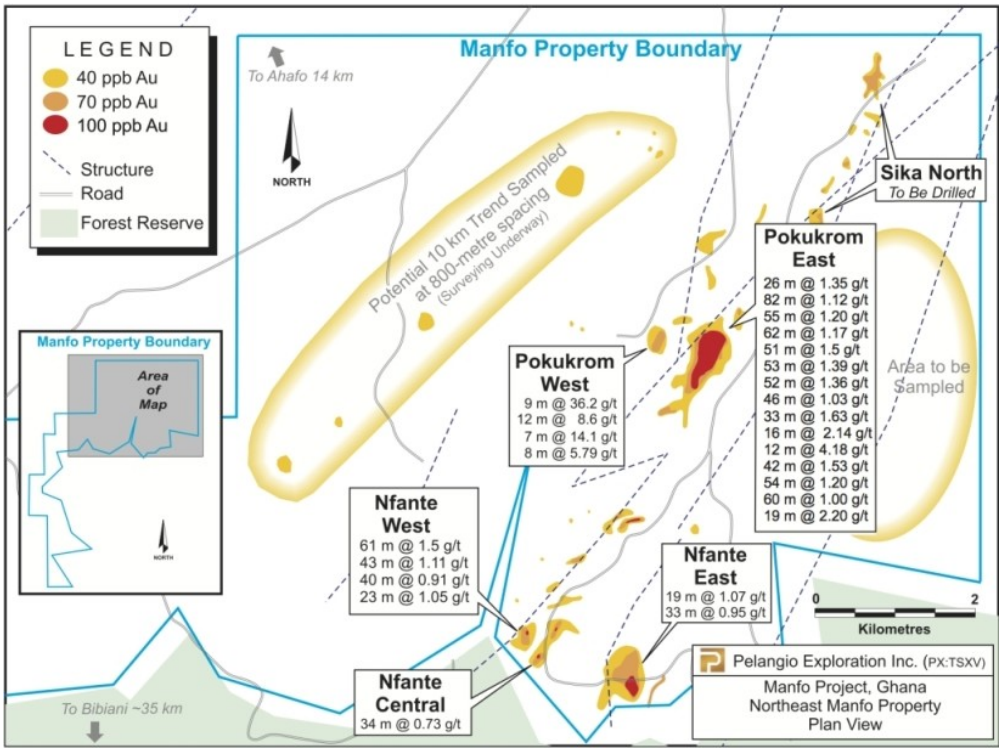
Courtesy of Pelangio

During 2010, Pelangio completed a First Phase (16 hole, 2,379 meter) diamond core[8] drilling program on the Manfo property to confirm certain historical exploration results. In March 2011, a Second Phase program, of which 91 holes totaling 17,534 meters had been completed through September 30, 2011. During the third quarter of 2011, 34 holes totaling 7,850 meters identified discovery grade intersections at each of the four geochemical anomalies that had been drilled, including both high grade and bulk tonnage grade intersections. All of the intersections were relatively near surface. Potential bulk tonnage gold mineralization was discovered at Nfante East, Nfante West and Pokukrom East. Four holes at Pokukrom West intersected near-surface, high-grade gold mineralization over significant intervals; the high-grade intersections at Pokukrom West could also be amenable to bulk tonnage mining due to their proximity to surface and the lower grade supporting mineralization surrounding the high-grade intervals.

Management believes that the results suggest that there may be a major gold bearing system similar to the Sefwi Belt mines of Newmont Mining's Ahafo and Kinross' Chirano, where the mines are composed of numerous deposits of varying size and grade spread over a considerable strike length.

[8] Diamond core drilling utilizes an annular diamond-impregnated drill bit attached to the end of hollow drill rods to cut a cylindrical core of solid rock. Water is injected through holes in the bit. Core samples are retrieved by the use of a lifter tube.

Selected Drill Results on the Manfo Property



Pokukrom East

Pokukrom East is one of five significant Au anomalies have been identified within Pelangio's Manfo property, which lies on the Bibiani shear in the Sefwi greenstone belt[9], a fault network running from Newmont Mining's Ahafo mine (resources of 16 million oz) 14 kilometers to the north and extending south through Noble Minerals' Bibiani property (1.98 million oz) and down 50 kilometers to Kinros' Chirano property (resources of 5.39 million oz).

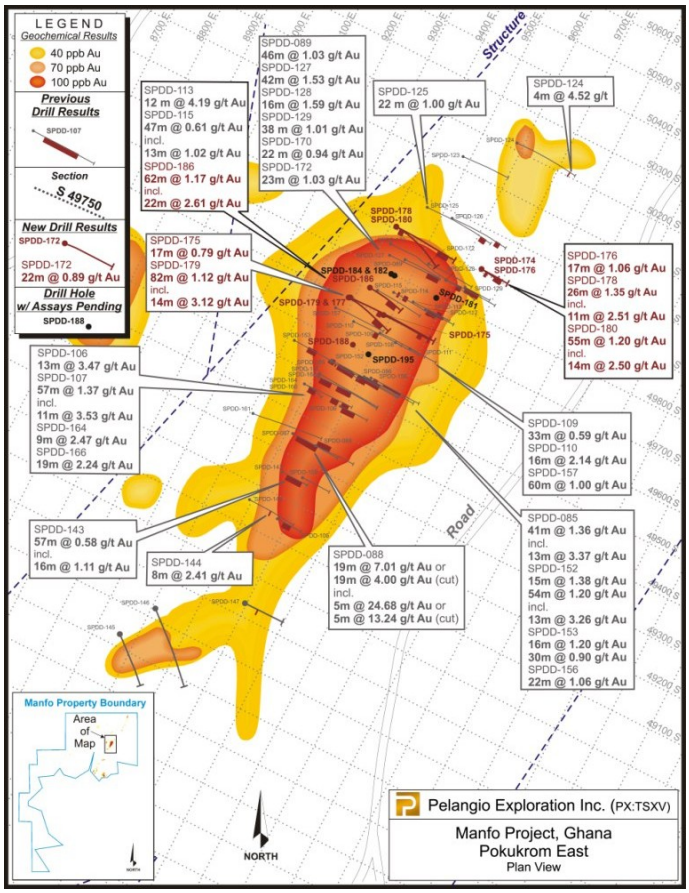
Drill holes consistently intersected near-surface, high-grade gold mineralization (intervals between 10-to-13 meters of 3.05-to-4.18 g/t) over a strike length of approximately 400 meters (see table and map below). **The strike length of low-grade gold mineralization has been expanded to 850 meters and to a vertical depth of up to 275 meters.** Further drilling is planned to the north and south. **Potential bulk tonnage zones continue to be discovered in every announcement of drilling results at Pokukrom East.** In 2010, Pelangio completed an initial diamond core[10] drilling program at Pokukrom East. Results from a second drilling program in 2011 were released on January 24, March 4th, May 5th, July 11th, September 8th and November 21st 2011. **Pelangio has increased the second phase program from 5,000 to over 30,000 meters**, which will include further holes at Pokukrom East, Nfante West, Nfante East and Nfante Central. The company continues with in-fill drilling at 50 meter spacing and to a depth of 200 meters to further define the resource at Pokukrom East. The geochemical anomaly at Pokukrom East is approximately 1,200 meters in length.

[9] The Sefwi Gold Belt is a 40-to-60 km wide Birimian volcanic belt extending from Ghana to the coast of Côte d'Ivoire. It is located northwest of, and parallel to, the Ashanti Gold Belt.
[10] Diamond core drilling utilizes an annular diamond-impregnated drill bit attached to the end of hollow drill rods to cut a cylindrical core of solid rock. Water is injected through holes in the bit. Core samples are retrieved by the use of a lifter tube.

High grade intersections at Pokukrom East

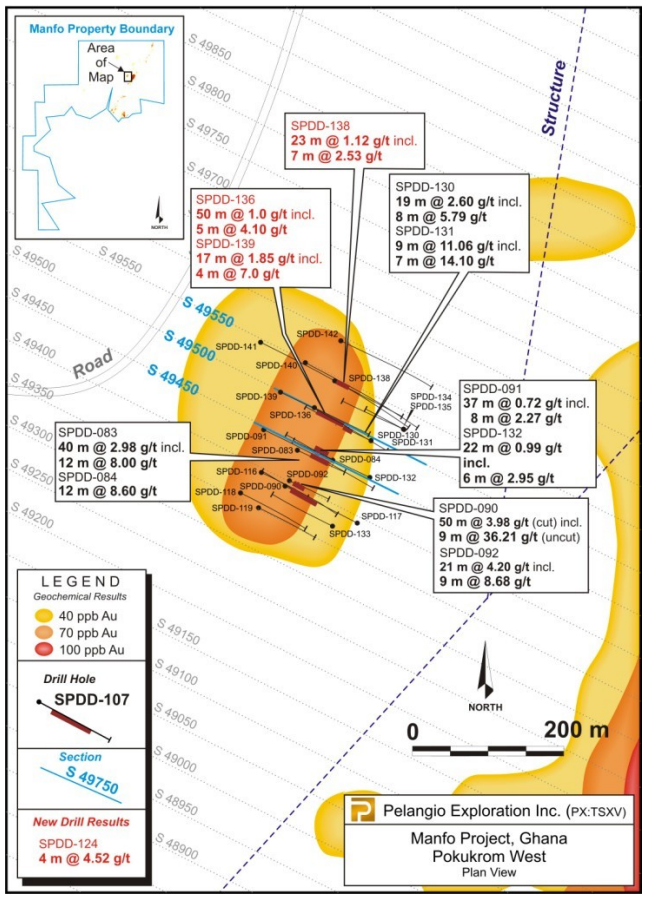
Area	DHID	From (meter)	To (meter)	Interval (meters)	Au (g/t)
Pokukrom East	SPDD-085	116	129	13	3.37
	SPDD-088	35	54	19	7.01
	SPDD-106	41	54	13	3.47
	SPDD-107	116	127	11	3.53
	SPDD-110	117	127	10	3.05
	SPDD-113	91	103	12	4.19
	SPDD-152	142	155	13	3.26

Pokukrom East



Courtesy of Pelangio

Pokukrom West



Courtesy of Pelangio

Pokukrom West

High-grade mineralization has also been encountered at **Pokukrom West**. Through the end of the third quarter 2011, Pelangio has drilled 25 holes totaling 4,701 meters at Pokukrom West. Several drill holes (SPDD-130, 131, 136 and 139) assayed four-to-nine meters of 4.10-to-11.06 g/t high-grade gold. The

strike appears to plunge, indicating the potential for a significant high-grade zone at depth. Drilling has been mainly spaced 50 meters apart, with some larger step outs.

Management believes that the results suggest that there may be a major gold bearing system similar to the Sefwi Belt mines of Newmont Mining's Ahafo and Kinross' Chirano, where the mines are composed of numerous deposits of varying size and grade spread over a considerable strike length.

High grade intersections at Pokukrom West

Area	DHID	From (meter)	To (meter)	Interval (meters)	Au (g/t)
Pokukrom West	SPDD-083	4	44	40	2.98
	SPDD-084	27	39	12	8.00
	SPDD-090	1	51	50	6.89
	SPDD-092	4	25	21	4.20
	SPDD-130	69	77	8	5.79
	SPDD-131	131	138	9	11.06
	SPDD-132	92	98	6	2.95
	SPDD-136	39	44	4	4.10
	SPDD-138	13	20	7	2.53
	SPDD-139	136	140	4	7.00

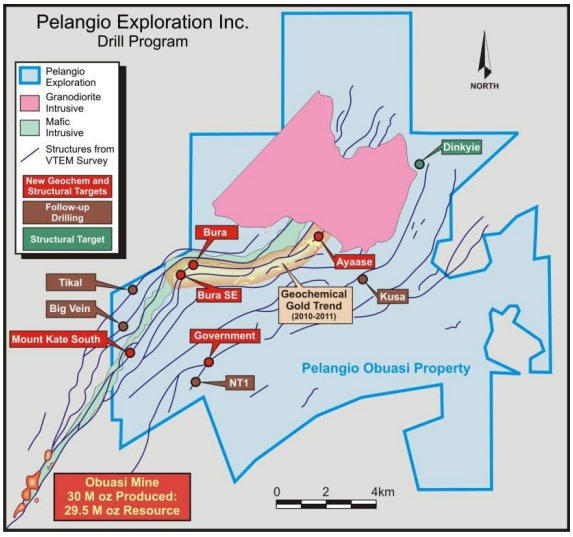
Nfante Central

A new low-grade gold zone has been confirmed through the company's diamond core drilling program. Since it is between Nfante East and Nfante West, the zone has been dubbed **Nfante Central**. Nfante Central is a geochemical anomaly approximately 800 meters in length. Pelangio drilled two holes, both of which confirmed bulk tonnage gold mineralization, with one hole intersecting 0.73 g/t gold over 34 meters, including 1.05 g/t over 11 meters, and the other intersecting 0.66 g/t gold over 7 meters. Step-outs 100 meters to the north and south have been drilled in order to trace the zone along strike. The assay results are pending.

OBUASI (GHANA) PROPERTY

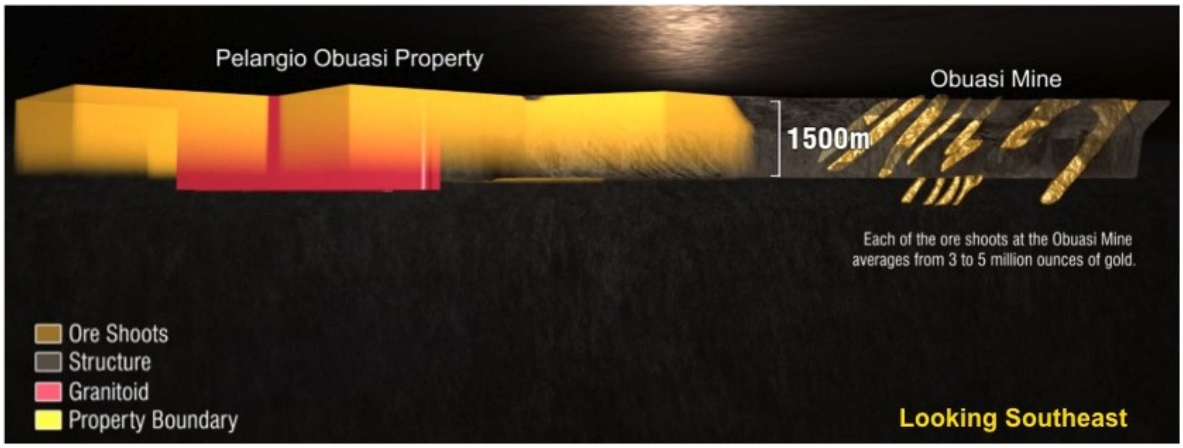
Pelangio Exploration has a 100% interest in the **Obuasi property**. Pelangio Mines entered into option agreements in May 2006 for three early-stage gold mineral exploration concessions (Meduma, Kyereboso No. 2, and Kyereboso No. 3, collectively known as the Obuasi property) totaling 290 square kilometers, which lie on the Northern Ashanti Gold Belt contiguous with and immediately adjacent to AngloGold Ashanti's Obuasi mine (the world's largest vein hosted gold deposit). In June 2011, Pelangio made the last option payment and acquired a 100% interest in Obuasi property subject to Ghana's legislated 10% carried interest upon commencement of mining operations[11] and a 2% royalty interest.

[11] The Ghanaian government also has the right to acquire a further 20% interest on mutually agreed terms.



The Obuasi mine is a (primarily) underground, high-grade gold mine and has produced over 30 million ounces of gold since 1897, with 383,000 ounces produced in 2009. The Obuasi mine currently holds 29.53 million ounces in mineral resources (measured, indicated and inferred) [12].

Management's primary goal is to locate Obuasi Mine-style ore shoots within the company's Obuasi property boundary. **Obuasi Mine-style ore shoots** generally have a strike length of 80-to-200 meters, are 3-to-20 meters wide and plunge to depths in excess of 2,500 meters. The gold mineralization in the Obuasi ore shoots is very continuous. In the company's drilling program, management is attempting to discover an Obuasi Mine-style ore shoot on a 15 kilometer anomaly (based on VTEM geophysical surveys) on strike with the Main Obuasi Mine Trend.



Management initiated a second phase 5,000 meter diamond drilling program on the Main Obuasi Trend in March 2011, which was subsequently **expanded to 7,000 meters**. During 2010, Pelangio identified evaluated and prepared targets for this second phase diamond drilling program on Kyereboso No. 2 and Meduma concessions. First phase exploration work included line cutting[13], prospecting pitting, geologic mapping, trenching, auger drilling and sampling of soils, outcrops and stream sediments. Also, 32 holes totaling 9,160 were drilled on the Kyereboso #2 concession and Kusa prospect (Meduma). Geophysical and geochemical surveys on Ayaase and Bura/Tikal on the Kyereboso No. 2 concession suggest the continuation of the main Obuasi Mine trend. The **second phase drilling program targets 36 holes**, 18 of which are on the Obuasi Mine trend with five priority targets at Ayaase, Bura, Tikal, Big

[12] Mineral Resource and Ore Reserve Report 2009 by AngloGold Ashanti.
[13] Line cutting delineates the property, usually on grid lines, by cutting trees and underbrush, along with placing pickets and flagging.

Vein and Mount Kate South. As of November 24, 2011 (the date of a Prospectus), 35 holes (totaling 6,493 meters) have been drilled at Ayaase, Bura, Tikal, Government, NT1 and Mampamphwe.

Management initially focused on the Ayaase and Bura targets, where channel sampling has returned results up to 15 g/t gold at Bura and one meter of 31.5 g/t Au at Ayaase. Strike lengths between 100 and 400 meters in gold anomalies have been identified. At Ayaase, in particular, concurrent gold and arsenic anomalies have been detected. Management is encouraged in that high-gold grades at the Obuasi Mine tend to be associated with iron arsenic sulphide. During the first nine months of 2011, trenching (18 new trenches totaling 1,847 linear meters) and auger drilling (148 auger holes totaling 857 meters) were completed. **An updated non-resource NI 43-101 technical report is expected to be completed by SRK Consulting on the Obuasi property in early 2012.**

AKROMA (GHANA) PROPERTY

In June 2011, Pelangio entered into an agreement to acquire a 100% interest in the Akroma property, a 160 square kilometer parcel in the Brong Ahafo region of Ghana. The Akroma property is a very early stage exploration property with a reconnaissance license, where initial prospecting and geochemical and geophysical surveys indicate the potential for significant exploration discoveries. In Ghana, a reconnaissance license grants the exclusive right to investigate an area for minerals, including the ability to erect camps and/or temporary buildings. The reconnaissance license does not permit drilling or excavation. A reconnaissance license is usually granted for an initial period of 12 months, and extensions of the term of the license may be granted upon proper applications. The Akroma property is not expected to be drill-ready for at least a year.

Brong-Ahafo is located in mid-Ghana, between the Ashanti region and the Northern region. Though Pelangio has not yet given details of this reconnaissance license and its exact location, it is known that Newmont Mining is pursuing the Ahafo project, which lies within the Sefwi Volcanic Belt, a northeast-southwest trending volcanic belt in the Birimian system in the Brong Ahafo region. AngloGold Ashanti's Obuasi mine and Goldfield International's Abosso mine lie within this Birimian system, where economic gold deposits tend to occur along 70 kilometer strike lengths. The Abosso open pit mine has gold resources (measured, indicated, inferred and surface stockpiles) of 4.28 million ounces[14]. The Akroma property is generally north of the Sefwi Volcanic Belt.

The option agreement for the Akroma property requires that Pelangio pay $50,000 and issue 200,000 Pelangio common shares to the optionor over a three-year period to earn a 100% interest. On June 15, 2011, Pelangio paid $50,000 and issued 35,000 shares. In addition, Pelangio must issue to the optionor 40,000 shares in the first year (on or before June 15, 2012), 55,000 shares in the second year and 70,000 shares in the third year to secure the 100% interest. Pelangio must also grant the optionor a 2% net smelter return royalty (NSR), of which 1% may be repurchased at any time for $2 million.

FINANCIAL POSITION

At year-end 2010 (December 31, 2010), Pelangio had $3,300,209 in cash and marketable securities, no long-term debt, and $31,948,634 in shareholders' equity. At the end of the third quarter September 30, 2011), cash and marketable securities increased 41% to $4,640,318, primarily through the issuance of securities. The company does not have any long-term debt, and shareholders' equity increased 26.2% to $40,323,068.

[14] Measured 0.46 million ounces Au, Indicated 2.27 million ounces Au, Inferred 1.37 million ounces Au and surface stockpiles 0.18 million ounces Au as of June 2009.

During the first nine months of 2011, the company's cash requirements for exploratory drilling programs, evaluation of assets and additions to equipment totaled $6,542,856 and were funded by $9,738,468 from the sale of securities and the exercise of options and warrants.

Pelangio has financed capital expenditures and the payments towards options to acquire potential mining properties through the issuance of securities. In 2010, the exercise of options and warrants netted the company $811,314. During the first nine months of 2011, $3,653,271 was raised in a private placement in February. In addition, the exercise of options and warrants provided a further $6,085,197. A subsequent public offering raised approximately $7.44 million.

VALUATION

As a junior gold exploration company, Pelangio cannot be valued on a revenue, earnings, or cash flow basis. Management's strategy is to increase a property's value through exploration, and subsequently through a corporate event, realize the value created by allowing another party to mine and generate revenues, cash flow and earnings from the property, while Pelangio retains some equity interest to participate in the property's development and any potential new discoveries. More sophisticated methodologies based on market capitalization-to-reserves, average ore value per tonne, per-ounce costs or cash profit margins per ounce produced also are not germane. Therefore, an alternative valuation technique based on book value is the only appropriate alternative, especially in comparison to junior gold companies employing a similar exploration-discovery stage strategy to Pelangio's.

Book value of a junior gold exploration company represents the equity capital that has been raised to acquire the minerals rights on properties and to conduct exploration programs. An amalgamation of information is encapsulated within the raised capital total, including the quality of the properties (both in terms of mineral potential and political stability) and the exploration results from introductory geochemical surveys to assay results from drilling programs. Therefore, book value captures the complex valuation potential of the company's base gold resource value potential by sophisticated investors, most with expert knowledge of a junior gold exploration companies in the exploration phase with no stated revenues. Hence, we find the use of book value is a valid and appropriate metric by which to determine a junior gold exploration company's valuation.

Kaminak (KAM: TSXV) appears very similar to Pelangio. Kaminak operates in the exploration-discovery stage, focusing on the acquisition and exploration of gold properties. The company has not reached the gold production phase, and hence, does not yet generate revenues. Like Pelangio, Kaminak initiates drilling programs after conducting geochemical analysis of its properties. Also like Pelangio, Kaminak's drilling program discovered multiple intersections of wide intervals of gold mineralization over a presumed strike length of 100's of meters. Therefore, Kaminak can be analyzed as a benchmark for the valuation of a junior gold company without a resource calculation.

In late October 2009, Kaminak announced results from a trenching program of 11.72 g/t over ten meters from one trench and 8.56 g/t over 15m from the other trench. Prior to the discovery 2010, Kaminak's stock traded in a range between 1.4 and 2.2 times book value. After the announcement, the stock rallied to 3.2 times book value. Thereafter, stock steadily expanded its valuation to 3.7 times book. In late May 2010, the results of a successful drilling program (17.1 g/t over 15.5 meters) were announced, and the stock rallied to 7.1 times book value; in August 2010, after additional announced discoveries (15.9 and 21.3 g/t over 5 and 8 meters, respectively), the stock rallied further to 16.1 times book.

The stocks of junior gold companies have a unique trading profile. The stocks tend to mark time, trading sideways-to-down, during an incubation phase until a discovery from a drilling program is announced. Significant positive results are the stimulus for upside gaps in stock's price in a mark-up phase as the new information is discounted by first-movers. Generally, the price appreciation continues, albeit at a

slower pace, usually on heavy volume until the newly created demand instigated by the announcement of the discovery is fulfilled. After the initial rally, another period of time of sideways-to-down action occurs. Often the stock retraces some, or sometimes all, of the prior price-appreciation during this digestion phase. If and when a subsequent discovery is announced from a follow-on drilling program, another mark-up phase is set in motion.

The valuation of Pelangio is more complex than Kaminak case, since Pelangio has two flagship properties (Manfo and Obuasi). In addition, Pelangio operates in Ghana instead of the Yukon Territory of Canada. However, using the Kaminak benchmark, **we expect Pelangio's stock to trade between 2.0 and 3.7 times book (C$0.50 and C$1.00)** due to the recent announcements concerning the successful drilling program on the Manfo property. With an initial NI 43-101 compliant inferred resource report on Manfo expected in 2012, the stock's valuation could potentially increase to between 6.0 and 7.0 times book (C$1.50 and C$1.80). We look forward to the release of the NI 43-101 compliant resource report on the Manfo property so that we can utilize our NAV model on the inferred resource.

PROJECTED FINANCIAL STATEMENTS

Pelangio Exploration Inc.

Consolidated Statements of Operations and Retained Earnings
(in $ CAD)

For the years ending December 31	2006	2007	2008	2009	2010	2011 E	2012 E
Interest	71,886	7,048	13,817	5,428	9,864	34,624	32,000
Gain on sale of marketable securities	10,836	0	0	0	0	0	0
Revenue:	**82,722**	**7,048**	**13,817**	**5,428**	**9,864**	**34,624**	**32,000**
Salaries and employee benefits	220,414	193,270	145,921	621,145	830,945	759,973	795,459
Consulting services	61,083	94,439	9,047	79,595	132,035	141,890	136,963
General exploration	0	1,395	8,396	7,323	29,609	13,465	21,537
Insurance	15,369	16,673	16,601	45,463	45,008	43,820	44,414
Professional fees	170,161	192,044	191,090	261,361	279,090	305,697	292,394
Investor relations	384,381	220,292	103,731	337,172	367,403	601,403	484,403
Office and general	74,977	126,025	67,363	122,347	188,023	353,380	375,000
Rent	48,000	58,295	9,602	61,390	79,649	56,705	68,177
Vehicle	0	0	0	596	553	673	700
Transfer agent and filing fees	45,535	16,606	25,919	67,680	39,227	79,104	59,166
Interest on advance from PDX Resources Inc.	0	0	0	5,250	0	0	0
Interest on short-term debt	0	0	300,000	0	0	0	0
Travel	45,016	4,295	14,684	22,612	78,953	26,275	52,614
Foreign exchange loss (gain)	0	0	21,720	83,874	118,967	(120,540)	0
Stock-based compensation cost	35,188	109,974	160,807	377,291	1,037,128	1,501,308	2,500,000
Amortization	9,327	25,080	31,309	47,626	77,765	94,981	116,008
Total Expenses	**1,109,451**	**1,058,388**	**1,106,190**	**2,140,725**	**3,304,355**	**3,858,134**	**4,946,834**
Loss from operations	**(1,026,729)**	**(1,051,340)**	**(1,092,373)**	**(2,135,297)**	**(3,294,491)**	**(3,823,510)**	**(4,914,834)**
Gain (loss) on disposal of mineral properties	(157,615)	7,305,367	0	1,913,200	0	0	0
Gain (loss) on disposal of marketable securities	(74,208)	9,002	902,812	0	2,377,304	0	0
Write down of mineral property	0	(1,126,959)	0	(270,416)	(1,109,183)	0	0
Equity loss from investment in Detour Gold Corp.	0	0	0	0	0	0	0
Other income	(231,823)	6,187,410	902,812	1,642,784	1,268,121	(1,492)	0
Income (loss) before income taxes	**(1,258,552)**	**5,136,070**	**(189,561)**	**(492,513)**	**(2,026,370)**	**(3,825,002)**	**(4,914,834)**
Future income taxes	1,833,000	(1,485)	262,000	167,000	168,000	518,000	343,000
Net income for the year	**574,448**	**5,134,585**	**72,439**	**(325,513)**	**(1,858,370)**	**(3,307,002)**	**(4,571,834)**
Net income per common share (basic)	0.01	0.07	0.00	(0.00)	(0.02)	(0.02)	(0.03)
Net income per common share (diluted)	**0.01**	**0.07**	**0.00**	**(0.00)**	**(0.02)**	**(0.02)**	**(0.03)**
Weighted average common shares outstanding							
- basic	65,878,728	69,646,697	73,858,277	91,109,890	122,000,341	135,000,000	168,000,000
- diluted	67,690,961	73,102,997	75,980,777	91,109,890	122,000,341	135,000,000	168,000,000

Pelangio Exploration Inc.

Consolidated Statements of Operations and Retained Earnings

(in $ CAD) For the years ending December 31	1Q 2010	2Q 2010	3Q 2010	4Q 2010	2010	1Q 2011	2Q 2011	3Q 2011	4Q E 2011	2011 E
Interest	4,806	1,179	1,542	2,337	9,864	1,995	9,738	12,891	10,000	34,624
Gain on sale of marketable securities	0	0	0	0	0	0	0	0	0	0
Revenue:	**4,806**	**1,179**	**1,542**	**2,337**	**9,864**	**1,995**	**9,738**	**12,891**	**10,000**	**34,624**
Salaries and employee benefits	187,814	199,723	170,244	273,164	830,945	192,993	208,075	177,237	181,668	759,973
Consulting services	20,845	25,865	45,110	40,215	132,035	35,802	65,441	19,542	21,105	141,890
General exploration	6,369	19,747	2,553	940	29,609	1,397	3,970	4,098	4,000	13,465
Insurance	11,892	11,435	10,518	11,163	45,008	10,891	10,823	11,006	11,100	43,820
Professional fees	49,685	130,275	47,816	51,314	279,090	31,605	39,530	109,562	125,000	305,697
Investor relations	91,111	63,987	40,425	171,880	367,403	205,688	172,032	123,683	100,000	601,403
Office and general	43,414	37,828	53,868	52,913	188,023	119,972	73,230	80,178	80,000	353,380
Rent	19,634	19,634	20,111	20,270	79,649	14,111	13,793	14,301	14,500	56,705
Vehicle	0	473	79	1	553	0	0	473	200	673
Transfer agent and filing fees	13,278	9,919	12,685	3,345	39,227	42,352	14,792	1,960	20,000	79,104
Interest on advance from PDX Resources Inc.	0	0	0	0	0	0	0	0	0	0
Interest on short-term debt	0	0	0	0	0	0	0	0	0	0
Travel	21,313	26,172	2,233	29,235	78,953	2,841	4,141	9,293	10,000	26,275
Foreign exchange loss (gain)	62,062	(30,253)	34,190	52,968	118,967	63,644	16,717	(200,901)	0	(120,540)
Stock-based compensation cost	229,394	139,731	91,288	576,715	1,037,128	436,477	412,086	202,745	450,000	1,501,308
Amortization	15,410	17,062	24,255	21,038	77,765	28,437	32,027	18,517	16,000	94,981
Total Expenses	**772,221**	**671,598**	**555,375**	**1,305,161**	**3,304,355**	**1,186,210**	**1,066,657**	**571,694**	**1,033,573**	**3,858,134**
Loss from operations	**(767,415)**	**(670,419)**	**(553,833)**	**(1,302,824)**	**(3,294,491)**	**(1,184,215)**	**(1,056,919)**	**(558,803)**	**(1,023,573)**	**(3,823,510)**
Gain (loss) on disposal of mineral properties	0	0	0	0	0	0	0	0	0	0
Gain (loss) on disposal of marketable securities	0	1,092,536	0	1,284,768	2,377,304	0	0	0	0	0
Gain (loss) on disposal of equipment	0	0	0	0	0	0	0	(1,492)	0	(1,492)
Write down of mineral property	(198,719)	0	0	(910,464)	(1,109,183)	0	0	0	0	0
Equity loss from investment in Detour Gold Corp.	0	0	0	0	0	0	0	0	0	0
Other income	(198,719)	1,092,536	0	374,304	1,268,121	0	0	(1,492)	0	(1,492)
Income (loss) before income taxes	**(966,134)**	**422,117**	**(553,833)**	**(928,520)**	**(2,026,370)**	**(1,184,215)**	**(1,056,919)**	**(560,295)**	**(1,023,573)**	**(3,825,002)**
Future income taxes	(54,000)	(22,000)	34,000	143,000	168,000	(247,000)	555,000	110,000	100,000	518,000
Net income	**(1,020,134)**	**400,117**	**(519,833)**	**(785,520)**	**(1,858,370)**	**(1,431,215)**	**(501,919)**	**(450,295)**	**(923,573)**	**(3,307,002)**
Net income per common share (basic)	(0.01)	0.00	(0.00)	(0.01)	(0.02)	(0.01)	(0.00)	(0.00)	(0.01)	(0.02)
Net income per common share (diluted)	**(0.01)**	**0.00**	**(0.00)**	**(0.01)**	**(0.02)**	**(0.01)**	**(0.00)**	**(0.00)**	**(0.01)**	**(0.02)**
Weighted average common shares outstanding										
- basic	121,831,340	121,831,340	121,831,338	122,507,347	122,000,341	125,928,192	137,040,872	138,130,763	145,000,000	136,524,957
- diluted	121,831,340	121,833,302	121,831,338	122,507,347	122,000,341	125,928,192	137,040,872	138,130,763	145,000,000	136,524,957

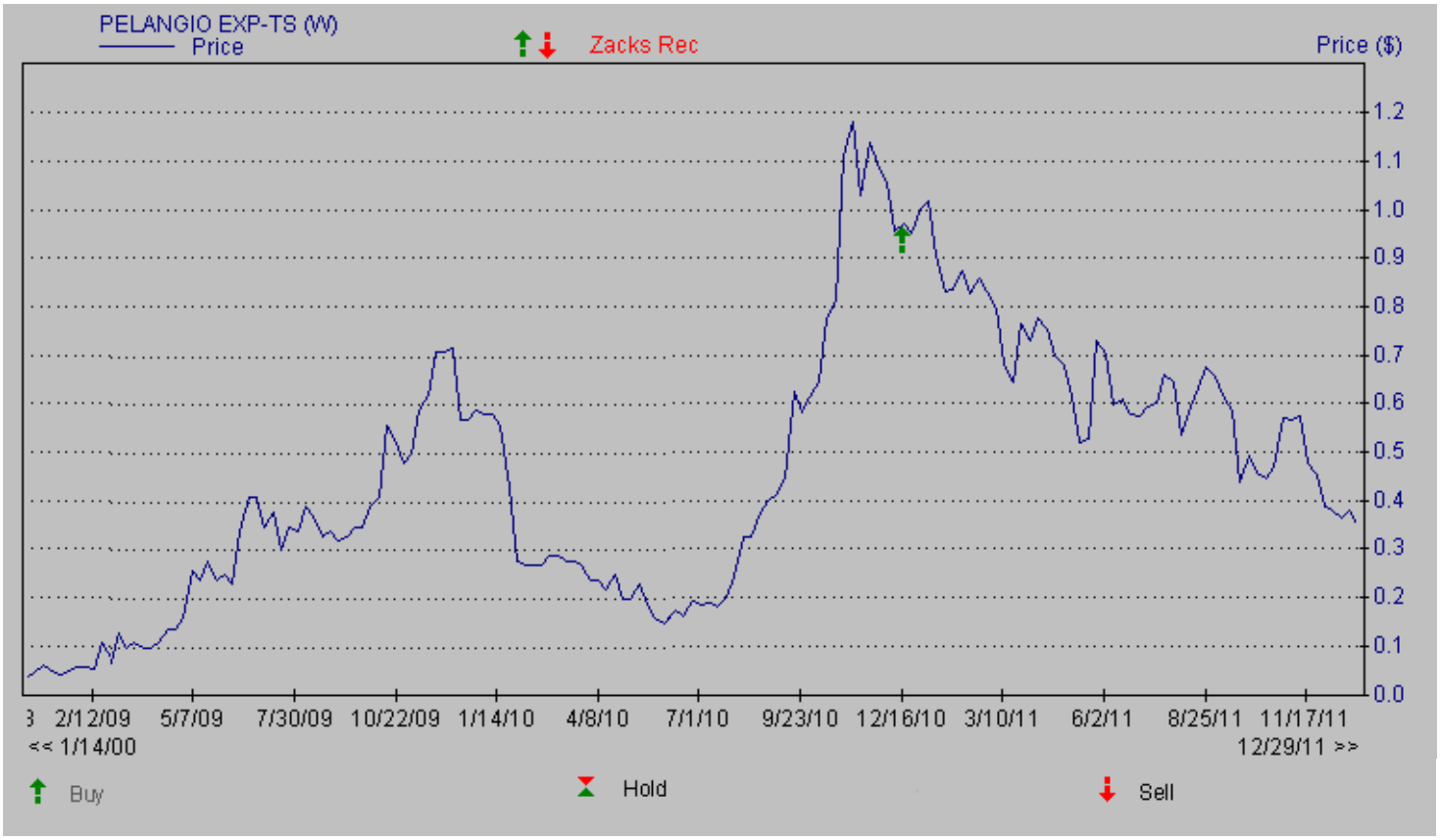
Pelangio Exploration Inc.

Consolidated Balance Sheets

(in $ CAD)

For the years ending December 31	2006	2007	2008	2009	2010	2011 E	2012 E
Assets							
Current:							
Cash and cash equivalents	1,258,676	2,018,603	379,937	7,178,564	3,300,209	11,180,318	7,036,442
Amounts receivable	445,826	16,196	13,764	38,424	62,816	35,000	50,000
Loan receivable	0	0	424,000	0	0	0	0
Prepaid expenses	32,102	31,938	37,182	135,640	114,421	80,000	75,000
Marketable securities	360,000	12,359,950	2,415,952	1,788,000	0	0	0
Current Assets	2,096,604	14,426,687	3,270,835	9,140,628	3,477,446	11,295,318	7,161,442
Deferred transactions costs	263,166	0	0	0	0	0	0
Non-current prepaid expenses	0	0	0	0	182,785	182,785	182,785
Property and equipment	52,433	101,887	95,485	215,340	266,054	375,000	450,000
Mineral properties and deferred exploration costs	11,780,395	9,977,472	20,635,810	26,335,067	30,030,884	38,486,111	45,000,000
Future income taxes	1,833,000	-	-	-	-	-	-
Total Assets	**16,025,598**	**24,506,046**	**24,002,130**	**35,691,035**	**33,957,169**	**50,339,214**	**52,794,227**
Liabilities							
Accounts payable and accrued liabilities	340,956	222,087	330,478	278,961	223,349	543,726	593,687
Advances from PDX Resources Inc.	0	0	177,803	0	0	0	0
Current Liabilities	340,956	222,087	508,281	278,961	223,349	543,726	593,687
Future income taxes	56,000	747,000	395,000	1,444,000	1,836,000	2,354,000	1,700,000
Share capital (no par value)	18,476,557	0	18,511,438	30,283,689	31,239,402	48,775,178	55,559,131
Contributed surplus	1,615,103	14,030,841	275,950	1,443,491	2,335,920	3,600,000	4,446,934
Retained earnings (deficit)	(4,463,018)	2,362,492	2,434,931	815,568	(1,626,688)	(4,933,690)	(9,505,524)
Accumulated other comprehensive income		7,143,626	1,876,530	1,425,326	0	0	0
Shareholders' Equity	15,628,642	23,536,959	23,098,849	33,968,074	31,948,634	47,441,488	50,500,540
Non-controlling interest	-	-	-	-	(50,814)	-	-
Total Liabilities and Equity	**16,025,598**	**24,506,046**	**24,002,130**	**35,691,035**	**33,957,169**	**50,339,214**	**52,794,227**

HISTORICAL ZACKS RECOMMENDATIONS



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