Zacks Small-Cap Research

October 22, 2012

Steven Ralston, CFA
312-265-9426
sralston@zacks.com

scr.zacks.com

111 North Canal Street, Chicago, IL 60606

Pelangio Exploration (V.PX-TSX-V)

V.PX: An NI 43-101 compliant resource report is now expected on Manfo in early 2013. Our target remains $1.10

Current Recommendation	**Outperform**
Prior Recommendation	N/A
Date of Last Change	12/16/2010
Current Price (10/22/12)	$0.25
Six- Month Target Price	**$1.10**

OUTLOOK

Pelangio Exploration is a junior gold exploration company proceeding with a Phase 2 drilling program on its Manfo property in Ghana. A NI 43-101 compliant resource report on three larger deposits (Pokukrom East, Pokukrom West and Nfante West) is now expected in the first quarter of 2013. During the third quarter, pilot exploratory drilling outside the five areas of previously discovered gold deposits resulted in the discovery of two additional gold deposits, **Nkansu** and **Sika North**. The company again successfully raised funds for its exploration program in the third quarter. We reiterate our Outperform rating and maintain our target of $1.10.

SUMMARY DATA

52-Week High	**$0.64**
52-Week Low	**$0.22**
One-Year Return (%)	**-46.81**
Beta	**0.26**
Average Daily Volume (shrs.)	**68,332**
Shares Outstanding (million)	**163.6**
Market Capitalization ($ mil.)	**$40.9**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**18.6**
Insider Ownership (%)	**13.1**
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 2012 Estimate	**N/M**
P/E using 2013 Estimate	**N/M**
Zacks Rank	**3**

Risk Level	**Above Average**
Type of Stock	**Small - Value**
Industry	**Mining -Gold**
Zacks Rank in Industry	**20 of 40**

ZACKS ESTIMATES

Revenue
(in thousands of $CAD)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
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	5.55 A	30.18 E
2012	10.86 A	6.22 A	4.50 E	3.00 E	24.59 E
2013					25.00 E

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

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
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 A	-$0.03 E
2012	-$0.01 A	-$0.01 A	-$0.01 E	-$0.01 E	-$0.03 E
2013					-$0.02 E

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

Quarterly EPS may not add up to annual figures due to rounding.

© Copyright 2012, Zacks Investment Research. All Rights Reserved.

KEY POINTS

- Pelangio Exploration is a junior gold exploration company currently proceeding with a second phase drilling program that was expanded to 40,000 meters at the company's Manfo property in Ghana. **The company has discovered seven near surface deposits** since August 2010. Thus far, Pelangio has drilled 178 holes totaling 37,313 meters.
- **A NI 43-101[1] compliant inferred resource report on the Manfo property is now expected in the first quarter of 2013**. This initial resource estimate will utilize assay results from 154 holes (totaling 32,333 meters) drilled at Pokukrom East, Pokukrom West and Nfante West.
- Pelangio holds a 100% interest in both the Obuasi and the Manfo properties in Ghana.
- We expect Pelangio's stock to react to the announcements of drilling results from **Manfo**.
  - Manfo consists of a significant bulk tonnage zone with 850+ meter strike (Pokukrom East), a near-surface high-grade zone with 100+ meter strike (Pokukrom West), a bulk tonnage zone with 280 meter strike (Nfante West) and four early discovery stage areas (Nfante East, Nfante Central, Nkansu and Sika North), along with other areas of interest.
  - During the second quarter of 2012, exploration efforts were concentrated on exploring previously identified geochemical anomalies outside the areas of known deposits, leading to **the discovery of two new deposits, Nkansu and Sika North.**
  - During the remainder of 2012, management plans to continue trenching, augering and soil sampling programs on unsurveyed areas and to complete further geochemical surveying on Manfo.
- **Obuasi** is located approximately four kilometers down-strike from the high-grade Obuasi underground gold mine owned by AngloGold Ashanti. The discovery of an Obuasi gold mine-style gold shoot on Pelangio's Obuasi property (3+ million ounces Au) would dramatically and positively impact the stock's valuation. An exploratory diamond drill program of 9,710 meters on the Obuasi property was completed in 2011.
- 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.
- Pelangio has been very successful raising funds for its exploration program. In addition, as a testament to management's conviction in the value of the company's exploration properties in Ghana, in the latest private placement which closed in August, management participated by purchasing 1,060,000 shares or 23% of the offering.
- We reiterate an Outperform rating on Pelangio and our target remains $1.10.

RECENT DEVELOPMENTS

- **Manfo property:**
  - **During the third quarter, Pelangio has announced the discovery of two new gold deposits (Nkansu and Sika North)**. Exploration continues at a vigorous pace with over $3.5 million having been expended on the exploration of Manfo in the first half of 2012. Three drilling rigs are now being utilized to explore previously identified geochemical anomalies outside the five initially announced areas of discovered deposits. During the second quarter of 2012, six holes totaling 1,867 meters were drilled are led in an effort to explore an area south of Pokukrom East (four

[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.

holes) and the Sika North geochemical target (two holes). As a result, the deposits at Sika North and Nkansu were discovered.
    - **An initial NI 43-101 compliant inferred resource report on the Pokukrom East, Pokukrom West and Nfante West deposits is now expected in the first quarter of 2013.**
- **Obuasi property**
    - In the second quarter, Pelangio spent $412,289 completing four trenches totaling 572 meters and in the process collected 653 trench samples and 209 outcrop samples. During the remainder of 2012, management plans to continue prospecting, mapping and surveying at Obuasi.
- **Akroma property**
    - Since optioning the property, Pelangio has explored the property by collecting 3,712 soil samples from three areas for the purpose of identifying targets for an upcoming drill program.
- **Financing**
    - The exercise of options provided $122,700 of working capital during the second quarter of 2012.
    - During the third quarter, a private placement provided Pelangio with gross proceeds of $1,150,000.

RECENT NEWS

On September 26, 2012, Pelangio announced the discovery of **another new gold deposit (Sika North)** at Manfo. Located approximately four kilometers northwest of the company's Pokukrom East deposit, Sika North was first delineated by soil geochemistry during the company's due diligence conducted in mid-2010. The soil sampling consistently returned strong values in excess of 40 parts per billion over an area 700 meters long and between 100 and 300 meters wide. At each end along strike, soil sampling returned stronger values in excess of 100 parts per billion. In the southernmost area of stronger values, which covers an area of approximately 30,000 square meters, a diamond drill hole (SODD-250) intersected 1.78 g/t gold over 15 meters, including 6.74 g/t high-grade gold over 3.5 meters. Also, at further depth, low-grade gold was assayed at 0.44 g/t over 23 meters. Sika North also contains another smaller anomaly identified by geochemical and geophysical surveying, but which has not yet been drilled.

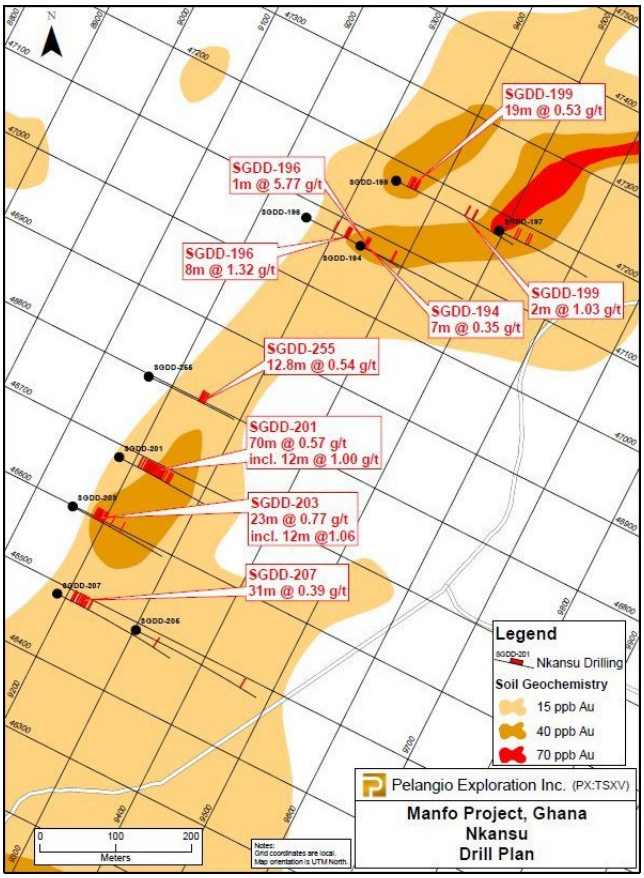
Sika North represents the seventh area of gold mineralization discovered at Manfo, joining the Pokukrom West, Pokukrom East, Nfante West, Nfante East, Nfante Central and Nkansu. The discoveries are a result of an aggressive diamond drilling program that was increased to 40,000 meters in early 2012. Thus far, Pelangio has drilled 178 holes totaling 37,313 meters.

On August 28, 2012, Pelangio Exploration reported **financial results for the second quarter** ending June 30, 2012. The company reported a loss for the quarter of $1,055,105 versus a loss of $501,919 in the second quarter last year. Interest received decreased 36% due to carrying a lower cash balance than in the comparable quarter last year. . Management dramatically lowered overall expenses. Salaries declined 22.6% to $161,012, investor relations expenses declined 52.2% to $82,168, office expenses declined 42.9% $41,822 and caught consulting services expenses declined 65.3% to $22,684. As a result, total expenses declined 40.0%. Also, stock-based compensation (a non-cash expense) decreased 53.3 % to 192,349. During the quarter, the exercise of options provided $25,200 of working capital.

On August 27, 2012, Pelangio announced that drilling results at **Nkansu** have **discovered bulk gold mineralization along a distance of approximately 700 meters**, which is open to the northeast and southwest. The nine pilot diamond drill holes totaling 1,891 meters at Nkansu tested the north and south peripheries of a well-defined high resistivity IP anomaly that was also identified by high resolution airborne magnetics. Nkansu is located between the Pokukrom East and Nfante West.

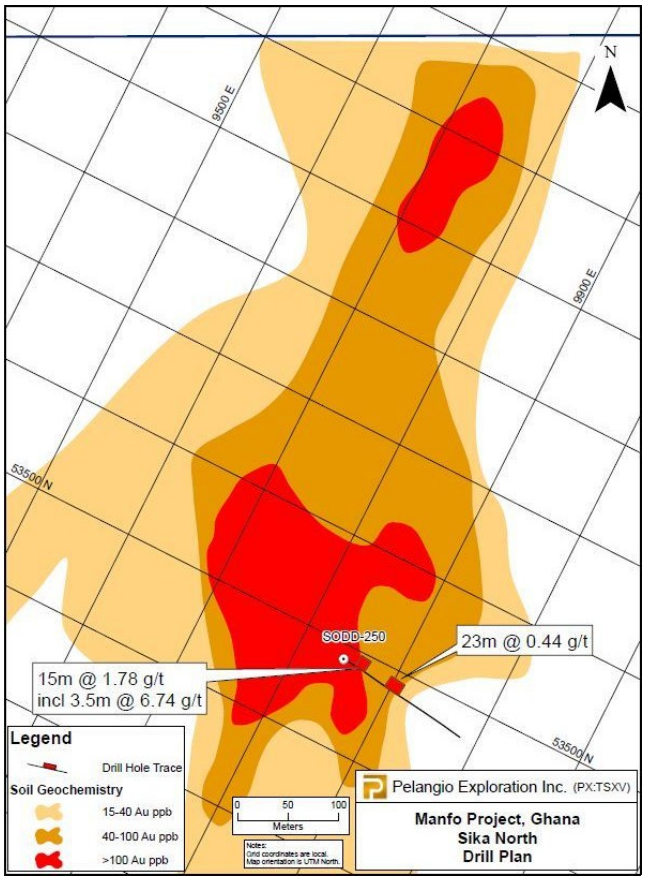
The assay results at three drill holes in the southern portion of Nkansu were particularly noteworthy with one hole (SGDD-201) intersecting 0.57 g/t gold over 70 meters, including 1.00 g/t over 12 meters and another (SGDD-203) intersecting 0.77 g/t gold over 23 meters, including 1.06 g/t over 12 meters. The third hole (SGDD-207) intersected 0.39 g/t gold over 31 meters.

Nkansu



Courtesy of Pelangio

Sika North



Courtesy of Pelangio

On August 14, 2012, Pelangio announced the closing of a private placement of 4,600,000 common shares at $0.25 per share to Canadian investors, including the issuance of 1,060,000 shares to directors of the company. The gross proceeds of $1,150,000 will be used for the continued exploration of the company's properties in Ghana.

On July 9, 2012, Pelangio announced results from preliminary scoping metallurgical tests on composite samples taken from Pokukrom East and Pokukrom West. Undertaken by SGS Mineral Services (Ontario), four samples exhibited a conventional metallurgical profile with the expectation of gold recoveries between 84% and 94%. Initial indications suggest a recovery circuit composed of crushing and grinding, gravity separation (achieving recoveries between 21% and 50%) and cyanide leaching (48 hours in the laboratory test). Though the optimal grind size has yet to be determined, the 84% to 94% recovery rates assume 80% of the ore passing through 75 micron screens. The average actual head assays of the four samples were 1.32 g/t, 1.22 g/t, 12.5 g/t and 2.71 g/t. Also, the study suggested that a whole ore cyanide leaching circuit with oxygen injection may be able to achieve similar levels of gold recovery.

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

[2] Pelangio is a development stage company, as defined by the Canadian Institute of Chartered Accountants' ("CICA") Handbook.

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 now expected to be completed in the first quarter of 2013. 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 values of the Detour Gold shares held by Pelangio Mines relative 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.

[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.

The Canadian dollar is the functional currency of the company. Pelangio has adopted IFRS with the financial statements for the year ending December 31, 2011 being the first annual financial statements that fully comply with IFRS. Financial statements for 2010 were restated to comply with IFRS.

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, **seven geochemical anomalies have identified near surface gold deposits**: 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), Nfante Central, Sika North (two areas measuring 700 meters x 100 meters and 500 meters x 100 meters) and Nkansu (bulk gold mineralization along a distance of approximately 700 meters).

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.

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 drilling program began, which was subsequently increased to 40,000 meters.** During 2011, exploration at Manfo continued: Pokukrom East (57 holes totaling 11,506 meters), Pokukrom West (23 holes totaling 4,613 meters), Nfante West (four holes totaling 1,102 meters), Nfante East (five holes totaling 1,098 meters) and Nfante Central (five holes totaling 939 meters). Through December 31, 2011, 122 holes totaling 24,856 meters had been completed on the Manfo property. At Obuasi 22 new trenches (2,177 linear meters) and 148 auger holes (857 meters) were completed.

Exploration continued during the first half of 2012. A follow-up induced polarization (IP) survey was completed, and the 350 line kilometer program identified 20 new targets in areas of high resistivity. **A combination of airborne magnetics and responses to IP and resistivity surveys appear to be a valid methodology for discovering gold mineralization in areas of Manfo where hardpan cover (duricrust) obviates productive analysis of geochemical surveying. Utilizing this new model of airborne magnetics in conjunction with IP and resistivity surveys, over 15 targets of prospective gold mineralization have been identified for further testing.**

Both high grade and bulk tonnage grade intersections have been identified. All of the intersections have been relatively near surface. Potential bulk tonnage gold mineralization has been discovered at Nfante East, Nfante West and Pokukrom East. At Pokukrom West drill holes have intersected near-

[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.
[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.

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.

On November 1, 2011, Pelangio Exploration filed an initial NI 43-101 report 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. **An initial NI 43-101 compliant inferred resource report is now expected in the first quarter of 2013.**

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.

Pokukrom East

Pokukrom East is one of five significant Au anomalies have been identified within Pelangio's Manfo property. **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. **Through June 30, 2012, 91 holes totaling 17,099 meters had been completed.** 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 though **no additional drilling was conducted during the second quarter of 2012.** The geochemical anomaly at Pokukrom East is approximately 1,200 meters in length. In addition, to the north the zone plunges at approximately 40 degrees from near-surface to a depth of 210 meters with a currently defined length of approximately 600 meters. A follow-up induced polarization (IP) survey was completed at Pokukrom East in the first quarter of 2012; the 350 line kilometer program identified 20 new targets in areas of high resistivity where cover appears to mask underlying gold mineralization that geochemical surveys cannot detect. In connection with the IP survey, 1,869 soil and four pit samples were collected.

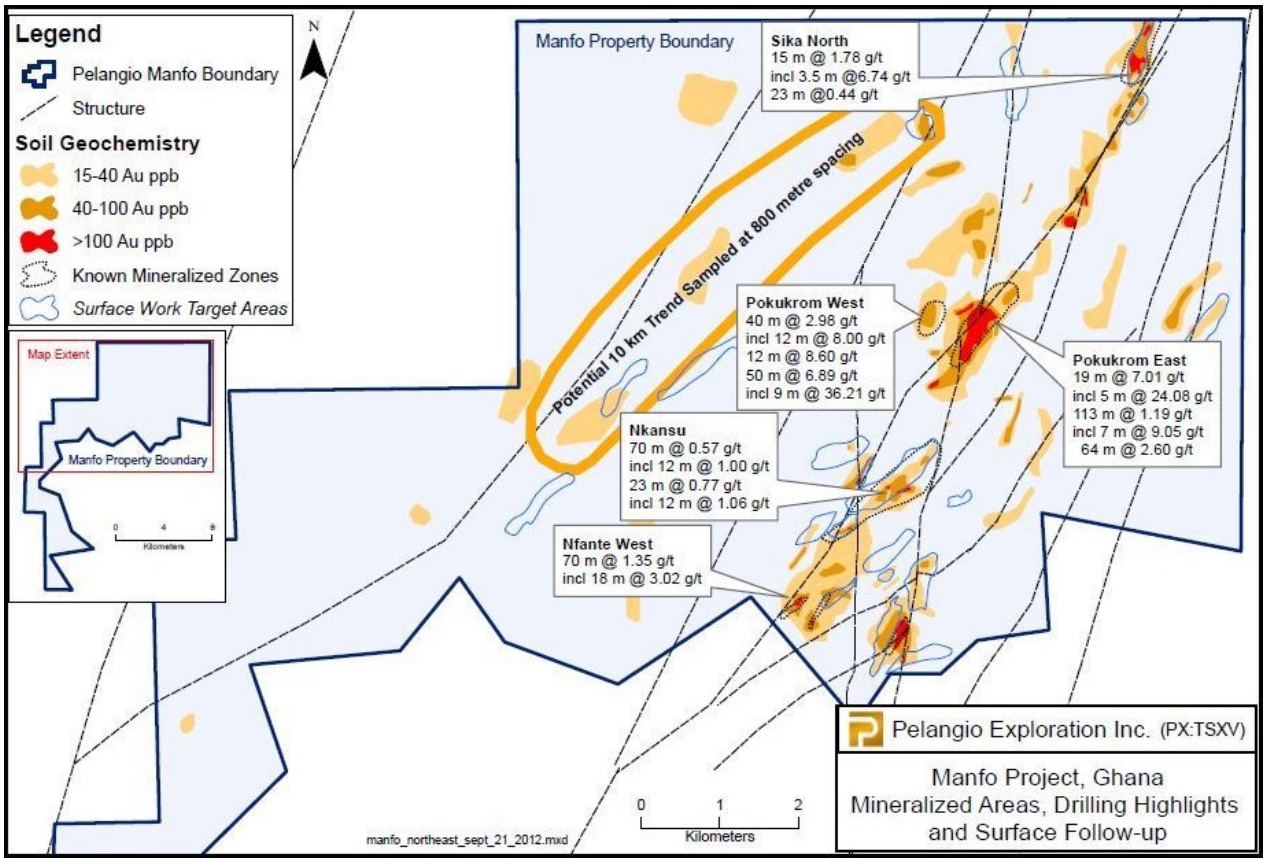
Pokukrom West

High-grade mineralization has also been encountered at **Pokukrom West**. Through the end of 2011, Pelangio has drilled 28 holes totaling 5,566 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 currently defined 100 meter 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. **No exploratory drilling was conducted at Pokukrom West during the first half of 2012.**

Nfante West

Bulk tonnage grade intersections have been identified at **Nfante West**. Through June 30, 2012, Pelangio has drilled 26 diamond drill holes totaling 5,250 meters at Nfante West. Results indicate the potential for bulk tonnage gold mineralization. To date, drilling has defined a strike length of at least 280 meters that remains open on strike and at depth. Management aims to complete 50 meter infill drilling during 2012. **During the second quarter of 2012, one 204-meter drill hole was completed.**

Selected Drill Results on the Manfo Property



Courtesy of Pelangio

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. During 2011, Pelangio drilled five holes totaling 939 meters. The first two holes 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 were drilled in order to trace the zone along strike. Through June 30, 2012, Pelangio has drilled five holes totaling 939 meters at Nfante Central. **No drilling was conducted at Nfante Central during the first half of 2012.**

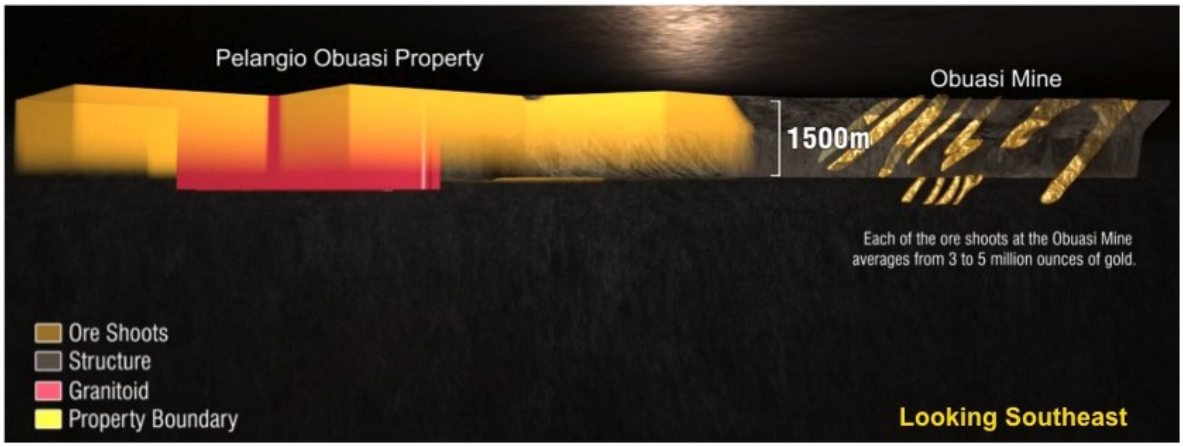
OBUASI (GHANA) PROPERTY

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[9] and a 2% royalty interest.

[9] 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) [10].

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 over 9,000 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[11], 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. During 2011, the **second phase drilling program was completed with 44 holes totaling 9,710 meters.** Targets included the Obuasi Mine trend, Ayaase, Bura, Tikal, Big Vein, Mount Kate South, Government, NT1 and Mampamphwe areas.

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. The 2011 program identified areas hosting high grade gold in the Government Area with intersection of 24.5 g/t Au over 1.0 meter, 11.28 g/t Au over 2.0 meters and 6.01 g/t Au over 2.0 meters.

In 2011, trenching (22 new trenches totaling 2,177 linear meters) and auger drilling (148 auger holes totaling 857 meters) were completed. After completing three trenches totaling 331 meters and four prospecting pits for a total depth of 4.90 meters (resulting in the collection of 357 trench samples, 252 outcrop samples and 4,091 soil samples) during the first quarter, **Pelangio completed for trenches totaling 572 meters (collecting 653 trench samples and 209 outcrop samples) in the second quarter.** During the remainder of 2012, management plans to continue prospecting, mapping and surveying the Obuasi property, especially the geochemical trend of the Government Area.

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

AKROMA (GHANA) PROPERTY

In June 2011, Pelangio entered into an agreement to acquire a 100% interest in the Akroma property, a 159.5 square kilometer parcel in the Brong Ahafo region of Ghana. The Akroma property is an 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[12]. 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, and in June 2012, Pelangio issued an additional 40,000 shares to the optionor. To secure a 100% interest the Akroma property, Pelangio must issue 55,000 shares to the optionor in the second year (on or before June 15, 2013) and 70,000 shares in the third year. 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.

Prior to acquiring the option on the Akroma property, geochemical drainage sampling had been conducted. Drainage sampling returned between 1 g/t Au and 23 g/t Au from 56 out of 65 pan samples and between 0.037 g/t gold and 0.71 g/t gold from 28 of 42 silt samples. Since optioning the property, Pelangio has explored three areas of the property by collecting 3,712 soil samples. The samples have been sent to SGS Laboratories for bulk leach extractable gold (BLEG) analysis and assay results are still pending. An additional 126 orientation samples were collected and sent to ALS Chemex for Leachwell gold analysis. **No further exploratory work was conducted at the Akroma property during the second quarter of 2012.** Management is focusing on identifying near-surface, drill-ready targets for an upcoming drill program.

FINANCIAL POSITION

At the end of the second quarter of 2012 (June 30, 2012), Pelangio had $1,337,612 in cash and marketable securities, no long-term debt, and $44,232,209 in shareholders' equity. Working capital was $1,194,374. The company does not have any long-term debt.

Pelangio has financed exploration activities 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 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, and a subsequent public offering

[12] 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.

raised $7,181,076. The company's cash requirements for exploratory activities totaled $10,177,942 ($5,546,532 at Manfo and $3,992,513 at Obuasi) and were funded by the net proceeds of $16,919,544 from the sale of securities and the exercise of options and warrants during 2011. During the first half of 2012, the exercise of options provided $122,700 of additional working capital. In August 2012, Pelangio received gross proceeds of $1,150,000 from the issuance of 4,600,000 shares in a private placement to Canadian investors.

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. Kaminak 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 15 meters 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 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 1.4 and 4.0 times book (C$0.39 and C$1.11)** due to the announcements concerning the successful drilling program on the Manfo property and the discovery of two new deposits. With an initial NI 43-101 compliant inferred resource report on Manfo expected in early 2013, the stock's valuation could potentially increase to between 6.0 and 7.0 times book (C$1.67 and C$1.95). 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.

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.

BALANCE SHEET AND PROJECTED INCOME STATEMENT

Pelangio Exploration Inc.

Consolidated Balance Sheets
(in $ CAD)

For the years ending December 31	2006	2007	2008	2009	2010	2011	1Q 2012	2Q 2012
Assets								
Current:								
Cash and cash equivalents	1,258,676	2,018,603	379,937	7,178,564	3,300,209	7,732,269	3,950,498	1,266,765
Amounts receivable	445,826	16,196	13,764	38,424	62,816	106,405	95,841	70,847
Loan receivable	0	0	424,000	0	0	0	0	0
Prepaid expenses	32,102	31,938	37,182	135,640	114,421	77,548	79,631	93,686
Marketable securities	360,000	12,359,950	2,415,952	1,788,000	0	0	0	0
Current Assets	2,096,604	14,426,687	3,270,835	9,140,628	3,477,446	7,916,222	4,125,970	1,431,298
Deferred transactions costs	263,166	0	0	0	0	0	0	0
Non-current prepaid expenses	0	0	0	0	182,785	103,960	204,480	0
Property and equipment	52,433	101,887	95,485	215,340	266,054	389,039	369,659	325,059
Mineral properties and deferred exploration costs	11,780,395	9,977,472	20,635,810	26,335,067	30,030,884	41,091,696	43,544,087	45,577,776
Future income taxes	1,833,000	-	-	-	-	-	-	-
Total Assets	**16,025,598**	**24,506,046**	**24,002,130**	**35,691,035**	**33,957,169**	**49,500,917**	**48,244,196**	**47,334,133**
Liabilities								
Accounts payable and accrued liabilities	340,956	222,087	330,478	278,961	223,349	1,461,743	752,031	236,924
Advances from PDX Resources Inc.	0	0	177,803	0	0	0	0	0
Current Liabilities	340,956	222,087	508,281	278,961	223,349	1,461,743	752,031	236,924
Future income taxes	56,000	747,000	395,000	1,444,000	1,836,000	1,682,000	2,436,000	2,865,000
Share capital (no par value)	18,476,557	0	18,511,438	30,283,689	31,239,402	47,364,248	47,500,748	47,546,348
Contributed surplus	1,615,103	14,030,841	275,950	1,443,491	2,335,920	4,374,258	4,583,154	4,635,724
Retained earnings (deficit)	(4,463,018)	2,362,492	2,434,931	815,568	(1,626,688)	(5,381,332)	(7,027,737)	(7,949,863)
Accumulated other comprehensive income		7,143,626	1,876,530	1,425,326	0	0	0	0
Shareholders' Equity	15,628,642	23,536,959	23,098,849	33,968,074	31,948,634	46,357,174	45,056,165	44,232,209
Non-controlling interest	-	-	-	-	(50,814)	-	-	-
Total Liabilities and Equity	**16,025,598**	**24,506,046**	**24,002,130**	**35,691,035**	**33,957,169**	**49,500,917**	**48,244,196**	**47,334,133**
Common shares outstanding		73,102,997	75,980,777	91,109,890	122,000,341	158,130,763	158,360,983	159,000,763

Pelangio Exploration Inc.

Consolidated Statements of Operations and Retained Earnings

(in $ CAD)

For the years ending December 31	2006	2007	2008	2009	2010	IFRS 2010	IFRS 2011	2012 E
Interest	71,886	7,048	13,817	5,428	9,864	9,864	30,176	24,587
Gain on sale of marketable securities	10,836	0	0	0	0	0	0	0
Revenue:	**82,722**	**7,048**	**13,817**	**5,428**	**9,864**	**9,864**	**30,176**	**24,587**
Salaries and employee benefits	220,414	193,270	145,921	621,145	830,945	830,945	856,374	703,127
Consulting services	61,083	94,439	9,047	79,595	132,035	132,035	164,160	135,274
General exploration	0	1,395	8,396	7,323	29,609	29,609	13,936	5,352
Insurance	15,369	16,673	16,601	45,463	45,008	45,008	43,887	52,277
Professional fees	170,161	192,044	191,090	261,361	279,090	279,090	310,159	113,705
Investor relations	384,381	220,292	103,731	337,172	367,403	367,403	647,054	321,321
Office and general	74,977	126,025	67,363	122,347	188,023	188,023	382,946	181,398
Rent	48,000	58,295	9,602	61,390	79,649	79,649	56,884	47,358
Vehicle	0	0	0	596	553	553	473	0
Transfer agent and filing fees	45,535	16,606	25,919	67,680	39,227	39,227	101,677	62,059
Interest on advance from PDX Resources Inc.	0	0	0	5,250	0	0	0	0
Interest on short-term debt	0	0	300,000	0	0	0	0	0
Travel	45,016	4,295	14,684	22,612	78,953	78,953	28,676	179,379
Foreign exchange loss (gain)	0	0	21,720	83,874	118,967	118,967	(41,573)	54,552
Stock-based compensation cost	35,188	109,974	160,807	377,291	1,037,128	1,037,128	1,230,057	957,548
Amortization	9,327	25,080	31,309	47,626	77,765	77,765	104,852	133,940
Total Expenses	**1,109,451**	**1,058,388**	**1,106,190**	**2,140,725**	**3,304,355**	**3,304,355**	**3,899,562**	**2,947,290**
Loss from operations	**(1,026,729)**	**(1,051,340)**	**(1,092,373)**	**(2,135,297)**	**(3,294,491)**	**(3,294,491)**	**(3,869,386)**	**(2,922,703)**
Gain (loss) on disposal of mineral properties	(157,615)	7,305,367	0	1,913,200	0	0	0	0
Gain (loss) on disposal of marketable securities	(74,208)	9,002	902,812	0	2,377,304	2,377,304	0	0
Gain (loss) on disposal of equipment	0	0	0	0	0	0	6,239	7,932
Write down of mineral property	0	(1,126,959)	0	(270,416)	(1,109,183)	(1,109,183)	0	0
Equity loss from investment in Detour Gold Corp.	0	0	0	0	0	0	0	0
Other income	(231,823)	6,187,410	902,812	1,642,784	1,268,121	1,268,121	6,239	7,932
Income (loss) before income taxes	**(1,258,552)**	**5,136,070**	**(189,561)**	**(492,513)**	**(2,026,370)**	**(2,026,370)**	**(3,863,147)**	**(2,914,771)**
Deferred income taxes (credit)	(1,833,000)	1,485	(262,000)	(167,000)	(168,000)	467,000	(154,000)	2,041,000
Net income for the year	**574,448**	**5,134,585**	**72,439**	**(325,513)**	**(1,858,370)**	**(2,493,370)**	**(3,709,147)**	**(4,955,771)**
Other comprehensive income (loss)						(1,425,326)	0	0
Comprehensive income (loss) for the year						**(3,918,696)**	**(3,709,147)**	**(4,955,771)**
Loss attributable to parent company						**(2,442,556)**	**(3,688,354)**	**(4,927,990)**
Comprehensive income (loss) attributable to parent company						**(3,867,882)**	**(3,688,354)**	**(4,927,990)**
Net income per common share (basic)	0.01	0.07	0.00	(0.00)	(0.02)	(0.02)	(0.03)	(0.03)
Net income per common share (diluted)	**0.01**	**0.07**	**0.00**	**(0.00)**	**(0.02)**	**(0.02)**	**(0.03)**	**(0.03)**
Weighted average common shares outstanding								
- basic	65,878,728	69,646,697	73,858,277	91,109,890	122,000,341	122,000,341	135,452,924	160,996,258
- diluted	67,690,961	73,102,997	75,980,777	91,109,890	122,000,341	122,000,341	135,452,924	160,996,258

Pelangio Exploration Inc.

Consolidated Statements of Operations and Retain	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
(in $ CAD)	1Q	2Q	3Q	4Q		1Q	2Q	3Q	4Q	
For the years ending December 31	2011	2011	2011	2011	2011	2012	2012	2012 E	2012 E	2012 E
Interest	1,995	9,738	12,891	5,552	30,176	10,865	6,222	4,500	3,000	24,587
Gain on sale of marketable securities	0	0	0	0	0					
Revenue:	**1,995**	**9,738**	**12,891**	**5,552**	**30,176**	**10,865**	**6,222**	**4,500**	**3,000**	**24,587**
Salaries and employee benefits	192,993	208,075	177,237	278,069	856,374	187,115	161,012	160,000	195,000	703,127
Consulting services	35,802	65,441	19,542	43,375	164,160	62,590	22,684	25,000	25,000	135,274
General exploration	1,397	3,970	4,098	4,471	13,936	852	0	2,500	2,000	5,352
Insurance	10,891	10,823	11,006	11,167	43,887	12,768	13,026	13,169	13,314	52,277
Professional fees	31,605	39,530	109,562	129,462	310,159	66,458	15,247	12,000	20,000	113,705
Investor relations	205,688	172,032	123,683	145,651	647,054	89,153	82,168	60,000	90,000	321,321
Office and general	119,972	73,230	80,178	109,566	382,946	53,576	41,822	42,000	44,000	181,398
Rent	14,111	13,793	14,301	14,679	56,884	14,679	10,679	11,000	11,000	47,358
Vehicle	0	0	473	0	473	0	0	0	0	0
Transfer agent and filing fees	42,352	14,792	1,960	42,573	101,677	13,436	11,123	20,000	17,500	62,059
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	2,841	4,141	9,293	12,401	28,676	69,267	51,187	8,925	50,000	179,379
Foreign exchange loss (gain)	63,644	16,717	(200,901)	78,967	(41,573)	49,688	4,864	0	0	54,552
Stock-based compensation cost	436,477	412,086	202,745	178,749	1,230,057	295,199	192,349	175,000	295,000	957,548
Amortization	28,437	32,027	18,517	25,871	104,852	35,792	34,098	33,000	31,050	133,940
Total Expenses	**1,186,210**	**1,066,657**	**571,694**	**1,075,001**	**3,899,562**	**950,573**	**640,259**	**562,594**	**793,864**	**2,947,290**
Loss from operations	**(1,184,215)**	**(1,056,919)**	**(558,803)**	**(1,069,449)**	**(3,869,386)**	**(939,708)**	**(634,037)**	**(558,094)**	**(790,864)**	**(2,922,703)**
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	0	0	0	0	0	0	0	0	0
Gain (loss) on disposal of equipment	0	0	(1,492)	7,731	6,239	0	7,932	0	0	7,932
Write down of mineral property	0	0	0	0	0	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	0	0	(1,492)	7,731	6,239	0	7,932	0	0	7,932
Income (loss) before income taxes	**(1,184,215)**	**(1,056,919)**	**(560,295)**	**(1,061,718)**	**(3,863,147)**	**(939,708)**	**(626,105)**	**(558,094)**	**(790,864)**	**(2,914,771)**
Deferred income taxes (credit)	247,000	(555,000)	(110,000)	264,000	(154,000)	754,000	429,000	429,000	429,000	2,041,000
Net income	**(1,431,215)**	**(501,919)**	**(450,295)**	**(1,325,718)**	**(3,709,147)**	**(1,693,708)**	**(1,055,105)**	**(987,094)**	**(1,219,864)**	**(4,955,771)**
Other comprehensive income (loss)					0	0	0	0	0	0
Comprehensive income (loss) for the year					(3,709,147)	(1,693,708)	(1,055,105)	(987,094)	(1,219,864)	(4,955,771)
Loss attributable to parent company					(3,688,354)	(1,684,213)	(1,049,190)	(981,561)	(1,213,026)	(4,927,990)
Comprehensive income (loss) attributable to parent company					(3,688,354)	(1,684,213)	(1,049,190)	(981,561)	(1,213,026)	(4,927,990)
Net income per common share (basic)	(0.01)	(0.00)	(0.00)	(0.01)	(0.03)	(0.01)	(0.01)	(0.01)	(0.01)	(0.03)
Net income per common share (diluted)	**(0.01)**	**(0.00)**	**(0.00)**	**(0.01)**	**(0.03)**	**(0.01)**	**(0.01)**	**(0.01)**	**(0.01)**	**(0.03)**
Weighted average common shares outstanding										
- basic	125,928,192	137,040,872	138,130,763	140,711,870	135,452,924	158,360,983	158,808,016	163,408,016	163,408,016	160,996,258
- diluted	125,928,192	137,040,872	138,130,763	140,711,870	135,452,924	158,360,983	158,808,016	163,408,016	163,408,016	160,996,258

HISTORICAL ZACKS RECOMMENDATIONS



DISCLOSURES

The following disclosures relate to relationships between Zacks Investment Research ("ZIR") and Zacks Small-Cap Research ("Zacks SCR") and the issuers covered by the Zacks SCR analysts in the Small-Cap Universe.

ZIR or Zacks SCR Analysts do not hold or trade securities in the issuers which they cover. Each analyst has full discretion on the rating and price target based on their own due diligence. Analysts are paid in part based on the overall profitability of Zacks SCR. Such profitability is derived from a variety of sources and includes payments received from issuers of securities covered by Zacks SCR for non-investment banking services. No part of analyst compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in any report or blog.

ZIR and Zacks SCR do not make a market in any security nor do they act as dealers in securities. Zacks SCR has never received compensation for investment banking services on the small-cap universe. Zacks SCR does not expect received compensation for investment banking services on the small-cap universe. Zacks SCR has received compensation for non-investment banking services on the small-cap universe, and expects to receive additional compensation for non-investment banking services on the small-cap universe, paid by issuers of securities covered by Zacks SCR. Non-investment banking services include investor relations services and software, financial database analysis, advertising services, brokerage services, advisory services, investment research, and investment management.

Additional information is available upon request. Zacks SCR reports are based on data obtained from sources we believe to be reliable, but is not guaranteed as to accuracy and does not purport to be complete. Because of individual objectives, the report should not be construed as advice designed to meet the particular investment needs of any investor. Any opinions expressed by Zacks SCR Analysts are subject to change. Reports are not to be construed as an offer or the solicitation of an offer to buy or sell the securities herein mentioned. Zacks SCR uses the following rating system for the securities it covers. Buy/Outperform: The analyst expects that the subject company will outperform the broader U.S. equity market over the next one to two quarters. Hold/Neutral: The analyst expects that the company will perform in line with the broader U.S. equity market over the next one to two quarters. Sell/Underperform: The analyst expects the company will underperform the broader U.S. Equity market over the next one to two quarters.

The current distribution of Zacks Ratings is as follows on the 1009 companies covered: Buy/Outperform- 14.8%, Hold/Neutral- 77.5%, Sell/Underperform – 7.2%. Data is as of midnight on the business day immediately prior to this publication