Zacks Equity Research

December 20, 2010
Steven Ralston, CFA

www.zacks.com
111 North Canal Street, Chicago, IL 60606

Pelangio Exploration (V.PX – TSX-V)

V.PX: Zacks Co. Report – OUTPERFORM



Current Recommendation	**Outperform**
Prior Recommendation	N/A
Date of Last Change	12/16/2010
Current Price (12/17/10)	$0.97
Six- Month Target Price	**$1.25**

OUTLOOK

Pelangio Exploration is a junior gold exploration company proceeding with drilling programs in Ghana on its Manfo property currently and on its Obuasi property in early 2011. Positive assay results from the first Manfo drilling program, which were announced in October 2010, significantly increased shareholder value with the stock rallying from $0.41 to over $1.00. Results from the second drilling program could potentially increase the stock's valuation even further (see valuation section). We initiate coverage with an Outperform rating and an initial target of $1.25.

SUMMARY DATA

52-Week High	**$1.31**
52-Week Low	**$0.15**
One-Year Return (%)	**76.4**
Beta	**N/A**
Average Daily Volume (shrs.)	**361,809**
Shares Outstanding (million)	**123.39**
Market Capitalization (C $mil.)	**119.69**
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	**N/A**

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

ZACKS ESTIMATES

Revenue
(in thousands of $ CAD)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2008	N/A*	N/A*	N/A*	N/A*	N/A*
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	1.50 E	9.03 E
2011					10.00 E

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

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2008	N/A*	N/A*	N/A*	N/A*	N/A*
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	-$0.00 E	-$0.01 E
2011					-$0.01 E

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

*Pelangio began operations on September 8, 2008.

© Copyright 2010, Zacks Investment Research. All Rights Reserved.

KEY POINTS

- Pelangio Exploration is a junior gold exploration company currently proceeding with a second phase drilling program of over 5,000 meters at the company's Manfo property in Ghana. The assay results are expected to be a catalyst. Management has budgeted for further exploratory drilling on both its Manfo and Obuasi properties 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.
- Assay results from the Manfo drilling program announced in October 2010 indicated intersections of 8 g/t gold mineralization over intervals of 12 meters at Pokukrom West. There is the possibility that this strike extends 500 meters between Pokukrom West and Pokukrom East where 24.7 g/t mineralization was discovered over a five meter interval.
- We expect Pelangio's stock to react to the announcements of drilling results, both at Manfo and Obuasi, in 2011.
- We initiate coverage of Pelangio with an Outperform rating and a target of $1.25.

OVERVIEW

Based in Toronto, Ontario, Pelangio Exploration (PGXPF: OTCBB and PX: TSX-V) is a junior gold exploration company[1] 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 is actively exploring its Manfo and Obuasi properties in Ghana through geophysical and geochemical surveying and diamond core drilling programs. Recent exploratory results have been impressive, and the company has the potential for new positive exploration announcements in the near-term as a second phase drilling program of over 5,000 meters is currently underway at the company's recently optioned Manfo property, with a further second phase program expected to commence at the Obuasi property in early 2011.

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, 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, just recently Kinross Gold acquired Red Back Mining[2] 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

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

[2] Owner of the 5.39 million ounce resource at the Chirano mine in Ghana.

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[3] (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[4].

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 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.

Having sold Detour Gold shares from time to time[5], as of the end of the third quarter of 2010, Pelangio holds 45,000 shares for investment and working capital purposes, such as exploration expenditures, property acquisitions and general corporate purposes.

The Canadian dollar is the functional currency of the company.

GHANA GOLD EXPLORATION PRIMER

The process of exploring and ultimately mining for gold in Ghana is governed by manageable list of procedures. The licensing process for obtaining mining concessions from the Minister for Mines is generally a three step process. First, a reconnaissance permit is procured; then a prospecting license is issued; and finally a mining lease is granted. A reconnaissance permit allows the holder to reconnoiter a property for minerals through aerial, geophysical, and/or geochemical surveys. With a prospecting license, the holder may undertake operations for the purpose of exploring, locating or proving mineral deposits. And finally, after a feasibility study is conducted, a mining lease is granted for commercially extracting the gold.

A reconnaissance license confers on the holder the right to search for a specific mineral or minerals within the license area by geochemical and geological surveys or other remote sensing techniques, such as mapping and airborne imaging. Usually the reconnaissance license does not permit drilling,

[3] Technical Report for the Detour Lake Mine Option Property" dated September 21, 2006 and prepared by Eric Kallio, P.Geo.

[4] "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.

[5] Pelangio's cost basis of Detour Gold is $11.90 per share. Disposals of Detour Gold shares below $11.90 per share have resulted in realized capital losses for income tax purposes of $4,582,986, which may be used to offset capital gains realized in the future.

excavation or other sub-surface exploratory techniques. The license is normally granted for up to one year, and must be renewed prior to its expiration.

A prospecting license gives the holder the exclusive right to search for specific minerals through geological and geophysical investigations, which may include soil sampling, drilling, trenching, analytical testing, assaying, and other similar techniques to locate, investigate, define or delineate mineral deposits, by which the extent and economic value of any deposits within the license area can be determined. The license is valid for up to three years and a maximum area of 150 km² may be renewed, but with the stipulation that part of the license area is relinquished[6]. In practice, renewals of the entirety of the concession may be granted where the concession-holder demonstrates that expenditures have been committed widely on the concession and that potential for mineralization has not been ruled out on any part of the concession. In addition, if it is relinquished, the concession-holder generally is the lead candidate to regain possession of the concession.

Upon the presentation of an acceptable feasibility study, including an environmental impact study, the holder of a prospecting license is entitled to be granted a mining lease by The Ghanaian Ministry of Lands and Natural Resources. The term of the lease can be up to thirty years, subject to renewal for another thirty-year term. The mining lease entitles the holder to mine and/or extract specified minerals within the lease area, after an environmental permit is issued by the Environmental Protection Agency. An acceptable feasibility study[7] establishes that a mineral exists in commercial quantities can be mined at a profit within the proposed lease area. In addition, the study indicates the mining method (underground mining or open pit) by which the minerals may be extracted.

Coincident with the exploratory investigation of a property and the feasibility study is the classification of the gold mineralization as either a mineral resource or mineral reserve, both of must be determined by or under the direction of a Qualified Person[8]. A gold mineral resource is a concentration of gold mineralization in form, quantity, and grade that there are reasonable technical and economic prospects for economic extraction. The estimate is based on detailed exploration and sampling, including trenches and/or drill holes that are properly spaced to confirm both the geological and grade continuity of the mineralization. After a preliminary feasibility study, which includes the proposed mining method and detailed financial analysis, a mineral resource may be re-classified as a mineral reserve if it is economically mineable. A mineral reserve is further sub-divided into a category of either probable mineral reserve (economic extraction can be justified) or proven mineral reserve (economic extraction is justified).

The interpretation of assay results is best left to Qualified Persons and geologists. Generally, however, there are a three main factors to be considered when evaluating assay results from an exploration stage company: (i) Grade, which includes the grade of the sample, the grade distribution from sample to sample and the grade continuity from section to section (the strike length); (ii) Width, which relates to the number of sequential grade-bearing samples, with broader widths allowing for lower grade bulk tonnage open pit mining[9] (ten to 50+ meters) and narrower widths (three to ten meters) generally requiring higher grades and potentially underground mining; and (iii) Depth, with near surface deposits allowing for lower economic grades extractable by open pit bulk tonnage methods.

All three of these factors should be considered concurrently. For example if a deposit is lower grade, its economics will be dependent on the width of mineralization and proximity to surface, whereas if

[6] At each renewal, half the license area is required to be relinquished by the license holder.

[7] The engineering assessment of a feasibility study should include the estimated cash cost of mining an ounce of gold, the mine's expected life in years, and the estimated annual production in ounces per year.

[8] A "Qualified Person" is an engineer or geoscientist with at least five years of experience in mineral exploration, mine development, or mineral project assessment, or any combination of these; and is a member or licensee in good standing of a professional association.

[9] An open pit mine is constructed by excavating material from the surface in order to expose and mine the ore. In addition, it is necessary to excavate and relocate large quantities of waste rock.

mineralization occurs over narrower widths then the grade must be higher to warrant the greater dilution caused by open pit mining (if near surface) or capital expenditures for underground mining (if at depth). Cut-offs and thresholds vary from deposit to deposit based on the economic modeling in the feasibility report. Other factors that can affect the economics of a mineral deposit, such as metallurgy and mining method, but these factors are addressed during the feasibility stage.

From a financial analyst point of view, assay results from drilling programs tend to fall into four categories: below 0.75 g/t[10] (generally uneconomical but with a few exceptions), 0.85 to 2.0 g/t (bulk tonnage), 0.20 to 5.0 g/t (mid-grade mineralization), and above 5.0 g/t (high-grade mineralization). Gold can be economically extracted through open pit surface mines at 0.85 to 2.0 g/t near-surface concentrations, and in certain specific cases depending on the deposit's grade, width and depth, gold mineralization below 0.75 g/t can be economical to extract.

High-grade, gold-bearing mineralization above the 5.0 g/t concentration level usually can rationalize an underground mine and is often the catalyst to an increase of the company's stock price when both the valuation multiple (price/reserves) and the valuation parameter (reserves) increase simultaneously. Drilling assays of over 8.0 g/t usually indicate the discovery of a high-grade gold vein. However, the entire drilling program should be analyzed in the attempt to ascertain the grade continuity and geological strike length of the high-grade gold mineralization discovery in order to estimate the impact on the company's estimated resource and/or reserve value.

In the aftermath of the Bre-X[11] debacle, the sampling and assaying process of gold exploration companies has come under increased scrutiny. Securities regulators have greatly improved the oversight of junior mineral exploration companies, particularly relating to the reporting of sampling, assaying and drilling results. Pelangio has been forthright in its sampling and assaying practices. The company provides security at the drill site, and contractors working for Pelangio conduct all logging and sampling. Sample cores are logged in one meter lengths, and then split into equal halves with one-half remaining in the original core box and stored in a secure location at the Pelangio compound in Tepa, Ghana. The other half is placed into sealed bags and securely stored until it is shipped to the ALS Chemex laboratory in Kumasi, Ghana, where ALS Chemex conducts gold analysis using a fire assaying process. Samples returning more than 100 parts-per-billion gold are subsequently sent for follow-up metallic screening analysis.

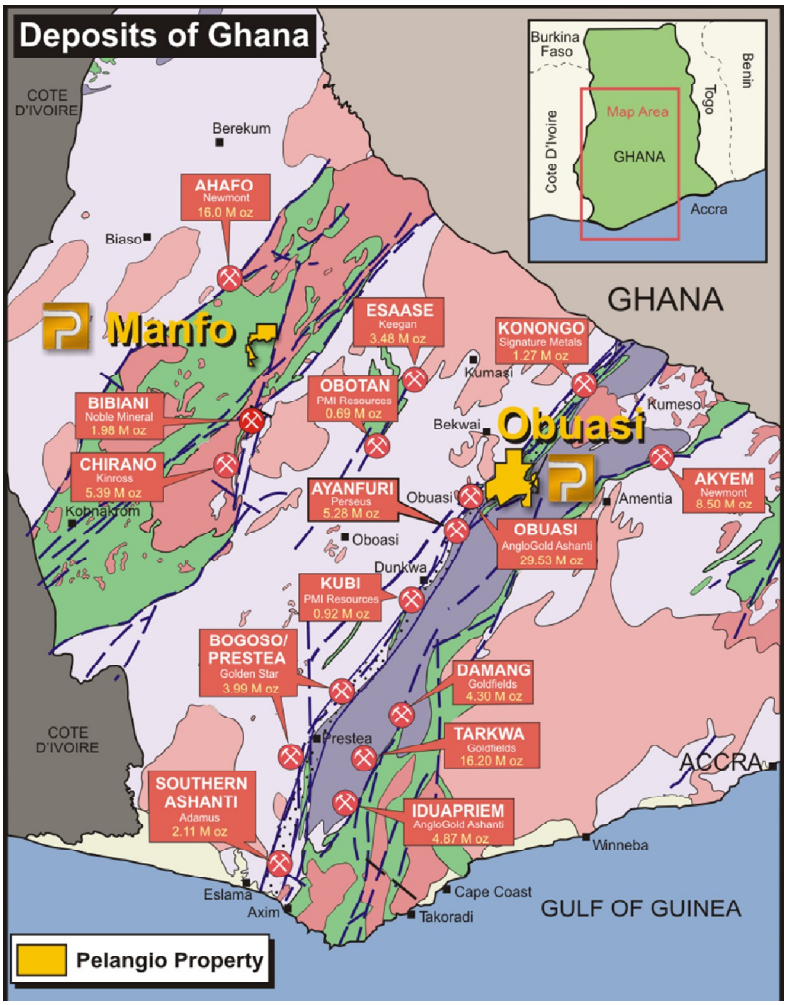
GHANA

Formerly known as The Gold Coast, Ghana is an independent republic with a constitutional democratic government formed when the country achieved independence in 1957. Formerly a British colony, the official language is English, though over 100 native languages are spoken. Ghana is the second largest gold producing country in Africa (after South Africa) with almost 60 million ounces having been mined in the last 100 years and current gold reserves estimated at over 100 million ounces. Ghana's mines produced 2.9 million ounces in 2009, up 12% from 2008. Mining accounts for 5% of Ghana's GDP and gold accounts for over 33% of the country's total exports; consequently, the gold mining industry has a significant role in the country's economy as a source of employment and foreign exchange earner. Ghana has experienced a stable political climate and is considered to have low political risk.

[10] grams per tonne (metric ton)

[11] Bre-X, a Canadian company based in Calgary, perpetrated a gold mining scandal in the mid-1990's when an announced gold deposit discovery in Indonesia drove the company's market capitalization to over CAD $6 billion. In 1997, the stock collapsed and ultimately became worthless when it was revealed that the gold discovery was non-existent and the core samples had been fraudulently salted with gold.

Ghana has favorable mining laws, specifically the Minerals and Mining Act of 2006[12] and associated legislation[13], which together regulate and provide fiscal incentives for the mining industry. By law, all minerals are owned by the State of Ghana, but exclusive mining rights are granted by the Ministry of Lands and Natural Resources. For the most part, the rules are applied equally to Ghanaians and foreigners. The Government is entitled to a free carried equity interest of 10% in all mineral ventures, and has the option of purchasing an additional 20% at a fair market price. So far, the Government has not exercised its option to acquire this 20% interest. The Government retains a 5% net smelter royalty on production, but the deferment of royalty payments, work programs, and the level of export earnings retention allowances are negotiable.



Several major mining companies have made large investments and operate mines in Ghana. For example, Ghana's largest mine with reserves[14] of 9.9 million gold ounces and 2009 production of 720,700 ounces is Tarkwa[15], which is 71.1% owned by Gold Fields Limited of South Africa (GFI:JSE and GFI:NYSE) and 18.9% owned by IAMGOLD Corp. (IMG:TSE and IAG: NYSE). Similarly owned, the Damang open pit mine has reserves of 2.1 million gold ounces and 2009 production of 207,400 ounces. Newmont Mining (NEM: NYSE)'s Ahafo mine (100% interest) produced 531,470 ounces of gold in 2009 and is developing the Akyem gold property (85% interest), having acquired a mining lease in 2010.

[12] Act 703

[13] PNDCL 64, PNDCL 84, PNDCL 122, PNDCL 153, PNDCL 154, PNDCL 218, LI 1349, Act 475, Act 478, and Act 490.

[14] Reserves are proven and probable reserves; in the maps below, figures are mineral resources.

[15] The Tarkwa project consists of six open pits, two heap leach facilities, and a CIL (carbon-in-leach) plant.

AngloGold Ashanti Limited of South Africa (ANG:JNB and AU:NYSE) owns three producing mines: Obuasi underground mine (100% interest) with 2009 production of 383,000 ounces, Iduapriem open pit mine (80% interest), which produces approximately 190,000 ounces per year, and the Teberebie Mine (90% interest). The Bibiani open pit gold mine is now owned by Noble Mineral Resources (NMG: ASX), having been acquired from AngloGold Ashanti in 2009. Located in the Sefwi-Bibiani belt, the second-most significant gold-bearing belt in Ghana after the Ashanti Belt, Bibiani has reserves of 1.4 million ounces.

Several junior gold companies are also investing in Ghana. Golden Star Resources Limited (GSS: AMEX) holds a 90% interest in the Bogoso/Prestea (reserves of 2.75 million ounces and production of 200,000 ounces) and the Wassa open pit mines, along with a 90% interest in the idled Prestea underground mine. Keegan Resources (KGN: TSX and KGN: AMEX) is exploring the Esaase gold property (90% interest in a resource of 3.47 million ounces) and Asumura gold property (90% mining interest). PMI Gold Corporation (PMV: TSX-V) acquired Nevsun Resources Limited's Kubi Gold project in 2007. And of course, Pelangio Exploration (PGXPF: OTCBB and PX: TSX-V) is exploring its Obuasi (right to acquire 100% interest by 2011) and Manfo (right to acquire 100% interest by 2013) properties.

Other companies exploring for gold in Ghana include Perseus Mining Limited (PRU: ASX and PRU: TSE), which is developing the Central Ashanti gold project (current resource of 5.25 million ounces) and Adamus Resources Limited (ADU: ASE and ADU: TSX-X) with the Nzema gold project (current resource of 2.1 million ounces).

MANFO (GHANA) PROPERTY

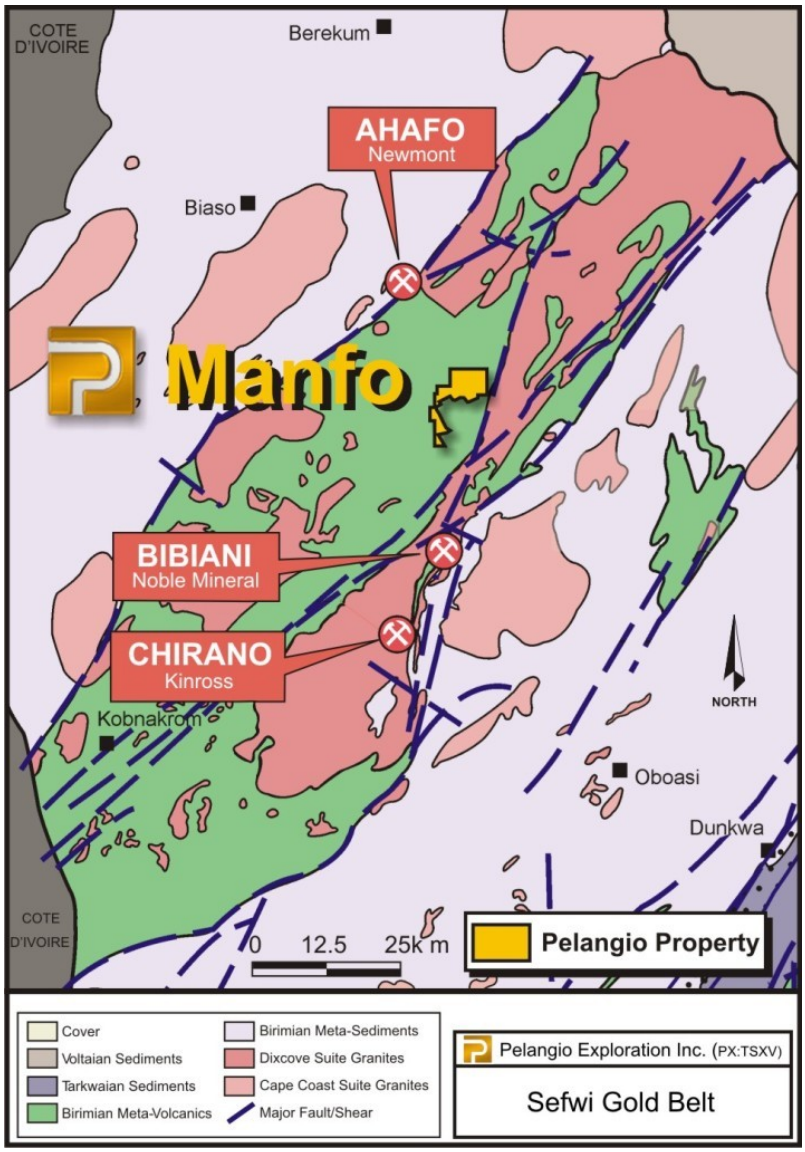
Pelangio' Manfo property lies on the Bibiani shear in the Sefwi greenstone belt[16], a fault network running from Newmont Mining's Ahafo mine (resources of 16 million oz) 14 kilometers to the north and extending south through Noble Minerals' Bibiani property (1.98 million oz) and down 50 kilometers to Kinros' Chirano property (resources of 5.39 million oz). Within Pelangio's Manfo property, five significant Au anomalies have been identified, with discoveries made by drilling at four of them: Nfante West, Pokukrom West, Pokukrom East, and Nfante East. The fifth significant anomaly, Sika North, has been explored by geochemical and geophysical surveying, but has yet to be drilled.

Pelangio's Manfo property is actually composed of three contiguous concessions: Subriso, Sempekrom, and Twabidi. Pelangio has 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, over a three-year period, specifically $330,000 initially followed by payments of $25,000 and expenditures of $400,000 in the first year, payments of $35,000 and expenditures of $600,000 in the second year, and payments of $45,000 and expenditures of $1,000,000 in the third year. Pelangio may accelerate the payments and complete work expenditures prior to the end of the third anniversary. In addition, 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.

Between 1998 and 2008, exploration of the Manfo Property was carried out by Ammercosa, Gold Fields, Hebron, Ashanti, AngloGold Ashanti and Newmont Mining. The techniques employed included airborne and ground geophysics, stream sediment and soil geochemistry, and geologic mapping. In addition, AngloGold Ashanti and Newmont performed exploratory reverse circulation drill programs, a variation of

[16] 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.

rotary drilling using a pneumatic drilling mechanism. In August and September 2010, Pelangio completed a diamond core[17] drilling program.



Between September 7th and October 13th 2010, Pelangio released assay results of the initial Manfo property drilling program, which consisted of 16 holes and totaled 2,379 meters. The program 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.

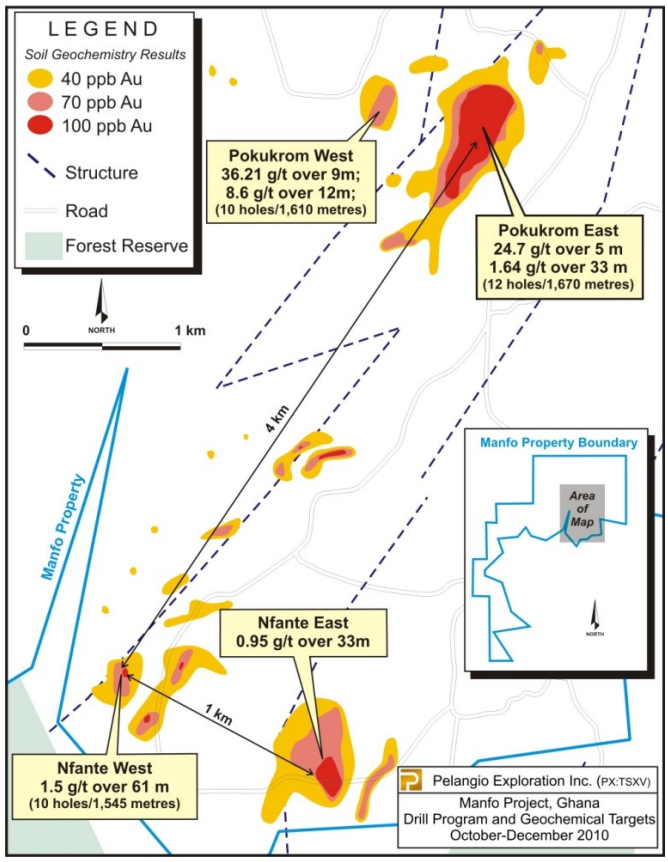
Five significant high-grade gold intersections were encountered, each with over 8.00 g/t. Four holes at Pokukrom West intersected near-surface, high-grade gold mineralization over significant intervals (**SPDD-083** 12 meters of 8.00 g/t, **SPDD-084** 12 meters of 8.60 g/t, **SPDD-090** 9 meters of 36.21 g/t, and **SPDD-092** 9 meters of 8.68 g/t). One hole at in Pokukrom East also intersected near-surface, high-grade gold mineralization (**SPDD-088** 5 meters of 24.7 g/t).

Potential bulk tonnage gold mineralization was discovered at Nfante East (**SFDD-094** 33 meters of 0.95 g/t), at Nfante West (**SPDD-079** 61 meters of 1.50 g/t, **SPDD-080** 17 meters of 0.67 g/t and 40 meters of

[17] 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.

0.55 g/t, **SPDD-082** 40 meters of 0.92 g/t, **SPDD-095** 12 meters of 1.20 g/t and **SPDD-096** 43 meters of 1.11 g/t), and at Pokukrom East (East (**SFDD-085** 33 meters of 1.64 g/t, **SFDD-088** 7 meters of 1.06 g/t and 14 meters of 0.70 g/t which both surround the high-grade intersection noted above, and **SFDD-089** 46 meters of 1.03 g/t). 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. Though still in the early stages of the exploration program, management also believes that high-grade assays at **SPDD-083** and **SPDD-084** of ~8 g/t gold over 12 meters at Pokukrom West are geologically-related to the high-grade discovery at Pokukrom East of 24.7 g/t gold over 5 meters at **SPDD-088**. Additionally, the drilling indicates there may be bulk tonnage potential along a minimum 500-meter strike length of the Pokukrom East anomaly. See summary tables and drill sections below.

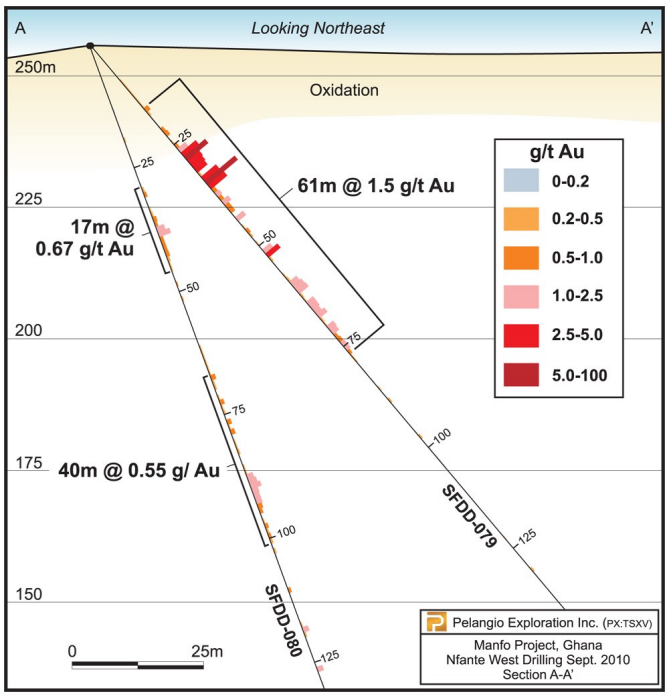


Area	DHID	From (meter)	To (meter)	Interval (meters)	Au (g/t)	Hole Length (meters)
Nfante West	SFDD-095	12	24	**12**	**1.20**	143
	including	15	16	**1**	**9.54**	
	and	29	34	**5**	**1.10**	
	SFDD-096	64	107	**43**	**1.11**	141
	including	94	101	**7**	**2.65**	
	SFDD-097	135	144	**9**	**0.62**	203

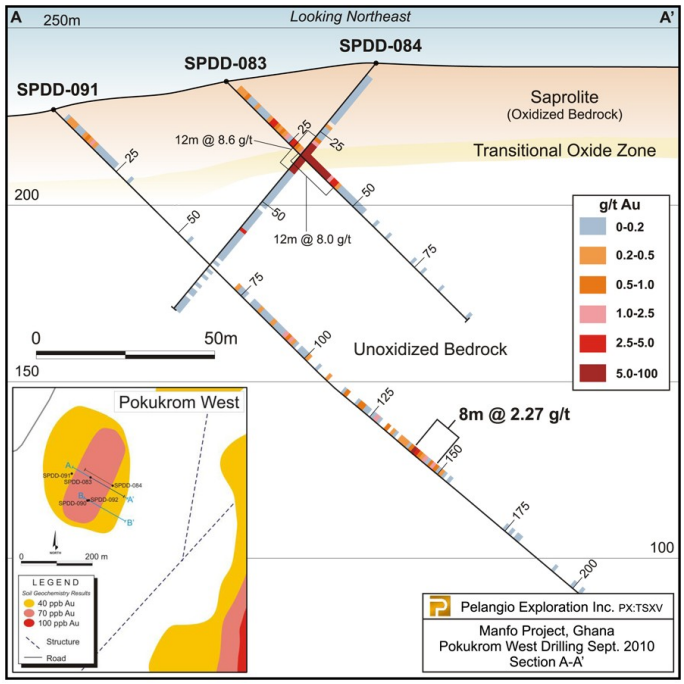
Announced December 15, 2010

Area	DHID	From (meter)	To (meter)	Interval (meters)	Au (g/t)	Hole Length (meters)
Nfante West	SFDD-079	16	77	**61**	**1.50**	141.1
	including	26	44	**18**	**3.00**	
	SFDD-080	29	46	**17**	**0.67**	220.0
	including	35	40	**5**	**1.21**	
	and	63	103	**40**	**0.55**	
	including	85	95	**10**	**1.06**	
	SFDD-081	19	21	**2**	**1.27**	133.0
	SFDD-082	12	52	**40**	**0.91**	127.0

Announced September 7, 2010



Nfante West
(table above)



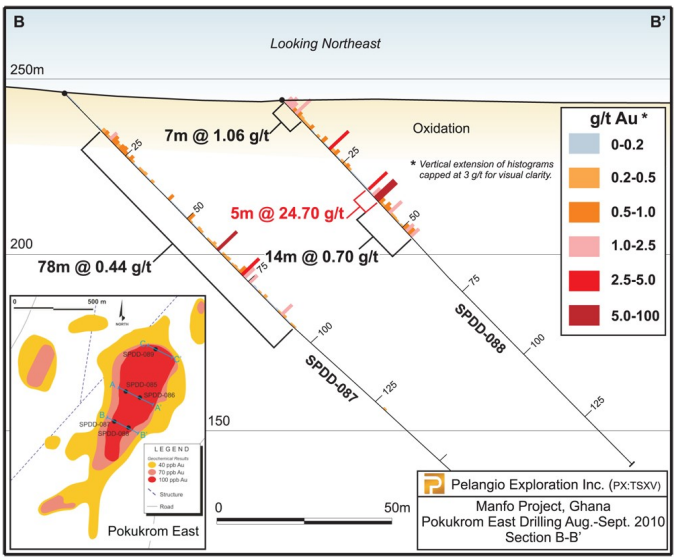
Pokukrom West
(table below)

Area	DHID	From (meter)	To (meter)	Interval (meters)	Au (g/t)	Hole Length (meters)
Pokukrom West	SPDD-083	16	44	**28**	**4.18**	96
	including	31	43	**12**	**8.00**	
	SPDD-084	27	39	**12**	**8.60**	90
	and	60	61	**1**	**3.35**	

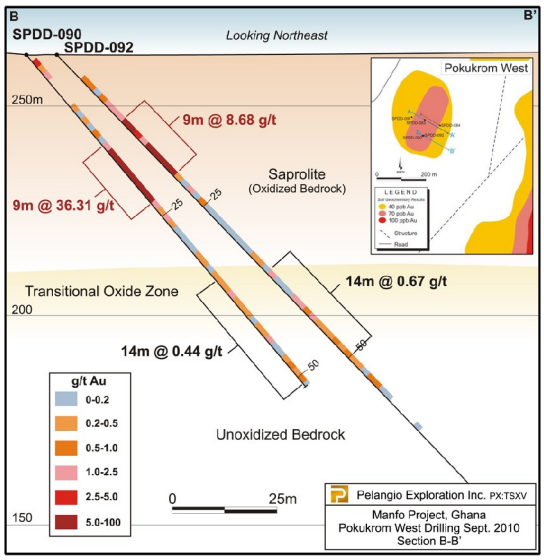
Announced September 16, 2010

Area	DHID	From (meter)	To (meter)	Interval (meters)	Au (g/t)	Hole Length (meters)
Pokukrom East	SPDD-085	98	131	**33**	**1.64**	246
	including	116	129	**13**	**3.37**	
	SPDD-086	2	59	**57**	**0.60**	180
	including	2	20	**18**	**1.11**	
	SPDD-087	15	93	**78**	**0.44**	170
	SPDD-088	1	8	**7**	**1.06**	144
	and	35	40	**5**	**24.7**	
	including	38	40	**2**	**58.6**	
	and	40	54	**14**	**0.70**	
	SPDD-089	56	102	**46**	**1.03**	141

Announced October 7, 2010



Pokukrom East
(table above)



Pokukrom West
(table below)

Area	DHID	From (meter)	To (meter)	Interval (meters)	Au (g/t)	Hole Length (meters)
Pokukrom West	SPDD-090	14	23	**9**	**36.21**	51.5
	and	37	51	**14**	**0.44**	
	SPDD-091	140	148	**8**	**2.27**	218
	SPDD-092	11	20	**9**	**8.68**	77
	and	36	51	**15**	**0.67**	
Nfante East	SFDD-093	*No significant results*				146
	SFDD-094	53	86	**33**	**0.95**	198

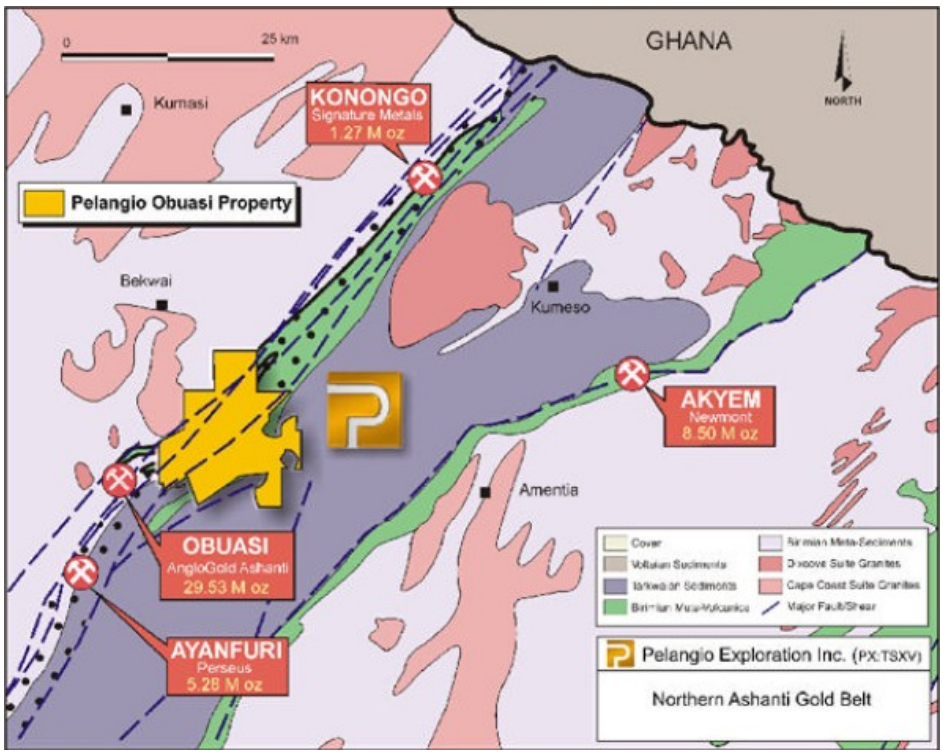
Announced October 13, 2010

Based on the favorable results to-date, Pelangio has commissioned Burwash Contract Drilling of British Columbia to complete a second phase program totaling over 5,000 meters, of which 32 drill holes totaling 4,825 meters have currently been planned and are in progress. At Nfante West, ten holes totaling 1,545 meters are being drilled to explore the 61 meters of the 1.5 g/t found along **SFDD-079**. At Pokukrom West, ten holes totaling 1,610 meters are following up the high-grade assays of 8.0 g/t gold along 12 meters of **SPDD-083**, 8.6 g/t gold over 12 meters of **SPDD-084**, 36.21 g/t gold over 9 meters of **SPDD-090** and 8.68 g/t gold over 9 meters of **SPDD-092**. At Pokukrom East, 12 holes totaling 1,670 meters to explore the 33 meters of 1.64 g/t gold of **SPDD-085**, the 5 meters of high-grade 24.7 g/t along **SPDD-088** and the 46 meters of 1.03 g/t gold along **SPDD-089**.

Additionally, Pelangio has budgeted for a further minimum 14,000 meters of drilling on the Manfo Property during 2011, with the next program expected to commence in early spring 2011.

OBUASI (GHANA) PROPERTY

On May 3, 2006, Pelangio Mines entered into option agreements in respect of 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 adjacent to AngloGold Ashanti's Obuasi mine (the world's largest vein hosted gold deposit). Pelangio has a 51% interest in the Obuasi property and has the option to acquire 100% upon payment of $750,000 on or before June 19, 2011. 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).



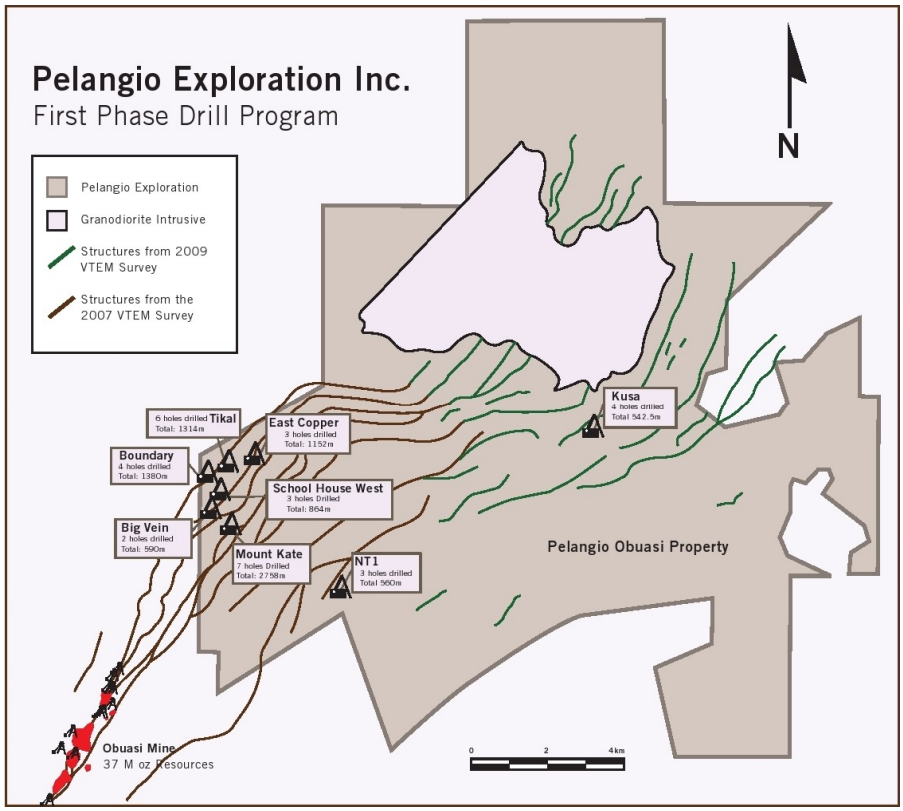
Prior to Pelangio optioning the properties, the exploration history of the Obuasi property is not well documented. During 1991 and 1992, Centracor Mining Ltd. carried out ground geophysical surveys, soil sampling, and trenching. One of Centracor's trenches (Trench 5C) encountered a high-grade value of

19.9 g/t gold over 1 meter. In 1993 Centracor completed seven shallow reverse circulation (RC) drill holes at the Kyereboso No.3[18] concession. Two of the reported assays were 1.7 g/t gold over six meters, 1.5 g/t gold over four meters, and 0.7 g/t over nine meters. In 2004 Randgold Resources Limited (GOLD: NASDAQ) completed reconnaissance geological mapping, prospecting, soil sampling (6,561 soil samples), and trenching (2,790 meters and 1,397 samples) to investigate the strike extension of the main trend of the Obuasi mine onto the Kyereboso No.2 and Kyereboso No.3 properties.

Pelangio has been exploring the Obuasi Property since mid-2006 in order to locate Obuasi Mine-style ore shoots within its property boundary. These ore shoots usually measure approximately 80 to 200 meters in strike length and three to 20 meters in width. Obuasi ore shoots with high-grade gold mineralization tend to be very continuous and plunge to depths in excess of 1,500 meters.

In 2007 and 2008, the company drilled 2,038 and 6,965 meters, respectively. After obtaining sufficient preliminary information, including versatile time electromagnetic (VTEM) airborne geophysical surveying to trace the fault structures and mobile metal ion (MMI) geochemical surveying on the Main Obuasi Trend (the extension of the Obuasi mine), Pelangio conducted a first phase drill program in late 2009 and 2010 consisting of 9,160 meters of drilling. Graphitic structures, including the Obuasi and Cote D'Or fissures, and gold mineralization were encountered[19], confirming that the Main Obuasi Mine Trend continues on the Pelangio's Obuasi property. Also, Pelangio has conducted bulk leach extractable gold (BLEG) geochemical surveying throughout the property.

Management plans implementing a second phase 5,000 meter diamond drilling program on the Main Obuasi Trend in early 2011, focusing on certain targets that merit follow-up from the first phase program, in addition to new surface targets at Bura and Ayaase, where channel sampling has returned results up to 15 g/t gold. In addition, Pelangio has budgeted for 6,000 meters of drilling on the Obuasi property in late summer/early fall of 2011.



[18] The Independent Technical Report by SRK Consulting dated April 30, 2008 states that this drilling program was conducted on the Meduma concession.
[19] The best results were at the Mount Kate area where hole AMK-08-02 intersected 1.24 g/t gold over 4.0 meters within a wider zone of 0.78 g/t over 9.0 meters. An the Big Vein area, hole PG09-BV-02 intersected a wide zone of anomalous gold averaging 0.34 g/t gold over 22 meters.

CANADA

Pelangio controls a number of early-stage properties in Ontario and Quebec, mostly in areas with active and historic mining activities. Canada is politically stable and is the fifth largest gold producing country in the world.



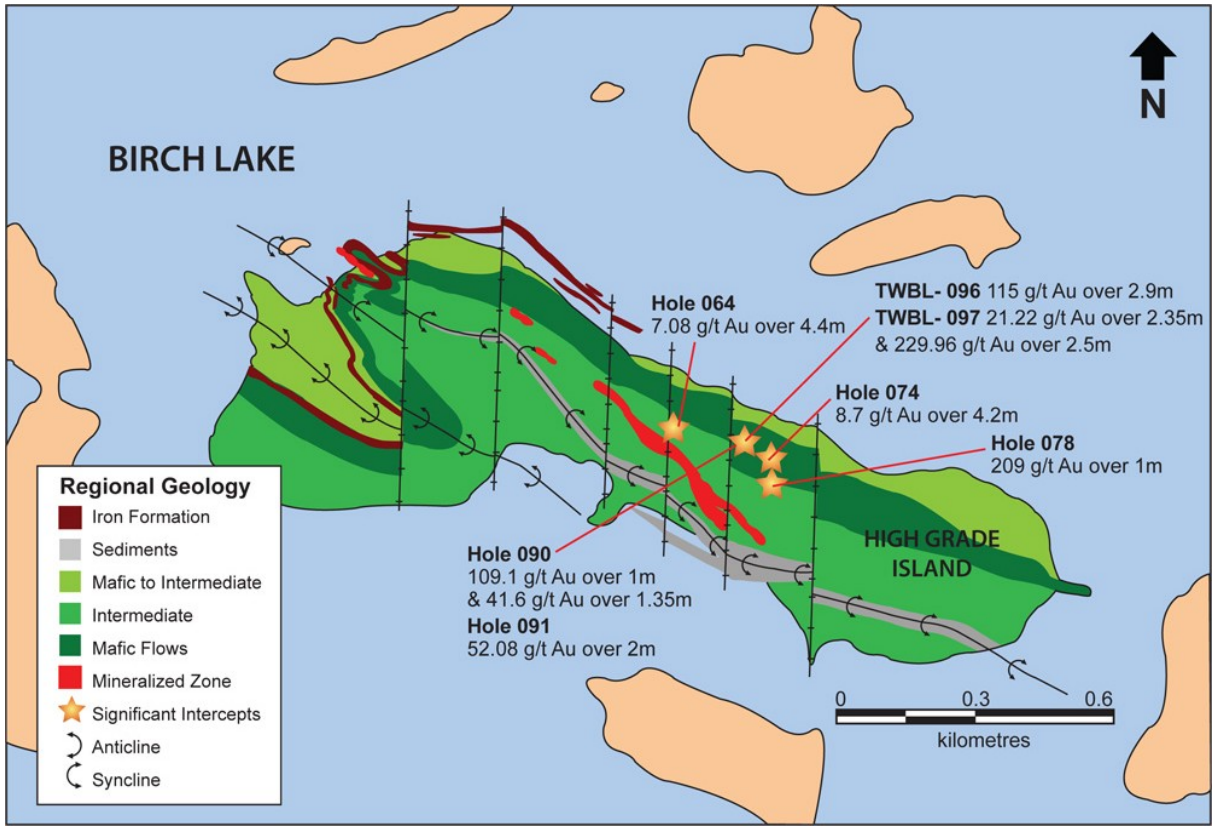
BIRCH LAKE (ONTARIO) PROPERTY

Pelangio owns a 100% interest in the Birch Lake property, which is comprised of 28 contiguous unpatented mining claims on 1,120 acres located on and around High Grade Island in Keigat Lake and Casummit Lake Townships, approximately 120 km northeast of Red Lake, Ontario. The property is subject to the payment of the royalty on production aka net smelter return of 2% to Goldcorp Inc. (G: TSX and GG: NYSE).

Between 1986 and 1996, Placer Dome, which was acquired by Barrick Gold Corporation (ABX: TSX and NYSE) in 2006, delineated a gold-bearing system on High Grade Island over a strike length of approximately 300 meters to a vertical extent of 150 meters by completing 110 drill holes that totaled 19,918 meters, along with mapping, trenching, geochemical surveys, and ground geophysical surveys.

Between July 2003 and September 30, 2008[20], Trade Winds Ventures Inc. had an option agreement with Pelangio. During the term of the option, Trade Winds spent approximately $1.2 million exploring the property and drilled approximately 2,000 meters. In 2004, four holes (TWBL-094, TWBL-095, TWBL-096, and TWBL-097) were drilled, totaling 1,103 meters, which tested the continuity and down-dip extension of the central gold zone located on High Grade Island. Trade Winds reported multiple occurrences of visible and coarse gold, with significant assay results being: 115.89 g/t over 2.9 meters (TWBL-096), 21.22 g/t over 2.3 meters (TWBL-097), and 229.96 g/t over 2.4 meters (also TWBL-097). In 2005, a drilling program consisting of three holes (TWBL-098, TWBL-099, and TWBL-100) was completed. Again, coarse and visible gold was reported, specifically in holes TWBL-098 and TWBL-100. The significant assay results were 14.7 g/t over 1.2 meters within a broader zone of mineralization of 4.8 g/t over 4.4 meters (TWBL-098), 11.8 g/t over 0.5 meters (TWBL-100) and 19.7 g/t over 1.0 meter (also TWBL-100).

[20] On September 30, 2008, Trade Winds Ventures option on Pelangio's Birch Lake property expired and, consequently, Pelangio now holds a 100% interest in the property.



WEST TIMMINS (ONTARIO) PROPERTY

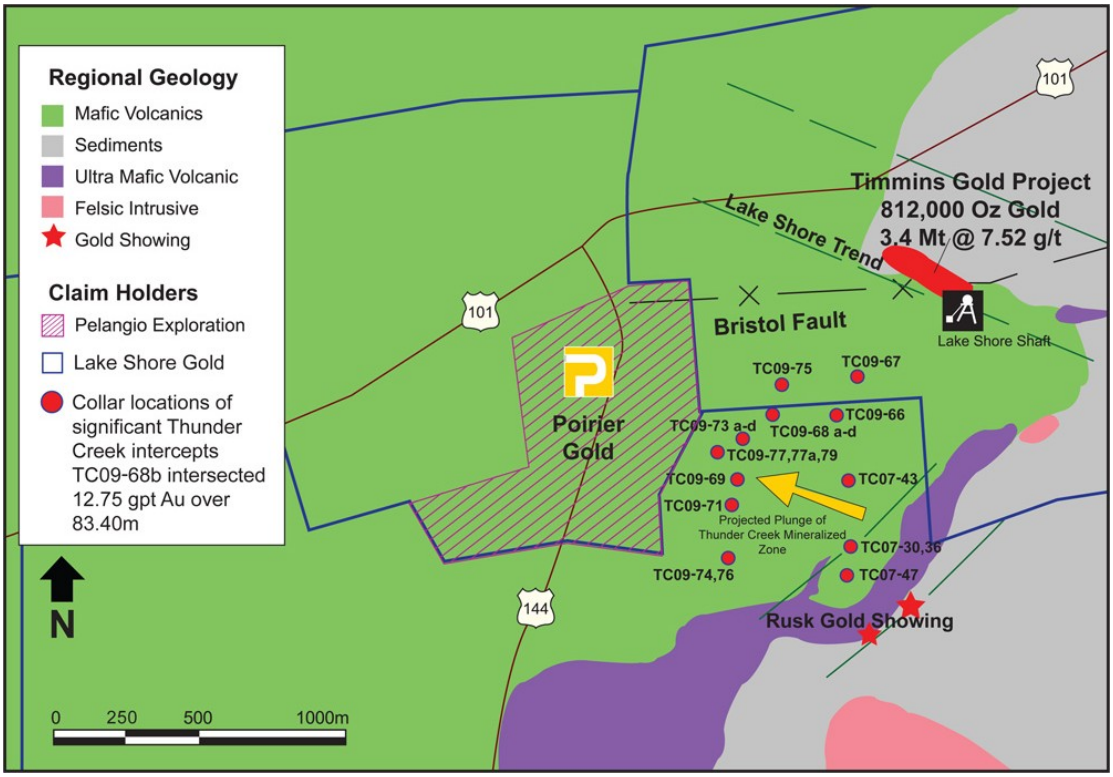
Pelangio owns 100% of the Poirier Gold property[21], which is comprised of two contiguous unpatented mining claims over 160 acres located in Bristol Township, which is 22 km west of Timmins, Ontario. Management has applied to convert the claims to leases. The property is subject to a 1% NSR payable to the vendors and a further 1% NSR payable to a third party.

The Poirier Gold property is contiguous with two of Lake Shore Gold's (LSG: TSX) projects: Timmins Gold (with reserves of 812,000 ounces at a grade of 7.52 g/t) and Thunder Creek (where a hole was reported grading 12.75 g/t over 83.4 meters in hole TC-09-68b in June 2009).

Lake Shore Gold is currently conducting extensive underground drilling from drifts at the 300 meter and 700 meter levels at Thunder Creek, and has reported numerous high grade intersections from drilling, including an intersection from the 700 meter level drift of 6.92 g/t over 61.40 meters on November 24, 2010. Additionally, RT Minerals (RTM:TSX-V) is drilling a 3,300 meter hole just north of Pelangio's Poirier Gold property with the aim of intersecting the ore shoots of the Timmins Mine and Thunder Creek property.

Management's strategy on Poirier Gold is to monitor the drill results of Lake Shore Gold and RT Minerals and benefit from these companies' work and expenditures. Depending on the information publicly disclosed, Pelangio may plan a drill program on the property or seek a transaction with a third party.

[21] On October 7, 2004, the Poirier Gold property was purchased from Mr. Rolland Poirier for $5,000 and 25,000 Pelangio shares. Mr. Poirier retained a 2% net smelter return (NSR) on the property. Pelangio has the right to repurchase 1% NSR for $1,000,000 at any time.



MOSHKINABI (ONTARIO) PROPERTY

In September 2008, Pelangio entered into an option agreement[22] entitling the company to acquire 100% of the Moshkinabi property near Manitouwadge, Ontario. Under the terms of the option agreement, Pelangio may acquire a 100% interest in the property by making payments totaling $250,000, which must be made on specified dates within four years of September 15, 2008. So far, the vendors of the option have been paid $75,000.

The Moshkinabi property contains a polymetallic nickel (Ni), copper (Cu), and platinum-palladium (Pt/Pd) rich massive sulphide unit that can be traced along a strike of two kilometers. Grab samples taken by the company on the Moshkinabi property have assayed up to 3.9 g/t combined Pt/Pd, accompanied by up to 1% Cu and 0.2% Ni, indicating good potential for both bulk tonnage of copper and platinum-group metals (PGM) and massive sulphide Ni-Cu type deposits. Nickel and platinum-group metals becoming increasingly important industrial commodities in North America, since the United States is highly dependent on imports for these resources that are needed to make stainless steel, advanced nickel-based batteries, and catalytic converters.

During the third quarter of 2010 on the Moshkinabi property, Pelangio completed five drill holes (992 meters), on which assays are pending. The company had not explored on the property since acquiring the option and conducting the grab sampling program. The drill program ensures that the claims will remain in good standing.

[22] The option was entered into on September 15, 2008 and included the Fairies Lake and Rawluk properties, which were comprised of 10 claims and 83 units on 1,328 hectares in Cecil Township. Pelangio did not conduct any exploration activities, and in the third quarter of 2009, dropped the option on the Fairies Lake and Rawluk properties.

OTHER CANADIAN PROPERTIES

Seeley Lake (Ontario)

Pelangio owns 100% interest in the Seeley Lake property, which is comprised of 19 contiguous unpatented mining claims on 760 acres located within the Seeley Lake area, approximately 14 km northeast of Marathon, Ontario. There are no underlying royalties pertaining to this property. During 1997, an induced polarization survey and prospecting program was completed. All of the aforementioned surveys confirmed that this property had good potential for gold deposits similar to those found at Hemlo, Ontario, and the property had significant potential for copper-zinc volcanogenic massive sulphide deposits. A total of 622 m of drilling was carried out to follow up on three gold targets and one base metal target. The best result from this first phase program was 4.7 g/t gold over one meter.

Close to Seeley Lake is the Page Lake property, on which Pelangio had an option to acquire a 100% interest in 18 unpatented claims. The option agreement required Pelangio to spend $450,000 on the property, pay the optionors a total of $120,000 and issue 464,976 common shares by May 2012 in order to obtain the 100% interest in the property. This property was abandoned during the period ended June 30, 2010 and returned to the optionors.

Black Township (Ontario)

Pelangio owns 100% interest in the Black Township property, which is located between the towns of Timmins and Kirkland Lake, approximately 100 road km east of Timmins, Ontario. The property includes two staked claims encompassing 480 acres. Pelangio completed 980 meters in eight diamond drill holes during early 2008, but did not intersect any significant mineralization. Previous reports during the 1980's indicate the presence of a 300 meter north-trending shear zone. A channel sample yielded an assay of 0.23 oz/t over 1.5 meters, and grab samples have assayed up to 0.36 oz/t. Another parallel zone located 200 meters to the north returned gold values ranging from 0.03 to 0.10 oz/t. There are no underlying royalties pertaining to this property.

Lartic Gold (Quebec)

Pelangio owns a 100% interest in the Lartic Gold property and was acquired by staking prior to 2004. The property consists of 9 contiguous unpatented mining claims on 900 acres in Malartic Township, Quebec, four miles northwest of Malartic and near the East Amphi open pit mine. In May 2007, Richmont Mines Inc. (RIC: TSX and RIC: AMEX) sold the East Amphi property to Osisko Exploration Ltd. (OSK: TSX-V and OSKFF: Pink OTC) for $5,000,000 ($2,450,000 cash and 909,000 common shares of Osisko). Pelangio's management continues to monitor activity on the adjoining properties, including the East Amphi property. The Lartic Gold property remains in good standing, and no exploration is planned in the near-term by Pelangio. There are no underlying royalties pertaining to this property.

Thunder Gold (Ontario)

Pelangio owns 100% interest in the Thunder Gold property, which consists of a lease[23] on 120 acres. The property is 19 km southwest of Timmins, Ontario, but also one km south of the Timmins Mine, currently owned by Lake Shore Gold Corporation (LSG: TSX-V) and with an estimated reserve of 812,000 oz Au, and two km north of a number of gold zones, also owned by Lake Shore. The Thunder Gold property is subject to a 2 % NSR and an advance royalty of $1,000 per year on the original P claim (see footnote).

In addition, Pelangio has royalty interests in a number of other Canadian properties:

[23] Formerly the FJ claims and the P claim.

Matheson West and East: Pelangio owns 1% NSR, which can be purchased by Matamec Explorations Inc. for $1.0 million and 100,000 common shares of Matamec.

Stoughton Staz: Pelangio owns a 10% participating interest carried to bankable feasibility.

Mord: Pelangio owns 1.5% NSR (provided Pelangio exercises right to buy back 1% for 100,000 shares of Pelangio). The Mord property is contiguous with the Aquarius gold deposit controlled by St. Andrews Goldfields.

Ross/Guibord: Pelangio owns 1% NSR. The Ross East Property is located just east of the former Ross Mine, which produced over 1 million ounces of gold.

Simon Copper project: Pelangio owns 1% NSR.

RECENT NEWS

On December 16, 2010, Pelangio announced the Board of Directors approved the grant of 2,245,000 options to directors, officers, employees and geological consultants. The options are exercisable into common shares at $0.90 per share and expire in five years on December 16, 2015.

On December 15, 2010, Pelangio announced the results from three additional diamond drill holes (487 meters) at Nfante West on the **Manfo property** in Ghana. Two holes intersected near-surface, bulk tonnage grade gold mineralization over significant intervals (**SPDD-095** 12 meters of 1.20 g/t and **SPDD-096** 43 meters of 1.11 g/t). Importantly, these two holes are on strike, 100 meters from **SPDD-079**, which intersected 1.5 g/t over 61 meters. Assays are pending from seven additional holes at Nfante West, and the second phase drilling program continues at Pokukrom East.

On October 22, 2010, Pelangio announced that the Board of Directors approved the conferral of 45,000 options (exercisable at $0.81 per share) to certain geological consultants. The options expire in five years on October 22, 2015.

On October 21, 2010, Pelangio announced the initiation at the **Manfo property** in Ghana of a second drilling program, with 32 drill holes planned totaling 4,825 meters, along with new targets identified beyond currently defined geochemical anomalies.

On October 13, 2010, Pelangio announced assay results of three additional holes on the Pokukrom West area and initial results of two holes at Nfante East of the first drilling program at the **Manfo property** in Ghana. Two holes at Pokukrom West intersected near-surface, high-grade gold mineralization over significant intervals (**SPDD-090** 9 meters of 32.21 g/t and **SPDD-092** 9 meters of 8.68 g/t). Importantly, these two holes are on strike, 50 meters south of **SPDD-084**, which intersected 8.6 g/t over 12 meters, previously announced on September 16th. In addition, a potential bulk tonnage zone was discovered at Nfante East (**SFDD-094** 33 meters of 0.95 g/t).

On October 7, 2010, Pelangio announced assay results of five holes on the Pokukrom East area of the first drilling program at the **Manfo property** in Ghana. One hole at Pokukrom East intersected near-surface, high-grade gold mineralization (**SPDD-088** 5 meters of 24.7 g/t including 2 meters of 58.6 g/t). In addition, potential bulk tonnage zones were discovered at Pokukrom East (**SFDD-085** 33 meters of 1.64 g/t, **SFDD-088** 7 meters of 1.06 g/t and 14 meters of 0.70 g/t which both surround the high-grade intercept noted above, and **SFDD-089** 46 meters of 1.03 g/t). 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. Though still in the early stages of the exploration

program, management also believes that high-grade assays at **SPDD-083** and **SPDD-084** of 8'ish g/t over 12 meters at Pokukrom West are geologically-related to the high-grade discovery at Pokukrom East of 5 meters of 24.7 g/t in **SPDD-088**. Additionally, the drilling indicates there may be bulk tonnage potential along a minimum 500-metre strike length of the Pokukrom East anomaly.

On September 16, 2010, Pelangio announced the assay results of the first two holes on the Pokukrom West area of the first drilling program at the **Manfo property** in Ghana. Both holes intersected near-surface, high-grade gold mineralization over significant intervals (**SPDD-083** 12 meters of 8.00 g/t and **SPDD-084** 12 meters of 8.60 g/t).

On September 7, 2010, Pelangio announced the assay results of the first four holes on the Nfante West area of the first drilling program at the **Manfo property** in Ghana. Three holes intersected wide zones of bulk tonnage gold mineralization (**SPDD-079** 61 meters of 1.50 g/t, **SPDD-080** 17 meters of 0.67 g/t and 40 meters of 0.55 g/t, and **SPDD-082** 40 meters of 0.92 g/t). One hole intersected high-grade gold mineralization (**SPDD-079** 18 meters of 3.00 g/t). Management increased the initial drill program to 15 holes and an additional 5,000 meters.

Holes **SFDD-081** and **SFDD-082** were step-out holes drilled 35 meters apart, 170 meters southwest of holes **SPDD-079** and **SPDD-080**. Due to the results, the company now believes that the extension of the zone identified in holes **SPDD-079** and **SPDD-080** may occur to the east of holes **SFDD-081** and **SFDD-082**, but further drilling is required to refine this interpretation. Additional step-out drilling is planned to the northeast and southwest of all four holes drilled at Nfante West.

On August 3, 2010, Pelangio announced that it has entered into a binding letter of intent to acquire an option on the Manfo property in the Sefwi belt in Ghana. The option requires the payment of $435,000 over a three-year period and expenditures of at least $2,000,000 over the same time period.

FINANCIAL POSITION

At year-end 2009, Pelangio had $8,966,564 million in cash and marketable securities, no long-term debt, and $31,877,330 million in shareholder's equity. As of the end of the third quarter (September 30, 2010), cash and marketable securities were $4,724,752; there still was not any long-term debt; and shareholder's equity was $36,851,063. During the first nine months of 2010, the company's cash requirements for exploratory drilling programs (deferred exploration costs) and additions to minerals properties totaled $3,326,151 were funded by $1,250,757 from the sale of securities with the remainder being a reduction in cash and marketable securities. As of September 30, 2010, the market value of Pelangio's 45,000 shares of Detour Gold was valued at $1,337,400.

Pelangio has financed capital expenditures and the payments towards options to acquire potential mining properties through assets sales and the issuance of securities. In 2009, private placements in February and October netted the company $7,528,885, warrant exercises provided $2,170,000, and the sale of marketable securities realized $2,588,948. During the first nine months of 2010, $1,250,757 was obtained from the sale of 55,000 shares of Detour Gold in the second quarter.

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 though 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 should 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 3.2 times book (C$0.75 and C$1.25) due to the recent announcements concerning the successful drilling program on the Manfo property. With assay results expected on the Obuasi project in early 2011, positive results could potentially increase the stock's valuation to between 6.0 and 7.0 times book (C$2.30 and C$2.75).

Gold producers have discovered less gold over the last five years while the price of gold has advanced from $492 at the end of 2005 to over $1,400 in December 2010. Consequently, dollar value of gold mining company mergers and acquisitions has increased to over $32 billion in 2010. Another alternative valuation technique is based in context of prior transactions involving the acquisition of junior gold

exploration companies by major gold producing firms. However, these benchmark transactions involve gold mining companies with stated reserves, which are not yet applicable to Pelangio.

RISKS

- Pelangio is a development stage gold exploration company. There is no assurance that the company's exploration programs will result in profitable mining operations and the company's exploration programs are dependent upon the company's ability to obtain funds to continue exploration activities and pay administrative costs.
- Pelangio is obligated to make a payment of $750,000 on or before June 19, 2011 for the acquisition of the remaining 49% of the Obuasi property in Ghana.
- Upon the first positive feasibility study of the Manfo property, Pelangio must pay Ghana a discovery bonus of $1,000,000 plus $1.00 per ounce of proven and probable gold reserves set out in the feasibility study.
- The company is committed to cash payments of $160,000 due by September 15, 2012 in order to maintain its interest in other properties.

INSIDER TRADING AND OWNERSHIP

Corporate insiders own 6.7% of the shares outstanding and 10.7% of the fully diluted common stock (assumed conversion of options and warrants).

Institutional investors own 17.7% of the fully diluted shares of Pelangio. Sprott Asset Management is the largest holder with 12.1% of the shares outstanding (14,754,020 common shares and 4,459,460 warrants as of October 31, 2010). Another major holder is High River Gold (9.9% of the shares outstanding), which initially purchased 10,000,000 shares of Pelangio Mines for $3,000,000 in September 2003 in a private placement. Subsequent to the corporate restructuring in 2007, High River Gold held and continues to hold (as of September 30, 2010) 12,015,000 common shares of Pelangio Exploration Inc. The shares are pledged by High River Gold as security for a loan to Somita.

GLOSSARY AND KEY TO ABBREVIATIONS

Au – gold
g/t – grams per tonne (metric ton)
km – kilometer(s)
NSR–Net Smelter Return aka a payment of a royalty on production
oz – ounce(s) troy
RC – reverse circulation drilling

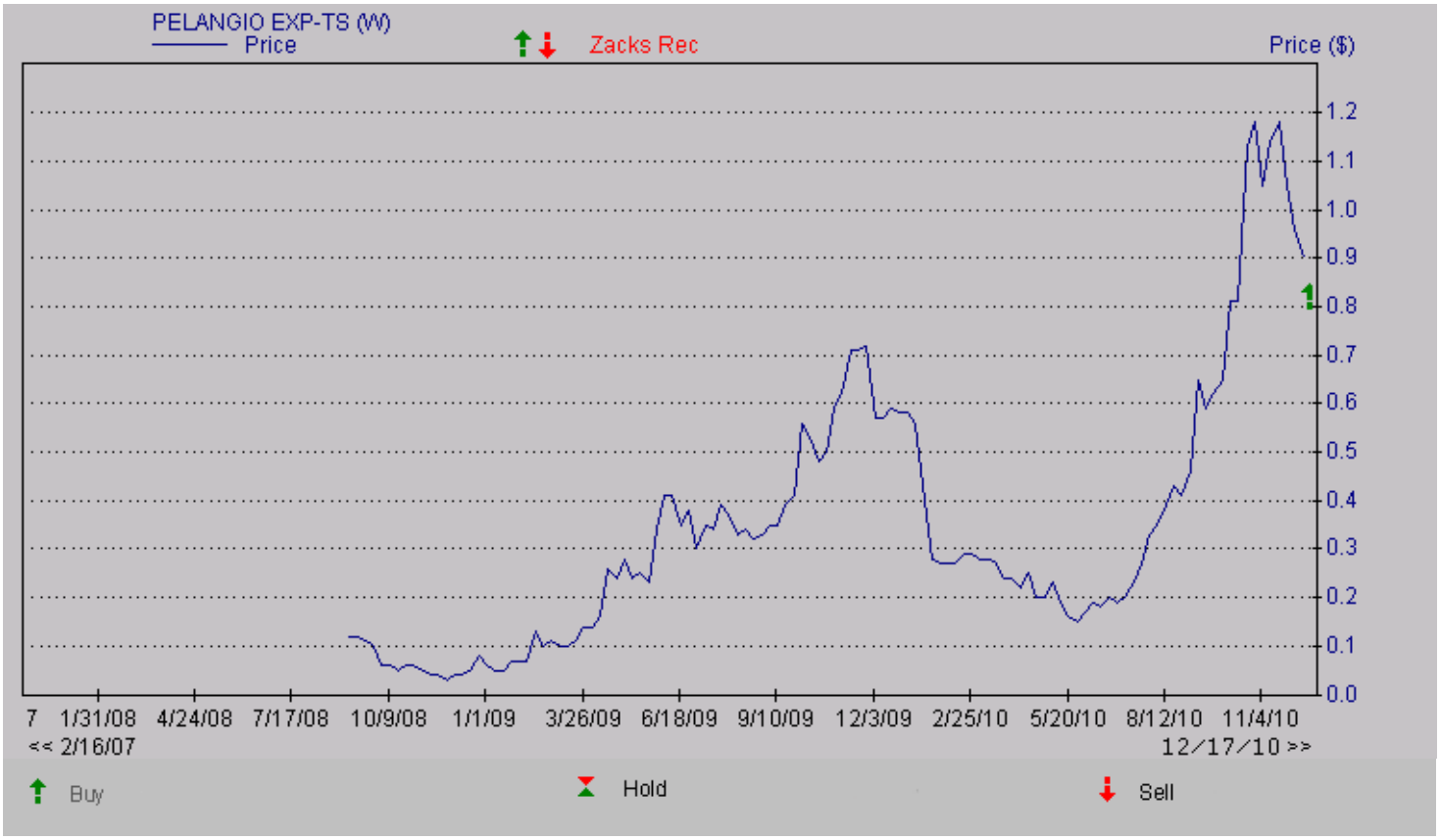
PROJECTED FINANCIAL STATEMENTS

Pelangio Mines Inc.						
Consolidated Statements of Operations and Retained Earnings						
(in $ CAD)						
For the years ending December 31	2006	2007	2008	2009	2010 E	2011 E
Interest	71,886	7,048	13,817	5,428	9,027	10,000
Gain on sale of marketable securities	10,836	0	0	0	0	0
Revenue:	**82,722**	**7,048**	**13,817**	**5,428**	**9,027**	**10,000**
Salaries and employee benefits	220,414	193,270	145,921	621,145	737,781	800,000
Professional fees	170,161	192,044	191,090	261,361	277,776	285,000
Investor relations	384,381	220,292	103,731	337,172	260,523	300,000
Office and general	74,977	126,025	67,363	122,347	190,110	185,000
Consulting services	61,083	94,439	9,047	79,595	116,820	125,000
Rent	48,000	58,295	9,602	61,390	79,490	85,000
Vehicle	0	0	0	596	802	1,000
Transfer agent and filing fees	45,535	16,606	25,919	67,680	47,882	50,000
Insurance	15,369	16,673	16,601	45,463	44,345	45,000
Interest on advance from PDX Resources Inc.	0	0	0	5,250	0	0
Interest on short-term debt	0	0	300,000	0	0	0
Travel	45,016	4,295	14,684	22,612	74,718	75,000
General exploration	0	1,395	8,396	7,323	33,669	35,000
Foreign exchange loss	0	0	21,720	83,874	75,999	30,000
Stock-based compensation cost	35,188	109,974	160,807	377,291	570,413	600,000
Amortization	9,327	25,080	31,309	47,626	76,727	85,000
Total Expenses	**1,109,451**	**1,058,388**	**1,106,190**	**2,140,725**	**2,587,055**	**2,701,000**
Loss from operations	**(1,026,729)**	**(1,051,340)**	**(1,092,373)**	**(2,135,297)**	**(2,578,028)**	**(2,691,000)**
Gain (loss) on disposal of mineral properties	(157,615)	7,305,367	0	1,913,200	0	0
Gain (loss) on disposal of marketable securities	(74,208)	9,002	902,812	0	1,092,536	1,040,000
Write down of mineral property	0	(1,126,959)	0	(270,416)	(198,719)	0
Equity loss from investment in Detour Gold Corp.	0	0	0	0	0	0
	(231,823)	6,187,410	902,812	1,642,784	893,817	1,040,000
Income (loss) before income taxes	(1,258,552)	5,136,070	(189,561)	(492,513)	(1,684,211)	(1,651,000)
Future income taxes, note 10	1,833,000	(1,485)	262,000	167,000	45,000	50,000
Net income for the year	**574,448**	**5,134,585**	**72,439**	**(325,513)**	**(1,639,211)**	**(1,601,000)**
Net income per common share (basic)	0.01	0.07	0.00	(0.00)	(0.01)	(0.01)
Net income per common share (diluted)	**0.01**	**0.07**	**0.00**	**(0.00)**	**(0.01)**	**(0.01)**

Pelangio Mines Inc.					
Consolidated Statements of Operations and Retained Earnings					
(in $ CAD)	1Q	2Q	3Q	4Q E	
For the years ending December 31	2010	2010	2010	2010	2010 E
Interest	4,806	1,179	1,542	1,500	9,027
Gain on sale of marketable securities	0	0	0	0	0
Revenue:	**4,806**	**1,179**	**1,542**	**1,500**	**9,027**
Salaries and employee benefits	187,814	199,723	170,244	180,000	737,781
Professional fees	49,685	130,275	47,816	50,000	277,776
Investor relations	91,111	63,987	40,425	65,000	260,523
Office and general	43,414	37,828	53,868	55,000	190,110
Consulting services	20,845	25,865	45,110	25,000	116,820
Rent	19,634	19,634	20,111	20,111	79,490
Vehicle		473	79	250	802
Transfer agent and filing fees	13,278	9,919	12,685	12,000	47,882
Insurance	11,892	11,435	10,518	10,500	44,345
Interest on advance from PDX Resources Inc.	0	0	0	0	0
Interest on short-term debt	0	0	0	0	0
Travel	21,313	26,172	2,233	25,000	74,718
General exploration	6,369	19,747	2,553	5,000	33,669
Foreign exchange loss	62,062	(30,253)	34,190	10,000	75,999
Stock-based compensation cost	229,394	139,731	91,288	110,000	570,413
Amortization	15,410	17,062	24,255	20,000	76,727
Total Expenses	**772,221**	**671,598**	**555,375**	**587,861**	**2,587,055**
Loss from operations	**(767,415)**	**(670,419)**	**(553,833)**	**(586,361)**	**(2,578,028)**
Gain (loss) on disposal of mineral properties	0	0	0	0	0
Gain (loss) on disposal of marketable securities	0	1,092,536	0	0	1,092,536
Write down of mineral property	(198,719)	0	0	0	(198,719)
Equity loss from investment in Detour Gold Corp.	0	0	0	0	0
	(198,719)	1,092,536	0	0	893,817
Income (loss) before income taxes	(966,134)	422,117	(553,833)	(586,361)	(1,684,211)
Future income taxes, note 10	13,000	(22,000)	34,000	20,000	45,000
Net income for the year	**(953,134)**	**400,117**	**(519,833)**	**(566,361)**	**(1,639,211)**
Net income per common share (basic)	(0.01)	0.00	(0.00)	(0.00)	(0.01)
Net income per common share (diluted)	**(0.01)**	**0.00**	**(0.00)**	**(0.00)**	**(0.01)**
Weighted average common shares outstanding					
- basic	121,831,340	121,831,340	121,831,338	121,831,338	121,831,339
- diluted	121,831,340	121,833,302	121,831,338	121,876,338	121,843,080

Pelangio Mines Inc.					
Consolidated Balance Sheets					
(in $ CAD)					
For the years ending December 31	2007	2008	2009	2010 E	2011 E
Assets					
Current:					
Cash and cash equivalents	2,018,603	379,937	7,178,564	3,387,352	5,000,000
Amounts receivable	16,196	13,764	38,424	24,274	30,000
Loan receivable	0	424,000	0	0	0
Prepaid expenses	31,938	37,182	135,640	111,280	100,000
Marketable securities	12,359,950	2,415,952	1,788,000	1,337,400	1,337,400
Current Assets	14,426,687	3,270,835	9,140,628	4,860,306	6,467,400
Deferred transactions costs	0	0	0	0	0
Non-current prepaid expenses	0	0	0	182,785	50,000
Property and equipment	101,887	95,485	215,340	268,037	320,000
Mineral properties and deferred exploration costs	9,977,472	20,635,810	27,871,067	31,539,935	31,539,935
Total Assets	**24,506,046**	**24,002,130**	**37,227,035**	**36,851,063**	**38,377,335**
Liabilities					
Accounts payable and accrued liabilities	222,087	330,478	278,961	554,804	375,000
Advances from PDX Resources Inc.	0	177,803	0	0	0
Current Liabilities	222,087	508,281	278,961	554,804	375,000
Future income taxes	747,000	395,000	1,536,000	1,814,000	2,100,000
Share capital	0	18,511,438	30,283,689	30,283,689	31,765,000
Contributed surplus	14,030,841	275,950	646,641	1,107,054	1,153,766
Warrants	0	0	947,000	947,000	947,000
Retained earnings (deficit)	2,362,492	2,434,931	2,109,418	1,036,569	1,036,569
Accumulated other comprehensive income	7,143,626	1,876,530	1,425,326	1,107,947	1,000,000
Shareholders' Equity	23,536,959	23,098,849	35,412,074	34,482,259	35,902,335
Total Liabilities and Equity	**77,759,226**	**24,002,130**	**37,227,035**	**36,851,063**	**38,377,335**

HISTORICAL ZACKS RECOMMENDATIONS



DISCLOSURES

The analysts contributing to this report do not hold any shares of V.PX. Zacks EPS and revenue forecasts are not consensus forecasts. Additionally, the analysts contributing to this report certify that the views expressed herein accurately reflect the analysts' personal views as to the subject securities and issuers. Zacks certifies that no part of the analysts' compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed by the analyst in the report. Additional information on the securities mentioned in this report is available upon request. This report is 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 herein are subject to change. This report is not to be construed as an offer or the solicitation of an offer to buy or sell the securities herein mentioned. Zacks or its officers, employees or customers may have a position long or short in the securities mentioned and buy or sell the securities from time to time. Zacks uses the following rating system for the securities it covers. **Outperform**- Zacks expects that the subject company will outperform the broader U.S. equity market over the next one to two quarters. **Neutral**- Zacks expects that the company will perform in line with the broader U.S. equity market over the next one to two quarters. **Underperform**- Zacks expects the company will under perform the broader U.S. Equity market over the next one to two quarters. The current distribution of Zacks Ratings is as follows on the 1018 companies covered: Outperform- 15.6%, Neutral- 77.5%, Underperform – 6.0%. Data is as of midnight on the business day immediately prior to this publication.