Zacks Equity Research

June 20, 2011
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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 (06/17/11)	$0.58
Six- Month Target Price	**$1.00**

OUTLOOK

Pelangio Exploration is a junior gold exploration company proceeding with drilling programs in Ghana on its Manfo and Obuasi properties. Positive assay results from the first Manfo drilling program in late 2010 significantly increased shareholder value with the stock rallying from $0.41 to over $1.00. The initial results from the second drilling program are confirming and extending the strike lengths of the discoveries on the Manfo property. Importantly, having made the last option payment, **Pelangio now holds a 100% interest of the Obuasi property.** We reiterate the Outperform rating and target of $1.00.

SUMMARY DATA

52-Week High	**$1.31**
52-Week Low	**$0.52**
One-Year Return (%)	**205.3**
Beta	**-0.11**
Average Daily Volume (shrs.)	**160,638**
Shares Outstanding (million)	**138**
Market Capitalization ($ mil.)	**$80.1**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**17.7**
Insider Ownership (%)	**10.7**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/M**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/M**
P/E using #Lin Estimate	**N/M**
P/E using #Lin Estimate	**N/M**
Zacks Rank	**3**

Risk Level	**Above Average**
Type of Stock	**Small - Value**
Industry	**Mining -Gold**
Zacks Rank in Industry	**11 of 32**

ZACKS ESTIMATES

Revenue
(in thousands of $ CAD

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2009	0.47 A	0.05 A	0.02 A	4.89 A	5.43 A
2010	4.81 A	1.18 A	1.54 A	2.38 A	9.86 A
2011	1.99 E	4.40 E	3.35 E	2.50 E	12.25 E
2012					14.89 E

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

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2009	$0.00 A	-$0.00 A	-$0.01 A	$0.01 A	-$0.00 A
2010	-$0.01 A	$0.00 A	-$0.00 A	-$0.01 A	-$0.02 A
2011	-$0.01 A	-$0.01 E	-$0.01 E	-$0.01 E	-$0.03 E
2012					-$0.04 E

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

2011 quarterly EPS do not equal annual EPS due to rounding.

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KEY POINTS

- Pelangio Exploration is a junior gold exploration company currently proceeding with a second phase drilling program of over 25,000 meters at the company's Manfo property in Ghana. The initial exploratory diamond drill program on the Obuasi property of approximately 5,000 meters began in March 2011.
- We expect Pelangio's stock to react to the announcements of drilling results, both at Manfo and Obuasi, throughout 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.
- Further drilling results from the Pokukrom East gold zone on the Manfo property were announced in May indicating an increased strike length of 660 meters.
- With the final option payment having been made in June, Pelangio now has a 100% interest in Obuasi property in Ghana.
- Pelangio entered into an agreement to acquire a 100% interest in the Akroma property in the Brong Ahafo region of Ghana.
- Consult our report dated December 20, 2010 for background information.
- We reiterate an Outperform rating on Pelangio with a target of $1.00.

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. Exploratory results to-date have been very encouraging, and the company has the potential for new positive exploration announcements in 2011 as a second phase drilling program of over 25,000 meters is currently underway at the company's Manfo property and an initial diamond drill program of approximately 5,000 meters began on the Obuasi property in March 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 Initiation report dated December 10, 2010 for details), **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, just recently Kinross Gold acquired Red Back Mining[2] for $7.2 billion in September 2010. The Canadian dollar is the functional currency of the company.

[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.

SYNOPSIS OF RECENT EVENTS

On the **Manfo property** during 2010, Pelangio completed a first phase 2,379 meter diamond drilling program (16 holes) and began a 25,000 meter second phase program, of which 13 holes totaling 1,706 meters were completed by year-end. In 2010, Pelangio drilled 14 holes (totaling 2,327 meters) at Nfante West, five holes (667 meters) at Pokukrom West, eight holes (1,300 meters) at Pokukrom East and two holes (344 meters) at Nfante East. In addition, the company has performed soil sampling, structural mapping, trenching and an airborne geophysical survey.

The high-grade near-surface mineralization was assayed from Pokukrom West in 2010 and high-grade gold mineralization continues to be encountered in 2011. The drill results at Pokukrom East in 2011 increased the strike length of low-grade gold mineralization to 660 meters versus prior indications of 400 meters; the estimated vertical depth continues to be 175 meters. The results at Nfante West in 2010 indicated the potential for bulk tonnage gold mineralization, and we await 2011 drilling results.

During 2011, Pelangio continues the Manfo exploration program with extensive trenching, pitting, auger drilling, line cutting[3], prospecting and soil sampling. Also, an initial non-resource National Instrument 43-101[4] report on the Manfo Property should be completed with the aid of SRK Consulting.

During 2010, Pelangio identified evaluated and prepared targets for the second phase diamond drilling program on Kyereboso No. 2, Kyereboso No. 3 and Meduma concessions on the **Obuasi property**. Exploration work included line cutting, prospecting pitting, geologic mapping, trenching, auger drilling and sampling of soils, outcrops and stream sediments. 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 the fourth quarter of 2010, Pelangio identified 37 prospective structural targets, 18 of which are on the Obuasi Mine trend with five priority targets at Ayaase, Bura, Tikal, Big Vein and Mount Kate South. The initial diamond drill program of approximately 5,000 meters began in March 2011. A follow-on drill program is planned for the second half of 2011.

In June 2011, Pelangio made the final option payment on the **Obuasi property**, on which **Pelangio now has a 100% interest**.

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

So far in 2011, Pelangio has announced that **$5,977,655 has been received** from the exercise of warrants and compensation options. **In addition, the company received $3,653,271 in the first quarter from a private placement.** As of April 14th, cash on hand was approximately $11.6 million.

[3] Line cutting delineates the property, usually on grid lines, by cutting trees and underbrush, along with placing pickets and flagging.

[4] 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.

MANFO (GHANA) PROPERTY

Pelangio' Manfo property lies on the Bibiani shear in the Sefwi greenstone belt[5], a fault network running from Newmont Mining's Ahafo mine (resources of 16 million ounces) 14 kilometers to the north and extending south through Noble Minerals' Bibiani property (resources of 1.98 million ounces) and down 50 kilometers to Kinross' Chirano property (resources of 5.39 million ounces). Within Pelangio's Manfo property, five significant Au anomalies have been identified, with discoveries made by drilling at 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. In 2010, 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, 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.

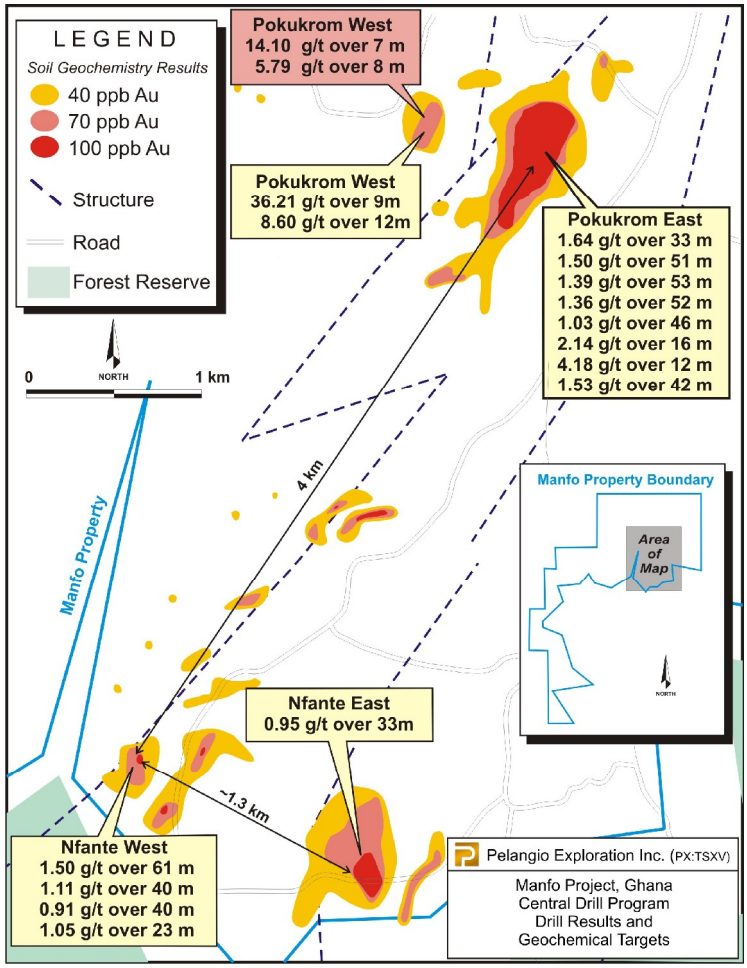
Between 1998 and 2008, exploration of the Manfo Property was carried out by Ammercosa, Gold Fields, Hebron, Ashanti, AngloGold Ashanti and Newmont Mining. The techniques employed included airborne and ground geophysics, stream sediment and soil geochemistry, and geologic mapping. In addition, AngloGold Ashanti and Newmont performed exploratory reverse circulation drill programs, a variation of rotary drilling using a pneumatic drilling mechanism. In August and September 2010, Pelangio completed a diamond core[6] 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. One hole at in Pokukrom East also intersected near-surface, high-grade gold mineralization. Potential bulk tonnage gold mineralization was discovered at Nfante East, at Nfante West and at Pokukrom East. 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. Additional drilling in 2011 indicates there may be bulk tonnage potential along a minimum 660-meter strike length of the Pokukrom East anomaly.

[5] 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.

[6] 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.



MANFO (GHANA) PROPERTY - Pokukrom East

Pokukrom East is one of five significant Au anomalies have been identified within Pelangio's Manfo property, which lies on the Bibiani shear in the Sefwi greenstone belt[7], 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).

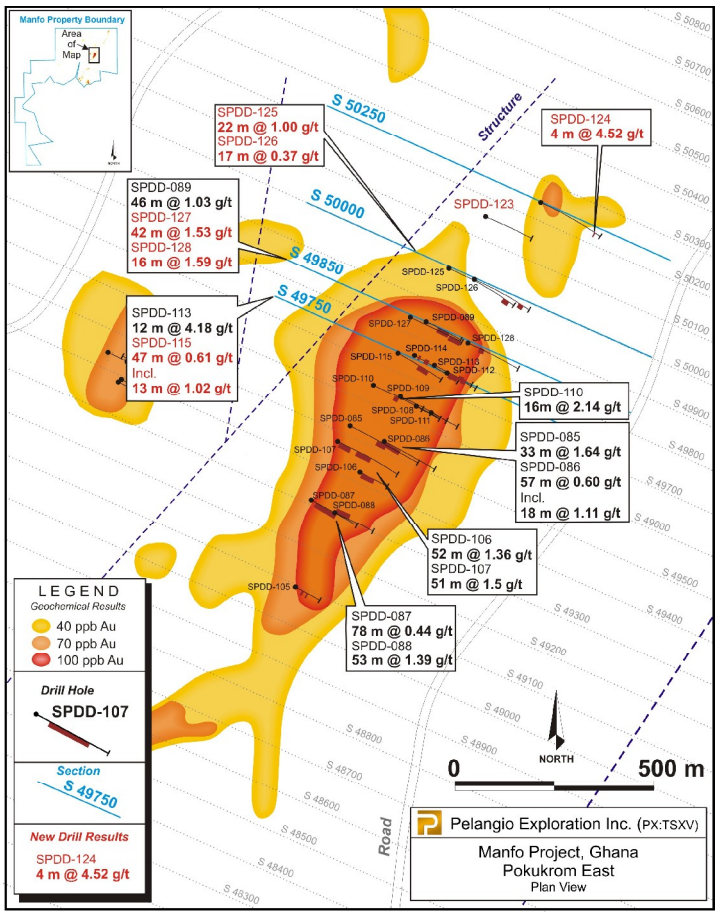
In August and September 2010, Pelangio completed a diamond core[8] drilling program, and released assay results between September 7th and October 13th 2010. Other results were released on January 24, March 4th and May 5th 2011. **Drill holes consistently intersected near-surface, high-grade gold mineralization** (intervals between 10-to-13 meters of 3.05-to-4.18 g/t) over a strike length of approximately 300 meters (see map and table below). **The strike length of low-grade gold mineralization is 660 meters and to a vertical depth of up to 175 meters.** Further drilling is planned to the north and south. Investors are still looking for an indication of the strike length of the 24.7 g/t Au mineralization discovered over a five meter interval in hole SPDD-088 to the south and gold intersections discovered 240 meters north of Pokukrom East at holes SPDD-123 and SPDD-124 (1 meter of 10.15 g/t

[7] 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.

[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.

and 4 meters of 4.52 g/t, respectively). Potential bulk tonnage zones continue to be discovered in every announcement of drilling results at Pokukrom East.

Area	DHID	From (meter)	To (meter)	Interval (meters)	Au (g/t)
Pokukrom East	SPDD-113	91	103	12	4.18
	SPDD-110	117	133	16	2.14
	including	117	127	10	3.05
	SPDD-085	116	129	13	3.37
	SPDD-107	116	127	11	3.53
	SPDD-106	41	54	13	3.47



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.

Pelangio increased the second phase program from 5,000 to over 25,000 meters, which will include further holes at Pokukrom East, Nfante West and Nfante East. **Additional assay results will be released as received by management.**

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). 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)[9]. 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 and a 2% royalty interest.

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[10] 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[11], 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 initiated a second phase 5,000 meter diamond drilling program on the Main Obuasi Trend in March 2011, focusing on certain targets that merit follow-up from the first phase program, in addition to new surface targets at Bura, where channel sampling has returned results up to 15 g/t gold, and Ayaase, where a one meter channel sample assayed 31.5 g/t. In addition, Pelangio has budgeted for 6,000 meters of drilling on the Obuasi property in late summer/early fall of 2011.

[9] Mineral Resource and Ore Reserve Report 2009 by AngloGold Ashanti.
[10] The Independent Technical Report by SRK Consulting dated April 30, 2008 states that this drilling program was conducted on the Meduma concession.
[11] 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.

AKROMA (GHANA) PROPERTY

In June 2011, Pelangio has entered into an agreement to acquire a 100% interest in the Akroma property, a 160 square kilometer parcel in the Brong Ahafo region of Ghana. The Akroma property is a very early stage exploration property with a reconnaissance license, 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.

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

RECENT NEWS

On June 16, 2011, Pelangio announced that the final option payment of $750,000 was made on the Obuasi Property so that subject to Ghana's legislated 10% carried interest upon commencement of mining operations, **Pelangio now has a 100% interest in Obuasi property in Ghana**. In addition, Pelangio enter into an agreement to acquire a 100% interest in the Akroma property, a 160 square kilometer in the Brong Ahafo region of Ghana.

On May 24, 2011, Pelangio announced results from nine additional drill holes on the **Pokukrom West** on the **Manfo property** in Ghana. High-grade gold mineralization continues to be encountered, specifically 5.79 grams per tonne (g/t) Au over 8 meters in hole SPDD-130 and 14.10 g/t Au over 7 meters in hole SPDD-131. Also bulk mineralization of 0.99 g/t was assayed over 22 meters in SPDD-132. The results confirm a strike length of 100 meters at Pokukrom West to a depth of 110 meters. Interestingly, management has consistently compared Pokukrom West to the multi-million ounce, near-surface, bulk tonnage mineralization found at Ahafo and Chirano, where Newmont Mining and Kinross, respectively, operate pit mines. However, both also contain million-plus ounce high-grade deposits starting at depth, similar to the discovery in SPDD-131, whose hole length is 173 meters and where 14.1 g/t Au was assayed at depth between 131 and 138 meters. Management believes that this high-grade intersection at depth is indicative of significant high-grade gold zone, which will be investigated with further drilling.

[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.

On May 5, 2011, Pelangio announced results from 10 additional diamond drill holes on the **Pokukrom East** on the **Manfo property** in Ghana. Low-grade bulk gold mineralization continues to be encountered, specifically 1.53 grams per tonne (g/t) Au over 42 meters in hole SPDD-127, 1.59 g/t Au over 16 meters in hole SPDD-128 and 1.00 g/t Au over 22 meters in hole SPDD-125. The strike length of low-grade gold mineralization is now 660 meters versus 400 meters prior to these drilling results. In addition, high-grade gold intersections were discovered 240 meters north of Pokukrom East at holes SPDD-123 and SPDD-124 (1 meter of 10.15 g/t and 4 meters of 4.52 g/t, respectively).

On April 14, 2011, Pelangio announced that **$5,977,655 has been received** since January 1st from the exercise of $0.65 common share purchase warrants and compensation options related to the October 2009 private placement. Cash on hand is approximately $11.6 million.

On March 22, 2011, Pelangio announced that **drilling on the Obuasi property has commenced**. The diamond drilling program encompasses approximately 5,000 meters in up to 36 drill holes. The Obuasi property is immediately adjacent to AngloGold Ashanti's Obuasi mine.

On March 4, 2011, Pelangio announced assay results of seven additional holes totaling 990 meters on the Pokukrom East area, which is part of the second drilling program at the **Manfo property** in Ghana. The holes drilled continue to intersect 10-to-13 meter intervals grading between 3.0 g/t to 4.2 g/t gold on a strike length of approximately 300 meters. Two holes at Pokukrom East intersected near-surface, high-grade gold mineralization (SPDD-110 10 meters of 3.05 g/t and SPDD-113 12 meters of 4.18 g/t). In addition, potential bulk tonnage zones continue to be discovered at Pokukrom East. The second phase drilling program has been expanded to over 25,000 meters.

FINANCIAL POSITION

At year-end 2010 (December 31, 2010), Pelangio had $3,300,209 in cash and marketable securities, no long-term debt, and $31,948,634 in shareholders' equity. At the end of the third quarter (March 31, 2011), cash and marketable securities increased 81% to $5,977,902, primarily through the issuance of securities. There still was not any long-term debt; and shareholders' equity increased to $35,451,794.

During the first three months of 2011, the company's cash requirements for exploratory drilling programs, evaluation of assets and additions to equipment totaled $1,055,519 and were funded by $4,483,464 from the sale of securities and the exercise of options and warrants.

Pelangio has financed capital expenditures and the payments towards options to acquire potential mining properties through the issuance of securities. In 2010, the exercise of options and warrants netted the company $811,314. During the first three months of 2011, $3,653,271 was raised in a private placement in February. In addition, the exercise of options and warrants provided a further $830,193. Subsequent to the first quarter of 2011, Pelangio received $5,255,003 from the exercise of options and warrants.

VALUATION

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

technique based on book value is the only appropriate alternative, especially in comparison to junior gold companies employing a similar exploration-discovery stage strategy to Pelangio's.

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

Kaminak (KAM: TSXV) appears very similar to Pelangio. Kaminak operates in the exploration-discovery stage, focusing on the acquisition and exploration of gold properties. The company has not reached the gold production phase, and hence, does not yet generate revenues. Like Pelangio, Kaminak initiates drilling programs after conducting geochemical analysis of its properties. Also like Pelangio, Kaminak's drilling program discovered multiple intersections of wide intervals of gold mineralization over a presumed strike length of 100's of meters. Therefore, Kaminak 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 3.7 times book (C$0.50 and C$1.00) due to the recent announcements concerning the successful drilling program on the Manfo property. With assay results expected on the Obuasi project in 2011, positive results could potentially increase the stock's valuation to between 6.0 and 7.0 times book (C$1.60 and C$1.80).

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 $1,550 in May 2011. 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.

PROJECTED FINANCIAL STATEMENTS

Pelangio Exploration Inc.

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

For the years ending December 31	2006	2007	2008	2009	2010	2011 E	2012 E
Interest	71,886	7,048	13,817	5,428	9,864	12,250	14,890
Gain on sale of marketable securities	10,836	0	0	0	0	0	0
Revenue:	**82,722**	**7,048**	**13,817**	**5,428**	**9,864**	**12,250**	**14,890**
Salaries and employee benefits	220,414	193,270	145,921	621,145	830,945	801,406	900,000
Consulting services	61,083	94,439	9,047	79,595	132,035	161,328	175,000
General exploration	0	1,395	8,396	7,323	29,609	18,397	25,000
Insurance	15,369	16,673	16,601	45,463	45,008	44,891	50,000
Professional fees	170,161	192,044	191,090	261,361	279,090	271,605	285,000
Investor relations	384,381	220,292	103,731	337,172	367,403	355,688	375,000
Office and general	74,977	126,025	67,363	122,347	188,023	344,972	500,000
Rent	48,000	58,295	9,602	61,390	79,649	56,111	85,000
Vehicle	0	0	0	596	553	600	700
Transfer agent and filing fees	45,535	16,606	25,919	67,680	39,227	67,352	50,000
Interest on advance from PDX Resources Inc.	0	0	0	5,250	0	0	0
Interest on short-term debt	0	0	300,000	0	0	0	0
Travel	45,016	4,295	14,684	22,612	78,953	57,841	65,000
Foreign exchange loss	0	0	21,720	83,874	118,967	63,644	50,000
Stock-based compensation cost	35,188	109,974	160,807	377,291	1,037,128	1,936,477	2,500,000
Amortization	9,327	25,080	31,309	47,626	77,765	112,437	125,000
Total Expenses	**1,109,451**	**1,058,388**	**1,106,190**	**2,140,725**	**3,304,355**	**4,292,749**	**5,185,700**
Loss from operations	**(1,026,729)**	**(1,051,340)**	**(1,092,373)**	**(2,135,297)**	**(3,294,491)**	**(4,280,499)**	**(5,170,810)**
Gain (loss) on disposal of mineral properties	(157,615)	7,305,367	0	1,913,200	0	0	0
Gain (loss) on disposal of marketable securities	(74,208)	9,002	902,812	0	2,377,304	0	0
Write down of mineral property	0	(1,126,959)	0	(270,416)	(1,109,183)	0	0
Equity loss from investment in Detour Gold Corp.	0	0	0	0	0	0	0
Other income	(231,823)	6,187,410	902,812	1,642,784	1,268,121	0	0
Income (loss) before income taxes	**(1,258,552)**	**5,136,070**	**(189,561)**	**(492,513)**	**(2,026,370)**	**(4,280,499)**	**(5,170,810)**
Future income taxes	1,833,000	(1,485)	262,000	167,000	168,000	(22,000)	50,000
Net income for the year	**574,448**	**5,134,585**	**72,439**	**(325,513)**	**(1,858,370)**	**(4,302,499)**	**(5,120,810)**
Net income per common share (basic)	0.01	0.07	0.00	(0.00)	(0.02)	(0.03)	(0.03)
Net income per common share (diluted)	**0.01**	**0.07**	**0.00**	**(0.00)**	**(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	135,000,000	150,000,000
- diluted	67,690,961	73,102,997	75,980,777	91,109,890	122,000,341	135,000,000	150,000,000

Pelangio Exploration Inc.

Consolidated Statements of Operations and Retained Earnings

(in $ CAD)	1Q	2Q	3Q	4Q		1Q	2Q E	3Q E	4Q E	
For the years ending December 31	2010	2010	2010	2010	2010	2011	2011	2011	2011	2011 E
Interest	4,806	1,179	1,542	2,337	9,864	1,995	4,400	3,355	2,500	12,250
Gain on sale of marketable securities	0	0	0	0	0	0	0	0	0	0
Revenue:	**4,806**	**1,179**	**1,542**	**2,337**	**9,864**	**1,995**	**4,400**	**3,355**	**2,500**	**12,250**
Salaries and employee benefits	187,814	199,723	170,244	273,164	830,945	192,993	197,818	202,763	207,832	801,406
Consulting services	20,845	25,865	45,110	40,215	132,035	35,802	38,666	41,759	45,100	161,328
General exploration	6,369	19,747	2,553	940	29,609	1,397	5,000	7,000	5,000	18,397
Insurance	11,892	11,435	10,518	11,163	45,008	10,891	11,000	11,000	12,000	44,891
Professional fees	49,685	130,275	47,816	51,314	279,090	31,605	80,000	80,000	80,000	271,605
Investor relations	91,111	63,987	40,425	171,880	367,403	205,688	50,000	50,000	50,000	355,688
Office and general	43,414	37,828	53,868	52,913	188,023	119,972	75,000	75,000	75,000	344,972
Rent	19,634	19,634	20,111	20,270	79,649	14,111	14,000	14,000	14,000	56,111
Vehicle	0	473	79	1	553	0	200	200	200	600
Transfer agent and filing fees	13,278	9,919	12,685	3,345	39,227	42,352	5,000	15,000	5,000	67,352
Interest on advance from PDX Resources Inc.	0	0	0	0	0	0	0	0	0	0
Interest on short-term debt	0	0	0	0	0	0	0	0	0	0
Travel	21,313	26,172	2,233	29,235	78,953	2,841	25,000	10,000	20,000	57,841
Foreign exchange loss	62,062	(30,253)	34,190	52,968	118,967	63,644	0	0	0	63,644
Stock-based compensation cost	229,394	139,731	91,288	576,715	1,037,128	436,477	500,000	500,000	500,000	1,936,477
Amortization	15,410	17,062	24,255	21,038	77,765	28,437	27,000	29,000	28,000	112,437
Total Expenses	**772,221**	**671,598**	**555,375**	**1,305,161**	**3,304,355**	**1,186,210**	**1,028,684**	**1,035,723**	**1,042,133**	**4,292,749**
Loss from operations	**(767,415)**	**(670,419)**	**(553,833)**	**(1,302,824)**	**(3,294,491)**	**(1,184,215)**	**(1,024,284)**	**(1,032,368)**	**(1,039,633)**	**(4,280,499)**
Gain (loss) on disposal of mineral properties	0	0	0	0	0	0	0	0	0	0
Gain (loss) on disposal of marketable securities	0	1,092,536	0	1,284,768	2,377,304	0	0	0	0	0
Write down of mineral property	(198,719)	0	0	(910,464)	(1,109,183)	0	0	0	0	0
Equity loss from investment in Detour Gold Corp.	0	0	0	0	0	0	0	0	0	0
Other income	(198,719)	1,092,536	0	374,304	1,268,121	0	0	0	0	0
Income (loss) before income taxes	**(966,134)**	**422,117**	**(553,833)**	**(928,520)**	**(2,026,370)**	**(1,184,215)**	**(1,024,284)**	**(1,032,368)**	**(1,039,633)**	**(4,280,499)**
Future income taxes	(54,000)	(22,000)	34,000	143,000	168,000	(247,000)	50,000	50,000	125,000	(22,000)
Net income for the year	**(1,020,134)**	**400,117**	**(519,833)**	**(785,520)**	**(1,858,370)**	**(1,431,215)**	**(974,284)**	**(982,368)**	**(914,633)**	**(4,302,499)**
Net income per common share (basic)	(0.01)	0.00	(0.00)	(0.01)	(0.02)	(0.01)	(0.01)	(0.01)	(0.01)	(0.03)
Net income per common share (diluted)	**(0.01)**	**0.00**	**(0.00)**	**(0.01)**	**(0.02)**	**(0.01)**	**(0.01)**	**(0.01)**	**(0.01)**	**(0.03)**
Weighted average common shares outstanding										
- basic	121,831,340	121,831,340	121,831,338	122,507,347	122,000,341	125,928,192	138,000,000	138,000,000	138,075,000	135,000,000
- diluted	121,831,340	121,833,302	121,831,338	122,507,347	122,000,341	125,928,192	138,000,000	138,000,000	138,075,000	135,000,000

Pelangio Exploration Inc.

Consolidated Balance Sheets
(in $ CAD)

For the years ending December 31	2007	2008	2009	2010	2011 E	2012 E
Assets						
Current:						
Cash and cash equivalents	2,018,603	379,937	7,178,564	3,300,209	4,202,208	6,480,068
Amounts receivable	16,196	13,764	38,424	62,816	75,000	80,000
Loan receivable	0	424,000	0	0	0	0
Prepaid expenses	31,938	37,182	135,640	114,421	145,000	150,000
Marketable securities	12,359,950	2,415,952	1,788,000	0	0	0
Current Assets	14,426,687	3,270,835	9,140,628	3,477,446	4,422,208	6,710,068
Deferred transactions costs	0	0	0	0	0	0
Non-current prepaid expenses	0	0	0	182,785	200,000	225,000
Property and equipment	101,887	95,485	215,340	266,054	350,000	400,000
Mineral properties and deferred exploration costs	9,977,472	20,635,810	26,335,067	30,030,884	31,308,357	31,539,935
Total Assets	**24,506,046**	**24,002,130**	**35,691,035**	**33,957,169**	**36,280,565**	**38,875,003**
Liabilities						
Accounts payable and accrued liabilities	222,087	330,478	278,961	223,349	275,000	300,000
Advances from PDX Resources Inc.	0	177,803	0	0	0	0
Current Liabilities	222,087	508,281	278,961	223,349	275,000	300,000
Future income taxes	747,000	395,000	1,444,000	1,836,000	2,000,000	2,200,000
Share capital (no par value)	0	18,511,438	30,283,689	31,239,402	37,000,000	44,000,000
Contributed surplus	14,030,841	275,950	1,443,491	2,335,920	3,000,000	3,500,000
Retained earnings (deficit)	2,362,492	2,434,931	815,568	(1,626,688)	(5,929,187)	(11,049,997)
Accumulated other comprehensive income	7,143,626	1,876,530	1,425,326	0	0	0
Shareholders' Equity	23,536,959	23,098,849	33,968,074	31,948,634	34,070,813	36,450,003
Non-controlling interest	0	0	0	(50,814)	(65,248)	(75,000)
Total Liabilities and Equity	**24,506,046**	**24,002,130**	**35,691,035**	**33,957,169**	**36,280,565**	**38,875,003**

HISTORICAL ZACKS RECOMMENDATIONS



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