

**From:** Fraser.Mackenzie <Fraser.Mackenzie@frasermackenzie.com>  
**Subject:** PELANGIO EXPLORATION - Pokukrom East Expands Manfo Potential to 2.4 Million Ounces - Positive - Michael Starogiannis / Neal Belovay  
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**To:** Brendan Cahill <bcahill@pelangio.com>

4 Attachments, 97 KB



## QuickNote

**PELANGIO EXPLORATION**  
2011

**November 21,**

**PX-TSXV \$0.53**

**Rating:**

**STRONG BUY**

**Target Price:**

**Ó\$1.80 (from \$1.50)**

**Market Capitalization (Basic):**

**\$73.2 million**

**METALS & MINING**

Michael Starogiannis – Analyst  
416.682.4222  
mstarogiannis@frasermackenzie.com  
Neal Belovay – Associate  
416.682.4228  
nbelovay@frasermackenzie.com

### **Pokukrom East Expands Manfo Potential to 2.4 Million Ounces - Positive**

#### **EVENT**

- The company announced assay results from nine holes drilled at Pokukrom East gold zone at the Manfo project in Ghana. **As a result the Pukukrom East zone is shaping up to be larger than we had originally estimated.**
- The highlighted intercepts from Pokukrom East include ([see drill plan map](#)):
  - SPDD-178: **1.35 g/tonne gold over 26 metres**, including **2.51 g/tonne gold over 11 metres**.
  - SPDD-19: **1.12 g/tonne gold over 82 metre**, including **3.12 g/tonne gold over 14 metres**.
  - SPDD-180: **1.20 g/tonne gold over 55 metres**, including **2.50 g/tonne gold over 14 metres**.
  - SPDD-186: **1.17 g/tonne gold over 62 metres**, including **2.61 g/tonne gold over 22 metres**.
- To-date the company has drilled 111 holes in its phase II program at the Manfo property. The company is yet to report the results from 24 holes.

#### **DISCUSSION**

- The Pokukrom East zone is shaping up to be larger than we had originally estimated. We estimate the average true thickness to be approximately 40 metres and thickness weighted grade to be approximately 1.15 g/tonne. **Assuming a mineralized panel 900 metres along strike and 225 metres deep, this translates to 795,000 potential contained ounces gold just at Pokukrom East (vs. our estimate of 330,000 potential ounces used for previous valuation). The zone is still open at depth and along strike. Based on results to-date we are conservatively increasing our estimate for the overall potential at Manfo to 2.4 million ounces gold (up from 1.94 million).** Based on an EV/ounce multiple of \$100/ounce this translates to a new target price of \$1.80 per share. Our sum of the parts valuation is shown in the

table below:

|  | Est. Tonnes | Grade<br>(g/tonne) | Potentially contained gold<br>(ounces) | Value<br>(\$/share) |
|--|-------------|--------------------|--|---------------------|
| <b>Pokukrom West - High Grade Zones</b>    | 600,000     | 7.90               | 152,000                                | \$0.10              |
| <b>Pokukrom West - Disseminated Zone</b>   | 2,500,000   | 1.50               | 121,000                                | \$0.08              |
| <b>Pokukrom East - Disseminated Zone</b>   | 21,500,000  | 1.15               | 795,000                                | \$0.53              |
| <b>Additional 4 lenses</b>                 | 36,000,000  | 1.15               | 1,332,000                              | \$0.89              |
| <b>Nominal Value for Obuasi and Akroma</b> |             |                    |  | \$0.20              |
| <b>Total</b>                               | 60,600,000  |                    | 2,400,000                              | \$1.81              |

- So far this year the company has reported results for 87 of 111 holes completed and will continue to release results over the coming months from Manfo. In addition we would expect to see Obuasi results some time before the end of the year. While we only ascribe minimal nominal value to Obuasi, potential success in these holes can lead to a significant rerating of the company.
- **We maintain our Strong Buy but have increased our target price to \$1.80 per share (from \$1.50 per share), which is based off of our estimate of 2.4 million potential ounces (from 1.9 million potential ounces) and applying a \$100 per ounce in-the-ground multiple.**

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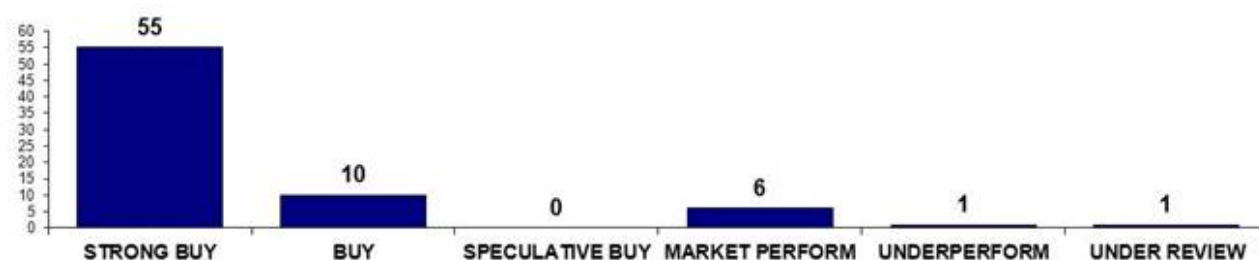
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## Fraser Mackenzie Limited

T: 416.955.4777 | Toll Free: 1.877.955.4777 | F: 416.955.0203

48 Yonge Street, Suite 1100 | Toronto | ON | Canada | M5E 1G6

[www.frasermackenzie.com](http://www.frasermackenzie.com)

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