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**Pelangio Exploration Inc.**  
**(A Development Stage Company)**

**Unaudited Interim Consolidated Financial Statements**

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**March 31, 2009**

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**Pelangio Exploration Inc.**  
**(A Development Stage Company)**

**Index to Unaudited Interim Consolidated Financial Statements**

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**March 31, 2009**

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**The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.**

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**Pelangio Exploration Inc.**  
**(A Development Stage Company)**

**Unaudited Consolidated Balance Sheet**

March 31 ...	<b>2009</b>	
December 31 ...		<b>2008</b>
	\$	\$
<b>Assets</b>		
<b>Current:</b>		
Cash	973,412	379,937
Amounts receivable	8,701	13,764
Loan receivable, <i>note 7</i>	1,663,500	424,000
Prepaid expenses	37,293	37,182
Marketable securities, <i>note 6</i>	1,663,500	2,415,952
	<u>4,346,406</u>	<u>3,270,835</u>
<b>Equipment, <i>note 8</i></b>	90,569	95,485
<b>Mineral properties and deferred exploration costs, <i>note 9</i></b>	20,809,687	20,635,810
	<b><u>25,246,662</u></b>	<b><u>24,002,130</u></b>
<b>Liabilities</b>		
<b>Current:</b>		
Accounts payable and accrued liabilities, <i>note 11</i>	122,768	330,478
Advances from PDX Resources Inc., <i>note 11</i>	-	177,803
	<u>122,768</u>	<u>508,281</u>
Future income taxes, <i>note 14</i>	232,000	395,000
	<u>354,768</u>	<u>903,281</u>
<b>Shareholders' Equity</b>		
<b>Share capital, <i>note 10 (a)</i></b>	19,434,028	18,511,438
<b>Contributed surplus, <i>note 10 (c)</i></b>	293,977	275,950
<b>Warrants, <i>notes 10 (a) and (d)</i></b>	232,000	-
	<u>19,960,005</u>	<u>18,787,388</u>
<b>Retained earnings</b>	2,467,913	2,434,931
<b>Accumulated other comprehensive income, <i>note 6</i></b>	2,463,976	1,876,530
	<u>4,931,889</u>	<u>4,311,461</u>
	<u>24,891,894</u>	<u>23,098,849</u>
	<b><u>25,246,662</u></b>	<b><u>24,002,130</u></b>

Commitments and contingencies, notes 1, 9 and 12  
Subsequent events, note 16

See accompanying notes to the unaudited interim consolidated financial statements.

Approved on behalf of the Board:

"Ingrid Hibbard", Director

"Carl Nurmi", Director

**Pelangio Exploration Inc.**  
**(A Development Stage Company)**

<b>Consolidated Statements of Operations</b>	<b>(Unaudited)</b>	
For the three months ended March 31	<b>2009</b>	<b>2008</b>
	\$	\$
<b>Revenue:</b>		
Interest	<b>473</b>	<b>2,716</b>
<b>Expenses:</b>		
Salaries and employee benefits	10,857	21,979
Consulting services	6,950	17,447
Foreign exchange loss	10,890	-
General exploration	1,554	1,476
Insurance	9,954	971
Interest on advances from PDX Resources Inc., <i>note 11</i>	5,250	-
Investor relations	21,658	11,350
Office and general	33,010	6,662
Professional fees	35,493	20,955
Rent	2,011	2,369
Transfer agent and filing fees	13,679	10,750
Travel	2,235	-
Stock-based compensation cost	18,027	72,751
Amortization	6,019	7,016
	<b>177,587</b>	<b>173,726</b>
<b>Loss from operations</b>	<b>(177,114)</b>	<b>(171,010)</b>
<b>Other income:</b>		
Gain on disposal of marketable securities	<b>191,096</b>	-
<b>Income (loss) before income taxes</b>	13,982	(171,010)
<b>Future income taxes, <i>note 14</i></b>	19,000	26,000
<b>Net income (loss) for the period</b>	<b>32,982</b>	<b>(145,010)</b>
<b>Net income (loss) per common share:</b>		
- basic	0.00	(0.00)
- diluted	0.00	(0.00)
<b>Weighted average common shares outstanding</b>		
- basic	<b>78,136,261</b>	<b>73,762,372</b>
- diluted	<b>78,136,261</b>	<b>73,762,372</b>

See accompanying notes to the unaudited interim consolidated financial statements.

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**Pelangio Exploration Inc.**  
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<b>Consolidated Statements of Comprehensive Income</b>	<b>(Unaudited)</b>	
For the three months ended March 31	<b>2009</b>	<b>2008</b>
	\$	\$
Net income (loss) for the period	32,982	(145,010)
Other comprehensive income for the period:		
Change in unrealized gains on available-for-sale securities	391,892	4,738,277
Reclassification to net income of gain realized from available-for-sale marketable securities	195,554	-
<b>Comprehensive income for the period</b>	<b>620,428</b>	<b>4,593,267</b>

See accompanying notes to the unaudited interim consolidated financial statements.

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**Pelangio Exploration Inc.**  
**(A Development Stage Company)**

<b>Consolidated Statements of Retained Earnings</b>	<b>(Unaudited)</b>	
For the three months ended March 31	<b>2009</b>	<b>2008</b>
	\$	\$
<b>Retained earnings, beginning of period</b>	2,434,931	2,362,492
<b>Net income (loss) for the period</b>	32,982	(145,010)
<b>Retained earnings, end of period</b>	<b>2,467,913</b>	<b>2,217,482</b>

See accompanying notes to the unaudited interim consolidated financial statements.

**Pelangio Exploration Inc.**  
**(A Development Stage Company)**

**Consolidated Statements of Cash Flows**

**(Unaudited)**

For the three months ended March 31	2009	2008
	\$	\$
<b>Cash was provided by (used for):</b>		
<b>Operating activities:</b>		
Net income (loss) for the period	32,982	(145,010)
Items not affecting cash:		
Future income taxes	(19,000)	(26,000)
Gain on sale of marketable securities	(191,096)	-
Amortization	6,019	7,016
Stock-based compensation	18,027	72,751
	<b>(153,068)</b>	<b>(91,243)</b>
Cash was provided by (used to finance) changes in the following working capital items:		
Amounts receivable	5,063	(16,417)
Prepaid expenses	(111)	(84,490)
Accounts payable and accrued liabilities	(207,710)	(48,039)
	<b>(202,758)</b>	<b>(148,946)</b>
	<b>(355,826)</b>	<b>(240,189)</b>
<b>Financing activities:</b>		
Advance from PDX Resources Inc.	(177,803)	-
Private placement, net of issue costs	1,154,590	-
Adjustment on spin-out	-	125,126
	<b>976,787</b>	<b>125,126</b>
<b>Investing activities:</b>		
Proceeds from sale of marketable securities	291,494	-
Equipment additions	(1,103)	(13,518)
Additions to mineral properties and deferred exploration costs	(317,877)	(913,037)
	<b>(27,486)</b>	<b>(926,555)</b>
<b>Change in cash</b>	<b>593,475</b>	<b>(1,041,618)</b>
Cash, beginning of period	379,937	2,018,603
<b>Cash, end of period</b>	<b>973,412</b>	<b>976,985</b>

Supplemental information, note 13

See accompanying notes to the unaudited interim consolidated financial statements.

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# **Pelangio Exploration Inc.**

## **(A Development Stage Company)**

### **Notes to the Unaudited Interim Consolidated Financial Statements**

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March 31, 2009

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#### **1. Nature of operations and going concern**

Pelangio Exploration Inc. (the "Company" or "Pelangio") (A Development Stage Company) was incorporated on February 27, 2008 under the Alberta Business Corporations Act. The principal business of the Company is the acquisition, exploration and development of mineral property interests. Pelangio is a development stage company, as defined by Accounting Guideline 11 of the Canadian Institute of Chartered Accountants' ("CICA") Handbook.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of amounts shown for mineral properties and related deferred exploration costs is dependant upon a discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development and future profitable production or, alternatively, upon disposition of such properties at a profit. Changes in future conditions could require material writedowns of the carrying value of mineral properties and deferred exploration costs. Most of the Company's mining assets are located outside of Canada and are subject o the risk of foreign investment, including increases in taxes and royalties, renegotiation of contracts, expropriation and currency exchange fluctuations and restrictions.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior claims and agreements and non-compliance with regulatory requirements.

The Company's ability to continue as a going concern is dependent on the Company being able to satisfy its liabilities as they become due, the Company being able to obtain the necessary financing to complete the development of its mineral properties, the attainment of profitable mining operations, and, or the receipt of proceeds from the disposition of its mineral property. The outcome of these matters cannot be predicted at this time. These consolidated financial statements do not include any adjustments to the carrying values and classification of assets and liabilities that would be necessary if the Company were unable to realize its assets or discharge its liabilities in anything other than the ordinary course of operations. Such adjustments could be material.

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**2. Basis of presentation**

The Company's 2009 consolidated balance sheet includes the historic values that were transferred from PDX Resources Inc. ("PDX") on September 6, 2008 pursuant to a corporate restructuring transaction (the "Plan of Arrangement"). The 2008 comparative balances are the values that would have been transferred pursuant to the Plan of Arrangement as of that date. The Company's statements of operations, comprehensive income, cash flows and retained earnings for the three-month period ended March 31, 2008 is the result of a "carve-out" of an allocation of PDX's expenses for that period. The allocation of PDX's general and administrative expenses was calculated based on specific identification of certain expenditures and on a reasonable allocation of expenses that could not be specifically allocated.

The unaudited interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and related notes included in the Company's annual report to shareholders for the year ended December 31, 2008. These unaudited interim consolidated financial statements do not include all requirements of Canadian generally accepted accounting principles for annual financial statement, but have been prepared by using the same accounting policies as included in note 3 of the Company's annual consolidated financial statements for the year ended December 31, 2008, except as described in note 3 below.

**3. Accounting policies**

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian GAAP for interim financial information. Accordingly, they do not include all of the information and notes to the financial statements required by Canadian GAAP for annual financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2009 may not necessarily be indicative of the results that may be expected for the year ending December 31, 2009.

The balance sheet at December 31, 2008 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by Canadian GAAP for annual financial statements. For further information, refer to the audited consolidated financial statements and notes thereto for the year ended December 31, 2008.

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**Pelangio Exploration Inc.**  
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**Notes to the Unaudited Interim Consolidated Financial Statements**

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March 31, 2009

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**3. Accounting policies (continued)**

*Flow-through Financing*

The Company has financed a portion of its exploration activities through the issue of flow-through shares, which transfer the tax deductibility of exploration expenditures to the investor. Proceeds received on the issue of such shares have been credited to capital stock and the related exploration costs have been charged to mineral properties.

Resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. When these expenditures are renounced, temporary taxable differences created by the renunciation will reduce share capital.

The Company indemnifies the subscribers of flow-through shares from any tax consequences arising from the failure of the Company to meet its commitments under flow-through subscription agreements.

*Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*

In January 2009, the Emerging Issues Committee of the CICA issued EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities", which establishes that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. This EIC should be applied to interim and annual financial statements for periods ending on or after January 20, 2009. The adoption of this abstract had no impact on the Company's presentation of its financial position or results of operations as at and for the period ended March 31, 2009.

*Mining Exploration Costs*

On March 27, 2009, the Emerging Issues Committee of the CICA approved an abstract EIC-174, "Mining Exploration Costs", which provides guidance on capitalization of exploration costs related to mining properties in particular, and on impairment of long-lived assets in general. The adoption of this abstract had no impact on the Company's presentation of its financial position or results of operations as at March 31, 2009.

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**Pelangio Exploration Inc.**  
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**Notes to the Unaudited Interim Consolidated Financial Statements**

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March 31, 2009

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**4. Capital management**

The capital structure of the Company as at March 31, 2009 consists of equity attributable to common shareholders comprised of capital stock, warrants and contributed surplus.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it believes there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the three month period ended March 31, 2009. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

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**Pelangio Exploration Inc.**  
**(A Development Stage Company)**

**Notes to the Unaudited Interim Consolidated Financial Statements**

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March 31, 2009

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**5. Financial risk factors**

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

**Credit risk**

The Company's credit risk is primarily attributable to term deposits and receivables. The Company has no significant concentration of credit risk arising from operations. Term deposits have been invested with reputable financial institutions, from which management believes the risk of loss to be remote. Financial instruments included in receivables consist of goods and services tax due from the Federal Government of Canada and a loan receivable from the Company's broker. The loan is comprised of 150,000 common shares of Detour Gold Corporation. The loan is due on demand and securities of the broker have been pledged as security for the loan. Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote.

**Liquidity risk**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2009, the Company had a cash balance of \$973,412 (December 31, 2008 - \$379,937) to settle current liabilities of \$122,768 (December 31, 2008 - \$508,281). The Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

**Market risk**

**Interest rate risk**

The Company has cash and term deposits balances and interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

**Sensitivity analysis**

The Company has designated its cash and term deposits and loan receivable as held-for-trading, which are measured at fair value. Financial instruments included in amounts receivable, which are classified as loans and receivables, are measured at amortized cost. Marketable securities are classified as available for sale, measured at quoted market value with changes in market value being recorded to other comprehensive income. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

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**Pelangio Exploration Inc.**  
**(A Development Stage Company)**

**Notes to the Unaudited Interim Consolidated Financial Statements**

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March 31, 2009

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**5. Financial risk factors (continued)**

As at March 31, 2009, the carrying and fair value amounts of the Company's financial instruments are approximately the same.

Based on management's knowledge and experience of the financial markets, management believes the following movements are "reasonably possible" over a three month period:

Sensitivity to a plus or minus 10% change in the quoted market value of marketable securities would affect comprehensive income (loss) by plus or minus \$166,350.

The Company does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk.

Price risk is remote since the Company is not a producing entity.

**Fair value of financial instruments**

Canadian generally accepted accounting principles require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying amounts for cash, amounts receivable, loan receivable and accounts payable and accrued liabilities on the consolidated balance sheet approximate fair market value because of the limited term of these instruments. The fair value of advances from PDX cannot be determined as no comparative market instruments exist. As at March 31, 2009 the Company's marketable securities are recorded at their quoted market value.

**Market risk**

**Commodity price risk**

The ability of the Company to develop its properties and the future profitability of the Company is directly related to fluctuations in the market price of certain minerals.

**Foreign exchange risk**

The Company is subject to foreign exchange risk as some of its operating and investing activities are transacted in currencies other than the Canadian dollar, including the US dollar and the Ghanaian cedi. The Company is therefore subject to gains and losses due to fluctuations in these currencies relative to the Canadian dollar.

**Pelangio Exploration Inc.**  
**(A Development Stage Company)**

**Notes to the Unaudited Interim Consolidated Financial Statements**

March 31, 2009

**5. Financial risk factors (continued)**

**Market risk**

Market risk is the risk that a change in market prices, interest rate levels, indices, liquidity and other market factors will result in losses. The Company is exposed to market risk as a result of its large holdings in marketable securities (notes 6 and 7). Securities classified as available for sale are valued at market and as such, changes in market value affect comprehensive income as they occur.

**6. Marketable securities**

As at March 31...	<b>2009</b>			<b>2008</b>	
As at December 31...	Carrying Value	Market Value		Carrying Value	Market Value
Shares	\$	\$	Shares	\$	\$
Detour Gold Corporation					
150,000	1,663,500	1,663,500	284,900	2,415,952	2,415,952
	<b>1,663,500</b>	<b>1,663,500</b>		<b>2,415,952</b>	<b>2,415,952</b>

The balances of accumulated other comprehensive income at March 31, 2009 and December 31, 2008 consists of the unrealized gains on the Company's interest in Detour Gold Corporation.

**7. Loan receivable**

As at March 31, 2009, 150,000 shares of Detour Gold Corporation (December 31, 2008 - 50,000 shares) have been lent to the Company's broker. The loan is non-interest bearing and can be terminated by either party at any time. The loan has been recorded at \$1,663,500 (December 31, 2008 - \$424,000), being the number of shares lent multiplied by the market price on March 31, 2009. These 150,000 shares have been excluded from the total shares in Note 6. The loan is secured with 214,000 shares of HSBC Holdings valued at \$1,523,466 on March 31, 2009 based on the closing market price of the shares on that date.

**8. Equipment**

	<b>2009</b>		<b>2008</b>	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
	\$	\$	\$	\$
Computer hardware	25,416	16,109	24,844	14,903
Computer software	966	604	966	483
Furniture and equipment	91,862	27,937	91,331	24,621
Vehicles	44,060	27,085	44,060	25,709
	<b>162,304</b>	<b>71,735</b>	<b>161,201</b>	<b>65,716</b>
Net book value		<b>90,569</b>		<b>95,485</b>

**Pelangio Exploration Inc.**  
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**Notes to the Unaudited Interim Consolidated Financial Statements**

March 31, 2009

**9. Mineral properties and deferred exploration costs**

Transactions for the three months ended March 31, 2009 and the year ended December 31, 2008 are as follows:

<b>2009</b>	Opening \$	Acquisitions \$	Exploration \$	Disposal \$	Closing \$
<b>Canada</b>					
Birch Lake	42,133	-	-	-	42,133
Black Township	257,312	122	-	-	257,434
Seeley Lake	361,284	-	5,328	-	366,612
STAZ	258,416	-	-	-	258,416
Other	275,981	1,000	-	-	276,981
	1,195,126	1,122	5,328	-	1,201,576
<b>Ghana, Africa</b>					
Obuasi	19,440,684	-	167,427	-	19,608,111
	<b>20,635,810</b>	<b>1,122</b>	<b>172,755</b>	<b>-</b>	<b>20,809,687</b>

<b>2008</b>	Opening \$	Acquisitions \$	Exploration \$	Disposal \$	Closing \$
<b>Canada</b>					
Birch Lake	42,133	-	-	-	42,133
Black Township	83,652	670	172,990	-	257,312
Seeley Lake	21,058	-	340,226	-	361,284
STAZ	258,416	-	-	-	258,416
Other	100,086	71,760	104,135	-	275,981
	505,345	72,430	617,351	-	1,195,126
<b>Ghana, Africa</b>					
Obuasi	9,472,127	6,984,372	2,984,185	-	19,440,684
	<b>9,977,472</b>	<b>7,056,802</b>	<b>3,601,536</b>	<b>-</b>	<b>20,635,810</b>

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**Pelangio Exploration Inc.**  
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**Notes to the Unaudited Interim Consolidated Financial Statements**

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**9. Mineral properties and deferred exploration costs (continued)**

**Birch Lake, Ontario, Canada**

Birch Lake consists of a 100% interest in 28 unpatented mining claims in Keigat Lake and Casummit Lake Townships, Ontario. The property is subject to net smelter return royalties of 2%.

**Black Township**

Black Township consists of a 100% interest in 2 patented and 2 unpatented mining claims in Black Township, Ontario. There are no underlying royalties pertaining to this property.

**Seeley Lake**

Seeley Lake consists of a 100% interest in 19 unpatented mining claims in the Thunder Bay Mining Division, Ontario. There are no underlying royalties pertaining to this property.

**STAZ**

STAZ consists of a 10% interest in 6 unpatented mining claims in Marriott and Stoughton Townships, Ontario. There are no underlying royalties pertained to this property.

**Other**

The Company is committed to the following in order to maintain its interest in other properties, including the Page Lake Property:

- cash payments of \$505,000
- incur exploration expenditures of \$450,000
- issue 18,000 common shares

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**Pelangio Exploration Inc.**  
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**Notes to the Unaudited Interim Consolidated Financial Statements**

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**9. Mineral properties and deferred exploration costs (continued)**

**Obuasi, Ghana, Africa**

Pursuant to a letter agreement dated September 23, 2005, as amended by an amending letter agreement dated November 18, 2005, and replaced by option agreements dated May 3, 2006, certain subsidiaries of PDX Resources Inc., ("PDX") acquired options to acquire 100% (subject to a 2% royalty interest and a 10% interest held by the Ghanaian government) of a major land position adjacent to AngloGold Ashanti's Obuasi gold mine in southwest Ghana, West Africa. The optioned property consisted of the Kyereboso #2, Kyereboso #3, Meduma and New Edubiase concessions, which were acquired from three private Ghanaian corporations. The Kyereboso #2, Kyereboso #3 and Meduma concessions are referred to as the Obuasi Property. PDX paid \$25,000 to enter into the initial letter agreement and made an additional payment of US\$300,000 (\$347,796) as an advance payment on future option payments. In order to obtain a 100% interest in the concessions, PDX was required pursuant to the option agreements to pay a total of US\$3,800,000 and issue a total of 16,000,000 common shares at specified dates ending five years after the effective date of the option agreements.

On March 3, 2008, PDX made the third payment totaling US\$150,000 (\$150,371) and issued 1,500,000 common shares of PDX (estimated value of \$6,834,000) to the two remaining vendors of the Obuasi Property and pursuant to the terms of the option agreements acquired a 51% interest in the Obuasi Property. The third payment was made early pursuant to amendments to the option agreements (the "Option Amendments") in respect of the Obuasi Property which PDX negotiated with such vendors.

The common shares of Pelangio Mines (B) Inc., the former subsidiary of PDX that is the indirect holder of the interests in the Obuasi Property, were transferred to the Company on September 6, 2008 pursuant to the terms and conditions of the Plan of Arrangement (see note 2) and the Company assumed all of PDX's rights and obligations under the relevant option agreements at that time.

The Option Amendments provide that upon the completion of the Plan of Arrangement the common shares to be issued and cash to be paid to acquire the remaining 49% of the Obuasi Property would be common shares and cash of the Company, rather than PDX. Should the Company choose to exercise its option to acquire the remaining 49% of the concessions, it will be required to:

- pay US\$750,000 and issue 6,000,000 common shares of the Company by the third anniversary of the effective date (June 19, 2009);
- pay US\$750,000 by the fourth anniversary of the effective date (June 19, 2010); and
- pay US\$750,000 by the fifth anniversary of the effective date (June 19, 2011).

**Pelangio Exploration Inc.**  
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**Notes to the Unaudited Interim Consolidated Financial Statements**

March 31, 2009

**10. Capital stock**

**(a) Share capital**

**Authorized:**

- Unlimited first preferred shares
- Unlimited second preferred shares
- Unlimited common shares

**Common shares issued:**

	2009		2008	
	Shares	\$	Shares	\$
For the three months ended March 31....				
For the year ended December 31				
Beginning of year	73,887,372	18,511,438	-	-
Issued on Plan of Arrangement	-	-	73,762,372	18,496,438
Flow-through shares	1,100,000	110,000	-	-
Options exercised	-	-	125,000	15,000
Shares issued, net of issue costs	10,850,000	1,044,590	-	-
Warrant valuation	-	(232,000)	-	-
<b>End of year</b>	<b>85,837,372</b>	<b>19,434,028</b>	<b>73,887,372</b>	<b>18,511,438</b>

Shares were issued during the period for the following consideration:

	2009		2008	
	Shares	\$	Shares	\$
For the three months ended March 31....				
For the year ended December 31				
Cash*	<b>11,950,000</b>	<b>1,154,590</b>	-	-

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**Pelangio Exploration Inc.**  
**(A Development Stage Company)**

**Notes to the Unaudited Interim Consolidated Financial Statements**

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March 31, 2009

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**10. Capital stock (continued)**

\* The 11,950,000 shares issued for cash in 2009 consisted of 1,100,000 flow-through shares at \$0.10 per share for gross proceeds of \$110,000 and 10,850,000 units at \$0.10 per share for net proceeds of \$1,044,590. Each unit is comprised of one common share and one warrant entitling the holder thereof to purchase one common share of the Company at a price of \$0.20 per common share prior to the earlier of (i) the 30th day after receiving notice from the Company that the volume weighted average price of the common shares has been equal to or greater than \$0.40 for a period of twenty (20) consecutive trading days, and (ii) February 27, 2011.

The fair value of the warrants was estimated at \$232,000 on the date of the grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 100%; risk free interest rate of 1.15% and an expected life of two years.

**(b) Stock options**

The Company has a stock option plan to assist the Company in attracting, retaining and motivating directors, key officers, employees and consultants of the Company and to closely align the personal interests of such parties with those of the shareholders by providing them with the opportunity, through options, to acquire common shares of the Company. The maximum number of shares reserved for issuance under the stock option plan is 6,500,000. Stock options granted under the stock option plan vest in four equal installments, being at the date of grant, and at the end of each six-month period ended thereafter. As of March 31, 2009, the Company has 4,235,000 options outstanding as follows:

Date Granted (note 2)	Options Granted	Options Exercisable	Weighted Average Exercise Price \$	Expiry Date
September 6, 2008	5,000	5,000	0.32	December 31, 2009
September 6, 2008	50,000	50,000	0.14	October 25, 2011
September 6, 2008	100,000	100,000	0.15	December 11, 2011
September 6, 2008	662,500	662,500	0.15	March 29, 2012
September 6, 2008	80,000	80,000	0.19	June 25, 2012
September 6, 2008	1,112,500	836,250	0.32	December 21, 2012
September 6, 2008	75,000	56,250	0.39	January 14, 2013
September 6, 2008	25,000	18,750	0.54	February 1, 2013
January 21, 2009	2,125,000	531,250	0.10	January 21, 2014
	<b>4,235,000</b>	<b>2,340,000</b>	<b>0.177</b>	

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**Pelangio Exploration Inc.**  
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**Notes to the Unaudited Interim Consolidated Financial Statements**

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March 31, 2009

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**10. Capital stock (continued)**

Transactions during the three months ended March 31, 2009 and the year ended December 31, 2008 are as follows:

	<b>2009</b>		<b>2008</b>	
	Options	Weighted Average Exercise Price \$	Options	Weighted Average Exercise Price \$
Beginning of period	2,122,500	0.254	-	-
Granted	2,125,000	0.100	2,247,500	0.245
Exercised	-	-	(125,000)	(0.100)
Expired	(12,500)	(0.126)	-	-
<b>End of period</b>	<b>4,235,000</b>	<b>0.177</b>	<b>2,122,500</b>	<b>0.254</b>

Stock options granted during 2009 have been valued at the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions: expected dividend yield: 0%; risk-free interest rate: 2.03%; expected volatility: 77%; and an expected life of 5 years. The value attributable to the options that were granted during 2009 was \$42,500 and the vested portion was \$18,027. The weighted average grant date fair value of options granted during 2009 was \$0.02.

Stock options were granted during 2008 pursuant to the Plan of Arrangement described in note 2. They have been valued at the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions: expected dividend yield: 0%; risk-free interest rate: 2.87%; expected volatility: 100%; and an expected life of 0.125 to 4.4 years. The value attributable to the options that were granted during 2008 was \$128,450. The weighted average grant date fair value of options granted during 2008 was \$0.06 .

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**Pelangio Exploration Inc.**  
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**Notes to the Unaudited Interim Consolidated Financial Statements**

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March 31, 2009

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**10. Capital stock (continued)**

**(c) Contributed surplus**

Transactions during the three months ended March 31, 2009 and the year ended December 31, 2008 are as follows:

	<b>2009</b>	<b>2008</b>
	\$	\$
Beginning of year	275,950	14,030,841
Fair value of options granted and/or vested to directors, officers and employees	18,027	-
Reallocation of contributed surplus to share capital upon Plan of Arrangement	-	(13,880,841)
Issuance of stock options on spin out	-	128,450
Fair value of stock options exercised by directors, officers and employees	-	(2,500)
<b>End of year</b>	<b>293,977</b>	<b>275,950</b>

**(d) Warrants**

As at March 31, 2009, the following warrants were outstanding and exercisable:

Date Issued	Number of warrants	Exercise price	Expiry date
February 27, 2009	10,850,000	\$0.20	February 27, 2011*

\* - See Note 10(a) above.

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**Pelangio Exploration Inc.**  
**(A Development Stage Company)**

**Notes to the Unaudited Interim Consolidated Financial Statements**

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March 31, 2009

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**11. Related party information**

The following transactions were entered into with related parties during the period:

For the three months ended March 31	2009	2008
	\$	\$

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With a corporation controlled by the President of the Company:

Rent	1,200	1,434
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With a partnership in which an officer of the Company is a partner:

Legal fees	-	5,797
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With a partnership in which an officer of the Company is a partner:

Accounting services	20,685	-
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Accounts payable and accrued liabilities as at March 31, 2009 include amounts owing to related parties in the amount of \$17,372 (December 31, 2008 - \$nil). These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

These transactions with related parties were in the normal course of operations and were measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

The advances from PDX bore interest at prime and were unsecured with no fixed terms of repayment. During the three month period ended March 31, 2009, the Company repaid advances of \$177,803 to PDX.

See note 2.

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**Pelangio Exploration Inc.**  
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**Notes to the Unaudited Interim Consolidated Financial Statements**

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March 31, 2009

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**12. Commitments**

The Company is committed to spending \$110,000 on exploration costs during 2009 as part of the flow-through funding agreement completed during the period ended March 31, 2009.

**13. Supplemental information**

	<b>2009</b>	<b>2008</b>
	\$	\$
Interest paid	5,250	-

**14. Income taxes**

Provisions for income taxes

Major items causing the Company's income tax rate to differ from the combined Canadian Federal and Provincial statutory income tax rate of approximately 33% (2008 - 33.5%) approximate the following:

	<b>2009</b>	<b>2008</b>
	\$	\$
<b>Income (loss) before income taxes</b>	<b>13,982</b>	<b>(171,010)</b>
Expected income tax expense (benefit) based on statutory rates	5,000	(57,000)
Tax deferred portion of gain on disposal of mineral properties	(81,000)	-
Stock-based compensation	6,000	24,000
Rate change	2,000	-
Share issue costs	(13,000)	-
Unrealized gain on marketable securities	131,000	-
Other	44,000	7,000
Change in valuation allowance	(113,000)	-
<b>Future income tax expense (benefit)</b>	<b>(19,000)</b>	<b>(26,000)</b>

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**Pelangio Exploration Inc.**  
**(A Development Stage Company)**

**Notes to the Unaudited Interim Consolidated Financial Statements**

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March 31, 2009

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**15. Segmented information**

The Company operates in one industry, that being exploration and development of mineral properties. Geographic breakdown of equipment is as follows:

Canada	\$30,480	(2008 - \$30,676)
Ghana, Africa	\$60,089	(2008 - \$64,809)

**16. Subsequent events**

**(a) Marketable Securities Disposal**

Subsequent to March 31, 2009 the Company disposed of 10,000 shares of Detour valued at \$28,767 for net proceeds of \$104,925. The proceeds of this disposition will be used for working capital purposes.

**(b) Amendment of Page Lake Option Agreement**

Subsequent to March 31, 2009, the option agreement covering the Page Lake property was amended. Under the terms of the original option agreement, the Company was required to spend \$536,000 on the property, and over a period of four years, pay the optioners a total of \$120,000 and issue a total of 24,000 common shares of PDX. PDX issued 6,000 common shares and expended \$86,000 on the property prior to the Company's assumption of the original agreement on September 6, 2008. Pursuant to the amendment to the original agreement, the Company is required over the next three years to spend \$450,000 on the property, pay the optioners a total of \$120,000 and issue a total of 464,976 common shares in order to obtain a 100% interest in the property.

**(c) Option Payments**

On May 8, 2009, the Company made the second payment totaling \$12,000 and issued 64,968 common shares valued at \$17,866 to the vendors of the Page Lake Property.

## **PELANGIO EXPLORATION INC.**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Management's discussion and analysis ("MD&A") of the consolidated operating results and financial condition of Pelangio Exploration Inc. (the "Company", "Pelangio", "us", "we", "our" or similar terms) for the three months ended March 31, 2009 has been prepared based on information available to Pelangio as of May 26, 2009, and should be read in conjunction with the interim consolidated financial statements and the related notes for the three months ended March 31, 2009 and 2008, the audited consolidated financial statements and the related notes for the years ended December 31, 2008 and December 31, 2007 and the MD&A for the year ended December 31, 2008. The audited financial statements for the year ended December 31, 2007 are those for the Pelangio Exploration Business (as hereinafter defined). The consolidated financial statements and the related notes have been prepared in accordance with Canadian generally accepted accounting principles. All dollar amounts referred to in this MD&A are expressed in Canadian dollars, unless noted otherwise.

Certain statements herein, including all statements that are not historical facts, contain forward-looking statements and forward-looking information within the meaning of applicable securities laws. Such forward-looking statements or information include but are not limited to statements or information with respect to:

- the exploration and development of our properties in Obuasi, Ghana (the "Ghana Properties") and Canada (the "Canadian Properties");
- our future business and strategies;
- requirements for additional capital and future financing;
- future price of gold; and
- estimated future working capital, funds available, and uses of funds, and future capital expenditures, exploration expenditures and other expense for specific operations.

Often, but not always, forward-looking statements or information can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate" or "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. With respect to forward-looking statements and information contained herein, we have made numerous assumptions including among other things, the price of gold. Although our management believes that the assumptions made and the expectations represented by such statement or information are reasonable, there can be no assurance that a forward-looking statement or information referenced herein will prove to be accurate. Forward-looking statements and information by their nature are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statement or information. Such risks, uncertainties and other factors include, among other things, the following:

- our ability to advance the Ghana Properties and the Canadian Properties;
- gold price volatility;
- speculative nature of gold exploration;
- inherent uncertainties in estimating mineral resources;
- regulatory restrictions; and
- defective title to mineral claims or property,

as well as those factors discussed under "Risk Factors" in our MD&A for the year ended December 31, 2008.

Although we have attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in the forward-looking statements or information, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. Also, many of the factors are beyond the control of Pelangio. Forward-looking statements and forward-looking information are based upon management's beliefs, estimates and opinions at the time they are made. There can be no assurance that forward-looking statements or information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements or information. Accordingly, readers should not place undue reliance on forward-looking statements or information. We undertake no obligation to reissue or update any forward-looking statements or information as a result of new information or events after the date hereof except as may be required by law. All forward-looking statements and information herein are qualified by this cautionary statement.

Disclosure of a scientific or technical nature regarding the Ghana Properties was prepared by or under the supervision of Chris Pegg, P. Geo., a qualified person within the meaning of National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101"). Disclosure of a scientific or technical nature regarding the Canadian Properties was prepared by or under the supervision of Warren Bates, P. Geo., a qualified person within the meaning of NI 43-101.

## **1. CORPORATE OVERVIEW**

Pelangio is a Canadian junior gold exploration company active in two of the top-ranked mining jurisdictions in the world, Canada and Ghana. Pelangio focuses on the acquisition and exploration of under-valued or early stage exploration prospects located in world-class gold belts, and aims to make discoveries that will significantly increase shareholder value.

We entered into an arrangement agreement on March 17, 2008, as amended and restated on May 20, 2008 and June 19, 2008 (the "Arrangement Agreement"), with Pelangio Mines Inc. ("Mines"), pursuant to which Mines agreed, subject to the approval of its shareholders, to transfer all of its assets, other than 19 million common shares ("Detour Shares") of Detour Gold Corporation ("Detour") and \$500,000 (collectively, the "Pelangio Exploration Business"), to us (the "Arrangement"). The Arrangement was approved by the shareholders of Mines on April 22, 2008 and was effected on September 6, 2008 (the "Effective Date"). The property transferred to Pelangio included Mines' interests in the Ghana Properties and the Canadian Properties, one million Detour Shares and approximately \$1.1 million. In connection with the Arrangement, Mines changed its name to "PDX Resources Inc." ("PDX Resources").

On the Effective Date, each shareholder of Mines received one common share of Pelangio and one common share of PDX Resources for each common share of Mines held prior to the Effective Date. Subsequently, PDX Resources amalgamated with a subsidiary of Detour and the amalgamated corporation was dissolved.

All references to Mines herein mean Mines as it was prior to the Effective Date. The consolidated financial and other information of the Company issued subsequent to the Effective Date may not be comparable with the consolidated financial information of Mines relating to the Pelangio Exploration Business. The Pelangio Exploration Business did not operate as a stand-alone entity and there is no assurance that had it done so, the results would have been the same. Furthermore, such results may not be comparable to our results due to differences in our corporate and financial structure from that of Mines. Accordingly, the discussion and analysis of our financial condition and results of operations and those related to the Pelangio Exploration Business, including any comparisons, should be reviewed with caution

Pelangio is a reporting issuer in Ontario, Alberta, British Columbia and Nova Scotia and our common shares commenced trading on the TSX Venture Exchange ("TSX-V") on September 10, 2008 under the symbol PX.

## **2. OPERATING AND FINANCIAL STRATEGIES**

Our strategy is to seek partners for, or to sell an interest in, promising exploration properties that are reaching the late-exploration or development stage while maintaining upside exposure to resource expansion and potential new discoveries. We model this strategy on the January 2007 transaction in which Mines sold the Detour Lake Property for an equity interest in Detour, thus retaining upside exposure to the Detour Lake Project through the late-stage exploration phase.

Additionally, as of May 26, 2009 we hold 290,000 Detour Shares for investment and working capital purposes. During the first quarter of 2009, we sold 34,900 Detour Shares at an average price of \$8.42 per Detour Share for net proceeds after transaction expenses of \$291,494. During the second quarter to date, we sold a further 10,000 Detour Shares at an average price of approximately \$10.57 per Detour Share for net proceeds after transaction expenses of \$104,925.

We acquired a total of one million Detour Shares from PDX Resources on the Effective Date. Pursuant to the provisions of Section 85 of the *Income Tax Act* (Canada), we and PDX Resources jointly elected to have this transaction occur at the fair market value of \$11.90 per Detour Share. Accordingly, disposals of Detour Shares at prices below \$11.90 per share will not give rise to any corporate income tax liability. In addition, we realized capital losses for income tax purposes of approximately \$5,097,000 as a result of the disposals outlined above and in 2008, which may be used to offset any capital gains realized in the future.

We will review our alternatives in respect of the remainder of our holding of Detour Shares in the future as investment conditions warrant, and may from time to time sell some of such holding into the market to raise funds for exploration, property acquisitions and general corporate purposes.

## **3. PROPERTY DESCRIPTION AND PLANS**

### **Ghana Properties**

In November 2005, certain of Mines' then subsidiaries acquired options to acquire 100% (subject to a 2% royalty interest and a 10% interest held by the Ghanaian government) of a major land position adjacent to AngloGold Ashanti's Obuasi gold mine in southwest Ghana, West Africa. The optioned property consisted of the Kyereboso #2, Kyereboso #3, Meduma and New Edubiase (which was subsequently dropped, as described below) concessions, which were acquired from three private Ghanaian corporations. The Kyereboso #2, Kyereboso #3 and Meduma concessions are referred to as the Obuasi Property. The Obuasi Property covers approximately 290 square kilometres and is located within the prolific 300-kilometre long Ashanti Gold Belt. The option agreements governing the Obuasi Property are available under Pelangio's profile on [www.sedar.com](http://www.sedar.com).

In 2006, Mines made the first payment totaling US\$300,000 and 3,000,000 common shares of Mines to all three of the vendors and on June 19, 2007 made the second payments totaling US\$225,000 and 2,225,000 common shares of Mines to only two of the vendors. The cash payment and share issuance required to maintain the option on the New Edubiase concession were not made, following a decision not to continue exploration efforts on this ground. During the third quarter of 2007, Mines received notice that New Edubiase Goldfields Limited (the vendor of the New Edubiase property) is expecting payment. Pelangio does not expect to make such payment.

On March 3, 2008, Mines made the third payment totaling US\$150,000 and 1,500,000 common shares to the two remaining vendors of the Obuasi Property and acquired a 51% interest in the Obuasi Property. The third payment was made early pursuant to amendments to the option agreements (the "Option Amendments") in respect of the Obuasi Property which Mines negotiated with such vendors. The Option Amendments additionally provided that the common shares to be issued and cash to be paid to acquire the remaining 49% of the Obuasi Property (totaling US\$2.25 million and 6,000,000 common shares) would be common shares of Pelangio, rather than Mines. Should Pelangio choose to exercise its option to acquire the remaining 49%, it will make the first of the required payments (totaling US\$750,000 and 6,000,000 common shares of Pelangio) on or about June 19, 2009.

The common shares of Pelangio Mines (B) Inc., the former subsidiary of Mines that is the indirect holder of the interests in the Obuasi Property, were transferred to Pelangio on the Effective Date pursuant to the terms and conditions of the Arrangement.

### *Exploration Activities*

As described above, Mines transferred the Pelangio Exploration Business to Pelangio on the Effective Date. All work conducted on the Company's Ghana Properties and Canadian Properties prior to the Effective Date was conducted by Mines, while Pelangio conducted all work on the Ghana Properties and Canadian Properties subsequent to the Effective Date.

### **Obuasi Property**

#### *Surveying and Prospecting Programs*

Detailed geological mapping and prospecting programs continued on the Obuasi Property during the first quarter of 2009 in nine target areas in the Anyinabrim (Main Mine Trend), Dinkyie (Gyabunsu Trend) and Brofoyeduru (Central Trend) areas. Prospecting programs in these areas collected 457 rock grab samples for gold analysis. Additionally, 32.9 kilometres of grid lines were cut to extend grid areas at Dinkyie, Old Akrofuom and Big Bend. Nine trenches totaling approximately 117 lineal metres were completed and sampled. The Company also conducted 1,119 metres of soil augering in 556 holes in the Dinkyie and Old Akrofuom areas, as well as 238 metres of RC (reverse circulation) drilling in six holes in three areas near Old Akrofuom. VLF-EM surveying on the Mount Kate extension grid was completed for 10.95 line-kilometres and 486 MMI soil survey samples from the extension were dispatched for analysis.

#### *VTEM Airborne Geophysical Survey*

Pelangio's primary exploration focus has consistently been the 10 kilometre portion of the Main Obuasi Trend that extends onto our property, which may hold the best exploration potential. The 2007 versatile time electromagnetic ("VTEM") airborne geophysical survey conducted by Mines enabled the Company to identify further potential targets on this trend. The analysis of the 2007 VTEM survey, combined with MMI surveying conducted on the trend, confirms the presence on our concessions of conductors that are also seen in the Obuasi Mine. The VTEM analysis identified two, high priority, large single peak response targets, indicating the potential for thick near-vertical mineral bodies consistent with the ore bodies currently being mined at the Obuasi Mine. These anomalies, both in excess of 2.5 kilometres in length along strike, are located on the Anyinabirim and Mount Kate targets. Our proposed 2009 drilling program will primarily focus on targets developed from the 2007 VTEM survey.

The results and interpretation of the 2007 VTEM survey, which covered some 30% of the surface area of the project, suggested that the remainder of the project should be flown in a similar manner. During March 2009, we made logistical preparations for a VTEM survey of the remainder of the property. We commenced a 1,950 line kilometre aerial survey covering approximately 95% of the remainder of the property during the second quarter. The purpose of the survey is to determine the exact location of the Main Obuasi Trend as it crosses the remainder of the Obuasi Property. As previously, the program will serve as a structural mapping tool to define sheared argillites similar to those that host gold at the Obuasi Mine. The results and interpretation of the survey are pending.

#### *Second Quarter 2009 Outlook*

Pelangio expects to conduct the following exploration programs on the Obuasi Property during the second quarter of 2009:

- review the analysis and interpretation of the 2009 VTEM aerial survey;
- prospect and mapping of 12 target areas, eight along the Main Obuasi Trend;
- conduct a project review following the receipt of geophysical data in the early third quarter; and

- plan the proposed 5,000 metre to 7,000 metre diamond drilling program commencing in the third quarter.

### **Canadian Properties**

The Canadian Properties comprise the Seeley Lake and Page Lake Properties, the Manitouwadge Property, the Birch Lake Property and the Black Property, all of which are located in Ontario, Canada.

#### *Birch Lake Property*

We currently own 100% of the Birch Lake Property, which comprises 28 contiguous unpatented mining claims (1,120 acres) located in the Keigat Lake area, approximately 120 kilometres northeast of Red Lake, Ontario. The property is subject to an underlying agreement whereby Goldcorp retains a 2% NSR on all of the claims. There are currently no obligations to Goldcorp other than payment of the royalty on production.

The Birch Lake Property was explored by Trade Winds Ventures Inc. ("Trade Winds") during 2004 and 2005 under the terms of an option agreement between Trade Winds and Mines. Trade Winds' drilling programs returned a number of high-grade intercepts, which we intend to follow-up during the third and fourth quarters of 2009. The best assay results included: 115.89 g/t gold over 2.90 metres (est. true width 1.86 metres) from 239.35 to 242.10 metres (TWBL-096); and 21.22 g/t gold over 2.35 metres (est. true width 1.51 metres) and 229.96 g/t gold over 2.45 metres (est. true width 1.58 metres) between 300 and 360 metres (TWBL-097)

We did not conduct any exploration on the Birch Lake Property during the first quarter of 2009, as conditions in the area require significant amounts of ice for drill-rig operation. We expect to conduct surveying and prospecting on the property during the second quarter of 2009, with the intention of completing a drill program during the fourth quarter of 2009 and first quarter of 2010.

#### *Seeley Lake and Page Lake Properties*

We currently own 100% of the Seeley Lake Property, which comprises 19 contiguous unpatented mining claims (760 acres) located within the Seeley Lake and Page Lake areas, approximately 14 kilometres northeast of Marathon, Ontario. There are no underlying royalties pertaining to this property. We did not conduct any exploration activities on the property during the first quarter of 2009.

Mines entered into an option agreement on May 8, 2008, which we assumed on the Effective Date and amended on May 7, 2009, in respect of the Page Lake Property which entitles us to acquire a 100% interest in the property. The property comprises 18 claims, 215 units or 3,440 hectares, and is located in the Page Lake Area in the Thunder Bay Mining Division, Ontario. The property is host to a number of untested gold showings (Page Lake and Khuner showings) immediately north of the Seeley Lake Property. As well as gold showings, the project hosts several newly discovered polymetallic base metal occurrences, with zinc grades from grab samples ranging from 4% to 11%. Several molybdenum occurrences also exist. We plan to complete a prospecting and geochemical sampling program on the Seeley Lake and Page Lake properties during the second and third quarter of 2009.

Under the terms of the option agreement, as amended, we may acquire a 100% interest by spending \$536,000 on the property, making cash payments totaling \$120,000 and issuing a total of 470,976 common shares to the vendors, with such payments to be made on specified dates within four years after May 8, 2008. Mines made the first payment of 6,000 common shares of Mines to the vendors under the option agreement and spent \$86,000 on the property prior to the Effective Date. We made the second payment, totaling \$12,000 and 64,968 Common Shares, during the second quarter of 2009 and have the option to make the remainder of the payments and expenditures.

### *Manitouwadge Property*

We entered into an option agreement on September 15, 2008 with certain vendors to acquire a 100% interest in the Manitouwadge Property. The Manitouwadge Property encompasses (i) the Moshkinabi property, comprising 14 claims, 110 units, 1,760 hectares, located in the Herbert and Roberta Townships of the Thunder Bay Mining Division, Ontario (the "Moshkinabi Property"), and (ii) the Fairies Lake and Rawluk properties, comprising 10 claims, 83 units and 1,328 hectares, located in Cecil Township of the Thunder Bay Mining Division, Ontario (the "Fairies Properties"). We did not conduct any exploration activities on the property during the first quarter of 2009.

The Moshkinabi Property is host to a polymetallic Ni, Cu, and Pt/Pd rich massive sulphide unit hosted in a metamorphosed suite of volcanics overlain by a sulphide rich ultramafic unit that can be traced along a strike of two kilometres. Grab samples taken by the Company returned values of up to 3.9 g/t combined Pt/Pd accompanied by up to 1% Cu and 0.2% Ni. All information at this stage indicates good potential for both bulk tonnage Cu-PGM and massive sulphide Ni-Cu type deposits.

The Fairies Properties are both host to Cu and gold massive sulphide showings. The general setting and environment of the Fairies Properties indicates good potential for massive sulphide deposits.

Under the terms of the option agreement in respect of the Manitouwadge Property, the Company may acquire a 100% interest in the property by making payments totaling \$385,000 to the vendors, with such payments to be made on specified dates within four years after the execution of the option agreement. The vendors have been paid \$47,000 to date.

### *Black Township Property*

We currently own 100% of the Black Township Property, which includes four contiguous leased mining claims (160 acres) and two staked claims (approximately 480 acres) located in Black Township approximately 100 road kilometres east of Timmins, Ontario. Taxes for this project have been paid in full. There are no underlying royalties pertaining to this property. We did not conduct any exploration activities on the property during the first quarter of 2009.

### *Other Canadian Properties and Royalties*

We currently own a number of other Canadian properties, as shown in the following chart:

	<b>Lartic Gold</b>	<b>Poirier Gold</b>	<b>Thunder Gold</b>
Location	4 kilometres west northwest of Malartic, Quebec	22 kilometres west of Timmins, Ontario	20 kilometres west of Timmins, Ontario
Size	9 claims (900 acres)	2 claims (160 acres)	3 claims (120 acres) <sup>(1)</sup>
Pelangio Interest	100%	100%	100%
Underlying Royalty	None	2% to vendor	2% to vendors and \$1000 per year advance royalty

**Notes:**

(1) Pelangio is in the process of converting these claims into leases.

We also own the following royalties and carried interest in a number of Canadian properties as shown in the table below.

Matheson West and East	1% NSR can be purchased by Matamec Explorations Inc. for \$1,000,000 and 100,000 common shares of Matamec
Simon Copper Project	1% NSR on future production
Stoughton Staz	10% participating interest carried to bankable feasibility
Mord	1.5% NSR (provided Pelangio exercises right to buy back 1% for 100,000 shares of Pelangio)
Ross/Guibord	1% NSR

#### **4. LIQUIDITY AND CAPITAL RESOURCES**

Our activities consist of the exploration and evaluation of our various properties, a process that is ongoing, and is dependent on many factors, some of which are beyond our control. We maintain a policy of reviewing our working capital requirements on a monthly basis and are mindful of our property and administrative commitments.

During the three months ended March 31, 2009 we issued 11,950,000 shares for net proceeds of \$1,154,590 pursuant to a private placement. The private placement comprised 1,100,000 flow-through shares at \$0.10 per share and 10,850,000 units at \$0.10 per unit. Each unit comprised one common share and a warrant to acquire one common share at \$0.20 per common share prior to the earlier of (i) the 30<sup>th</sup> day after receiving notice from the Company that the volume weighted average price of the common shares has been equal to or greater than \$0.40 for a period of 20 consecutive trading days, and (ii) February 27, 2011. No other common shares were issued for cash during the period.

Our exploration activities during the period totaled \$316,755, of which \$311,427 was spent on our Obuasi Property.

In Ghana, the significant components of costs were as follows:

Assaying	\$ 188,089
Geologists and contract workers	\$ 48,391
Geophysics and geochemistry	\$ 146,683
Drilling	\$ 18,283

The balance was incurred on vehicles, meals, housing and related support costs.

Mineral property costs of \$1,122 were incurred in the period to maintain the Company's property interests.

General and administrative cash costs for the first quarter of 2009 totaled \$153,541.

As at March 31, 2009, Pelangio had working capital of \$4,223,639 compared to \$2,762,554 at December 31, 2008. Working capital has increased due to the funds raised by the issuance of common shares and the increase in value of the Detour Shares held by the Company.

During the first quarter of 2008 expenditures on mineral properties and deferred exploration totaled \$913,037. Of these expenditures, \$176,679 was spent on Black Township, \$310,626 was spent on Seeley Lake and \$408,778 was spent on the Ghana Properties.

## **5. FINANCIAL RESULTS OF OPERATIONS**

### **Selected Annual and Year to Date Information**

	1st Quarter 2009	2008	2007	2006
	\$	\$	\$	\$
Total revenues	473	13,817	7,048	49,769
Net income (loss)	32,982	72,439	5,134,585	94,114
Income (loss) per share				
– Basic	0.00	0.00	n/a	n/a
– Diluted	0.00	0.00	n/a	n/a
Total assets	25,246,662	24,002,130	24,506,046	7,723,335

The comparative figures provided for the year ended December 31, 2006 are taken from the carve-out financial statements in the Management Information Circular of Mines dated March 19, 2008.

We do not own any interests in producing mineral properties or have any other revenue generating activities. The only source of revenue is from interest earned on cash and term deposits. We spend money on evaluating, acquiring and exploring mineral properties and on general and administrative costs associated with maintaining a public company.

### **Results of Operations**

The Company's net income for the period ended March 31, 2009 was \$32,982 compared to a net loss of \$145,010 for the same period in 2008. This decrease is primarily attributable to the gain of \$191,096 on the sale of shares of Detour realized in 2009.

General and administrative expenses for the period ended March 31, 2009 totaled \$177,587, an increase of \$3,861 from the 2008 expenditures of \$173,726. The value attributed to stock-based compensation for employee stock options vested in the period ended March 31, 2009 was \$18,027, compared to \$72,751 in the period ended March 31, 2008. This decrease is reflective of the higher trading value of the common shares during the period ended March 31, 2008.

Office and general increased by \$26,348 to \$33,010 in the period ended March 31, 2009 from \$6,662 in the period ended March 31, 2008. Investor relations increased by \$10,308 to \$21,658 in the period ended March 31, 2009 from \$11,350 in the period ended March 31, 2008. Professional fees increased by \$14,538 to \$35,493 in the period ended March 31, 2009 from \$20,955 in the period ended March 31, 2008. These increases resulted from the Company's increased activities due to higher prevailing gold prices.

A foreign exchange loss of \$10,890 was realized as a result of the movement of the Canadian dollar against the American dollar during the period ended March 31, 2009. Interest of \$5,250 was paid in the period ended March 31, 2009 on funds advanced by PDX Resources to the Company. There were no similar events during the period ended March 31, 2008.

All other significant changes in administrative costs were as a result of the sharing of costs between PDX Resources and the Company during the period ended March 31, 2008.

### **Summary of Quarterly Results**

Comparable quarterly results for the Company are not available as the Company was not a reporting issuer prior to the Effective Date.

During the first quarter of 2009, the Company issued 1,100,000 flow-through common shares for net proceeds of \$110,000 and 10,850,000 units (each comprising one common share and one warrant to purchase one common share) for net proceeds of \$1,044,590.

## **6. CRITICAL ACCOUNTING ESTIMATES**

The presentation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reported period. Such estimates and assumptions affect the carrying value of assets, impact decisions as to when exploration and development costs should be capitalized or expensed, and estimates for asset retirement obligations and reclamation costs. Other significant estimates made by Pelangio include factors affecting the valuations of stock based compensation, and the valuation of tax accounts. Pelangio regularly reviews its estimates and assumptions. Actual results could differ from these estimates and these differences could be material.

## **7. CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION**

### **Flow-through Financing**

The Company has financed a portion of its exploration activities through the issue of flow-through shares, which transfer the tax deductibility of exploration expenditures to the investor. Proceeds received on the issue of such shares have been credited to capital stock and the related exploration costs have been charged to mineral properties. Resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. When these expenditures are renounced, temporary taxable differences created by the renunciation will reduce share capital.

The Company indemnifies the subscribers of flow-through shares from any tax consequences arising from the failure of the Company to meet its commitments under flow-through subscription agreements.

### **Credit Risk and the Fair Value of Financial Assets and Financial Liabilities**

In January 2009, the Emerging Issues Committee of the CICA issued EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities", which establishes that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. This EIC should be applied to interim and annual financial statements for periods ending on or after January 20, 2009. The adoption of this abstract had no impact on the Company's presentation of its financial position or results of operations as at and for the period ended March 31, 2009.

### **Mining Exploration Costs**

On March 27, 2009, the Emerging Issues Committee of the CICA approved an abstract EIC-174, "Mining Exploration Costs", which provides guidance on capitalization of exploration costs related to mining properties in particular, and on impairment of long-lived assets in general. The adoption of this abstract had no impact on the Company's presentation of its financial position or results of operations as at March 31, 2009.

### **Future Accounting Changes**

#### *International Financial Reporting Standards ("IFRS")*

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly listed companies to use IFRS, replacing Canadian GAAP. The effective date is for the Company's interim and annual financial statements for the year beginning January 1,

2011. The transition date will require the restatement for comparative purposes of amounts reported by the Company for the prior year.

The Company is in the process of assessing the differences between IFRS and the Company's current accounting policies, as well as the alternatives available upon adoption. The Company continues to monitor standards development as issued by the International Accounting Standards Board and the AcSB as well as regulatory developments as issued by the Canadian Securities Administration. IFRS accounting standards, their associated interpretation, are continuously evolving and therefore the Company's accounting policies are subject to change through 2011. In addition, for all accounting policy changes identified, the Company will assess control design and effectiveness implications. The Company cannot currently determine the quantitative impact of the anticipated changes associated with the adoption of IFRS.

## **8. OFF BALANCE SHEET ARRANGEMENTS**

Pelangio has not entered into any off balance sheet arrangements.

## **9. RELATED PARTY TRANSACTIONS**

	Three months ended March 31,	
	2009	2008
	\$	\$
With a corporation controlled by the President of the Company		
Rent	1,200	1,434
Expenditures with a Partnership in which an Officer of the Company is a Partner		
Legal Fees	-	5,797
With a partnership in which an officer of the Company is a partner		
Accounting services	20,685	-

These transactions with related parties were in the normal course of operations and were measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

## **10. FINANCIAL INSTRUMENTS**

### **Fair value of financial instruments**

Canadian generally accepted accounting principles require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying amounts for amounts receivable, marketable securities and accounts payable and accrued liabilities on the balance sheet approximate fair market value because of the limited term of these instruments. The fair value of advances from PDX Resources cannot be determined as no comparative market instrument exists. As at March 31, 2009, the Company's marketable securities are recorded at their quoted market value.

### **Commodity price risk**

The ability of the Company to develop its properties and the future profitability of the Company is directly related to fluctuations in the market price of certain minerals.

### **Foreign exchange risk**

The Company is subject to foreign exchange risk as some of its operating and investing activities are transacted in currencies other than the Canadian dollar including the US dollar and the Ghanaian cedi. The Company is therefore subject to gains and losses due to fluctuations in these currencies relative to the Canadian dollar.

### **Market risk**

Market risk is the risk that a change in market prices, interest rate levels, indices, liquidity and other market factors will result in losses. The Company is exposed to market risk as a result of its large holdings in marketable securities. Securities classified as available for sale are valued at market and as such, changes in market value affect comprehensive income as they occur.

## **11. OUTSTANDING SHARE DATA**

As of May 26, 2009, Pelangio has issued one class of common shares and a total of 85,902,338 shares are issued and outstanding. Stock options outstanding as of May 26, 2009 totaled 4,235,000 and are exercisable for common shares at prices ranging from \$0.10 per share to \$0.54 per share. Warrants to purchase common shares at an exercise price of \$0.20 per share outstanding as of May 26, 2009 totaled 10,850,000 and will expire unless exercised prior to the earlier of (i) the 30th day after receiving notice from the Company that the volume weighted average price of the common shares has been equal to or greater than \$0.40 for a period of twenty (20) consecutive trading days, and (ii) February 27, 2011.

## **12. SUBSEQUENT EVENTS**

### *(a) Marketable Securities Disposal*

Subsequent to the period end the Company disposed of 10,000 shares of Detour for net proceeds of \$104,925. The proceeds of this disposition will be used for working capital purposes.

### *(b) Amendment of Page Lake Option Agreement*

Subsequent to the period end, the option agreement covering the Page Lake property was amended. Under the terms of the original option agreement, the Company was required to spend \$536,000 on the property and, over a period of four years, pay the optionors a total of \$120,000 and issue a total of 24,000 common shares of PDX. PDX issued 6,000 common shares and expended \$86,000 on the property prior to the Company's assumption of the original agreement on September 6, 2008. Pursuant to the amendment to the original agreement, the Company is required over the next three years to spend \$450,000 on the property, pay the optionors a total of \$120,000 and issue a total of 464,976 common shares in order to obtain a 100% interest in the property

### *(c) Payment and Issuance of Shares Pursuant to Page Lake Option Agreement, as amended*

Subsequent to the period end, the Company paid \$12,000 and issued 64,968 common shares valued at \$17,866 to certain individuals pursuant to the option agreement, as amended, in respect of the Page Lake property.

## **13. ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE**

The balance of Mining Properties and Deferred Exploration Expenditures increased to \$20,809,687 on March 31, 2009 (December 31, 2008 – \$20,635,810), details of which are provided in the consolidated financial statements.

## **14. ADDITIONAL INFORMATION**

Additional information about the Company is available at [www.sedar.com](http://www.sedar.com) under the name Pelangio Exploration Inc.