

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, 2010 has been prepared based on information available to Pelangio as of May 27, 2010, and should be read in conjunction with the interim consolidated financial statements and the related notes for the three months ended March 31, 2010 and 2009, the audited consolidated financial statements and the related notes for the years ended December 31, 2009 and December 31, 2008 and the MD&A for the year ended December 31, 2009. 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, 2009.

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 and the Canadian Properties was prepared by or under the supervision of Warren Bates, P. Geo., a qualified person within the meaning of National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("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.

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 March 31, 2010 we held 100,000 Detour Shares for investment and working capital purposes. Subsequent to the end of the period, we sold 55,000 Detour Shares at an average price of \$22.81 per Detour Share for net proceeds after transaction expenses of \$1,250,757 and currently continue to hold 45,000 Detour Shares for investment and working capital purposes.

We acquired a total of one million Detour Shares upon the Company's spin-off from PDX Resources Inc. ("PDX Resources") on September 6, 2008. 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 (currently totaling \$5,179,243) as a result of previous disposals of Detour Shares, 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.

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 Mines' 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. The original due date of the first payments in respect of the options to acquire the remaining 49% of the Obuasi Property was 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.

During of the third quarter of 2009, we made the first payments and share issuances to acquire the remaining 49% of the Obuasi Property to the vendors, totaling in the aggregate US\$750,000 and 6,000,000 common shares. Pursuant to the terms of the option agreements, as amended, we will be required to make a further two payments of US\$750,000 each on or before June 19, 2010 and June 19, 2011, respectively, following which we will hold a 100% interest in the Obuasi Property (subject to a 10% free carried interest granted to the government of Ghana when a project proceeds to the exploitation phase, as stipulated in Clause 43, The Minerals and Mining Act 703 of 2006).

Exploration Activities

Obuasi Property

Regional and Local Geology

The Obuasi Property is located in southwest Ghana, within the Ashanti Volcanic Belt and in proximity to the world-class Obuasi gold mine and Akyem gold deposit. This area represents one of the most significant Proterozoic gold belts in the world.

The geology of southwest Ghana is dominated by Birimian Supergroup sedimentary and volcanic rocks, Tarkwaian Group sedimentary rocks, and various granitoid intrusions. Felsic intrusions are subdivided into two types: belt type (Dixcove) granitoids and basin type (Cape Coast) granitoids.

The Birimian Supergroup rocks of Ghana are characterized by northeast striking mafic volcanic belts separated from intervening sedimentary (dominantly turbiditic) basins by major faults that probably controlled early syn-Birimian

sedimentary basin down-faulting. Tarkwaian sedimentary rocks include conglomerate, various quartzose and arkosic sandstone, siltstone, and minor shale units that are generally confined to Birimian volcanic belts where they occur as either fault-bounded slices or as unconformably overlying sedimentary rocks.

Proterozoic rocks have undergone two discrete orogenesis cycles. An earlier “Eburnian I” orogeny, associated with the eruption of the Birimian metavolcanic rocks, intrusion of Belt type granitoids, and associated metamorphism between ca. 2,200 and 2,150 Ma. Regional northwest-southeast extension and formation of the Tarkwaian sedimentary basins followed the Eburnian I orogeny, between ca. 2,150 and 2,116 Ma. The later “Eburnian II” orogeny involved deformation, metamorphism of Birimian and Tarkwaian rocks, and intrusion of Basin type felsic intrusions between 2,116 and 2,088 Ma.

The Obuasi Property is located within the north central portion of the Ashanti Volcanic Belt. The structural patterns of this portion of the belt are well imaged by airborne magnetic data. In general, Tarkwaian rock units and dolerite intrusions are characterized by high magnetic susceptibility defining sharp magnetic signatures whereas Birimian sedimentary and volcanic rocks are characterized by comparatively more subtle magnetic patterns. Granitic rocks exhibit varied magnetic signatures, but in this portion of the Ashanti Belt they exhibit more uniform patterns contrasting with that of Birimian and Tarkwaian rocks.

South of the Obuasi Property, the Tarkwaian and Birimian rocks units generally trend north-easterly. In the concessions area, the rock units exhibit a strong easterly bend over several tens of kilometres before resuming their regional north-easterly trend farther to the north. The apex of this regional asymmetric structure is characterized by several north-northwest-trending highly magnetic dolerite dikes probably intruded along regional faults.

According to the Ghana Geological Survey maps, Randgold Resources Limited’s (or Randgold) and our field data, the Kyereboso #2 and #3 and Meduma concessions straddle the northwest contact of the Ashanti Volcanic Belt and are underlain by alternating bands of Tarkwaian and Birimian sedimentary rocks separated by narrow belts of Birimian volcanic rocks or dolerite intrusions. A belt-type felsic pluton intrudes the Birimian sedimentary and volcanic rocks in the northern portion of the concessions. Reconnaissance mapping by Randgold reports discontinuous graphitic shear zones in the western parts of the Kyereboso #2 concession. This geological and structural setting is considered similar to that at AngloGold Ashanti’s Obuasi Mine.

Local Mineralization

Two broad styles of gold mineralization are present in southwest Ghana: (a) paleo-placer disseminated gold deposits hosted in Tarkwaian conglomerate, and (b) structurally controlled lode gold deposits hosted in a wide range of lithologies. Paleo-placer deposits occur predominantly in the southern portion of the Ashanti Gold Belt.

Structurally-controlled gold deposits are predominantly hosted in Birimian sedimentary rock, often close to major lithological contacts with either Birimian volcanic or Tarkwaian sedimentary rocks. The gold mineralization is associated with major northeast striking, five to 40 metres wide graphite-chlorite-sericite fault zones and commonly associated with pervasive silica, carbonate and sulphide hydrothermal alteration.

On a broad regional scale, left stepping flexures along northeast striking fault zones are important for the localization of gold mineralization. Local complexities in stratigraphy and fault geometry associated with major northeast striking faults are also important local controls on the location of better gold mineralization. Two distinct types of gold mineralization are recognized: quartz vein free-milling gold lodes and sulphide-rich (arsenopyrite) disseminated refractory gold lodes which are interpreted to form alteration haloes around the quartz vein lodes.

The gold mineralization in the Obuasi district is associated with prominent shear zones characterized by graphite and sulphide mineralization, quartz-veining and attendant hydrothermal alteration and typically located at or near major lithological contacts between Birimian and Tarkwaian rocks. More specifically, it is recognized that the fault architecture plays an important role in the location of gold mineralization. A mafic volcanic horizon is the structural footwall to mineralization at Obuasi. Mineralization at Obuasi is found directly at the north contact of the mafic volcanic-sedimentary contact, or within a zone 500 meters to the west in the Birimian argillite-wacke sequence. The two major faults hosting mineralization are termed the Cote D’Or structure and the Obuasi fissure, respectively.

The conductive nature of the graphitic shear zones has made them a natural structural mapping tool for the Company's ongoing exploration efforts. The Company has also used geochemical surveys using the MMI (mobile metal ion) and BLEG (bulk leach extractable gold) methods, which have been used to locate areas of potential gold mineralization. These methods have demonstrated varying degrees of success to date due to the significant overburden, weathering profile and topography on the property.

First Quarter 2010 Prospecting, Mapping and Surveying

Kyereboso #2

During the first quarter of 2010, the Company completed a program of linecutting, trenching, prospecting, geological mapping and auger sampling on the Kyereboso #2 concession. During this program, the Company completed a total of: 15.8 km of linecutting, 5 new trenches totaling approximately 213 metres, 19 prospecting pits for a total volume of 82 cubic metres, 183 auger holes totaling 1,311 metres, and collected a total of 1,230 auger samples.

The Bura prospect, which was discovered in mid-2009, continued to deliver strong prospecting results from grab and channel sampling during the first quarter of 2010. The Company has discovered a highly silicified and altered field of boulders and outcrop on a strike length delineated to date in excess of 100 metres. The Company collected a total of 66 grab samples from the prospect during the first quarter of 2010. Of those for which assays have been received, 20 graded in excess of 0.5 g/t gold from the area, including five samples grading in excess of 3 g/t gold, with the highest grading 4.6 g/t. Subsequent channel sampling with rock saws collected samples grading (among others) 15 g/t, 9.4 g/t and 7.61 g/t gold, respectively. The Company continues to conduct an intensive prospecting, soil sampling program in the area with the aim of developing a well-defined drill target for the second phase drill program. As the Bura prospect is relatively difficult to access, the Company plans to use a man-portable drill to conduct diamond drilling in the area.

A grid is also planned for the Ayaase area, which will be soil sampled, prospected and mapped during the second quarter. The grid follows up on VTEM anomalies identified in the 2009 airborne program that coincide with gold in soil samples from earlier larger scale grids cut on the property. The area was also host to many favorable structural targets as outlined by SRK Consulting (Canada) ("SRK") in their most recent structural analysis of the area.

Kyereboso #3

During the first quarter of 2010, the Company conducted a mapping, prospecting, sampling and trenching program on the Kyereboso #3 concession, which included: 11 trenches for a total of 135.7 metres, followed up by 2 prospecting pits for a total depth of 4.3 metres. Additionally, the Company completed 48 auger holes totaling 373.3 metres and sent 415 soil and auger samples for analysis. The Company also completed a total of 1.75 kilometres of line cutting in the Big Bend area.

Meduma

During the first quarter of 2010, the Company conducted a mapping, prospecting, sampling and trenching program in the Dinkyie area of the Meduma concession, which included: 2 trenches for a total of 39.2 metres. Additionally, the Company completed 26 auger holes totaling 342.8 metres and sent 108 soil and auger samples for analysis. The Company also completed a total of 2.0 kilometres of line cutting.

Drilling Program During First Quarter 2010

The Company completed its first phase diamond-drilling program on the Obuasi Property early in the second quarter of 2010. The first phase program totaled 32 drill holes (NQ, NQ2+ HQ size) for 9,160 metres, including 17 drill holes for 4,313.5 metres completed during the first quarter of 2010. During the first quarter of 2010, 13 drill holes totaling 3,770.5 metres were drilled on the Kyereboso #2 concession and four drill holes totaling 543 metres were drilled on the Meduma concession. All prospects drilled during the first phase program were located on the Kyereboso #2 concession, other than the Kusa prospect, which is located on the Meduma concession.

During the first phase program, the Company drilled 7 holes totaling 2,758 metres at Mount Kate; 6 holes totaling 1,314 metres at Tikal; 2 holes totaling 590 metres at Big Vein; 3 holes totaling 560 metres at NT1; 4 holes totaling 542.5 metres at Kusa; 4 holes totaling 1,380 metres at Boundary; and 3 holes totaling 864 metres at School House West.

During the first quarter, the Company reported (refer to press release dated January 25, 2010) the results from 12 drill holes totaling 4,205 metres completed during the fourth quarter of 2009 on the Kyereboso #2 concession, which drilling targeted the Mount Kate, Boundary, School House West, and Tikal gold prospects. Subsequent to the period end, the Company reported (refer to press release dated May 28, 2010) the results from a further 20 drill holes totaling 2,955 metres completed during the first quarter and early second quarter on the Kyereboso #2 and Meduma concessions, which drilling targeted the Mount Kate, Tikal, East Copper and Big Vein prospects, all of which are located on the Main Obuasi Mine Trend, as well as the NT 1 and Kusa prospects.

Significant intersections from the first phase drill program included:

- Mount Kate: During the first quarter, the Company reported results from three diamond drill holes totaling 1,416 metres, which were drilled to form a fence along the central portion of a 1.2 kilometre long MMI anomaly in the area and to follow up on structural and geological targets intercepted during the 2008 drilling program. All three holes encountered anomalous mineralization in sheared argillites, which may be considered correlative with productive shears at the Obuasi Mine. Anomalous zones were intersected in drill holes: MK09-01 from 323 to 326 metres depth (0.20 g/t gold over 3.0 metres); MK09-02 from 195 to 199 metres (0.34 g/t gold over 4.0 metres) and 216 to 222 metres (0.38 g/t gold over 6.0 metres); and MK09-03 from 339 to 342 metres (0.23 g/t gold over 3.0 metres through the Cote D'Ivoire structure) and from 397 to 400 metres 0.5 g/t gold over 3.0 metres). The Company reported a further four drill holes totaling 1,230 metres subsequent to the end of the period, which were drilled during the first quarter to test the northern half of the MMI anomaly. The best results were encountered in drill hole PG10-MK-04, which intersected 1.3 g/t gold over 2.0 metres, within a broader intercept of 0.49 g/t gold over 7.0 metres in a broad package of alteration. The drilling at the Mount Kate prospect confirmed the presence of anomalous gold bearing structures correlative with the Obuasi Mine. The mineralization encountered in the first phase program is located at the contact between graphitic, sheared sediments and altered mafic volcanics, which is typical of the geological setting for gold mineralization in the Obuasi Mine. Drilling on the prospect to date has also defined that the Cote D'Or structure, one of the two major faults hosting mineralization at the Obuasi mine, has an orientation of azimuth 20°/60°NW in the area.
- Tikal: During the first quarter, the Company reported the results from two holes drilled in the Tikal prospect, both of which intersected strong sulphide alteration and silicification, the best results of which were: TK09-01, which intersected 2.0 g/t gold over 7.0 metres from 108 to 115 metres depth; and TK09-03, which intersected 1.18 g/t gold over 1.0 metres from 186 to 187 metres depth. The mineralization occurs at the base of a deformed argillite sequence underlain by a greywacke horizon. Three holes were drilled during the first quarter to follow up on these results and reported in subsequent to the end of the period. PG09-TK-02, a 100 metre step out hole to the northeast, intersected the same style of alteration as in hole PG09-TK-01 and intercepted 1.4 g/t gold over 3.0 metres. Drill hole PG09-TK-04, 100 metres along strike to the southwest, intersected the structure, but with very little alteration. The drilling completed to date at Tikal, suggests a shallow northeast plunging zone of mineralization, which remains open to depth.
- Big Vein: During the first quarter, two holes were drilled on the Big Vein prospect from the same collar at -50° and -75° dips. The Company has interpreted that these holes intersected the Obuasi fissure, which is identified by steep north-dipping mafic slivers in a broad argillite-hosted shear zone. Both drill holes displayed strong sericite-pyrite alteration in the mafic volcanic rock. PG09-BV-02 contained a wide zone of anomalous gold averaging 0.34 g/t gold over 22 metres in sheared argillite in the immediate hanging wall of the mafic horizon.
- NT1: During the first quarter, the Company drilled three holes from north to south at 100 metre spacing in an east-west direction stepped 90 metres behind an anomalous drill hole (PG07-NT1-3) completed during the 2007 program. The best results were obtained in drill hole PG10-NT1-81, the easternmost hole, which intercepted a 78 metre interval grading 0.26 g/t gold, including three intersections grading in excess of 1.0 g/t

gold. Anomalous gold mineralization was intersected in Upper Birimian quartzite, immediately south of a regional fault contact between the quartzite and Lower Birimian argillites.

In summary, the first phase drill program on the Obuasi Property successfully provided the geological data necessary to mount effective future drill programs as it:

- encountered the graphitic structures (including the Obuasi and Cote D'Or fissures) and mafic contact associated with gold mineralization at the Obuasi Mine (key features necessary for orienting future drill programs);
- intersected broad zones of alteration at most targets, including significant sericitization and anomalous gold mineralized widths at the Big Vein prospect;
- confirmed gold mineralization along the Main Obuasi Mine Trend on the Obuasi Property;
- confirmed Mount Kate, Big Vein, Tikal, and NT 1 as targets meriting significant further drilling.

Structural Analysis with SRK Consulting (Canada)

The Company continued to refine its structural understanding of the Obuasi Property with the aid of SRK during the first quarter of 2010 to assist in identifying structural targets on the Kyereboso #2 concession. SRK identified 14 prospective structural targets based on its initial review of the 2007 VTEM survey (which focused on the extension of the Obuasi Main Mine Trend and a portion of the Gyabunsu Trend), two of which targets (Boundary and one of the targets defined at Mount Kate) were drilled during the first phase drill program. The remaining 12 targets are being reviewed and/or prepared for drilling during the second phase drill program. The Company expects a second phase of structural targets to be developed based on the 2009 VTEM survey.

Second Quarter 2010 Outlook

Pelangio expects to complete the following exploration programs on the Obuasi Property during the second quarter of 2010:

- Analyse and interpret the results of the first phase drill program completed during the first quarter of 2010;
- Refine targets drilled during the first phase program and evaluate identified and new targets to be drilled during the second phase drill program, which is expected to commence during the third quarter of 2010; and
- Continue the Company's prospecting, mapping and surveying work throughout the Obuasi Property, with particularly emphasis on Bura and Ayaase prospects on the Kyereboso #2 concession, where geophysical and geochemical surveys and suggest the continuation of the Main Obuasi Mine Trend.
- Receive and review further structural targets from SRK derived from the 2009 airborne program.

Canadian Properties.

The Canadian Properties include the Seeley Lake and Page Lake Properties, the Moshkinabi Property, the Birch Lake Property and the Poirier Gold Property, all of which are located in Ontario, Canada.

Birch Lake Property

We 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, which terminated in September 2008. Trade

Winds' drilling programs returned a number of high-grade intercepts, including 115.89 g/t gold over 2.90 metres (estimated true width 1.86 metres) from 239.35 to 242.10 metres (TWBL-096); and 21.22 g/t gold over 2.35 metres (estimated true width 1.51 metres) and 229.96 g/t gold over 2.45 metres (estimated true width 1.58 metres) between 300 and 360 metres (TWBL-097). Refer to the Q3 2008 Management's Discussion and Analysis of Trade Winds dated October 29, 2008.

The Company did not conduct any exploration on the Birch Lake Property during the first quarter of 2010.

Poirier Gold Property

We own 100% of the Poirier Gold Property, which comprises two contiguous, unpatented mining claims (160 acres) located in Bristol Township, 22 kilometres west of Timmins. We are also in the process of converting these claims to leases. The property is subject to a 1% NSR payable to the vendors and a further 1% NSR payable to a third party. In the fourth quarter of 2009, we paid the third party \$10,000 to purchase an option to repurchase 50% of the third party's 1% NSR, which we may exercise on or before November 19, 2010 upon a further payment of \$40,000 to the third party.

The Poirier Gold Property is contiguous with Lake Shore Gold Corp.'s Timmins Gold Project (which holds an 812,000 ounce gold reserve at a cut grade of 7.52 g/t) and Thunder Creek Project (the "Thunder Creek Project"). Lake Shore Gold reported a drill result of 83.40 metres grading 12.75 g/t gold in hole TC-09-68b on the Thunder Creek Project during the second quarter of 2009 (refer to the Lake Shore Gold press release dated June 24, 2009 and "A Technical Review and Report on the 'Thunder Creek Property'" dated July 29, 2009 by David H. R. Powers, H.B.Sc., P. Geo).

The Poirier Gold Property is located in a mafic volcanic unit approximately a kilometre to the west of the mafic, ultramafic and sedimentary contact, which dips steeply westwards towards our claim block. The Company did not conduct any exploration on the Poirier Gold Property during the first quarter of 2010. Depending on Lake Shore Gold's exploration results from the Thunder Creek Project, we may conduct further exploration and drilling on the property in the future.

Moshkinabi Property

We entered into an option agreement on September 15, 2008 with certain optionors to acquire a 100% interest in two claim blocks near Manitouwadge, Ontario. The claim blocks were (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"). During the third quarter of 2009, we decided to drop our option in respect of the Fairies Properties and returned the property to the optionors.

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.

Under the terms of the option agreement in respect of the Moshkinabi Property, the Company may acquire a 100% interest in the property by making payments totaling \$250,000 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 \$75,000 to date (with a further \$12,000 having been paid to them pursuant to the option in respect of the Fairies Properties).

The Company did not conduct any exploration on the Moshkinabi Property during the first quarter of 2010.

Seeley Lake and Page Lake Properties

We 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.

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 that entitled 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. On April 20, 2010, we elected to terminate the option agreement on the Page Lake Property, as we believe that our personnel, funds and equity are best used to explore our Ghanaian and other Canadian properties at this stage.

The Company did not conduct any exploration on either of the Seeley Lake Property or the Page Lake Property during the first quarter of 2010.

Other Canadian Properties and Royalties

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

	Lartic Gold	Thunder Gold	Black Township
Location	4 kilometres west northwest of Malartic, Quebec	20 kilometres west of Timmins, Ontario	100 kilometres east of Timmins, Ontario
Size	9 claims (900 acres)	3 claims (120 acres) ⁽¹⁾	2 claims (480 acres)
Pelangio Interest	100%	100%	100%
Underlying Royalty	None	2% to vendors and \$1000 per year advance royalty	None

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.

We did not issue any common shares for cash during the period ended March 31, 2010.

Our expenditures on exploration activities during the period totaled \$1,064,089, of which \$1,063,655 was spent on the Obuasi Property.

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

Assaying	\$ 43,101
Geologists and contract workers	\$ 61,694
Drilling	\$ 397,557
Prospecting and trenching	\$ 30,511

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

During the period, the Company did not incur any significant exploration costs related to its Canadian properties.

Mineral property costs of \$1,000 were incurred in the period to maintain the Company's Canadian property interests.

General and administrative cash costs for the period ended March 31, 2010 totaled \$527,417.

As at March 31, 2010, Pelangio had working capital of \$7,319,341 compared to \$8,861,667 at December 31, 2009. Working capital decreased due to the expenditures incurred on the Company's mineral properties, as outlined above.

5. FINANCIAL RESULTS OF OPERATIONS

Selected Annual and Year to Date Information

	1st Quarter 2010	2009	2008	2007
	\$	\$	\$	\$
Total revenues	4,806	5,428	13,817	7,048
Net income (loss)	(732,284)	(325,513)	72,439	5,134,585
Income (loss) per share				
– Basic	(0.01)	(0.00)	0.00	0.07
– Diluted	(0.01)	(0.00)	0.00	0.07
Total assets	37,116,527	37,227,035	24,002,129	24,506,046

Summary of Quarterly Results

	1st Quarter 2010	4th Quarter 2009	3rd Quarter 2009	2nd Quarter 2009
	\$	\$	\$	\$
Total Revenue	4,806	4,887	23	45
Net income (loss)	(732,284)	(1,034,680)	826,035	(149,850)
Income (loss) per share				
– Basic	(0.00)	(0.01)	0.01	0.00
– Diluted	(0.00)	(0.01)	0.01	0.00
Total assets	37,116,527	37,227,035	24,836,821	24,805,054

	1st Quarter 2009	4th Quarter 2008	3rd Quarter 2008	2nd Quarter 2008
	\$	\$	\$	\$
Total Revenue	473	6,252	3,883	966
Net income (loss)	32,982	935,826	(311,970)	(406,417)
Income (loss) per share				
– Basic	0.00	0.01	n/a	n/a
– Diluted	0.00	0.01	n/a	n/a
Total assets	25,246,662	24,002,130	32,942,871	45,803,880

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 cash equivalents. 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

1st Quarter 2010 Compared to 1st Quarter 2009

The following table outlines the significant increases (decreases) experienced by the Company in the period ended March 31, 2010 compared with the same period in 2009.

	Period ended March 31, 2010 \$	Period ended March 31, 2009 \$	Increase (Decrease) \$
Salaries and employee benefits	187,814	10,857	176,957
Foreign exchange loss (gain)	62,062	10,890	51,172
Investor relations	91,111	21,658	69,453
Travel	21,313	2,235	19,078
Stock-based compensation cost	207,263	18,027	189,236
Gain on disposal of marketable securities available for sale	-	191,096	(191,096)

Salaries and employee benefits, investor relations and travel increased as a result of the Company being a stand-alone entity in 2010, whereas in 2009 these costs were jointly borne with PDX Resources.

Foreign exchange loss (gain) resulted from currency exchange fluctuation between the Canadian and US dollar and the US dollar and the Ghanaian cedi. These movements were greater and the Company incurred more expenditures denominated in foreign currencies in 2010 than in 2009.

The increase in stock-based compensation costs relates to the increase in the volatility of the Company's stock and the vesting of options granted in 2009.

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, warrants 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

Future accounting changes

Future accounting pronouncements

In January 2009, the CICA issued Handbook Sections 1582 - Business Combinations ("Section 1582"), 1601-Consolidated Financial Statements ("Section 1601") and 1602 - Non-controlling Interests ("Section 1602") which replace CICA Handbook Section 1581 - Business Combinations and 1600 - Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that are equivalent to the business combination accounting standards under International Financial Reporting Standards ("IFRS"). Sections 1601 and

1602 establish standards for preparation of consolidated financial statements and the accounting for non-controlling interests in financial statements that are equivalent to the standards under IFRS. Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Section 1601 and 1602 are applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011. Earlier adoption of these sections is permitted. The Company is currently assessing the impact of these new accounting standards on its consolidated financial statements.

International Financial Reporting Standards "IFRS"

In January 2006, the CICA's Accounting Standards Board "AcSB" formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability. The current conversion timetable calls for financial reporting under IFRS for accounting periods commencing on or after January 1, 2011. On February 13, 2008 the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. A calendar year end public company will be required to have prepared, in time for its first quarter 2011 filing, comparative financial statements in accordance with IFRS for the three months ended March 31, 2010. The Company is currently assessing the impact of these new accounting standards on its consolidated financial statements.

The Company has identified the following four phases of its conversion plan: scoping and planning, detailed assessment, operations implementation and post implementation. The scoping and planning phase ("Phase 1") involves establishing a project management team, mobilizing organizational support for the conversion plan, obtaining stakeholder support for the project, identifying major areas affected and developing an implementation plan and communication strategy. The detailed assessment phase ("Phase 2") will result in the accounting policies and transitional exemptions decisions, quantification of financial statement impact, preparation of shell financial statements and identification of business processes and resources impacted. The operations implementation phase ("Phase 3") includes the design of business, reporting and system processes to support the compilation of IFRS compliant financial data for the opening balance sheet at January 1, 2010, fiscal 2010 and thereafter. Phase 3 also includes ongoing training, testing of the internal control environment and updated processes for disclosure controls and procedures. Post implementation ("Phase 4") will include sustainable IFRS compliant financial data and processes for fiscal 2011 and beyond.

The Company has established a project management team consisting of both internal and external consultants, and has commenced the mobilization of organizational support for the conversion plan. The Company is in the process of completing the identification of major areas affected by the changeover to IFRS and is developing an implementation plan. Once the assessment has been completed, the Company will provide details to stakeholders and proceed with the selection of the IFRS accounting policies. The Company will continue to monitor changes to IFRS throughout the duration of the implementation process and assess their impact on the organization and its reporting.

8. COMMITMENTS AND CONTINGENCIES

The Company is party to employment agreements with its employees. These contracts contain clauses requiring additional payments to be made upon the occurrence of certain events such as a change of control. The additional commitments total approximately \$1.5 million. As the likelihood of such events taking place is not determinable, the contingent payments have not been reflected in the financial statements.

9. OFF BALANCE SHEET ARRANGEMENTS

Pelangio has not entered into any off balance sheet arrangements.

10. RELATED PARTY TRANSACTIONS

	Period ended March 31,	
	2010	2009
	\$	\$
With a corporation controlled by the President of the Company		
Rent	12,000	1,200
With a partnership in which an officer of the Company is a partner		
Accounting services	41,860	20,685

Of the accounting service fees, \$21,015 (2009 – \$13,735) is included in professional fees and \$20,845 (2009 – \$6,950) is included in consulting services on the statement of operations.

Accounts payable and accrued liabilities include amounts owing to related parties in the amount of \$27,387 (2009 – \$24,246). These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

11. FINANCIAL RISK FACTORS

Credit risk

The Company's credit risk is primarily attributable to cash equivalents and amounts receivable. The Company has no significant concentration of credit risk arising from operations. Cash equivalents 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. 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, 2010, the Company had a cash and cash equivalents balance of \$5,846,339 (December 31, 2009 – 7,178,564) to settle current liabilities of \$585,474 (December 31, 2009 – \$278,961). The Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Interest rate risk

The Company has cash and cash equivalents balances and no 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. The Company is sensitive to changes in the interest rates through interest income earned on its cash and cash equivalents balance.

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.

The Company does not hedge its foreign exchange risk.

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.

Sensitivity Analysis

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

- Cash equivalents include deposits at call which are at variable rates. Sensitivity to a plus or minus 1% change in rates would affect net loss by plus or minus \$10,300 based on the cash equivalents balance at March 31, 2010.
- 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 \$47,425 based on the marketable securities held at March 31, 2010.

The Company holds \$1,510,445 of balances denominated in US dollars. The Company is obligated to make payments of US\$750,000 in the second quarter of 2010 towards the acquisition of the remaining 49% of the Obuasi property in Ghana. A 10% change in the value of the Canadian dollar compared to the other foreign currencies in which the Company transacts would result in a corresponding foreign exchange gain/loss of approximately \$39,000 based on the balance of monetary assets and liabilities at March 31, 2010.

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

12. 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 Company has designated its cash and cash equivalents 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.

As at March 31, 2010, the carrying and fair value amounts of the Company's financial instruments are approximately the same.

The carrying amounts for cash equivalents, amounts receivable and accounts payable and accrued liabilities on the consolidated balance sheet approximate fair market value because of the limited term of these instruments. As at March 31, 2010 the Company's marketable securities are recorded at their quoted market value.

At March 31, 2010, the Company's financial instruments that are carried at fair value, consisting of cash and cash equivalents and marketable securities, have been classified as Level 1 within the fair value hierarchy.

13. OUTSTANDING SHARE DATA

As of May 27, 2010, Pelangio has issued one class of common shares and a total of 121,831,338 shares are issued and outstanding. Stock options outstanding as of May 27, 2010 totaled 6,125,000 and are exercisable for common shares at prices ranging from \$0.10 per share to \$0.58 per share. Warrants outstanding as of May 27, 2010 totaled 9,459,500 on the following terms:

Exercise Price	Expiry	Accelerator Price	Acceleration Event¹
\$0.65	April 13, 2011	\$1.30	Volume weighted average price of \$1.30 or more for a period of at least ten consecutive trading days subsequent to April 13, 2010

¹ Upon the occurrence of an acceleration event, warrant holders will have thirty days from the date of receiving notice of such occurrence to exercise their warrants.

Additionally, the Company issued 945,950 broker compensation options at an exercise price of \$0.37 in connection with the private placement of units that closed during the fourth quarter of 2009. Such compensation options will expire on April 13, 2011, subject to acceleration on the same terms as set out above in respect of the warrants.

14. SUBSEQUENT EVENTS

Disposal of Marketable Securities

Subsequent to the period end, the Company disposed of 55,000 Detour Shares at an average price of \$22.81 for net proceeds of \$1,250,757. The proceeds of this disposition will be used for working capital purposes.

15. ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

The balance of Mining Properties and Deferred Exploration Expenditures increased to \$28,790,379 on March 31, 2010 (March 31, 2009 – \$20,809,687), details of which are provided in the consolidated financial statements.

16. ADDITIONAL INFORMATION

Additional information about the Company is available at www.sedar.com under the name Pelangio Exploration Inc.