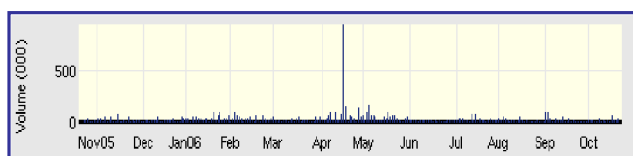
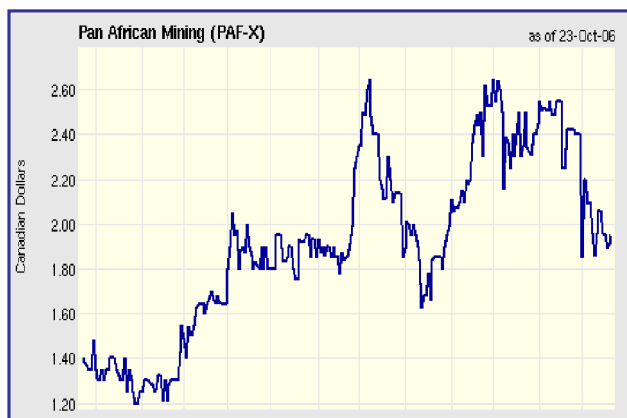


Goldletter INTERNATIONAL

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Special Situation – Update October 2006

www.panafrican.com



Pan African Mining Corp. (Cdn\$ 1.90)

TSX.V : PAF
Xetra-Frankfurt : P2A

H+L prices (12 months) : Cdn\$ 2.75 – 1.15

Net issued shares : 22.4 million

Fully diluted : 26.3 million

Market capitalization : Cdn\$ 42.6 million

First price target: Cdn\$ 3.00

Company profile

Pan African Mining Corp. is an exploratory resource company and one of the first to recognize the new opportunities in Madagascar. The Company has advanced rapidly since its formation in 2002 and its oversubscribed Initial Public Offering in July 2004. The Company's strategy is focused on applying modern exploration techniques to areas with historical evidence of mineralization.

Pan African's landholdings cover approximately 10,000 square kilometers of 22 diversified mineral properties, which are explored for gold, uranium, precious stones, base metals and industrial commodities.

Under the presidency of Irwin Olian, an entrepreneur with a strong background in finance and law, Pan African has assembled a strong team of international geologists, including Dr. Ramdohr, one of Germany's most pre-eminent geologists, with a Ph.D. from Heidelberg University; Greg Sparks, formerly vice-president development of Echo Bay Mines; Dr. Edward A. Schiller, who headed up Dia Met's drilling program leading to the Ekati discovery in Canada, has come aboard as a senior consultant, joining experienced Dr. Andrew Moore, who heads up the Company's diamond program.

Pan African's uranium activities are carried out through its 80% owned subsidiary PAM Atomaque Sarl.

Pan African has also concluded its mineral phase of study on the major Sakoa and Sakamena coalfields and has conducted an exploration program with the objective of testing an initial coal exploration target of 100-150 million tones on its license area..

EnerMad, in which Pan African holds a 17% interest, is the Company's recently founded international oil affiliate with a view towards acquiring favourable oil and gas leases offshore and onshore in Madagascar and elsewhere in Africa.

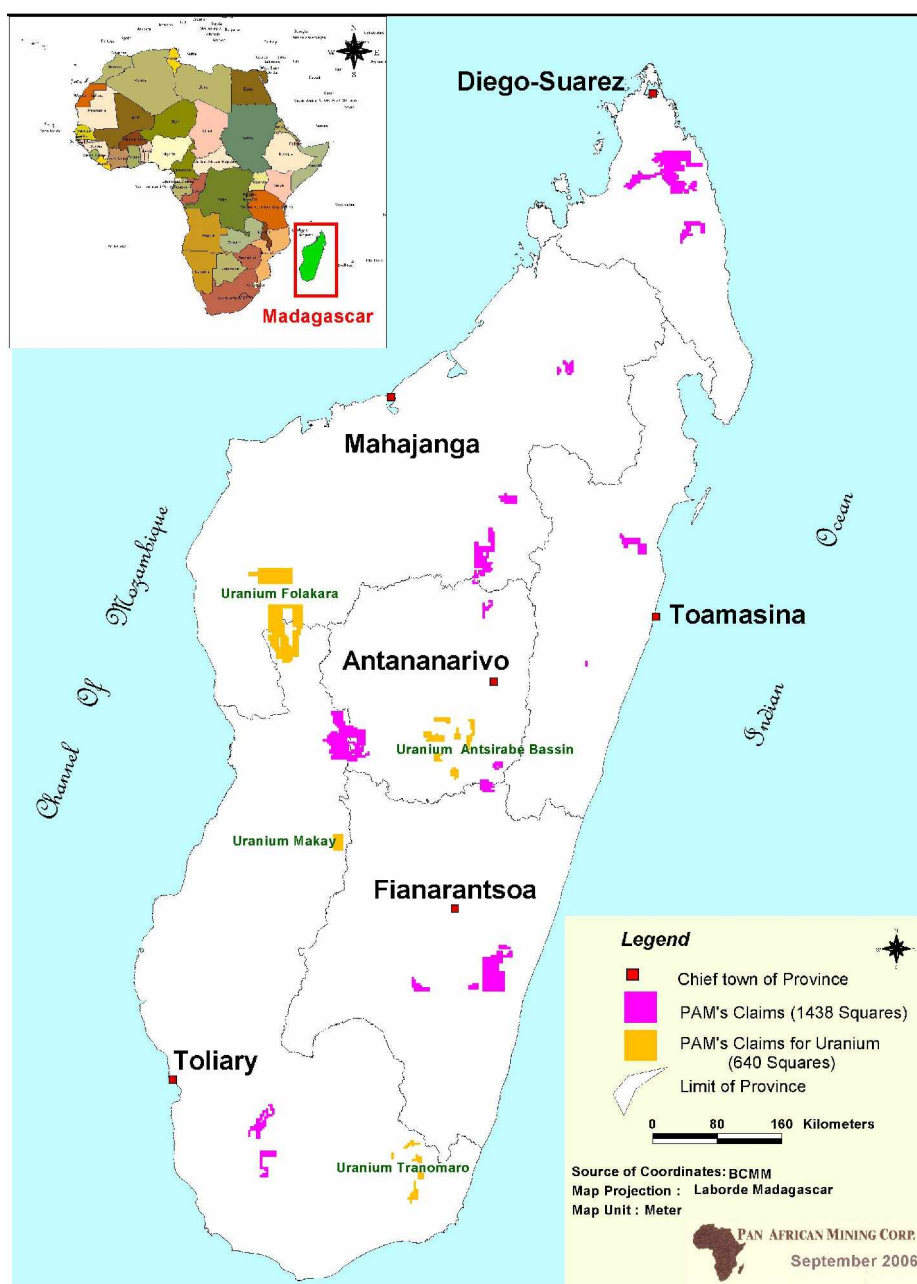
MADAGASCAR, very mineral rich democratic country

Madagascar, situated in the Indian Ocean east of Mozambique, is the 4th. largest island on earth and has a population of 16 million. Formerly an independent kingdom, Madagascar became a French colony in 1896, but regained its independence in 1960. In 2002, Marc Ravalomanana took office as new president following free democratic elections, and has acted as a catalyst encouraging foreign investment in Madagascar, including a \$ 3 Billion Commitment from the World Bank.

A new mining investment law was drafted in Washington, DC, under the auspices of the World Bank, which provides tax and legal stability for 25-30 years. It has favourable corporate tax rates as low as 10%, and includes provisions for repatriation of funds and an international dispute arbitration mechanism.

The next major election in Madagascar is scheduled for December, 2006. Mark Ravalomanana and his government hold a huge lead and are anticipated to win re-election comfortably.

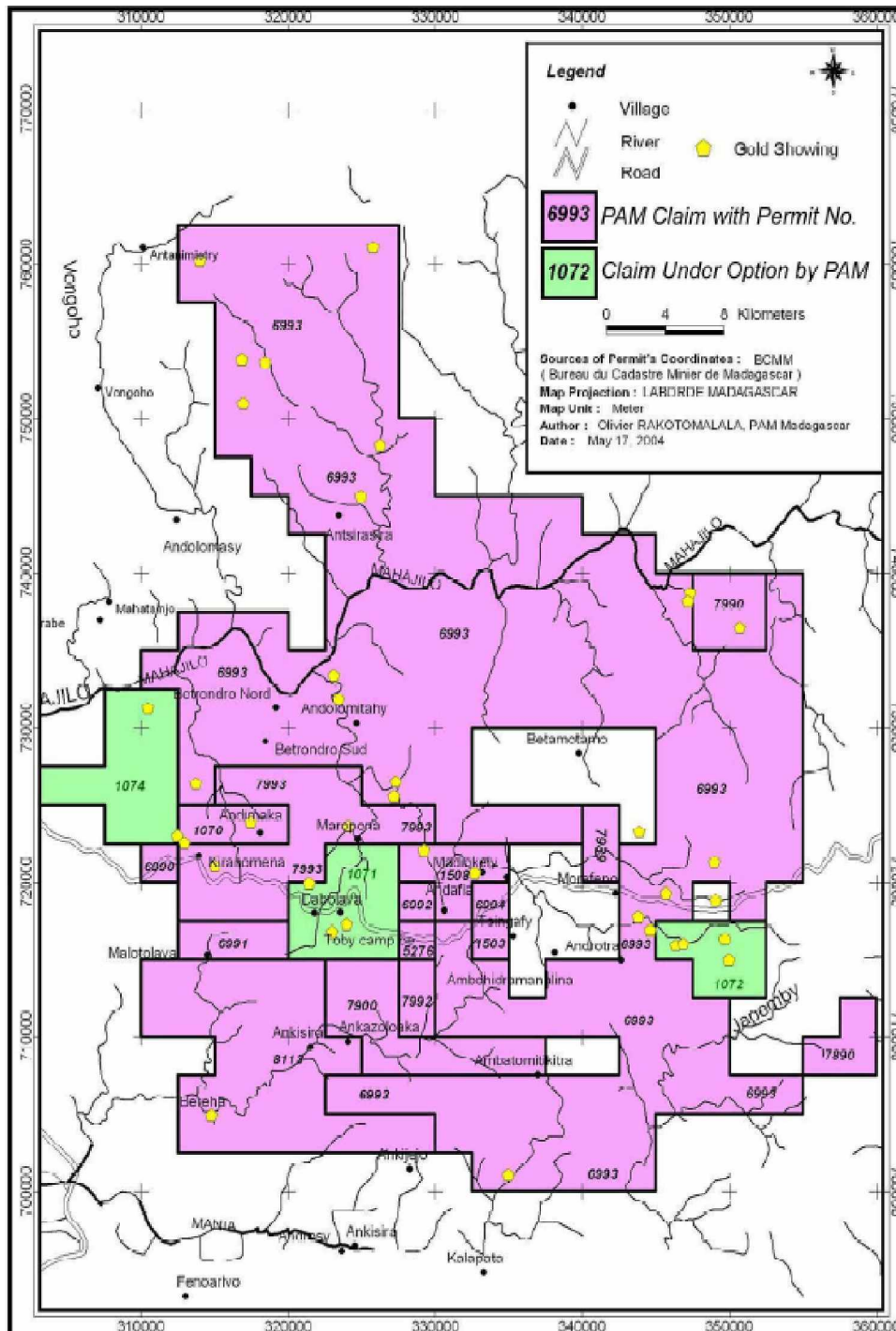
Madagascar is a very mineral rich country with an extensive history of mining.



Overview of projects

Mountain of Gold Project, Dabolava Region, Central-West Plateau

The Dabolava Property consists of 292 square blocks in 19 permits, covering 1,825 square km and is situated in the provinces of Toliary and Antananarivo. Most of the ground consists of contiguous holdings. Mineral titles are held under research permits valid for a 10-year (renewable) term.



The Dabolava region has had a long a productive life as a gold producing area. Mining companies worked surface concentrations of gold using unsophisticated methods that provided quick financial returns with a minimum of investment. Activities relating to World War II, the low price of gold in the 50's and 60's and uncertainties caused by the country's struggle for political independence discouraged exploration. There is no evidence that companies active in the Dabolava area used diamond drilling for bedrock exploration.

The Phase I 2,000 metre core drilling program on the Mountain of Gold Project tested reconnaissance level targets suggested by previous field mapping, geochemical sampling, geophysical interpretation, and shallow trenching along the more than 10 kilometres east-west Mountain of Gold shear system ("MOGS Zone"). Targeting information included surface evidence of several large gold bearing east-west striking quartz veins exposed through shallow mining by French interests during the early Twentieth Century and resulted in the discovery of a permissive structural environment along with a strong gold-sulphide association.

Drilling highlights of the Dabolava East Zone include 0.9 metres @ 32.23 g/t gold, 4.3 metres @ 10.52 g/t gold, and 17.2 metres @ 4.04 g/t gold. The Zone is open in all directions and will be drilled with holes averaging 100 to 200 metres with holes spacing of 20 to 40 metres.

Field operations on the Company's Phase 2 Exploration Program on the Mountain Gold project have been concluded and 8 zones have now been targeted for core drilling. The initial phase of approximately 3,000 metres of core drilling now underway is designed to examine and expand the zone of initial discovery at Dabolava East. Subsequent drilling will examine other similarly permissive zones of dilation potentially hosting high-grade gold mineralization along the 10 km northwest trending Mountain of Gold shear system.

Ø **Casula and Fingoe Gold Projects, Mozambique**

Pan African made a strategic decision to expand into East and Southern Africa to take advantage of its strong relationship with top geologists in the region and opportunities there.

As a result, in September 2006, Pan African entered into a Joint Venture Agreement with Manica Minerals, a privately-owned mineral exploration company, for exploration, development and exploitation of two prospective gold properties presently under license to Manica, the Casula Project and the Fingoe Project. Both properties are situated in Mozambique's Tebe Province in the North-West.

Under terms of the Joint Venture Agreement, Pan African has the right to earn up to 85% interest in each of the two properties in stages by funding through pre-feasibility. A minimum of US\$ 150,000 is required to be spent on each project by the Company over the first two years.

Fieldwork has begun on the Casula Project. This Project targets an area of historic gold mining activity and is made up of 9 Prospecting Licences amounting to about 87,000 hectares. Eight of the licences have been granted to Manica and one is still pending. Gold and minor amounts of copper were mined during the 1910s and again more recently, prior to 1978.

The Fingoe Project is a grass roots exploration project with good potential for the discovery of mesothermal vein gold, distal skarn gold and IOCG deposits. It comprises Prospecting Licences granted to Manica totalling approximately 45,000 hectares.

Very limited previous exploration has taken place, although there are known gold and copper-iron ore occurrences and reported veining, skarn mineralization and hematitic breccias within the belt.

A sampling program is now underway to target the old workings, associated shears and zones of alteration. In addition, a more general reconnaissance geochemical sampling program is being undertaken to examine other potential regional targets generated by airborne geophysics and other studies.

Uranium

On January 25, 2005, Pan African entered into a preliminary agreement with OMNIS (L'Office des Mines Nationales et des Industries Strategiques) for the establishment of a joint venture with respect to exploration, development and exploitation of four prospective uranium properties in Madagascar.

In accordance with the terms of said agreement, the Company organised a new operating subsidiary named PAM Atomique Sarl, of which 20% is to be owned by the Malagasy State through OMNIS and 80% by the Company. OMNIS is a government agency of the Malagasy State charged with oversight and administration of the country's strategic resources of uranium and hydrocarbons.

OMNIS granted Pan African exclusive rights to conduct exploration, development and exploitation on mining permits controlled by the Company with four specified parameters in Madagascar, namely, Tranomaro, Folakara, Faratsiho and Makay. Within these perimeters Pan African controls some 9,000 square kilometres in aggregate, although known uranium occurrences are confined to a much smaller area.



Included within the licence area of the four perimeters are sites of historic uranium production by the French, as well as known uranium occurrences and in some cases historic uranium resources. The French Commissariat à l'Energie Atomique ("CEA") exploited uranium from the regions of Folakara and Tranomaro during the period from the late 1930s through the 1950s, until market and political conditions caused a shift in French production to other countries including Niger and Gabon. Among well-known historic mining sites within the Company's licence area are the villages of Folakara C.E.A. and Ambindrakely.

The Company's exploration program and budget delineates success-contingent, stage exploration programs, with four stages required to reach the point of a production decision on each of the four above mentioned parameters. The exploration budget for each parameter contemplates aggregate expenditures of up to US\$ 3.92 million over four result-contingent stages through preliminary feasibility.

In February 2006, Pan African received full permitting to commence exploration and development of prospective uranium deposits in the first two of four zones delineated in its Joint Venture Agreement with OMNIS.

An aggregate of 10 full research Permits were granted to the Company at this time, each of which is 6.25 square kilometres.

In May 2006, Pan African commenced field exploration of prospective uranium deposits in the first of four zones delineated in its Joint Venture Agreement with OMNIS.

This initial exploration zone is known as the Antsirabe Zone, and is located in the Province of Antananarivo in central Madagascar.

The Company has assembled a team of approximately 10 geologists and senior technicians on the ground of the Antsirabe Zone, headed by J. Thomas Nash, Ph.D. in Geology, who has some 40 years experience in the geology and genesis of uranium deposits of the US, Australia and Canada.

The team is endeavouring to identify prospective target areas with potential to host commercial uranium deposits. The Company has opened a satellite exploration office in Antsirabe to facilitate operations in the region.

The immediate study coincides with zones of historic prospecting and small-scale mining of radium and uranium in pegmatites and in locustine sediments. These known prospects are being examined by the Company's field team, and adjacent areas will be studied for possible uranium deposits not previously considered by former exploration programs.

In June 2006, Pan African added Dr. Reinhard Ramdohr to expanding the uranium team. He is a highly qualified exploration geologist with over 30 years of international experience (including many years in Africa overseeing Germany's third world aid program) for mining covering uranium, gold, base metals and gemstones in nearly all continents. He has over 30 years experience worldwide. He now heads up Pan African's uranium program

Nickel

In January 2006, Pan African discovered a sizeable, near surface body of nickeliferous laterite in an ultramafic body approximately 1,000 m long by 250 m wide in northern Madagascar within its permit area. The Company's permit area has been designated Nickel Valley.

The highly weathered ultramafic body has an overall shape with the 1,000 m axis open at both ends and at depth. It was delineated through a preliminary program of shallow auger holes and channel sampling of pits and trenches which commenced in September 2005.

A total of 56 holes were hand-augured to an average depth of 6.87 m. The holes were widely spread to cover the large area encompassed by the nickeliferous ultramafic body. In addition, several pits and trenches were dug for sampling.

A total of 409 samples were taken as part of this preliminary program. Sampling results were highly encouraging, returning a highest value of 2.6% nickel over 2 m. A total of 109 samples throughout the ultrabasic body returned values >0.5% nickel, with 13 samples returning >1.0% nickel.

The nickel is associated with minor disseminated chromite and magnetite, as well as traces of cobalt. The body is open at depth since samples taken by hand augers, pitting and trenching reached a maximum depth of 10 metres.

This mineralised ultramafic body appears to be associated with several other similar untested ultramafic bodies Pan African has now identified within the Nickel Valley.

In March 2006, Pan African announced that it commenced developing a comprehensive plan of exploration for its Nickel Valley Project. The Company's licence for the Project area covers approximately 1,800 sq. km and includes a number of ultramafic bodies which have already been identified.

A site examination included the Company's geological team, as well as Dr. Peter Christopher, who had been engaged to prepare an independent engineering report on the Project in accordance with NI 43-101.

Roger Billington, P.Geo, joined Pan African's nickel team, as a Senior Geological Consultant.

Coal

Ø **Sakoa and Sakamena Coal fields**

In August 2006, Pan African announced that it had concluded its initial phase of study on the major Sakoa and Sakamena coalfields in southwest Madagascar and is proceeding with field exploration activities leading toward development and exploitation. The Company's exploration program is being conducted with the objective of testing an initial coal exploration target of 100-150 million tonnes on its licence area.

Pan African holds exploration permits over an area of approximately 650 square kilometres. The area is located 100 to 150 kilometres inland of the coastal town of Toliara and encompasses significant tracts of the major Sakoa and Sakamena coalfields, as well as several smaller fields including those of Beroy and Vohibory.

The Sakoa and Sakamena coalfields are located in the southern part of the Morondava Basin, which extends the length of Madagascar. The coalfields are dissected into a series of fault-bounded blocks, which extend over a distance of 60 kilometres in a NNE-SSW strike direction.

Five major coal zones are developed towards the base of the 40 to 200 metre-thick Coal Measures Formation with seams sub-outcropping along the eastern margin and dipping westwards at between 20 degrees to 30 degrees. Maximum seam thicknesses of 12 metres have been recorded in the southern sector of the Sakoa field.

Coal was first discovered in the region in the early part of the last century and was mined underground in the Sakoa coalfields from 1941 to 1972. Exploration was conducted periodically from the 1920s to the late 1980s and comprised mapping, trenching, diamond drilling, underground exploratory mining and geophysical surveys to the BRGM's estimate of as high as two billion tonnes.

Most historical exploration has been focused on a relatively small area in the vicinity of the old mine and it is considered that the remainder of the region, which comprises the greater part of the Sakoa and Sakamena coalfields and includes Pan African's holdings, is under-explored.,

Within the Company's licence area, coal-bearing sediments in the Sakoa and Sakamena fields have been identified along 27 kilometres of strike and historic data suggest that coal seams of economic significance may occur over almost the entire strike length.

Seam thicknesses up to 5 metres have been recorded from near surface to depths of over 170 metres.

The down-dip extent of seams remains to be determined but appears to be open at depth. Coal quantities are variable however the thicker and more ubiquitous No.4 and 5 seams usually exhibit raw coal ash contents in the range of 15% to 35%. Limited washability data indicates that the coal can be beneficiated to yield a product suitable for the thermal export market.

Exploration coverage of Pan African's concession area is currently not sufficient to allow coal resources and qualities to be reliably estimated in accordance with prescribed industry standards. However, more detailed exploration in an adjacent area with subsequent feasibility studies by NORWEST and others resulted in estimated resources of at least 100 million tonnes along an 8 kilometre strike length to a depth of 300 metres (not NI 43-101 compliant).

The main Sakoa and Sakamena coalfields are considered to be Pan African's main economic targets at this stage. However, the Company's concessions also include at least nine other occurrences of Coal Measures with strike lengths ranging from 1 to 8 kilometres, including coal-bearing Beroy and Vohibory.

Initial exploration work will commence in the northern sector of the Company's concession area where historical data suggest that at least two coal seams ranging in thickness from 1.5 to 5.0 metres may be present over a 12-kilometre strike length.

It is expected that the information obtained will be sufficient to allow resource estimates to be made in accordance with internationally accepted reporting codes and will form the basis for conceptual mine planning.

Mark Stewardson, Pr.Sci. Nat., a qualified person as defined by NI 43-101, has overseen the initial phase of examination and evaluation of data from the coal deposits.

Oil and gas

Ø EnerMad oil and gas leases

Pan African established its international oil affiliate EnerMad Corp. in August 2006, founded with a view towards acquiring favourable oil and gas leases offshore and onshore in Madagascar and elsewhere in Africa.

In the course of developing its mining business in Madagascar over the past few years, Pan African has become aware of oil and gas opportunities offshore and onshore, which it views as highly prospective. Rather than developing these in-house with the attendant dilution of share capital and diversion of management's attention, it was decided to form an own identity.

As a result, Pan African closed an initial private funding of 3.28 million common shares in a non-brokered private placement at prices of Cdn\$ 0.50 and Cdn\$ 0.55 per share for gross proceeds of Cdn\$ 1.66 million, from a group which includes management, institutional and private investors.

A total of 9.39 million shares of EnerMad are now issued, of which Pan African owns 17%.

The management of EnerMad is comprised of a number of leading oil men from Calgary, Alberta, with over 100 years aggregate experience in exploration, development and exploitation of petroleum properties internationally.

Ø Diamonds

Many of the same geological reasons that make Madagascar a highly prospective environment for mineral exploration also make it highly prospective for diamond exploration. The first being the presence of an old craton, the part of the earth's crust over 2.5 billion years old where kimberlite pipes typically intrude, underlying a large portion of Madagascar.

The second being the Gondwana Era juxtaposition (prior to tectonic plate movement) of Madagascar between India on the east and Tanzania on the west, both of which have been amongst the world's most prolific diamond producing regions.

Third, the existence of a long recorded history of the discovery of large gem quality diamonds in Madagascar, the most recent two in 2004, weighing in at 23 and 8 carats respectively.

Pan African has acquired permits covering in excess of 3,000 square kilometres of areas it deems prospective for diamond exploration. *Most of the Company's diamond claims were established in 2003 prior to the recent diamond exploration activity by other companies in Madagascar.*

In September 2005, Pan African reported that a large number of stream samples had been taken and field studies completed. As a result, several key targets for potential diamondiferous, kimberlite sources have been identified. With an excess of 500 kg of samples pending laboratory analysis, Pan African expects to add significantly to its understanding of these targets when the results become available.

The Company is considering airborne geophysics as an adjunct to its sampling program in the near future.

Corporate / Finance

In April 2006, Pan African closed a non-brokered private placement of 2.0 million units at Cdn\$ 1.80 per unit for gross proceeds of Cdn\$ 3.6 million. Each unit consists of one common share and one share purchase warrant. Each warrant entitles to purchase one additional common share.

Cash of approximately Cdn\$ 7.0 million, its strongest financial position since inception, permits Pan African to carry out its budgeted exploration programs in Madagascar across the mineral spectrum for at least another year without need of additional financings, and at the same time allows for retention of significant reserves for working capital and discretionary funds.

Investment summary and recommendation:

Since we have been following Pan African as a Special Situation (November 2004), the share price has more than tripled to an intermediate high of Cdn\$ 2.75.

The convergence of a top team of international geologists, a strong corporate team, a large, diversified portfolio of high quality exploration properties in Madagascar, one of the world's mineral rich countries, heretofore underexplored and underexploited, suggest strong upside potential with significantly less risk than typically would be associated with an early stage exploration company.

With approximately Cdn\$ 6.0 million cash on hand, Pan African has a strong financial position, which enables it to carry out its exploration budgets within its mineral spectrum for at least another year.

Early success in diamond drilling at its high-profile Mountain of Gold Project in the Dabolava claim block, together with the highly prospective uranium joint venture with OMNIS, enhances the Company's potential for success. In addition, the discovery of a nickel orebody and recently developed activities in coal, as well as in oil and gas, could fuel sharp upside moves in the Company's shares.

Our next price objective: Cdn\$ 3.00.