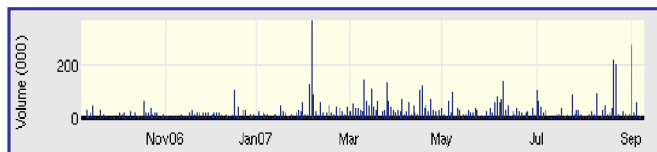
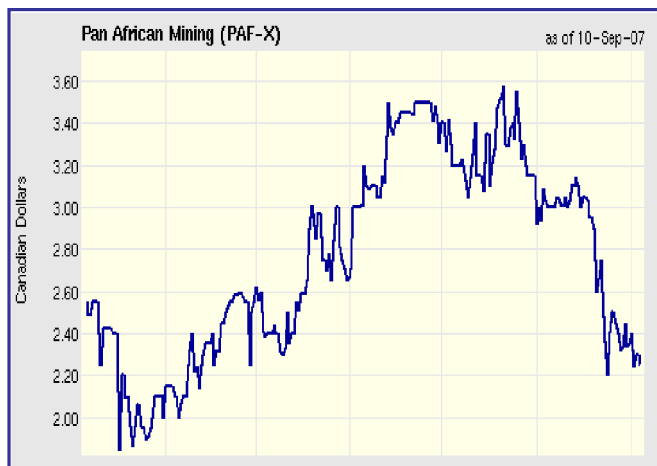


# Goldletter INTERNATIONAL

*the international independent information and advice bulletin for gold and related investments*

Special Situation – Update September 2007

www.panafrican.com



## Pan African Mining Corp. (Cdn\$ 2.25)

TSX.V	: PAF
Xetra-Frankfurt	: P2A
H+L prices (12 months)	: Cdn\$ 3.59 – 1.85
Net issued shares	: 26.3 million
Fully diluted	: 31.5 million
Market capitalization	: Cdn\$ 46.4 million

**Next price target: Cdn\$ 3.50**

### Company profile

Pan African Mining Corp. ("Pan African") is an exploratory resource company and one of the first to recognize the new opportunities in Madagascar. The Company's strategy is focused on applying modern exploration techniques to areas with historical evidence of mineralization.

Pan African's landholdings cover approximately 7,500 square kilometres of diversified mineral properties, and 5,000 square kilometers of uranium properties, which are explored for uranium, gold, precious stones, base metals and industrial commodities.

The Company holds research permits in major coalfields and has a 13% equity interest in private company EnerMad, having been granted a prime offshore oil and gas lease in Madagascar.

Pan African's operations in **Madagascar** are carried out through its operating subsidiary, PAM Madagascar Sarl and its uranium activities are carried out through its 80% owned subsidiary PAM Atomaque Sarl.

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

As a result, the Company acquired gold projects in **Mozambique** under agreements with other companies and diamond projects in **Botswana** and **Namibia**.

Four separate projects are currently drilled by Pan African, including: Dabolava Gold Project, Tranomaro Uranium Project, Sakao Spouth Coal Project, and Machinga Gold Mine in Mozambique.

In addition, the Company is actively exploring for diamonds in Madagascar, Botswana and Namibia.

## 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.

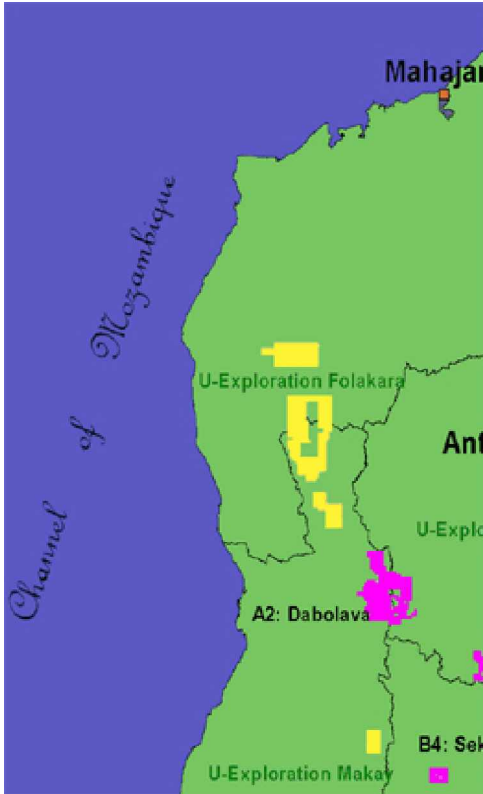
At the latest election in Madagascar in December, 2006. Mark Ravalomanana and his government won the re-election comfortably.

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

## Overview of projects

### Gold properties & projects

#### Ø Mountain of Gold Project, Dabolava Region, Central-West Plateau, Madagascar



The Dabolava Property licence encompasses approximately 900 sq.km., situated 125 air miles west-southwest of the capital city of Antananarivo, 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 one of Madagascar's main gold mining centers in the early 20<sup>th</sup> century with most of the production derived from surfaced enriched lag deposits. Mineralization occurs in parallel and orthogonal sets of quartz-barite veins that locally carry from 20 to 60 g/t gold.

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 Dabolava Project area has potential for bulk mineable surface gold mineralization, stockwork porphyry gold mineralization that justifies systematic 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 though 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.

In April 2007, Pan African announced that the ongoing Phase II core drilling program continues to yield positive results from the Dabolava East Zone. These include an 8.3 metre interval grading 14.72 g/t gold in drill hole DE-D-023 and 0.40 metre grading at 55.10 g/t gold in drill hole DE-D-009.

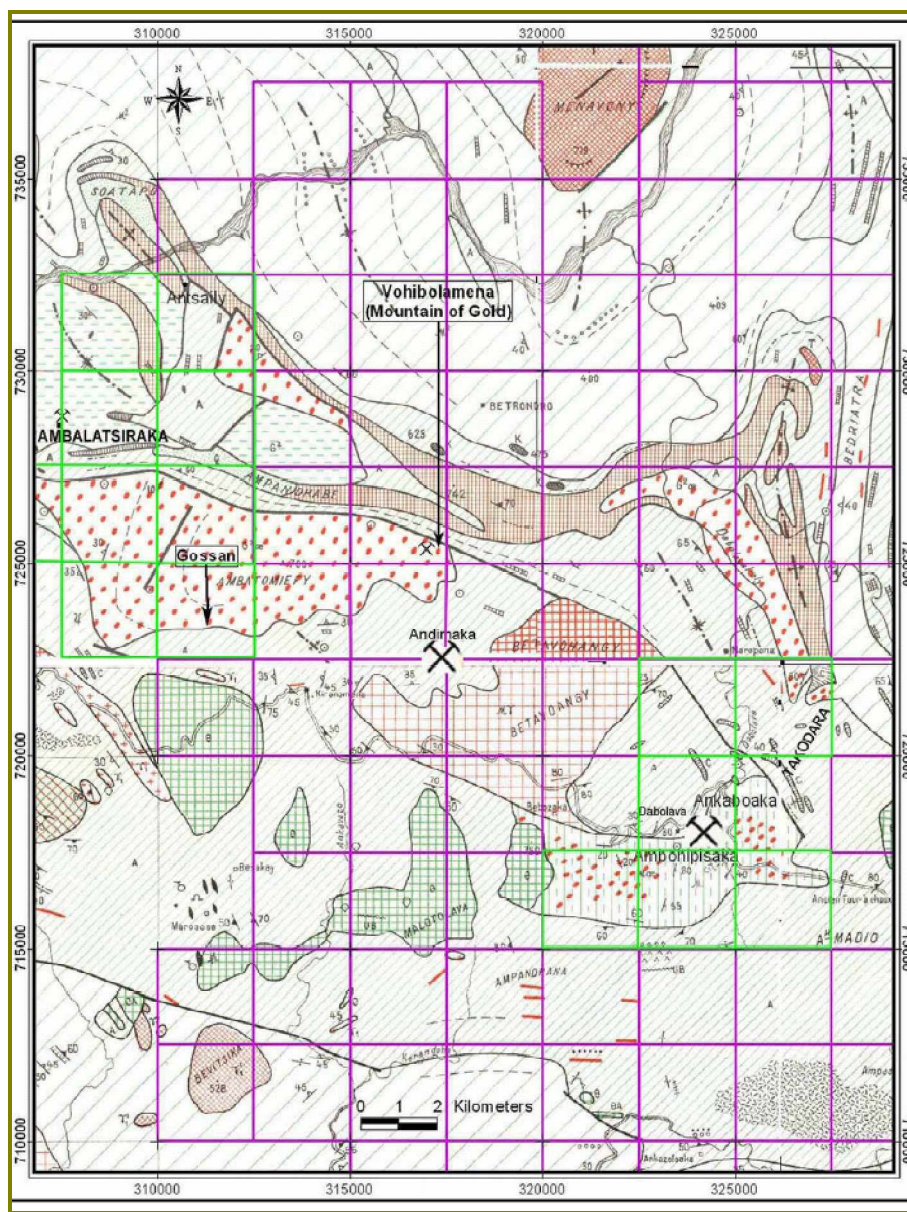
Hole DE-D-023 is located between previously reported holes DE-D-011 (5.5 metres grading 50.81 g/t gold and DE-D-016 (5.6 metres grading 9.51 g/t gold at distances from such holes of 50 metres and 40 metres respectively.

Holes DE-D-009 (55.10 g/t gold over 0.40 m) and DE-D-029 tested the same structure 300 metres further to the northeast.

Pan African is encouraged by its continued intersection of high grade structures in the East Zone. Its focus with the ongoing Phase II drilling program is to develop a better understanding of the complex structural model controlling location of this high-grade structure.

The Company has identified seven other zones for potential drilling and is now focused on approximately 900 square kilometres of highly prospective ground. This represents an approximately 50% reduction from the company's initial licence in the region, and is consistent with its long-term objectives.

The Phase II core drilling program continues to yield positive results from the Dabolava East Zone. These include a 9.50 metre interval grading at 5.10 g/t gold in hole DE-D-037 and a 1.72 metres interval grading 23.96 g/t gold in hole DE-D-07-039. These intervals are reported in true width.



## Ø Cazula 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, controlled by world-renowned South African geologist Dr. John Gurney and his partner Dr. Peter Hildebrand, 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 the Tete Province in the northwest of Mozambique.

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.

In June 2007, Pan African completed detailed mapping of the Machinga Gold Mine, located near Cazula, which encompasses two other prospects in the area, the old mines of Bumbe and Metosso.

The immediate Cazula Project targets an area of historic gold mining activity and consists of 5 Prospecting Licences covering approximately 175 square km. Gold appears to be associated with sulphide-bearing quartz veins which occur along large shear zone structures.

The quartz veining ranges from 10s of centimetres to several metres thick in places. Zones of alteration of up to 70 m wide have been recorded.

Sampling near-surface by historic gold mining activity all confirm the existence of gold in the system with significant values. Results of rock and soil sampling conducted by Manica in 2006 confirmed the presence of auriferous quartz veins within the shear structures, with assays yielding gold values as high as 16.4 g/t.

Further rock and soil samples have been collected by Pan African in recent months targeting the old workings, associated shears and zones of alteration.

A reconnaissance diamond drilling program is now underway comprising approximately 1,000 metres of drilling to test the depth, extent and continuity of the known auriferous quartz veins and associated mineralization, and to provide samples for assay purposes.

It is planned to investigate approximately 300 metres on strike of the quartz veins as well as continuity to depth of approximately 110 metres. A total of at least 9 holes are presently planned to a depth of 80 to 110 metres, with vertical holes testing depth extent and angle holes at 60 degrees to intersect true thickness of the veins.

Gold has been recovered from the surrounding wall rock during prior sampling and is not viewed as restricted to the quartz vein itself.

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.

In April 2007, Pan African entered into an Agreement with U.K.-based African Eagle Resources (AFE – AIM) for exploration, development and exploitation of 5 Prospecting Licences controlled by African Eagle's wholly-owned subsidiary, Twigg Resources, in the greater Fingoe region.

The licences comprise approximately 903 square kilometres in aggregate and are located in close proximity to the Company's other Fingoe area holdings under its joint venture with Manica Minerals.

Under the terms of the Agreement, Pan African earns the right to acquire African Eagle's Fingoe licences by funding and carrying out a regional exploration program on the licences for a period of 12 months. African Eagle shall retain a customary 2% NSR with respect to all mineral production from the licence area.

A regional reconnaissance geochemical sampling program has been underway for several months. The African Eagle licences will now be included in the sampling program in the coming months.

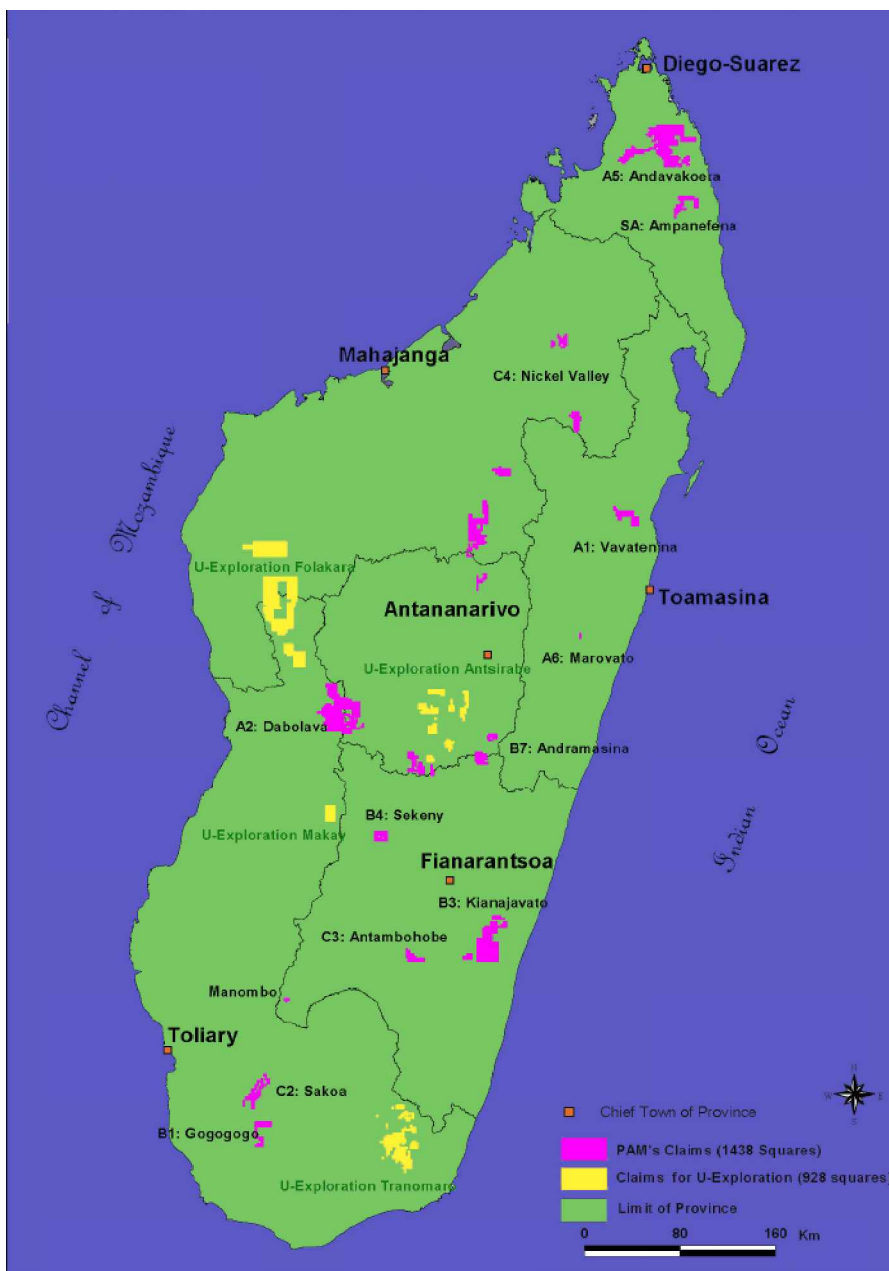
## Uranium properties

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 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.

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 February 2007, Pan African announced that rock sampling results received from ALS Chemex Labs of Vancouver taken in the Tranomaro and Maramby regions in the south of Madagascar during the 2006 field campaign, confirmed the existence of 6 distinct high-grade uranium anomalies.

Of the 40 samples, 16 returned uranium values in excess of 4,000 ppm or greater than 0.4% U, with several in excess of 10,000 ppm. The bulk of the samples returned U values above 2,500 ppm. In addition, the samples typically returned relatively high radiation counts above 10,000 per second.

These results were followed by the confirmation of high-grade uranium anomaly at and around old French Mine No.37, northeast of Tranomaro.

A total of five follow-up surface samples were analysed, all returning uranium values in excess of 3,000 ppm or greater than 0.3 of 1.0% U, with two of the samples in excess of 22,000 ppm or greater than 2.2% U. They confirmed the existence of a high-grade surface uranium anomaly at the old French site.

In May 2007, Pan African received its independent Technical Report in accordance with NI 43-101 on the proposed exploration of the Tranomaro Project, prepared by Dr. Peter A. Christopher, P.Eng, an independent qualified person, of Vancouver-based PAC Geological Consulting.

The Report notes that "The initial exploration by Pan African has indicated that previous exploration removed only the near surface higher grade zones of numerous mineralised zones in the Tranomaro area". It concludes that "An excellent possibility exists that a number of the old mines contain significant tonnages of lower grade but presently economic mineralization".

Exploration at the Tranomaro Project is now accelerating. Shallow scout drilling, sampling, trenching and radiometrics are ongoing. Construction of a semi-permanent work camp for 30 professionals has been completed.

A large Atlas Capo CS-14 drill rig has been moved into the property in order to undertake deeper core drilling with approximately 5,000 metres of NQ drilling anticipated for Phase I, with holes averaging about 100 metres. Shallow scout drilling with small portable rigs is being utilised to evaluate the old French pits and other anomalies with a view toward identification and prioritization of targets for the NQ core drilling. The prospective mineralised zone has now been delineated over an area extending approximately 3 km x 8 km.

The Report has recommended a \$ 1.4 million Phase I program incorporating the above elements.

The initial target for the core drilling program is old French Mine Number 37, with the first reconnaissance drill hole (TR/M37D/B5-50E) intersecting 17.2 metres of high-grade U mineralization grading 4,329 ppm (0.43 of 1%) U (11.25 pounds/metric ton U3O8).

Mine No. 37 is one of over 150 targets that have been identified for exploration in Madagascar's south.

On September 4, 2007, Pan African announced that core drilling has been proceeding on schedule. 9 holes have now been completed to a depth of approximately 70-130 m at old French Mine Number 37.

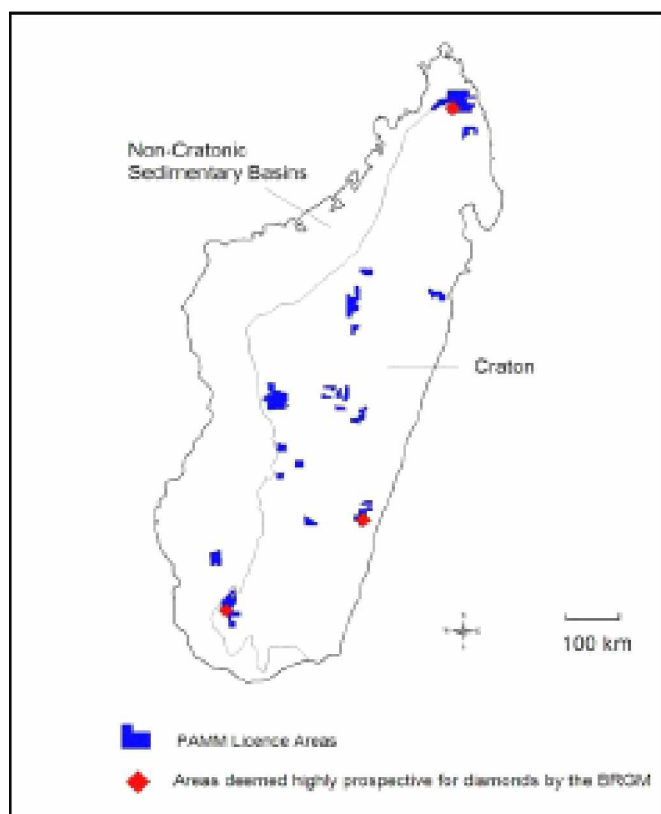
Core samples have been forwarded to ALS Chemex in Vancouver for assaying and results from the first few holes are anticipated shortly.

Meanwhile, regional exploration activity has expanded and more uranothorianite prospects north of Tranomaro have been identified through radiometric analysis, mapping and sampling. Additional targets for the core drilling program have now been identified at old French Mines No.52 and 52N, where shallow scout drilling has been employed, as well as the nearby old Mines 53, 54 and 55. Targets have also been identified at old Mines 49/50 and 26.

## Diamonds projects

### Ø Madagascar Projects

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.*

Independent interpretation of geophysics data generated by Pan African's high resolution magnetic and radiometric survey has confirmed strong diamond targets previously identified in its geochemical sampling programs.

A high resolution, helicopter-borne, magnetic and radiometric survey covering two key regional heavy mineral anomalies was completed by Fugro Airborne

Surveys in late 2006.

This survey indicated a number of magnetic bulls-eye targets with signatures typically characteristic of kimberlite pipes.

Toronto-based geophysical contractor Scott Hogg & Associates was commissioned to filter the geophysics data, provide an independent interpretation and recommend magnetic targets for ground follow-up.

Eleven specific follow-up targets were identified by the contractor "that justify investigation on the basis of their magnetic characteristics alone". A further target with a kimberlite-like magnetic bulls-eye was also identified in a nearby magnetically active area.

Five of the high-priority follow-up magnetic targets selected by the contractor are located in an area where Pan African's geochemical sampling results had indicated the potential presence of kimberlite pipes.

In April 2007, Pan African reported that an independent interpretation of geophysics data confirmed strong diamond targets previously identified in its geochemical sampling programs.

Further follow-up sampling and ground work is now underway on a dozen high priority targets with a view towards generating drill targets for potential kimberlites.

## Ø Botswana and Namibia Projects

In May 2007, the **Botswana Geological Survey** granted 6 Prospecting Licences (“EPL’s”) to Pan African’s local, wholly-owned operating subsidiary PAM Botswana. These 3-year licences form two separate diamond exploration target blocks (Okavango and Tsau) with a combined area of northwest Botswana.

Selection of the prospects was based upon screening of remote sensing and aeromagnetic data, as well as geochemical data. Existing geochemical data has revealed the presence of a sizeable anomalous surface concentration of diamonds and G 10 targets to the west of the Company’s prospects across the border of Namibia.

The updated Geological Map of Botswana, recently released by the Botswana Geological Survey, interprets the Okavango block to cover the southern extension of the Congo Craton, which hosts numerous economic diamond deposits. Over 50 strong targets have been selected for ground follow-up on the basis of in-house screening of reprocessed data.

Early July 2007, Pan African reported that aeromagnetic data confirmed strong diamond targets on the licence area in Botswana.

In July 2007, the Ministry of Mines and Energy of Namibia awarded diamond Exploration Reconnaissance Licence (ERL) 106 in favour of Pan African’s wholly-owned subsidiary **PAM Minerals Namibia**. The initial licence has a tenure of 6 months,, during which time the Company has the opportunity to identify the most prospective ground in the block for conversion to one or more Exploration prospecting Licences (EPL’s) which are typically granted for a period of up to 3 years.

The Exploration Licence covers an area of approximately 10,000 km<sup>2</sup> and is contiguous to prospecting Licences awarded to the Company to the east in Botswana.

The two areas of ground in **Namibia** and **Botswana** have been acquired in order to investigate a group of bulls-eye magnetic and photo features, closely comparable to those typical of kimberlite clusters, that straddle the Namibian-Botswana border. The Namibian licence thus forms a logical extension of the Botswana property.

Aeromagnetic data acquired from, geological Survey of Namibia, together with remote sensing images, will be coupled with exploration data generated on Botswana to delimit areas for future concession of ERL 106 to longer tenure EPL’s. This will permit finalization of targets within the Namibian licence area for follow-up ground sampling, additional geophysics and drilling.

## Nickel Project

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.

Pan African has developed 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, former head of Laterite Nickel Exploration for Falconbridge, is now heading Pan African's nickel exploration efforts as a Senior Geological Consultant.

## Coal

### Ø **Sakoa and Sakamena Coal fields, southwest Madagascar**

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 Research Permits covering 64 squares which represent an area of approximately 400 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.

In May 2007, Pan African received full environmental permitting from the Malagasy Government to commence exploration and development of its interests in the Sakoa South Coal Deposit.

The Phase I exploration program has commenced with the onset of the dry season in Madagascar. The Program aims at testing an initial target of 100 million tonnes of coal in situ near surface with 52 squares covering 325 square kilometres of the Company's licence area.

Phase I is anticipated to include 6,000 metres of core drilling, with total program costs estimated to be US\$ 1.65 million. The Program is being carried out in accordance with the Independent Technical Report on Sakoa South prepared by Mark Stewardson, Pr.Sci.Nat., a Qualified Person, in accordance with NI 43-101.

## Oil and gas leases

### Ø EnerMad Oil and Gas Leases

In January 2007, Pan African announced that its international oil affiliate, ENERMAD Corp., had received written notification from the Government of Madagascar that its bid for certain prime offshore oil and gas leases has been accepted for formal negotiations. The negotiations commenced in February between EnerMad and the l'Office des Mines Nationales et des Industries Strategiques ("OMNIS").

EnerMad submitted a bid for 6 Lease Blocks covering an aggregate of 8,845 square km. The lease package includes a prime multi-zone deep water prospect as well as shallower extensions of the potential field. Recently, EnerMad has been granted a prime offshore and gas lease.

EnerMad has a total of 11.87 million shares issued and outstanding, of which Pan African owns 13%.

## Management

**Irwin Olian - Chief Executive Officer, President, Chairman and Director**, is an entrepreneur with a background in finance and law. During the past six years, he has developed a business as a self-employed private investment banker and business consultant to emerging companies, in fields ranging from biotechnology to high technology. His clients have included NASDAQ companies.

Mr. Olian's prior finance experience includes a position as Senior Vice President, Investments, with Sutro & Co., an established investment banking and brokerage firm in San Francisco. He also served as Vice President of Bear Stearns & Co. Mr. Olian's legal experience includes a position as a Senior Attorney for Warner Bros. Inc at Burbank Studios, a position as business affairs executive with talent agency International Creative Management, and a position as a corporate attorney with Wyman, Bautzer, Rothman & Kuchel in Los Angeles, and Pillsbury, Madison & Sutro in San Francisco.

He graduated from Princeton University with an A.B. in Economics and received his law degree from Harvard Law School. Mr. Olian gained knowledge of the mining industry as a shareholder of a number of exploratory mining companies.

**Limor Rubin, CA - Chief Financial Officer, Director**, is a member of the Institute of Chartered Accountants of British Columbia and the Israeli Bureau of Accountants. In addition to experience in the mining industry, Ms. Rubin has experience with the financial services industry, mutual funds, insurance, real estate as well as the public sector. Prior to joining the Company and Sacre-Coeur, she served as Accounting Manager for KPMG and as a Senior Accountant with both KPMG and Ernst & Young.

**Ardito Martohardjono – Corporate Secretary, Vice President of Laboratory Services, Director**, has 15 years of progressive experience in the mineral exploration industry, focusing on sample preparation prior to chemical analysis and assay of geological samples as a lab technician and supervisor with the two leading geochemical laboratories in Canada and the United States. During the past five years he has served as Sample Preparation Supervisor for Bondar Clegg Canada in Vancouver and Branch Manager of Bondar Clegg's Fairbanks, Alaska laboratory, as well as Prep Client Services Office Coordinator and Sample Preparation Supervisor for Chemex Labs (now ALS Chemex). Among his many responsibilities was ensuring compliance with ISO quality control standards.

**Gregory Sparks – Director**, a registered Professional Engineer, has been the principal of GBS PC, a mining consulting firm, since 1994. He has also been the General Manager of Genex Construction LLC, a heavy civil construction firm, since 2002. He was formerly Vice President, Development of Echo Bay Mines Ltd. from 1985 to 1993. Mr. Sparks has a B.Sc. in Mining Engineering from the Missouri School of Mines.

**Dr. Edward A. Schiller – Director, Senior Geological Consultant, Diamond and Gemstone Programs**, brings over 30 years experience in mineral exploration, project management, acquisitions, financing, joint venture negotiations and corporate governance to the Company. He graduated with a degree in geology from Michigan State University in 1956, and obtained his Ph.D. in mineralogy at the University of Utah in 1963.

Dr. Schiller was the Resident Geologist of the Northwest Territories Geological Survey of Canada from 1964-1966. He has conducted mineral exploration projects in several South and Central American, African and South East Asian countries, including Madagascar.

Dr. Schiller has consulted for the United Nations on a gemstone project in Mozambique and a mining project in Greece. He has visited other countries on mining related projects, including Vietnam, Botswana and diamond mines in Yakutia, Russia and China.

Dr. Schiller is a former director of Dia Met Minerals, and is best known for supervising the drilling which led to discovery of the first diamond-bearing kimberlite at Pointe Lake in 1991 (now part of the Ekati Mine production). He has written extensively on the Lac de Gras diamond discoveries and has presented several papers on this subject at national and international meetings. Dr. Schiller maintains a consulting practice.

## **Finance**

In February 2007, Pan African closed a non-brokered private placement offering which raised gross proceeds of Cdn\$ 5.0 million by the issuance of 2.0 million units at Cdn\$ 2.50 per unit. Each unit consisted of one common share and one-half of one share purchase warrant. Each whole warrant entitles to purchase one additional common share at Cdn\$ 3.00 until February 15, 2009.

In March 2007, Pan African received Cdn\$ 1.1 million in aggregate proceeds from the exercise of 525,500 share purchase warrants. Included were one-half share purchase warrants exercisable at Cdn\$ 2.00, which comprised part of the units which were issued in connection with the Company's private placement that closed in October 2005.

In July 2007, Pan African received another Cdn\$ 1.4 million in aggregate proceeds from the exercise of 889,500 share purchase warrants and 175,550 share purchase options. Included were one-half share purchase warrants exercisable at Cdn\$ 1.20, which comprised part of the units, which were issued in connection with the Company's private placement that closed in July 2005.

### **Investment summary and recommendation:**

Pan African is one of the first exploration resource companies which recognised the new opportunities in very mineral rich and democratic **Madagascar**. The Company's land holdings are explored for uranium, gold, precious stones, base metals and industrial commodities.

Pan African also holds research permits in major coal fields and has a 13% interest in EnerMad, having been granted a prime offshore oil and gas lease in Madagascar.

The Company made a strategic decision to expand into East and Southern Africa to take advantage of its strong relationships with top geologists in the regions and opportunities there.

As a result, Pan African acquired gold projects in **Mozambique** under agreements with other companies and diamond projects in **Botswana** and **Namibia**.

Four separate projects are currently drilled by Pan African, including: Dabolava Gold Project, Tranomaro Uranium Project, Sakao South Coal Project, and Machinga Gold Mine in **Mozambique**.

In addition, the Company is actively exploring for diamonds in Madagascar, Botswana and Namibia.

With Pan African having a current market capitalization of just Cdn\$ 46.4 million, including Cdn\$ 5.7 million working capital, success in any single of its projects could be worth much more than the entire value of the Company. Consequently, we consider the shares of Pan African strongly undervalued.

Our next price objective is Cdn\$ 3.50.