

Key Gold Holding Inc. Announces Proposed Business Combination With Pangolin Diamonds Corp.

TORONTO, ONTARIO--(Feb. 21, 2012) - Key Gold Holding Inc. (TSX VENTURE:KGH) (the "Company" or "Key Gold") is pleased to announce that it has entered into a letter of intent (the "LOI") with Pangolin Diamonds Corp. ("Pangolin"), an Ontario private company, which outlines the general terms and conditions pursuant to which Key Gold and Pangolin would complete a transaction resulting in a reverse take-over of Key Gold by the shareholders of Pangolin (the "Proposed Transaction"). The LOI was negotiated at arm's length and is effective as of February 20, 2012.

The LOI is to be superseded by a definitive merger or amalgamation agreement (the "Definitive Agreement") to be completed on or before April 15, 2012 (or such other date as may be mutually agreed between the parties). The Transaction is subject to requisite regulatory approval, including the approval of the TSX Venture Exchange (the "TSXV") and standard closing conditions, including the approval of the directors and shareholders of each of Key Gold and Pangolin of the Definitive Agreement and completion of due diligence investigations to the satisfaction of each of Key Gold and Pangolin, as well as the conditions described below. The legal structure for the Proposed Transaction will be determined after the parties have considered all applicable tax, securities law, and accounting efficiencies and it is currently contemplated will result in a merged entity continuing under the laws of Ontario (the "Resulting Issuer").

Trading in the common shares of Key Gold (the "Key Gold Shares") is halted at present. It is the intention of the parties that the Key Gold Shares will not resume trading until the Proposed Transaction is completed and approved by the TSXV.

Conditions to Proposed Transaction

Prior to completion of the Proposed Transaction (the "Closing") (and as conditions of closing):

Pangolin must complete a private placement financing (the "Offering") for minimum gross proceeds of not less than \$1,000,000 at an issue price of \$0.10 per share and maximum gross proceeds of \$1,500,000;

Key Gold must convert, prior to the Closing, approximately \$150,000 of its current indebtedness into Key Gold Shares at a price of \$0.05 per share pursuant to TSXV Policy 4.3 - *Shares for Debt*;

Key Gold and Pangolin will enter into a Definitive Agreement in respect to the Proposed Transaction;

A joint information circular will be prepared in accordance with the policies of the TSXV, outlining the terms of the Proposed Transaction and seeking the approval of the shareholders of Key Gold and Pangolin at shareholder meetings called for that purpose;

Key Gold and Pangolin will obtain the requisite shareholder approvals for the Proposed Transaction and the ancillary matters contemplated in the Definitive Agreement; and

All requisite regulatory approvals relating to the Proposed Transaction, including, without limitation, TSXV approval, will have been obtained.

There can be no assurance that the Proposed Transaction will be completed as proposed or at all.

Proposed Transaction Highlights

The Proposed Transaction is to be completed, subject to respect of the conditions precedents, by the amalgamation of Key Gold and Pangolin (the "Amalgamation"). Pursuant to the Amalgamation, the Resulting Issuer will issue one Resulting Issuer common share (a "Resulting Issuer Share") for every two (2) Key Gold Shares and one (1) Resulting Issuer Share for each existing common share of Pangolin (a "Pangolin Share") issued and outstanding at Closing.

There are currently 20,000,000 Pangolin Shares issued and outstanding and, assuming completion of the maximum Offering, Pangolin will have 35,000,000 Pangolin Shares issued and outstanding prior to Closing.

Pangolin has no other securities outstanding and, to the exception of the Pangolin Shares to be issued under the Offering, no securities are expected to be issued prior to Closing. On the Closing, any outstanding options in Key Gold will be cancelled with the consent of the holders.

If the Proposed Transaction is completed and assuming completion of the maximum Offering, a total of 49,262,806 Resulting Issuer Shares would be issued and outstanding of which 40.6% would be held by the current Pangolin shareholders (20,000,000 Resulting Issuer Shares), 28.9% by the current Key Gold shareholders (14,262,866 Resulting Issuer Shares) and 30.4% by subscribers to the Offering (15,000,000 Resulting Issuer Shares).

Information about Pangolin

Pangolin was incorporated on November 9, 2011 under the laws of the Province of Ontario. Pangolin is a privately owned junior exploration company that holds, through its wholly owned Seychelles subsidiary Pangolin Diamonds Ltd. ("Pangolin Seychelles"), which holds, in turn, through two wholly owned subsidiaries located in Botswana, namely Geocontracts Botswana (Pty) Ltd. and Pangolin Diamonds (Pty) Ltd., a 100% interest in 11 diamond Prospecting Licenses (the "Licenses"). Specifically, on December 24, 2011, Pangolin acquired a 100% interest in Pangolin Seychelles pursuant to share purchase agreement with Pangolin Seychelles, by which it acquired all the securities of Pangolin Seychelles in exchange of 14,000,000 Pangolin Shares.

The Licenses cover an area of 6,620 square kilometers and consist of 5 project areas namely: Tsabong North, Jwaneng South, Lorolwane (application pending); Malatswae and Madinare. Of these, the priority target property of Pangolin is the Tsabong North Property. The Tsabong North Property covers an area of 2,080 square kilometers and is located approximately 100 kilometers north of the City of Tsabong (located in the southwestern portion of Botswana). Pangolin has identified drill ready aeromagnetic targets and has commissioned a *National Instrument 43-101* Technical Report to be prepared in connection with its Tsabong North Property. Such Technical Report will be filed on SEDAR when Key Gold files its circular with respect to the Proposed Transaction.

Summary of the Tsabong North Project

The Tsabong North diamond exploration project is situated on the western edge of the Archaean Kaapvaal Craton, immediately north of the diamondiferous Tsabong kimberlite field. Soil sampling has produced highly anomalous concentrations of kimberlite indicators within the project area. Microprobe analyses of garnets has confirmed the presence of G10 garnets,

indicative of the presence of a mantle conducive to the crystallization of diamonds. A detailed aeromagnetic survey has identified fifty targets. Soil trace element results are consistent with orientation trace element results over known kimberlites. The craton margin location of the project is similar to that of kimberlites in Lesotho known to host large, high value Type II diamonds.

Mr. Leon Daniels, Ph.D., the President, Chief Executive Officer and a director of Pangolin, is a "qualified person" under National Instrument 43-101 and has reviewed the technical disclosure regarding Pangolin in this Press Release.

Selected Financial Statement Information

Pangolin is in the process of engaging an auditor with respect to the preparation of its consolidated financial statements for the year ended December 31, 2011. The audited financial information on Pangolin will be filed on SEDAR when Key Gold files the joint circular with respect to the Proposed Transaction.

Directors and Officers of the Resulting Issuer

In conjunction with the completion of the Proposed Transaction, it is intended that Graham Warren, the current Chief Financial Officer and a director of Key Gold, will remain as a director and officer of the Resulting Issuer and that Willem Smuts, the current President & Chief Executive Officer of Pangolin, will join the board and will act as President & Chief Executive Officer of the Resulting Issuer. In addition, Leon Daniels, a current director of Pangolin, is proposed to be the Chairman of the Resulting Issuer and Sean McGeorge and Louis Peloquin, current directors of Pangolin, are proposed to be directors of the Resulting Issuer.

At the time of closing of the Proposed Transaction and assuming completion of the maximum Offering, it is anticipated that only Nomathata Diamonds Inc. will exercise control or direction over more than 10% of the then issued and outstanding shares of the Resulting Issuer.

Brief biographies for the proposed directors and officers of the Resulting Issuer are set out below:

Willem Smuts, President & CEO, Director, Ph.D. Geology, M. Sc., B.Sc. Hons. Geology

Dr. Smuts has over 25 years experience in exploration, reserve evaluation and planning in the mining sector. He has extensive success in leadership roles in environments ranging from government, small consultancy to global corporations. Dr. Smuts has successfully coordinated and executed exploration programs in Africa, including being executive manager and co-owner of Genres (coal bed methane in Botswana and Zimbabwe) from 1994 to 2000. He also has performed environmental impact studies for several firms and was editor/managing editor of three award-winning mining magazines.

Graham Warren, Chief Financial Officer & Director, B. Comm.

Mr. Warren is a senior financial executive with over 25 years of experience with emerging companies in the oil and gas, mining, environmental, biotech and software sectors. He has extensive operations, international business, corporate finance and public market experience. Mr. Warren has served as Chief Financial Officer and Director of several public issuers. He holds a B.Comm. degree from Concordia University and a C.M.A. designation from the Society of Management Accountants.

Leon Daniels, Chairman of the Board, Ph.D. Geochemistry, B.Sc., B.Sc. Hons. Geology, Director

Dr. Daniels has over 35 years experience in diamond exploration and production. He discovered the Klipfontein kimberlite pipe in South Africa early in his career. Dr. Daniels previously worked for Falconbridge Exploration, Botswana, evaluating the 180 ha crater facies M1 kimberlite, for Trans Hex Group in Swaziland overseeing the evaluation of the Dokolwayo Diamond Mine, for Roan Selection Trust International in Angola, overseeing production of five alluvial mines, and consulted on the evaluation of the River Ranch kimberlite in Zimbabwe. Dr. Daniels also discovered the DK4 kimberlite (only kimberlite in the Orapa kimberlite field not discovered by De Beers), the Mambali kimberlite field in Zimbabwe for Trillion Resources Ltd., and more recently co-founded African Diamonds Plc, subsequently acquired by Lucara Diamond Corp., in 2010.

Sean McGeorge, BA, BA Hons, Director

Mr. McGeorge spent many formative years in diamond camps and operations across southern Africa. He has served on the board of Pangolin Diamonds Ltd. as the Chief Executive Officer, and has been a director of Pangolin Diamonds (Pty) Ltd. since 2008. Mr McGeorge is a media specialist and has worked on advertising campaigns for major banks and mining related companies.

Louis Peloquin, BBA, LL.B, LL.M., Director

Mr. Peloquin is a business consultant combining several specialties, including transactional law, and has extensive international experience in management, mergers and acquisitions, corporate development, government relations and corporate finance. He has developed a solid expertise in natural resources with over ten years experience as senior executive at major mining companies in Canada and the United States. Mr. Peloquin was a member of the management committees and senior executive of Golden Star Resources Ltd., an international mining company based in Denver, and of Quebec Cartier Mining Company (now Arcelor Mittal Mines Canada).

Financing Arrangements

It is a condition precedent to the closing of the Proposed Transaction, that up to \$150,000 of current indebtedness of Key Gold be converted into Key Gold common shares at a price of \$0.05 (equivalent to \$0.10 post closing of the Proposed Transaction) per Key Gold common share. In addition, as discussed above, Pangolin must complete the minimum Offering.

Sponsorship

Sponsorship of a reverse take-over is required by the TSXV Policy 2.2 - *Sponsorship and Sponsorship Requirements*. Key Gold has not yet appointed a sponsor, but plans to be in discussion with several investment firms to act as sponsor in connection with the Proposed Transaction. Key Gold intends to include any additional information regarding sponsorship in a subsequent press release.

About Key Gold Holding Inc.

Key Gold Holding Inc. is a mineral exploration company that is currently mainly focused on the acquisition, exploration and development of gold and copper properties.

Key Gold has 28,525,732 common shares outstanding and is listed on the TSXV under the symbol KGH.

Reader Advisory

This press release contains forward-looking statements with respect to the Proposed Transaction and matters concerning the business, operations, strategy, and financial performance of the Resulting Issuer, Pangolin and Key Gold. These statements generally can be identified by use of forward looking word such as "may", "will", "expect", "estimate", "anticipate", "intends", "believe" or "continue" or the negative thereof or similar variations. The completion of the Proposed Transaction and the future business, operations and performance of the Resulting Issuer discussed herein could differ materially from those expressed or implied by such statements. Such forward-looking statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations, including that the Proposed Transaction contemplated herein is completed. Forward-looking statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to: the ability of Key Gold and Pangolin to obtain necessary shareholder approval to complete the Proposed Transaction or to satisfy the requirements of the TSXV with respect to the Proposed Transaction. The cautionary statements qualify all forward-looking statements attributable to Key Gold and Pangolin and persons acting on their behalves. Unless otherwise stated, all forward-looking statements speak only as of the date of this press release and Key Gold and Pangolin have no obligation to update such statements except as required by law.

Completion of the Proposed Transaction is subject to a number of conditions, including but not limited to, TSXV acceptance and disinterested shareholder approval. The Proposed Transaction cannot close until the required shareholder approval is obtained. There can be no assurance that the Proposed Transaction will be completed as proposed or at all.

Investors are cautioned that, except as disclosed in the management information circular prepared in connection with the Proposed Transaction, any information released or received with respect to the Proposed Transaction may not be accurate or complete and should not be relied upon. Trading in the securities of Key Gold Holding Inc. should be considered highly speculative.

The TSXV has in no way passed upon the merits of the Proposed Transaction and has neither approved nor disapproved the contents of this press release.

Neither the TSXV nor its Regulation Services Provider (as that term is defined in the policies of the TSXV) accepts responsibility for the adequacy or accuracy of this release.

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