

PANGOLIN DIAMONDS CORP. NEWSLETTER – OCTOBER 2012

Dear Pangolin Diamonds Corp. Investor,

Re bone metsi! - We have found water!

Welcome to the third newsletter to investors and friends of Pangolin Diamonds Corp. (the “Company”, “Pangolin”, “we” or “our”). The Board and Management of the Company take pleasure in providing you with an update on progress in the Tsabong North Project in Botswana.

Pangolin is continuing with follow-up work in terms of the NI 43-101 report’s specified requirements on the 50 targets identified to date on the Tsabong North project and the selection of the initial 25 drill targets is in progress.

Management expects the drills to be on-site during October. The core drills will need water for drilling and in preparation for the drilling programme three boreholes were drilled for water supply within the project area.



Figure 1 – BH 3 was drilled near Smuts Pan. This location will be our first Field Camp during 43-101 follow-up operations.

The aeromagnetic and radiometric surveys concluded over PL 64-2011 and PL350 and PL351 reported in the first Newsletter, was used in conjunction with satellite imagery to pick drill sites for water.

The water holes were sited to be centrally located for access to water within the three main areas where the main groups of aeromagnetic anomalies are concentrated.

The percussion drilling was conducted by a local contractor from Tsabong village and these were the three first holes ever to be drilled within the license areas. All three holes intersected water and the projected yields from the boreholes are in excess of drilling requirement with flow rates of BH3 – 8,500 l/h; BH4 – 4,500 l/h; BH6 – 6,500 l/h.

The bore holes were sampled at one meter intervals for geological formation logging. Samples have also been submitted to an independent third party for microscopic evaluation.

It became apparent from logging the holes that the Kalahari Formation, in general, is shallower in the Tsabong North Project than Kalahari Formation depth further to the south where Firestone Diamonds plc (AIM:FDI) have one of their main diamond exploration programmes in

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Botswana (<http://www.firestonediamonds.com/operations/exploration>).

It is of interest to note the Firestone position regarding the economic threshold for the Tsabong area: *“With rough diamond prices estimated to have tripled since the Tsabong field was discovered in the early 1980’s, the threshold for economic viability is modest. A kimberlite in Tsabong with a grade of 20 cphr and average quality diamonds of US\$100 per carat could support large-scale, profitable mining operation. Access to the area is via tarred road from Gaborone and infrastructure in the area is good.”*

The core drills Pangolin will be using during the drilling campaign, due to start later this October, will be utilizing syndite drill bits. The synthetic diamonds in the drill bits are distinctly different in appearance to natural diamonds commonly used for core drilling. Samples from positive kimberlite intersections will be submitted to the C.F. Mineral Research Ltd. Laboratory in Kelowna, BC, Canada for microdiamond and kimberlite indicator analysis.

We will have completed the June 30, 2012 year end audit shortly and be in a position to finalize the Information Circular in preparation of Key Gold Holding Ltd.’s special annual meeting to consider the amalgamation and reverse take-over (RTO) by Pangolin Diamonds Corp. later this year. In order to sustain the continued momentum of the work programme at its Tsabong North project, the Company is raising another \$500,000 - \$1,000,000 in addition to the \$1,200,000 raised to date.

On behalf of the Board

*Leon Daniels, Chairman
Pangolin Diamonds Corp.*

Dr Willem Smuts, PhD, Pr.Sci.Nat., a geologist and President and CEO of Pangolin Diamonds Corp. is the Company's Qualified Person pursuant to NI 43-101 and has reviewed the technical contents of this newsletter.

This newsletter contains forward-looking statements with respect to the Proposed Transaction and matters concerning the business, operations, strategy and performance of Pangolin. These statements generally can be identified by use of forward looking words 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 Pangolin discussed herein could differ materially from those expressed or implied by such statements. Such forward-looking statements are qualified in

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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 TSX.V with respect to the Proposed Transaction. The cautionary statements qualify all forward-looking statements attributable to Pangolin and persons acting on its behalf. Unless otherwise stated, all forward-looking statements speak only as of the date of this newsletter and Pangolin has no obligation to update such statements except as required by law.