



# Viking Ashanti Ltd

## Viking Ashanti: Is this the next Adamus Resources?



Viking Ashanti's (ASX: VKA) Akoase East Project in Ghana has potential to grow well beyond one million ounces of gold and follow a valuation path of Adamus Resources.

Recent drilling at the Ghanaian Akoase East Project produced a 40% increase in gold resources to 704,000 ounces, and now drives a fast tracked drilling programme into higher grade resources at Alimac, and other targets along a very prolific gold trend.

Currently defined resources at Akoase East are located within a 3 kilometre strike length, and multiple targets are revealing additional resource ounces along the remaining 9 kilometres of strike.

New resource modeling has confirmed higher grade mineralisation at the partially drilled Alimac prospect where the thickest and highest grade gold hits of the entire drilling programme have been reported.

Ongoing drilling has potential to define robust gold resources that are in excess of one million ounces.

Share Price: \$0.14

Issued Shares: 69.1m

Market Cap: \$9.6m

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## ANALYSIS

Viking Ashanti was established in 2007 to develop identified gold resources at the Akoase East and West project area, and to fully explore the West Star and Blue River project area that carries a mineralised strike line extending from the nearby Nzema Gold Mine owned by Endeavour Mining (TSX: EDV).

Both of Viking's projects cover a total of 240 square kilometres and were vended to the Company by Resolute Mining Ltd (ASX: RSG) who retain a major shareholding in the Company.

The project areas form a strategic land position within the highly prospective Ashanti Gold Belt of Ghana, which is recognised as one of the most highly gold endowed and tightly held geological provinces in the world.

Numerous gold deposits are located within and around the margins of the Ashanti Gold Belt that include two of the largest gold deposits in the world at Obuasi owned by Ashanti Goldfields Company (NYSE:AU), and Tarkwa mine owned by Goldfields (NYSE: GFI).

In our view, Viking Ashanti is exhibiting similar hallmarks of another ASX listed company Adamus Resources, before it was merged with Endeavour Mining in 2011 which held a market capitalisation of A\$293 million at that time.

The parallels with Adamus are uncanny from both a geographical and development scenario viewpoint.

In our view, as the Company has recognised through exploration the higher grade zones at Akoase, we believe that Viking Ashanti should get to 1,000,000 ounces of gold inferred resource and likely to reach 1,500,000 ounces of gold. This would provide 1,000,000 ounces of reserves enough for 100,000 ounces of gold production per annum with a 10 year mine life.

That said, at this still early exploration stage, it is likely that even Viking Ashanti is not certain just how big the system is at Akoase nor fully defined the extent of mineralisation. While it is closed to the south it is open at depth. There might also be potential to find a parallel structure to the north east.

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Taking Adamus Resources as a guide, we believe that Viking Ashanti is significantly undervalued and has potential to reach a valuation of \$0.75-\$1.00 in 12 to 24 months. This might prove conservative.

## JORC RESOURCE

Viking Ashanti has developed an updated resource model at Akoase East that has outlined multiple sub-parallel zones of mineralisation over a strike length of 3 kilometres with gold values distributed from surface and to an average depth of 120 metres, for an updated JORC compliant Inferred Resource of 18 million tonnes at a grade of 1.2 g/t Au, for 704,000 ounces of gold.

The resource remains open at depth and extends along strike to the northeast where the thickest and highest grade intercepts of the entire drilling program are being reported at Alimac; and includes Diamond Drill hole AKRC 195 with a total intercept of 31 metres at 7.84 g/t Au, and included 16 metres at 10.82 g/t Au.

The total strike line at Akoase East covers 12 kilometres, and includes 9 kilometres that have only been partially explored, so potential remains very high for gold resources to exceed one million ounces in the near future, and if that step is reached becomes a stepping stone to near term mining feasibility studies.

Development of Akoase East has overshadowed early stage exploration and drilling at West Star and Blue River that host a number of highly prospective gold targets that will be developed over the coming quarters.

## MANAGEMENT

Unusually for relatively early stage explorers, Viking is replete with significant experience in developing mines in Africa. This fact alone is a “bullish” point that provides confidence in its ability to develop a mine.

John Gardner serves as Non-executive Chairman and is a mining engineer with a long and distinguished career in Australia and West Africa. He was a founding Director of Mincor, and Director and General Manager of Minproc Engineers and was responsible for the design and construction of gold and base metal process plants, and for establishing Minproc in Ghana, where they became the country’s leading mining project engineers. Under his leadership Minproc completed more than 60 gold treatment plants.

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Peter McMickan serves as Managing Director, and is a senior geologist with 30 years of global experience with Newmont, Pancontinental Mining, BP Minerals, Kalgoorlie Consolidated Gold Mines, and Homestake. He assisted Guinor with management of mine geology, exploration, and successful resource development of the Lero Gold Project in West Africa that produces 350,000 ounces of gold per year. He also worked as General Manager of Geology and Business Development with Aditya Birla Minerals.

Trygve Kroepelien is a Non-Executive Director, and has a long career focused on the administration of natural resources with the United Nations and then with Norwegian consulting companies supplying services to the developing world. Over the last 30 years he was active in promoting mineral resource projects in West Africa, and was the CEO of Guinor, where he managed the growth of the business from a capitalisation of \$2 million to \$130 million.

Mark Newlands is a Non-Executive Director who has over 20 years experience in investment banking and stockbroking, and most recently was the Head of Equity Markets for Enskilda Securities which is a leading Scandinavian investment bank.

## SHAREHOLDING AND FUNDING

Resolute Group Ltd is a founding shareholder and retains a holding of 23.0 million shares for a 33.25% interest, and the John Gardner Superannuation Fund holds 4.0 million shares for a 5.78% interest. The Manson Group and Kevin Manson Holdings recently made on market purchases and have collectively acquired 3.5 million shares for a combined 5.0% interest.

The latest Annual Report states that the top 20 shareholders control 49.4 million shares for a 71.40% interest.

Cash reserves at the end of the March quarter were \$1.4 million, and the cash burn rate for the current quarter was estimated at \$0.45 million, which includes \$0.30 million for exploration and evaluation, and \$0.15 million for administration.

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## AKOASE EAST PROJECT



Akoase is located in Ghana which to date is a politically, economically, and socially stable country with excellent mining infrastructure and services, and with a 25 year record of successful modern mining practice. The country produced 3 million ounces of gold in 2011, and is ranked in second place for African gold production, and is placed ninth globally.

Resolute Mining discovered and partially developed the flagship Akoase East project with an initial JORC compliant Inferred Resource of 490,000 ounces of gold, prior to vending the interest to Ashanti Viking.

The Akoase Project is 100% owned, covers 106 square kilometres, and is located 125 kilometres northwest of Accra. The project area is 5 kilometres from a sealed road, and 10 kilometres from the electric power grid.

Akoase is made up of two separate blocks known as Akoase East and Akoase West that are found at the northern part of the Axim-Konongo gold belt. A number of major gold mines and projects are located nearby and include Newmont's 8.7 million ounce Akyem gold project, which is 25 kilometres southwest of the project area.

Current development focus is on Akoase East where Resolute Mining identified and drilled out a gold resource over a 2.5 kilometre strike line, and completed an in-house JORC compliant Inferred Resource for 13.3 million tonnes at 1.2 g/t Au, containing 496,000 ounces of gold at a cut-off of 0.5 g/t Au.

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Gold within the project area is typically vein hosted, and is associated with quartz carbonate breccia and stockwork veins developed in zones of strong sericite-ankerite-pyrite alteration along the regionally extensive Kadewaso structural trend.

Ashanti Viking commenced drilling on the project area in August of 2010, and has already completed 8,000 metres of Reverse Circulation (RC) and 3,000 metres of Diamond Drilling with very impressive results.

This has provided sufficient drilling data along with 10,000 metres of historic Reverse Circulation drilling completed by Resolute Mining for Coffey Mining to complete an independent assessment that confirms a JORC Inferred Resource of 18.0 million tonnes at 1.2 g/t Au, containing 704,000 ounces of gold.

The updated resource model has outlined multiple sub-parallel zones of mineralisation over a strike length of 3 kilometres that commences at surface and has an average depth of 120 metres, and remains open at depth, and along strike to the northeast.

The resource model also confirmed that higher grade mineralisation is found within the unexplored Alimac prospect, where the project's thickest and highest grade drill intercepts have recently occurred.

Drilling highlights at Alimac include AKRC187 with 24 metres at 1.75 g/t Au, AKRC190 with 9 metres at 5.44 g/t Au, AKRC195 with 31 metres at 7.84 g/t Au, AKRC200 with 12 metres at 2.30 g/t Au, and AKRC188 with 11 metres at 2.06 g/t Au, 9 metres at 3.00 g/t Au and 4 metres at 4.69 g/t Au.

The new high grade gold discovery at Alimac is located at a very shallow depth of less than 100 metres, extends over a strike length exceeding 400 metres, and remains open along strike to the northeast, and at depth.

Viking Ashanti management confirm that they now have a clear geological understanding of gold distribution and will continue an aggressive drilling campaign at Alimac that will take up to six months to complete, and has potential to boost the total gold resource at Akoase East well beyond one million ounces.

Andy Hills covers a geochemical anomaly that extends for 2.5 kilometres and is located along strike and to the northeast of Alimac. The Company completed a 15 Rotary Core drill hole programme over a strike length of 1,200 metres at Andy Hills, with highlights at AKRC172 with 16 metres at 1.32 g/t Au, and 1 metre at 9.48 g/t Au, AKRC175 with 7 metres

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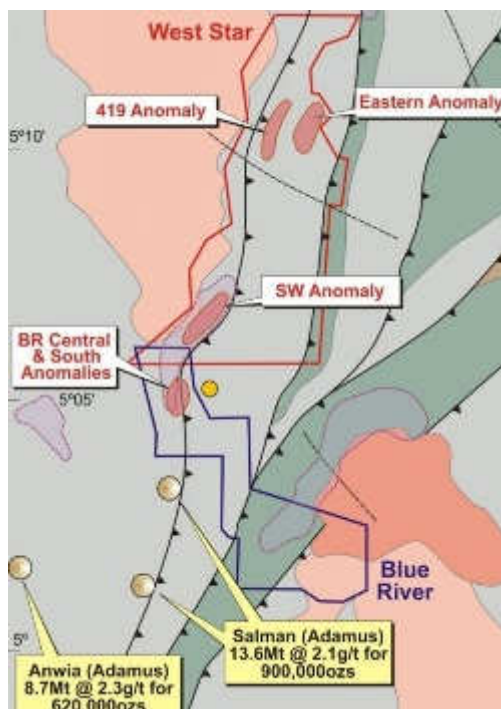
at 1.57 g/t Au, AKRC170 with 4 metres at 1.48 g/t Au, and 5 metres at 0.85 g/t Au, and AKRC177 with 1 metre at 4.84 g/t Au.

Exploration upside remains very significant with 12 kilometres of strike identified, and only 6 kilometres fully or partially tested. The untested sections include two parallel geochemical anomalies at Dave Flats at the southern end of the strike line, and four additional parallel anomalies located at the northern end of the strike line.

## METALLURGICAL TESTING AT AKOASE

The Company collected samples of oxidised and freshly mineralised gold bearing material from Akoase for initial metallurgical testing at ALS AMMTEC Labs in Perth. Early trials confirm that the oxide samples provided a gold recovery of 93% - 96% at a 75 micron grind, and freshly mineralised rock reported a gold recovery of 85% - 90% utilising conventional leaching and floatation processes; and gravity recoveries reported a gold recovery of 35% - 45%, and are considered typical for free milling gold deposits. Further testwork is planned to optimise recoveries from fresh mineralisation.

## WEST STAR AND BLUE RIVER



The Company has 100% ownership of any hard rock gold resources at West Star and Blue River, and local entities retain 100% interest in any alluvial resources defined on the project

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area. The licences are located in the Western region of Ghana and are 250 kilometres west of Accra, with access via sealed roads to Nkroful.

The licences are 60 kilometres south of Tarkwa which contains 20.2 million ounces of gold, and illustrates the high potential of the entire area.

West Star and Blue River occupy the southern end of the Ashanti Gold Belt and abut Endeavour's (TSX: EDV, ASX: EVR) Nzema Mine which hosts a 2 million ounce gold resource. These resources are contained within the Anwia deposit, and a chain of shallow oxide pits that lie along the Salman shear zone and are in very close proximity to the Blue River and West Star licences that carry a 17 kilometre extension of the same mineralised shear.



West Star access road

Recent soil sampling by Viking Ashanti along the Salman shear have defined numerous sub-parallel anomalous zones, with individual anomalies from 400 metres to 1.2 kilometres in length and up to 150 metres in width, and are closely related to individual fault structures identified from mapping and geophysics, within and on the margins of the Salman shear.

A 1,500 metre RC in-fill drilling program is underway at Blue River which is evaluating historic economic grade intersections at Jasmine and Blue River North prospects.

## CATALYSTS

- Ongoing drill results from Akoase
- Increase in resource base > 1,000,000 ounces
- Ramp up of exploration at West Star and Blue River

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- Corporate opportunities

## ANALYSIS

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The parallels with Adamus are uncanny from both a geographical and development scenario viewpoint.

Adamus's principal asset was the Nzema Mine with Reserves and Measured and Indicated Resources of 1,755,000 ounces of gold at 1.8 g/t au. Nzema now produces at an annualised rate of 88,000 ounces of gold, from open pit mine resources at a cash cost of approximately \$650 per ounce. It should be noted that C1 cash costs are markedly lower in West Africa than in new mines in Australia.

Significantly, Newmont's 8.5 million ounce Akyem project (in construction) is only 25 kilometres from Viking's Akoase project providing treatment options from any mine. Although in our view, this will most likely not be needed. However, unusually for Africa, infrastructure is excellent as a result. A bitumen road is 5 kilometres away with grid power 10 kilometres away.

Viking Ashanti has already defined 704,000 ounces of gold at a grade of 1.2 g/t, and drilling at Alimac has potential to significantly increase the number of high grade ounces in the resource inventory to the level required for economic mining feasibility studies.

In our view, as the Company has recognised through exploration the higher grade zones at Akoase, we believe that Viking Ashanti should get to 1,000,000 ounces of gold inferred resource and likely to reach 1,500,000 ounces of gold. This would provide 1,000,000 ounces of reserves enough for 100,000 ounces of gold production per annum with a 10 year mine life.

That said, at this still early exploration stage, it is likely that even Viking Ashanti is not certain just how big the system is at Akoase nor fully defined the extent of mineralisation. While it is closed to the south it is open at depth. There might also be potential to find a parallel structure to the north east.

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A 1,500,000 ounce resource would most likely trigger a development option and a scoping study.

With cash of \$1,416,000 at March quarter end, it is likely the Company will access the markets for funding to accelerate exploration in 2012. We would be relatively confident that funding will be forthcoming given Viking Ashanti's potential growth profile, strong management and project scalability.

The Company also has a large number of mineralised targets under evaluation at Akoase East, Blue River and West Star provides additional potential to significantly "de-risk" an investment in Viking Ashanti.

## VALUATION

Company	Market Cap \$	Resource OZS	EV/oz \$
<u>Perseus</u>	1.0b	2.2m	43.00
<u>Azumah</u>	83m	1.7m	31.00
Castle	34m	.3m	97.00
Gryphon	275m	2m	106.00
<u>Ampella</u>	224m	3.1m	56.00
Viking Ashanti	10m	.7m	12.19
Average EV/oz			66.6

Valuation peer guide

Viking Ashanti is currently capitalised at \$10 million and an Enterprise Value of \$8.27 million (based on a \$0.14 share price). Based on current gold ounces this translates to an EV/Resource ounce of \$12.19. This is significantly below a peer West African average EV/Resource of around \$66/ounce.

Any upgrade in resource to 1,000,000 ounces would render an EV/Resource of just \$8.27.

Taking Adamus Resources as a guide, we believe that Viking Ashanti is significantly undervalued and has potential to reach a valuation of \$0.75-\$1.00 in 24 - 36 months. This might well prove conservative.



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