

Appetite revived for exploration floats

The death of the exploration float in 2010 has proved to be greatly exaggerated.

Sure, risk capital decided to extend the summer break into February because of the European debt crisis. But the appetite for floats has bounced back strongly in the past month. And so it should, given that, on average, commodity prices and demand expectations are pretty much where they were before the start of the global financial crisis in September 2008.

One of the new batch of floats making their way to market in response to the improved risk appetite is Viking Ashanti, an \$8 million float that looks to tap the excitement surrounding gold exploration in west Africa. Viking Ashanti is the group that picked up the advanced gold exploration interests of Resolute Mining in Ghana, leaving Resolute to focus on cementing its position as a 400,000 ounce-a-year gold producer from mines in Tanzania, Mali and Queensland.

Viking Ashanti is not your normal float: it comes to market sporting a stock-exchange compliant gold resource of 500,000 ounces at its Akoase project, 25 kilometres down the road from Newmont's 8.7 million ounce Akyem gold project.

At the float price, Viking Ashanti will have a market capitalisation of \$20 million and an enterprise value per ounce of gold resource of \$24. That compares with anything between the \$40-\$80 an ounce enterprise value a gold ounce you find for the rest of the active west African gold explorers.

Funds from the float will be used for an aggressive exploration program to take the resource base at Akoase and the nearby Westar/Blue River projects past the 1 million ounce level, a trigger point in that part of the world to start thinking about becoming a 50,000-80,000 ounce-a-year gold producer.

Reinforcing a developing theme that most of the new floats have an overseas focus is the \$8 million initial public offering of Hot Chili Ltd, a uranium and copper/gold explorer in Chile. The principals of the company have been knocking around that part of the world for years and have secured agreements for Hot Chili to gain majority interests in three of Chile's most advanced uranium-copper-gold projects.

Hot Chili reckons it is over the discovery hurdle with its property portfolio. The flagship is the Productora uranium project.

Productora is of the IOCG-type (iron



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oxide, copper, gold) and about half of the project is held in partnership with Chile's largest iron ore company, CMP. The Perth stockbroking firm DJ Carmichael is handling the float.