

Viking set for assault on Africa

IPO watch

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Viking Ashanti is seeking \$8 million through a sharemarket float to develop a million-ounce-plus gold resource within two years in Ghana, West Africa. If it succeeds, Viking will join other emerging Australian gold explorers in Ghana, such as Azumah Resources, Castle Minerals, Adamus Resources and Signature Metals.

Shares in Azumah, Castle and Adamus have rallied strongly since early 2009 amid a broader re-rating of Australian gold, uranium and iron-ore explorers in Africa.

Perseus Mining's recent success has also boosted ASX-listed Ghanaian gold explorers. Shares in Perseus, developing the large Central Ashanti gold project in Ghana, have soared from 75¢ in early 2009 to \$2, capitalising the company at \$687 million.

It seems investors are focusing more on Africa's minerals prospectivity and rising commodity prices than its significant sovereign risks.

Ghana is a gold hot spot. The Ashanti Gold Belt has hosted several multimillion-ounce deposits, making Ghana the world's 10th-largest and Africa's second-largest gold producer.

Viking is an unusual micro-cap exploration float on a few fronts. Unlike many mining hopefuls, its management has already built and managed successful gold and base metal companies.

Non-executive chairman John Gardner was executive chairman of Ghana Manganese Company, a private venture that grew from 300,000 tonnes a year to 1.7 million tonnes before its acquisition. Gardner has also been a director of Mincor Resources since 1996.

Gardner met Viking managing director Peter McMikan and non-executive director Trygve Kroepelien

Out of Africa

Float facts

• Company	Viking Ashanti
• Operations	Gold exploration in Ghana
• Target capital raising	\$8m
• Issue price	30¢
• Market capitalisation at listing	\$20.75m
• Corporate Adviser	Emerald Partners
• Offer closes	April 16
• Expected listing	May 5
• Website	www.vikingashanti.com



SOURCE: ASX

though the Lero gold project in Guinea, West Africa. The three executives turned the struggling project into a 4 million ounce resource within two years, producing more than 100,000 ounces annually.

The project's owner, Guinor Gold Corporation, was bought by Crew Gold Corporation, a Canadian company, for about \$C390 million in 2005. The takeover saw Gardner, McMikan and Kroepelien leave Guinor and incorporate Viking in 2007.

That success may explain why Resolute Mining took a 33.3 per cent stake in Viking in exchange for its tenement package over 440 square kilometres in the Ashanti Gold Belt.

Resolute has significant African operations at its Golden Pride mine in Tanzania, East Africa, and its Syama Gold Project in Mali, West Africa. As Resolute devoted more resources to Syama, it focused less on its Ashanti gold tenements — a reason that it spun them into Viking.

The Resolute connection gives Viking a head start over many exploration hopefuls. The tenements have a combined JORC-compliant resource of 496,000 gold ounces, thanks to \$7 million invested by Resolute since the late 1990s to acquire, explore and develop them.

Resolute's shareholding also gives

Viking a cornerstone investor and a relationship with a larger, established gold company. Resolute shares are rising again after horrendous falls in 2008. Its shareholders have a priority offer for \$1 million of Viking shares.

Viking's market capitalisation is \$20.75 million at the 30¢ issue price. The Perth company will have 69.1 million outstanding shares at listing, and another 6 million options have been issued to directors, exercisable at 34.5¢ before December 2010. The last round of seed funding before the float was at 10¢ a share earlier this year.

Prospective investors should compare Viking's resource base and capitalisation to those of other emerging West African explorers such as Azumah and Castle Minerals in Ghana; Ampella Mining and Gryphon Minerals in Burkina Faso, which borders Ghana; and Bassari Resources in Senegal.

Viking's enterprise valuation per gold ounce is \$24 (after subtracting capital raised through the float from the market capitalisation). This is lower than other established West African explorers with enterprise valuations ranging from \$40 to \$80 per gold ounce.

It should be, as Viking is a fair

way behind more established West African explorers, some of which are into or nearing project construction.

Viking hopes to make up ground quickly by at least doubling the size of its resource within two years and pouring funds raised into exploration.

The 1 million-ounce threshold is sometimes a catalyst to re-rate an explorer's share price.

If Viking ever develops such a resource, project economics suggest annual production of 50,000 to 80,000 gold ounces in a mining area with good infrastructure.

Early reaction to the float has been positive with Viking confident of raising \$8 million.

Management's previous success, Resolute's backing, and an already JORC-compliant resource are selling points over most micro-cap miners that raise funds for grassroots exploration.

But tiny exploration companies, always risky, are even more speculative when operating in developing nations.

Experienced investors should assess Viking on its merits. Buying its shares on the basis of recent gains in other West African explorers is a dangerous strategy.

Viking's offer closes on April 26, with listing due on May 5.