

# Asante Gold Corp.

(ASE-CSE: C\$1.72)

BUY

Target: C\$2.60

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## Still Undervalued Even With Take Control Attempt at AGM Reinvigorating Share Price

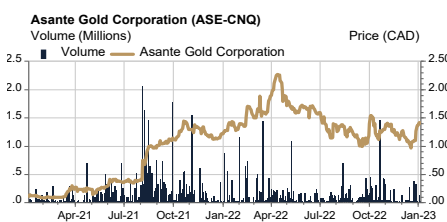
	Current
Rating	BUY
Target	\$2.60
Projected Return	51%

Company Data	
Last Price	\$1.72
52-week Range	\$0.94 - \$2.29
Market Cap (\$M)	\$635
Enterprise Value (\$M)	\$858
Shares Outstanding - Basic (M)	369.4
Shares Outstanding - Diluted (M)	443.2
Average Volume - 100d ('000 shares/day)	120
Cash (\$M)	\$74.9
Debt (\$M)	\$297.4
Fiscal Year End	Jan-31

Valuation	
NAVPS	\$3.26
P/NAV	0.53x

Estimates	F2022A	F2023E	F2024E	F2025E
EBITDA (\$M)	(8)	(31)	389	430
Adj. EPS (\$/sh)	(0.05)	(0.25)	0.62	0.75
Adj. CFPS (\$/sh)	(0.02)	(0.03)	0.96	1.10

All figures in C\$ unless otherwise noted  
Source: FactSet, Company Reports, Eight Capital



Source: Factset

### Company Description

Asante Gold Corp. is an emerging intermediate gold producer in Ghana. The Company operates the Bibiani and Chirano gold mines. In the near-future, Asante is aiming for +400koz pa production through both assets as well as LOM extensions through exploration of OP/UG amenable resources. Additionally, the Company owns the Kubi gold deposit, also in Ghana.

We reiterate our thesis on Asante. The Company's AGM on December 21 (results announced December 23) has fueled the recent share price rise (ASE up ~60%; intermediate gold producer peer set up 8%; gold up 3% over the same time period) but in our view, ASE remains undervalued.

**Battle for Control at Annual General Meeting:** ASE noted that two directors tried to take control of the Company at its annual meeting through a failed ousting of other members of the board. Based on the voting results (see [Exhibit 1](#)) we believe the elected directors representing Emiral Resources (which owns ~16.8% of ASE) and Fujairah Holdings (which owns ~13.5% of ASE) initiated the take control attempt. Given the slim margin of victory by the other directors, and the fact that on January 6, ASE [announced](#) it had formed an executive committee of the board and had engaged advisors to protect shareholders against dissident shareholders, we believe a board shakeup and/or M&A could still happen.

**Stay Tuned but What Happens Next will Benefit Shareholders:** Emiral Resources has been involved in a bidding war in the past through a nine-month battle for Cardinal Resources and its Namdini gold project, also located in Ghana. In Mar/20, Russian based Nordgold (Private) bid for ~A\$0.46/share. By the end, there were four bidders, including Emiral, but the eventual winner in Dec/20 was Chinese based Shandong Gold (600547-SSE, Not Rated), that bid A\$1.075/share for Cardinal. We note that Asante's current board features its founders and those who previously worked at Cardinal. Outside of Emiral/Fujairah, we would not rule out another player, possibly a Chinese producer (given the cost profile of the assets) or a West African player making a bid for Asante. This is the first time both the Bibiani/Chirano mines have been under one Company umbrella, two Ghanaian gold mines capable of producing +400koz pa collectively on a 52km corridor (also, two processing plants are just 15km apart) that hosts +4Moz of resources currently and has room to grow through untested exploration ground.

**Our Modeled Parameters:** At Bibiani, we model a 10-year LOM with production building up to ~230Koz of annual production in F2024 (C2023) and averaging 250Koz pa by F2026 (C2025). We project costs to average ~US\$1,150/oz over the LOM, driven by a higher strip ratio. Most of the capital investment (US\$932M; including plant upgrades) will be spent on stripping (US\$742M). Our NPV5% model assigns a value of +\$1B to Bibiani. At Chirano, we model a 9-year LOM, with the OP/UG producing ~185Koz pa @ ~US\$1,015/oz steadily post C2023. Total LOM capex is just US\$74M, as the mine is a long-running operation. Our NPV5% model assigns a value of +\$700M to Chirano.

**A Prize Worth Fighting For is Worth Investing In:** We believe Asante's current valuation is due to trading liquidity, ASE being listed on the smaller CSE, and a financing overhang. But at a ~\$600M market cap (peers at \$2B; see [Exhibit 2](#)), the Company is undervalued and thus is attractive to an acquirer. Additionally, the takeover attempt is a sign that funds believe ASE is capable of arranging the financing it needs in the near-term. Our \$2.60/share target price is based on a 0.8x P/NAV multiple (trades at 0.5x, peers at 0.8x). Key risks to our target price and valuation include commodity price risks (gold), balance sheet risk, mining operation risks, jurisdictional risk, and key management/personnel risk. **We maintain our Buy rating and \$2.60/share target price.**

## C2023 Catalysts

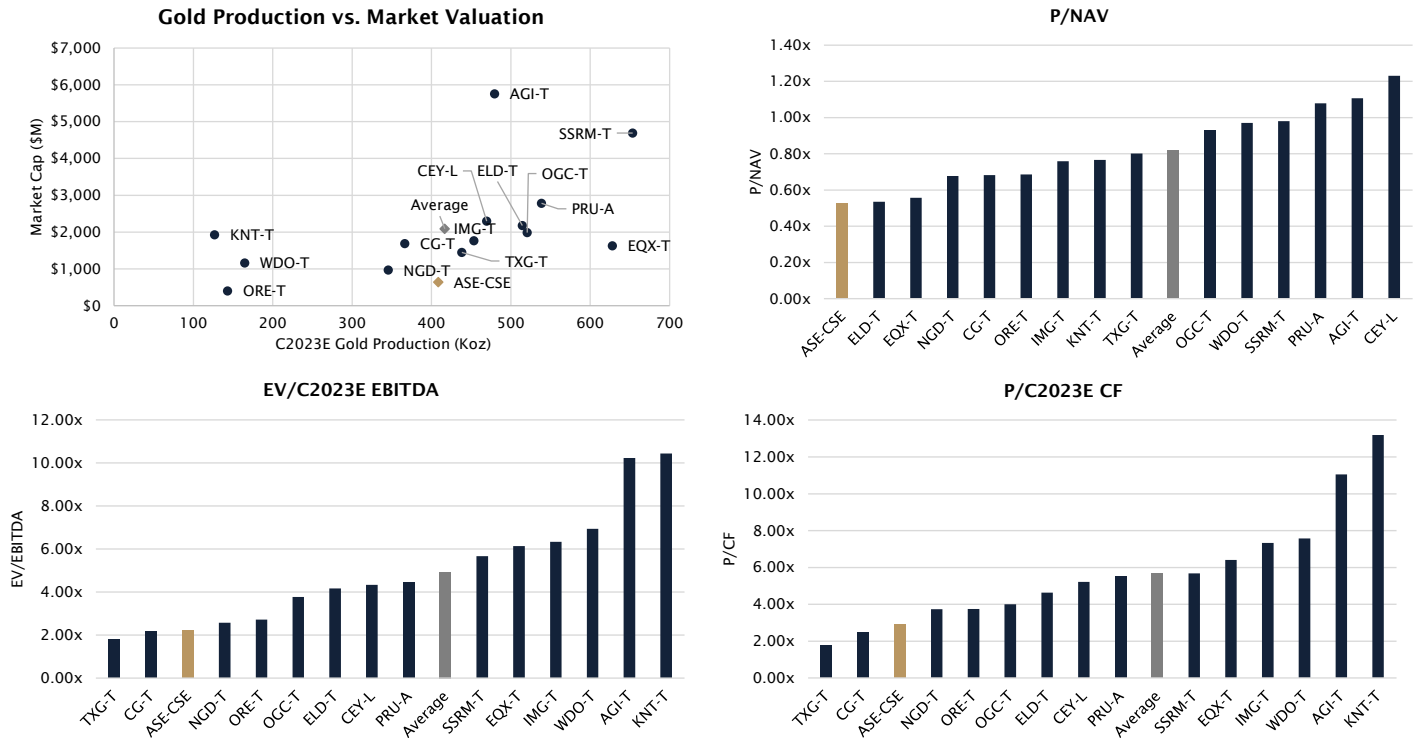
- Takeover battle
- Removal of Financing overhang
- TSX-V up-listing opening up ASE to new investor base
- Updated resource estimates for Bibiani/Chirano
- Process improvements at Bibiani/Chirano improving production profile/lowering costs
- Full year of production/ramp-up at Bibiani/Chirano

### Exhibit 1: Asante Board of Directors and AGM Voting Results

Directors		Voting Results		
Name and Position	Biography	Votes For	Votes Withheld	Outcome
<b>Douglas R. MacQuarrie</b> Non-Executive Chairman of the Board of Directors	Mr. MacQuarrie is the founder of Asante Gold. He has over 40 years of mineral exploration experience, including close to 30 years in West Africa. Across Canada and Ghana, he has been responsible for the discovery and acquisition of gold deposits. Mr. MacQuarrie was formerly the CEO of PMI Gold (now part of Galiano Gold), where he oversaw the acquisition of Kubi and Obotan's mineral titles (+5Moz gold deposit) before PMI was bought by Galiano Gold for \$183M in 2013.	163,306,775 51.40%	154,694,506 48.60%	Elected
<b>Executive Committee Member</b>				
<b>Malik Easah</b> Executive Director	Mr. Easah was a founding Director of Cardinal Resources and was responsible for the acquisition of all tenements. He played an important role in the discovery and development of the 5Moz Namdini Gold Project in Northern Ghana. Mr. Easah has more than 15 years of exploration, mining, and project development experience.	164,334,775 51.70%	153,666,506 48.30%	Elected
<b>Bashir Ahmed</b> Director & Vice President, Production & Development	Mr. Ahmed has over 35 years of experience in mine operations, planning, production and management. He was the mine manager at Obuasi, one of the worlds top underground gold mines, producing up to 1.8Mtpa.	160,168,109 50.40%	157,833,172 49.60%	Elected
<b>Carsten Korch</b> Independent Director	Mr. Korch has over 25 years experience as a Founder, CEO, and Board Member. Mr. Korch is a business coach and active board member in businesses related to mining, intellectual property, retail, investment, and data-driven marketing.	163,306,775 51.40%	154,694,506 48.60%	Elected
<b>Executive Committee Member</b>				
<b>Nadia Abdul Aziz</b> Independent Director	Mrs. Aziz is a finance professional with extensive experience in government relations, communications, marketing, and acquisitions throughout West Africa. Mrs. Aziz has played a key role in the acquisition of significant mineral concessions and mine development.	164,334,775 51.70%	153,666,506 48.30%	Elected
<b>Dr. Roger Norwich</b> Independent Director	Dr. Roger Norwich is a founding director of Mexican Silver Mines and was instrumental in merging with Rio Alto Mining (now part of Pan American Silver; PAAS-T, Not Rated). It became a significant gold producer and was subsequently sold to Tahoe for US\$1.12B.	163,306,775 51.40%	154,694,506 48.60%	Elected
<b>Executive Committee Member</b>				
<b>Alex Heath</b> Lead Independent Director	Mr. Heath has over 15 years of corporate finance, investment banking and capital markets experience focused on the mining industry. He is the current President & CEO of Prospector Metals Corp (PPP-V, Not Rated).	310,781,321 97.70%	7,219,960 2.30%	Elected
<b>Executive Committee Member</b>				
<b>Mohammad Alothman</b> Independent Director	Mr. Alothman is the CEO of Fujairah Holding where he oversees both UAE and Global operations. He established and now heads an investment subsidiary with a portfolio in private equity, venture capital, real-estate development, corporate finance, family offices, and public companies.	267,420,481 84.10%	50,580,800 15.90%	Elected
<b>Possible Dissident Shareholder</b>				
<b>Alexander Smirnov</b> Independent Director	Mr. Smirnov is the CEO of Emiral Resources which is focused on international natural resources exploration, development, production, trading, and procurement.	267,420,481 84.10%	50,580,800 15.90%	Elected
<b>Possible Dissident Shareholder</b>				

Source: Company reports, Eight Capital

**Exhibit 2: Asante Clearly Under the Radar as Prefaced by Cheap Valuation Compared to Other Intermediate Producers**



Note: Based on Consensus figures where applicable for comparable companies whereas Eight Capital estimates used for Asante due to inadequate Consensus sample size; Source: Company reports, FactSet, Eight Capital

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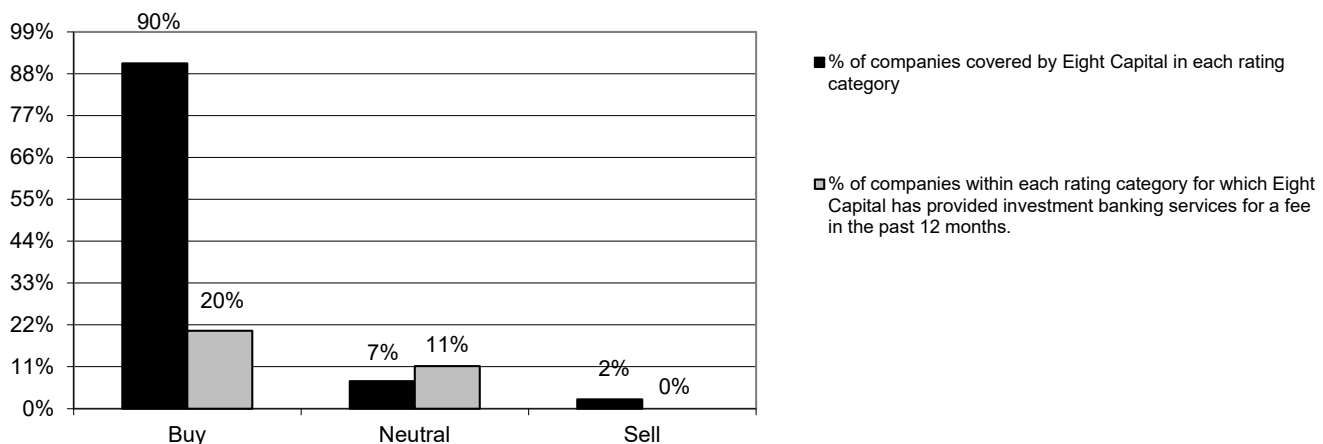
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