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### Azumah Rebuilds After A Horrid Start

By Our Man In Oz

***Gold in the ground is not worth much to a company if the management team is fighting an internal war. The increasingly frustrated shareholders of Azumah Resources have discovered this simple fact of life, to their cost, over the past two years. While exploration at the company's flagship Wa-Lawra project in Ghana has delivered a steady stream of excellent results the boardroom of the Australian-listed business has been dysfunctional, at best.***

The result has been predictable. The wider market has ignored Azumah even though it's proved up an initial resource of 516,000 ounces of gold in one zone at Wa-Lawra, and looks likely, following recent drill results, to deliver between one and two million ounces on part of the Birman greenstone which has a reputation for hosting big gold deposits.

To put a hypothetical cost on Azumah's troubles since it listed in early 2006, it's worth considering what the gold in the ground at the Kunche deposit inside Wa-Lawra is worth in comparison to Azumah's stock market value. Those 516,000 ounces, at the latest gold price of US\$917 an ounce, have a theoretical in situ value of US\$473 million. Azumah, at its latest price of A14 cents a share, is valued US\$9.9 million. The difference is stark, and though not a useful comparison for the purposes of serious valuation, it does tell the story of a business which - once it shrugs off the past - has a rather interesting future.

Stephen Stone, the newly-appointed executive chairman of Azumah, makes no attempt to hide the company's colourful past, but says the focus is now solely on transforming the 100 per cent-owned Wa-Lawra from a promising-looking discovery into a mine. "It was a very difficult start," he told Minesite during a sideline chat at the Indaba mining conference in Cape Town last week. "The original business was launched with the support of Croesus Mining, which was having its own difficulties. Unfortunately, those problems flowed over into Azumah and masked what was happening on the ground in Ghana."

For those who don't follow Australian mining history, Croesus was a company which grew too fast, and at the wrong time. It operated a series of small mines close to the Australian gold capital, Kalgoorlie, but bit off more than it could chew when it acquired the [Norseman Gold](#) mines from the old Western Mining Corporation. Failure to drill fast enough and prove, in difficult ground, sufficient ore for mining, contributed to a cost blow-out. Croesus collapsed in March, 2006, three months after the listing of Azumah. At that stage, Croesus, together with the original vendors of Azumah's Ghana assets, held 34 per cent of the new company. Little wonder that it dropped off investor radar screens.

Stone, who has been a quiet but diligent player in the Australian mining sector for the past 20 years, said his appointment was part of the rebuilding process underway inside Azumah. Not all links with the past have been severed, though. One of the non-executive directors of Azumah is Mike Ivey, a former managing director of Croesus, who has been re-building his own career after the collapse of that company. "We've almost finished the corporate restructure," Stone said. "The final step will be the recruiting of a chief executive to drive Wa-Lawra to its next stage of development. Part of that process will involve lifting the profile of the company, and that will mean roadshows telling our story to investors in London and North America."

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Stone said that Azumah had no need for fresh capital thanks to a raising in November which put A\$3.1 million in the bank, sufficient to continue an active drilling programme at Wa-Lawra. “Over the March quarter we’re planning a total of 6,000 metres of drilling, both at Kunche and at a series of targets identified along the 100 kilometres of Birmanian greenstone in our tenements,” he said. “At Kunche we’re remodelling the resource and conducting metallurgical work as a first step in a scoping study. Other immediate targets of interest include the Bepkong and Kunche West prospects.”

Kunche is a relatively low-grade gold discovery with a resource of 516,000 ounces contained in 8.5 million tonnes of material averaging 1.9 grams a tonne gold. Bepkong, which lies about two kilometres to the north of Kunche, has the potential to be something much better. One of the first holes drilled there returned a 20 metre intersection assaying 4.1 grams a tonne from a depth of 52 metres. Other recent assays include an 8 metre intersection at 9.35 grams a tonne from the surface at Kunche East, and 12 metres at 4.02 grams a tonne from 36 metres in a new zone immediately west of Kunche.

More drilling is required, and Azumah needs to start crunching the numbers on its drilling at Wa-Lawra before it can say it has enough gold in the ground to start a mine. But, with the management struggles receding into the past, and with work now focussed on exploration in one of the world’s most prolific gold provinces, Azumah can finally get down to the daily grind of exploration, and try to forget its post-birth traumas. If not yet deserving of an inked entry in an investor’s black book, the company certainly deserves a pencilled notation with the possibility of an upgrade in the middle of the year as drilling results tumble in, the newsflow grows, and Stone embarks on a spot of corporate marketing.