

HD Viking Ashanti Ltd. - Quarterly Report to 31 December 2013

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During the three months to 31 December, 2013, Perth-based Viking Ashanti completed a number of reviews of projects and companies which were considered complimentary to the **Company**'s strategic objectives, culminating in the announcement on 20 November 2013 of a proposed merger with unlisted Sydney based emerging **coal** producer, Auminco Mines Limited.

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No field activity was undertaken on the **Company**'s Ghanaian **gold** projects during the period.

Auminco Merger

On 20 December 2013 and 6 December 2013, Viking Ashanti announced it had entered into a binding Heads of Agreement with Auminco Mines Limited (AUM or Auminco) under which Viking Ashanti has agreed to **merge** with Auminco in a share exchange transaction.

The agreement will see Viking Ashanti acquire 100% of the Auminco shares and options by the issue of:

81,000,000 Viking Ashanti shares;

27,000,000 **million** unlisted Viking Ashanti options exercisable at A\$0.12 for a term of 30 months from merger completion and

3,000,000 unlisted Viking Ashanti options exercisable at A\$0.20 on or before 15 November 2016.

As a result of the consideration Viking Ashanti shareholders will own 53% and Auminco shareholders 47% of the enlarged post-merger capital on an undiluted basis and prior to any capital raising.

A further capital raising is planned for the consolidated **Company** early in 2014 to fund **operations**, with the minimum expected to complete internal production feasibility studies and to make development decisions.

The indicative timetable for completion of the merger, subject to shareholder and regulatory approvals, is March 2014.

The proposed post-merger Board will comprise four members with existing Viking Ashanti Directors, Mr Jack Gardner and Mr Peter McMickan remaining as Chairman and Executive Director respectively. Auminco's Mr Andrew Whitten will join the Board as Non-Executive Deputy Chairman while Mr Matt Morgan will become Managing Director. Mr Bayar Tsagdaa will act as an alternate for Mr Andrew Whitten.

Merger Highlights

Auminco is a Sydney based emerging **coal** producer with two high quality strategically located **coal** projects in Mongolia.

There is near term production potential from the Berkh Uul bituminous **coal** project, located near the Russian border, rail infrastructure and potential off-take customers.

The Khonkhor Zag anthracitic **coal** project is located on a granted 30 year **mining** lease close to **China**'s border with only 1.2 km of the 4 km strike explored by drilling.

Further upside potential exists through Auminco's portfolio of additional **coal**, base metals and **gold** projects in Mongolia and Australia.

Auminco was founded by the founding shareholders and former management of Coalworks Limited (ASX: CWK) which was taken over by Whitehaven **Coal** Limited (ASX: WHC) for approx. \$200 **million** in June 2012. Auminco is more than 50% owned by ex-Coalworks management and advisers.

The Viking Ashanti Board believes that the consolidated **company** will provide improved shareholder value to both

Viking Ashanti and Auminco through:

addition of a portfolio of highly prospective **coal** projects, particularly the Berkh Uul bituminous **coal** project, that provide the opportunity for short term project development, **mining** and cash flow;

diversity across two country jurisdictions and multiple commodities, allowing for exploration activity and potential news flow on a year round basis;

improved access to funding;

strengthened share register;

greater market liquidity, and a

broad range of complementary skill sets at Board and management level.

On completion, this will be a transforming transaction for Viking Ashanti allowing the **Company** to achieve its strategic objective of acquiring near term production assets with potential to deliver sustainable cash flows for in excess of 15 years with substantial exploration upside.

Berkh Uul **Coal** Project - Mongolia (AUM 100%)

Berkh Uul is located 400 km north of Ulaanbaatar in northern Mongolia within the Orkhon-Selege **coal** district and within 20km of the Russian border. The project is within 40km of rail access into Russian off-take markets, in close proximity to water, infrastructure and transport.

The exploration permit is valid to 2015, with a **Mining** Lease application imminent.

The deposit consists of shallow, consistent **coal** seams of high quality bituminous **coal** amenable to low strip ratio open pit **mining**, with expected low capital and operating costs.

There is local industrial demand for Berkh Uul **coal**; the unwashed product is favoured for its low ash and relatively high calorific value. It is expected that Berkh Uul will move to production within 12 - 18 months.

Khonkhor Zag **Coal** project - Mongolia (AUM 100%)

Khonkor Zag is an anthracitic **coal** project located 1,400 km southwest of Ulaanbaatar in Western Mongolia. It is strategically located within 40km of **China's** Burgastai border port with an existing haul road adjoining the tenement.

The current **mining** licence was granted in April 2013 for a period of 30 years. A total of 42 drill holes over 1.2 strike km have been completed on the tenement, with further drilling planned to increase the deposit size for a JORC resource estimate. This drilling, combined with historical **mining** on the outcropping **coal** seams, indicates clear potential for open pit **mining**. Excellent scope exists to develop a low cost, high margin premium **coal** project close to **Chinese** markets.

Exploration

Akoase **Gold** Project - Ghana (VKA 100%)

No field activity was undertaken in the quarter. The **Company** continues to examine options for progressing the 790,000 oz Akoase East **gold** deposit.

West Star/Blue River Joint Venture **Gold** Project - Ghana (VKA 100% hard rock **gold** rights) No field activity was undertaken in the quarter.

The West Star and Blue River **gold** properties are subject to joint venture agreements with local Ghanaian companies, where Viking Ashanti has earned 100% of the rights to all hard rock **gold** mineralization.

Corporate and Administration

A number of Ghanaian located project farm-in and farm-out opportunities were considered during the quarter. None are currently at an advanced stage of consideration. Viking Ashanti will continue to pursue these and any other opportunities, which are complementary to its existing Ghanaian project portfolio.

On 20 December 2013 the **Company** announced that it had placed 22,537,645 ordinary shares at A\$0.035 each to professional and sophisticated investors. The placement issue was made in accordance with the **Company**'s placement capacity under ASX Listing Rules 7.1 & 7.1A, and closed oversubscribed, which at the issue price equated to a maximum **equity** raise of A\$788,818, before costs.

After this issue the total issued capital of the **Company** is 112,688,225 ordinary shares and 22,683,913 options exercisable at A\$0.18 on or before 31 August 2014. The proceeds from the placement will be used to fund transaction costs associated with the proposed Auminco merger and for general working capital purposes. Cash and credit facility reserves at 31 December 2013 were \$898,000.

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Forward Looking Statements

This document may include forward looking statements. Forward looking statements may include, but are not limited to statements concerning Viking Ashanti Limited's planned exploration programs and other statements that are not historical facts. When used in this document, words such as 'could', 'plan', 'estimate', 'expect', 'intend', 'may', 'potential', 'should', and similar expressions are forward looking statements.

Although Viking Ashanti Limited believes that its expectations reflected in these forward looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward looking statements.

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