

# African Gold Group, Inc. ( AGG-V: \$1.67)

## Ongoing Good Results Will Get this Company Noticed

Rating: BUY  
Target: \$2.50

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All figures in C\$ unless otherwise noted

### Insight or Development

African Gold Group released results from 7 diamond drill holes from its Phase I reconnaissance drill program at its Nyankumasi concession in Ghana. The best intercept was Hole NK06-07 at 13.5 metres grading 2.06 grams per tonne.

- ▶ In addition, significant base metal intercepts were reported from Hole NK06-05 at 1 metre, grading 0.65% Zn and Hole NK06-07 at 1.5 metres grading 0.61% Cu
- ▶ These positive results from Nyankumasi, though too early to suggest a resource, do underline the quality of AGG's West African exploration assets and support our thesis that AGG should be revalued as an active explorer to our target of \$2.50.

### Analysis

We are encouraged by these results from the "linear" soil anomaly on the Nyankumasi concession (Ghana), which traced the mineralization along a strike length of 3 kilometres at an average thickness of 10 metres. Though this an early-stage exploration program, this is quite attractive for a first pass, especially when one considers the reserve grades at Newmont's Akyem project (1.7 g/t) which lies 30 km north-northeast of the Nyankumasi concession. We also note the identification of copper and zinc at grades of 0.61% and 0.65%, respectively in holes NK06-06 and NK06-07, likely the first of its kind in the district and country as a whole. Notably, there are two other soil anomalies — the Central and Northern Anomalies — yet to be tested.

The next news expected is from AGG's \$0.5 MM Q3 & Q4/06 exploration from its Mankranho project, targeting the extensions of mineralization from Newmont's recently commissioned Ahafo mine (annual production at 550,000 oz) before year-end.

Lastly, AGG's most advanced property — the Kobada property in Mali — should also provide an exploration update before year-end. Drilling will follow-up encouraging results from August, where detailed drilling over 150 m of strike suggested that previous drilling had been too shallow and missed a portion of the mineralization. Deeper drilling will continue to expand on the August results, targeting a re-interpretation of the 1.2 km of historical drilling to be followed by step-outs along the 12-km strike of the arsenic in soil anomaly. As a reminder of our exploration guidance, we are targeting intercepts of 10+ with grades of 1-3 g/t. t.

### Conclusion

These positive results from Nyankumasi, though early, improve the visibility of the resource potential of the company's promising asset portfolio. We reiterate our thesis that these ongoing exploration results justify a revaluation of the company in line with active explorers to our \$2.50 target price. In addition, visibility of 1+ MM oz on any of these projects could revalue the company further, to the \$100+ MM market cap level, in line with advanced explorers/ developers. We maintain our BUY rating.

### What's Changed

	Old	New
Rating	BUY	Unchanged
Target	\$2.50	Unchanged

### Market & Financial Data

Market Cap (MM)	\$39
Adjusted Market Cap (MM)	\$34
52-week Range	\$2.55-\$1.22
Fiscal Year-End	Dec. 31
Basic Shares O/S (MM)	23.16
F.D. Shares O/S (MM)	25.53
Target Price	\$2.50
Total Potential Return	50%
Estimated Treasury (MM)	\$2.5
Estimated Months of Cash	-12

African Gold Group Inc. (AGG-CA)  
10-Nov-2005 to 10-Nov-2006 (Daily)  
Canadian Dollar



Sources: Company Reports, FactSet, Westwind Partners

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