Westgold shops gold mill acquired in $2.5b Karora merger; Street Talk

Australian Financial Review
February 19, 2025 Wednesday
Print & First Editions

Section: MARKET WRAP; Street Talk; Pg. 16

Length: 527 words

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Body

West Australian gold miner Westgold ***Resources*** is ready to get cracking on the synergies it promised shareholders last year when it agreed to a $2.5 billion merger with Toronto-listed Karora ***Resources***.

Street Talk understands Westgold is running a sale process for the Lakewood Mill gold processing facility near Kalgoorlie, which Karora bought in July 2022 for $80 million.

The sale is in the advanced stages, with a new owner expected to be announced next month, sources said.

The auction, which is being run in-house, is understood to have fielded interest from several ASX-listed gold juniors including the $174 million Astral ***Resources***, which is in the process of acquiring Maximus ***Resources***; Horizon Minerals, which has just merged with Poseidon Nickel; and Chinese-backed Norton Gold Fields and Black Cats Syndicate. The $20 billion Northern Star owns the nearby land.

Sources said a deal could see Lakewood valued at between $70 million and $95 million, and would be welcomed by investors who've watched the shares fall almost 16 per cent this year. Unlike plenty of its listed peers, Westgold hasn't benefited from higher gold prices given issues around digesting the Karora acquisition.

Westgold CEO Wayne Bramwell plans to use sale proceeds to increase capacity at its Higginsville mill from 1.6 million tonnes a year to well above the 2 million mark. A spokesperson declined to comment.

The up-for-grabs Lakewood was acquired by Karora to add an extra million tonnes in capacity for its flagship Beta Hunt gold mine, on top of the 1.6 million tonnes capacity at its existing Higginsville mill, amid a production ramp-up.

Sources said since the merger, Westgold has narrowed its focus on fewer but bigger mills, which are fed by fewer but bigger mines - in a bid to finetune its cost base against movements in gold pricing. This strategy, at its Beta Hunt mine, means processing the ore via the lower-cost and larger Higginsville mill.

Processing a tonne of ore via the Lakewood mill costs $50, while Higginsville can handle the same amount for $30 or more. Should Westgold expand Higginsville as expected, this cost could be brought down to the $20 range, the sources said.

The mooted deal comes after Westgold and rival ***Ramelius*** ***Resources*** locked horns last year over Karora, as revealed by Street Talk. The stoush ended when the $3 billion ***Ramelius*** decided to walk away, while Westgold progressed and took the keys to Karora in August. But the proceedings also outed the fact that ***Ramelius*** had approached Westgold with a merger proposal but was knocked back.

A fortnight ago, Westgold shares tanked after the miner cut its 2025 production guidance by as much as one-fifth and warned of higher costs after paying big for Karora. It said it would produce between 330,000 ounces and 350,000 ounces this financial year, down from its previous forecast of between 400,000 ounces and 420,000 ounces. Costs were also expected to be higher, up from a range of $2000 to $2300 per ounce to $2400 to $2600. The miner attributed the production cuts to teething problems in production at its two main mines Beta Hunt near Kambalda, and Bluebird-South Junction near Meekatharra.

Load-Date: February 21, 2025
