



Westgold acquires Karora for \$1.1bn

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Body

Australia's mid-tier gold consolidation has taken another step forward, with Westgold **Resources** agreeing to a \$1.1bn deal to acquire Karora **Resources**, after West Australian rival **Ramelius** walked away from talks with the Canadian-listed gold producer.

The latest mid-tier merger comes with the gold price hovering around record levels of \$US2338 (\$3550) an ounce at the close of trading on the Australian Securities Exchange on Monday, amid a search for scale in the Australian gold sector.

The deal will add Karora's Beta Hunt and Higginsville gold operations to Westgold's stable of producing assets, in a move aimed at pushing the company's annual output to more than 400,000 -ounces.

If the deal is consummated, Westgold will issue 2.52 of its shares for each Karora share, plus pay 68c in cash.

Karora holders will also get a share in a new company that will hold its 22 per cent stake in lithium hopeful Kali Metals.

The Westgold deal comes only weeks after Westgold rival **Ramelius Resources** walked away from talks with Karora, saying that no agreement on valuation could be reached. **Ramelius Resources** was said to be considering an all-scrip deal that valued Karora at \$700m to \$1bn.

Westgold boss Wayne Bramwell said the company had been monitoring Karora's position for some time, and had agreed to a deal as a play on the future of the company's Beta Hunt mine.

Westgold sold the Higginsville mine and processing plant to Karora (then known as RNC Minerals) in 2019 for \$50m in cash and shares, but Mr Bramwell said the growth potential at Beta Hunt was the key to the transaction.

"We've been underground at Beta Hunt and we see that there is a massive opportunity. There is the bolt-on cash flow - once we complete this transaction the combined business will produce 400,000 ounces a year, unhedged," he said.

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"And we're absolutely confident that Beta Hunt can be bigger and higher grade, because we think it's under-drilled." Westgold has said it expects its operations to produce about 225,000 ounces in the current financial year.

Westgold shareholders will control 50.1 per cent of the combined company if the transaction goes ahead.

Mr Bramwell said he was confident that Westgold had not paid too much for Karora, despite **Ramelius** having walked away from its own talks with the Canadian-listed company.

"We can see what this thing can deliver. It's immediately cash flow accretive in terms of the production," he said.

"There is always a risk in these things, but we've shown that we won't overpay for these things. And our view is that the upside at Beta Hunt is enormous.

"The mills are key, and now you've got a large mill connected with a large mine - that's quite different to what Westgold sold. And having been to Higginsville recently as well, it struck me that this is what we also found in the Murchison - these mines have got a perception of being old and tired, but that perception has really been driven by a lack of investment in drilling." Karora shareholders will vote on the agreement in June, with a 67 per cent majority needed to seal the merger.

The disappearance of Newcrest Mining, swallowed by Newmont in a blockbuster deal last year, has left a gulf at the top of Australia's gold producers.

Amid a scramble for scale, the Westgold deal with Karora is the second significant merger deal in Australia's mid-tier gold sector this year, after Silver Lake **Resources** and Red 5 agreed to a merger in February. That deal will also go to a shareholder vote in June.

The merger between Westgold and Karora would leave the combined company as the fifth-largest gold producer on the ASX, just behind the Red 5 and Silver Lake combination.

Westgold would emerge with five processing plants and seven operating mines, the company says, spread across the company's existing presence in the Mid West of Western Australia, and Karora's assets near Kambalda. Mr Bramwell said the company expected to keep a significant number of Karora's North American shareholders on its register, with the company planning a dual-listing on the Toronto stock exchange after the close of the transaction. Westgold shares, which were trading as high as \$2.77 at the start of the month, closed down 1c to \$2.27 on Monday, while **Ramelius** added 2c to \$1.97.

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