



Regis may take the merger road - DATA ROOM

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Body

Large mining companies love to announce big ticket mergers and acquisitions before the annual Diggers & Dealers conference in August, and the next one to arrive could involve Regis **Resources**.

The \$1.3bn gold miner has pinned its growth hopes on its McPhillamys Project in NSW but, as it has transpired, developing the project will come at a significant cost, creating questions around whether it is better placed to carry out a merger or acquisition deal instead.

One dance partner currently on the sidelines that could be a good match is Gold Road **Resources**.

Gold Road **Resources** is not officially for sale, but with investors not keen for it to carry out expensive acquisitions overseas, and few buying opportunities in the local market, perhaps a deal with another group is one of its few options.

The merits for merging with Gold Road could be strong.

Both have non-operating stakes in assets - Regis has 30 per cent of the Tropicana gold mine whereas Gold Road has a half share of Gruyere.

The Gruyere gold mine stake in Western Australia, while not an operating one, is still a top-quality asset.

And a merged Regis and Gold Road would have more fire power to buy gold miner De Grey Mining if that was on the agenda.

Gold Road has a 17 per cent stake in the De Grey Mining business. Perhaps when construction costs ease in line with lower inflation, and should the gold price remain strong, there would be a time when the development of McPhillamys - one of Australia's largest undeveloped open-pittable gold deposits - makes financial sense.

The final investment decision is slated for late in the 2025 financial year, with two years taken to build.

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Until then, a deal with Gold Road could provide earnings growth in the meantime. It's worth noting that its chief executive, Jim Beyer, who previously ran Mt Gibson until 2018, is considered to take a conservative approach on the M&A front, but perhaps he has run out of options.

But he did purchase a 30 per cent stake in the Tropicana gold mine in 2021. At that time, it went head to head with Gold Road **Resources**, which made a final offer that was less than \$700m.

Gold mining M&A activity has been hot in recent years due to the soaring commodity price, including a curious move by West Gold and **Ramelius Resources** to hold merger talks last year before West Gold went on to embark on a \$2.2bn merger with Canada's Karora.

Working for Gold Road **Resources** is advisory firm Gresham, and should there be a deal, the timing could coincide with the Diggers & Dealers event in Kalgoorlie in August, capping off the long run of M&A in the Australian gold mining sector.

With a \$1.7bn market value, a merger of equals could stack up. Elsewhere, 1.6 per cent of Fortescue Metals shares were sold on Monday night for \$21.60 a share, a 6 per cent discount to the last close, in a \$1bn-odd trade handled by JPMorgan. The seller was an Australian institutional investor that was part of a fund clean-up exercise.

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