



Gold saves the day as Diggers deals with the rout

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Body

Kalgoorlie postcard The high hopes of last year have faded.

Darren Stralow and Simon Lawson shook hands and said their goodbyes. The young gold bulls had just met and thought they were about to die together in a plane crash.

It was 2011, the gold price was about \$1300 an ounce and Northern Star **Resources** was starting its rise from the ranks of penny dreadful to where it sits today, the biggest ASX-listed producer.

The plane, its engines dead after sucking in dirty fuel, eventually glided to an emergency landing in Paraburdoo, Western Australia.

"Everyone was looking out of the window, you could see the fire engines rushing to the side of the runway for the landing to make sure that we weren't going to burst into flames," recalls Stralow.

Lawson and Stralow, working for Northern Star at the time, bonded over the near-death experience and shared a few cold beers that night in town.

These days, Stralow is chief executive of Bellevue Gold. Lawson is the managing director of Spartan **Resources**.

Spartan shares soared from 22¢ to as high as \$1.33 in the past 12 months on the back of the Never Never discovery about 800 kilometres south of their emergency landing. Bellevue has been as high as \$2.10, although it now hovers near a 12-month low of \$1.25.

Lawson and Stralow were two of the star attractions at the Diggers & Dealers mining conference in Kalgoorlie, where gold was centre stage. The critical minerals presenters did their best to sound upbeat but were a reminder of fickle commodity markets and how quickly high-flyers can crash.

Kalgoorlie is relying on gold as it deals with the fallout from the collapse of the nickel industry and failures to launch in lithium in the wider Goldfields region.

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Smoke still pours from the 150-metre-high main chimney stack at the BHP nickel smelter outside the town, but it will stop soon after 51 years.

About 10 kilometres away, on the edge of town, Northern Star is investing \$1.5 billion on a giant crusher to boost output from the fabled Superpit and underground mines. Those operations cover ground that has already produced about 65 million ounces of gold worth about \$222 billion at today's spot price of \$US2398 (\$3700) an ounce.

Stralow reminds everyone of how tough it can be to get new mines into production and running, even with price tailwinds.

He needed to do so as an explanation of Bellevue's decision to raise \$150 million last month, a move that caught the market by surprise. At least Bellevue could raise money. Commodity analysts Citi and others have predicted the gold price could reach \$US3000 an ounce by this time next year under a bullish scenario.

Raising money appears a forlorn hope for lithium projects, with benchmark prices for the concentrate produced in WA slumping to \$US870 a tonne this week. Liontown **Resources** managing director Tony Ottaviano, who has just defied the odds to bring the Kathleen Valley mine to life, told the conference it was now impossible to fund a lithium project with equity alone.

Lithium veteran Ken Brinsden, who piloted Pilbara Minerals through near ruin, suggested the federal government create something akin to the former Australian Wheat Board to help fund strategically important rare earths projects.

While the Kalgoorlie pubs did a roaring trade, the BHP stand inside the conference's main marquee stood almost empty. All it had to offer was advice on where there might be other jobs after the mothballing of the nickel smelter and mines that were the lifeblood of towns such as Leinster and Kambalda.

Lawson brought his gold company back to life after a triple bypass. It failed twice when known as Gascoyne **Resources**. He was sacking workers two years ago but has had remarkable success with the drill bit since then under the Spartan moniker.

Spartan's most exciting discovery is Never Never, part of the Dalgara project. And it is one reason that mid-tier miner **Ramelius Resources** has grabbed a near 18 per cent stake in the company amid a flurry of M&A in the WA gold sector. The Diggers organisers showed a sense of theatre when Spartan boss Lawson and **Ramelius** boss Mark Zeptner spoke back-to-back on Wednesday. Lawson has stirred the pot by suggesting that with a market capitalisation of \$1.2 billion, Spartan might now be too much to bite off for \$2.16 billion **Ramelius**.

Less than a year ago, he was hoping **Ramelius**, Westgold or Silver Lake would come knocking about a deal and bemoaning a timid approach to M&A in the gold sector.

"I stand by that," Lawson said this week. "There was a little confusion about why no one had moved on me earlier. Why did **Ramelius** wait until it cost them \$185 million to get less than 20 per cent of my company? I'm still confused as to why cashed-up gold producers, who are actually running at a pretty good premium and with premium gold prices, are not more active in that M&A space."

Northern Star, valued at \$16.3 billion, made many of its acquisitions at times when the gold price was in the doldrums.

Both Northern Star boss Stuart Tonkin and Evolution Mining executive chairman Jake Klein said this week that they were less inclined to make acquisitions at a high gold price.

Despite the impressive size and grade of Never Never, one hurdle for Lawson has been the stigma associated with Gascoyne. "One particular fund manager said he hated Gascoyne, it had torched \$35 million of his fund and that it really left a bad taste in his mouth," Lawson says. "He said he wasn't interested in hearing our story, but he turned up, sat in a corner and pretended not to listen. Eight minutes later he wanted 5 per cent."

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Lawson is also backing his mate Stralow to deliver with Bellevue despite some grumblings about the capital raising at a big discount. "There's more money in the tank now [at Bellevue], and he's running the highest-grade gold mine in Australia. It's going to be very profitable," he adds.

Last year at Diggers, lithium was all the rage, with Albemarle about to up its bid for Lontown to \$6.6 billion and Gina Rinehart and Chile's SQM working up to a joint \$1.7 billion takeover offer for explorer Azure Minerals.

Andrew Forrest-backed Wyloo had just completed its \$760 million acquisition of nickel miner Mincor. BHP was planning to build a 1000-bed village at Kalgoorlie to accommodate the workforce needed for a major overhaul and update of its nickel smelter.

A year later, the Wyloo mines are mothballed and BHP has written down the value of its nickel business by \$5.4 billion. Glencore and IGO Limited have the only nickel mines still standing in WA - and they are just hanging on.

IGO sold its 30 per cent stake in Tropicana, one of WA's biggest gold mines, to Regis **Resources** in 2021 as part of a big punt on battery minerals that involved acquiring stakes in the Greenbushes lithium mine and a still mis-firing lithium hydroxide refinery.

The same green metals strategy led to the disastrous acquisition of nickel miner Western Areas.

Those deals were done before Ivan Vella arrived as chief executive. He remains optimistic on lithium but isn't so sure about a nickel revival in the face of growing supply from Chinese-backed producers in Indonesia.

"What we do know is a lot of WA nickel mines are actually quite old. As you get further into the mine life, it does get harder and more costly," he says.

Glenn Wilson, the mayor of Kalgoorlie, says the town is feeling the impact of the nickel collapse and BHP workers leaving.

"We're starting to see houses hit the market. We're starting to see some of the effect of people moving on to different roles with BHP [BHP has offered workers redundancies or jobs in its iron ore and copper mines elsewhere in Australia]," he says.

But Wilson, who is chairman of the Australian Mining Cities Alliance that includes places like Broken Hill, Mount Isa and Karratha, says the strong gold sector was a saving grace for Kalgoorlie.

"There is a silver lining to nickel ... the gold sector now can have a workforce ready to go in some instances," he said.

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