



Gold shines again at Diggers and Dealers but developers are struggling - DATA ROOM

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Body

Australia's lithium mining industry may have had its chance to shine last year, but it is those digging gold out of the ground that are back in favour among **resources** investors.

As the Diggers & Dealers Conference gets under way in Kalgoorlie this week, investors have once again made gold a key focus.

But while gold producers are in favour, it's a different story for developers, who face a tough journey getting projects into production.

"Exploration is hard," Westgold **Resources** managing director Wayne Bramwell says. "Being a single mine project developer is really hard and it is a massive leap to get to that point where you can become a portfolio company, where your risk is mitigated by having multiple production outlets." In the past month, Calidus **Resources** collapsed after lender Macquarie called in its loans.

Meanwhile, Bellevue Gold's recent \$150m-plus raising proved that gaining investor backing and moving to production can be a bumpy path, when it surprised investors with the raise and lower production forecasts.

"Bellevue has done a good job to get into production, but it is proving more difficult than they promised the market and there are growing pains that come with that," Barrenjoey mining analyst Daniel Morgan says.

Diggers and Dealers will feature 66 corporate presentations from listed miners, explorers and other exhibitors from the **resources** sector.

Many investors made their way to Western Australia ahead of the conference, with Bellevue Gold holding a site visit last Wednesday and Gold Road **Resources** the previous Thursday, along with Northern Star's Super Pit gold mine on the outskirts of Kalgoorlie.

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Accommodation is tight for delegates at the conference. Some sidestep the event, instead using the build-up as an opportunity to schedule meetings in Perth, but it still attracts over 2000 delegates.

Lithium miners stole the show last year. Producers of the battery material were in favour because of the expected ramp-up in electric vehicle manufacturing. But the lithium price has come off the boil while gold is striking record highs.

"If you went back last year or the year before, what was remarkable was lithium, which had been a small commodity, had really come to dominate the proceedings at Diggers and Dealers," Morgan says.

"The Australian-dollar gold price is high, and lithium and nickel are having a tough time of it and not likely to be as focused on growth. Nickel and lithium are battenning down the hatches." Domestic gold production growth has slowed over the past decade as mines approach the end of their productive lives, says IBISWorld, but it's set to return to growth as project expansions come online, capitalising on the weaker Australian dollar.

The industry's annual revenue is about \$27.9bn and growing at a rate of 4.4 per cent as the metal continues to act as an inflation hedge and benefits from central bank purchases.

Australia is the third-largest producer globally with 293.8 tonnes in 2023, behind China and Russia, according to the World Gold Council.

Lithium miners dominated the mergers and acquisitions landscape in the **resources** industry last year, with Albemarle bidding for Liontown **Resources** (it later abandoned the deal), SQM acquiring Azure Minerals, Chalice Mining looking for a backer and speculation about a move on Patriot Battery Metals by Pilbara Minerals, which was sitting on a \$3bn cash pile. But investment bankers have turned their attention to gold.

Heading into Diggers and Dealers, there has been talk Regis and Gold Road **Resources** might merge. **Ramelius Resources** is also in focus with an 8.9 per cent stake in Spartan **Resources**, West Gold and **Ramelius** have held takeover talks and there's the perennial takeover target De Grey Mining.

Genesis Minerals boss Raleigh Finlayson has emphasised his focus is on operations rather than deals, but the company is surrounded by consolidation opportunities in Western Australia's Leonora gold district, while it's expected Northern Star will return to deal making to gain further scale after the country's largest gold miner Newcrest was taken over by Newmont.

Driving M&A, Bramwell says, will be producers with cash. "This is a time when the producers are cashed-up and the explorers and the people in the middle are cash-strapped." Also of interest this year will be uranium miners like Boss Energy and Paladin, as the fuel remains at the centre of the energy debate and demand grows, with a lack of supply to the West from Russia. "There's a lot of enthusiasm towards the sector. Its prospects are still high and have not dimmed as much as lithium or nickel or rare earths have," Morgan says. Another positive for gold could be nickel producers such as BHP mothballing projects, making workers available.

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