

Saracen Mineral Holdings Limited

14:22 29 Nov 2019

Deals galore and exploration to boot: Australia's gold mining sector continues to shine

Back in August the Australian gold price hit an all-time high of A\$2,240 per ounce.

Since then, there has been a moderate correction as the gold price denominated in all major currencies has weakened. But as at the end of November, the Australian dollar gold price remains higher than it's ever been in history with the exception of the preceding three months.

Put another way, it's a great time to be Australian and in the gold mining business, in spite of the recent pullback.

And Australian companies, and companies with Australian assets, have understandably been making hay while the sun has been shining.

The headline grabbers of course, are the big transactions, like Saracen's (ASX:SAR) acquisition of a 50% stake in the Big Pit at Kalgoorlie, Evolution's (ASX:EVN) move on Newmont's Red Lake operations in Canada, and St Barbara's (ASX:SBM) acquisition of the Touquoy mine.

But further down the value chain there's plenty happening too, and with a vim and vigour that's not being seen elsewhere in the world, where investors and dealmakers don't have the benefit of near-record gold prices to underwrite their investments and transactions.

This week, for example, Alkane Resources (ASX:ALK) announced that it is raising up to A\$54.8m for exploration and development work at its Tomingley project in New South Wales, where production has recently transitioned from open pit to underground. The money raised will come in part from shareholders who are to be offered new shares at A\$0.55 in a 1-for-8 rights issue, with directors on record as saying they'll take up their rights. It helps, of course, if you can get a A\$20m cornerstone investor, as Alkane has done, but it speaks too of the potential appetite in the local Australian investment community that another A\$34.8m is expected to be forthcoming from existing shareholders.

You can see why there might be such an appetite. Although shares in Alkane hit a five year high in October, they have pulled back a little bit since then, partly no doubt in response to the raise itself, and partly too because of the slightly weaker gold price. But on the whole, a company with a track record of production, but which can also demonstrate the potential for much more growth, looks like as good a bet as you can make in the gold space at the moment.

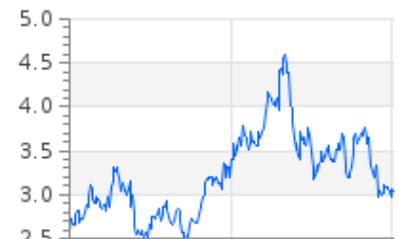
After all, with the gold price running so high, those with the ability actually to sell gold are the ones who are really going to be cashing in.

Not that the explorers aren't getting a look in though. The staking rush that's occurred around the Paterson Range area of Western Australia is testament to the frenzy of interest amongst the explorers and, which is perhaps more notable, the major producers in getting their hands on the next generation of assets.

Price: 3.04

Market Cap: \$3.26 billion

1 Year Share Price Graph



December 2018 June 2019 December 20

Share Information

Code: SAR

Listing: ASX

52 week High Low
4.65866 2.42251

Sector: Gold & silver

Website: www.saracen.com.au

Company Synopsis:

Saracen Mineral Holdings Ltd (ASX:SAR) is a mid-tier gold producer with assets that span the world class mining district of South Laverton, 120 kilometres northeast of Kalgoorlie in Western Australia.

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Greatland Gold PLC (LON:GGP) appears to be out ahead of the pack at the moment, having hit some extremely long mineralised intercepts at its Havieron project, and then subsequently managing to entice local champion Newcrest in to make much of the running. Newcrest is currently deploying six rigs and drilling hell for leather on the ground, by all accounts making Haveiron a serious contender to be its next big mine. Not far away in Paterson, other majors are also drilling, with juniors like Artemis Resources (ASX:ARV) also looking to get in on the action.

Meanwhile, across the country, Rockfire Resources (LON:ROCK) has also hit the headlines recently after revealing details of a 177 metre hit of gold grading at 0.5 grams per tonne. The company is confident it's outlined a new gold system at its Plateau project, and is now waiting eagerly on the results of 13 more drill holes. Since that initial gold hit boosted Rockfire's shares by upwards of 100%, it will be interesting to see what sort of effect the next tranche has.

Elsewhere, Riversgold Ltd (ASX:RGL) has streamlined its operations to become a pureplay gold company with a focus in Western Australia. Following a recent placement and rights issue, Riversgold will work to develop key projects such as the Kurnalpi project in the Kalgoorlie-Boulder region and has identified several near-term targets.

And Alto Metals Ltd (ASX:AME), which was itself the subject of an unsolicited offer earlier in the year, continues to work up the Sandstone gold project in Western Australia. And Alto chairman Terry Wheeler is pretty clear why.

"With the outlook for gold remaining strong, we believe an underexplored gold asset in Western Australian, a Tier 1 mining jurisdiction, is a compelling investment proposition," he told investors at the company's AGM this week.

"We intend to unlock the value through focused exploration."

ECR Minerals (LON:ECR) is also busy on the ground, working up several projects, most notably Creswick in Victoria.

Not every share price has done well in the gold space, however, and investors still have to be discerning in their choices. For example, it's interesting to note that BHP's (ASX:BHP)(LON:BHP) and Newcrest's stakes in Solgold (LON:SOLG) has halved in value over the past six months, even though Solgold's Alpala project looks to be one of the best discoveries in years.

But then, Alpala is in Ecuador, where the political and permitting risk is much higher. In Australia, despite the periodic assaults of lefter-leaning governments, mining is in the culture, the risk is lower, and the profits can be correspondingly higher. With a near-record gold price shimmering in the background, it's hardly surprising that investors are making hay and deals are getting done

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