



MEET THE NEW \$16B

Northern Star and Saracen tie the 'inevitable' knot

STUART MCKINNON

The merger of WA's two biggest gold miners could be the starting gun for a wave of mergers and acquisitions across the sector.

Analysts yesterday described the \$16 billion friendly tie-up of Northern Star Resources and Saracen Mineral Holdings as sensible and inevitable.

The deal comes after each miner took a 50 per cent holding in the Kalgoorlie Super Pit late last year after the stakes of previous foreign owners Barrick and Newmont were placed on the market.

Argonaut metals and mining research director Matthew Keane said the merger created a void in the Australian gold space, with the loss of two members of the so-called G5 group below sector leader Newcrest Mining.

"We think that Silver Lake Resources and Ramelius Resources are probably acquirers given their good cash balance — they can step up," Mr Keane said.

"I think there's a void to be filled and it certainly gets minds thinking."

A combined Northern Star/

Saracen entity will emerge as the world's sixth biggest gold miner by market capitalisation and eighth biggest by annual production guidance.

The new company will produce 1.62 million ounces a year with an annual target of 2Moz by 2027 based on organic growth from its existing assets.

The parties say the deal will unlock \$1.5b-\$2b in pre-tax synergies via consolidation of the Super Pit ownership, optimising processing throughout the broader Kalgoorlie and Yandal regions, and other savings over 10 years.

Euroz executive director and head of research Jon Bishop said he liked the deal, though he didn't believe it would be a "dripping roast" in terms of fundamental value.

"But as we've seen in this market, consolidation and scale provides greater

opportunity," he said. "You can see costs coming out of the business, which shareholders will like, and improved earnings per share as a consequence."

"And scale, in time, will afford them the latitude to grow through sensible M&A because they can compete with all the big gold miners globally."

The deal means Kalgoorlie's famous "Golden Mile" will be consolidated under one owner for the first time in its plus-125 year history.

Under the agreement, Saracen

shareholders will receive 0.3763 Northern Star shares for each share they hold.

Saracen will also pay a special, fully franked dividend of 3.8¢ per share.

Northern Star shareholders will emerge with 64 per cent of the combined entity and Saracen shareholders will own the balance.

Bill Beament, pictured right, will remain executive chairman, transitioning to non-executive chairman in July, while Raleigh Finlayson, pictured left, will become managing director, transitioning to executive director in a corporate development role.

Stuart Tonkin will be chief executive, transitioning to managing director and Morgan Ball will be chief financial officer.

The new entity will have more than 19Moz in gold reserves and 49Moz in resources.

Mr Beament said the merger would create an abundance of value for the shareholders of both companies, stemming from a more simplified business with two mining hubs in WA, and Pogo in Alaska.

"Our position as joint venture partners at KCGM, the close proximity of the majority of the combined company's assets and a host of other synergies makes this a unique opportunity exclusive to Saracen and Northern Star shareholders," he said.

Mr Finlayson argued it was one of the most logical and strategic M&A transactions the mining industry had seen, with Saracen's conservative nature providing a balance with Northern Star's focus on opportunities.

The tie-up comes as the gold price reached a record \$US2075/oz in August on growing geopolitical uncertainty, massive stimulus spending by governments and bond buying by central banks amid the coronavirus pandemic.



SIREN GOLD LIMITED

FOCUSED ON THE HIGH GRADE REEFTON GOLDFIELD NZ

~850km² tenement package in a "goldfield" that produced + 2Moz gold @ ~16g/t from 84 mines

35km long structural corridor – Four projects: Big River, Alexander River, Lyell & Reefton South

Drill ready with immediate drill targets
Multiple opportunities for exploration success

ASX Code: SNG

www.sirengold.com.au

433014

