

Prospecting for winners in Great Victorian gold rush 2.0

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For the best part of 50 years Victoria's historically rich goldfields have been a basket case, given lack of government support and disastrous big-ticket attempts to revive the underground Bendigo and Ballarat mines.

Now, the region is in the midst of a latter-day gold rush, thanks to the efforts of Canadian miner **Kirkland Lake (KLA, \$63)** at developing the Fosterville mine into a 600,000-ounce-a-year, 46-grams-a-tonne monster.

Kalamazoo (KZR 62c)

"There's never been a better time to be in gold right now in Victoria," says Kalamazoo executive chairman Luke "ScoMo" Reinehr. "Kirkland Lake changed everything."

Fosterville was considered a low-grade and difficult mine until legendary Canadian mining investor Eric Sprott got involved with Kirkland Lake, resulting in an aggressive drilling program that uncovered riches much deeper than expected.

Reinehr notes that at Fosterville the lustrous stuff is also being produced at an "all in" cost of \$318 an ounce, which with an Aussie gold price of about \$2100 an ounce implies that the mine is spitting out more than \$1bn of free cash flow annually.

Can Kalamazoo emulate the Kirkland Lake miracle? Well, Sprott himself thinks so, this month taking up \$4m of Kalamazoo shares in a placement. The TSX-listed Novo Resources, of which Sprott is a director, took up a further \$4m.

Enthusiasm for Victorian gold among deep-pocketed folk is proving more infectious than the mysterious coronavirus in a Chinese transit lounge.

Last year, Victorian explorer **Navarre Minerals (NML, 12c)** raised \$9m in a share placement to Canadian fund manager 1832 Asset Management, which became a 7 per cent shareholder.

Other notable investors along for the Navarre ride are Kirkland Lake (with 10 per cent of the register) and the Victor Smorgon Group (9 per cent).

Gina Rinehart's Hancock Prospecting has also invested \$7.9m in **Catalyst Metals (CYL, \$2.82)**, which now bears a chunky \$242m market cap.

Meanwhile Chalice Gold Mines is 17 per cent-owned by exec chairman Tim Goyder, brother of erstwhile Wesfarmers and AFL supremo Richard.

Although Kalamazoo has its roots in the Pilbara, Luke and Matt Reinehr had closely monitored their own turf and cottoned on that Castlemaine Gold — the operator of a Ballarat mine acquired from Lihir Gold in 2008 — was being forced to relinquish its ground because it was not fulfilling its minimum exploration spending commitments.

Castlemaine paid \$10m for the Ballarat mine, after Lihir (now Newcrest) sunk \$700m into it.

Reinehr says Castlemaine Gold's new owner, Lion Gold, had been "sucking every dollar out of Castlemaine and that means ending exploration".

Not only did Kalamazoo win the ground for no more than an application fee, but the friendly Castlemaine also bestowed a database and the results of an 80,000m diamond core program.

"If someone were to buy that today I would hate to think what it would cost, the diamond samples have a \$20m replacement value," Luke Reinehr says.

Earlier, Kalamazoo raised \$7m by selling a WA prospect called Snake Well to former Asciano chief Mark Rowsthorn and his business partner, Nathan Mitchell.

Given the fancy headline number, Kalamazoo has been allowed to pay in instalments.

Dual-listed in Frankfurt, Kalamazoo shares remain tightly controlled by the Reinehrs, who hold 32 per cent post placement (the Sprott and Novo camps each hold 8 per cent).

In the meantime, the Victorian government is due to announce the winner of a new tenement grouping called Block 4, which abuts the Fosterville mine. To describe the tender as hotly competed is an understatement, with all the key players expected to have competed in the Dutch auction process. “We are going in hard, we think we have a good chance,” Reinehr says.

Chalice Gold (CLN 27c)

Meanwhile, Chalice bears the rare honour among explorers of returning \$36m to shareholders, after \$107m of asset divestments (most recently the \$12m cash and scrip sale of its Canadian prospects).

The still cashed-up Chalice’s efforts are focused on its “highly prospective but essentially unexplored” Pyramid Hill project, in the northern part of the Bendigo zone. Not surprisingly, the company is targeting a “Fosterville-style” discovery of five million ounces-plus.

The company is part way through a 25,000m air core drilling program — followed by a diamond drilling program — that will determine how many ounces the old timers left behind.

But with a Victorian government survey suggesting a 32 million ounce undiscovered “gold endowment” in the northern Bendigo zone, the company won’t die wondering.

Chalice is also doing early-stage stuff at its King Leopold nickel sulphate project in WA’s Kimberley region, in an area where Buxton Resources and Independence Group also have been sniffing around.

Here’s an explorer not putting all its golden eggs in the one basket. Goyder notes that tier-one gold projects (those worth \$US1bn-plus) only account for 2 per cent of discoveries globally.

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