



FitzGerald - By Barry FitzGerald: Gold takeovers to step up as Trump tweets gold higher

Newcrest chief executive Sandeep Biswas has just taken to following Donald Trump on Twitter. The reason why is simple enough – Newcrest is Australia’s biggest gold producer and Trump’s penchant for off-the-wall daily tweets is fuelling fear-buying of the yellow metal, pushing it to three months highs.

Because gold was sold off heavily in the initial response to Trump’s election victory, the reversal is welcome news for the ASX gold sector where margins on an all-in sustaining cost basis for most are again pushing through the \$A500 an ounce level, just as concerns about the sustainability of prices for the bulk commodities and base metals in response to growth concerns in China, and Trump’s isolationist tendencies, are clouding the outlook for the non-golds.

But we’re not talking about a full-blown surge in the gold price in response to the uncertainty created by the US president’s rule-by-the-tweet start to his incumbency.

Biswas reckons the Trump factor is not necessarily a structural shift in the gold price because of what his policies may or may not be. "I don't think there's any policies that we've seen at this stage that would lead me to believe that it's good or bad in the medium or long term for gold."

“What I think he's done, at least for the moment, is introduce a level of uncertainty that wasn't necessarily there before he took over," Biswas said after a speech to the 630 mining-types which rocked up to a Melbourne Mining Club luncheon.

Now that gold is back to where it was just after the US election, the cash build in the gold producers will be something to behold, assuming Trump-induced uncertainty keeps the gold price at current levels. What is more certain is the fresh momentum which gold’s rally gives to merger and acquisition activity.

The new-found confidence that comes from the fatter margins means that sure-fire growth through acquisitions rather than relying on the drill-bit for the next discovery could have a profound impact on the M & A space in 2017. Newcrest does not plan to be an initiator, with Biswas confirming exploration on its own account, and in the dozen or so joint ventures it has secured with juniors owning promising ground, is Newcrest’s preferred growth pathway.

But it’s not the local gold miners who will be calling the shots in the expected step up in M & A activity. It is expected to be led by the North Americans, and to a lesser extent, the South Africans. When they start waving the chequebooks for acquisitions in this market they will be chasing both the cash-generating capability of much of the sector and, more importantly, the resource/reserve replacement they increasingly need to secure. And who knows, the \$18 billion Newcrest might just be among the mix.

NAVARRE MINERALS (ASX:NML):

At the other end of the ASX gold spectrum, it is safe to say that the predicted pick up in M & A activity is likely to by-pass the \$9 million Victorian gold explorer Navarre Minerals (5c a share).

But that is not to say that Navarre is not on the watch-list of ASX gold groups looking to diversify away from the crowded West Australian space.

It is on watch by other companies – and the investment community – because it will soon kick off a diamond drilling program at its Irvine prospect at its Ararat gold project in western Victoria.

Already tagged as a new discovery on the basis of results from an earlier shallow aircore drilling program, the hope is that Irvine's geological similarities to the 4 million ounce Magdala gold mine (1982-2016), some 15kms to the north at Stawell, is converted to serious ounces-in-the-ground potential by the diamond drilling program.

First mined by WMC/Central Norseman and closed in December last year by Canada's Kirkland Lake Gold, Magdala is a potential processing route for Irvine should it live up to its early promise. Notably, Kirkland Lake is Navarre's biggest shareholder with an 11 per cent stake.

The diamond drill program is expected to kick off next month and will focus on an area known as Target 3 on the margin of the 8km long Irvine basalt dome. The aircore drilling campaign averaged holes to a depth of 45m while the new campaign will test for Stawell-style lode mineralisation grading 4-6 g/tonne gold in fresh rock at greater depths.

Given Navarre's light market capitalisation, the program will be keenly watched.