



Investment Ideas – Gold Sector

Corporate activity resumes

20 August 2015

Today (20 August 2015), Evolution (EVN) announced a scrip/cash offer for Phoenix Gold (PXG) - trumping by 20% an earlier June offer by Zijin Mining, while Saracen Minerals (SAR) announced the acquisition of St Barbara's (SBM) King of the Hills mine and Kailis resource.

We calculate that ASX-gold sector corporate activity transactions over the past two years have been made at an average of A\$46 per Resource ounce (A\$63-30/oz range). See table below.

ASX- gold sector corporate activity

Date	Buyer	Seller	Asset / Project	Cost (A\$m)	Reserves (koz Au)	Resources (koz Au)	A\$ per Reserve oz	A\$ per Resource oz
Sep-13	Ramelius	Gold Fields	Vivien	10	101	154	99	65
Oct-13	Metals X	Alacer	HGO/SGO	44	1,500	7,200	29	6
Dec-13	Northern Star	Barrick Gold	Plutonic	25	206	1,750	121	14
Jan-14	Saracen	Norilsk	Thunderbox	34	728	2,090	47	16
Jan-14	Northern Star	Barrick Gold	Kanowna /EKJV	75	502	1,485	149	51
May-14	Northern Star	Newmont	Jundee	82.5	411	507	201	163
May-14	Metals X	Reed	Meekatharra	10	752	3,550	13	3
Jun-14	Ramelius	XNAO JV	Kathleen Valley	4.1	0	130	na	31
Jul-14	Norton Gold	Bullabulling	Bullabulling	28	0	3,216	na	9
Nov-14	Doray	Mutiny Gold	Deflector	36	398	718	90	50
Dec-14	A1 Consol.	Octagonal Res	Maldon Gold	6.9	0	334	na	21
Feb-15	Metals X	Tanami Gold	Central Tanami	15.5	0	656	na	24
Feb-15	Northern Star	Tanami Gold	Central Tanami	20	0	656	na	30
Apr-15	Evolution	Barrick Gold	Cowal	694	1,600	3,440	434	202
Apr-15	Evolution	La Mancha	Frog's Leg	300	440	770	682	390
Apr-15	Oceanagold	Newmont	Waihi (NZ)	135	360	0	375	na
Jun-15	Zijin Mining	Phoenix Gold	Castle Hill etc	47	1,000	3,800	47	12
Jul-15	Oceanagold	Romarco	Haile (USA)	890	2,000	4,800	445	185
Jul-15	Metals X	RNI NL	Grosvenor	20	0	2,000	na	10
Jul-15	Metals X	Panoramic/Matsa	Mt Henry	26	923	1,656	28	15
Aug-15	Evolution	Phoenix Gold	Castle Hill etc	56.4	1,000	3,800	56	15
Aug-15	Saracen	St Barbara	Kailis, KOTH	3	0	393	na	8

Average	188	63
...excl EVN, OGC deals	80	30

Source: Companies, compiled by State One Stockbroking

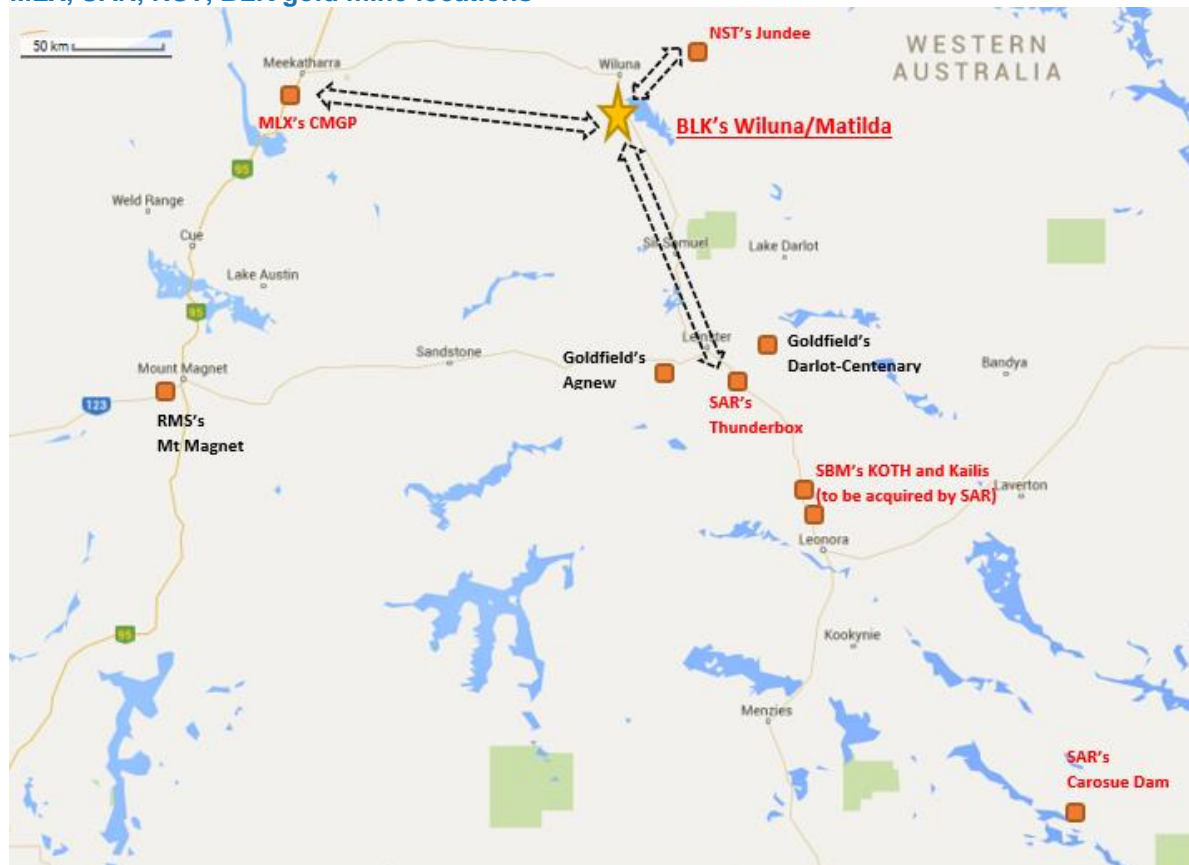
Potential for Corporate Activity with Blackham Resources (BLK)?

We note that three of the more active acquirers of assets over the past couple of years - Metals X (MLX), Saracen Minerals (SAR), and Northern Star (NST) - all have operations surrounding Blackham Resources' (BLK) Matilda Gold Project (in the Northern Yilgarn region in Western Australia). At a m'cap of A\$31.8m and Resources of 4.658Moz Au, BLK is currently valued at A\$6.83/oz (significantly below average corporate activity valuations). **We believe that BLK - with a significant resource base and a 1.3Mtpa plant requiring modest capex (A\$25m) to refurbish - could be an attractive acquisition target for a number of regional producers.** BLK is our top-pick in the smaller-cap gold space. Our NPV/PER-derived target price of A\$0.36ps indicates some 125% upside potential.

Recommendation: Buy (Higher Risk).

See Research Report: [*"A soon-to-be 100koz per annum gold producer"*](#), 13 August 2015.

MLX, SAR, NST, BLK gold mine locations



Source: Google Maps, Companies, compiled by State One Stockbroking

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