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Gold majors expected in another Victorian 'land rush' around Fosterville

Anthony Barich

A release of new exploration packages around the famed Fosterville gold mine in Victoria, Australia, including ground formerly held by its operator Kirkland Lake Gold Ltd., is expected to trigger a "land rush" by Australian and international gold majors.

Tenders will close Jan. 31, 2020, on new exploration ground via four blocks ranging in size from 327 square kilometers and 512 square kilometers within the north central goldfields region that Victoria's government has released via a merit-based tender process.

S&P Global Market Intelligence has learned some of the ground Victoria's government is releasing was formerly held by Kirkland Lake, thus increasing its attractiveness.

The government seeks companies with "outstanding work programs, demonstrated corporate social responsibility and a solid commitment to working with traditional owners, local communities and landholders."

The Geological Survey of Victoria estimates there may be up to 75 million ounces of gold yet to be discovered in the central and north central Victorian goldfields, where 80 Moz of gold has been mined over the past 160 years.



Kalamazoo Resources
CEO Luke Reinehr

Source: Kalamazoo Resources

Luke Reinehr, co-founder, CEO and chairman of Kalamazoo Resources Ltd., which acquired three previously producing goldfields in the area in 2019, told a Dec. 2 investor briefing in Perth, Australia, that his company will apply for at least two blocks, particularly one that circles Fosterville.

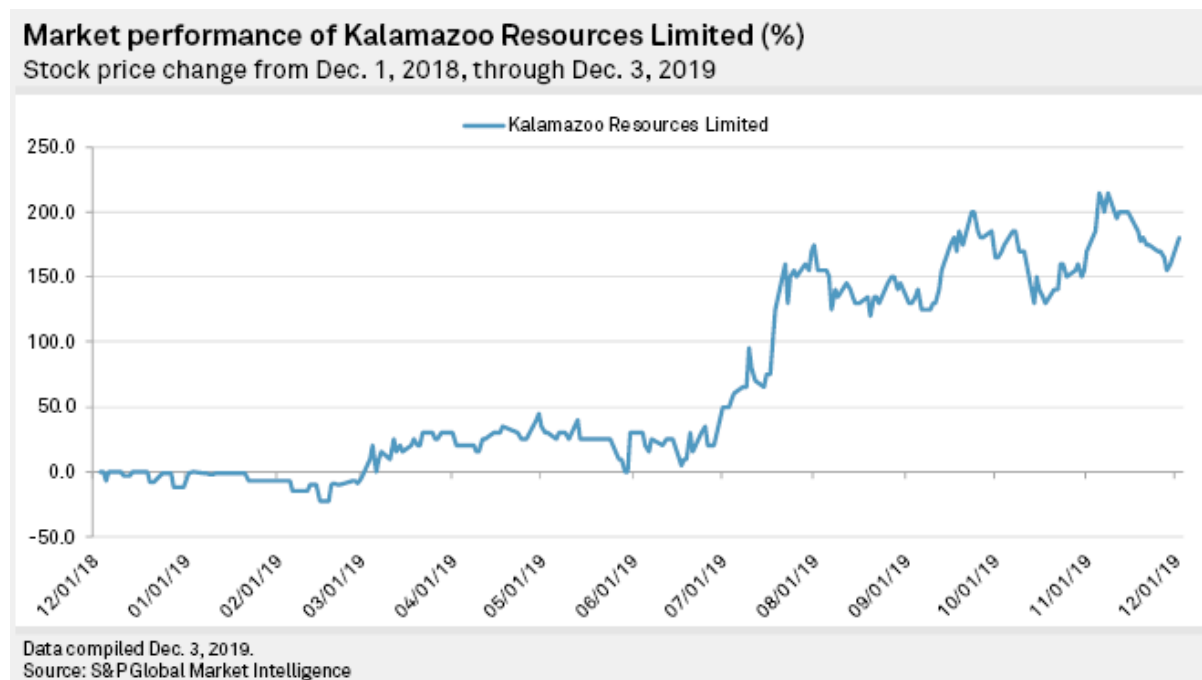
Reinehr believes Kalamazoo still has a chance given that the junior and Kirkland Lake are likely the only companies with existing relationships with the traditional owners.

Reinehr believes blocks three and four, closest to Fosterville, will be "extremely heavily bid by nearly every major every Australian and overseas gold company, because we're talking about land which surrounds what's probably the world's richest and most profitable underground gold operation," he said, referring to Fosterville.

He said it would still be a "tremendous result" even if Kalamazoo was unsuccessful, as it will increase investment attraction in its 100%-owned Castlemaine and Tarnagulla Central projects within the Wattle Gully property, and South Muckleford, particularly given they have 5.6 Moz, 700,000 ounces and 2.1 Moz, respectively, of historical production.

"We have terrific brownfields exploration, with 100% of our projects, and now we'll have another land rush where most of the majors will focus again on Victoria's goldfields," he said, referring to the new acreage release.

Kalamazoo's share price has more than doubled in the past year on Fosterville's success, and Reinehr believes even other unsuccessful bidders will also become more interested in existing landholders in the area.



He believes there is "plenty happening behind the scenes" already in corporate relations between majors and juniors given the larger players' posturing of late in the region.

Reinehr cited St Barbara Ltd. becoming an operator in Victoria when forming a joint venture in November with Catalyst Metals Ltd. on the latter's Drummartin greenfields exploration license covering 648 square kilometers.

That ground appears to lie on the interpreted northern extension of the Redesdale, Fosterville and Drummartin Faults, which are considered to be important in the geological formation of Fosterville's gold mineralization.

While St Barbara CEO and Managing Director Bob Vassie could not confirm if his company would tender for the Victorian government's new exploration ground, he told S&P Global Market Intelligence that his company has demonstrated its interest in early stage projects in Victoria with the Catalyst move.

"We are looking for more investments, and Victoria seems quite attractive with all the opportunities there," he said.

While Vassie is aware of the ground being released around Fosterville, he cautioned about the "nearology" investment thesis, because "proximity to a classy gold mine doesn't necessarily mean it's the same thing."

That said, St Barbara assesses every tender opportunity that governments release in Australia, including Victoria's, and said the company had also demonstrated it was open to picking up fresh ground, as it had in the case of Back Creek in New South Wales and Pinjin in Western Australia.

Hancock Prospecting Pty. Ltd. also increased its equity stake in Catalyst to 14.8% in November, having finalized joint venture terms with the junior in October to explore two exploration licenses near the latter's Four Eagles gold project, where assays earlier this year revealed 1,380 g/t gold over 1 meter.