

Karora Resources and Westgold Merger Presentation

Karora Resources (TSX: KRR)

Released a joint presentation with Westgold explaining the dynamics of their proposed agreed merger.

The new company will be well financed and a 400,000 Oz Au PA gold producer, with exploration potential.



Westgold and Karora to merge
Creating a +400,000 oz Australian mid-tier gold producer¹

1. Refer to the 'Important Notices and Disclaimer' section for further information.

Karora Resources	TSX: KRR
Stage	Production + Development + Exploration
Metals	Gold + Nickel
Market cap	C\$967 million @ C\$5.36
Location	Kalgoorlie, Western Australia
Website	karoraresources.com

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Karora Resources (TSX: KRR) released a joint presentation with **Westgold** explaining the dynamics of their proposed agreed merger.

The new company will be well financed and a 400,000 Oz Au PA gold producer, with exploration potential.

The new company will be listed on both the ASX and TSX.

The merger should be completed by mid-June.

To view the merger presentation video, please click [HERE](#)

[The live Spot gold price can be found HERE](#)

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City Investors Circle is based in the financial district in the City of London

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We create awareness, and maintain interest in presenting companies by disseminating their future news to our entire investor group via email, social media, and our Monthly Review newsletter.

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These articles are for awareness and informational purposes only, and are not recommendations in any form. Always consult an investment professional.

Disclosure

At the time of writing the author holds shares in Karora Resources.

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Karora Announces Merger With Westgold

[Karora Resources. \(TSX: KRR\)](#)

Karora and **Westgold Resources Limited** (ASX: WGX) have agreed to combine in a merger pursuant to which Westgold will acquire 100% of the issued and outstanding common shares of Karora by way of a statutory plan of arrangement under the *Canada Business Corporations Act*.



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Comment

I find this news incredibly disappointing, Karora was one of my favourite stocks, and I always felt they would become a predator of other projects in Western Australian, rather than allowing themselves to be picked off so easily.

I find the takeout price opportunistic, and I have sold down my holding by over 50% already.

TORONTO, April 7, 2024 /CNW/ – **Karora Resources Inc.** (TSX: KRR) (OTCQX: KRRGF) (“**Karora**”) and **Westgold Resources Limited** (ASX: WGX) (OTCQX: WGXRF) (“**Westgold**”) have agreed to combine in a merger pursuant to which Westgold will acquire 100% of the issued and outstanding common shares of Karora (“Karora Shares”) by way of a statutory plan of arrangement under the *Canada Business Corporations Act* (“CBCA”) (“Transaction”).

Transaction Highlights:

- Karora shareholders will receive 2.5241 Westgold fully paid ordinary shares (“**Westgold Shares**”), A\$0.68 (C\$0.61¹) in cash and 0.30 of a share in a new company to be spun-out from Karora (“**SpinCo**”) for each Karora Share held at the closing of the Transaction (“**Offer Consideration**”). The Offer Consideration represents approximately A\$6.60 (C\$5.90²) per Karora Share based on Westgold’s closing share price on the ASX of A\$2.28 on 5 April 2024.
- SpinCo’s assets will comprise Karora’s existing 22.1% interest in Kali Metals Limited (ASX:KM1) (“**Kali**”), a 1% lithium royalty on certain mining interests held by Kali, the right to receive a deferred consideration payment due to Karora relating to the on-sale of the Dumont asset and A\$6 million (C\$5 million²) in cash. SpinCo will be owned 100% by existing Karora shareholders.
- The Offer Consideration represents a 10.1% premium to Karora’s closing share price on the Toronto Stock Exchange (“**TSX**”) of A\$5.995 (C\$5.360²) on 5 April 2024 and a 25.3% premium to Karora’s and Westgold’s 20-day volume weighed average price (“**VWAP**”) on the TSX of A\$5.552 (C\$4.964²) and on the ASX of A\$2.421 (C\$2.164²) up to and including 5 April 2024.
- Upon completion of the Transaction, Westgold shareholders will own approximately **50.1%** of the combined company (Westgold after completion of the Transaction referred to as “**Enlarged Westgold**”) and former Karora shareholders will own approximately **49.9%**.
- Enlarged Westgold will have a market capitalization of approximately A\$2.2 billion² (C\$1.9 billion²).
- Enlarged Westgold will have a portfolio of assets from

an exclusively Western Australian asset base, a clear pipeline of growth projects and high-quality exploration targets.

- The Enlarged Westgold intends to apply for quotation of its Westgold Shares on the TSX on completion of the Transaction.
- The Transaction has been unanimously approved by the boards of directors of Westgold and Karora, and Karora's board of directors will recommend that the shareholders vote in favour of the Transaction.
- Directors and members of senior management of Karora holding approximately 1.2% of Karora Shares have entered into voting support agreements pursuant to vote their Karora Shares in favour of the Transaction at the meeting of shareholders to be called by Karora to approve the Transaction ("**VSA**s"). In addition, key institutional shareholders with a combined shareholding of approximately 9% including Eric Sprott have signed VSAs or otherwise have indicated they would support the Transaction.
- The Transaction represents a transformational step change in growth for both Westgold and Karora shareholders:
 - Creates a globally investable, mid-tier gold producer operating exclusively in Western Australia with a highly complementary combination of mining and processing assets, people and balance sheet;
 - Top 5 largest, ASX listed Australian gold producer based on the pro forma market capitalization;
 - One of the largest unhedged Australian gold producers on completion of the Transaction providing investors with full exposure to the gold price³;
 - Combined pipeline of advanced organic growth options and exploration targets across Karora's

- Beta Hunt and Higginsville properties and Westgold's Murchison and Bryah properties;
- Estimated operating synergies⁴ of A\$209 million (C\$187 million²) and estimated corporate savings⁵ of A\$281 million (C\$251 million²);
 - Robust balance sheet with financial resources of circa A\$160 million (C\$143 million²) in cash and liquidity through Westgold's existing corporate revolver facility (subject to requisite consents) and following full repayment of Karora's existing A\$44 million (C\$39 million²) revolving facility to support an accelerated resource development program at the Beta Hunt Fletcher Zone and Bluebird-South Junction;
 - Enhanced capital markets profile with increased scale, trading liquidity and quality to be attractive to both gold and generalist investors across ASX, TSX and OTCQX;
 - Significant re-rating potential via increased scale and increased index weighting, such as the GDX and GDXJ indices; and
 - Combined board of directors comprising experienced mining professionals with a proven track record of maximizing value for shareholders.

Karora Chairman and CEO, Paul Huet commented:

"For the last two years, Karora has watched Mr. Bramwell and the team consistently unlock material value for shareholders at Westgold.

“One of the more unique aspects of this transaction is a very strong cultural fit between both companies which will serve shareholders of the enlarged company well for a very long time.

“The merger is estimated to unlock approximately A\$490 million of operational, G&A and capex synergies while shareholders will become proud owners of the largest unhedged gold producer in Australia at completion of the Transaction – certainly a compelling opportunity in the current gold price environment.

“The team at Karora have worked diligently to execute on our strategy to build the next +200 kozpa Australian gold producer.

“We have delivered value to shareholders through a disciplined growth approach by investing in our cornerstone asset in Beta Hunt, which will be fully ramped up to 2 Mtpa⁷ later this year, our pipeline of projects at Higginsville and through strategic asset acquisitions such as the Lakewood Mill and Spargos Gold Mine to establish the next emerging junior gold producer in the Western Australia gold fields.

“With the combination of Westgold and Karora, we are taking the next step by combining two highly complementary, free cash flow generating asset bases in one of the world’s finest mining jurisdictions to create a premier Western Australian mid-tier gold producer.

“Karora shareholders will benefit from having very meaningful ownership in a larger, more diversified gold producer with a highly experienced management team located entirely in Western Australia.

“The prospects for the combined company are tremendous, with over 3,200km² of combined exploration tenements

in Australia's most prospective gold mining regions coupled with a significantly enhanced balance sheet poised and ready to deploy into a highly compelling combined growth and exploration strategy.

"The combination provides Karora shareholders with significant exposure to one of the largest Australian gold producers with significant potential for an eventual share price re-rate as the operational synergies and enhanced scale of the combined portfolio are realized."

[To read the full news release please click HERE](#)

[Live spot metal prices can be found HERE](#)

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If you need clarification of any information contained in this note, or have any questions, I will be delighted to assist –
Please email andrew@city-investors-circle.com

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