



6 January 2025

NST DEG

New year discount to own Australia's gold giant

- **Bid for DEG offers a cheap entry into NST.** Last month, Northern Star Resources (NST) announced its acquisition of De Grey Mining (DEG) all scrip with 0.119 new NST shares for each DEG share. Based on this bid, at today's price of \$1.82, DEG is trading at a 3% discount to NST's \$15.76.
- **This means that by buying DEG now, investors can own NST shares 3% cheaper than the current price** (refer to Figure 1). We believe this highlights an attracting buying opportunity for DEG while partially hedging NST. The bid requires 75% shareholder approval in the April 2025 meeting.

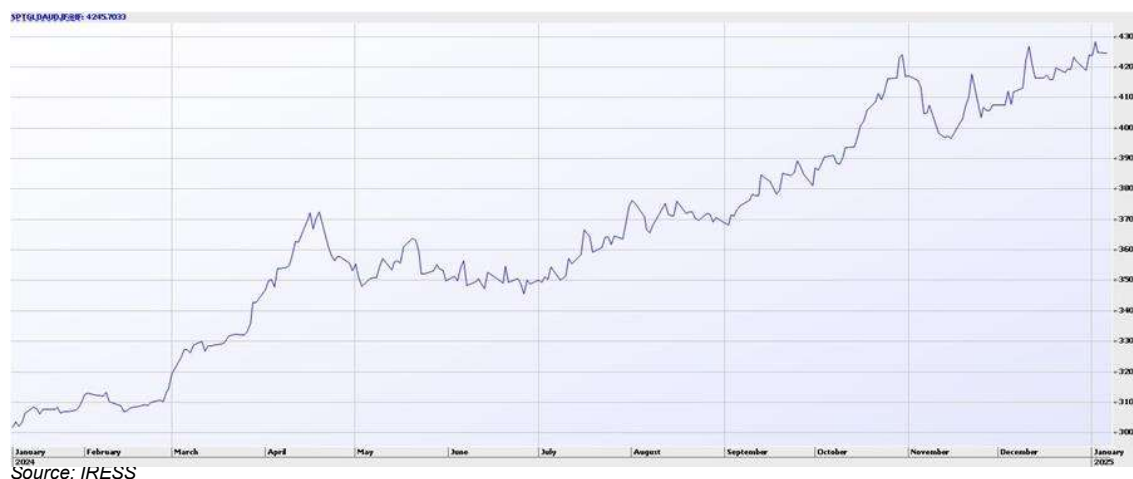
Figure 1: Discounted entry into NST via DEG

	\$	Calculation
DEG current share price	1.82	
NST implied price (1 DEG = 0.119 NST)	15.29	$(1.82/0.119) \times 1$
NST current share price	15.76	
Discount	-3%	

Source: Foster Stockbroking estimates

- **This is an opportune time to own gold stocks** with positive sentiment in the gold market. Australian gold price hit a new record-high, currently pushing through A\$4,270/oz (US\$2,660/oz), fuelled by ongoing geopolitical tension in the Middle East and Russia and safe-haven buying, ahead of the Fed's rate outlook and the potential impact of Trump's proposed trade tariffs with his inauguration expected on January 20.

Figure 2: Australian gold price (A\$/oz)



- **NST offers strong shareholders returns via consistent dividends and buy-backs.** NST has a strong dividend track record, paying 20-30% of its sustaining free cash flow. In FY24, it paid a record 40c per share (\$351M), up 51% YoY, reflecting its robust cash generation. The company also returned \$42M to shareholders via its \$300M share buyback, which commenced in 2022 and will remain open until 14 September 2025 (57% complete as of FY24). With higher gold prices and growing production, NST's earnings are expected to rise, supporting even higher dividends ahead.
- **The deal is valuation and earnings accretive for NST**, boosting its Resources and Reserves to 74.9Moz and 26.9Moz. DEG will support NST's growth pathway to 2.5Mozpa. The proforma net cash position strengthens the balance sheet with \$1b net cash. NST is on track to hit its FY25 guidance of 1,650-1,800koz gold sold and AISC of \$1,850-2,100/oz with expected improvements from higher grades at KCGM and better mill availability at Thunderbox and Pogo. The \$1.5b KCGM expansion is also progressing on schedule and budget, with commissioning set for FY26.
- **Plenty of catalysts ahead for DEG with Hemi on track to be a top five Australian gold mine.** The DFS shows a \$2.9B NPV5, \$7.9B EBITDA, and a 36% IRR with \$1.3B capex for a 10Mtpa plant. With AISC of \$1,295/oz for the first 10 years, it ranks in the lowest cost quartile for Australian gold projects. Reserves and Resources stand at 6Moz and 13.6Moz, supporting a 12-year mine life at 530kozpa. Key catalysts include drill results, met testwork, permitting, and construction progress with production expected in 2027. DEG has \$828M cash and bullion with no debt.

Figure 3: Indicative timetable

Event	Date
Draft Scheme Booklet provided to ASIC	Mid to late February 2025
First Court Hearing	Early to mid March 2025
Scheme Meeting	Mid April 2025
Second Court Hearing	Mid April 2025
Effective Date	Late April or Early May 2025
If the Scheme is approved by the Court and becomes Effective	
Record Date	Two Business Days after Effective Date
Implementation Date	Five Business Days after Record Date

Source: NST

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