



25 May 2009

**The Company Announcement Platform**

**Australian Stock Exchange Limited**

Level 8, Exchange Plaza  
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PERTH WA 6000

Dear Sir/Madam

**South Laverton Gold Project – 60% Ore Reserve Increase**

- **Ore Reserves up to 580,000 ounces from 361,000 ounces, an increase of 60 percent (see Gold Ore Reserves Statement below).**
- **Significant expansion in Porphyry and Whirling Dervish ore reserves to underpin longer production life.**
- **Porphyry Underground mine scoping study completed, and underground reserves added. Considerable exploration potential down-plunge to be tested.**
- **Surface stockpile study completed and stockpiles added to the Gold Ore Reserves Statement.**

The Directors are pleased to report a significant increase in Reserves for two of the five gold deposits to be mined in Stage 1 of the Carosue Dam Operations. The increase results from a detailed review and re-optimization of these two deposits.

The substantial increases for **Porphyry and Whirling Dervish** are based on updated cost and gold price assumptions. In particular, Porphyry reserves have been boosted not only by an increase in open-pittable reserves, but also the inclusion of underground ore reserves. Surface stockpiles, some of which have been identified for plant commissioning purposes, have also been included in the Gold Ore Reserve statement.

**The increased reserves and the low waste to ore ratios for Porphyry and Whirling Dervish will underpin a longer production life.** Saracen management considers there to be significant potential for additional underground resources at Porphyry.

A summary is as follows and the reader is referred to the updated tables below for relevant tonnages, grades, methodologies and assumptions.

**Porphyry**

Porphyry resources have been re-assigned into open pittable and underground categories as a result of the Company's recent scoping study into the underground mine. **Porphyry reserve ounces have increased to 212,000 ounces from 122,000 ounces, an increase of 74 percent (see Gold Ore Reserves Statement below).**

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The latest re-optimisations and pit designs, based on a A\$1,250 gold price assumption, have resulted in the definition of ore reserves in the Main Gays lodes to the South-West of the existing Porphyry pit (See Figure 1).

With respect to the open pitable reserves, the shallow low strip-ratio pits contain moderate grades, and have contributed to a 20% increase in ore tonnes and an additional 20,000 ounces, with overall grade relatively unchanged. **The waste to ore ratio at Porphyry is a very low 3.1**

**An underground scoping study has been conducted on the deeper Porphyry mineralisation** (down plunge from the open pitable ore), with the result that a probable underground ore reserve of 643,000 tonnes grading 3.4g/t for 70,000 ounces has been estimated (refer to Gold Ore Reserves Table below). The planned underground development will be almost entirely in ore within this gently plunging orebody, with the proposed decline continuing on from the existing underground development (pre 1990). Ore will be extracted by the room and pillar mining method utilising the existing portal 90 metres below surface, and mining will occur between 170m (255m RL) and 280m (145m RL) below surface, resulting in a very low capital start-up for this relatively shallow underground deposit.

It is relevant to note that the Porphyry underground resource is open down-plunge to the south and more drilling may result in the delineation of additional high grade mineralisation (See Figure 1).

### Whirling Dervish

**Whirling Dervish reserve ounces have increased to 217,000 ounces from 103,000 ounces, a greater than two-fold increase (see Gold Ore Reserves Statement below).** The latest optimisations and pit designs, based on a A\$1,250 gold price assumption, have resulted in a larger pit being defined which now encompasses lower grade hanging wall lodes and stockwork mineralisation.

The existing Stage 1 core of mineralisation comprising 1.6mt @ 2.0g/t for 103,000 ounces (ore reserve as previously published) will still be mined as stage 1 of Whirling Dervish, with operational reconciliations and cost structures determining the final extent of the enlarged pit.

With respect to the latter, it should be noted that the revised reserves for the larger pit scenario are at this stage still based on cost structures for the smaller Stage 1 pit. A lowering of these costs could be achieved through the employment of bigger equipment, in view of the much larger material movement requirements.

**The waste to ore ratio for the enlarged pit (including the overburden pre-strip) averages 5.5 overall. However, once the overburden is removed (which forms part of the total capital funding requirements for the project of \$26.9m) the waste to ore ratio falls to a very low 1.2**

### Wallbrook

Wallbrook tonnes and grade are largely unchanged following the latest re-optimisation work, which is based on a A\$1,250 gold price assumption. The waste to ore ratio is 5.1

### Enterprise

Reserve ounces at Enterprise are unchanged, while changes to mining dilution factors have had a minor impact upon tonnes and grade (see Gold Ore Reserves Statement below).

The reserves for Enterprise are still based upon a A\$920 gold price and are to be reviewed in the near future.

### Deep South

Minor changes to reserves at Deep South have resulted from a revision of the mining dilution and ore loss factors used (see Gold Ore Reserves Statement below).

As with Enterprise, the reserves at Deep South are still based upon a A\$920 gold price, and will be reviewed in the near future.

### **Surface Stockpiles**

Surface stockpiles account for 25,000 ounces in reserves, comprising some 647,000 tonnes of ore-bearing low grade material.

These stocks are included for the first time in the reserve statement following a targeted program of cataloguing the volumetrics, and an accompanying sampling and assay program across all project sites.

Some of this material will be processed during the commissioning stage.

### **Gold Resources**

The **corresponding revised Gold Resources Statement for the Whirling Dervish, Porphyry and Wallbrook gold deposits, and the Surface Stockpiles** is shown below. These deposits have recently undergone an expert independent review of their respective underpinning geological models, as well as resource modelling methodology and application. This work was done as part of the external banking due diligence process leading up to Saracen's acceptance of the RMB Resources offer of bank finance. Also the surface stockpiles are a new addition to Saracen's resource base.

**The balance of the other resources in the Company Gold Resources inventory remains unchanged from the previously published resource statement.**

### **Further Work on Stage 1 Deposits**

Two other Stage 1 deposits, namely Enterprise and Deep South are similarly being reviewed in detail. More information on the reserves for these deposits will be released in due course.

**For further information please contact:**

**Guido Staltari**  
Managing Director

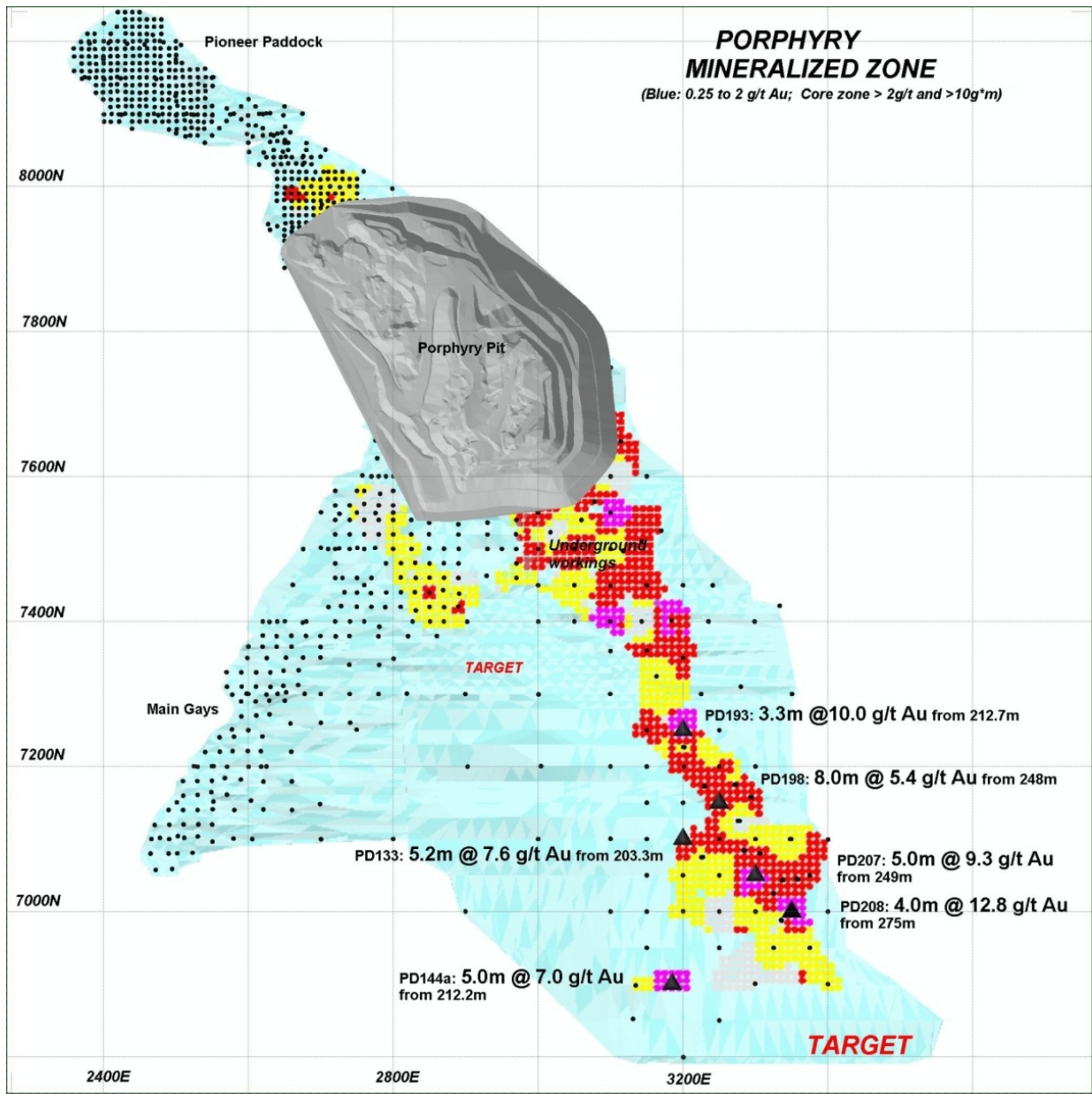
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### **Competent Person Statements**

**The information in this release that relates to Mineral Resources for the Whirling Dervish, Porphyry and Wallbrook gold deposits has been compiled by Mr Lynn Widenbar BSc (Hons) MSc DIC MAusIMM.** Mr Widenbar, who is a Member of the Australasian Institute of Mining and Metallurgy, is a full time employee of Widenbar and Associates Pty Ltd. Mr Widenbar has sufficient experience that is relevant to the styles of mineralisation and types of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves. Mr Widenbar consents to the inclusion in this release of the matters based on his information in the form and context that the information appears.

**The information in this release that relates to Mineral Resources for the Surface Stockpiles has been compiled by Mr Colin Arthur BSc (Hons) BEd MAusIMM.** Mr Arthur, who is a Member of the Australasian Institute of Mining and Metallurgy, is a full time employee of Saracen Gold Mines Pty Ltd. Mr Arthur has sufficient experience that is relevant to the styles of mineralisation and types of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves. Mr Arthur consents to the inclusion in this release of the matters based on his information in the form and context that the information appears.

**The information in this release that relates to Ore Reserves for the Whirling Dervish, Porphyry, Wallbrook, Enterprise and Deep South gold deposits, and Surface Stockpiles, has been compiled by Raleigh Finlayson.** Mr Finlayson, who is a Member of the Australasian Institute of Mining and Metallurgy, is a full time employee of Saracen Gold Mines Pty Ltd and has sufficient experience that is relevant to the styles of mineralisation and types of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves. Mr Finlayson consents to the inclusion in this release of the matters based on his information in the form and context that the information appears.



**Figure 1**

Porphyry Gold deposit. Plan showing extent of drilling and mineralisation.

**Notes:**

- Gold mineralization up to 30m true thickness lies in the shallow east dipping "Porphyry shear zone"
- Flat SE plunging higher grade zones within the shear are open down plunge to the south.
- Grade (g/t Au):
  - Blue 0.25 to 2.0g/t
  - Yellow 2.0 to 4.0g/t
  - Red 4.0 to 8.0g/t
  - Pink > 8.0 g/t
- Drill intersections: lower cut 1g/t, upper cut 25 g/t

## Gold Ore Reserves Statement update for the Whirling Dervish, Porphyry and Wallbrook gold deposits, and the surface stockpiles.

Gold Deposit	Probable Reserve Tonnes	Gold Grade (g/t)	Contained Ounces
Whirling Dervish	4,312,000	1.6	217,000
Porphyry	2,755,000	1.6	142,000
Porphyry UG	643,000	3.4	70,000
Wallbrook	1,596,000	1.5	76,000
Enterprise	261,000	2.1	18,000
Deep South	315,000	3.1	31,000
Surface Stockpiles	647,000	1.2	25,000
<b>Total</b>	<b>10,500,000</b>	<b>1.7</b>	<b>580,000</b>

### Notes to accompany Reserves Statement

1. All reserves are for open-pittable mineralisation, except for Porphyry UG which reflects a proposed underground mining operation.
2. Definitive Feasibility Studies ("DFS") completed on the resources for the above mentioned pits comprised optimisations, pit design and costings. Pit optimisations were run using Whittle, with key inputs as follows:
  - a. Resource Models and Reserves parameters reviewed by external consultants during Due Diligence process.
  - b. Resource models prepared by Saracen's resource geologists & external consultants.
  - c. Geotechnical, hydrogeological, mine operating and milling parameters estimated by reference to known Carosue Dam historical data, and updated through the use of external consultants and contractors during the DFS.
  - d. Australian dollar gold price of A\$1250 per ounce (proposed hedge price) used for pit optimisation and pit design purposes, for Porphyry, Whirling Dervish, Wallbrook and the Surface Stockpiles. Enterprise and Deep South Deposits have not been included in recent geological review, and are still based upon the previously assumed A\$920 gold price level for optimisation and evaluation.
  - e. Planned mining dilution & mining recoveries are factored into the resource models assuming 120t class excavators
  - f. Additional (unplanned) mining dilution & mining recoveries for each of the deposits (based on the size, dip & geometry of the ore zones) are:
    - i. Whirling Dervish deposit: 12% dilution @ 0.00g/t & 98% recovery
    - ii. Porphyry deposit: 15% dilution @ 0.00g/t & 98% recovery
    - iii. Wallbrook deposit: 10% dilution @ 0.00g/t & 97.5% recovery
    - iv. Enterprise deposit: 15% dilution @ 0.00g/t & 95% recovery
    - v. Deep South deposit: 12.5% dilution @ 0.00g/t & 95% recovery
  - g. Average plant processing recovery is 92.1 percent.
3. Mining costs based on recent contractor submissions, and reconciled with known operating conditions and further research by Saracen's General Manager-Operations.
4. Metallurgical parameters based on a combination of previous mining and/or recent metallurgical test work as part of the DFS.
5. Tonnages, grades and contained metal have been rounded to reflect the accuracy of the calculations. Rounding errors may occur.

## Whirling Dervish, Porphyry and Wallbrook gold deposits, and Surface Stockpiles.

### Gold Resource Statement update

Gold Deposit	Proposed Mining Style	Measured Resource Tonnes	Indicated Resource Tonnes	Inferred Resource Tonnes	TOTAL Tonnes	Gold Grade (g/t)	Contained Ounces
<b>Whirling Dervish</b>							
	O		10,500,000			1.4	474,000
	O			1,200,000		1.1	44,000
					<b>11,700,000</b>	<b>1.4</b>	<b>518,000</b>
<b>Porphyry</b>							
	O	1,500,000				1.7	82,000
	O		4,100,000			1.3	168,000
	O			1,800,000		1.2	68,000
					<b>7,400,000</b>	<b>1.3</b>	<b>318,000</b>
	U		1,000,000			4.0	122,000
	U			800,000		2.4	58,000
					<b>1,700,000</b>	<b>3.3</b>	<b>181,000</b>
<b>Wallbrook</b>							
	O		4,700,000			1.4	205,000
	O			400,000		1.4	20,000
					<b>5,200,000</b>	<b>1.4</b>	<b>225,000</b>
<b>Surface Stockpiles</b>	S		647,000			1.2	25,000
<b>Total</b>		<b>1,500,000</b>				<b>1.7</b>	<b>82,000</b>
			<b>21,000,000</b>			<b>1.5</b>	<b>994,000</b>
				<b>4,200,000</b>		<b>1.4</b>	<b>190,000</b>
<b>TOTAL</b>					<b>26,000,000</b>	<b>1.5</b>	<b>1,267,000</b>

#### Notes to accompany Resource Statement

- Mining activity has taken place both by open pit and underground methods at Porphyry. Minor open pit working has taken place at Wallbrook. No mining activity has taken place at Whirling Dervish.
- Drill hole spacing at Porphyry ranges from 6m by 6m grade control to approximately 50m by 50m, with typical spacing of the order of 10m to 20m. Drill hole spacing at Wallbrook is typically 20m to 25m. Drill hole spacing at Whirling Dervish averages 20m by 20m.
- Various top cuts have been applied to gold values prior to resource estimation, based on statistical analysis by mineralisation domain and deposit.
- Interpolation has been by Ordinary Kriging, using mineralisation domain control and parameters derived from geostatistical analysis.
- Bulk density has been applied based on definition of oxide, transition and fresh material boundaries, and is derived from a substantial number of measurements on diamond drill core from each deposit.
- Porphyry is reported as an open pit resource at a 0.6 g/t Au lower cut-off above 255m RL (approximately 170m below surface), and as an underground resource at a 1.5 g/t Au lower cut-off below 255m RL. Wallbrook is reported as an open pit resource at a 0.6 g/t Au lower cut-off. Whirling Dervish is reported as an open pit resource at a 0.5 g/t Au lower cut-off.
- Tonnages, grades and contained metal have been rounded to reflect the accuracy of the calculations. Rounding errors may occur.