

Thursday, 24 September 2009

Gold Aspirants (SAR & BDG)

In Brief

Both companies released updates today

□ Bendigo Mining Limited (BDG) - HOLD

The first ever reserve for Kangaroo Flat gold mine of 30,000oz (144,000t grading 6 gpt) and a resource of 79,000oz (315,000t grading 8gpt). This gives one to two years of production given estimated conversion of resources to reserves.

Henty. BDG has not wasted time and it has put a resource of 101,000oz on the Tyndall zone with a reserve of 78,000oz. After declining to this zone, it is now starting to mine it.

Gold production of 80 to 90,000oz is forecast for FY2010 but no forecasts beyond; this will depend on the "lie detector" also known as drill bit! However, there is at least another year or two on resource conversion (see summary sheet).

□ Saracen Mineral (SAR) – SPECULATIVE BUY

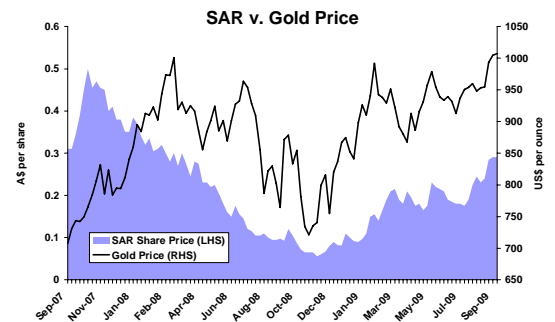
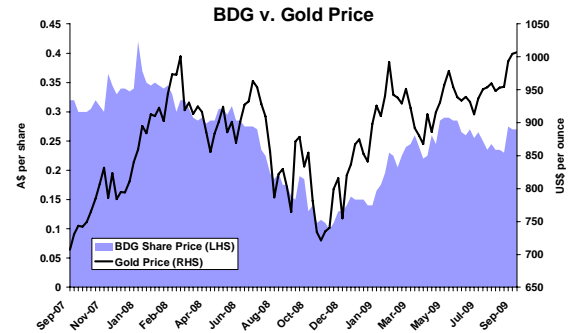
The company announced it has increased its resource base by 28% to 2.6m oz and its reserves by 12% to 0.65m oz.

SAR has included (for the first time) underground resources at Twin Peaks and Deep South gold deposits. It has started a feasibility study on an underground mining operation at Red October and Porphyry; in addition to the proposed open cut.

Meanwhile, work continues on schedule at Carosue Dam mine/processing complex for a restart of the gold operation.

SAR has raised both debt (\$20m) and equity (\$33m) since April; to date it has only drawn down \$2m of the debt facilities (summary sheet attached).

A 10% lift in our long term gold price from US\$850 to US\$935 would lift the valuation range of SAR from \$0.28 to \$0.32 to \$0.42 to \$0.45; production starts this financial year.



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Bendigo Mining						
Share Price		\$ 0.27	\$ 0.27	\$ 0.27	\$ 0.27	
Year Ending .	30-Jun	2008	2009E	2010E	2011E	2012E
Valuation		\$ 0.23	\$ 0.21	\$ 0.23	\$ 0.23	
Market Capitalisation	\$m	131	131	133	133	
Issued Ordinary Shares	m	495	495	503	503	503
Options	"	6.7	6.7	6.7		
Fully diluted		502	502	510	503	503
ASSUMPTIONS						
Spot Gold	\$US/oz	855	900	875	850	850
Spot Gold	A\$/oz	1,018	1,204	1,054	988	1,000
Hedged Price	A\$/oz	0	0	0	0	0
Realised Price	A\$/oz	0	1,204	1,054	988	1,000
Hedging as a prop. of production			0%	0%	0%	0%
Spot Exchange Rate	\$A/\$US	0.84	0.75	0.83	0.86	0.85
Hedged exchange rate	\$A/\$US					
prop. of revenue hedged			0%	0%	0%	0%
Gold production	oz	4,535	36,620	82,894	70,685	66,720
Gold Reserves(probable)	m.oz					
Gold Resources(inferred)	m.oz					
Cash Cost	A\$/oz	2646	709	740	724	743
FINANCIALS						
Sales rev		30.0	44.1	87.4	69.9	66.7
EBITDA		16.7	14.0	19.3	10.8	11.3
EBIT		10.7	8.4	12.7	4.4	4.7
Pre Tax		10.7	8.4	12.7	4.4	5.5
tax		0.0	0.0	0.0	0.0	0.0
Net Profit (pre Abnormals)	\$m	10.7	8.4	12.7	4.4	5.5
NRI						
EPS	cents	2.1	1.7	2.5	0.9	1.1
EPS Growth	%		-22%	49%	-65%	25%
P/E ratio	x	12	16	11	30	24
Gross Cash Flow						
Gross Cash Flow	\$m	11.3	10.2	16.8	10.2	9.4
GCFPS	cents	2.2	2.0	3.3	2.0	1.9
P/GCF	times	13	14	9	14	16
Dividend	\$m	0.0	0.000	2.549	2.515	2.515
DPS	cents	0		0.50	0.50	0.50
Total	c	0.0	0.0	0.5	0.5	0.5
Dividend Yield	%	0.0	0.0	1.7	1.7	1.7
Net Cash Flow	\$m	-6.3	-1.5	-1.6	-4.8	-1.4

Saracen Minerals						
Share Price	SAR	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30
Year Ending	30-Jun	2007/08	2008/09	2009/10	2010/11	2011/12
Market Capitalisation	\$m	62.6	58.8	142.1	118.1	117.9
Enterprise Value	\$m	43.8	47.0	148.6	86.7	50.8
Valuation	\$m			68.0	112.7	124.9
Valuation per share				\$ 0.28	\$ 0.32	\$ -
Enterprise value/per resource oz		\$ 21	\$ 23	\$ 57	\$ 33	
Conv. Notes(Dec/12,conv at 44 2 c)		30	30	30	30	30
Issued Ordinary Shares	m	172.9	172.9	382.0	385.6	385.6
New Issue		13.0	0.0	79.8		
Options (June 2013)	saro	11.2	11.2	7.0	7.0	7.0
Options (Nov 2009)	saroa	3.6	3.6	3.6		
Employee		4.1	4.1	4.1	4.100	3.485
Fully diluted		204.8	191.8	476.5	396.7	396.1
Gold Reserve	m.oz		0.58	0.65		
Gold Resource	m.oz	2.04	2.04	2.60	2.60	
Spot Gold	\$US/oz	773	880	897	863	850
Spot Gold	A\$/oz	972	1,041	1,199	1,039	988
hedged Price	A\$/oz				1,143	1,143
Realised Price	A\$/oz			1,199	1,079	1,036
Hedging	oz	-	-		35,000	35,000
Hedging as prop. Of prod.						
Spot Exchange Rate	\$A/\$US	0.795	0.845	0.747	0.830	0.860
Hedged exchange rate	\$A/\$US					
Spot Sales		-	-	20,117	56,718	79,648
Gold Sales	oz	0	0	20,117	91,718	114,648
Gold Production		0	0	20,117	91,718	114,648
Cash Cost	A\$/oz	0	0	737	663	663
Full Cost		95.0	80.0	801.7	743.0	743.0
FINANCIALS						
Sales Revenue	\$m	0.0	0.0	24.1	98.9	118.7
- Operating Costs		1.0	0.0	15.3	61.4	76.7
EBITDA	\$m	-1.0	0.0	8.9	37.6	42.0
- Depreciation/Amortisation		0.0	0.0	1.3	7.3	9.2
-Other		-3.3	69.4	-3.8	-4.3	-4.3
EBIT	\$m	2.3	-69.4	11.4	34.5	37.2
Interest		0.0	1.0	3.0	2.5	2.0
Pre Tax		-4.3	68.4	-0.2	19.4	21.7
Tax		-0.4	6.8	0.0	2.9	6.5
Reported Profit		-3.9	61.5	-0.2	16.5	15.2
Net Profit (pre normalised)	\$m	(3.9)	134.4	(0.2)	16.5	15.2
-Half year result						
EPS	cents	(1.9)	70.1	(0.0)	4.2	3.8
EPS Growth	%	42%	-3818%	-100%	-10815%	-8%
P/E ratio	x	-15.6	0.4	-760.3	7.1	7.7
Gross Cash Flow	\$m	-1.0	0.4	3.3	44.9	48.3
GCFPS	cents	-0.5	0.2	0.7	11.3	12.2
P/GCF	times		131.9	42.1	2.6	2.4
Dividend	\$m	0.0	0.0	0.0	4.6	4.3
DPS	cents	-		-	0.6	0.6
Total	c	0.0	0.0	0.0	0.6	0.6
Dividend Yield	%	0.0	0.0	0.0	2.1	1.9
Net Cash Flow	\$m	-1.3	-7.0	1.7	32.9	35.3
NCFPS	c	-0.6	-3.6	0.4	8.3	8.9
Discount rate	%	12.0%	12.0%	12.0%	12.0%	12.0%
Net Present Value	\$m	50.2	57.5	71.4	78.2	54.7
Exploration		8.3	9.0	12.6	12.6	12.6
Investments(Base Metals)		1.6	1.6	1.6	1.6	1.6
H/Office		(11.5)	(14.0)	(14.0)	(14.0)	(14.0)
Debt/Conv.note		-	-	(20.0)	(15.0)	(10.0)
Cash		12.3	5.3	7.0	39.9	70.6
Envir Bond		9.4	9.4	9.4	9.4	9.4
Total Valuation	\$m	70.2	68.8	68.0	112.7	124.9
NPVPS	\$	0.18	0.18	0.18	0.29	0.32

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