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Report prepared by:

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CAPITAL STRUCTURE

ASX Code	SAR
Valuation Price	A\$0.61
Share Price	A\$0.43
Market Cap	A\$178m
Cash	A\$32m
Fully Diluted Shares	414m
Listed + Unlisted Options	31m

DIRECTORS & MANAGEMENT

Executive Chairman	Guido Staltari
Non-Exec Director	Ivan Hoffman
Non-Exec Director	Carl Thompson
Executive Director	Barrie Parker

COMPANY DETAILS

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1- YEARS SHARE PRICE



Saracen Minerals Holdings Limited (SAR)

Newly emerging Australian mid-tier gold producer

Key Points

- 100-200koz gold from March 2010.
- Gold resources of 3.04M oz including reserves of 880koz.
- The development activities are on schedule and within budget.
- SAR is fully funded into production, with a A\$20m debt facility available.
- MPS' Valuation Price of A\$0.61/share and a current gold Spot Price valuation of A\$0.76/share.

Overview

Saracen Minerals ("SAR") acquired the Carosue Dam operation and associated gold resource from St Barbara Mines in 2005 for A\$8M. The deal also saw Saracen take over the environmental bonds for a further A\$9M. Over the last 5 years, the company has increased its exploration acreage in the region and increased its resource base from 0.8Moz to over 3Moz.

SAR is now set to become an Australian mid-tier gold producer at >100,000oz p.a when it commences production in March 2010.

The project is located in the very prospective Laverton Region of WA, around 100km North East Kalgoorlie. The area has a strong history of gold discovery with some 23Moz identified in the region.

SAR's South Laverton Project holds more than 2,500km² of tenements and hosts a resource of more than 3Moz gold resource which is inclusive of 0.88Moz of gold reserve.

SAR's key processing asset is the Carosue Dam 2.4Mtpa processing facility as well as the 180 man camp which today would have a total estimated replacement value of A\$120m-A\$150m.

The company recently announced a hedge through the purchase of 'put' options over 175,908oz of gold at a strike of A\$1,250 maturing between 30 April 2010 and December 2011.

MPS Forecast Earning Table

June End	2010	2011F	2012F	2013F	2014F	2015F	2016F
Production (koz)	18	124	130	143	150	136	129
A\$ Gold Price	1,222	1,180	1,052	1,000	1,000	1,000	1,000
Revenue (A\$m)	22	147	137	143	150	136	129
EBITDA (A\$m)	11	67	61	60	63	57	54
EPS (c/share)	1.6	14.1	9.0	8.9	9.3	8.4	8.0
P/E	19.5	2.3	3.6	3.6	3.4	3.8	4.0

Source: MPS Research

1. Saracen – In Profile

History

Carosue Dam was initially developed by Pacmin Mining Corp and in 2001, Sons of Gwalia purchased Pacmin Mining in an all scrip bid. St Barbara Mines then purchased all of Sons of Gwalia's gold assets after the company went into administration. The gold assets included the 2.4Mtpa Carosue Plant and the 150 associated tenements.

In October 2005, SAR reached an agreement to purchase the Carosue Dam Operations (CDO) from St Barbara Mines for A\$8m plus A\$9m for the environmental bonds.

In early 2007, SAR consolidated its holdings in the area by purchasing the gold prospects and tenements from Jackson Minerals for estimated value of A\$7m.

SAR Carosue Dam Operation Resources

Resource Category	Tonnage ('000 t)	Grade (g/t)	Contained Au (koz)
Measured	6,400	1.5	311
Indicated	35,710	1.7	1,998
Inferred	12,770	1.8	735
Total	42,110	1.7	3,043

Project Review

SAR Stage 1 production is set to commence early 2010, with the expectation of first gold in March 2010 at half of the full production capacity. The company aims to produce at an initial rate of 120koz p.a and then ramp up to 150koz pa as new higher gold grade deposits come on stream.

Capital costs for mill refurbishment stand at A\$27m and are on time and within budget. Further to this, SAR will be installing a 90km mains power line at a cost of an additional A\$10-15m by late 2010 which will have a 8MW capacity. Once installed, mains power should cut costs by ~A\$60-A\$100/oz operating cash cost.

SAR' Stage 2 will see development of a further five deposits namely Karai, Safari Bore and an expansion of the Porphyry U/G, Red October and Whirling Dervish deposits. This will expand the production to 150koz p.a. MPS expects Stage 2 to commence in late 2011.

The company currently has a ~7 year mine life plan but this should increase as resources are upgraded to reserves with further drilling and exploration work.

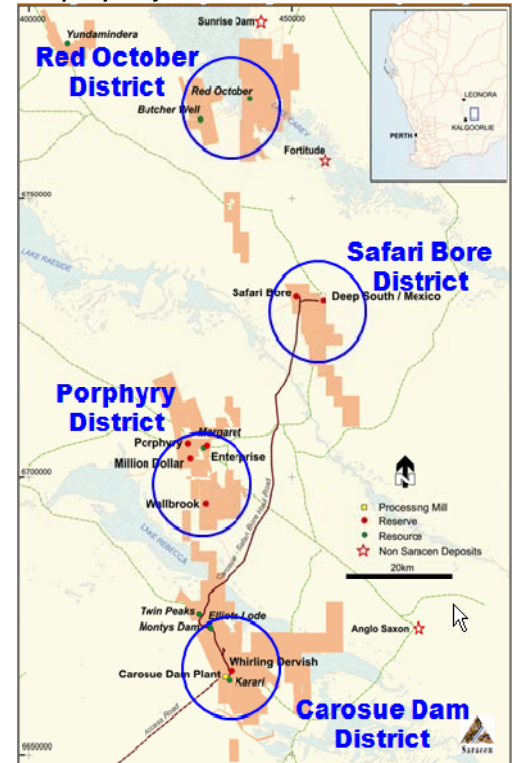
SAR has a debt finance loan of A\$20m from RMB Resources Limited and a hedge facility over 175,908 ounces of gold by way of put options with a strike of A\$1,250/oz maturing between 30th April 2010 and 30th December 2011 inclusive.

Financial History

June Year End	2006	2007	2008	2009
Cash A\$m	1.3	3.7	4.7	27.6
Total Assets A\$m	29.4	40.4	46.1	68.7
Net Assets A\$m	29.0	39.6	45.2	66.3
Shares on Issue* m	126.3	157.4	179.4	405.7
Market Cap A\$m	54.7	65.3	30.5	77.1

*Fully diluted basis

Company Project Locations



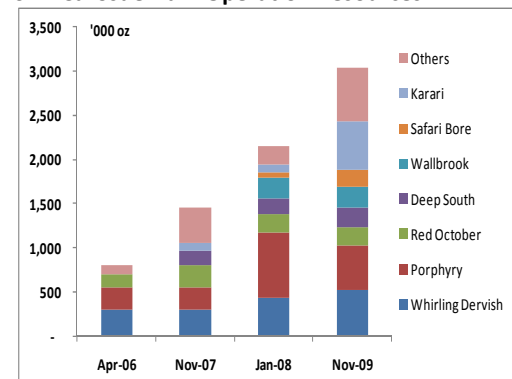
Source: SAR

SAR Carosue Dam Operation Mining Reserves

Gold Deposit	Probable ('000 t)	Grade (g/t)	Contained Au (koz)
Whirling Dervish	4,312	1.6	217
Porphyry	2,755	1.6	142
Porphyry UG	643	3.4	70
Enterprise	491	1.9	29
Wallbrook	1,591	1.5	75
Million Dollar	682	1.2	25
Deep South	253	3.6	29
Safari Bore	594	2.1	40
Karari	4,811	1.4	223
Surface Stockpiles	647	1.2	25
Total	16,779	1.6	875

Source: SAR

SAR Carosue Dam Operation Resources



Source: SAR

3. Investment Review – case for investment

SAR has been very successful since its acquisition of the South Laverton Gold Project and ASX listing in 2005. The company has been driven by a strong management team with executive chairman Guido Staltari at the helm.

The company has a strong track record in exploration success. The total resource at the time of acquisition was just 0.8Moz and today it stands at over 3Moz resource with 0.88Moz in reserves. Most of the deposits are open along strike and depth. Early exploration results suggest further resource upgrades are likely in the future.

SAR's Carosue Dam Project has one of the lowest development costs of any mining operation in Australia. The total development cost for the refurbishment of the 2.4Mtpa plant and ground work is only A\$27m. Not only is this a low capital cost, but the project has a very short lead time into production.

MPS' has a company valuation price of **A\$0.61/share** on a fully diluted basis based on the assumptions shown in the Assumption Table. The Carosue Dam project DCF is A\$140m for 7 years operation with a P/E of 2.5 in 2011FY. At the current spot price of gold (A\$1,240/oz), the project valuation increases to **A\$212m (A\$0.51/share)** and the company valuation to **A\$0.76/share**.

MPS' SAR Company Asset Valuation

Items	Reference		Spot Basis	
	A\$m	A\$/share	A\$m	A\$/share
Cash	32	0.08	32	0.08
Debt	(20)	(0.05)	(20)	(0.05)
Carosue DCF	140	0.34	212	0.51
Gold Resource*	75	0.18	68	0.16
Exploration**	25	0.06	23	0.06
Total	253	0.61	315	0.76

*Assumed reserves conversion of 35% from resource at A\$89/oz NPV.

**Exploration upside valued at A\$45/oz for 0.5Moz gold

Source: MPS Research

SAR Valuation Upsides

Factor 1

Low capital costs, Carosue Dam project buyback within 3 years. Lower operating costs after mains power installation by late 2010.

Factor 2

Increase in revenue with higher price of gold. Current spot price of gold would increase our DCF valuation by 25%.

Factor 3

Exploration success: Most of the deposits are still open at depth and along strike. Early drilling results indicate higher gold grade at depth. E.g. Red October, Porphyry North and Deep South deposits.

Factor 4

MPS expects regional consolidation in the Kalgoorlie gold district. SAR is well positioned as the only gold processing plant within a 100km radius. Hence future mine gate sales or acquisitions are on the cards.

Factor 5

MPS notes the enterprise value divided by the total gold resource ounce (the value the market attributes per ounce in the ground) is one of the lowest amongst the current producers and emerging producers.

SAR is only valued at A\$34/ gold oz.

SAR Carosue Operation DCF Assumptions:

*7 years mine life, milled 13.3Mt ore to produce 830koz gold@ 92% recovery.

*Capital cost for the mill is A\$27m and A\$15m for installation of mains power lines.

*US\$ gold price range from US\$900-1000/oz, A\$/US\$ =0.90

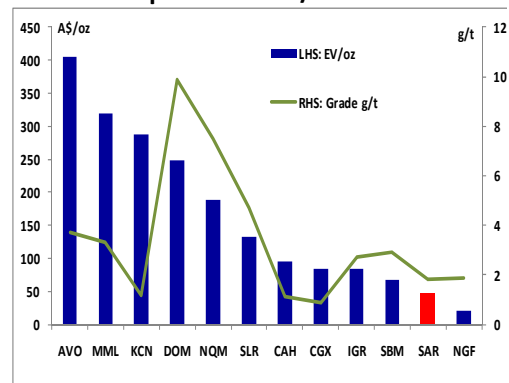
*Operating cost A\$640/oz until 2012FY averaged A\$580/oz.

*Royalties 4% total sales.

*No tax payable until 2012FY, due to accumulated tax losses.

*NPV discount rate at 10%

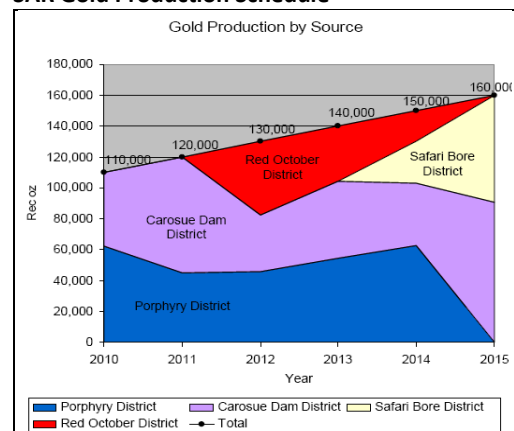
Peer comparison of EV/oz and Grade



Source: MPS

On peer EV/resource ounce, SAR is relatively cheap.

SAR Gold Production Schedule



Source: SAR

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