



## Saracen BUY

Current Price: **\$0.43**  
Valuation: **\$0.56**

Ticker: **SAR**  
Sector: **Materials**

Shares on Issue (m): **491.0**  
Market Cap (\$m): **211.1**  
Net Cash (\$m): **32.2**  
Enterprise Value (\$m): **178.9**

52 wk High/Low: **\$0.53** **\$0.18**  
12m Av Daily Vol (m): **1.28**

### Key Metrics

	10F	11F	12F
P/E (x)	36.2	4.8	6.1
EV/EBITDA (x)	33.4	2.8	3.5

### Financials:

	10F	11F	12F
Revenue (\$m)	48.2	164.7	156.2
EBITDA (\$m)	5.4	64.4	51.0
NPAT (\$m)	4.7	44.2	34.8

Net Assets (\$m) 101.8 135.8 156.0

Op CF (\$m) 12.3 56.0 43.3

### Per Share Data:

	10F	11F	12F
EPS (cps)	1.2	9.0	7.1
DPS (cps)	0.0	0.0	0.0
Div Yield	0.0%	0.0%	0.0%
CFPS (cps)	3.1	15.3	11.9

### Share Price Graph



Analysts:  
Tim Serjeant  
Troy Irvin

## 30 July 2010

### Solid start

Saracen Mineral Holdings' (SAR) first full production quarter at Carosue Dam delivered 25koz @ A\$706/oz (inc royalties of A\$52/oz).

The result was inline with guidance, albeit it slightly below our expectation of 27koz produced at A\$640/oz. September Q guidance is 30koz @ ~A\$640/oz (ex royalties).

SAR has completed the first leg of a two-tranche \$35m placement, which will leave the Company debt-free (from August) and adequate working capital to progress development opportunities.

The bulk of the proceeds will be spent on de-risking the potential >8g/t Red October underground project (at the northern extent of the tenement package), where development work has commenced. Red October could be the 'game-changer' for SAR, sitting 15km south of AngloGold Ashanti's ~15Moz, ~400koz pa Sunrise Dam operation

Exploration (~A\$17m committed for FY11) looms as the key to de-risking the production profile moving forward. The tenement package remains substantially under-explored at depth with potential for identifying mineralised structures within a setting that has defined ~25Moz of gold in the last 15 years.

Argonaut's valuation of \$0.56 assumes a ~A\$1,300/oz gold price over the next three years with production grades reverting to the current 1.6g/t average reserve over a 6-year mine life. The stock is cheap across a range of metrics and provides strong leverage to gold prices (spot gold and fx valuation is \$0.64).

The key to re-rating will be demonstrating upside to current grade expectations.

Risks to monitor include the challenging production schedule, sustaining the grade profile (Reserves - 1.6 g/t), sensitivity to fuel prices and keeping up with a 'hungry' plant (which has operated at ~2.6Mt on an instantaneous basis).

## BUY

**Saracen Mineral Holdings**

Post Placement

**Equities Research**

Analyst: Tim Serjeant

**Recommendation** BUY  
**Current Price** \$0.43  
**Valuation** \$0.56  
**All Ords (XAO)** 4,536

**Sector** Materials  
**Issued Capital (m)** 491.0  
**Market Cap (m)** \$211.1  
**Updated** 30-July-2010

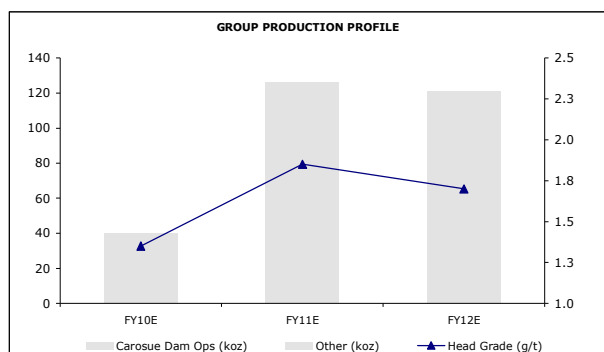
Profit & Loss (A\$m) 30 June	2010E	2011E	2012E
<b>Sales Revenue</b>	<b>48.2</b>	<b>164.7</b>	<b>156.2</b>
Other Income	0.0	0.0	0.0
Operating Costs (inc royalty)	42.8	88.6	96.7
Exploration	0.0	7.8	4.5
Corporate/Admin	0.0	4.0	4.0
<b>EBITDA</b>	<b>5.4</b>	<b>64.4</b>	<b>51.0</b>
Depn & Amort	0.4	1.3	1.2
<b>EBIT</b>	<b>5.0</b>	<b>63.1</b>	<b>49.8</b>
Gain/(Loss) on Sale of Assets	0.0	0.0	0.0
Change in value of gold contracts	0.0	0.0	0.0
Other	0.0	0.0	0.0
Net Interest Paid	-0.2	0.0	0.0
<b>Operating Profit</b>	<b>4.7</b>	<b>63.1</b>	<b>49.8</b>
Tax expense/(benefit)	0.0	18.9	14.9
<b>NPAT</b>	<b>4.7</b>	<b>44.2</b>	<b>34.8</b>
Normalised NPAT	4.7	44.2	34.8

Cash Flow (A\$m)	2010E	2011E	2012E
<b>Operating Cashflow</b>	<b>12.3</b>	<b>56.0</b>	<b>43.3</b>
- Capex (+asset sales)	-30.7	-19.5	-11.0
- Exploration Expenditure	-8.3	-17.3	-10.0
- Other	-0.7	0.0	0.0
<b>Free Cashflow</b>	<b>-27.5</b>	<b>19.2</b>	<b>22.3</b>
- Dividends	0.0	0.0	0.0
+ Equity raised	30.2	12.2	0.0
+ Debt drawdown (- repaid)	8.0	-8.0	0.0
<b>Net Change in Cash</b>	<b>8.9</b>	<b>23.4</b>	<b>22.3</b>
Cash at End Period	28.9	52.3	74.6

Balance Sheet (A\$m)	2010E	2011E	2012E
Total Assets	139.3	166.0	186.9
Total Debt	8.0	0.0	0.0
Total Liabilities	37.5	30.2	31.0
Shareholders Funds	101.8	135.8	156.0

Production	2010E	2011E	2012E
Carosue Dam Ops (koz)	39.8	125.8	120.8
Other (koz)	0.0	0.0	0.0
<b>Total Production</b>	<b>39.8</b>	<b>125.8</b>	<b>120.8</b>
Realised Price (A\$/oz)	1,294	1,309	1,293
Cash Cost (inc royalty) (A\$/oz)	693	704	801
<b>Gross Cash Operating Margin (A\$/oz)</b>		<b>606</b>	<b>492</b>

Reserves & Resources	Mt	g/t	koz
<b>Reserves</b>			
Carosue Dam	16.8	1.6	875
<b>TOTAL</b>	<b>16.8</b>	<b>1.6</b>	<b>875</b>
<b>Resources</b>			
Measured	6.4	1.5	311
Indicated	35.7	1.7	1,996
Inferred	12.8	1.8	735
<b>TOTAL</b>	<b>54.8</b>	<b>1.7</b>	<b>3,040</b>



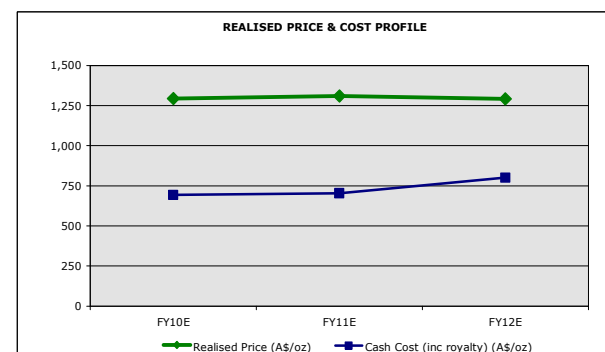
Financial Summary	2010E	2011E	2012E
<b>Reported Earnings</b>			
Net Profit (\$m)	4.7	44.2	34.8
EPS (\$)	0.01	0.09	0.07
PER (x)	36.2	4.8	6.1
<b>Normalised Earnings</b>			
Net Profit (\$m)	4.7	44.2	34.8
EPS (\$)	0.01	0.09	0.07
EPS Growth (%)	n/a	656.6	-21.2
PER (x)	36.2	4.8	6.1
<b>Cashflow</b>			
Operating Cashflow (\$m)	12.3	56.0	43.3
GCFPS (\$)	0.03	0.15	0.12
PCF (x)	n/a	2.8	3.6
<b>Dividend</b>			
Dividend (\$)	0.00	0.00	0.00
Yield (%)	0%	0%	0%
Franking (%)	0%	0%	0%

Financial Ratios	2010E	2011E	2012E
<b>Balance Sheet Ratios</b>			
Total Debt / Equity (%)	8%	0%	0%
Interest Coverage (x)	-	-	-
<b>Profitability Ratios</b>			
Net Profit Margin (%)	10%	27%	22%
Return on Assets (%)	4%	38%	27%
Return on Equity (%)	5%	33%	22%

Valuation Summary	A\$m	A\$/sh
Carosue Dam	161	0.33
Hedging	-6	-0.01
Exploration	87	0.18
Tax Losses	17	0.03
Corporate	-20	-0.04
Unpaid Capital	2	0.00
Cash & Bullion	32	0.07
Debt	0	0.00
<b>Total @ 7.7% Discount Rate</b>	<b>273</b>	<b>0.56</b>

Directors	Name	Position
	Guido Staltari	Executive Chairman
	Ivan Hoffman	Non-Executive Director
	Carl Thompson	Non-Executive Director
	Barrie Parker	Non-Executive Director

Substantial Shareholders (pre-placement)	%
Baker Steel	8.2%
Clodene	7.7%
Renaissance Capital	7.1%
Sprott Asset Management	7.0%



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