



## Saracen Mineral Holdings

SAR-ASX

 Rating  
**Market Perform**

 Price: Aug-2  
**A\$4.49**

 Target  
**A\$5.00**

 Total Rtn  
**11%**

### Notes From the Road — A Tour of Two Mines

**Bottom Line:** Saracen hosted a tour to both the Thunderbox and Carosue Dam operations in Western Australia. Both operations showed very well, and the key focus of the tour was the path to 400 kozpa. "Thunderground" and the mill expansion at Carosue Dam are keys to this production level.

#### Key Points

- **400kozpa production starts in FY2021.** Guidance for FY2020 is for production of 350-370 koz at an AISC of A\$1,025-1,075/oz was recently released as a pathway to the 400koz production expected in FY2021. This production level is 100% based on reserves and assumes no exploration success, M&A, or third-party ore purchases.
- **Near mine exploration shows potential.** Saracen is utilizing 3D seismic surveys extensively as a tool to target drilling. Data from these surveys is anticipated in FQ2/20, and follow-up drill holes will validate the efficacy of these 3D seismic surveys as an exploration tool. The company is most excited about the Atbara prospect, which sits 4 km from the Carosue Dam mill.
- **"Thunderground" will be a very high productivity mine.** With 720 koz of reserves at a grade of only 2.0 gpt (11 million tonnes), efficiency will be key to profitably mining this material. The tour highlighted the exceptional widths of the deposit, which will be key to efficient mining.
- **The Carosue Dam mill expansion is key to the 400kozpa production level.** A \$34 million is allocated to the Carosue Dam mill expansion. The key items of this expansion include additional grinding capacity, more elution capacity, another leach tank, and more gravity concentration capability. This is expected to raise mill capacity from 2.4 Mtpa to 3.2 Mtpa. More importantly, recoveries should increase slightly (from 93% to 94%), and processing costs should drop by A\$1.50-2.50 per tonne.
- **While the mines showed exceptionally well and production growth is founded on reserves, valuation keeps our enthusiasm in check.** We retain our A\$5.00 price target and Market Perform rating, as the growth and operational excellence seem priced in at current levels. SAR trades at 3.0x P/NPV and 12.3x P/2020E CFPS versus the group, which trades at 2.3x P/NPV and 9.0x P/2020E CFPS.

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#### Metals & Mining

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#### Company Description

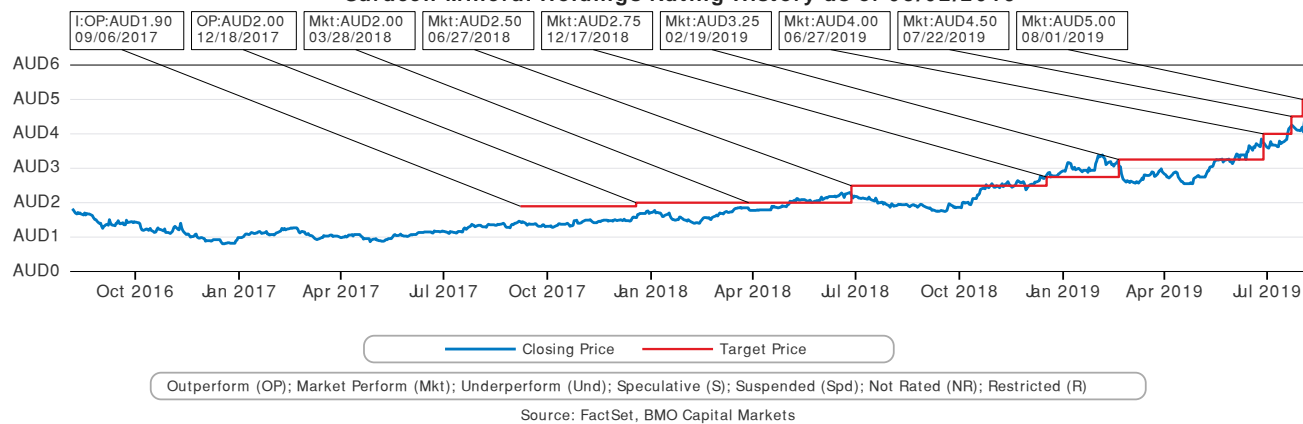
Saracen Mineral Holdings is an ASX-listed company that operates the Carosue Dam and Thunderbox mines in western Australia.


 SAR-ASX  
 Research


Glossary


 Company  
 Models

**Saracen Mineral Holdings Rating History as of 08/02/2019**



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Hold	Market Perform	47.6 %	11.5 %	34.1 %	46.8 %	38.0 %	37.5%
Sell	Underperform	4.1 %	13.6 %	3.5 %	3.5 %	1.6 %	4.8%

\* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.

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