

**Saracen**

17 October 2005

**The Company Announcement Platform  
Australian Stock Exchange Limited**

Level 8, Exchange Plaza  
2 The Esplanade  
PERTH WA 6000

Dear Sir/Madam

**ACQUISITION OF SOUTH LAVERTON ASSETS FROM ST BARBARA MINES LIMITED**

Saracen Mineral Holdings Limited (**Saracen or the Company**) is pleased to announce that it has entered into an agreement for its wholly owned subsidiary Saracen Gold Mines Pty Limited to acquire from St Barbara Mines Limited (**SBM**) various exploration assets situated in the South Laverton region of Western Australia (**South Laverton Assets**). The South Laverton Assets substantially make up the South Laverton gold division that was owned previously by Sons of Gwalia Ltd (Administrators Appointed).

**The South Laverton Assets**

The South Laverton Assets comprise:

- approximately 160 granted tenements and 160 pending tenement applications in South Laverton region;
- a number of advanced drilling and near-development targets, including Red October, Butcher Well, Whirling Dervish (Carosue Dam), Twin Peaks, Safari/Deep South, and Karari.
- gold resources in several deposits totalling around 760,000 ounces (see below).
- the Carosue Dam 2.4mtpa processing facility, together with associated plant and equipment, located approximately 110km north-east of Kalgoorlie;
- intellectual property and other related rights and benefits associated with the Carosue gold processing operations;
- all mining information, data, documents, etc, relating to the South Laverton region;
- all joint venture benefits and obligations;
- the benefit of all agreements and other rights relating to the South Laverton Assets; and

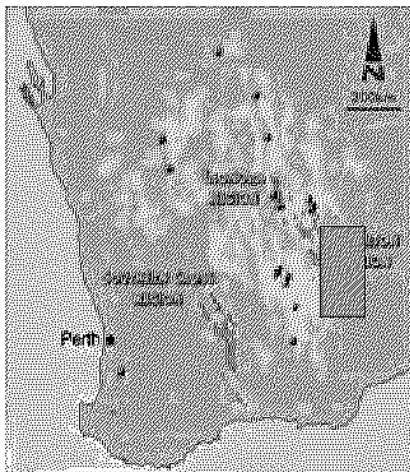
**Saracen Mineral Holdings Limited**  
ACN 009 215 347

Level 7, 350 Collins Street  
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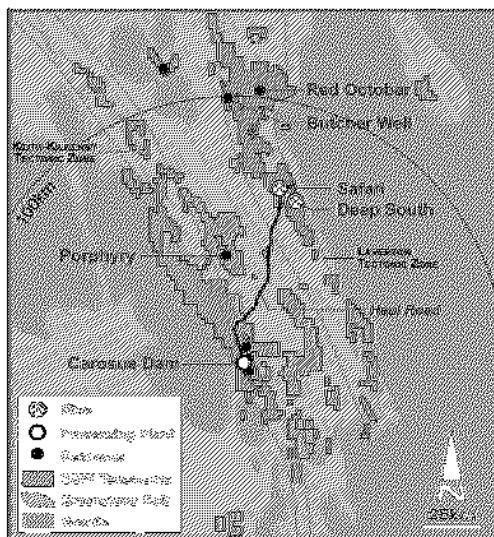
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- replacement by Saracen of the DoIR environmental/rehabilitation bonds. The latter presently total approximately \$9.22 million, but are expected to reduce to approximately \$5 million by June 2006, as a result of an Environmental Work Program presently being implemented by SBM.

The following maps show the locations of the tenement holdings.



**Note:** Some of the tenement boundaries might change slightly during the course of the settlement of the transaction, due to rationalisation in the normal course of business.



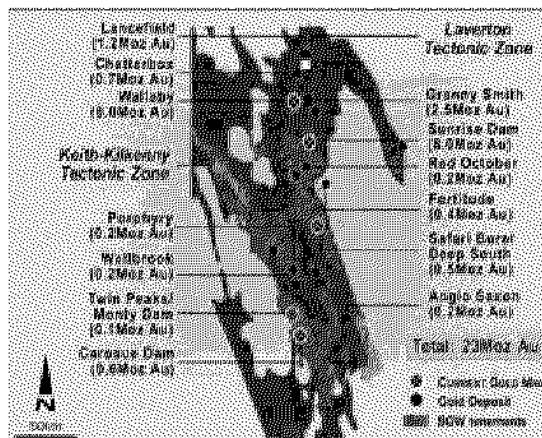
### **The South Laverton Assets are strategically located**

The South Laverton tenement holdings are located largely within two gold-mineralised regional tectonic zones, where gold resource discoveries/mines in recent years have totalled around 23 million ounces, based on published records.

The largest of these gold deposits and mines (including Sunrise Dam, Granny Smith and Wallaby — all belonging to other companies) occur within the Laverton Tectonic Zone, in similar geological and structural settings to those occurring within the tenements being acquired.

Red October, Butcher Well, and Safari/Deep South fall within this mining camp, along with numerous advanced drilling prospects. At Red October there is near-term underground development potential (see below), while at Deep South there is potential for the resumption of profitable mining operations, via a cutback of the existing pit, as well as extensions of known mineralisation.

To the west, within the Keith-Kilkenny Tectonic Zone, numerous advanced drilling prospects occur adjacent to known mined deposits, and also regionally. At Whirling Dervish (Carosue Dam) and Twin Peaks, there is potential for the resumption of profitable mining operations, via cutbacks of existing pits, as well as extensions of known mineralisation.



### Red October underground mine development potential

Of particular importance to Saracen is the near-term development potential of an underground mine at Red October, as well as the significant prospectivity of the greater Red October area.

Underground gold resources at Red October are presently estimated to comprise:

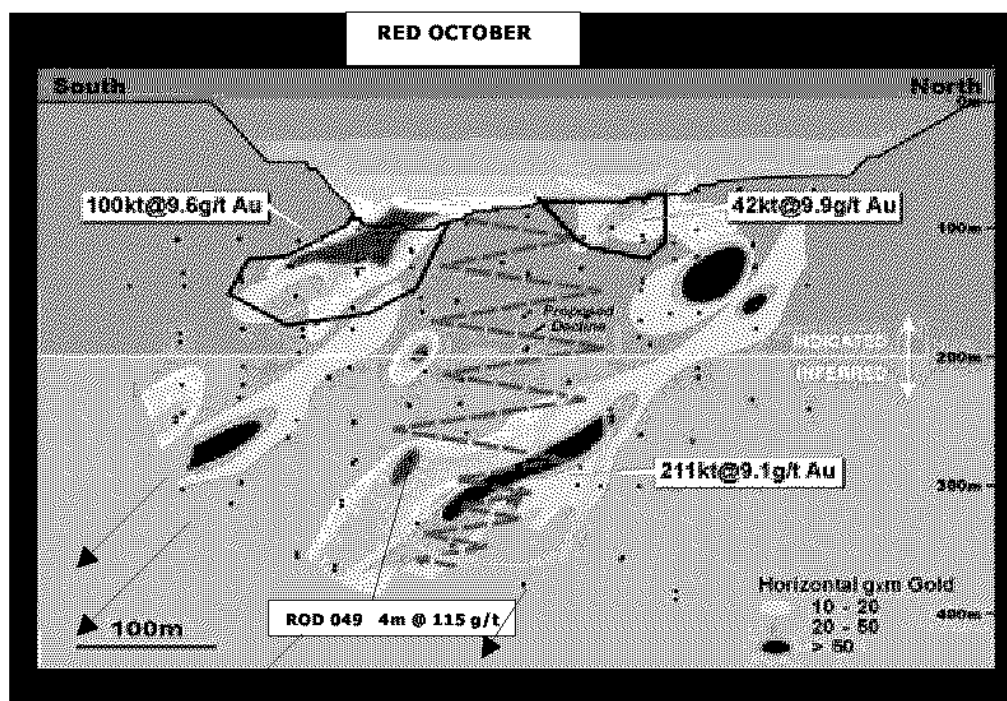
indicated	140,000 tonnes	@	9.7 g/t	
inferred	210,000 tonnes	@	9.1 g/t	
<b>Total</b>	<b>350,000 tonnes</b>	<b>@</b>	<b>9.3 g/t</b>	<b>110,000 ounces</b>

#### Notes:

1. Inverse power of distance estimate method
2. Lower cut-off of 3.5g/t and top cut-off of 100g/t applied
3. Zones below 200m RL classified as Inferred due to lower drill-hole density

Importantly the main gold deposits below RL 200m are open at depth along strike. This is illustrated by the highly encouraging drill-hole intersection in diamond hole ROD 049, being 4m @ 115 g/t. This, together with several other anomalous intersections, within a zone south of the northern deep shoot, has not been included within any resource envelope, due to sparse drill spacing. This zone will constitute a high-priority drilling target at Red October.

Subject to the results of further drilling, and pre-requisite resource/reserve, mining engineering, geotechnical, metallurgical and other studies, Red October could be brought into production in the near-to-medium term. It is envisaged that high-grade ore from Red October would be trucked to the Carosue dam milling facility for blending/processing together with ore from other mines within the project area.



**Note:** The proposed decline is conceptual, for scoping study purposes only.

### **Carosue Dam Gold Processing Facility**

Presently on care and maintenance, the Carosue Dam 2.4mtpa gold processing facility, located approximately 110km northeast of Kalgoorlie, forms an important part of the acquisition. Constructed at a cost of in excess of \$50 million, the facility is a state of the art gravity/CIL plant. The facility has been placed on care and maintenance by SBM. However it is in excellent condition, has a flexible configuration, and can be recommissioned for minimal cost, obviating the need for any large capital expenditures as and when Saracen recommences mining operations. In effect, it serves to lower the threshold economic parameters of any mining project within the project area, thereby adding considerable leverage to future exploration success.

The facility would also be available to treat ore from other projects falling within an economic trucking distance. To this end, Saracen will welcome the opportunity to work closely with neighbouring tenement holders who have identified potentially economic gold resources.

### **Resources and Reserves**

Identified gold resources for South Laverton are presently estimated to comprise:

Measured	170,000 tonnes	@	0.9 g/t	4,900 ounces
Indicated	5,900,000 tonnes	@	2.4 g/t	450,000 ounces
Inferred	3,600,000 tonnes	@	2.6 g/t	300,000 ounces
<b>Total</b>	<b>9,500,000 tonnes</b>	<b>@</b>	<b>2.5 g/t</b>	<b>760,000 ounces</b>

#### **Notes:**

1. Open pittable Resources are contained in several unmined deposits, as well as remnant mineralisation within the key deposits recently subject to mining activity. In the latter an optimised \$700 per ounce pit shell generally has been used to constrain the resource.
2. Various top cuts applied, subject to variography and statistical analysis.
3. For Red October Underground, a lower cut of 3.5g/t and a top-cut of 100g/t were applied.
4. For Deep South Underground, a lower cut of 3.5g/t and a top-cut of 100g/t were applied.
5. Measured Resources relate to the Luvironza surface stockpiles.
6. Rounding errors will occur.

### **Purchase Consideration**

The purchase consideration is as follows:

1. \$0.5 million non-refundable cash deposit on signing the Sale Agreement (this has already occurred);
2. \$0.5 million non-refundable cash deposit upon Saracen confirming that the due diligence condition precedent has been satisfied (which must occur on or before 3 November 2005);
3. \$3 million cash payment on Completion (estimated to be on or around 14 February 2006); and
4. the issue to SBM of 20% of Saracen's shares (being around 17.6 ordinary million shares at an issue price of 20cps (on a post-consolidation basis) on the basis of Saracen's enlarged capital base) at Completion.

In addition, Saracen has agreed to pay SBM, contingent upon bonding reduction approvals from DoIR, a maximum of \$3 million from the bond reductions --- estimated to be up to \$4.2 million --- that are expected by June 2006, as a result of an Environmental Work Program presently being implemented by SBM. The estimated balance of up to \$1.2 million of this bond reduction benefit will flow to Saracen.

### **Conditions Precedent**

The Sale Agreement is subject to the following conditions precedent:

- (a) Saracen completing to its sole satisfaction its due diligence on the South Laverton Assets on or before that date which is 20 days after execution of the sale agreement;
- (b) Saracen obtaining all necessary regulatory and shareholder approvals required to complete the acquisition of the South Laverton Assets on or before 14 December 2005 including, without limitation, shareholder approval in accordance with ASX Listing Rule 11.1.2 (for a change in the nature and/or scale of the Company activities) and shareholder approval to complete a consolidation on a two (2) for five (5) basis;
- (c) Saracen completing a non-renounceable rights issue of shares to all holders of shares and participating options on the basis of one new share at an issue price of \$0.20 each (on a post consolidation basis) for every one participating security held on the record date (**Rights Issue**); and
- (d) Saracen meeting the requirements of Chapters 1 and 2 of the ASX Listing Rules as if Saracen were applying to be admitted to the official list of ASX including, without limitation, preparing a full form prospectus and lodging the prospectus with the ASIC. It should be noted that the consolidation outlined in (c) above is a consequence of the need for the Company to comply with the minimum deemed 20cent issue price in Chapter 1 of the ASX Listing Rules.

### **Rights Issue**

Through the Rights Issue Saracen would raise approximately \$7.9 million before expenses. Aequus Securities Pty Limited, a Participant of ASX Group, has been engaged to advise on the issue.

### **Capital Structure**

On the basis that Saracen completes the Rights Issue on the terms set out above, Saracen's capital structure is likely to be as follows:

<b>Shares</b>	<b>Number</b>
Shares currently on issue	75,846,314
Consolidation on a 2:5 basis:	30,338,526
Shares offered pursuant to the capital raising	39,951,162
Shares issued to SBM at Settlement	17,561,440
Post Completion of Offer and Settlement	87,851,129

In addition, post completion of the consolidation Saracen will have the following options on issue:

- (a) 7,112,637 quoted participating options exercisable at \$0.25 each on or before 30 June 2013;
- (b) 3,678,400 quoted non-participating options exercisable at \$0.325 each on or before 30 November 2009;
- (c) 2,500,000 unquoted options exercisable at \$0.25 each on or before 30 June 2013;
- (d) 100,000 unquoted options exercisable at \$0.25 each on or before 30 September 2009;
- (e) 100,000 unquoted options exercisable at \$0.30 each on or before 30 September 2009; and
- (f) 100,000 unquoted options exercisable at \$0.35 each on or before 30 September 2009.

### **St Barbara Shareholding in Saracen**

The proposed transactions will result in SBM becoming a 19.9% shareholder in Saracen. This structure recognises SBM's desire to maintain an interest in the prospective tenement holdings, while at the same time ensuring a simple outright ownership structure, with fully dedicated management, through Saracen. In this way, St Barbara will participate in any upside generated through Saracen's activities in the South Laverton region. This structure was considered by the parties to be preferable to a joint venture arrangement.

Further, SBM has agreed that for a period of one year from Completion, it will not compete in the South Laverton project area, and will offer to Saracen on a right of first refusal basis any opportunities of which it becomes aware.

Saracen welcomes the prospect of SBM becoming a shareholder in the Company.

### **Balance Sheet**

A draft pro-forma Balance Sheet for Saracen incorporating the effect of the transaction and capital raising is attached.

### **Anticipated Timetable**

The anticipated timetable for completion of the acquisition of South Laverton Assets and the balance of the matters referred to above is set out below:

<b><u>Event</u></b>	<b><u>Date</u></b>
Announcement of Transaction	17 October 2005
Completion of Due Diligence	3 November 2005
Dispatch Notice of Meeting seeking approval for Transaction	3 November 2005
Suspension of Saracen's securities from trading on ASX at the opening of trading	14 December 2005
General Meeting to approve Transaction	14 December 2005
Lodgement of Prospectus with the ASIC	14 December 2005

Opening of Offer under the Prospectus	22 December 2005
Closing Date of Offer under the Prospectus	10 February 2006
Settlement of acquisition of South Laverton Assets	14 February 2006
Anticipated date the suspension of trading is lifted and Saracen's securities commence trading again on ASX	21 February 2006

Full details of the proposed transaction and capital raising will be forwarded to shareholders and participating option holders in due course, subject to Saracen confirming its intentions following its due diligence investigations.

**If is the Saracen board's view that the acquisition of the South Laverton Assets will give all shareholders the opportunity to participate in a significant exploration and development programme within a highly prospective gold province.**

**Furthermore, it brings Saracen an important step closer to the status of producer.**

Yours faithfully



Guido Staltari  
**Managing Director**

**Competent Person**

*The information in this report that relates to exploration results and Mineral Resources is based on information compiled by Guido Staltari B. Sc (Hons) FAIG, who is a Fellow of the Australian Institute of Geoscientists and a Competent person for the purposes of the JORC Code. Mr Staltari is a consultant to and Managing Director of the Company, and consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

### Pro Forma Consolidated Statement of Financial Position

An unaudited Pro Forma Statement of Financial Position of Saracen Mineral Holdings Limited incorporating the acquisition of the South Laverton assets from SBM and the net proceeds from the new issue of shares ("Transaction")

	As at 30/6/05, adjusted for <sup>1</sup> \$	Transaction Adjustments	Pro Forma after Transaction \$
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash	2,412,270	2,842,735	5,255,005
Receivables	16,110		16,110
Other financial assets			
- At balance date	1,389,111		1,389,111
- Post balance date revaluation gain <sup>1</sup>	1,812,469		1,812,469
	<u>5,629,960</u>		<u>8,472,695</u>
<i>Non Current Assets</i>			
Other financial assets	23,001		23,001
Property, plant & equipment		9,169,536 <sup>2,3</sup>	9,169,536
Deferred exploration and evaluation costs	156,718	8,022,615 <sup>2,3</sup>	8,179,333
	<u>179,719</u>		<u>17,371,870</u>
Total Assets	<u>5,809,679</u>	<u>20,034,887</u>	<u>25,844,566</u>
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
Accounts payable	70,666		70,666
	<u>70,666</u>		<u>70,666</u>
<i>Non-current liabilities</i>			
Restoration and Rehabilitation Provision		9,220,500 <sup>3</sup>	9,220,500
Total Liabilities	<u>70,666</u>	<u>9,220,500</u>	<u>9,291,166</u>
<b>NET ASSETS</b>	<u>5,739,013</u>	<u>10,814,387</u>	<u>16,553,400</u>
<b>EQUITY</b>			
Contributed equity	15,494,919	10,814,387 <sup>4</sup>	26,309,306
Accumulated profits/(losses)	(11,568,375)		(11,568,375)
- Post balance date revaluation gain <sup>1</sup>	1,812,469		1,812,469
	<u>5,739,013</u>	<u>10,814,387</u>	<u>16,553,400</u>
Notes			
1. Other financial assets-current comprises the Company's investment in listed securities. The revaluation gain relates to the increase in the market value of the investments as at 12 October 2005, net of new transactions in the portfolio of listed securities since balance date.			
2. Acquisition of South Laverton assets, inclusive of capitalised pre-acquisition expenses.			
3. Provision for restoration and rehabilitation expenditure, with the corresponding asset recognised in Property, Plant & Equipment and Exploration & Evaluation Expenditure			
4. Issue of approximately 40 million new shares at 20 cps post consolidation, less estimated issue expenses.			