



SARACEN MINERAL HOLDINGS LIMITED

QUARTERLY REPORT: DECEMBER 2017

Strong production underpins a growing bank balance

Cash and equivalents rise 37% to A\$83m; no debt

Production

- Quarterly gold production of 77,522oz (Carosue Dam 40,370oz; Thunderbox 37,152oz)
- Quarterly all-in sustaining cash costs (AISC) of A\$1,176/oz
- Milling of the high-grade Kailis ore (Thunderbox) commenced with grade in line with expectations
- Successful transition to a single underground mining contractor (ByrneCut); third jumbo added at Karari to increase development and future stoping opportunities
- 6 month production of 157,795oz at an AISC of A\$1091/oz, ahead of FY18 guidance of ~300,000oz at an AISC of A\$1,150/oz

Development

- Planning underway for Thunderbox underground drill platform

Financial

- Cash and equivalents of A\$82.9m at December 31 (up from A\$60.5m at September 30 despite spending A\$15.6m on growth capital and exploration)
- Gold sales for the quarter of 74,320oz at an average sale price of A\$1,600/oz, generating revenue of A\$118.9m
- 50,000oz of hedging added at A\$1,728/oz; 43,800oz of hedging delivered at A\$1,555/oz
- Proceeds* received from sale of King of the Hills to Red 5 (ASX: RED) of:
 - A\$5m cash (net of A\$2m re-invested in the Red 5 rights issue)
 - 90 million Red 5 shares

Exploration and growth

- Extensional drill results point to further increases in mine life at Carosue Dam:
 - Whirling Dervish - First underground drilling returned thick high grade extensional results including 34.0m @ 4.2g/t and 34.0m @ 4.1g/t
 - Karari – The first hole (after a short drilling hiatus) returned an exceptional extensional result of 13.8m @ 9.1g/t, 50m north of the current Reserve

Corporate Details:

17th January 2018

ASX code: SAR

Corporate Structure:

Ordinary shares on issue: 812.9m

Unvested employee performance rights: 14.2m

Market Capitalisation: A\$1.4b
(share price A\$1.70)

Cash, bullion and investments (31 December): A\$82.9m

Debt (31 December): Nil

Directors:

Mr Geoff Clifford
Non-Executive Chairman

Mr Raleigh Finlayson
Managing Director

Mr Martin Reed
Non-Executive

Dr Roric Smith
Non-Executive

Ms Samantha Tough
Non-Executive

Substantial Shareholders:

Van Eck 12.1%

Wroxby 6.0%

Paradise 5.1%

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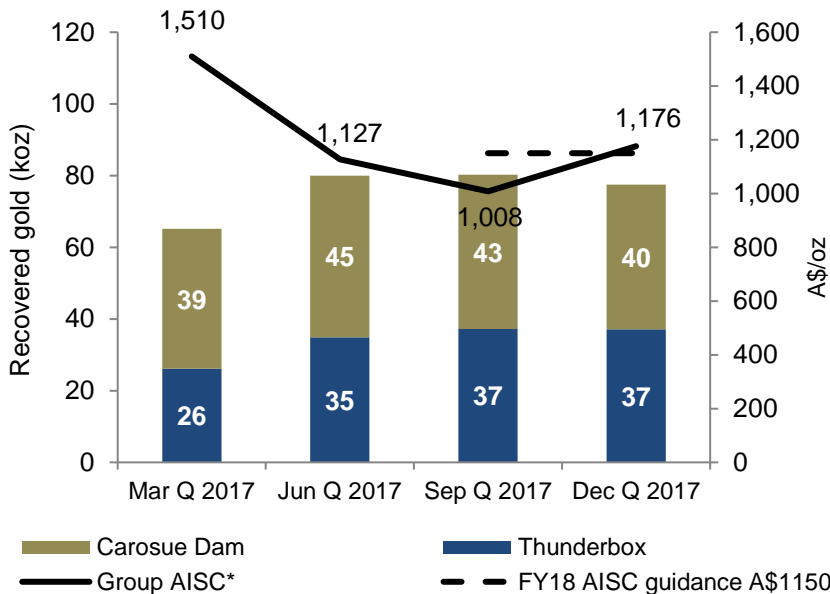
* Further proceeds of A\$4.5m in cash or RED shares (at Saracen's election) to be received 12 months after completion (2nd October 2017)

Overview

Saracen Mineral Holdings Limited (ASX: SAR) is pleased to announce a solid December quarter and first half, with:

- Production and costs running ahead of annual guidance
- Strong free cashflow underpinning a growing bank balance
- Another host of impressive exploration results

Figure 1 – Group production and AISC



* AISC includes pre-strip mining undertaken at Thunderbox C Zone

Production for the December quarter was 77,522 ounces, above the quarterly run-rate required to meet Saracen's 300,000oz production target for the current financial year.

This strong performance resulted in all-in sustaining costs of A\$1,176/oz.

Gold sales of 74,320oz underpinned revenues of \$118.9 million, allowing Saracen to grow its cash and equivalents to \$83 million at quarter-end. This was up from \$60.5 million last quarter.

Saracen Managing Director Raleigh Finlayson said the Company was reaping the benefits of the investment it had made in exploration and development.

"We are well on track to hit our production target of 300,000oz for this financial year," Mr Finlayson said. "This strong production rate, combined with our focused development plan, is underpinning robust margins and free cashflow."

"It is also enabling Saracen to continue investing in exploration, as demonstrated by our recent results on this front, and to continue growing our cash balance while remaining debt-free."

"We also have significant organic growth opportunities immediately adjacent to the Carosue Dam mill. And with Whirling Dervish showing early promise and Karari's outstanding form continuing, Saracen is well-positioned to continue mining at Carosue Dam for at least the next 10 years."

Saracen's quarterly conference call will be held today at 8.00am AWST (11.00am AEST). The call can be accessed at: <http://boardroom.media/broadcast/?eid=5a569000dcb03733b3f8b451>

Table 1 – December quarter 2017 gold production and cost summary[^]

| Dec Q 2017 | Unit | Carosue Dam | Thunderbox | Group |
|------------------------------|--------|-------------|------------|-----------|
| Underground Mining | | | | |
| Ore Mined | t | 359,000 | - | 359,000 |
| Mine Grade | g/t | 2.9 | - | 2.9 |
| Contained Gold | oz | 33,008 | - | 33,008 |
| Open Pit Mining | | | | |
| Total Mining | bcm | - | 3,508,000 | 3,508,000 |
| Ore Mined | t | - | 912,000 | 912,000 |
| Mine Grade | g/t | - | 1.5 | 1.5 |
| Contained Gold | oz | - | 44,312 | 44,312 |
| Mill Production | | | | |
| Ore Milled | t | 633,000 | 676,000 | 1,309,000 |
| Mill Grade | g/t | 2.1 | 1.8 | 2.0 |
| Contained Gold | oz | 43,363 | 39,678 | 83,041 |
| Recovery | % | 93.1% | 93.6% | 93.4% |
| Recovered Gold | oz | 40,370 | 37,152 | 77,522 |
| Gold Sales | oz | 39,297 | 35,022 | 74,320 |
| Average Price Received | A\$/oz | 1,601 | 1,598 | 1,600 |
| Sales Revenue | A\$m | 62.9 | 56.0 | 118.9 |
| Closing Ore Stockpile | | | | |
| Ore | t | 841,000 | 754,000 | 1,595,000 |
| Grade | g/t | 0.6 | 0.9 | 0.7 |
| Contained Gold | oz | 16,689 | 21,145 | 37,834 |
| Cost summary | | | | |
| Mining | A\$m | 22.5 | 14.8 | 37.2 |
| Processing | A\$m | 13.2 | 13.0 | 26.2 |
| Site Administration | A\$m | 2.8 | 1.7 | 4.5 |
| Ore Purchase | A\$m | - | - | - |
| Cash Costs | A\$m | 38.4 | 29.5 | 67.9 |
| Royalties | A\$m | 2.6 | 1.6 | 4.2 |
| Capital Works | A\$m | - | - | - |
| Development | A\$m | 7.0 | 13.1 | 20.1 |
| Ore Inventory Adjustments | A\$m | 4.5 | (7.7) | (3.2) |
| Corporate | A\$m | 1.1 | 1.0 | 2.1 |
| All-in Sustaining Costs | A\$m | 53.7 | 37.5 | 91.2 |
| Growth Capital* | A\$m | 5.9 | 7.3 | 13.2 |
| Exploration | A\$m | 1.9 | 0.5 | 2.4 |
| Unit cost summary | | | | |
| Mining | A\$/oz | 557 | 397 | 480 |
| Processing | A\$/oz | 327 | 351 | 338 |
| Site Administration | A\$/oz | 69 | 46 | 58 |
| Ore Purchase | A\$/oz | - | - | - |
| Cash Costs | A\$/oz | 952 | 794 | 876 |
| Royalties | A\$/oz | 64 | 43 | 54 |
| Capital Works | A\$/oz | - | - | - |
| Development | A\$/oz | 174 | 353 | 260 |
| Ore Inventory Adjustments | A\$/oz | 113 | (209) | (41) |
| Corporate | A\$/oz | 27 | 28 | 27 |
| All-in Sustaining Costs | A\$/oz | 1,330 | 1,010 | 1,176 |
| Mine cash flow | | | | |
| Mine operating cash flow | A\$m | 14.9 | 11.7 | 26.6 |
| Net mine cash flow | A\$m | 8.9 | 4.5 | 13.4 |

Mine operating cash flow = Sales revenue less AISC plus corporate costs plus ore inventory adjustments.

Net mine cash flow = Mine operating cash flow less growth capital.

[^] Reported on an accrual accounting basis

* Refer to Figure 12 for breakdown

Table 2 – FY18 YTD gold production and cost summary[^]

| YTD FY18 | Unit | Carosue Dam | Thunderbox | Group |
|------------------------------|--------|-------------|------------|-----------|
| Underground Mining | | | | |
| Ore Mined | t | 783,000 | - | 783,000 |
| Mine Grade | g/t | 3.0 | - | 3.0 |
| Contained Gold | oz | 76,225 | - | 76,225 |
| Open Pit Mining | | | | |
| Total Mining | bcm | - | 7,933,000 | 7,933,000 |
| Ore Mined | t | - | 1,487,000 | 1,487,000 |
| Mine Grade | g/t | - | 1.8 | 1.8 |
| Contained Gold | oz | - | 86,097 | 86,097 |
| Mill Production | | | | |
| Ore Milled | t | 1,279,000 | 1,230,000 | 2,508,000 |
| Mill Grade | g/t | 2.2 | 2.0 | 2.1 |
| Contained Gold | oz | 89,666 | 79,533 | 169,199 |
| Recovery | % | 93.1% | 93.5% | 93.3% |
| Recovered Gold | oz | 83,454 | 74,342 | 157,795 |
| Gold Sales | oz | 82,181 | 71,937 | 154,118 |
| Average Price Received | A\$/oz | 1,593 | 1,588 | 1,591 |
| Sales Revenue | A\$m | 130.9 | 114.3 | 245.2 |
| Closing Ore Stockpile | | | | |
| Ore | t | 841,000 | 754,000 | 1,595,000 |
| Grade | g/t | 0.6 | 0.9 | 0.7 |
| Contained Gold | oz | 16,689 | 21,145 | 37,834 |
| Cost summary | | | | |
| Mining | A\$m | 47.0 | 22.4 | 69.4 |
| Processing | A\$m | 25.5 | 27.5 | 53.1 |
| Site Administration | A\$m | 5.2 | 3.3 | 8.6 |
| Ore Purchase | A\$m | - | - | - |
| Cash Costs | A\$m | 77.7 | 53.3 | 131.0 |
| Royalties | A\$m | 5.3 | 3.0 | 8.3 |
| Capital Works | A\$m | - | - | - |
| Development | A\$m | 12.9 | 24.2 | 37.1 |
| Ore Inventory Adjustments | A\$m | 2.2 | (10.5) | (8.3) |
| Corporate | A\$m | 2.2 | 2.0 | 4.2 |
| All-in Sustaining Costs | A\$m | 100.3 | 71.9 | 172.2 |
| Growth Capital | A\$m | 9.2 | 19.1 | 28.4 |
| Exploration | A\$m | 7.4 | 2.0 | 9.3 |
| Unit cost summary | | | | |
| Mining | A\$/oz | 563 | 301 | 440 |
| Processing | A\$/oz | 306 | 371 | 336 |
| Site Administration | A\$/oz | 62 | 45 | 54 |
| Ore Purchase | A\$/oz | - | - | - |
| Cash Costs | A\$/oz | 931 | 716 | 830 |
| Royalties | A\$/oz | 63 | 40 | 52 |
| Capital Works | A\$/oz | - | - | - |
| Development | A\$/oz | 155 | 325 | 235 |
| Ore Inventory Adjustments | A\$/oz | 26 | (141) | (53) |
| Corporate | A\$/oz | 26 | 27 | 26 |
| All-in Sustaining Costs | A\$/oz | 1,202 | 967 | 1,091 |
| Mine cash flow | | | | |
| Mine operating cash flow | A\$m | 35.0 | 33.8 | 68.8 |
| Net mine cash flow | A\$m | 25.7 | 14.7 | 40.4 |

Mine operating cash flow = Sales revenue less AISC plus corporate costs plus ore inventory adjustments.

Net mine cash flow = Mine operating cash flow less growth capital.

[^] Reported on an accrual accounting basis

Sustainability

No Lost Time Injuries (LTI) were reported in the December quarter.

Table 3 – December quarter 2017 group safety performance

| | LTI | LTIFR | TRIFR |
|-------------|-----|-------|-------|
| Carosue Dam | 0 | 3.5 | 23.1 |
| Thunderbox | 0 | 1.1 | 4.9 |
| Group | 0 | 3.0 | 14.3 |

During the quarter Carosue Dam successfully mobilised underground mining contractor ByrneCut at both the Karari and Deep South mines.

Earlier in FY18 Saracen submitted maiden responses to the CDP global disclosure system (formerly the Carbon Disclosure Project).

Saracen's scores for Water and Climate Change were released in December 2017 with Saracen achieving a "B" and "C-" respectively.

The Company is working on further improving disclosures for the upcoming 2018 CDP submission.

Board and management

As previously advised, Mark Connelly did not nominate for re-election as a Non-executive Director at the AGM in November 2017. Mr Connelly remains available to provide ongoing strategic assistance on a consultancy basis.

Simon Jessop joined the Executive team as Chief Operating Officer in December 2017. Over the past six years, Mr Jessop has held a number of senior roles at Australia's second largest ASX-listed gold miner Evolution Mining, including most recently as General Manager – Kalgoorlie Region.

Outlook

The group production outlook for FY18 is maintained at **~300,000oz** at an **AISC of A\$1,150/oz**.

Operations

Carosue Dam

Carosue Dam produced 40,370oz for the Quarter at an AISC of A\$1,330/oz (September quarter 43,083oz @ A\$1,082/oz).

The Karari underground mine produced 22.3koz @ 2.8g/t (September quarter 25.1koz @ 3.2g/t). The Deep South underground mine produced 16.3koz @ 3.2g/t (September quarter 18.1koz @ 3.2g/t). Total development metres increased by 6% to 2,463m (September quarter 2,324m).

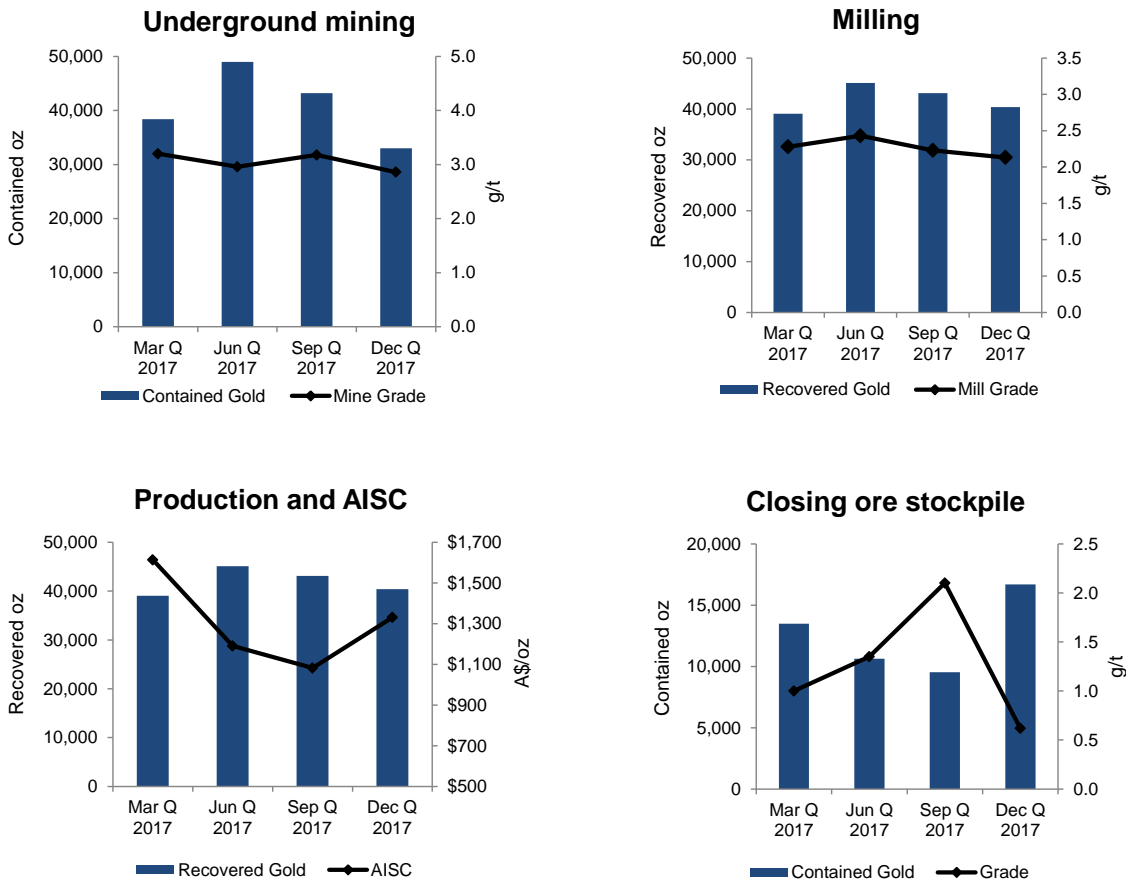
Mine operating cash flow for the quarter was A\$14.9 million. Net mine cash flow was A\$8.9 million after growth capital of A\$5.9 million.

Physical output was impacted (consistent with plan) over a two week period early in the quarter by the successful transition to a single underground mining contractor (Byrne-cut). The changeover is already yielding productivity and cost benefits, with further improvements anticipated. The demobilisation and mobilisation of the various contractors cost approximately \$1.3m.

The Karari backfill study continued, providing the opportunity to increase Reserves (higher mining recoveries due to less material being left in-situ as pillars), ensure the capital development yield is more efficient and enhance cash flow generation. An investment decision is anticipated in the current March quarter. A potential change from longitudinal to combined longitudinal and transverse mining (with a footwall drive) could further boost productivity, as multiple stoping areas are made available.

The mill processed 633kt of ore at an average grade of 2.1g/t with a metallurgical recovery of 93.1%.

Figures 2-5 – Carosue Dam - Key charts



Thunderbox

Thunderbox produced 37,152oz at an AISC of A\$1,010/oz (September quarter 37,191oz @ A\$923/oz).

Mine operating cash flow for the quarter was A\$11.7 million. Net mine cash flow was A\$4.5 million after growth capital of A\$7.3 million.

Total material movement was 3.5 million BCM, down 21% from the previous quarter as the strip ratios continue to reduce in all three pits.

Open pit ore mined increased by 59% to 912kt with a grade of 1.5g/t for a 6% increase in contained gold on the previous quarter. A Zone is expected to be completed early in the current quarter as C Zone production ramps-up.

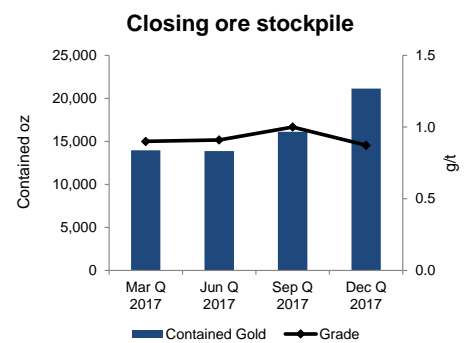
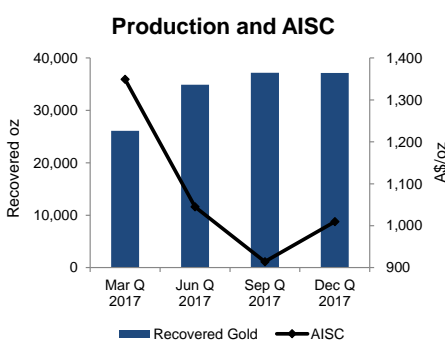
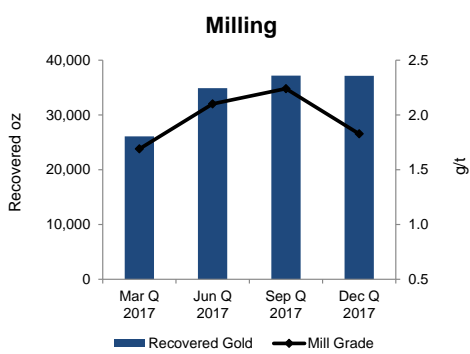
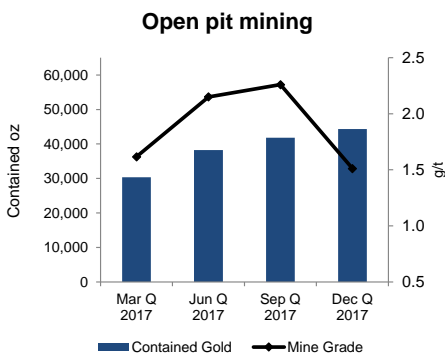
The mill processed 676kt of ore at 1.8g/t with a metallurgical recovery of 93.6%. The closing ore stockpile continues to grow (21,145oz at 31 December) driven by lower strip ratios and the commencement of C Zone.

Processing plant throughput increased by 22% from the previous quarter on the back of the softer ore from both Kailis and C Zone, plus a 7% increase in run time. Grade has been in line with expectations with feed supplied from A Zone, C Zone and Kailis.

The addition of first Kailis ore into the mill in November immediately had a positive impact on the metal call factor (MCF). After averaging 99% project to date to the end of October, the MCF averaged 104% in November / December, representing the highest two month period project to date.

Planning is underway for an underground drill platform to enable further Resource definition work for the proposed underground mine. Subject to approval development is anticipated to commence in the June quarter 2018 in order to further investigate potential underground mining options.

Figures 6-9 – Thunderbox - Key charts

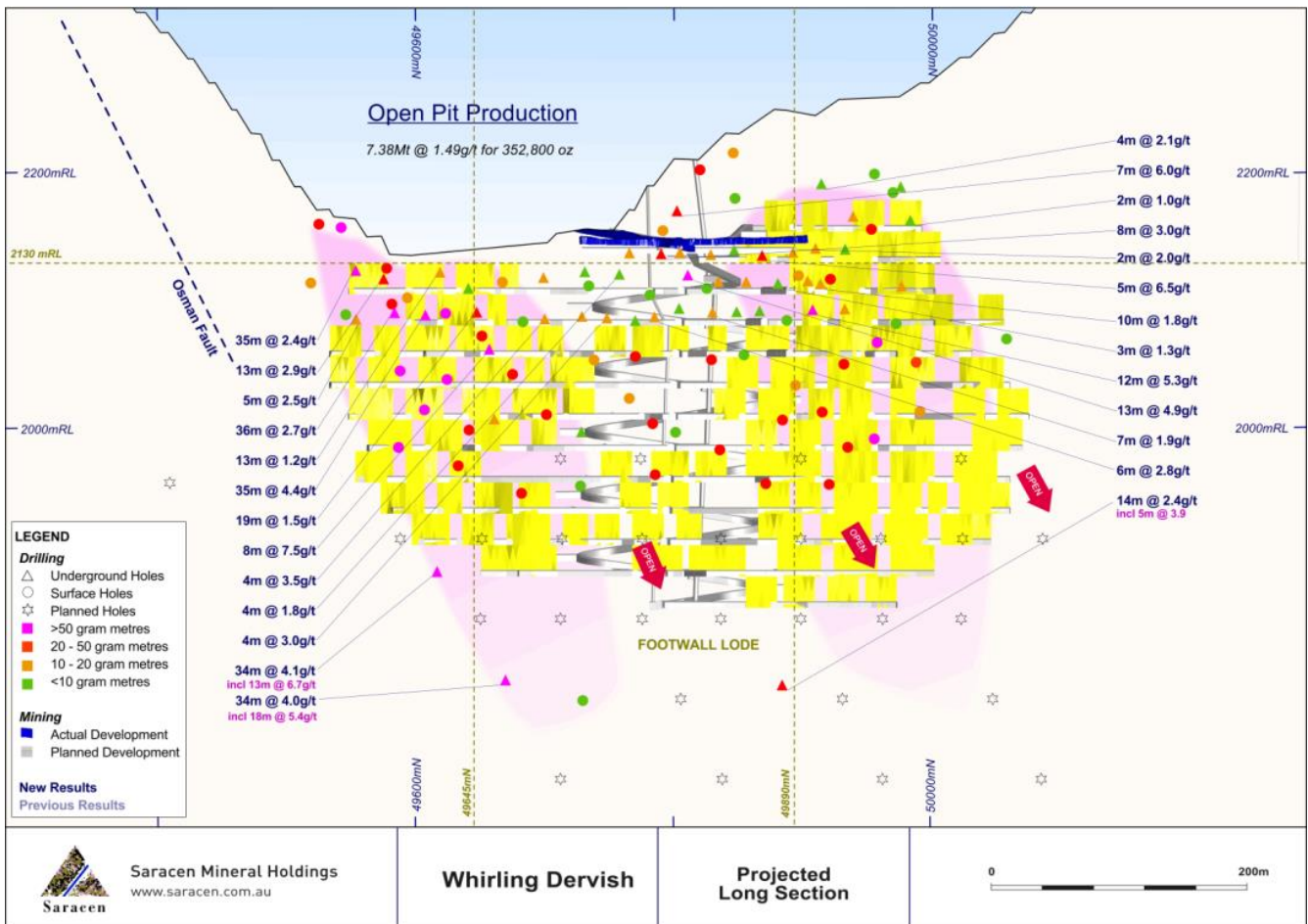


Exploration and growth

During the quarter Saracen announced compelling drilling results from Carosue Dam and Kailis (Thunderbox).

At Whirling Dervish (Carosue Dam), first underground drilling demonstrated **continuous high grade trends extending well below the current Reserve**. Results include **14.2m @ 2.4g/t, 34.0m @ 4.2g/t, 34.0m @ 4.1g/t, 7.0m @ 3.2g/t and 7.0m @ 5.3g/t**.

Figure 10 – Whirling Dervish Long Section – Footwall Lode, New Drill Results



At Karari (Carosue Dam), the first hole (after a short drilling hiatus) returned an exceptional extensional result of **13.8m @ 9.1g/t**, just **50m north of the current Reserve**. Deeper drilling up to ~900m below surface is planned from a new expedited underground drill platform (completion anticipated March quarter 2018), targeting a ~10 year mine life.

Gravity work continues to highlight the prospectivity of the relatively untested 12km strike of the Carosue Dam corridor. Shallow historical drilling highlights the potential of the system with multiple ore grade intercepts not adequately followed up.

At Kailis (Thunderbox), a plethora of grade control drilling highlights include **22.0m @ 8.8g/t, 21.0m @ 38.4g/t, 15.0m @ 37.7g/t, 9.0m @ 12.7g/t, 9.0m @ 2.2g/t, 22.0m @ 20.0g/t, 21.0m @ 38.4g/t, 15.0m @ 26.4g/t and 7.0m @ 45.5g/t**.

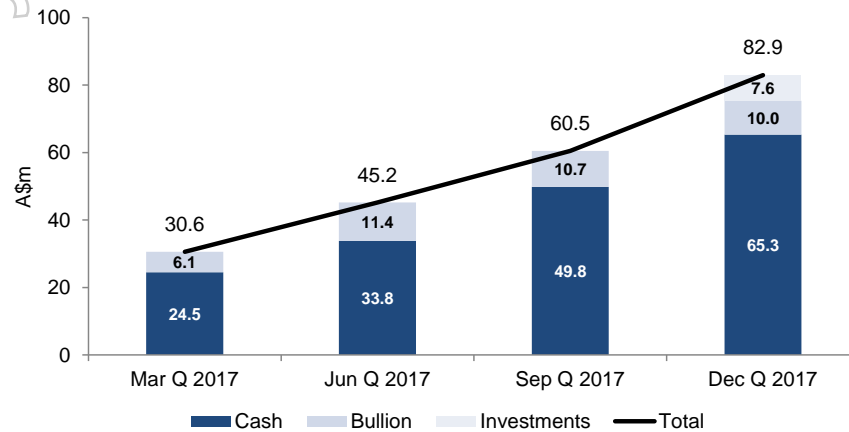
For further information on the drill results provided please refer to the ASX announcement “Strong drilling results across the portfolio” dated 27th November 2017.

Corporate and finance

Cash position

As at 31 December 2017, Saracen's total cash, bullion and investments were \$82.9 million. There was no corporate debt drawn at the end of the quarter.

Figure 11 – Cash, bullion and investments



Gold sales

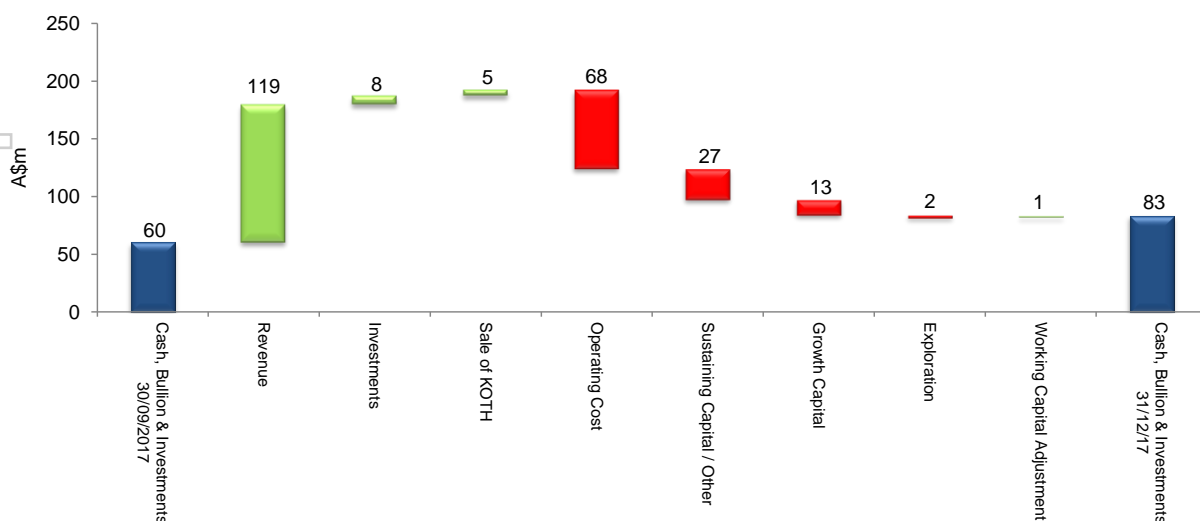
Gold sales for the quarter were 74,320oz at an average sale price of A\$1,600/oz, for total revenue of A\$118.9 million (note that gold sales excludes movements of gold in transit).

Hedging

During the quarter 50,000oz of hedging was added at A\$1,728/oz, and 43,800oz of hedging was delivered at A\$1,555/oz. At 31 December 2017 the hedge book comprised 246,343oz at an average delivery price of A\$1,636/oz (Appendix 1).

Cash flows

Figure 12 – December 2017 quarter cash movements



- **Operating Costs:** Cash outflows for mining, ore cartage, processing, site administration and ore purchase
- **Sustaining Capital & Other:** Cash outflows for royalties, sustaining capital works, open pit and underground development, active mine exploration and corporate expenses
- **Growth Capital:** Cash outflows for Kailis development (A\$4.4m), Whirling Dervish development (A\$2.2), TSF lift construction (A\$1.6m), bore fields and pipeline capital works (A\$0.8m) and other miscellaneous items (A\$4.2m).
- **Exploration:** Cash outflows for CDO (A\$1.9m) and TBO (A\$0.5m) exploration activities

Appendix 1 – Details of hedging contracts at 31 December 2017

| Month | Quantity | Price |
|--------------|----------------|----------------|
| | oz | A\$/oz |
| 31-Jan-18 | 16,100 | \$1,566 |
| 28-Feb-18 | 15,000 | \$1,587 |
| 31-Mar-18 | 15,500 | \$1,618 |
| 30-Apr-18 | 14,943 | \$1,639 |
| 31-May-18 | 15,100 | \$1,671 |
| 30-Jun-18 | 15,100 | \$1,673 |
| 31-Jul-18 | 13,600 | \$1,640 |
| 31-Aug-18 | 13,300 | \$1,632 |
| 30-Sep-18 | 13,300 | \$1,633 |
| 31-Oct-18 | 13,300 | \$1,644 |
| 30-Nov-18 | 10,300 | \$1,633 |
| 31-Dec-18 | 11,200 | \$1,625 |
| 31-Jan-19 | 11,200 | \$1,629 |
| 28-Feb-19 | 11,200 | \$1,630 |
| 31-Mar-19 | 11,200 | \$1,631 |
| 30-Apr-19 | 10,000 | \$1,647 |
| 31-May-19 | 10,000 | \$1,648 |
| 30-Jun-19 | 10,000 | \$1,650 |
| 31-Jul-19 | 6,000 | \$1,598 |
| 31-Aug-19 | 2,000 | \$1,756 |
| 30-Sep-19 | 2,000 | \$1,759 |
| 31-Oct-19 | 2,000 | \$1,761 |
| 30-Nov-19 | 2,000 | \$1,764 |
| 31-Dec-19 | 2,000 | \$1,767 |
| Total | 246,343 | \$1,636 |

Competent Persons Statements

The information in the report to which this statement is attached that relates to Exploration Results is based upon information compiled by Mr Daniel Howe, a Competent Person who is a member of The Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. Daniel Howe is a full-time employee of the company. Daniel Howe has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Daniel Howe consents to the inclusion in the report of matters based on his information in the form and context in which it appears.

The information on Mineral Resources and Ore Reserves has been extracted from the ASX announcement titled "Reserves grow 40% to 2.1Moz" dated 2 August 2017. The report is available to view on the ASX Website at www.asx.com.au and on the Company's website at www.saracen.com.au. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources and Ore Reserves, that all market assumptions and technical assumptions underpinning the estimates in the relevant market announcements continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

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