



January 17, 2018

## Saracen Mineral Holdings Limited

### 2Q18 production: output better with cash building...

**Our view:** We maintain a positive view on SAR, despite the recent strength in share price. Relative to many peers, the company has significant potential to continue building value through exploration and mine life addition, which could result in a higher valuation in due course.

#### Key points:

- Production: 77.5koz Au (RBCe: 73.1koz Au)
- AISC: A\$1176/oz Au (A\$1109/oz Au)
- Net cash: A\$65.3m (A\$63.4m)
- Guidance remains 300koz Au @ A\$1150/oz AISC

#### Costs no cause for alarm - upgrade likely

We believe the softer share price performance on the back of the result (c.-5%) may be owing to a slight deterioration in costs in comparison to 1Q, although we remain unconcerned and anticipate improvements. As it stands, guidance remains intact (SAR can produce at c.A\$1200/oz for 2H and still meet forecast costs), while production is tracking ahead. Our estimates anticipate revised (downwards) costs to deliver A\$1080/oz compared to guidance of A\$1150 and ytd A\$1091/oz Au.

#### Drilling and studies ongoing - more to come

Ongoing drilling activity and commentary for the company allude to further growth which we interpret as delivering both additional annualised production as well as longer mine life. We expect some of this potential will be outlined with the 5-year plan (expected to be released this quarter), while ongoing resource revisions will play out over the coming years. Outside of this, SAR remains well positioned at a 'normalised' 300koz annual run rate, with costs expected to fall as stripping at Thunderbox declines in due course, while absent further material plans, capital should also level off and decline from these levels leading to significant cashflow generation (15% forecast FCF yield in FY19E).

#### We retain our positive view

Despite the recent move (upward) in price, we remain positive - particularly relative to peers, many of which have risen and exceeded our estimate of fair value. Ongoing exploration should help deliver further value creation to SAR in due course.

#### Earnings impact and valuation

We have incorporated the 2Q announcement, and also removed our assumptions around cash tax payments given the quantum of deferred tax asset remaining (cash tax to now commence in FY20). This bumps our cash flow estimates and drives our 12-month P/CF and NAV-based price target higher to A\$2.00/share, which in turn underpins our Outperform rating.

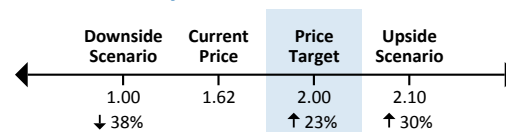
### Outperform

ASX: SAR; AUD 1.62

Price Target AUD 2.00 ↑ 1.75

WHAT'S INSIDE	
<input type="checkbox"/> Rating/Risk Change	<input checked="" type="checkbox"/> Price Target Change
<input type="checkbox"/> In-Depth Report	<input checked="" type="checkbox"/> Est. Change
<input type="checkbox"/> Preview	<input checked="" type="checkbox"/> News Analysis

#### Scenario Analysis\*



\*Implied Total Returns

#### Key Statistics

Shares O/S (MM):	800.8	Market Cap (MM):	1,297
Dividend:	0.00	Yield:	0.0%
NAVPS:	1.65	P/NAVPS:	0.98x
ROE:	28.1%	Tr. 12 ROE:	9.70%
Debt to Cap:	0%	Enterprise Val. (MM):	782
		Avg. Daily Volume:	5,813,759

Priced at ASX close on 17 January 2018

#### RBC Estimates

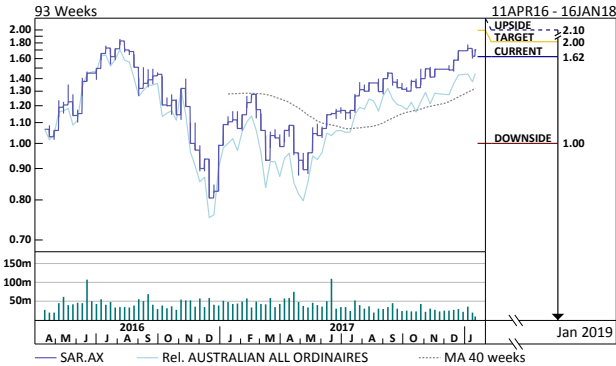
FY Jun	2017A	2018E	2019E	2020E
EPS, Adj Diluted	0.04	0.14	0.15	0.17
P/AEPS	40.5x	11.6x	10.8x	9.5x
CFPS, Adj Diluted	0.16	0.27	0.31	0.26
Prev.		0.24	0.24	
P/ACFPS	10.1x	6.0x	5.2x	6.2x
DPS	0.00	0.00	0.02	0.04
Div Yield	0.0%	0.0%	1.2%	2.5%
Production	263.0	306.0	302.0	310.0
Prev.		302.0		

All values in AUD unless otherwise noted.



### Target/Upside/Downside Scenarios

Exhibit 1: Saracen Mineral Holdings Limited



Source: Bloomberg and RBC Capital Markets estimates for Upside/Downside/Target

#### Target price/base case

Our 12-month price target of A\$2.00/share is derived from a 75:25 blend of debt-adjusted cash flow (8.0x) and sum-of-the-parts NAV (1.0x).

#### Upside scenario

We believe extensions to the known ore bodies at depth are probable and, as such, we run our upside scenario by adding two years of additional mine life to group production. From this, we derive a valuation of A\$2.10.

#### Downside scenario

Our downside scenario is based on a flat AUD/USD exchange rate and gold price of c.US\$1,150/oz. We also remove one year of mine life from our base-case scenario. From this, we derive a valuation of A\$1.00.

### Investment summary

- The main drivers that should underpin the company's share price are: 1) strong growth, with the implementation of Thunderbox taking group production to c.300koz Au pa from FY18; 2) significant exploration upside at all current operations providing increased confidence that mine life can be significantly extended beyond current reserves and general market estimates; and 3) a consistent track record from the management team

### Potential catalysts

- Mine life extensions – the high-grade mineralisation, which remains open at all current operations, indicates a high probability for continued extensions at depth. We believe that SAR could provide ongoing high results at depth; therefore, we would be convinced to add further mine life into the deposits.
- A beat to guidance? With the Thunderbox development tracking ahead of schedule, we believe the company may again beat guidance expectations as costs come down.



## 2Q18: production tracking well, potential for cost improvement

SAR's 2Q production was slightly better than we forecast, however, costs were also higher (versus both us and the prior period) and we believe this may have contributed to some of the stock's weakness in the market on the announcement (c.-5%). We are not overly concerned about the AISC result, firstly given the progress year to date (1H A\$1091/oz against FY guidance of A\$1150) and secondly what we believe is a level of conservatism from management given the transition into new production sources now that A Zone has been depleted at Thunderbox. Additional feed from Kailis has commenced with promising (positive) reconciliation, although it is still early days.

### Well positioned on improving cash and exploration potential

SAR is now sitting on c.A\$65m in cash, and a further A\$18m in bullion and investments. Our estimates suggest that the company can easily deliver 2H expenditure of c.A\$50m in capital, and still add a further A\$50-60m to the cash balance by year's end to reach a nominal A\$100m which we believe is a figure that will reassure investors. On the call, the management team spoke to growth potential through optimisation of existing production (and perhaps volume increases) as well as the translation of exploration success into longer mine life. We, too, remain upbeat given the success of drilling over the last 12-18 months although the more mechanical estimates of this upside are difficult to guess. In keeping with our findings in our recent note 2020: Hindsight (follow this link), additional production will likely require additional capital, however, we expect this will prove NAV accretive.

### Maintaining our positive view, despite recent share price strength

We believe there is a broader flow of funds into the local resource market, which could be driven by a range of factors - sector allocations, relative valuations etc. (as well as positive momentum in most commodities in general). SAR has been a beneficiary, but in truth so have many of the gold producers in a 'rising tides...' type market. Notwithstanding the erosion of the upside to our target price, SAR still screens positively in a relative sense, while in absolute terms we believe this is one of few stocks which is in a position to add further value to the business through exploration over the next 12-24 months (we should learn more about this with the updated 5-year plan due this quarter).

### Earnings and valuation impact

We remain comfortable with our estimates of an improving 2H, and as such our production and cost forecasts are largely unchanged, however, we remove cash tax payments given the additional c.A\$90m in tax losses which SAR can utilise. Stripping this out until the commencement of FY20 results in a material uplift to cashflow, and along with this we increase our 12-month P/CF and NAV based target price to A\$2.00, while maintaining our Outperform rating.

#### Exhibit 2: Our changes

		FY17 Actual	FY18E			FY19E			FY20E		
		Current	Current	Previous	Change	Current	Previous	Change	Current	Previous	Change
Underlying Net Profit	A\$m	31.2	109.6	113.9	-4%	122.4	121.6	1%	138.5	137.0	1%
Underlying EPS	c	3.9	13.8	14.3	-4%	15.4	15.3	1%	17.4	17.2	1%
CFPS	c	15.8	26.9	23.5	14%	31.0	24.4	27%	26.5	26.3	1%
Dividend	c	0.0	0.0	0.0	n.a	2.0	2.0	0%	4.0	4.0	0%
Gold Production	koz Au	263	306	302	1%	302	302	0%	310	310	0%
AISC	A\$/oz Au	1348	1080	1062	2%	999	999	0%	946	946	0%
<b>NAV</b>	<b>A\$/share</b>		1.65	1.68	(2%)						
<b>12 Month TP:</b>	<b>A\$/share</b>		<b>2.00</b>	<b>1.75</b>	<b>14%</b>						

Source: Company reports, RBC Capital Markets estimates

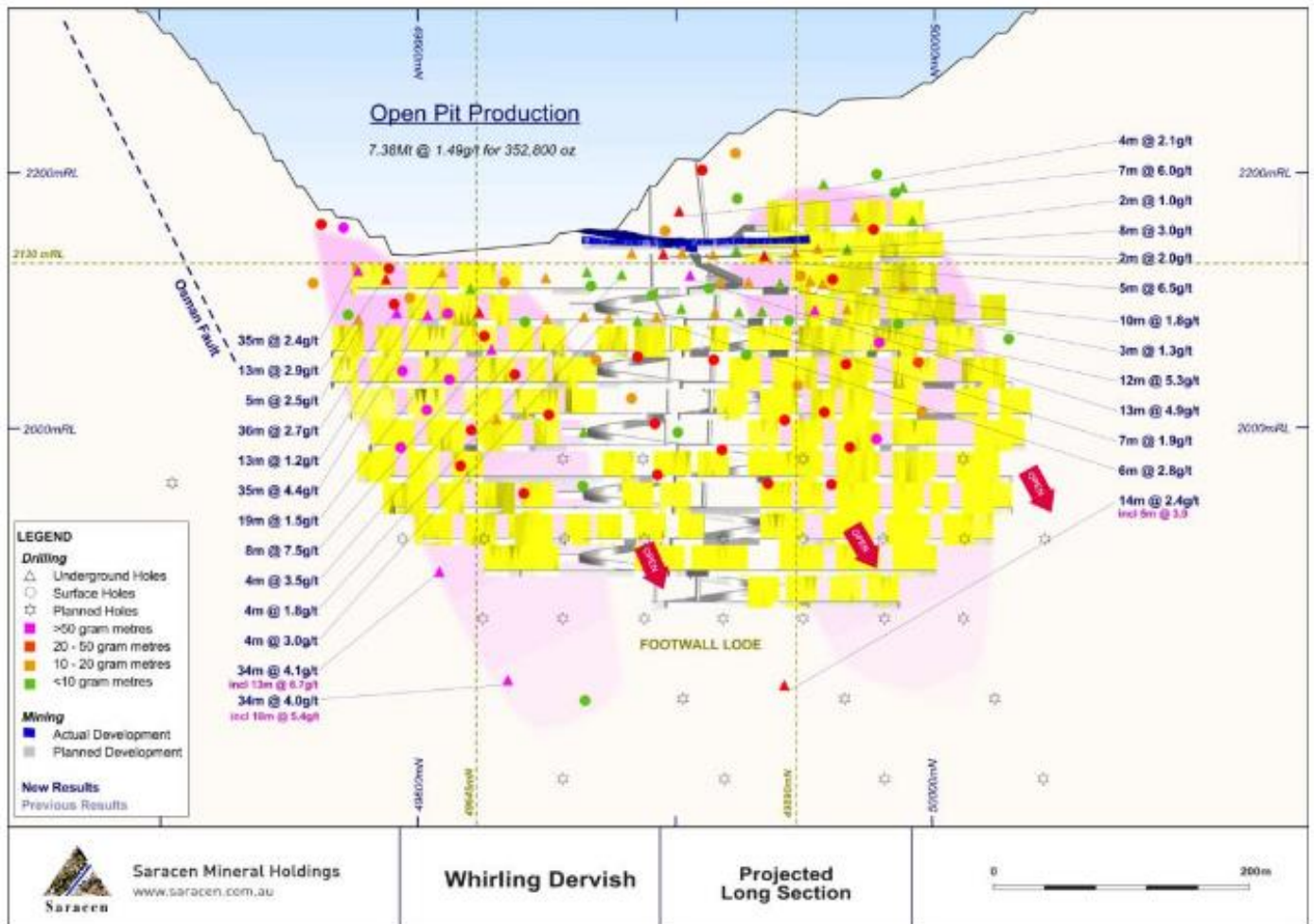
## Upside potential from exploration success still to come

While production from the assets continues relatively consistently, SAR has also been busy exploring. The company has been successful in delineating additional mineralisation both within its existing footprint (leading to increased confidence), but also proximal to the current mine plans, which should (in time) deliver a larger overall inventory. While it is difficult to quantify the upside at this point in time, we do assume an incremental value for indicated and inferred resources not yet in the mine plan (approx. equivalent to A0.60/share). In time (hopefully commencing with the revised mine plan outlook due this quarter), we would anticipate promoting some of this value out from our “exploration” catch-all in the SOTP and into the explicit mine plans for each of the respective businesses.

### 10 years mine life almost within reach

As SAR continued to explore, results have been promising. At Carosue Dam, drilling at the Karari deposit has shown ore grade intercepts (13.8m @ 9.1g/t) outside the known envelope, with deeper drilling also targeting extensions. Similar results at Whirling Dervish show potential. Our assumptions currently outline production to 2024.

Exhibit 3: Additional drilling at Whirling Dervish shows potential, with the biggest upside potential (in our view) at depth



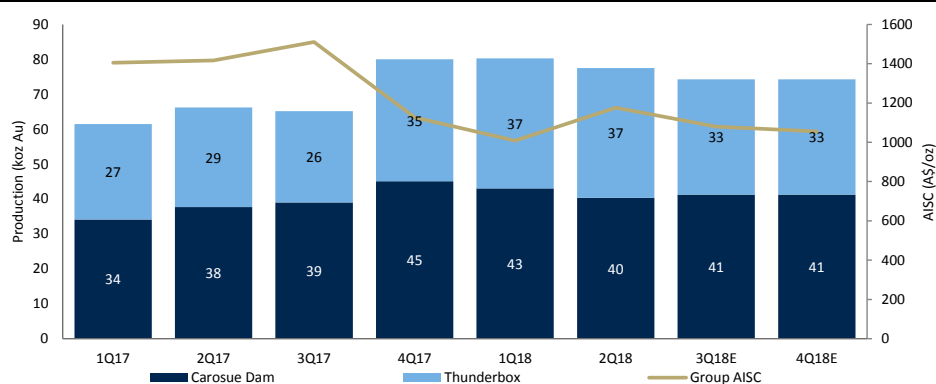
Source: Company reports

## 2Q18: Production tracking well, potential for cost improvement

### After a strong Q1, 2Q consolidates

While the September quarter was a strong period for SAR, management has highlighted the completion of mining at A Zone at Thunderbox, which has been a consistent source of production for the business. The next 6-9 months will see a transition to Zone C, with Kailis used as a supplementary feed thus introducing a new ore source and therefore potentially some additional uncertainty. Historic mining of Kailis has typically delivered a strong positive reconciliation, while early results (approx. 2 months) suggest potential for a similar outcome, although this is not included in the company's base case guidance for the remainder of the year. We believe there is potential for a revision (downwards) to cost guidance in 2H, which is incorporated in our existing forecast of A\$1079/oz for FY18.

Exhibit 4: SAR has managed to lift production and lower group AISC, while we forecast a ~300koz rate for the rest of FY18



Source: Company reports, RBC Capital Markets estimates

Costs were slightly higher than we forecast, driven for the most part by a higher mining cost at Carosue Dam, along with recognition of inventory draw down (an additional charge we did not forecast).

Exhibit 5: The December quarter saw a beat on production but a miss against our cost estimates on the back of slightly higher mining costs at Carosue Dam

Production		Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	pcp (%)	qoq (%)	RBCe	A vs E %
<b>Group Production</b>	<b>koz Au</b>	<b>61.6</b>	<b>64.1</b>	<b>80.0</b>	<b>80.3</b>	<b>77.5</b>	<b>26%</b>	<b>-3%</b>	<b>73.1</b>	<b>6%</b>
Carosue Dam Production	koz Au	37.7	39.0	45.1	43.1	40.4	7%	-6%	41.3	-2%
Thunderbox Production	koz Au	28.5	26.1	34.9	37.2	37.2	30%	0%	31.9	17%
<b>Group Sales</b>	<b>koz Au</b>	<b>62.9</b>	<b>68.5</b>	<b>78.5</b>	<b>79.8</b>	<b>74.3</b>	<b>18%</b>	<b>-7%</b>	<b>73.1</b>	<b>2%</b>

Pricing and Costs		Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	yoy (%)	qoq (%)	RBCe	A vs E %
<b>C1 Cash Costs (incl. roy)</b>	<b>A\$/oz</b>	<b>860</b>	<b>1273</b>	<b>840</b>	<b>835</b>	<b>931</b>	<b>8%</b>	<b>11%</b>	<b>877</b>	<b>6%</b>
<b>AISC (incl. non-cash costs)</b>	<b>A\$/oz</b>	<b>1416</b>	<b>1510</b>	<b>1127</b>	<b>1008</b>	<b>1177</b>	<b>-17%</b>	<b>17%</b>	<b>1109</b>	<b>6%</b>
Realised Price	A\$/oz	1628	1612	1621	1583	1628	0%	3%	1627	0%
Cash	A\$m	33.7	22.0	33.7	49.8	65.3	94%	31%	63.4	3%

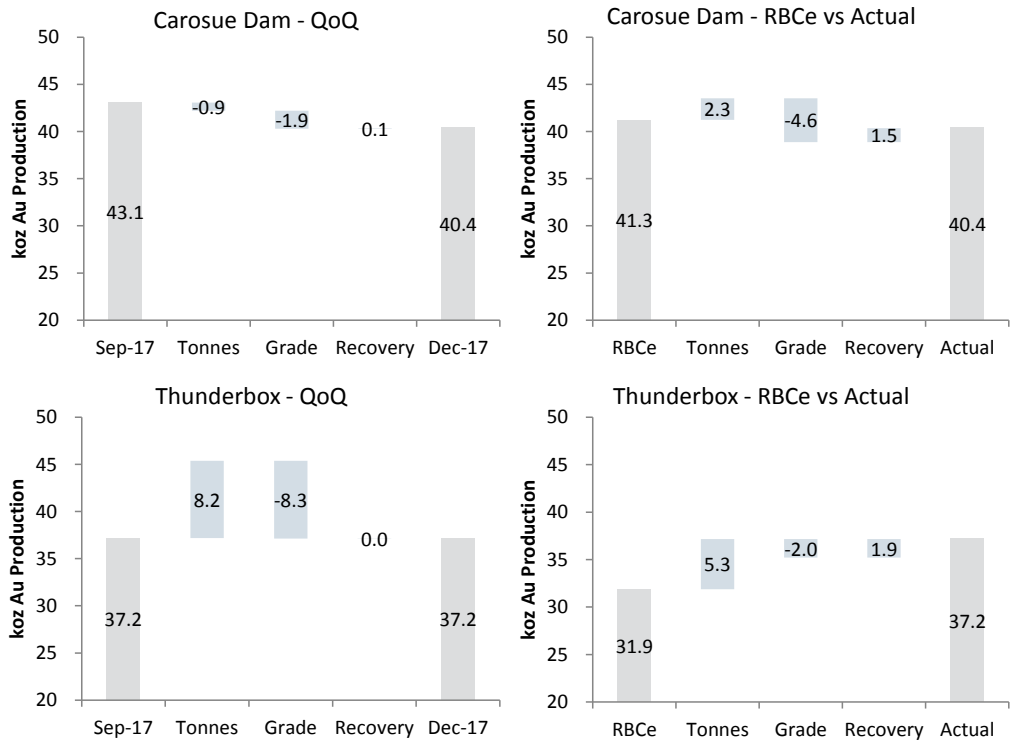
Source: Company reports, RBC Capital Markets estimates



## Production and cost reconciliation

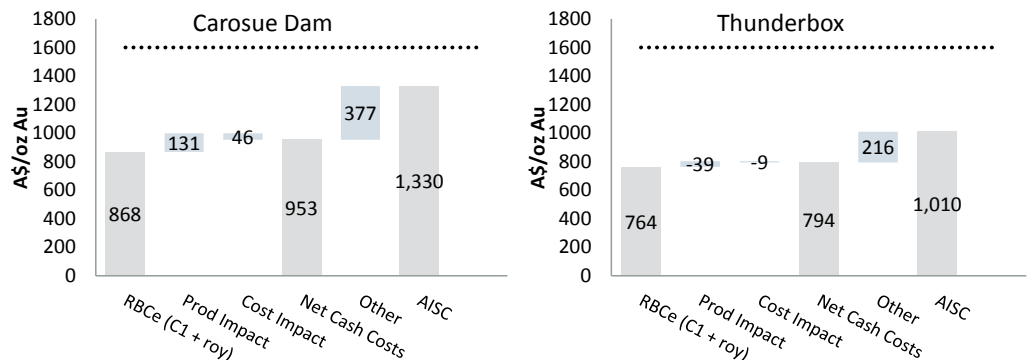
Production was slightly better than we forecast – owing to a strong contribution from Thunderbox, which offset a slightly softer output from Carosue Dam.

Exhibit 6: Group production was higher than our estimates as a result of higher grades and recoveries from Thunderbox



Source: Company reports, RBC Capital Markets estimates

Exhibit 6: Costs (before capex) were impacted most by production volumes (mining) at Carosue Dam



Source: Company reports, RBC Capital Markets estimates





# Production and financial summary

## Exhibit 7: RBCe price, fx, volume, earnings and valuation estimates

<b>Saracen Mineral Holdings</b>	ASX: SAR	<b>Price Target:</b>	2.00	<b>Rating:</b>	<b>Outperform</b>
RBC Capital Markets	No Shares (m): 794.3			Risk Specifier:	-
Paul Hissey +61 3 8688 6512	Liquidity (m shares/month) 98,483	Share Price (\$/sh):	\$1.62	Implied Return (%):	23.8%
Connor O'Brien +61 3 8688 6519	Market Cap. (M \$): \$1,313	2016E Dividend (\$/sh):	\$0.00	Implied Total Return (%):	23.8%
Alexander Hislop +612 8688 6551	Enterprise Value (M \$) \$1,263	NAV (\$/sh):	\$1.65	P/NAV (x)	0.98x

All AUD unless noted						Year End June 30					
RATIO ANALYSIS						PRICES & EXCHANGE RATES					
		FY17	FY18E	FY19E	FY20E		FY17	FY18E	FY19E	FY20E	LT (2021)
Earnings - Adjusted	\$/sh	\$0.04	\$0.14	\$0.15	\$0.17	Gold Price	US\$/oz	1259	1288	1300	1300
P/E Multiple	x	41.1x	11.7x	10.5x	9.3x	Exchange rate	AUD:USD	0.75	0.77	0.74	0.76
CFPS (CFO)	\$/sh	\$0.16	\$0.27	\$0.31	\$0.26	<b>EQUITY PRODUCTION &amp; COSTS</b>					
FCFPS (CFO-capex-expl.)	\$/sh	(\$0.01)	\$0.12	\$0.25	\$0.11		<b>FY17</b>	<b>FY18E</b>	<b>FY19E</b>	<b>FY20E</b>	<b>FY21E</b>
P/CF Multiple	x	10.2x	6.0x	5.2x	6.1x	Carosue Dam	koz Au	156	166	165	166
FCF Yield	%	(0.6%)	7.4%	15.4%	7.1%	Thunderbox	koz Au	117	140	137	144
Dividends Per Share	\$/sh	\$0.00	\$0.00	\$0.02	\$0.04	<b>Total Gold Production</b>	<b>koz Au</b>	<b>263</b>	<b>306</b>	<b>302</b>	<b>310</b>
Dividend Yield	%	0.0%	0.0%	1.2%	2.5%	C1 Cash Cost	\$/oz	956	820	793	747
LT/Total Cap	%	0.0%	0.0%	0.0%	0.0%	All-in Sustaining Cash Cost	\$/oz	1348	1080	999	946
<b>INCOME STATEMENT</b>						<b>ATTRIBUTABLE RESERVES &amp; RESOURCES</b>					
		<b>FY17</b>	<b>FY18E</b>	<b>FY19E</b>	<b>FY20E</b>			<b>EV</b>			
Revenue	M \$	\$423	\$496	\$521	\$531		<b>koz Au</b>	<b>\$/oz</b>			
Operating Costs	M \$	(\$312)	(\$280)	(\$281)	(\$273)	Proven/Probable Reserve (P&P)	2.11	\$597			
<b>EBITDA</b>	<b>M \$</b>	<b>\$111</b>	<b>\$216</b>	<b>\$240</b>	<b>\$258</b>	Measured/Indicated (M&I) - Inclusive	6.71	\$188			
D&A	M \$	(\$75)	(\$71)	(\$71)	(\$70)	Measures/Indicated/Inferred	9.06	\$139			
<b>EBIT</b>	<b>M \$</b>	<b>\$36</b>	<b>\$145</b>	<b>\$169</b>	<b>\$187</b>	<b>CAPEX BREAKDOWN</b>					
Other Income/Expenses	M \$	(\$0)	\$2	\$6	\$10		<b>FY17</b>	<b>FY18E</b>	<b>FY19E</b>	<b>FY20E</b>	
<b>EBT</b>	<b>M \$</b>	<b>\$36</b>	<b>\$147</b>	<b>\$175</b>	<b>\$198</b>	Sustaining Capex	M \$	55.4	63.1	33.0	32.0
Taxes	M \$	(\$5)	(\$37)	(\$52)	(\$59)	Expansionary Capex	M \$	49.6	31.2	12.0	84.0
<b>Net Income - Reported</b>	<b>M \$</b>	<b>\$31</b>	<b>\$110</b>	<b>\$122</b>	<b>\$139</b>	Exploration	M \$	27.8	24.3	3.6	3.6
Adjustments	M \$	(\$3)	\$0	\$0	\$0	Total	M \$	132.8	118.6	48.6	119.6
<b>Net Income - Adjusted</b>	<b>M \$</b>	<b>\$28</b>	<b>\$110</b>	<b>\$122</b>	<b>\$139</b>	<b>GROUP ALL-IN SUSTAINING COSTS AND PRODUCTION</b>					
Weighted average diluted shares	M	794	794	794	794						
<b>CASH FLOW STATEMENT</b>						<b>NET ASSET VALUE</b>					
		<b>FY17</b>	<b>FY18E</b>	<b>FY19E</b>	<b>FY20E</b>		<b>DR (Real %)</b>	<b>(\$m)</b>	<b>A\$/Sh</b>	<b>NAV (%)</b>	
<b>Cash Flows from Operating Activities</b>						<b>Operating Value</b>					
Net Income	M \$	\$31	\$110	\$122	\$139	Carosue Dam	7.0%	\$353	\$0.44	44%	
D&A	M \$	\$75	\$71	\$71	\$70	Thunderbox	7.0%	\$446	\$0.56	56%	
Taxes Paid	M \$	\$5	\$35	\$52	\$2	<b>Total</b>	<b>7.0%</b>	<b>\$799</b>	<b>\$1.01</b>	<b>100%</b>	
Non Recurring/Other	M \$	\$0	\$6	\$0	\$0	All exploration		\$525	\$0.66		
<b>Operating Cash Flow (excl. stripping)</b>	<b>M \$</b>	<b>\$110</b>	<b>\$221</b>	<b>\$246</b>	<b>\$210</b>	Cash		\$50	\$0.06		
Changes in Working Capital	M \$	\$15	(\$8)	\$0	\$0	Corporate G&A		(\$64)	(\$0.08)		
<b>Net Operating Cash flow</b>	<b>M \$</b>	<b>\$126</b>	<b>\$214</b>	<b>\$246</b>	<b>\$210</b>	Debt		\$0	\$0.00		
<b>Cash Flows From Investing Activities</b>						<b>Other</b>					
Capital Expenditure	M \$	(\$105)	(\$94)	(\$45)	(\$116)			\$0	\$0.00		
Other (incl exploration)	M \$	(\$13)	(\$24)	(\$4)	(\$4)	<b>Total Net Asset Value</b>		<b>\$1,310</b>	<b>\$1.65</b>		
<b>Net Investing Cash Flow (incl. stripping)</b>	<b>M \$</b>	<b>(\$118)</b>	<b>(\$119)</b>	<b>(\$49)</b>	<b>(\$120)</b>	<b>FINANCIAL RATIOS</b>					
<b>Cash Flows From Financing Activities</b>						<b>FY17</b>	<b>FY18E</b>	<b>FY19E</b>	<b>FY20E</b>		
Equity Issues (net of costs)	M \$	\$0	\$0	\$0	\$0	Return on Equity (ROE)	%	9.7%	27.2%	23.3%	21.9%
Net Borrowings	M \$	\$0	\$0	\$0	\$0	Return on Capital (ROIC)	%	7.0%	20.0%	16.9%	16.7%
Dividends Paid & Other	M \$	(\$8)	(\$3)	\$0	(\$32)	<b>NET ASSET VALUE</b>					
<b>Net Financing Cash Flow</b>	<b>M \$</b>	<b>(\$8)</b>	<b>(\$3)</b>	<b>\$0</b>	<b>(\$32)</b>						
Increase (Decrease) in Cash	M \$	(\$1)	\$92	\$197	\$59	<b>Operating Value</b>					
<b>Cash at End of Year</b>	<b>M \$</b>	<b>\$34</b>	<b>\$126</b>	<b>\$323</b>	<b>\$382</b>	Carosue Dam	7.0%	\$353	\$0.44	44%	
Operating Free Cash Flow	M \$	\$21	\$119	\$201	\$94	Thunderbox	7.0%	\$446	\$0.56	56%	
Free Cash Flow	M \$	\$8	\$95	\$197	\$91	<b>Total</b>	<b>7.0%</b>	<b>\$799</b>	<b>\$1.01</b>	<b>100%</b>	
<b>BALANCE SHEET</b>						All exploration		\$525	\$0.66		
Cash & Equivalents	M \$	\$34	\$126	\$323	\$382	Cash		\$50	\$0.06		
Other Current Assets	M \$	\$63	\$67	\$67	\$67	Corporate G&A		(\$64)	(\$0.08)		
PP&E & Mining Interests	M \$	\$261	\$285	\$259	\$304	Debt		\$0	\$0.00		
Other Long Term Assets	M \$	\$47	\$71	\$74	\$78	Other		\$0	\$0.00		
<b>Total Assets</b>	<b>M \$</b>	<b>\$404</b>	<b>\$549</b>	<b>\$723</b>	<b>\$832</b>	<b>Total Net Asset Value</b>		<b>\$1,310</b>	<b>\$1.65</b>		
Current Liabilities	M \$	\$62	\$62	\$62	\$62	<b>FINANCIAL RATIOS</b>					
Long Term Debt	M \$	\$0	\$0	\$0	\$0	<b>FY17</b>	<b>FY18E</b>	<b>FY19E</b>	<b>FY20E</b>		
Other Long Term Liabilities	M \$	\$48	\$83	\$135	\$137	Return on Equity (ROE)	%	9.7%	27.2%	23.3%	21.9%
<b>Total Liabilities</b>	<b>M \$</b>	<b>\$110</b>	<b>\$145</b>	<b>\$197</b>	<b>\$199</b>	Return on Capital (ROIC)	%	7.0%	20.0%	16.9%	16.7%
Shareholder Equity	M \$	\$294	\$404	\$526	\$633	<b>NET ASSET VALUE</b>					
<b>Total Liabilities &amp; Shareholder Equity</b>	<b>M \$</b>	<b>\$404</b>	<b>\$549</b>	<b>\$723</b>	<b>\$832</b>						

Source: Company reports, RBC Capital Markets estimates, IRESS



# Production and financial sensitivity to price and FX

## Exhibit 8: Sensitivity to earnings and valuation under spot price and commodity assumptions

Saracen Mineral Holdings					SPOT SCENARIO					
RBC Capital Markets	ASX: SAR	No Shares (m):	794.3							
Paul Hissey +61 3 8688 6512	Liquidity (m shares/month)	98,483		Share Price (\$/sh):	\$1.62					
Connor O'Brien +61 3 8688 6519	Market Cap. (M \$):	\$1,313		2016E Dividend (\$/sh):	\$0.00					
Alexander Hislop +612 8688 6551	Enterprise Value (M \$)	\$1,263		NAV (\$/sh):	\$1.62					

All AUD unless noted					Year End June 30					
<b>RATIO ANALYSIS</b>		<b>FY17</b>	<b>FY18E</b>	<b>FY19E</b>	<b>FY20E</b>					
Earnings - Adjusted	\$/sh	\$0.04	\$0.13	\$0.14	\$0.17					
P/E Multiple	x	41.1x	12.0x	11.6x	9.7x					
CFPS (CFO)	\$/sh	\$0.16	\$0.26	\$0.29	\$0.26					
FCFPS (CFO-capex-expl.)	\$/sh	(\$0.01)	\$0.11	\$0.23	\$0.11					
P/CF Multiple	x	10.2x	6.1x	5.6x	6.2x					
FCF Yield	%	(0.6%)	7.1%	14.1%	6.7%					
Dividends Per Share	\$/sh	\$0.00	\$0.00	\$0.02	\$0.04					
Dividend Yield	%	0.0%	0.0%	1.2%	2.5%					
LT/Total Cap)	%	0.0%	0.0%	0.0%	0.0%					
<b>INCOME STATEMENT</b>		<b>FY17</b>	<b>FY18E</b>	<b>FY19E</b>	<b>FY20E</b>					
Revenue	M \$	\$423	\$492	\$504	\$523					
Operating Costs	M \$	(\$312)	(\$280)	(\$281)	(\$273)					
<b>EBITDA</b>	<b>M \$</b>	<b>\$111</b>	<b>\$212</b>	<b>\$223</b>	<b>\$250</b>					
D&A	M \$	(\$75)	(\$71)	(\$71)	(\$70)					
<b>EBIT</b>	<b>M \$</b>	<b>\$36</b>	<b>\$141</b>	<b>\$152</b>	<b>\$180</b>					
Other Income/Expenses	M \$	(\$0)	\$2	\$6	\$10					
<b>EBT</b>	<b>M \$</b>	<b>\$36</b>	<b>\$143</b>	<b>\$158</b>	<b>\$190</b>					
Taxes	M \$	(\$5)	(\$36)	(\$47)	(\$57)					
<b>Net Income - Reported</b>	<b>M \$</b>	<b>\$31</b>	<b>\$107</b>	<b>\$110</b>	<b>\$133</b>					
Adjustments	M \$	(\$3)	\$0	\$0	\$0					
<b>Net Income - Adjusted</b>	<b>M \$</b>	<b>\$28</b>	<b>\$107</b>	<b>\$110</b>	<b>\$133</b>					
Weighted average diluted shares	M	794	794	794	794					
<b>CASH FLOW STATEMENT</b>		<b>FY17</b>	<b>FY18E</b>	<b>FY19E</b>	<b>FY20E</b>					
<b>Cash Flows from Operating Activities</b>										
Net Income	M \$	\$31	\$107	\$110	\$133					
D&A	M \$	\$75	\$71	\$71	\$70					
Taxes Paid	M \$	\$5	\$33	\$47	\$2					
Non Recurring/Other	M \$	\$0	\$6	\$0	\$0					
<b>Operating Cash Flow (excl. stripping)</b>	<b>M \$</b>	<b>\$110</b>	<b>\$217</b>	<b>\$229</b>	<b>\$205</b>					
Changes in Working Capital	M \$	\$15	(\$8)	\$0	\$0					
<b>Net Operating Cash flow</b>	<b>M \$</b>	<b>\$126</b>	<b>\$209</b>	<b>\$229</b>	<b>\$206</b>					
<b>Cash Flows From Investing Activities</b>										
Capital Expenditure	M \$	(\$105)	(\$94)	(\$45)	(\$116)					
Other (incl exploration)	M \$	(\$13)	(\$24)	(\$4)	(\$4)					
<b>Net Investing Cash Flow (incl. stripping)</b>	<b>M \$</b>	<b>(\$118)</b>	<b>(\$119)</b>	<b>(\$49)</b>	<b>(\$120)</b>					
<b>Cash Flows From Financing Activities</b>										
Equity Issues (net of costs)	M \$	\$0	\$0	\$0	\$0					
Net Borrowings	M \$	\$0	\$0	\$0	\$0					
Dividends Paid & Other	M \$	(\$8)	(\$3)	\$0	(\$32)					
<b>Net Financing Cash Flow</b>	<b>M \$</b>	<b>(\$8)</b>	<b>(\$3)</b>	<b>\$0</b>	<b>(\$32)</b>					
Increase (Decrease) in Cash	M \$	(\$1)	\$88	\$180	\$54					
<b>Cash at End of Year</b>	<b>M \$</b>	<b>\$34</b>	<b>\$122</b>	<b>\$302</b>	<b>\$356</b>					
Operating Free Cash Flow	M \$	\$21	\$115	\$184	\$90					
Free Cash Flow	M \$	\$8	\$91	\$180	\$86					
<b>BALANCE SHEET</b>		<b>FY17</b>	<b>FY18E</b>	<b>FY19E</b>	<b>FY20E</b>					
Cash & Equivalents	M \$	\$34	\$122	\$302	\$356					
Other Current Assets	M \$	\$63	\$67	\$67	\$67					
PP&E & Mining Interests	M \$	\$261	\$285	\$259	\$304					
Other Long Term Assets	M \$	\$47	\$71	\$74	\$78					
<b>Total Assets</b>	<b>M \$</b>	<b>\$404</b>	<b>\$544</b>	<b>\$702</b>	<b>\$806</b>					
Current Liabilities	M \$	\$62	\$62	\$62	\$62					
Long Term Debt	M \$	\$0	\$0	\$0	\$0					
Other Long Term Liabilities	M \$	\$48	\$82	\$129	\$131					
<b>Total Liabilities</b>	<b>M \$</b>	<b>\$110</b>	<b>\$144</b>	<b>\$191</b>	<b>\$193</b>					
Shareholder Equity	M \$	\$294	\$401	\$511	\$612					
<b>Total Liabilities &amp; Shareholder Equity</b>	<b>M \$</b>	<b>\$404</b>	<b>\$544</b>	<b>\$702</b>	<b>\$806</b>					
<b>FINANCIAL RATIOS</b>		<b>FY17</b>	<b>FY18E</b>	<b>FY19E</b>	<b>FY20E</b>					
Return on Equity (ROE)	%	9.7%	26.6%	21.6%	21.7%					
Return on Capital (ROIC)	%	7.0%	19.6%	15.7%	16.5%					

All AUD unless noted					Year End June 30					
<b>PRICES &amp; EXCHANGE RATES</b>		<b>FY17</b>	<b>FY18E</b>	<b>FY19E</b>	<b>FY20E</b>	<b>LT (2021)</b>				
Gold Price	US\$/oz	1259	1305	1334	1334	1334				
Exchange rate	AUD:USD	0.75	0.78	0.79	0.79	0.79				
<b>EQUITY PRODUCTION &amp; COSTS</b>		<b>FY17</b>	<b>FY18E</b>	<b>FY19E</b>	<b>FY20E</b>	<b>FY21E</b>				
Carosue Dam	koz Au	156	166	165	166	156				
Thunderbox	koz Au	117	140	137	144	171				
<b>Total Gold Production</b>	<b>koz Au</b>	<b>263</b>	<b>306</b>	<b>302</b>	<b>310</b>	<b>327</b>				
C1 Cash Cost	\$/oz	956	820	793	747	700				
All-in Sustaining Cash Cost	\$/oz	1348	1079	997	945	947				
<b>ATTRIBUTABLE RESERVES &amp; RESOURCES</b>							<b>EV</b>			
			<b>koz Au</b>	<b>\$/oz</b>						
Proven/Probable Reserve (P&P)		2.11	\$597							
Measured/Indicated (M&I) - Inclusive		6.71	\$188							
Measures/Indicated/Inferred		9.06	\$139							
<b>CAPEX BREAKDOWN</b>		<b>FY17</b>	<b>FY18E</b>	<b>FY19E</b>	<b>FY20E</b>					
Sustaining Capex	M \$	55.4	63.1	33.0	32.0					
Expansionary Capex	M \$	49.6	31.2	12.0	84.0					
Exploration	M \$	27.8	24.3	3.6	3.6					
<b>Total</b>	<b>M \$</b>	<b>132.8</b>	<b>118.6</b>	<b>48.6</b>	<b>119.6</b>					

GROUP ALL-IN SUSTAINING COSTS AND PRODUCTION					
		<b>FY17</b>	<b>FY18E</b>	<b>FY19E</b>	<b>FY20E</b>
Gold Production (koz Au)		263	306	302	310
All-in Sustaining Cash Cost (\$/oz Au)		1348	1079	997	945

NET ASSET VALUE					
<b>Operating Value</b>	<b>DR (Real %)</b>	<b>(\$m)</b>	<b>A\$/Sh</b>	<b>NAV (%)</b>	
Carosue Dam	7.0%	\$342	\$0.43	44%	
Thunderbox	7.0%	\$435	\$0.55	56%	
<b>Total</b>	<b>7.0%</b>	<b>\$777</b>	<b>\$0.98</b>	<b>100%</b>	
All exploration		\$525	\$0.66		
Cash		\$50	\$0.06		
Corporate G&A		(\$64)	(\$0.08)		
Debt		\$0	\$0.00		
Other		\$0	\$0.00		
<b>Total Net Asset Value</b>		<b>\$1,288</b>	<b>\$1.62</b>		

Source: Company reports, RBC Capital Markets estimates, IRESS





## Valuation

Our 12-month A\$2.00 price target is derived from a 75:25 blend of debt-adjusted cash flow (8x) and our sum-of-the-parts NAV (1.0x). Due to the significant growth phase that the company is in, the strong track record of management, and significant exploration upside potential, we incorporate a slight premium in NAV against the remaining peer group in our Australian gold coverage.

We view this exploration upside and, therefore, potential for mine life extension, to be the main driver in delivering additional valuation upside into the price, which we believe is not fully recognised by the general market. This supports our Outperform rating.

## Risks to rating and price target

1) Changes to both the gold price and currency (AUD/USD) as the largest underlying factor to move the share price; 2) exploration risk – since the extensions to mineralisation and, therefore, mine life remain largely unclassified (not in reserves), there is no guarantee that mineralisation will continue at depth to provide this additional valuation; and 3) operational risk – as again there is no guarantee that production and costs guidance will be achieved due to several unforeseen factors, such as weather events, grade-reconciliation issues, or mining and plant disruptions.

## Company description

Saracen Mineral Holdings (SAR) is an emerging Western Australia gold producer, with production set to climb to c.300koz Au pa with the inclusion of the ongoing commissioning of the Thunderbox project complementing the existing Carosue Dam processing facility.



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#### Ratings

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**Sector Perform (SP):** Returns expected to be in line with sector average over 12 months.

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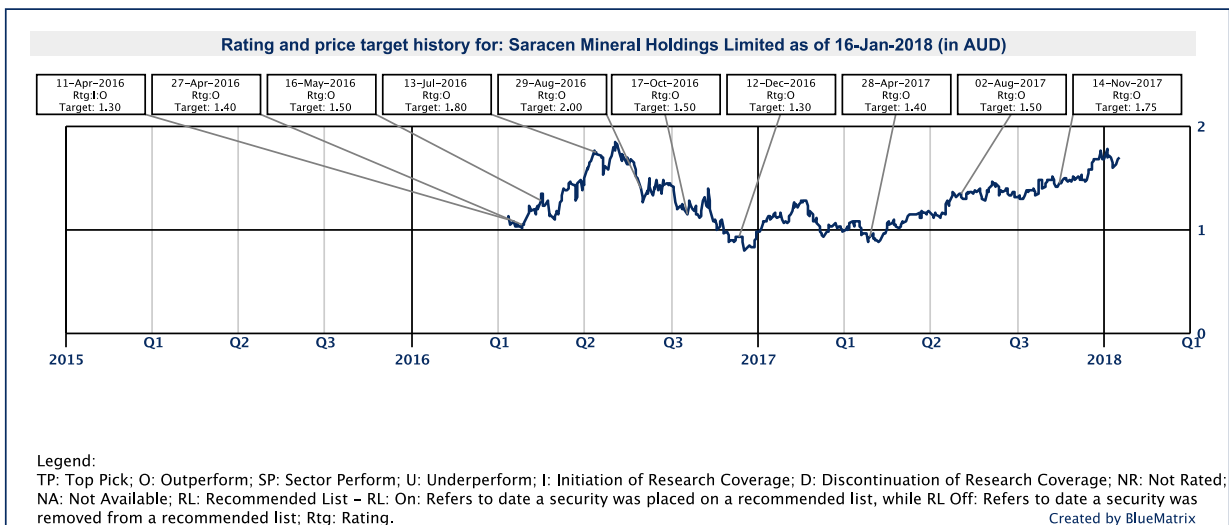
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			Count	Percent
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### Saracen Mineral Holdings Limited

#### Valuation



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