



Saracen

SARACEN MINERAL HOLDINGS LIMITED | ABN 52 009 215 347



Annual General Meeting

19 November 2013

Chairman's Address

Welcome ladies and gentlemen.

For Saracen, the 2013 financial year ("FY2013") saw significant progress on a number of fronts, with record quarterly gold production and improved free cash flows over several successive quarters; advancement and near completion of the \$30 million Whirling Dervish Pit cutback; securement of a prudently structured debt and hedging package; and the rapid and effective recasting of the Company's business priorities in response to the changing environment brought about by the falling gold price.

The important achievements of the Company are well laid out in our Managing Director, Raleigh Finlayson's, review within the 2013 Annual Report before you, so I will not repeat it here. However, I will comment on Saracen's FY2013 financial performance.

The Company reported a net loss after tax of A\$63.1 million for the financial year. This result is after including pre-tax, non-cash impairment write-downs totalling \$79.6 million.

These write-downs primarily relate to the impairment effect of the sharply lower gold price environment applicable from the later part of FY2013 and more specifically the spot gold price at balance date. The lower price was adopted in the assumptions used for determining the value of ore stockpiles and production assets of the future value of the Company's cash generating units. In addition to this, an evaluation of the results of exploration activities undertaken over the last year resulted in the impairment of some exploration assets.

Sales revenue for the year was A\$210.6 million, up 13 % from the previous year mostly as a result of higher gold production. Gross profit from mining operations for the year was A\$2.7 million and net cash flow from operations was up 40% on the previous year to A\$72.8 million. EBITDA (excluding significant items) was A\$55.8 million.

Now for some comments of a more general nature.

Firstly, our Company's operations have gradually shifted from a multiple open-pit environment to a simpler one, with the expanding Whirling Dervish open pit mine being our single large open pit operation, accompanied by the evolving Red October high-grade underground gold mine. This simpler operational structure has been accompanied by a commensurate lowering of the Company's cost base, both in the operational and corporate/head office areas. Similarly, with the re-focus towards free cash generation, the exploration program has been curtailed and re-directed towards a more targeted effort. The cost reductions brought about by these initiatives are starting to feed through into the Company's bottom line and improved cash balance.

Secondly, with the establishment of the loan from Macquarie Bank and associated hedging facilities, Saracen is well placed financially to satisfy its project funding needs, with loan repayments to commence in the latter part of calendar 2014. In parallel the hedge position has put Saracen in a very strong position as it ensures an average price of around A\$1,687 per ounce for the 159,050 ounces remaining in the program as at 30 September 2013.

Finally, these changes have been brought about by a very focussed and dedicated senior management team led by Raleigh Finlayson and the Board wishes at the outset to acknowledge their efforts.

On this latter note the Annual Report lays out clearly for our Shareholders' and the market's consideration Saracen's mission, vision, five-year plan and core values. These are not motherhood statements. They are strongly believed by our Board and management group, and the engagement from all Saracen personnel is resolute and unambiguous.

Looking forward, Saracen has a very exciting yet challenging year ahead; with establishment of steady state open pit production from Whirling Dervish, and ongoing development/production from Red October the key production priorities. The exploration team will be making their contribution through a well-structured and cost-effective exploration program.

From a financial perspective, we will be aiming to ensure that the Company's cash balance at year end is optimised, having regard to the various activities being undertaken. This is consistent with our objective of generating A\$60 million in free cash flow by FY2015. In this regard the Company's performance is on track.

The highest priority of all is our health and safety performance. Everybody involved at all levels in our Company is, and holds themselves, very much accountable for our safety performance; where our objective is to be amongst the industry leaders. The significant contributions from all personnel, including our contractors, and the initiatives generated at the site level are pivotal in this regard.

Saracen is also seeking to grow by way of acquisition. Saracen is looking for suitable complementary acquisitions and if we identify an opportunity which creates value for shareholders then we will give that very serious consideration.

In response to the need for the Board to ensure the Company is well placed for the future, Geoffrey Clifford and Samantha Tough were invited to, and joined, the Board. Their knowledge, experience and skills base in the areas of accounting, finance, the law, corporate governance, corporate strategy, and company administration and management will complement the technical and mining operational skills already present on the Board, and will be invaluable as Saracen continues to build its business.

In the same vein, Raleigh Finlayson was appointed as Managing Director in early April, and I assumed, for the transitional period to 30 June 2013, the role of Executive Chairman. Thereafter I reverted to the role of non-executive Chairman. With the appointment of the two new independent directors, which resulted in an increase in the size of the Board, our non-executive directors Martin Reed and Barrie Parker agreed to take a 25 percent cut in their remuneration. I would like to acknowledge their support in this regard, especially as they sit on what is, by any standards, an actively engaged Board.

Finally I would like to thank my fellow directors, senior management, and all other members of our operations, exploration, commercial, accounting and corporate teams, as well as our contractor partners, for their valued input into the Company's affairs. Also, as Ivan Hoffman departed the Board recently, I would like on behalf of everyone in Saracen to thank him for his guidance and valuable input these past years, and to wish him well for the future.

We look forward to the year ahead, and the rewards and opportunities it will bring. There is no question in my mind that we are in an exciting gold province, with a commanding infrastructure position, a dedicated and motivated team led by a highly capable Managing Director, and that numerous additional opportunities will come in our way in the months and years ahead.

Guido Staltari

Non-executive Chairman

Saracen Mineral Holdings Limited

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