



SARACEN MINERAL HOLDINGS LIMITED

QUARTERLY REPORT: SEPTEMBER 2017

Corporate Details:

23rd October 2017

ASX code: SAR

Corporate Structure:

Ordinary shares on issue: 812.9m

Unvested employee performance rights: 8.7m

Market Capitalisation: A\$1.1b
(share price A\$1.325)

Cash & Bullion (30 September): A\$60.5m

Debt (30 September): Nil

Directors:

Mr Geoff Clifford
Non-Executive Chairman

Mr Raleigh Finlayson
Managing Director

Mr Mark Connelly
Non-Executive

Mr Martin Reed
Non-Executive

Dr Roric Smith
Non-Executive

Ms Samantha Tough
Non-Executive

Substantial Shareholders:

Van Eck 12.1%

Wroxby 6.0%

Registered Office:

Level 11
40 The Esplanade
Perth WA 6000
Telephone: +61 8 6229 9100
Facsimile: +61 8 6229 9199

For further details contact:

Troy Irvin
Telephone +61 8 6229 9100
info@saracen.com.au

Outstanding start to FY18

Record production, lower costs, significant increase in cash and 40% increase in Reserves

Production

- **Record quarterly gold production of 80,274oz** (Thunderbox record 37,191oz; Carosue Dam 43,083oz)
- Quarterly all-in sustaining cash costs (AISC) of **A\$1,008/oz**, an **11%** fall from the June quarter
- FY18 guidance maintained at **~300,000oz** at an **AISC of A\$1,150/oz**

Development

- **Pre-strip mining continues at Thunderbox C Zone pit**, with ~A\$11m of pre-strip costs included in Thunderbox's AISC of A\$923/oz (~A\$638/oz excluding pre-strip)
- **Development continues at the Kailis pit** (Thunderbox) with milling of this ore to commence in the current December 2017 quarter

Financial

- **Cash and equivalents of A\$60.5m at quarter-end** (up from A\$45.2m despite spending A\$22m on growth capital and exploration), this excludes any proceeds from non-core assets
- **Gold sales for the quarter of 79,799oz** at an average sale price of A\$1,583/oz for revenue of A\$126.3m
- During the quarter 48,000oz of hedging was added at A\$1,704/oz, while 43,200oz of hedging was delivered at A\$1,555/oz

Exploration and growth

- **Record group Ore Reserves of 2.1Moz** at 30 June 2017 (1.5Moz at 30 June 2016) - an increase of 40% despite depletion of 293,000oz
- **Drill results point to further increases in mine life** at Carosue Dam, impressive extensional results at Karari include: 40.2m @ 4.2g/t, 26.0m @ 4.1g/t and 11.1m @ 9.0g/t

Sale of non-core assets

- King of the Hills sold to Red 5 Limited (ASX: RED) for A\$7.0m upfront cash (settlement in the current December quarter), 90 million Red 5 shares, and A\$4.5m in cash or Red 5 shares (at Saracen's election) 12 months after completion
- Binding agreement to sell Red October to Matsa Resources Limited (ASX: MAT) for A\$1 million cash and 4.545 million Matsa shares

Corporate

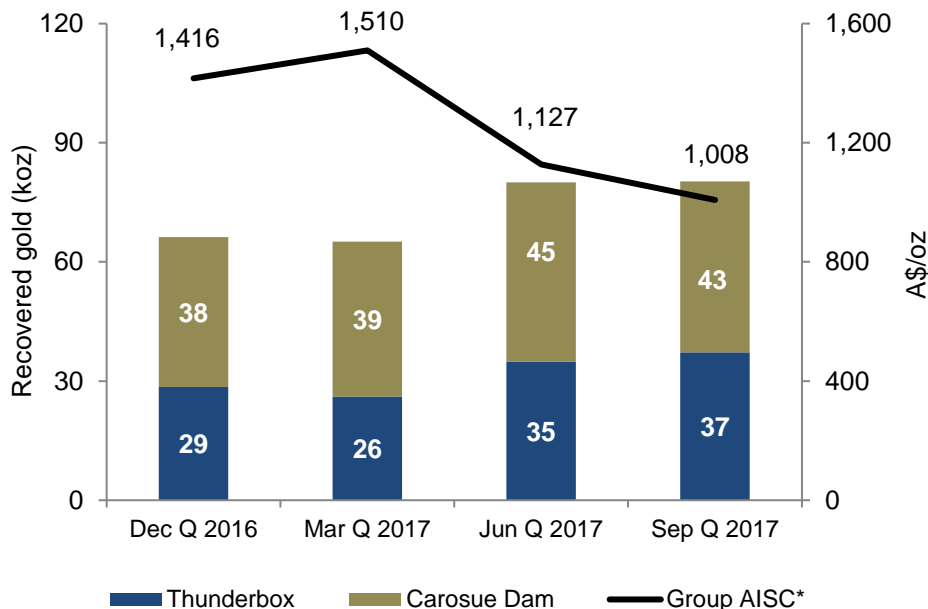
Experienced mining executive Simon Jessop appointed Chief Operating Officer, effective 3 January 2018

Overview

Saracen Mineral Holdings Limited (ASX: SAR) is pleased to announce a strong start to FY18, with:

- Production and costs running ahead of annual guidance
- 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 September quarter was 80,274 ounces. This was a record for the Company and is above the average quarterly run-rate required to maintain its 300,000oz pa production target.

This strong performance saw an 11% reduction in all-in sustaining costs to A\$1,008/oz.

Gold sales of 79,799oz underpinned revenues of \$126.3 million, allowing Saracen to grow its cash and equivalents to \$60.5 million at quarter-end. This was up from \$45.2 million last quarter despite the Company investing \$22 million in growth capital and exploration.

“Record production, lower costs, a rising cash pile and 40 per cent increase in Reserves growth make it a bumper start to the new financial year,” Saracen Managing Director Raleigh Finlayson said.

“At the same time, our strengthening balance sheet means we can continue to fund our ongoing commitment to aggressive exploration across our portfolio, which is delivering impressive results.

“Recent drilling results provides further strong evidence of the organic growth opportunities at Carosue Dam. With the encouraging results at Karari and the start of drilling at Whirling Dervish, we will aim to extend our visibility well beyond five years at Carosue Dam. Further drilling updates and progress reports on other growth initiatives are expected over the coming quarters.”

Saracen’s quarterly conference call will be held today at 8.00am AWST (11.00am AEST). The call can be accessed at: <https://boardroom.media/broadcast/?eid=59d2f876fb2969460264cf6a>

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

Sep Q 2017	Unit	Carosue Dam	Thunderbox	Group
Underground Mining				
Ore Mined	t	423,000	-	423,000
Mine Grade	g/t	3.2	-	3.2
Contained Gold	oz	43,217	-	43,217
Open Pit Mining				
Total Mining	bcm	-	4,425,000	4,425,000
Ore Mined	t	-	575,000	575,000
Mine Grade	g/t	-	2.3	2.3
Contained Gold	oz	-	41,786	41,786
Mill Production				
Ore Milled	t	646,000	554,000	1,200,000
Mill Grade	g/t	2.2	2.2	2.2
Contained Gold	oz	46,322	39,856	86,178
Recovery	%	93.0%	93.3%	93.2%
Recovered Gold	oz	43,083	37,191	80,274
Gold Sales	oz	42,884	36,915	79,799
Average Price Received	A\$/oz	1,585	1,579	1,583
Sales Revenue	A\$m	68.0	58.3	126.3
Closing Ore Stockpile				
Ore	t	138,000	509,000	647,000
Grade	g/t	2.1	1.0	1.2
Contained Gold	oz	9,523	16,112	25,635
Cost summary				
Mining	A\$m	24.5	7.6	32.1
Processing	A\$m	12.3	14.5	26.8
Site Administration	A\$m	2.4	1.6	4.1
Ore Purchase	A\$m	0	0	0
Cash Costs	A\$m	39.3	23.7	63.0
Royalties	A\$m	2.7	1.4	4.1
Capital Works	A\$m	-	-	-
Development	A\$m	5.9	11.1	17.0
Ore Inventory Adjustments	A\$m	(2.4)	(2.8)	(5.1)
Corporate	A\$m	1.1	0.9	2.1
All-in Sustaining Costs	A\$m	46.6	34.3	80.9
Growth Capital*	A\$m	3.3	11.9	15.1
Exploration	A\$m	5.4	1.5	6.9
Unit cost summary				
Mining	A\$/oz	569	203	399
Processing	A\$/oz	286	390	334
Site Administration	A\$/oz	57	44	51
Ore Purchase	A\$/oz	-	-	-
Cash Costs	A\$/oz	912	637	785
Royalties	A\$/oz	62	37	51
Capital Works	A\$/oz	-	-	-
Development	A\$/oz	137	297	211
Ore Inventory Adjustments	A\$/oz	(55)	(74)	(64)
Corporate	A\$/oz	26	26	26
All-in Sustaining Costs	A\$/oz	1,082	923	1,008
Mine cash flow				
Mine operating cash flow	A\$m	20.1	22.1	42.3
Net mine cash flow	A\$m	16.8	10.3	27.1

Mine operating cash flow = Sales revenue less AISC plus corporate costs. Net mine cash flow = Mine operating cash flow less growth capital.

[^] Reported on an accrual accounting basis

* Refer to figure 12 for breakdown

Sustainability

There were two Lost Time Injuries (LTI) recorded during the September quarter. Both were finger injuries resulting in engineering controls that have been implemented to mitigate the risk of further reoccurrence.

Table 2 – Group safety performance

	LTI	LTIFR	TRIFR
Carosue Dam	1	4.5	26.4
Thunderbox	1	1.1	8.6
Group	2	3.0	18.0

Assurance reviews of Saracen’s operational critical risks and controls against the 16 principal hazards were conducted across both operations during the quarter.

Mobilisation and operational risk reviews were also conducted during the quarter at Carosue Dam between Saracen and Byrnegut.

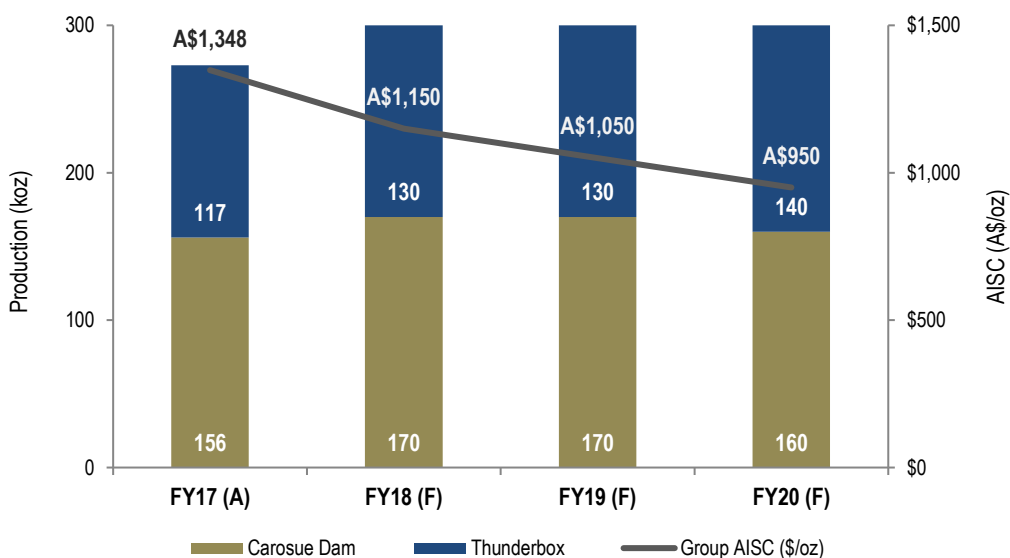
Saracen is committed to improving sustainability performance (and disclosure), recently appointing Dr Briony Sinclair as dedicated Sustainability Manager.

During the quarter Saracen completed Carbon Disclosure Project (CDP) reporting against water and climate change metrics as well as substance emissions (NPI) and National Greenhouse and Energy Reporting (NGERS). These reports will be made available on the Saracen website.

Outlook

The group production outlook for FY18 is maintained at ~**300,000oz** at an **AISC of A\$1,150/oz**, as per the 5-year outlook released to the ASX on 15 October 2015.

Figure 2 – 5-year outlook



Operations

Carosue Dam

Carosue Dam produced 43,083oz at an AISC of A\$1,082/oz (June quarter 45,104oz at A\$1,190/oz).

The Karari underground mine produced 25.1koz @ 3.2g/t (June quarter 27.7koz @ 2.9g/t). The Deep South underground mine produced 18.1koz @ 3.2g/t (June quarter 16.2koz @ 3.1g/t).

Mine operating cash flow for the quarter was A\$20.1 million. Net mine cash flow was A\$16.8 million after growth capital of A\$3.3 million.

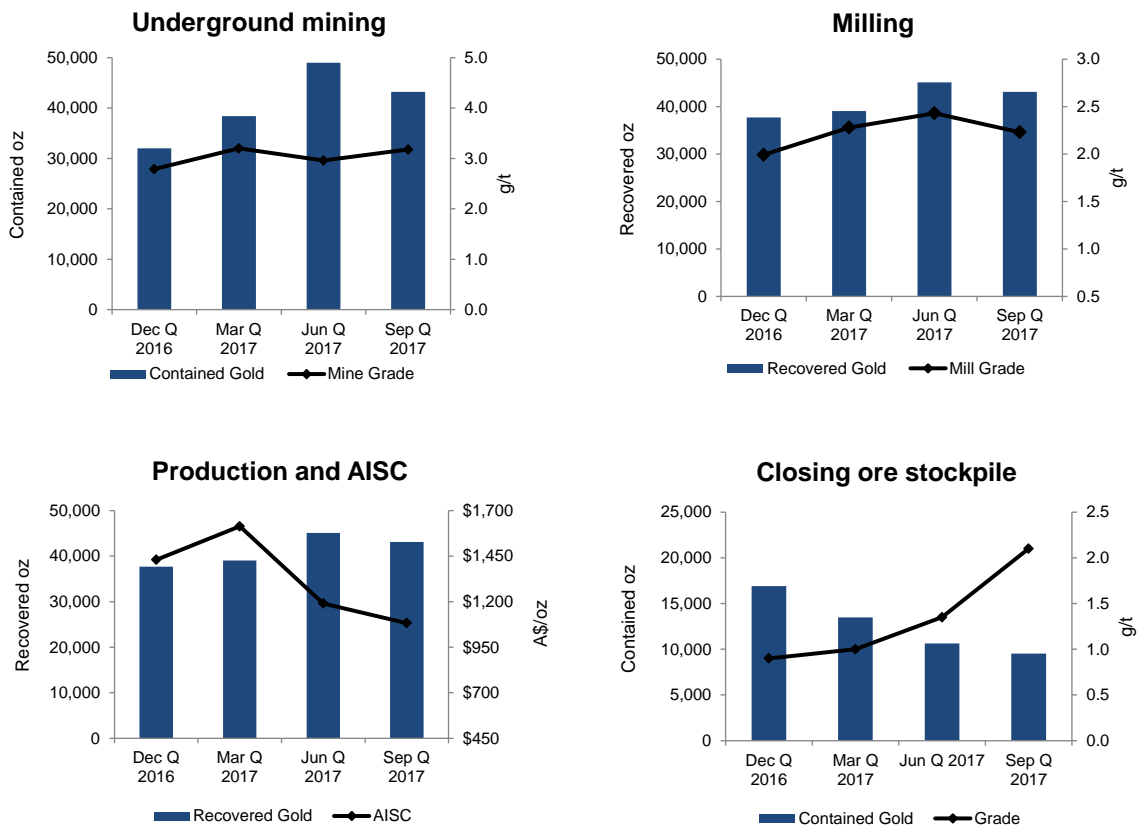
The transition to a single underground mining contractor (ByrneCut) successfully occurred late in the quarter to plan. A two week reduction in physical output from Karari and Deep South early in the current December quarter will be compensated by a high grade stockpile. This stockpile was built specifically to manage the short term impacts of the contractor change-over, as part of the risk management plan to maintain overall gold production.

ByrneCut is committed to a new state of the art mining fleet as well as technology initiatives such as the Sandvik Automine system. These investments are expected to deliver productivity benefits and further de-risk the underground mining plan.

A backfill study has commenced at Karari, providing the opportunity to increase Reserves, extend mine life (higher mining recoveries due to less material being left in-situ as pillars) and enhance cash flow generation. The study is being managed by Saracen and completed by external consultants Entech and Outotec with completion anticipated in the March quarter 2018.

The mill processed 646kt of ore at an average grade of 2.2g/t with a metallurgical recovery of 93.0%.

Figures 3-6 – Carosue Dam - Key charts



Thunderbox

Thunderbox produced 37,191oz at an AISC of A\$923/oz (June quarter 34,881oz at A\$1,045/oz).

Mine operating cash flow for the quarter was A\$22.1 million. Net mine cash flow was A\$10.3 million after growth capital of A\$11.9 million.

Total material movement was 4.4 million BCM, up 19% from the previous quarter. Mine grade for the quarter was 2.3g/t, up 5% from the previous quarter.

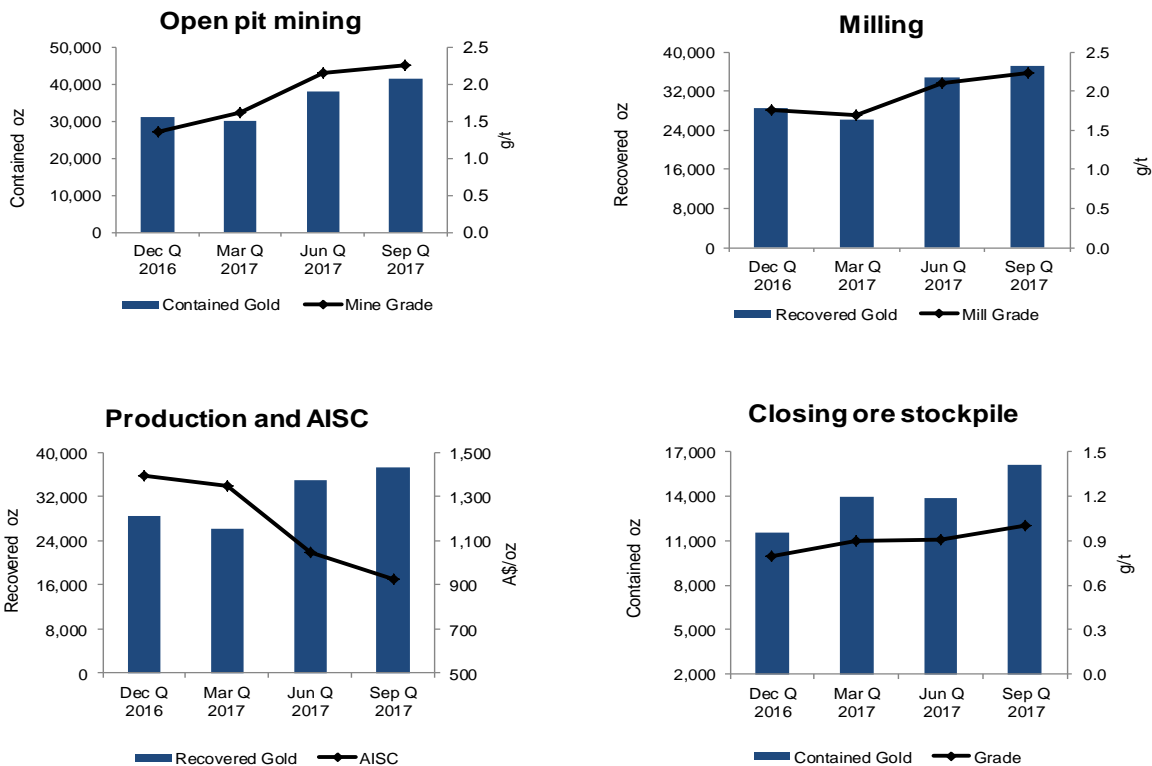
Ore production has commenced from C Zone with the top of the ore zone being reached in September. Mining in A Zone completes in the current (December) quarter, as per Saracen's corporate presentation (refer to slide 17 - ASX announcement "Saracen Corporate Presentation - September 2017"). Kailis pre-strip mining has advanced with 12kt of ore mined towards the end of the quarter. Milling of the first parcel of Kailis ore is scheduled in the current December quarter.

The mill processed 554kt of ore at an average grade of 2.2g/t with a metallurgical recovery of 93.3%.

Processing plant throughput has been in line with expectations through the September quarter. With the bulk of the feed coming from A Zone, the head grade increased 7% compared to the June quarter. Throughputs are expected to further improve with the inclusion of the softer C Zone and Kailis ore during the December quarter.

Recoveries have continued to improve with further upgrades to the oxygen plant being completed during the recent reline shut down.

Figures 7-10 – Thunderbox - Key charts



Exploration and growth

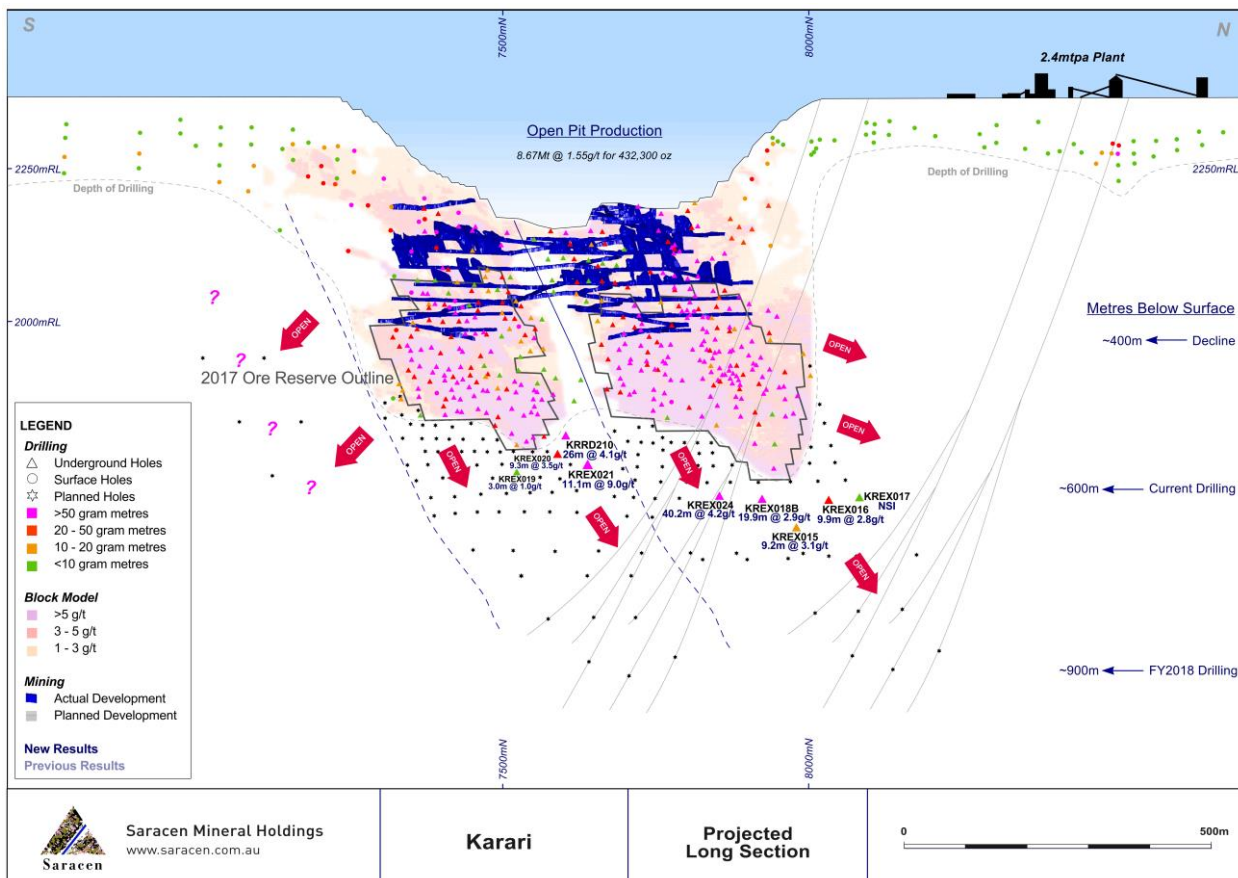
During the quarter Saracen announced record total Ore Reserves of 2.1Moz at 30 June 2017 (1.5Moz at 30 June 2016), an increase of 40% (despite depletion of 293,000oz). This underpins a seven year mine life at the 300,000oz per annum production rate.

Drilling update

Saracen's commitment to near-mine exploration drilling continued, with A\$6.9 million invested in the September quarter.

Karari (Carosue Dam) continues to deliver impressive results, both from extensional and infill drilling. Recent extensional highlights include: **40.2m @ 4.2g/t**, **26.0m @ 4.1g/t** and **11.1m @ 9.0g/t**. The results confirm the continuity of the mineralisation up to 100m below the 2017 Ore Reserve outline and will provide the frame work for planning an even deeper exploration program.

Figure 11 – Karari Long Section, new drill Results and deeper drill plan (black dots = planned drill holes)



At Karari's sister deposit, **Whirling Dervish**, a 36,000m drill program has commenced with first results anticipated in the current quarter. This drilling will be completed in the March quarter 2018. Drilling will then resume at Karari from new drill drives to be developed early in 2018.

At **Deep South** (Carosue Dam) highlights from infill drilling (focused on the FY18 mine plan) included: **8.0m @ 7.9g/t**, **9.1m @ 6.3g/t**, **3.8m @ 10.5g/t** and **6.1m @ 6.3g/t**. During FY18 additional drill positions will be established to facilitate extensional drilling below the 2017 Ore Reserve.

For further information on the drill results provided please refer to the ASX announcement "Drilling update" dated 26 September 2017.

Corporate and finance

Management

Simon Jessop will join the Executive team as Chief Operating Officer on 3 January 2018. 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.

Cash position

As at 30 September 2017, Saracen's total cash and equivalents position was A\$60.5 million (A\$45.2 million at 30 June 2017), comprising A\$49.8 million cash and A\$10.7 million gold in transit. There was no corporate debt drawn at the end of the quarter.

Gold sales

Gold sales for the quarter were 79,799oz at an average sale price of A\$1,583/oz, for total revenue of A\$126.3 million (note that gold sales excludes movements of gold in transit).

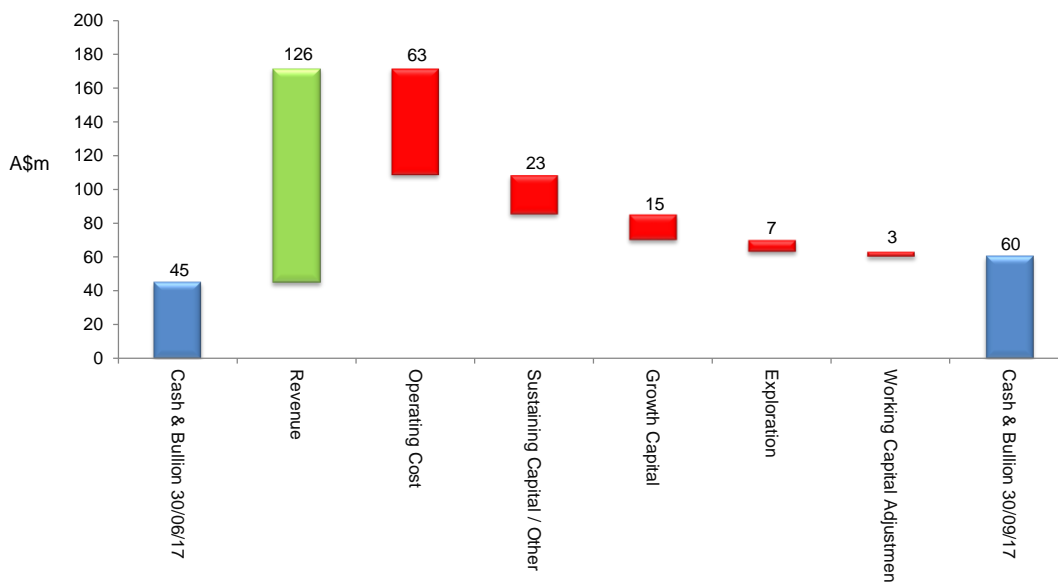
Hedging

43,200oz of gold hedging was delivered during the quarter, representing 18% of the total hedge book. During the quarter 48,000oz was added at A\$1,704/oz. At 30 September 2017 the hedge book comprised 240,143oz at an average delivery price of A\$1,603/oz (Appendix 1).

The hedge book is forecast to reduce a further 18% to 196,343oz by 31 December 2017 with 43,800oz to be delivered in the December quarter at an average price of A\$1,555/oz.

Cash flows

Figure 12 – September 2017 quarter cash movements



- **Revenue:** Revenue from gold sales
- **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 development, underground development, active mine exploration and corporate expenses
- **Growth Capital:** Cash outflows for Kailis Development (\$10.1m), Whirling Dervish Development and Drill Drive (\$1.6), TSF lift construction (\$0.2m), borefields and pipeline capital works (\$0.9m) and other miscellaneous items (\$2.2m).
- **Exploration:** Cash outflows for CDO (\$5.5m) and TBO (\$1.4m) exploration activities

Strategic review

King of the Hills

During the quarter Saracen announced completion of the sale of King of the Hills to a wholly owned subsidiary of ASX-listed gold company Red 5 Limited (ASX: RED).

The proceeds of the sale comprised:

- A\$7 million upfront cash
- 90 million Red 5 shares; escrowed for 12 months
- A\$4.5 million in cash or Red 5 shares (at Saracen's election) 12 months after completion
- Red 5 to assume all environmental liabilities

Following the issue of the 90m consideration shares and in connection with the underwriting of the rights issue, Saracen holds a relevant interest of 10.5% in Red 5 (130.6m shares). Consideration for the 40.6m underwriting shares of A\$2.0m was offset against the upfront cash payment, reducing the total cash received by Saracen to ~A\$5.0m (not received until the current December quarter).

Red October

During the quarter Saracen signed a binding agreement to sell the Red October gold mine to ASX-listed gold company Matsa Resources Limited (ASX: MAT).

The consideration for Red October comprises:

- A\$1 million cash
- 4.545 million Matsa shares
- Matsa to assume all environmental liabilities

Saracen will emerge with a 3.0% stake in Matsa post the transaction.

Both sales are consistent with Saracen's Project Nucleus strategy of focusing on its higher-margin assets at Carosue Dam and Thunderbox, located close to existing processing facilities.

For further information please contact:

Investors:
Troy Irvin
Corporate Development Officer
info@saracen.com.au

Media:
Read Corporate
Paul Armstrong / Nicholas Read
info@readcorporate.com.au

Appendix 1 – Details of hedging contracts at 30 September 2017

Month	Quantity	Price
	oz	A\$/oz
31-Oct-17	14,600	\$1,554
30-Nov-17	14,600	\$1,555
31-Dec-17	14,600	\$1,556
31-Jan-18	15,100	\$1,560
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	7,600	\$1,595
31-Aug-18	8,300	\$1,591
30-Sep-18	8,300	\$1,592
31-Oct-18	8,300	\$1,608
30-Nov-18	8,300	\$1,609
31-Dec-18	9,200	\$1,601
31-Jan-19	9,200	\$1,605
28-Feb-19	9,200	\$1,606
31-Mar-19	9,200	\$1,608
30-Apr-19	8,000	\$1,622
31-May-19	8,000	\$1,624
30-Jun-19	8,000	\$1,625
31-Jul-19	4,000	\$1,520
Total	240,143	\$1,603

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.