



SARACEN MINERAL HOLDINGS LIMITED | ABN 52 009 215 347



Annual General Meeting

20 November 2012

Chairman's Address

Welcome ladies and gentlemen.

For Saracen, the 2012 financial year ("FY2012") can be fairly categorised as one of consolidation as a reliable and profitable gold producer, the timely and safe delivery of two new gold mines, and a sizeable investment in ore reserve delineation and advancement of our project pipeline.

Gold production from the Carosue Dam operations was 116,122 oz, taking our total since commencement early in 2010 to around 300,000 oz. Operating revenue totalled A\$183.7M, at an average gold sale price of A\$1,624 per oz. Cash costs were A\$898 per oz, excluding royalties of A\$60 per oz, materially in line with guidance

Operating Profit, after depreciation, amortisation, royalties, and impairment and administration expenses was A\$37.7M (2011: \$42.2M). After hedge-related adjustments, other income and costs, a profit after tax of A\$18.7M (2011: \$47.7M) was recorded. Capital Expenditure totalled A\$97.8M, comprising exploration, capital development and property, plant & equipment.

From this A\$97.8 Million in investment expenditure, we recorded: -

- an impressive 57% increase in ore reserves to around 1.1M oz, a very significant milestone,
- the timely, safe and successful establishment of Red October as an underground gold mine, with this area showing significant growth potential,
- confirmation of the greater potential of the Whirling Dervish-Karari trend,
- confirmation of the economics of a sizeable cutback of the Whirling Dervish open pit, to access another 237,000 oz in reserves, and
- excellent drilling and ore reserve delineation results at Deep South, potentially our second underground gold mine.
- Highly promising drilling results at Pinnacles

By 30 June 2012, Gold Resources had grown to around 4.1 M oz and Reserves to around 1.1 M oz (refer ASX announcement dated 25 September 2012).

Looking forward, Saracen has a very exciting year ahead, with a move to larger scale bulk open pit mining from Whirling Dervish, Wallbrook and other future pits, coupled with commencement of works on a Stage 1 plant expansion to around 3.2Mtpa. FY2013 production will be sourced mostly from Karari and Deep South open pits,

which are delivering on or better than budget grades, as well as low grade stockpiles. In FY2013 Saracen is targeting gold production of 120,000 – 130,000oz, with our eyes firmly fixed on the higher amount. Thereafter we will move over to the expanded Whirling Dervish open pit, which will be the primary source of open pit feed, through the expanded plant, in FY2014 and FY2015.

At Red October (Northern region), a development programme is well in train, and underground gold mining operations have been established. Pleasingly latest drilling results have enabled the delineation of around two year's ore reserves and production outlook, with potential for more. Significant progress in this regard will be forthcoming in FY2013, as the Central Lode and other drilling programme are implemented.

A high priority 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 and the initiatives generated at the site level have already led to advances in the safety culture, with resulting improvements in safety performance.

To restate Saracen's business plan, we intend to: -

- extend the life and quality of our open pit resources and reserves;
- progress our underground mining projects;
- blend open pit ore with higher grade underground ore through an expanded Carosue Dam processing plant;
- generate increased gold production levels and cash flows; and
- build on and advance our impressive project pipeline.

Organic growth of the Carosue Dam project remains a core priority of the company and investment in exploration is anticipated to provide additional mining opportunities in the future.

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.

I have talked about our expansion plans. As regards financing of those plans, post year-end we announced a debt financing package with Macquarie Bank, following a competitive process. Saracen accepted a committed, credit-approved offer from Macquarie Bank for debt and gold price protection facilities (together "Finance Facilities"), as follows: -

- Debt facility of A\$50 million, comprising a A\$35 million project loan, and a \$15 million revolving working capital facility, with a term of three years;
- DMP environmental bonding facility of \$20 million;
- Hedging facility over approximately 180,000 ounces of gold (subject to finalisation and the gold price prevailing at time of execution); and
- Provision for an additional conditional A\$15 million mezzanine facility, should Saracen wish to access it for further project expansion purposes in the future.

The Finance Facilities will be applied towards the Company's Whirling Dervish open pit expansion (A\$30M pre-strip) and the Stage 1 upgrade of the processing plant ("Expansion Project"), which in total are budgeted to cost around \$50 million. The Finance Facilities will be drawn down progressively through the expansion and upgrade programs over the next 12 months or more.

We are pleased to have Macquarie's involvement as a lender to our operations and the expansion project. Macquarie is a leader in this segment of the resources sector, and the facilities bring substantial benefits to Saracen, namely full funding of the expansion works, as well as a release back to the Company of some cash

presently blocked for environmental bonding purposes. This is a solid outcome for our shareholders, and gives us significant financial flexibility.

The committed hedging component of the Finance Facilities is modest and accounts for around 16% of current ore reserves, which the company expects will continue to grow in line with its reserve growth over the past five years. The hedging facility is expected to be initiated over the next one-two months, with the quantum and pricing subject to the prevailing spot gold price.

While FY2012 has seen substantial progress at the operational level, one aspect of our performance, namely the Saracen share price, has been both inadequate and disappointing. It is presently trading at around half of what it was some 10 months ago. We aim to address this mismatch between the true worth and potential of the Company, and the way the market is valuing us, by not only improving our operational and financial performance, and meeting forecasts, but by adequately informing the market of our progress. Many of us in Saracen have important shareholdings in our Company, and we will be striving to ensure better share price performance for all shareholders.

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 Carl Thompson at this AGM is retiring as a director, 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. Similarly, I would like to acknowledge the excellent work and input from Rajan Narayanasamy our outgoing CFO, and wish him well in his future endeavours.

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

Guido Staltari
20 November 2012