



# SARACEN MINERAL HOLDINGS LIMITED

QUARTERLY REPORT: SEPTEMBER 2018

## Corporate Details:

16th October 2018

ASX code: SAR

### Corporate Structure:

Ordinary shares on issue: 820.3m

Unvested employee performance rights:  
10.0m

Market Capitalisation: A\$1.7b  
(share price A\$2.12)

Cash, bullion and investments (September 30): A\$131.0m

Debt (September 30): Nil

### Directors:

Mr Tony Kiernan  
Non-Executive Chairman

Mr Raleigh Finlayson  
Managing Director

Mr Geoff Clifford  
Non-Executive

Mr Martin Reed  
Non-Executive

Dr Roric Smith  
Non-Executive

Ms Samantha Tough  
Non-Executive

### Substantial Shareholders:

Van Eck 13.5%  
Wroxby 5.9%  
Paradise 5.0%

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## Record production, low costs and strong free cashflow

A\$60m FY19 exploration budget ramping up in December quarter to grow inventory and underpin production increase to 400koz pa

### Health and safety

- **One LTI** during the quarter, **LTIFR fell to 0.4** (v 30 June 1.0, v WA Gold Mining Average 2.1)

### Production

- **Record quarterly gold production of 88,940oz** (Carosue Dam 51,753oz; Thunderbox 37,187oz) at an **all-in sustaining cash cost (AISC) of A\$993/oz**
- **Closing ore stockpile** (gold inventory awaiting processing) of **63,409oz**
- **FY19 guidance maintained at 325-345,000oz** at an **AISC of A\$1,050 - 1,100/oz**

### Financial

- **Cash and equivalents of A\$131.0m at September 30** (up from A\$118.3m at June 30, despite spending A\$38.9m on growth capital and exploration)
- **Gold sales for the quarter of 86,623oz** at an **average sale price of A\$1,640/oz**, generating revenue of A\$142.0m
- **Gold hedging of 272,400oz** at an average delivery price of **A\$1,743/oz** (275,600oz at A\$1,730/oz at June 30)

### Discovery and growth

- **Record group Ore Reserves of 2.5Moz** at 30 June 2018 (2.1Moz at 30 June 2017) – An increase of 20% despite depletion of 348,000oz
- Drill results from Carosue Dam included; Karari **16.2m @ 16.2g/t, 14.7m @ 10.2g/t, 19.0m @ 6.3g/t, 14.4m @ 8.3g/t and 11.1m @ 9.8g/t**; Whirling Dervish **34.3m @ 5.7g/t, 18.9m @ 4.2g/t and 26.0m @ 2.5g/t**
- Drill results from Thunderbox included; D Zone **74.0m @ 1.6g/t and 12.0m @ 5.4g/t**; Kailis Stage 2 **9.0m @ 15.7g/t and 7.0m @ 17.1g/t**
- A\$10m invested in exploration in the quarter; **A\$60m FY19 exploration budget continues ramping up in December quarter**

### Corporate appointments

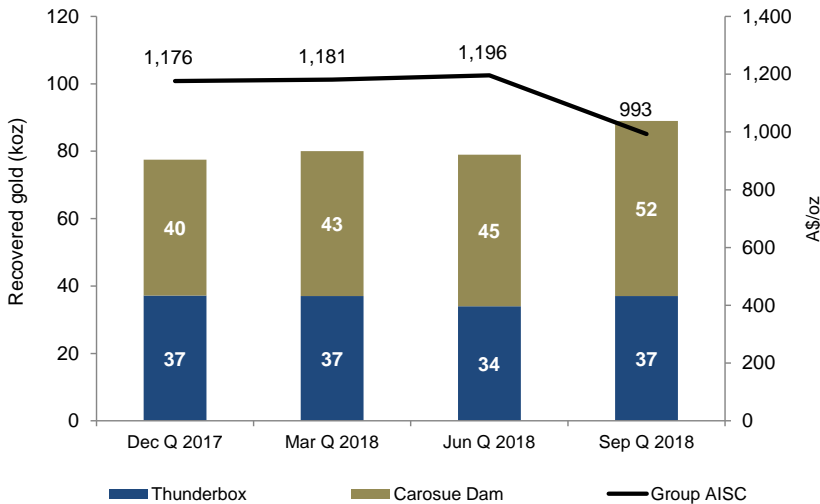
- **Experienced company Director Tony Kiernan appointed Non-Executive Chair**, replacing Geoff Clifford, who retired as Chair and remains on the Board as a Non-Executive Director

## Overview

Saracen Mineral Holdings Limited (ASX: SAR) is pleased to report on a strong September quarter which shows that the Company's strategy to grow its inventory, production and cashflow is proceeding to plan.

Production during the quarter was a record 88,940oz at an AISC of A\$993/oz. This stemmed from record group mill throughput and higher ore grades across all sources.

**Figure 1 – Group production and AISC**



Full-year guidance of 325,000-345,000oz at an AISC of A\$1050-1100/oz is maintained.

The strong production performance resulted in cash and equivalents rising to A\$131 million, up from A\$118.3 million at June 30, despite the Company spending A\$38.9 million on growth and exploration in the period.

As previously stated, Saracen has budgeted A\$60 million for exploration in the current financial year. In the September quarter, it spent just A\$9.9 million of this, which is in line with the Company's expectation that the bulk of the expenditure will be outlaid in the second half of the year.

Saracen Managing Director Raleigh Finlayson said the results were consistent with the Company's growth strategy.

"This performance demonstrates that we are continuing to meet our growth objectives on every front," Mr Finlayson said.

"We recently increased our FY19 production guidance and these results are perfectly in line with the budgets underpinning it.

"We are now ramping up our A\$60 million exploration program for this financial year. This is aimed at further increasing our inventory, which will in turn underpin the drive towards our target of 400,000oz a year.

"The upshot of this is we are on track to deliver increased production and free cashflow this financial year while investing in the exploration and development strategy which will drive growth beyond then."

Saracen's quarterly conference call will be held today at 8.00am AWST (11.00am AEST). The call can be accessed at: <http://webcasting.brrmedia.com/broadcast/5bb4211dbfd72969440cb861>

**Table 1 – September quarter 2018 gold production and cost summary<sup>^</sup>**

Sep Q 2018	Unit	Carosue Dam	Thunderbox	Group
<b>Underground Mining</b>				
Ore Mined	t	460,000	-	462,000
Mine Grade	g/t	3.2	-	3.2
Contained Gold	oz	48,081	-	48,173
<b>Open Pit Mining</b>				
Total Mining	bcm	-	1,373,000	1,373,000
Ore Mined	t	-	622,066	622,066
Mine Grade	g/t	-	1.2	1.2
Contained Gold	oz	-	24,109	24,109
<b>Mill Production</b>				
Ore Milled	t	647,000	741,000	1,388,000
Mill Grade	g/t	2.7	1.7	2.1
Contained Gold	oz	55,429	39,424	94,853
Recovery	%	91.6%	94.3%	92.7%
Recovered Gold	oz	51,753	37,187	88,940
Gold Sales	oz	50,161	36,462	86,623
Average Price Received	A\$/oz	1,643	1,635	1,640
Sales Revenue	A\$m	82.4	59.6	142.0
<b>Closing Ore Stockpile</b>				
Ore	t	810,000	1,144,000	1,954,000
Grade	g/t	1.0	1.0	1.0
Contained Gold	oz	24,982	38,427	63,409
<b>Cost summary</b>				
Mining	A\$m	22.6	17.4	40.0
Processing	A\$m	9.5	12.5	22.0
Site Administration	A\$m	2.0	2.0	4.1
Ore Purchase	A\$m	-	-	-
Cash Costs	A\$m	34.2	31.9	66.1
Royalties	A\$m	2.6	1.7	4.3
Capital Works	A\$m	0.4	0.4	0.8
Development	A\$m	4.5	2.9	7.4
Ore Inventory Adjustments	A\$m	(2.9)	(0.7)	(3.6)
Corporate	A\$m	1.4	1.0	2.4
All-in Sustaining Costs	A\$m	40.1	37.2	77.4
Growth Capital*	A\$m	18.4	10.6	29.0
Exploration	A\$m	7.1	2.8	9.9
<b>Unit cost summary</b>				
Mining	A\$/oz	556	467	513
Processing	A\$/oz	234	337	283
Site Administration	A\$/oz	50	53	52
Ore Purchase	A\$/oz	-	-	-
Cash Costs	A\$/oz	839	857	849
Royalties	A\$/oz	63	46	55
Capital Works	A\$/oz	11	10	11
Development	A\$/oz	110	78	93
Ore Inventory Adjustments	A\$/oz	(71)	(18)	(45)
Corporate	A\$/oz	33	27	30
All-in Sustaining Costs	A\$/oz	985	1,000	993
<b>Mine cash flow</b>				
Mine operating cash flow	A\$m	40.8	22.8	63.5
Net mine cash flow	A\$m	22.4	12.2	34.5

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.

Third party ore (Carosue Dam 10,077oz) included in recovered gold, excluded from A\$/oz calculations.

Pre-commercial production ounces from Whirling Dervish (Carosue Dam 975oz) included in recovered gold, excluded from A\$/oz calculations.

<sup>^</sup> Reported on an accrual accounting basis

\* Refer to Figure 12 for breakdown

## Sustainability

One Lost Time Injury (LTI) was reported in the September quarter.

*Table 2 – September quarter 2018 group safety performance*

	LTI	LTIFR	TRIFR
Carosue Dam	1	0.8	12.2
Thunderbox	0	0.0	10.1
Group	1	0.4	11.2

Saracen's maiden Sustainability Report was published during the September quarter.

## Listed investments

Listed investments were valued at A\$8.9 million at 30 September 2018.

*Table 3 – Listed investments at 30 September 2018*

	ASX	m shares	% stake	Val (A\$m)
Red 5	RED	130.6	10.5%	8.0
Matsa	MAT	4.5	2.6%	0.6
Nexus <sup>^</sup>	NXM	5.3	6.0%	0.3
<b>Total</b>				<b>8.9</b>

<sup>^</sup> 1.9m attached unlisted NXM options (exercise price 16.8c, expiry date 5th April 2020)

## Outlook

The group production outlook for FY19 is re-iterated at **325-345,000oz** (previously 300,000oz) at an **AISC of A\$1,050 - 1,100/oz**.

The following investment is planned for the next chapter of growth in FY19:

- A\$23m - Karari Fill plant
- A\$20m - Whirling Dervish underground development
- A\$13m - Thunderbox underground development
- A\$17m - Kailis Stage 2 open pit development
- A\$60m - Bolstered exploration spend
- A\$7m - Carosue Dam air-strip

The above items will be funded from operating cash flow, undrawn debt and ore stockpiles.

The A\$60m of exploration can be broken up into the following items and estimated spend:

- A\$20m - Karari-Dervish (Carosue Dam)
- A\$11m - Carosue Dam corridor
- A\$16m - Thunderbox
- A\$13m - Other

Saracen's 7 year production outlook, with **organic production growth to 350kozpa**, is considered a base case, with an **upside case to 400kozpa** (refer to ASX release dated 20th February 2018 "Corporate Presentation – February 2018").

# Operations

## Carosue Dam

Carosue Dam produced 51,753oz for the quarter at an AISC of A\$985/oz (June quarter 44,680oz @ A\$1,200/oz).

The Karari underground mine produced 30.3koz @ 3.1g/t (June quarter 27.5koz @ 2.7g/t). The Deep South underground mine produced 16.3koz @ 3.8g/t (June quarter 14.5koz @ 3.2g/t). The elevated grade at Deep South was due to tighter stope designs. Mining at Deep South is currently anticipated to finish in the March quarter 2019.

Mine operating cash flow for the quarter was A\$40.8 million. Net mine cash flow was A\$22.4 million after growth capital of A\$18.4 million.

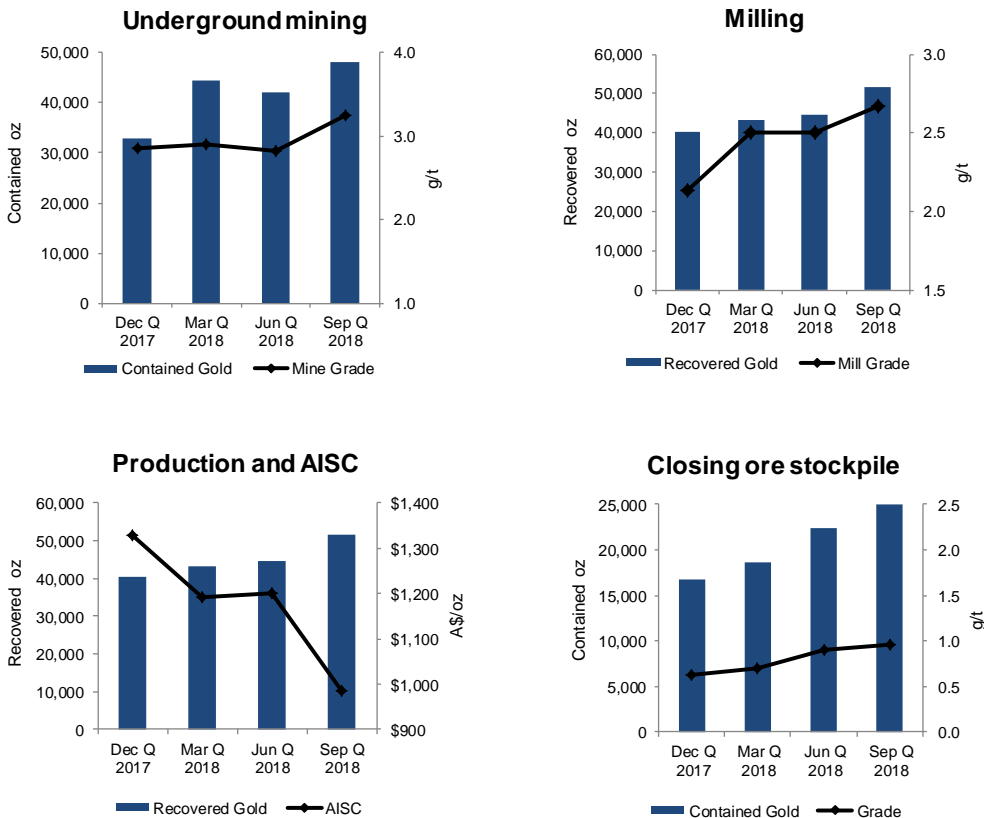
The A\$23 million Karari Fill Project moved to execution phase with GR Engineering mobilised late in September. The project is on track for first paste pour late in the June quarter 2019.

Development of the Dervish underground mine focused on decline and level development and the establishment of key infrastructure (ventilation, second means of egress, mine dewatering). Production activities will commence during the current December quarter. This is in line with the 7 year production outlook.

The mill processed 647kt at an average grade of 2.7g/t with metallurgical recoveries of 93.2% (June Quarter 611kt @ 2.5g/t).

The mill expansion study continues with Mintrex appointed lead consultant for the Feasibility Study.

Figures 2-5 – Carosue Dam - Key charts



## Thunderbox

Thunderbox produced 37,187oz at an AISC of A\$1,000/oz (June quarter 34,250oz @ A\$1,192/oz).

Total mine production was 24,109oz contained, with 12,672oz drawn from the Thunderbox ore stockpile. The stockpile will enable a consistent oxide contribution to the Thunderbox mill blend throughout FY19, with the softer material positively impacting throughput.

Mine operating cash flow for the quarter was A\$22.8 million. Net mine cash flow was A\$12.2 million after growth capital of A\$10.6 million.

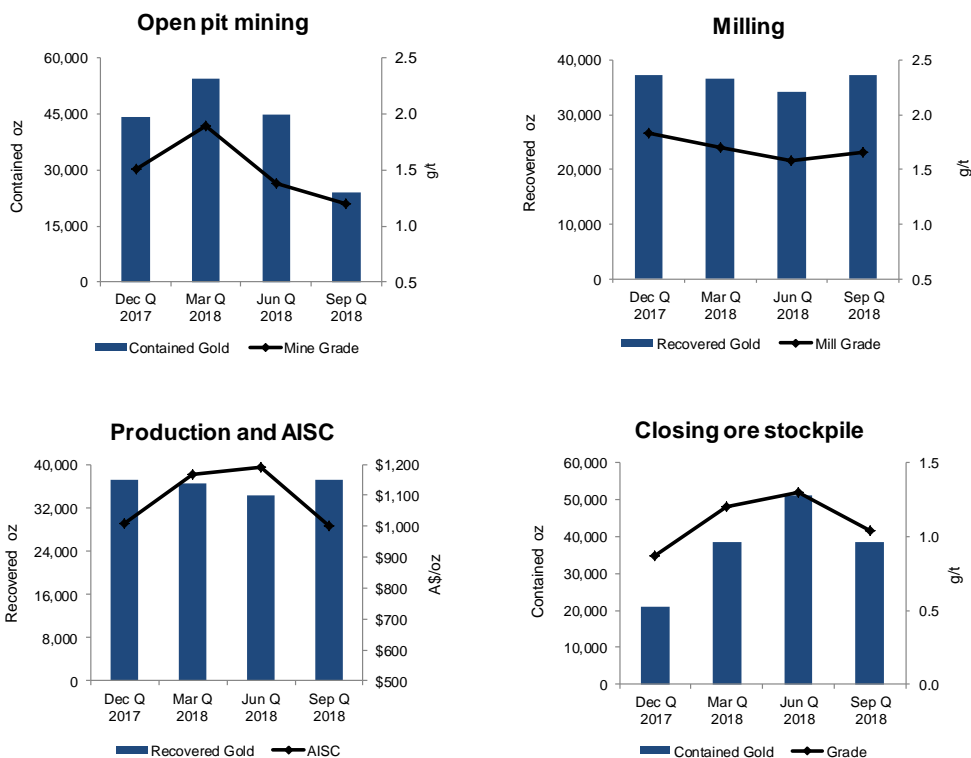
Thunderbox C Zone pit continued to progress on schedule, with the strip ratio continuing to drop and mined grades increasing as planned. Total material movement from the open pits was 1.4 million BCM, down 22% from the previous quarter due to the declining C Zone strip and the completion of Kailis Stage 1. Total open pit ore mined was 0.6Mt with a mine grade of 1.2g/t. The Kailis stage 2 open pit is due to commence in the current December quarter 2018.

The mill processed a record 741kt of ore (annualised 3.0Mt) at an average grade of 1.7g/t with a metallurgical recovery of 94.3%. The September quarter throughput rate of 351t per hour is in line with the June quarter and exceeds the previous full year rate of 335t per hour.

Development of the new Thunderbox underground continued during the quarter. Two drill rigs will commence underground drilling imminently.

Tailings facility works continued during the quarter. When completed this will provide 10 years tailings storage capacity at current throughputs. Camp upgrade works including the installation of additional accommodation units continued during the quarter.

Figures 6-9 – Thunderbox - Key charts





## Discovery and growth

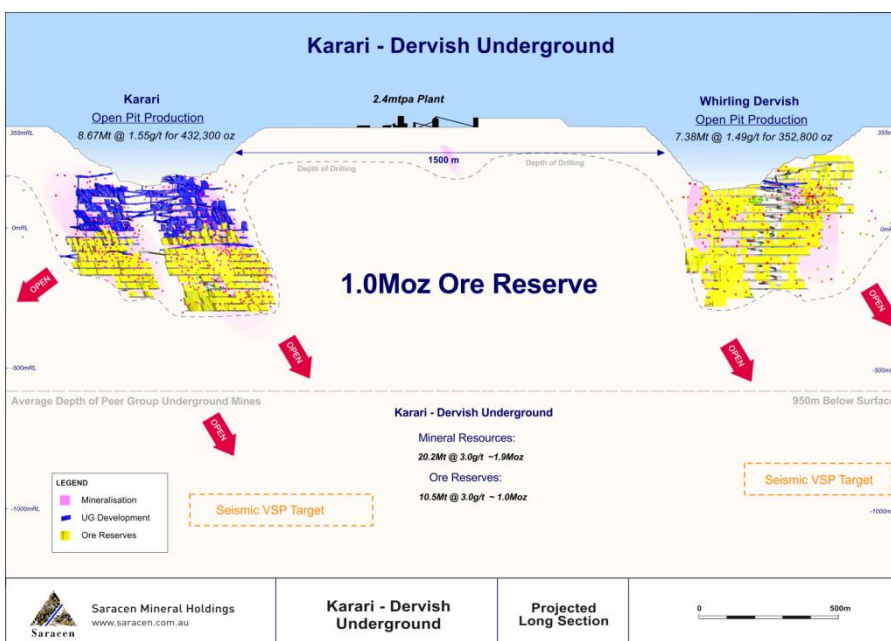
During the quarter Saracen announced **record total Ore Reserves of 2.5Moz** at 30 June 2018 (2.1Moz at 30 June 2017), an increase of 20% (despite depletion of 348,000oz). The new Reserve underpins a **mine life of at least seven years** based on the mid-point of FY19 production guidance of 325-345,000oz.

**Exploration activities are ramping-up** with A\$9.9 million invested in the September quarter. Early in the quarter the targeted FY19 spend was bolstered to A\$60 million (from A\$50 million).

### Carosue Dam

Karari – Dervish Ore Reserves (Carosue Dam) increased to 1.0Moz, up 64% from 610,000oz at 30 June 2017 (despite depletion of 105,000oz).

**Figure 10 – Karari – Dervish Underground - Long Section**



During the quarter, drill results from Carosue Dam included (previously released):

- Karari - 16.2m @ 16.2g/t, 14.7m @ 10.2g/t, 19.0m @ 6.3g/t, 14.4m @ 8.3g/t and 11.1m @ 9.8g/t
- Whirling Dervish - 34.3m @ 5.7g/t, 18.9m @ 4.2g/t and 26.0m @ 2.5g/t

Surface RC drilling continues at the Carosue Dam Corridor, within ~10km of the 2.4Mtpa mill.

### Thunderbox

Thunderbox Ore Reserves increased by 78koz to 980koz, with the inclusion of D Zone open pit (despite mining depletion of 121koz).

During the quarter, drill results from Thunderbox included (previously released):

- D Zone - 74.0m @ 1.6g/t and 12.0m @ 5.4g/t
- Kailis Stage 2 - 9.0m @ 15.7g/t and 7.0m @ 17.1g/t

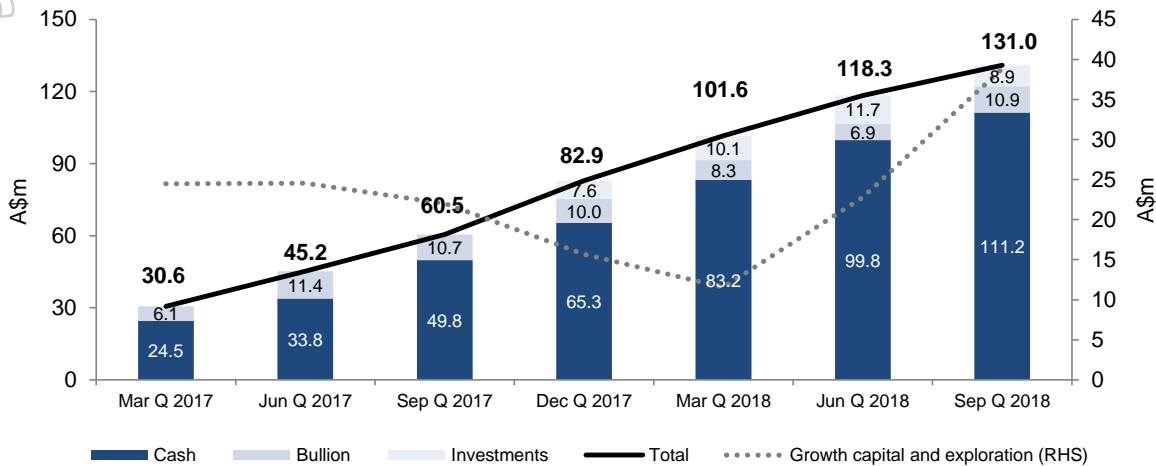
For further information on the drill results provided, please refer to the ASX announcement "Strong drill results support Saracen's growth strategy" dated 31<sup>st</sup> July 2018.

## Corporate and finance

### Cash position

As at 30 September 2018, Saracen's total cash, bullion and investments were A\$131.0 million. There was no corporate debt drawn at the end of the quarter.

Figure 11 – Cash, bullion and investments, and growth capital and exploration spend



### Gold sales

Gold sales for the quarter were 86,623oz at an average sale price of A\$1,640/oz, for total revenue of A\$142.0 million (note that gold sales excludes movements of gold in transit).

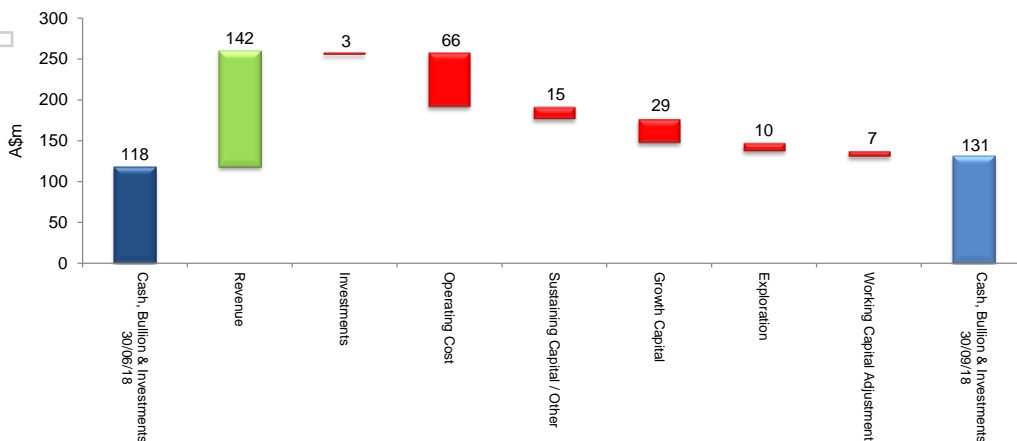
### Hedging

During the quarter 59,000oz of hedging was added at A\$1,694/oz, and 62,200oz of hedging was delivered at A\$1,641/oz.

At 30 September 2018, the hedge book comprised 272,400oz at an average delivery price of A\$1,743/oz (Appendix 1).

### Cash-flows

Figure 12 – September 2018 quarter cash movements



- **Operating Costs:** Cash outflows for mining, ore cartage, processing, and site administration.
- **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 mine development (Thunderbox underground A\$5.5m, Whirling Dervish A\$5.1m, Karari A\$3.0m, Kailis A\$2.1m), Carosue Dam aerodrome A\$2.5m, Carosue Dam paste fill plant A\$6.2m, and other miscellaneous items A\$4.7m.
- **Exploration:** Cash outflows for CDO (A\$7.1m) and TBO (A\$2.8m) exploration activities.



## Appendix 1 – Hedging at 30 September 2018

Quarter	Quantity	Price
	oz	A\$/oz
Dec-18	60,800	\$1,728
Mar-19	51,600	\$1,738
Jun-19	48,000	\$1,738
Sep-19	27,500	\$1,712
Dec-19	25,500	\$1,748
Mar-20	18,500	\$1,756
Jun-20	18,000	\$1,767
Sep-20	10,500	\$1,765
Dec-20	6,000	\$1,825
Mar-21	6,000	\$1,836
<b>Total</b>	<b>272,400</b>	<b>\$1,743</b>

### 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.

### For further information please contact:

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