



SARACEN MINERAL HOLDINGS LIMITED

ACN: 009 215 347

Commercial production declared at Thunderbox

***Production ramping up to ~300,000ozpa at AISC of
<A\$1075/oz***

Corporate Details:

10th May 2016

ASX code: SAR

Corporate Structure:

Ordinary shares on issue: 800.8m

Unvested employee performance rights:
20.2m

Market Capitalisation: A\$965m
(share price A\$1.205)

Cash & Bullion (31 March): A\$34.3m

Debt: Nil

Directors:

Mr Geoff Clifford
Non-Executive Chairman

Mr Raleigh Finlayson
Managing Director

Mr Mark Connelly
Non-Executive

Mr Martin Reed
Non-Executive

Ms Samantha Tough
Non-Executive

Substantial Shareholders:

Van Eck 8.6%

Wroxby 8.2%

Paradice Investment Management 8.0%

Karara Capital 6.1%

Registered Office:

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Key Points

- Commercial production declared at the Thunderbox gold project in WA, effective April 1, 2016
- Processing plant operating at nameplate capacity of 2.5Mtpa
- Thunderbox produced 7,026oz in the month of April 2016 at 94.1% recovery with an **AISC of A\$1,107/oz**
- Group production ramping-up to ~300,000ozpa at AISC of <A\$1075/oz; Saracen has no debt
- Commercial production at Thunderbox achieved after a capital investment of A\$63.4m
- Thunderbox **free cashflow of A\$1.6m** (including capital) in the month of April with 6,052oz sold at average gold price of A\$1,636/oz
- 100% of the Thunderbox development funded from internal cashflows generated by the highly successful Carosue Dam project in WA
- 100% of Thunderbox consideration now paid, totalling A\$31.6m, including the purchase of the 1.5% NSR Norilsk royalty
- Fixed price diesel contracts initiated covering approximately 50% of the Thunderbox consumption over the next two years
- Pre-stripping of Zone C to commence in the September quarter, with installation of the gravity circuit in July 2016
- Exploration drilling underway at King of the Hills (65km south of Thunderbox); initial results anticipated in the September quarter

Saracen Mineral Holdings Limited (**ASX: SAR**) is pleased to declare commercial production at its 100 per cent-owned Thunderbox Gold Project in WA.

Thunderbox, which was delivered ahead of schedule and under budget, achieved cashflow positive status just two months after commissioning commenced.

This milestone means Saracen has joined the mid-tier Australian gold sector, increasing its production rate to ~300,000 ounces a year at an all-in sustaining cost of <A\$1075/oz. Importantly, the addition of Thunderbox de-risks the Company's production profile, adding diversity and flexibility.

Beyond the initial open pit mine life of approximately five years, Thunderbox has promising underground potential. Drilling planned for later this year will aim to define a long-term underground mine, which will potentially extend the project life beyond 10 years.

All Thunderbox consideration now paid

All consideration for the acquisition of Thunderbox, totalling A\$31.6m, has now been paid. This includes the purchase of the 1.5% NSR Norilsk royalty, and the A\$3.0m final payment.

Table 1 – All Thunderbox consideration now paid

Consideration		
	A\$m	Comment
A\$20m cash	20.0	Paid on settlement
A\$3m cash	3.0	Paid on gold price > A\$1,550/oz for a calendar month, 24 months following settlement
8.0m SAR shares*	7.9	Purchase of Norilsk royalty
US\$0.5m cash**	0.7	Purchase of Norilsk royalty
TOTAL	31.6	

	A\$/oz
EV/Reserve oz^	39
EV/Resource oz^^	13

* Based on 10 day VWAP of A99c prior to execution

** Based on AUD/USD 0.75

^ Based on Ore Reserves at 30 June 2015 of 802koz

^^ Based on Mineral Resources at 30 June 2015 of 2.46Moz

The total consideration confirms efficient allocation of capital, with the transactional Reserve and Resource multiples substantially lower than other comparable deals over recent years.

On a fully-funded (FF) basis i.e. including the capital investment of A\$63.4m, the FF A\$/Reserve oz is a compelling A\$118.

Fixed price diesel contracts initiated

Saracen has taken the opportunity presented by historically low oil prices to partially fix the A\$ diesel price. The fixed price contracts cover ~50% of the diesel usage at Thunderbox over the next 2 years.

Table 2 – Fixed price diesel contracts

Tranche		Delivery	Volume		Fixed Price*
#		Period	Litres	Litres per month	A\$/litre
1		1 Jul 2016 - 31 Dec 2016	4,500,000	750,000	0.530
2		1 Jan 2017 - 30 Jun 2017	4,500,000	750,000	0.560
3		1 Jul 2017 - 31 Dec 2017	4,500,000	750,000	0.580
4		1 Jan 2018 - 30 Jun 2018	4,500,000	750,000	0.605

* The fixed price applies to the base Product Price (Diesel 10ppm), Ocean Freight, and Insurance and Loss for the volumes specified above.

All other costs, charges and conversions of currency or metrics are added to the price.

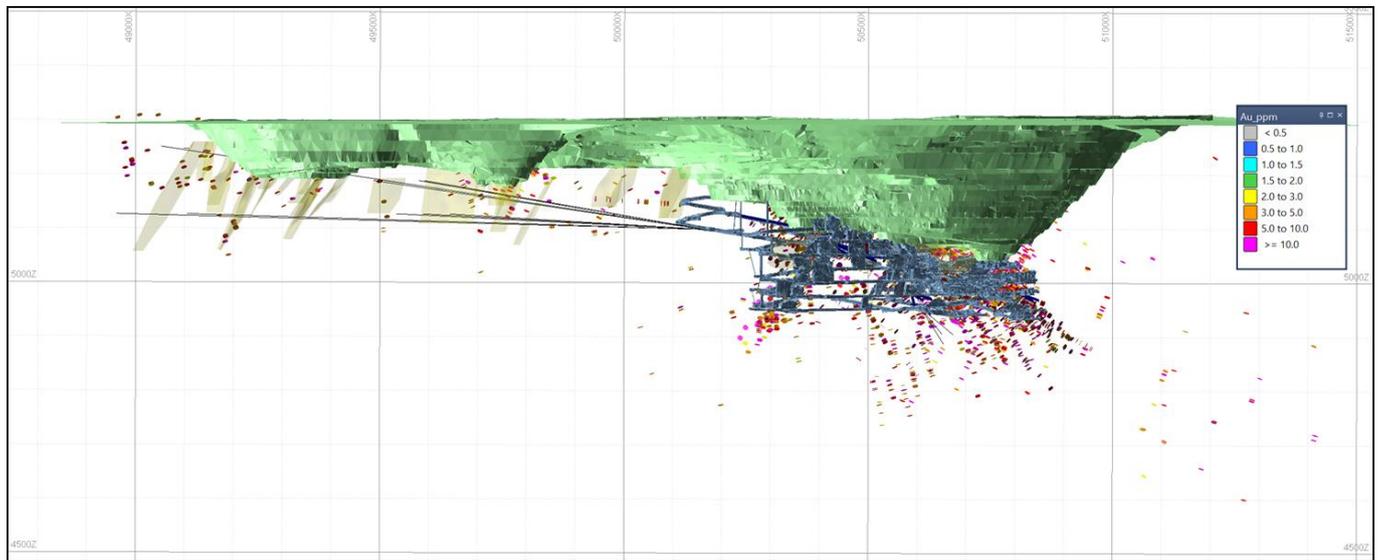
The weighted average fixed price of A\$0.569/litre (~A\$0.62/litre including land freight delivered to site) is ~30% less than the Feasibility Study assumption of A\$0.90/litre (delivered to site).

Thunderbox is a bulk open pit mine employing large scale mobile equipment, with the cost of diesel the largest single operating cost item. The partial fixing of the diesel price provides Saracen with a degree of price certainty over its biggest expense and will assist in managing future cash flows and production costs.

King of the Hills drilling

Exploration drilling is underway at King of the Hills (65km south of Thunderbox).

Figure 1 – Planned drilling at King of the Hills



The drilling will test potential higher grade zones identified to the south of the current underground workings. Initial results are anticipated in the September quarter.

Saracen Managing Director Raleigh Finlayson said Thunderbox had transformed the Company into a leading mid-tier Australian gold producer.

“Thunderbox gives us the level of production and cashflow sought after by international investors while enabling us to remain debt-free,” Mr Finlayson said.

“The potential +10-year mine life of Thunderbox and the exploration upside at both Thunderbox and Carosue Dam means we have a sustainable production profile with strong growth prospects.”

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^ The information on Thunderbox Mineral Resources and Ore Reserves has been extracted from the ASX announcement titled “2015 Mineral Resources and Ore Reserves” dated 15 October 2015. 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.