



# SARACEN MINERAL HOLDINGS LIMITED

QUARTERLY REPORT: DECEMBER 2018

## Corporate Details:

21st January 2019

ASX code: SAR

## Corporate Structure:

Ordinary shares on issue: 820.3m

Unvested employee performance rights: 12.0m

Market Capitalisation: A\$2.4b  
(share price A\$2.94)

Cash, bullion and investments (December 31): A\$142.6m

Debt (31 December): 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 13.3%

BlackRock Group 5.0%

## Registered Office:

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## Saracen increases production guidance following record December half

Mine operating cash flow of A\$67m in December quarter from production of 88,833oz; FY19 guidance rises to 345-365,000oz from 325-345,000oz at unchanged AISC of A\$1,050-1,100/oz

## Sustainability

- **No LTI's** during the quarter, **LTIFR steady at 0.4** (30 September 0.4, WA Gold Mining Average 1.9)

## Production

- **Quarterly gold production of 88,833oz** (Carosue Dam 53,108oz; Thunderbox 35,725oz) at **AISC of A\$1,067/oz**
- **Closing ore stockpile** (inventory awaiting processing) of **53,439oz**
- **FY19 guidance increased to 345-365,000oz** (previously 325-345,000oz), **AISC maintained at A\$1,050-1,100/oz**

## Financial

- **Cash and equivalents of A\$142.6m at 31 December** (up from A\$131.0m at 30 September, despite spending A\$55.3m on growth capital and exploration)
- **Gold sales for the quarter of 85,049oz** at an **average sale price of A\$1,724/oz**, generating revenue of A\$146.6m
- **Gold hedging of 382,100oz** at an average delivery price of **A\$1,773/oz** (272,400oz at A\$1,743/oz at 30 September)

## Discovery and growth

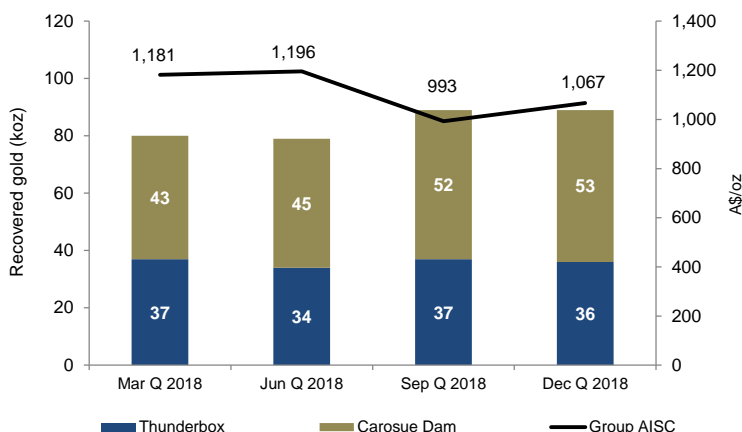
- **A\$60m FY19 exploration budget continues ramping up** with A\$12.3m invested in the quarter
- Drill results from Carosue Dam included; Karari **71.0m @ 6.0g/t**, **36.0m @ 3.8g/t** and **13.1m @ 9.1g/t**; Whirling Dervish **21.3m @ 4.7g/t**, **20.5m @ 4.5g/t** and **20.5m @ 4.1g/t**; Deep South **10.9m @ 18.3g/t**, **5.0m @ 18.0g/t** and **9.2m @ 12.3g/t**
- Drill results from Thunderbox included; Zone A **37m @ 2.8g/t**, **28m @ 2.9g/t** and **14m @ 3.7g/t**; Kailis Stage 2 **9.0m @ 15.7g/t** and **7.0m @ 17.1g/t**; Bannockburn (Irvin Lodes) **14.0m @ 3.7g/t** and **15.0m @ 2.9g/t**
- **Encouraging results** reported in the **Carosue Dam Corridor**, within 4km of the mill; **Atbara** discovery hole **40.0m @ 3.8g/t** (including 12.0m @ 7.7g/t), **Qena** discovery hole **20.0m @ 2.8g/t**
- This exploration success has prompted Saracen to increase the FY19 capital development budget by **A\$35m**; This will **accelerate underground development** at Carosue Dam and Thunderbox, **ensuring both the increased production rate and mine lives are maintained**

## Overview

Saracen Mineral Holdings Limited (ASX: SAR) is pleased to report on a strong December quarter which confirms the strategy to grow inventory, production and cash flow is proceeding to plan.

Production for the December quarter was 88,833oz at an all-in sustaining cost (AISC) of A\$1,067/oz. Production for the December half was a record 177,774oz at an AISC of A\$1,030/oz. This stemmed from record group mill throughput and record mill grades.

**Figure 1 – Group production and AISC**



FY19 guidance is increased to 345-365,000oz (previously 325-345,000oz), with AISC maintained at A\$1,050-1,100/oz.

Cash and equivalents rose to A\$142.6 million, up from A\$131.0 million at September 30, despite the Company spending A\$43.0 million on growth and A\$12.3m on exploration in the quarter. Exploration and development capital expenditure is anticipated to peak in the current March quarter.

Another host of impressive exploration results were delivered across the portfolio, including two new discoveries close to the Carosue Dam mill.

Saracen Managing Director Raleigh Finlayson said the December quarter results continued the Company's track record of growth in its three key target areas: inventory, production and cashflow.

"The increased production guidance published today, which comes with no increase in costs, shows that our strategy of investing in exploration and development is generating outstanding results.

"In parallel with this latest production growth, we have delivered exceptional exploration results which will help underpin further growth in our inventory.

"Our strong production and tight costs meant we were able to invest in exploration and development while also increasing our cash position by another A\$11.6 million to A\$142.6 million.

"In light of our recent exploration success, we have increased the FY19 capital development budget by A\$35 million. This will enable us to capitalise on our exploration success by sustaining the increased production rate while maintaining mine lives.

"Investing in organic growth has driven our success in recent years and it will continue to do so as we move towards our longer-term production target of 400,000oz a year."

Saracen's quarterly conference call will be held **today** at **8.00am AWST** (11.00am AEST). The call can be accessed at: <https://webcasting.boardroom.media/broadcast/5c342ad6eb965402d8d669b8>

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

<b>Dec Q 2018</b>	<b>Unit</b>	<b>Carosue Dam</b>	<b>Thunderbox</b>	<b>Group</b>
<b>Underground Mining</b>				
Ore Mined	t	509,000	28,000	537,000
Mine Grade	g/t	3.0	2.1**	2.9
Contained Gold	oz	48,783	1,797	50,580
<b>Open Pit Mining</b>				
Total Mining	bcm	-	1,694,000	1,694,000
Ore Mined	t	-	545,000	545,000
Mine Grade	g/t	-	1.4	1.4
Contained Gold	oz	-	25,109	25,109
<b>Mill Production</b>				
Ore Milled	t	617,000	684,000	1,300,000
Mill Grade	g/t	2.9	1.7	2.3
Contained Gold	oz	57,249	37,834	95,083
Recovery	%	92.8%	94.4%	93.4%
Recovered Gold	oz	53,108	35,725	88,833
Gold Sales	oz	52,538	32,512	85,049
Average Price Received	A\$/oz	1,724	1,723	1,724
Sales Revenue	A\$m	90.6	56.0	146.6
<b>Closing Ore Stockpile</b>				
Ore	t	792,000	1,044,000	1,836,000
Grade	g/t	0.9	0.9	0.9
Contained Gold	oz	22,467	30,972	53,439
<b>Cost summary</b>				
Mining	A\$m	20.4	16.4	36.8
Processing	A\$m	10.2	13.1	23.3
Site Administration	A\$m	2.3	1.7	4.0
Cash Costs	A\$m	32.9	31.2	64.1
Royalties	A\$m	3.0	1.7	4.8
Capital Works	A\$m	0.1	0.9	1.1
Development	A\$m	6.4	2.8	9.2
Ore Inventory Adjustments	A\$m	1.3	1.5	2.8
Corporate	A\$m	1.8	1.3	3.1
All-in Sustaining Costs	A\$m	45.6	39.5	85.1
Growth Capital*	A\$m	25.4	17.6	43.0
Exploration	A\$m	7.4	5.0	12.3
<b>Unit cost summary</b>				
Mining	A\$/oz	449	478	461
Processing	A\$/oz	225	381	292
Site Administration	A\$/oz	52	48	50
Cash Costs	A\$/oz	725	907	804
Royalties	A\$/oz	67	51	60
Capital Works	A\$/oz	3	27	14
Development	A\$/oz	141	83	116
Ore Inventory Adjustments	A\$/oz	29	44	35
Corporate	A\$/oz	40	37	39
All-in Sustaining Costs	A\$/oz	1,005	1,149	1,067
Depreciation and Amortisation	A\$/oz	236	237	236
<b>Mine cash flow</b>				
Mine operating cash flow	A\$m	48.1	19.3	67.4
Net mine cash flow	A\$m	22.7	1.7	24.5

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 5,503oz) included in recovered gold, excluded from A\$/oz calculations.

Pre-commercial production ounces from Whirling Dervish (Carosue Dam 2,244oz) and Thunderbox underground (1,359oz) included in recovered gold, excluded from A\$/oz calculations.

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

\* Refer to Figure 11 for breakdown

\*\* Underground development ore only

**Table 2 – FY19 YTD gold production and cost summary<sup>^</sup>**

YTD FY19	Unit	Carosue Dam	Thunderbox	Group
<b>Underground Mining</b>				
Ore Mined	t	969,000	29,000	998,000
Mine Grade	g/t	3.1	2.0**	3.1
Contained Gold	oz	96,864	1,889	98,753
<b>Open Pit Mining</b>				
Total Mining	bcm	-	3,067,000	3,067,000
Ore Mined	t	-	1,165,000	1,165,000
Mine Grade	g/t	-	1.3	1.3
Contained Gold	oz	-	49,125	49,125
<b>Mill Production</b>				
Ore Milled	t	1,264,000	1,425,000	2,688,000
Mill Grade	g/t	2.8	1.7	2.2
Contained Gold	oz	112,678	77,258	189,936
Recovery	%	93.1%	94.4%	93.6%
Recovered Gold	oz	104,861	72,912	177,774
Gold Sales	oz	102,699	68,974	171,673
Average Price Received	A\$/oz	1,685	1,676	1,681
Sales Revenue	A\$m	173.0	115.6	288.7
<b>Closing Ore Stockpile</b>				
Ore	t	792,000	1,044,000	1,836,000
Grade	g/t	0.9	0.9	0.9
Contained Gold	oz	22,467	30,972	53,439
<b>Cost summary</b>				
Mining	A\$m	43.0	33.8	76.8
Processing	A\$m	19.7	25.6	45.3
Site Administration	A\$m	4.4	3.6	8.0
Cash Costs	A\$m	67.1	63.0	130.1
Royalties	A\$m	5.6	3.5	9.1
Capital Works	A\$m	0.6	1.3	1.9
Development	A\$m	10.8	5.7	16.6
Ore Inventory Adjustments	A\$m	(1.6)	0.9	(0.8)
Corporate	A\$m	3.2	2.3	5.5
All-in Sustaining Costs	A\$m	85.7	76.7	162.4
Growth Capital	A\$m	43.8	28.2	72.0
Exploration	A\$m	14.4	7.8	22.2
<b>Unit cost summary</b>				
Mining	A\$/oz	500	472	487
Processing	A\$/oz	229	358	288
Site Administration	A\$/oz	51	51	51
Cash Costs	A\$/oz	779	881	825
Royalties	A\$/oz	65	48	58
Capital Works	A\$/oz	7	19	12
Development	A\$/oz	126	80	105
Ore Inventory Adjustments	A\$/oz	(18.6)	12	(5)
Corporate	A\$/oz	37	32	35
All-in Sustaining Costs	A\$/oz	996	1,072	1,030
Depreciation and Amortisation	A\$/oz	213	289	244
<b>Mine cash flow</b>				
Mine operating cash flow	A\$m	88.9	42.1	131.0
Net mine cash flow	A\$m	45.1	13.9	59.0

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 15,580oz) included in recovered gold, excluded from A\$/oz calculations.

Pre-commercial production ounces from Whirling Dervish (Carosue Dam 3,219oz) and Thunderbox underground (1,359oz) included in recovered gold, excluded from A\$/oz calculations.

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

\*\* Underground development ore only

## Sustainability

No Lost Time Injuries (LTI) were reported in the December quarter.

**Table 3 – December quarter 2018 group safety performance**

	LTI	LTIFR	TRIFR
Carosue Dam	0	0.8	14.4
Thunderbox	0	0.0	9.9
Group	0	0.4	12.6

## Outlook

The group production outlook for FY19 is increased to **345-365,000oz** (previously 325-345,000oz) at an **unchanged AISC of A\$1,050 - 1,100/oz**.

Recent exploration success has prompted Saracen to increase the FY19 capital development budget by A\$35m to accelerate underground development at Carosue Dam and Thunderbox.

**Table 4 – Next chapter of growth in FY19**

Key items	UPDATED	PREVIOUS	COMMENT
	A\$m	A\$m	
Karari paste plant	23	23	No change
Karari - Dervish underground development	42	20	Increase production rate as Deep South potentially nears completion
Thunderbox underground development	26	13	Advance the decline to enable early opportunistic stoping in FY20
Kailis Stage 2 open pit development	17	17	No change
Carosue Dam air-strip	7	7	No change
Exploration	60	60	No change
Total	175	140	

Fast-tracking access to the additional underground ore identified by extensional drilling will ensure the increased production rate and mine lives are maintained.

Saracen has a robust balance sheet with available funding of A\$292.5m (cash and bullion A\$128.4m, liquid investments of A\$14.1m, undrawn debt facility A\$150m) plus operating cash flows and ore stockpiles.

Exploration and development capital expenditure is anticipated to peak in the current March quarter. This is likely to result in a temporarily side-ways movement in cash on hand over the March quarter before resuming an upward trajectory in the June quarter.

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"). The 7 year production outlook, and specifically FY20 group production guidance will be revised in the September quarter 2019.

# Operations

## Carosue Dam

Carosue Dam produced 53,108oz for the quarter at an AISC of A\$1,005/oz (September quarter 51,753oz @ A\$985/oz).

The Karari underground mine produced 33.5koz @ 3.0g/t (September quarter 30.3koz @ 3.1g/t). The Deep South underground mine produced 13.2koz @ 3.1g/t (September quarter 16.3koz @ 3.8g/t). On the back of encouraging drill results (refer page 8), Saracen is evaluating a number of alternatives to the current plan to complete mining at Deep South in the current March quarter.

Mine operating cash flow for the quarter was A\$48.1 million. Net mine cash flow was A\$22.7 million after growth capital of A\$25.4 million. Key growth capital items included Karari-Dervish underground mine development (A\$12.3m) and the paste fill plant (A\$6.3m).

Development of the Dervish underground mine continued to focus on decline and level development and the establishment of key infrastructure. Ore production commenced late in the quarter.

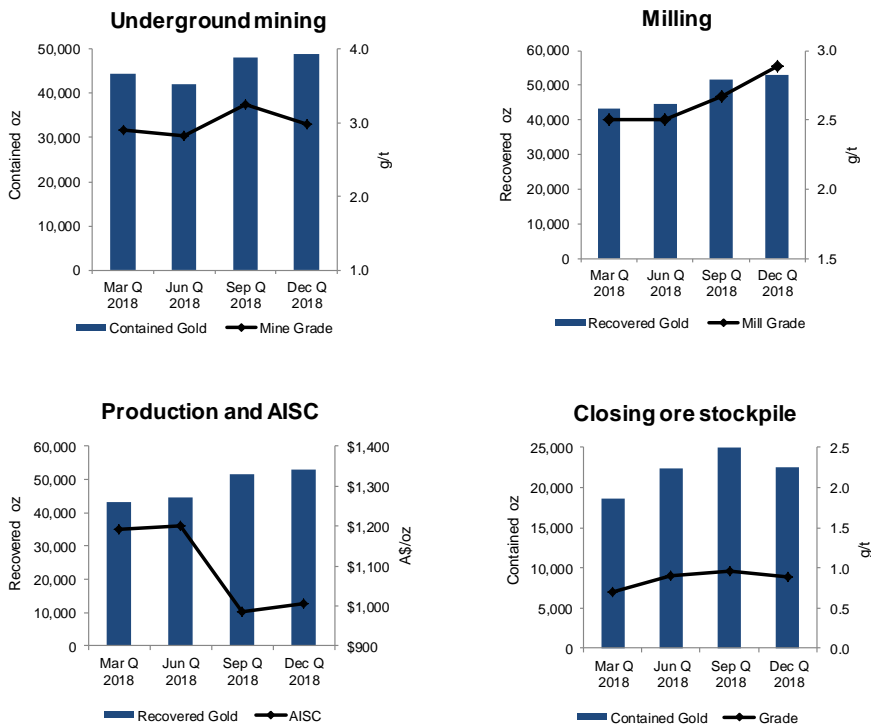
The A\$23 million Karari Paste Fill Project continued with the primary contractor GRES completing all civil and concreting works and drilling of underground fill lines commenced. The project progressed to 50% completion and is on schedule for first paste pour in the June quarter 2019.

Significant progress has been made during the quarter on the A\$7.5 million CDO Aerodrome Project. Ertech was awarded the contract to build the 2km bitumen aerodrome and to date have completed 90% of the project. Commissioning is anticipated late in the March quarter 2019.

The mill processed 616kt at an average grade of 2.9g/t with metallurgical recoveries of 92.8% (September quarter 647kt @ 2.7g/t).

The mill expansion Feasibility Study continues with Mintrex as lead consultant.

Figures 2-5 – Carosue Dam - Key charts



## **Thunderbox**

Thunderbox produced 35,725oz at an AISC of A\$1,149/oz (September quarter 37,187oz @ A\$1,000/oz).

Total mine production was 26,468oz contained, with 12,593oz produced from the Thunderbox ore stockpile.

Mine operating cash flow for the quarter was A\$19.3 million. Net mine cash flow was A\$1.7 million after growth capital of A\$17.6 million. Key growth capital items included Thunderbox underground development (A\$8.6m) and Kailis Stage 2 mine development (A\$3.4m).

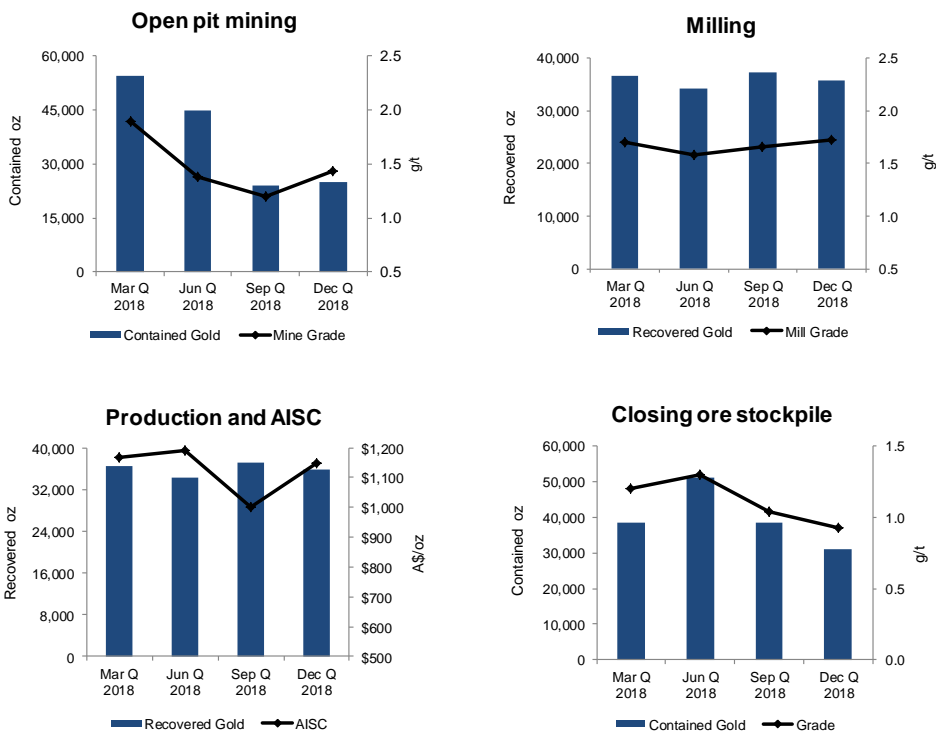
Thunderbox C Zone pit continued to progress on schedule, with the strip ratio continuing to drop and mined grades increasing as planned. Mining at Kailis Stage 2 commenced during November with ore expected to be delivered in the current March quarter. Total material movement from the open pits was 1.7 million BCM, up 21% from the previous quarter due to the commencement of Kailis Stage 2. Total open pit ore mined was 545kt with a mine grade of 1.4g/t.

The mill processed 684kt of ore at an average grade of 1.7g/t with a metallurgical recovery of 94.4%. Completion of the refurbishment of the variable speed SAG mill drive has resulted in greater flexibility in managing the operation of the plant.

Expanded tailings facility works were completed during the quarter. Commissioning of the facility was finalised in December with the expanded configuration providing up to 10 years of storage capacity.

Thunderbox Underground development continued during the quarter with a total of 1,031 meters of lateral development completed. Establishment of the primary ventilation circuit was completed along with works commencing to enable the site power station to provide underground power feed.

**Figures 6-9 – Thunderbox - Key charts**



## **Discovery and growth**

Exploration activities continue to ramp-up with A\$12.3 million invested in the December quarter.

A\$60m of exploration is planned over FY19, across the following: Karari-Dervish A\$20m, Thunderbox A\$16m, Carosue Dam Corridor A\$11m, and other A\$13m.

Quarterly highlights are summarised below (all results previously released), confirming an outstanding start to the FY19 exploration campaign. For further information, please refer to the ASX announcement "Two discoveries highlight the potential of the Carosue Dam Corridor" dated 27<sup>th</sup> November 2018.

### **Discoveries**

Encouraging results were reported in the Carosue Dam Corridor, within 4km of the 2.4Mtpa mill:

- Atbara - Discovery hole 40.0m @ 3.8g/t (including 12.0m @ 7.7g/t)
- Qena - Discovery hole 20.0m @ 2.8g/t

### **Carosue Dam**

At Karari, thick high-grade extensional drill results included 71.0m @ 6.0g/t (including 40.9m @ 8.5g/t), 36.0m @ 3.8g/t and 13.1m @ 9.1g/t.

At Whirling Dervish, thick high-grade infill drill results included 21.3m @ 4.7g/t, 20.5m @ 4.5g/t and 20.5m @ 4.1g/t.

At Deep South, thick high-grade extensional drill results included 10.9m @ 18.3g/t, 5.0m @ 18.0g/t and 9.2m @ 12.3g/t. On the back of the encouraging drill results at Deep South, Saracen is evaluating a number of alternatives to the current plan to complete mining in the March quarter 2019.

### **Thunderbox**

At Thunderbox A Zone, infill drill results included 37m @ 2.8g/t, 28m @ 2.9g/t and 14m @ 3.7g/t.

At Kailis Stage 2, results from infill drilling confirm the presence of very high grades, including 2.0m @ 30.9g/t and 3.0m @ 10.5g/t.

At Bannockburn, early infill results from the promising Irvin Lodes included 14.0m @ 3.7g/t and 15.0m @ 2.9g/t.

### **Regional exploration**

Multiple areas of anomalism were identified in early stage aircore work, with drilling ongoing at:

- Mt Celia (Carosue Dam) - Results up to 70ppb on the western stratigraphic package
- Bannockburn (Thunderbox) - Results up to 904ppb east of the Blue Tank Shear

During the quarter Saracen also acquired Intermin's (ASX: IRC) interest in the Lehmans Well JV. The package includes the Otto Bore deposit, giving Saracen 100% ownership of a quality open pit opportunity (including oxide) just 9km north of the Thunderbox mill. For further information please refer to IRC's ASX announcement "Intermin divests interest in Lehmans Gold Project for A\$2.5m cash and a royalty" dated 7<sup>th</sup> November 2018.

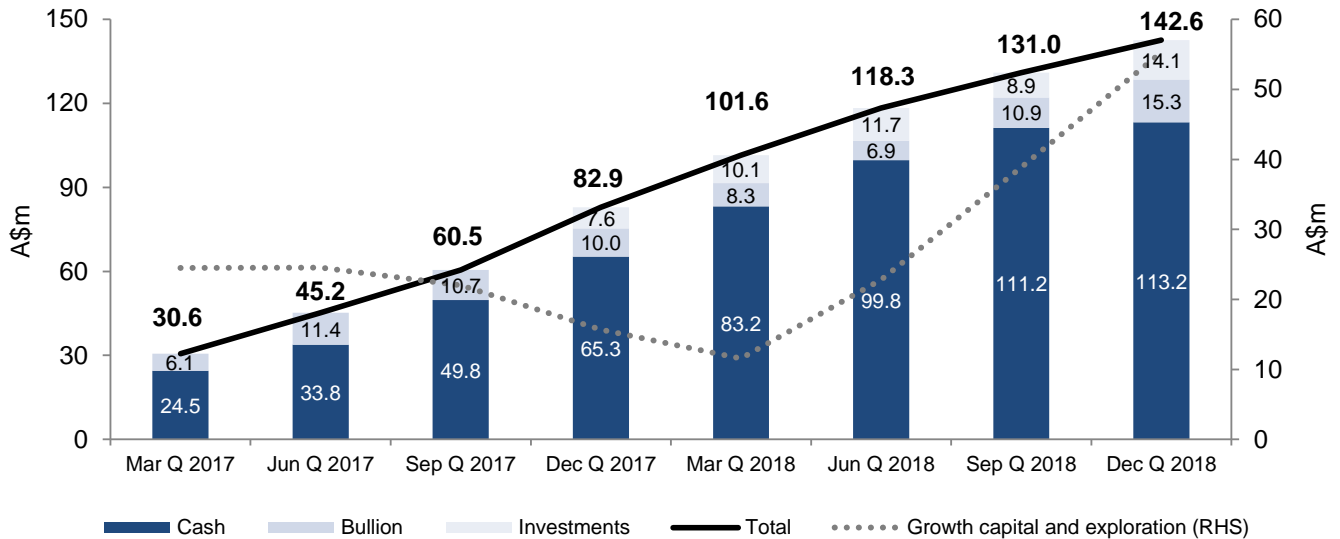


## Corporate and finance

### Cash position

As at 31 December 2018, total cash, bullion and investments were A\$142.6 million. There was no corporate debt drawn. During the quarter the term of the financing facility was rolled forward by 12 months to November 2020.

Figure 10 – Cash, bullion and investments, and growth capital and exploration spend



### Gold sales

Gold sales for the quarter were 85,049oz at an average sale price of A\$1,724/oz, for total revenue of A\$146.6 million (note that gold sales excludes movements of gold in transit).

During the December half 2018 approximately A\$7.3 million (unaudited) of gold sales were made from gold recovered from development activities at Whirling Dervish (A\$5.2 million) and Thunderbox Underground (A\$2.1 million). This amount will be offset against the capital development cost of these projects and will not be accounted for as sales revenue.

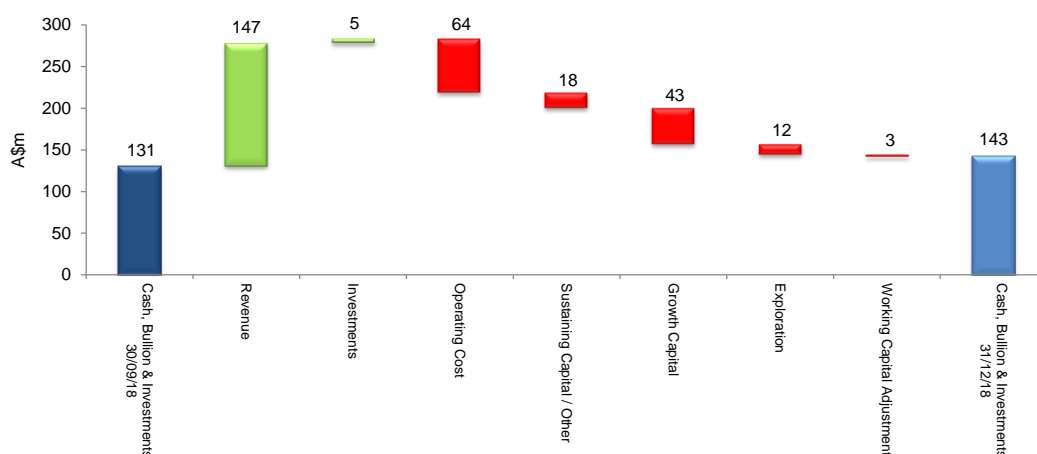
### Hedging

During the quarter 180,500oz of hedging was added at A\$1,799/oz, and 70,800oz of hedging was delivered at A\$1,724/oz.

At 31 December 2018, the hedge book comprised 382,100oz at an average delivery price of A\$1,773/oz (Appendix 1).

## Cash-flows

Figure 11 – December 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\$8.6m, Whirling Dervish A\$8.3m, Karari A\$4.0m, Kailis Stage 2 A\$3.4m), Carosue Dam aerodrome A\$4.0m, Carosue Dam paste fill plant A\$6.3m, payment for Intermin's interest in Lehman's Gold A\$2.5m and other miscellaneous items A\$5.9m.
- **Exploration:** Cash outflows for CDO (A\$7.4m) and TBO (A\$5.0m) exploration activities.

### Appendix 1 – Hedging at 31 December 2018

Quarter	Quantity	Price
	oz	A\$/oz
Mar-19	60,600	\$1,738
Jun-19	59,500	\$1,742
Sep-19	41,000	\$1,732
Dec-19	42,000	\$1,763
Mar-20	36,500	\$1,775
Jun-20	36,000	\$1,786
Sep-20	28,500	\$1,796
Dec-20	22,000	\$1,822
Mar-21	21,000	\$1,825
Jun-21	15,000	\$1,831
Sep-21	12,000	\$1,852
Dec-21	8,000	\$1,868
Total	382,100	\$1,773

### 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.

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