



SARACEN MINERAL HOLDINGS LIMITED

17% jump in interim underlying profit to A\$43m

Cash and equivalents up A\$24m to A\$142m

Corporate Details:

19th February 2019

ASX code: SAR

Corporate Structure:

Ordinary shares on issue: 820.3m

Unvested employee performance rights: 12.0m

Market Capitalisation: A\$2.64bn
(share price A\$3.22)

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%

Vinva 6.1%

BlackRock Group 5.0%

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Key Points

- Underlying net profit after tax¹ (NPAT) for six months to December 31 rises 17% from previous corresponding period (PCP) to A\$43.5m (PCP: A\$37.2m)
- Revenue rises 15% to A\$281.9m (PCP: A\$245.6m)
- Gold production rises 13% to a record 177,774 ounces (PCP: 157,795 ounces)
- Cash and equivalents of A\$142.6m at December 31, up from A\$118.3m at June 30, after spending A\$94.2m on growth project development and exploration; No debt
- Strong balance sheet supports ongoing aggressive exploration to continue growing Reserves beyond 2.5Moz and “flight to 400” production target

Saracen Mineral Holdings (**ASX: SAR**) is pleased to report on an excellent first half in which record production underpinned substantial increases in cashflow.

The strong performance is a direct result of the investment Saracen has made in exploration and development, which has led to it building a 2.5 million ounce Reserve base and growing production towards its 400,000 ounces per annum target. The Company also has significant potential to grow its inventory, mine life and production further from its existing assets.

Underlying NPAT increased 17% to A\$43.5 million. This came on the back of a 15% jump in sales revenue to A\$281.9 million and increased gold sales of 167,095² ounces (PCP: 154,119 ounces) at an average sale price of A\$1,684/oz.

EBITDA³ and NPAT were steady at A\$104.1million and A\$43.0 million respectively, despite the PCP including A\$10.6 million for the sale of King of the Hills.

Cash and equivalents rose to A\$142.6 million at December 31, up from A\$118.3 million six months earlier, with no debt. This was after spending A\$94.2m during the period on growth capital and exploration.

Saracen Managing Director Raleigh Finlayson said the strong profit growth reflected an outstanding performance on all levels.

“Our highly successful organic growth strategy is delivering exceptional results at both the operational and financial levels,” Mr Finlayson said. “We are not just producing more gold, but we are also driving growth in cashflows and cash on hand. At the same time, we are investing record amounts in ongoing exploration to drive further increases in our inventories, mine lives, production and cashflows. This is all aimed at increasing returns for shareholders.”

Saracen Mineral Holdings (ASX: SAR) is pleased to report strong operational and financial results for the half-year ended 31 December 2018. The key results include (compared to PCP):

- 17% increase in underlying NPAT¹ to A\$43.5 million
- 13% increase in group production to 177,774 ounces
- 6% decrease in group AISC to A\$1,030/oz
- Cash and equivalents up A\$24m to A\$142m

Key financial and operating results are presented below.

Table 1 – Key financial and operating results for the half-year ended 31 December 2018

	31-Dec-18	31-Dec-17	% Variance
Key financials (\$m)			
Gold sales revenue	281.9	245.6	15%
EBITDA ³	104.1	103.4	1%
Profit before income tax	61.2	65.6	-7%
NPAT	43.0	46.0	-7%
Underlying NPAT ¹	43.5	37.2	17%
Operating cash flow	112.5	95.1	18%
Net cash at end	113.2	65.3	73%
Production			
Gold produced (koz)	177.8	157.8	13%
AISC (\$/oz)	1030	1091	-6%
Average gold price realised	1684	1591	6%

Reconciliation of the underlying NPAT is presented below.

Table 2 – Reconciliation of underlying NPAT to statutory NPAT

	31-Dec-18	31-Dec-17
Reconciliation		
Underlying NPAT	43.5	37.2
Adjust for:		
+ Profit on sale of King of the Hills	0.0	10.6
- Impairment of available-for-sale assets	0.0	0.9
- Expensing of deferred exploration costs	0.2	0.9
- Loss on disposal of assets	0.3	0.0
Statutory NPAT	43.0	46.0

As previously guided, A\$7.3 million of gold sales during the half were derived from development activities at the Whirling Dervish (A\$5.2 million) and Thunderbox (A\$2.1 million) underground mines. This amount was offset against the capital development cost of these projects and is not accounted for as sales revenue.

During the period, Saracen entered into agreements to purchase third party ore from a number of parties and this ore was included in the blend processed through its Carosue Dam plant. The costs associated with this third party ore of approximately A\$23 million, are included in the Mine Operating Costs in the statutory accounts.

Depreciation and amortisation decreased to A\$43.0 million (PCP: A\$46.3 million). This was driven by Thunderbox Zone A deferred mining expenditure being fully amortised in the PCP (triggered by the actual strip ratio falling below the average life of mine strip ratio, and completion of the Zone A open pit) compared to a small amount of initial amortisation of deferred mining expenditure in the current period (A\$100,000 relating to Thunderbox Zone C open pit).

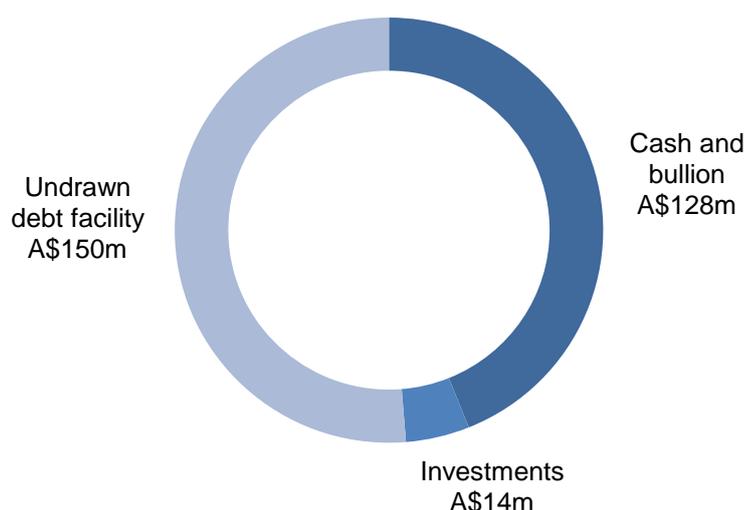
As at 31 December 2018, Saracen’s total cash, bullion and investments were A\$142.6 million. This was after investing A\$94.2 million in growth capital and exploration.

Table 3 – Growth capital and exploration expenditure for the half-year ended 31 December 2018

	A\$m
Growth and exploration	
Thunderbox underground development	14.1
Whirling Dervish development	13.3
Kailis development	5.5
Carosue Dam paste plant	12.7
Carosue Dam aerodrome	6.6
Karari decline development	6.9
Acquisition of minority interest in Lehmann's Well JV	2.5
Miscellaneous growth items	10.4
Exploration	22.2
TOTAL	94.2

There was no corporate debt drawn at the end of the half-year. During the period, the term of the debt facility was extended by one year to November 2020.

At 31 December 2018 Saracen had **A\$292m of available liquidity**.



In the current quarter, the Company added **32,000 ounces of hedging at A\$1,913/oz** for the period from January 2020 to February 2022. The hedge book now comprises **392,500 ounces at an average delivery price of A\$1,786/oz**.

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Notes:

¹ *Underlying NPAT stands for Underlying Net Profit After Tax. Underlying NPAT is a financial measure which is not prescribed by the International Financial Reporting Standards (IFRS) and represents the net profit after tax under IFRS, adjusted for specific items. The Directors believe that Underlying NPAT is an appropriate measure to assist investors with their understanding of the Company's operational performance in the half-year ended 31 December 2018. Underlying NPAT has not been subject to any specific review procedures by the auditor but has been extracted from the half year financial statements by the Company as set out in Table 2 above.*

² *Ounces sold exclude 4,577oz (\$7.3 million) of sales that relate to development activities*

³ *EBITDA stands for Earnings Before Interest, Tax, Depreciation and Amortisation and is a financial measure which is not prescribed by the International Financial Reporting Standards (IFRS). EBITDA has not been subject to any specific review procedures by the auditor but has been extracted from the half year financial statements by the Company.*