



# SARACEN MINERAL HOLDINGS LIMITED

ACN: 009 215 347

## QUARTERLY REPORT: SEPTEMBER 2015

### Corporate Details:

21 October 2015

ASX code: SAR

#### Corporate Structure:

Ordinary shares on issue - 792.8m

Unvested employee performance rights - 7.1m

Market Capitalisation - A\$436m  
(share price of A\$0.55/share)

Cash & Bullion (30 September) - A\$44.9m

Debt (30 September) - Nil

#### Directors:

Mr Geoff Clifford  
Non-Executive Chairman

Mr Raleigh Finlayson  
Managing Director

Mr Mark Connelly  
Non-Executive

Mr Barrie Parker  
Non-Executive

Mr Martin Reed  
Non-Executive

Ms Samantha Tough  
Non-Executive

#### Substantial Shareholders:

Wroxby Pty Ltd 8.2%

Paradice Investment Management 7.9%

Karara Capital Pty Ltd 6.2%

#### Registered Office:

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## Strong quarterly production and robust cash-flow supports internally funded growth to ~300koz p.a.

### Production

- Quarterly gold production of **38,140oz**, in line with FY16 target of 150-160,000oz (Carosue Dam only)
- Quarterly all-in sustaining cash costs (AISC) of **A\$1,025/oz**, at the lower end of FY16 outlook range of A\$1,025-1,075/oz
- Closing ore stockpile of **59,509oz** (~A\$31m of deferred free cash flow at an AISC of ~A\$937/oz)

### Development

- Thunderbox project 10% ahead of schedule and 7% under budget, with first gold production of ~20,000oz anticipated in June 2016 Quarter (previously September Quarter)
- Deep South underground development starting December Quarter

### Financial

- **Cash and equivalents** at 30 September of **A\$44.9m**, unchanged from 30 June; hedging of 302koz at an average price of A\$1,523/oz
- **Project development** expenditure of **A\$22.6m** (A\$10.2m at Thunderbox, A\$9.2m at Karari and A\$3.2m on exploration), funded entirely from operational cash flows

### Exploration and growth

- Multiple high-grade drill results at Carosue Dam, including:
  - KRRC350 – 12m @ 6.3g/t (Karari)
  - KRGC221 – 27m @ 5.2g/t (Karari)
  - ROGC565 – 0.7m @ 162.1g/t (Red October)
  - ROGC567 – 0.7m @ 841.6g/t (Red October)
- Carosue Dam five-year outlook combined with Thunderbox supports **~300,000ozpa** production at AISC of **~A\$1,075/oz**
- Total Mineral Resources **7.6Moz** and Ore Reserves **1.5Moz**
- Acquisition of the **Kailis** and **King of the Hills** Gold Projects completed (Total Mineral Resources of 312koz)
- Farm-out and JV Agreement for Nexus (ASX: NXM) to earn up to 85% of the Pinnacles Gold Project

### Health and safety

- One LTI during the Quarter, TIFR steady at 335

## Summary

Table 1 – Carosue Dam Operations, Key Statistics

Carosue Dam	Units	Dec Qtr 2014	Mar Qtr 2015	Jun Qtr 2015	Sept Qtr 2015
<b>Underground Mining</b>					
Ore Mined	t	79,000	68,000	119,200	143,000
Mine Grade	g/t	8.43	6.08	4.77	4.30
Contained Gold	oz	21,511	13,252	18,262	19,759
<b>Mill Production</b>					
Ore Milled	t	602,000	549,000	576,000	577,000
Mill Grade	g/t	2.45	2.58	2.77	2.25
Contained Gold	oz	47,478	45,429	51,281	41,753
Recovery	%	90.3%	91.5%	90.8%	91.3%
Recovered Gold	oz	42,894	41,550	46,563	38,140

Figures 1-4 – Carosue Dam Operations, Key Charts

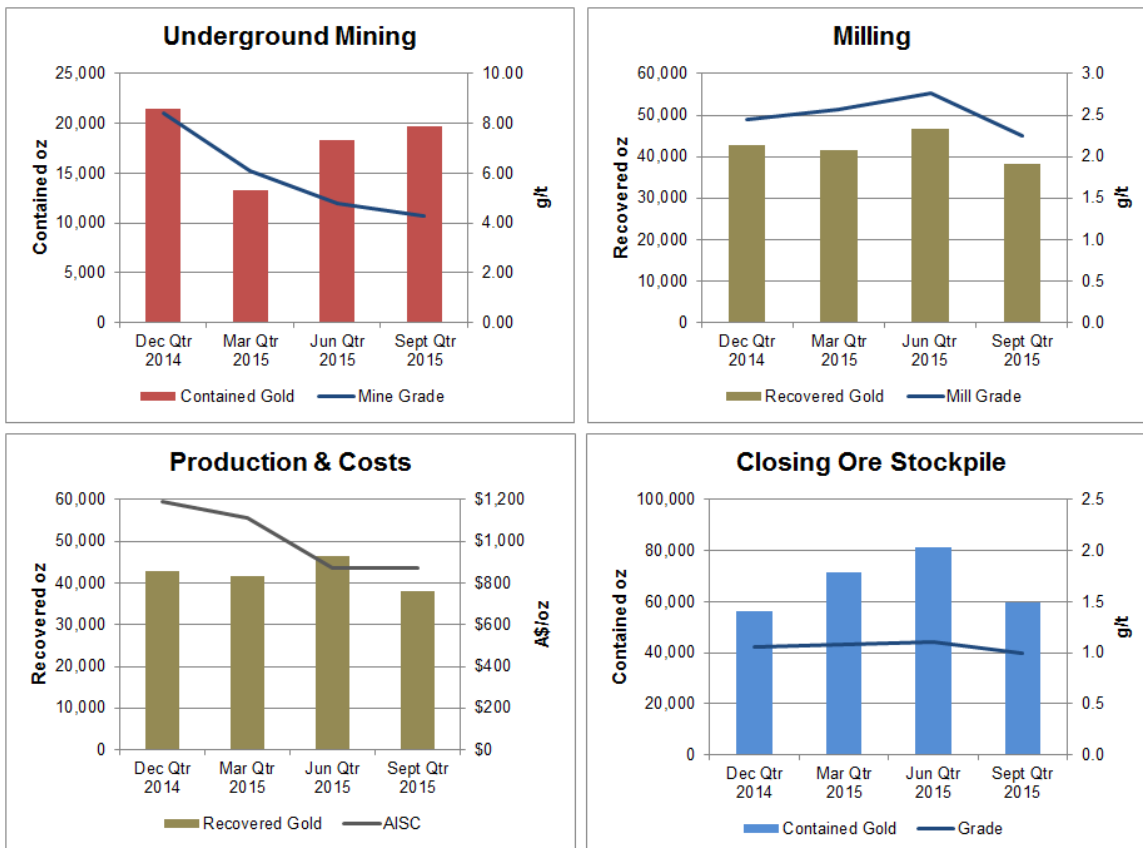


Table 2 – Thunderbox Operations, Key Statistics

Thunderbox	Units	Sept Qtr 2015
<b>Open Pit Mining</b>		
Total Mining	BCM	2,421,000
Mining Costs	A\$m	\$8.64
Mining Costs	A\$/BCM	\$3.57

## Carosue Dam Operations

### Processing

**Table 3 – Carosue Dam Operations, Processing Statistics**

Carosue Dam	Units	Dec Qtr 2014	Mar Qtr 2015	Jun Qtr 2015	Sept Qtr 2015
<b>Mill Production</b>					
Ore Milled	t	602,000	549,000	576,000	577,000
Mill Grade	g/t	2.45	2.58	2.77	2.25
Contained Gold	oz	47,478	45,429	51,281	41,753
Recovery	%	90.3%	91.5%	90.8%	91.3%
Recovered Gold	oz	42,894	41,550	46,563	38,140

Mill throughput and recoveries both increased relative to the June Quarter due to a higher portion of mill feed being delivered from the Karari underground mine. The mill grade has decreased due to the completion of the Whirling Dervish open pit. Ore stockpiles contributed 75% of mill feed for the quarter, with Red October and Karari contributing 16% and 9% respectively.

The closing ore stockpile available for processing at the end of the September quarter was 1.9Mt @ 1.0g/t for 59,509oz. These ounces will only incur processing and administration costs, which is equivalent to ~A\$937/oz AISC or A\$31 million in deferred free cashflow using latest costs and a A\$1,524/oz gold price (average hedge price).

### Underground

**Table 4 – Carosue Dam Operations, Underground Mining Statistics**

Carosue Dam	Units	Dec Qtr 2014	Mar Qtr 2015	Jun Qtr 2015	Sept Qtr 2015
<b>Underground Mining</b>					
Ore Mined	t	79,000	68,000	119,200	143,000
Mine Grade	g/t	8.43	6.08	4.77	4.30
Contained Gold	oz	21,511	13,252	18,262	19,759

September production in Table 4 includes:

- Karari – 4.2koz @ 2.6g/t (vs. September Quarter 2.7koz @ 2.6g/t)
- Red October – 15.5koz @ 5.2g/t (vs. September Quarter 15.6koz @ 5.5g/t)

For more information on the Karari and Red October underground mines, refer to the ASX announcement released on 15 October 2015 - “Robust Five-Year Outlook”. Salient information regarding the five-year production and cost outlook for Carosue Dam is also provided.

Underground development at Deep South is set to commence in the December Quarter. Deep South has an Ore Reserve of 125koz @ 4.0g/t and will enhance production from the Northern Region of Carosue Dam when combined with ongoing high grade production from Red October.

## Thunderbox Operations

### Open Pit Mining

2.4 million BCMs were pre-stripped from Thunderbox (Zone A) during the quarter with a total mining expenditure of A\$8.6 million (inclusive of load and haul, drill and blast, grade control, supervision and overheads). This compares favourably with budgeted movement of 2.2 million BCMs (10% over performance) and budgeted costs of A\$9.3 million (7% lower), resulting in mining unit costs for the Quarter being 16% lower than budget (A\$3.57/bcm vs. A\$4.23/bcm).

A second mining excavator (190t) has been mobilised to site during October in accordance with the development schedule. The excavator is being purchased by Saracen, under a lease finance arrangement for approximately A\$2.5m. The machine will be maintained by SMS Rentals and operated by Saracen personnel. The excavator will be mining in-pit by November 2015.

The commencement of mining at Thunderbox is a significant milestone that will see Saracen produce gold from multiple operations for the first time in its history. Importantly, this will realise Saracen's vision of joining the ranks of mid-tier gold producers. Production is targeted to double to ~300,000oz per annum within two years from the two operational centres at an AISC of <A\$1075/oz.

The first grade control drilling program at Thunderbox has been completed, with results in line with existing resource estimates.

First ore (2,500t) was mined at Thunderbox on 14 October 2015.

**Figure 5 – Thunderbox Open Pit (looking west)**



**Figure 6 – Thunderbox Open Pit (looking north)**



## **Plant Refurbishment**

Refurbishment activities on the 2.5 million tonne per annum CIL plant at Thunderbox have commenced. Works completed or ongoing as the end of the quarter include:

- Successful re-installation of the SAG and Ball mills onto their bearings by BLA Burgess, with no issues identified
- Non-destructive testing of the SAG and Ball mill girth and pinion gears completed, with no issues identified
- Interquip Construction Pty Ltd have been awarded the contract for the provision of labour for the Thunderbox plant refurbishment, with work now commenced
- Rapid Crushing & Screening Contractors Pty Ltd have been awarded the contract for the construction of the first lift for the tailings storage facility
- KPS have mobilised 10 power generation units to site for re-installation into the power station
- Electrical motors have been tested with only minor numbers requiring replacement
- MCC and transformer inspections are underway
- Pebble crusher and wet screen orders have been placed
- An order for the mill lube system refurbishment has been placed
- Critical long-lead items (wet screens, elution heater, scats crusher and mill liners) for the processing plant have been ordered

**Figure 7 – KPS power station at Thunderbox**



**Figure 8 – Plant refurbishment activities at Thunderbox**



## **Exploration and growth**

### **Kailis and King of the Hills Acquisition**

Subsequent to the Quarter, Saracen completed the acquisition of the Kailis and King of the Hills gold projects from St Barbara Limited (ASX: SBM).

Consideration for the acquisition of 100% of the two projects is A\$3m cash in two tranches: A\$0.3m on Completion (paid), plus A\$2.7m upon the earlier of commencement of commercial production from Kailis or 4 years following Completion.

Kailis is located 5km from Leonora and 80km south of Saracen's Thunderbox project, and within 1km of the sealed Goldfields Highway. In the 1990's Sons of Gwalia mined a small open pit at Kailis with reconciled production of 250kt @ 6.2 g/t for ~50koz.

King of the Hills is located 65km to the south of Thunderbox, immediately adjacent to the Goldfields Highway. King of the Hills is a significantly mineralised system, which has produced ~30Mt @ 1.9g/t for 1.9Moz since 1985. King of the Hills has been on care and maintenance since April 2015.

King of the Hills and Kailis adds 312koz of high grade Mineral Resources, and the Kailis open pit adds 95koz of high grade Reserves. For more information refer to the ASX announcement released on 15 October 2015 - "2015 Mineral Resources and Ore Reserves".

The acquisition is consistent with Saracen's strategy of adding value-accretive satellite ounces within economic trucking distance of its existing processing plants.

### **Pinnacles Farm-out and Joint Venture Agreement**

Saracen completed a Farm-out and JV Agreement with Nexus (ASX: NXM) for the Pinnacles Gold Project. The agreement includes an Ore Sale and Purchase clause for processing of potential ore from the Project through Saracen's Carosue Dam processing facility, 13km north of Pinnacles.

For more information refer to the NXM ASX announcement released on 17 September 2015 - "Pinnacles Gold Project Farm in and JV with Saracen Gold Mines".

### **Carosue Dam Drilling**

Recent infill drilling highlights from Red October include:

- RORD079 – 1.1m @ 47.1g/t from 125.1m
- ROGC508 – 0.4m @ 132.0g/t from 74.6m
- ROGC514 – 2.8m @ 21.3g/t from 129.8m
- ROGC515 – 2.1m @ 15.7g/t from 108.7m
- ROGC535 – 0.3m @ 99.3/t from 215.8m
- ROGC537 – 0.5m @ 105.0g/t from 182.2m
- ROGC539 – 0.3m @ 103.0g/t from 137.6m
- ROGC542 – 0.3m @ 90.3g/t from 140.7m
- ROGC554 – 0.5m @ 61.1g/t from 138.8m
- ROGC559 – 0.6m @ 42.7g/t from 5.8m
- ROGC565 – 0.7m @ 162.1g/t from 79.6m
- ROGC566 – 1.9m @ 58.0g/t from 16.3m
- ROGC567 – 0.7m @ 841.6g/t from 16.6m

Recent infill drilling highlights from Karari include:

- KRRC350 – 12m @ 6.3g/t from 272.0m
- KRRD068 – 16m @ 4.3g/t from 285.0m
- KRGC217 – 26m @ 3.5g/t from 73.0m
- KRGC218 – 13m @ 4.1g/t from 56.0m
- KRGC221 – 27m @ 5.2g/t from 49.4m
- KRGC223 – 19m @ 3.7g/t from 64.3m
- KRGC224 – 34m @ 3.7g/t from 64.0m
- KRSD026 – 12m @ 6.7g/t from 58.0m
- KRSD028 – 7m @ 5.3g/t from 50.0m
- KRSD029 – 9m @ 9.1g/t from 21.0m

The above drill results have already been released, refer to the ASX announcement dated 15 October 2015 - "Robust Five-Year Outlook".

## **Corporate**

### **Health & Safety**

One Lost Time Injury ("LTI") was recorded during the September Quarter. The LTIFR is 3.0, the Total Incident Frequency Rate ("TIFR") has remained steady at 335 (336 at 30 June 2015).

### **Board & Management**

Mr Barrie Parker has informed the Board that he intends to retire as a Director of the Company at the conclusion of the Company's forthcoming Annual General Meeting to be held on 25 November 2015 and hence will not be seeking re-election at that Meeting.

The Directors consider the size and composition of the Saracen Board to be appropriate and will not be seeking a replacement director at this time.

### **Cash Position**

As at 30 September 2015, Saracen's total cash and equivalents position was A\$44.9 million, comprising A\$39.4 million held in cash and 3,429 ounces of gold in transit (approximately A\$5.5 million at A\$1,600/oz). There was no debt drawn at the end of the Quarter.

### **Hedging**

As at 30 September 2015, Saracen had gold hedging in place totalling 302,038oz at an average price of A\$1,523/oz. These ounces are to be delivered over the period from October 2015 to March 2019 (inclusive). Refer to Appendix 1 for the complete details of the hedge book.

### **Gold Sales**

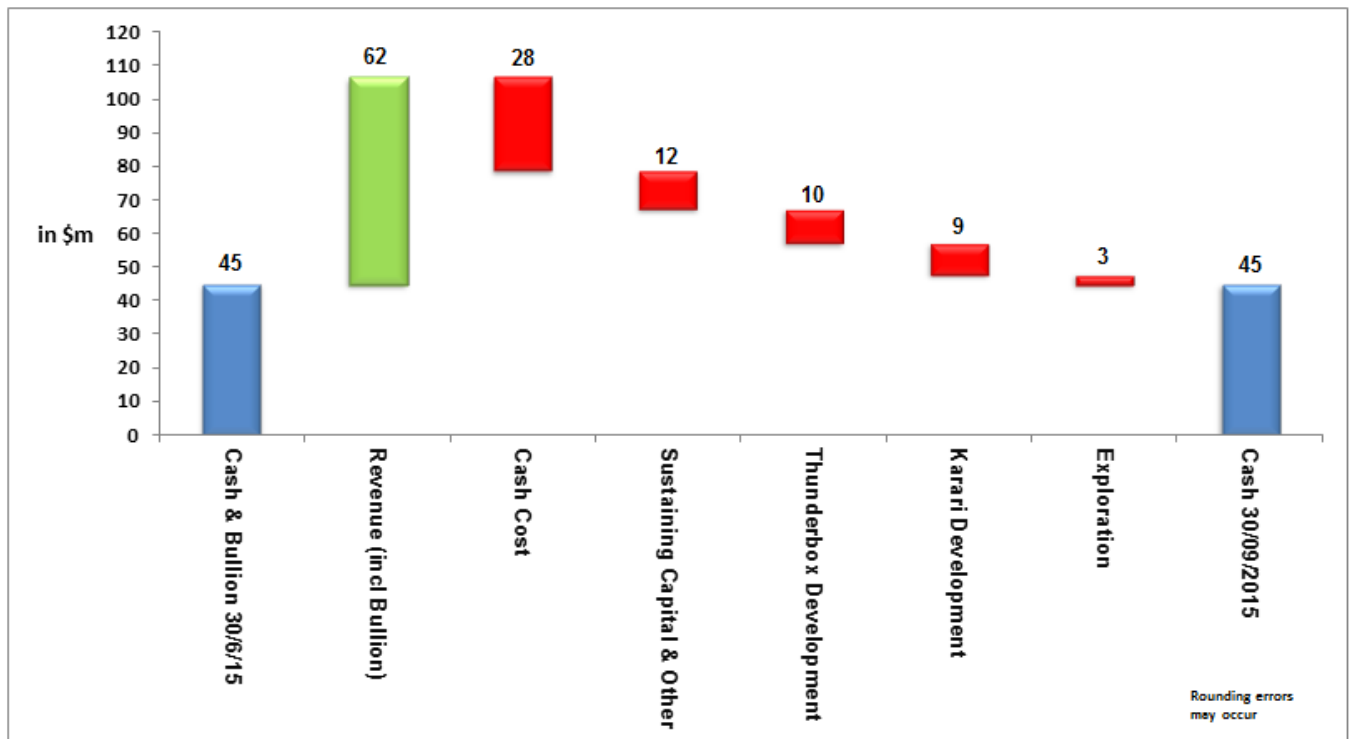
Gold sales for the Quarter were 39,391oz at an average sale price of A\$1,593/oz for total revenue of A\$62.8 million (note that gold sales exclude movements in gold in transit). Of these sales, 18,679oz were delivered into hedging at an average price of A\$1,643/oz. During the Quarter, the Company took out additional Spot Deferred hedging priced at A\$1,600/oz.

The Company intends to deliver into a blend of the higher priced fixed date hedges, the spot market and both the A\$1600/oz and ~A\$1410/oz Spot Deferred hedges over the next two quarters.

## Cash Flows

Figure 9 below shows the cash flow movement over the September Quarter.

**Figure 9 – September 2015 Quarter cash movements**



- **Revenue:** Revenue from gold sales (includes gold in transit)
- **Cash Costs:** Cash outflows for mining, ore cartage, processing, site administration and ore purchase
- **Reduction in Trade Creditors:** Cash payments reducing the amounts owing to trade creditors over the quarter
- **Sustaining Capital & other:** Cash outflows for royalties, capital works, open pit development, underground development, active mine exploration & corporate expenses (including loan interest)
- **Thunderbox Development:** Includes expenditure on feasibility study, care & maintenance, development and exploration
- **Karari Development:** Cash outflows for the development of the Karari underground mine
- **Exploration:** Cash outflows for regional exploration and Red October exploration but excludes Thunderbox

Operational cash flow generated for the Quarter was A\$25.4 million after taking into account all open pit and underground mining costs, ore haulage, processing and site administration expenses as well as royalties, sustaining capital and underground development.

## Cash Costs

All-in Sustaining Cash Costs for the September Quarter were A\$1,025/oz, below the FY16 guidance range of A\$1,025/oz to \$1,075/oz provided for Carosue Dam.

“All in” cash expenditure fell A\$1.5m to A\$39.1m, due to open pit mining costs falling A\$7.0m following the completion of the Whirling Dervish open pit at the end of June. The residual A\$2.7m incurred in the September quarter was predominately redundancy and demobilisation costs associated with the cessation of open pit mining at Carosue Dam.



**Table 5 – Cash Costs**

Cash Costs	Unit	Dec-14 Qtr	Mar-15 Qtr	Jun-15 Qtr	Sep-15 Qtr
Mining - Open Pit	A\$m	18.2	13.8	9.7	2.7
Mining - Underground	A\$m	5.1	5.7	8.0	9.4
Ore Cartage	A\$m	1.6	1.2	1.5	0.6
Processing	A\$m	12.0	11.6	10.1	13.2
Site Administration	A\$m	2.3	2.0	1.6	2.2
Ore Purchase	A\$m	-	-	-	-
<b>Cash Costs</b>	<b>A\$m</b>	<b>\$39.2</b>	<b>\$34.4</b>	<b>\$30.9</b>	<b>\$28.2</b>
Royalties	A\$m	2.9	2.9	3.1	2.8
Capital Works	A\$m	0.5	1.0	0.7	0.7
Open Pit Development	A\$m	-	0.0	-	-
Underground Development	A\$m	6.0	5.5	4.1	5.1
Active Mine Exploration	A\$m	-	-	-	-
Corporate	A\$m	2.6	2.3	1.8	2.3
<b>"All in" Cash Costs</b>	<b>A\$m</b>	<b>\$51.1</b>	<b>\$46.2</b>	<b>\$40.6</b>	<b>\$39.1</b>
Growth Capital	A\$m	10.9	7.9	13.2	19.4
Exploration	A\$m	2.0	2.9	3.4	3.2
<b>Production (oz)</b>		<b>42,894 oz</b>	<b>41,549 oz</b>	<b>46,564 oz</b>	<b>38,140 oz</b>
Mining - Open Pit	A\$/oz	424	333	208	71
Mining - Underground	A\$/oz	119	138	171	247
Ore Cartage	A\$/oz	38	29	32	17
Processing	A\$/oz	279	280	218	346
Site Administration	A\$/oz	53	49	34	58
Ore Purchase	A\$/oz	-	-	-	-
<b>Cash Costs</b>	<b>A\$/oz</b>	<b>\$913</b>	<b>\$829</b>	<b>\$663</b>	<b>\$739</b>
Royalties	A\$/oz	67	69	67	74
Capital Works	A\$/oz	11	25	15	18
Open Pit Development	A\$/oz	-	0	-	-
Underground Development	A\$/oz	140	133	88	134
Active Mine Exploration	A\$/oz	-	-	-	-
Corporate	A\$/oz	59	56	38	60
<b>"All in" Cash Costs</b>	<b>A\$/oz</b>	<b>\$1,191</b>	<b>\$1,112</b>	<b>\$871</b>	<b>\$1,025</b>

**For further information please contact:**

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**Troy Irvin**  
**Chief Corporate Development Officer**  
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**Media:**

**Read Corporate**  
**Paul Armstrong / Nicholas Read**  
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**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.

The information on 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](http://www.asx.com.au) and on the Company's website at [www.saracen.com.au](http://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.

**Appendix 1 – Details of Hedging Contracts**

<b>Month</b>	<b>Ounces</b>	<b>Price A\$</b>
Spot Deferred	44,038	\$ 1,413.61
Spot Deferred	37,900	\$ 1,600.15
30/10/2015	3,900	\$ 1,710.00
30/11/2015	3,900	\$ 1,720.00
31/12/2015	3,900	\$ 1,720.00
29/01/2016	3,900	\$ 1,720.00
29/02/2016	3,900	\$ 1,730.00
31/03/2016	3,900	\$ 1,730.00
31/03/2016	45,000	\$ 1,410.90
29/04/2016	3,900	\$ 1,740.00
31/05/2016	3,900	\$ 1,740.00
30/06/2016	3,900	\$ 1,750.00
30/09/2016	4,000	\$ 1,520.00
30/10/2016	4,000	\$ 1,520.00
30/11/2016	4,000	\$ 1,520.00
31/12/2016	4,000	\$ 1,520.00
30/01/2017	4,000	\$ 1,520.00
27/02/2017	4,000	\$ 1,520.00
31/03/2017	4,000	\$ 1,520.00
30/04/2017	4,000	\$ 1,520.00
29/05/2017	5,000	\$ 1,520.00
30/06/2017	5,000	\$ 1,520.00
31/07/2017	5,000	\$ 1,520.00
28/08/2017	5,600	\$ 1,520.00
30/09/2017	5,600	\$ 1,520.00
30/10/2017	5,600	\$ 1,520.00
30/11/2017	5,600	\$ 1,520.00
31/12/2017	5,600	\$ 1,520.00
30/01/2018	5,600	\$ 1,520.00
27/02/2018	3,500	\$ 1,520.00
31/03/2018	3,500	\$ 1,520.00
30/04/2018	3,600	\$ 1,520.00
29/05/2018	3,600	\$ 1,520.00
30/06/2018	3,600	\$ 1,520.00
31/07/2018	3,600	\$ 1,520.00
28/08/2018	4,300	\$ 1,520.00
30/09/2018	4,300	\$ 1,520.00
30/10/2018	4,300	\$ 1,520.00
30/11/2018	4,300	\$ 1,520.00
31/12/2018	5,200	\$ 1,520.00
30/01/2019	5,200	\$ 1,520.00
27/02/2019	5,200	\$ 1,520.00
31/03/2019	5,200	\$ 1,520.00
<b>Total</b>	<b>302,038</b>	<b>Avg \$ 1,522.57</b>