



Saracen Mineral Holdings Limited

ACN: 009 215 347

Quarterly Report - September 2019

Record quarter sees production and costs running ahead of guidance

Cash and equivalents up 27% to A\$196m after investing A\$35m on net growth and exploration

22nd October 2019

HIGHLIGHTS

Sustainability

- ▲ **Zero LTIs** during the quarter; **LTIFR at 0.4** (WA Gold Mining Average 1.9)

Production

- ▲ **Record quarterly gold production of 96,324oz** (Carosue Dam 50,590oz; Thunderbox 45,735oz), **AISC A\$964/oz** (FY20 guidance maintained at 350 - 370,000oz at an AISC of A\$1,025 - 1,075/oz)
- ▲ **Record quarter at Thunderbox with AISC falling to A\$682/oz** as the C Zone open pit mine delivers higher grade / lower strip ratio ore as planned
- ▲ **Record quarterly mine production of 144,871oz** (Carosue Dam 56,062oz; Thunderbox 88,809oz) (up 17% from June quarter)
- ▲ **Record closing ore stockpile (inventory awaiting processing) of 139,642oz** (up 48% from 94,150oz at 30 June)

Financial

- ▲ **Cash and equivalents of A\$196.1m at 30 September**, up from A\$154.5m at 30 June despite incurring A\$5.5m on tax instalment payments and A\$34.6m on exploration and growth capital (net of development receipts)
- ▲ **Gold sales for the quarter of 97,307oz** at an **average sale price of A\$1,916/oz**, generating revenue of A\$186.4m
- ▲ **Gold hedging of 377,000oz** at an average delivery price of **A\$1,874/oz** (419,000oz at A\$1,840/oz at 30 June)
- ▲ **Quarterly unaudited NPAT of A\$42m - A\$45m**
- ▲ **Inaugural dividend policy** to apply from FY20; targeting a payout equal to 20-40% of NPAT, subject to reaching and maintaining a minimum cash balance of A\$150m

Discovery and growth

- ▲ **A\$16.3m** invested in exploration during the quarter; A\$50m FY20 exploration budget **targeting a potential +10-year mine life at 400,000oz p.a.**
- ▲ Drill results from Carosue Dam included; Karari - Dervish **69m @ 3.3g/t (including 21m @ 8.4g/t), 46m @ 6.3g/t, 36m @ 8.0g/t, and 30m @ 6.5g/t**; Atbara discovery **174m @ 1.5g/t, 112m @ 0.9g/t and 52m @ 2.0g/t** (aggregated)
- ▲ Drill results from Thunderbox included; A Zone **26m @ 2.1g/t and 17m @ 2.0g/t**; D Zone open pit **15m @ 3.6g/t and 36m @ 1.9g/t**
- ▲ **Two transactions completed under the regional “bolt-on” acquisition strategy**; **A\$38m all-scrip acquisition of Bligh Resources** (Wonder North, Thunderbox), **A\$10m cash acquisition of the Sinclair Project**

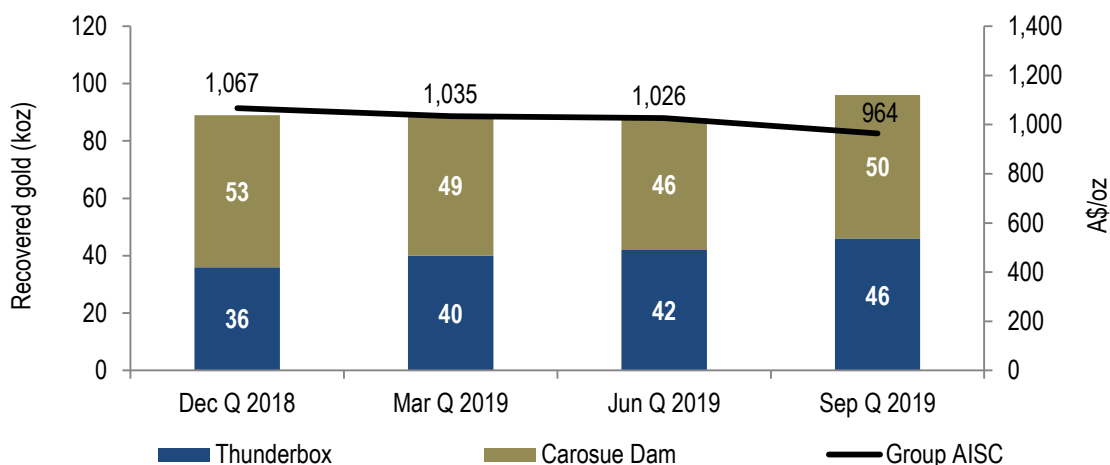
Overview

Saracen Mineral Holdings Limited (ASX: SAR) is pleased to report a **record September quarter** with:

- Production ounces ahead of FY20 guidance of 350 - 370,000oz
- Costs below FY20 AISC guidance of A\$1,025 - A\$1,075/oz
- Further exploration success at both Carosue Dam and Thunderbox
- Two transactions completed under the regional “bolt-on” acquisition strategy

Production for the September quarter was 96,324oz at an all-in sustaining cost (AISC) of A\$964/oz.

Figure 1 – Group production and AISC



Full year guidance of 350 - 370,000oz at an AISC of A\$1,025 - 1,075/oz is maintained.

The outstanding production performance resulted in cash and equivalents rising to A\$196 million, up from A\$154 million at June 30, despite spending \$5.5m on tax instalment payments, and A\$34.6 million on exploration and growth (net of development receipts) in the quarter.

Saracen continued its regional “bolt-on” acquisition strategy during the quarter, with two transactions successfully completed in the Thunderbox district. Bligh Resources (ASX: BGH) was acquired in a A\$38m all-scrip off-market takeover. The Sinclair Project was acquired from Talisman Mining (ASX: TLM) for A\$10m cash and a 2.0% NSR payable on metal production from Sinclair and non-precious metals production from the Saracen’s Waterloo tenement.

Exploration delivered again with another host of impressive results across the portfolio, including follow up drilling at the Atbara discovery just 4km from the Carosue Dam mill.

Saracen Managing Director Raleigh Finlayson said the production and free cash flow generation reflected the investment the Company has made in exploration and development in recent years.

“These results show that we are harvesting the benefits of what we sowed over the past two or three years,” Mr Finlayson said.

“Organic growth is underpinning not only record production rates but also substantial free cashflow, which also reflects our low production costs and our status as a debt-free company.

“The ramp-up at Thunderbox is exceptional, with the project enjoying some of the lowest costs in the industry thanks to the combination of high grades and low strip ratios.

“The benefits can be seen in our growing bank balance.”

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/5da3d9bc203ad5593b9cc083>

Table 1 - September quarter 2019 gold production and cost summary^A

Sep Q 2019	Unit	Carosue Dam	Thunderbox	Group
Underground Mining				
Ore Mined	t	576,000	40,000	616,000
Mine Grade	g/t	3.0	2.0**	3.0
Contained Gold	oz	56,062	2,540	58,602
Open Pit Mining				
Total Mining	bcm	-	1,639,000	1,639,000
Ore Mined	t	-	1,370,000	1,370,000
Mine Grade	g/t	-	2.0	2.0
Contained Gold	oz	-	86,269	86,269
Mill Production				
Ore Milled	t	591,000	714,000	1,304,000
Mill Grade	g/t	2.9	2.1	2.5
Contained Gold	oz	54,011	49,048	103,059
Recovery	%	93.7%	93.2%	93.5%
Recovered Gold	oz	50,590	45,735	96,324
Gold Sales	oz	53,450	43,858	97,307
Average Price Received	A\$/oz	1,940	1,887	1,916
Sales Receipts ¹	A\$m	103.7	82.8	186.4
Closing Ore Stockpile				
Ore	t	943,000	2,467,000	3,410,000
Grade	g/t	1.2	1.3	1.3
Contained Gold	oz	37,359	102,283	139,642
Cost summary				
Mining	A\$m	29.2	15.0	44.2
Processing	A\$m	11.4	11.5	22.9
Site Administration	A\$m	2.7	1.5	4.2
Cash Costs	A\$m	43.2	28.1	71.3
Royalties	A\$m	4.6	2.1	6.7
Capital Works	A\$m	1.7	0.3	2.0
Development	A\$m	8.0	0.3	8.3
Ore Inventory Adjustments	A\$m	(7.6)	(5.4)	(13.0)
Corporate	A\$m	2.4	2.1	4.5
All-in Sustaining Costs	A\$m	52.3	27.6	79.9
Growth Capital*	A\$m	10.5	17.7	28.2
Less: Development Receipts	A\$m	0.0	(9.9)	(9.9)
Net Growth Capital	A\$m	10.5	7.8	18.3
Exploration	A\$m	11.5	4.8	16.3
Third Party Ore Purchase	A\$m	15.6	0.0	15.6
Unit cost summary				
Mining	A\$/oz	688	372	533
Processing	A\$/oz	268	285	277
Site Administration	A\$/oz	63	37	50
Cash Costs	A\$/oz	1,019	694	860
Royalties	A\$/oz	109	53	81
Capital Works	A\$/oz	41	7	25
Development	A\$/oz	189	8	100
Ore Inventory Adjustments	A\$/oz	(180)	(133)	(157)
Corporate	A\$/oz	56	53	55
All-in Sustaining Costs	A\$/oz	1,234	682	964
Depreciation and Amortisation	A\$/oz	203	464	327
Mine cash flow				
Mine operating cash flow	A\$m	30.6	51.9	82.5
Net mine cash flow	A\$m	20.0	34.2	54.3

Mine operating cash flow = Sales receipts less AISC less third party ore purchase costs plus corporate costs plus ore inventory adjustment.

Net mine cash flow = Mine operating cash flow less growth capital

Third party ore (Carosue Dam 8,185oz) included in recovered gold, excluded from A\$/oz calculations

Pre-commercial production ounces from Thunderbox underground (1,370oz), Kallis Stage 2 (Thunderbox 3,885oz) and Thunderbox D Zone (10oz) included in recovered gold, excluded from A\$/oz calculations

^A Reported on an accrual accounting basis

* Refer to Figure 7 for breakdown

** Underground development ore only

¹ Sales receipts include revenue from pre-commercial development ounces

Sustainability

Zero Lost Time Injuries (LTI) were reported in the September quarter.

Table 2 – September quarter 2019 group safety performance

	LTI	LTIFR	TRIFR
Carosue Dam	0	0.0	11.7
Thunderbox	0	0.8	9.4
Group	0	0.4	10.8

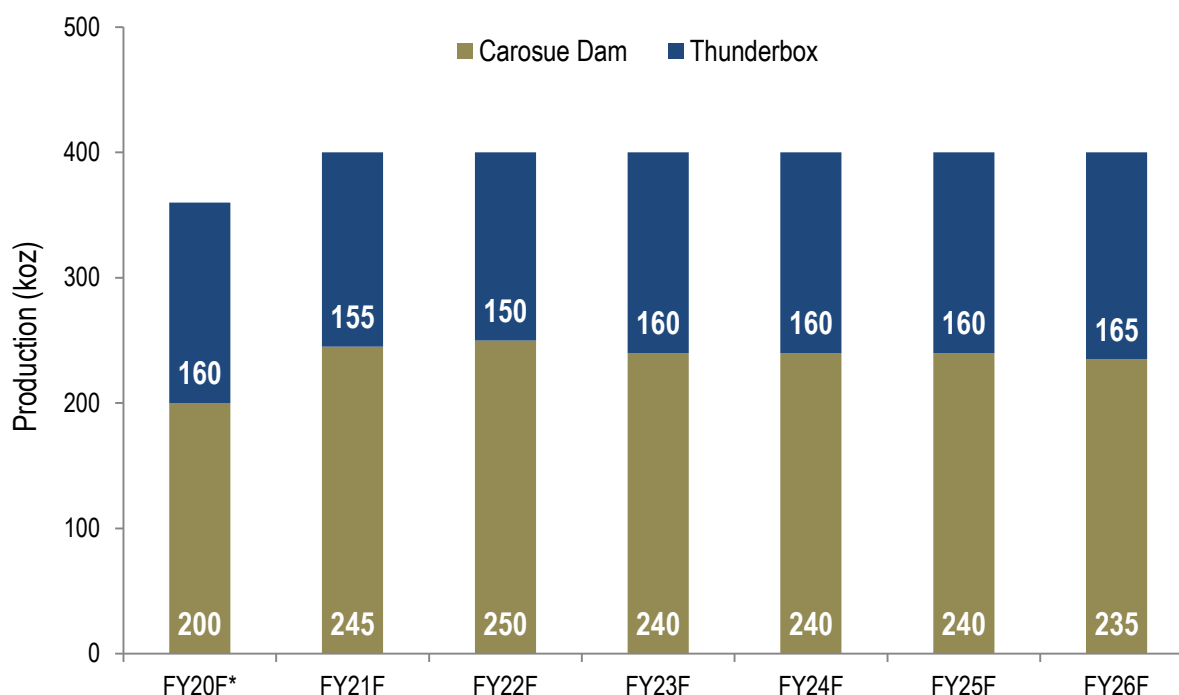
During the quarter the 2019 Sustainability Report was released to the market.

Outlook

During the quarter Saracen announced the latest results of its highly successful organic growth strategy, with **Reserves rising by 32 per cent to a record 3.3Moz** at a compelling discovery cost of **A\$30 per Reserve oz**.

The new Reserves fully underpin a **7-year production profile of 400,000oz a year from FY21** (after the Carosue Dam mill is expanded to 3.2Mtpa).

Figure 2 - Flight to 400 (ASX release July 2019)



*FY20F is the mid-point of production guidance range

The outlook is **100% in Reserves**, and conservatively assumes no further exploration success, no further M&A success, no further third party ore purchases and excludes recent “bolt-on” acquisitions and the emerging Atbara discovery (also not in Resource). Carosue Dam makes up ~60% of the total outlook ounces, and Thunderbox ~40%.

With a further A\$50 million budgeted for exploration in the current financial year, Saracen has strong potential to establish a +10-year mine life at 400,000oz a year.

Saracen’s balance sheet continues to strengthen with **available funding now in excess of A\$346m** (cash and bullion A\$154m, liquid investments of A\$42m, undrawn debt facility A\$150m) plus operating cash flows and ore stockpiles.

Operations

Carosue Dam

Carosue Dam produced 50.6koz for the quarter at an AISC of A\$1,234/oz (June quarter 45.8koz @ A\$1,183/oz).

Mine operating cash flow for the September quarter was A\$30.6 million. Net mine cash flow was A\$20.0 million after growth capital of A\$10.5 million.

The Karari - Dervish underground mine produced 56.1koz @ 3.0g/t (June quarter 44.5koz @ 2.8g/t). Stopping at Dervish continued to ramp up and with commercial production declared early in the quarter, Karari - Dervish will be treated as one mine going forward.

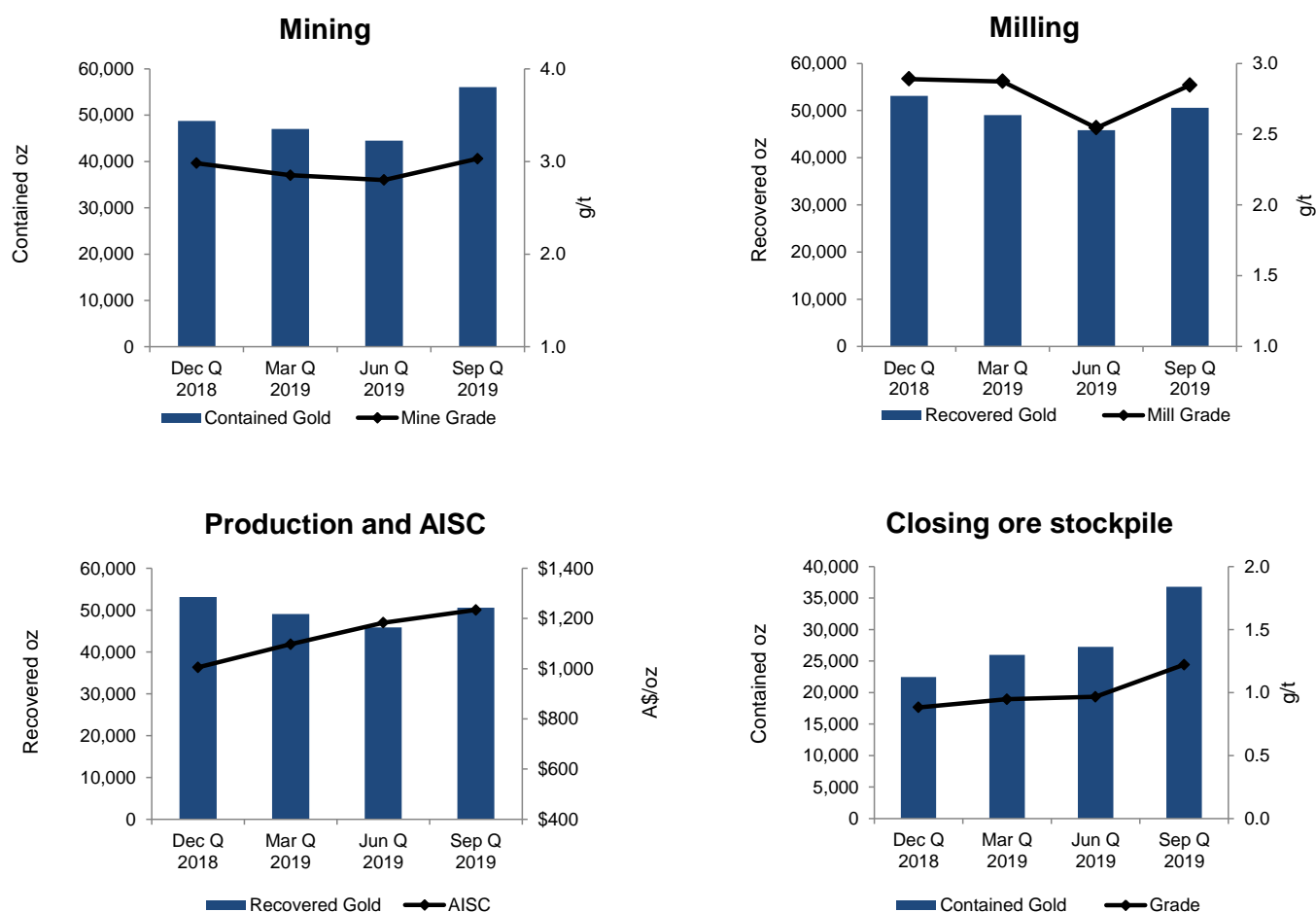
Following positive drilling results and an encouraging Feasibility Study, development has recommenced at Deep South with stopping planned from the June quarter 2020.

The mill processed 591kt at an average grade of 2.9g/t with a metallurgical recovery of 93.7% (June quarter 604kt @ 2.5g/t).

Following a competitive process, selection of the preferred tenderer is imminent to undertake the mill expansion to increase throughput to 3.2Mtpa. The expansion involves the addition of a second ball mill and upgrades to the gravity gold recovery circuit and elution column. As part of the expansion the contract for the construction of two additional CIL tanks at the CDO processing plant was awarded to MACA-Interquip. The additional tanks will improve processing recoveries. Construction commenced on the first tank during the quarter. Commissioning of the mill expansion is targeted for the December quarter 2020.

Contracted third party ore deliveries are anticipated to contribute 4-6koz to recovered gold from Carosue Dam in the December quarter 2019. Currently there are no contracted obligations in 2020 and beyond.

Figure 3 - Carosue Dam - Key trends



Thunderbox

Thunderbox produced a **record 45.7koz** at an **AISC of A\$682/oz** (June quarter 42.3koz @ A\$897/oz).

Mine operating cash flow for the quarter was A\$51.9 million. Net mine cash flow was A\$34.2 million after growth capital of A\$17.7 million. Key growth capital items included Thunderbox underground development (A\$8.7 million) and Kailis Stage 2 mine development (A\$7.4 million).

Thunderbox C Zone pit continued to progress on schedule, with the strip ratio remaining below 1:1 for the quarter and mined grades increasing as planned. The closing ore stockpile (inventory awaiting processing) increased by 50% over the quarter to 102.3koz.

Kailis Stage 2 continues to perform well against all KPI's and will continue to supply the Thunderbox processing plant with high grade oxide feed over the coming year.

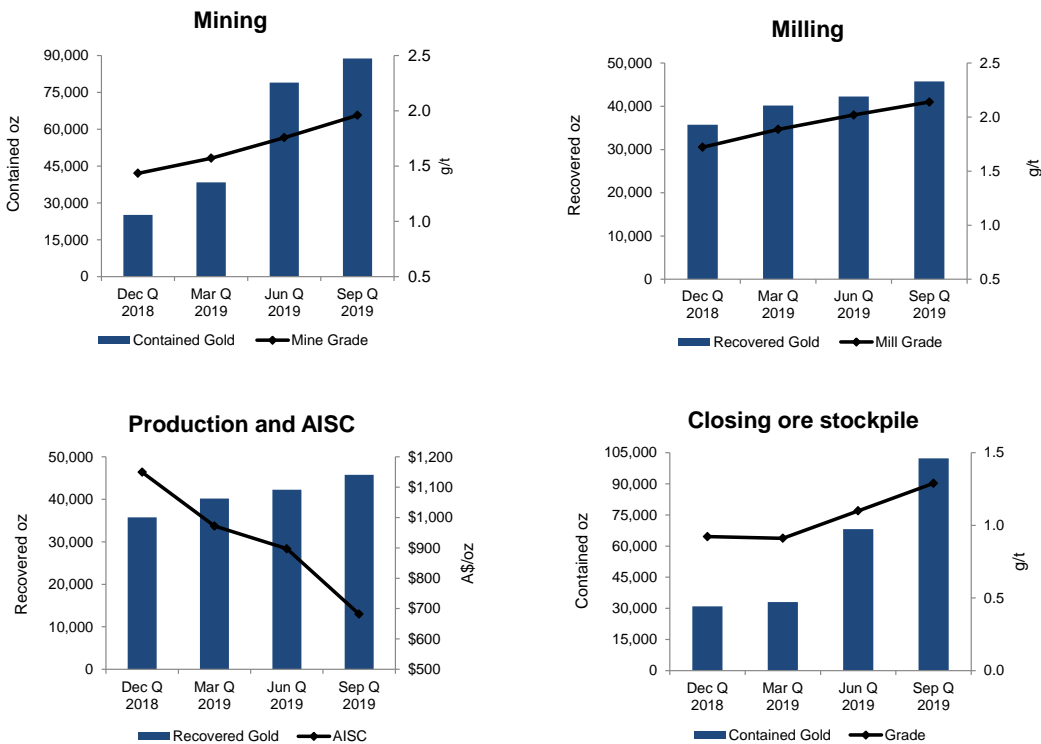
Total material movement from the open pits was 1.6 million BCM, down 16% from the previous quarter with the progression of the C Zone into the low strip ratio portion of the mine. Total open pit ore mined was 1,370kt with a mine grade of 2.0g/t for a total of 86,269 contained ounces, up 15% from the previous quarter.

Development of the Thunderbox Underground continued with 1,135 meters of horizontal development completed. Total development ore mined was 40kt with a mine grade of 2.0g/t. Diamond drilling during the quarter was focussed on delineating the southern ore drive extensions / limits as these areas are to be targeted for early FY21 production.

During the quarter preparations commenced for the D Zone cutback which will ensure continuity of open pit mining at Thunderbox, complementing future Thunderbox Underground production.

The mill processed 714kt of ore at an average grade of 2.1g/t with a metallurgical recovery of 93.2%.

Figure 4 - Thunderbox - Key trends



Discovery and growth

A\$16.3 million was invested on exploration activities in the September quarter (June quarter A\$18.2 million).

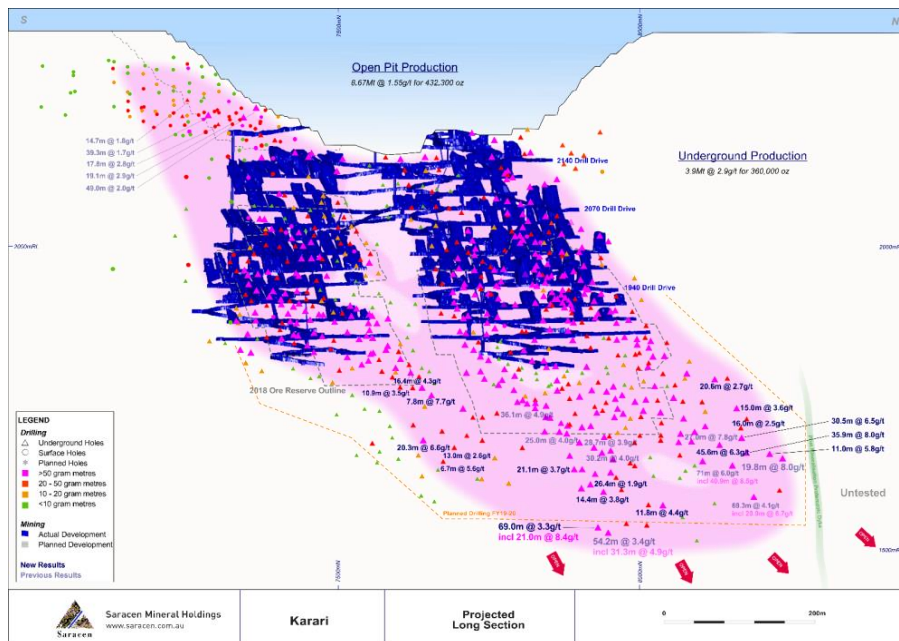
Recent highlights are summarised below (all results previously released - refer to the ASX announcement "Drill results show organic growth strategy gaining momentum" dated 30th July 2019).

Carosue Dam

At Karari - Dervish, thick high-grade drill results included:

- Karari: 69m @ 3.3g/t (including 21m @ 8.4g/t), 46m @ 6.3g/t, 36m @ 8.0g/t, 30m @ 6.5g/t and 20m @ 6.6g/t
- Dervish: 19m @ 4.4g/t (300m north of Reserves), 37m @ 4.0g/t, 24m @ 4.2g/t, 17m @ 3.8g/t and 32m @ 3.5g/t

Figure 5 - Karari Long Section with recent drill results



At the Atbara discovery (just 4km from the Carosue Dam mill), drill results included (aggregated):

- 174m @ 1.5g/t (including 10m @ 13.5g/t, 56m @ 0.7g/t and 108m @ 0.8g/t)
- 112m @ 0.9g/t (including 18m @ 1.4g/t, 10m @ 1.3g/t, 53m @ 0.7g/t and 31m @ 0.8g/t)
- 52m @ 2.0g/t (including 39m @ 2.2g/t, and 14m @ 1.3g/t)

At Million Dollar, shallow infill drill results included 13.0m @ 3.4g/t, 21.0m @ 1.7g/t and 18.0m @ 1.8g/t.

At Deep South, high-grade infill drill results included 9.4m @ 9.7g/t, 6.4m @ 4.9g/t and 6.4m @ 4.9g/t.

At the Carosue Dam Seismic Project, 3D seismic survey completed with results anticipated during the December quarter.

Thunderbox

At Thunderbox A Zone underground, infill drill results included 26m @ 2.1g/t and 17m @ 2.0g/t.

At Thunderbox D Zone open pit, infill drill results included 15m @ 3.6g/t and 36m @ 1.9g/t.

Business development

In line with Saracen's stated bolt-on acquisition strategy, two transactions were completed during the quarter:

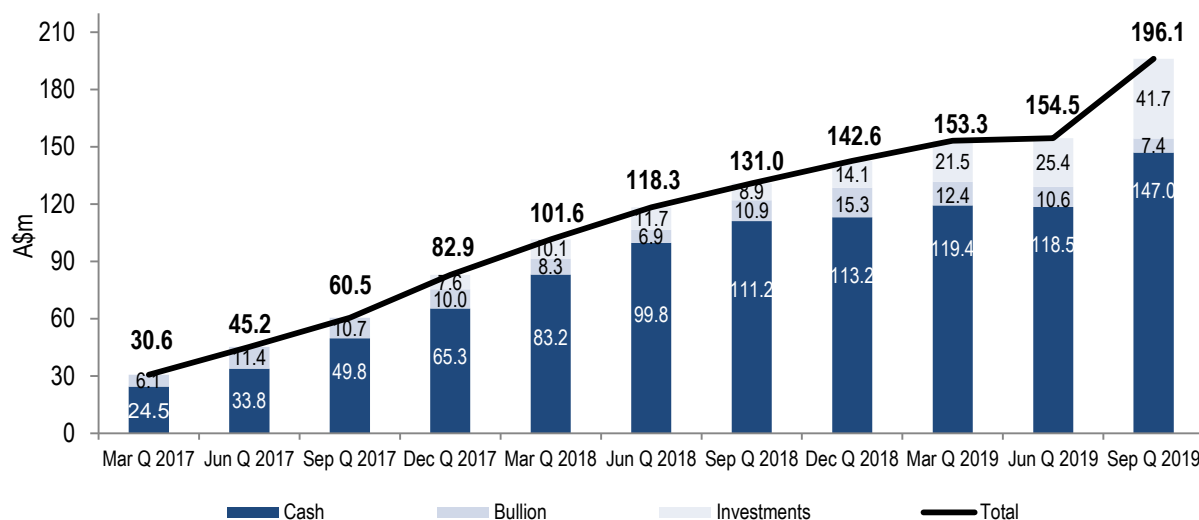
1. A\$38m all-scrip acquisition of Bligh Resources (Wonder North, Thunderbox) - Refer to the ASX announcement "Takeover offer for Bligh Resources Limited" dated 14th June 2019)
2. A\$10m cash acquisition of the Sinclair Project - Refer to the ASX announcement "Acquisition of Sinclair Project" dated 27th September 2019)

Corporate and Finance

Cash position

As at 30 September 2019, total cash, bullion and investments was A\$196.1million. There was no corporate debt drawn.

Figure 6 - Cash, bullion and investments



A\$5.5 million was paid during the quarter in monthly tax instalments (A\$1.6 million in relation to the FY19 tax year and A\$3.9 million in relation to the FY20 tax year). A final FY19 tax year payment ranging between A\$10 million and A\$12 million is estimated to be paid in the December quarter (in addition to regular instalments in relation to the FY20 tax year). Post the end of the quarter A\$10.0 million was paid in relation to the acquisition of Sinclair.

Gold sales

Gold sales for the quarter were 97,307oz at an average sale price of A\$1,916/oz, for sales receipts of A\$186.4 million (note that gold sales excludes movements of gold in transit).

During the quarter A\$9.9 million (unaudited) of the A\$186.4 million of sales receipts were made from gold recovered from development activities at Thunderbox Underground (A\$2.6 million) and Kailis Stage 2 (A\$7.3 million). This amount will be offset against the capital development cost of these projects and **will not be accounted for as sales revenue in the financial accounts**. Dervish and Kailis Stage 2 transitioned from development into production status during the September quarter.

Hedging

During the quarter 38,000oz of hedging was added at A\$2,225/oz. 80,000oz of hedging was delivered at A\$1,863/oz (including 11,000oz of A\$1,696/oz contracts pre-delivered ahead of schedule).

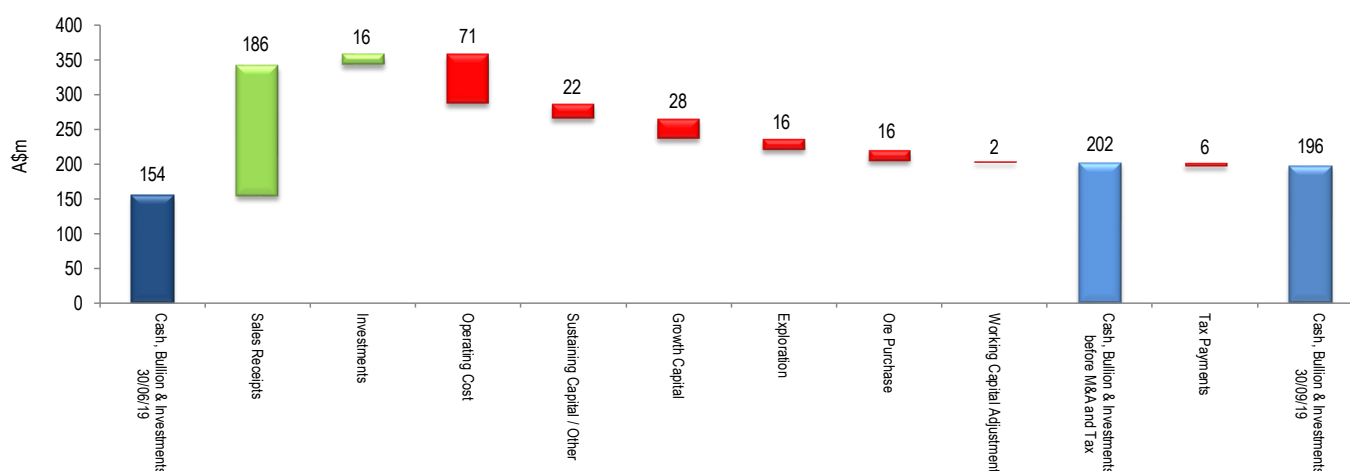
At 30 September 2019, the hedge book comprised 377,000oz at an average delivery price of A\$1,874/oz.

Table 3 - Hedging at 30 September 2019

Quarter	Quantity	Price
	oz	A\$/oz
Dec-19	51,000	\$1,866
Mar-20	47,000	\$1,859
Jun-20	48,500	\$1,809
Sep-20	45,000	\$1,827
Dec-20	35,500	\$1,849
Mar-21	34,500	\$1,854
Jun-21	31,500	\$1,867
Sep-21	25,000	\$1,887
Dec-21	27,000	\$1,954
Mar-22	18,500	\$2,008
Jun-22	11,500	\$2,078
Sep-22	2,000	\$2,309
Total	377,000	\$1,874

Cash flows

Figure 7 - September 2019 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\$8.7m, Kailis Stage 2 A\$7.4m, Karari A\$4m, Dervish A\$1.3m, Deep South A\$0.8m) and miscellaneous items A\$5.9m.
- **Exploration:** Cash outflows for CDO (A\$11.5m) and TBO (A\$4.7m) exploration activities.
- **Ore Purchase:** Purchase of third party ore.

Net Profit after Tax (NPAT)

During the quarter Saracen generated an unaudited NPAT between A\$42 million and A\$45 million.

Corporate Structure:

Ordinary shares on issue:	833.1m
Unvested employee performance rights:	17.2m
Market Capitalisation:	A\$2.8b (share price A\$3.37)
Cash, bullion and investments (30 September):	A\$196.1m
Debt:	Nil
Substantial Shareholders:	Van Eck Global 12.1% BlackRock Group 8.2% Mitsubishi UFJ 5.0%

For further information please contact:

Investors:

Troy Irvin
Corporate Development Officer
Email: info@saracen.com.au
Contact (08) 6229 9100

Media Enquiries:

Read Corporate
Paul Armstrong / Nicholas Read
Email: info@readcorporate.com
Contact: (08) 9388 1474

Competent Person Statements

The information in the report to which this statement is attached that relates to Exploration Results and Mineral Resources related to Gold 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.