



Saracen Mineral Holdings Limited FY2019 Financial Results

Net profit up 22% to record A\$92m as production rises, costs fall and Reserves grow Saracen set for further earnings growth as production increases to 400,000ozpa for + 7 years, 100% backed by Reserves

19th August 2019

HIGHLIGHTS

- ▲ **NPAT up 22% to a record A\$92.5m** (FY2018: A\$75.6m)
- ▲ **Underlying NPAT¹ up 40% to A\$94.2m** (FY2018: A\$67.3m)
- ▲ **EBITDA² up 11% to a record A\$219.5m** (FY2018: A\$198.7m)
- ▲ **Revenue up 9% to A\$555.6m** (FY2018: A\$511.0m)
- ▲ **Gold production up 12% to a record 355,077oz** (FY2018: 316,453oz); **All-In-Sustaining-Costs ("AISC") reduced to A\$1,030/oz** (FY2018: A\$1,139/oz)
- ▲ **Cash and equivalents increased to A\$154.4m at 30 June 2019** (A\$118.3m at 30 June 2018) **after spending A\$216.9m on exploration and growth**
- ▲ **No debt**
- ▲ **Strong balance sheet supports ongoing investment in exploration and growth**, including increasing Reserves beyond 3.3Moz* (FY2018: 2.5Moz or +30%) and production to 400,000oz p.a.
- ▲ **Saracen declares an inaugural dividend policy** targeting a **payout equal to 20-40% of NPAT**, subject to Saracen reaching and maintaining a **minimum cash balance of A\$150m**; **the policy will apply from FY2020**

Saracen Mineral Holdings Ltd (**ASX: SAR**) is pleased to report record financial and operational results for the year ended 30 June 2019.

Net profit after tax (**NPAT**) rose 22% to A\$92.5 million. Gold sales increased to 350,904oz (FY2018: 317,675oz) and AISC reduced to A\$1,030/oz (FY2018: A\$1,139/oz).

Revenue rose 9% to A\$555.6 million (excluding 29,022oz or A\$49.6 million of gold sales derived from development activities, this amount was offset against the capital development cost of these new growth projects). See Table 1 for key results.

Underlying NPAT increased by 40% to A\$94.2 million (refer to Table 2). EBITDA rose 11% to A\$219.5 million, reflecting record production volumes, lower costs and a strong Australian-dollar gold price.

At 30 June, Saracen held cash and equivalents of A\$154.5 million, up from A\$118.3 million a year earlier, with no debt. This was after spending a record A\$216.9 million during the period on growth projects and exploration (see Table 3).

Saracen Managing Director Raleigh Finlayson said the Company had performed exceptionally well on every level.

“We have met or exceeded all our key guidance metrics, generating record production and profits in the process,” Mr Finlayson said. “The combination of increased production and lower costs generated strong cashflow.

“As a result, we grew our cash holdings by A\$36 million over the year despite investing a record A\$217 million in exploration and development.

“This investment led to a 30 per cent increase in Reserves, which is more than enough to support our target of producing 400,000oz a year for the next seven years, and we also have extensive Resources which will help underpin further growth in production and mine lives.”

Mr Finlayson said growth in earnings, production and mine lives remained a priority for Saracen and therefore the Company had committed A\$50 million to exploration in FY2020.

He also noted that Saracen’s free cashflow generation was set to continue growing as the Company emerges from a period of heavy investment in exploration and development.

“Our priority remains exploration and growth, however our growing free cash flow and strengthening balance sheet will enable us to also begin paying dividends to shareholders,” Mr Finlayson said. “While we want to ensure we maintain a strong cash position to fund organic growth and acquisition opportunities, we intend to return excess cash to our owners. In line with this approach, we are pleased to announce our inaugural Dividend Policy”.

Key financial results

Saracen Mineral Holdings (ASX: SAR) is pleased to report strong operational and financial results for FY2019, headlines include:

- 11% increase in EBITDA to A\$219.5 million; and
- 40% increase in underlying NPAT to A\$94.2 million.

Key financial and operating results are presented below.

Table 1 – Key financial and operating results for the financial year ended 30 June 2019

| | FY19 | FY18 | % Variance |
|--------------------------------------|-------|-------|------------|
| Key financials (A\$m) | | | |
| Revenue | 555.6 | 511.0 | 9% |
| EBITDA ² | 219.5 | 198.7 | 10% |
| Profit before income tax | 131.4 | 113.3 | 16% |
| NPAT | 92.5 | 75.6 | 22% |
| Underlying NPAT ¹ | 94.2 | 67.3 | 40% |
| Operating cash flow | 228.1 | 191.4 | 19% |
| Net cash at end | 118.7 | 99.8 | 19% |
| Production | | | |
| Gold produced (koz) | 355.1 | 316.5 | 12% |
| AISC (A\$/oz) | 1030 | 1139 | -10% |
| Average gold price realised (A\$/oz) | 1722 | 1606 | 7% |

Underlying NPAT

Calculation of underlying NPAT is presented below.

Table 2 – Reconciliation of underlying NPAT to statutory NPAT

| | FY19 | FY18 | % Variance |
|---|------|------|------------|
| Reconciliation | | | |
| Underlying NPAT | 94.2 | 67.3 | 40% |
| Adjust for: | | | |
| - Expensing of deferred exploration costs | 0.4 | 1.4 | |
| - Loss on disposal of fixed assets | 0.4 | 0.0 | |
| - Obsolete stock write down | 0.9 | 0.0 | |
| - Impairment of available-for-sale assets | 0.0 | 0.9 | |
| + Profit on the sale of King of the Hills | 0.0 | 10.6 | |
| Statutory NPAT | 92.5 | 75.6 | 22% |

Treatment of gold sales derived from development activities

As previously disclosed in the quarterly reports, A\$49.6 million of gold sales (29,022oz) during the financial year were derived from (pre-commercial) development activities.

This amount was offset against the capital development cost of these projects and is not accounted for as Sales Revenue in the statutory accounts.

The ounces are included in gold produced but excluded from AISC A\$/oz calculations.

Treatment of costs associated with third party ore

During FY2019, 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 A\$43.4 million are included in the Mine Operating Costs in the statutory accounts.

The ounces are included in gold produced but excluded from AISC A\$/oz calculations.

Contracted third party ore deliveries are anticipated to contribute 4-7koz to recovered gold from Carosue Dam in the September quarter 2019, and 4-6koz in the December quarter 2019. Currently there are no contracted obligations in 2020 and beyond.

Income tax

The FY2019 remaining income tax payable of A\$11.9 million is less than the estimate (A\$21 million) announced in the June quarterly report as a result of certain mining expenditure being immediately deductible as opposed to being capitalised.

Growth capital and exploration

Growth related project development and exploration expenditure totalled A\$216.9 million.

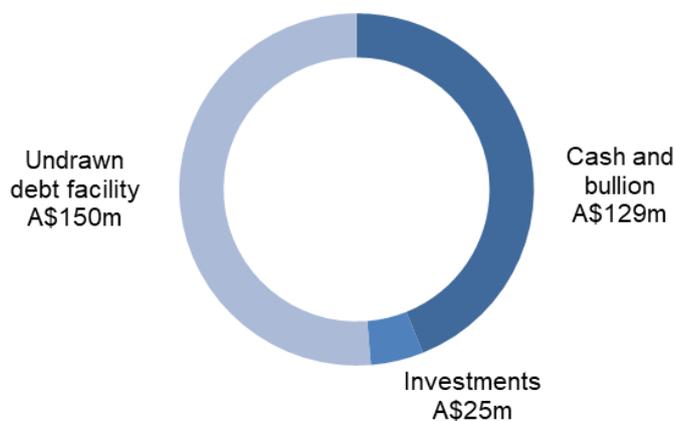
Table 3 - Project development and exploration expenditure for the financial year ended 30 June 2019

| | A\$m |
|---|--------------|
| Growth and exploration | |
| Thunderbox underground development | 29.9 |
| Whirling Dervish development | 41.6 |
| Kailis development | 18.2 |
| Carosue Dam paste plant | 22.5 |
| Carosue Dam aerodrome | 8.1 |
| Karari decline development | 12.4 |
| Acquisition of minority interest in Lehmann's Well JV | 2.5 |
| Miscellaneous growth items | 25.4 |
| Exploration | 56.3 |
| TOTAL | 216.9 |

Liquidity

There was no corporate debt drawn at the end of the full year. At 30 June 2019, Saracen had **greater than A\$300 million of available liquidity**.

Figure 1 – Available funding at 30 June 2019



Dividend policy

Saracen is pleased to announce an inaugural dividend policy targeting a payout equal to 20-40% of NPAT, subject to Saracen reaching and maintaining a minimum cash balance of A\$150m. The policy will apply from FY2020.

In addition, the Saracen Board retains absolute discretion as to the timing and size of any dividend payments, based on financial results, and the growth capital and exploration requirements for the business.

Corporate Structure:

| | |
|--|-------------------------------|
| Ordinary shares on issue: | 833.0m |
| Unvested employee performance rights: | 15.3m |
| Market capitalisation (19 August): | A\$3.2b (share price A\$3.90) |
| Cash, bullion and investments (30 June): | A\$154.5m |
| Debt: | Nil |
| Substantial shareholders: | Van Eck Global 12.1% |
| | BlackRock Group 9.2% |

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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 financial year ended 30 June 2019. Underlying NPAT has not been subject to any specific review procedures by the auditor but has been extracted from the financial statements by the Company as set out in Table 2 above.

² 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 financial statements by the Company.

*Please refer to the ASX releases dated 1st August 2019 - "Reserves grow 32% to 3.3Moz, underpinning long life 400kozpa".