



# Quarterly Report - June 2020

21<sup>st</sup> July 2020

Saracen Managing Director Raleigh Finlayson said the Company's performance was regrettably overshadowed by the recent tragic fatality at Carosue Dam.

"Saracen expresses its deepest condolences to the family, friends and colleagues of the late person," Mr Finlayson said.

"A full investigation by the Department of Mines, Industry Regulation and Safety is underway. Saracen is fully committed to establishing the events leading up to the accident".

## Production

- ▲ **June quarterly production of 145,830oz at an AISC of A\$1,152/oz**
- ▲ In the quarter, Thunderbox produced of 42,117oz at an AISC of A\$812/oz; Carosue Dam produced 50,315oz at an AISC of A\$1,271/oz; KCGM produced 53,398oz (Saracen's 50%) at an AISC of A\$1,329/oz
- ▲ **FY20 group production of 520,414oz at an AISC of A\$1,101/oz, ahead of FY20 guidance of +500,000oz**
- ▲ **FY21 production guidance of +600,000oz unchanged;** as stated previously, **Saracen will update the production and cost outlook for each of its operations later in the current September quarter.**
- ▲ Saracen has **large ore stockpiles of 1.7Moz** at 30 June; These will help **insulate the business** should mining be restricted from any COVID-19 or other impacts

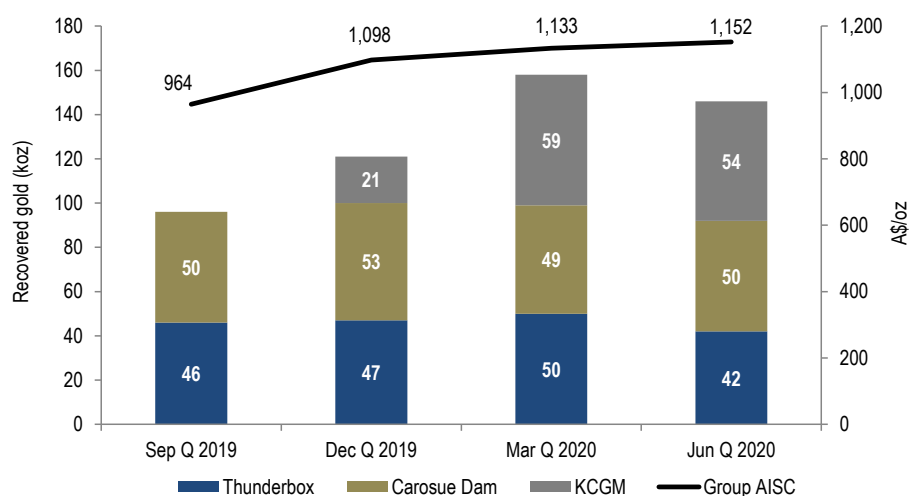
## Financial

- ▲ **Gold sales** for the quarter of **148,011oz** at an **average price of A\$2,280/oz**, generating **sales receipts of A\$338m**
- ▲ **Cash and bullion of A\$369m at 30 June** (A\$339m at 31 March) after making a debt repayment of A\$39m, paying A\$16m in tax and investing A\$91m on growth capital and exploration
- ▲ **Debt A\$321m;** Net cash of A\$48m at 30 June 2020, up from net debt of A\$21m at 31 March 2020
- ▲ In April 2020, A\$45m was drawn on the revolving credit facility as a precautionary response to COVID-19, this was repaid in June 2020
- ▲ **Gold hedging of 493,200oz** at an **average delivery price of A\$2,094/oz** (542,500oz at A\$2,056/oz at 31 March)
- ▲ **FY20 unaudited statutory NPAT of A\$190 - A\$200m;** This will be adjusted for one-off items including KCGM transaction costs and KCGM stamp duty, estimated to be in the order of A\$34m (net of tax), in determining the Company's underlying NPAT for FY20
- ▲ **FY20 unaudited sales revenue of A\$1,072m;** A\$60m of gold sales were derived from pre-commercial activities, as per accounting standards this amount has been offset against the development cost of these projects in the balance sheet and will not be accounted for as sales revenue in the FY20 profit and loss statement

## Overview

Saracen Mineral Holdings Limited (ASX: SAR) produced **145,830oz** at an **all-in sustaining cost (AISC) of A\$1,152/oz** in the June quarter 2020. This takes production for the 12 months to June 30 to **520,414oz** at an **AISC of A\$1,101/oz**.

Figure 1 – Group production and AISC



## Outlook

Saracen's long-standing strategy to 'future-proof the business' includes the build-up of surface ore stockpiles to 1.7Moz.

In response to COVID-19, Saracen flagged the potential to prioritise the milling of higher grade portions of the stockpiles at Carosue Dam and Thunderbox in the June quarter (see March Quarterly Report, 28 April 2020). However, COVID-19 ultimately had a limited impact on the business and therefore this plan was not implemented and Saracen continued to execute its long-standing 'future-proofing' strategy.

FY21 production guidance of +600,000oz is unchanged. News flow in the current September quarter will include (in order); Carosue Dam and Thunderbox update, FY20 financial results, and KCGM update. Each update will include drill results, Resources and Reserves, and production and cost outlook.

Saracen's quarterly conference call will be held today at 9.00am AWST (11.00am AEST). The call can be accessed at: <https://webcast.boardroom.media/saracen-mineral-holdings-limited/20200721/NaNsar-2020-june-quarter>

## Sustainability

Two Lost Time Injuries (LTI) were reported in the June quarter.

Table 3 - June quarter 2020 group safety performance

	LTI	LTIFR	TRIFR
Carosue Dam	2.0	1.9	10.2
Thunderbox	0.0	0.0	11.1
KCGM	0.0	1.2	5.6
<b>Group</b>	<b>2.0</b>	<b>1.0</b>	<b>8.7</b>

The Lost Time Injury Frequency Rate (LTIFR) is 1.0 (compared to 1.5 for WA Gold Mining and 2.2 for WA All Mining, refer [http://dmp.wa.gov.au/Documents/Safety/MSH\\_Stats\\_Reports\\_SafetyPerFWA\\_2018-19.pdf](http://dmp.wa.gov.au/Documents/Safety/MSH_Stats_Reports_SafetyPerFWA_2018-19.pdf)).

Whilst COVID-19 has had limited impact on the business, the Company remains vigilant in monitoring the situation and is prepared to act swiftly should further measures be necessary to ensure the health and safety of our workforce.

Table 1 - June quarter 2020 gold production and cost summary

Jun Q 2020	Unit	Carosue Dam	Thunderbox	KCGM (50%)	Group
<b>Underground Mining</b>					
Ore Mined	kt	599	29	183	811
Mine Grade	g/t	2.8	1.7*	2.4	2.7
Contained Gold	oz	53,431	1,619	14,242	69,292
<b>Open Pit Mining</b>					
Total Mining	BCM '000	-	1,447	1,935	3,382
Ore Mined	kt	-	692	517	1,209
Mine Grade	g/t	-	1.8	1.1	1.5
Contained Gold	oz	-	39,973	18,323	58,296
<b>Mill Production</b>					
Ore Milled	kt	591	676	1,656	2,923
Mill Grade	g/t	2.9	2.0	1.2	1.7
Contained Gold	oz	54,183	44,364	64,090	162,637
Recovery	%	92.9%	94.9%	83.3%	89.7%
Recovered Gold	oz	50,315	42,117	53,398	145,830
Gold Sales	oz	50,524	42,326	55,161	148,011
Average Price Received	A\$/oz	2,226	2,149	2,430	2,280
Sales Receipts <sup>1</sup>	A\$m	112.5	91.0	134.0	337.5
Sales Revenue (per profit & loss statement)	A\$m	107.6	89.3	118.7	315.5
<b>Closing Ore Stockpile</b>					
Ore	t	1,077,634	2,729,752	63,661,429	67,468,815
Grade	g/t	1.3	1.3	0.7	0.8
Contained Gold	oz	46,036	111,009	1,523,839	1,680,884
<b>Cost summary</b>					
Mining	A\$m	31.9	9.4	14.7	56.0
Processing	A\$m	11.7	14.4	33.0	59.2
Site Administration	A\$m	2.9	2.3	4.7	10.0
Cash Costs	A\$m	46.5	26.1	52.5	125.1
Royalties	A\$m	5.5	3.0	3.1	11.7
Capital Works	A\$m	1.0	0.8	4.5	6.3
Development	A\$m	5.5	0.0	0.1	5.6
Ore Inventory Adjustments	A\$m	0.2	1.8	(0.1)	1.8
Rehabilitation	A\$m	0.1	0.1	0.5	0.7
Corporate	A\$m	1.9	1.7	2.0	5.6
All-in Sustaining Costs	A\$m	60.7	33.5	62.6	156.9
Growth Capital	A\$m	32.1	24.2	23.1	79.4
Less: Development Receipts	A\$m	(4.9)	(1.7)	(15.3)	(22.0)
Net Growth Capital	A\$m	27.2	22.5	7.7	57.5
Exploration	A\$m	6.4	2.0	3.2	11.6
Third Party Ore Purchase	A\$m	0.0	0.0	0.0	0.0
<b>Unit cost summary</b>					
Mining	A\$/oz	667	227	313	411
Processing	A\$/oz	246	350	700	435
Site Administration	A\$/oz	61	56	100	73
Cash Costs	A\$/oz	974	632	1,114	919
Royalties	A\$/oz	116	74	66	86
Capital Works	A\$/oz	20	20	95	46
Development	A\$/oz	116	0	2	41
Ore Inventory Adjustments	A\$/oz	3	43	(2)	13
Rehabilitation	A\$/oz	2	2	11	5
Corporate	A\$/oz	40	40	43	41
All-in Sustaining Costs	A\$/oz	1,271	812	1,329	1,152
Depreciation and Amortisation	A\$/oz	217	412	139**	245
<b>Mine cash flow</b>					
Mine operating cash flow	A\$m	53.8	60.9	73.4	188.1
Net mine cash flow	A\$m	21.7	36.7	50.3	108.7

<sup>1</sup>Sales receipts include revenue from pre-commercial development ounces (development receipts)

\* Underground development ore only

\*\* Subject to finalisation of the purchase price allocation for KCGM

Pre-commercial production ounces from Thunderbox (826oz), Carosue Dam (2,118oz) and KCGM (6,289oz) included in recovered gold, excluded from A\$/oz calculations

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

KCGM historic ore stockpiles allocated zero cash mining cost when drawn down as mining costs incurred reflected in acquisition price

Table 2 - FY20 YTD gold production and cost summary

YTD FY20	Unit	Carosue Dam	Thunderbox	KCGM (50%)	Group
<b>Underground Mining</b>					
Ore Mined	kt	2,395	149	375	2,919
Mine Grade	g/t	2.8	1.8*	2.4	2.7
Contained Gold	oz	219,346	8,784	29,314	257,444
<b>Open Pit Mining</b>					
Total Mining	BCM '000	-	6,250	3,670	9,921,000
Ore Mined	kt	-	3,835	1,481	5,316
Mine Grade	g/t	-	1.9	1.4	1.8
Contained Gold	oz	-	235,566	67,175	302,741
<b>Mill Production</b>					
Ore Milled	kt	2,394	2,891	3,733	9,018
Mill Grade	g/t	2.8	2.1	1.3	2.0
Contained Gold	oz	218,624	195,311	159,025	572,960
Recovery	%	93.0%	94.5%	83.4%	90.8%
Recovered Gold	oz	203,281	184,538	132,595	520,414
Gold Sales	oz	206,103	184,929	137,661	528,693
Average Price Received	A\$/oz	2,084	2,058	2,341	2,142
Sales Receipts <sup>1</sup>	A\$m	429.5	380.7	322.3	1,132.4
Sales Revenue (per profit & loss statement)	A\$m	420.7	362.4	289.1	1,072.2
<b>Closing Ore Stockpile</b>					
Ore	t	1,077,634	2,729,752	63,661,429	67,468,815
Grade	g/t	1.3	1.3	0.7	0.8
Contained Gold	oz	46,036	111,009	1,523,839	1,680,884
<b>Cost summary</b>					
Mining	A\$m	125.0	53.7	40.8	219.5
Processing	A\$m	49.0	53.3	84.0	186.4
Site Administration	A\$m	10.7	7.3	11.2	29.2
Cash Costs	A\$m	184.8	114.3	136.1	435.2
Royalties	A\$m	21.4	11.1	7.3	39.8
Capital Works	A\$m	4.3	3.1	13.7	21.1
Development	A\$m	26.6	3.1	0.3	29.9
Ore Inventory Adjustments	A\$m	(14.8)	(11.4)	2.7	(23.6)
Rehabilitation	A\$m	0.3	0.4	1.7	2.4
Corporate	A\$m	8.3	7.4	4.3	20.0
All-in Sustaining Costs	A\$m	230.8	128.0	166.1	524.8
Growth Capital	A\$m	93.0	75.3	45.9	214.3
Less: Development Receipts	A\$m	(8.8)	(18.3)	(33.2)	(60.3)
Net Growth Capital	A\$m	84.3	57.0	12.7	154.0
Exploration	A\$m	36.5	12.9	8.9	58.3
Third Party Ore Purchase	A\$m	35.4	0.0	0.0	35.4
<b>Unit cost summary</b>					
Mining	A\$/oz	684	307	344	461
Processing	A\$/oz	268	305	708	391
Site Administration	A\$/oz	59	41	95	61
Cash Costs	A\$/oz	1,011	653	1,146	913
Royalties	A\$/oz	117	63	61	83
Capital Works	A\$/oz	24	18	115	44
Development	A\$/oz	145	17	3	63
Ore Inventory Adjustments	A\$/oz	(81)	(65)	22	(49)
Rehabilitation	A\$/oz	2	2	14	5
Corporate	A\$/oz	45	43	36	42
All-in Sustaining Costs	A\$/oz	1,263	731	1,399	1,101
Depreciation and Amortisation	A\$/oz	237	408	286**	310
<b>Mine cash flow</b>					
Mine operating cash flow	A\$m	156.8	248.7	163.2	568.7
Net mine cash flow	A\$m	63.8	173.4	117.3	354.4

<sup>1</sup>Sales receipts include revenue from pre-commercial development ounces (development receipts)

\* Underground development ore only

\*\* Subject to finalisation of the purchase price allocation for KCGM

Pre-commercial production ounces from Thunderbox (9,549oz), Carosue Dam (3,825oz) and KCGM (13,890oz) included in recovered gold, excluded from A\$/oz calculations

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

KCGM historic ore stockpiles allocated zero cash mining cost when drawn down as mining costs incurred reflected in acquisition price

## Operations

### KCGM (Saracen 50%)

KCGM produced 53.4koz at an AISC of A\$1,329/oz (March quarter 58.6koz @ A\$1,415/oz).

Mine operating cash flow was A\$73.4m. Net mine cash flow was A\$50.3m after growth capital of A\$23.1m.

Open pit mining produced 18.3koz @ 1.1g/t (March quarter 29.9koz @ 1.6g/t). The total material movement from all the open pits (ex-pit) was 1.9 million BCM in the quarter, a 49% improvement on the March quarter as the focus turned to increasing the number of available open pit mining fronts. Four production fronts are now active with the majority of material mined from the Morrison and Brownhill pits.

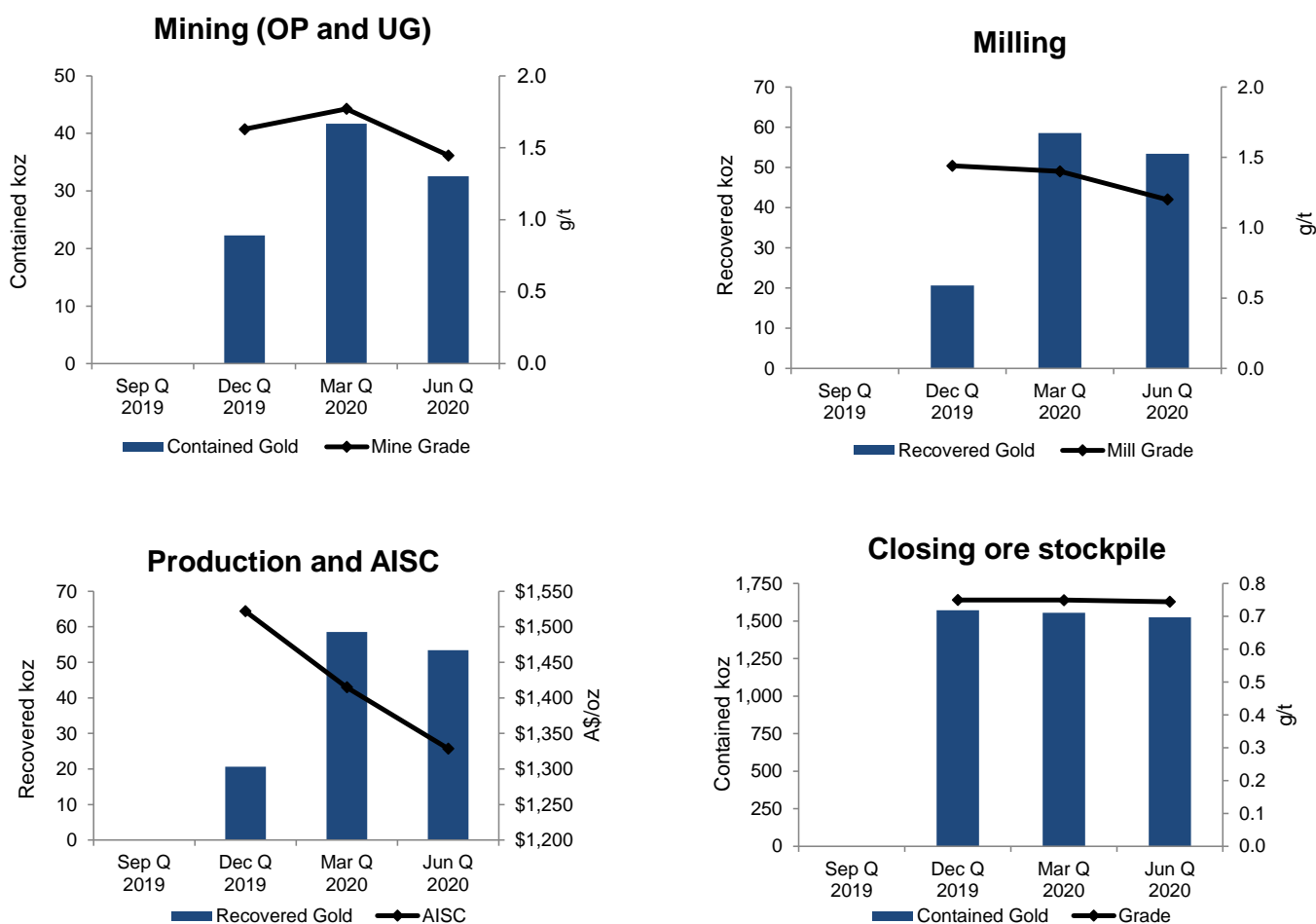
Further evaluation of the Brownhill mining options and equipment utilisation synergies, coupled with the increase in the gold price, has prompted KCGM to review the East Wall Remediation (EWR) options. Since commencement, the Oroya and Brownhill (OBH) cutbacks have excavated 4.6Mt of material. Details on the open pit mining strategy will be outlined in the September quarter.

The Mt Charlotte underground mine produced 14.2koz @ 2.4g/t (March quarter 11.8koz @ 2.5g/t). Increased truck productivity from the MOB1 and MOB2 stopes resulted in a 25% increase in mined ore from the March quarter.

The mill processed 1,656kt at an average grade of 1.2g/t with a metallurgical recovery of 83.3% (March quarter 1,553kt @ 1.4g/t). Closing stockpiles were 1.5Moz at quarter end.

Technical work continues on updating the Resource and Reserves to JORC Code. This will be completed as part of the KCGM update planned for the September quarter 2020.

Figure 1 - KCGM - Key trends\*



\*December Quarter includes production for the month of December 2019 only

**Carosue Dam**

Carosue Dam produced 50.3koz for the quarter at an AISC of A\$1,271/oz (March quarter 49.5koz @ A\$1,308/oz).

Mine operating cash flow for the June quarter was A\$53.8m. Net mine cash flow was A\$21.7m after growth capital of A\$32.1m. Key growth capital items included Deep South development (A\$10.4m) and the mill expansion (A\$8.5m).

The Karari - Dervish underground mine produced 50.4koz @ 2.8g/t (March quarter 52.5koz @ 2.5g/t). As anticipated, the head grade returned to the project-to-date grade during the June quarter.

Deep South underground mine produced 3.1koz @ 2.2g/t (March quarter 1.2koz @ 2.3g/t). Stopping commenced late in the quarter, delivering an initial 10kt of production ore.

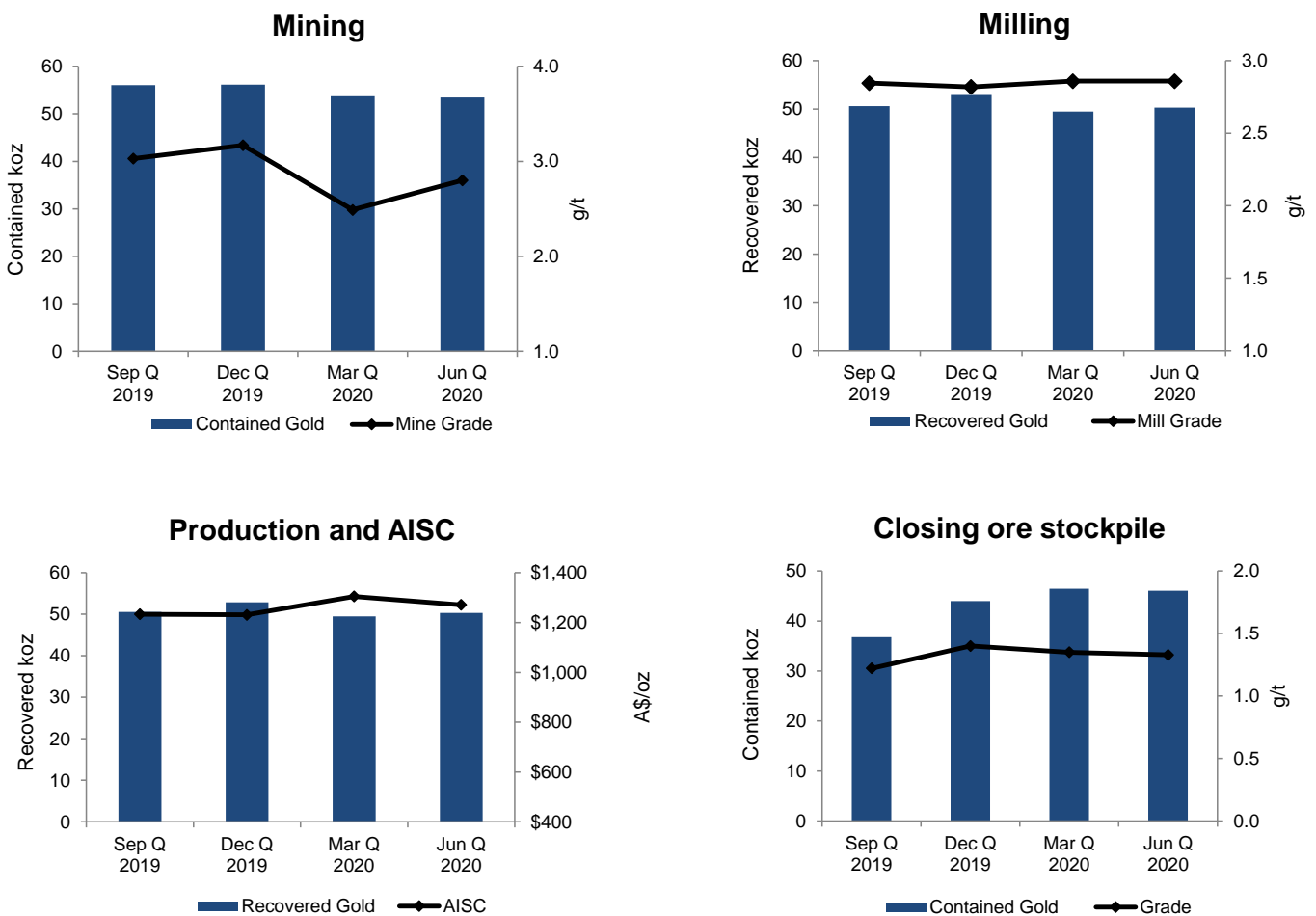
The mill processed 591kt at an average grade of 2.9g/t with a metallurgical recovery of 92.9% (March quarter 585kt @ 2.9g/t).

The mill expansion to 3.2Mtpa continued to make good progress. GR Engineering Services has completed all civil and concrete works and installed the additional elution column. Work is now on focused on the structural and mechanical work for the new mill and other process infrastructure. As previously flagged, commissioning of the expansion has been delayed by one quarter to the March quarter 2021 due to COVID-19 related delays at the mill manufacturing plant in China.

GR Engineering Services was awarded a contract to install a paste pump at the Karari Paste Plant. This will distribute paste fill to the Dervish underground mine, enabling increased mining recovery.

Infrastructure works are now complete at the Porphyry Mining Centre, 50km north of the Carosue Dam mill. Subsequent to the end of the June quarter, mining of the Million Dollar pit commenced. This single open pit has sufficient ore to fill the expanded mill for the next ~5 years.

Figure 2 - Carosue Dam - Key trends



## Thunderbox

Thunderbox delivered 42.1koz at an AISC of A\$812/oz (March quarter 50.1koz @ A\$682/oz).

Mine operating cash flow for the quarter was A\$60.9m. Net mine cash flow was A\$36.7m after growth capital of A\$24.2m. Key growth capital items included Thunderbox D Zone development (A\$11.6m) and Thunderbox underground development (A\$9.3m).

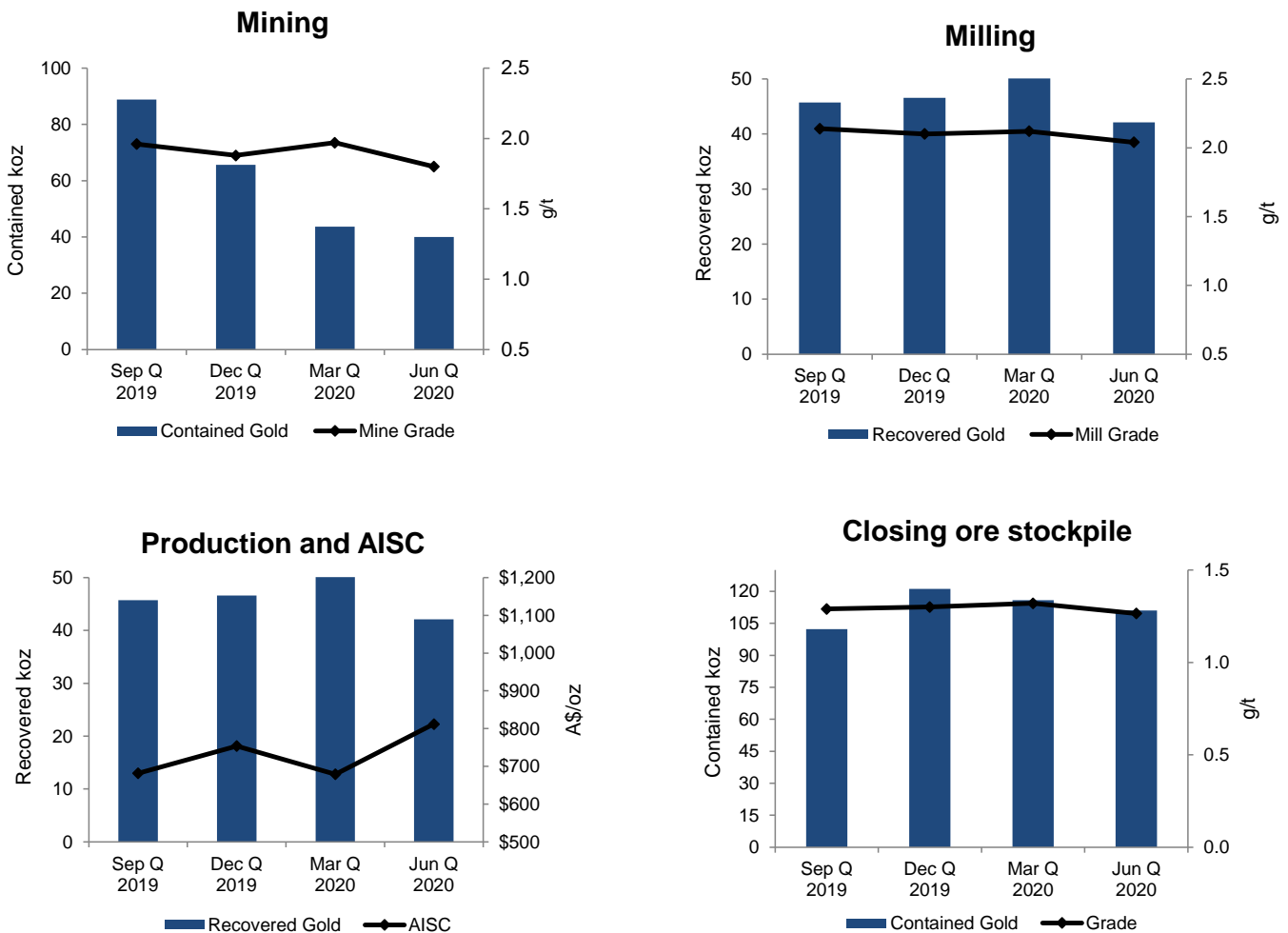
Open pit mining for the quarter was focused on advancing the C Zone pit towards completion and ramping up D Zone development. The C Zone pit will be completed early in the current September quarter, paving the way for C Zone underground portal development and associated infrastructure.

Total material movement from the open pits was 1.4 million BCM. Total open pit ore mined for the quarter was 692kt with a mine grade of 1.8g/t for a total of 40koz of contained gold. Stockpiles at the end of the June quarter were 111koz.

Development of the Thunderbox underground continued to progress with 992m of horizontal development completed. Byrnescut Australia was awarded the mining contract. The first production stope was successfully blasted in July 2020, with ore production set to ramp up in the coming quarters.

The Thunderbox mill processed 676kt of ore at an average grade of 2.0g/t with a metallurgical recovery of 94.9%. Kailis pit (stage 2) stockpiles continued to supply high grade oxide blend to the mill during the June quarter. Processing volumes reduced slightly due to an extended shutdown in May that included SAG and ball mill relines, and a ball mill motor change out.

Figure 3 - Thunderbox - Key trends



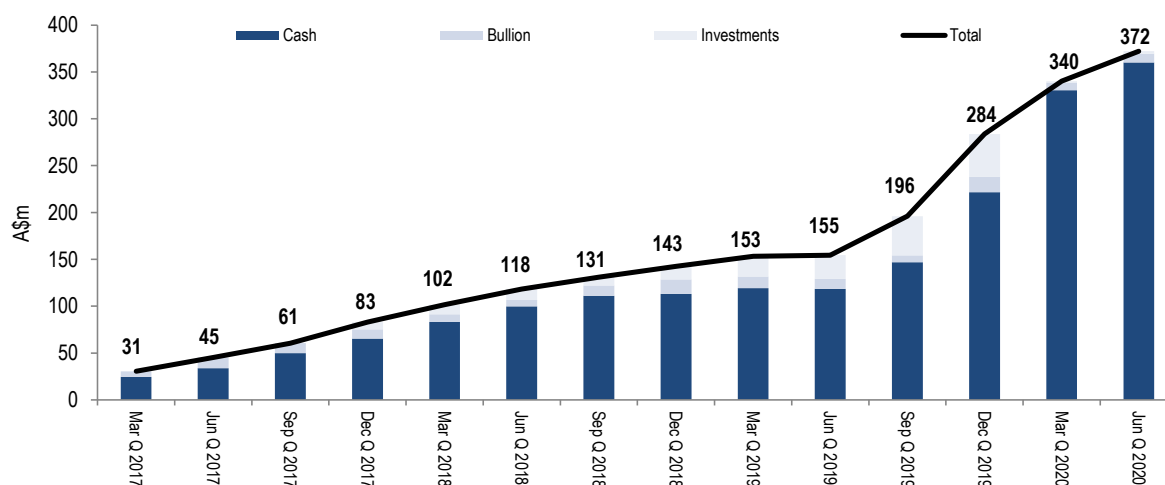


## Corporate and Finance

### Cash position

At 30 June 2020, total cash, bullion and investments were A\$372.1m and debt was A\$321.5m.

Figure 4 - Cash, bullion and investments



A\$15.7m was paid during the quarter in monthly tax instalments in relation to the FY20 tax year.

A debt repayment of A\$39m on the term loan was paid in June 2020. A\$45m was drawn on the revolving credit facility in April 2020, this was repaid in June 2020.

### Gold sales / capitalised revenue

Gold sales for the quarter were 148,011oz at an average sale price of A\$2,280/oz, for sales receipts of A\$337.5m (note that gold sales excludes movements of gold in transit).

During the quarter, A\$22.0m (unaudited) of the A\$337.5m of sales receipts were made from gold recovered from development activities at Thunderbox, Carosue Dam and KCGM (Morrison and Brownhill pits). This amount will be offset against the capital development cost of these projects in the balance sheet and **will not be accounted for as sales revenue in the financial accounts**.

### KCGM transaction

An accrual for **estimated stamp duty of A\$32m** has been **expensed in Saracen's FY20 financial accounts**. Finalisation of the amount remains subject to assessment by the Western Australian Office of State Revenue.

### Hedging

During the quarter 24,000oz of hedging was added at A\$2,512/oz. 72,300oz of hedging was delivered at A\$1,938/oz. At 30 June 2020, the hedge book comprised 493,200oz at an average delivery price of A\$2,094/oz.

Table 4 - Hedging at 30 June 2020

Quarter	Quantity	Price
	oz	A\$/oz
Sep-20	70,800	1,977
Dec-20	63,300	2,020
Mar-21	61,800	2,039
Jun-21	58,800	2,057
Sep-21	52,300	2,090
Dec-21	54,200	2,116
Mar-22	45,500	2,171
Jun-22	38,500	2,222
Sep-22	26,000	2,262
Dec-22	18,000	2,280
Mar-23	4,000	2,480
Total	493,200	\$2,094



## Net profit after tax (NPAT)

During FY20, Saracen generated an **unaudited statutory NPAT between A\$190m and A\$200m**.

This **will be adjusted for one-off items** including KCGM transaction costs and KCGM stamp duty, **estimated to be in the order of A\$34m (net of tax)**, in determining the Company's underlying NPAT for FY20.

## KCGM – Acquisition method of accounting

The KCGM acquisition is deemed a **Business Combination** and is therefore **accounted for using the “acquisition method”**. This method requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date, and all transaction costs to be expensed rather than capitalised.

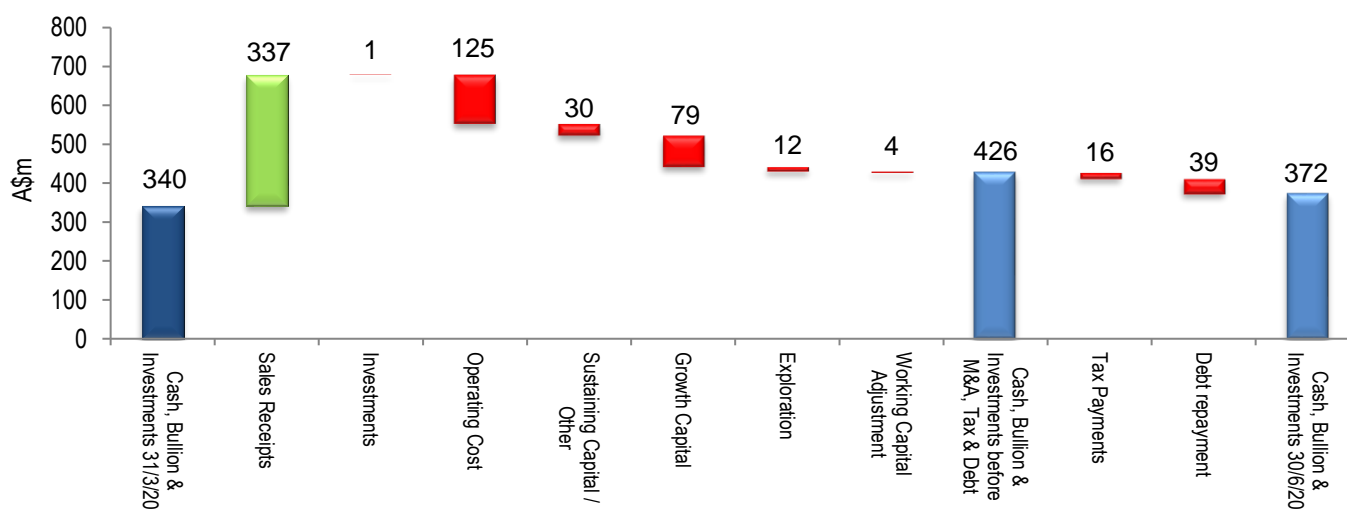
**This treatment will impact Saracen's statutory reporting.** Of note, the KCGM ore stockpiles are required to be reset to fair value (rather than reported at historical cost).

Given the strong gold price environment, there will be a significant increase in the value of the stockpiles on Saracen's balance sheet. This increased value will then be expensed to the profit and loss statement (as a non-cash mine operating cost) when the stockpiles are drawn on.

Whilst Saracen's determination of the fair value of the acquired KCGM ore stockpiles is ongoing, **a ~A\$900-1,000/oz non-cash expense is anticipated when the stockpiles are drawn on** in the coming reporting periods. For example, ~60koz of stockpiles were milled in FY20 resulting in ~A\$60m being expensed in the FY20 profit and loss statement.

## Cash flows

Figure 5 - June 2020 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, rehabilitation and corporate expenses.
- **Growth Capital:** Cash outflows for mine development (KCGM pre-strip A\$25.2m, Thunderbox D Zone A\$11.6m, Deep South A\$10.4m, Thunderbox Underground A\$9.3m, Karari-Dervish A\$3.7m), Carosue Dam Mill expansion A\$8.5m and miscellaneous items A\$10.7m.
- **Exploration:** Cash outflows for Carosue Dam (A\$6.4m), Thunderbox (A\$2.0m) and KCGM (A\$3.2m) exploration activities.

This announcement has been authorised for release to the ASX by Jeremy Ryan, Manager Legal / Company Secretary.

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## Corporate Structure:

Ordinary shares on issue:	1,102.9m
Unvested employee performance rights:	17.2m
Market capitalisation:	A\$6.5b (share price A\$5.89)
Cash and bullion (30 June):	A\$369m
Debt (30 June):	A\$321m
Substantial shareholders:	Van Eck Global 10.0% BlackRock Group 9.8%

For further information please contact:

### Investors:

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### Media Enquiries:

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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.