



**Saracen Mineral Holdings Limited**  
**Financial Results for 6 months to 31 December 2020**

## **Record profits, record production**

**Growth strategy on track, completion of Northern Star merger paves way for increase in gold production to 2 million ounces per annum**

10th February 2021

### **HIGHLIGHTS**

- ▲ **Underlying net profit after tax<sup>1</sup> (NPAT)** for six months to December 31 **rises 85%** from previous corresponding period (PCP) to a **record A\$148.0m** (PCP: A\$80.2m)
- ▲ **Statutory NPAT up 74% to A\$120.5m; Revenue up 47% to A\$601.7m; Operating cashflow up 79% to A\$272.2m**
- ▲ **EBITDA<sup>2</sup> up 44% to A\$257.3m** (PCP: A\$178.6m)
- ▲ **Gold production up 43% to a record 309,512oz**
- ▲ **AISC of A\$1,196/oz** (PCP: A\$1,041/oz) following the Super Pit acquisition (included from 1<sup>st</sup> December 2019)
- ▲ **Gold sales<sup>3</sup> of 255,938oz** at an average **realised price of A\$2,343/oz**
- ▲ **Cash and equivalents of A\$466m at 31 December** (A\$372m at 30 June 2020) after investing A\$233m in growth projects and exploration, paying A\$55m in tax and making A\$39m in debt repayments
- ▲ **Debt of A\$283m; Net Cash of A\$183m** up from a net debt position of \$168.2m at 31 December 2019
- ▲ **All results relate only to Saracen, Northern Star and Saracen financial results to be combined from 12<sup>th</sup> February 2021 (merger implementation date)**

Saracen Mineral Holdings (ASX: SAR) is pleased to announce further strong growth in production, cashflow and profit in the six months to 31 December 2020.

The result is underpinned by production of 309,512oz, a rise of 43 per cent from the previous corresponding period. This puts Saracen well on track to meet its stand-alone FY21 production guidance of 600,000 to 640,000oz at an AISC of A\$1,300-1,400/oz.

In the six months to December 31, underlying NPAT increased 85% to A\$148.0 million. This came on the back of a 47% jump in sales revenue to A\$601.7 million and increased gold sales of 255,938<sup>2</sup> ounces (PCP: 206,277 ounces) at an average sale price of A\$2,343/oz.

EBITDA<sup>2</sup> increased 44% to A\$257.3 million (underlying EBITDA<sup>4</sup> A\$296.6m) and statutory NPAT increased 74% to A\$120.5 million.

Saracen Managing Director Raleigh Finlayson said the results demonstrated the quality of the Company's operations and their strong growth outlook.

"These results show Saracen's assets are top-shelf, generating outstanding cashflow from strong margins and underpinned by long mine lives," Mr Finlayson said.

"By combining our operations with those of Northern Star, we are creating a world-scale gold miner which meets the key investment criteria of abundant free cashflow and growing production and Reserves exclusively from tier-one assets.

"In the process, we will unlock substantial synergies, efficiencies and exploration upside which will drive organic growth."

## Overview

Saracen Mineral Holdings (ASX: SAR) is pleased to report **record operational and financial results** for the half-year ended 31 December 2020.

The key results include:

- 85% increase in underlying NPAT<sup>1</sup> to A\$148.0 million
- 44% increase in EBITDA<sup>2</sup> to A\$257.3 million (underlying EBITDA A\$296.6m)
- 43% increase in group production to 309,512 ounces
- Year to date group AISC of A\$1,196/oz, well within FY21 guidance of A\$1,300-1,400/oz

*Table 1 - Key financial and operating results for the half-year ended 31 December 2020*

	31-Dec-20	31-Dec-19	% Variance
<b>Key financials (\$m)</b>			
Gold sales revenue	601.7	409.9	47%
EBITDA <sup>2</sup>	257.3	178.6	44%
Underlying EBITDA <sup>4</sup>	296.6	194.4	53%
Profit before income tax	172.1	104.9	64%
NPAT	120.5	69.1	74%
Underlying NPAT <sup>1</sup>	148.0	80.2	85%
Operating cash flow	272.2	152.0	79%
Net cash at end	182.5	-168.2	209%
<b>Margins (%)</b>			
Underlying EBITDA <sup>4</sup>	49%	47%	
Underlying NPAT <sup>1</sup>	25%	20%	
<b>Production</b>			
Gold produced (koz)	309.5	216.5	43%
AISC (\$/oz)	1196	1041	15%
Average gold price realised	2343	1984	18%

**Table 2 - Reconciliation of underlying NPAT to statutory NPAT**

	<b>31-Dec-20</b>	<b>31-Dec-19</b>
<b>Reconciliation</b>		
Underlying NPAT	148.0	80.2
Adjust for (net of tax):		
- KCGM transaction cost	0.0	10.8
- Expensing of deferred exploration costs	0.1	0.1
- Loss on disposal of assets	0.1	0.2
- Acceleration of expensing of performance rights	17.6	0.0
- Obsolete stock write down	0.6	0.0
- Impact of fair value uplift on KCGM stockpiles	6.5	0.0
- Northern Star merger cost	2.5	0.0
Statutory NPAT	120.5	69.1

**Table 3 - Reconciliation of underlying EBITDA**

	<b>31-Dec-20</b>	<b>31-Dec-19</b>
<b>Reconciliation</b>		
Underlying EBITDA	296.6	194.4
Adjust for:		
- KCGM transaction cost	0.0	15.4
- Expensing of deferred exploration costs	0.2	0.1
- Loss on disposal of assets	0.2	0.3
- Acceleration of expensing of performance rights	25.2	0.0
- Obsolete stock write down	0.8	0.0
- Impact of fair value uplift on KCGM stockpiles	9.3	0.0
- Northern Star merger cost	3.6	0.0
EBITDA	257.3	178.6

## **Fair value uplift on KCGM stockpiles**

Following the acquisition of the Super Pit, the book value of the acquired KCGM ore stockpiles were required to be reset to fair value. Given the strong gold price environment, this resulted in a significant one-off increase in the value of the mined stockpiles acquired when reported on to Saracen's Balance Sheet. This increased value is then expensed to the Profit and Loss statement (as a non-cash mine operating cost) as the stockpiles are drawn down. This accounting treatment has materially affected statutory reporting of the 1.0g/t "Marginal Stockpile" at KCGM.

Prior to the acquisition, the value of this stockpile was recorded in the KCGM Accounts at ~A\$415/oz. After the fair value adjustment, this stockpile is now recorded on Saracen's Balance Sheet at ~A\$1,000/oz. The Marginal Stockpile is anticipated to be fully drawn down over the next 3 to 4 years.

## **Acceleration of expensing of performance rights**

Following the overwhelmingly positive vote by Saracen shareholders in favour of the proposed merger-of-equals with Northern Star, a majority of the outstanding Saracen performance rights automatically vested.

For statutory accounting purposes, this triggered an acceleration of the vesting period on these performance rights to the shareholder approval date of 15<sup>th</sup> January 2021. This resulted in an additional non-cash, share based payments expense of A\$25.2 million (pre-tax) being recorded to the profit and loss statement.

## Treatment of gold sales derived from development activities

As disclosed in the quarterly reports, A\$108.3 million of gold sales (47,015oz, PCP: 8,605oz) during the period were derived from (pre-commercial) mine development activities. As required under Australian Accounting Standards, 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.

## Hedging update

As at 31 December 2020, the hedge book comprised **383,100oz at an average delivery price of price of A\$2,168/oz** (493,200oz at A\$2,094/oz at 30 June 2020).

This reflected the Company's decision to moderate its hedge book to approximately 20% of production over the next 3 years (down from previous guidance of 33%).

## Growth capital and exploration

During the six-month period, A\$233.5 million was invested in growth capital and exploration.

*Table 4 - Growth capital and exploration expenditure for the half-year ended 31 December 2020*

	A\$m
<b>KCGM Super Pit</b>	
Morrison open pit development	15.7
OBH open pit development	22.7
Fimiston South Development	4.8
<b>Carosue Dam</b>	
Deep South underground development	20.8
Carosue Dam mill expansion	7.5
Dervish paste	3.9
Karari decline development	4.7
Dervish decline development	1.8
Million Dollar open pit development	23.4
<b>Thunderbox</b>	
Thunderbox underground development	38.8
D Zone open pit development	23.9
Thunderbox underground paste	18.0
Thunderbox village expansion	2.2
<b>Exploration and other</b>	
Miscellaneous growth items	17.7
Exploration	27.4
<b>TOTAL</b>	<b>233.5</b>

---

## Special dividend

With the scheme of arrangement pursuant to which Northern Star will acquire all the shares in Saracen now effective, Saracen shareholders will receive a **special dividend of A3.8c per share** (reflecting a dividend payout ratio of ~35%).

Saracen shareholders who are able to realise the full benefit of the franking credits attached to the special dividend will be entitled to a franking credit of up to A1.6c per share, provided a favourable class ruling is obtained from the Australian Taxation Office (ATO).

The special dividend will be **paid on Thursday 11th February 2021**, with a **record date of 7:00pm (AEDT) on Wednesday 3rd February 2021**.

Accordingly, Saracen shareholders who are recorded on the register on the record date and who continue to hold their shares until the scheme record date on Friday 5th February 2021 will receive:

- Scrip consideration of 0.3763 new Northern Star shares for every 1 Saracen share held at the scheme record date
- A special dividend of A3.8c for every 1 Saracen share held at the record date.

The Company has applied to the ATO requesting a class ruling in relation to the tax implications of the special dividend, including the ability to attach franking credits to the special dividend. The application is in the advanced stages.

Authorised for release to the ASX by Raleigh Finlayson, Managing Director.

## Contacts

### Investors:

Morgan Ball  
Chief Financial Officer  
Troy Irvin  
Corporate Development Officer

### Media Enquiries:

Read Corporate  
Paul Armstrong / Nicholas Read

Email: [info@saracen.com.au](mailto:info@saracen.com.au)  
Contact (08) 6229 9100

Email: [info@readcorporate.com](mailto:info@readcorporate.com)  
Contact: (08) 9388 1474

## Notes

<sup>1</sup> 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 2020. 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.

<sup>2</sup> 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.

<sup>3</sup> Ounces sold exclude 47,015oz (A\$108.3 million) of sales that relate to development activities.

<sup>4</sup> Underlying EBITDA is a financial measure which is not prescribed by the International Financial Reporting Standards (IFRS) and represents the EBITDA, adjusted for specific items. The Directors believe that Underlying EBITDA is an appropriate measure to assist investors with their understanding of the Company's operational performance in the half-year ended 31 December 2020. Underlying EBITDA 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 3 above.