



Saracen Mineral Holdings Limited

Quarterly Report - September 2020

Solid start to FY21 with production of 154,388oz at AISC of A\$1,169/oz

22nd October 2020

KEY POINTS

Sustainability

- ▲ 1 LTI during the quarter; LTIFR at 1.4 (WA Gold Mining Average 1.5)
- ▲ Fatality at Carosue Dam in July 2020; Departmental investigation ongoing

Production

- ▲ **September quarterly production of 154,388oz at an AISC of A\$1,169/oz**
- ▲ KCGM produced 55,190oz (Saracen's 50%) at an AISC of A\$1,423/oz; Carosue Dam produced a record 54,987oz at an AISC of A\$1,262/oz; Thunderbox produced 44,211oz at an AISC of A\$790/oz
- ▲ **Saracen on track to meet FY21 guidance of 600-640koz at an AISC of A\$1300-A\$1400/oz**

Financial

- ▲ **Gold sales** for the quarter of **152,790oz** at an **average price of A\$2,352/oz**, for **sales receipts of A\$359m** (70,800oz delivered into the hedge book at A\$1,977/oz)
- ▲ **Cash and bullion of A\$467m** at 30 September (A\$369m at 30 June) after paying A\$16m in tax and investing A\$121m in growth capital and exploration
- ▲ **Debt of A\$321m; Net cash of A\$146m** at 30 September, **up from net debt of A\$21m just 6 months prior**
- ▲ **Quarterly unaudited NPAT of A\$70m - A\$80m**
- ▲ **Hedge book at 30 September 446,400oz at an average price of A\$2,147/oz** (493,200oz at A\$2,094/oz at 30 June)

Discovery and growth

- ▲ **Saracen group Reserves and Resources updated to 8.6Moz and 17.0Moz respectively**
- ▲ **A\$14m invested in exploration during the quarter**

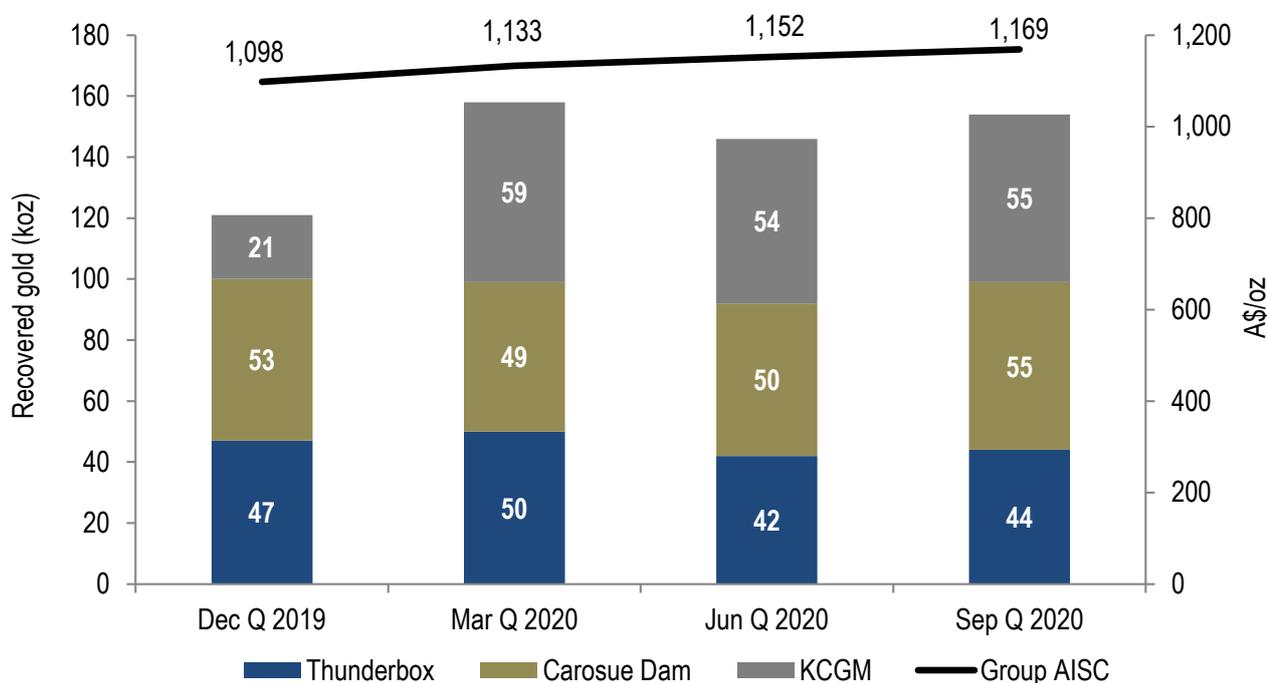
A\$16b proposed merger-of-equals

- ▲ Post quarter end, **Saracen and Northern Star agreed to a merger-of-equals** via a Saracen Scheme of Arrangement under which Northern Star will acquire 100% of the shares in Saracen
- ▲ **Unique, highly accretive transaction that will generate A\$1.5-2b in synergies and create a Top-10 global gold company targeting 2Mozpa production exclusively from Tier 1 locations**
- ▲ **Saracen will pay a special, fully franked A3.8cps dividend**, conditional on the Scheme becoming effective and banking consents

Overview

Saracen Mineral Holdings Limited (ASX: SAR) is on track to achieve its key FY21 production and financial targets after a solid September quarter, producing **154,388oz** at an **all-in sustaining cost (AISC) of A\$1,169/oz**. Free cash flow generation was a highlight, with **A\$98 million added to the balance sheet over the three-month period**.

Figure 1 - Group production and AISC



Operating costs were lower in the quarter, predominantly due to reduced underground mining physicals in July at Carosue Dam following the tragic fatality and consequent restart of the operation. Processing remained in line with forecast, with additional ore sourced from the large Carosue Dam surface stockpile. Mining has since returned to budgeted levels at Carosue Dam.

Outlook

Saracen's FY21 guidance of 600 - 640koz at an AISC of A\$1300 - A\$1400/oz is unchanged.

Saracen's FY21 growth capital and exploration budget of A\$484m is unchanged. Saracen's growth strategy is aimed in part at capitalising on the strong gold price to "future-proof" the business. This strategy involves investing capital in the short term to de-risk production and lower costs in the future.

Saracen Managing Director Raleigh Finlayson said it was a solid start to the new financial year, though the performance was marred by the tragic death of a colleague at Carouse Dam.

"With solid production and costs running slightly below guidance, we generated strong free cash flow," Mr Finlayson said. "This resulted in cash and bullion rising by A\$98 million over the quarter to A\$467 million, which in turn sets us up well as we prepare to invest A\$484 million in development and exploration over the course of this financial year.

"The combination of further growth at our existing assets and those of Northern Star, along with the synergies we stand to generate through the planned merger, puts our combined business in an extremely enviable position.

"We will be generating substantial growth while most of the global gold industry is shrinking, we will be reducing costs in the process, and all in tier-one locations."

Saracen's quarterly conference call will be held today at 8.00am AWST (11.00am AEDT). The call can be accessed at: <https://webcast.boardroom.media/saracen-mineral-holdings-limited/20201022/NaN5f8e67eabf690b001b34a09b>

Table 1 - September quarter 2020 gold production and cost summary[^]

Sep Q 2020	Unit	Carosue Dam	Thunderbox	KCGM (50%)	Group
Underground Mining					
Ore Mined	kt	580	106	228	914
Mine Grade	g/t	3.1	1.8	1.7	2.6
Contained Gold	oz	58,347	5,883	12,717	76,947
Open Pit Mining					
Total Mining	BCM '000	738	1,227	2,488	4,452
Ore Mined	kt	85	247	733	1,065
Mine Grade	g/t	0.9	1.8	1.4	1.5
Contained Gold	oz	2,304	14,255	33,301	49,860
Mill Production					
Ore Milled	kt	636	758	1,632	3,026
Mill Grade	g/t	2.9	1.9	1.3	1.8
Contained Gold	oz	59,064	46,985	65,992	172,041
Recovery	%	93.1%	94.1%	83.6%	89.7%
Recovered Gold	oz	54,987	44,211	55,190	154,388
Gold Sales	oz	53,220	45,532	54,038	152,790
Average Price Received	A\$/oz	2,241	2,339	2,472	2,352
Sales Receipts ¹	A\$m	119.2	106.5	133.6	359.3
Sales Revenue (per profit & loss statement)	A\$m	112.2	90.6	97.0	299.8
Closing Ore Stockpile					
Ore	t	1,152,536	2,301,522	63,342,877	66,796,935
Grade	g/t	1.3	1.1	0.7	0.8
Contained Gold	oz	48,533	81,939	1,511,946	1,642,418
Cost summary					
Mining	A\$m	31.6	3.1	14.6	49.3
Processing	A\$m	11.9	12.2	31.0	55.1
Site Administration	A\$m	3.5	1.9	3.9	9.3
Cash Costs	A\$m	47.0	17.2	49.5	113.6
Royalties	A\$m	6.9	2.7	2.5	12.1
Capital Works	A\$m	0.5	0.5	3.3	4.2
Development	A\$m	3.7	0.0	0.5	4.2
Ore Inventory Adjustments	A\$m	2.8	8.3	(2.3)	8.8
Rehabilitation	A\$m	0.3	0.3	0.5	1.1
Corporate	A\$m	1.9	1.5	1.9	5.3
All-in Sustaining Costs	A\$m	63.1	30.5	55.8	149.5
Growth Capital	A\$m	33.7	38.8	34.0	106.5
Less: Development Receipts	A\$m	(7.0)	(15.9)	(36.6)	(59.6)
Net Growth Capital	A\$m	26.7	22.8	-2.6	46.9
Exploration	A\$m	6.7	3.7	3.7	14.2
Unit cost summary					
Mining	A\$/oz	631	80	372	385
Processing	A\$/oz	237	316	791	431
Site Administration	A\$/oz	71	48	99	72
Cash Costs	A\$/oz	939	445	1,261	888
Royalties	A\$/oz	139	70	63	95
Capital Works	A\$/oz	10	12	84	33
Development	A\$/oz	74	0	13	33
Ore Inventory Adjustments	A\$/oz	57	216	(59)	69
Rehabilitation	A\$/oz	6	9	13	9
Corporate	A\$/oz	37	39	48	41
All-in Sustaining Costs	A\$/oz	1,262	790	1,423	1,169
Depreciation and Amortisation	A\$/oz	248	342	171*	247
Mine cash flow					
Mine operating cash flow	A\$m	60.8	85.8	77.3	223.9
Net mine cash flow	A\$m	27.1	47.1	43.3	117.5

[^] AISC reported on an ounces sold basis from September quarter 2020 onwards

¹ Sales receipts include revenue from pre-commercial development ounces (development receipts)

* Subject to finalisation of the purchase price allocation for KCGM

Pre-commercial production ounces from Thunderbox (3,170oz), Carosue Dam (6,898oz) and KCGM (14,798oz) included in recovered gold, excluded from A\$/oz calculations

Mine operating cash flow = Sales receipts less AISC 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

Sustainability

There was a fatality at Carosue Dam in July 2020 with one Lost Time Injury (LTI) also reported in the September quarter.

Table 2 - September quarter 2020 group safety performance

	LTI	LTIFR	TRIFR
Carosue Dam	0.0	2.4	9.5
Thunderbox	1.0	1.0	11.9
KCGM	0.0	0.9	6.9
Group	1.0	1.4	8.4

Operations

KCGM (Saracen 50%)

KCGM produced 55.2koz at an AISC of A\$1,423/oz (June quarter 53.4koz @ A\$1,329/oz).

Mine operating cash flow was A\$77.3m. Net mine cash flow was A\$43.3m after growth capital of A\$34.0m.

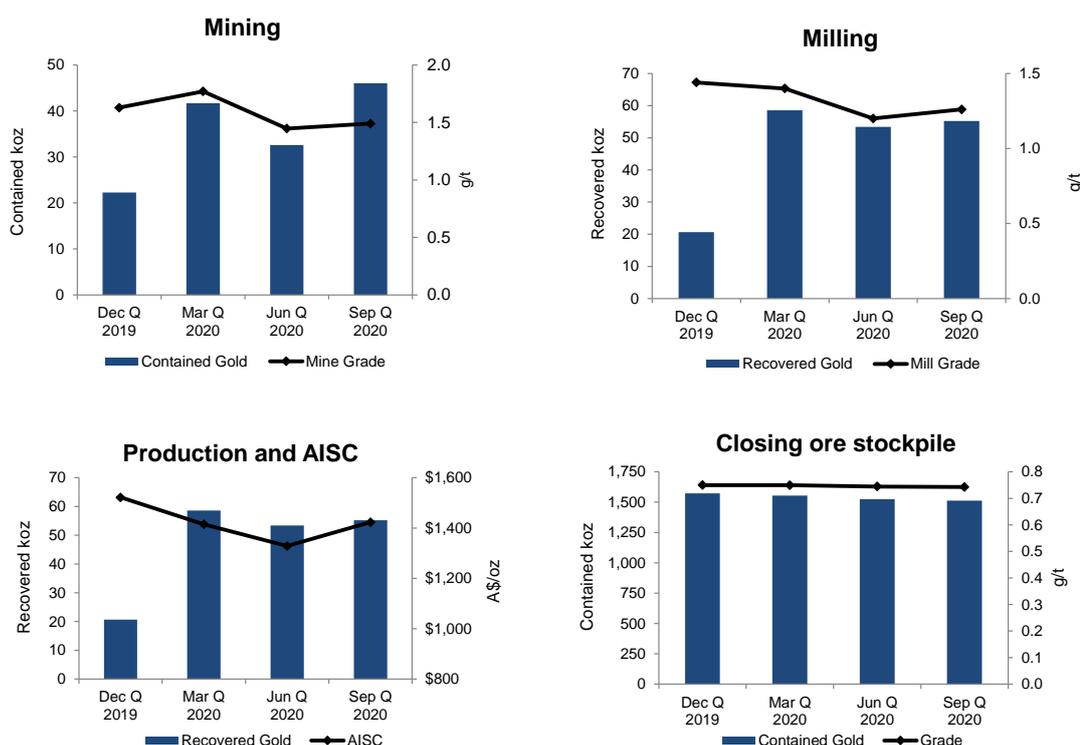
Open pit mining produced 33.3koz @ 1.4g/t (June quarter 18.3koz @ 1.1g/t). The total material movement from all the open pits (ex-pit) was 2.5 million BCM, a 29% improvement on the June quarter reflecting a full quarter with four active production fronts. The majority of the material moved was from the Morrison and OBH open pits.

The Mt Charlotte underground mine produced 12.7koz @ 1.7g/t (June quarter 14.2koz @ 2.4g/t). The grade was lower due to greater volumes mined as planned from the sub-level cave (SLC). The underground continued to benefit from access to multiple ore sources with a second consecutive 25% quarter-on-quarter increase in mined ore despite higher than expected rehabilitation.

The mill processed 1,632kt at an average grade of 1.3g/t with a metallurgical recovery of 83.6% (June quarter 1,656kt @ 1.2g/t). Closing stockpiles were 1.5Moz at quarter end.

Subsequent to the quarter, key environmental approval was received for Fimiston South Stage 2.

Figure 2 - KCGM - Key trends*



*December quarter includes production for the month of December 2019 only

Carosue Dam

Carosue Dam produced 55.0koz for the quarter at an AISC of A\$1,262/oz (June quarter 50.3koz @ A\$1,271/oz).

Mine operating cash flow for the September quarter was A\$60.8m. Net mine cash flow was A\$27.1m after growth capital of A\$33.7m. Key growth capital items included Deep South development (A\$9.2m), Million Dollar open pit mining (A\$9.9m) and the mill and paste plant expansion (A\$7.7m).

The Karari - Dervish underground mine produced 52.6koz @ 3.2g/t (June quarter 50.4koz @ 2.8g/t).

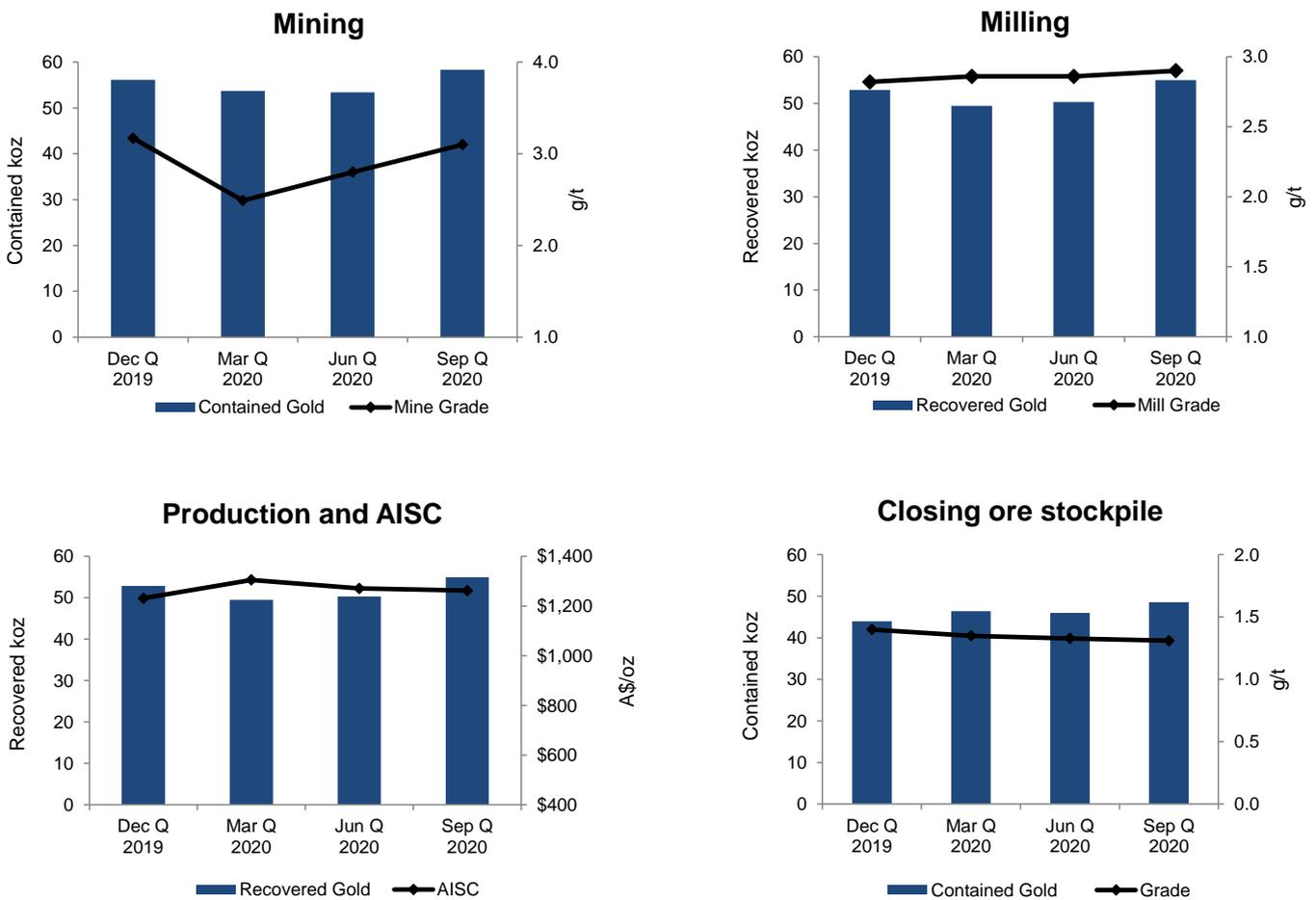
Deep South underground mine produced 5.7koz @ 2.6g/t (June quarter 3.1koz @ 2.2g/t).

Full scale mining successfully progressed at Million Dollar with 0.7 million BCM mined during the quarter. Million Dollar will provide ore feed for the expanded mill.

The mill processed 636kt at an average grade of 2.9g/t with a metallurgical recovery of 93.1% (June quarter 591kt @ 2.9g/t).

The mill expansion to 3.2Mtpa continued to make outstanding progress. GR Engineering Services (ASX: GNG) has completed all structural and mechanical works, with activity now focused on electrical and piping installation. **Commissioning is now planned in the current December quarter.**

Figure 3 - Carosue Dam - Key trends



Thunderbox

Thunderbox delivered 44.2koz at an AISC of A\$790/oz (June quarter 42.1koz @ A\$812/oz).

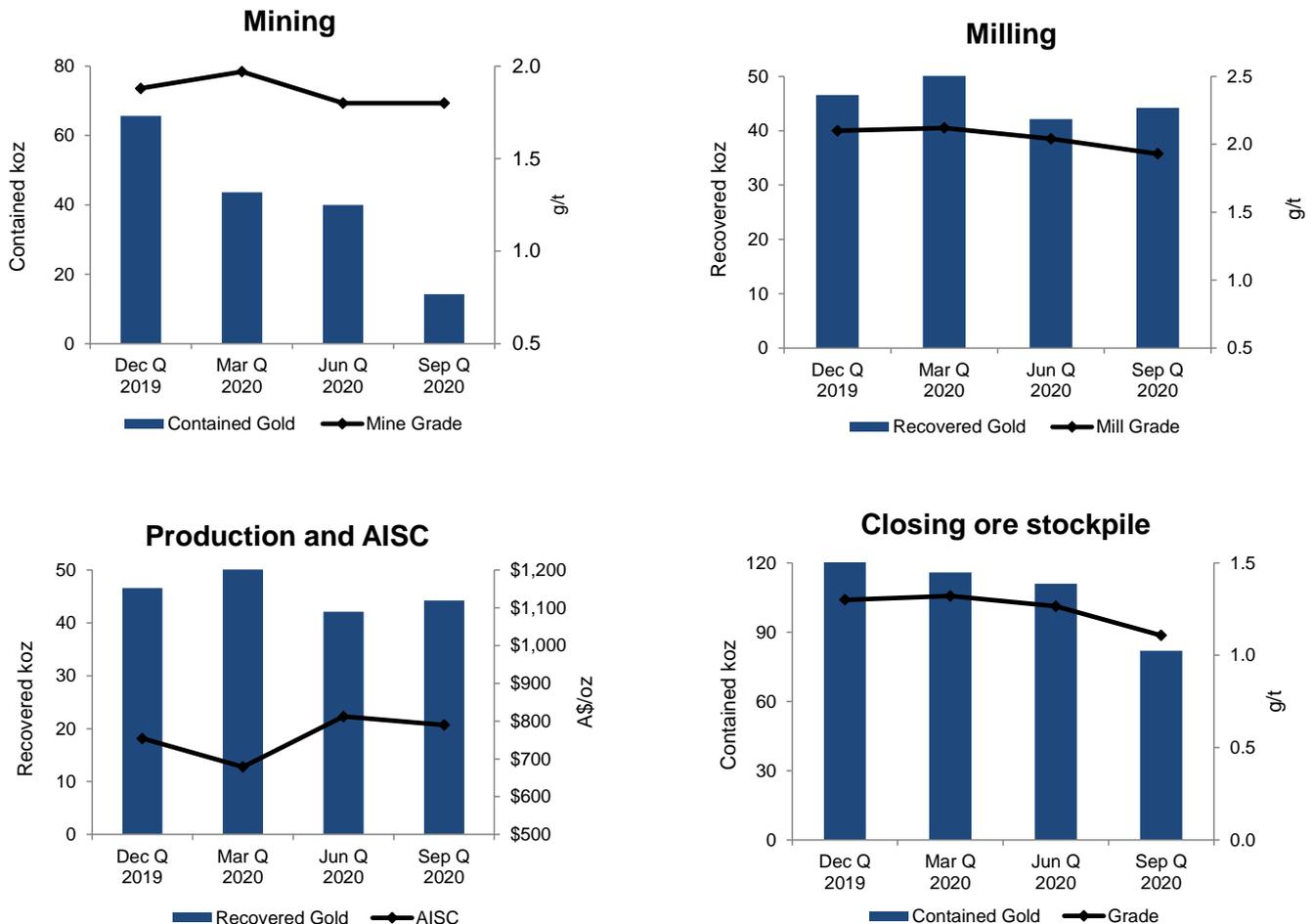
Mine operating cash flow for the quarter was A\$85.8m. Net mine cash flow was A\$47.1m after growth capital of A\$38.8m. Key growth capital items included Thunderbox D Zone development (A\$10.6m), Thunderbox underground development (A\$16.8m) and the paste plant (A\$5.5m).

After successfully completing C Zone, open pit mining for the quarter focused on ramping up D Zone development. Total material movement from the open pits was 1.2 million BCM. Total open pit ore mined for the quarter was 247kt with a mine grade of 1.8g/t for a total of 14koz of contained gold. Stockpiles at the end of the September quarter were 82koz.

Development of the Thunderbox underground "Thunderground" continued with 1,475m of horizontal development completed. Thunderground produced 6koz @ 1.8g/t and initial stoping will continue to ramp up in the December quarter. A second portal access was established at C Zone, plus associated infrastructure for the large scale underground mine including primary fans and substations.

The mill processed 758kt at an average grade of 1.9g/t with a metallurgical recovery of 94.1% (June quarter 676kt @ 2.0g/t). High grade stockpiles from C Zone and Kailis continued to provide a key part of the mill feed whilst Thunderbox underground is ramping up and D Zone open pit is being developed.

Figure 4 - Thunderbox - Key trends

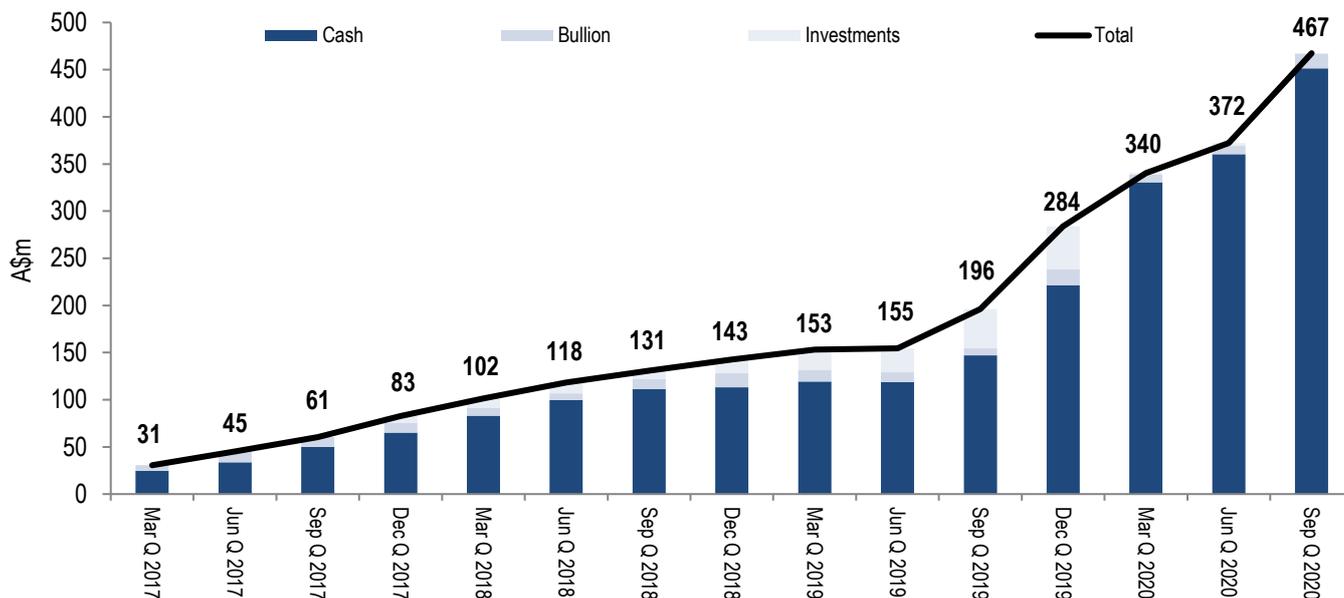


Corporate and Finance

Cash position

At 30 September 2020, total cash, bullion and investments were A\$467.4m and debt was A\$321.5m.

Figure 5 - Cash, bullion and investments



A debt repayment of A\$38.5m is scheduled for the current December quarter 2020.

Gold sales / capitalised revenue

Gold sales for the quarter were 152,790oz at an average sale price of A\$2,352/oz, for sales receipts of A\$359.3m.

During the quarter, A\$59.6m (unaudited) of the A\$359.3m of sales receipts were made from gold recovered from development activities at Thunderbox, Carosue Dam and KCGM (Morrison and OBH 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.**

Tax

A\$16.3m was paid during the quarter in monthly tax instalments.

As previously flagged, FY20 remaining income tax payable is estimated to be ~A\$20-30 million, with cash payment anticipated in December 2020. This payment will be in addition to normal monthly tax instalments.

In addition, Saracen has estimated stamp duty payable of A\$34m on three acquisition transactions made in FY20.

Hedging

During the quarter 24,000oz of hedging was added at A\$2,737/oz. 70,800oz of hedging was delivered at A\$1,977/oz.

At 30 September 2020, the hedge book comprised 446,400oz at an average delivery price of A\$2,147/oz.

Table 3 - Hedging at 30 September 2020

Quarter	Quantity	Price
	oz	A\$/oz
Dec Q 2020	63,300	2,020
Mar Q 2021	61,800	2,039
Jun Q 2021	58,800	2,057
Sep Q 2021	54,300	2,114
Dec Q 2021	57,200	2,149
Mar Q 2022	48,500	2,206
Jun Q 2022	41,500	2,260
Sep Q 2022	29,000	2,311
Dec Q 2022	21,000	2,344
Mar Q 2023	7,000	2,587
Jun Q 2023	3,000	2,727
Sep Q 2023	1,000	2,726
Total	446,400	2,147

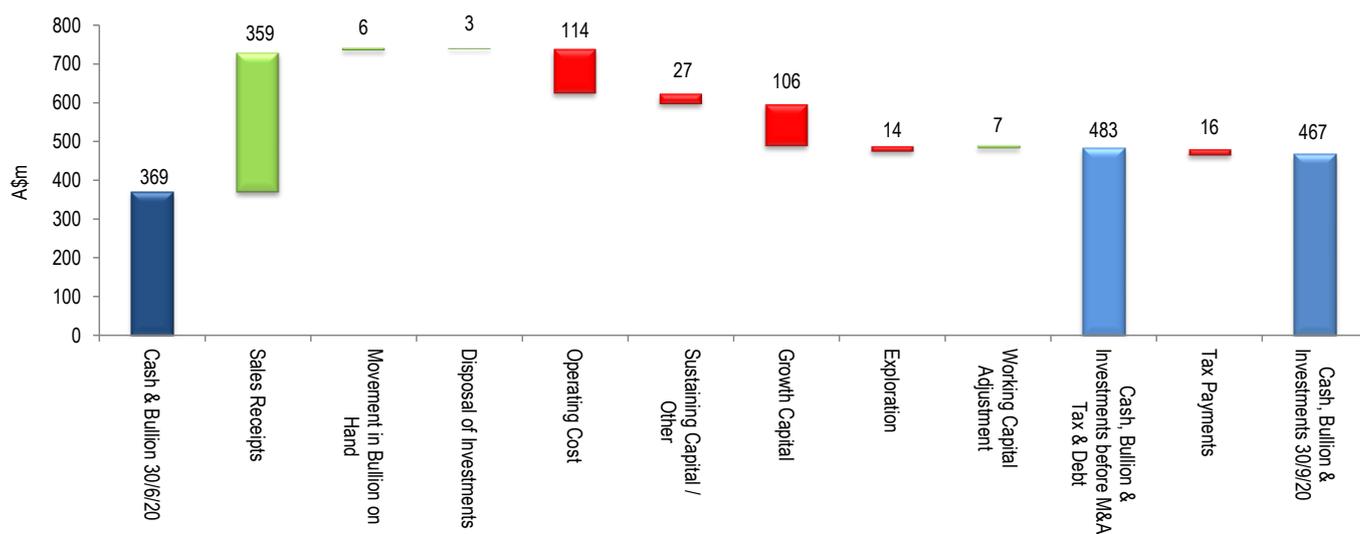
The hedge book is moderating to ~20-25% of production over the next 3 years period (down from 33%).

Net profit after tax (NPAT)

During the September quarter, Saracen generated an unaudited statutory NPAT between A\$70m and A\$80m. This is before a ~A\$7m (net of tax) positive adjustment to account for the “one-off” impact of the fair value uplift on the KCGM stockpiles (for further details re KCGM ore stockpile accounting refer the ASX announcement 19th August 2020 “Record earnings on rising production”).

Cash flows

Figure 6 - September 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\$33.0m, Thunderbox D Zone A\$10.6m, Deep South A\$9.2m, Thunderbox Underground A\$16.8m, Karari-Dervish A\$2.5m, Million Dollar A\$9.9m), Carosue Dam mill and paste plant expansion A\$7.7m, Thunderbox paste plant A\$5.5m and miscellaneous items A\$11.2m.
- **Exploration:** Cash outflows for Carosue Dam (A\$6.7m), Thunderbox (A\$3.7m) and KCGM (A\$3.7m) exploration activities.

A\$16b merger-of-equals with Northern Star

Subsequent to the September quarter, Saracen and Northern Star agreed to a merger-of-equals via a Saracen Scheme of Arrangement under which Northern Star will acquire 100% of the shares in Saracen.

For further details please refer to the ASX announcement 6th October 2020 "Saracen and Northern Star agree to Merger of Equals".

Special dividend and shareholder details

Saracen will also declare and pay a special dividend of A3.8c per Saracen share fully franked, conditional on the Scheme implementation and banking consents.

Saracen encourages shareholders to receive their dividend payment by way of electronic funds transfer.

Dividend payments will be made based on applicable information provided to the company's share registry, Computershare. To provide or update your banking details and ensure your other information is up to date, please visit

www.computershare.com.au/easyupdate/SAR

Alternatively, shareholders may elect to update their instructions by completing and returning a Direct Credit Form to Computershare. Direct Credit Forms can be obtained by contacting Computershare by either:

- 1300 850 505 (within Australia) or +61 3 9415 4000 (outside of Australia) Monday to Friday 8.30 am to 7.00 pm (AEDT)
- By email: web.queries@computershare.com.au

Direct Credit Forms should be returned to Computershare:

- By post: Computershare Investor Services Pty Limited GPO Box 2975 Melbourne Victoria 3001 Australia
- By email: web.queries@computershare.com.au

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

Corporate Structure:

Ordinary shares on issue:	1,107.6m
Unvested employee performance rights:	15.8m
Market capitalisation:	A\$6.7b (share price A\$6.09)
Cash and bullion (30 September):	A\$467m
Debt (30 September):	A\$321m
Substantial shareholders:	Van Eck Global 11.1% BlackRock Group 11.1%

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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.