



Saracen Mineral Holdings Limited

Quarterly Report - December 2020

Record half with 309,512oz production at AISC of A\$1,196/oz

Result in line with production guidance and ahead of cost guidance; Unaudited interim NPAT of A\$115m - A\$125m

21st January 2021

KEY POINTS

Sustainability

- ▲ 3 LTIs during the quarter; LTIFR at 1.7 (WA Gold Mining Average 1.5)

Production

- ▲ December quarterly production of 155,122oz at an AISC of A\$1,224/oz
- ▲ KCGM produced 59,446oz (Saracen's 50%) at an AISC of A\$1,324/oz; Carosue Dam produced a record 58,338oz at an AISC of A\$1,285/oz; Thunderbox produced 37,338oz at an AISC of A\$870/oz
- ▲ Saracen on track to meet FY21 guidance of 600-640koz at an AISC of A\$1,300-A\$1,400/oz

Financial

- ▲ Gold sales for the quarter of 150,163oz at an average price of A\$2,322/oz, for sales receipts of A\$349m (63,300oz delivered into the hedge book at A\$2,020/oz)
- ▲ Cash and bullion of A\$466m at 31 December (A\$467m at 30 September) after paying A\$39m in tax, A\$38m in debt repayment and investing A\$113m in growth capital and exploration
- ▲ Debt of A\$283m; Net cash of A\$183m at 31 December, up from net debt of A\$21m just 9 months prior
- ▲ Half year unaudited NPAT of A\$115m - A\$125m
- ▲ Hedge book at 31 December 383,100oz at average price of A\$2,168/oz (446,400oz at A\$2,147/oz at 30 September)
- ▲ A\$13m invested in exploration during the quarter

Saracen shareholders support merger-of-equals with Northern Star

- ▲ Post quarter-end, Saracen shareholders voted overwhelmingly in favour of the proposed merger-of-equals with Northern Star; 99.95% of Saracen shares that voted were cast in favour
- ▲ Unique, highly accretive transaction that will unlock synergies with an estimated NPV of A\$1.5-2b[^] and create a Top-10 global gold company targeting 2Mozpa^{^^} production exclusively from Tier 1 locations
- ▲ Saracen will pay a special, fully franked A3.8c per share dividend, conditional on the Scheme becoming effective
- ▲ On track for key dates; 3rd February 2021 - Last date of trading of Saracen shares on the ASX, 12th February 2021 - Implementation, 15th February 2021- New Northern Star shares commence trading on ASX on T+2 basis

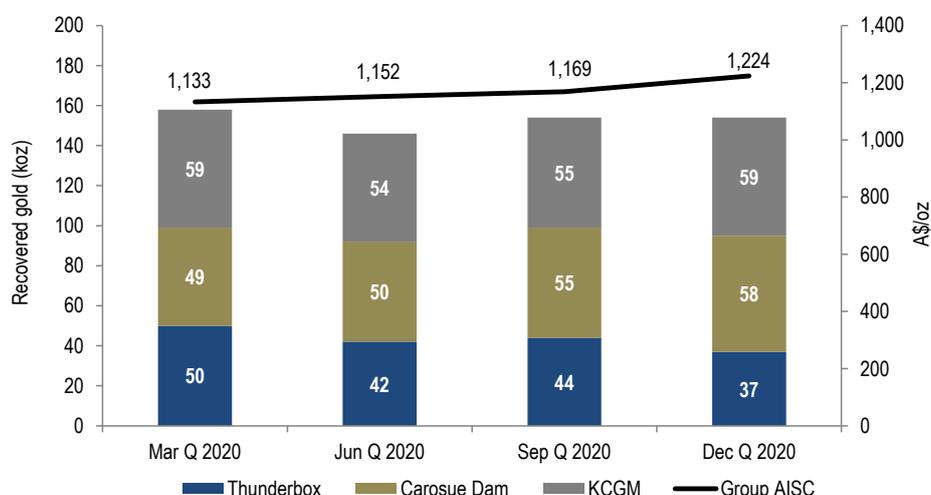
[^]Represents the pre-tax NPV of the synergies, discounted at 5% over the respective mine lives and net of stamp duty

^{^^}Previously disclosed production target as per Combined Group's gold production on page 9

Overview

Saracen Mineral Holdings Limited (ASX: SAR) is on track to achieve its key FY21 production and financial targets after a solid December quarter, producing **155,122oz** at an **all-in sustaining cost (AISC) of A\$1,224/oz**.

Figure 1 - Group production and AISC



Outlook

Saracen is on track to meet unchanged FY21 guidance of 600 - 640koz at an AISC of A\$1,300 - A\$1,400/oz.

Table 1 - Saracen December half 2020 actual v FY21 guidance, recovered ounces and AISC

	December half actual	FY21 guidance
KCGM (50%)	115koz @ A\$1,364/oz	220-240koz @ A\$1,470-1,570
Carosue Dam	113koz @ A\$1,273/oz	240-250koz @ A\$1,300-1,400
Thunderbox	82koz @ A\$821/oz	140-150koz @ A\$1,000-1,100
Group	310koz @ A\$1,196/oz	600-640koz @ A\$1,300-1,400

Post quarter-end, Saracen shareholders voted overwhelmingly in favour of the proposed merger-of-equals with Northern Star. This will create a Top-10 global gold company targeting 2Mozpa^{^^} production exclusively from Tier 1 locations.

Saracen Managing Director Raleigh Finlayson said the Company had met or exceeded all its operational, financial and corporate objectives for the quarter.

“Our production centres performed extremely well, resulting in record production for the six months,” Mr Finlayson said. “We also continued to invest in our growth and future-proofing strategy, which will help ensure the Saracen assets meet the targets set as part of the merger with Northern Star.”

“This is the last quarterly report for Saracen but it also marks the start of a new chapter which will see shareholders benefit handsomely from the increased scale, synergies, flexibility and outstanding growth opportunities which will stem from our unique merger.”

Saracen’s quarterly conference call will be held today at 11.00am AEDT. The call can be accessed at:

<https://webcast.boardroom.media/saracen-mineral-holdings-limited/20210121/NaN5fff8f49aec8340019d1c19a>

Table 2 - December quarter 2020 gold production and cost summary

Dec Q 2020	Unit	Carosue Dam	Thunderbox	KCGM (50%)	Group
Underground Mining					
Ore Mined	kt	655	183	203	1,041
Mine Grade	g/t	2.7	1.8	1.5	2.3
Contained Gold	oz	56,527	10,725	9,549	76,801
Open Pit Mining					
Total Mining	BCM '000	1,139	2,631	3,245	7,015
Ore Mined	kt	217	131	768	1,116
Mine Grade	g/t	0.9	0.8	1.6	1.4
Contained Gold	oz	6,500	3,393	38,911	48,804
Mill Production					
Ore Milled	kt	785	757	1,645	3,187
Mill Grade	g/t	2.5	1.6	1.4	1.7
Contained Gold	oz	62,284	39,691	72,364	174,339
Recovery	%	93.7%	94.1%	82.1%	89.0%
Recovered Gold	oz	58,338	37,338	59,446	155,122
Gold Sales	oz	55,153	36,569	58,441	150,163
Average Price Received	A\$/oz	2,292	2,284	2,375	2,322
Sales Receipts ¹	A\$m	126.4	83.5	138.8	348.7
Sales Revenue (per profit & loss statement)	A\$m	107.3	55.6	137.1	300.0
Closing Ore Stockpile					
Ore	t	1,279,904	1,812,067	62,893,716	65,985,687
Grade	g/t	1.2	1.0	0.7	0.8
Contained Gold	oz	50,000	55,780	1,493,423	1,599,203
Cost summary					
Mining	A\$m	31.2	1.2	24.4	56.8
Processing	A\$m	13.4	8.6	33.8	55.8
Site Administration	A\$m	3.1	1.5	5.1	9.6
Cash Costs	A\$m	47.7	11.4	63.3	122.3
Royalties	A\$m	6.7	2.0	4.1	12.7
Capital Works	A\$m	3.0	0.9	3.5	7.4
Development	A\$m	6.0	0.0	0.7	6.7
Ore Inventory Adjustments	A\$m	(6.4)	5.5	2.5	1.6
Rehabilitation	A\$m	0.3	0.2	0.5	1.1
Corporate	A\$m	1.9	1.2	1.9	4.9
All-in Sustaining Costs	A\$m	59.1	21.2	76.5	156.7
Growth Capital	A\$m	37.8	50.7	11.1	99.6
Less: Development Receipts	A\$m	(19.1)	(28.0)	(1.7)	(48.8)
Net Growth Capital	A\$m	18.7	22.7	9.4	50.9
Exploration	A\$m	5.9	3.8	3.5	13.2
Unit cost summary					
Mining	A\$/oz	678	51	423	444
Processing	A\$/oz	291	356	585	436
Site Administration	A\$/oz	67	61	88	75
Cash Costs	A\$/oz	1,037	467	1,096	955
Royalties	A\$/oz	145	81	71	99
Capital Works	A\$/oz	64	36	61	57
Development	A\$/oz	131	0	12	52
Ore Inventory Adjustments	A\$/oz	(139)	226	43	13
Rehabilitation	A\$/oz	7	10	9	8
Corporate	A\$/oz	40	49	33	38
All-in Sustaining Costs	A\$/oz	1,285	870	1,324	1,224
Depreciation and Amortisation	A\$/oz	274	292	211	254
Mine cash flow					
Mine operating cash flow	A\$m	62.8	69.1	66.7	198.6
Net mine cash flow	A\$m	25.0	18.4	55.6	99.0

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

Pre-commercial production ounces from Thunderbox (12,265oz), Carosue Dam (9,175oz) and KCGM (707oz) 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

Table 3 - FY21 year to date gold production and cost summary

YTD FY21	Unit	Carosue Dam	Thunderbox	KCGM (50%)	Group
Underground Mining					
Ore Mined	kt	1,235	289	432	1,956
Mine Grade	g/t	2.9	1.8	1.6	2.4
Contained Gold	oz	114,874	16,608	22,266	153,748
Open Pit Mining					
Total Mining	BCM '000	1,877	3,857	5,733	11,467
Ore Mined	kt	302	378	1,501	2,181
Mine Grade	g/t	0.9	1.5	1.5	1.4
Contained Gold	oz	8,804	17,648	72,212	98,664
Mill Production					
Ore Milled	kt	1,421	1,514	3,277	6,212
Mill Grade	g/t	2.7	1.8	1.3	1.7
Contained Gold	oz	121,348	86,676	138,356	346,380
Recovery	%	93.4%	94.1%	82.9%	89.4%
Recovered Gold	oz	113,326	81,549	114,637	309,512
Gold Sales	oz	108,373	82,101	112,479	302,953
Average Price Received	A\$/oz	2,267	2,315	2,422	2,337
Sales Receipts ¹	A\$m	245.6	190.0	272.4	708.1
Sales Revenue (per profit & loss statement)	A\$m	219.5	146.1	234.1	599.8
Closing Ore Stockpile					
Ore	t	1,279,904	1,812,067	62,893,716	65,985,687
Grade	g/t	1.2	1.0	0.7	0.8
Contained Gold	oz	50,000	55,780	1,493,423	1,599,203
Cost summary					
Mining	A\$m	62.8	4.3	39.0	106.1
Processing	A\$m	25.3	20.9	64.8	110.9
Site Administration	A\$m	6.6	3.3	9.0	18.9
Cash Costs	A\$m	94.7	28.5	112.7	235.9
Royalties	A\$m	13.6	4.7	6.6	24.9
Capital Works	A\$m	3.5	1.3	6.8	11.6
Development	A\$m	9.7	0.0	1.2	10.9
Ore Inventory Adjustments	A\$m	(3.5)	13.8	0.2	10.5
Rehabilitation	A\$m	0.6	0.6	1.0	2.2
Corporate	A\$m	3.7	2.7	3.8	10.2
All-in Sustaining Costs	A\$m	122.2	51.7	132.3	306.2
Growth Capital	A\$m	71.5	89.5	45.2	206.1
Less: Development Receipts	A\$m	(26.1)	(43.9)	(38.3)	(108.3)
Net Growth Capital	A\$m	45.4	45.6	6.9	97.8
Exploration	A\$m	12.6	7.5	7.2	27.4
Unit cost summary					
Mining	A\$/oz	654	69	402	414
Processing	A\$/oz	263	332	668	433
Site Administration	A\$/oz	69	53	92	74
Cash Costs	A\$/oz	986	453	1,163	922
Royalties	A\$/oz	142	74	68	97
Capital Works	A\$/oz	36	21	70	45
Development	A\$/oz	102	0	12	43
Ore Inventory Adjustments	A\$/oz	(37)	220	2	41
Rehabilitation	A\$/oz	6	9	11	9
Corporate	A\$/oz	39	43	39	40
All-in Sustaining Costs	A\$/oz	1,273	821	1,364	1,196
Depreciation and Amortisation	A\$/oz	262	319	191	251
Mine cash flow					
Mine operating cash flow	A\$m	123.6	154.9	144.0	422.5
Net mine cash flow	A\$m	52.1	65.4	98.9	216.4

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

Pre-commercial production ounces from Thunderbox (19,162oz), Carosue Dam (12,345oz) and KCGM (15,505oz) 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 were three Lost Time Injuries (LTI) reported in the December quarter.

Table 4 - December quarter 2020 group safety performance

	LTI	LTIFR	TRIFR
Carosue Dam	0.0	2.4	13.5
Thunderbox	1.0	1.7	10.7
KCGM	1.0	0.9	8.8
Group	2.0	1.7	9.9

*Note LTIs at KCGM are reported at 50%

Operations

KCGM (Saracen 50%)

KCGM produced 59.4koz at an AISC of A\$1,324/oz (September quarter 55.2koz @ A\$1,423/oz).

Mine operating cash flow was A\$66.7m. Net mine cash flow was A\$55.6m after growth capital of A\$11.1m.

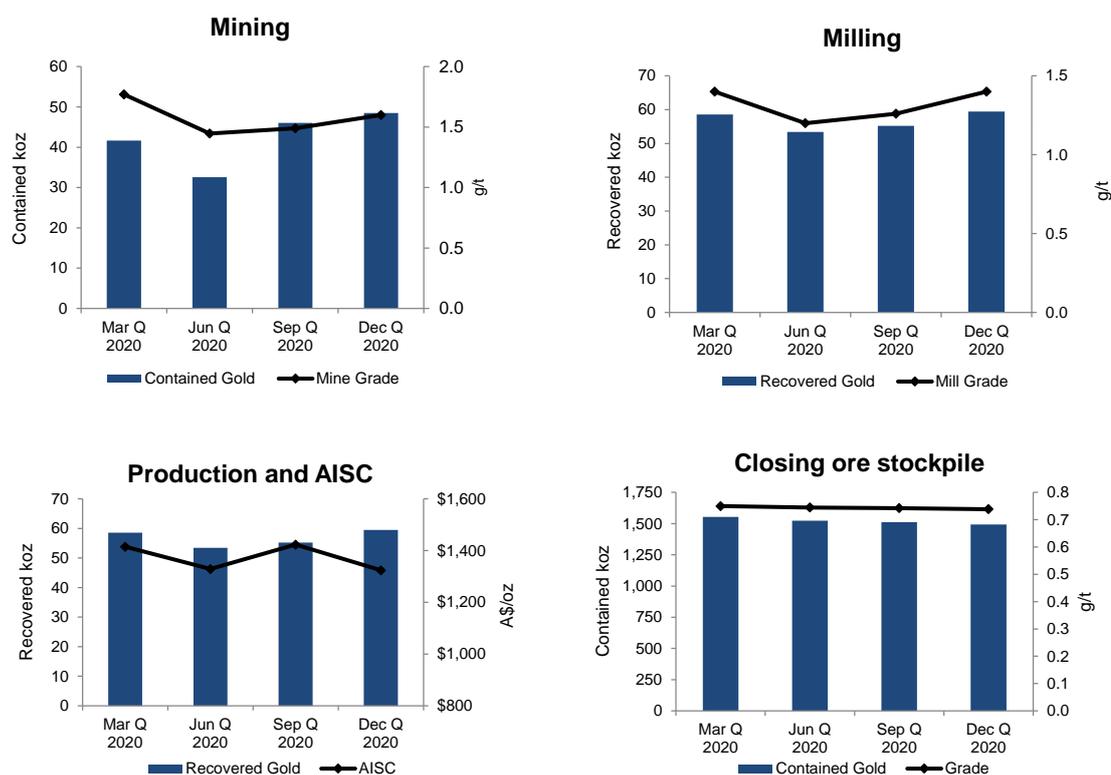
Open pit mining produced 38.9koz @ 1.6g/t (September quarter 33.3koz @ 1.4g/t). The total material movement from all the open pits (ex-pit) was 3.2 million BCM, a second consecutive ~30% quarter on quarter improvement. The majority of the material moved was from OBH. Fimiston South is ramping up with a key environmental approval received during the quarter.

The Mt Charlotte underground mine produced 9.5koz @ 1.5g/t (September quarter 12.7koz @ 1.7g/t). As planned the grade was lower with greater volumes mined from the sub-level cave.

The mill processed 1,645kt at an average grade of 1.4g/t with a metallurgical recovery of 82.1% (September quarter 1,632kt @ 1.3g/t).

Closing stockpiles were 1.5Moz.

Figure 2 - KCGM - Key trends



Carosue Dam

Carosue Dam produced 58.3koz for the quarter at an AISC of A\$1,285/oz (September quarter 55.0koz @ A\$1,262/oz).

Mine operating cash flow for the December quarter was A\$62.8m. Net mine cash flow was A\$25.0m after growth capital of A\$37.8m. Key growth capital items included Deep South development (A\$11.6m), Million Dollar open pit mining (A\$13.5m) and the mill and paste plant expansion (A\$3.8m).

The Karari - Dervish underground mine produced 49.0koz @ 2.7g/t (September quarter 52.6koz @ 3.2g/t), in-line with the Reserve grade of 2.9g/t.

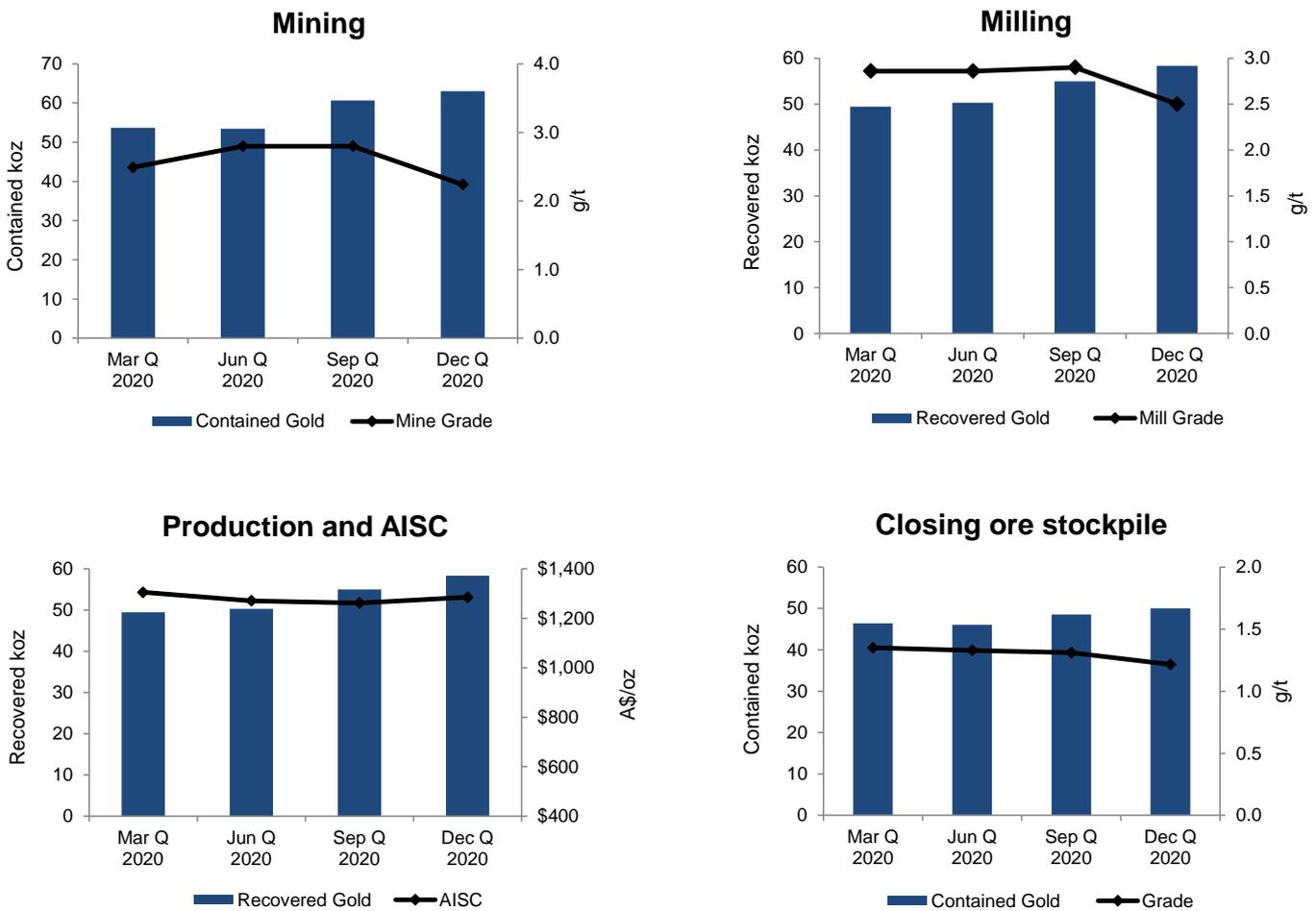
Deep South underground mine produced 7.5koz @ 2.9g/t (September quarter 5.7koz @ 2.6g/t).

The Million Dollar open pit continued to ramp up, with 1.1 million BCM mined (September quarter 0.7 million BCM). Million Dollar has a Reserve grade of 1.2g/t, and a modest strip ratio of 4.0 (including pre-stripping).

The mill processed a record 785kt at an average grade of 2.5g/t with a metallurgical recovery of 93.7% (September quarter 636kt @ 2.9g/t). **The mill expansion to 3.2Mtpa was commissioned earlier than expected, with the additional throughput contributing to record gold production for quarter.** The mill grade was lower quarter-on-quarter due to the addition of low cost Million Dollar open pit ore into the expanded mill feed.

Closing stockpiles were 50koz.

Figure 3 - Carosue Dam - Key trends



Thunderbox

Thunderbox delivered 37.3koz at an AISC of A\$870/oz (September quarter 44.2koz @ A\$790/oz).

Mine operating cash flow for the quarter was A\$69.1m. Net mine cash flow was A\$18.4m after growth capital of A\$50.7m. Key growth capital items included Thunderbox D Zone development (A\$13.3m), Thunderbox underground development (A\$22.0m) and the paste plant (A\$12.5m).

The current open pit focus is to transition from the highly successful C Zone, to D Zone where a large, shallow cut-back is ramping-up adjacent to the mill. Total material movement from the open pits was 2.6 million BCM a 114% improvement on the September quarter driven by the commissioning of the larger excavator. Total open pit ore mined for the quarter was 131kt with a mine grade of 0.8g/t for a total of 3koz of contained gold.

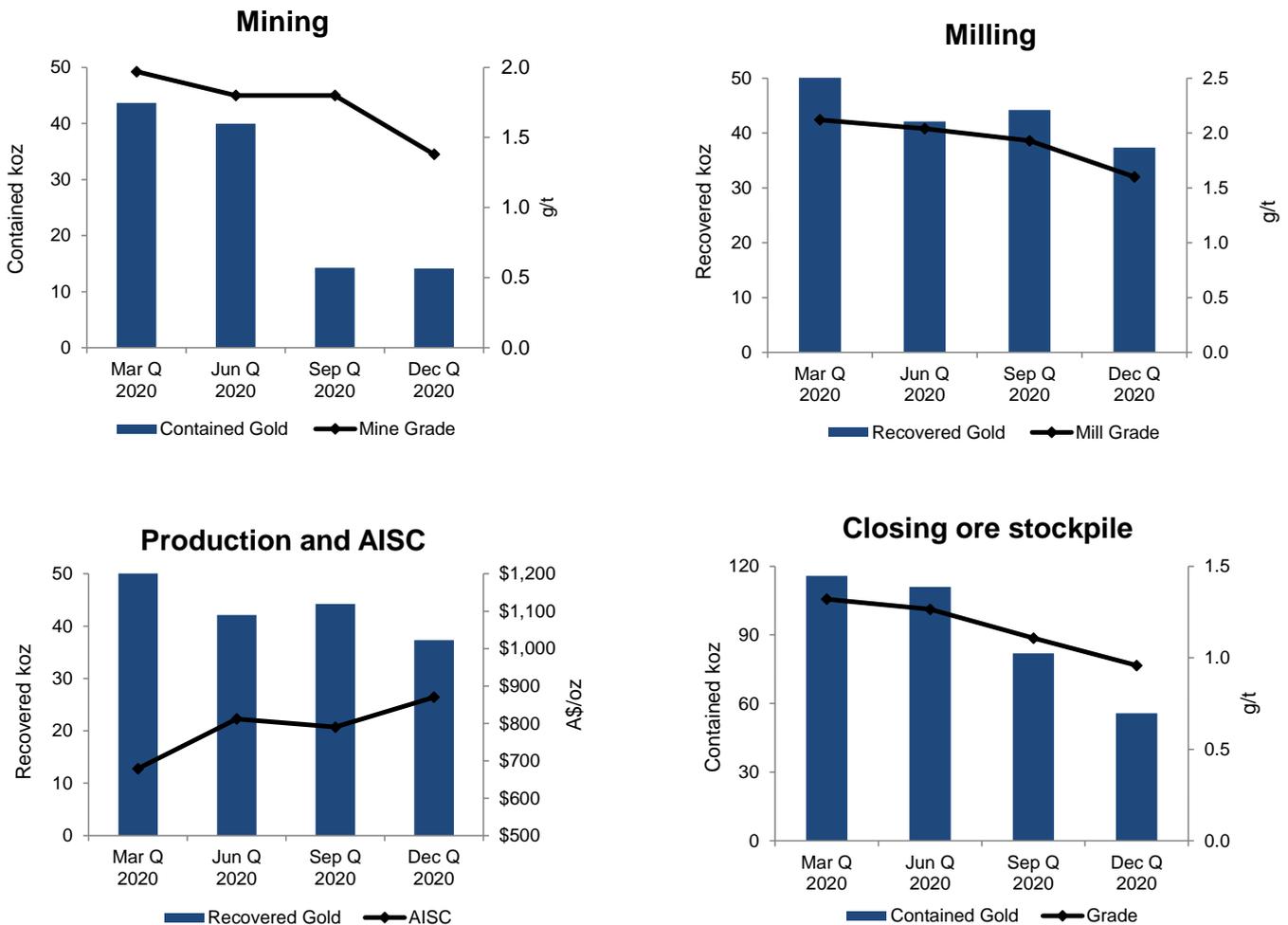
Underground development continued at "Thunderground" with 1,648m of horizontal advance. Development rates will accelerate following the addition of a third jumbo drill rig in the current June half. Thunderground produced 11koz @ 1.8g/t as stoping continued to ramp up.

GR Engineering (ASX: GNG) continued construction of the paste plant with earthworks and the footings for the cyclone hopper pumps and cyclone tower now completed. Paste fill will enable higher extraction of the underground Reserves, increasing the mine life with the environmental benefits of returning mill tailings underground. Completion of the paste fill plant is anticipated in the June half 2021.

The mill processed 757kt at an average grade of 1.6g/t with a metallurgical recovery of 94.1% (September quarter 758kt @ 1.9g/t).

Closing stockpiles were 56koz, and are planned to further reduce over FY21. The current capital investment in D Zone will enable the accumulation of significant stockpiles in future years at Thunderbox, with forecasts of 103koz for end FY22 and 167koz for end FY23.

Figure 4 - Thunderbox - Key trends

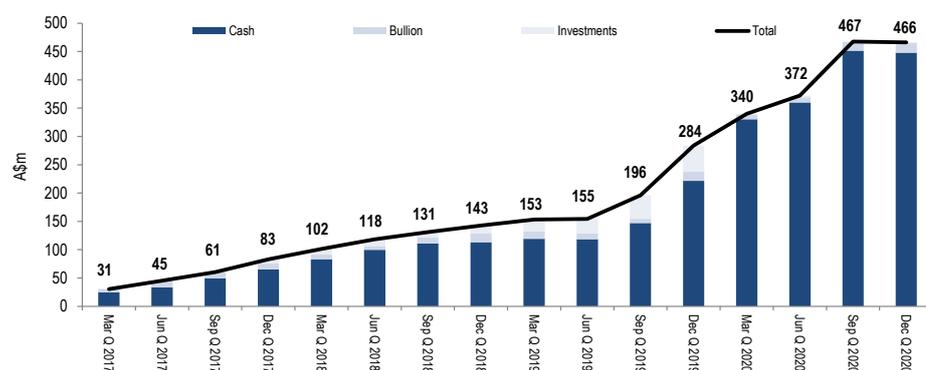


Corporate and Finance

Cash position

At 31 December 2020, total cash, bullion and investments were A\$466m and debt was A\$283m.

Figure 5 - Cash, bullion and investments



A debt repayment of A\$38m was paid in the December quarter 2020.

Gold sales / capitalised revenue

Gold sales for the quarter were 150,163oz at an average sale price of A\$2,322/oz, for sales receipts of A\$348.7m.

During the quarter, A\$48.8m (unaudited) of the A\$348.7m of sales receipts were made from gold recovered from development activities at Thunderbox, Carosue Dam and KCGM (OBH pit). 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\$39m was paid during the quarter. This includes a A\$24m “catch-up” payment relating to FY20.

In addition, Saracen has estimated stamp duty payable of A\$34m on three acquisition transactions made in FY20. This includes a cash payment of A\$32m for the KCGM acquisition, anticipated in the current March quarter. This one-off transaction cost was expensed through the FY20 profit and loss statement.

Hedging

No hedging was added to the hedge book in the December quarter. 63,300oz of hedging was delivered at A\$2,020/oz.

At 31 December 2020, the hedge book comprised 383,100oz at an average delivery price of A\$2,168/oz. The hedge book is moderating to ~20% of production over the next 3 years period (down from 33%).

Table 5 - Hedging at 31 December 2020

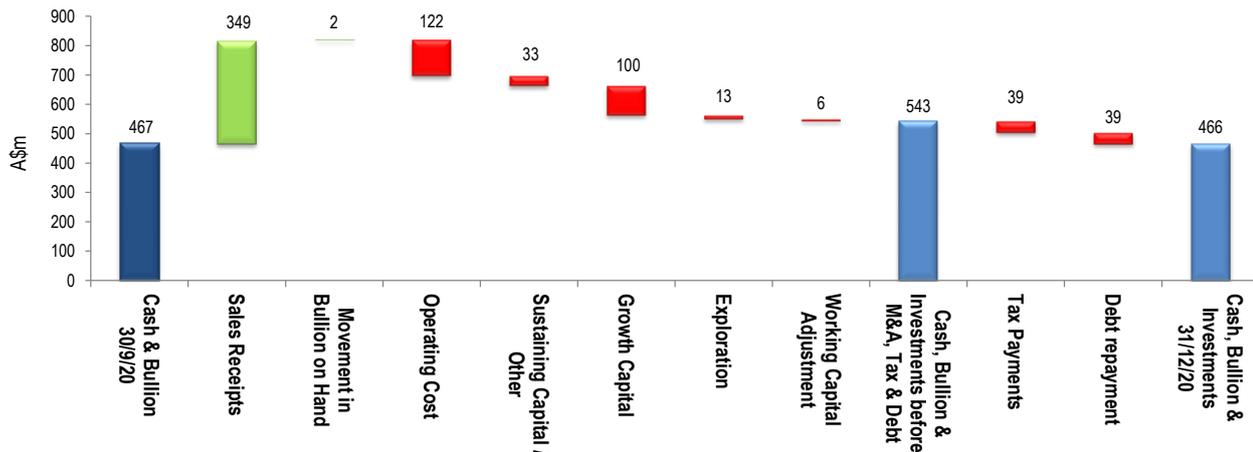
Quarter	Quantity	Price
	oz	A\$/oz
Mar Q 2021	61,800	2,039
Jun Q 2021	58,800	2,057
Sep Q 2021	54,300	2,114
Dec Q 2021	57,200	2,149
Mar Q 2022	48,500	2,206
Jun Q 2022	41,500	2,260
Sep Q 2022	29,000	2,311
Dec Q 2022	21,000	2,344
Mar Q 2023	7,000	2,587
Jun Q 2023	3,000	2,727
Sep Q 2023	1,000	2,726
Total	383,100	2,168

Net profit after tax (NPAT)

For the 6 months to 31st December 2020, Saracen has generated an unaudited statutory NPAT between A\$115m and A\$125m. This is before an estimated 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 - December 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\$10.3m, Thunderbox D Zone A\$13.3m, Deep South A\$11.6m, Thunderbox Underground A\$22.0m, Karari-Dervish A\$4.0m, Million Dollar A\$13.5m), Carosue Dam mill and paste plant expansion A\$3.8m, Thunderbox paste plant A\$12.5m and miscellaneous items A\$8.7m.
- **Exploration:** Cash outflows for Carosue Dam (A\$5.9m), Thunderbox (A\$3.8m) and KCGM (A\$3.5m) exploration activities.

Merger-of-equals with Northern Star, special dividend

Post quarter end, Saracen shareholders voted overwhelmingly in favour of the proposed merger-of-equals with Northern Star (99.95% of Saracen shares and 98.18% of Saracen shareholders voted in favour).

The expected implementation date is Friday, 12 February 2021, subject to the satisfaction or waiver of the remaining condition to the Scheme (including approval by the Supreme Court of Western Australia). For further details including the Scheme Timetable please refer to the ASX announcement 15th January 2021 "[Saracen shareholders back Northern Star merger](#)".

Saracen has determined to pay a fully franked special dividend of A3.8c per share, conditional on the Scheme implementation (for further details please refer to the ASX announcement 12th January 2021 "[Update on Special Dividend](#)").

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

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Combined Group's gold production

The information underpinning the combined Group's combined gold production guidance in this announcement has been extracted from:

- the ASX release by Northern Star entitled "Resources and Reserves, Production and Cost Guidance Update (ex-KCGM)" dated 13 August 2020, available at www.nsrftd.com and www.asx.com (Northern Star Announcement);
- the ASX release by Saracen entitled "Carosue Dam and Thunderbox only – Reserves rise to 3.7Moz" dated 4 August 2020, available at www.saracen.com.au and www.asx.com (Saracen Announcement), and
- Northern Star's and Saracen's joint ASX announcement entitled "KCGM Reserves, Resources and Guidance Update" dated 18 August 2020, available at www.nsrftd.com and www.asx.com (KCGM Announcement).

For the purposes of ASX Listing Rule 5.19:

- Northern Star confirms that all the material assumptions underpinning the production target in the Northern Star Announcement continue to apply and have not materially changed. Northern Star confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from that announcement.
- Saracen confirms that all the material assumptions underpinning the production target in the Saracen Announcement continue to apply and have not materially changed. Saracen confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from that announcement.
- both Northern Star and Saracen confirm that all the material assumptions underpinning the production target in the KCGM Announcement continue to apply and have not materially changed. Saracen and Northern Star confirm that the form and context in which the Competent Person's findings are presented have not been materially modified from that announcement.