

# SARACEN MINERAL HOLDINGS LIMITED

ACN: 009 215 347

## **QUARTERLY REPORT: DECEMBER 2015**

#### Corporate Details:

29th January 2016

ASX code: SAR

#### Corporate Structure:

Ordinary shares on issue: 792.8m

Unvested employee performance rights: 20.2m

Market Capitalisation: A\$595m (share price A\$0.75)

Cash & Bullion (31 December): A\$42.1m

Debt (31 December): Nil

#### Directors:

Mr Geoff Clifford Non-Executive Chairman

Mr Raleigh Finlayson Managing Director

Mr Mark Connelly Non-Executive

Mr Martin Reed Non-Executive

Ms Samantha Tough

#### Substantial Shareholders:

Wroxby Pty Ltd 8.2%

Paradice Investment Management 7.9%

Karara Capital Pty Ltd 6.2%

Van Eck Associates 6.1%

#### Registered Office:

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# Significant cash-flow generation underwrites low-cost/ debt-free growth strategy

#### **Production**

- Quarterly gold production of 44,265oz (first half FY16 production of 82,405oz compares favourably with FY16 outlook of 150-160,000oz - Carosue Dam only)
- Quarterly all-in sustaining cash costs (AISC) of A\$1,009/oz, below the FY16 outlook range of A\$1,025-1,075/oz
- Karari cash flow positive and in commercial production
- Red October had its second highest quarter of gold production with 21.1koz produced at an average grade of 6.7g/t
- FY16 group production outlook to be re-assessed in the coming weeks taking into account the strong progress at Thunderbox (current group outlook 170-180,000oz)

#### Development

- Thunderbox plant commissioning and first production both one month ahead in the March and June quarters FY16 respectively
- First ore mined at Deep South underground, on track for first full-scale stoping in the June quarter 2016

#### **Financial**

- Cash and equivalents at 31 December of A\$42.1m, marginally down from A\$44.9m at 30 September, after project development expenditure of A\$29.3m (A\$22.7m at Thunderbox, A\$3.1m at Deep South, A\$1.5m at Kailis / KOTH, and A\$2.0m on exploration)
- Estimated \$61m operating cash flow and \$9-11m profit before tax for first half of FY16 (based on preliminary unaudited financials)

## **Exploration and growth**

- Stage 1 of the Kailis Pit cutback is scheduled to commence during FY17, with ~50koz of production and ~\$27m indicative cash flow
- Scoping study underway for the King of the Hills project
- Recent multiple shallow high-grade drill results at Carosue Dam include (previously released):
  - Karari 19.0m @ 6.1 g/t, 7.0m @ 8.7 g/t, 12.0m @ 5.6g/t
  - Deep South 3.0m @ 22.5g/t, 11.5m @ 4.9g/t

## Health and safety

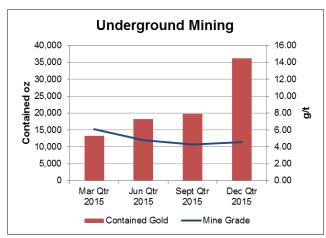
One LTI occurred during the Quarter, TIFR steady at 376

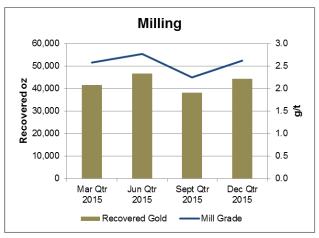
## **Summary**

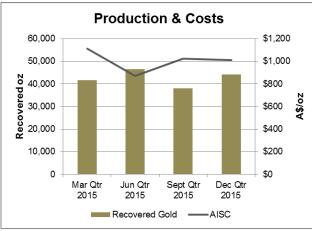
Table 1 - Carosue Dam Operations, Key Statistics

| Carosue Dam               | Units | Mar Qtr<br>2015 | Jun Qtr<br>2015 | Sept Qtr<br>2015 | Dec Qtr<br>2015 |
|---------------------------|-------|-----------------|-----------------|------------------|-----------------|
| <b>Underground Mining</b> |       |                 |                 |                  |                 |
| Ore Mined                 | t     | 68,000          | 119,000         | 143,000          | 248,000         |
| Mine Grade                | g/t   | 6.08            | 4.77            | 4.30             | 4.54            |
| Contained Gold            | oz    | 13,252          | 18,262          | 19,759           | 36,229          |
| Mill Production           |       |                 |                 |                  |                 |
| Ore Milled                | t     | 549,000         | 576,000         | 577,000          | 569,000         |
| Mill Grade                | g/t   | 2.58            | 2.77            | 2.25             | 2.62            |
| Contained Gold            | oz    | 45,429          | 51,281          | 41,753           | 47,854          |
| Recovery                  | %     | 91.5%           | 90.8%           | 91.3%            | 92.5%           |
| Recovered Gold            | oz    | 41,550          | 46,563          | 38,140           | 44,265          |

Figures 1-4 - Carosue Dam Operations, Key Charts







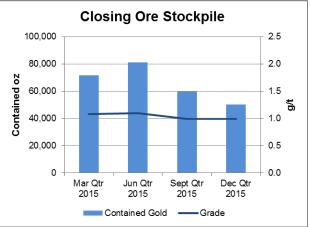


Table 2 – Thunderbox Operations, Key Statistics

| Thunderbox      | Units   | Sept Qtr<br>2015 | Dec Qtr<br>2015 |
|-----------------|---------|------------------|-----------------|
| Open Pit Mining |         |                  |                 |
| Total Mining    | BCM     | 2,421,000        | 4,247,000       |
| Mining Costs    | A\$m    | \$8.64           | \$11.59         |
| Mining Costs    | A\$/BCM | \$3.57           | \$2.73          |

# **Carosue Dam Operations**

## **Processing**

Table 3 - Carosue Dam Operations, Processing Statistics

| Carosue Dam     | Units | Mar Qtr<br>2015 | Jun Qtr<br>2015 | Sept Qtr<br>2015 | Dec Qtr<br>2015 |
|-----------------|-------|-----------------|-----------------|------------------|-----------------|
| Mill Production |       |                 |                 |                  |                 |
| Ore Milled      | t     | 549,000         | 576,000         | 577,000          | 569,000         |
| Mill Grade      | g/t   | 2.58            | 2.77            | 2.25             | 2.62            |
| Contained Gold  | oz    | 45,429          | 51,281          | 41,753           | 47,854          |
| Recovery        | %     | 91.5%           | 90.8%           | 91.3%            | 92.5%           |
| Recovered Gold  | OZ    | 41,550          | 46,563          | 38,140           | 44,265          |

Metallurgical recoveries increased by over 1%, representing an additional 574 recovered ounces or ~A\$900k of revenue relative to the September Quarter. This was due to a combination of improved metallurgical properties associated with Red October ore at depth, and continuous processing plant improvements, specifically the installation of a second gravity screen increasing gravity gold extraction. The mill grade increased due to higher grades and production at Red October and Karari.

The closing ore stockpile at the end of the December quarter was 1.6Mt @ 1.0g/t for 50,281oz. These ounces will only incur processing and administration costs, equivalent to ~A\$1,081/oz AISC or A\$19 million in deferred free cashflow using latest costs and a A\$1,511/oz gold price (average hedge price).

#### Underground

Table 4 - Carosue Dam Operations, Underground Mining Statistics

| Carosue Dam               | Units | Mar Qtr<br>2015 | Jun Qtr<br>2015 | Sept Qtr<br>2015 | Dec Qtr<br>2015 |
|---------------------------|-------|-----------------|-----------------|------------------|-----------------|
| <b>Underground Mining</b> |       |                 |                 |                  |                 |
| Ore Mined                 | t     | 68,000          | 119,000         | 143,000          | 248,000         |
| Mine Grade                | g/t   | 6.08            | 4.77            | 4.30             | 4.54            |
| Contained Gold            | oz    | 13,252          | 18,262          | 19,759           | 36,229          |

Total underground production has increased 83% relative to the previous quarter due to the commencement of commercial production from Karari. Table 4 includes production from:

- Karari 15.1koz @ 3.1g/t (vs. September Quarter 4.2koz @ 2.6g/t)
   The first full quarter of commercial production at Karari saw 15.1koz @ 3.1g/t mined. AISC was \$104/t which reconciles well with the \$100/t quoted in the CDO 5 year plan.
- Red October 21.1koz @ 6.7g/t (vs. September Quarter 15.5koz @ 5.2g/t)
   The second highest ever month of production was recorded in December, with 9,000oz produced at an average grade of 8.7g/t.

Underground development at Deep South commenced in the December Quarter, with 519m of development completed. First development ore was intersected at the end of the quarter with full scale mining set to commence in the June quarter 2016.

# **Thunderbox Operations**

## **Open Pit Mining**

4.2 million BCMs were pre-stripped from Thunderbox (Zone A) during the quarter with a total mining expenditure of A\$11.6 million (inclusive of load and haul, drill and blast, grade control, supervision and overheads). This compares favourably with budgeted movement of 3.5 million BCMs (22% over performance) and budgeted costs of A\$14.8 million (27% lower), resulting in mining unit costs for the Quarter being 24% lower than the previous quarter and 29% below YTD budget (A\$3.03/bcm vs. A\$4.24/bcm).

Figure 5 – Thunderbox Open Pit (looking north)



A second excavator (190t) was mobilised to site during October in accordance with the development schedule. This excavator was purchased by Saracen (under a finance lease arrangement) for approximately A\$2.5 million. The machine will be maintained by SMS Rentals and operated by Saracen personnel. The excavator commenced mining during November 2015 and had an immediate impact of increasing material movement whilst reducing the unit cost of mining.

Figure 6 - Thunderbox Open Pit - 'A' Zone Ore marked up



Figure 6 clearly identifies the main (wide) footwall lode of high grade ore in the foreground, as well as the smaller hanging wall lodes being faced off by the EX3600 below the pit ramp.

The commencement of production at Thunderbox is a significant milestone that will see Saracen produce gold from multiple operations for the first time in its history. Importantly, this will realise Saracen's vision of joining the ranks of mid-tier gold producers. Production is targeted to double to ~300,000oz per annum within two years from the two operational centres at an AISC of <A\$1075/oz.

As at the 21<sup>st</sup> of January, approximately 121,000t of commissioning ore grading 0.9g/t has been stockpiled on the Thunderbox ROM pad (refer Figure 7).

Figure 7 – Ore stockpiles on the ROM pad



### **Plant Refurbishment**

Refurbishment activities on the 2.5 million tonne per annum CIL plant at Thunderbox are well advanced. Works completed or ongoing as at the end of the December quarter include:

- · Crushing circuit has been commissioned
- · The SAG and ball mills have both been relined
- The SAG mill has been commissioned
- Reagent infrastructure is in place
- Mill discharge pumps have been installed and connected
- The tailings storage facility (TSF) pipeline is complete
- TSF cell B is ready for deposition with cell A due for completion in January
- Testing and commissioning of the PLC is underway
- The pebble crusher and elution heater are due to be delivered in January

Figure 8 - Crushed ore in the Fine Ore Bin at Thunderbox



# **Exploration and Growth**

### Carosue Dam Drilling

Recent infill drilling highlights from Deep South include:

- DSRD026 3.0m @ 22.5g/t from 177m
- DSRD021A 3.1m @ 5.1g/t from 208m
- DSRD025 3.1m @ 5.2g/t from 224m
- DSRD027 11.5m @ 4.9g/t from 241m

Recent infill drilling highlights from Karari include:

- KRGC266 19.0m @ 6.1g/t from 104m
- KRGC263 12.0m @ 5.6g/t from 112m
- KRGC265 10.3m @ 4.6g/t from 111m
- KRGC265 8.8m @ 5.3g/t from 166m
- KRGC266 7.0m @ 8.7g/t from 231m
- KRGC267 6.0m @ 5.0g/t from 301m
- KRGC297 6.4m @ 6.0g/t from 82m
- KRRD077 9.3m @ 4.9g/t from 172m

The above drill results were released in the ASX announcement dated 10 December 2015 - "Carosue Dam Update".

Additional exploration drilling results from Karari and Deep South are expected to be released in the coming weeks once the results have been collated and verified.

There is strong scope to grow inventory and mine life with all mine deposits at Carosue Dam remaining open along strike and at depth.

## Kailis Stage 1

Stage 1 of the Kailis Pit cutback is scheduled to commence during FY17, with ~50koz of production and ~\$27m indicative cash flow over a 12 month period.

For more information refer to the ASX announcement dated 25 November 2015 - "Thunderbox Project Update".

## King of the Hills Scoping Study Underway

Work has commenced on a Scoping Study to assess potential mining options for the recently acquired King of the Hills project, 55km to the south of Thunderbox.

An exploration drill program is also being prepared to test continuity of the high grade mineralisation identified in the southern portion of the resource.

# **Corporate**

#### **Health & Safety**

One Lost Time Injury (LTI) was recorded during the December Quarter, with a Thunderbox refurbishment contractor sustaining a knee injury while preparing steelwork for transport. The LTIFR is 3.5; the Total Incident Frequency Rate has remained steady at 376.

## **Board and Management**

Mr Barrie Parker retired as a Director of the Company at the conclusion of the Company's Annual General Meeting on 25 November 2015.

The Directors consider the size and composition of the Saracen Board to be appropriate and will not be seeking a replacement director at this time.

### **Cash Position**

As at 31 December 2015, Saracen's total cash and equivalents position was A\$42.1 million, comprising A\$37.4 million held in cash and 3,175 ounces of gold in transit (approximately A\$4.7 million at A\$1,470/oz). There was no debt drawn at the end of the Quarter.

Saracen anticipates a total cash and equivalents position in excess of A\$20 million at 31 March 2016 with no debt drawn, confirming the Company's low cost growth to ~300,000 ounces per annum will be fully internally funded.

#### **Hedging**

As at 31 December 2015, Saracen had gold hedging in place totalling 265,152oz at an average price of A\$1,511/oz. These ounces are to be delivered over the period from January 2016 to March 2019 (inclusive). Refer to Appendix 1 for complete details of the hedge book.

### **Gold Sales**

Gold sales for the Quarter were 44,049oz at an average sale price of A\$1,590/oz for total revenue of A\$70.0 million (note that gold sales exclude movements in gold in transit). Gold sales of 36,885ozs were delivered into various hedging contracts.

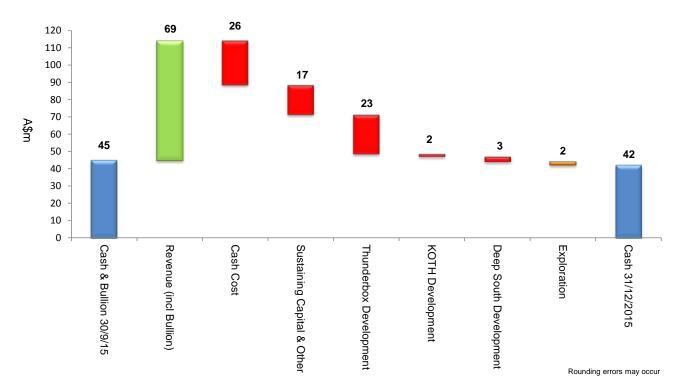
#### First Half FY16 Results Guidance

Based on preliminary unaudited financials, Saracen estimates \$61m operating cash flow and \$9-11m profit before tax for the first half of FY16.

Included in expenses for the half-year was a non-cash amount of \$26m due to the processing of Whirling Dervish ore stockpiles (reducing the carrying value from \$42m to \$16m).

#### **Cash Flows**

Figure 9 – December 2015 Quarter cash movements



- Revenue: Revenue from gold sales (includes gold in transit)
- Cash Costs: Cash outflows for mining, ore cartage, processing, site administration and ore purchase
- Sustaining Capital & other: Cash outflows for royalties, capital works, open pit development, underground development, active mine exploration & corporate expenses (including loan interest)
- Thunderbox Development: Includes expenditure on development and exploration
- **KOTH Development:** Cash outflow for the KOTH & Kailis projects including care & maintenance, feasibility study, acquisition price and stamp duty
- Deep South Development: Cash outflows for the development of the Deep South underground mine
- Exploration: Cash outflows for regional exploration (excludes Thunderbox)

Operational cash flow generated for the Quarter was A\$29.1 million after taking into account all open pit and underground mining costs, ore haulage, processing and site administration expenses as well as royalties, sustaining capital and underground development.

### **Cash Costs**

All-in Sustaining Cash Costs for the December Quarter were A\$1,009/oz, below the FY16 guidance range of A\$1,025/oz to \$1,075/oz provided for Carosue Dam.

"All in" cash expenditure rose A\$5.6 million to A\$44.7 million, due to the inclusion of underground mining and development costs of the Karari operation which was declared in commercial production at the beginning of the Quarter. This was partly offset by the cessation of expenditure on the Whirling Dervish open pit.

Table 5 - Cash Costs

| Cash Costs              | Unit   | Mar-15 Qtr | Jun-15 Qtr | Sep-15 Qtr | Dec-15 Qtr |
|-------------------------|--------|------------|------------|------------|------------|
|                         |        |            |            |            |            |
| Mining - Open Pit       | A\$m   | 13.8       | 9.7        | 2.7        | 0.4        |
| Mining - Underground    | A\$m   | 5.7        | 8.0        | 9.4        | 19.7       |
| Ore Cartage             | A\$m   | 1.2        | 1.5        | 0.6        | 0.1        |
| Processing              | A\$m   | 11.6       | 10.1       | 13.2       | 11.5       |
| Site Administration     | A\$m   | 2.0        | 1.6        | 2.2        | 1.9        |
| Cash Costs              | A\$m   | \$34.4     | \$30.9     | \$28.2     | \$33.7     |
| Royalties               | A\$m   | 2.9        | 3.1        | 2.8        | 3.2        |
| Capital Works           | A\$m   | 1.0        | 0.7        | 0.7        | 2.0        |
| Underground Development | A\$m   | 5.5        | 4.1        | 5.1        | 4.0        |
| Corporate               | A\$m   | 2.3        | 1.8        | 2.3        | 1.8        |
| "All in" Cash Costs     | A\$m   | \$46.2     | \$40.6     | \$39.1     | \$44.7     |
| Growth Capital          | A\$m   | 7.9        | 13.2       | 19.4       | 27.3       |
| Exploration             | A\$m   | 2.9        | 3.4        | 3.2        | 2.0        |
| Production (oz)         |        | 41,549 oz  | 46,564 oz  | 38,140 oz  | 44,265 oz  |
|                         |        |            |            |            | _          |
|                         |        | \$/oz      | \$/oz      | \$/oz      | \$/oz      |
| Mining - Open Pit       | A\$/oz | 333        | 208        | 71         | 10         |
| Mining - Underground    | A\$/oz | 138        | 171        | 247        | 446        |
| Ore Cartage             | A\$/oz | 29         | 32         | 17         | 2          |
| Processing              | A\$/oz | 280        | 218        | 346        | 261        |
| Site Administration     | A\$/oz | 49         | 34         | 58         | 44         |
| Cash Costs              | A\$/oz | \$829      | \$663      | \$739      | \$762      |
| Royalties               | A\$/oz | 69         | 67         | 74         | 72         |
| Capital Works           | A\$/oz | 25         | 15         | 18         | 45         |
| Underground Development | A\$/oz | 133        | 88         | 134        | 90         |
| Corporate               | A\$/oz | 56         | 38         | 60         | 40         |
| "All in" Cash Costs     | A\$/oz | \$1,112    | \$871      | \$1,025    | \$1,009    |

#### For further information please contact:

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Chief Corporate Development Officer
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Media: Read Corporate Paul Armstrong / Nicholas Read info@readcorporate.com.au

#### **Competent Persons Statements**

The information in the report to which this statement is attached that relates to Exploration Results 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.

The information on Mineral Resources and Ore Reserves has been extracted from the ASX announcement titled "2015 Mineral Resources and Ore Reserves" dated 15 October 2015. The report is available to view on the ASX Website at <a href="https://www.asx.com.au">www.asx.com.au</a> and on the Company's website at <a href="https://www.saracen.com.au">www.saracen.com.au</a>. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources and Ore Reserves, that all market assumptions and technical assumptions underpinning the estimates in the relevant market announcements continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

Appendix 1 – Details of Hedging Contracts

| Month         | Ounces  | Hedge Price |
|---------------|---------|-------------|
|               |         |             |
| Spot Deferred | 37,679  | 1,412.47    |
| Spot Deferred | 19,073  | 1,600.49    |
| Spot Deferred | 45,000  | 1,410.90    |
| 29/01/2016    | 3,900   | 1,720.00    |
| 29/02/2016    | 3,900   | 1,730.00    |
| 31/03/2016    | 3,900   | 1,730.00    |
| 29/04/2016    | 3,900   | 1,740.00    |
| 31/05/2016    | 3,900   | 1,740.00    |
| 30/06/2016    | 3,900   | 1,750.00    |
| 30/09/2016    | 4,000   | 1,520.00    |
| 31/10/2016    | 4,000   | 1,520.00    |
| 30/11/2016    | 4,000   | 1,520.00    |
| 31/12/2016    | 4,000   | 1,520.00    |
| 31/01/2017    | 4,000   | 1,520.00    |
| 28/02/2017    | 4,000   | 1,520.00    |
| 31/03/2017    | 4,000   | 1,520.00    |
| 30/04/2017    | 4,000   | 1,520.00    |
| 31/05/2017    | 5,000   | 1,520.00    |
| 30/06/2017    | 5,000   | 1,520.00    |
| 31/07/2017    | 5,000   | 1,520.00    |
| 31/08/2017    | 5,600   | 1,520.00    |
| 30/09/2017    | 5,600   | 1,520.00    |
| 31/10/2017    | 5,600   | 1,520.00    |
| 30/11/2017    | 5,600   | 1,520.00    |
| 31/12/2017    | 5,600   | 1,520.00    |
| 31/01/2018    | 5,600   | 1,520.00    |
| 28/02/2018    | 3,500   | 1,520.00    |
| 31/03/2018    | 3,500   | 1,520.00    |
| 30/04/2018    | 3,600   | 1,520.00    |
| 31/05/2018    | 3,600   | 1,520.00    |
| 30/06/2018    | 3,600   | 1,520.00    |
| 31/07/2018    | 3,600   | 1,520.00    |
| 31/08/2018    | 4,300   | 1,520.00    |
| 30/09/2018    | 4,300   | 1,520.00    |
| 31/10/2018    | 4,300   | 1,520.00    |
| 30/11/2018    | 4,300   | 1,520.00    |
| 31/12/2018    | 5,200   | 1,520.00    |
| 31/01/2019    | 5,200   | 1,520.00    |
| 28/02/2019    | 5,200   | 1,520.00    |
| 31/03/2019    | 5,200   | 1,520.00    |
| Total         | 265,152 | \$ 1,510.97 |