



SARACEN MINERAL HOLDINGS LIMITED

ACN: 009 215 347

QUARTERLY REPORT: JUNE 2016

Corporate Details:

19th July 2016

ASX code: SAR

Corporate Structure:

Ordinary shares on issue: 800.8m

Unvested employee performance rights: 20.2m

Market Capitalisation: A\$1.4b
(share price A\$1.72)

Cash & Bullion (30 June): A\$40.3m

Debt (30 June): 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
Non-Executive

Substantial Shareholders:

Van Eck 13.2%

Wroxby 8.1%

Karara Capital 6.0%

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Outstanding quarter as Thunderbox ramp-up drives record FY16 production and cash flow

Production

- **Record quarterly gold production of 63,192oz** (Carosue Dam 41,037oz, Thunderbox 22,155oz)
- Quarterly all-in sustaining cash costs (AISC) of **A\$1,151/oz** (Carosue Dam A\$1,075/oz, Thunderbox A\$1,293/oz)
- **Record FY16 gold production of 188,656oz**, (Carosue Dam 157,191oz, Thunderbox 31,465oz) at the upper end of the 175-195,000oz guidance range (upwardly revised from 170-180,000oz on 6th April 2016)
- FY16 group AISC A\$1,095/oz, Carosue Dam AISC A\$1,067 within outlook range of A\$1,025-1,075/oz (Carosue Dam only)

Development

- Commercial production declared at the A\$63m Thunderbox project (effective 1 April 2016), four months ahead of schedule
- Stopping underway at the Carosue Dam's Deep South underground mine, with production on track to ramp up to ~60kozpa in FY17

Financial

- Saracen acquired the Norilsk royalty (1.5% NSR) reducing Thunderbox's life of mine AISC to ~A\$1,000/oz
- Gold sales for the quarter of 67,693oz at an average sale price of A\$1,649/oz for total revenue of A\$111.6m (24,555oz delivered into the hedge book at an average price of A\$1,524/oz)
- **Cash and equivalents at 30 June of A\$40.3m** (\$34.3m at 31 March) after spending A\$13.2m on exploration and growth capital, including A\$3.6m on acquisition costs (balance of the Thunderbox acquisition and the cash component of the royalty purchase)

Exploration and growth

- Resources at Carosue Dam's Karari mine increase to 873,000oz (up 38%), and Reserves to 212,447oz (up 117%)
- Karari extended approximately 100m down dip with an intersection of 12.0m @ 5.1g/t from 557m
- Positive results returned from grade control drilling at Deep South
- Intense exploration drilling program underway

Health and safety

- There were zero LTIs during the quarter; TIFR fallen to 358

Group Summary

Table 1 – Consolidated production and sales summary

Group	Units	Sep Q 2015	Dec Q 2015	Mar Q 2016	Jun Q 2016	FY16
Recovered Gold	oz	38,140	44,265	43,059	63,192	188,656
AISC*	A\$/oz	1,025	1,009	1,183	1,151	1,095
Sold Gold	oz	39,391	44,049	36,891	67,693	188,024
Average Sale Price	A\$/oz	1,593	1,590	1,675	1,649	1,629
Sales Revenue	A\$m	62.8	70.0	61.8	111.6	306.2

* AISC applies only to Carosue Dam until the end of the March quarter 2016. Thunderbox costs were capitalised until commercial production commenced on 1 April 2016 i.e. June quarter 2016 AISC includes both sites.

Carosue Dam Operations

Table 2 – Carosue Dam - Key metrics

Carosue Dam	Units	Sep Q 2015	Dec Q 2015	Mar Q 2016	Jun Q 2016	YTD FY16
Underground Mining						
Ore Mined	t	143,000	248,000	275,000	334,000	1,000,000
Mine Grade	g/t	4.3	4.5	2.9	3.2	3.6
Contained Gold	oz	19,759	36,229	26,051	34,065	116,104
Mill Production						
Ore Milled	t	577,000	569,000	565,000	610,000	2,321,000
Mill Grade	g/t	2.3	2.6	2.0	2.3	2.3
Contained Gold	oz	41,753	47,854	36,733	44,449	170,790
Recovery	%	91.3%	92.5%	91.9%	92.3%	92.0%
Recovered Gold	oz	38,140	44,265	33,749	41,037	157,191

Figures 1-4 – Carosue Dam - Key charts



Underground mining

Ore mined from underground continues to ramp up, rising to a record 334kt in the June quarter, with 1Mt of underground ore production mined for the full financial year. Gold production at both Karari and Deep South continue to ramp up in line with the five-outlook. Table 2 includes production from:

- **Karari - 18.2koz @ 3.2g/t** (v March quarter 11.4koz @ 2.5g/t)

Gold production was 60% higher than the previous quarter due to 90% of ore being mined from stoping. The grade rose 28% to 3.2g/t, 7% above the Reserve grade of 3.0g/t.

- **Red October - 7.1koz @ 4.3g/t** (v March quarter 11.9koz @ 3.8g/t)

Gold production was lower than the previous quarter due to focused development of the Deep South mine, with resources shared between the two mines. There will be a production hiatus at Red October in the current quarter while exploration drilling is conducted from the base of the mine and Deep South reaches steady state output. Production is planned to re-commence at Red October in the December quarter, with modest contributions of ~15koz anticipated in each of FY17 and FY18 (in line with the Carosue Dam five-year outlook).

- **Deep South - 8.8koz @ 2.6g/t** (v March quarter 2.7Koz @ 2.3g/t)

As Deep South becomes established the proportion of ore sourced from stoping has increased to over 60%, which has resulted in ore grades increasing 13% and gold production trebling to 8.8koz. With stoping fronts continually being accessed, it is anticipated that the annualised production rate of ~60kozpa will be reached over the next two quarters.

Figure 5 – Karari Underground – Bogging ore from the Dhoni 2140 stope



Processing

Mill throughput increased 8% relative to the March quarter due to a combination of higher mill availability and a reduction in the harder Red October ore being fed to the mill. Mill recovery also increased slightly to 92.3%.

The closing ore stockpile at the end of the quarter was 1.1Mt @ 0.9g/t for 32,420oz. These ounces will only incur processing and administration costs, equivalent to ~A\$1,090/oz AISC or A\$13 million in deferred free cash flow using latest costs and a A\$1,548/oz gold price (average hedge price).

Thunderbox Operations

Table 3 – Thunderbox - Key metrics

Thunderbox	Units	Sep Q 2015	Dec Q 2015	Mar Q 2016	Jun Q 2016	YTD FY16
Open Pit Mining						
Total Mining	BCM	2,422,000	4,247,000	3,679,000	3,181,000	13,529,000
Ore Mined	t		84,000	326,000	577,000	987,000
Mine Grade	g/t		0.8	1.0	1.3	1.1
Contained Gold	oz		2,159	10,258	23,412	35,829
Mining Cost	A\$/bcm	\$3.57	\$2.73	\$3.78	\$5.14	\$3.73
Mining Cost	A\$m	\$8.6	\$11.6	\$13.9	\$16.3	\$50.4
Mill Production						
Ore Milled	t			345,000	604,000	949,000
Mill Grade	g/t			0.9	1.2	1.1
Contained Gold	oz			10,230	23,825	34,055
Recovery	%			91.0%	93.0%	92.4%
Recovered Gold	oz			9,310	22,155	31,465

Open pit mining

3.2 million bcm were mined from Thunderbox (Zone A) during the quarter, including 577,000 tonnes of ore for 23,412oz at an average grade of 1.3g/t. Mined gold and grade increased from the previous quarter by 128% and 29% respectively.

Mining costs increased to \$5.14/bcm in the June quarter (v Feasibility Study A\$8.00/bcm), as the pit advanced into transitional and then fresh ore over the quarter. Mining costs for FY16 averaged \$3.73/bcm, aided largely by a lower average diesel price received.

By the end of the quarter, the pit floor of the cutback had reached the same level as the existing ramp from the Zone C, allowing for dual access to the pit floor. The quarter also benefited from a larger, simplified bench footprint after passing the old Zone A pit floor. This has allowed access to an increased strike length of the main footwall lode.

Figure 6 – Thunderbox open pit (looking North West) – Productive bench footprint



Processing

Commercial production was declared at the start of the June quarter, which will see group gold production double to an annualised rate of ~300,000oz during FY17.

During the June quarter the pebble crusher and the ball mill were commissioned which aided mill throughput, with processing costs further reduced through the commissioning of the gas fired generators.

Work on the tailings thickener and the new gravity circuit is progressing, with both due to be commissioned in the September quarter. The gravity circuit will further improve ore recoveries as mining transitions through the weathered oxide ore closer to the surface into the fresh rock beneath.

Figure 7 – Thunderbox mill - Gravity circuit installation



Exploration and Growth

Karari

The Dhoni Lode continues to impress with solid widths and grades reported including **10m @ 7.2g/t**, and **8m @ 7.4g/t**.

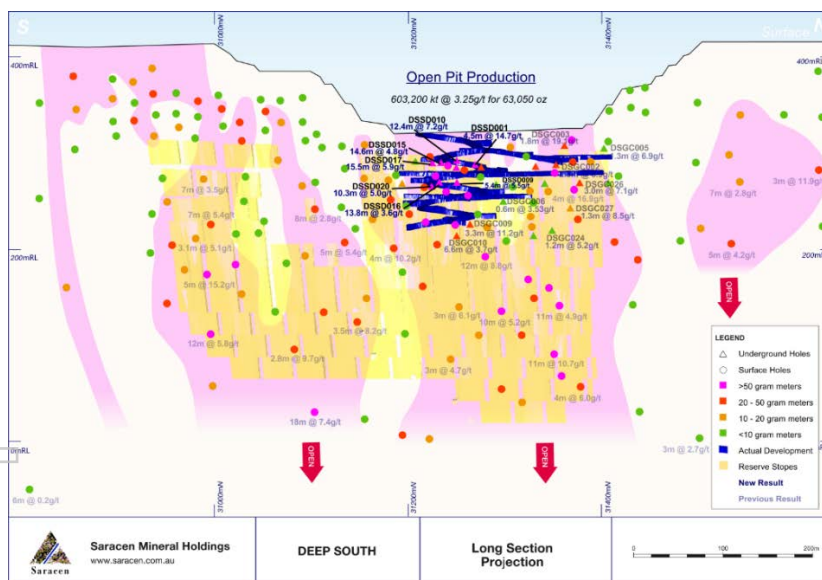
The Dhoni Lode has also been extended at depth by another 100m. Extensional exploration hole KREX005 returned 25m @ 2.9g/t including **12m @ 5.1g/t** down dip from the previously reported 23m @ 7.5g/t (refer to ASX announcement dated 13th April 2016 – “Carosue Dam set for long life as Karari Resource grows 38% to 873,000oz”).

FY17 will see an extensive drill program undertaken. Two newly installed drill platforms will allow the resource to be tested some 300m down dip below the base of the current Inferred Resource.

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Figure 9 – Deep South Long Section illustrating Grade Control results



Deep South remains open both along strike and at depth with extensional drilling planned in FY17 (including follow-up work on a previous intersection of 18m @ 7.4g/t, which is located 40m below the base of the current Reserve).

Drilling is underway at the King of the Hills project, 55km to the south of Thunderbox. First results are anticipated to be released in late July 2016.

The drill program is testing the continuity of high grade mineralisation identified in the southern portion of the resource.

Corporate

Health and Safety

No Lost Time Injuries (LTI) were recorded during the June quarter.

The LTIFR has dropped to 3.6 and the Total Incident Frequency Rate (TIFR) has fallen to 358.

Cash Position

As at 30 June 2016, Saracen's total cash and equivalents position was A\$40.3 million, comprising A\$34.4 million held in cash (up 73% from A\$19.9 million held in cash at 31 March 2016) and 3,340 ounces of gold in transit (approximately A\$5.9 million at A\$1,775/oz).

There was no corporate debt drawn at the end of the quarter.

Gold Sales

Gold sales for the quarter were 67,693oz at an average sale price of A\$1,649/oz for total revenue of A\$111.6 million (note that gold sales exclude movements in gold in transit).

Gold sales of 24,555oz were delivered into various hedging contracts.

Hedging

As at 30 June 2016, Saracen had gold hedging in place totalling 283,044oz at an average price of A\$1,548/oz. These ounces are to be delivered over the period from September 2016 to March 2019 (inclusive).

Please refer to Appendix 1 for changes made to the hedge book over the quarter and Appendix 2 for complete details of the hedge book.

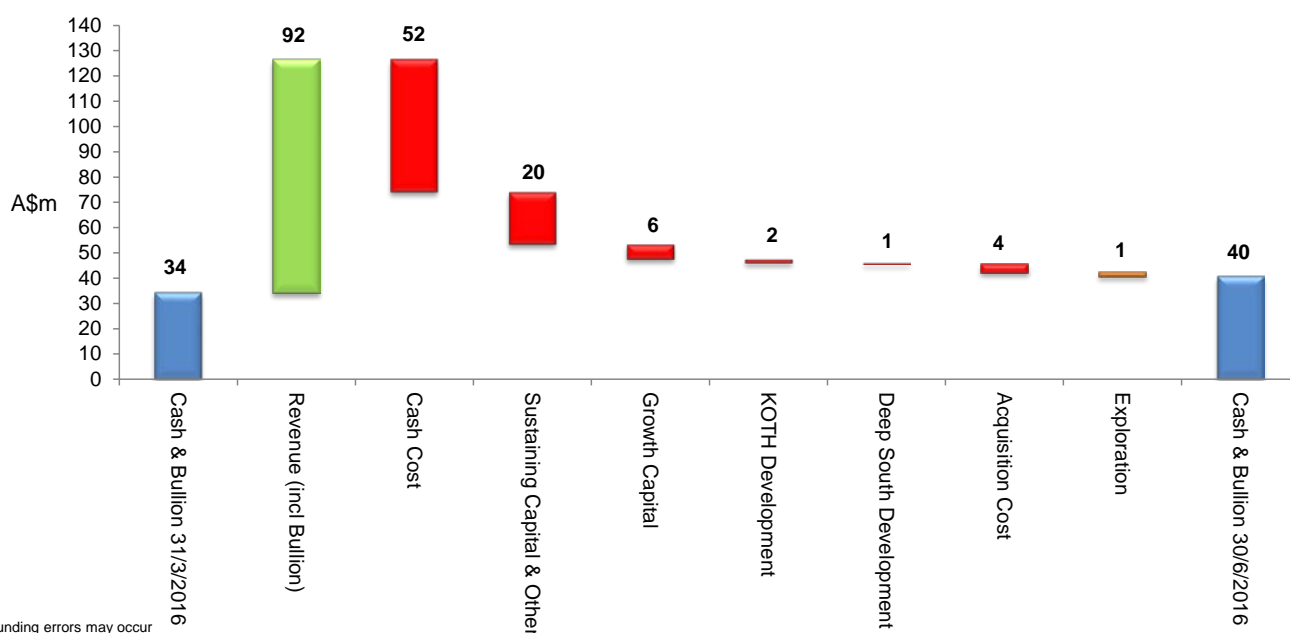
Whirling Dervish ore stockpile

The estimated carrying value of the Whirling Dervish ore stockpile at 30 June 2016 is reduced to \$10m (unaudited), from \$13m at 31 March 2016.

This is a non-cash expense.

Cash Flows

Figure 10 – June 2016 quarter cash movements



- **Revenue:** Revenue from gold sales (includes movements in gold in transit but excludes Deep South development revenue of \$11m)
- **Cash Costs:** Cash outflows for mining, ore cartage, processing, site administration and ore purchase
- **Sustaining Capital & other:** Cash outflows for royalties, sustaining capital works, open pit development, underground development, active mine exploration & corporate expenses (including loan interest)
- **Growth Capital:** Expenditure on new capital plant & equipment and development across all sites
- **KOTH Development:** Cash outflow for the KOTH & Kailis projects including care & maintenance and feasibility studies.
- **Deep South Development:** Net cash outflows for the development of the Deep South underground mine (~\$12m of expenses offset by gold revenues from development activities of ~\$11m)
- **Acquisition Cost:** Payment of balance of Thunderbox purchase price (\$3m) and the cash component of acquisition of the Thunderbox royalty (\$0.65m)
- **Exploration:** Cash outflows for regional exploration

Cash Costs

Group all-in sustaining cash costs (AISC) for the June quarter were A\$1,151/oz, comprising Carosue Dam of A\$1075/oz and Thunderbox A\$1,293/oz.

AISC for FY16 were A\$1,095/oz comprising:

- Carosue Dam A\$1,067/oz - Within the FY16 outlook range of A\$1,025/oz to \$1,075/oz (Carosue Dam only)
- Thunderbox A\$1,293/oz – Lower than FY16 outlook of A\$1,480/oz (five-year production outlook), due to production starting four months ahead of schedule

Table 4 – Cash costs

Cash Costs	Unit	Sep-15 Qtr	Dec-15 Qtr	Mar-16 Qtr	Jun-16 Qtr	YTD
		\$/m	\$/m	\$/m	\$/m	\$/m
Mining - Open Pit	A\$m	2.7	0.4	0.1	10.6	13.8
Mining - Underground	A\$m	9.4	19.7	15.8	11.7	56.7
Ore Cartage	A\$m	0.6	0.1	1.0	1.8	3.6
Processing	A\$m	13.2	11.5	10.8	20.2	55.7
Site Administration	A\$m	2.2	1.9	1.9	3.8	9.8
Ore Purchase	A\$m	-	-	-	4.2	4.2
Cash Costs	A\$m	\$28.2	\$33.7	\$29.7	\$52.3	\$143.9
Royalties	A\$m	2.8	3.2	2.4	3.7	12.1
Capital Works	A\$m	0.7	2.0	1.4	3.8	7.9
Open Pit Development	A\$m	-	-	-	5.8	5.8
Underground Development	A\$m	5.1	4.0	4.3	4.8	18.1
Active Mine Exploration	A\$m	-	-	-	-	-
Corporate	A\$m	2.3	1.8	2.1	2.4	8.6
"All in" Cash Costs	A\$m	\$39.1	\$44.7	\$39.9	\$72.7	\$196.4
Growth Capital	A\$m	19.4	27.3	34.6	11.9	93.2
Exploration	A\$m	3.2	2.0	1.4	1.3	7.9
Production (oz)		38,140 oz	44,265 oz	33,749 oz	63,191 oz	179,345 oz
		\$/oz	\$/oz	\$/oz	\$/oz	\$/oz
Mining - Open Pit	A\$/oz	71	10	3	168	77
Mining - Underground	A\$/oz	247	446	470	185	316
Ore Cartage	A\$/oz	17	2	30	29	20
Processing	A\$/oz	346	261	321	319	311
Site Administration	A\$/oz	58	44	55	60	55
Ore Purchase	A\$/oz	-	-	-	66	23
Cash Costs	A\$/oz	\$739	\$762	\$879	\$827	\$802
Royalties	A\$/oz	74	72	72	58	67
Capital Works	A\$/oz	18	45	41	61	44
Open Pit Development	A\$/oz	-	-	-	91	32
Underground Development	A\$/oz	134	90	127	75	101
Active Mine Exploration	A\$/oz	-	-	-	-	-
Corporate	A\$/oz	60	40	63	38	48
"All in" Cash Costs	A\$/oz	\$1,025	\$1,009	\$1,183	\$1,151	\$1,095

Growth capital for the June quarter 2016 includes A\$3.6m in acquisition costs (balance of the Thunderbox acquisition and the cash component of the royalty purchase).

For further information please contact:

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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 www.asx.com.au and on the Company's website at www.saracen.com.au. 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 – June 2016 quarter hedge book movements

	Quantity	Hedge price
	oz	A\$/oz
Delivered	24,555	1,524
Added	40,000	1,798

Appendix 2 – Details of hedging contracts at 30 June 2016

Month	Quantity	Hedge price
	oz	A\$/oz
Spot Deferred	24,610	1,411
Spot Deferred	8,434	1,603
Spot Deferred	45,000	1,412
Spot Deferred	15,000	1,609
Spot Deferred	10,000	1,755
Spot Deferred	40,000	1,798
30/09/2016	4,000	1,520
31/10/2016	4,000	1,520
30/11/2016	4,000	1,520
31/12/2016	4,000	1,520
31/01/2017	4,000	1,520
28/02/2017	4,000	1,520
31/03/2017	4,000	1,520
30/04/2017	4,000	1,520
31/05/2017	5,000	1,520
30/06/2017	5,000	1,520
31/07/2017	5,000	1,520
31/08/2017	5,600	1,520
30/09/2017	5,600	1,520
31/10/2017	5,600	1,520
30/11/2017	5,600	1,520
31/12/2017	5,600	1,520
31/01/2018	5,600	1,520
28/02/2018	3,500	1,520
31/03/2018	3,500	1,520
30/04/2018	3,600	1,520
31/05/2018	3,600	1,520
30/06/2018	3,600	1,520
31/07/2018	3,600	1,520
31/08/2018	4,300	1,520
30/09/2018	4,300	1,520
31/10/2018	4,300	1,520
30/11/2018	4,300	1,520
31/12/2018	5,200	1,520
31/01/2019	5,200	1,520
28/02/2019	5,200	1,520
31/03/2019	5,200	1,520
Total	283,044	1,548