



**Saracen Mineral Holdings Limited**  
**Financial Results for 6 months to 31 December 2019**

# Saracen continues run of strong growth in profit and cashflow with more to come

**Underlying NPAT up 84% to A\$80m from production of 216,452oz;  
FY20 guidance +500,000oz**

17<sup>th</sup> February 2020

## HIGHLIGHTS

- ▲ **Underlying net profit after tax<sup>1</sup> (NPAT)** for six months to December 31 **risers 84%** from previous corresponding period (PCP) to **A\$80.2m** (PCP: A\$43.5m)
- ▲ **Statutory NPAT up 61% to A\$69m; Revenue up 45% to A\$409.9m; Operating cashflow up 35% to A\$152m**
- ▲ **Gold production rises 22% to a record 216,452oz**, including a one-month contribution from the Super Pit
- ▲ **AISC steady at A\$1,041/oz** (PCP: A\$1,030/oz); **Average realised gold price 18% higher at A\$1,984/oz**
- ▲ **Cash and equivalents of A\$283.8m at 31 December** (A\$196.1m at 30 September) after paying US\$750m for 50% of the Super Pit gold mine in Kalgoorlie, paying A\$10m for Sinclair, raising A\$796m in equity, drawing A\$400m in debt and making an **early debt repayment of A\$15m**
- ▲ **On track to meet FY20 production guidance of +500,000oz**
- ▲ **Strong balance sheet supports aggressive exploration to continue growing Reserves beyond 7.0Moz**

Saracen Mineral Holdings (ASX: SAR) is pleased to announce that it recorded further strong growth in production, cashflow and profit in the six months to 31 December 2019.

The result, which included a one-month contribution from the KCGM Super Pit, was underpinned by production of 216,452oz, a rise of 22 per cent from the previous corresponding period.

Saracen is on track to meet its FY20 production guidance of +500,000oz. This includes allowing for a seven-month contribution from the Super Pit. Guidance for FY21 will be published early in the September quarter 2020, following updated Resources and Reserves.

In the six months to December 31, underlying NPAT increased 84% to A\$80.2 million. This came on the back of a 45% jump in sales revenue to A\$409.9 million and increased gold sales of 206,277<sup>2</sup> ounces (PCP: 167,095 ounces) at an average sale price of A\$1,984/oz. One-off transaction costs of A\$10.8 million (net of tax) were incurred on the Super Pit transaction and expensed in this period.

EBITDA<sup>3</sup> increased 71% to A\$178.6 million (underlying EBITDA A\$194.4m) and statutory NPAT increased 61% to A\$69.1 million.

Saracen Managing Director Raleigh Finlayson said the results showed the Company was in the midst of a strong growth phase at all levels of its business.

“The key message from these results is that Saracen has continued to grow and will continue to grow,” Mr Finlayson said. “We are growing production and our inventory through a financially-rewarding combination of aggressive near-mine exploration and prudent acquisition, all within 300km of Kalgoorlie.

“With the addition of the Super Pit and the Carosue Dam mill expansion set for commissioning in the December quarter, our production and cashflow is poised to continue growing.

“We are also looking forward to the results of the review we are undertaking at the Super Pit, which is a world-class asset with an exceptional future.”

Mr Finlayson said the acquisition of a half-share of the Super Pit for US\$750m in November last year had seen the Company emerge with a vastly different production profile, cashflow projections and balance sheet.

“Saracen has shifted to another level in the league of global gold producers with the key benefits that brings for scale, asset diversity and cashflow,” he said.

“But we still have a desire to maintain a conservative balance sheet and therefore we are placing a strong emphasis on debt reduction.

“As part of this strategy, we have made the decision not to pay a dividend in relation to this half year. In line with our stated policy, the Board will revisit this matter at the end of the financial year.”

## Overview

Saracen Mineral Holdings (ASX: SAR) is pleased to report record operational and financial results for the half-year ended 31 December 2019. The key results include (compared to PCP):

- 84% increase in underlying NPAT<sup>1</sup> to A\$80.2 million
- 71% increase in EBITDA<sup>3</sup> to A\$178.6 million (underlying EBITDA A\$194.4m)
- 22% increase in group production to 216,452 ounces
- Steady group AISC of A\$1,041/oz

*Table 1 - Key financial and operating results for the half-year ended 31 December 2019*

	31-Dec-19	31-Dec-18	% Variance
<b>Key financials (\$m)</b>			
Gold sales revenue	409.9	281.9	45%
EBITDA <sup>3</sup>	178.6	104.1	71%
Profit before income tax	104.9	61.2	71%
NPAT	69.1	43.0	61%
Underlying NPAT <sup>1</sup>	80.2	43.5	84%
Operating cash flow	152.0	112.5	35%
Net cash at end	-168.2	113.2	-249%
<b>Margins (%)</b>			
EBITDA <sup>3</sup>	44%	37%	
Underlying NPAT <sup>1</sup>	20%	15%	
<b>Production</b>			
Gold produced (koz)	216.5	177.8	22%
AISC (\$/oz)	1041	1030	1%
Average gold price realised	1984	1684	18%

Reconciliation of the underlying NPAT is presented below.

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

	31-Dec-19	31-Dec-18
Reconciliation		
Underlying NPAT	80.2	43.2
Adjust for:		
- KCGM transaction cost (net of tax)	10.8	0.0
- Expensing of deferred exploration costs	0.1	0.2
- Loss on disposal of assets	0.2	0.3
Statutory NPAT	69.1	43.0

### Capitalised revenue

As previously guided, A\$16.3 million of gold sales during the half were derived from pre-commercial development activities at the Thunderbox underground (A\$9.0 million) and Kailis Stage 2 (A\$7.3 million) mines.

This amount was offset against the capital development cost of these projects and is not accounted for as sales revenue.

### Third party ore

During the period, Saracen entered into agreements to purchase third party ore from a number of parties and this ore was included in the blend processed through the Carosue Dam plant. The cost associated with this third party ore was A\$33.6 million, which is included in the Mine Operating Costs in the statutory accounts.

Currently there are no contracted obligations in 2020 and beyond.

### Depreciation and amortisation

Depreciation and amortisation increased to A\$71.4 million (PCP: A\$43.0 million) for the half.

This was primarily driven by A\$14 million for amortisation of deferred mining expenditure at Thunderbox Zone C during the period (triggered by the actual strip ratio falling below the average life of mine strip ratio) compared to minimal amortisation of this deferred mining expenditure in the PCP.

In addition, Saracen also recognised A\$6 million of depreciation on right-of-use assets (assets recognised on the initial adoption of AASB 16 Leases) compared to zero in the PCP due the updated Accounting Standard and associated treatment becoming effective on 1 July 2019.

Further, A\$9 million of depreciation and amortisation was recognised on the KCGM JV mine properties and plant and equipment effective from December 2019 (PCP: \$0).

## Growth capital and exploration

During the period A\$84.2 million was invested in growth capital and exploration (net of revenue “development receipts” realised from gold sales relating to these initiatives or from pre-commercial production).

Table 3 - Growth capital and exploration expenditure for the half-year ended 31 December 2019

	A\$m
<b>Carosue Dam</b>	
Deep South underground development	9.1
Karari decline development	7.2
Carosue Dam mill expansion	4.4
Whirling Dervish decline development	2.7
<b>Thunderbox</b>	
Thunderbox underground development	17.5
Kailis development	7.4
D Zone development	3.8
<b>Super Pit</b>	
KCGM open pit development	1.5
<b>Exploration and other</b>	
Exploration	31.6
Miscellaneous growth items	15.3
Development receipts	-16.3
<b>TOTAL</b>	<b>84.2</b>

## Super Pit transaction stamp duty

As previously flagged, the Super Pit transaction will be subject to State Government stamp duty.

The valuation work and independent external advice has not been sufficiently finalised to provide an accurate estimate of the applicable stamp duty and accordingly, no amount has been recognised in the accounts during the period.

It is expected that this work will be completed during the June half FY2020 and the valuation submission will be provided to the State Government during this period. Saracen will recognise an accrual for the estimated stamp duty associated with the transaction in its accounts at that time.

## Hedging update

In the March quarter 2020, the Company added 53,000 ounces of hedging at A\$2,321/oz for the period from January 2020 to January 2023. As at 31 January 2020, the hedge book comprises **565,500 ounces at an average delivery price of A\$2,027/oz.**

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## Corporate structure

Ordinary shares on issue:	1,102.9m
Unvested employee performance rights:	17.2m
Market Capitalisation:	A\$4.5b (share price A\$4.13)
Cash, bullion and investments (31 December):	A\$283.8m
Debt (31 December):	A\$385.0m
Substantial Shareholders:	Van Eck Global 12.0% BlackRock Group 9.8%

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### 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 2019. 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> Ounces sold exclude 8,605oz (\$16.3 million) of sales that relate to development activities.

<sup>3</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.