

THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

SAR.AX - Saracen Mineral Holdings Ltd to Acquire Barrick Gold Corp
- Call

EVENT DATE/TIME: NOVEMBER 18, 2019 / 12:00AM GMT



CORPORATE PARTICIPANTS

Morgan Scott Ball *Saracen Mineral Holdings Limited - CFO*

Raleigh John Finlayson *Saracen Mineral Holdings Limited - MD & Director*

CONFERENCE CALL PARTICIPANTS

Hayden Bairstow *Macquarie Research - Analyst*

Peter O'Connor *Shaw and Partners Limited, Research Division - Senior Analyst of Metals and Mining*

Samuel Berridge *Perennial Value Management Limited - Equities Analyst of Small Caps*

Mark Andrews

Mark Beyer

Nick Evans

Peter Kerr

PRESENTATION

Operator

Thank you for standing by, and welcome to the Saracen Mineral Holdings Limited group investor call. (Operator Instructions)

I would now like to hand the conference over to Mr. Raleigh Finlayson, Managing Director. Please go ahead.

Raleigh John Finlayson - *Saracen Mineral Holdings Limited - MD & Director*

Thank you, Dianne, and thank you, everyone, for joining us this morning on this truly transformational day for the -- for Saracen's history.

On the call with me in Sydney this morning is Morgan Ball, our CFO; and we've also got Michael Bowen here, our legal counsel from DLA Piper; and Troy Irvin's dialing in from London.

Simon Jessop, our COO, is somewhere off the coast of Darwin at the moment. He's not on the call. He's actually taken a long-planned fishing break. But he has been at the heart of the [DD] -- critical DD on this asset for the last 4 to 8 weeks. So I'd just like to acknowledge the efforts of Simon and Morgan in particular and our guys in the DD team for the -- for our standard of technical and commercial DD done over the last 2 months.

I just thought before I get into details of the acquisition, just thank the entire Saracen team for delivering on the ops consistently over the last 7 years, which has brought our company in its position to be able to undertake this transformational acquisition.

So this morning, the crux of it, I'm delighted to take you through the creation of an entirely WA-focused plus 600,000 ounce per annum gold producer with past 10 years of mine life, 100% in reserves, which now after the acquisition of 50% of the Super Pit 7 million ounces, double what was previously taken from Carosue Dam and Thunderbox at 3.3 million ounces. We see organic growth opportunity across all 3 of the assets with visibility into the future of potentially 0.75 million ounces for a modest capital outlay in the coming years. And I'll run you through it in more detail on that target in a minute.

Our geopolitical risk was ever increasing, these ounces -- these are premium ounces on the doorstep of Kalgoorlie in a Tier 1 mining jurisdiction. And I've literally just landed from -- flying back from Toronto following the submission of bids and, ultimately signing of their share sale deed over the weekend. So I've had 50 coffees and a few [no-nos]. So if I nod off during the call, I apologize. But we certainly have Morgan here to take you through the rest of the presentation.



But very exciting time for the company.

I will be referring to the acquisition presentation on the platform, and I'll step through it reasonably carefully, and the reason being that despite being in the top 3 gold mines in Australia and often being the largest producing asset over the last 3 decades, KCGM had little visibility to the market due to the fact that now -- until now, it had been in the hands of Newmont and Barrick, the 2 largest gold producers globally as JV owners, hence the noncore nature of the asset. And it had little airplay into public disclosure.

It's worth noting that Super Pit is celebrating 30 years under the KCGM JV arrangement, over which time the asset has produced a staggering 21 million ounces, equating to an average production rate of 700,000 ounces per annum, with the Golden Mile having produced over 60 million ounces since it started -- first started producing in the late 1800s. It is a truly world-class gold-rich environment. And I'll speak about that in a minute.

So now I'll just refer you to the presentation which has been put onto the platform. And so to start off with, on Slide 1, we have the important notices and disclaimers. And it's around 4 pages of information there that I encourage you to read carefully.

But I will take you now Slide 7. And this should -- I suppose the first point here and why this is so important and it fits [so easily] for us is that it's very clear from an M&A perspective that our priority's been bolt-ons as our #1 priority and gold in Australia. And I suppose this fits the bill beautifully for us where we've now got upwards [700,000] ounces and growing of production, all within that 300-kilometer radius right in our backyard in Western Australia.

The asset on a 100% basis has a 12-year mine life, which is 7.3 million ounces of NI 43-101 reserve that we'll be converting in the coming months across to JORC. And it also has an additional 4.4 million ounces in 43-101 reserves -- resources, sorry, which are outside of that reserve statement, and we see significant growth in this area. And that's really highlighted by the fact in the last 12 months that number has increased threefold from 1.3 million ounces 12 months ago on the back of an increased drill spend at the asset. The good news is the update and resource and reserve statement from Newmont will be coming out in December, and we'll see the fruits of all the drilling in calendar year '19 in the update.

Really importantly, this is a highly accretive acquisition, and I'll take you through some of the key metrics that will highlight the fact how accretive this attribute is for our business.

Just getting through -- I'll get Morgan to run through in a minute some more details on the offer, but at high level, USD 750 million purchase price, which again is highly accretive, and I am going to show you some metrics about what it does on a contribution to our business in a minute. That's being funded by a combination of a debt facility and also an equity raising of \$796 million, which is a combination of a placement for \$369 million and an accelerated nonrenounceable entitlement offer for \$427 million.

Important to note as well, consistent with the way the companies manage their business, to date, we'll be undertaking some additional hedging circa in line with our current hedging policy, which is around 1 year's production hedged over 3 years. And particularly relevant now, we're taking on up to \$400 million of debt, so we wanted to make sure that that hedging position underpins that debt repayment period, which will be done by all 3 assets contributing to strong cash flows at the moment.

Just moving on to Slide 9. Our management team has lots of relevant experience at the Super Pit, in fact, in the order of 25 years of relevant experience. So my personal self, I was involved in the asset. So at the start of my career, I spent a lot of time prism monitoring actually on the pit walls, so very familiar with the geotech of that asset. And I'll talk about that in a minute as one of the key risks and potentially one of the opportunities that we saw as well.

You can see the list of names here. So we've got a really good strong blend of people across different disciplines, which enabled us to get to the heart of the technical DD very quickly but also to recognize the key opportunities from the asset as well.

One other name that's not mentioned here, is Lee Stephens who's 10 years with us at Saracen across geo management of Carosue and Thunderbox. He spent another 3 years at KCGM working for the [Mining Congress] for (inaudible).

So onto Slide 10, just a bit of an overview. Again, it shows you how close this asset is to our existing assets. It's only 180 kilometers as the crow flies from Carosue Dam. The asset itself comprises 2 key mines, the Fimiston Open Pit, (inaudible) and the Mt Charlotte Underground Mine, which has basically had a 2 to 3 year mine life but in the last 30 years [that's a mine] that keeps going.

Processing capacity there is approximately 13 million tonnes per annum, and very simple metrics at 2 grams a tonne, which is mined consistently for a long period of time, generated around 700,000 ounces per annum on 100% basis. The asset has -- had wall fail that had occurred in May 2018, which has meant that, that production profile has been -- you can see it on the key statistics on the table on Slide 10. FY '18 production was 730,000 ounces. FY '19 actual production was \$490 million, which is an impact of that wall failure. What we've modeled and what we're seeing internally for those next 3.5 years, production will be around that rate, and that's simply as they remediate a wall, and the way to doing that is mining behind that wall failure. I'll touch on that in a minute. So we expect those sorts of production profile to maintain the next 3.5 years.

And likewise, the cost profile, they are elevated at \$1,470 all-in sustaining cost for that same period. But it's worth noting that once we get through that phase, you can see what FY '18 all-in sustaining costs were at, which is \$1,000 all-in at 700,000 ounces at 100% is obviously a substantial asset -- a Tier 1 asset (inaudible) folks say. We will work through that in the next 3 or 4 years and look forward to, obviously, trying to increase that production profile with our JV partner, Newmont, in the years to come.

Turning onto Slide 11, again, you can see here, I made the reference to the 730,000 ounces of gold production in FY '18, which you can see at that stage putting (inaudible) Boddington as the largest coal producer in Australia. Importantly to note, you can see there on the bottom right-hand side the production all-in sustaining cost in dollar metrics over those periods. You can see (inaudible) listed here in that 700,000 ounces per annum, we're sitting around \$1,000 on the all-in. And the FY '19 number you can see there impacted by that pit wall failure, we expect that is the sort of numbers to trend on for the next 3 or 4 years and then revert to similar type of metrics in the future as we start mining into different areas, both the North and the South of where the existing mine is taking place at the moment.

Just from a landscape point of view on Slide 12. This is quite an important slide, and I'll [fit] in a little bit more detail. So you can see Saracen there on a pro forma basis, once we add in the Super Pit contribution, up to 605,000 ounces for FY '20. FY '21, we'll see that step up to 645,000 ounces, and that's simply on the back of our 7-year outlook with the expansion at Carosue Dam to occur during this year and, obviously, be in full production at 250,000 ounces by FY '21. Some of the key growth catalysts that I mentioned at the start, obviously, that number quoted of 605,000 was off that lower run rate that we expect for the next few years as we remediate the wall and then as we fire up its potential from the attributable point of view to get up to a potential of 100,000 ounces out of KCGM. Not sure if that's a previous production rate. And also, Thunderbox, we have been exploring various expansion opportunities that we've spoken about in the past, that will be circa an extra 40,000 ounces.

So the combination of those future production targets, and had us nudging up to around 785,000 ounces if you add those together. The time frame, I won't be specific on because it's obviously working through a lot at the moment. And obviously, we want to get our teeth into KCGM to understand the asset better. But that would give us an admirable 30% increase on organic profit coming out of our 3 assets all in the heart of Western Australia.

And the other key point there, you can see on that reserve is the step change from 3.3 million ounces at Saracen up to 7 million ounces that we're adding, the 50% from KCGM.

Just on Slide 13, some key metrics here. Look, it really does highlight the accretion of this asset. So again, reserves doubling in a pro forma basis. I know they [were expected] and some were fair to their portfolios, they were ahead, kicking in reserves. Production profile, likewise, up 68%. Resource is up 63%.

And just a footnote on all-in sustaining costs for FY '20. As you can see there, it takes our average all-in sustaining costs for the group up to 1,220 all-in. So what we're really doing here, we're trading short term, so circa 3 to 4 years of lower production and, therefore, higher cost for long-term, sustainable sort of Q2 quartile-type costs that generates significant free cash flow over what we believe to be many decades to come. So again, it's a proposition that we're very comfortable to take on, particularly on the basis of how strong our grip in Carosue Dam and Thunderbox assets are over that heavy -- over the next 4-year period. Should guarantee cash flows on the basis of the investment we put into that asset.



So again, to show you how accretive this asset is, what we're showing you here on Slide 14 is the enterprise value of the existing assets contributing 70% and then the Super Pit at \$1.1 million on the acquisition cost at 30%. So what you can see there, the next 3 lines there you can see it's accretive on an FY '20 gold production perspective. It's very accretive on a -- ore reserves perspective and also on a resources perspective. The 2 footnotes I'd make, I think the potential of growing reserves is significant, and I'll take you through that in a minute. And as we mentioned before, FY '20 production, basically the lowest production level this asset's been running at for the last 3 decades. So we expect to see that unquestionably stronger as we get through that wall remediation phase.

Looking at that on an EV to reserve trading multiple perspective, so Saracen, about AUD 800 EV to reserve. Our peers they're sitting around \$650 million. And then what we acquired the Super Pit, for, that's \$300. So reserve is obviously highly accretive for us. Potential to make the benchmarking and on the resources perspective, are sitting around \$286, (inaudible) so we've acquired the asset at reserve [has got] similar sort of metrics we're trading at on an EV to resource. So it's very, very accretive for us.

Just on Slide 15, you can see the key assets there, it's obviously Carosue Dam and Thunderbox, our existing assets, we own 100%. On the acquisition of the Super Pit, in the gold color table there.

Just got a couple of points to add here. And just to flag how we see this potentially growing from 605,000 up to north of the high 700,000 production organically from this portfolio. The Carosue Dam mill expansion, as I mentioned, is on track. That will see FY '21 production numbers around 250,000 ounces. We have 9 years of reserve life as it stands now that will reduce to around 7.5 as we expand the mill. Thunderbox has 10 years in reserve life at 6 -- at 160,000 ounce per annum run rate. There is very good scope to (inaudible) these options at the moment, as we've disclosed earlier, but potentially increasing that mill there very similar to what we're doing at Carosue Dam at the moment that would potentially see that production right up to around 200,000 ounces per annum in the foreseeable future. And of course, the Super Pit as I mentioned a few times, production rate of 245,000 ounces attributable at 50% for FY '20. And we will see that grade higher, obviously, in the future years, potentially up to [probably 350,000] ounces as we get through the wall remediation and bring on some of the growth initiatives that we can see very clearly during the DD.

Going to hand to Morgan to just run you through the JV structure on Slide 16.

Morgan Scott Ball - Saracen Mineral Holdings Limited - CFO

Thanks, Ral. Good morning, everyone. Hopefully, the pictorial there on 16 gives you a good feel for the joint venture. Essentially, on deal completion, the KCGM joint venture will be jointly owned by subsidiaries of Saracen and Newmont.

The joint venture's structure is an unincorporated joint venture, and it's managed by an incorporated entity, KCGM, and that is also a 50% owned by subsidiaries of Saracen and Newmont. The manager, KCGM, reports to an executive committee, which will have 2 representatives from Newmont and 2 representatives from Saracen, who will make all the key decisions in relation to the operation of the joint venture.

You can see to the right, as you look at the page, Newmont also provides additional management services as required under an existing contract essentially at typical management service market rates.

Pleasingly, Newmont also own -- provides the contract to the joint venture for the supply of power at competitive rates through their gas-fired power facility in Kalgoorlie.

Each joint venture partner does have a right of first refusal over the other joint venture interest in relation to the assets, but it does not cover the sale of shares in the subsidiaries I've talked about, and that is why this deal has been able to take place this week.

Raleigh John Finlayson - Saracen Mineral Holdings Limited - MD & Director

Thanks, Morgan. So I'll just run you through now the overview section of the Super Pit to give you a little bit more detail on the asset itself.

So just on Slide '18. A lot of these overview and operational points, I've already spoken to. But this -- the table at the bottom, in the middle, the reserves and resources, I just wanted to bring your attention to. So pleasingly, of that 7.3 million ounces in reserve on a 100% basis, that is 43% made up of stockpile, so stockpile that are [well understood] sitting on surface, all mining costs have sunk. That's a combination of marginal-grade stockpile at 1.02 grams per tonne and some sub-grade material at 0.68 grams per tonne. So again, really confident on the reserve. And that's why that reserve grade sits at 1.2. So it's a combination of the lower-grade stockpile material plus an average around 2 grams in open pits and around 2.5 grams in underground that make up that reserve number.

The best way to see that is in the inferred section of the resource. And so the [head] grade's around 2.3 grams per tonne. And I'll just talk about where that 1.4 million ounces sits and where we see some of the really substantial growth coming from this asset around -- at similar type of grade, 2.3 grams per tonne, into the future.

It's on Slide 19, just from an [ESG] perspective, so obviously, KCGM's been a pivotal part of the community. In Kalgoorlie, have made very strong and local employment. You can see there, 700 of our employees and 100% local residents. So a very strong commitment to Kalgoorlie in the region there.

Just on Slide 20. The total reportable injury frequency rate has climbed a little bit after some very good track record, moving that down from 2009 through to 2015. Certainly, very strong focus from the team at KCGM and the interaction we've had with them during the due diligence and were happy to work with them to help get that number lower, but it's still very respectable from an industry standard perspective.

Just Slide 21. Again, this shows you some of the history of the asset going back to 2013. So just on the top left, you can see the throughput and the grade. You can see prior to FY '19, we've had some issues with the wall stability, which I'll run you through that in a second. It's been very consistent, [so managing about] 2 gram [head grade]. And we consistently during that period was just doing anywhere between 700,000 and 750,000 ounces over that period. Very predictable recoveries. You can see there the 82% to 84% recoveries, the whole life through that phase.

And also, on the CapEx, you can see there, so the minesite sustaining capital was included in the all-in sustaining costs. So you can see that particularly in FY '15, where we had 100% of sustaining capital, \$149 million [there's waste] pop up in the all-in sustaining costs during FY '15. And then again in FY '19, higher sustaining capital related to some of the prestripping they've done has again been reflected in the higher all-in sustaining costs for FY '19.

Just on the wall remediation, which was certainly a key issue, and if you look -- from the lookout of the pit, it's something that grabs you straight away. So they did have a wall failure in May 2018. And a smaller failure in 2019. It impacted the work areas. You can see on the image on Slide 22, the exclusion zone down the bottom of the pit which has restricted that area from being mined and which has meant the amount of ore life of mine out of the pit has reduced. But most importantly, there's been compliance direction. So the orebody, ideally, you want to be mining it so -- in the right direction so you can minimize dilution. The impact of the walls are obviously preventing them from being able to do that for this year and the foreseeable next couple of years, and that's why you can see that dilution has increased so dramatically.

So the resource is still behaving very well, very predictable. It's simply the fact that they're having to incur a lot more dilution on the basis of the wall failure and the impediment on the pit floor.

So we've worked really hard on that. We're just going to be [taking our] time, looking at that. And you can see that growing picture -- that growing shape on that picture with the wall remediation. Importantly, you have more issues on the east wall because of the orientation of the structure is less so on the west wall. We'll get in behind those structures where they go from steeply dipping to slightly dipping and get into a position where we're very confident that the geotechnical work has been done to a higher standard. I'm confident that will fix up that issue on the west wall.

So again, it's something that will take 3 to 3.5 years to rectify that area. The beauty of that is once that's done, we [might even] get access to that full floor again. But also, we'll be mining further to the south, and to the right of that image, from surface.



So again, this is a high exposure on a pit that's been mined for a long period of time. A lot of the ounces in the future that we'll see are actually coming from the south of the -- from the south area to right and to the left, which is the [brown hill] area. So that's reduced our exposure due to the use of (inaudible) when they're basically coming back to mine from surface.

Just on the resources growth again on Slide 23. I mentioned this on -- at the outset. You can see pretty modest growth, stable reserves over that period of time. But what you see, particularly in 2018, is quite a big step-change in the growth in the resources and the 4.4 million ounces, excluding the reserves of 7.3. And as I mentioned before, that was on the back of a ramp-up exploration budget with 5 rigs on surface drilling the Fimiston South area. And they've been discovering in that area very, very respectable \$10 a resource ounce. And because as I mentioned before, they had the benefit that was reported -- that number was last reported in December '18. We're looking forward to the [mandatory well] report at the end of '19, which will be in December, on the back of the drilling they've done over the last 12 months. So we're excited about what that brings. I suspect most of the growth will still be in resources. And then there will continue to be more work on the modifying factors to get that across into reserves probably in the next 12 months.

Just on the geological overview. You can just see this is actually a picture from the assets in the sort of early 2000s, not long after I was working there. This shows you all the multiple lines and that's why you can get such lower competitive strip ratios at some great depth because there's just so many different ore lines there.

Why I particularly chose this picture to demonstrate is a lot of the mineralization to the south or at the bottom of the page certainly hadn't been drilled because they didn't need to. There was so much mineralization in the pit itself. So [Kalgoorlie] has done a fantastic job in the last 12 months of drilling to the south. And there, they're calling the Fimiston South lodes is what will be, in our view, something that will keep this asset going for many decades to come. And as I said, it's in resource at the moment. We expect that to be converted into reserves, and you could almost see a carbon copy of what we're seeing at the Super Pit appear into the south, as this asset continues to grow as that [drill will come on].

Slide 25. Look, this is a really, really important slide from my perspective and really demonstrates why we saw so much potential on this asset. So just to take you through, what you're seeing here in the gray shape is the current pit that's being mined at the moment. The red shape is the open pit reserves, and that's important to note, they use USD 1,200 an ounce for reserve, which is around [AUD 1,700 or AUD 1,800] reserve price. The blue shape is the resource envelope.

It's important to note that all the drilling that sits outside of that resource envelope and below is not included in their resource statement, which is we feel a huge upside on this asset. That resource shape ironically use the USD 1,400 [shale] for resource reporting, which, again, is still below the current spot price at the moment.

So everything else you see, note that it's all upside and for us, what we're particularly excited about is obviously the drilling at depth, which there's absolutely no structural reason why this asset doesn't keep going, and it's significant amount of ounces that sit outside of what's currently in the resource.

And that little image you can say there, if you just turn your head to the right, you can see the endowment from an ounce per vertical meter perspective. So this -- the Super Pit runs on 100% basis at 45,000 ounces per vertical meter, which is something off the chart higher than I've ever seen before. And you put that in perspective on what we thought were large endowments for Saracen with the Carosue Dam and Thunderbox endowments, they're both less than 20,000 ounces per vertical meter. And bearing in mind, the Super Pit's only reported inside -- inside those shells, so that endowment is potentially larger again.

So for us, this is something that really grabbed our attention through the [DD] phase. And again, this is something that the market, or anyone in the market really has not seen any of this information come to -- come into the market for the last 3 decades and it's because it's been [noncore] for both Barrick and Newmont.

Slide 26 just shows you a couple of cross sections through that system. It is important to note, you can see the black lines as some of the historical workings. So to start on the previous image looking like there was a substantial amount of historical underground workings depleting that resource.

There's also a lot sitting outside of it. And bear in mind, this historical work is going back many, many decades. So at a very, very low gold price. So there's simply opportunities for us to really take a fresh look at this area.

Also, the image on Slide 26 on the right-hand side there, which is a cross-section up to the top left shows you the Golden Pike area. Again, mineralization that's been drilled, it's in there waiting to be extracted from an underground platform at some stage in the future.

Last couple of slides. Just on Slide 27, again, this shows the endowment. Again, this -- really interesting, the information that we saw during the site visit. So this is the left-hand side, the long section through the pit, and you can see the dotted line there that represents the cross section we're showing you. And pleasingly to note, they drilled 3 holes in the (inaudible), daughter holes coming off that. Some outstanding drill results and a couple through in and around the old workings at 9 meters at 43, and a bunch of really impressive results below the existing workings, 13 meters at 35, 13 meters at 13, 21 meters at 5 grams per tonne. This is something that absolutely grabbed our attention. The resource here sits at around 2.3 grams per tonne, taking a same sort of open pit-able top cutoff grade that are quite low. But obviously, you can say here there's some really nice high-grade [mineral] that run through this and which obviously grabbed our attention. So they've model this in as upside. What we've paid for the resource is, obviously, competitive on current resource and reserve metrics. So this is where we see this long-term upside coming into this asset into the decades to come.

Just on the exploration overview. Probably the 2 key ones. The Fimiston South area, we 100% agree with the KCGM and Newmont Goldcorp's strategy here on drilling out that system, and they've been hitting that pretty hard over the last 12 months. And again, we completely endorse that spend in that area and see a significant future cutback that will get converted into the reserves in the coming years. And also, the Fimiston area, so there's the remnant areas I spoke about, but also the Fimiston Extension areas, which relative to what we've done with our efforts, if you take Karari back in November 2014, we went underground there on 2.7 grams per tonne. Most of the market weren't sure we could pull that off, and that's been a fantastic asset for us.

We're doing the same with Whirling Dervish at the moment. That's kicking some goals. And Thunderbox underground has kicked off really well at 2 grams. So this stands out like a massive opportunity when we look at this from a technical perspective.

I'll just now hand over briefly for Morgan just to run you through some of the key transaction fundings and then we'll go to Q&A.

Morgan Scott Ball - Saracen Mineral Holdings Limited - CFO

Thanks, Ral. So Raleigh touched briefly on the key funding metrics at the beginning of the presentation. I'm on Slide 30, and I'll probably just talk to that one. And then there's a couple of slides that follow, set out timetables and some pro forma metrics in relation to the transaction.

So that's, we're all very aware, particularly the CFO, purchase price of USD 750 million, which equates to about AUD 1.1 billion. We were estimating we'll move to completion either late November, early December. The only completion requirement is consent from the Department of Land, my friend [Dan White]. And at the moment, I'm working on FX strategies to lock that USD 750 million in the next day or so.

In addition to that, there's ancillary deal costs of circa \$100 million, bringing us to a total funding of \$1.2 billion.

The equity component of that will be \$796 million, that's really to -- composed of a placement within our existing capacity of \$369 million and a rights entitlement offer of \$427 million. This will equate to roughly 32% of Saracen's existing share capital. And we believe it's sort of well-priced position at 10% discount to TERP. Pleasingly, this is fully underwritten by both Goldman Sachs and Royal Bank of Canada.

In relation to the debt piece on the funding, we've maintained our existing undrawn working capital facility and contingent instrument facility of \$50 million. And on top of that, we have entered into a term loan for up to AUD 450 million. And our modeling is indicating that we will plan to draw down \$400 million of that facility. This is under customary acquisition financing terms with limited completion [CPs]. And again, clearly demonstrating Saracen's relationships and loyalty, our existing facility banks have fully underwritten this facility as well.



So in summary, our pro forma capital structure will add 270 million new shares to -- for a total shares on issue of 1.1 billion. We reported a cash -- net cash position of \$200 million at the September quarter. And once we enter into this deal, we'll be in a net debt position of roughly \$200 million.

As I mentioned, the timetable through to the funded -- funding is set out in the next couple of slides. Thank you. Raleigh?

Raleigh John Finlayson - *Saracen Mineral Holdings Limited - MD & Director*

Thanks, Morgan. So look, we'll now like to hand back and go to Q&A, if that's okay.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from Sam Berridge from Perennial Value Management.

Samuel Berridge - *Perennial Value Management Limited - Equities Analyst of Small Caps*

Just a quick question on Slide 22. There's a dot point there to grade reconciliation performance from 101% to 83%. That seems to reflect the increased proportion of mill feed coming from stockpiles. I'm just sort of kind of querying, is that where that dropping grade reconciliation has come from? And should we be concerned about what the grade of the stockpiles actually is?

Raleigh John Finlayson - *Saracen Mineral Holdings Limited - MD & Director*

Yes. Good question there. So just with the grade recon, what you see there is where that decline has come from on grade performance, that's purely additional dilution they've incurred from mining the ore at suboptimal direction, so that's something we're very familiar with. And I guess you reconcile that back, the resource model still reconciling 100% as it's literally incurring more unplanned dilution in the way their dig direction is. So bear in mind, they're using 10 meter shovels in this area. One of the things they've done there to (inaudible) on site is where there's potential to revert back under more traditional excavator-type configuration, which have been -- massively reduces that dilution. So it's something we can explore with the team.

As far as the ore stockpiles, they have been running those through the mill since around May 2018, and that's been mainly the margin material that's quoted at the mine of [1.83] grams per tonne in the reserves. It's been running most likely about 1.1 grams per tonne from what we can see. So there's probably a little bit of upside on that -- on the marginal ore stockpile. So again, depends how confident that will be [good in front].

Samuel Berridge - *Perennial Value Management Limited - Equities Analyst of Small Caps*

Okay. Got you. So it's a mining issue, not a resource reserve issue?

Raleigh John Finlayson - *Saracen Mineral Holdings Limited - MD & Director*

Yes, yes. And why there has to be marginal coming in at once, obviously, dilution means more tonnes, so it doesn't make any sense in why they'd be putting margin on. That comes from the fact, you see in that \$3 per tonne, the monthly ore mined has decreased from 1.2 million tonnes down to 0.4 and that's something from a restricted working area that they've been operating with.

What they've been doing over the last 18 months is getting back into the Golden Pike South, which is to the right on that image, and that's meant the mining levels are increasing, albeit what we're modeling now in our assumptions is that you have similar issues persisting for the next 3.5, 4



years. What we saw on-site was the opportunities like we talked about, maybe getting an excavator in there, that would give us a better outcome than what we've -- what we said [at bid], and what we'll put out as guidance.

Samuel Berridge - *Perennial Value Management Limited - Equities Analyst of Small Caps*

Got you. And last one for me. Just a rough -- well, roughly the feed rates for Mt Charlotte is?

Raleigh John Finlayson - *Saracen Mineral Holdings Limited - MD & Director*

It's about 10% of the feed. Yes, so it basically runs at around -- starting from ounces, it runs around 1 million tonnes per annum and has done very consistently, sort of a sublevel cave, [an undivided breaker] in a different area and run [on] open stoping. So very consistent. It remained like sort of AUD 40 to AUD 50 a tonne -- for a long period of time. So it's a good performer.

Operator

Your next question comes from Peter O'Connor from Shaw and Partners Limited.

Peter O'Connor - *Shaw and Partners Limited, Research Division - Senior Analyst of Metals and Mining*

Congratulations on an interesting deal. Four questions from me. Morgan, firstly, your comments about the right of first refusal, if you could just walk through that again. I didn't quite pick up all of your comments.

And secondly, the JV committee with 2 representatives from each party. What's the voting structure on major capital commitments or any [APMs], is there a detail or a block around some (inaudible) overall?

Thirdly, CapEx. That slide you put up there, I'm not sure which page it was but you had that pickup in FY '15, [corporate expansion], you did mention why. Just could you explain why? And is that why production slipped up after that? And to that point, the [production] profile was between '13 and '15, 600,000 ounces roughly, stepped up '16, '17 to 700,000, is that just grade as recoveries have been fairly steady, all things being equal?

Raleigh John Finlayson - *Saracen Mineral Holdings Limited - MD & Director*

Yes, I'll answer those questions. The last question first in case I forget them, and I'll get Morgan to think about your first one. So just on the FY '18, I can't tell you exactly where that would have been, but that would have been placed with mining, which has been included into the all-in sustaining costs. So what you can see there is FY '15 grade, if you look back on to top left-hand side, is 1.95 grams per tonne. And it's obviously going into the stripping into an area that's meant that that grade kicked up to 2.2 and then sort of hovered around that 2.1, 2.2 for those years. So you can just see not a huge impact though, in increasing grade how much of an impact it makes on the production profile and obviously all-in sustaining costs.

So that's, if I look at this asset long term, that's what I'm seeing the goal is trying to get it back into that 700,000 ounces, which, if you work on 3 million tonnes per annum, 94% recovery, it's exactly 2 grams per tonne.

Morgan Scott Ball - *Saracen Mineral Holdings Limited - CFO*

Good day, Rocky, thanks for the questions. So just to go back the -- in layman's terms, the right of first refusal exists over the assets. So the joint venture interests filled by the companies. It doesn't apply to a share sale, which is what's occurred in this case, i.e., Saracen has [come first] with 100% of shares in Barrick Australia Pty Ltd and the right of first refusal doesn't apply to that. If Saracen's chosen to sell their shares of the joint venture interest, the right of first refusal would apply.



In relation to the joint venture, as we mentioned, I need to be a bit careful here because we've just entered into a joint venture with a new partner, and we want to work together. So there's some commercial sensitivity around this. But essentially, it's equal representation on the joint venture committee, which dictates all the key decision-making for the joint venture, which has been executed by KCGM and essentially it's structured such that there is no overrider, so each party carries 50% of the vote. So in the absence of another party deciding to sub the other one, the joint venture will run as is. And if there's an issue, it reverts back to the previously approved plans.

Operator

Your next question comes from Andrew Bowler from Macquarie.

Hayden Bairstow - Macquarie Research - Analyst

It's Hayden here. I just wanted to -- a quick one, (inaudible) is obviously at a pretty big footprint. I mean what's the level of closure provisions that you guys have taken across on the back of this deal? And just secondly, on this [metric] stuff on exploration underground. I mean do you -- is there sort of plan here to get underground, spend some money and sort of put the money around drilling platforms? A lot of the accessing drill pads has been pretty busy over the past, trying not to [pull data there].

Raleigh John Finlayson - Saracen Mineral Holdings Limited - MD & Director

Yes. Thanks, Hayden. It's Raleigh. Just on the closure. It's sort of -- it surprised us a little bit how it wasn't that large. And I suppose the reason being is they've done a heap along the way, so some of those dumps have obviously been -- have grown over 100 years. So we've actually done quite a lot of progressive rehab which is quite -- and that's what we've modeled into our business. So there's in total, rehab over the whole term is sub-\$750 million from a 50% basis, so 500 in total, 250 to us. The way we've modeled that, which is the way they're doing it, is progressively ahead each year, so we've modeled it that way on the basis that you're not left at the very end with a massive footprint, both at the very end will be [250] but in the plant itself. So being very (inaudible) on that one.

Morgan Scott Ball - Saracen Mineral Holdings Limited - CFO

And just to be a bit anal, the [owner account] obviously, will discount that number as far as reporting in our financial statements.

Hayden Bairstow - Macquarie Research - Analyst

And the underground sort of exploration plans? Is it -- there's been nothing done previously other than surface (inaudible).

Raleigh John Finlayson - Saracen Mineral Holdings Limited - MD & Director

Yes. (inaudible) price, big long holes from surface and [inching] I talked about sort of modeled up a number which I can't quote, but it was an [environment] we would have looked at and probably been down the [mine] already. For them, they looked and said, that's a good number but we're going to do some drilling up to the north, so -- and to the south [at this stage]. So for us, we're going to do some more work on it, to be honest, it hasn't really been properly modeled out yet. And that's one of the key things I think we can bring to the JV team, is put some resources into that resource area, and start putting some shapes and mining structure around this and actually being able to articulate on the basis of what we've been able to show at Thunderbox and Carosue. But there's significant value there. And at the moment, sort of those -- they presented, that would be something right at the back of the mine life of the -- some of those opportunities. And for us, putting a drill drive in off the west wall [shoot] into it, and actually [patching] some drill holes into it would be something we'd do, based on what we've done at all 3 of our assets.



So that's something we'll have a conversation with. And I think there's significant opportunity, that's where an enormous amount of upside comes from. That's probably all I can say at this stage.

Hayden Bairstow - *Macquarie Research - Analyst*

Right, that is the final one for us. Just on the guidance, I sort of assume this basically was based on where FY '19 was. But that did have a decent first Q1. Is there an assumption that the amount of stockpiles in the feed start to decline towards the end of this fiscal year? Or is it just a grade story that get you back up to that level?

Raleigh John Finlayson - *Saracen Mineral Holdings Limited - MD & Director*

Yes. So this -- it depends a little bit, what's happening, or maybe I mentioned it, but Newmont are actually putting out their group guidance in December. So we had an earlier version of this presentation that had our guidance out there for 5 years. And what we've done, just obviously, liaising with their JV partner, they've put out their group guidance, which will show production for Australia, which obviously KCGM will be a part of, and once that's out there, we'll be able to articulate what -- how we see KCGM over that 5-year period. But in very simple terms, if you assumed 245,000 ounces as an average, you'd be pretty close. It's probably slightly more production earlier on, slightly less at the back end, simply as you get to the bottom of that remediation plan. And then as we mentioned before, we'll be starting to get into that Fimiston South area, which I think is a really big catalyst. And of course, once they get the remediation done, they'll be able to get back on to that pit floor again, which has put some [really tidy ounces] and almost no (inaudible) at the bottom. So aka, sort of Thunderbox-type opportunity in 3.5 years' time.

Operator

Your next question comes from Mark Beyer from Business News.

Mark Beyer

Two questions. Could you just give us a rundown on the time line here in terms of how long you've been working on this transaction and what sparked initial interest?

And second question, I want to get a better understanding about the rationale of the buying into an asset that you don't operate? In particular, the joint venture structure, has that been changed at all in the way you have done to Barrick so that you have a greater level of involvement?

Raleigh John Finlayson - *Saracen Mineral Holdings Limited - MD & Director*

Yes. Thanks, Mark. So this year, first question, look, it's something that -- an asset we obviously internally know extremely well from people who have worked there previously, as long as maybe 20 years ago, some others more recently. As far as access to proper data, i.e., technical data that appeared about 4 months -- no sorry, 2 months ago, when the process kicked off, and we've been heavily involved in [DD] over that same period.

So it's something we have that familiarization with and we probably didn't fully understand the upside, particularly some of the underground opportunities off to the South, which has been a positive surprise for us during the process. So that's on that one?

Morgan Scott Ball - *Saracen Mineral Holdings Limited - CFO*

In relation to the -- I think you -- I couldn't quite hear, Mark. I think you're asking about the joint venture. Newmont stepped in as the operator, 2 to 3 years ago now. And it hasn't -- as part of our transaction, we accepted that joint venture as is. And from what I have seen, I've had some

experience of dealing with big joint venture partners, so I don't see why it wouldn't work well. Newmont has been very supportive in the last 24 hours in relation to Saracen.

Raleigh John Finlayson - *Saracen Mineral Holdings Limited - MD & Director*

So just one other thing on that, Mark. You just notice on Slide 16, you'll see a footnote on the bottom that says there's a period after May next year where that sort of JV structure, sort of who the operator, can change a little bit. We don't see any need to change it, but what it does is -- facilitate us to do, is obviously go back to what it was, similar when it was a genuine JV. But that's (inaudible) on an operator. But again, from what we've seen so far, [there's that job], and they came to -- and actually, for us, it's just about making sure we can [add ways], and if we can demonstrate ways for both parties to add value, I think that's a positive. And I don't think, in fairness, I mean it's no secret that Barrick's been trying to exit on the asset when it first tried to sell it a few years ago. So I think for us -- and having a good conversation with Tom Palmer last night from Newmont Goldcorp is that we're both in it for the same reasons, obviously extracting its full value and try and get it back up to that full production level. So I think having 2 large [JV] partners, we help that to be considered valid.

Operator

Your next question comes from Mark Andrews from Paydirt Media.

Mark Andrews

Just a couple of questions. Where do you see the cultural alignment between the 2 companies? And is there anything overseas that you're tempted (inaudible)?

Raleigh John Finlayson - *Saracen Mineral Holdings Limited - MD & Director*

So I'll answer your last question first. As I said, it's very much within strategy. We've always said that bolt-ons is our #1 priority. We've done a number of those in the last 2 years. We're #2 in gold in Australia. And this is -- will be overseas. And I suppose for us, having this asset right in our backyard while adjacent to our existing assets just means that we've got a complete focus in that same region. We can literally land in Kalgoorlie and within 3 days see all of our assets producing 600,000 ounces per annum. So that's absolutely our priority and hence why we've done this deal.

Second question was...

Mark Andrews

(inaudible) in cultural alignment.

Raleigh John Finlayson - *Saracen Mineral Holdings Limited - MD & Director*

Oh, the cultural alignment, yes, sorry. From what we gather, again, I suppose you had a benefit where KCGM has obviously been in that structure for 30 years. So like we mentioned, we have 25 years of combined experience of people in our business that have been through that business. And I think, again, talking to Tom, I think there's a really good alignment about what the path looks like moving forward with this asset. And I think having both JV partners aligned is going to help the operating team enormously and being able to unlock that potential.

So again, we're really excited about sharing some of our views that we're seeing during the JV and some of the opportunities we're seeing. And we're working really close with Newmont to attract that (inaudible), so we're excited about this.

Operator

Your next question comes from Nick Evans from The Australian newspaper.

Nick Evans

I mean, I guess, just on price. Are you comfortable that there's enough upside (inaudible) that reasonably full-priced deal? And how much are you relying then on the exploration upside? And then just on that potential for growth, is there anything that sort of stands in the way, i.e., in terms of you just trying grow the pit to the South? Is that possible given where the TAM sits? And then are there any barriers to those kind of expansions?

Raleigh John Finlayson - Saracen Mineral Holdings Limited - MD & Director

Yes, yes. Thanks, Nick. For this problem, on the process obviously, it's been reported [that it was a contended process] and I can confirm that it has been. For us, it's certainly one of those things, we're buying at -- and our [goal past cycle] who knows if we're -- where it is in the cycle, whether it's top or middle or whatever, but we acknowledge where it sits in the cycle.

But for us, the assumptions we've put into our model on the gold price was sort of consensus of our own gold price [converters] which has that declining. So again, we're not relying on gold prices staying at these levels or higher to justify the investment available to lock-in some hedging which we'll do in the next 24 to 48 hours that underpin the prices that we purchased it at. Debt's pretty cheap at the moment, I can't go through the commercial rights, but it's very attractive. We acknowledge that the gold prices meant -- all companies in this gold space all had share prices that have followed that pretty closely. So again, we're taking that into consideration.

But above anything else, what was really important to us is that just on the metrics that I haven't shown with the upside, i.e., resource and reserve, this is accretive on just about every line item, except for the all-in sustaining costs, which I said before, we can take that on the chin on the basis that our existing assets go for a really good period for the next 4 years, as we roll out the other side of that, we see this as a multi-decade asset as it's proven for the last 3 decades.

So again, from our perspective, we think it's highly accretive on the metrics we know, let alone the ones that are -- come in as we obviously take advantage of getting that drill bit down into these areas and extending it, from a growth perspective, [not only open pits] and to the south.

Also, one other key point is just on the approval that you flagged. So the thin south area, majority of that cutback's already approved, the larger sort of pit which should be going to resource, top envelope, which again, is not in reserve at the moment, has a small extension to the southwest that we'll need to get approval for, which I don't -- it's not very much depth that at all, it's probably circa 50 to 100 meters. So I don't see that as a major impairment. And again the environmental team (inaudible) all over that.

Operator

(Operator Instructions) Your next question comes from Peter Kerr from The Australian Financial Review.

Peter Kerr

Just returning to the preemptive rights aspect, I heard you speaking before about where they sit for this transaction. But can you clarify, if Newmont were to put their stake on the market in the future, will you have preemptive rights?

Raleigh John Finlayson - *Saracen Mineral Holdings Limited - MD & Director*

Pete, yes. So the joint venture partners have physical rights around the [ROFO]. So if Newmont was to offer a joint venture interest/asset sale, then Saracen would have a preemptive right over that, and there's a set process in that regard. If Newmont was to offer sale of shares in its holding company, then Saracen would not have a preemptive right.

Peter Kerr

Okay. And how much a part of -- or how much of your strategy in getting this first 50% into the other 50%? Are you sort of thinking that on a 5-year period, you want the whole thing?

Raleigh John Finlayson - *Saracen Mineral Holdings Limited - MD & Director*

I haven't thought that far ahead, to be honest. Our immediate focus at the moment is obviously on the 50%, and that's what we plan to do. And we're actually quite keen to work with Newmont and to tap in some of the innovation technology and other ideas as we're cutting across the entire business in the portfolio. So for us, we're absolutely focused on that 50%, and I'm locking that value for the next 5-year period.

Peter Kerr

Yes, no problem. And is there any indication at this stage from your share register? And apologies if this is somewhere in the documents you filed today, but is there any indication from your register the level of appetite to participate in the rating? Can you comment at all on that?

Raleigh John Finlayson - *Saracen Mineral Holdings Limited - MD & Director*

Well, as you know, Pete, we've gone into a trading halt today, and that sets out the process we're working through the next 2 days on the book build. So it's a bit early for me to comment on that, Pete.

Operator

There are no further questions at this time. I'll now hand back to Mr. Finlayson for closing remarks.

Raleigh John Finlayson - *Saracen Mineral Holdings Limited - MD & Director*

Yes, thank you, and thanks, everyone, for joining on the call.

Just to close off, again, a transformational day for the company to be able to have 600,000 ounces in production and a clear growth opportunity organically to get that up closer to 800,000 ounces and having 10 years across our portfolio, 100% of reserves all on our doorstep in WA. It was a fundamental reason why we've undertaken this transaction. And again, thank you all for your time.

Operator

That does conclude our conference for today. Thank you for participating. You may now disconnect.

DISCLAIMER

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2019, Thomson Reuters. All Rights Reserved.

