Saracen

27 August 2013

ASX & MEDIA RELEASE

2013/14 YEAR FINANCIAL RESULTS

- Gold production of 133,492 ounces (2013: 136,168 ounces)
- Revenue of $211.4 million (2013: $210.6 million)
- EBITDA[1] $42.1 million (2013: $55.8 million)
- Net cash flow from operations of $49.4 million (2013: $72.8 million)
- Net Profit after Tax of $6.0 million (2013: Loss $63.1 million)

The Directors of Saracen Mineral Holdings Limited (ASX:SAR) ("Saracen" or the "Company"), are pleased to announce that the Company has recorded a net profit after tax of $6.0 million after allowing for an income tax provision of $1.9 million for the 2013/14 financial year.

Gold production was down marginally from the previous year to 133,492 ounces and revenue increased marginally to $211.4 million. The maintenance in total revenue despite similar production and a much lower spot gold price was due to the Company's substantial gold hedge book which insulated revenues to a significant degree from those price falls. The average gold sale price received for the year was A$1,526/oz.

Net cash flow generated from operations was $49.4 million. EBITDA[1] for the year was a positive $42.2 million.

Mine Operating Costs increased to $150.9 million from $137.4 million last year. The increase is mainly due to development work at the Red October underground mine being classified as expenses rather than being capitalised. As an offset, due to the lower amounts being capitalised and the write-down of asset values last year, the charge for amortisation and depreciation decreased from $63.3 million in 2013 to $32.1 million.

During the year the Company had undertook an equity raising of $58.3 million (after costs). The funds from this raising were to reduce debt ($10 million), pay for the Thunderbox acquisition ($20 million) and fund exploration activities at Red October, Karari and Thunderbox ($20 million).

At the end of the year, the Company held cash of $35.9 million with debt drawn of $12.0 million.

Saracen Mineral Holdings Ltd
ACN 009 215 347
Level 4, 89 St Georges Terrace
Perth, WA 6000
Australia
Telephone (61 8) 6229 9100
Facsimile (61 8) 6229 9199

Comment by Saracen's Managing Director, Raleigh Finlayson:

"Saracen's cash generation (excluding financing activities) was strong during the year being approx. $10 million higher than guidance which fully covered the development expenditure on the Whirling Dervish open pit and the Red October underground mine. This, combined with the March 2014 equity raising, has placed the Company in a robust financial position. The Company also returned to profitability with a profit after tax of $6.0 million for the year.

Both of these results reflect the benefits of the hard decisions that were made towards the end of the last financial year and the continuing focus on maximising cash flow.

With the Whirling Dervish open pit development nearing completion, the acquisition of the Thunderbox project settled and the equity raising during the year, Saracen has set the foundations for the generation of strong cash flows in FY2015."

For further information please contact:

Raleigh Finlayson
Managing Director
Email: r.finlayson@saracen.com.au

Clarifying Note:

[1]***EBITDA:*** *EBITDA stands for Earnings Before Interest, Tax, Depreciation and Amortisation. EBITDA and EBITDA (excluding significant items[2]) are financial measures which are not prescribed by the International Financial Reporting Standards (IFRS) and represent the profit under IFRS adjusted for specific significant items. 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.*

Saracen

ASX APPENDIX 4E

SARACEN MINERAL HOLDINGS LIMITED

ABN: 52 009 215 347

RESULTS FOR ANNOUNCEMENT TO THE MARKET
FOR THE YEAR ENDED 30 JUNE 2014

(Previous corresponding period is the year ended 30 June 2013)

Revenue and Net Profit		Percentage Change		A$'000
Revenue from ordinary activities (in A$'000 30/06/13:$210,605)	up	1%	to	**211,424**
Profit from ordinary activities after tax attributable to members (in A$'000 30/06/13: Loss $63,098)	up	n/m	to	**5,995**
Net Loss attributable to members (in A$'000 30/06/13: Loss $30,656)	up	77%	to	**6,920**

* n/m – Not Meaningful as change from Loss to Profit

Dividend Information

No dividend has been proposed or declared.

Net tangible assets per security	30 June 2014 per share	30 June 2013 per share
Net tangible assets per security	$0.35	$0.30

Additional Appendix 4E disclosure requirements under ASX Listing Rule 4.3A can be found in the Directors Report to the financial statements, which is attached, at the following page reference:-

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Entities over which control has been gained or lost over the period.	N/A
Details of dividend distribution	N/A
Details of reinvestment plans	N/A
Details of joint venture entities and associates	N/A
Foreign entity accounting standards	N/A
Audit dispute or qualification	N/A

This report is based on, and should be read in conjunction with, the attached financial report for the period ended 30 June 2014 for Saracen Mineral Holdings Limited, which has been audited by BDO Audit (WA) Pty Ltd.

Dated: 27 August 2014

R Finlayson
Managing Director

Saracen

SARACEN MINERAL HOLDINGS LIMITED

ACN 009 215 347

Financial Report for the Year Ended 30 June 2014

Financial Report
For the year ended 30 June 2014

Corporate Directory

Board of Directors

Mr Guido Staltari	(Non-Executive Chairman)
Mr Raleigh Finlayson	(Managing Director)
Mr Geoffrey Clifford	(Non-Executive Director)
Mr Barrie Parker	(Non-Executive Director)
Mr Martin Reed	(Non-Executive Director)
Ms Samantha Tough	(Non-Executive Director)

Secretary

Mr Gerard Kaczmarek

Registered Office and Business Address

Level 4
89 St Georges Terrace
Perth WA 6000

Telephone: 08 6229 9100
Facsimile: 08 6229 9199
Website: saracen.com.au

Stock Exchange Listing

Listed on the Australian Securities Exchange (ASX Code: SAR)

Auditors

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

Telephone: +61 8 6382 4600
Facsimile: +61 8 6382 6401

Solicitors

Steinepreis Paganin
Level 4, Next Building
16 Milligan Street
Perth WA 6000

Bankers

Commonwealth Bank of Australia Limited
367 Collins Street
Melbourne VIC 3000

and

Macquarie Bank Limited
1 Martin Place
Sydney NSW 2000

Share Registry

Computershare Investor Services Pty Limited
452 Johnston Street
Abbotsford VIC 3067

Telephone: 1300 787 272 or 03 9415 5000
Facsimile: 03 9473 2500

Directors Report

The Directors of Saracen Mineral Holdings Limited ("Saracen" or "the Company") present their report, together with the financial statements on the consolidated entity consisting of Saracen Mineral Holdings Limited and its controlled entities (the "Group") for the financial year ended 30 June 2014. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:-

DIRECTORS

The names and particulars of the Company's directors in office during the financial year and at the date of this report are as follows. Directors held office for this entire period unless otherwise stated.

Guido Staltari
Non-Executive Chairman (appointed 18 August 2003) (Member of the Audit and Remuneration Committees)

Mr Staltari holds a Bachelor of Science (Honours) degree and is a Fellow of the Australian Institute of Geoscientists. He worked for North Broken Hill Ltd, BHP Minerals Ltd, and also as a mining and petroleum industry consultant before establishing his first publicly listed mineral exploration company in early 1987. He has experience in the management of public companies and is currently a director of Renaissance Capital Pty Limited. Mr Staltari held the joint positions of Executive Chairman and Managing Director until 2 April 2013 when he stood down from the role of Managing Director. He remained as Executive Chairman before reverting to a Non-executive Chairman role effective 1 July 2013. Mr Staltari does not hold, and has not over the last 3 years held, a directorship in any other public listed company.

On 20 August 2014, Mr Staltari advised that he would retire as Chairman and as a Director of the Company at the conclusion of the Annual General Meeting to be held on 26 November 2014. Mr Geoffrey Clifford will take over the role of Non-executive Chairman upon Mr Staltari's retirement.

Raleigh Finlayson
Managing Director (appointed 2 April 2013) (Member of the Risk Management Committee)

Mr Raleigh Finlayson is a Mining Engineer having studied at the Western Australian School of Mines and is the holder of a First Class Mine Managers Certificate, a Graduate Certificate in Applied Finance and Investment and is part way through a Masters of Mineral Economics at Curtin University. He is a member of the Australasian Institute of Mining and Metallurgy. Mr Finlayson has over 17 years of technical and operational experience in the mining industry in multiple disciplines including both underground and open pit operations. Since joining the Company, he has managed the timely completion of the Definitive Feasibility Study and development of the Carosue Dam operations in 2009 and was the Chief Operating Officer before being appointed Managing Director in April 2013. Mr Finlayson is a member of the Risk Management Committee. Mr Finlayson does not hold, and has not over the last 3 years held, a directorship in any other public listed company.

Geoffrey Clifford
Non-Executive Director (appointed 1 October 2013) (Chairman of the Audit Committee and a member of the Risk Management Committee)

Mr Clifford is an accountant with more than 35 years' experience in senior accounting, finance and company secretarial roles. He holds a Bachelor of Business degree from Curtin University and is a FCPA, FCIS and FAICD. Mr Clifford is a professional company director, currently serving as a non-executive director on the Board of Independence Group NL. From 2007 to 2011, he was a non-executive director (including as Chairman for the period 2008 to 2011) of Atlas Iron Limited. Prior to this, he spent eight years as the General Manager Administration and Company Secretary of Portman Limited.

Mr Clifford will become Non-Executive Chairman of the Company upon the retirement of the current Chairman, Mr Staltari, at the conclusion of the Annual General Meeting to be held on 26 November 2014.

During the past three (3) years Mr Clifford has held directorships in the following other listed entities:-

Company	Appointed	Resigned
Independence Group Limited	10 December 2012	Current
Atlas Iron Limited	20 August 2007	31 July 2011
Fox Resources Limited	17 April 2007	30 September 2011
Centaurus Metals Limited	22 August 2008	12 August 2011

Barrie Parker

Non-Executive Director (appointed 24 December 2007) (Chairman of the Risk Management Committee and a member of the Audit and Remuneration Committees)

Mr Parker holds a degree in Minerals Engineering from the University of Birmingham and is a Fellow of the Australasian Institute of Mining and Metallurgy. He has worked in the international mining industry for more than 40 years, primarily in operations management and project development roles, including managing the initial development of the Boddington and Sunrise Dam Gold mines. His most recent position was as the Regional Manager and Director of the AngloGold companies in Australia and South East Asia. Mr Parker is a member of the remuneration and audit committees and chairman of the risk management committee. Mr Parker does not hold, and has not over the last 3 years held, a directorship in any other public listed company.

Martin Reed

Non-Executive Director (appointed 24 August 2012) (Member of the Audit, Remuneration and Risk Management Committees)

Mr Reed is a qualified mining engineer (BE Mining, Grad Dip Management, AICD Diploma) with over 35 years' experience in operations management and project development across a range of commodities, countries and sizes of operations. Recent roles have included Chief Operating Officer and Project Manager for a number of metals companies including Sirius Resources, Sandfire Resources, St Barbara Limited, Paladin Energy Ltd and Windimurra Vanadium Limited. Prior to these appointments, Mr Reed held a number of senior executive positions in the mining industry including roles where he was responsible for the planning and development of several large mining operations in remote locations.

During the past three (3) years Mr Reed has held directorships in the following other listed entities:-

Company	Appointed	Resigned
Endeavour Mining Corporation	5 December 2011	18 October 2012
Adamus Resources Limited	4 December 2009	5 December 2011

Samantha Tough

*Non-Executive Director (appointed 1 October 2013) (*Chairman of the Remuneration and Nomination Committee)

Ms Tough completed a Bachelor of Laws and Bachelor of Jurisprudence at the University of Western Australia and worked as a barrister and solicitor before progressing to the commercial sector. She is a Fellow of the AICD. Ms Tough is a professional company director with more than 15 years' experience on public and private company boards. She has a depth of industry experience in resources and energy. Ms Tough's executive roles include General Manager North West Shelf at Woodside Energy Ltd, Director Strategy for Hardman Resources Ltd, Senior Vice President Natural Resources at the Commonwealth Bank and Project Director for the Pilbara Power Project. In addition to the listed companies tabled below, she is also a director of CBH Group.

During the past three (3) years Ms Tough has held directorships in the following other listed entities:-

Company	Appointed	Resigned
Southern Cross Goldfields Limited	24 July 2007	23 September 2013
Strike Resources Limited	23 January 2012	Current
Murchison Metals Limited	12 May 2011	29 February 2012

Ivan Hoffman OAM

Non-Executive Director (appointed 31 May 2005. Resigned 25 July 2013)

Mr Hoffman is a Certified Practising Accountant and a Fellow of the Institute of Corporate Managers, Secretaries and Administrators. For around 18 years, Mr Hoffman was a corporate advisory consultant specialising in mergers & acquisitions and company reconstructions, during which period he served on the boards of several public listed companies, including mineral exploration and mining companies. Before that, Mr Hoffman worked for several years with local and international financial institutions, including four years in investment management and project financing with Lloyds Bank International. Mr Hoffman is currently chairman of the Fortron group of companies. During his tenure as a director, Mr Hoffman was a member of the remuneration committee and chairman of the audit committee. Mr Hoffman does not hold, and has not over the last 3 years held, a directorship in any other public listed company.

COMPANY SECRETARY

Gerard Kaczmarek
(appointed 17 September 2012)

Mr Kaczmarek graduated from the Australian National University (ANU) with a Bachelor in Economics and Accounting. He has over 30 years' experience in the resources and mineral processing industry in Australia and overseas. He was Company Secretary and Chief Financial Officer for gold mining company Troy Resources for almost ten years and prior to that spent seven years at Burmine Limited before its merger with Sons of Gwalia Limited. He commenced his career with the base metals division of CRA, now Rio Tinto. He is a CPA and MAICD.
During the past three (3) years Mr Kaczmarek has held directorships in the following other listed entities:-

Company	Appointed	Resigned
Kimberley Rare Earths Limited	2 December 2010	9 February 2012

INTERESTS IN SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

As at the date of this report, the direct and indirect interests of the Directors and their related parties in the shares and options of Saracen were:-

Director	Ordinary Shares	Options over ordinary shares	Performance Rights over ordinary shares - unlisted
Guido Staltari	12,520,155	-	-
Raleigh Finlayson	1,181,819	-	1,500,000
Geoffrey Clifford	-	-	-
Barrie Parker	118,182	-	-
Martin Reed	-	-	-
Samantha Tough	-	-	-

PRINCIPAL ACTIVITIES

The principal activity of the Group during the year was gold mining and mineral exploration.

REVIEW AND RESULTS OF OPERATIONS

<u>**Overview**</u>

Carosue Dam Operations

Saracen Mineral Holdings Limited owns 100% of the Carosue Dam Operations (CDO) through its wholly owned subsidiary Saracen Gold Mines Pty Ltd. Saracen acquired the CDO assets in 2006 and commenced commercial production in 2010. During this period over 500,000 ounces of gold have been won from several open pits and the Red October underground mine.

Saracen's CDO tenement holdings and gold deposits are located in one of the world's most prospective gold provinces, incorporating the Laverton and Keith Kilkenny Tectonic Zones, north-east of Kalgoorlie, Western Australia. This province is home to several world class gold mines and deposits including Sunrise Dam, Granny Smith, and Wallaby. In excess of 23 million ounces of gold in resources have been found and/or brought into production in this province. Saracen is building a long-term strategic infrastructure and resource position in this area.

CDO comprises a processing plant, a modern 238 person accommodation village and water and power infrastructure located approx. 120 km north-north-east of Kalgoorlie. The CDO processing plant was originally commissioned in November 2000 and has a nameplate capacity of 2.4mtpa based on a blend of hard and soft ores.

Thunderbox Operations

On 21 January 2014, the Group announced the acquisition of the Thunderbox Operations (TBO) from Norilsk Nickel Australia Pty Ltd for consideration of A$20 million cash on settlement, A$3 million cash upon the sooner of commencement of commercial production, or if, after a period of 24 months following settlement, the prevailing gold price has exceeded A$1,550/oz for a calendar month and a 1.5% NSR Royalty on the TBO (capped at A$17 million). The acquisition was settled on 7 May 2014 with the completion of the payment of the $20 million initial amount.

The TBO are located in the highly prospective Yandal Belt and the Agnew-Wiluna Belt in the North Eastern Goldfields of Western Australia and are centred on the Thunderbox Open Pit and CIL gold treatment plant located 45km south of the town of Leinster in Western Australia and immediately adjacent to the sealed Goldfields Highway.

TBO includes the Thunderbox Project (comprising the Thunderbox, Rainbow and Mangilla gold deposits), the Bannockburn Project (comprising the Bannockburn and North Well gold deposits) and the Waterloo Project (comprising the Waterloo and Amorac nickel deposits).

TBO contains Mineral Resources of 2.09 million ounces of gold and Ore Reserves of 728,000 ounces of gold. These are for the Thunderbox and Bannockburn deposits only. The Rainbow, Mangilla and North Well gold deposits are yet to be updated to the JORC 2012 standard. The Waterloo Project, comprising the Waterloo and Amorac nickel deposits, is also yet to be updated to JORC 2012 standard.

The Thunderbox processing facility, which has been on care and maintenance since 2007, has an annual capacity of 2.5 Mtpa and incorporates a single-stage crusher, a SAG mill and a ball mill as well as conventional CIL leaching and elution circuits. Existing infrastructure included in the acquisition comprises a 268 person accommodation village, an airstrip, contract power supply, Goldfields Gas pipeline spur, borefield water supply and telecommunication services.

Saracen is currently undertaking a detailed feasibility study to investigate both the open pit and the underground potential of TBO. The Group is also progressing re-permitting of the project and a detailed scope of works for refurbishment of the processing plant and infrastructure.

Health and Safety

Safety performance improved during the year after a poor performance over the last six months of the previous financial year. There were three Lost Time Injuries (LTIs) recorded during the year with all at the lower end of the severity scale. The LTI frequency rate for the year was 3.1.

At the commencement of the year, the Group introduced a new safety index which records the Weighted Total Incident Frequency Rate (WTIFR). This index records and aggregates a number of “incidents” including lost time injuries, medically treated injuries, alternate duty injuries, equipment damage and environmental incidents which are then weighted by severity to produce a composite number. This is also monitored at on a rolling 12 month basis. After commencing the year at 515, the index finished at 449, just above the target of 440. The Group is aiming to reduce the rate further and has set a lower target of 400 for June 2015, 10% below the current level.

The Group continued its training programmes especially for the Mines Rescue Team which is a vital part of any mining operation.

Financial Performance

The Group reported a net profit after tax of $6.0 million (2013: loss of $63.1m). Note: the previous year’s result included pre-tax non-cash write-downs totalling $79.6 million being made up of inventory ($22.9 million), production assets ($47.6 million) and exploration assets ($9.1 million).

Sales revenue for the year was $211.4 million, up marginally from $210.6 million in the previous year. Gold production for the year was 133,492 ounces versus 136,368 ounces in FY2013. Gold sales for the year were 138,081 versus 132,832 ounces in 2013. Average gold price for the year was A$1,526/oz (2013: A$1,582/oz).

Gross profit from mining operations for the year was $20.5 million (2013: $2.7 million) after deducting $7.9 million for royalties and $32.1 million in depreciation and amortisation (2013: $8.2 million and $62.3 million respectively).

Net cash flow from operations for the year was $49.4 million (2013: $72.8 million). Capital expenditure on purchases of plant & equipment, mine development and exploration totalled $76.9 million for the year (2013: $107.6 million).

As at 30 June 2014, the Group had in place with Macquarie Bank Limited a hedging programme comprising 128,387 oz of gold sold forward at an average price of A$1,661/oz, and an available debt facility of $25 million of which $12 million has been drawn.

Production Operations

For the financial year ended 30 June 2014 ("FY2014") gold production from the Carosue Dam Operations was 133,492 oz (2013: 136,168 oz) at a C1 cash cost of $864 per oz excluding royalties of $59 per oz (2013:$1,072) and the "All in" Sustaining Cash Cost for the year was $1,515/oz (not calculated in previous years).

Carosue Dam		**Quarter**				
Mill Production	Unit	September 13	December 13	March 14	June 14	**FY2014**
Total Ore Milled	*t*	654,000	678,000	616,000	621,000	**2,569,000**
	g/t	2.27	1.67	1.77	1.68	**1.85**
Recovery	*%*	86.7%	85.2%	89.1%	89.0%	**87.4%**
Gold Produced	*oz*	41,242	31,096	31,242	29,912	**133,492**
Open Pit Mining						
Total Mining	*BCM*	2,318,000	2,033,000	1,749,000	1,921,000	**8,021,000**
Total Ore Mined	*t*	247,000	549,000	525,000	587,000	**1,908,000**
	g/t	2.29	1.04	1.13	1.25	**1.29**
Contained Ounces	*oz*	18,193	18,351	19,062	23,614	**79,220**
Underground Mining						
Total Ore Mined	*t*	69,000	86,000	75,000	63,000	**293,000**
	g/t	6.80	5.90	6.96	5.82	**6.38**
Contained Ounces	*oz*	15,048	16,345	16,888	11,761	**60,042**

Mining of the Karari open pit concluded at the end of August 2013. The performance of the open pit over its 12 months mine life was excellent with positive mine reconciliations reported (refer to Grade Reconciliation Table below). During July and August, the Karari pit produced 134,203t @ 3.35g/t for 14,435 contained ounces.

The cutback at the Whirling Dervish pit continued during the year with the first significant amounts of ore mined during the March quarter 2014. As at the end of the year, the pit had advanced to a depth of approx. 105 metres below surface. The mine is forecast to deliver 3.9mt @ 1.5g/t for 190,000 contained ounces in FY2015 with part of the mine production to be stockpiled for processing in FY2015.

The Red October underground mine produced above budget tonnes and ounces during the year with total production of 293,000t @ 6.38g/t for 60,042 contained ounces. A 220 metre long exploration drive has been completed off the 1042 level so that a 15,000 metre exploration diamond drilling campaign can be undertaken over the next 4 to 5 months utilising 2 drill rigs. This campaign will test the down dip extensions of the footwall and hanging wall lodes with the intent of extending mine life out to a period of at least 2 years.

Mining for the year showed positive reconciliations in terms of ounces produced from Karari and Red October with Whirling Dervish achieving a 100% reconciliation. Refer to the table below.

FY2014 Grade Reconciliation									
Deposit	**Reserve**			**Actual**			**Variance**		
	Tonnes	**Grade**	**Ounces**	**Tonnes**	**Grade**	**Ounces**	**Tonnes**	**Grade**	**Ounces**
Karari	191,000	1.72	10,000	134,000	3.35	14,000	**-30%**	**+95%**	**+40%**
Whirling Dervish	1,953,000	1.03	65,000	1,767,000	1.14	65,000	**-10%**	**+11%**	**0%**
Red October	300,000	5.00	48,000	293,000	6.38	60,000	**-2%**	**+28%**	**+25%**
Total	**2,444,000**	**1.57**	**123,000**	**2,194,000**	**1.97**	**139,000**	**-10%**	**+26%**	**+13%**

Highlights:

- ✓ *10% less dilution across all sources (actual versus planned)*
- ✓ *11% grade overcall at Whirling Dervish*
- ✓ *28% grade overcall at Red October*
- ✓ *95% grade overcall at Karari*

Production & Operational Outlook for 2014/15 and Beyond

Carosue Dam Operations

In FY2015, gold production will be sourced principally from the Whirling Dervish open pit and the high grade Red October underground mine. Production is forecast to be in the range of 145,000 to 155,000 ozs.

C1 Cash Costs are forecast to be approximately A$875/oz in FY2015 and the "All in" Sustaining Cash Cost is forecast to be A$1,150/oz.

Due to the number of advanced exploration programmes currently underway or about to commence which could have a material impact on future activities, no guidance has yet been given for FY2016.

Saracen's business plan for CDO for the next 2 years comprises: -

- Completing the mining of the Whirling Dervish open pit to deliver approx. 190,000 contained ozs in mined ore by the end of FY2015;
- Deliver consistent gold production from the underground Red October mine in FY2015;
- Extend the life of Red October underground mine to in excess of 3 years through the exploration drilling campaign;
- Commence the $10 million underground exploration drilling programme at the Karari deposit;
- Progressing its other underground mining projects, including Deep South and Whirling Dervish;
- Extending the life and quality of its open-pittable resources;
- Optimising production through the Carosue Dam processing plant; and
- Generating increased cash flows.

Thunderbox Operations

Saracen's business plan for TBO for the next 2 years comprises: -

- Completing the TBO feasibility study by the March quarter of FY2015;
- If positive, commence plant refurbishment and the development of open pit and/or underground operations at TBO;
- Extensional drilling at Thunderbox; and
- Commencing stable, long life, commercial production.

Exploration

A reinvigorated approach to exploration has seen some substantial advances in geological understanding and improved targeting over the year. A strong focus on building the regional geological architecture and advancing the application of modern exploration techniques have set the platform for potential future discoveries.

Exploration activities in the first half of the year focused on growing the Karari resource. Drilling targeted the down plunge position of the key intersecting structures controlling mineralisation. The program successfully identified strong mineralisation below the current resource. These encouraging results have led to the commitment to develop an exploration decline from the current open pit to further test the underground potential of the Karari mineralisation. It is expected that the underground drill program will test a further 300m below the base of the current resource.

Following a very deep RC drill hole completed at Red October during the year which tested the mineralised shear some 350m below the current underground development, a hanging wall drill drive was developed to further test the down dip extensions of the mineralisation. The drilling program from the hanging wall position commenced in the final weeks of FY2014 and is expected to be completed in the first half of FY2015.

During the second half of the year, exploration efforts focused on more greenfields and brownfields activities that followed on from a number of earlier geophysical surveys conducted in key regions.

For the full year, a total of 8,351 metres of RC drilling was completed.

Investor Relations

During the year the Company presented at several conferences and undertook roadshows to current and potential investors, analysts and brokers. These included:-

- Diggers & Dealers Conference, Kalgoorlie WA, 5-7 August 2013;
- North American roadshow, October 2013;
- Sydney roadshow, 24- 26 February 2014;
- Euroz Conference, WA, 5 March 2014;
- Brisbane roadshow 10 March 2014;
- Macquarie Securities Investor Conference, 7 May 2014;
- RIU Sydney Resources Roundup, NSW, 13-15 May 2014.

A copy of each presentation given at these conferences and roadshows is released to the ASX and are available on both the ASX and the Group's website, saracen.com.au.

Human Resources

Saracen's four core values— Accountability, Communication, Delivery and Choose Your Attitude — continue to promote a strong, results-driven culture, where our people are at the heart of the success of our business. The Group reinforces our people's understanding of our values through the annual performance management process and annual Safety and Culture survey.

The business currently employs approximately 435 employees and contractors at its Operations in Kalgoorlie and corporate office in Perth. The Human Resources department has been restructured in order to improve the support and capability provided to corporate and line management.

Saracen continues to focus on building and maintaining a workplace culture that embraces diversity. The Group's workforce includes approximately 19% female participation and policies and actions that support culture, gender and age diversity are an ongoing focus.

Saracen is proud to be involved in, and supportive of community groups and organisations. In the reporting period, these included Leonora Golden Gift, WA Special Needs Christmas Party and the Kalgoorlie Football Club. In addition, we support our employees who are active in the community.

Community Support

Saracen has maintained our commitment to supporting the local communities in which we operate despite the current difficult market conditions. During FY2014 Saracen has provided funding to:-

- Red Cross Typhoon Haiyan Appeal
- 7^{th} Australian Division AIF Association
- Movember – Men's Health
- Leonora Golden Gift
- The Kalgoorlie City Football Club
- Goldfields Esperance Mining Industry Alliance
- Western Australian Special Needs Christmas Party

DIVIDENDS

No dividends have been paid or declared by the Group since the end of the previous financial year.

No dividend is recommended in respect of the current financial year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the financial year there were no significant changes in the state of affairs of the Group other than that referred to in the financial statements or notes thereto.

MATTERS SUBSEQUENT TO THE REPORTING PERIOD

There has not been any matter or circumstance, other than that referred to in the financial report that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Directors continue to seek suitable mineral opportunities for acquisition or farm-in, as well as corporate investment interests, while progressing its operations. Refer to the Production and Operational Outlook for 2014/15 and beyond on page 9.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group's operations are subject to environmental regulations attached to the granting of licences by the Department of Mines and Petroleum, Western Australia. The Group continues to comply with these regulations. Saracen entered into the voluntary Mining Rehabilitation fund in July 2013 releasing $14 million in Environmental Performance bonds, described in Note 12 of the Notes to the Financial Statements.

The operations are also licenced under Part 5 of the Environmental Protection Act 1986 and the Rights in Water and Irrigation Act 1914. All licences are up to date and Saracen is in compliance.

The group is subject to the reporting requirements of the Energy Efficiency Opportunities Act 2006, the National Environment Protection (National Pollutant Inventory) Measure 1998 and the National Greenhouse and Energy Reporting Act 2007.

The Energy Efficiency Opportunities Act 2006 requires the group to assess its energy usage, including the identification, investigation and evaluation of energy saving opportunities, and to report publicly on the assessments undertaken, including what action the group intends to take as a result. The group continues to meet its obligations under this Act with a Public Report published on the Group's web site.

The National Environment Protection (National Pollutant Inventory) Measure 1998 and the National Greenhouse and Energy Reporting Act 2007 require the group to report its annual greenhouse gas emissions and energy use. The group has implemented systems and processes for the collection and calculation of the data required and submitted reports to the National Pollution Inventory (NPI) in September 2013 and National Green house and Energy (NGER) in October 2013.

SHARE OPTIONS

At the date of this report there were:-

(i) 357,000 unlisted employee incentive options to acquire shares at $0.9888 (post repricing for the March 2014 Rights Issue) each exercisable between 1 October and 31 December 2014. Further details of the unlisted employee incentive options are provided in Note 19(c) of the Notes to the Financial Statements. Option holders do not have any right, by virtue of the option, to vote or participate in any share issues of any related body corporate.

There were no shares issued during or since the end of the financial year as a result of exercise of options.

DIRECTORS' MEETINGS

The number of Board and Committee meetings held, and the number of those meetings attended by each Director or Committee member during the financial year were:-

Director	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings		Risk Management Committee Meetings	
	Meetings held while a director	Meetings attended	Meetings held while a member	Meetings attended	Meetings held while a member	Meetings attended	Meetings held while a member	Meetings attended
Guido Staltari	20	20	5	5	4	4	-	-
Raleigh John Finlayson	20	20	-	-	-	-	8	7
Barrie Parker	20	18	3	3	4	4	8	8
Martin Reed	20	18	5	4	1	1	8	8
Geoff Clifford	13	13	2	2	-	-	6	5
Samantha Tough	13	11	-	-	3	3	-	-
Ivan Hoffman *	1	-	-	-	-	-	-	-

* Resigned 25 July 2013

In addition to the scheduled Board and Committee meetings, Directors regularly communicate by telephone, email or other electronic means, and where necessary, circular resolutions are executed to effect decisions.

REMUNERATION REPORT (AUDITED)

The information provided in this Remuneration Report has been audited as required by section 308(3C) of the Corporations Act.

The Directors present this Remuneration Report which sets out remuneration information for Saracen Mineral Holdings Limited's Executive and Non-executive Directors and other key management personnel. This report forms part of the Directors' Report.

a) Remuneration Guidance

The Board is ultimately responsible for determining and reviewing remuneration arrangements for Directors, within the limits approved by shareholders for such remuneration. The maximum aggregate amount that can be paid for Non-executive Directors remuneration is set at $500,000 as approved by shareholders at the Annual General Meeting held on 25 November 2011.

b) Directors and Key Management Personnel Disclosed in this Report

The Directors of the Group during or since the end of the financial year were:-

Guido Staltari	Non-executive Chairman
Raleigh Finlayson	Managing Director (Executive)
Geoffrey Clifford	Non-Executive Director, appointed 1 October 2013
Barrie Parker	Non-Executive Director
Martin Reed	Non-Executive Director
Samantha Tough	Non-Executive Director, appointed 1 October 2013
Ivan Hoffman OAM	Non-Executive Director, resigned 25 July 2013

The Key Management Personnel (KMP) during or since the end of the financial year were:-

Craig Bradshaw	Chief Operating Officer
Gerry Kaczmarek	Company Secretary / Chief Financial Officer
Dan Howe	General Manager – Geology and Exploration, from 9 August 2013
Lee Stephens	General Manager – Carosue Dam Operations
Richard Maddocks	General Manager – Geology and Exploration, resigned 9 August 2013

c) Remuneration governance

The Remuneration & Nomination Committee ("RNC") is a sub-committee of the Board. It is primarily responsible for making recommendations to the Board on:-

- the over-arching executive remuneration framework;
- operation of the incentive plans which apply to executive directors and senior executives (the executive team) including key performance indicators and performance hurdles;
- remuneration levels of executives; and
- Non-executive Director fees.

The objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the Group.

d) Use of Remuneration Consultants

The RNC commissioned Egan Associates (EA) to provide information and advice on the level of KMP remuneration, as well as the structure of both the short-term and long-term incentive plans for executives of the Group. Under the terms of the engagement, EA provided remuneration advice as defined in Section 9B of the *Corporations Act 2001*.

The following arrangements were made to ensure that the recommendations of EA were free from undue influence:-

- EA was engaged by, and reported directly to, the Chair of the RNC. The agreement for the provision of their consulting services was negotiated by the Chair of the RNC under the delegated authority of the Board;
- The report was provided directly by EA to the Chair of the RNC; and
- EA was not permitted to, and did not, provide any member of management with a copy of their draft or final report regarding any of their advice or recommendations.

As a consequence, the Board is satisfied that the report is free from undue influence from any members of the key management personnel.

e) Executive remuneration policy and framework

The RNC is responsible for determining remuneration policies in respect of executives and key management personnel (KMP). In establishing such policies, the RNC is guided by external remuneration surveys and industry practices, commensurate with the scale and size of the Group's operations. The policies and remuneration levels are reviewed regularly to ensure that the Group remains competitive as an employer.

The executive remuneration framework for KMPs has three components:-

- base pay and benefits, including superannuation;
- short-term incentives through cash bonuses; and
- long-term incentives through participation in the Incentive Option Scheme and the Performance Rights Plan.

(i) Base pay and benefits

The Group has employment agreements with all KMP. These agreements are capable of termination in accordance with standard employment terms. The terms of the agreements are open ended although the Group retains the right to terminate an agreement immediately by making a payment equal to the notice period in lieu of working out the notice period. KMP are also entitled to receive, on termination of employment, their statutory entitlements of accrued annual and long service leave. Each employment agreement outlines the components of remuneration paid to each executive but does not prescribe how remuneration levels are modified from year to year. Remuneration levels are reviewed each year. Additional details of KMP employment agreements can be found below at section "(j) – Service Agreements".

Other than the above, or as disclosed elsewhere in the Remuneration Report, no KMP are subject to specific employment agreements.

Operating and non-operating key performance indicators ("KPIs") relevant to each KMP are set, so as to form a basis of assessment of future levels of remuneration. The KPIs set for KMP are mostly directly aligned to the Group's intrinsic business performance, for example, performance against the annual budget, health and safety measures, and other operational criteria. The Board retains the right to determine an executive's remuneration depending on the outcome of the annual performance reviews and other factors that the Directors consider relevant.

A formal annual performance review system is in place whereby KMP performance against individual and corporate KPI's are reviewed and discussed.

In addition to base salary, superannuation is paid on the base salary at the statutory level. KMP may elect to contribute additional amounts to superannuation subject to legislative limits.

(ii) Short-term incentives ("STI")

The STI is an annual "at risk" component of remuneration for KMP. It is payable based on their performance against KPIs set at the beginning of the financial year. STIs are structured to remunerate KMP for achieving annual targets on an individual and a group basis which are designed around the success of the business. The STI is payable in cash after allowance for tax deductions.

For FY2014, the KPIs set for KMP related to gold production, cash flow generation, closing cash balance and debt level, production costs, profit, business continuity, business growth and personal performance.

For the Managing Director, the maximum STI available was set at 40% of his base salary. The maximum available STI percentage for other executives ranged from 11% to 24%.

The RNC determined that for FY2014, the Managing Director would receive 90% of his maximum STI and other KMP would receive 70% of their maximum available STI. The STI amounts payable for FY2014 are included in the remuneration calculation in the table under section "(i) Details of Remuneration". These amounts will be paid in FY2015.

(iii) Long-term incentives ("LTI")

LTI awards are structured to reward KMPs for the long term performance of the Group relative to its peers and, from the commencement of FY2014, are granted in the form of Performance Rights. Prior to this, LTIs had been in the form of Employee Options. The latter are no longer used for employee incentive purposes.

Incentive Options

The Group has in place a shareholder approved Incentive Option Scheme ("IOS"). The Scheme was designed to provide incentives to employees and consultants whose contribution was considered by the Directors to have contributed to the development of the Group. Options issued pursuant to the Scheme were commensurate with the position, skills, experience and length of service with the Group and such other criteria that the Directors considered appropriate in the circumstances.

There were no options issued during the 2013/14 financial year. In late 2010, early 2011 and 2012 options were offered to approximately 200 personnel (including several long-serving consultants) under the IOS. The Directors at that time decided that the IOS option grants be based on the following key principles:-

1. A majority of Saracen personnel should participate, in order to promote a Group-wide "ownership" of Saracen's business and prospects.
2. Grants under the IOS should be linked to annual performance, under the Group's annual performance review system.
3. Options granted should be subject to vesting periods and accordingly should enhance retention of personnel, in a competitive market for skills across a range of disciplines.

At the reporting date a total of 357,000 options (2013: 4,122,550) remain on issue under the Scheme. These have an expiry/exercise date of 31 December 2014.

Except in as far as the IOS option grants are linked to KPI performance, there is no formal relationship between remuneration of KMPs and the Group's performance when measured directly on the basis of shareholder returns or wealth.

During the year, the RNC has taken advice from outside remuneration consultants (refer section (d) above) with respect to formulating a new scheme and applying appropriate KPI's to that scheme. This scheme is discussed under Performance Rights below. Due to the imposition of detrimental taxation policies, the Group no longer makes any grants under the IOS.

Performance Rights

The Saracen Mineral Holdings Limited Performance Rights Plan ("Plan") was approved by shareholders at the Company's 2013 Annual General Meeting.

The Plan provides the Board with the discretion to grant Performance Rights to eligible participants that will vest subject to the achievement of performance hurdles or KPIs as determined by the Board from time to time.

The objective of the Plan is to attract, motivate and retain KMPs and it is considered by the Group that the Plan and the future issue of Performance Rights under the Plan will provide selected participants with the opportunity to participate in the future growth of the Group.

The Plan will enable the Group to make grants to Eligible Participants so that long term incentives form a key component of their total annual remuneration.
The Board believes that grants under the Plan will serve a number of purposes including:-

- to act as a key retention tool; and
- to focus attention on future Shareholder value generation.

Under the Plan, Eligible Participants will be granted Performance Rights. Vesting of any of these Performance Rights will be subject to the achievement of various KPIs which can be varied each year and aligned to the individual's performance.

Each Performance Right represents a right to be issued one Share at a future point in time, subject to the satisfaction of any vesting conditions. No exercise price is payable and eligibility to receive the Performance Rights under the Plan is at the Board's discretion.

The quantum of Performance Rights to be granted will be determined with reference to market practice and will be subject to approval by the Board.

Performance will be assessed at the end of each year and vesting will occur over a 3 year period.

Any grants under the Plan will be subject to the achievement of KPIs. Appropriate KPIs can be formulated for each Eligible Participant to participate in the Plan based on their role and responsibilities in the Group.

Performance Rights will lapse if the participant leaves the Group prior to all the vesting conditions being fulfilled although the Board has the ability, at its sole discretion, to vest all the Rights if "good leaver" exemptions apply to the ceasing of employment. Persons who are terminated for "bad leaver" reasons automatically lose their entitlement. The Board also has the right to allow early vesting of Rights if a change of control event occurs or the Company applies for voluntary winding up.

The KPIs for FY2014 are the same for the Managing Director and all KMPs and are set out below:-

Class	**Class A**		**Class B**		**Class C**	
Performance Condition	Comparison of the Company's Total Shareholder return (STR) with that of a group of peer companies.		Increase in ore reserves.		Increase in the share price.	
Vesting Condition	**Percentile**	**Proportion of rights vesting**	**Increase in ore reserves**	**Proportion of rights vesting**	**Share price increase**	**Proportion of rights vesting**
	Below 50th percentile	0%	Between 0% and 25%	50%	Below 25%	0%
	Between 50th and 75th percentile	Between 50% and 100% on a straight line basis	More than 25%	100%	Between 25% and 50%	Between 50% and 75%
	Above 75th percentile	100%			More than 50%	100%

Performance will be assessed at the end of each year and vesting will occur over a 3 year period.

For the comparison of shareholder return for the Class A Performance Rights, the peer group includes the following companies:-

- Beadell Resources Limited
- Evolution Mining Limited
- Kingsgate Consolidated Limited
- Millennium Minerals Limited
- Norton Gold Fields Limited
- Northern Star Resources Limited
- Ramelius Resources Limited
- Resolute Mining Limited
- St Barbara Limited
- Silver Lake Resources Limited
- Troy Resources Limited
- Regis Resources Limited
- Doray Minerals Limited
- Perseus Mining Limited
- Teranga Gold Corporation
- Oceanagold Corporation
- Kingsrose Mining Limited

The above peer group will be amended and updated to make allowance for changes in the circumstances of any of the above companies or any new company determined to enter into a peer ranking position.

Summary of FY2014 Performance Rights

Vesting Conditions:

- Group peer TSR comparison;
- Growth of Ore Reserves; and
- Increase in share price.

Issue Price: 30 June 2013 - 21.5 cents
Vesting Date: 30 June 2016

No allocation of Rights has been made to KMPs in the 2014 financial year. An allocation of 1,500,000 Rights were granted to the Managing Director, Raleigh Finlayson following the Annual General Meeting in November 2013. Other senior KMP are eligible to participate in the approved Plan.

A Monte Carlo simulation was undertaken on these Rights to determine the probability of the market conditions associated with the Rights being met. The probability estimates were then applied to ascertain an estimated fair value for the Rights. This value was estimated, for accounting purposes, to be $262,500.

f) Group Performance

The following table shows the sales revenue, profit/(loss) before tax and basic earnings per share (EPS) for the last five years for the Group, as well as the share price at the end of the respective financial years.

	2010	**2011**	**2012**	**2013**	**2014**
Sales Revenue ($,000)	31,329	155,671	183,759	210,605	211,424
Profit/(loss) before tax ($,000)	(25,429)	51,736	26,692	(88,324)	7,890
EPS (cents per share)	(6.62)	9.74	3.3	(10.6)	0.91
Share price	0.41	0.54	0.56	0.12	0.41

g) Non-executive director remuneration policy

The Board policy for determining the nature and amount of remuneration of Directors and key personnel, as well as the relevant specific arrangements, are detailed below.

Non-executive Directors' remuneration is subject to review from time to time, as the Directors deem appropriate, having regard to the scope, scale and degree of complexity of the Group's operations.

Non-executive directors receive a Board retainer fee and an additional fee for membership of a Board committee. They do not receive performance based pay. The chairman does not receive additional fees for participating on a committee. All fees provided to non-executive directors are inclusive of superannuation.

The maximum aggregate amount that can be paid for Non-executive Directors remuneration is set at $500,000 as approved by shareholders at the AGM held on 25 November 2011.

Base fees (including superannuation)	**From 1 July 2014**	**From 1 July 2013 to 30 June 2014**	**From 1 July 2012 to 30 June 2013**
Chair	$140,000	$140,000	See note below
Other non-executive directors	$80,000	$80,000	$100,000
Additional fees (including superannuation)			
Chairing a committee	$10,000	$10,000	$20,000

Mr Guido Staltari acted as both Executive Chairman and Managing Director for the period 1 July 2012 until 2 April 2013. On 2 April 2013, he stood aside from the position of Managing Director upon the appointment of Mr Raleigh Finlayson to that position but remained Executive Chairman until 1 July 2013 when he reverted to the position of Non-executive Chairman. Remuneration for his services as an executive during the 2012/13 year was incorporated into services provided by Renaissance Capital Pty Limited ("RenCap") pursuant to the terms of a management agreement. Mr Staltari's family interests control RenCap. The Company also paid professional fees of $45,833 per month up to April 2013 and $22,917 for May 2013 and June 2013 for the services of Mr Staltari. Under the management agreement, RenCap also provided the Group with office facilities in Melbourne. The Company paid RenCap a fee of $330,000 (plus GST) in the 2012/13 financial year for the provision of those office facilities.

During the 2013/14 year the Company paid RenCap a fee of $360,000 (plus GST) for the provision of those office facilities.

The Rencap agreement expires in September 2014.

h) Voting on the Remuneration Report at the 2013 AGM

The Group received more than 90% of "yes" votes on its Remuneration Report for the 2013 financial year at the November 2013 Annual General Meeting. The Group did not receive any specific feedback from shareholders at that meeting or during the year on its remuneration practices.

i) Details of Remuneration

Details of the nature and amount of each major element of the remuneration of each director of the Group and each of the key management personnel of the Group during the financial year are:-

30 June 2014	**Short-term Employee Benefits**			**Post-Employment**	**Share Based Payments**	**Long Term Benefits**	**Total**	**Proportion of total performance related**	**Value of option / rights as % of total**
	Salary & fees	***Cash bonus***	***Non-monetary benefits***	***Superannuation and other***	***Performance Rights / Options***	***Long Service Leave***			
	$	**$**	**$**	**$**	**$**	**$**	**$**		
Directors									
G Staltari	107,917	-	-	32,083	-	-	140,000	-	-
R Finlayson (i)(ii)	504,863	165,000	4,778	25,000	58,333	18,490	776,464	7.5%	7.5%
G Clifford (appointed 1 October 2013)	61,785	-	-	5,715	-	-	67,500	-	-
B Parker	57,510	-	-	34,990	-	-	92,500	-	-
M Reed – Director Fees(iii)	92,500	-	-	-	-	-	92,500	-	-
M Reed – Consulting Fees(iv)	87,633	-	-	-	-	-	87,633	-	-
S Tough (appointed 1 October 2013)	61,785	-	-	5,715	-	-	67,500	-	-
I Hoffman (resigned 25 July 2013)	7,628	-	-	705	-	-	8,333	-	-
Key Management Personnel									
C Bradshaw	400,000	25,500	-	37,000	-	898	463,398	-	-
G Kaczmarek	346,450	51,000	-	25,000	-	1,208	423,658	-	-
D Howe (appointed to the position on 9 August 2013)(i)(ii)(vi)	223,579	19,000	3,307	20,681	3,867	1,630	272,064	1.4%	1.4%
L Stephens(i)	270,000	19,000	4,725	24,975	-	8,703	327,403	-	-
R Maddocks (v) (resigned 9 August 2013)	28,607	-	6,050	24,573	-	-	59,230	-	-
Total	**2,250,257**	**279,500**	**18,860**	**236,437**	**62,200**	**30,929**	**2,878,183**	**-**	**-**

(i) Non-monetary benefits include Group provided health insurance.
(ii) Share based payments are the performance rights/options expensed over the performance/vesting period (refer to note 21 in the consolidated financial statements).
(iii) An amount of $92,500 has been paid/is payable to PilotHole Pty Ltd relating to Martin Reed's Directors Fees.
(iv) An amount of $87,633 has been paid/is payable to PilotHole Pty Ltd relating to professional service provided by Martin Reed.
(v) Non-monetary benefits include Group provided health insurance and car parking. Post-employment benefits consist of an annual leave pay-out on resignation of $21,927 and superannuation of $2,646.
(vi) Includes salary for his time in the position of Group Geology Manager prior to being appointed as General Manager – Geology and Exploration.

30 June 2013	**Short-term Employee Benefits**			**Post-Employment**	**Share Based Payments**	**Long Term Benefits**	**Total**	**Proportion of total performance related**	**Value of option as % of total**
	Salary & fees	***Cash bonus***	***Non-monetary benefits***	***Superannuation and other***	***Options***	***Long Service Leave***			
	$	**$**	**$**	**$**	**$**	**$**	**$**		
Directors									
G Staltari (i)	504,167	-	-	-	-	-	504,167	-	-
C Thompson (retired 20 November 2012)	42,817	-	-	3,854	-	-	46,671	-	-
I Hoffman	110,092	-	-	9,908	-	-	120,000	-	-
B Parker	95,017	-	-	24,983	-	-	120,000	-	-
M Reed(ii) (appointed 24 August 2012)	97,192	-	-	-	-	-	97,192	-	-
R Finlayson (iii)(v) (appointed 2 April 2013)	412,320	-	4,529	26,965	31,525	16,890	492,229	6.4%	6.4%
Key Management Personnel									
G Haywood (iii) (resigned 31 December 2012)	197,884	-	4,098	14,315	-	-	216,297	-	-
R Maddocks (iv)	260,425	-	11,979	23,438	15,547	868	312,257	5%	5%
R Narayanasamy (iii) (resigned 30 November 2012)	120,248	-	3,951	415,350	-	-	539,549	-	-
C Bradshaw (commenced 19 February 2013)	142,389	-	-	3,980	-	-	146,369	-	-
G Kaczmarek (appointed 17 September 2012)	270,351	-	-	15,993	-	-	286,344	-	-
Total	**2,252,902**	**-**	**24,557**	**538,786**	**47,072**	**17,758**	**2,881,075**	**-**	**-**

(i) An amount of $504,167 has been paid/is payable to RenCap for services provided by Guido Staltari.
(ii) An amount of $97,192 has been paid/is payable to PilotHole Pty Ltd for services provided by Martin Reed.
(iii) Non-monetary benefits include Group provided health insurance. Post-employment benefits consist of retirement benefits of $404,045 and superannuation of $11,305.
(iv) Non-monetary benefits include Group provided health insurance and car parking.
(v) Includes salary for his time in the position of Chief Operating Officer prior to be appointed Managing Director.

j) Service Agreements

Remuneration of the Managing Director and other executives are formalised in letters of appointment and service agreements. These agreements provide details of the salary and employment conditions relating to each employee.

Participation in the Performance Rights Plan is subject to the Board's discretion. Other major provisions of the agreements relating to remuneration are set out below.

All service agreements comply with the provisions of Part 2, D.2, Division 2 of the *Corporations Law*.

Name	Term of agreement and notice period	Base salary (excluding superannuation)	Termination payments
R Finlayson, *Managing director*	No fixed term 3 Months	$485,000pa for 2013/14 increased to $550,000pa as from 1 July 2014	If Mr Finlayson is terminated by the Company within 1 year following a "change of control" event, he will be entitled to a redundancy payment equal to 12 months earnings. Otherwise payment is calculated based on the *Fair Work Act 2009*.
C Bradshaw, *Chief Operating Officer*	No fixed term 3 Months	$400,000pa	If Mr Bradshaw is terminated by the Company within 1 year following a "change of control" event, he will be entitled to a redundancy payment equal to 6 months earnings. Otherwise payment is calculated based on the *Fair Work Act 2009*.
G Kaczmarek, *Chief Financial Officer*	No fixed term 1 Month	$340,000pa for 2013/14 increased to $350,000pa as from 1 July 2014	This is calculated based on the number of years of service up to a maximum of 12 weeks.
D Howe, *General Manager – Geology and Exploration*	No fixed term 1 Month	$230,000pa for 2013/14 increased to $250,000pa as from 1 July 2014	This is calculated based on the number of years of service up to a maximum of 12 weeks.
L Stephens, *General Manager – Carosue Dam Operations*	No fixed term 1 Month	$270,000pa	This is calculated based on the number of years of service up to a maximum of 12 weeks.
R Maddocks, *General Manager – Geology and Exploration (resigned 9 August 2013)*	No fixed term 1 Month	$253,380pa	This is calculated based on the number of years of service up to a maximum of 12 weeks.

k) Details of share based compensation

Options

The terms and conditions of each grant of options under the IOS affecting remuneration in the current or a future reporting period are as follows:-

Grant Date	Vesting date	Expiry date	Exercise price	Value per option at grant date	% Vested
15 March 2012 (Tranche 3)	1 September 2013	31 May 2014	$0.9488*	$0.074	0%
15 March 2012 (Tranche 4)	1 April 2014	31 December 2014	$0.9888*	$0.094	To be determined

* Post repricing for the March 2014 Rights Issue.

When exercisable each option is convertible into one ordinary share of Saracen Mineral Holdings Limited. Options granted under the plan carry no dividends or voting rights.

The table below also shows the percentages of options granted to key management personnel under the Incentive Option Scheme that vested and lapsed during the year. Further information on the IOS options is set out in note 21 to the financial statements.

Name	Year of grant	Years in which options may vest	Number of options granted	Value of the options at grant date	Number of options vested	Vested %	Number of options lapsed	Lapsed %
R Finlayson	2011	2014	255,000	$76,065	-	-	255,000	100%
D Howe	2012	2014 2014	89,250 148,750	$6,633 $10,263	89,250 89,250	100% 60%	- 148,750	- 40%
L Stephens	2011	2014	89,250	$26,623	-	-	89,250	100%
R Maddocks	2011	2014	89,250	$31,441	-	-	89,250	100%

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above.

Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Performance Rights

The terms and conditions of each grant of performance rights affecting remuneration in the current or a future reporting period are as follows:

Grant Date	Vesting date	Performance period	Value per Performance Right at grant date	% Vested
19 November 2013 – Class A	19 November 2016	1 July 2013 – 30 June 2016	$0.195	-
19 November 2013 – Class B	19 November 2016	1 July 2013 – 30 June 2016	$0.215	-
19 November 2013 – Class C	19 November 2016	19 November 2013 – 19 November 2016	$0.135	-

Rights granted under the plan carry no dividend or voting rights.

Details of Performance Rights provided as part of remuneration to key management personnel are shown below. The vesting conditions are set out in section "(e) – Executive remuneration policy and framework". Further information on the options is set out in note 21 to the financial statements.

Name	Year of grant	Financial Years in which Performance Rights may vest	Number of Performance Rights granted	Value of the Performance Right at grant date	Number of Performance Rights vested	Vested %
R Finlayson	2014 (Class A)	2017	600,000	$117,000	-	-
	2014 (Class B)	2017	300,000	$64,500	-	-
	2014 (Class C)	2017	600,000	$81,000	-	-

The assessed fair value at grant date of Performance Rights granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above.

Fair values at grant date are independently determined using a Monte Carlo simulation that takes into account the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the Performance Right and the correlation of Group's total shareholders return (TSR) and share price to the TSR and share prices of the other companies within the peer group.

l) Equity instruments held by key management personnel

The tables below show the number of:-

(i) options over ordinary shares in the Company;
(ii) performance rights granted under Performance Rights Plan; and
(iii) shares in the Company.

that were held during the financial year by key management personnel of the Group, including their close family members and entities related to them.

There were no shares granted during the reporting period as compensation.

(i) Option holding

30 June 2014	Balance at beginning of period 1 July 2013	Granted as remuneration	Options exercised	Options lapsed	Balance at end of period 30 June 2014	Not exercisable	Exercisable
Directors							
G Staltari	-	-	-	-	-	-	-
R Finlayson	255,000	-	-	255,000	-	-	-
G Clifford	-	-	-	-	-	-	-
B Parker	-	-	-	-	-	-	-
M Reed	-	-	-	-	-	-	-
S Tough	-	-	-	-	-	-	-
I Hoffman	-	-	-	-	-	-	-
Key Management Personnel							
C Bradshaw	-	-	-	-	-	-	-
G Kaczmarek	-	-	-	-	-	-	-
D Howe	238,000	-	-	148,750	89,250	-	89,250
L Stephens	89,250	-	-	89,250	-	-	-
R Maddocks	89,250	-	-	89,250	-	-	-
Total	**671,500**	**-**	**-**	**582,250**	**89,250**	**89,250**	**-**

(ii) Performance Rights holding

30 June 2014	Balance at beginning of period 1 July 2013	Granted as remuneration	Vested	Lapsed	Balance at end of period 30 June 2014
Directors					
G Staltari	-	-	-	-	-
R Finlayson	-	1,500,000	-	-	1,500,000
G Clifford	-	-	-	-	-
B Parker	-	-	-	-	-
M Reed	-	-	-	-	-
S Tough	-	-	-	-	-
I Hoffman	-	-	-	-	-
Key Management Personnel					
C Bradshaw	-	-	-	-	-
G Kaczmarek	-	-	-	-	-
D Howe	-	-	-	-	-
L Stephens	-	-	-	-	-
R Maddocks	-	-	-	-	-
Total	**-**	**1,500,000**	**-**	**-**	**1,500,000**

(iii) Shareholding

30 June 2014	Balance at beginning of period 1 July 2013	Granted as remuneration	Options exercised	Net change - other	Balance at end of period 30 June 2014
Directors					
G Staltari	14,407,252	-	-	(1,887,097)	12,520,155
R Finlayson	256,848	-	-	924,971	1,181,819
G Clifford	-	-	-	-	-
B Parker	100,000	-	-	18,182	118,182
M Reed	-	-	-	-	-
S Tough	-	-	-	-	-
I Hoffman	-	-	-	-	-
Key Management Personnel					
C Bradshaw	-	-	-	-	-
G Kaczmarek	-	-	-	38,100	38,100
D Howe	-	-	-	-	-
L Stephens	98,600	-	-	-	98,600
R Maddocks	181,000	-	-	(181,000)	-
Total	**15,043,700**	**-**	**-**	**(1,156,844)**	**13,886,856**

m) Other transactions with key management personnel

During the 2013/14 year Renaissance Capital Pty Limited ("RenCap") provided the Group with office facilities in Melbourne. Mr Guido Staltari's family interests control RenCap. The Company paid RenCap a fee of $360,000 (plus GST) in the financial year for the provision of those office facilities.

The Rencap agreement expires in September 2014.

During the year an amount of $180,133 has been paid/is payable to PilotHole Pty Ltd, an entity controlled by Mr Martin Reed. The amount paid relates to Director's Fees ($92,500) and professional services in relation to the Thunderbox feasibility study ($87,633).

This concludes the audited Remuneration Report.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

The Company indemnifies all Directors of the Company named in this report and current and former KMP of the Group against all liabilities to persons (other than a Group company) which arise out of the performance of their normal duties as a Director or executive officer, unless the liability relates to conduct involving bad faith. The Company also has a policy to indemnify the Directors and executive officers against all costs and expenses incurred in defending an action that falls within the scope of the indemnity and any resulting payments. There are Director's Deed of Access, Indemnity and Insurance in place for all Directors of the Company.

The contract of insurance prohibits disclosure of the amount of the premium and the nature of the liabilities insured under the policy.

During the year the Company paid the premium on a Personal Accident - Working Director insurance policy on behalf of the Managing Director as normal insurance coverage for company directors is not allowed under the Western Australian Worker's Compensation scheme.

Other than to the extent permitted by law, the Group has not, during or since the financial year, indemnified or agreed to indemnify an auditor of the Group or any related body corporate against a liability incurred as an auditor.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is attached to this report.

NON-AUDIT SERVICES

At the Annual General Meeting held in November 2013, the Company's shareholders approved a change of auditors from BDO East Coast Partnership to BDO Audit (WA) Pty Ltd. Despite both organisations being part of the global BDO group, they operate as separate business entities. Therefore, the 2014 financial year audit is the first undertaken by BDO Audit (WA) Pty Ltd. Therefore, the comparatives advised in the paragraph below for the 2013 year refer to those paid to the previous auditor, BDO East Coast Partnership.

During the year, BDO Audit (WA) Pty Ltd, the Group's auditor, provided tax compliance and advisory services in addition to audit services. BDO Audit (WA) Pty Ltd received, or is due to receive, $29,700 (2013: $27,900) for these non-audit services. The directors are satisfied that the provision of these services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 and do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

ROUNDING OF AMOUNTS

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' Report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001.

For and on behalf of the board

RALEIGH FINLAYSON
Managing Director
26 August 2014

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Australia

DECLARATION OF INDEPENDENCE BY PETER TOLL TO THE DIRECTORS OF SARACEN MINERAL HOLDINGS LIMITED

As lead auditor of Saracen Mineral Holdings Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Saracen Mineral Holdings Limited and the entities it controlled during the period.

Peter Toll

Director

BDO Audit (WA) Pty Ltd

Perth, 26 August 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Financial Year Ended 30 June 2014

	Note	2014 $'000	2013 $'000
Revenue from continuing operations	2	**211,424**	210,605
Mine operating costs		**(150,905)**	(137,440)
Depreciation and amortisation	2	**(32,118)**	(62,278)
Royalties		**(7,919)**	(8,164)
Gross profit from mining operations		**20,482**	2,723
Administration expenses	2	**(10,387)**	(9,230)
Share based payments expense		**(72)**	(106)
Finance costs	2	**(2,530)**	(1,474)
Other revenue	2	**776**	1,077
Loss on disposal of fixed assets		**8**	(1,637)
Impairment of deferred exploration costs	14	**-**	(9,102)
Expensing of deferred exploration costs	14	**(329)**	-
Impairment of mines in production	15	**-**	(47,660)
Inventory write-down	9	**-**	(22,885)
Change in fair value of listed shares		**(58)**	(30)
Profit/(Loss) before income tax		**7,890**	(88,324)
Income tax benefit/(expense)	4	**(1,895)**	25,226
Profit/(Loss) after income tax for the period		**5,995**	(63,098)
Other comprehensive income/(loss), net of income tax			
Items that may be reclassified subsequently to profit or loss			
Fair value gain/(loss) on hedging instruments entered into for cash flow hedges (net of deferred tax)	19(f)	**(12,915)**	32,442
Other comprehensive income/(loss) for the year		**(12,915)**	32,442
Total comprehensive loss attributable to members of Saracen Mineral Holdings Limited		**(6,920)**	(30,656)
Earnings/(Loss) per share for the year attributable to the members of Saracen Mineral Holdings Limited:			
Basic Earnings/(Loss) (cents per share)	5	**0.91**	(10.60)
Diluted Earnings/(Loss) (cents per share)	5	**0.91**	(10.60)

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Financial Position

As at 30 June 2014

	Note	2014 $'000	2013 $'000
Current assets			
Cash and cash equivalents	23(a)	**35,859**	9,024
Trade and other receivables	7	**2,843**	3,049
Financial derivative instruments	11	**14,992**	17,652
Other financial assets	8	**27**	85
Inventories	9	**19,251**	25,536
Other	10	**746**	665
Total current assets		**73,718**	56,011
Non-current assets			
Plant and equipment	13	**43,940**	40,205
Financial derivative instruments	11	**13,158**	28,694
Other financial assets	12	**110**	7,423
Deferred tax assets	4	**5,548**	1,027
Deferred exploration and evaluation costs	14	**27,811**	22,098
Mine properties	15	**148,901**	81,908
Total non-current assets		**239,468**	181,355
Total assets		**313,186**	237,366
Current liabilities			
Trade and other payables	16	**16,128**	18,788
Borrowings	18	**1,722**	1,217
Financial derivative instruments	11	**255**	-
Provisions	17	**5,783**	2,554
Total current liabilities		**23,888**	22,559
Non-current liabilities			
Borrowings	18	**12,323**	23,623
Deferred tax liability	4	**-**	-
Provisions	17	**45,919**	12,458
Total non-current liabilities		**58,242**	36,081
Total liabilities		**82,130**	58,640
Net assets		**231,056**	178,726
Equity			
Contributed equity	19(a)	**245,079**	185,901
Reserves	19(f)	**23,045**	35,888
(Accumulated Losses)/Retained profits		**(37,068)**	(43,063)
Total equity		**231,056**	178,726

The consolidated statement of financial position should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Changes in Equity

For the Financial Year Ended 30 June 2014

	Contributed Equity	(Accumulated Losses) / Retained Profits	Cash Flow Hedge Reserve	Share Based Payments Reserve	Total
	$'000	$'000	$'000	$'000	$'000
As at 1 July 2013	**185,901**	**(43,063)**	**32,442**	**3,446**	**178,726**
Profit for the year after tax	-	5,995	-	-	5,995
Other comprehensive income	-	-	(12,915)	-	(12,915)
Total comprehensive profit/(loss) for the year after tax	**-**	**5,995**	**(12,915)**	**-**	**(6,920)**
Transactions with owners in their capacity as owners	61,232	-	-	-	61,232
Share issue cost	(2,054)	-	-	-	(2,054)
Share based payments	-	-	-	72	72
As at 30 June 2014	**245,079**	**(37,068)**	**19,527**	**3,518**	**231,056**
As at 1 July 2012	**185,724**	**20,035**	**-**	**3,340**	**209,099**
Loss for the year after tax	-	(63,098)		-	(63,098)
Other comprehensive income	-	-	32,442	-	32,442
Total comprehensive profit/(loss) for the year after tax	**-**	**(63,098)**	**32,442**	**-**	**(30,656)**
Transactions with owners in their capacity as owners	177	-	-	-	177
Share based payments	-	-	-	106	106
As at 30 June 2013	**185,901**	**(43,063)**	**32,442**	**3,446**	**178,726**

The consolidated statement of changes in equity should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Cash Flows

For the Financial Year ended 30 June 2014

	Note	2014	2013
		$'000	$'000
Cash flows from operating activities			
Receipts from customers		**211,424**	213,400
Payments to suppliers and employees		**(160,447)**	(140,106)
Interest received		**687**	1,023
Interest paid and other finance costs		**(2,307)**	(1,474)
Net cash flows provided by operating activities	23(b)	**49,357**	72,843
Cash flows from investing activities			
Purchase of plant, equipment and development assets		**(70,887)**	(95,009)
Proceeds from the sale of non-current assets		**40**	-
Exploration and evaluation costs		**(6,042)**	(12,281)
Security deposit refund		**7,313**	3,536
Net cash flows used in investing activities		**(69,576)**	(103,754)
Cash flows from financing activities			
Proceeds from issue of shares		**61,232**	77
Payment of share issue costs		**(2,935)**	-
Payment of finance lease liabilities		**(1,243)**	(607)
Drawdown on finance facility		**-**	21,950
Repayment of Borrowings		**(10,000)**	(486)
Payment of loan establishment fees		**-**	(1,195)
Net cash flows provided by financing activities		**47,054**	19,739
Net (decrease) / increase in cash held		**26,835**	(11,172)
Add opening cash brought forward		**9,024**	20,196
Closing cash carried forward	23(a)	**35,859**	9,024

The consolidated statement of cash flows should be
read in conjunction with the notes to the financial statements.

Notes to the Consolidated Financial Statements

For the Financial Year ended 30 June 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

Saracen Mineral Holdings Limited is a for-profit, public company listed on the Australian Securities Exchange (trading under the symbol 'SAR'), incorporated and operating in Australia.

Operations and Principal Activities
The operations and principal activities comprise mineral development and exploration.

Registered Office
Level 4, 89 St Georges Terrace, Perth Western Australia 6000.

(b) Basis of preparation

Statement of compliance
The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors on 26 August 2013

Basis of measurement
The consolidated financial statements have been prepared on a going concern basis in accordance with the historical cost convention, unless otherwise stated.

Functional and presentation currency
These consolidated financial statements are presented in Australian dollars, which is the Group's functional currency.

Rounding off
The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise stated.

New, revised or amended standards and interpretations adopted by the group
The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.
Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.
Any significant impact on the accounting policies of the Group from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.
The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

(i) AASB Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine (Interpretation 20)

Interpretation 20 provides guidance on the accounting for waste removal (stripping) costs incurred in the production phase of a surface mine. This Interpretation has been adopted retrospectively from 1 July 2012, representing the beginning of the earliest period presented.

The Group has reviewed its deferred stripping costs and concluded that the application of AASB Interpretation 20 does not have any impact on the previous amounts recognised in the consolidated financial statements.

In order to reflect the requirements of Interpretation 20, the Group has adopted the accounting policy as set out in Note 1(t).

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New, revised or amended standards and interpretations adopted by the group (continued)

(ii) AASB 10, Consolidated Financial Statements

The Group has applied AASB 10 from 1 July 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The Group not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

(iii) AASB 11, Joint Arrangements

The Group has applied AASB 11 from 1 July 2013. The standard defines which entities qualify as joint arrangements and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets are accounted for using the equity method. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities, will account for its share of the assets, liabilities, revenues and expenses separately under the appropriate classifications.

(iv) AASB 12, Disclosure of Interests in Other Entities

The Group has applied AASB 12 from 1 July 2013. The standard contains the entire disclosure requirement associated with other entities, being subsidiaries, associates, joint arrangements (joint operations and joint ventures) and unconsolidated structured entities. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'.

(v) AASB 13, Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

The Group has applied AASB 13 and its consequential amendments from 1 July 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach is used to measure non-financial assets whereas liabilities are based on transfer value. The standard requires increased disclosures where fair value is used.
The application of AASB 13 has not changed the Group’s measurement techniques for determining fair value however it has resulted in the group providing additional disclosures in respect of its cash flow hedge in Note 26.

(vi) AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

The Group has applied AASB 119 and its consequential amendments from 1 July 2013. The standard eliminates the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The standard also changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. Annual leave that is not expected to be wholly settled within 12 months is now discounted allowing for expected salary levels in the future period when the leave is expected to be taken.

(vii) AASB 127 Separate Financial Statements (Revised), AASB 128 Investments in Associates and Joint Ventures (Reissued) and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New, revised or amended standards and interpretations adopted by the group (continued)

The Group has applied AASB 127, AASB 128 and AASB 2011-7 from 1 July 2013. AASB 127 and AASB 128 have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12 and AASB 2011-7 makes numerous consequential changes to a range of Australian Accounting Standards and Interpretations. AASB 128 has also been amended to include the application of the equity method to investments in joint ventures.

(viii) AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle

The Group has applied AASB 2012-5 from 1 July 2013. The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 'First-time Adoption of Australian Accounting Standards' is permitted; Clarification of borrowing cost exemption in AASB 1; Clarification of the comparative information requirements when an entity provides an optional third column or is required to present a third statement of financial position in accordance with AASB 101 'Presentation of Financial Statements'; Clarification that servicing of equipment is covered by AASB 116 'Property, Plant and Equipment', if such equipment is used for more than one period; clarification that the tax effect of distributions to holders of equity instruments and equity transaction costs in AASB 132 'Financial Instruments: Presentation' should be accounted for in accordance with AASB 112 'Income Taxes'; and clarification of the financial reporting requirements in AASB 134 'Interim Financial Reporting' and the disclosure requirements of segment assets and liabilities

(ix) AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities arising from Annual Improvements 2009-2011 Cycle

The Group has applied AASB 2012-2 from 1 July 2013. The amendments enhance AASB 7 'Financial Instruments: Disclosures' and requires disclosure of information about rights of set-off and related arrangements, such as collateral agreements. The amendments apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement.

(x) AASB 2011-4 Amendments to Australian Accounting Standards to Remove Key Management Personnel Disclosure Requirements and Revised Corporations Regulations 2M.3.03

The Group has applied 2011-4 from 1 July 2013, which amends AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). Corporations and Related Legislation Amendment Regulations 2013 and Corporations and Australian Securities and Investments Commission Amendment Regulation 2013 (No.1) now specify the KMP disclosure requirements to be included within the directors' report.

New standards and interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2014. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

(i) AASB 9 Financial Instruments and its consequential amendments

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2017 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The Group will adopt this standard and the amendments from 1 July 2017. The adoption of AASB 9 and its consequential amendments will not have a material impact on the Group.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New, revised or amended standards and interpretations adopted by the group (continued)

(ii) AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities

The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of 'currently has a legally enforceable right of set-off'; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement. The adoption of the amendments from 1 July 2014 will not have a material impact on the Group.

(iii) AASB 2013-3 Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets

These amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed. The adoption of these amendments from 1 July 2014 may increase the disclosures by the Group.

(iv) Annual Improvements to IFRSs 2010-2012 Cycle

These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects several Accounting Standards as follows: Amends the definition of 'vesting conditions' and 'market condition' and adds definitions for 'performance condition' and 'service condition' in AASB 2 'Share-based Payment'; Amends AASB 3 'Business Combinations' to clarify that contingent consideration that is classified as an asset or liability shall be measured at fair value at each reporting date; Amends AASB 8 'Operating Segments' to require entities to disclose the judgements made by management in applying the aggregation criteria; Clarifies that AASB 8 only requires a reconciliation of the total reportable segments assets to the entity's assets, if the segment assets are reported regularly; Clarifies that the issuance of AASB 13 'Fair Value Measurement' and the amending of AASB 139 'Financial Instruments: Recognition and Measurement' and AASB 9 'Financial Instruments' did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amount, if the effect of discounting is immaterial; Clarifies that in AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets', when an asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount (i.e. proportional restatement of accumulated amortisation); and Amends AASB 124 'Related Party Disclosures' to clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a 'related party' of the reporting entity. The adoption of these amendments from 1 July 2014 will not have a material impact on the Group.

(v) Annual Improvements to IFRSs 2011-2013 Cycle

These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects four Accounting Standards as follows: Clarifies the 'meaning of effective IFRSs' in AASB 1 'First-time Adoption of Australian Accounting Standards'; Clarifies that AASB 3 'Business Combination' excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself; Clarifies that the scope of the portfolio exemption in AASB 13 'Fair Value Measurement' includes all contracts accounted for within the scope of AASB 139 'Financial Instruments: Recognition and Measurement' or AASB 9 'Financial Instruments', regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132 'Financial Instruments: Presentation'; and Clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in AASB 3 'Business Combinations' and investment property as defined in AASB 140 'Investment Property' requires the separate application of both standards independently of each other. The adoption of these amendments from 1 July 2014 will not have a material impact on the consolidated entity.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant Judgements and Estimates

The preparation of the consolidated financial statements in conformity with Australian Accounting Standards requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the Group. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The Group has identified the Provision for Rehabilitation (Note 1(v) and Note 17), Deferred Exploration and Evaluation Costs (Note 1(s) and Note 14), Mine Properties (Note 1(t) and Note 15), the acquisition of Thunderbox (Note 1(y) and Note 15), Inventories (Note 1(n) and Note 9), Cash Flow Hedges (Note 1(z) and Note 11), Share Based Payments (Note 1(i) and Note 21), Reserve Estimates (Note 1(t)), the Estimation of obligations for post-employment costs (Note 1(i)) and Deferred Tax (Note 1(f) and Note 4), under which significant judgements, estimates and assumptions are made, and where actual results may differ from those estimates under different assumptions and conditions.

(c) Principles of Consolidation

Subsidiaries

The consolidated financial statements comprise the financial statements of Saracen Mineral Holdings Limited and its subsidiaries as at 30 June each year (the Group).

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The acquisition method of accounting is used to account for business combinations by the group.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses from intra-group transactions have been eliminated in full. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

(d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors.

(e) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must be met before revenue is recognised:

Gold and silver sales

Revenue from the sale of gold and silver is measured at fair value of the consideration received or receivable. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Interest income

Interest income is recognised when the Group gains control of the right to receive the interest payment.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Taxation

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises assets and liabilities for the potential tax effect based on the Group's current understanding of tax laws and requirements. Where the final tax outcome of these items is different from the carrying amounts, such differences will impact the current and deferred tax assets and/or provisions in the period in which such determination is made.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(g) Financial Assets and Liabilities

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when the Group becomes party to the contractual provisions of the financial instrument. A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred and no longer controlled by the entity. A financial liability is removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expires.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial Assets and Liabilities (continued)

Listed shares held for trading are included in the category financial assets at fair value through profit and loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss.

Financial assets not measured at fair value comprise:

- loans and receivables being non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are measured at amortised cost using the effective interest method.
- held-to-maturity investments being non-derivative financial assets with fixed or determinable payments and fixed maturity that will be held to maturity. These are measured at amortised cost using the effective interest method.
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured. These are measured at cost.

Available-for-sale financial assets are non-derivative financial assets that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. A gain or loss arising from a change in the fair value of an available-for-sale financial asset is recognised directly in equity, through the statement of changes in equity (except for impairment losses and foreign exchange gains and losses) until the financial asset is derecognised at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss.

(h) Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a straight-line method over the estimated useful life, or over the remaining life of mine if that is shorter and there is no alternative use for the asset. The useful lives of major assets of a cash-generating unit are often dependant on the lives of the orebodies in the region to which they relate. Where the major assets of a cash-generating unit are not dependant on the life of a related ore orebody, management applies judgement in estimating the remaining service potential of long-lived assets.

The following useful lives are used in the calculation of depreciation:

Plant and equipment	3 – 33 years

Capital work in progress is not depreciated, and is transferred to the relevant asset category on completion.

Where depreciation is attributable to exploration and evaluation activities, costs are treated in accordance with the Accounting Policy Note 1(s). The assets' residual value, useful lives and amortisation methods are reviewed at each financial year end and if appropriate adjusted.

(i) Employee Benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Employee Benefits (continued)

Share-based payments

Share based compensation benefits are provided to employees via the Incentive Option Scheme and to the Managing Director via a Performance Rights Plan (Note 21). The fair value of options granted under these schemes is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options. The fair value at grant date is determined using an appropriate valuation methodology.

(j) Superannuation Funds

The Group contributes to several accumulation type superannuation funds. Contributions are charged as an expense as they are made. Further information is set out in Note 20(d).

(k) Earnings Per Share

Basic earnings per share is calculated as net profit/(loss) attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit/(loss) attributable to members, adjusted for costs of servicing equity (other than dividends) and preference share dividends, the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses, and other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(l) Cash and Cash Equivalents

Cash on hand and in bank and short-term deposits are stated at nominal value. For the purpose of the statement of cash flows, cash includes cash on hand and in bank, and bank securities readily convertible to cash, net of outstanding bank overdrafts.

(m) Trade and Other Receivables

Receivables to be settled within 30 - 90 days are carried at amounts due. The collectability of debts is assessed at the reporting date and specific allowance is made for any doubtful accounts.

(n) Inventories

Raw materials and stores are valued at the lower of cost and net realisable value. Regular reviews are undertaken to establish whether any items are obsolete or damaged, and if so their carrying value is written down to net realisable value.

Inventories of ore and gold in circuit are valued at the lower of cost and net realisable value. Costs comprise direct material, labour and an appropriate proportion of variable and fixed overhead on the basis of normal operating capacity, and are included as part of mine operating costs in the consolidated statement of profit or loss and comprehensive income. Net realisable value is the estimated selling price in the ordinary course of business less cost of completion and the estimated cost necessary to perform the sale.

Inventories require certain estimates and assumptions most notably in regards grades, volumes and densities. Such estimates and assumptions may change as new information becomes available and could impact on the carrying value of inventories (Note 9).

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Where an impairment loss subsequently reverses, the carrying amount of the asset, other than goodwill, is increased to the revised estimate of its recoverable amount, but only to the extent the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(p) Trade and Other Payables

Liabilities are recognised for amounts to be paid in the future for goods and services received whether or not billed to the Group. Trade payables are usually settled within 30 days of recognition.

(q) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

(r) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable a future sacrifice of economic benefits will be required and a reliable estimate of obligation can be made.

(s) Exploration and Evaluation Expenditure

Exploration and evaluation costs related to areas of interest are carried forward to the extent that:

- the rights to tenure of the areas of interest are current and the Group controls the area of interest in which the expenditure has been incurred; and
- such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale; or
- exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation costs include the acquisition of rights to explore, studies, exploratory drilling, sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

The above accounting policy requires certain estimates and assumptions on future events and circumstances, in particular whether an economically viable extraction operation can be established. These estimates and assumptions may change as new information becomes available and could have a material impact on the carrying value of deferred exploration and evaluation costs (Note 14). Exploration and evaluation assets are assessed for impairment where facts and circumstances suggest that the carrying amount of the assets may exceed its recoverable amount. If the recoverable amount is less than the carrying amount, the asset is written down to its recoverable amount and an impairment loss recognised.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Exploration and Evaluation Expenditure (continued)

Where economically recoverable reserves for an area of interest have been identified, and a decision to develop has occurred, capitalised expenditure is classified as mines under construction. In the event that an area of interest is abandoned or if the directors consider the expenditure to be of no value, accumulated costs carried forward are written off in the year in which that assessment is made.

(t) Mines Properties

Mines under construction are accumulated separately for each area of interest in which economically recoverable reserves have been identified and a decision to develop has occurred. This expenditure includes all capitalised exploration and evaluation expenditure in respect of the area of interest, direct costs of construction, an appropriate allocation of overheads and where applicable borrowing costs capitalised during construction. Once mining of the area of interest can commence, the aggregated capitalised costs are classified under non-current assets as mines in production.

Mines in production represent the aggregated exploration and evaluation expenditure and capitalised development costs in respect of areas of interest in which mining is ready to or has commenced. Mine development costs are deferred until commercial production commences, at which time they are amortised on a units-of-production basis over the mineable reserves. Once production commences, further development expenditure is classified as part of the cost of production, unless substantial future economic benefits can be established.

Deferred stripping costs represent certain mining costs, principally those that relate to the stripping of waste, which provides access so that future economically recoverable ore can be mined. Stripping (i.e. overburden and other waste removal) costs incurred in the production phase of a surface mine are capitalised to the extent that they improve access to an identified component of the ore body and are subsequently amortised on a systematic basis over the expected useful life of the identified component of the ore body. Capitalised stripping costs are disclosed as a component of Mine Properties.

Components of an ore body are determined with reference to life of mine plans and take account of factors such as the geographical separation of mining locations and/or the economic status of mine development decisions.

Capitalised stripping costs are initially measured at cost and represent an accumulation of costs directly incurred in performing the stripping activity that improves access to the identified component of the ore body, plus an allocation of directly attributable overhead costs.

The amount of stripping costs deferred is based on a relevant production measure which uses a ratio obtained by dividing the tonnage of waste mined by the quantity of ore mined for an identified component of the ore body. Stripping costs incurred in the period for an identified component of the ore body are deferred to the extent that the current period ratio exceeds the expected ratio for the life of the identified component of the ore body. Such deferred costs are then charged against the income statement on systematic units of production basis over the expected useful life of an identified component of the ore body. The expected life of mine and component ratio is based on proved and probable reserves of the mine as per the annual mine plan. These are a function of the mine design and therefore any changes to the design will generally result in changes to the ratio. Changes in other technical or economic parameters that impact on reserves may also have an impact on the component ratio even though they may not impact the mine design.

Changes to the life of mine plan, identified components of an ore body, stripping ratios, units of production and expected useful life are accounted for prospectively.

Deferred stripping costs form part of the total investment in a cash generating unit, which is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Mines Properties (continued)

Transition

The transitional provisions of Interpretation 20 require that it be applied from 1 July 2012, being the beginning of the earliest period presented in the financial report. Any previously recognised asset balance that resulted from stripping activity (predecessor stripping asset) shall be reclassified as part of an existing asset to which the stripping asset related, to the extent that there remains an identifiable component of the ore body with which the predecessor stripping asset can be associated. Such balances shall be amortised over the remaining expected useful life of the identified component of the ore body to which each predecessor stripping asset balance relates.

To the extent there is no identifiable component of the ore body to which the predecessor stripping asset relates, the asset has been written off to opening retained earnings at the beginning of the earliest period presented in the financial report, being 1 July 2012.

The group has reviewed its deferred stripping costs and concluded that the application of AASB Interpretation 20 does not have any impact on the previous amounts recognised in the consolidated financial statements.

Reserve estimates

Estimates of recoverable quantities of proven and probable reserves include assumptions regarding commodity prices, exchange rates, discount rates, production and transportation costs for future cash flows. It also requires interpretation of complex and difficult geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reserves and their anticipated recoveries. The economic, geological and technical factors used to estimate reserves may change from period to period. Changes in reported reserves can impact asset carrying values, the provision for restoration and the recognition of deferred tax assets, due to changes in expected future cash flows. Reserves are integral to the amount of depreciation, depletion and amortisation charged to the profit or loss and the calculation of inventory. The Group prepares reserve estimates in accordance with the JORC Code, guidelines prepared by the Joint Ore Reserves Committee of The Australian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Mineral Council of Australia.

(u) Borrowing Costs

Borrowing costs incurred for the acquisition, construction or production of qualifying assets are capitalised during the period of time it is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are recognised as an expense in the period in which they are incurred.

(v) Restoration, Rehabilitation and Environmental Provision

Obligations associated with exploration and development assets are recognised when the Group has a present obligation, the future sacrifice of the economic benefits is probable, and the provision can be measured reliably. The provision is measured at the present value of the future expenditure and a corresponding rehabilitation asset is also recognised. The determination of the provision requires significant judgement in terms of the best estimate of the costs of performing the work required, the timing of the cash flows and the appropriate discount rate. In support of these judgements, the Group periodically seeks independent external advice on the adequacy of the provision. A change in any, or a combination of, the key assumptions used to determine the provision could have a material impact on the carrying value of the provision (Note 17).

On an ongoing basis, the rehabilitation will be remeasured in line with the changes in the time value of money (recognised as an expense and an increase in the provision), and additional disturbances (recognised as additions to a corresponding asset and rehabilitation liability).

(w) Contributed Equity

Ordinary share capital is recognised at the fair value of the consideration received by the Group or at the fair value of equity issued as consideration for the acquisition of assets. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Leased Assets

Leases are classified as finance leases when the terms of the lease transfer substantially all of the risks and rewards incidental to ownership of the leased assets to the lessee. All other leases are classified as operating leases. Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are expensed, unless they are directly attributable to qualifying assets, in which case they are capitalised. Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset. Where amortisation is attributable to exploration and evaluation activities, costs are treated in accordance with the Accounting Policy Note 1(s).

Operating lease payments are recognised as an expense on a straight line basis over the lease term.

(y) Asset Acquisition not constituting a Business

When an asset acquisition does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their relative fair values in an asset purchase transaction and no deferred tax will arise in relation to the acquired assets and assumed liabilities as the initial recognition exemption for deferred tax under AASB 112 applies. No goodwill will arise on the acquisition and transaction costs of the acquisition will be included in the capitalised cost of the asset.

(z) Derivative Financial Instruments, including hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and commodity risk exposures. On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to hedged risk, and whether the actual results of each hedge are within a range of 80 – 125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that ultimately could affect reporting profit or loss.

Derivatives are recognised initially at fair value; any attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, any changes therein are accounted for as described below.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the hedged item is a non-financial asset, the amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the non-financial item affects profit or loss. In other cases as well, the amount accumulated in equity is reclassified to profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(aa) Capital Management

Management's objective is to ensure the Group continues as a going concern and in the interests of shareholders. It aims to maintain a capital structure with the lowest cost of capital available to the Group. The Group has detailed planning processes, budgets and cash flow forecasts through which it continually monitors its position against the above objectives. At 30 June 2014 the capital structure consisted of total shareholders' funds, cash and other financial assets less finance lease borrowings and borrowings from Macquarie Bank Limited.

(ab) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with the current year disclosures.

NOTE 2 REVENUE AND EXPENSES

	2014 $'000	2013 $'000
Gold sales	**210,764**	210,156
Silver sales	**660**	449
Revenue from continuing operations	**211,424**	210,605
Interest revenue	**705**	912
Other revenue	**71**	165
Other revenue	**776**	1,077
Total revenue	**212,200**	211,682
Amortisation of mine properties	**23,475**	54,145
Depreciation of plant and equipment	**8,643**	8,133
Depreciation and amortisation	**32,118**	62,278
Directors and employee expenses	**6,949**	6,581
Indirect taxes and charges	**1,939**	637
Management fees	**360**	834
Professional fees	**218**	509
Other	**921**	669
Administration expenses	**10,387**	9,230
Borrowing costs	**2,530**	1,474
Finance costs	**2,530**	1,474
Perth office rentals	**404**	398
Provision of office facilities to Chairman (note 24)	**360**	330
Operating lease rentals	**764**	728
Defined contribution superannuation expense	**2,447**	2,798

NOTE 3 AUDITOR'S REMUNERATION

	2014 $'000	2013 $'000
Amounts received or due and receivable by the auditor of the Group for:		
BDO Audit (WA) Pty Ltd		
- Audit / review of the financial report	**98**	-
- Tax services	**30**	-
BDO East Coast Partnership		
- Audit / review of the financial report	**-**	130
- Tax services	**-**	28
	128	158

	2014	2013
	$'000	$'000

NOTE 4 INCOME TAX

(a) Income tax expense comprises:

	2014 $'000	2013 $'000
Current income tax		
- Current income tax charge / (benefit)	**(9,104)**	(12,955)
- Under / (over) recognition in the prior year	**(499)**	331
Deferred tax		
- Movement in temporary differences	**11,498**	(12,602)
Income tax expense / (benefit)	**1,895**	(25,226)

(b) Reconciliation of prima facie income tax expense to income tax expense per the Consolidated Statement of Profit or Loss and Comprehensive Income:

	2014 $'000	2013 $'000
Accounting profit / (loss) before tax	**7,890**	(88,324)
Prime facie income tax expense / (benefit) at 30%	**2,367**	(26,497)
- Non-deductible expenses	**27**	940
- Recognition of previously unrecognised temporary differences	**(499)**	331
Income tax (benefit)/expense	**1,895**	(25,226)
Effective tax rate	**24%**	28%

(c) Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Balance at 1 July 2013 $'000	**Charged / credited to income** $'000	**Charged / credited to equity** $'000	**Balance at 30 June 2014** $'000
Deferred tax assets				
Tax losses	**31,172**	**(8,112)**	**-**	**23,060**
Provisions	**4,504**	**3,233**	**-**	**7,737**
Other	**105**	**(41)**	**-**	**64**
Undeducted borrowing cost	**-**	**83**	**-**	**83**
Undeducted share issue costs	**837**	**(529)**	**881**	**1,189**
Total	**36,618**	**(5,366)**	**881**	**32,133**
Deferred tax liabilities				
Deferred mining expenditure	**(21,659)**	**3,443**	**-**	**(18,216)**
Plant and equipment	**(28)**	**28**	**-**	**-**
Derivatives	**(13,904)**	**-**	**5,535**	**(8,369)**
Total	**(35,591)**	**3,471**	**5,535**	**(26,585)**
Net deferred tax asset/(liability)	**1,027**	**(1,895)**	**6,416**	**5,548**

(d) Tax-consolidated group

Saracen Mineral Holdings Limited and its wholly-owned subsidiaries formed a tax consolidated group with effect from 1 July 2003. Saracen Mineral Holdings Limited is the head entity in the tax consolidated group. At the financial year end, members of the tax consolidated group have not yet entered into a tax funding arrangement. Hence, no compensation is receivable or payable for any deferred tax asset arising from tax losses or current tax payable assumed by the head entity from the wholly owned subsidiaries.

NOTE 5 EARNINGS PER SHARE

The following reflects the income and share data used in the calculations of basic and diluted earnings per share.

	2014 $'000	2013 $'000
Net profit/(loss) from continuing operations	**5,995**	(63,098)
Net profit/(loss) after tax	**5,995**	(63,098)

	Number	Number
Weighted average number of ordinary shares for basic earnings per share	**655,751,724**	595,079,274
Effect of dilution – share options and performance rights	**1,500,000**	-
Weighted average number of ordinary shares adjusted for the effect of dilution	**657,251,724**	595,079,274

Due to the Group being in a loss position in 2013 there was no dilution on shares in that year.

NOTE 6 DIVIDENDS

During the year no dividends were paid or provided for

	2014 $'000	2013 $'000
Franking account balance at the end of the financial year at 30%	**19**	19

NOTE 7 TRADE AND OTHER RECEIVABLES

	2014 $'000	2013 $'000
Current		
Goods and services tax (GST) recoverable	**2,396**	2,492
Other (i)	**447**	557
	2,843	3,049

(i) Other receivables comprise accrued interest income and fuel supplied to contractors which are settled on 30 day terms. These receivables are within term and do not show signs of impairment.

The Group's exposure to credit and market risks is disclosed in Note 26.

NOTE 8 OTHER FINANCIAL ASSETS

	2014 $'000	2013 $'000
Listed shares at fair value	**27**	85

The value of listed shares, designated as financial assets at fair value through profit and loss, has been determined by reference to the quoted last trade price at the close of business on the reporting date. Listed shares are readily saleable and have no fixed maturity date.

NOTE 9 INVENTORIES

	2014 $'000	2013 $'000
Ore stocks (i)	**7,136**	10,625
Gold in circuit	**3,028**	3,874
Gold on hand	**2,849**	5,027
Consumable supplies and spares	**5,738**	6,010
Consumables acquired on acquisition of Thunderbox (note 15)	**500**	-
	19,251	25,536

(i) Inventories require estimates and assumptions most notably in regards to grades, volumes, densities, future completion costs and ultimate sale price. Such estimates and assumptions may change as new information becomes available which may impact upon the carrying value of inventory. There were no write down to net realisable value of ore stockpiles in the current financial year (2013: $22,885,000).

NOTE 10 OTHER ASSETS	2014 $'000	2013 $'000
Prepayments	**746**	665

Prepayments consist of prepaid insurance and prepaid establishment fees on the Macquarie Bank Limited debt facilities.

NOTE 11 FINANCIAL DERIVATIVE INSTRUMENTS

Financial derivative assets		
Current: Cash flow hedge asset	**14,992**	17,652
Non-Current: Cash flow hedge asset	**13,158**	28,694
Current: Cash flow hedge liability	**(255)**	-
	27,895	46,346

On 18 December 2013 an additional 38,500 ounces of gold was added to Saracen's hedging programme to bring the total hedging at that date to 180,000 ounces at an average price of $1,627.50. As at 30 June 2014, Saracen had 128,387 ounces hedged at an average price of $1,660.84 to be delivered into over the period from July 2014 to July 2016.

The gain or loss from remeasuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve to the extent that the hedge is effective. All hedging was deemed effective as at reporting date.

NOTE 12 OTHER FINANCIAL ASSETS

Security deposits	**110**	7,423

The Department of Mines and Petroleum ("DMP") has transitioned to a new rehabilitation regime where bonds are no longer required to be provided to the DMP but instead a Levy is paid to fund the Mining Rehabilitation Fund (MRF). The $110,000 is held as security for miscellaneous guarantees provided by the Commonwealth Bank.

NOTE 13 PLANT AND EQUIPMENT

Plant and equipment		
Opening balance net of accumulated depreciation	**34,712**	28,895
Acquired on acquisition of Thunderbox (refer to note 15)	**8,167**	-
Additions	**67**	-
Transfer from capital work in progress	**5,536**	10,579
Transfer from equipment under finance lease	**-**	4,835
Transferred from deferred exploration	**-**	195
Disposals	**(32)**	(1,659)
Depreciation	**(8,643)**	(8,133)
Closing balance net of accumulated depreciation	**39,807**	34,712
Equipment under finance lease		
Opening balance net of accumulated depreciation	**-**	2,525
Additions	**-**	2,310
Transfer to plant and equipment	**-**	(4,835)
Closing balance net of accumulated depreciation	**-**	-
Capital work in progress		
Opening balance net of accumulated depreciation	**5,493**	3,342
Additions	**9,841**	15,650
Transfer to mines in production	**(5,665)**	(2,920)
Transfer to plant and equipment	**(5,536)**	(10,579)
Closing balance net of accumulated depreciation	**4,133**	5,493
Cost	**65,293**	52,936
Accumulated depreciation	**(21,353)**	(12,731)
Net carrying amount	**43,940**	40,205

NOTE 14 DEFERRED EXPLORATION AND EVALUATION COSTS

	2014 $'000	2013 $'000
Deferred exploration and evaluation costs		
Balance at the start of the year	**22,098**	26,485
Additions	**6,042**	12,292
Transferred from mines under construction	**-**	2,496
Transferred from mines in production	**-**	2,656
Transferred to plant and equipment	**-**	(195)
Transferred to mines in production	**-**	(12,534)
Impairment of deferred exploration	**-**	(9,102)
Capitalised exploration written off	**(329)**	-
Balance at the end of the year	**27,811**	22,098

The ultimate recoupment of costs carried forward is dependent on the successful development and commercial exploitation or sale of the areas of interest.

The Group has interests in the following non-wholly owned exploration activities:

Agreement	Principal Activity	Percentage Interest	Other Participants
PHANTOM WELL	Exploration	81.4%	Royal Harry Gold Mines NL
MOUNT MINNIE	Exploration	73.9%	Anglogold Ashanti Australia Ltd
WILGA WELL WEST	Exploration	90.0%	Richmond, William Robert
MOUNT FLORENCE	Exploration	87.8%	Ladyman, R.P; Ladyman, I.M; Evans, A.
LEHMANNS WELL	Exploration	90.0%	Black Mountain Gold Ltd
SPIDER WELL	Exploration	65.0%	Devant Pty Ltd; Charles George Chitty
WARRIDA WELL	Exploration	67.8%	Agnew Gold Mining Company

As at 30 June 2014 the Group's interests in the above mentioned exploration activities, being deferred exploration and evaluation costs, total $3,034,414 (2013: $1,950,066).

In order to maintain current rights of tenure to exploration tenements, the Group is required to meet minimum expenditure requirements. As these expenditure commitments can be reduced by selective rationalisation of interests in exploration tenements or by renegotiation of the agreement terms it is difficult to accurately forecast the amount of future expenditure. The Group's nominal expenditure obligations over the above tenements for the next 12 months are approximately $1.1 million. Contingent liabilities are nil.

NOTE 15 MINE PROPERTIES

	2014 $'000	2013 $'000
Mine properties		
Mines under construction	**36,213**	-
Mines in production	**80,480**	78,313
Deferred mining expenditure	**32,208**	3,595
Balance at the end of the year	**148,901**	81,908
Mines under construction		
Balance at the start of the year	**-**	41,706
Additions – Thunderbox Project (note 15)	**16,333**	666
Additions - Other	**10**	-
Transferred to deferred exploration and evaluation costs	**-**	(2,496)
Transferred to mines in production	**-**	(39,876)
Increase in rehabilitation provision (Thunderbox Project)(note 17)	**19,870**	-
Balance at the end of the year	**36,213**	-

	2014	2013
	$'000	$'000

NOTE 15 MINE PROPERTIES (continued)

On 7 May 2014, the Group completed the acquisition of the Thunderbox Project from Norilsk Nickel Australia Pty Ltd. The project is still in the development phase and no processes or outputs were acquired. As a result of this, the acquisition was assessed as an asset acquisition rather than a business combination. The total consideration of $25 million ($20 million paid, $2 million provided for relating to stamp duties and $3 million deferred consideration) were allocated as follows:-

Mines under construction	$16.3 million
Property Plant and Equipment	$ 8.2 million
Inventory	$ 0.5 million

The $3 million of deferred consideration is payable at the earlier of:-

- disposal of an interest of 50% or more in the Project (by the Group)
- commencement of commercial production of ore; and
- the first day of the calendar month immediately following the second anniversary of the acquisition if on such date the average daily Gold Price over the preceding month is equal to or exceeds AUS$1550.

Based on the outcome of pre-feasibility study undertaken during the due diligence process prior to the acquisition of the Thunderbox Project, the Group determined it probable that the project would be moved into production in the near future and therefore the Group proceeded with the acquisition. Due to the commercial production of ore being probable, the Group has provided for the $3 million of deferred consideration (note 17) in the 2014 financial year.

Mines in production		
Balance at the start of the year	**78,313**	52,101
Additions	**9,881**	66,098
Transferred from capital work in progress	**5,665**	2,920
Transferred from deferred exploration and evaluation costs	**-**	12,534
Transferred to deferred exploration and evaluation costs	**-**	(2,656)
Transferred from mines under construction	**-**	39,876
Amortisation for the year	**(23,475)**	(54,145)
Impairment of mines in production	**-**	(39,078)
Increase in rehabilitation provision	**10,096**	663
Balance at the end of the year	**80,480**	78,313

The Group undertakes regular impairment reviews incorporating an assessment of recoverability of cash generating assets. Cash generating assets relate to specific areas of interest in the Group's mine property assets. The recoverable value of specific areas of interest are assessed by value in use calculations determined with reference to the projected net cash flows estimated under the life of mine plan. No impairment charges for producing mines have been recorded in 2014.

Deferred mining expenditure		
Balance at the start of the year	**3,595**	16,230
Additions	**32,208**	11,899
Expensing of deferred costs	**(3,595)**	(15,952)
Impairment of deferred mining expenditure	**-**	(8,582)
Balance at the end of the year	**32,208**	3,595

Reconciliation of impairment		
Impairment of mines in production	**-**	39,078
Impairment of deferred mining expenditure	**-**	8,582
Balance at the end of the year	**-**	47,660

NOTE 16 TRADE AND OTHER PAYABLES

Current		
Trade and other payables	**16,128**	18,788

Trade and other payables are non-interest bearing and are normally settled on 30 day terms.

NOTE 17 PROVISIONS

	2014 $'000	2013 $'000
Current		
Employee benefits	**3,683**	2,454
Provision for stamp duty – Thunderbox Acquisition (note 15)	**2,000**	-
Provision for rehabilitation	**100**	100
	5,783	2,554
Non-current		
Employee benefits	**437**	217
Deferred consideration – Thunderbox Acquisition (note 15)	**3,000**	-
Provision for rehabilitation	**42,482**	12,241
	45,919	12,458
Movement in provision for rehabilitation		
Balance at the start of the year	**12,341**	11,550
Unwinding of discount	**274**	-
Increase as a result of Thunderbox acquisition	**19,870**	-
Increase in provision on existing assets	**10,097**	791
Balance at the end of the year	**42,582**	12,341

The nature and purpose of the provision for rehabilitation is disclosed in Note 1(v).

NOTE 18 BORROWINGS

	2014 $'000	2013 $'000
Current		
Finance lease liabilities	**1,722**	1,217
	1,722	1,217
Non-current		
Macquarie Bank loan	**11,950**	21,950
Prepaid establishment fees	**(570)**	(951)
Finance lease liabilities	**943**	2,624
	12,323	23,623

(a) Macquarie Bank Loan

At inception, the Group had the following debt finance facilities from Macquarie Bank Limited ("MBL"):

- Debt facility of $50 million, comprising a $35 million project loan facility, and a $15 million revolving working capital facility, with a term of three years;
- DMP environmental bonding facility of $20 million; and
- Provision for an additional conditional $15 million mezzanine facility, should Saracen wish to access it for further project expansion purposes in the future.

During the year the Group elected to close out the project loan and mezzanine portions of the facilities and amended the total availability of the working capital facility to $25 million and the environmental bonding facility to $6 million..

The security for the facilities is a first ranking charge over the key assets and core project tenements of the Carosue Dam Operations as well as a floating corporate charge over Saracen Mineral Holdings Limited and Saracen Gold Mines Pty Ltd.

As at 30 June 2014, $11,950,100 has been drawn down on the working capital facility. The available working capital facility amount reduces to $15 million on 30 June 2015 with the final repayment due by 31 December 2015.

The group's exposure to risks arising from current and non-current liabilities is set out in Note 26.

(b) Leasing arrangements

Finance leases relate to equipment and vehicles with lease terms not exceeding 5 years.

NOTE 18 BORROWINGS (continued)

(c) Finance lease liabilities

	Minimum future lease payments		Present value of minimum future lease payments	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
No later than 1 year	**1,844**	1,452	**1,722**	1,217
Later than 1 year and not later than 5 years	**987**	2,788	**943**	2,624
Minimum future lease payments	**2,831**	4,240	**2,665**	3,841
Less future finance charges	**(166)**	(399)	**-**	-
Present value of minimum lease payments	**2,665**	3,841	**2,665**	3,841

Included in the Statement of Financial Position as:		
Current Borrowings	**1,722**	1,217
Non-current Borrowings	**943**	2,624
	2,665	3,841

NOTE 19 CONTRIBUTED EQUITY AND RESERVES

	Number of shares	**2014 $'000**	Number of shares	2013 $'000
(a) Issued capital				
Ordinary shares fully paid	**792,784,738**	**245,079**	595,263,186	185,901

The Company does not have a limited authorised capital and issued shares have no par value.

(b) Movements in shares on issue

Beginning of the financial period	**595,263,186**	**185,901**	594,815,640	185,724
- share placement & rights issue (i)	**155,812,369**	**48,302**	-	-
- rights issue (ii)	**41,709,183**	**12,930**	-	-
- acquisition settlement	**-**	**-**	181,818	100
- options exercise	**-**	**-**	219,966	77
- options exercise	**-**	**-**	45,762	-
- share issue costs	**-**	**(2,935)**	-	-
- Tax effect on share issue costs	**-**	**881**	-	-
End of the financial period	**792,784,738**	**245,079**	595,263,186	185,901

(i) On 7 March 2014, the Company issued 155,812,369 fully paid ordinary shares in the Institutional Tranche of a share placement and rights issue. This Tranche raised $48,301,834 before expenses.

(ii) On 27 March 2014, the Company issued 41,709,183 fully paid ordinary shares in the Retail Tranche of the rights issue. This Tranche raised $12,929,847 before expenses.

(c) Share options

	2013	**Granted**	**Exercised**	**Lapsed**	**2014**
Unlisted incentive options exercisable between 1 October 2013 and 31 December 2013 at 58.00 cents each	**2,796,550**	**-**	**-**	**2,796,550**	**-**
Unlisted incentive options exercisable between 1 October 2013 and 31 December 2013 at 92.00 cents each	**331,500**	**-**	**-**	**331,500**	**-**
Unlisted incentive options exercisable between 1 March 2014 and 31 May 2014 at 96.00 cents each	**497,250**	**-**	**-**	**497,250**	**-**
Unlisted incentive options exercisable between 1 October 2014 and 31 December 2014 at 100.00 cents each	**497,250**	**-**	**-**	**140,250**	**357,000**
	4,122,550	**-**	**-**	**3,765,550**	**357,000**

NOTE 19 CONTRIBUTED EQUITY AND RESERVES (continued)

(c) Share options (continued)

	2012	Granted	Exercised	Lapsed	2013
Listed participating options exercisable on or before 30 June 2013 at 23.51 cents each	7,086,993	-	3,300	7,083,693	-
Unlisted participating options exercisable on or before 30 June 2013 at 23.51 cents each.	2,500,000	-	-	2,500,000	-
Unlisted incentive options exercisable on or before 31 October 2012 at 50.00 cents each	200,000	-	-	200,000	-
Unlisted incentive options exercisable on or before 30 November 2012 at 60.00 cents each	200,000	-	-	200,000	-
Unlisted incentive options exercisable on or before 31 December 2012 at 65.00 cents each	200,000	-	-	200,000	-
Unlisted incentive options exercisable on or before 31 January 2013 at 35.00 cents each	524,997	-	524,997	-	-
Unlisted incentive options exercisable on or before 28 February 2013 at 45.00 cents each	758,335	-	-	758,335	-
Unlisted incentive options exercisable on or before 31 March 2013 at 55.00 cents each	758,336	-	-	758,336	-
Unlisted incentive options exercisable between 1 October 2012 and 31 December 2012 at 53.00 cents each	2,354,500	-	-	2,354,500	-
Unlisted incentive options exercisable between 1 March 2013 and 31 May 2013 at 55.00 cents each	3,531,750	-	-	3,531,750	-
Unlisted incentive options exercisable between 1 October 2013 and 31 December 2013 at 58.00 cents each	3,531,750	-	-	735,200	2,796,550
Unlisted incentive options exercisable between 1 March 2013 and 31 May 2013 at 84.00 cents each	365,500	-	-	365,500	-
Unlisted incentive options exercisable between 1 October 2013 and 31 December 2013 at 92.00 cents each	365,500	-	-	34,000	331,500
Unlisted incentive options exercisable between 1 March 2014 and 31 May 2014 at 96.00 cents each	548,250	-	-	51,000	497,250
Unlisted incentive options exercisable between 1 October 2014 and 31 December 2014 at 100.00 cents each	548,250	-	-	51,000	497,250
	23,474,161	-	528,297	18,823,314	4,122,550

(d) Performance Rights (See note 21(a))

	2013	Granted	Exercised	Lapsed	2014
Class A performance rights vesting on 19 November 2016	**-**	**600,000**	**-**	**-**	**600,000**
Class B performance rights vesting on 19 November 2016	**-**	**300,000**	**-**	**-**	**300,000**
Class C performance rights vesting on 19 November 2016	**-**	**600,000**	**-**	**-**	**600,000**
	-	**1,500,000**	**-**	**-**	**1,500,000**

(e) Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

(f) Reserves

	2014	2013
	$'000	$'000
Share based payments		
Balance at beginning of year	**3,446**	3,340
Share based payments - options	**14**	106
Share based payments – performance rights	**58**	-
Balance at end of year	**3,518**	3,446

The share based payments reserve is used to recognise the fair value of options and performance rights issued.

NOTE 19 CONTRIBUTED EQUITY AND RESERVES (continued)

(f) Reserves (continued)

	2014 $'000	2013 $'000
Cash Flow Hedge Reserve		
Balance at beginning of year	**32,442**	-
Hedge reserve	**(18,450)**	32,442
Tax effect on the movement in hedge reserve	**5,535**	-
Balance at end of year	**19,527**	32,442

The hedge reserve represents the fair value gain on hedging instruments entered into for cash flow hedges.

NOTE 20 COMMITMENTS

(a) Operating lease commitments

The Group has entered into commercial leases on items of plant, machinery and property. Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:		
- not later than one year	**524**	501
- later than one year and not later than five years	**1,030**	1,544
	1,554	2,045

(b) Other expenditure commitments

Commitments contracted for corporate services as at 30 June, but not recognised as liabilities are as follows:		
- not later than one year	**90**	360
- later than one year and not later than five years	**-**	90
	90	450

(c) Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Group is required to meet minimum expenditure requirements. As these expenditure commitments can be reduced by selective rationalisation of interests in exploration tenements or by renegotiation of joint venture commitments it is difficult to accurately forecast the amount of future expenditure. On current tenement holdings, the Group's nominal expenditure obligations for the next 12 months are approximately $7.8 million.

(d) Superannuation

The Group contributes to superannuation funds in accordance with the requirements of the Superannuation Guarantee Legislation. Employer contributions are based on various percentages of salaries or directors' fees. All funds are accumulation type and as such an actuarial assessment is not required.

NOTE 21 SHARE BASED PAYMENTS

(a) Performance Rights

During the financial year the Group granted Performance Rights to Mr Raleigh Finlayson (Managing Director) under the Saracen Mineral Holdings Limited Performance Rights Plan ("Plan"). Both the Plan and the issue of Performance Rights to Mr Finlayson were approved by shareholders at the Company's Annual General Meeting held in November 2013. Under the Plan, Eligible Participants will be granted Performance Rights. Vesting of any of these Performance Rights will be subject to the satisfaction of performance hurdles. Each Performance Right represents a right to be issued one Share at a future point in time, subject to the satisfaction of any vesting conditions. No exercise price will be payable and eligibility to receive Performance Rights under the Plan will be at the Board's discretion. The Performance Rights cannot be transferred and are not quoted on the Australian Securities Exchange (ASX). There are no voting rights attached to the Performance Rights.

NOTE 21 SHARE BASED PAYMENTS (continued)

(a) Performance Rights (continued)

The fair value at grant date is determined using a Monte Carlo model with the following factors relevant:-

	Class A	Class B	Class C
Stock Price at Grant	$0.215	$0.215	$0.215
Exercise Price	N/A	N/A	N/A
Volatility based on historical annual volatility of SAR securities	68.9%	68.9%	68.9%
Grant Date	19/11/2013	19/11/2013	19/11/2013
Performance Period	01/07/13 - 30/06/2016	01/07/13 - 30/06/2016	19/011/13 - 19/11/2016
Vesting Date	19/11/2016	19/11/2016	19/11/2016
Risk free rate	3.06%	3.06%	3.06%
Number of rights granted	600,000	300,000	600,000

At the reporting date there were 600,000 Class A, 300,000 Class B and 600,000 Class C performance rights on issue. The fair value of the Performance Rights granted is $262,500.

Refer Note 19(d) for details of performance rights that were exercised or lapsed during the year.

(b) Options

An incentive option scheme has been established where employees and other eligible participants of the Group are issued with options over the ordinary shares of Saracen Mineral Holdings Limited. The options, issued for nil consideration, are issued in accordance with the position, skills, experience and length of service with the Group and such other criteria that the Directors consider appropriate in the circumstances. The options cannot be transferred and are not quoted on the Australian Securities Exchange (ASX). There are no voting rights attached to the options.

During the financial year no options were granted.

In the 2012 financial year 2,762,500 options were granted for no consideration under this scheme to eligible participants. The fair value at grant date is determined using a Black-Scholes option pricing model with the following factors relevant:-

15 March 2012	Tranche 1	Tranche 2	Tranche 3	Tranche 4
Stock Price at Grant	$0.56	$0.56	$0.56	$0.56
Exercise Price	$0.84	$0.92	$0.96	$1.00
Volatility based on historical annual volatility of SAR securities	49.48%	49.48%	49.48%	49.48%
Grant Date	15/03/2012	15/03/2012	15/03/2012	15/03/2012
Exercise Period	01/03/13 - 31/05/2013	01/10/13 - 31/12/2013	01/03/14 - 31/05/2014	01/10/14 - 31/12/2014
Vesting Date	1/09/2012	1/04/2013	1/09/2013	1/04/2014
Risk free rate	2.86%	2.46%	2.46%	2.65%
Number of options granted	552,500	552,500	828,750	828,750

The vesting of the above options is subject to continuing service conditions and, in the case of tranches 3 and 4, subject to a satisfactory outcome in the performance reviews. At the reporting date there are only 357,000 of the Tranche 4 options (2013: 1,326,000) remaining on issue.

NOTE 21 SHARE BASED PAYMENTS (continued)

(b) Options (continued)

In the 2011 financial year 16,745,000 options were granted for no consideration under this scheme to eligible participants. The fair value at grant date is determined using a Black-Scholes option pricing model with the following factors relevant:

22 November 2010	**Tranche 1**	**Tranche 2**	**Tranche 3**	**Tranche 4**
Stock Price at Grant	$0.67	$0.67	$0.67	$0.67
Exercise Price	$0.50	$0.53	$0.55	$0.58
Volatility based on historical annual volatility of SAR securities	53.59%	53.59%	53.59%	53.59%
Grant Date	22/11/2010	22/11/2010	22/11/2010	22/11/2010
Exercise Period	01/03/12 - 31/05/2012	01/10/12 - 31/12/2012	01/03/13 - 31/05/2013	01/10/13 - 31/12/2013
Vesting Date	1/09/2011	1/04/2012	1/09/2012	1/04/2013
Risk free rate	4.82%	4.95%	4.97%	5.04%
Number of options granted	2,833,900	2,833,900	4,250,850	4,250,850

31 March 2011	Tranche 1	Tranche 2	Tranche 3	Tranche 4
Stock Price at Grant	$0.75	$0.75	$0.75	$0.75
Exercise Price	$0.50	$0.53	$0.55	$0.58
Volatility based on historical annual volatility of SAR securities	55.57%	55.57%	55.57%	55.57%
Grant Date	31/03/2011	31/03/2011	31/03/2011	31/03/2011
Exercise Period	01/03/12 - 31/05/2012	01/10/12 - 31/12/2012	01/03/13 - 31/05/2013	01/10/13 - 31/12/2013
Vesting Date	1/09/2011	1/04/2012	1/09/2012	1/04/2013
Risk free rate	4.82%	4.95%	4.97%	5.04%
Number of options granted	515,100	515,100	772,650	772,650

At the reporting date there were none of these options (2013: 2,796,550) on issue under the scheme as all of them have lapsed.

Refer Note 19(c) for details of options that were exercised or lapsed during the year.

The weighted average remaining contractual life for incentive options outstanding as at 30 June 2014 is 93 days (2013: 155 days).

The exercise price for incentive options outstanding at the end of the year was 98.88 cents per share from a recalculation of exercise price following the rights issue in March 2014.

(c) Share based payments expense reconciliation

	2014	2013
	$'000	$'000
Share based payments expense		
Options	**14**	106
Performance Rights	**58**	-
Total	**72**	106

NOTE 22 INTERESTS IN SUBSIDIARIES

	Percentage of equity interest held by the Group	
	2014	2013
	%	%
Parent Entity:		
Saracen Mineral Holdings Limited (i)(ii)		
Subsidiaries:		
Saracen Gold Mines Pty Limited (ii)(iii)	**100**	100
Saracen Metals Pty Limited (ii)	**100**	100

All entities are incorporated in Australia and shareholdings relate to ordinary shares.

(i) Saracen Mineral Holdings Limited is the head entity within the tax-consolidated group and the parent entity.
(ii) These companies are members of the tax-consolidated group.
(iii) The subsidiaries have entered into a deed of cross guarantee with Saracen Mineral Holdings Limited pursuant to ASIC Class Order 98/1418 and are relieved from the requirement to prepare and lodge an audited financial report.

In the current and prior year the consolidated statements of profit or loss and other comprehensive income and financial position of the entities party to the Deed of Cross Guarantee are the same as the Group's and have therefore not been reproduced.

NOTE 23 STATEMENT OF CASH FLOWS

	2014	2013
	$'000	$'000
(a) Reconciliation of cash		
Cash balance comprises:		
- Cash	**25,791**	8,891
- Cash at call and in short term deposits	**10,068**	133
Closing cash balance	**35,859**	9,024

(b) Reconciliation of the operating result after income tax to the net cash flows from operating activities

	2014	2013
Operating profit/(loss) after income tax	**5,995**	(63,098)
Non-cash items		
Depreciation and amortisation	**32,118**	62,278
(Profit)/Loss on the sale of assets	**(8)**	1,637
Inventory write-down	**-**	22,885
Effective interest on establishment fees	**471**	244
Decrease in market value of listed securities	**58**	30
Expensing of deferred exploration cost	**329**	56,762
Expensing of deferred mining costs	**3,595**	15,952
Tax effect of movement in temporary differences	**1,895**	(25,225)
Accrual for the purchase of CWIP	**-**	(297)
Share based payments	**72**	106
Changes in assets and liabilities:		
(Increase)/Decrease in trade and other receivables	**205**	3,343
(Increase)/Decrease in prepayments	**(171)**	(58)
(Increase)/Decrease in inventory	**6,286**	(4,032)
Increase in trade and other payables	**(3,211)**	1,568
Increase in provisions	**1,723**	748
Net cash flows provided by operating activities	**49,357**	72,843

NOTE 23 STATEMENT OF CASH FLOWS (continued)

(c) Non-cash financing and investing activities

In the current year, the Group acquired $75,000 (30 June 2013: $2,310,000) of equipment under finance lease. These acquisitions will be reflected in the statement of cash flows over the term of the lease via their lease payments.

(d) Cash balances not available for use

As described in Note 12, the Group holds deposits of $110,000 (2013: $7.423 million) as security by a bank for guarantees.

These balances are not available for use and have therefore not been included in cash and cash equivalents.

NOTE 24 RELATED PARTY DISCLOSURES

(a) Ultimate parent

Saracen Mineral Holdings Limited is the ultimate parent company.

	2014 $'000	2013 $'000
Information relating to Saracen Mineral Holdings Limited:		
Current assets	**50,727**	25,832
Total assets	**244,748**	201,206
Current liabilities	**1,694**	520
Total liabilities	**11,998**	22,497
Contributed equity	**245,079**	185,901
Share based payment reserve	**3,518**	3,446
Hedge Reserve	**19,527**	32,442
Accumulated loss	**(37,068)**	(43,080)
Total equity	**231,056**	178,709
Net profit/(loss) of the parent	**6,012**	(44,482)

Saracen Mineral Holdings Limited is party to a deed of cross guarantee with its wholly owned subsidiary Saracen Gold Mines Pty Limited described in Note 22(iii) pursuant to ASIC Class Order 98/1418.

At 30 June 2014 Saracen Mineral Holdings Limited had no contingent liabilities and had not entered into contractual commitments to purchase property, plant or equipment (2013: Nil).

(b) Subsidiaries

Details of interests in subsidiaries are set out in Note 22.
Loans between group entities have no specific repayment terms and are unsecured.

The aggregate amounts receivable/ (payable) by the Company from/to subsidiaries at the reporting date were:

	2014 $'000	2013 $'000
Non-current receivable	**174,520**	137,093
Reconciliation of non-current receivable		
Balance at beginning of year	**137,093**	184,142
Loans provided to subsidiaries	**23,668**	19,292
Interest Received	**-**	7,737
Reversal of prior year impairment	**74,078**	-
Impairment	**(60,319)**	(74,078)
Balance at end of year	**174,520**	137,093

During the year the non-current receivable was written down to the net asset value of the subsidiary.

NOTE 24 RELATED PARTY DISCLOSURES (continued)

(c) Key management personnel

Disclosures relating to key management personnel are set out in the remuneration report in the directors' report.

	2014 **$**	2013 $
Short term benefits	**2,529,757**	2,252,902
Post-employment benefits	**236,437**	538,786
Non-monetary benefits	**18,860**	24,557
Long term benefits	**30,929**	17,758
Equity	**62,200**	47,072
	2,878,183	2,881,075

Detailed remuneration disclosures are provided in the remuneration report on pages 12 to 22

Transactions with related parties
The following transactions occurred with related parties:

Payment for goods and services:		
Professional services from Renaissance Capital Pty Ltd (director related entity of Guido Staltari)	**-**	504,167
Provision of office facilities to Renaissance Capital Pty Ltd	**360,000**	330,000
Professional services from PilotHole Pty Ltd (director related entity of Martin Reed)	**180,133**	97,192
Payable to related parties		
Renaissance Capital Pty Ltd	**-**	37,917
PilotHole Pty Ltd	**40,488**	-

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions
Transactions with Directors and key management personnel have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

NOTE 25 SEGMENT INFORMATION

The Group require operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM") in order to allocate resources to the segments and to assess their performance. On this basis the Group's reportable segments under AASB 8 are as follows:

- Saracen Gold Mines Pty Limited ("SGM") which includes the Group's exploration, production and related administration (excluding Thunderbox)
- Saracen Mineral Holdings Limited ("SAR") which includes the Group's corporate administration
- Saracen Metals Pty Limited ("SME") which includes the Group's exploration, development, production and administration relating to the Thunderbox operations acquired during the 2014 financial year.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 1. The CODM reviews segment profit before tax in assessing segment performance which corresponds to operating profit before other income / expenses in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. Information regarding the Group's reportable segments is presented below.

NOTE 25 SEGMENT INFORMATION (continued)

	2014 $'000	2013 $'000
(a) Segment external revenues		
SGM - Metal sales	**211,424**	210,605
SGM - Interest income	**7**	466
SGM - Other	**71**	165
SAR - Interest income	**698**	446
	212,200	211,682
(b) Segment profit before tax		
SGM	**14,231**	(62,165)
SAR	**(4,457)**	(2,741)
Operating profit before other income / (expenses)	**9,774**	(64,906)
Finance costs	**(2,530)**	(1,474)
Other income	**776**	1,077
Share based payments expense	**(72)**	(106)
Inventory write-down	**-**	(22,885)
Change in fair value of listed shares	**(58)**	(30)
Profit before income tax	**7,890**	(88,324)
(c) Segment assets and liabilities		
Assets		
SGM	**197,117**	174,187
SAR	**64,110**	62,152
SME	**46,411**	-
Unallocated	**5,548**	1,027
	313,186	237,366
Liabilities		
SGM	**43,963**	37,094
SAR	**13,122**	21,546
SME	**25,045**	-
Unallocated	**-**	-
	82,130	58,640

For the purposes of monitoring segment performance and allocating resources between segments, all assets and liabilities are allocated to reportable segments other than tax assets and liabilities.

(d) Other segment information

Depreciation and amortisation of $32.118 million (2013: $62.278 million) are attributable to the SGM segment.
Total non-current asset additions of $82.548 million (2013: $108.915 million) are attributable to the SGM segment.
Impairment write off in 2013 of $56,762 million is attributable to the SGM segment.
The Group operates within one geographical segment, being Australia.

NOTE 26 FINANCIAL INSTRUMENTS

The Group's principal financial instruments comprise cash, short-term deposits, borrowings and derivatives. In addition the Group has financial assets at fair value through profit and loss, trade receivables, trade payables and finance leases arising directly out of its operations. The Board as a whole guides and monitors the business and affairs of Saracen. Risk oversight, management and internal control are dealt with on a continuous basis by management and the Board, with differing degrees of involvement depending upon the nature and materiality of the matter being dealt with.

(a) Market risk

(i) Interest rate risk

The Group's exposure to interest rate risk relates primarily to the assets and liabilities bearing variable interest rates. The Group does not engage in any hedging or derivative transactions to manage interest rate risk. The following tables sets out the carrying amount, by maturity of the Group's exposure to interest rate risk and the effective weighted average interest rate for each financial instrument.

30 June 2014	Weighted average rate	Variable Interest Rate	Fixed Interest Rate				Non-interest bearing	Consolidated Total
			Under 1 year	1 – 2 years	2 – 5 years	5+ years		
	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial Assets								
Cash assets	2.46	35,859	-	-	-	-	-	35,859
Other receivables	2.50	41	-	-	-	-	2,802	2,843
Security deposits	N/A	-	-	-	-	-	110	110
Financial Derivative Asset	N/A	-	-	-	-	-	28,150	28,150
Listed Investments	N/A	-	-	-	-	-	27	27
Total Financial Assets		35,900	-	-	-	-	31,089	66,989
Financial Liabilities								
Trade payables	N/A	-	-	-	-	-	16,128	16,128
Financial Derivative Liability	N/A	-	-	-	-	-	255	255
Borrowings	5.99	11,380	-	-	-	-	-	11,380
Finance leases	6.93		1,722	650	293	-	-	2,665
Total Financial Liabilities		11,380	1,722	650	293	-	16,383	30,428

30 June 2013	Weighted average rate	Variable Interest Rate	Fixed Interest Rate				Non-interest bearing	Consolidated Total
			Under 1 year	1 – 2 years	2 – 5 years	5+ years		
	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial Assets								
Cash assets	2.46	9,024	-	-	-	-	-	9,024
Other receivables	2.75	23	-	-	-	-	3,026	3,049
Security deposits	2.82	7,423	-	-	-	-	-	7,423
Financial Derivative Asset	N/A	-	-	-	-	-	46,346	46,346
Listed Investments	N/A	-	-	-	-	-	85	85
Total Financial Assets		16,470	-	-	-	-	49,457	65,927
Financial Liabilities								
Trade payables	N/A	-	-	-	-	-	18,788	18,788
Borrowings	6.28	20,999	-	-	-	-	-	20,999
Finance leases	7.22	-	1,217	1,728	896	-	-	3,841
Total Financial Liabilities		20,999	1,217	1,728	896	-	18,788	43,628

NOTE 26 FINANCIAL INSTRUMENTS (continued)

(ii) Commodity risk

The Group's exposure to commodity risk arises from movements in the gold price. The Group is party to a hedge contract (Note 11) whereby specified quantities of gold are sold on specific dates to partly manage the commodity risk.

(iii) Currency risk

The Group is exposed to the Australian dollar currency risk on gold sales, which are denominated in US dollars. During the previous financial year the Group entered into a hedge contract (Note 11) for specified quantities of gold on specific dates to partly manage the currency risk.

(b) Credit risk

The Group trades only with recognised, creditworthy third parties. There are no significant concentrations of credit risk within the Group.

(c) Liquidity risk

The Group manages liquidity risk by maintaining sufficient cash reserves and marketable securities, and through the continuous monitoring of budgeted and actual cash flows. At the reporting date there is no significant liquidity risk. The table below analyses the Group's maturity of financial liabilities:

30 June 2014	< 6 month $'000	6 – 12 months $'000	1 – 5 years $'000	5+ years $'000	Total $'000
Trade payables	16,128	-	-	-	16,128
Borrowings	-	-	11,380	-	11,380
Finance leases	909	813	943	-	2,665
Total Financial Liabilities	17,037	813	12,323	-	30,173

30 June 2013	< 6 month $'000	6 – 12 months $'000	1 – 5 years $'000	5+ years $'000	Total $'000
Trade payables	18,788	-	-	-	18,788
Borrowings	-	-	20,999	-	20,999
Finance leases	559	658	2,624	-	3,841
Total Financial Liabilities	19,347	658	23,623	-	43,628

(d) Sensitivity analysis

The following table summarises the Group's exposure to interest rate risk, commodity and currency risk (AUD gold price) at the reporting date. The sensitivities are based on management's best estimate of the market views for future interest rates, gold price and currency movements over the next 12 months with reference to recent historical movements. The analysis demonstrates the after tax effect on the profit/(loss) and equity which could result from changes based on the following:

30 June 2014

	Profit/(loss)	Equity
Interest rate risk	$'000	$'000
- Increase interest rate by 1%	153	153
- Decrease interest rate by 1%	(153)	(153)
Gold price risk associated with the financial derivative instruments		
- Increase $AUD gold price by 10%	-	(18,017)
- Decrease $AUD gold price by 10%	-	18,017

NOTE 26 FINANCIAL INSTRUMENTS (continued)

30 June 2013

	Profit/(loss)	Equity
Interest rate risk	$'000	$'000
- Increase interest rate by 1%	(59)	(59)
- Decrease interest rate by 1%	59	59
Gold price risk associated with the financial derivative instruments		
- Increase $AUD gold price by 10%	-	(23,809)
- Decrease $AUD gold price by 10%	-	23,809

(e) Derivative assets and liabilities designated as cash flow hedges

The following table indicates the periods in which the cash flows associated with cash flow hedges are expected to occur and the fair values of the related hedging instruments.

30 June 2014		Expected cash flows				
	Fair value	Total	2 months or less	2 - 12 months	1 - 2 years	2+ years
	$'000	$'000	$'000	$'000	$'000	$'000
Hedged Assets	27,895	213,230	13,104	109,622	83,679	6,825

30 June 2013		Expected cash flows				
	Fair value	Total	2 months or less	2 - 12 months	1 - 2 years	2+ years
	$'000	$'000	$'000	$'000	$'000	$'000
Hedged Assets	46,346	296,819	19,030	89,681	97,604	90,504

(f) Net fair values

The net fair values of financial assets and financial liabilities at the reporting date are as follows:

	Total carrying amount as per the Statement of Financial Position		Aggregate net fair value	
	Consolidated		Consolidated	
	2014	2013	**2014**	2013
	$'000	$'000	$'000	$'000
Financial Assets				
Cash and cash equivalents	35,859	9,024	35,859	9,024
Other receivables	2,843	3,049	2,843	3,049
Investments – listed	27	85	27	85
Financial Derivative Asset	28,150	46,346	28,150	46,346
Other financial assets	110	7,423	110	7,423
Total Financial Assets	66,989	65,927	66,989	65,927
Financial Liabilities				
Trade payables	16,128	18,788	16,128	18,788
Financial Derivative Liability	255	-	255	-
Borrowings	11,380	20,999	11,380	20,999
Finance leases	2,665	3,841	2,665	3,841
Total Financial Liabilities	30,428	43,628	30,428	43,628

Fair value hierarchy

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2), and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2014 and 30 June 2013 on a recurring basis:

NOTE 26 FINANCIAL INSTRUMENTS (continued)

	$'000	$'000	$'000	$'000
30 June 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Listed shares at fair value	27	-	-	27
Derivative assets	-	28,150	-	28,150
Total	27	28,150	-	28,177
Liabilities				
Derivative liabilities	-	255	-	255
Total	-	255	-	255

	$'000	$'000	$'000	$'000
30 June 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Listed shares at fair value	85	-	-	85
Derivative assets	-	46,346	-	46,346
Total	85	46,346	-	46,431
Liabilities				
Derivative liabilities	-	-	-	-
Total	-	-	-	-

The group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 30 June 2014 and did not transfer any fair value amounts between the fair value hierarchy during the period FY 2014.

Valuation techniques used to derive level 2 and level 3 fair values

The fair value of financial instruments that are not traded in an active market (for example, over–the–counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

In accordance with AASB 13, *Fair Value Measurement,* the Group has classified, according to fair value hierarchy, the cash flow hedge as a level 2 asset. The fair value of the cash flow hedge is determined by using the forward gold prices at reporting date.

The Group does not have any level 3 assets or liabilities.

NOTE 27 CONTINGENT LIABILITIES

There are no contingent liabilities at 30 June 2014 (2013: Nil).

NOTE 28 MATTERS SUBSEQUENT TO THE REPORTING DATE

There has not been any matter or circumstance, other than referred to in the financial statements or notes thereto, that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group.

Directors' Declaration

The Directors of Saracen Mineral Holdings Limited declare that, in their opinion:

(a) the financial statements and notes and the Remuneration Report in the Directors' Report set out on pages 12 to 22, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance, for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001 and other mandatory professional reporting requirements.

(b) the financial report also complies with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) as disclosed in Note 1(b); and

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

At the date of this declaration there are reasonable grounds to believe that the Company and the group entities identified in Note 22 will be able to meet any obligations or liabilities to which they are or may have become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.

The directors have been given the declarations required by Section 295A of the Corporations Act 2001 by the chief executive officer and chief financial officer for the financial year ended 30 June 2014.

Signed in accordance with a resolution of the directors.

RALEIGH FINLAYSON
Managing Director
26 August 2014

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INDEPENDENT AUDITOR'S REPORT

To the members of Saracen Mineral Holdings Limited

Report on the Financial Report

We have audited the accompanying financial report of Saracen Mineral Holdings Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Stat*ements, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Saracen Mineral Holdings Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Saracen Mineral Holdings Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Saracen Mineral Holdings Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

Peter Toll

Director

Perth, 26 August 2014