SARACEN MINERAL HOLDINGS LIMITED

ACN: 009 215 347

FY16 financial results

Net profit up 132% to A$25.9m

Free cashflow set to surge on back of production ramp up to 300,000ozpa and end of major capital expenditure program

Corporate Details:

26th August 2016

ASX code: SAR

Corporate Structure:

Ordinary shares on issue: 806.2m

Unvested employee performance rights: 15.6m

Market Capitalisation: A$1.22b
(share price A$1.515)

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

Debt: Nil

Directors:

Mr Geoff Clifford
Non-Executive Chairman

Mr Raleigh Finlayson
Managing Director

Mr Mark Connelly
Non-Executive

Mr Martin Reed
Non-Executive

Ms Samantha Tough
Non-Executive

Substantial Shareholders:

Van Eck Global 14.1%

Wroxby 7.0%

Karara Capital 5.2%

Registered Office:

Level 4
89 St Georges Terrace
Perth WA 6000
Telephone: +61 8 6229 9100
Facsimile: +61 8 6229 9199

For further details contact:

Troy Irvin
Telephone +61 8 6229 9100
info@saracen.com.au

Key Points

- **Net Profit rises 132% to A$25.9m (2015: A$11.1m)**
- **Gold production rises 13% to a record 188,656 ounces (2015: 167,531 ounces)**
- **Revenue up 11% to A$276.5m (2015: A$249.9m); All-in sustaining costs down 4% to A$1095/oz**
- **Operating cash flow rises 68% to record A$109.8m (2015: A$65.4m)**
- **Debt-free with cash and bullion of A$40.3m at 30 June 2016, after spending A$97.6m on capital growth and exploration in the year**
- **On track to achieve ~300,000ozpa from the June quarter 2017; AISC to hit A$950 in FY20[1]**
- **FY17 exploration budget tripled to A$42m to drive increased inventory and potential for growth beyond 300,000ozpa**

Saracen Mineral Holdings **(ASX: SAR)** has delivered a 132% increase in net profit after tax (NPAT) to A$25.9 million for FY2016, capping a strong operational and financial performance at its growing WA gold operations.

The NPAT, which was after allowing for an income tax provision of A$12.4 million, was struck on an 11% increase in sales revenue to A$276.5 million and driven in part by increased gold sales of 188,024 ounces (2015: 164,114 ounces).

EBITDA[2] rose by 11% to A$73.5 million reflecting the higher production levels combined with a 4% reduction in all-in sustaining costs (AISC) to A$1095/oz. The key results are tabulated on page 2.

Due to the increased production, operating costs increased from A$162.7 million in 2015 to A$178.8 million. The charge for amortisation and depreciation decreased from A$49.5 million to A$33.9 million following completion of the Whirling Dervish open pit.

Operating cash flow rose by 68% to a record A$109.8m, driven by record production volumes, lower costs and a strong Australian-dollar gold price.

At the end of the year, the Company held cash and bullion of $40.3 million with no debt. This was after spending A$97.6m during the period on capital development and exploration, mainly construction of Saracen's second gold mine, Thunderbox (refer to Table 2 for further details).

Table 1 – Key financial and operating results for the financial year ended 30 June 2016

	FY16	FY15	% Variance
Key financials ($m)			
Revenue	276.5	249.9	11%
EBITDA[2]	73.5	66.5	11%
Profit before income tax	38.3	16.2	137%
NPAT	25.9	11.1	132%
Operating cash flow	109.8	65.4	68%
Net cash at end	34.3	38.4	-11%
Production			
Gold produced (koz)	188.7	167.5	13%
AISC ($/oz)	1095	1139	-4%
Average gold price realised	1629	1547	5%

Table 2 – Project development and exploration expenditure for the financial year ended 30 June 2016

	A$m
Project development	
Thunderbox open pit development	59.9
Karari underground development	10.6
Deep South underground development	12.3
Kailis / King of the Hills	3.1
Acquisition costs*	3.6
Exploration activities	8.1
TOTAL	97.6

* Payment of balance of Thunderbox purchase price (A$3m) and the cash component of acquisition of the Thunderbox royalty (A$0.6m)

Saracen Managing Director Raleigh Finlayson said the strong financial and operating results for FY2016 had set up the Company for exceptional growth in free cashflow.

"The outstanding performance of our operations generated the cash to fund almost A$100m of mine development and exploration during the year," Mr Finlayson said.

"This has enabled us to remain debt-free with a clear growth path to 300,000ozpa and a further significant increase in free cashflow".

"It has also allowed us to triple the exploration budget to A$42 million for this financial year. We are confident that this aggressive campaign will underpin the next round of growth in our inventory and mine life, generating a strong return on our investment in the process".

For further information please contact:

Investors:
Troy Irvin
Corporate Development Officer
Email: info@saracen.com.au
www.saracen.com.au

Media Enquiries:
Read Corporate
Paul Armstrong/Nicholas Read
Contact: (08) 9388 1474
Email: info@readcorporate.com

Notes:

[1] Refer to the ASX announcement dated 27th July 2016 – "Tripling of exploration budget to grow production and life"

[2] EBITDA stands for Earnings Before Interest, Tax, Depreciation and Amortisation. EBITDA and EBITDA 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 Mineral Holdings Limited
ACN: 009 215 347

PO Box 2563
Perth WA 6001
Phone: +61 8 6229 9100
Fax: +61 8 6229 9199

ASX APPENDIX 4E

SARACEN MINERAL HOLDINGS LIMITED

ABN: 52 009 215 347

RESULTS FOR ANNOUNCEMENT TO THE MARKET
FOR THE YEAR ENDED 30 JUNE 2016

(Previous corresponding period is the year ended 30 June 2015)

KEY INFORMATION	30 Jun 2016 $'000	30 Jun 2015 $'000	Up / (down) $'000	Percentage increase / (decrease)
Revenue from ordinary activities	276,502	249,872	26,630	11%
Profit from ordinary activities after tax attributable to members	25,889	11,148	14,741	132%
Net profit/(loss) attributable to members	19,922	(2,412)	22,334	N/A

DIVIDEND INFORMATION

No dividend has been proposed or declared.

NET TANGIBLE ASSETS PER SECURITY	30 June 2016	30 June 2015
Net tangible assets per security	$0.33	$0.29

EARNINGS PER SHARE	30 June 2016 Cents	30 June 2015 Cents
Basic earnings per share	3.26	1.41
Diluted earnings per share	3.20	1.40

CONTROL GAINED OR LOST OVER ENTITIES IN THE PERIOD

There have been no gains or losses of control over entities during the year ended 30 June 2016.

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:-

This report is based on, and should be read in conjunction with, the attached financial report for the period ended 30 June 2016 for Saracen Mineral Holdings Limited, which has been audited by BDO Audit (WA) Pty Ltd.

SARACEN MINERAL HOLDINGS LIMITED

ACN 009 215 347

Financial Report for the Year Ended 30 June 2016

Financial Report
For the year ended 30 June 2016

Corporate Directory

Board of Directors

Mr Geoffrey Clifford	(Non-Executive Chairman)
Mr Raleigh Finlayson	(Managing Director)
Mr Mark Connelly	(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 4601

Solicitors

DLA Piper
Level 31, Central Park
152 – 158 St Georges Tce
Perth WA 6000

Bankers

Commonwealth Bank of Australia Limited
367 Collins Street
Melbourne VIC 3000

and

Macquarie Bank Limited
50 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 2016. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follow:-

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.

Geoffrey Clifford
Non-Executive Chairman (appointed Director 1 October 2013 & Chairman 26 November 2014) (Member of the Audit and Risk Management Committees)

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, FGIA 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 became Non-Executive Chairman of the Company upon the retirement of the then Chairman, Mr Staltari, at the conclusion of the Annual General Meeting 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	December 2012	Current

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

Mr 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 three (3) years held, a directorship in any other public listed company.

Mark Connelly
Non-Executive Director (appointed 1 May 2015) (Chairman of the Audit Committee and member of the Remuneration & Nomination Committee)

Mr Connelly holds a Bachelor of Business degree from Edith Cowan University and has over 29 years' experience covering the development, construction and operation of mining projects across a variety of commodities (including gold and base metals) and jurisdictions (including Australia, West Africa, North America and Europe).

Most recently Mr Connelly was Managing Director of Papillon Resources and was instrumental in the US$570m takeover of Papillon by B2Gold Corp in October 2014. Prior to Papillon, Mr Connelly was Chief Operating Officer of Endeavour Mining Corporation, following its merger with Adamus Resources Limited, where he was Managing Director and CEO. Mr Connelly has also held senior executive positions with Newmont Mining Corporation and Inmet Mining Corporation. He is a CPA, MAICD, AIM and SME.

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

Company	Appointed	Resigned
Cardinal Resources	November 2015	Current
Tiger Resources Limited	October 2015	Current
West African Resources Limited	June 2015	Current
Ausdrill Limited	July 2012	Current
B2Gold Corporation	October 2014	June 2016
Manas Resources Limited	January 2013	June 2015
Papillon Resources Limited	November 2012	October 2014

Martin Reed
Non-Executive Director (appointed 24 August 2012) (Chairman of the Risk Management Committee and a member of the Remuneration & Nomination Committee)

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.

Mr Reed does not hold, and has not over the last three (3) years held, a directorship in any other public listed company.

Samantha Tough
Non-Executive Director (appointed 1 October 2013) (Chairman of the Remuneration and Nomination Committee and a member of the Audit 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.

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

Company	Appointed	Resigned
Cape plc	January 2015	Current
Molopo Energy Limited	December 2014	Current
Southern Cross Goldfields Limited	July 2007	September 2013
Strike Resources Limited	January 2012	November 2015

Barrie Parker
Non-Executive Director (retired 25 November 2015)

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 worked in the international mining industry for almost 50 years, primarily in operations management and project development roles, including managing the initial development of the Boddington and Sunrise Dam Gold mines. He was also the Regional Manager and Director of the AngloGold companies in Australia and South East Asia. Mr Parker was a member of the remuneration and chairman of the risk management committee.

Mr Parker does not hold, and has not over the last three (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 Limited 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.

Mr Kaczmarek does not hold, and has not over the last three (3) years held, a directorship in any other public listed company.

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 Performance Rights of Saracen were:-

Director	Ordinary Shares	Performance Rights over ordinary shares - unlisted
Geoffrey Clifford	-	-
Raleigh Finlayson	4,381,819	9,035,000
Mark Connelly	-	-
Martin Reed	30,000	-
Samantha Tough	-	-

PRINCIPAL ACTIVITIES

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

REVIEW AND RESULTS OF OPERATIONS

Overview

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. Since then, Saracen has produced over 850,000 ounces of gold from open pits and underground mines.

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 2.3 Mtpa processing plant, 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 2.4 Mtpa based on a blend of hard and soft ores.

Thunderbox Operations

In January 2014, the Group acquired the Thunderbox Operations (TBO) from Norilsk Nickel Australia Pty Ltd for consideration of A$20 million cash on settlement, A$3 million cash on commencement of commercial production (paid in April 2016), and a 1.5% NSR Royalty on the TBO gold production (capped at A$17 million) which was acquired by Saracen in April 2016 for cash and shares for an equivalent consideration at that time of A$8.6 million.

TBO is 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).

The Thunderbox processing facility 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. Infrastructure includes a 268 person accommodation village, airstrip, contract power supply, Goldfields Gas pipeline spur, borefield water supply and telecommunication services.

In March 2015, a decision to re-commence mining at the Thunderbox deposit was taken by the Board. The mining pre-strip commenced in July 2015 and the plant refurbishment commenced in September 2015.

In August 2015, the Group acquired the Kailis and King of the Hills (KoTH) projects from St Barbara Ltd for a consideration of $3m cash in two tranches: $0.3m on acquisition, plus $2.7m upon the earlier of commercial production from Kailis or 4 years following acquisition.

Kailis is located 5km from Leonora and 80km south of Saracen's Thunderbox project, and within 1km of the sealed Goldfields Highway. In the 1990's Sons of Gwalia mined a small open pit at Kailis with reconciled production of 250kt @ 6.2 g/t for ~50koz.

King of the Hills is located 65km to the south of Thunderbox, immediately adjacent to the Goldfields Highway. King of the Hills is a significantly mineralised system, which produced ~30Mt @ 1.9g/t for 1.9Moz since 1985.

Production:

Carosue Dam Operations

For the financial year ended 30 June 2016 ("FY2016"), gold production from the Carosue Dam Operations was 157,191 oz (2015: 167,531 oz) at an All in Sustaining Cost ("AISC") of $1,067/oz (2015: $1,139/oz).

Carosue Dam		**Quarter**				
Mill Production	Unit	September 15	December 15	March 16	June 16	**FY2016**
Total Ore Milled	*t*	577,000	569,000	565,000	610,000	**2,321,000**
	g/t	2.3	2.6	2.0	2.3	**2.3**
Recovery	*%*	91.3%	92.5%	91.9%	92.3%	**92.0%**
Gold Produced	*oz*	38,140	44,265	33,749	41,037	**157,191**
Underground Mining						
Total Ore Mined	*t*	143,000	248,000	275,000	334,000	**1,000,000**
	g/t	4.3	4.5	2.9	3.2	**3.6**
Contained Ounces	*oz*	19,759	36,229	26,051	34,065	**116,104**

Mining of the Whirling Dervish open pit concluded at the end of June 2015 resulting in a large stockpile of ore at the end of FY2015. This stockpile was used to make up the base load mill tonnages during the year, supplemented with higher grade underground ore from Red October, Karari and Deep South.

Development work commenced at the Karari underground mine in October 2014 and commercial production was declared in October 2015. Production for the year (including development material) was 520,000 tonnes @ 2.9g/t for 49,000 contained ounces.

The Red October underground mine produced above budget tonnes and ounces for the year with total production of 340,000t @ 5.1g/t for 55,700 contained ounces.

Development work commenced at the Deep South underground mine in October 2014 and continued throughout the year. Commercial production is expected to be declared in the September 2016 quarter. Production for the year (being all development material) was 143,000 tonnes @ 2.5g/t for 11,500 contained ounces.

Gold production for the full year was 157,191 ounces at an AISC of $1,067/oz.

Thunderbox Operations

Thunderbox		**Quarter**				
Mill Production	Unit	September 15	December 15	March 16	June 16	**FY2016**
Total Ore Milled	*t*	-	-	345,000	604,000	**949,000**
	g/t	-	-	0.9	1.2	**1.1**
Recovery	*%*	-	-	91.0%	93.0%	**92.4%**
Gold Produced	*oz*	-	-	9,310	22,155	**31,465**
Open Pit Mining						
Total Mining	*BCM*	2,422,000	4,247,000	3,679,000	3,181,000	**13,529,000**
Total Ore Mined	*t*	-	84,000	326,000	577,000	**987,000**
	g/t	-	0.8	1.0	1.3	**1.1**
Contained Ounces	*oz*	-	2,159	10,258	23,412	**35,829**

Mining pre-strip at TBO commenced in July 2015 and first ore from the open pit was produced in October 2015. Plant refurbishment commenced in September 2015 with wet commissioning commencing in February 2016 and commercial production was declared effective 1 April 2016.

The cost of the pre-strip and redevelopment to commercial production was $63.4 million with the operation being bought into production four months ahead of schedule.

Gold production for the full year was 31,456 ounces at an AISC of $1,293/oz for the June quarter 2016 (being the first quarter of commercial production).

<u>Health and Safety</u>

Saracen values the safety and wellbeing of our employees and pleasingly recorded an improvement in our Total Incident Frequency Rate (TIFR) for the year. Our lost time injury frequency rate (LTIFR) for the 12 months to June 2016 was 3.5.

During the year the safety focus has been on the strengthening of policies, principal hazard standards, procedures and this has been coupled with an emphasis on risk management, as part of the drive to achieve and ensure a safe place of work.

Our commitment to safety is supported by the company's Safety Management System incorporating Principal Hazard Standards. Our team of employees, contractors, suppliers and other stakeholders underpin Saracen's operational performance.

<u>Financial Performance</u>

The Group reported a net profit before tax of $38.3 million, an increase of 137% on the previous year (2015: $16.2 million). Profit after tax was $25.9 million, an increase of 133% over the previous year (2015: $11.1 million).

Sales revenue for the year was $276.5 million, up 11% from $249.9 million in the previous year. Gold production for the year was 188,656 ounces up 13% from 167,531 ounces in FY2015. Gold sales for the year were 188,024 versus 164,114 ounces in 2015. Average gold price for the year was A$1,629/oz (2015: A$1,547/oz). During the year, approx. $30.2 million of gold sales were made from gold recovered from development activities at the Karari and Deep South underground mines and the Thunderbox open pit. This amount was offset against the project's capital development costs and is not accounted for as sales revenue.

Gross profit from mining operations for the year was $51.3 million (2015: $26.5 million) after deducting $12.5 million for royalties and $33.9 million in depreciation and amortisation (2015: $11.1 million and $49.5 million respectively).

Net cash flow from operations for the year was $109.8 million (2015: $65.4 million). Capital expenditure on purchases of plant & equipment, mine development and exploration totalled $111.9 million for the year mainly relating to the development of the Thunderbox, Karari and Deep South mines (2015: $49.3 million).

As at 30 June 2016, the Group had in place a total gold hedging program comprising 283,044 oz of forward and spot sales contracts at an average price of A$1,548/oz.

Production & Operational Outlook for 2016/17 and Beyond

Carosue Dam Operations

In FY2017, gold production will be sourced principally from the Karari and Deep South underground mines and the Whirling Dervish ore stockpiles with a small contribution from the Red October underground mine. Production is forecast to be 155,000 ozs.

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

- Completing the development of the Deep South underground mine to deliver approx. 500,000 tonnes of ore per annum, grading 4.0g/t;
- Commencing underground drill drive development of the Whirling Dervish deposit in the second half of FY2017;
- Complete the feasibility study on the Whirling Dervish underground mining project;
- Extending the life and quality of its open-pittable resources;
- Optimising production through the Carosue Dam processing plant including processing of the extensive ore stockpiles; and
- Generating sustaining cash flows.

Thunderbox Operations

In FY2017, gold production will be sourced principally from the Thunderbox Zone A open pit supplemented by small amounts of ore from the King of the Hills (KoTH). Production is forecast to be 125,000 ozs.

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

- Mining of the Thunderbox A zone open pit;
- Development and mining of the Thunderbox C zone open pit;
- Development and mining of the Kailis open pit;
- Commencing stable, long life, commercial production;
- Extensional drilling on the Thunderbox A zone orebody to confirm underground mining potential;
- Extensional drilling at the King of the Hills project to confirm underground mining potential;
- Mining at the King of the Hills project to commence;
- Continue the underground mining feasibility study for the Thunderbox orebodies; and
- Generate sustaining cash flows.

Exploration

Nearly 44,000m of underground and surface drilling completed at Karari during FY2016 has significantly expanded the resources and reserves for Karari. Exploration drilling also showed mineralisation remains open to the south of the Karari mine and at depth. A significant drill program at Karari is planned for FY2017 to continue to build on the ever-growing Karari resource.

Prior to the commencement of underground mining at Deep South, surface RC and diamond drilling was undertaken to test for resource extensions north and south of the mine and complete a geotechnical study. Downhole geophysics conducted in some of these drill holes identified a strong conductor consistent with gold-bearing sulphide accumulations below the current Mexico resource that lies to the south of the Deep South mine. Following the commencement of underground mining at Deep South in October 2015 approximately 5,500m of underground grade control and resource definition drilling has been completed. An extensive drill program is planned for FY2017 to convert resources in Deep South and the nearby resources of Tennessee and Mexico.

Drilling at Red October during FY2016 included 24,400m of underground resource definition and grade control into current and future mining areas. Exploration in the mine included tests of the lower extension of the Marlin lode and exploring for prospective horizons east and west of the current mine. Several targets intersected by this exploration will be followed up with drilling in FY2017.

The King of the Hills mine was acquired during FY2016 and Saracen immediately moved forward to realise the value of this resource by commencing underground diamond drill testing of high grade quartz veins under the southern pit of King of the Hill. This program has already shown this high grade mineralisation continues beneath the pit, and further exploration is ongoing. Grade control drilling into remnant mining areas that will form part of the FY2017 LOM plan will continue from FY2016 into FY2017.

Greenfields exploration undertaken in FY2016 included regional mapping and sampling in the under-explored Mt Celia district, which hosts both the active Deep South and historic Safari Bore mines. This work led to the definition of several targets that are scheduled for drill testing in FY2017. In the Red October district, mapping and surface sampling undertaken during FY2016 identified Anchor-type shear zones approximately 500m north of the Red October mine with coincident soil gold anomalies. These shear zones are closely linked to high-grade gold mineralisation in the Red October and further exploration of these new exploration targets is planned for FY2017. Exploration near the Carosue Dam gold plant included auger drilling near the Blue Manna resource to test for potential gold mineralisation over identified structural targets. A small aircore drill program was also undertaken during FY2016 on an area adjacent to Blue Manna.

Greenfields activities at Thunderbox Operations included geological mapping and re-sampling of historic drill holes to advance the knowledge of gold mineralisation in a number of prospects. Drilling activities at Thunderbox were restricted to grade control RC drilling in the Thunderbox pit.

Investor Relations

During the year the Company presented at several conferences and conducted roadshows to existing and prospective investors, analysts and stockbrokers. These included:-

- Diggers and Dealers Conference, August 2015;
- Deutsche Bank Gold Day, September 2015;
- Denver Gold Conference, September 2015;
- Macquarie Bank WA Resources Forum, October 2015;
- BMO Global Metals and Mining Conference, February 2016;
- Euroz Conference, March 2016;
- Macquarie Bank Australia Conference, May 2016;
- Read Corporate Resources Rising Stars Conference, May 2016;
- European investor roadshows, December 2015 and June 2016;
- Asian investor roadshow, June 2016;
- Various investor mine site visits; and
- Various presentations in Sydney and Melbourne.

A copy of each presentation given to 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

As at 30 June 2016 the business had 293 employees. The commencement of our Thunderbox Operations saw a significant increase in employee numbers from the 2015 financial year. We continue to promote a workplace culture that embraces diversity, and we currently have approximately 15% female participation.

Saracen's 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 Bonus Scheme was again utilised to provide further incentive to employees in meeting organisational Key Performance Indicators, each employee's individual performance in their role was assessed at the mid-year and annual appraisals and this had an impact on their bonus entitlement.

Community Support

Saracen is proud to be involved in and supportive of community groups and organisations and has maintained our commitment to supporting the local communities in which we operate, despite the current difficult market conditions. During FY2016 Saracen has provided funding to:-

- Leonora Golden Gift
- The Kalgoorlie City Football Club
- SolarisCare Foundation
- WA School of Mines Graduates Association
- CEO Sleepout
- Everyday Hero
- Children's Charity Network
- Rockingham Rotary Club

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 OF OPERATIONS

The Company continues to seek suitable mineral opportunities for acquisition or farm-in, as well as corporate investments, while progressing the Company's operations. Refer to the Production and Operational Outlook for 2016/17 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.

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 National Environment Protection (National Pollutant Inventory) Measure 1998 and the National Greenhouse and Energy Reporting Act 2007.

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 2015 and National Green house and Energy (NGER) in October 2015.

There were no significant environmental incidents during the year at the Company's operations.

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 and Nomination 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
Geoff Clifford	11	11	3	3	-	-	7	7
Raleigh Finlayson	11	11	-	-	-	-	7	7
Mark Connelly	11	10	3	3	3	3	-	-
Martin Reed	11	11	-	-	3	3	7	7
Samantha Tough	11	11	3	3	3	3	-	-
Barrie Parker *	5	3	-	-	-	-	3	2

* Retired 25 November 2015

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 2001*.

The Directors present the Saracen Mineral Holdings Limited 2016 Remuneration Report, outlining key aspects of our remuneration policy and framework, and remuneration awarded this year. This report forms part of the Directors' Report.

The report is structured as follows:

1. Key management personnel (KMP) covered in this report
2. Key changes since 2015 remuneration report
3. Remuneration governance
4. Executive remuneration policy and framework
5. Link between remuneration and performance
6. Details of remuneration
7. Contractual arrangements with executive KMP
8. Non-executive director arrangements
9. Other statutory information

1. Key management personnel covered in this report

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

Geoffrey Clifford	Non-Executive Chairman
Raleigh Finlayson	Managing Director (Executive)
Mark Connelly	Non-Executive Director
Martin Reed	Non-Executive Director
Samantha Tough	Non-Executive Director
Barrie Parker	Non-Executive Director (retired 25 November 2015)

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

Craig Bradshaw	Chief Operating Officer
Gerard (Gerry) Kaczmarek	Company Secretary / Chief Financial Officer
Daniel Howe	Chief Geologist
William (Troy) Irvin	Chief Corporate Development Officer

2. Key changes since 2015 remuneration report

2A. Retirement of Non-executive Director

Barrie Parker retired at the Annual General Meeting held on 25 November 2015. The Directors consider the size and composition of the Saracen Board to be appropriate and have not replaced Mr Parker during the financial year.

2B. Approval of Performance Rights issued to the Managing Director

The issue of 10,000,000 performance rights to Raleigh Finlayson, which was provisionally included in the 2015 remuneration report, was approved by shareholders at the Annual General Meeting held on 25 November 2015. Refer to "4 - Executive Remuneration Policy and Framework" below for further details.

2C. Issue of Performance Rights to KMP

During the year an additional 2,805,000 performance rights were granted to employees of which 800,000 were allocated to KMP. Refer to "4 - Executive Remuneration Policy and Framework" below for further details.

3. Remuneration Governance

3A. Remuneration decision making

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 committee reviews and determines the Group's remuneration policy and structure annually to ensure it remains aligned to business needs, and meets the Group's remuneration principles. From time to time, the committee also engages external remuneration consultants to assist with this review, see "9E – Use of remuneration consultants" below for further information.

In particular, the Board aims to ensure that remuneration practices are:

- competitive and reasonable, enabling the company to attract and retain key talent;
- aligned to the company's strategic and business objectives and the creation of shareholder value;
- transparent and easily understood; and
- acceptable to shareholders.

The RNC has delegated authority to the Managing Director for approving remuneration recommendations for employees other than KMP, within the parameters of approved Group wide remuneration levels and structures.

The members of the remuneration committee are all independent, Non-Executive Directors and, as at the date of this report, comprised:

Samantha Tough – Chair of Committee, Non-Executive Director
Mark Connelly – Non-Executive Director
Martin Reed – Non-Executive Director

3B. Clawback of remuneration

In the event of serious misconduct or a material misstatement in the Group's financial statements, the Board has the discretion to reduce, cancel or clawback any unvested short term or long term incentives.

3C. Share trading policy

The Group's securities trading policy applies to all Directors and KMP. In accordance with the policy, employees, other than Directors of the company, may only deal in Saracen Mineral Holdings Limited securities in the period of 30 days from the day following:-

- the announcement of half-year results; or
- the announcement of annual results; or
- the announcement of quarterly results; or
- the holding of the Annual General Meeting.

These are collectively referred to as the "Window Period".

The policy prohibits employees from dealing in Saracen Mineral Holdings Limited securities while in possession of material non-public information relevant to the Group, even if it is within a Window Period.

Directors of the Group are prohibited from dealing in Securities of Saracen Mineral Holdings Limited outside of a Window Period and must receive written consent from the Chairman or the Board for any dealing in the Group's securities within a Window Period.

4. Executive Remuneration Policy and Framework

The RNC is responsible for determining remuneration policies in respect of executives and 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. Target positioning of total remuneration against market is the 50th percentile. 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 as per the table below:-

Element	**Consist of**	**Purpose**	**Performance Metrics**
Fixed Remuneration (FR)	Base pay and benefits, including superannuation	Provide competitive market salary including superannuation and benefits	Nil
Short-term incentives (STI)	Cash payments targeted at a percentage of FR	Reward for in-year performance	- Group Total Incident Frequency Rate (TIFR); - Corporate Costs; - Core Values (specific to individual); and - Group all in cost*.
Long-term incentives (LTI)	Performance Rights	Alignment to long-term shareholder value	<u>All issues except Tranche 5</u> - 3 Year Peer Group Total Shareholder Return** comparison; - 3 Year Growth of Ore Reserves; and - 3 Year Increase in share price. <u>Tranche 5 issued to Managing Director</u> - Commencement of production at Thunderbox before 31 December 2016; and - 2 and 3 Year Peer Group TSR comparison.

* This is the Group's "All in Cost" which includes all costs except for a cost incurred only as a result of a higher gold price (eg. a royalty based on gold price).
** Total Shareholder Return (TSR) is calculated as the increase in the price of a Group's shares on the ASX over and in respect of the performance, based on the 30 day VWAP for those shares, plus any reinvested dividends, expressed as a percentage of the 30 day VWAP share price.

(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 that person working out their 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 "7 – Contractual arrangements with executive KMP".

Other than 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 FY2016, the KPIs set for KMP related to safety, gold production, cash flow generation, closing cash balance, production costs and personal performance. Refer to the table below for the structure of the STI plan:

Feature	Description							
Max opportunity	CEO and other KMP: 25% of base salary							
Performance metrics:	**Metric**	**Target**			**Weighting**	**Actuals**	**Bonus Achieved**	**Weighted Bonus**
		Base Case - 0%	**Mid Case - 50%**	**Stretch Case - 100%**				
	Group TIFR	326	301	277	20%	358	0%	0%
	Corporate Costs	$45/oz	$44/oz	$43/oz	20%	$40/oz	100%	20%
	Core Values (specific to individual)	3 rating	2 rating	1 rating	20%	2 rating*	50%	10%
	Group all in cost	$1,508/oz	$1,429/oz	$1,350oz	40%	$1,459oz	31%	12%
Percentage of maximum STI received								42%**

* The CEO and all other KMP achieved the same rating.
** All KMP achieved the same percentage of maximum available STI.

The RNC determined that for FY2016, the Managing Director and other KMP would receive 42% of their maximum available STI (11% of base salary). The STI amounts payable for FY2016 are included in the remuneration calculation in the table under section "(i) Details of Remuneration". These amounts will be paid in FY2017.

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

LTI awards are structured to reward KMP 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 have not been used for employee incentive purposes over the last three years.

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.

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 the performance period.

Any grants under the Plan will be subject to the achievement of KPIs. Appropriate KPIs may 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 some or 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 Tranches 1 - 4 and Tranche 6 are set out below:-

	Class A		**Class B**		**Class C**	
Performance Condition	Comparison of the Company's Total Shareholder Return (TSR) 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%

The KPIs for Tranches 5 issued to the Managing Director and approved by the shareholders at the Annual General Meeting held on 25 November 2015 are set out below:-

	Class A		**Class B**		**Class C**	
Performance Condition	First gold production at the Thunderbox Operations by 31 December 2016.		Comparison of the Company's Total Shareholder Return (TSR) with that of a group of peer companies (2 years).		Comparison of the Company's Total Shareholder Return (TSR) with that of a group of peer companies (3 years).	
Vesting Condition	**Thunderbox goes into production**	**Proportion of rights vesting**	**Percentile**	**Proportion of rights vesting**	**Percentile**	**Proportion of rights vesting**
	No	0%	Below 50th percentile	0%	Below 50th percentile	0%
	Yes	100%	Above 50th percentile	100%	Above 50th percentile	100%

For the comparison of the Total Shareholder Return (TSR) 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
- 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 those companies or any new company determined to enter into a peer ranking position.

Summary of FY2014 Performance Rights (Tranche 1 – Managing Director)

Vesting Conditions:

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

Issue Price: 19 November 2013 - 21.5 cents
Vesting Date: 28 September 2016

Fair Value per Right:

- Class A – 19.5 cents
- Class B – 21.5 cents
- Class C – 13.5 cents

An allocation of 1,500,000 Rights were granted to the Managing Director, Raleigh Finlayson following shareholder approval at the Annual General Meeting in November 2013.

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.

Summary of FY2014 Performance Rights (Tranche 2 - KMPs)

Vesting Conditions:

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

Issue Price: 23 September 2014 - 37 cents
Vesting Date: 28 September 2016

Fair Value per Right:

- Class A – 36.3 cents
- Class B – 37.0 cents
- Class C – 23.1 cents

An allocation of 1,115,000 Rights were granted to KMP's on 23 September 2014.

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 relating to KMP's was estimated, for accounting purposes, to be $347,434.

Summary of FY2015 Performance Rights (Tranche 3 – Managing Director)

Vesting Conditions:

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

Issue Price: 26 November 2014 - 27.5 cents
Vesting Date: 28 September 2017

Fair Value per Right:

- Class A – 19.3 cents
- Class B – 27.5 cents
- Class C – 17.3 cents

An allocation of 735,000 Rights were granted to the Managing Director, Raleigh Finlayson following shareholder approval at the Annual General Meeting in November 2014.

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 $148,029.

Summary of FY2015 Performance Rights (Tranche 4 - KMPs)

Vesting Conditions:

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

Issue Price: 1 April 2015 - 41 cents
Vesting Date: 28 September 2017

Fair Value per Right:

- Class A – 33.8 cents
- Class B – 41.0 cents
- Class C – 25.3 cents

An allocation of 760,000 Rights were granted to KMP's on 1 April 2015.

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 relating to KMP's was estimated, for accounting purposes, to be $241,984.

Summary of FY2016 Performance Rights (Tranche 5 – Managing Director)

The KPIs for the FY2016 Performance Rights issued to the Managing Director are set out below:-

Tranche	Performance Rights	Vesting Conditions	Issue Price	Vesting Date	Fair Value at Grant Date
Class A	2,000,000	(i) Mr Finlayson being Managing Director; and (ii) First gold production at the Thunderbox Operations before 31 December 2016.	53.5 cents	By 31/12/2016	53.5 cents
Class B	3,000,000	(i) Mr Finlayson being Managing Director; and (ii) Saracen is in the top 50% of Total Shareholder Returns ("TSR") over the period commencing 16 March 2015 and ending on or after 16 March 2017, when compared with the TSR of the Peer Companies calculated over the same period	53.5 cents	16/03/2017	45.1 cents
Class C	5,000,000	(i) Mr Finlayson being Managing Director; and (ii) Saracen is in the top 50% of Total Shareholder Returns ("TSR") over the period commencing 16 March 2015 and ending on or after 16 March 2018, when compared with the TSR of the Peer Companies calculated over the same period	53.5 cents	16/03/2018	45.4 cents

For the comparison of shareholder return for the Class B and Class C Performance Rights, the peer Group includes the following companies:-

- Beadell Resources Limited
- Evolution Mining Limited
- Kingsgate Consolidated Limited
- Millennium Minerals 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

An allocation of 10,000,000 Rights were granted to the Managing Director, Raleigh Finlayson following shareholder approval at the Annual General Meeting in November 2015.

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 $4,693,000.

Summary of FY2016 Performance Rights (Tranche 6 - KMPs)

Vesting Conditions:

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

Issue Price: 18 December 2015 - 57 cents
Vesting Date: 28 September 2018

Fair Value per Right:

- Class A – 42.7 cents
- Class B – 57.0 cents
- Class C – 39.5 cents

An allocation of 800,000 Rights were granted to KMP's on 18 December 2015.

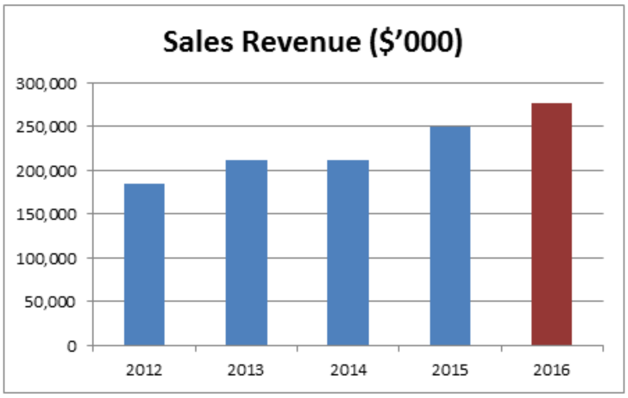
A Monte Carlo simulation was undertaken on these Rights to determine the probability of the market conditions associated with the Rights being met. The probability estimates were then applied to ascertain an estimated fair value for the Rights. This value relating to KMP's was estimated, for accounting purposes, to be $354,240.

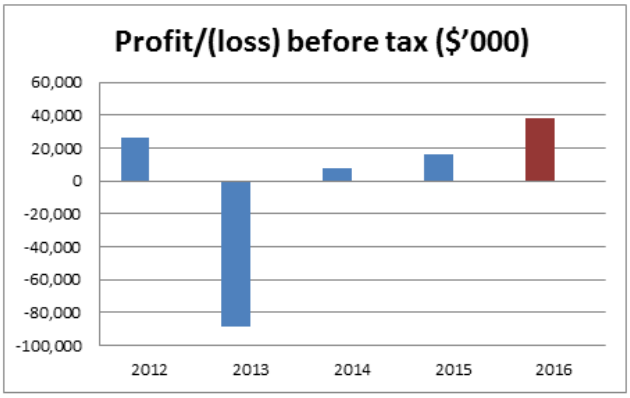
Refer to "9B - Details of share based compensation" for a detailed breakdown of performance rights issued to each KMP.

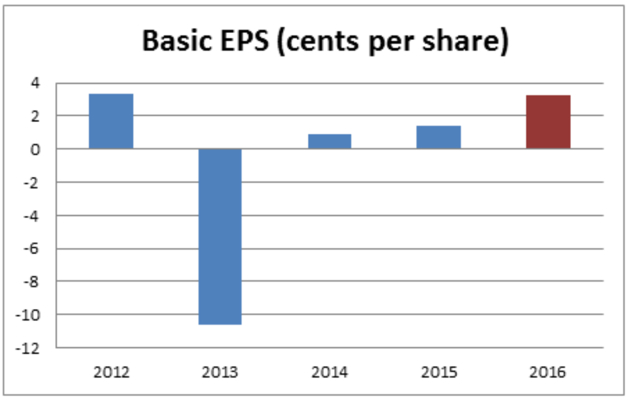
5. Link between Remuneration and Performance

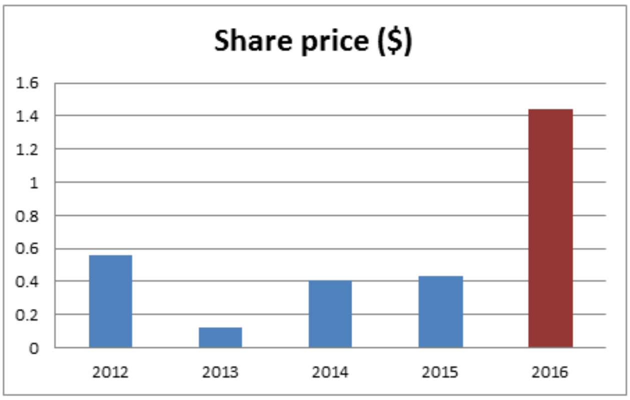
The Group aims to align its executive remuneration to its strategic and business objectives and the creation of shareholder wealth. The table and graphs below show the measures of the group's financial performance over the last 5 years as required by the *Corporations Act 2001*. However, these are not necessarily consistent with the measures used in determining the variable amounts of remuneration to be awarded to KMP, refer to "4 - Executive Remuneration Policy and Framework" above for actual measures used. As a consequence, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration awarded.

	2012	2013	2014	2015	2016
Sales Revenue ($'000)	183,759	210,605	211,424	249,872	276,502
Profit/(loss) before tax ($'000)	26,692	(88,324)	7,890	16,181	38,335
Basic EPS (cents per share)	3.3	(10.6)	0.91	1.41	3.26
Share price	0.56	0.12	0.41	0.43	1.44









For the period 1 July 2013 to 30 June 2016, the TSR of the Company has been independently calculated to be 832% placing it first in the Peer Group comparative. Therefore, as stipulated for the vesting of Tranche 1 & Tranche 2, Class A Performance Rights, 100% vesting of the Rights was achieved and shares were issued to eligible recipients in August 2016.

For the period 1 July 2013 to 30 June 2016, the share price of the Company has been independently calculated to have increased 832% over the period. Therefore, as stipulated for the vesting of Tranche 1 & Tranche 2, Class C Performance Rights, 100% vesting of the Rights was achieved and shares were issued to eligible recipients in August 2016.

6. 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 2016	Short-term Employee Benefits			Post-Employment	Share Based Payments	Long Term Benefits	Total	Proportion of total performance related
	Salary and fees	*Cash bonus*	*Non-monetary benefits* (i)	*Superannuation and other*	*Performance Rights*	*Long Service Leave* (iv)		
	$	$	$	$	$	$	$	
Directors								
G Clifford	127,854	-	-	12,146	-	-	140,000	-
R Finlayson (ii)(v)	736,500	76,048	5,918	30,000	2,359,767	13,434	3,221,667	75.6%
M Connelly	82,192	-	-	7,808	-	-	90,000	-
M Reed – Director Fees(iii)	90,000	-	-	-	-	-	90,000	-
S Tough	82,192	-	-	7,808	-	-	90,000	-
B Parker (retired 25 November 2015)	34,247	-	-	3,253	-	-	37,500	-
Key Management Personnel								
C Bradshaw(ii) (v)	408,807	44,313	-	29,193	104,838	2,566	589,717	25.3%
G Kaczmarek(ii)	350,000	39,024	-	33,250	126,205	6,748	555,227	29.8%
D Howe (ii)	275,000	31,090	5,355	26,125	82,993	7,169	427,732	26.7%
W T Irvin(ii)	275,000	34,743	-	26,472	67,540	690	404,445	25.3%
Total	**2,461,792**	**225,218**	**11,273**	**176,055**	**2,741,343**	**30,607**	**5,646,288**	

(i) Non-monetary benefits include Group provided health insurance.
(ii) Share based payments are the performance rights which are expensed over the vesting period (refer to note 21 in the consolidated financial statements).
(iii) $90,000 is the amount paid/payable to PilotHole Pty Ltd referable to Martin Reed's Directors Fees.
(iv) These amounts are accounting accruals and have not actually been paid during the year.
(v) Employee has reached the maximum super contribution base. The amount of deemed superannuation in excess of the maximum contribution base was paid out as a salary.

30 June 2015	Short-term Employee Benefits			Post-Employment	Share Based Payments	Long Term Benefits	Total	Proportion of total performance related
	Salary & fees	*Cash bonus*	*Non-monetary benefits*(i)	*Superannuation and other*	*Performance Rights / Options* (Vii)	*Long Service Leave* (Vii)		
	$	$	$	$	$	$	$	
Directors								
G Staltari (retired 26 November 2014)	56,639	-	-	-	-	-	56,639	-
R Finlayson (ii)	628,679	172,566	5,078	46,349	120,926 169,682(v)	53,403	1,196,683	38.7%
G Clifford	98,784	-	-	24,549	-	-	123,333	-
B Parker	47,945	-	-	42,055	-	-	90,000	-
M Reed – Director Fees(iii)	90,000	-	-	-	-	-	90,000	-
M Reed – Consulting Fees(iv)	227,469	-	-	-	-	-	227,469	-
S Tough	82,191	-	-	7,809	-	-	90,000	-
M Connelly (appointed 1 May 2015)	13,699	-	-	1,301	-	-	15,000	-
Key Management Personnel								
C Bradshaw(ii)	400,000	99,457	-	49,871	48,200	1,630	599,158	24.6%
G Kaczmarek(ii)	350,000	64,712	-	44,243	64,225	2,513	525,693	24.5%
D Howe (ii)	256,250	50,846	4,394	30,979	36,061	6,132	384,662	22.6%
W T Irvin(ii)(vi) (appointed 30 March 2015)	65,997	-	-	6,270	27,301	-	99,568	27.4%
Total	**2,317,653**	**387,581**	**9,472**	**253,426**	**466,395**	**63,678**	**3,498,205**	

(i) Non-monetary benefits include Group provided health insurance.
(ii) Share based payments are the performance rights which are expensed over the vesting period (refer to note 21 in the consolidated financial statements).
(iii) $90,000 is the amount paid/payable to PilotHole Pty Ltd referable to Martin Reed's Directors Fees.
(iv) An amount of $227,469 has been paid/is payable to PilotHole Pty Ltd relating to professional service provided by Martin Reed.
(v) This is an estimated value of the Tranche 5 Performance Rights approved by the Board and advised to the ASX on 22 May 2015. Even though these performance rights are subject to shareholder approval (in November 2015), AASB 2 requires an estimate to be made as employment services have been rendered prior to grant date. If the allocation of Performance Rights is not approved, this deemed value will not be received.

(vi) William (Troy) Irvin did not qualify to receive a cash bonus having only being appointed on 30 March 2015.
(vii) These amounts are accounting accruals and have not actually been paid during the year.

7. Contractual Arrangements with Executive KMP

Remuneration of the Managing Director and other executives are formalised in letters of appointment and employment 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 employment 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	$700,000pa	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 3 Months	$350,000pa	If Mr Kaczmarek 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*.
D Howe, *Chief Geologist*	No fixed term 3 Months	$275,000pa	If Mr Howe 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*.
W T Irvin, *Chief Corporate Development Officer*	No fixed term 3 Months	$275,000pa	If Mr Irvin 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*.

8. Non-Executive Director Arrangements

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 AGM held on 25 November 2011.

The Board policy for determining the nature and amount of remuneration of Directors and KMP, 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.

Base fees (including superannuation)	From 1 July 2015 to 30 June 2016	From 1 July 2014 to 30 June 2015
Chairman	$140,000	$140,000
Other non-executive directors	$80,000	$80,000
Additional fees (including superannuation)		
Membership of a Board Committee	$10,000	$10,000

9. Additional Statutory Information

9A. Relative Proportion of Fixed vs Variable Remuneration Expense

The following table shows the relative proportions of executive remuneration that are linked to performance and those that are fixed, based on the amounts disclosed as statutory remuneration expense in the tables above:

	Fixed Remuneration		At Risk - STI		At Risk – LTI	
Name	**2016**	2015	**2016**	2015	**2016**	2015
Executive Directors						
R Finlayson	**25%**	61%	**2%**	15%	**73%**	24%
Key Management Personnel						
C Bradshaw	**75%**	75%	**7%**	17%	**18%**	8%
G Kaczmarek	**70%**	76%	**7%**	12%	**23%**	12%
D Howe	**74%**	77%	**7%**	13%	**19%**	10%
W T Irvin	**75%**	73%	**8%**	-	**17%**	27%

9B. Details of Share Based Compensation

Performance Rights

Performance rights only vest 90 days after the performance period ended due to it being subject to Board approval. The performance rights are expensed over the performance period to which is consistent with the period over which the services have been performed.

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

Tranche 1

Grant Date	Vesting date	Performance period	Value per Performance Right at grant date	% Vested
19 November 2013 – Class A	28 September 2016	1 July 2013 – 30 June 2016	$0.195	-
19 November 2013 – Class B	28 September 2016	1 July 2013 – 30 June 2016	$0.215	-
19 November 2013 – Class C	28 September 2016	1 July 2013 – 30 June 2016	$0.135	-

Tranche 2

Grant Date	Vesting date	Performance period	Value per Performance Right at grant date	% Vested
23 September 2014 – Class A	28 September 2016	1 July 2013 – 30 June 2016	$0.363	-
23 September 2014 – Class B	28 September 2016	1 July 2013 – 30 June 2016	$0.370	-
23 September 2014 – Class C	28 September 2016	1 July 2013 – 30 June 2016	$0.231	-

Tranche 3

Grant Date	Vesting date	Performance period	Value per Performance Right at grant date	% Vested
26 November 2014 – Class A	28 September 2017	1 July 2014 – 30 June 2017	$0.193	-
26 November 2014 – Class B	28 September 2017	1 July 2014 – 30 June 2017	$0.275	-
26 November 2014 – Class C	28 September 2017	1 July 2014 – 30 June 2017	$0.173	-

Tranche 4

Grant Date	Vesting date	Performance period	Value per Performance Right at grant date	% Vested
1 April 2015 – Class A	28 September 2017	1 July 2014 – 30 June 2017	$0.338	-
1 April 2015 – Class B	28 September 2017	1 July 2014 – 30 June 2017	$0.410	-
1 April 2015 – Class C	28 September 2017	1 July 2014 – 30 June 2017	$0.253	-

Tranche 5

Grant Date	Vesting date	Performance period	Value per Performance Right at grant date	% Vested
21 May 2015 – Class A	31 December 2016	21 May 2015 – 31 December 2016	$0.535	-
21 May 2015 – Class B	16 March 2017	16 March 2015 – 16 March 2017	$0.451	-
21 May 2015 – Class C	16 March 2018	16 March 2015 – 16 March 2018	$0.454	-

Tranche 6

Grant Date	Vesting date	Performance period	Value per Performance Right at grant date	% Vested
18 December 2015 – Class A	28 September 2018	1 July 2015 – 30 June 2018	$0.427	-
18 December 2015 – Class C	28 September 2018	1 July 2015 – 30 June 2018	$0.570	-
18 December 2015 – Class C	28 September 2018	1 July 2015 – 30 June 2018	$0.395	-

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 "4 – Executive remuneration policy and framework". Further information on the performance rights is set out in note 21 to the financial statements.

Name	Financial 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	Tranche 1					
	2013/14 (Class A)	2016/17	600,000	$117,000	-	-
	2013/14 (Class B)	2016/17	300,000	$64,500	-	-
	2013/14 (Class C)	2016/17	600,000	$81,000	-	-
	Tranche 3					
	2014/15 (Class A)	2016/17	294,000	$56,742	-	-
	2014/15 (Class B)	2016/17	147,000	$40,425	-	-
	2014/15 (Class C)	2016/17	294,000	$50,862	-	-
	Tranche 5					
	2015/16 (Class A)	2016/17	2,000,000	$1,070,000	-	-
	2015/16 (Class B)	2016/17	3,000,000	$1,353,000	-	-
	2015/16 (Class C)	2017/18	5,000,000	$2,270,000	-	-
C Bradshaw	Tranche 2					
	2014/15 (Class A)	2016/17	120,000	$43,560	-	-
	2014/15 (Class B)	2016/17	60,000	$22,200	-	-
	2014/15 (Class C)	2016/17	120,000	$27,720	-	-
	Tranche 4					
	2014/15 (Class A)	2017/18	92,000	$31,096	-	-
	2014/15 (Class B)	2017/18	46,000	$18,860	-	-
	2014/15 (Class C)	2017/18	92,000	$23,276	-	-
	Tranche 6					
	2015/16 (Class A)	2018/19	80,000	$34,160	-	-
	2015/16 (Class B)	2018/19	40,000	$22,800	-	-
	2015/16 (Class C)	2018/19	80,000	$31,600	-	-
G Kaczmarek	Tranche 2					
	2014/15 (Class A)	2016/17	168,000	$60,984	-	-
	2014/15 (Class B)	2016/17	84,000	$31,080	-	-
	2014/15 (Class C)	2016/17	168,000	$38,808	-	-
	Tranche 4					
	2014/15 (Class A)	2017/18	92,000	$31,096	-	-
	2014/15 (Class B)	2017/18	46,000	$18,860	-	-
	2014/15 (Class C)	2017/18	92,000	$23,276	-	-
	Tranche 6					
	2015/16 (Class A)	2018/19	80,000	$34,160	-	-
	2015/16 (Class B)	2018/19	40,000	$22,800	-	-
	2015/16 (Class C)	2018/19	80,000	$31,600	-	-
D Howe	Tranche 2					
	2014/15 (Class A)	2016/17	90,000	$32,670	-	-
	2014/15 (Class B)	2016/17	45,000	$16,650	-	-
	2014/15 (Class C)	2016/17	90,000	$20,790	-	-
	Tranche 4					
	2014/15 (Class A)	2017/18	68,000	$22,984	-	-
	2014/15 (Class B)	2017/18	34,000	$13,940	-	-
	2014/15 (Class C)	2017/18	68,000	$17,204	-	-
	Tranche 6					
	2015/16 (Class A)	2018/19	80,000	$34,160	-	-
	2015/16 (Class B)	2018/19	40,000	$22,800	-	-
	2015/16 (Class C)	2018/19	80,000	$31,600	-	-

Name	Financial 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 %
W T Irvin	Tranche 2					
	2014/15 (Class A)	2016/17	68,000	$24,684	-	-
	2014/15 (Class B)	2016/17	34,000	$12,580	-	-
	2014/15 (Class C)	2016/17	68,000	$15,708	-	-
	Tranche 4					
	2014/15 (Class A)	2017/18	52,000	$17,576	-	-
	2014/15 (Class B)	2017/18	26,000	$10,660	-	-
	2014/15 (Class C)	2017/18	52,000	$13,156	-	-
	Tranche 6					
	2015/16 (Class A)	2018/19	80,000	$34,160	-	-
	2015/16 (Class B)	2018/19	40,000	$22,800	-	-
	2015/16 (Class C)	2018/19	80,000	$31,600	-	-

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.

9C. Equity Instruments held by KMP

The tables below show the number of:-
(i) performance rights over ordinary shares in the Company granted under Performance Rights Plan; and
(ii) shares in the Company.
that were held during the financial year by directors and KMP of the Group, including their close family members and entities related to them.

(i) Performance Rights holdings

30 June 2016	Balance at beginning of period 1 July 2015	Granted as remuneration	Vested	Lapsed	Balance at end of period 30 June 2016 (Unvested)
Directors					
G Clifford	-	-	-	-	-
R Finlayson	12,235,000	-	-	-	12,235,000
M Connelly	-	-	-	-	-
B Parker (retired 25 November 2015)	-	-	-	-	-
M Reed	-	-	-	-	-
S Tough	-	-	-	-	-
G Staltari	-	-	-	-	-
Key Management Personnel					
C Bradshaw	530,000	200,000	-	-	730,000
G Kaczmarek	650,000	200,000	-	-	850,000
D Howe	395,000	200,000	-	-	595,000
W T Irvin	300,000	200,000	-	-	500,000
Total	**14,110,000**	**800,000**	**-**	**-**	**14,910,000**

(ii) Shareholdings

30 June 2016	Balance at beginning of period 1 July 2015	Granted as remuneration	Vesting of Rights	Net change - other	Balance at end of period 30 June 2016
Directors					
G Clifford	-	-	-	-	-
R Finlayson	1,181,819	-	-	-	1,181,819
M Connelly	-	-	-	-	-
S Tough	-	-	-	-	-
M Reed	-	-	-	30,000	30,000
B Parker (retired 25 November 2015)	118,182	-	-	(118,182)	-

30 June 2016	Balance at beginning of period 1 July 2015	Granted as remuneration	Vesting of Rights	Net change - other	Balance at end of period 30 June 2016
Key Management Personnel					
C Bradshaw	-	-	-	-	-
G Kaczmarek	38,100	-	-	-	38,100
D Howe	-	-	-	-	-
W T Irvin	-	-	-	-	-
Total	**1,388,101**	**-**	**-**	**(88,182)**	**1,299,919**

9D. Other Transactions with KMP

During the year an amount of $90,000 (2015: $317,469) has been paid/is payable to PilotHole Pty Ltd, an entity controlled by Mr Martin Reed. The amount relates to Director's Fees. The 2015 amount included professional services in relation to the Thunderbox feasibility study ($227,469).

9E. Use of remuneration consultants

The Company subscribes for the McDonald Gold & General Mining Industries Remuneration Report (Australasia) as prepared by Aon Hewitt Limited as a tool to use to bench mark remuneration levels of the Company against those of the peer group mining companies. These reports are received twice annually.

9F. Voting on the Remuneration Report at the 2015 AGM

At the Annual General Meeting held in November 2015, the Company received a "yes" vote of more than 85% on its Remuneration Report for the 2015 financial year. The Group did not receive any specific feedback from shareholders at that meeting. During the year, the Company consulted with various shareholders and proxy advisory groups on its remuneration practices. Many of the comments and recommendations from these meetings have been incorporated into the Group's Remuneration policy.

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 workers compensation 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

During the year, BDO Audit (WA) Pty Ltd, the Group's auditor, and BDO Corporate Tax (WA) Pty Ltd, a related party of the Group's auditor, provided tax compliance and advisory services in addition to audit services. Together, BDO Audit (WA) Pty Ltd and BDO Corporate Tax (WA) Pty Ltd received, or are due to receive, $76,487 (2015: $63,067) for the 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 Instrument 2016/191, dated 1 April 2016, and in accordance with that Instrument 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
25 August 2016

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF SARACEN MINERAL HOLDINGS LIMITED

As lead auditor of Saracen Mineral Holdings Limited for the year ended 30 June 2016, 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.

Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 25 August 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Financial Year Ended 30 June 2016

	Note	2016 $'000	2015 $'000
Revenue from continuing operations	2	**276,502**	249,872
Mine operating costs		**(178,802)**	(162,730)
Depreciation and amortisation	2	**(33,896)**	(49,521)
Royalties		**(12,539)**	(11,097)
Gross profit from mining operations		**51,265**	26,524
Administration expenses	2	**(8,165)**	(9,067)
Share based payments expense	21	**(3,635)**	(583)
Finance costs	2	**(856)**	(1,039)
Other revenue	2	**729**	802
Profit on disposal of fixed assets		**3**	-
Expensing of deferred exploration costs		**(1,005)**	(447)
Loss from sale of shares		**-**	(72)
Change in fair value of listed shares		**(1)**	63
Profit before income tax		**38,335**	16,181
Income tax expense	4	**(12,446)**	(5,033)
Profit after income tax for the period		**25,889**	11,148
Other comprehensive income/(loss), net of income tax			
Items that may be reclassified subsequently to profit or loss			
Fair value loss on hedging instruments entered into for cash flow hedges (net of deferred tax)	19(e)	**(5,967)**	(13,560)
Other comprehensive loss for the year		**(5,967)**	(13,560)
Total comprehensive income/(loss) attributable to members of Saracen Mineral Holdings Limited		**19,922**	(2,412)
Earnings per share for the year attributable to the members of Saracen Mineral Holdings Limited:			
Basic earnings (cents per share)	5	**3.26**	1.41
Diluted earnings (cents per share)	5	**3.20**	1.40

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 2016

	Note	2016 $'000	2015 $'000
Current assets			
Cash and cash equivalents	23(a)	**34,302**	38,378
Trade and other receivables	7	**5,189**	2,690
Financial derivative instruments	11	**-**	8,524
Other financial assets	8	**7**	8
Inventories	9	**29,589**	59,384
Other assets	10	**1,391**	655
Total current assets		**70,478**	109,639
Non-current assets			
Plant and equipment	13	**84,797**	44,436
Other financial assets	12	**55**	55
Deferred tax assets	4	**-**	6,326
Deferred exploration and evaluation costs	14	**43,552**	38,409
Mine properties	15	**163,221**	101,444
Total non-current assets		**291,625**	190,670
Total assets		**362,103**	300,309
Current liabilities			
Trade and other payables	16	**27,331**	17,869
Borrowings	18	**1,373**	802
Provisions	17	**5,112**	4,871
Total current liabilities		**33,816**	23,542
Non-current liabilities			
Deferred tax liabilities	4	**3,562**	-
Borrowings	18	**2,359**	570
Provisions	17	**61,648**	46,970
Total non-current liabilities		**67,569**	47,540
Total liabilities		**101,385**	71,082
Net assets		**260,718**	229,227
Equity			
Contributed equity	19(a)	**253,013**	245,079
Reserves	19(e)	**7,736**	10,068
(Accumulated Losses)/Retained profits		**(31)**	(25,920)
Total equity		**260,718**	229,227

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 2016

	Contributed Equity $'000	(Accumulated Losses) / Retained Profits $'000	Cash Flow Hedge Reserve $'000	Share Based Payments Reserve $'000	Total $'000
As at 1 July 2015	**245,079**	**(25,920)**	**5,967**	**4,101**	**229,227**
Profit for the year after tax	-	25,889	-	-	25,889
Other comprehensive loss	-	-	(5,967)	-	(5,967)
Total comprehensive profit/(loss) for the year after tax	**-**	**25,889**	**(5,967)**	**-**	**19,922**
Transactions with owners in their capacity as owners					
Issue of ordinary shares as consideration for asset acquisition	7,934	-	-	-	7,934
Share based payments	-	-	-	3,635	3,635
As at 30 June 2016	**253,013**	**(31)**	**-**	**7,736**	**260,718**
As at 1 July 2014	**245,079**	**(37,068)**	**19,527**	**3,518**	**231,056**
Profit for the year after tax	-	11,148	-	-	11,148
Other comprehensive loss	-	-	(13,560)	-	(13,560)
Total comprehensive profit/(loss) for the year after tax	**-**	**11,148**	**(13,560)**	**-**	**(2,412)**
Transactions with owners in their capacity as owners					
Share based payments	-	-	-	583	583
As at 30 June 2015	**245,079**	**(25,920)**	**5,967**	**4,101**	**229,227**

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 2016

	Note	2016	2015
		$'000	$'000
Cash flows from operating activities			
Receipts from customers		**276,502**	249,872
Payments to suppliers and employees		**(166,709)**	(184,316)
Interest received		**604**	743
Interest paid and other finance costs		**(593)**	(896)
Net cash flows provided by operating activities	23(b)	**109,804**	65,403
Cash flows from investing activities			
Proceeds from sale of shares		**-**	10
Purchase of plant, equipment and development assets		**(104,591)**	(35,933)
Stamp duty on Thunderbox acquisition		**-**	(2,260)
Exploration and evaluation costs		**(7,326)**	(11,116)
Security deposit refund		**-**	55
Net cash flows used in investing activities		**(111,917)**	(49,244)
Cash flows from financing activities			
Payment of finance lease liabilities		**(1,396)**	(1,659)
Repayment of borrowings		**-**	(11,950)
Payment of loan establishment fees		**(567)**	(31)
Net cash flows used in financing activities		**(1,963)**	(13,640)
Net increase/(decrease) in cash held		**(4,076)**	2,519
Add opening cash brought forward		**38,378**	35,859
Closing cash carried forward	23(a)	**34,302**	38,378

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 2016

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 code: '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 25 August 2016

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 Instrument 2016/191, dated 1 April 2016, and in accordance with that Instrument 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.
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 Group:

(i) AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments

(ii) AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 *Materiality*

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation (continued)

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 2016. 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 2018 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 2018. It is not expected for the application of the new standard to have a significant impact on the entity’s financial statements.

(ii) AASB 15 Revenue from Contracts with Customers

The AASB has issued this new standard for the recognition of revenue. This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. It is not expected for the application of the new standard to have a significant impact on the entity’s financial statements.

(iii) AASB 16 Leases

AASB 16 will replace AASB 117 *Leases,* Interpretation 4 *Determining whether an Arrangement contains a Lease,* Interpretation 115 *Operating Leases – Incentives* and Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The Standard will provide a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors.

The new Standard introduces three main changes:
- Enhanced guidance on identifying whether a contract contains a lease;
- A completely new leases accounting model for lessees that require lessees to recognise all leases on balance sheet, except for short-term leases and leases of low value assets; and
- Enhanced disclosures.

Lessor accounting will not significantly change.

The Group will adopt this standard and the amendments from 1 July 2019. Due to the recent release of this standard, the entity has not yet made a detailed assessment of the impact of this standard.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation (continued)

(iv) New standards and interpretations not expected to have a significant impact

The following standards are not yet effective and are not expected to have a significant impact on the Group's consolidated financial statements:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2014-3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations'	1 January 2016	30 June 2017
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
AASB 2014-9 'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements'	1 January 2016	30 June 2017
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017

Significant Judgements, Estimates and Assumptions
The preparation of the Group's consolidated financial statements requires management to make judgements estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures at the date of the consolidated financial statements. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In particular, the Group has identified a number of areas where significant judgements, estimates and assumptions are required. Further information on each of these areas and how they impact the various accounting policies are either described with the associated accounting policy note within Note 1 or are described below:

These include:

Judgements, estimates and assumptions:

- Asset Acquisition not constituting a Business (Note 1 (x))
- Exploration and evaluation expenditure (Notes 1(s) and 14)
- Impairment of assets (Note 1(o))
- Inventories (Notes 1(n) and 9)
- Mine rehabilitation (Notes 1(u) and 17)
- Ore reserve estimates (Notes 1(t) and 15)
- Production start date (Note 1 (y))
- Recovery of deferred tax assets (Notes 1(f) and 4)
- Share based payments (Notes 1(i) and 21)
- Stripping costs (Notes 1(t) and 15)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Principles of Consolidation

Subsidiaries

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

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.

(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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Taxation (continued)

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.

Significant judgements, estimates and assumptions

Deferred tax assets, including those arising from unutilised tax losses, require management to assess the likelihood that the Group will comply with the relevant tax legislation and will generate sufficient taxable earnings in future periods in order to recognise and utilise those deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations. These assessments require the use of estimates and assumptions such as commodity prices, exchange rates and operating performance over the life of the assets.

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.

Listed shares held for trading are included in the category financial assets at fair value through profit or 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial Assets and Liabilities (continued)

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) Property, Plant and Equipment

Buildings, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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 projects of a capital nature which usually relates to the construction/installation of buildings, plant or equipment. Upon completion (when ready for use) capital work in progress is transferred to the relevant asset category. Capital work in progress is not depreciated.

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 corporate 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 a Performance Rights Plan (Note 21). The fair value of options/rights granted under this scheme is recognised as a share based payment expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the rights granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

Non-market vesting conditions are included in assumptions about the number of rights that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of rights that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The Group measures the cost of equity settled transactions with vendors by reference to the fair value of goods or services received.

Significant judgements, estimates and assumptions

The Group measures the cost of equity settled transactions with employees by reference to the fair value of equity instruments at the date at which they are granted. The fair value is determined using the assumptions detailed in Note 21.

(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(e).

(k) Earnings Per Share

Basic earnings per share is calculated as profit/(loss) after tax 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 profit/(loss) after tax 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Inventories (continued)

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 processing cost and the estimated selling cost.

If the ore stockpile is not expected to be processed in 12 months after reporting date, it is included in non-current assets and the net realisable value is calculated on a discounts cash flow basis.

Significant judgements, estimates and assumptions

Inventories require certain estimates and assumptions most notably in regards grades, volumes and densities.

Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, the number of contained ounces based on assay data, and the estimated recovery percentage. Stockpile tonnages are verified to periodic surveys.

Net reliable value tests are performed at each reporting date and represent the estimate future sales price of gold, less cost of completion (processing costs) and the estimated cost necessary to perform the sale.

Such estimates and assumptions may change as new information becomes available and could impact on the carrying value of inventories (Note 9).

(o) Impairment of Assets

The Group undertakes an impairment review to determine whether any indicators of impairment are present. Where indicators of impairment exist, an estimate of the recoverable amount of the Cash Generating Unit (CGU) is made. 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.

An impairment indicator assessment was undertaken for all operation at reporting date and it was concluded that no indicators where identified which would give rise to impairment testing.

Significant judgements, estimates and assumptions

Assessments of the recoverable amounts require the use of estimates and assumptions such as reserves, mine lives, discount rates, exchange rates, commodity prices, grade of ore mined, recovery percentage, operating performance, costs and capital estimates.

(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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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.

Significant judgements, estimates and assumptions

The application of the Group's accounting policy for exploration and evaluation expenditure 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). If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the relevant capitalised amount is written off in the statement of profit or loss and other comprehensive oncome in the period when the new information becomes available.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 or an appropriate class of property, plant and equipment.

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 waste to ratio for the life of the identified component of the ore body. Such deferred costs are then charged against the statement of profit and loss when the stripping ratio falls below the life of mine ratio. 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.

Significant judgements, estimates and assumptions

Significant judgement is required to distinguish between development stripping and production stripping and to distinguish between the production stripping that relates to the extraction of inventory and that which relates to the creation of a stripping asset.

Once the Group has identified its production stripping for each surface mining operation it identifies the separate components of the ore bodies for each of its mining operations. An identifiable component is a specific volume of the ore body that is made more accessible by the stripping activity. Significant judgement is required to identify and define these components, and also to determine the expected volumes of waste to be stripped and ore to be mined in each of these components. These assessments are undertaken for each individual mining operation based on the information available in the mine plan.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Mines Properties (continued)

Judgement is also required to identify a suitable production measure to be used to allocate production stripping costs between inventory and any stripping activity asset(s) for each component. The Group considers that the ratio of the expected volume (e.g. tonnes) of waste to be stripped for an expected volume (e.g.. in tonnes) of ore to be mined for a specific component of the ore body, is the most suitable production measure.

Reserve estimates
Estimates of recoverable quantities of proven and probable reserves include assumptions regarding commodity prices, exchange rates, discount rates, recovery rates and 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.

Significant judgements and estimates

The determination of ore reserves impacts the accounting for asset carrying values.

There are numerous uncertainties inherent in estimating ore reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in the forecast commodity prices, exchange rates, discount rates, recovery rates and production and transportation costs may change the economic status of reserves and may ultimately results in reserves being restated.

(u) 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.
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).

Significant judgements and estimates

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, the appropriate discount rate and inflation rate.

In relation to estimating the costs of performing the work required, significant judgement and estimates are required in relation to estimating the extent of rehabilitation activities, including volume to be rehabilitated and unit rates, technological changes and regulatory changes.

When these estimates change or become known in the future, such differences will impact the mine rehabilitation provision on the period in which they change or become known.

A change in any, or a combination of, the key estimates used to determine the provision could have a material impact on the carrying value of the provision (Note 17).

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) 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.

(w) 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.

(x) 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.

Significant judgements and estimates

In determining when an acquisition is determined to be an asset acquisition and not a business, significant judgement is required to assess whether the assets acquired constitute a business in accordance with AASB 3. Under AASB 3 a business is an integrated set of activities and assets that is capable of being conducted or managed for the purpose of providing a return, and consists of inputs and processes, which when applied to those inputs has the ability to create outputs.

(y) Production Start Date

Significant judgements and estimates

The Group assesses the stage of each mine under construction to determine when a mine moves into the production phase, this being when the mine is substantially complete and ready for its intended use. The Group considers various relevant criteria to assess when the production phase is considered to have commenced. At this point, all related amounts are reclassified from 'Mines under construction' to 'Mines in production'. Some of the criteria used to identify the production start date include, but are not limited to:

- Level of capital expenditure incurred compared with the original construction cost estimate
- Completion of a reasonable period of testing of the mine plant and equipment
- Ability to produce metal in saleable form (within specifications)
- Ability to sustain ongoing production of metal
- Positive cash flow position from operations.

When a mine development project moves into the production phase, the capitalisation of certain mine development costs and pre-production revenues cease and costs are either regarded as forming part of the cost of inventory or expensed, except for costs that qualify for capitalisation relating to mining asset additions or improvements, underground mine development or mineable reserve development. It is also at this point that amortisation commences.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(aa) Comparatives

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

NOTE 2 REVENUE AND EXPENSES

	2016 $'000	2015 $'000
Gold sales	**276,056**	249,487
Silver sales	**446**	385
Revenue from continuing operations	**276,502**	249,872
Interest revenue	**639**	702
Other revenue	**90**	100
Other revenue	**729**	802
Total revenue	**277,231**	250,674
Amortisation of mine properties	**20,668**	40,762
Depreciation of plant and equipment	**13,228**	8,759
Depreciation and amortisation	**33,896**	49,521
Directors and employee expenses	**6,728**	6,244
Indirect taxes and charges	**-**	1,071
Management fees	**-**	90
Professional fees	**385**	458
Other	**1,052**	1,204
Administration expenses	**8,165**	9,067
Borrowing costs	**856**	1,039
Finance costs	**856**	1,039
Perth office rentals	**440**	419
Other	**-**	90
Operating lease rentals	**440**	509
Defined contribution superannuation expense	**3,175**	2,935

NOTE 3 AUDITOR'S REMUNERATION

	2016 $'000	2015 $'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	**94**	87
- Other assurance services	**-**	28
	94	115
Amounts received or due and receivable by an associate of the auditor of the Group for:		
BDO Corporate Tax (WA) Pty Ltd		
- Tax services	**76**	35

	2016 $'000	2015 $'000

NOTE 4 INCOME TAX

(a) Income tax expense comprises:

	2016 $'000	2015 $'000
Current income tax		
- Current income tax charge / (benefit)	**-**	-
- Under / (over) recognition in the prior year	**-**	-
Deferred tax		
- Movement in temporary differences	**12,446**	5,033
Income tax expense	**12,446**	5,033

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

	2016 $'000	2015 $'000
Accounting profit before tax	**38,335**	16,181
Prime facie income tax expense at 30% (2015: 30%)	**11,500**	4,854
- Non-deductible expenses	**1,098**	185
- Recognition of previously unrecognised temporary differences	**(152)**	(6)
Income tax expense	**12,446**	5,033
Effective tax rate	**32%**	31%

(c) Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Balance at 1 July 2015 $'000	**Charged / credited to income** $'000	**Charged / credited to equity** $'000	**Balance at 30 June 2016** $'000
Deferred tax assets				
Tax losses	**12,804**	**9,227**	**-**	**22,031**
Provisions	**7,938**	**10,313**	**-**	**18,251**
Other	**209**	**3**	**-**	**212**
Undeducted borrowing cost	**6**	**(4)**	**-**	**2**
Undeducted share issue costs	**751**	**(399)**	**-**	**352**
Total	**21,708**	**19,140**	**-**	**40,848**
Deferred tax liabilities				
Deferred mining expenditure	**(12,824)**	**(32,090)**		**(44,914)**
Property, plant and equipment	**-**	**504**	**-**	**504**
Derivatives	**(2,558)**	**-**	**2,558**	**-**
Total	**(15,382)**	**(31,586)**	**2,558**	**(44,410)**
Net deferred tax asset/(liability)	**6,326**	**(12,446)**	**2,558**	**(3,562)**

	Balance at 1 July 2014 $'000	**Charged / credited to income** $'000	**Charged / credited to equity** $'000	**Balance at 30 June 2015** $'000
Deferred tax assets				
Tax losses	**23,060**	**(10,256)**	**-**	**12,804**
Provisions	**7,737**	**201**	**-**	**7,938**
Other	**64**	**145**	**-**	**209**
Undeducted borrowing cost	**83**	**(77)**	**-**	**6**
Undeducted share issue costs	**1,189**	**(438)**	**-**	**751**
Total	**32,133**	**(10,425)**	**-**	**21,708**
Deferred tax liabilities				
Deferred mining expenditure	**(18,216)**	**5,392**	**-**	**(12,824)**
Derivatives	**(8,369)**	**-**	**5,811**	**(2,558)**
Total	**(26,585)**	**5,392**	**5,811**	**(15,382)**
Net deferred tax asset	**5,548**	**5,033**	**5,811**	**6,326**

NOTE 4 INCOME TAX (Continued)

(c) Deferred tax assets and liabilities (continued)

Deferred tax liabilities are set-off against deferred tax assets pursuant to set-off provisions.

(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.

	2016	2015
	$'000	$'000

NOTE 5 EARNINGS PER SHARE

The following reflects the income and share data used in the calculations of basic and diluted earnings per share after tax attributable to members of the company.

	2016 $'000	2015 $'000
Net profit from continuing operations	**25,889**	11,148
	25,889	11,148
	Number	Number
Weighted average number of ordinary shares for basic earnings per share	**794,339,474**	792,784,738
Effect of dilution –performance rights	**14,780,751**	4,692,137
Weighted average number of ordinary shares adjusted for the effect of dilution	**809,120,225**	797,476,875

NOTE 6 DIVIDENDS

During the year no dividends were paid or provided for.

Franking account balance at the end of the financial year at 30%.	**19**	19

NOTE 7 TRADE AND OTHER RECEIVABLES

Current		
Goods and services tax (GST) recoverable	**4,454**	2,059
Other (i)	**735**	631
	5,189	2,690

(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

Current		
Listed shares at fair value	**7**	8

The value of listed shares, designated as financial assets at fair value through profit or 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	2016 $'000	2015 $'000
Ore stocks (i)	**12,318**	44,280
Gold in circuit	**4,653**	3,824
Gold on hand	**3,042**	4,561
Consumable supplies and spares	**9,576**	6,219
Consumables acquired on acquisition of Thunderbox	**-**	500
	29,589	59,384

(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 or any other inventory balances required in the current financial year (2015: Nil).

NOTE 10 OTHER ASSETS

Prepayments	**1,391**	655

Prepayments mainly consist of prepaid amounts for insurance, payroll tax on performance rights and establishment & professional fees on the Company's debt facilities.

NOTE 11 FINANCIAL DERIVATIVE INSTRUMENTS

Financial derivative assets		
Current: Cash flow hedge asset	**-**	8,524

The Group has exposure to gold commodity prices. To manage any adverse impact of movements in commodity prices, management determined it may be appropriate to protect predicted financial outcomes by hedging the price of gold on gold bullion sales. Anticipated gold sales are forecast after considering reserve calculations and mine production schedules.

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. The contracts to which hedge accounting have been applied were all completed during the financial year and therefore as at 30 June 2016 the cash flow hedge asset was has been derecognised.

NOTE 12 OTHER FINANCIAL ASSETS

Non-Current		
Security deposits	**55**	55

The $55,000 is held as security for minor guarantees and credit card facilities provided by the Commonwealth Bank.

NOTE 13 PLANT AND EQUIPMENT

Plant and equipment		
Opening balance net of accumulated depreciation	**34,616**	39,807
Additions	**4,431**	160
Transfer from capital work in progress	**36,458**	3,417
Transfer from mines in production	**15,844**	-
Transfer to mines under construction	**231**	-
Disposals	**(31)**	-
Depreciation	**(13,578)**	(8,768)
Closing balance net of accumulated depreciation	**77,971**	34,616

NOTE 13 PLANT AND EQUIPMENT (Continued)

	2016 $'000	2015 $'000
Capital work in progress		
Opening balance net of accumulated depreciation	**9,820**	4,133
Additions	**68,260**	11,020
Transfer to mines in production	**(34,780)**	(897)
Transfer to mines under construction	**(16)**	(1,019)
Transfer to plant and equipment	**(36,458)**	(3,417)
Closing balance net of accumulated depreciation	**6,826**	9,820
Accumulated depreciation		
Opening balance	**30,121**	21,353
Depreciation	**13,578**	8,768
Disposals	**(1,607)**	-
Transfer from mines in production	**10,784**	-
Closing balance	**52,876**	30,121
Cost	**137,673**	74,557
Accumulated depreciation	**(52,876)**	(30,121)
Net carrying amount	**84,797**	44,436

NOTE 14 DEFERRED EXPLORATION AND EVALUATION COSTS

	2016 $'000	2015 $'000
Deferred exploration and evaluation costs		
Balance at the start of the year	**38,409**	27,811
Additions	**7,568**	11,116
Transferred to mines under construction	**(521)**	(518)
Transferred to mines in production	**(899)**	-
Exploration expensed	**(1,005)**	-
Balance at the end of the year	**43,552**	38,409

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	85.15%	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
Nexus JV	Exploration	50%	Nexus Minerals Limited (earning up to 85%)

As at 30 June 2016 the Group's interests in the above mentioned exploration activities, being deferred exploration and evaluation costs, total $5,882,077 (2015: $3,844,142).

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 million. Contingent liabilities are nil.

NOTE 15 MINE PROPERTIES

	2016 $'000	2015 $'000
Mine properties		
Mines under construction	**87,359**	56,986
Mines in production	**70,088**	44,458
Deferred mining expenditure	**5,774**	-
Total	**163,221**	101,444

	2016 $'000	2015 $'000
Mines under construction		
Balance at the start of the year	**56,986**	36,213
Additions	**29,842**	19,236
Acquired as part of asset acquisition*	**2,500**	-
Transferred from capital work in progress	**16**	1,019
Transferred from deferred exploration and evaluation costs	**521**	518
Transferred to mines in production	**(15,516)**	-
Transferred to plant and equipment	**(231)**	-
Increase in rehabilitation provision	**13,241**	-
Balance at the end of the year	**87,359**	56,986

* In August 2015, the Group acquired the Kailis and King of the Hills (KoTH) projects from St Barbara Ltd for a consideration of $3 million cash in two tranches: $0.3 million on acquisition, plus $2.7 million upon the earlier of commercial production from Kailis or 4 years following acquisition. Of the consideration, $2.5 million was allocated to mines under construction. The remaining $0.5 million was allocated to property, plant and equipment.

	2016 $'000	2015 $'000
Mines in production		
Balance at the start of the year	**44,458**	80,480
Additions	**10,947**	3,843
Transferred from capital work in progress	**34,780**	897
Transferred from deferred exploration and evaluation costs	**899**	-
Transferred from mines under construction	**15,516**	-
Transferred to plant and equipment	**(15,844)**	-
Amortisation for the year	**(20,668)**	(40,762)
Balance at the end of the year	**70,088**	44,458

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 or mines under development have been recorded in 2016.

	2016 $'000	2015 $'000
Deferred mining expenditure		
Balance at the start of the year	**-**	32,208
Additions	**5,774**	2,849
Expensing of deferred costs	**-**	(35,057)
Balance at the end of the year	**5,774**	-

Deferred mining expenditure relates to capitalised overburden relating to the Thunderbox mine (Note 1(t)).

NOTE 16 TRADE AND OTHER PAYABLES

	2016 $'000	2015 $'000
Current		
Trade and other payables	**27,331**	17,869

Trade and other payables are non-interest bearing and are normally settled on 30 day terms.
Due to the short term nature of these payables, their carrying value is assumed to be the same as their fair value.

NOTE 17 PROVISIONS

	2016 $'000	2015 $'000
Current		
Employee benefits	**5,112**	4,871
Non-current		
Employee benefits	**1,055**	756
Deferred consideration – Thunderbox Acquisition	**-**	3,000
Deferred consideration – King of the Hills Acquisition	**2,700**	-
Provision for rehabilitation	**57,893**	43,214
	61,648	46,970
Movement in provision for rehabilitation		
Balance at the start of the year	**43,214**	42,582
Unwinding of discount	**120**	632
Increase as a result of King of the Hills acquisition	**16,184**	-
Increase as a result of Kailis acquisition	**1,844**	-
Decrease in provision on existing assets	**(2,729)**	-
Rehabilitation work	**(740)**	-
Balance at the end of the year	**57,893**	43,214

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

NOTE 18 BORROWINGS

	2016 $'000	2015 $'000
Current		
Finance lease liabilities	**1,373**	802
Non-current		
Finance lease liabilities	**2,359**	570

(a) Leasing arrangements

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

(b) Finance lease liabilities

	Minimum future lease payments		Present value of minimum future lease payments	
	2016 $'000	2015 $'000	**2016** $'000	2015 $'000
No later than 1 year	**1,486**	854	**1,373**	802
Later than 1 year and not later than 5 years	**2,463**	593	**2,359**	570
Minimum future lease payments	**3,949**	1,447	**3,732**	1,372
Less future finance charges	**(217)**	(75)	**-**	-
Present value of minimum lease payments	**3,732**	1,372	**3,732**	1,372

	2016 $'000	2015 $'000
Included in the Statement of Financial Position as:		
Current borrowings	**1,373**	802
Non-current borrowings	**2,359**	570
	3,732	1,372

NOTE 19 CONTRIBUTED EQUITY AND RESERVES

	Number of shares	2016 $'000	Number of shares	2015 $'000
(a) Issued capital				
Ordinary shares fully paid	**800,799,292**	**253,013**	792,784,738	245,079

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		**792,784,738**	**245,079**	792,784,738	245,079
- asset acquired (royalty purchase)	(a)	**8,014,554**	**7,934**	-	-
End of the financial period		**800,799,292**	**253,013**	792,784,738	245,079

(a) Refer to note 21 for further details on the asset acquired.

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

	2015	Granted	Vested	Lapsed	2016
Tranche 1					
Class A performance rights vesting on 28 September 2016	**600,000**	-	-	-	**600,000**
Class B performance rights vesting on 28 September 2016	**300,000**	-	-	-	**300,000**
Class C performance rights vesting on 28 September 2016	**600,000**	-	-	-	**600,000**
Tranche 2					
Class A performance rights vesting on 28 September 2016	**1,148,000**	-	-	**(45,000)**	**1,103,000**
Class B performance rights vesting on 28 September 2016	**574,000**	-	-	**(22,500)**	**551,500**
Class C performance rights vesting on 28 September 2016	**1,148,000**	-	-	**(45,000)**	**1,103,000**
Tranche 3					
Class A performance rights vesting on 28 September 2017	**294,000**	-	-	-	**294,000**
Class B performance rights vesting on 28 September 2017	**147,000**	-	-	-	**147,000**
Class C performance rights vesting on 28 September 2017	**294,000**	-	-	-	**294,000**
Tranche 4					
Class A performance rights vesting on 28 September 2017	**890,000**	-	-	**(40,000)**	**890,000**
Class B performance rights vesting on 28 September 2017	**445,000**	-	-	**(20,000)**	**445,000**
Class C performance rights vesting on 28 September 2017	**890,000**	-	-	**(40,000)**	**890,000**
Tranche 5					
Class A performance rights vesting on 31 December 2016	**2,000,000**	-	-	-	**2,000,000**
Class B performance rights vesting on 16 March 2017	**3,000,000**	-	-	-	**3,000,000**
Class C performance rights vesting on 16 March 2018	**5,000,000**	-	-	-	**5,000,000**
Tranche 6					
Class A performance rights vesting on 28 September 2018	-	**1,122,000**	-	-	**1,122,000**
Class B performance rights vesting on 28 September 2018	-	**561,000**	-	-	**561,000**
Class C performance rights vesting on 28 September 2018	-	**1,122,000**	-	-	**1,122,000**
	17,330,000	**2,805,000**	-	**(212,500)**	**19,922,500**

NOTE 19 CONTRIBUTED EQUITY AND RESERVES (continued)

(c) Performance Rights (Continued)

	2014	Granted	Vested	Lapsed	2015
Tranche 1					
Class A performance rights vesting on 28 September 2016	600,000	-	-	-	600,000
Class B performance rights vesting on 28 September 2016	300,000	-	-	-	300,000
Class C performance rights vesting on 28 September 2016	600,000	-	-	-	600,000
Tranche 2					
Class A performance rights vesting on 28 September 2016	-	1,148,000	-	-	1,148,000
Class B performance rights vesting on 28 September 2016	-	574,000	-	-	574,000
Class C performance rights vesting on 28 September 2016	-	1,148,000	-	-	1,148,000
Tranche 3					
Class A performance rights vesting on 28 September 2017	-	294,000	-	-	294,000
Class B performance rights vesting on 28 September 2017	-	147,000	-	-	147,000
Class C performance rights vesting on 28 September 2017	-	294,000	-	-	294,000
Tranche 4					
Class A performance rights vesting on 28 September 2017	-	890,000	-	-	890,000
Class B performance rights vesting on 28 September 2017	-	445,000	-	-	445,000
Class C performance rights vesting on 28 September 2017	-	890,000	-	-	890,000
Tranche 5					
Class A performance rights vesting on 31 December 2016	-	2,000,000	-	-	2,000,000
Class B performance rights vesting on 16 March 2017	-	3,000,000	-	-	3,000,000
Class C performance rights vesting on 16 March 2018	-	5,000,000	-	-	5,000,000
	1,500,000	15,830,000	-	-	17,330,000

(d) 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.

(e) Reserves

	2016	2015
	$'000	$'000
Share based payments		
Balance at beginning of year	**4,101**	3,518
Share based payments – performance rights	**3,635**	583
Balance at end of year	**7,736**	4,101

The share based payments reserve is used to recognise the fair value of options and performance rights issued. Refer to Note 21 for further details.

	2016	2015
Cash Flow Hedge Reserve		
Balance at beginning of year	**5,967**	19,527
Hedge reserve	**(8,525)**	(19,371)
Tax effect on the movement in hedge reserve	**2,558**	5,811
Balance at end of year	**-**	5,967

The hedging reserve is used to record gains or losses on derivatives that are designated and qualify as cash flow hedges and that are recognised in other comprehensive income. Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

NOTE 20 COMMITMENTS

(a) Gold delivery commitments

	Gold for physical delivery oz	Contracted sales price A$/oz	Value of committed sales $'000
Within one year*	143,044	1,576	225,437
Later than one but not later than five years	140,000	1,520	212,800
	283,044		438,237

*The counterparty to the physical gold delivery contracts is Macquarie Bank Limited. Contracts are settled by the physical delivery of gold as per the contract terms. The contracts are accounted for as sale contracts with revenue recognised once gold has been delivered to Macquarie. The physical gold delivery contracts are considered a contract to sell a non-financial item and therefore do not fall within the scope of AASB 139 Financial Instruments: Recognition and Measurement. Hence, no derivatives are recognised.

(b) Operating lease commitments	**2016** $'000	2015 $'000
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	**473**	547
- later than one year and not later than five years	**-**	473
	473	1,020

(c) Contractual commitments

The Group has entered into an agreement to supply gas to the Thunderbox gold mine. The terms of this agreement commit the Group to purchasing a minimum amount of gas at a price escalating on a quarterly basis in line with CPI. As at 30 June 2016, at the current contract price, the Group had commitments to purchase gas over the next 12 months of $574,059.

(d) 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 $9.0 million.

(e) 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 eligible management personnel under the Saracen Mineral Holdings Limited Performance Rights Plan ("Plan") (Refer to Tranche 6 below). In addition to these, Performance Rights were granted to Mr Raleigh Finlayson (Managing Director) under the Plan and provisionally accounted for in 2015 (Tranche 5). These Performance Rights were approved by shareholders at the Company's Annual General Meeting held in November 2015. 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 is payable and eligibility to receive Performance Rights under the Plan is 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

(a) Performance Rights

For details regarding the vesting conditions of performance rights refer to page 16 of the remuneration report.

Refer below for details regarding all unvested performance rights issued:

Tranche 1 – Managing Director

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	01/07/2013 - 30/06/2016	01/07/2013 - 30/06/2016	19/11/2013 - 19/11/2016
Vesting Date	28/09/2016	28/09/2016	28/09/2016
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.

Tranche 2 – Management

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	$0.37	$0.37	$0.37
Exercise Price	N/A	N/A	N/A
Volatility based on historical annual volatility of SAR securities	75.5%	75.5%	75.5%
Grant Date	23/09/2014	23/09/2014	23/09/2014
Performance Period	01/07/2013 - 30/06/2016	01/07/2013 - 30/06/2016	01/07/2013 - 30/06/2016
Vesting Date	28/09/2016	28/09/2016	28/09/2016
Risk free rate	2.87%	2.87%	2.87%
Number of rights granted	1,148,000	574,000	1,148,000

At the reporting date there were 1,148,000 Class A, 574,000 Class B and 1,148,000 Class C performance rights on issue.
The fair value of the performance rights granted is $894,292.

Tranche 3 – Managing Director

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	$0.275	$0.275	$0.275
Exercise Price	N/A	N/A	N/A
Volatility based on historical annual volatility of SAR securities	76.5%	76.5%	76.5%
Grant Date	26/11/2014	26/11/2014	26/11/2014
Performance Period	01/07/2014 - 30/06/2017	01/07/2014 - 30/06/2017	01/07/2014 - 30/06/2017
Vesting Date	28/09/2017	28/09/2017	28/09/2017
Risk free rate	2.81%	2.81%	2.81%
Number of rights granted	294,000	147,000	294,000

At the reporting date there were 294,000 Class A, 147,000 Class B and 294,000 Class C performance rights on issue.
The fair value of the performance rights granted is $148,029.

NOTE 21 SHARE BASED PAYMENTS (continued)

(a) Performance Rights (continued)

Tranche 4 - Management

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	$0.41	$0.41	$0.41
Exercise Price	N/A	N/A	N/A
Volatility based on historical annual volatility of SAR securities	80%	80%	80%
Grant Date	01/04/2015	1/04/2015	1/04/2015
Performance Period	01/07/2014 - 30/06/2017	01/07/2014 - 30/06/2017	01/07/2014 - 30/06/2017
Vesting Date	28/09/2017	28/09/2017	28/09/2017
Risk free rate	2.65%	2.65%	2.65%
Number of rights granted	890,000	445,000	890,000

At the reporting date there were 890,000 Class A, 445,000 Class B and 890,000 Class C performance rights on issue.
The estimated fair value of the performance rights granted is $708,440.

Tranche 5 - Managing Director

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 date from which services are rendered	$0.535	$0.535	$0.535
Exercise Price	N/A	N/A	N/A
Volatility based on historical annual volatility of SAR securities	80%	80%	80%
Date from which services rendered	21/05/2015	21/05/2015	21/05/2015
Performance Period	21/05/2015 - 31/12/2016	16/03/2015 - 16/03/2017	16/03/2015 - 16/03/2018
Vesting Date	31/12/2016	16/03/2017	16/03/2018
Risk free rate	2.65%	2.65%	2.65%
Number of rights granted	2,000,000	3,000,000	5,000,000

At the reporting date there were 2,000,000 Class A, 3,000,000 Class B and 5,000,000 Class C performance rights on issue.
The estimated fair value of the performance rights granted is $4,693,000.

Tranche 6 - Management

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	$0.57	$0.57	$0.57
Exercise Price	N/A	N/A	N/A
Volatility based on historical annual volatility of SAR securities	76.6%	76.6%	76.6%
Grant Date	18/12/2015	18/12/2015	18/12/2015
Performance Period	01/07/2015 - 30/06/2018	01/07/2015 - 30/06/2018	01/07/2015 - 30/06/2018
Vesting Date	28/09/2018	28/09/2018	28/09/2018
Risk free rate	2.47%	2.47%	2.47%
Number of rights granted	1,122,000	561,000	1,122,000

NOTE 21 SHARE BASED PAYMENTS (continued)

(a) Performance Rights (continued)

At the reporting date there were 1,122,000 Class A, 561,000 Class B and 1,122,000 Class C performance rights on issue.
The fair value of the performance rights granted is $1,242,054.

(b) Share based payments expense reconciliation

	2016 $'000	2015 $'000
Share based payments expense		
Performance Rights	**3,635**	583

(c) Asset purchase

During the year the Group exercised its pre-emptive right to buy the Norilsk Net Smelter Return royalty (NSR) of 1.5% (capped at A$17m) relating to the Thunderbox Project. This acquisition was settled on 11 April 2016 for a consideration of 8,014,554 new fully paid ordinary shares in Saracen (valued at $0.99 per share based on a 10 day VWAP calculation, plus US$500,000 cash (AU$642,838.78)).

NOTE 22 INTERESTS IN SUBSIDIARIES

	Percentage of equity interest held by the Group	
	2016 %	2015 %
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

(a) Reconciliation of cash

	2016 $'000	2015 $'000
Cash balance comprises:		
- Cash	**19,557**	37,993
- Cash at call and in short term deposits	**14,745**	385
Closing cash balance	**34,302**	38,378

NOTE 23 STATEMENT OF CASH FLOWS (continued)

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

	2016 $'000	2015 $'000
Operating profit after income tax	**25,889**	11,148
Non-cash items		
Depreciation and amortisation	**33,896**	49,521
(Profit)/loss on the sale of assets	**(3)**	-
Effective interest on establishment fees	**478**	795
Decrease in market value of listed securities	**1**	(63)
Loss on the sale of listed securities	**-**	72
Expensing of deferred exploration cost	**763**	-
Expensing of deferred mining costs	**-**	35,057
Tax effect of movement in deferred tax balances	**12,446**	5,033
Share based payments	**3,635**	583
Unwinding of discount - rehab provision	**330**	340
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	**(2,499)**	152
Increase in prepayments	**(648)**	(103)
(Increase)/decrease in inventory	**29,796**	(40,134)
Increase in trade and other payables	**8,921**	3,496
Decrease in provisions	**(3,201)**	(494)
Net cash flows provided by operating activities	**109,804**	65,403

(c) Non-cash financing and investing activities

In the current year, the Group acquired $3,756,000 (30 June 2015: $373,000) 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 has deposits of $55,000 (2015: $55,000) held as security by a bank for guarantees and credit card facilities.

This amount is not available for use and has 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.

Information relating to Saracen Mineral Holdings Limited:

	2016 $'000	2015 $'000
Current assets	**17,809**	39,767
Total assets	**257,194**	232,119
Current liabilities	**2,735**	2,509
Total liabilities	**6,315**	2,516
Contributed equity	**250,879**	245,079
Share based payment reserve	**7,736**	4,101
Hedge Reserve	**-**	5,967
Accumulated loss	**(9,871)**	(25,920)
Total equity	**253,013**	229,227
Net profit of the parent	**16,050**	11,148

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

	2016	2015
	$'000	$'000

NOTE 24 RELATED PARTY DISCLOSURES (continued)

At 30 June 2016 Saracen Mineral Holdings Limited had no contingent liabilities and had not entered into contractual commitments to purchase property, plant or equipment (2015: 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:

	2016 $'000	2015 $'000
Non-current receivable	**239,265**	185,617
Reconciliation of non-current receivable		
Balance at beginning of year	**185,617**	174,520
Loans provided to/(repaid by) subsidiaries	**16,092**	(11,666)
Reversal of prior year impairment	**37,556**	60,319
Impairment	**-**	(37,556)
Balance at end of year	**239,265**	185,617

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

(c) Key management personnel

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

	2016	2015
	$	$
Short term benefits	**2,687,010**	2,705,234
Post-employment benefits	**176,055**	253,426
Non-monetary benefits	**11,273**	9,472
Long term benefits	**30,607**	63,678
Equity	**2,741,343**	466,395
	5,646,288	3,498,205

Detailed remuneration disclosures are provided in the remuneration report on pages 12 to 25.

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

Payment for goods and services:		
Provision of office facilities to Renaissance Capital Pty Ltd (a director related entity of Guido Staltari)	**-**	90,000
Professional services from PilotHole Pty Ltd (director related entity of Martin Reed)	**-**	227,469
Director's fees PilotHole Pty Ltd (director related entity of Martin Reed)	**90,000**	90,000

Payable to related parties
There were no payables to related parties at the current and previous reporting date.

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 administration relating to the Carosue Dam operations.
- 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.

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.

	2016	2015
	$'000	$'000
(a) Segment external revenues		
SGM - Metal sales	**240,048**	249,872
SME - Metal sales	**36,454**	-
SGM - Other	**63**	100
SME - Other	**30**	-
SGM - Interest income	**67**	70
SME - Interest income	**1**	-
SAR - Interest income	**571**	632
	277,234	250,674
(b) Segment profit before tax		
SGM	**34,157**	23,079
SME	**13,505**	-
SAR	**(5,567)**	(6,069)
Operating profit before other income / (expenses)	**42,095**	17,010
Finance costs	**(856)**	(1,039)
Other income	**732**	802
Share based payments expense	**(3,635)**	(583)
Loss from sale of share	**-**	(72)
Change in fair value of listed shares	**(1)**	63
Profit before income tax	**38,335**	16,181
(c) Segment assets and liabilities		
Assets		
SGM	**179,089**	195,111
SAR	**17,928**	39,799
SME	**165,086**	59,073
Unallocated – Deferred Tax Asset	**-**	6,326
	362,103	300,309
Liabilities		
SGM	**43,924**	43,800
SAR	**2,753**	2,515
SME	**51,146**	24,767
Unallocated – Deferred Tax Liability	**3,562**	-
	101,385	71,082

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.

NOTE 25 SEGMENT INFORMATION (continued)

(d) Other segment information

Depreciation and amortisation of $27.755 million (2015: $49.521 million) and $6.141 million (2015: $0) are attributable to the SGM and SME segments respectively.

Total non-current asset additions of $37.890 million (2015: $35.636 million) and $89.272 million (2015: $12.588 million) are attributable to the SGM and SME segments respectively.

The Group operates within one geographical segment, being Australia.

NOTE 26 FINANCIAL RISK MANAGEMENT

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. 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.

The Board as a whole guides and monitors the business and affairs of Saracen. The Board has also constituted Risk Management and Audit Committees which oversee various aspects of the financial risks of the Group.

(a) Market risk

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 2016	**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	1.76	34,302	-	-	-	-	-	34,302
Other receivables	N/A	-	-	-	-	-	5,189	5,189
Security deposits	N/A	-	-	-	-	-	55	55
Listed investments	N/A	-	-	-	-	-	7	7
Total Financial Assets		34,302	-	-	-	-	5,251	39,553
Financial Liabilities								
Trade payables	N/A	-	-	-	-	-	27,331	27,331
Finance leases	4.40	-	1,373	1,087	1,272	-	-	3,732
Total Financial Liabilities		-	1,373	1,087	1,272	-	27,331	31,063

NOTE 26 FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk (continued)

30 June 2015	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	1.84	38,378	-	-	-	-	-	38,378
Other receivables	N/A	-	-	-	-	-	2,690	2,690
Security deposits	N/A	-	-	-	-	-	55	55
Financial derivative asset	N/A	-	-	-	-	-	8,524	8,524
Listed investments	N/A	-	-	-	-	-	8	8
Total Financial Assets		38,378	-	-	-	-	11,277	49,655
Financial Liabilities								
Trade payables	N/A	-	-	-	-	-	17,869	17,869
Finance leases	5.71	-	802	376	194	-	-	1,372
Total Financial Liabilities		-	802	376	194	-	17,869	19,241

Commodity risk

The Group's exposure to commodity risk arises from movements in the gold price. The Group is party to gold delivery contracts (Note 20) whereby specified quantities of gold are sold on specific dates to partially manage the commodity risk.

Currency risk

The Group is exposed to the Australian dollar currency risk on gold sales, which are denominated in US dollars. The Group is party to gold delivery contracts (Note 20) for specified quantities of gold on specific dates to partially 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. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with a minimum credit rating of -AA assigned by reputable credit rating agencies.

(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 2016	< 6 month $'000	6 – 12 months $'000	1 – 5 years $'000	5+ years $'000	Total $'000
Trade payables	27,331	-	-	-	27,331
Finance leases	816	557	2,359	-	3,732
Total Financial Liabilities	28,147	557	2,359	-	31,063

30 June 2015	< 6 month $'000	6 – 12 months $'000	1 – 5 years $'000	5+ years $'000	Total $'000
Trade payables	17,869	-	-	-	17,869
Finance leases	465	337	570	-	1,372
Total Financial Liabilities	18,334	337	570	-	19,241

NOTE 26 FINANCIAL RISK MANAGEMENT (continued)

(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 2016

	Profit/(loss)	**Equity**
Interest rate risk	$'000	$'000
- Increase interest rate by 1%	214	214
- Decrease interest rate by 1%	(214)	(214)

30 June 2015

	Profit/(loss)	**Equity**
Interest rate risk	$'000	$'000
- Increase interest rate by 1%	259	259
- Decrease interest rate by 1%	(259)	(259)
Gold price risk associated with the financial derivative instruments		
- Increase $AUD gold price by 10%	-	(7,423)
- Decrease $AUD gold price by 10%	-	7,423

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 2016		**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	-	-	-	-	-	-

30 June 2015		**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	8,524	83,679	15,300	68,379	-	-

NOTE 26 FINANCIAL RISK MANAGEMENT (continued)

(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	
	2016	2015	**2016**	2015
	$'000	$'000	$'000	$'000
Financial Assets				
Cash and cash equivalents	**34,302**	38,378	**34,302**	38,378
Other receivables	**5,189**	2,690	**5,189**	2,690
Investments – listed	**7**	8	**7**	8
Financial derivative asset	-	8,524	-	8,524
Other financial assets	**55**	55	**55**	55
Total Financial Assets	**39,553**	49,655	**39,553**	49,655
Financial Liabilities				
Trade payables	**27,331**	17,869	**27,331**	17,869
Finance leases	**3,732**	1,372	**3,732**	1,372
Total Financial Liabilities	**31,063**	19,241	**31,063**	19,241

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 2016 and 30 June 2015 on a recurring basis:-

	$'000	$'000	$'000	$'000
30 June 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Listed shares at fair value	7	-	-	7

	$'000	$'000	$'000	$'000
30 June 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Listed shares at fair value	8	-	-	8
Derivative assets	-	8,524	-	8,524
Total	8	8,524	-	8,532

The group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 30 June 2016 and did not transfer any fair value amounts between the fair value hierarchy during the period FY 2016.

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.

NOTE 26 FINANCIAL RISK MANAGEMENT (continued)

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

In the 2015 financial year and 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 was determined by using observable foreign exchange forward prices and the forward gold prices at the reporting date. The forward curves are derived using a combination of cash and futures prices. Cash flows are then net present valued using the derived forward curves. The contracts to which hedge accounting have been applied were all completed during the financial year therefore as at 30 June 2016 the hedge asset was zero and therefore does not have any level 2 assets or liabilities in 2016.

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

NOTE 27 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 2016 the capital structure consisted of total shareholders' funds, cash and other financial assets less finance lease borrowings. The Group's overall strategy remains unchanged from 2015.

NOTE 28 CONTINGENT LIABILITIES

There are no contingent liabilities at 30 June 2016 (2015: Nil).

NOTE 29 MATTERS SUBSEQUENT TO THE REPORTING DATE

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.

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 25, 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 2016 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 2016.

Signed in accordance with a resolution of the directors.

RALEIGH FINLAYSON
Managing Director
25 August 2016

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Saracen Mineral Holdings Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Saracen Mineral Holdings Limited (the Company), including its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of 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 Company.

In our opinion:

(a) the accompanying 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 Group's consolidated financial position as at 30 June 2016 and of its consolidated financial 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(b).

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Report section of our report. We are independent of the Group in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Provision for rehabilitation

As at 30 June 2016, the carrying value of the Group's provision for rehabilitation was $57.893 million.

The Group's provision for rehabilitation as disclosed in Note 1(u) and 17 is material to our audit, and requires significant estimates of future costs.

The determination of the provision requires management's judgement in relation to estimating the costs of performing the work required, including volume and unit rates, the timing of cash flows and the appropriate discount rate.

We assessed the competence and objectivity of the expert used by management in the preparation of the cost models.

We evaluated management's cost model for each mine, and critically challenged the key estimates and assumptions made in the models. We also assessed the expected timing of the rehabilitation to the respective life of mine ('LoM') models and assessed the reasonableness of the discount rate applied to the expected cash flows.

We performed a sensitivity analysis on the key estimates and assumptions in the cost models.

Our testing included comparison of a sample of unit rates included in the cost models to supporting documentation including current contracts.

Carrying value of ore stocks and mine properties (mines in production)

Ore stocks

As at 30 June 2016, the carrying value of the Group's ore stocks was $12.318 million, as disclosed in Note 9.

The carrying value of ore stocks is a significant area of judgement by management as detailed in Note 1(n), including determining estimates of future gold prices, future processing costs, ore grades, volume and density.

In respect to the ore stocks valuations, we considered the appropriateness of the Group's accounting policy and application. We considered the methodology applied by management to record all appropriate costs into the inventory model and management's calculation of net recoverable value ('NRV').

We agreed the ore grades, volume and density included in the model as at 30 June 2016 to technical reports. We assessed the competence and objectivity of the expert used by management for the preparation of the technical reports.

We also evaluated the inputs and process undertaken by the expert in preparing the technical reports.

To verify existence of ore stocks at year end, we observed the surveying process and procedures at Thunderbox at 30 June 2016 as part of our site visit. We then agreed the ore volumes surveyed and recorded at site to the volumes included in the inventory model.

In relation to NRV, our testing included comparison of the future gold prices to current gold price data, market consensus and trends and we also critically assessed the expected processing and selling costs (i.e. royalties) to actual rates during the year.

Mine properties (mines in production)

As part of the Group's carrying value of mines in production of $70.088 million, amortisation represents an area of significant judgement within the financial statements as detailed in Note 1(t) and 15. The Group applies the units of production amortisation policy, which involves judgement in determining the appropriate ore reserve estimation attributable to each mine and the cost allocation to each mine.

In respect of the Group's amortisation calculations on mine properties (mines in production), we evaluated the Group's amortisation policy in accordance with Australian Accounting Standards and its consistent application. As part of this process, we agreed the amortisation rate inputs to supporting information, including LoM models, and reserve estimation statements.

We also assessed the competency and objectivity of the expert used by management in compiling the reserve estimation statements.

In relation to the substantial capitalisation of expenditure during the year to mine properties, we performed detailed testing, including verifying the authorisation, accuracy and completeness of the recording and classification of capital expenditure. Where expenditure was allocated across various mines, we critically assessed management's basis for this allocation.

We also critically evaluated management's assessment that there were no impairment indicators identified in relation to all mine properties which would require impairment testing to be performed.

Carrying value of the deferred stripping asset

As at 30 June 2016, the carrying value of the Group's deferred stripping asset, as included in mine properties, was $5.774 million, as disclosed in Note 15.

The recognition and measurement of the asset requires significant management judgement, as detailed in Note 1(t), which includes determining the date of commercial production, identification of components within the ore body, estimation of the components' LoM average stripping ratio, the allocation of mining costs to the stripping activity and the amortisation methodology to be applied to the asset.

We assessed whether the stripping activity asset accounting policy adopted by management in respect to production stripping complies with the relevant accounting interpretation, IFRIC 20: Stripping Costs in the Production Phase of a Surface Mine ('IFRIC 20'), including satisfying the recognition criteria. Under this interpretation a deferred stripping asset can be recognised when the following criteria are met; it is probable that future economic benefits associated with the stripping activity will flow to the Group, the component of the ore body can be identified, and the cost relating to the stripping activity can be measured reliably.

We evaluated management's assessment in determining the date of commercial production as well as the identification of separate components within the Thunderbox ore body. We compared this assessment to recent mining public announcements and respective LoM models for consistency.

We assessed management's calculation of the stripping asset based on actual stripping ratios from technical reports and compared this data to the average stripping ratio per the LoM model.

We also challenged management's amortisation methodology and evaluated the application of this policy in accordance with the accounting interpretation, IFRIC 20.

As part of our testing we also assessed the competency and objectivity of the expert used by management in the preparation of the technical reports.

Other information

The directors are responsible for the other information. The other information comprises the information contained in the 2016 Financial Year Results (but does not include the financial report and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Annual report to Shareholders, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and accordingly we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual report to Shareholders, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors, and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

Responsibilities of the Directors of 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 preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is included in appendix 1. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 25 of the directors' report for the year ended 30 June 2016.

In our opinion, the Remuneration Report of Saracen Mineral Holdings Limited, for the year ended 30 June 2016, complies with section 300A of the Corporations Act 2001.

Responsibilities

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.

BDO Audit (WA) Pty Ltd

BDO

Phillip Murdoch

Director

Perth, 25 August 2016

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

Appendix 1 – Additional information on the Auditor's responsibilities for the audit of the Financial Report

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for the audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.