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# Annual Report 2010

SARACEN MINERAL HOLDINGS LIMITED | ABN 52 009 215 347



# Company Particulars

## DIRECTORS

Mr Guido Staltari (Executive Chairman)  
Mr Ivan Hoffman OAM (Non-Executive Director)  
Mr Carl Thompson (Non-Executive Director)  
Mr Barrie Parker (Non-Executive Director)

## SECRETARY

Mr Rajan Narayanasamy

## REGISTERED OFFICE AND BUSINESS ADDRESS

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Melbourne VIC 3000  
Telephone: 03 9670 0040  
Facsimile: 03 9670 0049

## AUDITORS

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Level 14, 140 William Street  
Melbourne VIC 3000  
Telephone: 03 9603 1700  
Facsimile: 03 9602 3870

## SOLICITORS

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Level 4, Next Building  
16 Milligan Street  
Perth WA 6000  
Telephone: 08 9321 4000  
Facsimile: 08 9321 4333

## BANKERS

Commonwealth Bank of Australia Limited  
367 Collins Street  
Melbourne VIC 3000

## SHARE REGISTRY

Computershare Investor Services Pty Limited  
Level 2, Reserve Bank Building  
45 St Georges Terrace  
Perth WA 6000  
Telephone: 08 9323 2000  
Facsimile: 08 9323 2033

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## Contents

Company Highlights	2
Directors' Report	5
Auditor's Independence Declaration	25
Gold Resources Statement	26
Gold Ore Reserves Statement	28
Corporate Governance Statement	30
Financial Statements	
- Consolidated Statement of Comprehensive Income	36
- Consolidated Statement of Financial Position	37
- Consolidated Statement of Changes In Equity	38
- Consolidated Statement of Cash Flows	39
- Notes to the Financial Statements	40
Directors' Declaration	73
Independent Auditor's Report	74
Shareholder Information	76





## Company Highlights

### SIGNIFICANT MILESTONES PASSED.

Saracen became an Australian mid-tier gold producer from the Carosue Dam gold project, 120km north-east of Kalgoorlie in Western Australia.

In its first full production quarter, being the quarter ended 30 June 2010, Carosue Dam Operations produced 25,036 ounces of gold, from the processing of 520,214 tonnes of ore grading 1.62g/t.

Most of the ore was sourced from the Porphyry open pit mine. Saracen's second open pit mine, at Whirling Dervish, supplied first ore to the plant in June 2010.

Total capital expenditure through the commissioning phase was \$20.9 million, \$3.5 million below budget.

After hedge-related adjustments, finance costs and transaction costs, a loss of A\$25.4million was recorded. Of the hedge-related adjustments, an amount of A\$24.3million comprises the fair value movement of the hedge book, on a marked to market basis.



Gold sale proceeds totalled \$31.4 million, at an average gold sale price of A\$1,360 per ounce. Cash costs were A\$654 per ounce, excluding royalties of A\$52 per ounce. Mine Operating Profit, after depreciation, amortisation and royalties but excluding hedging losses, was A\$14.4million.

Carosue Dam's 2.4 million tonne per annum processing plant is forecast to produce approximately 100,000 to 120,000 ounces of gold in the 2011 financial year.

Gold Resources stand at around 3.3 million ounces while reserves stand at around 0.9 million ounces.



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# Directors' Report

The directors of Saracen Mineral Holdings Limited ("Saracen") submit their annual financial report for the financial year ended 30 June 2010. In order to comply with the provisions of the Corporations Act 2001, the directors report:

## DIRECTORS

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

### Guido Staltari

Executive Chairman

Mr Staltari was appointed to the board on 18 August 2003. He holds a Bachelor of Science (Honours) degree and is a Fellow of the Australian Institute of Geoscientists. He worked for North Broken Hill Ltd, BHP Minerals Ltd, and also as a mining and petroleum industry consultant before establishing his first publicly listed mineral exploration company in early 1987. He has experience in the management of public companies and is currently a director of Renaissance Capital Pty Limited.

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

### Carl Thompson

Non-Executive Director

Mr Thompson joined the board on 21 August 2003. He holds law and commerce degrees from the University of Melbourne. He was previously a partner of a national law firm, Corrs Chambers Westgarth, practising in the areas of business acquisitions and sales, business structures, capital raisings and company floats, mergers and acquisitions, and the securities industry. He has extensive experience in ASIC policy and regulatory matters. Mr Thompson is currently Company Secretary / General Counsel at a public listed company. Mr Thompson is a member of the audit committee, and chairman of the remuneration committee.

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

### Ivan Hoffman OAM

Non-Executive Director

Mr Hoffman was appointed a director on 13 May 2005. Mr Hoffman is a Certified Practising Accountant and a Fellow of the Institute of Corporate Managers, Secretaries and Administrators. For around 18 years, Mr Hoffman was a corporate advisory consultant specialising in mergers & acquisitions and company reconstructions, during which period he served on the boards of several public listed companies, including mineral exploration and mining companies. Before that, Mr Hoffman worked for several years with local and international financial institutions, including four years in investment management and project financing with Lloyds Bank International. Mr Hoffman is currently chairman of the Fortron group of companies. Mr Hoffman is a member of the remuneration committee and chairman of the audit committee.

Mr Hoffman does not hold a directorship in any other public listed company. Mr Hoffman was a director of Graynic Metals Limited from October 2005 to January 2009.

### Barrie Parker

Non-Executive Director

Mr Parker was appointed a director on 24 December 2007. Mr Parker holds a degree in Minerals Engineering from the University of Birmingham and is a Fellow of the Australasian Institute of Mining and Metallurgy. He has worked in the international mining industry for more than 40 years, primarily in operations management and project development roles, including managing the initial development of the Boddington and Sunrise Dam Gold mines. His most recent position was as the Regional Manager and Director of the AngloGold companies in Australia and South East Asia. Mr Parker is a member of the remuneration committee and chairman of the risk management committee.

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

## COMPANY SECRETARY

### Rajan Narayanasamy

Mr Narayanasamy was appointed Company Secretary on 8 September 2003. He holds a Bachelor of Business degree and is a Certified Practising Accountant, having served more than 20 years in the resources industry.

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

As at the date of this report, the interests of the directors in the shares and options of Saracen were:

Director	Ordinary Shares	Options over ordinary shares - listed	Options over ordinary shares - unlisted
Guido Staltari	28,407,252	3,471,437	2,250,000
Carl Thompson	1,797,223	-	-
Ivan Hoffman	-	-	-
Barrie Parker	100,000	-	-

## PRINCIPAL ACTIVITIES

The principal activity of the consolidated entity during the year was mineral development and exploration.



## REVIEW AND RESULTS OF OPERATIONS

### Overview

Saracen Mineral Holdings Limited (“Saracen” or the “Company”) became an Australian mid-tier gold producer when production began in April 2010 from the Carosue Dam gold project, 120km north-east of Kalgoorlie in Western Australia.

Saracen’s tenement holdings and gold deposits are located in one of the world’s most prospective gold provinces, north-east of Kalgoorlie, Western Australia, home to other 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, where Saracen is building a long-term strategic infrastructure and resource position.

Carosue Dam’s 2.4 million tonne per annum processing plant is forecast to produce approximately 100,000 to 120,000 ounces of gold in the 2011 financial year and the Company is targeting an increase in production to around 160,000 ozpa by 2015. Gold Resources stand at around 3.3 million oz while reserves stand at around 0.9 million oz.

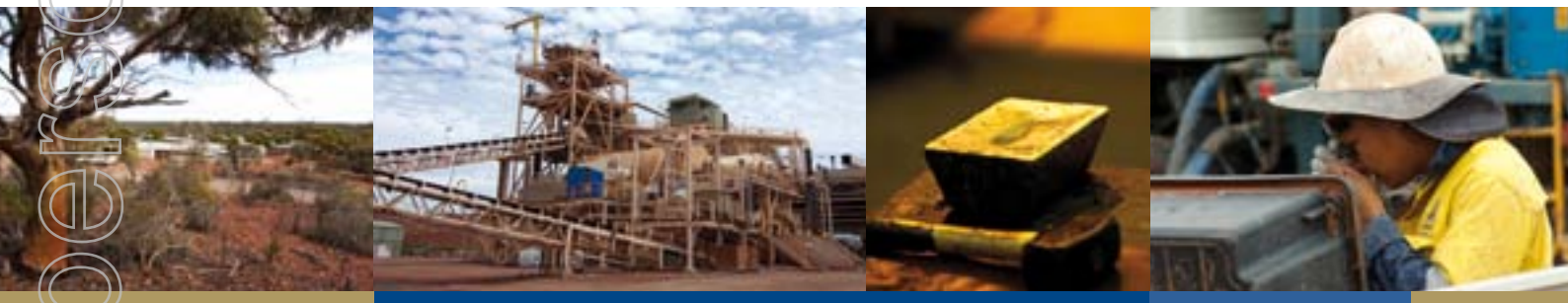
Saracen’s Carosue Dam operations area contains a large number of known gold deposits within four separate districts. The latter comprise the Carosue Dam, Porphyry, Safari Bore and Red October districts.

Current gold production is from the Porphyry and Whirling Dervish open pit mines. This will be supplemented in due course by production from open pit mines at Karari, Enterprise, Wallbrook and Deep South, and, subject to positive feasibility study results, underground operations at Porphyry, Red October and Deep South. Project Development for a trial underground mining operation at Red October is presently underway.

As at 30 June 2010, the Company’s gold hedging position stood at put options bought over 154,347 oz and call sold options over 90,810 oz, all at an exercise price of A\$1,250 per ounce and expiring in monthly amounts through to December 2011.

The put option program underpins forecast cash flows over the next 18 months, not only ensuring the initial project capital outlays are recouped with reduced financial risk, but also leaving Saracen with considerable exposure to a rising gold price. The call options sold represent a modest 10 percent of Saracen’s Ore Reserves, thereby allowing Saracen to benefit from a rising gold price for the balance of its Ore Reserves.

From March 2009 to July 2010 Saracen has raised around A\$76 million in equity and has arranged banking facilities of \$18.5 million, thereby fully funding the Carosue Dam gold project, as well as the Red October trial underground development work.



“ Saracen’s tenement holdings and gold deposits are located in one of the world’s most prospective gold provinces, north-east of Kalgoorlie, Western Australia...”

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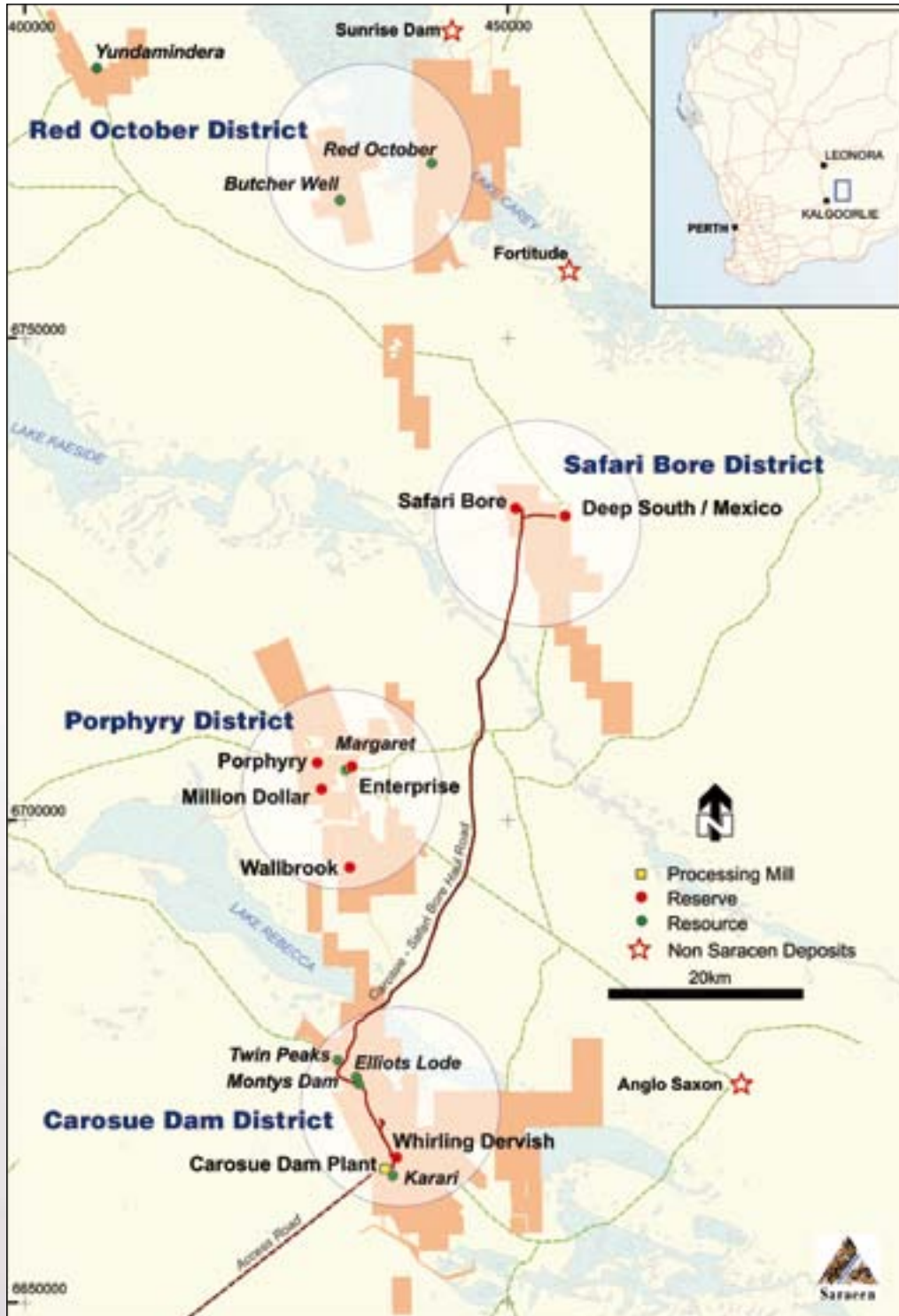


Figure 1. Plan showing Saracen's tenement holdings and principal gold deposits.

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“ Revenue from operations totalled A\$31.4 million, gold sales being at an average sale price of A\$1,360 per ounce.”

### Financial performance

Financial performance reflects Saracen's transition to gold producer status in the latter part of the financial year, with revenues principally reflecting the sale of gold during the June 2010 production quarter, being the Company's first.

Revenue from operations totalled A\$31.4 million, gold sales being at an average sale price of A\$1,360 per ounce. Mine Operating Profit, after depreciation, amortisation and royalties but excluding hedging losses, was A\$14.4 million. Cash costs were A\$654 per ounce, excluding royalties of A\$52 per ounce.

After hedge-related adjustments, finance costs and transaction costs, a loss of A\$25.4 million was recorded. Of the hedge-related adjustments, an amount of A\$24.3 million comprises the fair value movement of the hedge book, on a marked to market basis. In essence this reflects the impact on a net basis of the out-of-the money call option position, as a result of the spot gold price being higher than the A\$1,250 option exercise price, as at 30 June 2010.



### Health and Safety

Numerous Health and Safety systems, procedures and related initiatives were introduced, including:

- introduction of STEMS (a safety management database),
- introduction of hazard identification and risk assessment procedures,
- development of the Emergency Response Plan,
- formation of, and election of safety representatives to, the Site Safety Committee,
- implementation of SMART START, a hazard identification tool,
- formation of the Mines Emergency Response Team,
- setting up Hazardous Chemical Spill response procedures,
- setting up fire fighting response procedures, and
- introduction of a health and lifestyle program.


Despite good progress in the reduction of the total injury frequency rate since start up in January 2010, several lost time injuries occurred. A number of risk mitigation strategies, including safety audits for the Company's principal contractors, have been employed to supplement the Company's stringent safety guidelines.

## Personnel and Recruitment

Recruitment of all key personnel was completed, with the full complement of staff and contractors on site now approaching around 250 personnel.

Several personnel-related policies and procedure were adopted during the year, including the introduction of a performance review system, which will take effect early in the 2011 financial year.

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A photograph showing two workers in safety gear (hard hats, sunglasses, and high-visibility vests) inspecting a large industrial pipe at a construction site. The worker on the left is wearing a white hard hat and an orange safety vest over a blue shirt. The worker on the right is wearing a white hard hat and a yellow safety vest over a blue shirt. They are standing on a dirt path next to a large, white, cylindrical pipe that is part of a larger industrial structure. The background shows a clear blue sky and some sparse vegetation.

“ Recruitment of all key personnel was completed, with the full complement of staff and contractors on site now approaching around 250 personnel.”

## Production Operations

Commissioning of the Carosue Dam processing plant occurred in the period January to March 2010. Since then, the plant has operated at or above design capacity, and its performance shows it is clearly capable of exceeding the 2.4 mtpa throughput rate for some ore types.

The commissioning phase produced 15,166 ounces of gold from 470,000 tonnes of low-grade ore stockpiles (comprising legacy stockpile material) blended with run of mine ore from the upper levels of the Porphyry open pit mine, at an average grade of 1.2g/t.

Total capital expenditure through the commissioning phase was \$20.9 million, \$3.5 million below budget. From an accounting perspective, gold sale proceeds of \$16.8 million were applied against capital expenditure incurred during the commissioning phase.

In its first full production quarter, being the quarter ended 30 June 2010, Carosue Dam Operations produced 25,036 ounces of gold, from the processing of 520,214 tonnes of ore grading 1.62g/t, comprising: -

- 401,351 tonnes of Porphyry mine ore grading 1.8g/t,
- 20,303 tonnes of Whirling Dervish supergene oxide mine ore grading 1.5g/t, and
- 98,560 tonnes of low-grade legacy stockpiles grading 0.8g/t

Gold sale proceeds totalled \$31.4 million, at an average gold sale price of A\$1,360 per ounce. Cash costs were A\$654 per ounce, excluding royalties of A\$52 per ounce. Mine Operating Profit, after depreciation, amortisation and royalties but excluding hedging losses, was A\$14.4million.

Pre-stripping of the Whirling Dervish open pit mine continued with first ore introduced to the plant in June 2010. Pre-stripping capital expenditure totalled A\$7.3million.

Saracen's continuous improvement program is being implemented, with a view to increasing production efficiencies and lowering cash costs.

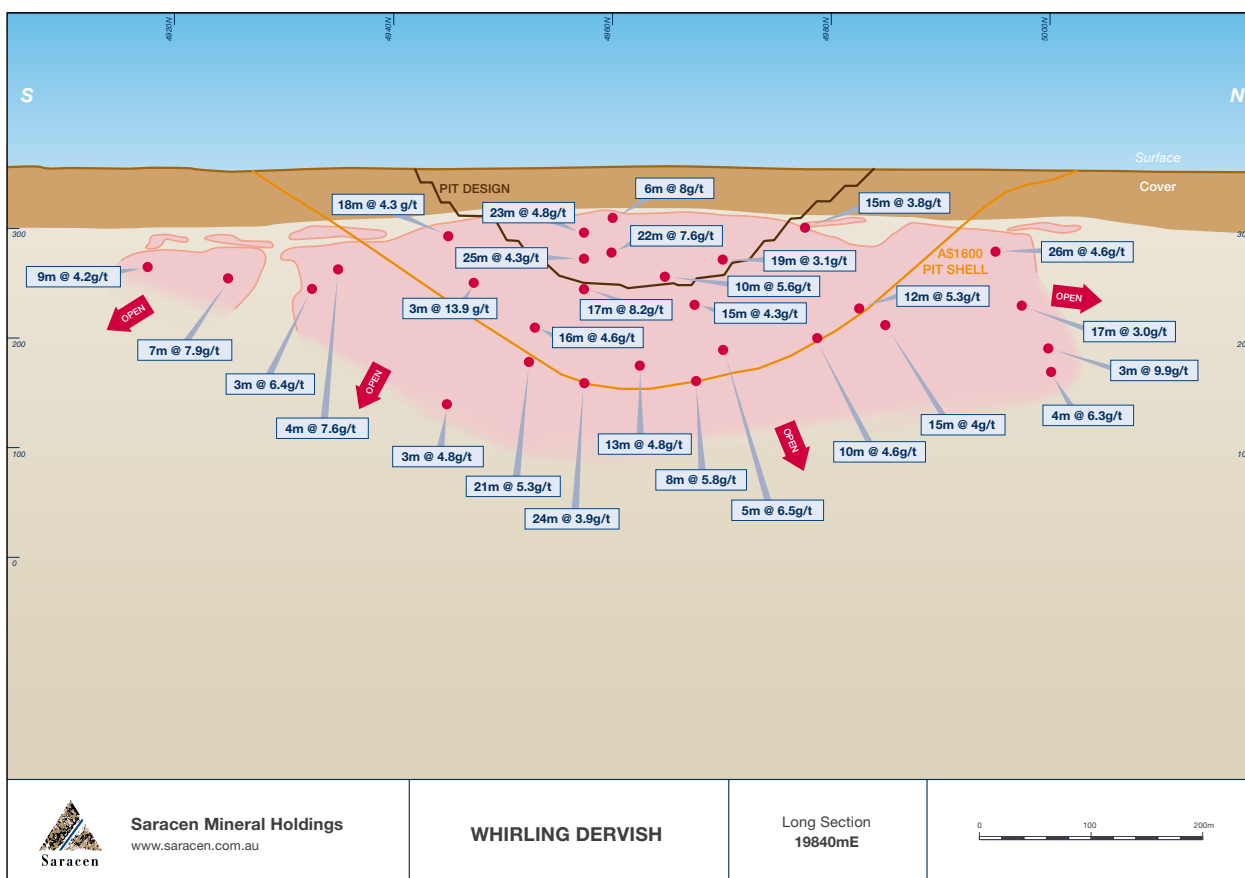


Figure 2. Long section of the Whirling Dervish gold deposit, showing target zones.

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### Red October

Red October is located north-east of the Carosue Dam processing plant and 15km south of Sunrise Dam. A development program at Red October has commenced, with a view to establishing trial underground mining operations.

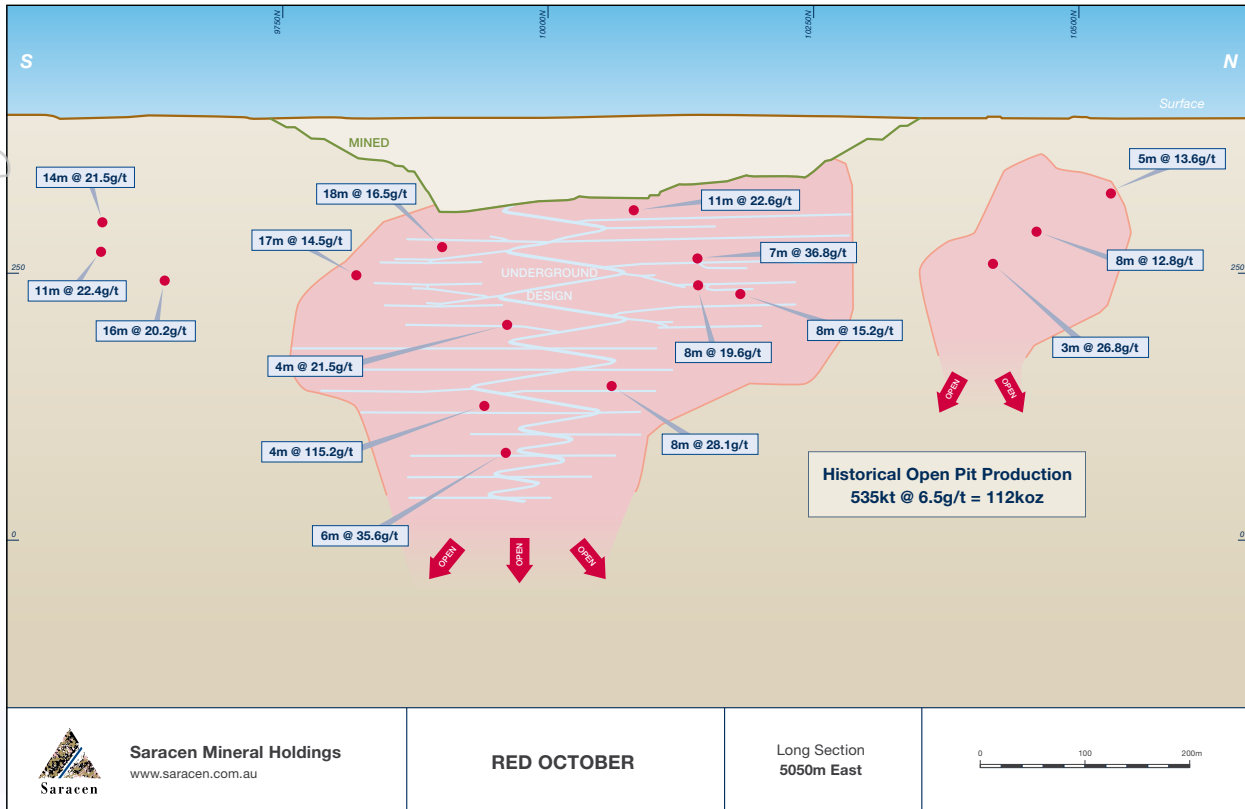


Figure 3. Long section of the Red October gold deposit, showing target zones.

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Work will comprise: -

- camp and relevant logistical support set-up,
- dewatering of the existing pit,
- trial underground mining to confirm the geological interpretation and underground designs,
- obtaining bulk ore to test its metallurgical response in the Carosue Dam plant, and
- an extensive underground diamond drilling campaign aimed at resource delineation and expansion of the resource at depth and along strike.

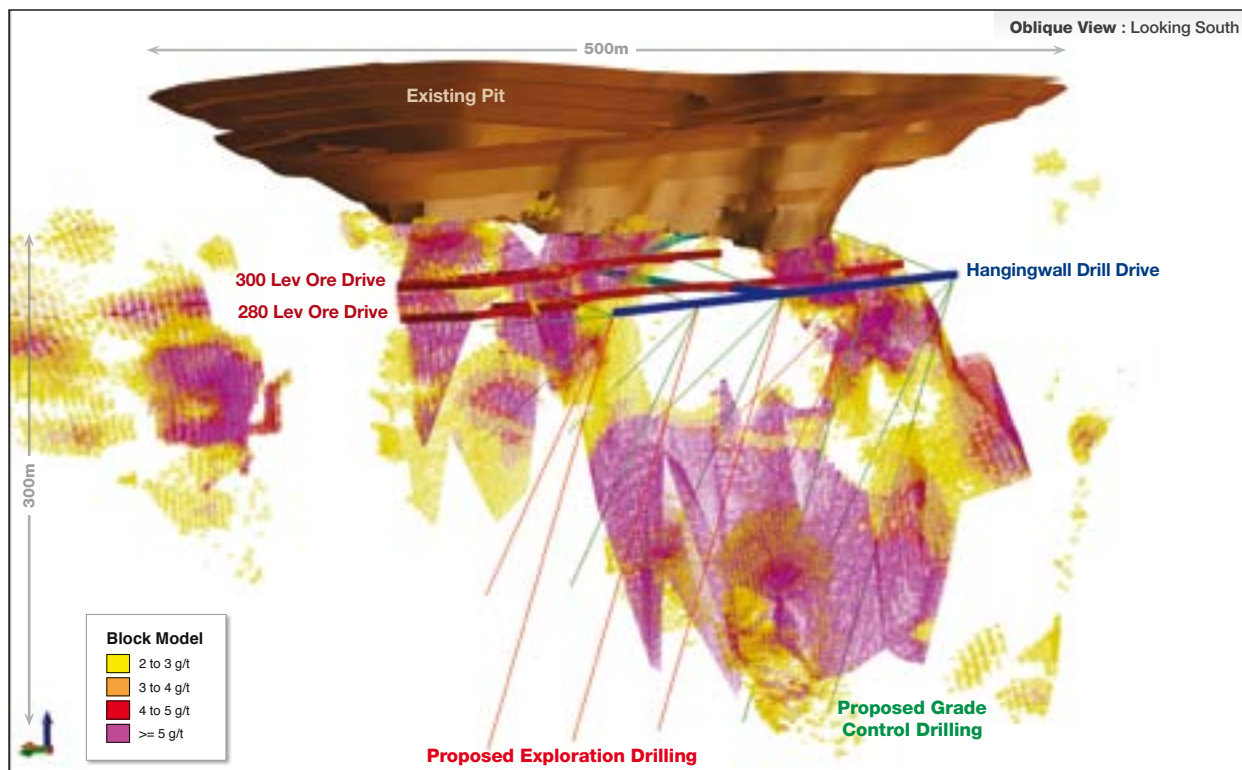


Figure 4. Long section of the Red October gold deposit showing planned trial mining and drill drives.

Significant increases in reserves and production grades are being targeted. Containing a resource of 190,000 ounces which is open at depth and along strike to the south, Red October presents an attractive target for high grade underground mining, and for resource expansion drilling.

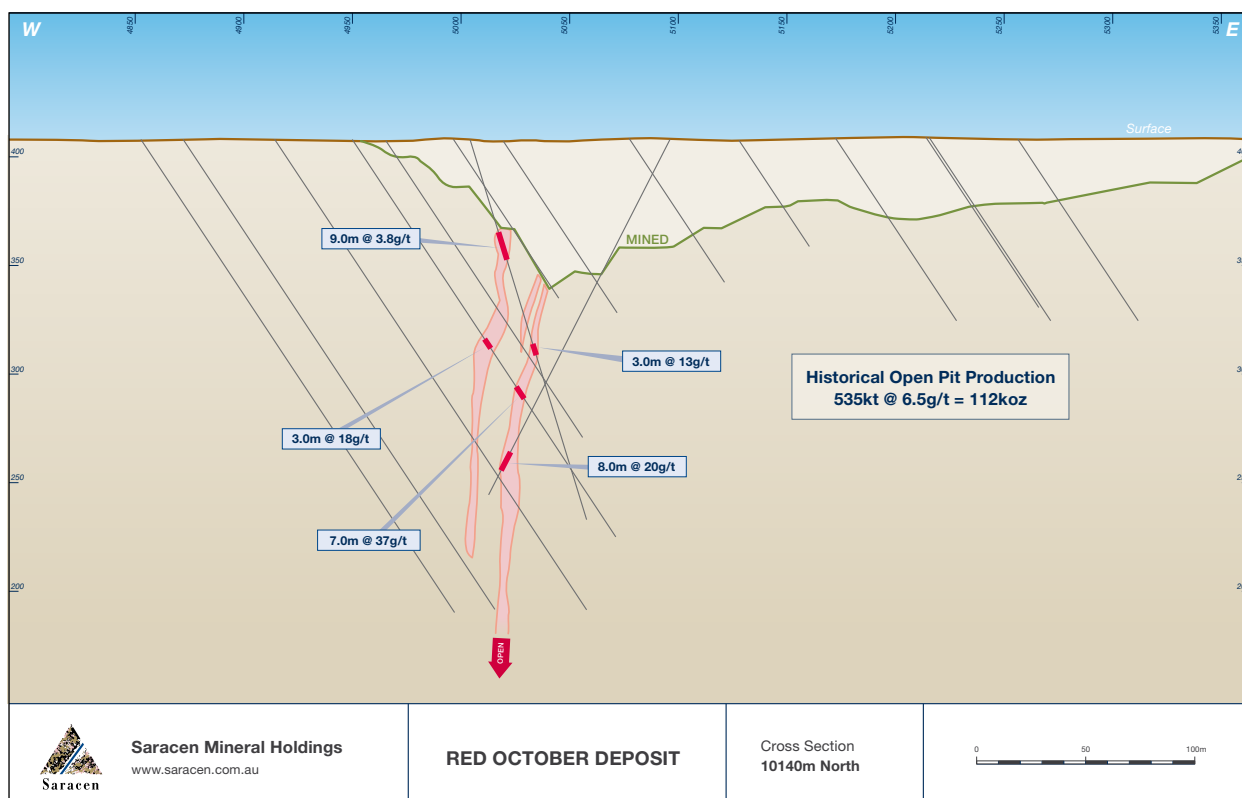


Figure 5. Cross-section through the Red October gold deposit.

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## Karari

The Karari open pit cutback has been given the go-ahead, with planning at an advance stage. Pre-stripping is expected to commence in January 2011, following completion of the Whirling Dervish pre-strip.

Containing a gold resource of 561,000 ounces, Karari is located adjacent to the Carosue Dam processing plant and along strike from the Whirling Dervish gold deposit (501,000 ounces). Proved and Probable Ore Reserves for Karari comprise 4.5Mt grading 1.4g/t for 202,000 ounces.

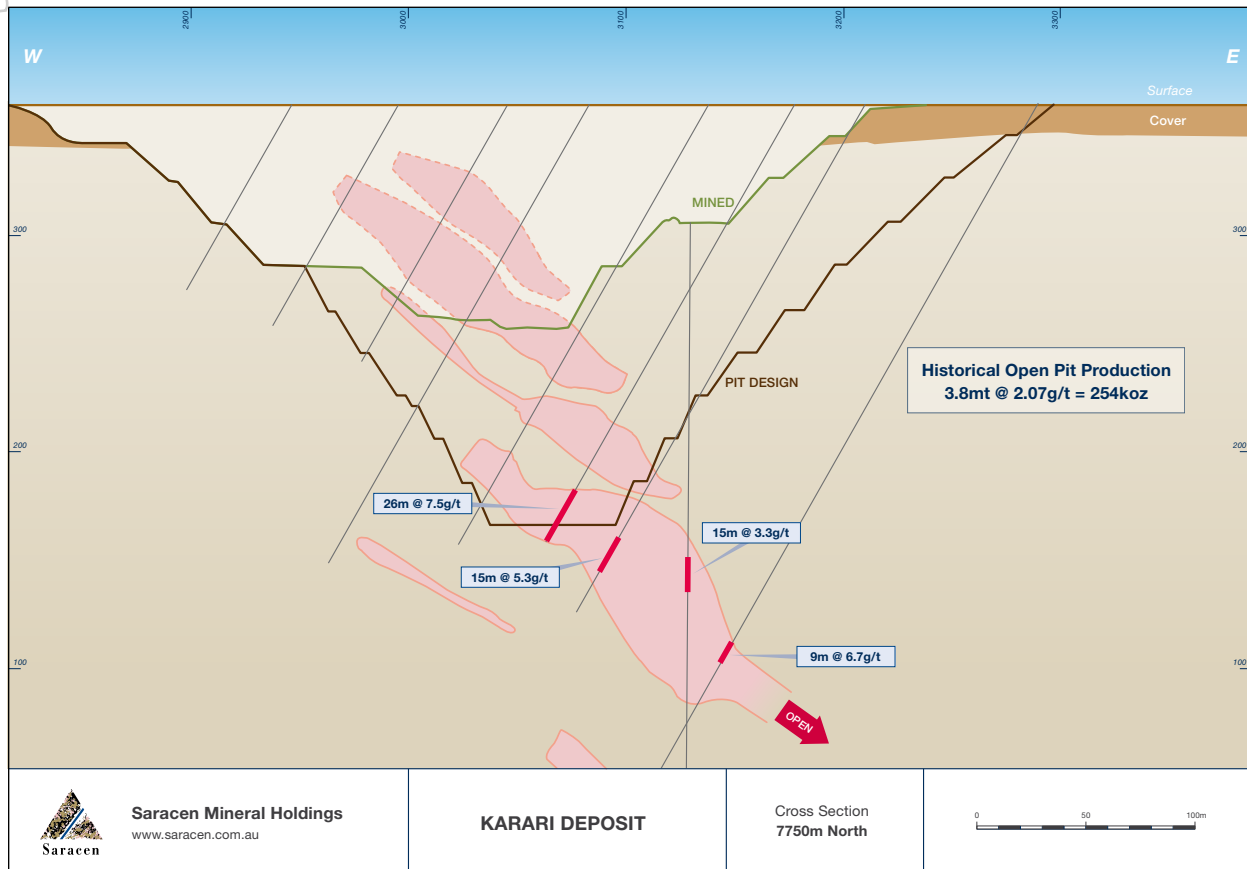


Figure 6. Cross-section through the Karari gold deposit.

Karari, like Whirling Dervish, remains open at depth and along strike. The Karari deposit has previously been mined and reserves will be accessed via a cutback. The technical risk associated with mining the Karari deposit is considered low as all key reserve and mining-related factors are well understood, from extensive bankable feasibility information and past positive production reconciliation data. Furthermore the availability of a significant ore source adjacent to the processing plant provides operational flexibility, no surface haulage costs, and reduced operating risk.

### Resources and Reserves

As at 31 August 2010, and after allowing for depletion through mining, gold ore reserves stood at around 0.9 million ounces, while gold resources stood at around 3.3 million ounces.

In particular, for the combined Porphyry-Million Dollar deposits, reserves increased, after mining depletion, to 295,000 ounces from 237,000 ounces, an increase of around 25 percent.

### Exploration and Resource Evaluation

RC drilling, in multiple program phases, was completed at Porphyry, Maingays, Wallbrook, Enterprise, Million Dollar, Safari Bore, Deep South to varying degrees for resource delineation and sterilisation purposes.

A gravity survey was completed in the Red October area. Data was interpreted in conjunction with reprocessed aeromagnetic information and several drilling targets emerged from this work. These will be drilled in the forthcoming financial year.

“ Saracen’s second open pit mine, Whirling Dervish, commenced ore production in June 2010.”

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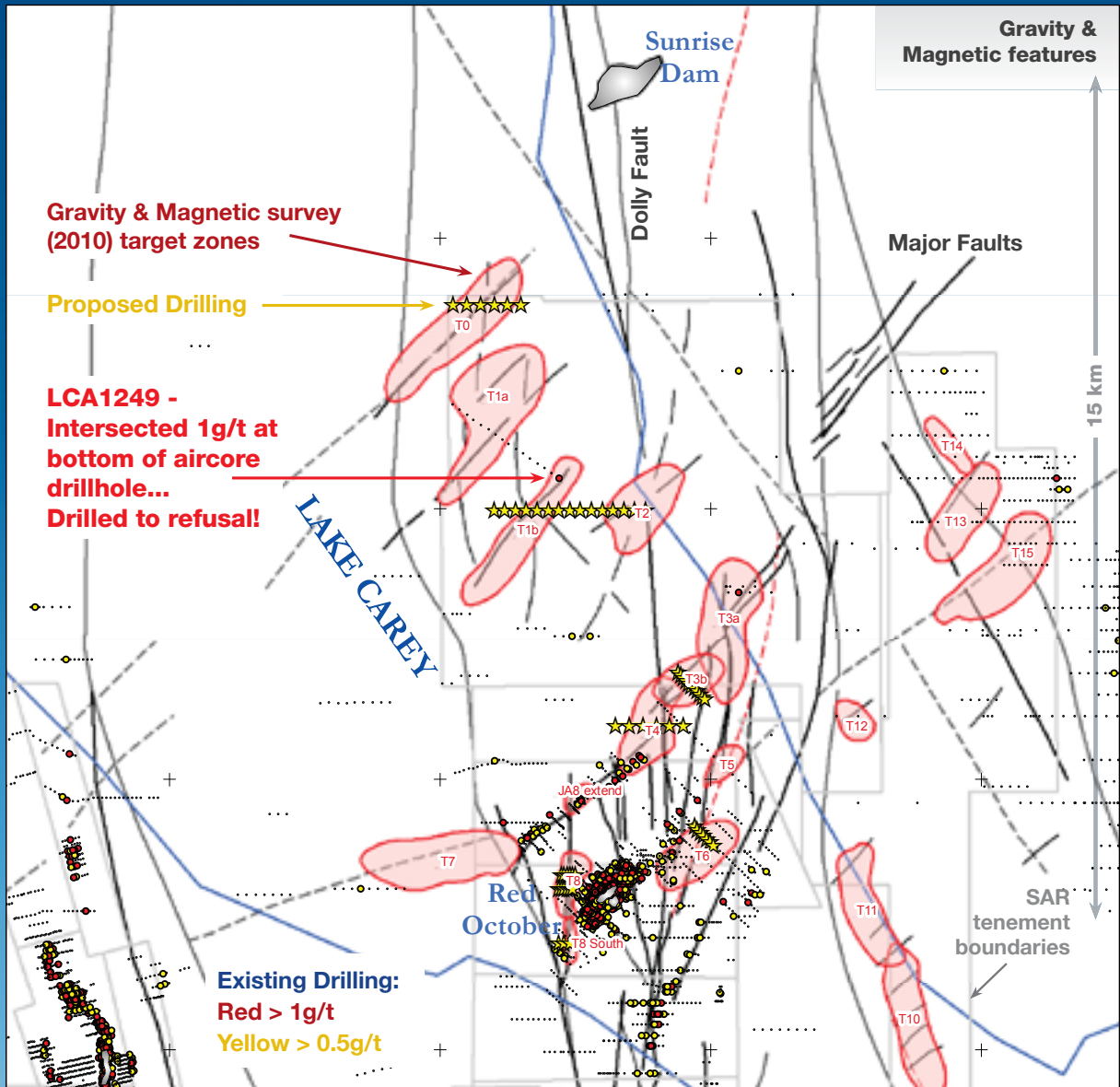


Figure 7. Plan of the Red October area showing targets for further surface exploration.



Saracen intends to accelerate regional exploration in the Red October district and to this end is planning a district-wide program.

Saracen received assay results from drilling at Wallbrook in the Porphyry district, 30kms from the Carosue Dam processing plant. Drilling at the Eleven Bells and Redbook prospects at Wallbrook was focused on resource extensions outside the current proposed open pit. The assay results from both Eleven Bells and Redbook point to shallow mineralization extensions, and the mineralization remains open at depth. The assay results will be incorporated into the data base for resource and reserve updates, once additional drilling is completed in the forthcoming year.

At Butcher Well, resource evaluation work is in progress and a drill program is planned for resource delineation and metallurgical purposes.

Encouraging RC drill intersections were received for the Million Dollar prospect area. Mineralisation within an easterly dipping shear zone, similar to the Porphyry shear system, has now been identified and partially outlined over a strike distance of some 600 metres. The mineralisation remains open down dip and several high grade zones have been intersected within it. The additional drilling has resulted in a significant lift in ore reserves for Million Dollar, to around 94,000 ounces from 25,000 ounces, and this will ensure increased mine life for the Porphyry District.

A \$12.3 million surface exploration budget has been approved by the Board for the 2011 financial year. Numerous brownfields and greenfields targets will be tested in this period, within Saracen's four main target districts. In particular, diamond drilling is planned to recommence for the first time since 2008 to target high-grade down dip extensions of known resources that remain open at depths of only 300-400m, and which potentially are amendable to underground mining. These priority targets include Karari, Whirling Dervish, Twin Peaks, Porphyry and Deep South.



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## Corporate and Governance

Saracen implemented a hedging program during the year ahead of commencement of production operations. Put options were purchased over 175,908 oz of gold at strike price of A\$1,250 per oz, financed through a combination of \$7.5m cash from available cash and debt facilities, and the sale of call options over 103,494 oz of gold sold at a strike price of A\$1,250 per oz.

At the end of the year, the Company's hedging position stood at put options bought over 154,347 oz and call options sold over 90,810 oz. The put option component covers 154,347 oz at a strike price of A\$1,250 per ounce, and underpins forecast cash flows over the next 18 months, thereby ensuring the initial project capital outlays are recouped with reduced financial risk, whilst leaving Saracen with considerable exposure to a rising gold price. The accompanying program of call options over 90,810 oz of gold sold at a strike price of A\$1,250 per oz represents a modest 10 percent of Saracen's Ore Reserves and allows Saracen to benefit from a rising gold price for the balance of its Ore Reserves.

The Company received notices for the exercise of 3,395,400 listed SAROA options, together with the exercise consideration of \$1.1million.

Saracen completed a placement of approximately 92.1million new fully paid ordinary shares at a price of \$A0.38 per share to raise \$A35 million before costs ("Placement"). The Placement to institutional and sophisticated investors was made in two tranches. The first tranche funds totaling \$22.7 million were received prior to year end, while the second tranche funds totaling \$12.2 million were received in late July 2010, following Saracen shareholder approval.

Proceeds from the Placement will fund early development work at the Red October project, retire corporate debt and accelerate regional exploration.

The new funding underpins Saracen's strategy to target an increase in group gold production from the 2.4 mtpa Carosue Dam plant from its current 100,000-120,000 ounces per annum towards 150,000-160,000 ounces per annum utilizing and blending ore, particularly from the high-grade Red October district. Also, it will fund an exploration and development decline into Red October, trial underground mining and an extensive underground resource delineation and exploration drilling program.

At the end of the year, cash holdings (including receivables and net of payables) comprised A\$28.9 million cash. Of this amount A\$7.1 million is held as cash backing against DMP environmental/rehabilitation bonds. The Company had \$8 million outstanding from its debt facility at year end, which was retired in full post year end.

The Risk Management Committee, comprising Mr Barrie Parker, reported to the Board regularly during the year. The committee was responsible for developing with the management team, and overseeing, the Company's risk mitigation program during the development phase, and is now turning its attention to ongoing operational risk management and continuous improvement.

Remuneration and Audit Committees were constituted and met on several occasions.

Securities Trading and Continuous Disclosure policies were formulated and adopted by the Board.

### DIVIDENDS

No dividends have been paid or declared by the consolidated entity 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 consolidated entity other than that referred to in the financial statements or notes thereto.

### SUBSEQUENT EVENTS

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 consolidated entity, the results of those operations, or the state of affairs of the consolidated entity.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The directors will continue to seek suitable mineral opportunities for acquisition or farm-in, as well as corporate investment interests, while progressing with the South Laverton Gold Project. Further information on likely developments and the expected results of those operations would, in the opinion of the directors, be speculative and likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

## ENVIRONMENTAL REGULATION AND PERFORMANCE

The consolidated entity's operations are subject to environmental regulations attached to the granting of licences by the Department of Mines and Petroleum, Western Australia. The consolidated entity continues to comply with these regulations.

Performance bonds are in place to secure the consolidated entity's rehabilitation obligations, described in Note 12 of the Notes to the Financial Statements.

## SHARE OPTIONS

At the date of this report there were:

- (i) 7,109,993 unissued ordinary shares under listed options to acquire shares at an exercise price of 23.51 cents per share at any time until 30 June 2013. These options are participating options and therefore entitle the holder to participate in any share issue of the Company without the need to exercise the options. Option holders do not have any right, by virtue of the option, to participate in any share issue of any related body corporate.
- (ii) 2,500,000 unissued ordinary shares under unlisted options to acquire shares at an exercise price of 23.51 cents per share at any time until 30 June 2013. These options are participating options and therefore entitle the holder to participate in any share issue of the Company without the need to exercise the options. Option holders do not have any right, by virtue of the option, to participate in any share issue of any related body corporate.
- (iii) 3,410,000 unissued ordinary shares under unlisted incentive options to acquire shares at varying exercise dates and prices. Further details of the unlisted incentive options are provided in Note 19(c) of the Notes to the Financial Statements. Option holders do not have any right, by virtue of the option, to participate in any share issue of any related body corporate.

Details of shares issued during or since the end of the financial year as a result of exercise of an option are:

Issuing Entity	Number of Shares Issued	Class of Shares	Amount Paid for Shares	Amount Unpaid on Shares
Saracen Mineral Holdings Limited	17,108,268	Ordinary	Weighted average of \$0.23 per share	Nil

## DIRECTORS' MEETINGS

The number of directors' meetings and the number of meetings attended by each director during the financial year were:

Director	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings		Risk Management Committee Meetings	
	Meetings held while a director	Meetings attended	Meetings held while a member	Meetings attended	Meetings held while a member	Meetings attended	Meetings held while a member	Meetings attended
Guido Staltari	11	11	-	-	-	-	-	-
Carl Thompson	11	10	5	5	2	2	-	-
Ivan Hoffman	11	10	5	5	2	2	-	-
Barrie Parker	11	11	-	-	2	2	8	8

Directors regularly communicate by telephone, email or other electronic means, and where necessary, circular resolutions are executed to effect decisions.

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## REMUNERATION REPORT (AUDITED)

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

The Board is ultimately responsible for determining and reviewing remuneration arrangements for directors, within the limits approved by shareholders for such remuneration.

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

Guido Staltari	Executive Chairman
Carl Thompson	Director (Non-Executive)
Ivan Hoffman	Director (Non-Executive)
Barrie Parker	Director (Non-Executive)

The key management personnel during or since the end of the financial year were:

Raleigh John Finlayson	Chief Operating Officer
Grant Haywood	General Manager – Operations, appointed 19 April 2010
Rajan Narayanasamy	Company Secretary/Chief Financial Officer
Geoffrey Colin Arthur	General Manager – Exploration, resigned 31 July 2009

The Board policy for determining the nature and amount of remuneration of directors and key personnel, as well as the relevant specific arrangements, are as 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 Company's operations. During the year shareholders approved an increase to \$350,000 being the maximum aggregate amount that may be paid to non-executive directors as remuneration for their services in each financial year. Non-executive directors' fees were increased to \$70,000 per annum (2009: \$49,050) including superannuation guarantee contributions ("SG") and \$10,000 per annum including SG for chairing a board subcommittee. The fees were determined with assistance from an independent remuneration consultant.

During the year, the non-executive directors, Carl Thompson and Ivan Hoffman were each paid \$72,261 per annum including applicable SG. Non-executive director Barrie Parker was paid \$72,261 per annum including SG, and an additional amount of \$43,600 including SG for Risk Management Committee work, the services for which were paid on normal commercial charge out rates.

For the period 1 July 2009 to 30 September 2009, services of the executive chairman, Guido Staltari, the chief financial officer / company secretary, Rajan Narayanasamy, and the senior accountant were provided by Renaissance Capital Pty Limited ("RenCap") pursuant to the terms of a management agreement. Mr Staltari's family interests control RenCap. Under the management agreement, RenCap provides the Company with its registered corporate head office facilities in Melbourne, as well as staff to carry out management, administrative, corporate compliance, accounting and secretarial duties. The Company pays RenCap a fixed fee of \$30,000 per month plus GST; reimburses RenCap for all out of pocket expenses; and paid professional fees of \$175, \$135 and \$90 plus GST per hour for the services of Messrs Staltari, Narayanasamy and senior accountant respectively.

The RenCap management agreement expired on 30 September 2009. The Remuneration Committee reviewed and agreed a new arrangement for Saracen's head office and management services, which commenced on 1 October 2009 and has a fixed term of one year and eleven months. Under the agreement the Company pays RenCap a fixed fee of \$30,000 per month plus GST for the provision of corporate office facilities and associated costs; pays a monthly fee of \$45,833.33 plus GST for the professional services of Mr Staltari; and reimburses RenCap for all out of pocket expenses. The fee structure for Mr Staltari was determined by the Remuneration Committee with the assistance of an independent remuneration consultant. In addition the employment of the chief financial officer / company secretary, Mr Narayanasamy, and the senior accountant was transferred from RenCap to the Company. As compensation for the Company assuming accrued leave liabilities for Messrs Narayanasamy and the senior accountant as at the date of transfer, RenCap paid Saracen an amount of \$116,479, this amount reflecting the actual liabilities as at the transfer date.

Total fees and reimbursements paid or due to Rencap during the year amounted to \$1,250,799 plus GST (2009: \$1,145,167). This comprised approximately \$360,000 (2009: \$360,000) for the provision of office facilities and associated costs; approximately \$625,799 (2009: \$785,167) for professional fees; and an amount of \$265,000 for additional professional services.

Neither the remuneration of Directors nor the RenCap arrangements were linked to the Company's performance.

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The Remuneration Committee of the board is responsible for determining remuneration policies in respect of key management personnel ("Executives"). In establishing such policies, the Remuneration Committee is guided by external remuneration surveys and industry practices, commensurate with the scale and size of the consolidated entity's operations. The policies are reviewed regularly to ensure that the consolidated entity remains competitive as an employer.

The consolidated entity has employment agreements with all Executives. These contracts are capable of termination in accordance with standard employment terms. The terms of the contracts are open ended although the consolidated entity retains the right to terminate a contract immediately by making payment equal to the period in lieu of notice. The Executives are also entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave. Each employment contract 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 to take into account performance, cost of living, any change in the scope of the role performed by the executive and any changes to meet the principles of remuneration.

Other than the above, no directors or executives are subject to specific contract arrangements.

Since the end of the financial year (effective 1 September 2010) a formal performance review system was implemented with operating and non-operating key performance indicators ("KPIs") relevant to each Executive set, so as to form a basis of assessment of future levels of remuneration. The KPIs for Executives set are more directly aligned with the Company's intrinsic business performance, for example, performance against the annual operating budget, health and safety measures, and other operations-related criteria. There is no direct formal relationship between remuneration and such performance measures, and the Board retains the right to determine an Executive's remuneration depending on the outcome of annual performance reviews and other factors the directors consider relevant.

The Company has in place an Incentive Option Scheme ("IOS"), approved by shareholders at a previously held annual general meeting. The Scheme is designed to provide incentives to employees and consultants whose contribution the directors consider would assist in the development of the Company. Options issued pursuant to the Scheme will commensurate with the skills, experience and length of service with the Company and such other criteria that the directors consider appropriate in the circumstances. A total of 3,410,000 options remain on issue under the Scheme as at the date of this Report. No options were issued in the form of remuneration options during the current financial year.

There is no formal relationship between remuneration of Executives and the Company's performance when measured directly on the basis of shareholder returns or wealth. The IOS to a certain extent links the value of the Company's shares to the potential for a remuneration gain by respective employees. Also, the Company in recruiting personnel is presently competing in a tight market, and any suggestion that remuneration might fall with lesser company performance would serve to inhibit the Company's endeavors in this regard.

The directors have resolved to offer to all employees a new series of IOS options whose quantum and terms reflect seniority, length of tenure, and performance against agreed KPIs under the Company's performance review system. The options terms and conditions are expected to be finalized and offered in the second quarter of the financial year 2011.

The directors are cognizant of the need to review the remuneration policy in line with changing circumstances, and the desirability of having arrangements that can be administered cost-effectively, given the company's size and the need to preserve capital for business activities.

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Activity in the Whirling Dervish open pit mine.

## DIRECTORS AND SENIOR EXECUTIVES REMUNERATION

- a) Details of the nature and amount of each major element of the remuneration of each director of the consolidated entity and each of the named officers of the company and the consolidated entity receiving the highest emolument during the financial year are:

30 June 2010	Short-term employee benefits			Post	Equity	Other	Total
	Salary & fees	Cash bonus	Non monetary benefits	Employment	Options	Bonuses	
				Superannuation			
\$	\$	\$	\$	\$	\$	\$	
Directors							
G Staltari (i)	-	-	-	-	-	-	-
C Thompson	66,295	-	-	5,966	-	-	72,261
I Hoffman	36,295	-	-	35,966	-	-	72,261
B Parker (ii)	65,864	-	-	49,997	-	-	115,861
Executives							
G Arthur (iii)	53,479	-	-	7,131	-	-	60,610
R Finlayson (iv)	306,872	-	-	25,659	-	-	332,531
G Haywood (v)	51,256	-	-	4,613	-	-	55,869
R Narayanasamy (vi)	187,314	-	-	37,498	-	-	224,812

- (i) Included in the time based professional fees paid to RenCap is an amount of \$501,400 for the services provided by Mr Staltari.
- (ii) In the current year Mr Barrie Parker received \$43,600 including superannuation as sole member of the Risk Management Committee. This is in addition to his non-executive directors fees of \$72,261 including superannuation.
- (iii) Mr Arthur resigned on the 31 July 2009.
- (iv) Mr Finlayson was appointed Chief Operating Officer on the 1 October 2009, having previously been employed as General Manager – Operations.
- (v) Mr Haywood was appointed General Manager – Operations on the 19 April 2010. Mr Haywood is entitled to a retention bonus of \$20,000 at the conclusion of 2 years continuous service from the date of his commencement.
- (vi) Included in the time based professional fees paid to RenCap is an amount of \$79,312 for the services provided by Mr Narayanasamy. On 1 October 2009, Mr Narayanasamy became an employee of Saracen Mineral Holdings in the position of Chief Financial Officer and Company Secretary.

30 June 2009	Short-term employee benefits			Post	Equity	Other	Total
	Salary & fees	Cash bonus	Non monetary benefits	Employment	Options	Bonuses	
				Superannuation			
\$	\$	\$	\$	\$	\$	\$	
Directors							
G Staltari (i)	-	-	-	-	-	-	-
C Thompson	45,000	-	-	4,050	-	-	49,050
I Hoffman	-	-	-	49,050	-	-	49,050
B Parker (ii)	-	-	-	72,757	-	-	72,757
Executives							
G Arthur	172,875	-	-	85,579	-	-	258,454
R Finlayson	229,239	-	-	20,631	-	-	249,870
R Narayanasamy (i)	-	-	-	-	-	-	-

- (i) Included in the time based professional fees paid to RenCap are amounts of \$360,500 and \$254,002 for the services provided by Messrs Staltari and Narayanasamy respectively.
- (ii) In the previous year Mr Barrie Parker received \$23,707 including superannuation as sole member of the Risk Management Committee. This is in addition to his non-executive directors fees of \$49,050 including superannuation.

b) Options granted as part of remuneration

No options were granted to a director or a named officer of the Company or consolidated entity during the current financial year.

During the year, the following directors and named officers exercised options that were granted to them as part of their compensation in prior financial years. Each option converts into one ordinary share in Saracen Mineral Holdings Limited:

30 June 2010	Number of Shares Issued	Class of Shares	Amount Paid for Shares	Amount Unpaid on Shares
G Arthur	500,000	Ordinary	\$149,000	Nil
R Narayanasamy	610,000	Ordinary	\$175,760	Nil

This ends the Remuneration Report.

## INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

The Company has paid an insurance premium in respect of a contract insuring each of the directors of the Company named earlier in this report, as well as the secretary and officers of the consolidated entity, against liabilities and expenses, to the extent permitted by law, arising from claims made against them in their capacity as directors and officers of the consolidated entity. Due to confidentiality restrictions in the insurance policy the premium paid has not been disclosed separately.

Other than to the extent permitted by law, the Company has not, during or since the financial year, indemnified or agreed to indemnify an auditor of the Company 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, PKF, the Company's auditor, provided tax compliance and advisory services. PKF received or are due to receive \$18,785 for these non-audit services. The directors are satisfied that the provision of these services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 and do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

## ROUNDING OFF

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the 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



**Guido Staltari**

Director

Melbourne, 21 September 2010

# Auditor's Independence Declaration



Chartered Accountants  
& Business Advisers

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Saracen Mineral Holdings Limited for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) 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 year.

**D J Garvey**  
Partner  
PKF

21 September 2010  
Melbourne

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## Gold Resources Statement

Deposit	Style	Measured (tonnes)	Indicated (tonnes)	Inferred (tonnes)	Au (g t)	Ounces
Porphyry	O	1,943,000			1.5	94,000
	O		3,380,000		1.5	158,000
	O			1,250,000	1.2	48,000
	U		1,158,000		3.9	147,000
	U			566,000	2.6	48,000
Whirling Dervish	O	414,000			1.6	21,000
	O		9,713,000		1.4	436,000
	O			1,203,000	1.1	44,000
Karari	O	4,160,000			1.3	175,000
	O		5,718,000		1.4	265,000
	O			2,822,000	1.3	121,000
Million Dollar	O		7,705,000		1.1	282,000
	O			1,564,000	0.9	45,000
Wallbrook	O		4,718,000		1.3	205,000
	O			445,000	1.4	20,000
Red October	O		522,000		3.5	58,000
	O			3,000	1.6	0
	U		562,000		7.2	130,000
	U			18,000	3.3	2,000
Montys Dam	O	173,000			1.6	9,000
	O		625,000		1.4	27,000
	O			335,000	1.3	14,000
Elliot's	O	323,000			1.5	16,000
	O		425,000		1.7	23,000
	O			315,000	1.9	20,000
North West	O		247,000		0.9	7,000
	O			469,000	0.9	14,000
Margarets	O		894,000		1.4	40,000
	O			130,000	1.2	5,000
Enterprise	O		1,144,000		1.9	71,000
	O			236,000	1.5	11,000
Safari Bore	O	780,000			2.0	51,000
	O		1,358,000		2.3	101,000
	O			672,000	2.3	50,000
Deep South	O		665,000		2.6	56,000
	U		332,000		4.1	44,000
	U			754,000	4.6	110,000
Mexico	O			132,000	1.7	7,000
	U			137,000	2.8	13,000
Twin Peaks	U		291,000		4.0	38,000
	U			249,000	4.3	35,000
Thin Lizzie	O			208,000	1.5	10,000
Tin Dog	O			1,002,000	1.4	44,000
Bulldog	O			409,000	1.1	15,000
Crimson Belle	O		699,000		1.6	36,000
	O			446,000	1.4	21,000
Butcher Well	O		150,000		2.2	11,000
	O			160,000	2.7	14,000
undamindera	O		730,000		2.3	54,000
Surface Stockpiles	O		396,000		1.1	14,000
<b>Measured</b>		<b>7 7 3 000</b>			<b>1.5</b>	<b>365 000</b>
<b>Indicated</b>			<b>41 430 000</b>		<b>1.7</b>	<b>2 203 000</b>
<b>Inferred</b>				<b>13 525 000</b>	<b>1.6</b>	<b>711 000</b>
<b>TOTAL</b>				<b>62 74 000</b>	<b>1.6</b>	<b>3 27 000</b>

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## Gold Resources Statement (continued)

### Notes to accompany Resource Statement

Historical mining activity has taken place by open pit at Karari, Safari Bore, Million Dollar (centre), Red October, Butcher Well, Twin Peaks, Safari Bore, Deep South, Mexico and Monty's. Historical open pit and underground mining have been carried out at Porphyry. Minor workings exist at Wallbrook and Enterprise.

Saracen has been mining in 2010 by open pit at Porphyry and Whirling Dervish, and resources at these two deposits are depleted to the end of August 2010. Surface Stockpiles have also been depleted for processed material.

Various top cuts have been applied based on statistical analysis mineralisation domain and deposit.

Ordinary Kriging has been used for the resource estimation method.

Bulk density is applied on the basis of oxide, transition and fresh material boundaries interpreted from geological logging data and has been derived from a substantial number of measurements from diamond drill core at each deposit.

Tonnages, grades and contained metal have been rounded to reflect the accuracy of the calculations. Rounding errors may occur. Resources are inclusive of reserves.

A summary of cut-off and other parameters relevant to each deposit is summarised below.

Deposit	Open Pit Cutoff Au g t	UG Cutoff Au g t	Pit Base mRL	Drill Spacing
Porphyry	0.60	1.50	250	6x6 Grade Control to 50x50; typically 20m
Whirling Dervish	0.50		50	20x20 with 8x6 grade control in active pit area
Karari	0.50		50	5x5 Grade Control to 25x25; typically 25x12.5
Million Dollar	0.60		50	20x20 to 40x20
Wallbrook	0.60			20x20
Red October	1.30	2.50	270	20x20 to 40x40
Montys Dam	0.60			20x20 to 20x10
Elliots	0.60			20x20 to 20x10
North West	0.60			20x20 to 20x10
Margarets	0.60			20x20
Enterprise	0.60			20x20
Safari Bore	0.70			20x20 to 40x40
Deep South	0.70	2.00	300	20x20
Mexico	0.70	2.00	300	20x20
Twin Peaks		1.50	235	20x20
Thin Lizzie	1.00			40x20
Tin Dog	1.00			50x25
Bulldog	1.00			100x40
Crimson Belle	1.00			50x20
Butcher Well	1.00			25x25
undamindera	1.00			20x20

### Competent Person's Statement

The information in this report that relates to Mineral resources has been compiled by Mr Lynn Widenbar BSc MSc DIC MAusIMM. Mr Widenbar, who is a member of the Australasian Institute of Mining and Metallurgy, is a consultant to Saracen Gold Mines Pty Ltd. Mr Widenbar has sufficient experience that is relevant to the styles of mineralisation and types of deposit under consideration and to the activity that he is undertaking to qualify as a Competent person as defined in the 2004 edition of the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves. Mr Widenbar consents to the inclusion in this report of the matters based on his information in the form and context that the information appears.

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## Gold Ore Reserves Statement

Gold Deposit	Proposed Mining Style	Proved Reserve (tonnes)	Probable Reserve (tonnes)	Grade (g/t)	Contained Ounces
Whirling Dervish	O	372,000		1.6	19,000
	O		3,659,000	1.6	183,000
Porphyry	O	946,000		1.6	49,000
	O		1,275,000	2.0	83,000
	U		643,000	3.4	70,000
Wallbrook	O		1,591,000	1.5	75,000
Enterprise	O		491,000	1.9	29,000
Deep South	O		253,000	3.6	29,000
Million Dollar	O		1,942,000	1.5	94,000
Safari Bore	O	362,000		2.0	23,000
	O		232,000	2.2	16,000
Karari	O	3,050,000		1.3	126,000
	O		1,437,000	1.6	75,000
Stockpiles	S		396,000	1.1	14,000
<b>Proven</b>		<b>4 730 000</b>		<b>1.4</b>	<b>217 000</b>
<b>Probable</b>			<b>11 1 000</b>	<b>1.7</b>	<b>66 000</b>
<b>Total</b>			<b>16 64 000</b>	<b>1.7</b>	<b>5 000</b>

### Notes to accompany Reserves Statement

1. All reserves are for open-pit mine mineralisation, except for Porphyry UG which reflects a proposed underground mining operation.
2. Pit optimisations were run using Whittle and Micromine software, with key inputs as follows:
  - a. Resource models prepared by Saracen's resource geologists & external consultants.
  - b. Geotechnical, hydrogeological, mine operating and milling parameters estimated by reference to known current/historical Carosue Dam data.
  - c. Australian dollar gold price of A\$1250 per ounce (hedge price) used for all pit optimisation and pit design purposes.
  - d. Planned mining dilution & mining recoveries are factored into the resource models assuming 120t class excavators.
  - e. Additional (unplanned) mining dilution & mining recoveries for each of the open-pit deposits (based on the size, dip & geometry of the ore zones), and cut-off grades used are:
    - i. Whirling Dervish deposit: 12% dilution 0.00g/t & 98% recovery ; cut-off grade 0.7g/t
    - ii. Porphyry deposit: 17% dilution 0.00g/t & 98% recovery ; cut-off grade 0.8g/t
    - iii. Wallbrook deposit: 10% dilution 0.00g/t & 97.5% recovery ; cut-off grade 0.8g/t
    - iv. Enterprise deposit: 15% dilution 0.00g/t & 95% recovery ; cut-off grade 0.8g/t
    - v. Deep South deposit: 20% dilution 0.00g/t & 98% recovery ; cut-off grade 0.9g/t
    - vi. Million Dollar deposit: 15% dilution 0.00g/t & 98% recovery ; cut-off grade 1.0g/t
    - vii. Safari Bore deposit: 25% dilution 0.00g/t & 98% recovery ; cut-off grade 0.9g/t
    - viii. Karari deposit: 15% dilution 0.00g/t & 98% recovery ; cut-off grade 0.7g/t
  - f. Average plant processing recovery is 92.1 percent.

## Gold Ore Reserves Statement (continued)

3. Mining costs based on current mining contracts at Carosue Dam.
4. Porphyry UG reserves are reported inside mineable design parameters. Unplanned mining dilution of 15 0.5g/t and a mining recovery of 66 have been applied.
5. Metallurgical parameters based on a combination of previous mining and/or recent metallurgical test work.
6. Tonnages, grades and contained metal have been rounded to reflect the accuracy of the calculations. Rounding errors may occur.
7. The Porphyry and Whirling Dervish deposits, and surface stockpiles, have been depleted to the end of August 2010.

### Competent Person Statement

The information in this release relating to ore reserves has been compiled by Chris Burton. Mr Burton, who is a Member of the Australasian Institute of Mining and Metallurgy, is a full time employee of Saracen Gold Mines Pty Ltd and has sufficient experience that is relevant to the styles of mineralisation and types of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves. Mr Burton consents to the inclusion in this release of the matters based on his information in the form and context that the information appears.

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## Corporate Governance Statement

This statement outlines the main Corporate Governance practices that were in place throughout the year, or part of the year, as the case may be. It follows the reporting guidelines laid out in the 2nd Edition of the “Corporate Governance Principles and Recommendations” issued by the AS Corporate Governance Council. Where the Company has not adopted a Recommendation, an explanation is provided under the “if not, why not” approach. The Company has not yet adopted the 2010 Amendments which will become effective for the financial year ending 30 June 2012.

Saracen Mineral Holdings Limited (“Saracen”) endeavors to maximise the money it spends on activities that would enhance the business prospects and financial performance of the Company. While the Board subscribes to the Corporate Governance principles laid out below, it is mindful that, having regard to the Company’s size and available resources, overly formal procedures, such as those that are so essential for much larger and more complex companies, can lead to drains on valuable management time and significantly greater financial expense. The Company continues to improve and formalise its corporate governance practices, with the Board monitoring the guidelines below and adopting more structured practices where appropriate.

Principle 1: L o i o u n t i o n o r n g e e n t n o v e r i g h t		
Principle No	Best Practice Recommendation	Corporate Practice
1.1	Establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	<p>The role of the Board of Directors is to formulate business and operational strategies, oversee the Company’s management, to regularly review its performance and to monitor the Company’s affairs in the best interests of shareholders, while giving cognizance to the expectations of other stakeholders in the activities of the Company.</p> <p>The key responsibilities of the Board include:</p> <ul style="list-style-type: none"> <li>ensuring the Company is properly managed;</li> <li>where appropriate, the formation of specific focus subcommittees;</li> <li>appointing and reviewing the performance of senior executives;</li> <li>developing with management strategy, planning and major capital expenditure programs;</li> <li>ensuring appropriate audit arrangements are in place;</li> <li>ensuring effective and appropriate reporting systems are in place to assure the Board of proper financial, operational, compliance and risk management; and</li> <li>shareholder communication and regulatory compliance.</li> </ul> <p>Senior executives are accountable to the Board. Key responsibilities include:</p> <ul style="list-style-type: none"> <li>implementing the Board’s business and operational strategies;</li> <li>day to day running of the business;</li> <li>appropriate and cost effective exploration and development of Saracen projects;</li> <li>identifying exploration and business development opportunities;</li> <li>managing the operating and financial performance of the Company;</li> <li>designing and implementing effective financial, operational, safety, compliance and risk management controls, procedures and policies; and</li> <li>stakeholder communication and regulatory compliance.</li> </ul> <p>The Board has not established a formal charter of its functions and responsibilities, and has not formulated formal appointment letters for directors. Having regard to the size of the Company and board, the directors consider that it would not improve the current modus operandi.</p>
1.2	Disclose the process for evaluating the performance of senior executives.	<p>During the current period the Board informally reviewed the performance of senior executives against a number of qualitative and quantitative factors relevant to their role, and in the context of the performance of the Company as a whole.</p> <p>Subsequent to the financial year, Saracen introduced a performance review process whereby all staff, including senior executives, will be formally reviewed on an annual basis.</p>
1.3	Provide the information indicated in the Guide to reporting on Principle 1.	The information under Principle 1 has been disclosed above.

## Corporate Governance Statement (continued)

Principle 2: Structure the board to value		
Principle No	Best Practice Recommendation	Corporate Practice
2.1	A majority of the Board should be independent directors.	<p>The Board comprises a majority of three independent non-executive directors, and one executive director. The details of their skills, experience, qualifications, period of office held and attendances at meetings are included in the Directors' Report.</p> <p>As disclosed in Principle 8.2, Mr Parker received fees for additional services provided to the Company. The Board has considered the impact of the service arrangement on his status as an independent director and formed the view that the arrangement does not impugn his independence. Consideration was given to the pertinent relationship factors affecting the independence status of directors described in the AS Corporate Governance guidelines. The nature of the services provided by Mr Parker is not considered strategic and the scope limited; and the level of fees was not considered material.</p>
2.2	The chair should be an independent director.	<p>The Company has an executive chairman, and does not comply with this Recommendation.</p> <p>Mr. Guido Staltari is an experienced company director, has intimate knowledge of the Company's affairs and has committed the necessary time to effectively discharge his role as chairperson. In the context of the Company's size and stage of development, the directors consider the current structure appropriate.</p>
2.3	The roles of chair and chief executive officer (or equivalent) should not be exercised by the same individual.	The Company does not comply with this Recommendation, with Mr. Guido Staltari acting as both executive chair and in an equivalent position to chief executive officer. In the context of the Company's size and stage of development, the directors consider the current structure appropriate.
2.4	The Board should establish a Nomination Committee.	The Company does not have a Nomination Committee and consequently does not comply with this Recommendation. The responsibilities typically delegated to a Nomination Committee are dealt with by the full Board. In the context of the Company's size, the directors consider the current structure appropriate.
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual directors.	The Board has not established a formal evaluation process as it considers, having regard to the size of the Company and the Board, it would not improve the present modus operandi. The Board will monitor the need to formalise this process on an ongoing basis.
2.6	Provide the information indicated in the Guide to reporting on Principle 2.	<p>Directors have the right, in connection with the discharge of their duties and responsibilities, to seek independent professional advice at the Company's expense.</p> <p>The information under Principle 2 has been disclosed above.</p>

## Corporate Governance Statement (continued)

Principle 3: Promote ethical and responsible decision making		
Principle No	Best Practice Recommendation	Corporate Practice
3.1	Establish a code of conduct and disclose the code or a summary of the code.	<p>The Board has not established a single code of conduct. Rather through a series of Board approved policies including Delegation of Authority; Recruitment; Health and Safety; Environment Management, the core principles of ethical and responsible decision making is imbued through the Company. In addition integral to the Company's employment contracts, are requirements for employees to act lawfully, promote the interests of the Company, avoid conflicts of interest and comply with the Company's policies and procedures.</p> <p>Directors and officers are expected to act with integrity and in the interests of the Company. Directors are required to disclose any material interest in which they may be in conflict with the interests of the Company. Any matter in which a director has an interest is dealt with in accordance with the Corporations Act, where the director will not be present when the matter is being considered unless invited to remain by the non-conflicted directors.</p>
3.2	Establish a policy concerning trading in Company securities, and disclose the policy or a summary of that policy.	A formal trading policy concerning trading in the Company's securities was adopted and can be accessed on the Company's website ( <a href="http://www.saracen.com.au">www.saracen.com.au</a> ) under the Corporate Governance section.
3.3	Provide the information indicated in the Guide to reporting on Principle 3.	The information under Principle 3 has been disclosed above.

Principle 4: Secure integrity in financial reporting		
Principle No	Best Practice Recommendation	Corporate Practice
4.1	The Board should establish an Audit Committee.	The Company has an Audit Committee.
4.2	<p>The Audit Committee should be structured so that it:</p> <ul style="list-style-type: none"> <li>consists only of nonexecutive directors;</li> <li>consists of a majority of independent directors;</li> <li>is chaired by an independent chair, who is not chair of the Board;</li> <li>has at least three members.</li> </ul>	The Audit Committee has two members, consisting of independent non-executive directors Mr. Carl Thompson and Mr Ivan Hoffman, who is also the committee chair. The details of their skills, experience and qualifications are included in the Directors' Report. The committee members possess the requisite technical expertise, including the chair who is a Certified Practising Accountant.
4.3	The Audit Committee should have a formal charter.	A formal Audit Committee charter was adopted and can be accessed on the Company's website ( <a href="http://www.saracen.com.au">www.saracen.com.au</a> ) under the Corporate Governance section
4.4	Provide the information indicated in the Guide to reporting on Principle 4.	<p>The external auditor has a rotation policy such that lead and review partners are rotated every 5 years.</p> <p>The information under Principle 4 has been disclosed above.</p>

## Corporate Governance Statement (continued)

Principle 5: Market disclosure		
Principle No	Best Practice Recommendation	Corporate Practice
5.1	Establish written policies and procedures designed to ensure compliance with AS Listing Rule disclosure requirements and disclose those policies or a summary of those policies.	<p>A formal Continuous Disclosure Policy designed to ensure compliance with AS Listing Rule disclosure requirements was adopted and can be accessed on the Company's website (<a href="http://www.saracen.com.au">www.saracen.com.au</a>) under the Corporate Governance section</p> <p>The Company Secretary manages the Company's compliance with its continuous disclosure obligations and is responsible for communications with the ASX. All ASX announcements are posted to the Company's website (<a href="http://www.saracen.com.au">www.saracen.com.au</a>) after disclosure to the ASX.</p> <p>Presentations, analyst briefings and / or media communications that contain information not previously announced to ASX, and that could have a material effect on the share price, are announced to the ASX in advance.</p>
5.2	Provide the information indicated in the Guide to reporting on Principle 5.	The information under Principle 5 has been disclosed above.

Principle 6: Retain the right of shareholder		
Principle No	Best Practice Recommendation	Corporate Practice
6.1	Design a communications policy for promoting effective communication with shareholders and encourage their participation at general meetings and disclose that policy or a summary of that policy.	<p>The Board of Directors aims to ensure that the shareholders on behalf of whom they act have access to all information necessary to assess the performance and prospects of the Company.</p> <p>Mechanisms used to communicate with shareholders include:</p> <ul style="list-style-type: none"> <li>the annual report which is distributed, or otherwise made available, to all shareholders;</li> <li>the quarterly report;</li> <li>the half-year report;</li> <li>the annual general meeting and other general meetings called to obtain shareholder approval for Board action as appropriate;</li> <li>Company announcements; and</li> <li>the Company's website (<a href="http://www.saracen.com.au">www.saracen.com.au</a>)</li> </ul> <p>In addition the Company seeks to provide opportunities for shareholders to participate through electronic means. The website includes a feedback mechanism and an option for shareholders to register their email address for direct updates of company matters.</p> <p>The Board ensures that all price sensitive information is disclosed to the ASX on a timely basis, subject to the permitted exceptions to such disclosure.</p> <p>The Company welcomes questions from shareholders at any time and these are answered within the confines of information that is not market sensitive or already in the public domain. All announcements made by the Company to the ASX are posted on the Company's website</p> <p>The external auditor is required by law to attend the annual general meeting to answer questions with regard to the conduct of the audit and the preparation and content of the auditor's report.</p> <p>The Board will monitor the need to formalise this process on an ongoing basis.</p>
6.2	Provide the information indicated in the Guide to reporting on Principle 6.	The information under Principle 6 has been disclosed above.

## Corporate Governance Statement (continued)

Principle 7: Reporting on risk		
Principle No	Best Practice Recommendation	Corporate Practice
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	The company has systems in place for the management of its material risks. The Board considers the material risks associated with the Company, and management is responsible for establishing and maintaining systems and controls for mitigating these risks.
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	<p>The Company has undertaken, and continues to undertake, various risk management processes identifying potential business risks using a likelihood / consequence matrix, with a view to designing, implementing and monitoring appropriate systems and controls, where not already in place.</p> <p>The Board has established a Risk Committee and Audit Committee for the oversight of operational and financial risks respectively.</p> <p>The Risk Committee is chaired by Mr. Barrie Parker, whose skills, experience and qualifications are included in the Directors' Report. Mr Parker is assisted by a business continuity management team who meets regularly to identify risks, implement mitigating strategies and monitor outcomes. The Risk Committee reports to the Board regularly.</p> <p>Financial and reporting risks are considered by the Audit Committee, supported by the Managing Director and Chief Financial Officer / Company Secretary.</p>
7.3	The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	The Board receives assurance from the Managing Director and the Chief Financial Officer / Company Secretary in the form of the s295A declaration, prior to approving the financial statements.
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	The information under Principle 7 has been disclosed above.

## Corporate Governance Statement (continued)

Principle: Remuneration		
Principle No	Best Practice Recommendation	Corporate Practice
.1	The Board should establish a Remuneration Committee.	<p>The Company has a Remuneration Committee and formal charter which is accessible on the Company's website (<a href="http://www.saracen.com.au">www.saracen.com.au</a>) under the Corporate Governance section</p> <p>The Remuneration Committee has three members, consisting of independent non-executive directors Mr. Ivan Hoffman, Mr. Barrie Parker and Mr. Carl Thompson who is also the committee chair. The details of their skills, experience and qualifications are included in the Directors' Report.</p>
.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	<p>The structure of non-executive directors' remuneration is clearly distinguished from that of executive directors and senior executives, as described in the Directors' Report.</p> <p>The non-executive directors of the Company are remunerated by way of fixed annual fees within the aggregate limit approved by shareholders. Non-executive directors receive a fixed fee and do not participate in options, bonus payments or retirement benefits other than statutory superannuation. One of the non-executive directors, Mr. Barrie Parker, also receives fees for additional services provided to the Company, specifically in his role as chair of the Risk Management Committee.</p> <p>The executive director Mr. Guido Staltari is remunerated in accordance with a management agreement. Full details are provided in the Directors' Report and in Note 24 of the Notes to the Financial Statements.</p> <p>The senior executives of the Company are remunerated by way of a total salary package (inclusive of statutory superannuation) and in some cases equity-based remuneration in the form of options to subscribe for unissued shares. Equity based executive remuneration provided under the Company's Incentive Option Scheme is made in accordance with the terms and conditions approved by shareholders.</p>
.3	Companies should provide the information indicated in the Guide to reporting on Principle 8.	The information under Principle 8 has been disclosed above.

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# Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 \$'000	2009 \$'000
Revenue from continuing operations	2	31,392	-
Mine operating costs		(12,807)	-
<b>Gross profit</b>		<b>18,585</b>	
Depreciation and amortisation	2	(2,908)	(188)
Royalties		(1,306)	-
Impairment write off	14;15	(4,883)	(7,553)
Plant care and maintenance		-	(951)
Administration expenses	2	(3,238)	(1,053)
<b>Operating profit before other income and expense</b>		<b>6,650</b>	<b>745</b>
Finance costs	2	(1,355)	(92)
Other income	2	1,011	527
Net realised loss on derivatives	11	(1,736)	-
Change in fair value of derivatives	11	(24,318)	-
Transaction costs on derivatives	11	(5,328)	-
Change in fair value of listed shares		47	(185)
Loss on sale of other financial assets		-	(250)
Impairment of other financial assets		-	(267)
<b>Loss before income tax</b>		<b>25,422</b>	<b>10,012</b>
Income tax (expense) / benefit	4	-	-
<b>Loss after tax</b>		<b>25,422</b>	<b>10,012</b>
<b>Other comprehensive income</b>			
Net movement in available-for-sale financial asset		-	134
<b>Other comprehensive income or expense</b>			<b>134</b>
<b>Total comprehensive income attributable to owners of Saracen Mineral Holdings Limited</b>		<b>25,422</b>	<b>7</b>
<b>Earnings per share</b>			
Basic loss (cents per share)	5	(6.62)	(5.49)
Diluted loss (cents per share)	5	(6.62)	(5.49)

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

# Consolidated Statement of Financial Position

AS AT 30 JUNE 2010

	Note	2010 \$'000	2009 \$'000
<b>Current assets</b>			
Cash and cash equivalents	23(a)	28,944	27,560
Trade and other receivables	7	2,103	373
Financial derivative instruments	11	2,876	-
Other financial assets	8	143	99
Inventories	9	6,690	577
Other	10	374	1,200
<b>Total current assets</b>		<b>41 130</b>	<b>2 0</b>
<b>Non current assets</b>			
Plant and equipment	13	9,642	3,915
Financial derivative instruments	11	1,295	-
Other financial assets	12	7,133	6,115
Deferred exploration and evaluation costs	14	11,303	12,377
Mine Properties	15	44,958	16,451
<b>Total non current assets</b>		<b>74 331</b>	<b>3 5</b>
<b>Total assets</b>		<b>115 461</b>	<b>6 667</b>
<b>Current liabilities</b>			
Trade and other payables	16	9,271	1,975
Borrowings	18	7,753	112
Financial derivative instruments	11	18,143	-
Provisions	17	938	287
<b>Total current liabilities</b>		<b>36 105</b>	<b>2 374</b>
<b>Non current liabilities</b>			
Borrowings	18	328	315
Financial derivative instruments	11	8,175	-
Provisions	17	6,388	6,316
<b>Total non current liabilities</b>		<b>14 1</b>	<b>6 631</b>
<b>Total liabilities</b>		<b>50 6</b>	<b>005</b>
<b>Net assets</b>		<b>64 465</b>	<b>5 662</b>
<b>Equity</b>			
Contributed equity	19(b)	110,232	80,000
Reserves	19(e)	560	563
Accumulated losses		(46,327)	(20,901)
<b>Total equity</b>		<b>64 465</b>	<b>5 662</b>

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

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# Consolidated Statement of Changes In Equity

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Contributed Equity \$'000	Accumulated Losses \$'000	Reserves \$'000	Total \$'000
<b>As at 1 July 2009</b>	<b>0 000</b>	<b>20 01</b>	<b>563</b>	<b>5 662</b>
Loss for the period after tax	-	(25,429)	-	(25,429)
Other comprehensive income	-	-	-	-
Total comprehensive loss after tax	-	(25,429)	-	(25,429)
Issue of share capital	31,746	-	-	31,746
Share issue costs	(1,514)	-	-	(1,514)
Transfer to accumulated losses	-	3	(3)	-
<b>As at 30 June 2010</b>	<b>110 232</b>	<b>46 327</b>	<b>560</b>	<b>64 465</b>
<b>As at 1 July 2008</b>	<b>49,612</b>	<b>(10,889)</b>	<b>(71)</b>	<b>38,652</b>
Loss for the period after tax	-	(10,012)	-	(10,012)
Other comprehensive income	-	-	134	134
Total comprehensive loss after tax	-	(10,012)	134	(9,878)
Issue of share capital	32,091	-	-	32,091
Share issue costs	(1,704)	-	-	(1,704)
Share based payments	-	-	500	500
<b>As at 30 June 2008</b>	<b>0 000</b>	<b>20 01</b>	<b>563</b>	<b>5 662</b>

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 2010

	Note	2010 \$'000	2009 \$'000
<b>C h o r o e r t i n g t i v i t i e</b>			
Receipts from customers		31,392	-
Payments to suppliers and employees		(18,852)	(2,022)
Interest received		948	631
Interest paid and other finance costs		(1,225)	(92)
Exploration and evaluation costs		(8,330)	(6,812)
<b>Net h o r o v i e u e i n o e r t i n g t i v i t i e</b>	23(b)	<b>3 33</b>	<b>2 5</b>
<b>C h o r o i n v e t i n g t i v i t i e</b>			
Purchase of plant, equipment and development		(30,682)	(91)
Proceeds from sale of assets		247	1
Proceeds from sale of other financial assets		-	708
Purchase of listed shares		(29)	-
Proceeds from sale of shares		62	-
Security deposit (paid) / refunded		(1,018)	227
<b>Net h o u e i n r o v i e i n v e t i n g t i v i t i e</b>		<b>31 420</b>	<b>45</b>
<b>C h o r o n n i n g t i v i t i e</b>			
Proceeds from issue of shares		31,746	32,091
Payment of share issue costs		(1,504)	(1,704)
Payment of finance lease liabilities		(135)	(98)
Payment for derivatives		(7,500)	-
Payment for loss on matured derivatives		(1,736)	-
Proceeds from borrowing		9,500	-
Repayment of borrowings		(1,500)	-
<b>Net h o r o v i e n n i n g t i v i t i e</b>		<b>2 71</b>	<b>30 2</b>
<b>Net i n r e e i n h e</b>		<b>1 3 4</b>	<b>22 3</b>
<b>A o e n i n g h r o u g h t o r r</b>		<b>27 560</b>	<b>4 721</b>
<b>C o i n g h r r i e o r r</b>	23(a)	<b>2 44</b>	<b>27 560</b>

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

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# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### Operations and Principal Activities

The operations and principal activities comprise mineral development and exploration.

### Source of the Financial Statement

The consolidated financial statements have been prepared by Saracen Mineral Holdings Limited in accordance with AASB 127 "Consolidated and Separate Financial Statements".

### Current

The financial report is presented in Australian dollars.

### Registered Office

Level 7, 350 Collins Street, Melbourne Victoria 3000.

### Authorisation of the Financial Report

The financial report was authorised for issue by the directors on the date the directors' declaration is signed.

### a Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards (including Accounting Interpretations). It has been prepared on a going concern basis in accordance with the historical cost convention, except where stated.

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

Separate financial statements for Saracen Mineral Holdings Limited as an individual entity are no longer presented as a consequence of a change in the Corporations Act 2001, however limited information for Saracen Mineral Holdings Limited as an individual entity is presented at Note 25(a).

### Significant Judgement and Estimate

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

The Company has identified the Rehabilitation Provision (Note 1(v) and Note 17), Deferred Exploration and Evaluation Costs (Note 1(s) and Note 14) and Mine Properties (Note 1(t) and Note 15) under which significant judgements, estimates and assumptions are made, and where actual results may differ from those estimates under different assumptions and conditions.

### b Statement of Compliance

The financial report complies with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

### c Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous year, except where stated.

# Notes to the Financial Statements (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### d Principles of Consolidation

The consolidated financial statements comprise the financial statements of Saracen Mineral Holdings Limited and its subsidiaries as at 30 June each year (the Group). The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. 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. 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.

### 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 the ownership have been transferred to the buyer. At the balance date metal not sold is recorded as inventory at the lower of cost and net realisable value.

#### *Interest income*

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

#### *Dividends*

Dividend income is recognised when the consolidated entity gains control of the right to receive the dividend payment.

### f Taxation

#### *Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

#### *Deferred tax*

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

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

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

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

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# Notes to the Financial Statements (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### f Taxation continued

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

Financial assets not measured at fair value comprise:

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

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

### h Finance Costs

Finance costs are recognised as an expense when incurred.

### i Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line method over the estimated useful life. Capital work in progress is not depreciated, and is transferred to the relevant asset category on completion.

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

Plant and equipment	3 – 33 years
Equipment under finance lease	5 – 8 years

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 and if appropriate adjusted at each financial year end.

# Notes to the Financial Statements (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### j Employee Benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, sick leave and long service leave.

Liabilities arising in respect of employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash flows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

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

### k Superannuation Funds

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

### l Earnings Per Share

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

Diluted earnings per share is calculated as net profit/(loss) attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

### m 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.

### n Receivables

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

### o Inventories

Inventories of consumable supplies and spare parts expected to be used in production are valued at the lower of cost and net realisable value. A regular and ongoing review is undertaken to establish whether any items are obsolete or damaged, and if so their carrying value is written down to net realisable value.

Inventories of ore, gold in circuit and work in progress 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 statement of comprehensive income. Net realisable value is the estimated selling price in the ordinary course of business less cost of completion and the estimated cost necessary to perform the sale.

# Notes to the Financial Statements (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### p Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Where an impairment loss subsequently reverses, the carrying amount of the asset 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.

### 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.

### 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 consolidated entity 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 management to make certain estimates and assumptions as to 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.

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# Notes to the Financial Statements (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 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 mine development.

Mine development represents 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.

The recoverable amount of each cash generating asset recorded as mines under construction / mines development is determined as the higher of value-in-use and fair value less costs to sell. Value-in-use is generally determined as the present value of the estimated future cash flows, using a risk adjusted discount rate appropriate to the risks inherent in the asset. Future cash flow estimates are based on expected production volumes, gold price forecasts, ore reserves, operating costs and future capital expenditure. Management is required to make these estimates and assumptions, which are subject to risk and uncertainty. As a result there is a possibility that changes in circumstances will alter these projections, affecting the recoverability of assets and in turn materially impacting the carrying value of mines under construction / mines development (Note 15).

### u Borrowing Costs

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

### v Restoration Rehabilitation and Environmental Provision

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

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

### w Contributed Equity

Ordinary share capital is recognised at the fair value of the consideration received by the Company 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.

# Notes to the Financial Statements (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### x Leased Assets

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

Where amortisation is attributable to exploration and evaluation activities, costs are treated in accordance with the Accounting Policy Note 1(s).

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

### y Derivative Financial Instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to commodity risk and foreign exchange movements. Further details of derivative financial instruments are disclosed in Note 11.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

### z Capital Management

When managing capital, management's objective is to ensure the consolidated entity continues as a going concern and in the interests of shareholders. Management aims to maintain a capital structure that ensures the lowest cost of capital available to the Group. At 30 June 2010 the capital structure consisted of total shareholders funds, cash and other financial assets less the project debt facility and finance lease borrowings. In June 2009 the Company entered into an agreement for a project debt facility from RMB Resources Limited and RMB Australia Holdings Limited, to be drawn in two tranches. Facility funds were restricted to the development, construction and operation of the Carosue Dam project. The facility is secured against a fixed and floating charge over the Group's assets and was subject to a number of conditions, including implementing an appropriate hedging program prior to drawing down on the second tranche. Under the terms of the agreement there are a number of undertakings related to the Group's operations, and non-compliance could constitute an event of default. In such an event, the agreement requires secured monies be immediately due and payable or the commitment to be cancelled. At 30 June 2010 the facility was fully drawn down at \$8 million (30 June 2009: Nil). Subsequent to 30 June 2010 the facility was fully repaid.

### aa Joint Ventures

The interest of the consolidated entity in unincorporated joint ventures are brought to account by recognising in its financial statements its share of the assets it controls, the liabilities it incurs, the expenses it incurs and its share of income earned from the sale of goods or services by the joint venture.

# Notes to the Financial Statements (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### ab Comparatives

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

### ac Impact of Adopting New Accounting Standards and Accounting Standards Not yet Effective

The following new accounting standards, which may have a material impact on the consolidated entity, have been adopted:

- AASB 8 "Operating Segments" effective for annual reporting periods beginning on or after 1 January 2009. The adoption of this standard has only affected the presentation and disclosure of the financial statements, with no material financial impact on the consolidated entity.
- AASB 101 "Presentation of Financial Statements (Revised)" effective for annual reporting periods beginning on or after 1 January 2009. The adoption of this standard has only affected the presentation and disclosure of the financial statements, with no material financial impact on the consolidated entity.
- AASB 123 "Borrowing Costs (Revised)" effective for annual reporting periods beginning on or after 1 January 2009. The standard requires borrowing costs on qualifying assets to be capitalised. The Group currently has no borrowing costs associated with qualifying assets, and there has been no material financial impact on the consolidated entity.
- AASB 3 "Business Combinations (Revised)" effective for annual reporting periods beginning on or after 1 July 2009. The consolidated entity did not undertake a business combination in the current year. Adoption of this standard may result in changes in the way in which the consolidated entity accounts for future business combinations.
- Amendments to the Corporations Act 2001 contained in the Corporations Amendment Bill 2010 received royal assent during the year. One of the key amendments was to remove the requirement to include full parent entity financial statements when preparing consolidated financial statements. The Company has applied these changes in the current year. Parent entity disclosures now required by the Corporations Amendment Regulations 2010 are included in Note 25.

At the date of authorisation of the financial report, the following Standards which may have a material impact on the consolidated entity were in issue but not yet effective:

- AASB 9 "Financial Instruments" includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 will become effective for annual reporting periods beginning on or after 1 January 2013. The Group has not yet determined the potential effect of the standard.
- AASB 2009-5 "Further amendments to Australian Accounting Standards arising from the Annual Improvements Process" impact various standards resulting in minor changes for presentation, disclosure, recognition and measurement purposes. AASB 2009-5 will become effective for annual reporting periods beginning on or after 1 January 2010. The amendments are not expected to have a material impact on the Group.

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# Notes to the Financial Statements (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 2 REVENUE AND EXPENSES

	2010 \$'000	2009 \$'000
Gold sales	31,311	-
Silver sales	81	-
Revenue from continuing operations	31,392	-
Interest revenue	974	465
Other revenue	37	62
Other revenue	1,011	527
Total revenue	32,403	527
Directors and employee expenses	1,750	147
Management fees	984	599
Professional fees	114	84
Other	390	223
Administration expenses	3,238	1,053
Unwinding of deferred facility costs	630	-
Borrowing costs	725	92
Finance costs	1,355	92
Amortisation of mine properties	2,545	-
Depreciation of plant and equipment	363	188
Depreciation and amortisation	2,908	188

## 3 AUDITOR'S REMUNERATION

	2010	2009
Amounts received or due and receivable by the auditors of the Company for:		
- Audit / review of the financial report	93,625	39,300
- Tax related compliance services	18,785	36,080
	112,410	75,380

# Notes to the Financial Statements (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 4 INCOME TAX

	2010 \$'000	2009 \$'000
<b>In o e t r e o g n i e i n r o t n o</b>		
A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Group's applicable income tax rate is as follows:		
Loss before tax	(25,429)	(10,012)
Prime facie income tax benefit calculated at 30% on the operating loss	(7,628)	(3,004)
- Non-deductible expenses	150	-
- Deductible share issue costs	(319)	(243)
- Unrealised losses on derivatives	7,295	-
- Impairment write off	1,465	2,266
- Other	(3,318)	155
	(2,355)	(826)
Unrecognised deferred tax assets	2,355	826
Income tax expense/(benefit)	-	-
<b>Unre o g n i e e e r r e t n e</b>		
<b>De e r r e t i i t i e</b>		
Mine properties / Deferred exploration and evaluation	37,128	28,884
Other	1,216	210
Total	38,344	29,094
Tax effect 30%	11,503	8,728
<b>De e r r e t e t</b>		
Tax losses	44,598	36,750
Other	7,393	1,499
Total	51,991	38,249
Tax effect 30%	15,597	11,475
Net deferred tax asset not recognised	4,094	2,747

The deferred tax asset will only be obtained if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

### T o n o i t e g r o u p

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) receivable assumed by the head entity from the wholly owned subsidiaries.

# Notes to the Financial Statements (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 5 EARNINGS PER SHARE

	2010 \$'000	2009 \$'000
The following reflects the income and share data used in the calculations of basic and diluted earnings per share.		
Net loss from continuing operations	(25,429)	(10,012)
Loss from discontinued operations	-	-
Net loss after tax	(25,429)	(10,012)
	No	No
Weighted average number of ordinary shares for basic earnings per share	383,967,953	182,341,259
Effect of dilution – share options	3,389,619	-
Weighted average number of ordinary shares adjusted for the effect of dilution	387,357,572	182,341,259

Although 3,389,619 options are dilutive (2009: Nil) and increase the diluted weighted average number of ordinary shares, the net loss position deems them non-dilutive in the diluted earnings per share calculation.

Subsequent to the reporting date 32,148,340 shares were issued and are described in Note 30.

## DIVIDENDS

	2010 \$'000	2009 \$'000
Franking account balance at the end of the financial year at 30	19	19

During the year no dividends were paid or provided for.

The franking account disclosures have been calculated using the franking rate applicable at 30 June 2010.

## 7 TRADE AND OTHER RECEIVABLES

	2010 \$'000	2009 \$'000
Goods and services tax (GST) recoverable	1,596	354
Other (i)	507	19
	2,103	373

(i) Other receivables comprise accrued interest income and fuel supplied to contractors which are normally settled on 30 day terms.

# Notes to the Financial Statements (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## OTHER FINANCIAL ASSETS (CURRENT)

	2010 \$'000	2009 \$'000
Listed shares at fair value	143	99

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

## 9 INVENTORIES

	2010 \$'000	2009 \$'000
Ore stocks – at cost	1,339	-
Gold in circuit – at cost	2,488	-
Gold in transit – at cost	1,077	-
Consumable supplies and spares – at cost	1,786	577
	6,690	577

## 10 OTHER ASSETS

	2010 \$'000	2009 \$'000
Prepayments	374	122
Deferred establishment fees (i)	-	1,078
	374	1,200

(i) The costs relate to the establishment of the project facility with RMB Resources Limited and RMB Australia Holdings Limited described in Note 23(d). The fee includes the arrangement fee paid to RMB Resources, options granted to RMB Australia Holdings Limited, legal fees and other expenses. Following the facility draw down in July 2009, deferred establishment costs were offset against the loan and then progressively unwound over the life of the facility using the effective interest rate method.

## 11 FINANCIAL DERIVATIVE INSTRUMENTS

	2010 \$'000	2009 \$'000
<b>Financial derivative net</b>		
Current: Derivatives at fair value through profit or loss (i)	2,876	-
Non-current: Derivatives at fair value through profit or loss (i)	1,295	-
	4,171	-
<b>Financial derivative liability</b>		
Current: Derivatives at fair value through profit or loss (ii)	18,143	-
Non-current: Derivatives at fair value through profit or loss (ii)	8,175	-
	26,318	-

# Notes to the Financial Statements (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 11 FINANCIAL DERIVATIVE INSTRUMENTS (continued)

- (i) During December 2009 the consolidated entity purchased put options over 175,908 ozs of gold at a strike price of \$1,250 per oz. This was financed through a cash payment of \$7.5 million (of which \$5.328 million represented transaction costs which were expensed), and the sale of call options described at (ii) below. The put option schedule comprises a series of puts maturing during the period 30 April 2010 to 30 December 2011 inclusive. At 30 June 2010 there were puts over 154,347 ozs of gold outstanding with the following maturity profile based on the fair value at that date:

30 June 2010	months \$'000	12 months \$'000	1 5 years \$'000	5 years \$'000	Total \$'000
Derivatives	1,723	1,153	1,295	-	4,171

- (ii) During December 2009 the consolidated entity sold call options over 103,494 ozs of gold sold at a strike price of \$1,250 per oz. The proceeds from the sale were used to partly fund the purchase of put options described above. The call option schedule comprises a series of calls maturing during the period 30 April 2010 to 30 December 2011 inclusive. At 30 June 2010 there were calls over 90,810 ozs of gold outstanding with the following maturity profile based on the fair value at that date:

30 June 2010	months \$'000	12 months \$'000	1 5 years \$'000	5 years \$'000	Total \$'000
Derivatives	10,870	7,273	8,175	-	26,318

The consolidated entity does not apply hedge accounting, with fair value movements recognised immediately in the Statement of Comprehensive Income. Derivatives are measured at fair value by reference to the Black Scholes option pricing model.

The consolidated entity recorded a realised loss of \$1.736 million from call options exercised during the financial year, and a net fair value loss on derivatives outstanding as at the balance date of \$24.318 million for the year ended 30 June 2010.

## 12 OTHER FINANCIAL ASSETS (NON-CURRENT)

	2010 \$'000	2009 \$'000
Security deposit	7,133	6,115

A deposit of \$7.093 million is held as security by a bank for performance bonds issued to the Department of Mines and Petroleum ("DMP"), in relation to the Group's tenement licences in Western Australia. An amount of \$40,000 is held as security for other guarantees provided by the bank. In July 2008 DMP recommended substantial changes to its bond policy including changes to its bond rates. Based on DMP's policy guidance and review by external consultants, the company estimated the bonds to be increased by approximately \$3 million at its next environmental review. On 1 January 2009 the Western Australian Minister for Mines placed a one year moratorium on the implementation of the revised bond rates. In 2010 the moratorium was extended by another year. The impact on the Group will only be known following its 2011 annual environmental review and clarification on the status of the moratorium.

# Notes to the Financial Statements (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 13 PLANT AND EQUIPMENT

	2010 \$'000	2009 \$'000
<b>Plant and equipment</b>		
Opening balance net of accumulated depreciation	3,486	3,729
Additions	128	90
Transfer from capital work in progress	6,286	-
Disposals net of accumulated depreciation	(247)	(1)
Depreciation	(349)	(181)
Depreciation transferred to deferred exploration and evaluation costs	(224)	(151)
Closing balance net of accumulated depreciation	9,080	3,486
<b>Equipment under review</b>		
Opening balance net of accumulated depreciation	429	333
Additions	247	199
Depreciation	(14)	(6)
Depreciation transferred to deferred exploration and evaluation costs	(121)	(97)
Closing balance net of accumulated depreciation	541	429
<b>Construction in progress</b>		
Opening balance net of accumulated depreciation	-	-
Additions	20,573	-
Transfer to mines under construction	(37)	-
Transfer to mines development	(14,229)	-
Transfer to plant and equipment	(6,286)	-
Closing balance net of accumulated depreciation	21	-
Cost	11,462	5,025
Accumulated depreciation	(1,820)	(1,110)
Net carrying amount	9,642	3,915

## 14 DEFERRED EXPLORATION AND EVALUATION COSTS

	2010 \$'000	2009 \$'000
<b>Deferred exploration and evaluation costs</b>		
Balance at the start of the year	12,377	28,643
Additions	1,929	7,738
Transferred to mines under construction	(2,908)	(16,451)
Capitalised expenditure written off	(95)	(7,553)
Balance at the end of the year	11,303	12,377

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

In the prior period the Group commenced a review and rationalisation of its tenement holdings. As a consequence of this ongoing process, an impairment review incorporating an assessment of recoverability of cash generating assets was undertaken. This resulted in an impairment write off of \$95,000 for the year ended 30 June 2010 (2009: \$7.553 million).

# Notes to the Financial Statements (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 15 MINE PROPERTIES

	2010 \$'000	2009 \$'000
<b>Mine properties</b>		
Mines under construction	6,129	16,451
Mines development	38,829	-
Balance at the end of the year	44,958	16,451
<b>Mine under construction</b>		
Balance at the start of the year	16,451	-
Additions	6,709	-
Transferred from deferred exploration and evaluation costs	2,908	16,451
Transferred from capital work in progress	37	-
Transferred to mine development	(15,188)	-
Capitalised expenditure written off	(4,788)	-
Balance at the end of the year	6,129	16,451
<b>Mine development</b>		
Balance at the start of the year	-	-
Additions	11,695	-
Transferred from capital work in progress	14,229	-
Transferred from mines under construction	15,188	-
Amortisation for the year	(2,545)	-
Increase in rehabilitation provision	262	-
Balance at the end of the year	38,829	-

During the year the Group undertook an impairment review 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 was assessed by value in use calculations determined with reference to the projected cash flows estimated under the life of mine plan and discounted using a pre-tax weighted average cost of capital of 10% per annum. This resulted in an impairment write off of \$4.788 million for the year ended 30 June 2010 (2009: Nil).

## 1 TRADE AND OTHER PAYABLES

	2010 \$'000	2009 \$'000
Trade and other payables	9,271	1,975

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

# Notes to the Financial Statements (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 17 PROVISIONS

	2010 \$'000	2009 \$'000
<b>Current</b>		
Employee benefits	829	287
Provision for rehabilitation	109	-
	<u>938</u>	<u>287</u>
<b>Non current</b>		
Employee benefits	47	34
Provision for rehabilitation	6,341	6,282
	<u>6,388</u>	<u>6,316</u>
<b>Movement in provision or rehabilitation</b>		
Balance at the start of the year	6,282	6,299
Expenditure incurred	(94)	(17)
Increase in provision	262	-
Balance at the end of the year	<u>6,450</u>	<u>6,282</u>

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

## 18 BORROWINGS

	2010 \$'000	2009 \$'000
<b>Current</b>		
Finance lease liabilities	212	112
Loans from other entities (i)	7,541	-
	<u>7,753</u>	<u>112</u>
<b>Non current</b>		
Finance lease liabilities	<u>328</u>	<u>315</u>

- (i) During the year the consolidated entity drew \$9.5 million from its project debt facility with RMB Australia Holdings Limited, repaying \$1.5 million at 30 June 2010. Interest is paid quarterly in arrears, while a commitment fee is payable on available credit unutilised. Loans from other entities have been offset by deferred establishment fees of approximately \$1.1 million (Note 10(i)) which will unwind over the life of the facility using the effective interest rate method. Interest, commitment and establishment fees are on normal commercial terms. During August 2010 the project debt facility was repaid in full.

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# Notes to the Financial Statements (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 1 BORROWINGS (continued)

### a Leasing arrangements

Finance leases relate to equipment and vehicles with lease terms not exceeding 5 years. The Group has options to purchase leased assets at the conclusion of the leases.

### b Finance lease liabilities

	Minimum future lease payments		Present value of minimum future lease payments	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
No later than 1 year	258	149	212	112
Later than 1 year and not later than 5 years	369	348	328	315
Minimum future lease payments	627	497	540	427
Less future finance charges	(87)	(70)	-	-
Present value of minimum lease payments	540	427	540	427
Included in the financial statements as:				
Current Borrowings			212	112
Non-current Borrowings			328	315
			540	427

## 19 CONTRIBUTED EQUITY AND RESERVES

	Number of shares	2010 \$'000	Number of shares	2009 \$'000
<b>a Issued capital</b>				
Ordinary shares fully paid	459,669,743	110,232	353,409,994	80,000
The company does not have a limited authorised capital, and issued shares have no par value.				
<b>b Movements in shares on issue</b>				
Beginning of the financial year	353,409,994	80,000	172,279,943	49,612
- share issue from share purchase plan (i)	2,253,907	405	-	-
- share issue (ii)	26,940,651	4,849	-	-
- share issue from listed options (iii)	3,395,400	1,103	-	-
- share issue from incentive options (iv)	1,210,200	354	-	-
- share issue from listed options (v)	2,668	1	-	-
- share issue from unlisted options (vi)	12,500,000	2,250	-	-
- share issue (vii)	59,956,923	22,784	-	-
- share issue (viii)	-	-	25,600,000	4,096
- share issue (ix)	-	-	155,530,051	27,995
- share issue costs	-	(1,514)	-	(1,704)
End of the financial year	459,669,743	110,232	353,409,994	80,000

# Notes to the Financial Statements (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 19 CONTRIBUTED EQUITY AND RESERVES (continued)

- (i) On 23 July 2009, the Company issued a total of 2,253,907 fully paid ordinary shares for acceptances under a share purchase plan. The issue raised approximately \$405,000 before expenses.
- (ii) On 19 August 2009, the Company issued a total of 26,940,651 fully paid ordinary shares in a share placement. The issue raised approximately \$4,849,000 before expenses.
- (iii) On 3 December, the Company issued a total of 3,395,400 fully paid ordinary shares following the exercise of 30 November 2009 listed options at an exercise price of 32.50 cents a share. The issue raised approximately \$1,103,000 before expenses.
- (iv) During the year, the Company issued a total of 1,210,200 fully paid ordinary shares following exercise of various options under the Company's unlisted incentive option scheme. Refer Note 19 (c)(iii) for details. The issues raised approximately \$354,000 before expenses.
- (v) On 2 March 2010, the Company issued a total of 2,668 fully paid ordinary shares following the exercise of 30 June 2013 listed options at an exercise price of 23.51 cents a share. The issue raised approximately \$1,000 before expenses.
- (vi) On 15 April 2010, the Company issued a total of 12,500,000 fully paid ordinary shares following the exercise of 19 July 2012 unlisted options at an exercise price of 18.00 cents a share. The issue raised approximately \$2,250,000 before expenses.
- (vii) On 30 June 2010 the Company issued a total of 59,956,923 fully paid ordinary shares following a share placement to sophisticated and professional investors. The issue raised approximately \$22,784,000 before expenses.
- (viii) On 16 March 2009, the Company issued a total of 25,600,000 fully paid ordinary shares following a share placement to sophisticated and professional investors. The issue raised approximately \$4,096,000 before expenses.
- (ix) On 26 June 2009 the Company issued a total of 155,530,051 fully paid ordinary shares following a share placement to sophisticated and professional investors. The issue raised approximately \$27,995,000 before expenses.

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# Notes to the Financial Statements (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 19 CONTRIBUTED EQUITY AND RESERVES (continued)

### c Share options

At balance date the following options to subscribe for ordinary shares in Saracen Mineral Holdings Limited remain outstanding:

	Note	2010 Number	2009 Number
Listed options exercisable on or before 30 November 2009 at 32.50 cents each	(i)	-	3,678,400
Listed participating options exercisable on or before 30 June 2013 at 23.51 cents each	(ii)	7,109,993	7,112,661
Unlisted participating options exercisable on or before 30 June 2013 at 23.51 cents each.		2,500,000	2,500,000
Unlisted incentive options exercisable on or before 30 September 2009 at 23.51 cents each	(iii)	-	100,000
Unlisted incentive options exercisable on or before 30 September 2009 at 28.51 cents each	(iii)	-	100,000
Unlisted incentive options exercisable on or before 30 September 2009 at 33.51 cents each	(iii)	-	100,000
Unlisted incentive options exercisable on or before 28 February 2010 at 24.78 cents each	(iii)	-	378,532
Unlisted incentive options exercisable on or before 28 March 2010 at 29.78 cents each	(iii)	-	378,532
Unlisted incentive options exercisable on or before 28 April 2010 at 34.78 cents each	(iii)	-	382,936
Unlisted incentive options exercisable on or before 30 April 2010 at 59.78 cents each	(iii)	-	159,000
Unlisted incentive options exercisable on or before 31 May 2010 at 39.78 cents each	(iii)	-	58,000
Unlisted incentive options exercisable on or before 30 June 2010 at 49.78 cents each	(iii)	-	158,000
Unlisted incentive options exercisable on or before 31 October 2012 at 50.00 cents each	(iii)	200,000	200,000
Unlisted incentive options exercisable on or before 30 November 2012 at 60.00 cents each	(iii)	200,000	200,000
Unlisted incentive options exercisable on or before 31 December 2012 at 65.00 cents each	(iii)	200,000	200,000
Unlisted incentive options exercisable on or before 31 January 2013 at 35.00 cents each	(iii)	936,660	953,326
Unlisted incentive options exercisable on or before 28 February 2013 at 45.00 cents each	(iii)	936,668	953,335
Unlisted incentive options exercisable on or before 31 March 2013 at 55.00 cents each	(iii)	936,672	953,339
Unlisted options exercisable on or before 19 July 2012 at 18.00 cents each	(iv)	-	12,500,000
		<u>13,019,993</u>	<u>31,066,061</u>

# Notes to the Financial Statements (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 19 CONTRIBUTED EQUITY AND RESERVES (continued)

- (i) On 2 December 2009, the Company issued a total of 3,395,400 fully paid ordinary shares following the conversion of 30 November 2009 listed options at an exercise price of 32.50 cents a share. The issue raised approximately \$1,103,000 before expenses. A total of 283,000 listed options lapsed.
- (ii) On 2 March 2010, the Company issued a total of 2,668 fully paid ordinary shares following the conversion of 30 June 2013 listed options at an exercise price of 23.51 cents a share. The issue raised approximately \$1,000 before expenses.

(iii) During the year the following options were exercised under the Company's Incentive Option Scheme:

- In September 2009 a total of 100,000 unlisted options were exercised at 23.51 cents each
- In March 2010 a total of 371,866 unlisted options were exercised at 24.78 cents each
- In March 2010 a total of 371,866 unlisted options were exercised at 29.78 cents each
- In March 2010 a total of 6,668 unlisted options were exercised at 34.78 cents each
- In April 2010 a total of 359,800 unlisted options were exercised at 34.78 cents each

During the year the following options lapsed under the Company's Incentive Option Scheme:

- In September 2009 a total of 200,000 unlisted options lapsed
- In January 2010 a total of 50,000 unlisted options lapsed
- In March 2010 a total of 13,332 unlisted options lapsed
- In April 2010 a total of 175,468 unlisted options lapsed
- In May 2010 a total of 58,000 unlisted options lapsed
- In June 2010 a total of 158,000 unlisted options lapsed

During the prior year the following options lapsed under the Company's Incentive Option Scheme:

- In August 2008 a total of 150,000 unlisted options lapsed.
- In October 2008 a total of 125,000 unlisted options lapsed.
- In November 2008 a total of 50,000 unlisted options lapsed.
- In December 2008 a total of 75,000 unlisted options lapsed.
- In May 2009 a total of 25,000 unlisted options lapsed.

- (iv) In June 2009 the Company granted 12,500,000 unlisted options to RMB Australia Holdings Limited as part consideration for arranging a project debt facility described in Note 23(d). The value of the options, was determined by the difference in the fair value of the service provided, being the full cash alternative had the options not been granted, and the actual arrangement fee. On 15 April 2010, RMB exercised the options, with the Company issuing a total of 12,500,000 fully paid ordinary shares at an exercise price of 18.00 cents a share.

### 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.

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# Notes to the Financial Statements (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 19 CONTRIBUTED EQUITY AND RESERVES (continued)

	2010 \$'000	2009 \$'000
<b>e Reserves</b>		
Share based payments	560	563
Investment revaluation	-	-
Balance at end of year	<u>560</u>	<u>563</u>
<b>Share ent</b>		
Balance at beginning of year	563	63
Non employee benefits – Share based payments	-	500
Transfer to accumulated losses	(3)	-
Balance at end of year	<u>560</u>	<u>563</u>
The share based payments reserve is used to recognise the fair value of options issued.		
<b>Investment revaluation</b>		
Balance at beginning of year	-	(134)
Changes in fair value of other financial assets taken to equity	-	(380)
Loss on other financial assets transferred to the statement of comprehensive income	-	264
Impairment of other financial transferred to the statement of comprehensive income	-	250
Balance at end of year	<u>-</u>	<u>-</u>

The investment revaluation reserve is used to recognise changes in the fair value of investments classified as available for sale financial assets. Amounts are taken to the profit and loss when the associated assets are sold or impaired.

## 20 COMMITMENTS

	2010 \$'000	2009 \$'000
<b>a Operating lease commitments</b>		
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	1,781	121
- later than one year and not later than five years	2,777	53
	<u>4,558</u>	<u>174</u>
<b>b Other expenditure commitments</b>		
Commitments contracted for corporate services as at 30 June, but not recognised as liabilities are as follows:		
- not later than one year	910	90
- later than one year and not later than five years	152	-
	<u>1,062</u>	<u>90</u>
<b>c Exploration expenditure commitments</b>		

In order to maintain current rights of tenure to exploration tenements, the Company and its subsidiaries are required to meet minimum expenditure requirements. As these expenditure commitments can be reduced by selective rationalisation of interests in exploration tenements or by renegotiation 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 \$4.9 million.

# Notes to the Financial Statements (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 20 COMMITMENTS (continued)

### d Superannuation

The consolidated entity 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.

## 21 SHARE BASED PAYMENTS

An incentive option scheme has been established where employees and other eligible participants of the consolidated entity are issued with options over the ordinary shares of Saracen Mineral Holdings Limited. The options, issued for nil consideration, are issued in accordance with the skills, experience and length of service with the Company and such other criteria that the directors consider appropriate in the circumstances. The options cannot be transferred and will not be quoted on the ASX. There are no voting rights attached to the options. During the financial year no options were issued under this scheme to eligible participants, being employees of Saracen Mineral Holdings Limited, Saracen Gold Mines Pty Limited and Renaissance Capital Pty Limited (the company that provides management services to Saracen).

The incentive options are valued by reference to the market value of the Company's listed participating June 2013 options. At balance date there were 3,410,000 options (2009: 5,275,000) on issue under the scheme. Refer Note 19 (c)(iii) for details of options that were exercised or lapsed during the year. The weighted average remaining contractual life for share options outstanding as at 30 June 2010 is 959 days. The range of exercise prices for options outstanding at the end of the year was 35.00 to 65.00 cents per share.

## 22 INTERESTS IN SUBSIDIARIES

	Percentage of equity interest held by the consolidated entity		Investment	
	2010	2009	2010 \$	2009 \$
<b>Parent Entity :</b>				
Saracen Mineral Holdings Limited (i)(ii)				
<b>Subsidiaries :</b>				
Saracen Gold Mines Pty Limited (ii)(iii)	100	100	1	1
Saracen Metals Pty Limited (ii)	100	100	2	2
			<u>3</u>	<u>3</u>

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) Saracen Gold Mines Pty Limited, a wholly-owned subsidiary, entered into a deed of cross guarantee on 21 April 2010 with Saracen Mineral Holdings Limited pursuant to ASIC Class Order 98/1418 and is relieved from the requirement to prepare and lodge an audited financial report.

The consolidated statements of comprehensive income and financial position of the entities party to the Deed of Cross Guarantee are the same as the consolidated entity's, except for the following balances:

	2010 \$'000
Other income	1,510
Finance costs	(1,390)
Loss before tax	(24,965)
Loss after tax	(24,965)
Total comprehensive loss	(24,965)

# Notes to the Financial Statements (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 23 STATEMENT OF CASH FLOWS

	2010 \$'000	2009 \$'000
<b>a Reconciliation of cash</b>		
Cash balance comprises:		
- Cash	64	49
- Cash at call	28,880	27,511
Closing cash balance	28,944	27,560
<b>b Reconciliation of the operating result after income tax to the net cash flows from operating activities</b>		
Operating profit/(loss) after income tax	(25,429)	(10,012)
Depreciation and amortisation	2,908	188
(Profit) / loss on sale of investments	(28)	267
Loss on derivatives	26,054	-
Transaction costs on derivatives	5,328	-
Amortisation of project facility costs	630	-
Impairment of other financial assets	-	250
(Increase) / decrease in market value of listed securities	(47)	185
Capitalised expenditure written off	4,883	7,553
<i>Changes in assets and liabilities</i>		
Increase in trade and other receivables	(1,730)	(125)
Increase in prepayments	(263)	(586)
Increase in inventory	(6,113)	-
Increase in mine properties / deferred exploration and evaluation	(8,692)	(6,812)
Increase in trade and other payables	5,709	704
Increase in provisions	723	93
Net cash flows used in operating activities	3,933	(8,295)
<b>c Non cash financing and investing activities</b>		
In the current year the consolidated entity acquired \$247,000 (30 June 2009: \$199,000) 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.		
<b>d Financing facilities</b>		
Secured bank loan facilities.		
- Amount used	8,000	-
- Amount unused	-	20,000
	8,000	20,000

# Notes to the Financial Statements (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 23 STATEMENT OF CASH FLOWS (continued)

In June 2009 the Company entered into an agreement for a project debt facility from RMB Resources Limited and RMB Australia Holdings Limited, to be drawn in two tranches of up to \$5 million and \$15 million respectively. Facility funds were restricted to the development, construction and operation of the Carosue Dam project. The facility is secured against a fixed and floating charge over the Group's assets and was subject to a number of conditions, including implementing an appropriate hedging program (refer Note 11) prior to drawing down on the second tranche. The debt facility references the interest rate to BBS plus a margin. At 30 June 2010, the rate of interest applicable to draw downs for the following quarter ending 30 September 2010 was 8.97%. On the 30 June 2010 a scheduled loan repayment of \$1,500,000 was made. During August 2010 the project debt facility was repaid in full.

### e Cash balances not available for use

As described in Note 12, the consolidated entity holds deposits of \$7,133,000 (2009: \$6,115,000) as security by a bank for performance bonds and guarantees. These balances are not available for use and have therefore not been included in cash and cash equivalents.

## 24 DIRECTOR AND EXECUTIVE DISCLOSURES

The directors of the Group during the year were:

Guido Staltari	Executive Chairman
Carl Thompson	Director (Non-Executive)
Ivan Hoffman OAM	Director (Non-Executive)
Barrie Parker	Director (Non-Executive)

Other key management personnel of the Group during the year were:

Raleigh John Finlayson	Chief Operating Officer
Grant Haywood	General Manager – Operations, appointed 19 April 2010
Geoffrey Colin Arthur	General Manager – Exploration, resigned 31 July 2009
Rajan Narayanasamy	Company Secretary / Chief Financial Officer

### a Remuneration of key management personnel

The Board is ultimately responsible for determining and reviewing remuneration arrangements for directors, within the limits approved by shareholders, and executives. The Board assesses the appropriateness of the nature and amount of emoluments on an annual basis by reference to industry and market conditions.

Details of the remuneration of Directors and Executives of the consolidated entity, including their personally related entities, are set out in the following tables:

	2010	2009
Short term benefits	767,375	447,114
Post employment benefits – superannuation	166,830	232,067
	<u>934,205</u>	<u>679,181</u>

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# Notes to the Financial Statements (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 24 DIRECTOR AND EXECUTIVE DISLOSURES (continued)

### b Option holdings of directors and executives

30 June 2010	Balance at beginning of period 1 July 2009	Granted as remuneration	Options exercised	Net change - other	Balance at end of period 30 June 2010	Vested at 30 June 2010	
						Not exercisable	Exercisable
<b>Director</b>							
G Staltari	5,721,437	-	-	-	5,721,437	-	5,721,437
C Thompson	-	-	-	-	-	-	-
I Hoffman	-	-	-	-	-	-	-
B Parker	-	-	-	-	-	-	-
<b>Executive</b>							
G Arthur	1,000,000	-	(500,000)	-	500,000	-	500,000
R Finlayson	1,000,000	-	-	-	1,000,000	-	1,000,000
G Haywood	-	-	-	-	-	-	-
R Narayanasamy	1,677,134	-	(610,000)	(200,000)	867,134	-	867,134
<b>Tot</b>	<b>3 571</b>		<b>1 110 000</b>	<b>200 000</b>	<b>0 571</b>		<b>0 571</b>

30 June 2009	Balance at beginning of period 1 July 2008	Granted as remuneration	Options exercised	Net change - other	Balance at end of period 30 June 2009	Vested at 30 June 2009	
						Not exercisable	Exercisable
<b>Directors</b>							
G Staltari	5,721,437	-	-	-	5,721,437	-	5,721,437
C Thompson	-	-	-	-	-	-	-
I Hoffman	-	-	-	-	-	-	-
B Parker	-	-	-	-	-	-	-
<b>Executives</b>							
G Arthur	1,000,000	-	-	-	1,000,000	-	1,000,000
R Finlayson	1,000,000	-	-	-	1,000,000	-	1,000,000
R Narayanasamy	1,677,134	-	-	-	1,677,134	-	1,677,134
<b>Total</b>	<b>9,398,571</b>				<b>9,398,571</b>		<b>9,398,571</b>

# Notes to the Financial Statements (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 24 DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

### c Shareholdings of directors and executives

30 June 2010	Balance at beginning of period 1 July 2009	Granted as remuneration	Options exercised	Net change - other	Balance at end of period 30 June 2010
<b>Director</b>					
G Staltari	28,379,474	-	-	27,778	28,407,252
C Thompson	1,741,667	-	-	55,556	1,797,223
I Hoffman	-	-	-	-	-
B Parker	-	-	-	100,000	100,000
<b>Executive</b>					
G Arthur	-	-	500,000	(500,000)	-
R Finlayson	-	-	-	20,000	20,000
G Haywood	-	-	-	-	-
R Narayanasamy	686,889	-	610,000	(759,111)	537,778
<b>Tot</b>	<b>30 0 030</b>		<b>1 110 000</b>	<b>1 055 777</b>	<b>30 62 253</b>

30 June 2009	Balance at beginning of period 1 July 2008	Granted as remuneration	Options exercised	Net change - other	Balance at end of period 30 June 2009
<b>Directors</b>					
G Staltari	28,379,474	-	-	-	28,379,474
C Thompson	786,667	-	-	955,000	1,741,667
I Hoffman	-	-	-	-	-
B Parker	-	-	-	-	-
<b>Executives</b>					
G Arthur	-	-	-	-	-
R Finlayson	-	-	-	-	-
R Narayanasamy	686,889	-	-	-	686,889
<b>Total</b>	<b>29,853,030</b>			<b>955,000</b>	<b>30,808,030</b>

All equity transactions with directors and executives have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

### d Other transactions with directors and executives

The Company is party to a management agreement with Renaissance Capital Pty Limited ("RenCap"), an entity controlled by Mr Staltari, for the provision of management and technical services and office facilities.

During the year, the consolidated entity incurred fees and reimbursements totalling \$1,250,799 (2009: \$1,145,167), comprising approximately \$360,000 (2009: \$360,000) for the provision of office facilities and associated costs and approximately \$625,799 (2009: \$785,167) for professional fees to RenCap pursuant to agreements a summary of which is contained in the Remuneration Report within the Directors' Report, and additional services of \$265,000. At 30 June 2010 \$83,416 was due and payable to RenCap (2009: \$121,608). During the year, two employees were transferred from RenCap to Saracen Mineral Holdings. As compensation for the Company assuming outstanding leave liabilities for these employees, RenCap paid Saracen an amount of \$116,479.

Transactions with directors and executives have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

# Notes to the Financial Statements (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 25 RELATED PARTY DISCLOSURES

### a Ultimate parent

Saracen Mineral Holdings Limited is the ultimate parent company.

	2010 \$'000	2009 \$'000
Information relating to Saracen Mineral Holdings Limited:		
Current assets	27,150	27,823
Total assets	104,493	70,376
Current liabilities	397	690
Total liabilities	397	690
Contributed equity	110,232	80,000
Share based payment reserve	560	563
Accumulated losses	6,696	10,877
Total equity (i)	104,096	69,686
Profit / (loss) of the parent	4,178	(1,621)
Total comprehensive income of the parent	-	134

- (i) Loans to subsidiaries have been assessed for impairment on the basis that the consolidated net asset position is lower than the parent. By reference to the projected cash flows estimated under the Life of Mine Plan, the intercompany loan is not recorded above its recoverable amount.

Saracen Mineral Holdings Limited has entered into a guarantee in relation to debts of its wholly owned subsidiary Saracen Gold Mines Pty Limited as part of the project debt facility described in Note 23(d). Saracen Mineral Holdings Limited is party to a deed of cross guarantee with its wholly owned subsidiary Saracen Gold Mines Pty Limited described in Note 22(iii) pursuant to ASIC Class Order 98/1418.

At 30 June 2010 Saracen Mineral Holdings Limited had no contingent liabilities and had not entered into contractual commitments to purchase property, plant or equipment.

### b Subsidiaries

Details of interests in subsidiaries are set out in Note 22. Details of dealings with these entities are set out below:

#### Loans

Loans between group entities have no specific repayment terms, are unsecured and are charged interest at commercial rates. In June 2010 the intercompany loan from Saracen Metals Pty Limited to Saracen Mineral Holdings Limited was forgiven.

#### Net amounts receivable from/to the group

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

	2010 \$'000	2009 \$'000
Non-current receivable	77,343	42,553
Current payable	-	(464)
	<u>77,343</u>	<u>42,089</u>

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# Notes to the Financial Statements (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 2 SEGMENT INFORMATION

The consolidated entity has adopted AASB 8 Operating Segments with effect from 1 July 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the consolidated entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. On this basis the consolidated entity's reportable segments under AASB 8 are as follows:

- Saracen Gold Mines Pty Limited ("SGM") which includes the consolidated entity's exploration, production and related administration
- Saracen Mineral Holdings Limited ("SAR") which includes the consolidated entity's corporate administration

The accounting policies of the reportable segments are the same as the consolidated entity's accounting policies described in Note 1. Information regarding the consolidated entity's reportable segments is presented below. Amounts reported for the prior year have been restated into the above reportable segments.

	2010 \$'000	2009 \$'000
<b>a Segment external revenues</b>		
SGM - Metal sales	31,392	-
SGM - Interest income	383	329
SGM - Other	9	62
SAR - Interest income	591	136
SAR - Other	28	-
	32,403	527
<b>b Segment profit before tax</b>		
SGM	8,225	(8,692)
SAR	(1,975)	(1,053)
	6,250	(9,745)
Finance costs	(1,355)	(92)
Other income	1,011	527
Net realised gain/(loss) on derivatives	(1,736)	-
Change in fair value of derivatives	(24,318)	-
Transaction costs on derivatives	(5,328)	-
Change in fair value of listed shares	47	(185)
Loss on sale of other financial assets	-	(250)
Impairment of other financial assets	-	(267)
Loss before income tax	(25,429)	(10,012)

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# Notes to the Financial Statements (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 2 SEGMENT INFORMATION (continued)

	2010 \$'000	2009 \$'000
<b>c Segment assets and liabilities</b>		
<b>Assets</b>		
SGM	88,311	40,844
SAR	27,150	27,823
Unallocated	-	-
	<u>115,461</u>	<u>68,667</u>
<b>Liabilities</b>		
SGM	50,599	8,779
SAR	397	226
Unallocated	-	-
	<u>50,996</u>	<u>9,005</u>

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

### d Other segment information

Depreciation and amortisation of \$2.908 million (2009: 188,000) are attributable to the SGM segment.

Impairment write off of \$4.883 million (2009: 7.553 million) is attributable to the SGM segment.

Total non current asset additions of \$41.281 million is attributable to the SGM segment.

Metal sales of \$31.392 million attributable to the SGM segment arose from the sales to the consolidated entity's largest customer, the West Australian Mint.

The consolidated entity operates within one geographical segment, being Australia.

## 27 FINANCIAL INSTRUMENTS

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

### a Market risk

#### i Interest rate risk

The consolidated entity's exposure to interest rate risk relates primarily to the entity's assets and liabilities bearing variable interest rates. The consolidated entity 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 consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for each financial instrument.

# Notes to the Financial Statements (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 27 FINANCIAL INSTRUMENTS (continued)

30 June 2010	Weighted average rate	Variable interest rate				Fixed Interest Rate 5 years	Non-interest bearing	Total
			Under 1 year	1 – 2 years	2 – 5 years			
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<i>Financial Assets</i>								
Cash assets	5.2	28,944	-	-	-	-	-	28,944
Other receivables	4.9	36	-	-	-	-	2,067	2,103
Derivatives assets	N/A	-	-	-	-	-	4,171	4,171
Security deposits	4.9	-	7,133	-	-	-	-	7,133
Listed Investments	N/A	-	-	-	-	-	143	143
<b>Total Financial Assets</b>		<b>28,980</b>	<b>7,133</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,381</b>	<b>42,494</b>
<i>Financial Liabilities</i>								
Trade payables	N/A	-	-	-	-	-	9,271	9,271
Derivatives liabilities	N/A	-	-	-	-	-	26,318	26,318
Borrowings	8.9	-	7,541	-	-	-	-	7,541
Finance leases	10.9	-	212	123	205	-	-	540
<b>Total Financial Liabilities</b>		<b>-</b>	<b>7,753</b>	<b>123</b>	<b>205</b>	<b>-</b>	<b>35,589</b>	<b>43,670</b>
30 June 2009	Weighted average rate	Variable interest rate				Fixed Interest Rate 5 years	Non-interest bearing	Total
			Under 1 year	1 – 2 years	2 – 5 years			
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<i>Financial Assets</i>								
Cash assets	3.5	27,560	-	-	-	-	-	27,560
Other receivables	3.2	15	-	-	-	-	358	373
Security deposits	3.2	6,115	-	-	-	-	-	6,115
Listed Investments	N/A	-	-	-	-	-	99	99
<b>Total Financial Assets</b>		<b>33,690</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>457</b>	<b>34,147</b>
<i>Financial Liabilities</i>								
Trade payables	N/A	-	-	-	-	-	1,975	1,975
Finance leases	9.4	-	112	173	142	-	-	427
<b>Total Financial Liabilities</b>		<b>-</b>	<b>112</b>	<b>173</b>	<b>142</b>	<b>-</b>	<b>1,975</b>	<b>2,402</b>

### ii Commodity risk

The consolidated entity's exposure to commodity risk arises from movements in the gold price as a result of developing and exploring for gold. The consolidated entity has entered into derivative instruments (Note 11) for specified quantities of gold on specific dates to partly manage the commodity risk.

### iii Currency risk

The consolidated entity is exposed to the Australian dollar currency risk on gold sales, which are denominated in US dollars. The consolidated entity has entered into derivative instruments (Note 11) for specified quantities of gold on specific dates to partly manage the currency risk.

# Notes to the Financial Statements (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 27 FINANCIAL INSTRUMENTS (continued)

### b Credit risk

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

### c Liquidity risk

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

30 June 2010	6 months \$'000	6 – 12 months \$'000	1 – 5 years \$'000	5 years \$'000	Total \$'000
Trade payables	9,271	-	-	-	9,271
Derivatives	10,870	7,273	8,175	-	26,318
Borrowings	4,000	4,000	-	-	8,000
Finance leases	106	106	328	-	540
<b>Total Financial Liabilities</b>	<b>24,247</b>	<b>11,379</b>	<b>8,503</b>	<b>-</b>	<b>44,129</b>

30 June 2009	6 months \$'000	6 – 12 months \$'000	1 – 5 years \$'000	5 years \$'000	Total \$'000
Trade payables	1,975	-	-	-	1,975
Finance leases	56	56	315	-	427
<b>Total Financial Liabilities</b>	<b>2,031</b>	<b>56</b>	<b>315</b>	<b>-</b>	<b>2,402</b>

### d Sensitivity analysis

The following table summaries the consolidated entity'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:

	Profit/(loss) \$'000	Equity \$'000
<b>30 June 2010</b>		
Interest rate risk		
- Increase interest rate by 1	196	196
- Decrease interest rate by 1	(196)	(196)
Gold price risk associated with the financial derivative instruments		
- Increase \$AUD gold price by 10	(10,374)	(10,374)
- Decrease \$AUD gold price by 10	10,992	10,992

	Profit/(loss) \$'000	Equity \$'000
<b>30 June 2009</b>		
- Increase interest rate by 1	94	94
- Decrease interest rate by 1	(94)	(94)

The consolidated entity was not exposed to material AUD gold price risk in 2009.

# Notes to the Financial Statements (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 27 FINANCIAL INSTRUMENTS (continued)

### e Net fair values

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

	Total carrying amount		Aggregate net fair value	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
<i>Financial Assets</i>				
Cash and cash equivalents	28,944	27,560	28,944	27,560
Other receivables	2,103	373	2,103	373
Investments – listed	143	99	143	99
Derivative assets	4,171	-	4,171	-
Other financial assets	7,133	6,115	7,133	6,115
<b>Total Financial Assets</b>	<b>42,494</b>	<b>34,147</b>	<b>42,494</b>	<b>34,147</b>
<i>Financial Liabilities</i>				
Trade payables	9,271	1,975	9,271	1,975
Derivative liabilities	26,318	-	26,318	-
Borrowings	7,541	-	8,000	-
Finance leases	540	427	540	427
<b>Total Financial Liabilities</b>	<b>43,670</b>	<b>2,402</b>	<b>44,129</b>	<b>2,402</b>

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- **Level 1:** fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- **Level 3:** fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The table presents the group's assets and liabilities measured and recognised at fair value at 30 June 2010. Comparative information has not been provided as permitted by the transitional provisions of the new rules.

30 June 2010	\$'000	\$'000	\$'000	\$'000
	Level 1	Level 2	Level 3	Total
<i>Assets</i>				
Listed shares at fair value	143	-	-	143
Derivative assets	-	4,171	-	4,171
<b>Total</b>	<b>143</b>	<b>4,171</b>	<b>-</b>	<b>4,314</b>
<i>Liabilities</i>				
Derivative liabilities	-	26,318	-	26,318
<b>Total</b>	<b>-</b>	<b>26,318</b>	<b>-</b>	<b>26,318</b>

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# Notes to the Financial Statements (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 2 JOINT VENTURES

The consolidated entity has interests in the following unincorporated joint ventures:

Joint Venture	Principal Activity	Percentage Interest	Other Participants
PHANTOM WELL	Exploration	81.4	Royal Harry Gold Mines NL
MOUNT MINNIE	Exploration	73.9	Anglogold Ashanti Australia Ltd
WILGA WELL WEST	Exploration	90.0	Richmond, William Robert
MOUNT FLORENCE	Exploration	87.8	Ladyman, R.P; Ladyman, I.M; Evans, A.

As at 30 June 2010 the consolidated entity's interests in joint venture assets, being deferred exploration and evaluation costs are \$939,000 (2009: \$696,000).

In order to maintain current rights of tenure to exploration tenements, the Company and its subsidiaries are required to meet minimum expenditure requirements. As these expenditure commitments can be reduced by selective rationalisation of interests in exploration tenements or by renegotiation it is difficult to accurately forecast the amount of future expenditure. On current tenement holdings, the Group's nominal expenditure obligations over joint venture tenements for the next 12 months are approximately \$0.2 million. Contingent liabilities are nil.

## 29 CONTINGENT LIABILITIES

There are no contingent liabilities at 30 June 2010 (2009: Nil).

## 30 EVENTS SUBSEQUENT TO BALANCE DATE

- (i) In July 2010, the Company issued a total of 32,148,340 fully paid ordinary shares in a share placement. The issue raised \$12,216,000 before expenses.
- (ii) In August 2010 the project debt facility from RMB Resources Limited and RMB Australia Holdings Limited was fully repaid.
- (iii) At 31 August 2010 the year to date net fair value gain on derivatives outstanding was \$7.477 million, with financial derivative assets of \$4.147 million and financial derivative liabilities of \$18.817 million. Financial derivative instruments outstanding at 31 August 2010 comprised put options over 134,181 ozs of gold at a strike price of \$1,250 per oz and call options over 78,948 ozs of gold at a strike price of \$1,250 per oz.

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

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Saracen Mineral Holdings Limited

## 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 20 to 24, are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 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.
- (b) the financial report also complies with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) as disclosed in Note 1; 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 2010.

Signed in accordance with a resolution of the directors.



**Guido Staltari**

Director

Melbourne, 21 September 2010

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# Independent Auditor's Report



Chartered Accountants  
& Business Advisers

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SARACEN MINERAL HOLDINGS LIMITED

### Report on the Financial Report

We have audited the accompanying financial report of Saracen Mineral Holdings Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising Saracen Mineral Holdings Limited and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(b), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with Australian Accounting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

#### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

#### *Independence*

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

#### *Auditor's Opinion*

In our opinion:

- (a) the financial report of Saracen Mineral Holdings Limited is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001, and
- (b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1(b).

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## Independent Auditor's Report (continued)

**PKF**Chartered Accountants  
& Business Advisers

### Report on the Remuneration Report

We have audited the Remuneration Report included in pages 20 to 24 of the directors' report for the year ended 30 June 2010. 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.

#### *Auditor's Opinion*

In our opinion the Remuneration Report of Saracen Minerals Holdings Limited for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.

**PKF****PKF**21 September 2010  
Melbourne**D J Garvey**  
Partner

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## Shareholder Information

The following additional information was applicable as at 24 September 2010.

### 1. SUBSTANTIAL SHAREHOLDERS

The names of the substantial shareholders and the number of shares in which they have a relevant interest are:

Substantial Shareholder	Fully Paid Ordinary Shares	
Baker Steel Capital Managers LLP	40,104,508	8.15
Sprott Asset Management LP	38,821,601	7.89
Clodene Pty Ltd	29,005,450	5.90
Renaissance Capital Pty Limited	28,407,252	5.77

### 2. FULLY PAID ORDINARY SHARES

(a) There are 3,168 holders of fully paid ordinary shares. Holders of fully paid ordinary shares are entitled to one vote per fully paid ordinary share.

(b) Distribution of fully paid ordinary shareholders:

Category (Size of Holding)	Number of Fully Paid Ordinary Shareholders
1 - 1,000	147
1,001 - 5,000	866
5,001 - 10,000	528
10,001 - 100,000	1,316
100,001 and over	311
<b>Tot</b>	<b>3 16</b>

(c) The number of fully paid ordinary shareholdings held in less than marketable parcels is 92.

(d) The 20 largest fully paid ordinary shareholders together held 64.27% of the securities in this class.

#### 20 LARGEST FULLY PAID ORDINARY SHAREHOLDERS

Name	Number	
1. NATIONAL NOMINEES LIMITED	73,626,430	14.97
2. HSBC CUSTOD NOMINEES (AUSTRALIA) LIMITED	48,825,602	9.92
3. J P MORGAN NOMINEES AUSTRALIA LIMITED	29,536,911	6.00
4. JP MORGAN NOMINEES AUSTRALIA LIMITED CASH INCOME A/C	26,165,992	5.32
5. AN NOMINEES LIMITED CASH INCOME A/C	23,751,729	4.83
6. RENAISSANCE CAPITAL PT LTD	23,559,487	4.79
7. ESCOR INVESTMENTS PT LTD	13,999,999	2.85
8. CLODENE PT LTD	13,517,431	2.75
9. STRAITS MINERAL INVESTMENTS LTD	9,214,673	1.87
10. HESTIAN PT LTD	7,121,655	1.45
11. BT PORTFOLIO SERVICES LIMITED WARRELL HOLDINGS S/F A/C	7,000,000	1.42
12. ABN AMRO CLEARING S DNE NOMINEES PT LTD CUST A/C	6,625,887	1.35
13. CITICORP NOMINEES PT LIMITED	5,982,054	1.22
14. CLODENE PT LTD	5,114,623	1.04
15. GUARDIAN FUNDS MANAGEMENT LTD	4,583,334	0.93
16. RESOURCE CONSULTING SERVICES PT LTD THE RCS SUPER FUND A/C	4,497,765	0.91
17. CLODENE PT LTD	3,855,012	0.78
18. NEFCO NOMINEES PT LTD	3,210,753	0.65
19. MAN HOLDINGS PT LIMITED THE NELSON H BRID A/C	3,054,777	0.62
20. COGENT NOMINEES PT LIMITED	2,960,606	0.60
<b>Tot</b>	<b>316 204 720</b>	<b>64.27</b>

There is a total of 491,984,749 fully paid ordinary shares on issue, all of which are listed on the Australian Securities Exchange.

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## Shareholder Information (continued)

### 3. LISTED 30 JUNE 2013 PARTICIPATING OPTIONS

(a) There are 87 holders of listed participating options. These options expire on 30 June 2013 and are exercisable at 23.51 cents each to acquire one fully paid share. The option holders do not have any voting rights.

(b) Distribution of listed 30/06/2013 participating option holders:

Category (Size of Holding)	Number of Option holders
1 - 1,000	27
1,001 - 5,000	18
5,001 - 10,000	7
10,001 - 100,000	24
100,001 and over	11
<b>Tot</b>	<b>7</b>

(c) The number of listed 30 June 2013 option holdings held in less than marketable parcels is 30.

(d) The 20 largest listed 30 June 2013 option holders together held 93.45% of the securities in this class.

#### 20 LARGEST LISTED 30 JUNE 2013 OPTION HOLDERS

Name	Number	
1. RENAISSANCE CAPITAL PT LTD	3,285,770	46.21
2. BARRIER SHELF CO (NO57) PT LTD D M HILL FAMIL PROPERT A/C	1,066,667	15.00
3. EUITAS NOMINEES PT LIMITED GROUP C A/C	271,782	3.82
4. MRS JULIA ANNE CHURCHER	268,800	3.78
5. REDSUMMER PT LTD	244,477	3.44
6. MR RAJAN NARA ANASAM THE ARUNA ACCOUNT	202,134	2.84
7. RESOURCE CONSULTING SERVICES PT LTD THE RCS SUPER FUND A/C	185,667	2.61
8. LOCOPE PT LIMITED	140,500	1.98
9. CLODENE PT LTD	139,335	1.96
10. NOONTIDE SECURITIES PT LTD	119,358	1.68
11. CROLL NOMINEES PT LIMITED P H C CROLL SUPERFUND A/C	103,334	1.45
12. TJN INVESTMENTS PT LTD NEAVERSON FAMIL ACCOUNT	98,170	1.38
13. NOONTIDE CAPITAL PT LTD	85,717	1.21
14. MR PETER WALL	80,000	1.13
15. BRISAJA PT LTD	75,000	1.05
16. CAER PT LTD ROFE FAMIL A/C	75,000	1.05
17. MRS SANDRA CAROL N MCLACHLAN	52,934	0.74
18. AN NOMINEES LIMITED CASH INCOME A/C	51,345	0.72
19. SANPERE PT LTD	51,334	0.72
20. REDSUMMER PT LTD	46,667	0.66
<b>Tot</b>	<b>6 643 1</b>	<b>3.45</b>

There is a total of 7,109,993 listed 30 June 2013 options on issue, all of which are listed on the Australian Securities Exchange.

### 4. UNLISTED 30 JUNE 2013 PARTICIPATING OPTIONS

(a) There are 3 holders of unlisted participating options expiring on 30 June 2013, which are exercisable at 23.51 cents each to acquire one fully paid share. The option holders do not have any voting rights.

(b) Distribution of unlisted participating option holders:

Category (Size of Holding)	Number of Option holders
100,001 and over	3
<b>Tot</b>	<b>3</b>

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## Shareholder Information (continued)

### 4. UNLISTED 30 JUNE 2013 PARTICIPATING OPTIONS (continued)

Option holder with 20 of unlisted options	Number	
Renaissance Capital Pty Ltd	2,250,000	90.0

There is a total of 2,500,000 unlisted 30 June 2013 participating options on issue.

### 5. COMPANY SECRETARY

Mr R. Narayanasamy

### . REGISTERED AND PRINCIPAL OFFICE

The address of the registered and principal office is:

Level 7  
350 Collins Street  
Melbourne, VIC 3000.

Telephone: (03) 9670 0040

Facsimile: (03) 9670 0049

### 7. REGISTER OF SECURITIES

Held at the following address:

Computershare Investor Services Pty Limited  
Level 2, Reserve Bank Building  
45 St Georges Terrace  
Perth, WA 6000

Telephone: (08) 9323 2000

Facsimile: (08) 9323 2033

### . TENEMENT SCHEDULE

Project	location	Tenement Number	interest	Project	location	Tenement Number	interest
Mulgabbie East		E28/0828	100	Access Road		L27/0070	Pending
Mulgabbie Hill		E28/1747	100	Access Road		L27/0071	100
Relief Hill		E31/0365	100	Carosue South		L28/0023	100
Remarkable		E31/0573	100	Access Road		L28/0024	100
Old Plough Dam		E31/0586	100	Carosue South		L28/0025	100
Edjudina		E31/0621	100	Carosue East		L28/0026	100
Porphyry		E31/0645	90	Carosue East		L28/0027	100
Loafers Well		E31/0741	100	Carosue South		L28/0028	100
Wallbrook		E31/0793	100	Carosue South		L28/0029	100
Mulgabbie West		E31/0796	100	Carosue South		L28/0030	100
Edjudina		E31/0895	100	Carosue South		L28/0031	100
Edjudina		E31/0896	100	Carosue South		L28/0032	100
Edjudina		E31/0930	Pending	Porphyry South		L31/0001	100
Phantom Well		E39/1272	81.4	Porphyry South		L31/0002	100
Phantom Well		E39/1273	81.4	Porphyry South		L31/0003	100
Lake Carey		E39/1279	90	Porphyry South		L31/0004	100
Steve Dam		E39/1304	100	Porphyry South		L31/0005	100
Access Road		L27/0069	100	Porphyry South		L31/0006	100

## Shareholder Information (continued)

### TENEMENT SCHEDULE (continued)

Project location	Tenement Number	interest
Porphyry South	L31/0007	100
Porphyry North	L31/0008	100
Porphyry-Edjudina	L31/0009	100
Porphyry-Edjudina	L31/0010	100
Porphyry-Edjudina	L31/0011	100
Porphyry South	L31/0012	100
Porphyry South	L31/0013	100
Porphyry South	L31/0014	100
Porphyry South	L31/0015	100
Porphyry South	L31/0016	100
Porphyry North	L31/0017	100
Porphyry North	L31/0018	100
Porphyry South	L31/0019	100
Porphyry South	L31/0020	100
Porphyry-Edjudina	L31/0021	100
Porphyry-Edjudina	L31/0022	100
Porphyry North	L31/0023	100
Porphyry North	L31/0024	100
Porphyry North	L31/0025	100
Carosue East	L31/0037	100
Carosue East	L31/0038	100
Montys Dam	L31/0040	100
CD-SB Haul Road	L31/0041	100
Porphyry	L31/0044	100
Porphyry	L31/0045	100
Porphyry	L31/0059	100
Lake Rebecca	L31/0062	100
Porphyry	L31/0063	Pending
Sunrise Dam	L38/0072	100
undamindera	L39/0034	100
undamindera	L39/0051	100
undamindera	L39/0052	100
undamindera	L39/0053	100
Sunrise Dam	L39/0098	100
Sunrise Dam	L39/0099	100
Sunrise Dam	L39/0105	100
Butcher Well	L39/0107	100
Butcher Well	L39/0108	100
Butcher Well	L39/0110	100
Butcher Well	L39/0112	100

Project location	Tenement Number	interest
Butcher Well	L39/0114	100
Safari Bore	L39/0127	100
CD-SB Haul Road	L39/0128	100
Safari Bore	L39/0130	100
Safari Bore	L39/0131	100
Safari Bore	L39/0132	100
Safari Bore	L39/0133	100
Safari Bore	L39/0134	100
Safari Bore	L39/0135	100
Carosue Dam	M28/0166	100
Carosue Dam	M28/0167	100
Carosue Dam	M28/0168	100
Mulgabbie West	M28/0241	100
Mulgabbie West	M28/0243	Pending
Mulgabbie Hill	M28/0245	100
Carosue Dam West	M28/0266	100
Mulgabbie West	M28/0269	100
Edjudina	M31/0003	100
Edjudina	M31/0004	100
Edjudina	M31/0005	100
Edjudina	M31/0006	100
Edjudina	M31/0030	100
Edjudina	M31/0076	100
Edjudina	M31/0145	100
Carosue Dam	M31/0156	100
Edjudina	M31/0157	100
Wallbrook Hill	M31/0172	100
Edjudina	M31/0180	100
Edjudina	M31/0181	100
Edjudina	M31/0184	100
Wallbrook Hill	M31/0188	100
Edjudina	M31/0190	100
Edjudina	M31/0191	100
Old Plough Dam	M31/0208	100
Old Plough Dam	M31/0209	100
Old Plough Dam	M31/0210	100
Old Plough Dam	M31/0212	100
Old Plough Dam	M31/0213	100
Carosue Dam	M31/0219	100
Carosue Dam	M31/0220	100

## Shareholder Information (continued)

### TENEMENT SCHEDULE (continued)

Project	Location	Tenement Number	Interest	Project	Location	Tenement Number	Interest
Edjudina		M31/0223	100	Mount Celia		M39/0589	100
Edjudina		M31/0224	100	Mount Celia		M39/0590	100
Wallbrook Hill		M31/0231	100	Mount Celia		M39/0591	100
Edjudina		M31/0245	100	Mount Florence		M39/0599	100
Edjudina		M31/0246	100	Mount Florence		M39/0600	100
Edjudina		M31/0250	100	Mount Florence		M39/0609	100
Edjudina		M31/0251	100	Mount Florence		M39/0610	100
Edjudina		M31/0259	100	Mount Florence		M39/0611	100
Carosue Dam		M31/0273	100	Safari Bore		M39/0638	100
Carosue Dam		M31/0274	100	Mount Celia		M39/0639	100
Carosue Dam		M31/0275	100	Mount Florence		M39/0652	87.8
Carosue Dam		M31/0285	100	Butcher Well		M39/0721	100
Mulgabbie West		M31/0295	100	Mount Celia		M39/0740	100
Mulgabbie West		M31/0311	100	Safari Bore		M39/0741	100
Edjudina		M31/0380	100	Edjudina		M39/0839	100
Edjudina		M31/0381	100	Edjudina		M39/0840	100
undamindera		M39/0084	100	Mulgabbie West		P28/0911	100
Butcher Well		M39/0118	100	Mulgabbie West		P28/0912	100
Butcher Well		M39/0119	100	Mulgabbie West		P28/0913	100
Butcher Well		M39/0120	100	Mulgabbie West		P28/0914	100
Butcher Well		M39/0165	100	Relief Well		P28/1128	100
Butcher Well		M39/0166	100	Porphyry		P31/1740	100
Butcher Well		M39/0230	100	Porphyry		P31/1741	100
Butcher Well		M39/0232	100	Porphyry		P31/1742	100
undamindera		M39/0274	100	Porphyry		P31/1743	100
Mount Celia		M39/0307	100	Porphyry		P31/1749	100
Mount Celia		M39/0309	100	Porphyry		P31/1750	100
undamindera		M39/0406	100	Porphyry		P31/1751	100
undamindera		M39/0407	100	Loafers Well		P31/1764	100
undamindera		M39/0408	100	Wallbrook		P31/1855	100
undamindera		M39/0409	100	Wallbrook		P31/1856	100
undamindera		M39/0410	100	Phantom Well		P39/4582	81.4
Butcher Well		M39/0411	100	Phantom Well		P39/4583	81.4
Butcher Well		M39/0412	100	Lake Carey		P39/4585	90
Butcher Well		M39/0413	100	Sunrise Dam		P39/4674	100
Mount Minnie		M39/0471	73.9	Mount Celia		P39/5063	100
Mount Celia		M39/0588	100				

The above tenements are located in a 2,500km<sup>2</sup> area in the South Laverton Region, Western Australia.

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