Saracen

SARACEN MINERAL HOLDINGS LIMITED

(ACN 009 215 347)

HALF-YEAR FINANCIAL REPORT
31 DECEMBER 2013

COMPANY DIRECTORY

Directors

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

Secretary

Mr Gerry Kaczmarek

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Perth WA 6000

Bankers

Commonwealth Bank of Australia Limited
367 Collins Street
Melbourne VIC 3000

Macquarie Group Limited
No.1 Martin Place
Sydney NSW 2000
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Share Registry

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DIRECTORS' REPORT

The Directors of Saracen Mineral Holdings Limited ("Saracen" or "the Company") present their report, together with the financial statements on the consolidated entity consisting of Saracen Mineral Holdings Limited and its controlled entities for the half-year ended 31 December 2013. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

DIRECTORS

The names of the Company's directors in office during the half-year and until the date of this report are as below. Directors were in office for the entire period unless otherwise stated.

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

CONSOLIDATED RESULTS

The consolidated profit after tax for the half-year was $7 million (31 December 2012: loss after tax of $22.9 million). The following largely contributed to the current period's profit:

- Profit from mining operations before depreciation and amortisation for the reporting period was $33.7 million (2012: $33.9 million). The current period's performance impacted by lower spot gold price, offset by lower operating costs and higher gold production. Operating results for the comparative half-year periods are summarised below:-

	31/12/2013	31/12/2012
Mill production (tonnes)	**1,331,718**	1,302,425
Grade (g/t)	**1.96**	1.70
Production (ozs)	**72,337**	62,456
Average cash costs (excl royalties) (A$/oz)	**908**	971
Gold sold (ozs)	**72,005**	60,175
Average gold sales price (A$/oz)	**1,531**	1,618
Depreciation & amortisation ($ millions)	**18.6**	27.3

- Depreciation and amortisation for the reporting period was $18.6 million (2012: $27.3 million) which was lower than the previous year. In the last financial year, the deferred stripping costs of Deep South, Karari, Margaret, Wallbrook and Butchers Well were fully amortised as per the life of mines. As a result, the total amortisation of the deferred stripping costs was $3.6 million compared to $24.0 million in 2012.

- At period end, the consolidated entity recognised a deferred tax expense of $2.9 million (2012: tax benefit of $7.25 million). However, the consolidated entity has accumulated tax losses and is currently not in a tax paying position.

REVIEW OF OPERATIONS

The Company's main activity during the half-year was on gold production and exploration. Ore was mined from open pits at Karari, Whirling Dervish and the Red October underground mine. These ore sources were supplemented by previously stockpiled ore from Porphyry, Eleven Bells, Deep South and Margarets and processed at the Carosue Dam treatment plant.

<u>Health and Safety</u>

STE Group has been engaged to assist Saracen with conducting a complete refresh of all Risk Assessments across all facets of the operations. Key risks in each facet that have the greatest potential to endanger employee's health and safety have been the main focus.

Saracen's Mines Rescue Team competed at the MERC Mines Rescue competition in September 2013. The team performed very well returning with 4 seconds and one third placed finish out of 8 events.

Production Overview

Gold and silver sale proceeds during the period totalled A$110.6 million (2012: A$97.7 million) at an average gold sale price of A$1,531 per ounce (2012: A$1,618 per ounce). Cash costs were A$780 per ounce (2012: A$971 per ounce), excluding royalties of A$55 per ounce (2012: A$60 per ounce).

During the six month period, Carosue Dam Operations produced 72,337 ounces of gold (2012: 62,456 ounces) from the processing of 1,331,718 tonnes of ore (2012: 1,302,425 tonnes) at an average grade of 1.96g/t (2012: 1.70g/t).

A total of 31,452 ounces has been mined from Red October year to date in FY2014 (tracking 31% ahead of guidance for the full year of 48,000 ounces contained).

Production Summary	Unit	Sept Qrt FY13	Dec Qtr FY13	Dec Half-Year FY13
Mine Production				
	t	106,144	549,058	655,202
Whirling Dervish	g/t	1.02	1.04	1.04
	t	134,203	6,087	140,290
Karari	g/t	3.34	1.52	3.26
	t	68,230	86,001	154,231
Red October	g/t	6.88	5.90	6.33
	t	308,577	641,146	949,723
Total Ore Mined	g/t	3.32	1.70	2.23
Mill Production				
	t	653,560	678,158	1,331,718
Total Ore Milled	g/t	2.27	1.67	1.96
Recovery	%	86.7%	85.2%	86.0%
Gold Produced	oz	41,241	31,096	72,337
Gold Shipped	oz	43,096	28,909	72,005
Revenue	A$M	65.99	44.26	110.25
Average Gold Price	A$/oz	1,531	1,531	1,531
Cash Operating Costs (Excl Royalites)	A$/oz	653	950	780
Royalties	A$/oz	55	56	55

Note: Rounding errors may occur.

Open Pit Mining

Mining of the Karari open pit was completed during the half year leaving Whirling Dervish as the only active open pit mine.

The Whirling Dervish open pit continued to progress ahead of schedule during the half year with material movements generally in line with budget with actual of 4.26 million BCMs versus 4.09 million BCMs budget. Total ore mined for the half year was 655,202t @ 1.04g/t for 21,845 ounces. The average strip ratio for the half year was 14.4:1 (w:o). This strip ratio will decrease steadily over the next 2 years.

Total cash expenditure for Whirling Dervish was A$32.2 million versus A$35.2 million planned, a 8% reduction due primarily to savings in drill and blast and load and haul activities as compared with budget.

Total unit mining costs were also lower than budgeted due to a combination of higher material movements and lower cost, with actual unit rates of A$7.35/bcm versus $8.30/bcm budgeted, a 11% reduction.

As at the end of the half year, mining at the Whirling Dervish had advanced to the 280mRL (approximately 75m below surface). The primary ore zones in the hanging wall structures are providing the mill feed in FY2014. The bulk footwall lode remains on schedule to be reached in Q1 FY2015, with significantly larger ore quantities and grades enabling "all-in" sustaining cash costs to fall to A$950/oz in FY2015.

Underground Mining

Record production of 154,231t @ 6.33g/t for 31,451 ounces was mined from the Red October underground mine during the half year, exceeding guidance on tonnes, grade and ounces.

The access decline has now been advanced four levels ahead of stoping which has allowed for the de-mobilisation of the second underground Jumbo during the second quarter, which will see a reduction in expenditure, without a corresponding reduction in ore production.

The heavy focus on mine development over the half year has now set up multiple stoping horizons that will facilitate optimisation of the production schedule.

The remaining Jumbo has sufficient capacity to complete the decline and ore development levels for the remaining life of mine plan (FY14). Any additions to the mine plan as a result of the current resource extension drilling program may facilitate the re-introduction of the second Jumbo.

Capital Projects

During the half year, the construction of a new tailings storage facility (TSF3) was commenced from suitable waste material arising from the Whirling Dervish cut back. Construction of this facility will continue through FY2014 and the expected completion of facility in FY2015. The new TSF will provide up to 6 years of tailings storage capacity for the Carosue Dam operations.

Future Development

Following Whirling Dervish, other open pit ore sources within the Company's Reserves will be developed including Million Dollar and Wallbrook. There are over 15 million tonnes of open pit ore in the current Reserves, which will provide in excess of five years of ore supply to the processing plant, with higher grade underground ore to complement the base load open pit material.

Exploration and Resource Evaluation

Exploration activities for the half year focused on commencing a number of detailed project studies aimed at developing local proxies for known mineralisation styles across the South Laverton district. Initial projects involve advanced geochemical analysis and high definition geophysics at key locations.

Data acquisition has commenced at Deep South through both external low level multi-element analysis, internal data collection through the portable XRF and mineralogical spectral data. This project is aimed at defining the key features that characterise the mineralisation in both the Scarlett and Butler lodes.

Regional data collection has progressed, with 4 ground based Sub-Audio Magnetic (SAM) surveys completed in key project areas. These projects included Blue Manna, Deep South, Yilgangi and Patricia. The SAM geophysical method maps resistivity variation in the near surface including the regolith and bedrock geology. The surveys have provided additional detailed data that has aided the interpretation of the underlying geology and structural architecture. The improved understanding will assist with future drill planning and targeting.

Saracen pegged a large tenement area between Carosue Dam and the Yilgangi area, west of Porphyry. The area represents a rare greenfields opportunity in the district. Very little exploration has been carried out along the Lake Rebecca corridor which covers the highly prospective Keith-Kilkenny Shear Zone and associated second and third order structures. It is these structures that host the major deposits at Carosue Dam, namely Whirling Dervish and Karari. The current plan is to complete a full data review before planning the next stages of exploration.

Ongoing work will continue at a number of key projects. It is expected that in early February two costeans will be excavated north of Blue Manna. This will provide valuable information relating to the stratigraphy and structural features at the project, which can be factored back into the SAM survey interpretation, prior to planning the next drilling program.

Exploration activity will also continue to progress at Red October and Karari.

Corporate and Finance

Cash Position

As at 31 December 2013, Saracen's total cash and liquid position was A$22.8 million, comprised of A$13.4 million held in cash and 6,772 ounces of gold in transit (approx. A$9.4 million). Gold in transit consisted of 6,722 ounces and was valued using the new spot deferred hedging price of A$1,384.50 (not the A$1,640/oz under the initial hedging facility).

Debt

During the half year, the Company did not draw down and no repayments were made against its banking facilities to leave the total drawn amount at A$22 million at the end of the year. Refer below under "Events Subsequent to the Reporting Date" for details of an increase in funding facilities instigated post the period end.

Hedging

In late December, the Company added an additional 38,500 ounces of gold hedging at a price of A$1,384.50 per ounce. These additional ounces were undertaken on a "spot deferred" basis which means that they do not have a set delivery date and can be utilised at any time by the Company (within the facility parameters).

As at 31 December 2013, Saracen had gold hedging in place (including the above mentioned spot deferred ounces) covering 177,364 ounces at an average price of A$1,631/oz. These ounces are to be delivered over the period from January 2014 to July 2016 (inclusive). The mark to market value of the hedge book at 31 December 2013 is A$41.2m based on a spot gold price of A$1,352.34/oz.

Events Subsequent to the Reporting Date

On 21 January 2014, Saracen announced that it had entered into a binding agreement to acquire the Thunderbox and Bannockburn gold mines and operations ("Thunderbox Operations") located in the North-Eastern Goldfields of Western Australia from Norilsk Nickel Australia Pty Ltd ("Norilsk"). (Refer ASX announcement entitled " Saracen Acquires Thunderbox Operations").

The acquisition includes:-

- The Thunderbox and Bannockburn gold mines as well as the Waterloo nickel mine;
- 728,000 ounce gold Ore Reserve (JORC 2012 compliant);
- 2.09 million ounce gold Resource (JORC 2012 compliant);
- Modern 2.5 Mtpa CIL gold treatment plant located adjacent to the Thunderbox Mine with extensive supporting infrastructure including a 268 person accommodation village and an unsealed airstrip;
- Production is targeted to resume within 18 months from settlement;
- Exploration upside including significant resource extension potential below the Thunderbox Deposit and further prospectivity across the 557km^2 tenement package.

The consideration payable to Norilsk for the acquisition comprises:-

- A$20 million cash on settlement of which a $2 million deposit has been paid;
- A$3 million cash upon the sooner of commencement of commercial production, or if, after a period of 24 months following settlement, the prevailing gold price has exceeded A$1,550/oz for a calendar month;
- A 1.5% NSR Royalty on the Thunderbox Operations (capped at A$17 million).

Associated with the Thunderbox acquisition, the Company increased its debt facilities with Macquarie Bank Limited from a total of A$45 million to A$55 million. The Company utilised A$22 million of the original facility earlier in the half year as noted in the accounts.

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Auditor’s Independence Declaration

A copy of the auditor’s independence declaration is set out in page 8 of this half-year financial report.

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.306 (3) of the Corporations Act 2001.

For and on behalf of the Board.

RALEIGH FINLAYSON
Managing Director
24 February 2013

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

As lead auditor for the review of Saracen Mineral Holdings Limited for the half-year ended 31 December 2013, I declare that, to the best of my knowledge and belief, there have been:

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

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

Peter Toll

Director

BDO Audit (WA) Pty Ltd

Perth, 24 February 2014

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

Half-Year Ended 31 December 2013

	31 December 2013 $'000	31 December 2012 $'000
Revenue from continuing operations	**110,617**	97,675
Mine operating costs	**(72,918)**	(59,992)
Depreciation and amortisation	**(18,661)**	(27,319)
Royalties	**(4,006)**	(3,751)
Gross profit from mining operations	**15,032**	6,613
Administration expenses	**(4,309)**	(4,580)
Share based payment expense	**(24)**	(343)
Finance costs	**(893)**	(479)
Other income	**322**	526
Change in fair value of listed shares	**(43)**	(4)
Inventory write-down	**-**	(9,871)
Impairment of mine and exploration properties	**(174)**	(20,445)
Profit/(Loss) on disposal of fixed assets	**8**	(1,525)
Profit/(Loss) before income tax	**9,919**	(30,108)
Income tax benefit/(expense)	**(2,922)**	7,253
Profit/(Loss) for the period	**6,997**	(22,855)
Other comprehensive profit/(loss), net of income tax		
Items that may be reclassified subsequently to profit or loss		
Fair value loss on hedging instruments entered into for cash flow hedges	**(3,150)**	(576)
Other comprehensive loss, net of income tax	**(3,150)**	(576)
Total comprehensive profit/(loss) attributable to members of Saracen Mineral Holdings Limited	**3,847**	(23,431)
Profit/(Loss) per share		
Basic profit/(loss) per share in cents	**1.17**	(3.84)
Diluted profit/(loss) per share in cents	**1.17**	(3.84)

The consolidated statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 31 December 2013

	Note	31 December 2013 $'000	30 June 2013 $'000
Current assets			
Cash and cash equivalents		**13,274**	9,024
Trade and other receivables		**2,752**	3,049
Financial derivative instruments	6	**18,840**	17,652
Other financial assets		**42**	85
Inventories		**23,494**	25,536
Other		**1,331**	665
Mine properties	4	**7,373**	-
Total current assets		**67,106**	56,011
Non-current assets			
Property, plant and equipment	2	**38,727**	40,205
Other financial assets		**110**	7,423
Financial derivative instruments	6	**23,006**	28,694
Deferred tax assets		-	1,027
Deferred exploration and evaluation costs	3	**25,102**	22,098
Mine properties	4	**89,042**	81,908
Total non-current assets		**175,987**	181,355
TOTAL ASSETS		**243,093**	237,366
Current liabilities			
Trade and other payables		**17,337**	18,788
Borrowings	5	**9,166**	1,217
Provisions		**2,737**	2,554
Total current liabilities		**29,240**	22,559
Non-current liabilities			
Borrowings	5	**15,993**	23,623
Deferred tax liabilities		**545**	-
Provisions		**14,718**	12,458
Total non-current liabilities		**31,256**	36,081
Total liabilities		**60,496**	58,640
Net assets		**182,597**	178,726
Equity			
Contributed equity	7	**185,901**	185,901
Reserves		**32,762**	35,888
Accumulated losses		**(36,066)**	(43,063)
Total equity		**182,597**	178,726

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

Consolidated Statement of Changes in Equity

Half-Year Ended 31 December 2013

	Contributed equity $'000	Retained profits/ (Accumulated losses) $'000	Cash Flow Hedge Reserve $'000	Share Based Payments Reserves $'000	Total $'000
As at 1 July 2013	**185,901**	**(43,063)**	**32,442**	**3,446**	**178,726**
Profit for the period after tax		**6,997**	**-**	**-**	**6,997**
Other comprehensive loss	**-**	**-**	**(3,150)**	**-**	**(3,150)**
Total comprehensive income for the period after tax	**-**	**6,997**	**(3,150)**	**-**	**3,847**
Share based payments	**-**	**-**	**-**	**24**	**24**
As at 31 December 2013	**185,901**	**(36,066)**	**29,292**	**3,470**	**182,597**
As at 1 July 2012	185,724	20,035	-	3,340	209,099
Loss for the period after tax	-	(22,855)	-	-	(22,855)
Other comprehensive loss	-	-	(576)	-	(576)
Total comprehensive loss for the period after tax	-	(22,855)	(576)	-	(23,431)
Issue of share capital	177	-	-	-	177
Share based payments	-	-	-	343	343
As at 31 December 2012	185,901	(2,820)	(576)	3,683	186,188

The consolidated statement of changes in equity
should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows
Half-Year Ended 31 December 2013

	31 December 2013 $'000	31 December 2012 $'000
Cash flows from operating activities		
Receipts from customers	**110,617**	100,470
Payments to suppliers and employees	**(76,166)**	(70,180)
Interest received	**294**	642
Interest paid	**(871)**	(139)
Net cash flows provided by operating activities	**33,874**	30,793
Cash flows from investing activities		
Proceeds from sale of asset	**39**	-
Payments for CWIP, plant and equipment	**(5,624)**	(4,692)
Payments for mine properties	**(27,590)**	(36,960)
Payments for exploration & evaluation	**(3,178)**	(8,673)
Security deposits released/(paid)	**7,313**	(2,996)
Net cash flows used in investing activities	**(29,040)**	(53,321)
Cash flows from financing activities		
Proceeds from issue of ordinary shares	**-**	77
Drawdown on borrowing facility	**-**	10,000
Repayments for finance lease liabilities	**(584)**	(515)
Net cash flows provided by/(used in) financing activities	**(584)**	9,562
Net increase/(decrease) in cash held	**4,250**	(12,966)
Cash at beginning of period	**9,024**	20,196
Cash at end of period	**13,274**	7,230

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

The half-year financial report is a general purpose financial report prepared in accordance with AASB 134 'Interim Financial Reporting' and the Corporations Act 2001.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity. The half-year financial report should be read in conjunction with the annual financial report of Saracen Mineral Holdings Limited as at 30 June 2013 which was prepared in accordance with the requirements of the Corporations Act 2001 and applicable Australian Accounting Standards. It is also recommended that the half-year financial report be considered together with any public announcements made by the parent entity during the period 1 July 2013 to the date of this report in accordance with the continuous disclosure obligations of the ASX listing rules.

(a) Basis of accounting

The half-year financial report has been prepared on the basis of historical cost, except where stated. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

The half-year financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

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.

(b) Accounting policies

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's annual financial report for the financial year ended 30 June 2013, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

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

Interpretation 20 provides guidance on the accounting for waste removal (stripping) costs incurred in the production phase of a surface mine. In order to reflect the requirements of Interpretation 20, the Company has adopted the following accounting policy:

Deferred Stripping Costs

Stripping (i.e. overburden and other waste removal) costs incurred in the production phase of a surface mine are capitalised to the extent that they improve access to an identified component of the ore body and are subsequently amortised on a systematic basis over the expected useful life of the identified component of the ore body. Capitalised stripping costs are disclosed as a component of Mine Properties.
Components of an ore body are determined with reference to life of mine plans and take account of factors such as the geographical separation of mining locations and/or the economic status of mine development decisions.
Capitalised stripping costs are initially measured at cost and represent an accumulation of costs directly incurred in performing the stripping activity that improves access to the identified component of the ore body, plus an allocation of directly attributable overhead costs.

The amount of stripping costs deferred is based on a relevant production measure which uses a ratio obtained by dividing the tonnage of waste mined by the quantity of ore mined for an identified component of the ore body. Stripping costs incurred in the period for an identified component of the ore body are deferred to the extent that the current period ratio exceeds the expected ratio for the life of the identified component of the ore body. Such deferred costs are then charged against the income statement on systematic units of production basis over the expected useful life of an identified component of the ore body.
Changes to the life of mine plan, identified components of an ore body, stripping ratios, units of production and expected useful life are accounted for prospectively.
Deferred stripping costs form part of the total investment in a cash generating unit, which is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

Transition

The transitional provisions of Interpretation 20 require that it be applied from 1 July 2012, being the beginning of the earliest period presented in the interim financial report. Any previously recognised asset balance that resulted from stripping activity (predecessor stripping asset) shall be reclassified as part of an existing asset to which the stripping asset related, to the extent that there remains an identifiable component of the ore body with which the predecessor stripping asset can be associated. Such balances shall be amortised over the remaining expected useful life of the identified component of the ore body to which each predecessor stripping asset balance relates.
To the extent there is no identifiable component of the ore body to which the predecessor stripping asset relates, the asset has been written off to opening retained earnings at the beginning of the earliest period presented in the interim financial report, being 1 July 2012.

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

(ii) AASB 10, Consolidated Financial Statements

AASB 10 is effective for accounting periods beginning on or after 1 January 2013 and replaces the guidance on control and consolidation in AASB 127, Consolidated and Separate Financial Statements, and Interpretation 112, Consolidation – Special Purpose Entities. It introduces a single definition of control of an entity, focusing on the need to have both exposure, or rights, to variable returns and the power to affect those returns, before control is present. The group has reviewed its investments in other entities and concluded that the application of AASB 10 does not have any impact on the amounts recognised in the consolidated interim financial statements.

(iii) AASB 11, Joint Arrangements

AASB 11 is effective for accounting periods beginning on or after 1 January 2013 and introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how contractual rights and obligations are shared by the parties to the joint arrangements. Based on the assessment of contractual rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionally consolidate is no longer permitted. Parties to a joint operation continue to account for their direct right to, and their share of, jointly held revenues, expenses, assets and liabilities of the joint operation. The Group has assessed the nature of its joint arrangements and the application of AASB 11 does not have any impact on the amounts recognised in the consolidated interim financial statements.

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

AASB 12 is effective for accounting periods beginning on or after 1 January 2013 and sets out the required disclosures for entities reporting under AASB 10 and AASB 11, replacing the disclosure requirements currently found in AASB 128, Investments in Associates and Joint Ventures. The application of AASB 12 requires a number of disclosures which are consistent with previous disclosures made by the Company and has no impact on the amounts recognised in the consolidated interim financial statements.

(v) AASB 13, Fair Value Measurement

AASB 13 is effective for accounting periods beginning on or after 1 January 2013 and provides guidance on how to measure fair value and enhance fair value disclosures. The application of AASB 13 has not changed the Company's measurement techniques for determining fair value however it has resulted in the Company providing additional disclosures in respect of its cash flow hedge in Note 8.

(vi) AASB 119, Amendments to Employee Benefits

AASB 119 is effective for accounting periods beginning on or after 1 January 2013 and sets out the required disclosures for entities reporting under AASB 119. An amended version of AASB 119 'Employee Benefit' with revised requirements for pension and other post-employment benefits, termination benefits and other change requires a number of disclosures which are consistent with previous disclosures made by the Company. AASB 119 amendments to Employee Benefits have no impact on the amounts recognised in the consolidated interim financial statements.

(c) Comparatives

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

	31 December 2013 $'000	30 June 2013 $'000
NOTE 2 PLANT AND EQUIPMENT		
Plant and equipment		
Opening balance net of accumulated depreciation	**34,712**	28,895
Transfer from capital work in progress	**3,280**	10,579
Transfer from equipment under finance lease	**-**	4,835
Additions	**55**	195
Disposals	**(31)**	(1,659)
Depreciation	**(4,193)**	(8,133)
Closing balance net of accumulated depreciation	**33,823**	34,712
Equipment under finance lease		
Opening balance net of accumulated depreciation	**-**	2,525
Additions	**-**	2,310
Transfer to plant and equipment	**-**	(4,835)
Closing balance net of accumulated depreciation	**-**	-
Capital work in progress		
Opening balance net of accumulated depreciation	**5,493**	3,342
Additions	**5,644**	15,650
Reclassification to Expenses	**(8)**	-
Transfer to mines in production	**(2,945)**	(2,920)
Transfer to plant and equipment	**(3,280)**	(10,579)
Closing balance net of accumulated depreciation	**4,904**	5,493
Cost	**55,630**	52,936
Accumulated depreciation	**(16,903)**	(12,731)
Net carrying amount	**38,727**	40,205

	31 December 2013 $'000	30 June 2013 $'000
NOTE 3 DEFERRED EXPLORATION AND EVALUATION COSTS		
Deferred exploration and evaluation costs		
Balance at the start of the period	**22,098**	26,485
Additions	**3,178**	12,292
Transferred to mines under construction	**-**	2,496
Transferred to mines in production	**-**	2,656
Transferred to plant and equipment	**-**	(195)
Transferred to mines in production	**-**	(12,534)
Capitalised expenditure written off	**(174)**	(9,102)
Balance at the end of the period	**25,102**	22,098

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

NOTE 4 MINE PROPERTIES

	31 December 2013 $'000	30 June 2013 $'000
Mines under construction *	**-**	-
Mines in production #	**80,472**	78,313
Deferred mining expenditure @	**15,943**	3,595
Balance at the end of the period	**96,415**	81,908
***Mines under construction**		
Balance at the start of the period	**-**	41,706
Additions	**-**	666
Transferred to deferred exploration and evaluation costs	**-**	(2,496)
Transferred to mines in production	**-**	(39,876)
Balance at the end of the period	**-**	-
#Mines in production		
Balance at the start of the period	**78,313**	52,101
Additions	**11,649**	66,098
Transferred from capital work in progress	**2,945**	2,920
Transferred from deferred exploration and evaluation costs	**-**	12,534
Transferred to deferred exploration and evaluation costs	**-**	(2,656)
Transferred from mines under construction	**-**	39,876
Amortisation for the period	**(14,469)**	(54,145)
Impairment of mines in production	**-**	(39,078)
Increase in rehabilitation provision	**2,034**	663
Balance at the end of the period	**80,472**	78,313
Reconciliation of mines in production		
Current	**7,373**	-
Non-Current	**73,099**	-
Balance at the end of the period	**80,472**	-
@Deferred mining expenditure – Non-Current		
Balance at the start of the period	**3,595**	16,230
Additions	**15,943**	11,899
Expensing of deferred costs	**(3,595)**	(15,952)
Impairment of deferred mining expenditure	**-**	(8,582)
Balance at the end of the period	**15,943**	3,595

	31 December 2013 $'000	30 June 2013 $'000
NOTE 5 BORROWINGS		
Current		
Finance lease liabilities	**1,572**	1,217
Premium Funding Loan	**644**	-
Macquarie Bank Loan	**6,950**	-
	9,166	1,217
Non-current		
Macquarie Bank Loan	**15,000**	21,950
Prepaid establishment fees	**(760)**	(951)
Finance lease liabilities	**1,753**	2,624
	15,993	23,623

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

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

As at 31 December 2013, $15,000,000 has been drawn down on the working capital facility and $6,950,100 on the project loan facility. The availability of the undrawn portion of the project loan facility and the mezzanine facility expired during the period under review.

Subsequent to period end, the facilities were revised and expanded to a total availability of $55 million comprised of $25 million for the working capital facility and $30 million for the project loan facility. The environmental bonding facility was amended to a limit of $6 million.

NOTE 6 FINANCIAL DERIVATIVE INSTRUMENTS

Financial derivative assets		
Current: Cash flow hedge asset	**18,840**	17,652
Non-Current: Cash flow hedge asset	**23,006**	28,694
	41,846	46,346

On 18 December 2013 an additional 38,500 ounces of gold has been added to Saracen's hedging programme to bring the total hedging to 180,000 ounces at an average price of $1,627.50. As at 31 December Saracen had 177,364 ounces outstanding at an average price of $1,631.15 to be delivered into over the period from January 2014 to August 2016.

The gain or loss from remeasuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge is effective. There was no hedge ineffectiveness in the current period.

NOTE 7 CONTRIBUTED EQUITY

	31 December 2013		30 June 2013	
	Number of shares	**$'000**	Number of shares	$'000
(a) Issued capital				
Ordinary shares fully paid	**595,263,186**	**185,901**	595,263,186	185,901

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

(b) Movements in shares on issue

Beginning of the financial period	**595,263,186**	**185,901**	594,815,640	185,724
- acquisition settlement	**-**	**-**	181,818	100
- options exercise	**-**	**-**	219,966	77
- options exercise	-	**-**	45,762	-
End of the financial period	**595,263,186**	**185,901**	595,263,186	185,901

NOTE 8 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

a) Fair value hierarchy

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

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

The following table presents the group's financial assets and financial liabilities measured and recognised at fair value at 31 December and 30 June 2013 on a recurring basis:

31 December 2013	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Assets				
Listed shares at fair value	**42**	**-**	**-**	**42**
Derivative assets	**-**	**41,846**	**-**	**41,846**
Total	**42**	**41,846**	**-**	**41,888**

30 June 2013				
Assets				
Listed shares at fair value	85	-	-	85
Derivative assets	-	46,346	-	46,346
Total	85	46,346	-	46,431

The group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2013 and did not transfer any fair value amounts between the fair value hierarchy during the half year period FY 2013.

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

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

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

Specific valuation techniques used to value financial instruments include:

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

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

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

NOTE 9 SEGMENT INFORMATION

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.

		31 December 2013 $'000	31 December 2012 $'000
(a)	**Segment external revenues**		
	SGM - Metal sales	**110,617**	97,675
	SGM - Interest income	**3**	299
	SGM – Other	**21**	10
	SAR - Interest income	**298**	217
		110,939	98,201
(b)	**Segment profit before tax**		
	SGM	**12,266**	(28,632)
	SAR	**(1,710)**	(1,176)
		10,556	(29,808)
	Finance costs	**(893)**	(479)
	Other income	**322**	526
	Share based payments	**(24)**	(343)
	Change in fair value of listed shares	**(42)**	(4)
	Profit before income tax	**9,919**	(30,108)

		31 December 2013 $'000	30 June 2013 $'000
(c)	**Segment assets and liabilities**		
	Assets		
	SGM	**188,001**	174,187
	SAR	**55,093**	62,152
	Tax	**-**	1,027
		243,094	237,366
	Liabilities		
	SGM	**38,330**	37,094
	SAR	**21,622**	21,546
	Tax	**545**	-
		60,497	58,640

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

(d) Other segment information

Depreciation and amortisation of $18.66 million (31/12/12: $27.32 million) are attributable to the SGM segment.
Total non-current asset additions of $36.47 million (30/06/13: $108.92 million) is attributable to the SGM segment.
Metal sales of $110.62 million (31/12/12: $97.67 million) attributable to the SGM segment arose from sales to the consolidated entity's largest customer, Macquarie Bank Limited.

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

NOTE 10 EVENTS SUBSEQUENT TO THE REPORTING DATE

Apart from those matters detailed in the Directors' Report on pages 3 to 7 of these financial statements, there has not been any matter or circumstance, that has arisen since the half-year ended 31 December 2013, 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.

NOTE 11 CONTINGENT LIABILITES

There are no contingent liabilities at 31 December 2013.

DIRECTORS' DECLARATION

In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:

(i) Giving a true and fair view of the financial position as at 31 December 2013 and the performance for the half-year ended on that date of the consolidated entity.

(ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

(b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the board.

Raleigh Finlayson
Managing Director
24 February 2014

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INDEPENDENT AUDITOR'S REVIEW REPORT

To The Members of Saracen Mineral Holdings Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Saracen Mineral Holdings Limited, which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Saracen Mineral Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Saracen Mineral Holdings Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

BDO Audit (WA) Pty Ltd

BDO

Peter Toll

Director

Perth, 24 February 2014