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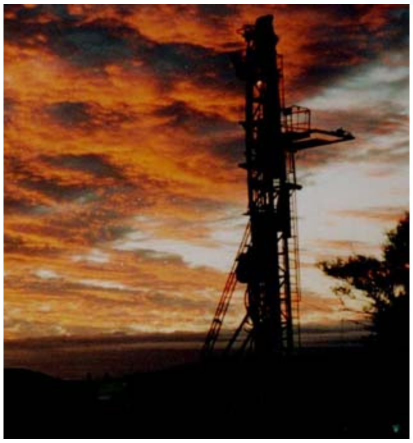

Chairman's Letter to Shareholders

Attached is a letter from the Chairman to shareholders, regarding the Company's recent announcement of a merger proposal with Catalpa Resources Limited and other recent developments at St Barbara, which will be mailed to shareholders today.

Ross Kennedy
Executive General Manager Corporate Services
Company Secretary
30 May 2011

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30 May 2011

Dear Shareholder,

MERGER PROPOSAL WITH CATALPA

SIGNIFICANT GOLD INTERSECTION AT COPPERHEAD

KING OF THE HILLS MINE COMMENCES GOLD PRODUCTION

I am writing to inform you of some exciting developments at St Barbara.

Merger Proposal

On 13 May 2011, St Barbara announced to the ASX that it had approached the Board of Catalpa Resources Limited with a merger proposal to combine the two companies. The combination would create a leading diversified Australian mid-tier gold company, with the largest forecast gold production base in FY 12, the second largest gold reserves base, and the third largest gold resources base in the sector[1].

St Barbara believes it has made an attractive and logical proposal to the Board of Catalpa, one that is value enhancing for both St Barbara and Catalpa shareholders and which would provide a platform for further growth in the Australian gold sector. The proposal would result in St Barbara shareholders owning approximately 80% of the combined organisation[2].

With a pro forma market capitalisation of A$865 million[3], the merged company would have an enhanced platform of scale, diversity and capability to continue to grow the combined operations, as well as the financial strength to invest in future growth and development opportunities.

1 Based on most recently disclosed company announcements, pro forma forecast gold production based on the mid-point of company guidance for St Barbara, and estimates from selected brokers which disclose production metrics for Catalpa.
2 Based on the existing issued capital of St Barbara and Catalpa on a fully diluted basis as at the date the proposal was made to Catalpa on 10 May 2011, and the pro forma St Barbara shares on issue post transaction.
3 Based on the pro forma St Barbara shares on issue post transaction and on the closing price of St Barbara shares on the proposal date, 10 May 2011, of A$2.12.

St Barbara's Directors believe that the proposal would deliver numerous benefits and create significant value for both sets of shareholders through:

- A portfolio with one of the largest gold reserves and resources positions in the Australian mid-tier gold sector;
- A more diversified portfolio of established and proven operating assets which reduces overall investment risk;
- A stronger production growth profile with significant upside opportunity;
- Greater scale and financial capability to capture future growth opportunities;
- Potential to realise operating and strategic synergies in the northern Southern Cross region of Western Australia;
- Strong cash flow generation on a pro forma basis;
- Broad operations management capability covering open pit and underground mining across the value chain, from discovery to gold production;
- A proven track record in developing and operating underground gold projects; and
- A potential re-rating to a level reflecting the market positioning, production and portfolio quality of the combined company relative to mid-tier peers.

The Catalpa Board has stated that in the coming weeks it intends to hold discussions with St Barbara and its advisers in relation to the proposal. St Barbara welcomes Catalpa's engagement.

The scheme of arrangement proposal announced to the ASX on 13 May 2011 is for a 50% scrip and 50% cash transaction at a fixed ratio of 0.4535 St Barbara ordinary shares for each ordinary share in Catalpa plus A$0.9613 cash per Catalpa share (implying an offer value of A$1.92 for each Catalpa share[4]). The proposal requires limited scope due diligence and entry into a Merger Implementation Agreement on terms and conditions customary for transactions of this type and size, including obtaining of all necessary shareholder, regulatory and Court approvals.

We have structured the proposal in such a way as to provide an attractive transaction for both St Barbara and Catalpa shareholders. The cash component of the proposal would be funded by St Barbara's existing cash reserves and debt, and the strong free cash flow projections of the combined company are expected to provide sufficient capacity to fully repay debt by 30 June 2012.

While St Barbara believes the logic of the combination of the two companies is compelling, St Barbara has other development opportunities under consideration. In the event that the merger does not proceed, St Barbara will continue to focus on realising value from organic growth and other identified opportunities.

This letter provides a summary of the full ASX announcement and investor presentation in relation to the proposal, which are available at www.stbarbara.com.au. Please refer to those documents for further information.

4 Based on the closing price of St Barbara shares on the proposal date, 10 May 2011, of A$2.12.

Significant gold intersection at Copperhead, Southern Cross, WA

On 23 May 2011, St Barbara announced that recent drilling at Copperhead, approximately 85km to the north of St Barbara's mining operations at Marvel Loch, Southern Cross, in Western Australia, has provided encouraging initial results.

The former Copperhead mine was one of the largest mines in the Yilgarn greenstone belt and has a long history of gold production commencing in 1909. It is estimated that historically the Copperhead mine produced over 1.5 million ounces of gold from 13 million tonnes of ore.

The area surrounding Copperhead is home to several producing mines including Catalpa's Edna May operations. Full details are available at www.stbarbara.com.au.

King of the Hills mine commences gold production

Gold production has commenced from King of the Hills underground mine at Leonora ahead of schedule, with ore being processed at the nearby Gwalia mill. King of the Hills is expected to produce 55,000 to 60,000 ounces of gold per annum for the next five to six years, with potential for mine life extension. Full details are available at www.stbarbara.com.au.

No action required by St Barbara shareholders

You are not required to take any action as this letter is for information only. However we would welcome your views in relation to the proposal and would be pleased to answer any questions you may have. Please contact Ross Kennedy, Executive General Manager Corporate Services and Company Secretary on +613 8660 1903 or Xian Davies, Senior Investor Relations Advisor on +613 8660 1904 if you require any further information in relation to the proposal.

This announcement does not constitute an offer to Catalpa shareholders and there can be no assurance that any combination will result from the proposal.

Thank you for your interest and support as a shareholder of St Barbara.

Yours sincerely,

Colin Wise
Chairman
St Barbara Limited

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